

Pre-approved by
the Board of Directors of
E.ON Russia JSC
21 April 2016
(Minutes No. 229)

Approved by
the Annual General Meeting
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15 June 2016
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Chairman of the Annual
General Meeting of Shareholders

_____ B. Reutersberg

ANNUAL REPORT E.ON Russia JSC FOR 2015

Validity of information
of the Annual Report is certified by
the opinion of the Audit Commission
of E.ON Russia JSC No. w/n
dated 31 March 2016

CEO _____ /M.G. SHIROKOV/

2016

TABLE OF CONTENTS

1. KEY PERFORMANCE INDICATORS	3
2. ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO TO SHAREHOLDERS	4
3. GENERAL INFORMATION ABOUT THE COMPANY.....	6
4. REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S DEVELOPMENT IN ITS PRIORITY AREAS OF ACTIVITIES	16
5. FINANCIAL PERFORMANCE REVIEW	21
6. CORPORATE GOVERNANCE	30
7. SHARES AND STOCK MARKET	49
8. OPERATIONS OVERVIEW	52
9. POWER MARKETS	56
10. INVESTMENT PROGRAM	60
11. PROCUREMENT ACTIVITIES.....	65
12. INFORMATION TECHNOLOGIES	68
13. RISKS AND RISK MANAGEMENT SYSTEM	69
14. CORPORATE AND SOCIAL RESPONSIBILITY	72
15. CONTACT INFORMATION	88
ANNEX 1 – FINANCIAL STATEMENTS OF E.ON RUSSIA JSC FOR 2015.....	90
ANNEX 2 INFORMATION ON INTERESTED PARTY TRANSACTIONS AND MAJOR TRANSACTIONS EFFECTED BY THE COMPANY IN 2015	110
ANNEX 3 REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE OF CORPORATE GOVERNANCE	125

1. KEY PERFORMANCE INDICATORS

			2015/2014
Revenue	78.6	bln roubles	-1.7%
EBITDA ¹	24.3	bln roubles	-3.7%
EBIT ²	17.6	bln roubles	-5.5%
Net profit	15.5	bln roubles	-11.2%
Assets value	127.4	bln roubles	1.6%
Electric power generation	53.77	GW/h	-9.2%
Electric power sales ³	56.69	GW/h	-8.6%
ICUF	58.0	%	-7.3%
(installed capacity utilisation factor)			

Information presented in this Report is based on accounting reports drawn up in accordance with the Russian Accounting Standards (RAS).

¹ EBITDA = Profit (loss) from sales + Other income - Other expenses - Net balance of exchange rate differences + depreciation

² EBIT = Profit (loss) from sales + Other income - Other expenses - Net balance of exchange rate differences

³ including the volumes purchased on the market

2. ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO TO SHAREHOLDERS

ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders, Investors and Colleagues!

In 2015, E.ON Russia JSC demonstrated stable results in operating activities. The total output of the Company's plants amounted to 53.8 bln KWh. The electric power sales volumes reached 56.7 bln kWh.

Despite difficult market conditions due to the overcapacity E.ON Russia JSC has managed to achieve stable financial results. The level of gross profit corresponds to that of 2014. The EBITDA indicator has dropped by 4% to 24.3 bln. roubles mainly for the reason of the shutdown of power unit No. 4 of Surgutskaya GRES-2 in the first half year of 2015, and imposing of penal sanctions for delay in commissioning of new power unit No. 3 of Berezovskaya GRES. Both events are of non-recurrent nature.

In February 2016 the fire occurred on recently commissioned power unit No. 3 of Berezovskaya GRES, that caused a material damage to it. According to the results of the preliminary investigation, the fire occurred due to the leakage in the pipeline supplying fuel oil to the boiler. The fire damaged mostly the boiler steel structure, the major part of which is to be replaced, according to the latest information. According to our forecasts, power unit No. 3 of Berezovskaya GRES will be out of operation for at least the following 20 months. The explicit task of recommissioning power unit No. 3 of Berezovskaya GRES is set to the management, all other business projects are suspended.

Despite the damage caused to Berezovskaya GRES, E.ON Russia will pay dividends in 2016. However, it is clear that their amount will be influenced by the damage caused by the fire.

Positive events for the Company: in December 2015 all our facilities built before 2007 successfully passed a competitive capacity takeoff (CCT) with the capacity supply for the following four years. In comparison with the previous annual competitive capacity takeoff the new version of CCT differs by a higher stability and predictability level in respect of expected incomes.

On behalf of the Board of Directors of E.ON Russia JSC, I would like to express my gratitude to each of you for your substantial contribution to the operational and financial activities of the Company in 2015.

I would also like to thank our shareholders for their trust and confidence that our Company has significant potential for the long term development. We will make every effort to meet your expectations!

Best regards,
Chairman of the Board of Directors of E.ON Russia JSC
Dr. Bernhard Reutersberg

ADDRESS OF THE CHIEF EXECUTIVE OFFICER

Dear Colleagues, Shareholders,

Despite the complex macroeconomic situation, E.ON Russia JSC remains one of the most stable companies in the industry, promptly solving problems and developing promising areas of business.

The investment program of E.ON SE in Russia was completed by commissioning of new facilities at Berezovskaya GRES in 2015.

The Company successfully implemented a project on participation of power unit No. 1 of Berezovskaya GRES in the market of system services as related to the Rated Primary Frequency Control (RPFC). From 15 December 2015 the power unit actually started participating in the provision of this service that is crucial for the energy system of Russia. It is important to mention that power unit No. 1 of Berezovskaya GRES is the first and currently the only pulverised coal power unit in Russia participating in RPFC. Certification testing of CCGT-400 power unit of Shaturskaya GRES was successfully completed for the purpose of participation in RPFC.

E.ON Engineering, a subsidiary company, was registered in October 2015 for the purpose of business diversification and maintaining the dominant position on the power market, which tasks include, apart from completion of projects at Berezovskaya GRES, development of engineering business on new grounds. The own engineering company serves E.ON Russia to accumulate experience and technical competence gained in the course of implementation of its investment program.

A special attention is paid in the Company to development of business in the sphere of distributed generation. Currently the assets of E.ON Connecting Energies LLC, our subsidiary company responsible for this area, include a combined heat and power plant with the capacity of 30 MW servicing the Noginsk Industrial Park, as well as several minor experimental projects with the capacity of 800 kW each for Metro Group. At present the transaction on acquisition of a new plant is being completed. Specialists of the Company are actively working over creation of a package of new projects for implementation in 2016.

A lot of work was done in the sphere of social responsibility and preparation of young specialists in the regions of the Company's presence. Besides, E.ON Russia continued its activities for financial support of national and international cultural projects.

I am convinced that the accumulated knowledge and experience will help us to overcome difficulties. I express my thanks to the Company's shareholders for their trust.

Best regards,
CEO of E.ON Russia JSC
Maksim Gennadyevich Shirokov

3. GENERAL INFORMATION ABOUT THE COMPANY

Full name	Open Joint Stock Company E.ON Russia
Date of state registration	4 March 2005
Primary State Registration Number (OGRN)	1058602056985
Legal Address of the Company	23 bldg. 34, Energostroiteley street, Surgut, Khanty-Mansi Autonomous District - Yugra, Tyumen Region
Address of the Moscow Representative Office	10 Presnenskaya emb, bld. V, floor 23 Moscow, 123317
Contact phone	(495) 545-38-38
Fax	(495) 545-38-39
E-mail:	INFO@EON-RUSSIA.RU
Core business	Generation and sales of electric and heat power and capacity
Total installed capacity, MW	11,145
Authorised capital, roubles	25,219,482,458.37
Total number of shares, pcs	63,048,706,145.92
Nominal value of one share, roubles	0.40
Number and date of state registration of the shares' issue	1-02-65104-D dated 19 April 2007
Major Shareholder of the Company (share)	E.ON Russia Holding GmbH (83.73%)
Full Name of the Registrar	R.O.S.T. Registrar Joint Stock Company
Registrar's Address	18 bldg. 13, Stromynka str., Moscow 107996
Full name of the Company's Auditor	PricewaterhouseCoopers Audit Joint Stock Company
Address of the Company's Auditor	10 Butyrskiy Val str., Moscow, 125047, Russia

3.1. Brief History of the Company

In 2005, OGK-4 OJSC was established on the basis of five power plants. It included power plants with capacity of 8,630 MW: Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Smolenskaya GRES and Yaivinskaya GRES.

In 2007, the majority interest of OGK-4 OJSC was acquired by E.ON international energy group, which operates in more than 30 countries in the world. The main activity of the Group is generation and supply of electric power, gas production and transportation. E.ON Group and Russia are interconnected by more than 35 years of partnership. E.ON is a shareholder of the Nord Stream gas pipeline, and has a share in the Yuzhno-Russkoye oil and gas field. Today E.ON is the largest foreign investor in the Russian electric power industry.

From the moment of state registration (4 March 2005) the Company was named Fourth Generation Company of the Wholesale Electricity Market Open Joint Stock Company (OGK-4 OJSC). In July 2011 OGK-4 OJSC was renamed into E.ON Russia JSC.

E.ON Russia JSC is an entity acting in the wholesale electricity market; it generates and trades electric and heat power and supplies heat.

In 2007, international E.ON Group (hereinafter - E.ON) acquired 69.34% of the Company's authorised capital, subsequently its share increased up to 83.73%. E.ON is one of the largest private power and gas groups in the world.

As a result of the investment program being currently implemented in relation to construction of new capacities, as well as the modernisation program, the total installed capacity of E.ON Russia JSC amounts to 11,145 MW. In 2010-2011, the Company put into operation 4 new combined cycle power units with the total capacity of 1,600 MW at Shaturskaya GRES, Surgutskaya GRES-2 and Yaivinskaya GRES, and increased the capacity of Berezovskaya GRES by 100 MW due to the equipment modernisation. In 2015 the pulverised coal power unit with the capacity of 800 MW was commissioned at Berezovskaya GRES.

Shares E.ON Russia JSC are traded at Moscow Interbank Currency Exchange CJSC (MICEX).

3.2. Position of the Company in the Industry

E.ON Russia JSC is a participant of the wholesale electricity market, it produces and sells electric and heat power. The Company's share in the all-Russian electric power generation amounts to 5.2% following the results of 2015, the share of the installed capacity in UES of Russia amounts to 4.7%. The share in the output of Russian heat power plants amounts to approximately 9%.

E.ON Russia JSC power plants are located in the regions of Russia with the highest level of power consumption and relatively well-developed grid infrastructure. Four out of five generating facilities of the Company are located in the most economically and industrially developed territories of the Russian Federation, which have a high potential for growth of power consumption.

In 2015 E.ON Russia completed its investment program that provided for construction of new generating facilities with the capacity of 2,400 MW. 4 combined cycle power units with the aggregate capacity of 1,600 MW were commissioned at Shaturskaya GRES, Surgutskaya GRES-2 and Yaivinskaya GRES in 2010-2011. In 2015 the pulverised coal power unit with the capacity of 800 MW was commissioned at Berezovskaya GRES.

All this, together with the efficient costs management strategy, enables E.ON Russia JSC to be a leader of the Russian heat power industry.

E.ON Russia JSC is the most efficient Company in the sector of heat generation of electric power in the Russian Federation.

3.3. Priority Areas of the Company's Activities

The main priority for E.ON Russia remains the affective management of the operating facilities. The Company continued to implement the project on a gradual shift to a dry ash and slag removal system at the Berezovskaya GRES branch. The shift to the dry ash and slag removal system will make it possible to avoid the increase of the existing sludge disposal site area for 30 years and, at the same time, to provide a nearly 50 times reduction in the specific volume of water used in the process cycle.

The environmental safety and the rational use of natural resources is one of the priority areas of the Company's activities. In 2015 the issue of water consumption and removal management of the Company's branches was highlighted.

In 2015 a special attention was paid to the issues of ensuring security and anti-terrorism protection of the branches' facilities, the work on modernisation of systems of the technical security equipment and improvement of the anti-terrorism protection system of the branches' facilities was intentionally carried out in the Company.

The Company plans to continue elaborating new growth points - the distributed generation and the development of own engineering business.

3.4. Strategy of the Company's Development

In its activity E.ON Russia JSC relies upon the global strategy of E.ON Group - "Empowering customers. Shaping markets").

Power generation remains the Company's core business. In addition to this, E.ON Russia JSC intends to continue the development in the distributed generation market of the Russian Federation, as well as to work out projects that make it possible to use the accumulated expertise in the field of construction, generation and efficient management of existing plants.

3.5. Prospects of the Company's Development

In 2015 E.ON Group was making arrangements for division of the Group into two public companies - E.ON and Uniper. On 1 January 2016 the division of the Group took place. E.ON SE will focus its efforts on the new energy market and work with customers. Its activity will encompass three main areas: renewable energy sources, distribution networks, and solutions for customers. Uniper which will include E.ON Russia JSC, will focus on the "traditional energy world". Power generation, gas production and transportation, as well as energy sources trade will be the core businesses for Uniper.

Russia is the key region for Uniper.

3.6. Assets of the Company

The structure of E.ON Russia JSC includes five heat power plants with the total installed capacity of 11,145.1 MW/ 2,306 Gcal/h: Surgutskaya GRES-2 (Khanty-Mansi Autonomous District, Tyumen Region), Berezovskaya GRES (Krasnoyarsk Territory, Shaturskaya GRES (Moscow region), Smolenskaya GRES (Smolensk region) and Yaivinskaya GRES (Perm Territory).



Basic production and technical characteristics of E.ON Russia JSC, 2015

Power plant	Commissioning years (connection to the grid)	Installed capacity, MW	ICUF* 2015, %	Electric power generation 2015, mln kW·h.
Surgutskaya GRES-2	1985-2011	5,597.1	67.0	32,836
Berezovskaya GRES	1987-2015	2,400.0	55.9	8,971
Shaturskaya GRES	1971-2010	1,493.4	37.4	4,899
Smolenskaya GRES	1978-1985	630.0	35.3	1,950
Yaivinskaya GRES	1963-2011	1,024.6	56.9	5,111
E.ON Russia		11,145.1	58.0	53,766

* Installed capacity utilization factor

Surgutskaya GRES-2 Branch of E.ON Russia JSC

(hereinafter - Surgutskaya GRES-2)

Surgutskaya GRES-2 is located in Surgut (Khanty-Mansi Autonomous District – Yugra, Tyumen region) and is the largest thermal power plant of Russia as regards installed capacity, which amounts to 5,597.1 MW.

In 2015 the plant generated 32,835.976 mln kW·h, which amounts to 96 per cent of the plan of the Federal Tariff Service or 82 per cent of the Company's business plan. The electricity supply amounted to 896.451 thousand Gcal (106 per cent of the Company's business plan and 104 per cent pursuant to the plan of the Federal Tariff Service). The specific fuel consumption for the electricity supply amounted to 297.34 g/kW·h, heat power supply - 163.30 kg/Gcal.

As for the electric power generation, Surgutskaya GRES-2 is the largest generating plant in Russia.

Construction of Surgutskaya GRES-2 was started in Q4 of 1979 as per the Resolution of the Soviet of Ministers of the USSR dated 15 November 1979. The resolution bears a symbolic number – 1000. The necessity to construct the largest heat power plant in the country was caused by rapid growth of oil and gas production in early 1980s in the north of the Tyumen Region. The region needed electric power: to extract minerals it was necessary to increase the volume of electric power generation five times.

Putting into operation of six power units of Surgutskaya GRES-2 (800 MW each) in record-breaking short time helped to eliminate the electric power deficiency in the whole Tyumen region. Terms of the power plant construction had no match in the country: 4,800 MW of the new capacities were put into operation within three and a half years. Two first power units of the plant were commissioned in 1985; the last one was put into operation in 1988.

The new stage in the life cycle of Surgutskaya GRES-2 started 20 years later - in 2008, when E.ON Russia JSC started construction of two combined cycle power units of 400 MW each within the investment program. Notwithstanding severe climatic conditions and complexity of equipment delivery, the new power units were put into operation in time: on 23 July 2011, the Prime-Minister of Russia V.V. Putin instructed to commission new power units of Surgutskaya GRES-2 with the total capacity of 797.1 MW.

Surgutskaya GRES-2 is one of the most efficient heat power plants of the country. Its technical and economic indicators are highly competitive with the best foreign counterparts: specific fuel consumption is less than 306 grams per kW·h - at steam power units and 227 grams - at CCGTs; electricity consumption for balance-of-plant needs — less than 2.5%; installed capacity utilisation factor (ICUF) - 77.3%.

Staff headcount as of 31 December 2015 — 1,249 persons.

Branch Director: Yevgeniy Viktorovich Zhilyayev.

Contact information:

Surgutskaya GRES-2 Branch of E.ON Russia JSC.

Postal address: 23 Energostroiteley Street, Building 34, Surgut 628406, Khanty-Mansi Autonomous District – Yugra, Tyumen region.

Location: 23 Energostroyteley Street, Building 34, Surgut 628406, Khanty-Mansi Autonomous District – Yugra, Tyumen region.
 Telephone: (3462) 38-13-59.
 Fax: (3462) 28-00-36.
 E-mail: SURGUT_GRES-2@EON-RUSSIA.RU

Generation of electric and heat power at Surgutskaya GRES-2

Indicator	2011	2012	2013	2014	2015
Electric power generation, mln kW·h.	38,829	39,967	39,850	37,886	32,835
Heat output from headers, thousand Gcal	863	891	908.7	961	896.5

BEREZOVSKAYA GRES Branch of E.ON Russia JSC

(hereinafter - Berezovskaya GRES)

Berezovskaya GRES is a branch of E.ON Russia located in Sharypovo district, Krasnoyarsk Territory. Since October 2015 the installed capacity of the plant amounts to 2,400 MW (3 power units, 800 MW each). The power plant burns brown coal mined at Berezovskoye field and is the most large-scale thermal power station in Krasnoyarsk Territory. Following the results of the year 2015, the electric power generation amounted to 8.97 billion kWh, heat output – 634 thousand Gcal.

Berezovskaya GRES is the only power plant in Russia with 800 MW power units where coal is used as fuel, all the rest of the heat power plants with same power units are operated using gas. The power plant is operated as a part of the unified energy system of Siberia. Its installed capacity share in the UES of Siberia is 4.6%. The installed capacity share among heat power plants of Siberia is 9.0%.

Construction of Berezovskaya GRES started in 1976. The technical project of Berezovskaya GRES presupposed the construction of eight 800 MW power units. Thus, power plant's planned installed capacity was to amount to 6,400 MW. On 1 December 1987 the first power unit of the power plant was commissioned, the second one was put into operation in April 1991. Then the construction ceased to be financed. Installed capacity of the power plant capacity amounted to 1,600 MW. However, shortly after the launch, the capacity of existing power units was reduced from targeted 1,600 MW to 1,400 MW. It occurred due to the intensive slagging of boiler heating surfaces during the operation using the high-ash coal of the Berezovskoye field at maximum capacity parameters. In 2009, E.ON Russia JSC launched a project aimed to increase the capacity of the plant up to the targeted 1,600 MW. It became possible due to the use of up-to-date energy technologies. The project to increase the installed capacity of power unit No. 2 was completed at the end of 2010. The similar project at power unit No. 1 was completed in 2011.

The final stage of E.ON Russia JSC investment program, i.e. the construction of the third 800 MW power unit at Berezovskaya GRES, began in May 2011. The facility was commissioned in 2015.

Berezovskaya GRES SPU-800 (pulverised coal power unit for supercritical steam parameters) construction project was a top priority project for energy industry development in Russia. (Order of the Government of the Russian Federation No. 1334-p dated 11 August 2010 on implementation using CDA) Similar power units haven't been constructed in Russia for over 20 years.

Measures to minimise the negative impact on the environment were taken during the new power unit construction. The modernised equipment makes it possible to reduce nitrogen oxide emissions to 300 mg/m³, which complies with the most strict Russian environmental standards. Waste water treatment system has been improved, and highly efficient oil coolers are used.

The commissioning of power unit No. 3 didn't mark the end of works performed at Berezovskaya GRES. Technical modernisation of the power plant includes the construction of a new fuel receiving station and the upgrade of ash disposal area.

Staff headcount as of 31 December 2015 — 1,082 persons.

Director of the branch — Vladimir Nikolayevich Borisov.

Contact information:

Berezovskaya GRES Branch of E.ON Russia JSC

Postal address: PO Box 6-3/40, Sharypovo 662313, Krasnoyarsk Territory

Location: Energetikov Industrial Base, building 1/15, settlement of Kholmogorskoye, Sharypovo district, 662328, Krasnoyarsk Territory.

Telephone: (39153) 7-13-50; 2-53-50.

Fax: (39153) 7-10-18.

E-mail: BGRES@EON-RUSSIA.RU

Generation of electric and heat power at Berezovskaya GRES

Indicator	2011	2012	2013	2014	2015
Electric power generation, mln kW·h.	11,082	10,738.	10,020.	9,049	8,971
Heat output from headers, thousand Gcal	694	731	696	715	634

SHATURSKAYA GRES Branch of E.ON Russia JSC

(hereinafter - Shaturskaya GRES)

Shaturskaya GRES is a heat power plant located in Shatura (Moscow region). The main fuel is natural gas, however, coal, black oil and peat may also be used at the GRES. The installed capacity of Shaturskaya GRES is 1,493.4 MW, heating capacity is 344.5 Gcal/h. Following the results of 2015 electric power generation amounted to 4.899 bln kWh.

The history of Shaturskaya GRES counts over 90 years. On 25 July 1920 the first pilot temporary 5 MW power plant was constructed, it supplied electric power to the near-by peatery and served as a pilot base for solving the problem of rational combustion of peat. The temporary plant existed till 1926. The design of the permanent plant named "Shaturskaya District Electric Power Plant" started in 1920. It is one of the first power plants constructed according to the Russia State Electrification Program.

In Q2 of 2008 within implementation of the investment program of E.ON Russia JSC, construction of a new power unit 400 MW CCGT was commenced. It was put into service in November 2010. 400 MW CCGT of Shaturskaya GRES was Russia's first single-shaft power unit with the most powerful serial gas turbine of F-class. The efficiency of the combined cycle gas turbine plant of Shaturskaya GRES is about 56%, which exceeds the performance indicators of power units in the Russian heat generation more than by one third.

Since the power unit startup the rated capacity of the plant has grown up to 1,493.4 MW. Due to its environmental compatibility, the project of 400 MW CCGT at Shaturskaya GRES became the first Russian project approved by the United Nations Organisation under the Kyoto protocol.

Staff headcount as of 31 December 2015 — 890 persons.

Director of the branch — Sergey Fedorovich Bakurin.

Contact information:

Shaturskaya GRES Branch of E.ON Russia JSC

Postal address: 5 Chernoozerskiy passage, Shatura 140700, Moscow region.

Location: 5 Chernoozerskiy passage, Shatura 140700, Moscow region.

Telephone: (49645) 7-11-03

Fax: (49645) 2-16-66

E-mail: shgres@eon-russia.ru

Generation of electric and heat power at Shaturskaya GRES

Indicator	2011	2012	2013	2014	2015
Electric power generation, mln kW·h.	5,893	5,185	5,310	4,969	4,899
Heat output from headers, thousand Gcal	403	401	383	378	355

YAIVINSKAYA GRES Branch of E.ON Russia JSC

(hereinafter - Yaivinskaya GRES)

Yaivinskaya GRES is a heat power plant located on the bank of the Yaiva river (Perm Territory). Initially 4 power units of 150 MW used coal of the Kizelovskiy coal field as fuel. Since 1987 the power plant has been using the fuel mix (natural gas and coal dust). Within the investment program of E.ON Russia JSC a new combined cycle power unit of 426.4 MW was constructed at Yaivinskaya GRES. In 2015, the plant generated 5.111 billion kWh and 91 thousand Gcal of heat.

Yaivinskaya GRES is situated in the Bereznikovsko-Solikamsky economic district, where in the 1950s there was a long-felt need for construction of a new power plant. Construction of GRES commenced in March 1956 and on 30 June 1963 the first power unit was put into operation. This day is considered to be the birthday of Yaivinskaya GRES. In 1964, units No. 2 and 3 were commissioned. In 1965, when the fourth power unit was put into operation (24 December 1965), Yaivinskaya GRES reached the design generating capacity of 600 MW, and the installed heating capacity amounted to 69 Gcal/hour. At that time it was the largest power plant of the Perm power system.

Currently, Yaivinskaya GRES is the largest in the upper Kama river area. New impetus was obtained by the plant in 2008, when the construction of 425 MW power unit No. 5 was commenced based on the state-of-the-art combined cycle technology in the power industry.

The CCGT-400 unit was put into service in August 2011. The new plant unit has a number of advantages over the currently operated equipment. The efficiency factor in terms of electricity output is almost one third higher than that of the currently operated equipment - 54.1% (55.9% – electric power generation). In addition, the combined cycle gas turbine (CCGT) is maneuverable that makes it possible to quickly adjust the capacity being generated to the needs of the power grid, and environmentally friendly, as it produces less emissions of nitrogen oxide and CO₂. Due to the 400 MW CCGT commissioning, the installed capacity of the plant increased up to 1,025 MW. In June 2013, a start-up of associated petroleum gas took place at the plant. It helped to completely refuse from combustion of coal which now is a backup type of fuel.

In December 2013 the branch took on lease municipal heat supply networks. The the pipeline was constructed in violation of regulatory requirements and for several years was improperly operated. Yaivinskaya GRES is the only heat supplier to Yaiva settlement. Due to multiple pipeline ruptures the plant constantly suffered from the loss of the heat medium. The lease of the heat supply networks made it possible to draw up a schedule of capital repairs and pipe replacement which is presently being implemented. For the period of lease the branch fully replaced more than 1.5 km of the pipeline.

Yaivinskaya GRES plays an important role in providing stable power supply to major industrial facilities of the Perm Territory, as well as to the social sector in the cities, towns and settlements of the upper Kama river area.

Staff headcount as of 31 December 2015 — 486 persons.

Director of the branch — Yevgeniy Aleksandrovich Inozemtsev

Contact information:

Yaivinskaya GRES Branch of E.ON Russia JSC

Postal address: 5 Timiryazeva Str., Yaiva urban-type settlement, Aleksandrovsk, 618340, Perm Territory

Location: 5 Timiryazeva Str., Yaiva urban-type settlement, Aleksandrovsk, 618340, Perm Territory

Telephone: (34274) 2-43-59.

Fax: (34274) 3-14-64.

E-mail: YAGRES@EON-RUSSIA.RU

Generation of electric and heat power at Yaivinskaya GRES

Indicator	2011	2012	2013	2014	2015
Electric power generation, mln kW·h.	4,854	6,345	5,783	5,621	5,111
Heat output from headers, thousand Gcal	100	95	91	95	91

SMOLENSKAYA GRES Branch of E.ON Russia JSC

(hereinafter — Smolenskaya GRES)

Smolenskaya GRES is a heat power plant located in Ozerny settlement of the Smolensk region. Smolenskaya GRES is operated using coal and natural gas, it was put into operation in 1978. The installed capacity is 630 MW. At Smolenskaya GRES three power units are installed, 210 MW each, each unit includes boiler TPE-208, turbine of K-210-130-3 type. Following the results of 2015 the electric power generation amounted to 1.949 bln kW·h.

The Ministry of Energy and Electrification of the USSR resolved on construction of Smolenskaya GRES in 1965 with due account for milled peat reserve of the Svitsko-Zharkovskaya base. Construction of the power plant was commenced in 1970. On 12 January 1978 the state commission accepted for operation the first power unit of the plant, this day is the official date of commencement of operation of Smolenskaya GRES.

With the power plant commissioning, the Dukhovshchinsky district located in the north of the Smolensk region, got a powerful impetus for social and economic development. The railway to Smolensk running through three districts of the region was restored, the railway connecting Smolensk and Tver regions was constructed, a modern motor road was built, a settlement for power engineers was constructed.

The power plant equipment was designed for combustion of low-ash sulfur-free fuel - peat, but various types of solid fuel were used at Smolenskaya GRES because of delays in peat extracting plants construction; and those solid fuels had different qualitative characteristics: high ash content, high sulfur content and high reactivity. During first years of its operation, the power plant frequently had to change types of fuel. Initially the plant received coal from Inta, later on it was replaced with coal from the suburbs of Moscow. Then, power engineers from Smolenskaya GRES started using slate as fuel, which was subsequently replaced with coal from Khakassia. All in

all, combustion of 14 types of solid fuel was tried at the power plant, including coal from Uzbekistan and European Silesia. Combustion of millions of tons of non-design type of fuel required continuous reconstruction and modernisation of the equipment.

Finally, with completion of construction of the gas pipeline running to Smolenskaya GRES, in 1985 the fuel problem was solved. Since that time, the power plant has been using the natural gas and the lignite from the suburbs of Moscow as main fuel.

In 2011, works on reconstruction and commissioning of the first section of the ash disposal area at Smolenskaya GRES were completed. These works will make it possible to increase the volume of ash and sludge waste storage, will ensure the possibility for the power plant operation when combusting a significant share of coal in the fuel balance of the plant within more than 10 years, will reduce environmental impact of the ash disposal area.

Staff headcount as of 31 December 2015 — 504 persons.

Director of the Branch — Victor Ivanovich Brashchenkov

Contact information:

Smolenskaya GRES Branch of E.ON Russia JSC

Postal address: Ozerny settlement, Dukhovshchinsky district, 216239, Smolensk region.

Location: Ozerny settlement, Dukhovshchinsky district, 216239, Smolensk region.

Telephone: (48166) 2-91-59

Fax: (48166) 2-91-89

E-mail: SMGRES@EON-RUSSIA.RU MAILTO:

Generation of electric and heat power at Smolenskaya GRES

Indicator	2011	2012	2013	2014	2015
Electric power generation, mln kW·h.	1,809	1,966	2,030	1,713	1,949
Heat output from headers, thousand Gcal	66	66.8	64	61	58.6

E.ON Engineering JSC Branch of E.ON Russia JSC

In order to increase the efficiency of control over the implementation of the project of "Construction of Power Unit No. 3 on the base of CCGT-800 of Berezovskaya GRES Branch of E.ON Russia JSC", E.ON Engineering JSC Branch of E.ON Russia JSC was established located in Moscow and in Sharypovo district pursuant to the resolution of the Board of Directors dated 29 January 2014.

E.ON Engineering JSC Branch of E.ON Russia JSC is actually a separate unit adapted to the project-related needs with the entire supporting infrastructure (lawyers, human resources, accounting, etc.).

Staff headcount as of 31 December 2015 — 102 persons.

Director of the Branch — Vyacheslav Borisovich Budanov⁴.

Contact information:

Postal address: 10 Presnenskaya embankment, Block V, 23 floor, Moscow, 123317

Location: Energetikov Industrial Base, building 1/15, settlement of Kholmogorskoye, Sharypovo district, 662328, Krasnoyarsk Territory.

Telephone/fax: +7 (39153) 71-6-21.

E-mail: info@eon-russia.ru

Moscow representative office of E.ON Russia JSC

The representative office in Moscow is a standalone subdivision of E.ON Russia JSC; it operates on the basis of the regulations approved by the Company's CEO.

It is established subject to the resolution of the Board of Directors of E.ON Russia JSC in 2005.

Director of the Representative Office – Ulf Backmeyer, Deputy CEO of E.ON Russia JSC for Finance and Economics, Member of the Management Board.

Contact information:

Postal address: 10 Presnenskaya embankment, building V, Moscow, 123317

Location: 10 Presnenskaya embankment, building V, Moscow, 123317

⁴ Starting from 11 January 2016 the Director of E.ON Engineering JSC Branch of E.ON Russia JSC is Andrey Aleksandrovich Andreyev.

3.7. Events calendar for 2015

January	Shaturskaya GRES developed a new technology of water purification of the hot water supply system
March	At the Krasnoyarsk Economic Forum, E.ON Russia JSC initiated a brainstorming session devoted to the topic of the Russian electric power and capacity market improvement The scheduled repairs of the CCGTs started at Surgutskaya GRES-2 Branch of E.ON Russia JSC. Victor Tolokonsky, the Governor of the Krasnoyarsk Territory, visited Berezovskaya GRES.
April	At power unit No. 3 under construction at Berezovskaya GRES turbine barring was performed successfully.
May	The Board of Directors of E.ON Russia JSC recommended that the Annual General Meeting of Shareholders of the Company should resolve to allocate 100% of net profit as per RAS for distribution of dividends for 2014. Best consumers of heat were awarded at Shaturskaya GRES The Labour Safety and Environment Commission of the Trade Union Regional Committee announced Yayvinskaya GRES Branch of E.ON Russia JSC the winner of the Review Competition on Labor Safety and Conditions at the Industry Enterprises for 2014 Smolenskaya GRES Branch of E.ON Russia JSC started the repair of heat supply networks in Ozerny settlement
June	The first boiler startup was performed at power unit No. 3 under construction on Berezovskaya GRES E.ON Russia JSC and Rosneft OC OJSC signed a gas supply contract E.ON Russia JSC, Rosseti JSC and Yantarenergo JSC agreed to cooperate The signed agreement is aimed at upgrading power engineering facilities of subsidiaries and affiliates of Rosseti JSC and Yantarenergo JSC in Kaliningrad region and at developing energy-efficient and energy-saving technologies. The Annual General Meeting of Shareholders of E.ON Russia JSC was held in Moscow. The Meeting of Shareholders approved the annual report of E.ON Russia JSC for 2014, the annual accounting statements, including the profit and loss statement, as well as the company's profit distribution following the results of 2014 financial year. The Meeting of Shareholders approved the payment of dividends on the ordinary shares of E.ON Russia JSC following the results of 2014 financial year in the amount of RUB0.2776423960677 per each ordinary share. Power unit No. 4 commissioned at Surgutskaya GRES-2 after repairs
July	Berezovskaya GRES started a K-800-240 turbine unit of power unit 3 under construction, which reached idle rpm with running speed. The start was aimed to assess the assembly quality of the shaft train and bearing assemblies of the turbine and generator. Shaturskaya GRES celebrated its 95th anniversary. Power unit No. 1 was commissioned at Berezovskaya GRES after scheduled repairs.
August	Power unit No. 3 of Berezovskaya GRES Branch of E.ON Russia JSC was hooked up to the power grid as a part of commissioning works. Synchronisation of the power unit with the UES of Siberia made it possible to start the final stage of tests at the new power unit. E.ON Connecting Energies GmbH purchased a stake in the subsidiary of E.ON Russia JSC The intermediate maintenance of power unit No. 2 was started at Smolenskaya GRES Branch of E.ON Russia JSC The works are being performed as a part of preparation of the plant for the winter season of 2015-2016

September	<p>The intermediate maintenance of power unit No. 6 of 80 MW was completed at Shaturskaya GRES Branch of E.ON Russia JSC</p> <p>E.ON Russia JSC put into operation power unit 3 on the basis of CCGT-800 MW at Berezovskaya GRES in the Krasnoyarsk Territory. The new power unit capacity is certified by the System Operator of Unified Energy System of Russia and starting from 1 October E.ON Russia JSC receives fees for the capacity.</p> <p>Power unit No. 2 was commissioned at Berezovskaya GRES after scheduled repairs.</p>
October	<p>E.ON Russia JSC registered E. ON Engineering LLC, a 100% subsidiary, that will provide a package of engineering services to external customers in addition to servicing internal projects of E.ON Russia JSC.</p> <p>E.ON Connecting Energies LLC, a subsidiary of E.ON Russia JSC, and Yantarenergo JSC signed an energy service contract for installation of meters</p> <p>At Surgutskaya GRES-2 Branch of E.ON Russia JSC, 800 MW power unit No. 1 was hooked up to the power grid following scheduled capital repairs.</p>
November	<p>E.ON Russia participated in ENES-2015 forum and arranged a round table work on the topic of distributed generation</p>
December	<p>E.ON Russia held a topping-out ceremony for the third 800 MW power unit of Berezovskaya GRES</p> <p>Power unit No. 1 of Berezovskaya GRES Branch of E.ON Russia JSC received the certificate of compliance with STO 59012820.27.100.002 standard of UES System Operator JSC, setting the requirements for power units participating in the Rated Primary Frequency Control (RPFC) within the energy system of the Russian Federation. It is important to mention that power unit No. 1 of Berezovskaya GRES is the first and currently the only pulverised coal power unit in Russia participating in RPFC.</p>

4. Report of the Board of Directors on the Company's development in its priority areas of activities

4.1. Ensuring anti-terrorism protection, economic and information security and prevention of emergency situations

In 2015 a special attention was paid to the issues of ensuring security and anti-terrorism protection of branches' facilities. A constant threat of wrongful actions and illegal intrusion against the background of terrorist attacks resulted in strengthening of requirements to ensuring of security and anti-terrorism protection of facilities of the fuel and energy complex.

Hence the work on modernisation of engineering and technical devices and improvement of the system of anti-terrorism protection of branches' facilities was intentionally carried out.

In order to meet the requirements of Federal Law dated 21 July 2011 No. 256-FZ On Security of Fuel and Energy Complex Facilities and Order of the Government of the Russian Federation dated 5 May 2012 No. 458 On Approval of the Rules for Ensuring Security and Anti-Terrorism Protection of Fuel and Energy Complex Facilities, the vulnerability analysis of the Company's facilities was performed, potentially dangerous places were identified and the list of critical elements was adjusted.

In accordance with the requirements of Order of the Government of the Russian Federation dated 5 May 2012 No. 460 On Approval of the Rules for Updating the Safety Data Sheets of Fuel and Energy Complex Facilities and following the results of the vulnerability analysis of the facilities, the Safety Data Sheets of the branches' facilities were updated.

As a result of the work performed the threats (risks) of illegal intrusion were identified, Plans for Ensuring Anti-Terrorism Protection of the Company's facilities were developed, as well as the measures for prevention of such threats (risks). Measures for establishing and improvement the physical security of the Company's branches were implemented.

The requirements of Order of the Government of the Russian Federation dated 2 October 2013 No. 861 On Approval of the Rules of Notification by Entities of the Fuel and Energy Complex on Threats of Illegal Intrusion and on Acts of Illegal Intrusion into the Facilities of the Fuel and Energy Complex. The Company constantly cooperates with anti-terrorism commissions of executive authorities of constituent entities of the Russian Federation.

Anti-terrorism training with participation of representatives of the Federal Security Service, the Ministry of Internal Affairs and the Emercom of Russia was conducted during the year at all branches in order to define the effectiveness of the physical security system of the facilities. Following the results of the work performed practical recommendations were elaborated and main directions for improvement of the physical security system of the Company's branches were defined. In particular, in order to prevent illegal intrusion the security subdivisions were staffed with immediate reaction forces having vehicles available. In cooperation with departmental security subdivisions of the Ministry of Energy of the Russian Federation, security measures were strengthened, the control of access to the plant territory is being constantly monitored.

Measures related to control over protection of economic interests of the Company against unlawful infringement are implemented, as well as analysis of reasons and conditions of appearance of such infringements conducted for the purpose of their prevention and removal. Scheduled selective inspections of contract performance are conducted along with functional audits in connection with thefts, corruption, fraud and misuse of powers by staff.

A package of measures related to inspection of contractor reliability in accordance with the criteria established in the Company is being implemented. Thus, 1,082 contractors were inspected in 2015 (against 1,025 in 2014), 130 out of them were recognised as unreliable (increase by 68% in comparison with the previous year), an attempt on the part of the contractor Enterprise of Construction Works in Power Industry LLC to submit a counterfeit bank guarantee for 20 mln roubles was terminated.

Serial No.	Branch	Σ of inspections	Risk level:		
			"red"	"yellow"	"green"
	Headquarters	374	63	165	146
	Surgutskaya GRES - 2	185	19	112	54
	Shaturskaya GRES	154	11	46	97
	Berezovskaya GRES	157	17	93	47
	Yaivinskaya GRES	95	16	38	41
	Smolenskaya GRES	33	3	0	30

E.ON Engineering	84	1	41	42
Total	1,082	130	495	457

The system of commercial secret protection is developed. The measures taken make it possible to fully protect the information that constitutes the commercial secret of the Company.

The security service jointly with the subdivisions of IT Unit regularly implement measures on control over compliance with the information security policies. A package of documents related to ensuring security of personal data processing was developed and enacted.

A number of scheduled projects that significantly increased the protection of the Company's information infrastructure was implemented. For the purpose of consolidation of information security processes, systems and incidents, a center for response to the information security events was established and a respective SIEM was implemented. A modern NGFW class control and protection complex is deployed along the infrastructure perimeter. The information resources access management process and system were upgraded.

Protection of the infrastructure of the automatic process control system became a separate direction of the Company's activities. The condition of processes and systems of ensuring information security within the automatic process control system of the Company's branches is audited, and their correspondence to requirements and standards of E.ON Group is evaluated. The works on upgrading of corporate standards and systems of protection of the automatic process control system in accordance with new threats will be performed in 2016, as well as some works and projects aimed at safety improving for the infrastructure of the automatic process control system.

Recently qualitative changes occurred in approaches to solving issues of civil defence and protection emergencies. Local alarm systems were installed at Berezovskaya GRES, Surgutskaya GRES, Yaivinskaya GRES and Shaturuskaya GRES, which makes it possible to cover 100% of personnel in case of accident or fire danger. The upgrading of the civil defence protective shelter at Smolenskaya GRES and Shaturuskaya GRES, where the personnel of the plants may hide to avoid the injurious effects of emergencies, was completed. The civil defence and emergency subdivisions of the plants were reorganised. All organisational and planning documents that govern the issues of civil defence and emergencies were elaborated and approved.

The technique of the fire-fighting subdivisions was significantly improved. New fire-fighting vehicles were delivered to the fire stations, including a unique 46 m mobile aerial tower, adapted to weather conditions of Surgut.

Inspections in respect of compliance with the civil defence requirements, protection against emergencies at Shaturuskaya GRES and Smolenskaya GRES were successfully conducted in 2015. Following the results of the inspection of supervising authorities the branches are ready to perform the tasks of civil defence and protection against emergencies. Material reserves are formed for emergency recovery and the property for implementation of civil defence measures is built into the budget. Nearly 35 trainings were conducted with participation of more than 1,000 employees during which the situations were modelled, such as possible emergency recovery, personnel evacuation, fire-fighting and implementation of civil defence measures.

4.2. Solving problems of environmental security and rational use of natural resources.

Environmental security

In 2009 the Company implemented the environmental management system (hereinafter EMS). Presently the EMS includes the environmental policy and 9 documented procedures in accordance with the requirements of ISO 14001:2004 standard, including a standard appendix to contracts of work and labour, with the main requirements in the sphere of environmental protection that apply for performance of works for E.ON Russia JSC.

Control over the of EMS and ensuring of its constant improvement is effected by the production and technical department of the Company. The main tools are internal audits of EMS and reports of the branches intended for review by the management.

In the branches the main assessment tools are production environmental control and internal audits of EMS.

The recording and investigation of environmental accidents are performed in accordance with the Rules established by ESM.

The ESM information is distributed to the employees through regulatory documents, at weekly operations meetings, and at the initial workplace briefings.

In accordance with article 73 of the Federal Law dated dated 10 January 2002 No. 7-FZ On Protection of Environment the managers and specialists of the Company receive training in environment protection and environmental security after their employment, and then not less than once in 5 years.

Possible emergencies that may impact the environment were identified in the Company's branches.

The analytical and explanatory notes of the "Safety Data Sheet of the Hazardous Production Facility (HPF) GRES of E.ON Russia JSC" contain the evaluation of the accident risk at the HPF. In the course of the risk evaluation the possible sources of emergencies at HPF were identified, the possibility of appearance of emergencies' sources was assessed, the forecast of possible injurious effects on the personnel and the territory was made.

Possible accidents at hydraulic structures are identified in Declarations of Safety of Hydraulic Structures.

Emergency response procedures as well as procedures of prevention or mitigation of their adverse effect on the environment are defined in:

- Oil and oil product spill prevention and response plans.
- Actions plans for prevention and response to emergencies of natural and anthropogenic nature.

- Plans for response to possible accidents at the gas-handling facilities.
- Fire fighting plans.
- Plans for response to accidents at hydraulic structures of the branches.
- Plans for emergency localisation and response to emergencies at oil-firing facilities.
- Instructions on response to minor emergencies.
- Shop instructions on prevention and response to accidents.

Accident prevention and fire-fighting trainings for all power plants are carried out in accordance with the approved annual plans. Contracts were entered into for rescue services and contract for fire prevention services of the branches.

In order to reduce the possibility of environmental accidents and violations of environmental security requirements the following actions are taken at the branches:

- identification of environmental aspects of the plant's production activity;
- inventory (identification) of all possible reasons (sources) of environmental violations and accidents, and development of a program for outdated equipment and technologies replacement, change to environmentally safe raw materials and materials used by the branches;
- compliance with the technological, fire-fighting and production discipline;
- keeping the equipment, technical devices, buildings and structures in serviceable condition;
- systematic analysis and confirmation of compliance of the equipment, technical devices, buildings and structures with the regulatory operation requirements;
- proper metrological support of measurements and analyses made;
- systematic monitoring;
- presence of the system of taking timely managerial decisions and implementing measures against environmental violations and occurrence of emergencies;
- education, instruction and training of personnel, their environment protection expertise and competence.

Rational use of natural resources

In 2015 the issue of water consumption and removal management of the Company's branches was highlighted by the the Company's senior management. This resulted from several factors of mostly economic nature. Primarily, it was caused by the issue of Order of the Government of the Russian Federation dated 26 December 2014 No. 1509, introducing multiplying ratios for use of federally owned water bodies, and according to which gradually by 2025 the cost of water use will increase 4.65 times, which constitutes a significant value considering the volumes of water use by the Company's power plants where the water from natural sources is used for cooling the main and supplementary equipment and for make-up of the steam and water tract. Besides, the Order provides for the method of stimulating of the water use metering: water users that do not have water metering devices the multiplying ratio of 1.1 is additionally applied to the payment rate. Another significant regulation that gave importance to the issue of water use as related to water removal is Federal Law dated 21 July 2014 No. 219-FZ, introducing a completely new approach to setting of rates to dumping into water bodies on the basis of the best available technologies, starting from 2019. Apart from the above mentioned regulations Federal Law dated 7 December 2011 No. 416-FZ On Water Supply and Water Removal and a number of bylaws thereto exercises a significant influence on the Company's activities. Also, it should be mentioned that E.ON Group subscribed to performance of The CEO Water Mandate that provides for the requirements on water bodies protection.

The main tasks necessary to meet the requirements of the specified regulations while reducing the Company's costs (which is especially important in conditions of the crisis) include the following:

Enhancement of rational use of natural resources: reduction of specific water use, inefficient water losses and implementation of water-efficient processes and equipment, as well as using storm runoffs as process waters (after respective treatment).

Reduction of the negative influence on water bodies: decreasing waste water volumes and/or the content of contaminants therein, increase of the percentage of recycling and circulating water resources.

Identification of the need in fitting out meters or replacement thereof.

Carrying out educational and explanatory work with employees and students of the supported energy classes on the issues of water body use and protection within corporate days on environment protection.

In order to solve these tasks within the environmental management system operation it was decided to organise in 2015 internal audits of EMS in the form of technical audits of water facilities (water audits), aimed at the following main objectives:

- drawing up (adjustment) of the water use and water removal balance;
- analysis and evaluation of water facility systems;
- identification of main problems of water facility systems;
- analysis of quality of waste water treatment;
- analysis of water quality of water use systems;
- development of the concept for reconstruction or upgrading of water facility systems;

As a result of carrying out of water audits the recommendations are being made in respect of EMS enhancement, as well as in related areas (water treatment, energy efficiency), including measures of technological and organisational nature.

Carrying out of such specific analysis of system operation makes it possible to identify the problems hidden from the managerial attention, as well as the reserves for cost saving of the Company. Accordingly it is planned to continue and extend the work in this direction with engagement of the leading research institutes of the Russian Federation.

Thereby, certainly, the most important thing is the attitude of employees to water resources, since the measures and recommendations for improvement will be effective only in case of presence of the corporate culture.

4.3. Ensuring the electrical safety of the industrial and production personnel of the Company.

There were no cases of injuries from electrical devices among the proper personnel of E.ON Russia and personnel of contracting organisations in 2015.

For the purposes of ensuring electrical safety the following measures were implemented in the Company:

1. All the works at electricity generating plants were organised in accordance with the requirements of new "Rules for Labor Safety at Operation of Electricity Generating Plants", approved by the Ministry of Labor and Social Protection of the Russian Federation dated 28 March 2014 No. 155H;

2. In order to increase the level of personnel training:

2.1. The Regulations "Requirements for Improving Occupational Safety and Accident Prevention Management (collection of documents)" (PO-SOTTA-26) was put into effect.

The Regulations establish the requirements on the procedure of demonstrative authorisations for the work under job orders at electricity generating plants, and unify the approach to the procedure of target safety trainings when giving an authorisation under the job order, instruction for the person issuing a job order and the instruction of the authorising person, responsible head of works, contractor.

2.2. By the Company's Order No. 039 dated 7 May 2015 the measures on improvement of pre-examination training and knowledge examination of the personnel were implemented, which include mandatory participation of representatives of the branches' administration (director, chief engineer and his deputies, members of permanent commissions of the branches) in knowledge examination of the personnel within the commissions of the structural subdivisions.

3. For the purpose of management of contracting organisations' personnel in accordance with the standard of Health Protection and Occupational Safety Management System "Power Grids Safety Management" (CO-COTTA-12) the Company's branches test all electrotechnical personnel of contracting organisations prior to giving an authorisation for performance of works at electricity generating plants of the Company. The authorisation to perform works is given to the contractor's personnel only if they demonstrate a necessary experience level.

4. The Perspective Program for Meeting the Requirements of Occupational Standards at Electricity Generating Plants for 2013-2015 was fully performed. The program was intended for elimination of defects in electrical boards and assembly thereof.

152 measures were implemented in 2015.

In order to further increase the level of electrical safety it is planned to develop a Perspective Program for Meeting the Requirements of Occupational Standards at Electricity Generating Plants for 2017-2019.

5. In accordance with the revised Procedure for Identification of Hazards, Risk Evaluation and Definition of Management Measures (MO-COTTA-02) the headquarters and all branches of E.ON Russia JSC carried out a scheduled identification of hazards, risk evaluation and definition of risk management measures. As a result of the work performed the level of risk of injury from the electrical current corresponds to the average level and is acceptable, provided that the necessary management measures are taken.

4.4. Implementation of the Informational Technology Development Strategy

The priority of informational technology work of E.ON Russia is to maintain smooth running operation and development of IT-systems that are important for the business for the purpose of the Company's competitive recovery, and to support new power capacities commissioning process.

In 2015 the IT-strategy for 2013-2015 was completed. Most of the planned IT projects were successfully implemented. The IT Strategy for 2016-2018 will be developed based on the business needs and approved in 2016. The detailed information for the most important project of 2015 is specified in the Information Technologies section.

4.5. Arrangement of the Company's Procurement Activities

The objective of procurement is to ensure efficient spending of the Company's monetary funds and to achieve target economically feasible costs for purchasing goods, works, services to the benefit of the Company.

All processes and procedures are performed in accordance with the Procurement Regulations and norms of applicable laws of the Russian Federation.

The segregation of duties between the Requester Unit, the Procurement Unit, the Financial Unit and the Accounting Department at all stages of the procurement process is ensured. The Procure-to-Pay process ("from request to payment") is the tool mandatory for the procurement process and supports the segregation of duties between Units of the Company.

All purchases, except as expressly stated in the Procurement Regulations, are made on a competitive basis.

Any competitive procurement is open and transparent and in compliance with the principles of competitiveness and equality of rights for all procurement participants. No discrimination and undue restriction of competition is allowed.

4.6. Implementation of the investment project "Completion of Construction of Power Unit No. 3 on the Basis of SPU-800 of Berezovskaya GRES Branch of E.ON Russia JSC". Implementation of the investment project "Construction of the Dry Ash Removal System of Berezovskaya GRES Branch of E.ON Russia JSC".

The main purpose of E.ON Russia's investment activities is implementation of investment projects proceeding from their economic feasibility. These projects are aimed at enhancing the Company's competitive growth and equipment operational reliability.

The project named "Construction of Power Unit No. 3 at PSU-800 of Berezovskaya GRES" is one of the biggest investment projects in Russian electric power industry aimed at overcoming the expected power shortage in the energy zone of Siberia as a whole and in the Krasnoyarsk Territory in particular, as well as creating the necessary reserve of the efficient heat generating capacity. The detailed information on the project is specified in the Investment Program section.

In accordance with the project the hydraulic ash removal system runs at Berezovskaya GRES that provides for ash and slag waste storage in respective sections of the ash disposal area of the plant.

Every 3-4 years it is necessary to built new sections of the ash disposal area, provided that the hydraulic ash removal system is used with the target output and taking into consideration construction of power unit No. 3. Construction of new sections for ash and slag waste storage involves significant capital expenditures, acquisition of new lands for construction and risks related to acquisition of these lands. Besides it entails increase of the anthropogenic load on underground waters and atmosphere of the region.

To solve the problem of ash and slag waste storage at Berezovskaya GRES the program of transition to dry ash and slag waste storage at BGRES is developed and adopted for implementation in E.ON Russia in a long-term perspective. The purpose of transition from hydraulic to dry ash and slag waste storage is to ensure functioning of Berezovskaya GRES for a long period using modern, environmentally sound, technologically reliable and economically feasible methods of collection, transportation and storage of ash and slag wastes.

The project named "Construction of Dry Ash and Slag Waste Removal System of Berezovskaya GRES Branch of E.ON Russia JSC" is the most economically feasible and environmentally sound method of solving the problem of ash and slag waste storage at Berezovskaya GRES for a long period. The project provides for complete transition of the power plant to dry removal and storage of ash and slag wastes. The system project is developed for 3 power units, the designed system will make it possible to fully suspend the hydraulic ash and slag waste removal system and keep aside, the opportunity of shipment of dry ash to third party consumers by any means of transportation will be ensured. The best practices of European power plants were taken in consideration when designing the ash and slag waste removal system (Lippendorf, Schkopau), as well as particular quality of ash received from the coal of the Berezovskoye field, that has a higher content of calcium. The detailed information on implementation of the project is specified in the Investment Program section.

5. FINANCIAL PERFORMANCE REVIEW

5.1. General information

E.ON Russia's core business is generation and sales of electric power at the wholesale market. Regulations of the wholesale electricity market let generating companies sell not only their own power but also power procured at non-regulated market sectors in order to comply with commitments to power consumers. Thus, the Company's revenue mainly comes from sales of generated and procured electric power at the Russian wholesale electricity and capacity market.

Following the results of the year 2015, revenues of E.ON Russia JSC decreased by 1.7% to 78,619 mln roubles from 79,956 mln roubles in 2014. Earnings before interest, taxes, depreciation and amortisation without exchange rate differences (EBITDA) of E.ON Russia JSC decreased by 3.7% from 25,207 mln roubles in 2014 to 24,280 mln roubles following the results of 2015.

5.2. Several factors affecting the Company's performance

The Company's performance is subject to several factors including regulation of the power generating industry in Russia: in particular, tariff regulation, dynamics of fuel prices, power prices in non-regulated sectors of the power wholesale market, cost of third parties' services, seasonal prevalence, tendencies of macroeconomic development in Russia, and taxation.

RUSSIAN ELECTRIC ENERGY SECTOR REGULATION. TARIFFS

Regulated tariffs for electric (heat) power (capacity) fixed for the Company's power plants vary a lot depending on several conditions, including the power plant efficiency, the power plant location, the type of fuel used, investment plans. Historically, Smolenskaya GRES and Shaturskaya GRES had higher tariffs as compared to the Company's power plants located in the Urals Federal District, Privolzhsky Federal District and Siberian Federal District, where the gas and coal prices are lower than in the Central Russia.

Pursuant to Order of the Government of the Russian Federation No. 1178 dated 29 December 2011). 'On pricing in regulated prices (tariffs) in the electric power industry', a tariff-setting procedure with calendar break-down was introduced starting from 2012 based on the principle of non-exceedance of the prices (tariffs) value and their limits in the first half of the next annual regulatory period over the value of corresponding prices (tariffs) and their limits in the second half of the previous annual regulatory period as of 31 December. When establishing tariffs for 2012, 2014 and 2015, growth indices were not applied pursuant to the resolution of the Government. In 2015 Yaivinskaya GRES Branch did not supply electric power and capacity under regulated contracts for the purpose of supply to the population as related to power units No. 1-4. Accordingly, respective tariffs for 2015 were not set. Details of power tariff change dynamics for the Company's power plants is given in the table:

Electric power tariffs, RUB/MWh

Name	2013		2014		2015		
	Half 1	Half 2	Half 1	Half 2	Half 1	Half 2	
Surgutskaya GRES-2	Unit 1-6	605.59	696.91	696.91	696.99	696.99	697.26
	Unit 7	462.47	532.34	528.74	528.74	518.89	518.89
	Unit 8	462.47	533.70	528.74	528.74	518.89	518.89
Berezovskaya GRES	TG1	319.20	319.20	318.41	318.41	318.15	318.15
	TG2	285.63	289.89	289.89	294.83	294.83	326.84
Shaturskaya GRES	Unit 1-6	1,094.14	1,179.22	1,179.22	1,193.20.	1,193.20	1,469.10.
	Unit 7	654.61	746.10	746.10	769.00	747.02	747.02

Smolenskaya GRES		1,168.80	1,335.95	1,265.88.	1,265.88.	1,265.88.	1,267.03
Yaivinskaya GRES	Unit 1-4	863.44	991.61	991.61	1,007.85.	-	-
	Unit 5	549.67	632.66	611.70	611.70	604.23	604.23

In 2015, around 10.3 bln kWh of electric power was sold under regulated contracts by the Company. Revenue from sales of electric power and capacity in a regulated segment of market was 10,044 mln roubles (or 12.8% of the total revenue).

The capacity tariffs under the regulated contracts set by the Federal Tariff Service of Russia for the power plants of E.ON Russia JSC in the period from 2013 to 2015 are given in the table:

Capacity tariffs, RUB/MW per month

Name	2013		2014		2015	
	Half 1	Half 2	Half 1	Half 2	Half 1	Half 2
Surgutskaya GRES-2	81,146.18	86,014.51	86,014.51	86,239.42	86,239.42	86,930.97
Berezovskaya GRES TG1/TG2	156,000.00/ 146,787.92	156,000.00/ 153,980.53	156,000.00/ 153,980.53	156,000/ 153,980.53	156,000/ 153,980.53	156,000/ 154,683.73
Shaturskaya GRES	123,000.00	129,954.62	129,954.62	130,188.47	130,188.47	135,087.69
Smolenskaya GRES	93,473.93	98,029.90	98,029.90	98,264.33	98,264.33	98,985.12
Yaivinskaya GRES	135,440.66	142,995.76	142,995.76	143,227.31	-	-

Besides in 2015 Yaivinskaya GRES Branch (power units No. 1-4) and Shaturskaya GRES Branch (power units No. 6) supplied electric power (capacity) under necessity. In this connection the following tariffs were set:

		Electric power tariff, RUB/MWh	Capacity tariffs, RUB/MW per month	Validity period
Yaivinskaya GRES	Unit 1	1,039.79	129,014.00	from 1 January till 31 December 2015
	Unit 2	1,039.79	129,024.00	
	Unit 3-4	1,039.79	128,994.00	
Shaturskaya GRES	Unit 6	1,330.13	133,000.00	from 1 February till 30 June 2015

Fuel expenses

The Company consumes considerable amount of various types of fuel for generation of electric and heat power. E.ON Russia JSC buys significant volumes of gas and coal, and in a less degree, fuel oil. Following the results of 2015, the share of fuel expenses decreased by 3.1 per cent vs. 2014 and amounted to 58.4% of the total operational expenses of the Company. In general, fuel costs in 2015 decreased by 2,076 mln roubles (- 5.5%) against 2014 and amounted to 35,436 mln roubles due to long unscheduled repairs of power unit No. 4 at Surgutskaya GRES-2.

The basic component of the fuel portfolio of E.ON Russia JSC is gas, which share in the physical volume of fuel consumed by the Company in 2015 amounted to 81.0%. Gas procurement expenses amounted to 90.3% of the overall fuel expenditures of the Company in 2015. The main gas suppliers for the plants of E.ON Russia in 2015 were NOVATEK JSC and Rosneft Oil Company JSC.

Coal is also a significant component in the Company's fuel mix. In 2015, the share of coal in the physical volume of the fuel consumed by the Company amounted to 18.9%. Expenses for the coal consumed (for electric and heat power generation) amounted to 9.2% of the overall fuel expenditures of the Company. Coal is mainly used at

Berezovskaya GRES, which is the Company's second largest power plant in terms of installed capacity. The main coal supplier to the power plants of E.ON Russia JSC (mainly to Berezovskaya GRES) is the Russian major coal producer - SUEK JSC, which is the owner of the Berezovskiy-1 opencast.

Expenses on Third Parties' Services

The Company bears expenses related to third parties' services in the wholesale electricity market. Thus, the System Operator dispatches electric power within the energy system, the Trading System Administrator controls the wholesale market trading system, and the Center of Financial Settlements estimates requirements and liabilities of the wholesale electricity and capacity market participants and effects financial settlements among them. The Company concludes standard service contracts with all the parties mentioned, whereas the terms and conditions of such contracts are standardised and non-negotiable. Besides, the Company pays for some third parties' services in accordance with regulated prices (tariffs) as set by the Federal Tariff Service.

The Company's expenses related to third parties' services rendered at the wholesale power market amounted to 1,255 million roubles (2.1%) of the Company's total operational expenses in 2015.

Seasonal prevalence

Season-related factors have material influence upon the Company's performance. Power generation by the Company's power plants depends on the power demand and competitive nature of their offer.

Electric and heat power demand fluctuates depending on the season, time of the day and weather conditions. It depends on the ambient air temperature, length of the daylight hours, lighting, and the type of the week day: working, week-end (holiday), intermediate between the working and week-end (holiday) day.

The demand for proposals of particular power plants depends both on the demand for electric power and on factors determining the energy zones operation mode, in which these power plants are located: structure of the electric power generated by power plants types (cogeneration, condensing, nuclear, hydraulic), conditions of the system reliability (grid and system limitations). The indicated factors are also related to seasonal events: snowmelt flood (that leads to HPP output increase), campaigns for maintenance of generating and grid equipment that are effected on a large scale between the autumn and winter period.

Influence of power output of HPP is most relevant for Berezovskaya GRES. The factor of grid equipment repairs influences the competitive nature of Shaturskaya GRES and Smolenskaya GRES.

Tendencies of Macroeconomic Development in Russia

The Company operates in the territory of Russia. Accordingly, tendencies of macroeconomic development in Russia, including overall growth of economy and markets at which the Company conducts activities, considerably influence the Company's performance.

The table below shows several key macroeconomic indicators relevant for the Russian economy for the period from 2010 through 2015:

Indicator	2010	2011	2012	2013	2014	2015
Growth of GDP, %	4.30	4.30	3.40	1.30	0.60	-3.7
Consumer price index, %	8.80	6.10	6.60	6.50	11.40	12.9
Level of unemployment, %	7.50	6.60	5.70	5.50	5.20	5.6

Source: Rosstat

On 10 February 2016, the Ministry of Economic Development of Russia published the report "On Results of Social and Economic Development of the Russian Federation in 2015", which contained the following conclusions:

The preliminary data following the results of 2015 testify that the previous year was not very favourable for the Russian economy. GDP of the country decreased by 3.7 percent in comparison with 2014 and was found among negative values. In addition to the fall of GDP, the reduction of consumer and investment demand was observed.

The change of GDP affected the following industries as related to production: the index of industrial production in 2015 in comparison with 2014 reduced by 3.4%, mining operations increased by 0.3%, processing entities lost 5.4%, electric power, gas and water production and distribution reduced by 1.6%. According to the data of Rosstat, following the results of 2015 oil production increased by 1.3%, natural gas production decreased by

1.4%, flammable natural gas production decreased by 2.6%. The main reason of such changes is reduction of the internal demand due to warmer winter months in the beginning and in the end of the year. Production of construction materials in 2015 in comparison with 2014 reduced for the main components - cement and brick - by 9.9% and 8.0% respectively. Significant reduction of production volumes of construction materials was caused by low demand, decrease of investment activity, reduction of the number of orders, growth of the population's saving rate.

In the first half of 2015 the **metallurgical industry** showed a relatively good evolution due to significant export volumes. However, lately the situation have changed in conditions of continuing fall of world prices for steel and other iron-ore products. The growth rates for January-December 2015 amounted to -6.5%. The main reason for reduction of volumes of steel and metall-roll production is worsening of the market situation on the key markets.

Following the year results the **chemical industry**, despite the complex situation on the international markets and reduction of the investment and consumer demand in the country, has the best dynamics among other industries (+6.3% following the results of 2015).

During 2015 the **agricultural industry** and food-manufacturing industry showed steady growth rates and regular move to import substitution. Following the year results the growth of agricultural products manufacturing amounted to 3.0% in comparison with the similar period of the previous year. Almost all sectors of food-manufacturing industry demonstrated growth: in 2015 production of meat and by-products of butchers grew by 13.0%, cheese and cheese products - by 17.1% as compared to 2014.

Following the results of 2015 almost all commodity groups in the **light industry** went far below zero.

In 2015 the consumer demand reduced dramatically. Thereby most of the population followed the savings model of behaviour in 2015. As a result the **retail sales** in 2015 showed the worst results for more than a 40-year period.

In 2015 the consumer inflation following the year results amounted to 12.9%. Devaluation of the rouble that started at the end of 2014 significantly accelerated the inflation. The high growth of prices was observed on the food market. The prices grew for the horticultural products (+17.4%), grain products (+13.2%-19.5%), sugar (+12.9%). The sunflower oil became the leader the growth of prices (+37.2%).

Prices for non-food goods, except for petrol, grew by 14.5% (in 2014 the prices grew by 8%). Regularly consumed goods (smokables, detergents, toiletries, drugs) with a high import component became the leaders of price increase among non-food goods (+20%-26%).

Prices for vehicles in 2015 increased by 12.5%. Price increase and relatively high propensity to save of the population during the whole year led to reduction of the consumer demand and as a result reduction of sales of light vehicles (-28% as compared to the previous year).

In the sector of industry the producer prices increased by 10.7% in 2015 which is 2 times more than in the previous year (5.9%). Meanwhile the main increase of prices occurred in the beginning of the year when the prices of producers grew by 12.1% for January-April. However as a result of low demand starting from May the growth of prices in the sector of industry stopped. The producer prices for the goods sold at foreign markets (raw material resources) grew by 10.9% in 2015 (in the previous year - by 3.2%). The major growth was observed in the first half year (22.6%) against a relatively stable world situation on the hydrocarbon, ferrous metal and non-ferrous metal markets. In the second half year the producer prices reduced by 9.5% against decrease of world prices for oil, metals.

In the agricultural industry in 2015 increase of prices for animal products slowed down significantly as a result of reduction of the population's solvent demand. Increase of prices for grain and sunflower in the plant industry was caused by dependence of agricultural producers on world prices, given that the export efficiency grew considering devaluation of the rouble.

In 2015 the situation in the social sphere was as follows. The level of unemployment for 2015 amounted to 5.6% of the work force. The number of the unemployed registered in the bodies of the employment service amounted to 968 thousand persons and increased by 9.2 % as compared to 2014. Whereas the annual rates of real wage reduction of companies' employees in December amounted to 10% which is less than the indicators for November (10.4%). In general for January-December 2015 the real wage reduced by 9.5% against the respective period of 2014. Meanwhile the new value of the nominal wage growth in November 2015 amounted to 3% against the similar period of 2014. In general for January-December 2015 the nominal accrued wage, according to Rosstat, amounted to 33,925 roubles, the nominal growth amounted to 10.6% against the similar period of 2014, while the real wage reduced by 9.5 percent. In order to provide additional support to the least paid category of employed citizens during crisis Federal Law dated 14 December 2015 No. 376-FZ On Introduction of Amendments into Article 1 of the Federal Law On the Minimum Monthly Wage was adopted, in accordance with which the minimum monthly wage was increased from 1 January 2016 by 4% up to 6,204 roubles. In general for the Russian Federation in 2015 the living wage in average per capita, according to a preliminary evaluation, amounted to 9,701 rouble which is 20.5 percent more against the respective period of 2014 with the annual average growth of consumer prices by 15.5 percent.

TAXATION AND DEDUCTIBLES TO GOVERNMENTAL NON-BUDGETARY FUNDS

The Company is a taxpayer of several taxes, which considerably influence the Company's performance. The table below sums up the data on types and size of taxes paid by the Company to budgets of various levels during 2014 and 2015.

Taxes paid to budgets of all levels	Paid in total as per tax in 2014, mln roubles	Paid in total as per tax in 2015, mln roubles
VAT	3,424.2	3,060.5
Income tax	2,831.2	3,508.2
Income tax from revenues in the form of dividends	1,005.0	736.2
Mineral extraction tax	0.01	0.01
Water tax	0.7	0.8
Property tax	692.0	1,045.1
Personal income tax	596.1	696.6
Personal income tax in the form of dividends	33.2	30.1
Transport tax	2.2	3.7
Land tax	32.6	32.8
Others	3.5	3.2
Total	8,620.7	9,117.2
Insurance premium payments into state non-budget funds	Total payments to funds in 2014, mln roubles	Total payments to funds in 2015, mln roubles
	994.2	1,238.5

The Company refers the category of "major taxpayers" of the Russian Federation; compliance with the tax laws is controlled by the Interregional Inspectorate of the Federal Tax Service for Major Taxpayers No. 4.

5.3. Performance

The table below shows operating results of the Company for 2014–2015:

Indicator	2014	2015	2015/2014 +/-%
Revenue, mln roubles	79,955.9	78,618.8	-1.7%
Prime cost, mln roubles	60,954.9	60,664.6	-0.5%
EBITDA (without exchange difference) ¹ , mln	25,206.7	24,279.5	-3.7%
Rate of return with regard to EBITDA (without exchange differences), %	31.5%	30.9%	-
EBIT (without exchange differences) ² , mln	18,631.3	17,604.8	-5.5%
Rate of return with regard to EBIT (without exchange differences), %	23.3%	22.4%	-
Net profit, mln roubles	17,505.0	15,545.7	-11.2%
Rate of return with regard to Net profit, %	21.9%	19.8%	-
<i>Exchange rate difference, mln roubles</i>	<i>1,740.4</i>	<i>1,205.1</i>	<i>-30.8%</i>

¹ EBITDA = Profit (loss) from sales + Other income - Other expenses - Net balance of exchange rate difference + depreciation

² EBIT = Profit (loss) from sales + Other income - Other costs - Net balance of exchange rate difference

We think that it is correct to clear EBITDA and EBIT indicators from non-permanent factors. Exchange rate differences are referred to such factors, since we generate and sell electric power and capacity on the territory of the Russian Federation and use Russian rouble as a currency. These assumptions, in our opinion, make it possible

to define operating results of companies of Russian electric power industry more accurately.

Revenue

The Company's revenue in 2015 formed by means of sale of electric power, heat, as well as sale of other products and services of production and non-production nature.

The Company's revenue for the reporting period remained almost the same as in 2014 and totalled 78,618.8 mln roubles.

Indicator	2014 mln roubles	2015 mln roubles	2015/2014 +/-%
Sales of electric power	57,478.7	51,943.3	-9.6%
Sales of capacity	20,826.5	25,151.2	20.8%
Sales of generated heat power	889.4	859.2	-3.4%
Heat power transportation	309.9	305.4	-1.5%
Other production sales	438.1	346.4	-20.9%
Other non-production sales	13.5	13.2	-1.9%
Total revenue	79,955.9	78,618.8	-1.7%

Electric power and capacity

Following the results of 2015, revenue from electric power and capacity sales slightly decreased by 1.5% to 77,095 mln roubles as compared to the results of 2014 (78,305 mln roubles).

The following positive factors influenced the Company's revenues as compared to 2014: receipt of payment for capacity under CDA as a result of commissioning of power unit No. 3 at Berezovskaya GRES from 1 October 2015, increase of payment for capacity under applicable projects of CDA, receipt of a higher payment for capacity under CCT (competitive capacity take-off) tariff for power unit No. 1 and No. 2 of Berezovskaya GRES.

Reduction of revenues from electric power and capacity sales in 2015 as compared to 2014 is conditioned primarily by reduction of the volume of electric power generation and capacity supply, basically as a result of the shutoff of power unit No. 4 of Surgutskaya GRES-2.

The share of revenues from electric power and capacity sold in the regulated market sector without regard to capacity delivery agreement (CDA) changed slightly in the total revenue of E.ON Russia JSC following the results of 2015, approximately by 0.4 p.p., and amounted to 10,044 mln roubles (share in the total revenue - 13%). In addition, the revenue share from sales in the competitive sector increased by 0.6 p.p. to 85% in the total revenue, and its volume amounted to 67,051 mln roubles.

Heat power

Following the results of 2015, revenues from sale of heat energy decreased by 3% to 1,165 mln roubles from 1,199 mln roubles in 2014. In general following the results of 2015, the revenue share from sales of heat power in total revenues of the Company amounted to 1.5%.

Other income

Following the results of 2015, other income (revenues from services of production and non-production nature) of the Company decreased by 20% up to 360 mln roubles from 452 mln roubles following the results of 2014, mainly due to reduction of incomes from the provision of system services for the standardised primary frequency control (SPFC) within the market of services for ensuring system reliability. The share of other income following the results of 2015 amounted to 0.5% of the total revenue of E.ON Russia JSC.

5.4. Expenses

The table below shows the Company's expenses following the results of 2015:

Indicator	2014 mln roubles	2015 mln roubles	2015/2014 +/-%
Fuel for generation of electric power and heat	37,511.7	35,435.6	-5.5%
Other material costs	6,206.0	7,684.4	23.8%
Payment for the market operator's services	1,191.1	1,254.8	5.3%
Labor costs	4,330.2	4,654.6	7.5%
Deductibles to Non-Budgetary Funds	978.2	1,134.6	16.0%
Taxes in the prime cost	1,166.5	1,166.6	0.0%
Other expenses	2,995.8	2,667.5	-11.0%
Depreciation	6,575.4	6,666.5	1.4%
Total expenses	60,954.9	60,664.6	-0.5%

Fuel expenses

Share of fuel expenses in the Company's operating expenses structure decreased by 3.1 p.p. — down to 58.4%. In general, fuel costs in 2015 decreased by 2,076 mln roubles (- 5.5%) against 2014 and amounted to 35,435.6 mln roubles due to unscheduled repairs of power unit No. 4 at Surgutskaya GRES-2.

Other material expenses

Other material expenses include: procured electric power and capacity, repair costs, costs of raw materials and materials for operation and economic needs, transport and office equipment servicing, and labor safety materials. Following the results of 2015, costs of E.ON Russia JSC attributable to other material expenses increased by 23.8% and amounted to 7,684.4 mln roubles, due to increase of expenses on procured electric power and capacity and due to recording of expenses on emergency restoring repair of power unit No. 7 of Surgutskaya GRES-2 in 2015.

The share of other material expenses in the total volume of the Company's expenses amounted to 12.7% following the results of 2015.

Payment for the market operator's services

Expenses on payment for the market operators' services include the Company's payments under contracts with the System Operator, Administrator of Trading System, Center of Financial Settlements (see Subsection "Expenses on Third Parties' Services Payment" of the section "Review of Financial Results"). Following the results of 2015, expenses of E.ON Russia JSC with regard to payment for the market operators' services increased by 5.3% as compared to 2014 and amounted to 1,254.8 mln roubles (1,191.1 mln roubles following the results of 2014). Following the results of 2015, share of expenses on the market operator services in the total volume of the Company's costs remained unchanged as compared to 2014 and amounted to 2.1%.

Labor costs

Labor costs include all costs on salaries with due account for estimated liabilities. Following the results of 2015, the Company's costs on salary increased by 7.5% - up to 4,654.6 mln roubles from 4,330.2 mln roubles following the results of 2014. The Company's costs on salary with due account for estimated liabilities amounted to 7.7% of the Company's total costs following the results of 2015.

Deductibles to Non-Budgetary Funds

Deductibles to the non-budgetary funds include social and pension deductibles paid to Russian governmental funds. The Company paid such deductibles as per the legally fixed rates.

The total amount of deductibles to non-budgetary funds with due account for estimated liabilities in 2015 amounted to 1,134.6 mln roubles. Following the results of 2015, the share of costs attributable to deductibles to non-budgetary funds in the total volume of the Company's costs slightly changed vs. 2014 and amounted to 1.9% (1.6% in 2014).

Other taxes linked with prime cost

Taxes attributable to prime cost include a property tax, transport tax, land tax, water tax, mineral extraction tax and duties. Following the results of 2015, the Company's tax costs amounted to 1,166.6 mln roubles which corresponds to the level of tax costs of 2014. The Company's tax costs amounted to 1.9% of the Company's total costs following the results of 2015.

Other expenses

Other expenses include expenses for purchase of services to repair and maintain equipment and other production services, expenses for utility services related to economic needs, expense for security and insurance of facilities, and other administrative management expenses.

Following the results of 2015, other expenses of E.ON Russia JSC decreased by 11.0% to 2,667.5 mln roubles from 2,995.8 mln roubles following the results of 2014. The share of the Company's other expenses in the operating costs structure of 2015 amounted to 4.4%. Reduction in other expenses in 2015 vs. 2014 is mainly due to the scheduled maintenance and inspections with regard to the new CCGT units in 2014.

Depreciation

Depreciation of the Company fixed assets is calculated using the straight-line method for the useful life of an asset.

Following the results of 2015, depreciation charges of E.ON Russia JSC increased by 1.4% to 6,666.5 mln roubles from 6,575.4 mln roubles following the results of 2014. The share of the Company's depreciation charges in the structure of operating costs in 2015 amounted to 11.0%.

5.5. EBITDA

Following the results of 2015, earnings of E.ON Russia JSC before interests, taxes and depreciation amounted to 24,279.5 mln roubles which is by 3.7% lower than in 2014 (25,206.7 mln roubles). The negative dynamics of EBITDA in 2015 was caused by reduction in the volume of electric power generation and capacity supply, mainly due to the shutoff of power unit No. 4 of Surgutskaya GRES-2, as well as imposing fines for untimely commissioning of new power unit No. 3 at Berezovskaya GRES.

The rate of return with regard to EBITDA without exchange differences following the results of 2015 amounted to 30.9% (in 2014 – 31.5%).

5.6. EBIT

Earnings of E.ON Russia JSC before interest and taxes following the results of 2015 also decreased by 5.5% to 17,604.8 mln roubles from 18,631.3 mln roubles following the results of 2014. Key factors of such dynamics of EBIT in 2015 were similar to the key factors of change in EBITDA.

The rate of return with regard to EBIT following the results of the year 2015 amounted to 22.4% (23.3% in 2014).

5.7. Net profit

Net profit of the Company following the results of 2015 amounted to 15,545.7 mln roubles, which lower than the net profit results for 2014. Net profit of E.ON Russia JSC following the results of 2014 amounted to 17,505.0 mln roubles.

The rate of return with regard to net profit of E.ON Russia JSC amounted to 19.8% following the results of 2015 (in 2014 – 21.9%).

5.8. Assets. Significant Changes in Assets Profile.

In 2015, assets of E.ON Russia JSC increased by 1.6% and amounted to 127 bln roubles. The above increase is conditioned by the following changes:

The non-current assets of the Company as of the date of the report grew in 2015 by 5.9% to 103,503 mln roubles from 97,758 mln roubles as of 1 January 2014. Significant increase was in line 1150 "Fixed Assets" up to 101,513 mln roubles from 96,847 mln roubles as of 31 December 2014 due to commissioning of power unit No. 3 of Berezovskaya GRES in October 2015.

Increase in line 1170 "Long-Term Financial Investments" up to 1,927 mln roubles as of 31 December 2015 from 840 mln roubles as of 31 December 2014, is mainly caused by the contribution of E.ON Russia JSC for increase of the authorised capital of E.ON Connecting Energies in the amount of 850 mln roubles. And also this increase is due to the contribution into the authorised capital of E.ON Engineering LLC in the amount of 125.0 mln roubles. E.ON Engineering LLC was established in October 2015 for the purpose of completion of projects at Berezovskaya GRES and development of engineering business.

Current assets of the Company as of 31 December 2015 reduced by 13.5% to 23,873 mln roubles. Reduction is mainly related to decrease in short-term financial investments to 153 mln roubles as of 31 December 2015 from 2,097 mln roubles due to payment of short-term bills.

The balance of cash and cash equivalents as of 31 December 2015 in the balance sheet amounted to 9,356 mln roubles and thus reduced by 28% or by 3,636 mln roubles as compared to the balance as of 31 December 2014.

Meanwhile in 2015 the reserves increased to 5,997 mln roubles from 5,168 roubles as of 1 January 2014. The cause of such increase is recording of spare parts under the service contract at Surgutskaya GRES as received.

Increase in line 1230 "Accounts Receivable" is caused by increase of the short-term accounts receivable, in particular the accounts receivable of Dagestan Power Supply Company JSC grew significantly. In view of worsening of payment discipline the doubtful debt reserve for the whole amount of the indebtedness was formed in the Company. Also, the accounts receivable related to profit tax increased in 2015, the main reason for such increase was writing off of the bonus depreciation in connection with startup of power unit No. 3 of Berezovskaya GRES Branch in 2015.

5.9. Liabilities. Significant Changes in Liabilities Profile

Main changes in the structure of the Company's liabilities were connected with increase of long-term liabilities (+45.4%) in terms of deferred tax liabilities, mainly caused by application in Q4 2015 of the bonus depreciation in connection with startup of power unit No. 3 of Berezovskaya GRES Branch, as well as with increase of short-term liabilities (+30.6%) to 8,229 mln roubles.

In 2015 increase of the short-term indebtedness to 2,010 mln roubles from 837 mln roubles as of 1 January 2014 was in line 1522 "Taxes payable". This growth was caused by increase of the value added tax for the sale of electric power and capacity, accrued for Q4 2015, which is also related to commissioning of power unit No. 3 at Berezovskaya GRES Branch.

Capital and reserves of the Company as of 31 December 2015 decreased to 112,704 mln roubles (-1.7%) due to the reduced undistributed profit of the Company. The reduction in undistributed profit of the Company is caused by payment of dividends for 2014.

5.10. Liquidity and Equity Capital

Monetary assets from the day-to-day operation were the main source of the Company's liquidity in 2015.

Capital expenditures mainly relate to the activities for generation of electric and heat power, as well as to construction of new generating facilities and to upgrading of the existing generating assets within the framework of the approved Investment Program. The Investment Program is planned to be implemented through the use of equity funds.

6. CORPORATE GOVERNANCE

6.1. Compliance with Legal and Ethical Standards

Issues related to transparency and efficiency of the corporate governance are of great importance for activities of E.ON Russia JSC. In March 2014 the Board of Directors of the Bank of Russia approved the Code of Corporate Governance, the main provisions of which were reflected in the Company's internal documents governing the activities of the Company's management bodies⁵.

The core operation principle of E.ON Russia JSC is respectful attitude to law, compliance with requirements of existing regulations, observance of rights and lawful interests of shareholders in the course of exercising their right to participate in the Company's governance.

Shareholders are given an equal and fair opportunity to participate in Company's earnings by receiving dividends. For this purpose the Board of Directors of E.ON Russia JSC on 30 July 2014 approved the Regulation on the Dividend Policy of E.ON Russia JSC, which had been developed in accordance with the laws of the Russian Federation and Articles of Association of E.ON Russia JSC.

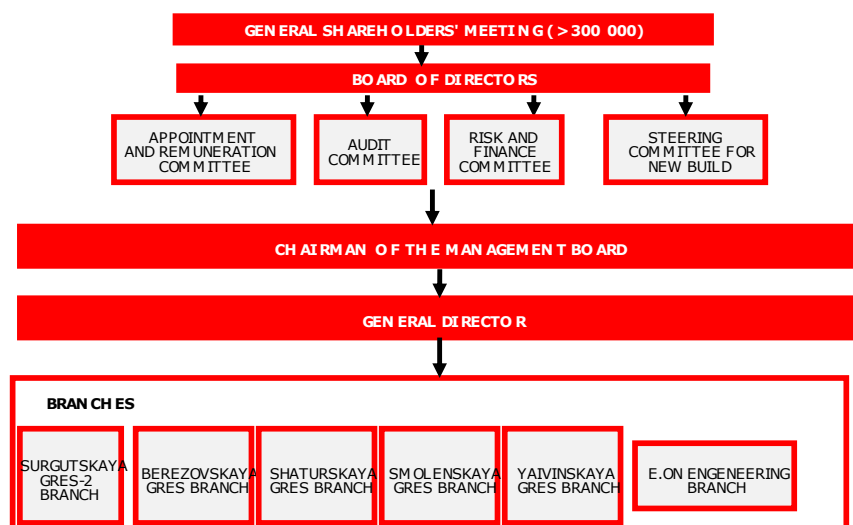
Pursuant to the up-to-date requirements in the sphere of counteracting the use of insider information and securities prices manipulation, the Company also developed and approved the Regulation on Insider Information⁶. The Regulation contains rules for treating insider information, provides for the categories of insiders according to the level of their access to the insider information, additional restrictions are introduced related to securities trade for insiders, and the control procedure on the part of the person specially authorised by the Board of Directors in the sphere of compliance with the insider rules.

Strict compliance with legal norms and the highest ethical standards in the field of responsible business conduct is one of the fundamental principles of Company's operation. The Code of Ethics of E.ON Russia JSC contains provisions regulating the practice of business operations, relations with business partners, government institutions, settlement of the conflict of interests, and ensuring countering corruption, commercial bribery, abuse of one's official powers. The advanced standards documented in the Code of Ethics of E.ON Group served the basis for development and approval of this Code. The Company's Board of Directors approved the Regulation on Compliance Procedure that regulates the issues of control over compliance with the mandatory requirements of the laws and the Code of Ethics by officials and employees of E.ON Russia JSC, appointed an independent Responsible Person, whose major task is to control over compliance with provisions of the Code, and whom any employee may address as to issues of violation of the provisions of the document specified.

⁵ E.ON Russia's Primary Corporate Governance Documents are listed in clause 6.3. of the Annual Report.

⁶ Text of the Regulation on Insider Information is published on the web-site of the Company WWW.EON-RUSSIA.RU in section "Shareholders and Investors/Insiders/Regulation on Insider Information".

6.2. Organisational Structure



The organisational structure of the Company did not change during 2015.

6.3. Management Bodies Work results, 2015

Organisation of effective corporate governance aimed at gaining maximum efficiency and performance in the Company business, enhancement of transparency and justification of adopted managerial decisions, risk reduction and protection of rights and interests of the Company's shareholders are the major missions for the Company. The effective system of corporate governance is arranged with the use of the best Russian and foreign practices. Up-to-date standards of corporate governance widely practiced by E.ON Group companies, which E.ON Russia JSC is actively implementing in its corporate practice are of special importance.

The major lines of corporate management system improvement in E.ON Russia JSC are as follows:

- Ensuring and protection of rights and interests of the Company's shareholders;
- Reasonable distribution of competencies and responsibilities among corporate management bodies;
- Strengthening of collective principals in management of the Company's activities;
- Effective combination of decision making centralisation and delegation of authority to various managerial levels;
- Enhancement of promptness and efficiency of the decisions made;
- Implementation of high standards of corporate ethics in the management bodies activity.

Today the following documents serve the basis for E.ON Russia JSC in the field of corporate governance:

- Articles of Association;
- Code of Corporate Governance;
- Regulation on the General Meeting of Shareholders;
- Regulation on the Board of Directors;
- Regulation on the Company's Management Board;
- Regulation on the Audit Commission;
- Policy of Authority Delegation;
- Regulation on distribution of competencies among the Company's top managers;
- Regulation on the Compliance Procedure;
- Regulation on the Information Disclosure;
- Regulation on the Insider Information;
- Regulation on the Internal Control System;
- Internal Audit Policy;
- Regulation on the Internal Control Procedures;
- Regulation on the Corporate Risk Management System;
- Regulations on Committees of the Company's Board of Directors;
- Regulation on the Corporate Secretary;

Regulation on the Dividend Policy;
Regulation on the Internal Audit Department;
Code of Ethics.

The Company combines clear and efficient corporate governance rules with continuous information exchange with the outside audience.

E.ON Russia JSC prepares and publishes reports in compliance with both Russian accounting standards (RAS) and international financial reporting standards (IFRS) on a regular basis. There are subdivisions in the Company responsible for organisation of information exchange with the public.

The relevant information on the Company's activity, and information that is required to be disclosed to comply with the requirements of laws of the Russian Federation, is disclosed on the Company's corporate site www.eon-russia.ru, on the page in the Internet, which is provided by one of the information disseminators at the securities market — Interfax CJSC, <http://www.e-disclosure.ru/portal/company.aspx?id=7878>, and on news lines of authorised news agencies.

The Company's management system is composed of the following levels:
General Meeting of Shareholders;
Board of Directors;
Management Board;
Chief Executive Officer.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme management body of E.ON Russia JSC. It considers key issues of the Company's functioning that are set forth by the Federal Law On Joint Stock Companies, and referred to its competence by Article 10 of the Articles of Association, thus forming and expressing the shareholders' will. The procedure of convening, preparation and holding the Company's general meetings of shareholders is governed by the Regulation on the General Meeting of Shareholders of E.ON Russia JSC⁷.

BOARD OF DIRECTORS

Board of Directors⁸

The Board of Directors performs strategic management of the Company's activities, control over activities of its executive bodies and ensures observance of the shareholders' rights and interests. Its competence includes determination of the Company's development strategy, organisation of control over financial and economic activity, maintenance of the internal control system efficiency, development and approval of major internal rules for the main areas of activities, ensuring exercise of the shareholders' rights, and review of reports on the Company's performance and fulfilment of the tasks as set by executive bodies of E.ON Russia JSC. Activities of the Board of Directors are governed by Regulation on the Board of Directors of E.ON Russia JSC⁹.

During the period from 1 January 2015 till 26 June 2015 the Board of Directors was the same as elected by the Annual General Meeting of Shareholders on 26 June 2014, comprised of:

1. Jorgen Kildahl - Chairman of the Board of Directors;
2. Mike Winkel;
3. Aleksey Andreyevich Germanovich;
4. Sergey Vladimirovich Malinov;
5. Tatiana Alekseyevna Mitrova;
6. Albert Bernhard Wilhelm Reutersberg;
7. Karl-Heinz Feldmann;
8. Reiner Hartmann;
9. Maxim Gennavyevich Shirokov - Chief Executive Officer of the Company

⁷Text of the Articles of Association and Regulation on the General Meeting of Shareholders are published on the Company's web-site WWW.EON-RUSSIA.RU in section "About Company/Documents".

Minutes of General Meetings of Shareholders of the Company are published on the Company's web-site WWW.EON-RUSSIA.RU in section "Management/Shareholders' Meeting".

⁸ As of the date of approval of this Annual Report the composition of the Board of Directors is the same as elected by the Annual General Meeting of Shareholders of E.ON Russia JSC on 26 June 2014.

⁹TEXT OF REGULATION ON THE BOARD OF DIRECTORS IS PUBLISHED ON THE COMPANY'S WEB-SITE www.eon-russia.ru in section "About Company/Documents".

Full data about the above members of the Board of Directors are given in the Company's Annual Report for 2014.¹⁰

The Board of Directors acting during the second half of 2015 was elected by the Annual General Meeting of Shareholders on 26 June 2015. It comprised of:

1. Albert Bernhard Wilhelm Reutersberg, member of the Board of Directors.

Born in 1954.

In 1981 graduated from University of Munster, degree in economics. Received a Doctor's degree.

From 2006 till 2010 - Chairman of the Management Board of E.ON Ruhrgas AG (Essen, Germany).

From 2008 till 2015 - member of the Shareholders' Committee of Nord Stream AG (Switzerland).

From 2010 till 2015 - Chairman of the Supervisory Board of E.ON Benelxu N.V (Netherlands), member of the Board of Directors of E.ON Italia S.p.A. (Italy), member of the Board of Directors of E.ON Espana S.L. (Spain).

From 2010 till 2013 - Chairman of the Supervisory Board of E.ON Energie AG (Germany).

From 2011 till 2015 - Chairman of the Supervisory Board of E.ON Hungaria ZRt (Hungary).

From 2014 till 2015 - Chairman of the Supervisory Board of E.On. Czech Holding AG (Munich, Germany).

Presently - Chairman of the Supervisory Board of E.ON Sverige AB, Switzerland (from 2010), member of the Management Board of E.ON SE, Germany (from 2010), President of the Supervisory Board of E.ON France S.A.S, France (from 2011).

Mr. Reutersberg was first elected the member of the Company's Board of Directors on 24 June 2011, and was last time re-elected on 26 June 2015. From July 2012 till 27 June 2013, from July 2015 till present - Chairman of the Board of Directors of E.ON Russia JSC.

Mr. Reutersberg does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

2. Mike Winkel, member of the Board of Directors.

Born in 1970.

Studied economics and basics of the power industry at the Technical University in Zittau (Germany) and Oxford (Great Britain).

From 2009 till 2010 - Managing Director of E.ON Russia Power GmbH.

From 2010 till 2011 - Deputy Chief Executive Officer for Energy Management of E.ON Russia JSC.

From 2010 till 2011 - Deputy Chief Executive Officer of E.ON Russia LLC.

From 2011 till 2013 - Chief Executive Officer of E.ON Climate & Renewables (Essen, Germany).

From 2013 till 2015 - member of the Management Board of E.ON SE (Dusseldorf, Germany).

Mr. Winkel was first elected the member of the Company's Board of Directors on 17 June 2009, and was last time re-elected on 26 June 2015.

Mr. Winkel does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

3. Aleksey Andreyevich Germanovich, member of the Board of Directors, an Independent Director, Chairman of the HR and Remunerations Committee of the Board of Directors, member of the Audit Committee of the Board of Directors.

Born in 1977.

In 1998 graduated from Lomonosov Moscow State University with a degree in Economics, and in 2002 graduated with a degree in Journalism (second higher education).

In 2009 he received an MBA diploma at the Cranfield University (Great Britain).

In 2011-2013 - Practice Professor of SKOLKOVO Moscow Business School.

From 2008 - member of the Management Board of the Foundation for Development of St. Petersburg State University.

From 2009 till 2012 - Director of Social and State Programs of SKOLKOVO Business School.

¹⁰ Text of the Annual Report of E.ON Russia JSC for 2014 is published on the Company's web-site WWW.EON-RUSSIA.RU in section "Shareholders and Investors/Reports/Annual Reports"

From 2011 till 2012 - member of the Board of Directors of SG Trans JSC, LENMORNIIPROEKT OJSC.
From 2011 till 2013 - member of the Board of Directors of Siberia Airlines JSC.
From 2011 till 2014 - member of the Board of Directors of NIIAT JSC.
From 2012 till 2013 - Director, member of the Management Board, Advisor to the Russian Fund for Direct Investments.
From 2012 - member of the Board of Directors of GTLK JSC (State Transport Leasing Company).
From 2012 till 2014 - member of the Board of Directors, Chairman of the HR and Remunerations Committee of Aeroflot JSC.
From 2014 - Advisor to the Chief Executive Officer of INVESTMENT MANAGEMENT JSC.
From June to October 2014 - member of the Board of Directors of Scientific Implementation Center Vagony JSC.
From 2014 till 2015 - member of the Board of Directors of Irkutsk International Airport JSC.
From 2014 - member of the Board of Directors of Bank Saint Petersburg JSC.

Mr. Germanovich was first elected to the Board of Directors of the Company on 26 June 2014 , and was last time re-elected on 26 June 2015.

Mr. Germanovich does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

4. Jorgen Kildahl, member of the Board of Directors.

Born in 1963.

In 1988 graduated from Norwegian School of Economics and Business Administration.
In 2004 received an MBA diploma in the Norwegian School of Economics and Business Administration.
In 2009 graduated from Harvard Business School.

From 2001 till 2010 - Executive Vice President of Statkraft AS (Oslo, Norway).
From 2010 till 2015 - member of the Management Board of E.ON SE (Düsseldorf, Germany).

Mr. Kildahl was first elected a member of the Company's Board of Directors on 21 February 2013 and was last time re-elected on 26 June 2015.

Mr. Kildahl does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

5. Sergey Vladimirovich Malinov, member of the Board of Directors, Independent Director, Chairman of the Audit Committee of the Board of Directors.

Born in 1973.

In 1995 graduated from Financial Academy under the Government of the Russian Federation, Finance and Credit Department, with a degree in Economics.

From 2006 - 2010 - Deputy Chief Executive Officer for Restructuring and Corporate Management, later - Deputy Chief Executive Officer - Director for Corporate Governance. Rosenergoatom Concern Federal State Unitary Enterprise, Rosenergoatom Concern JSC.
From 2009 till 2012 - member of the Board of Directors, professional attorney of Energosetproekt JSC.
From 2009 till 2015 - member of the Board of Directors of Russian State R&D Center "R&D Institute of Thermal Energy Instrument Engineering", professional attorney.
From 2010 till 2011 - Advisor to the Chief Executive Officer of Atomenergomash JSC.
From 2012 till 2014 - Chairman of the Board of Directors, professional attorney of Energosetproekt Institute JSC.
From 2013 till 2015 - Deputy Chief Executive Officer of TRANSINZHSTROY JSC.
From 2014 - Deputy Chairman of the Board of Directors, Chairman of the Strategy and Investments Committee, professional attorney of ENERGOSETPROEKT Institute JSC.
From December 2015 - Chief Executive Officer of Aviation Service Technologies JSC.

Mr. Malinov was first elected the member of the Company's Board of Directors on 29 June 2012, and was last time re-elected on 26 June 2015.

Mr. Malinov does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

6. Tatyana Alekseyevna Mitrova, member of the Board of Directors, Independent Director, member of the HR and Remunerations Committee of the Board of Directors.

Born in 1974.

In 1995 graduated from Lomonosov Moscow State University with degree in Economics, Ph.D. in Economics (2004).

From 2006 till 2010 - Head of the World Energy Markets Research Center. Institute for Energy Research of the Russian Academy of Science.

From 2008 till 2014 - Associate Professor at the Chair of the National Research University "Higher School of Economics" (Department of World Economics and World Politics, Chair of Energy and Raw Materials Markets).

From 2008 - Chief Executive Officer of Energy Markets Research Center Limited Liability Company.

From 2008 - Associate Professor at the Chair of Gubkin Russian State University of Oil and Gas (Department of Economics and Management, Chair of System Analysis of Energy Markets).

From 2011 till 2012 - Head of the World Power Engineering Direction at the Energy Center of Skolkovo Business School.

From 2011 - Head of the Department for Russia and World Oil and Gas Complex Development at the Institute for Energy Research of the Russian Academy of Science.

From 2014 - invited Professor to Geneva Institute of International Relations and Development and the Institute of Political Studies of the School of International Relations (France, Paris).

Mrs. Mitrova was elected the member of the Company's Board of Directors for the first time on 26 June 2014, and was last time re-elected on 26 June 2015

Mrs. Mitrova does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

7. Karl-Heinz Feldmann, member of the Board of Directors.

Born in 1959.

In 1984 graduated from Westphalian Wilhelm University of Münster, has a degree in Law.

From 2004 - Senior Vice-President for Legal Issues of E.ON SE, (Düsseldorf, Germany), member of the Supervisory Board of Hamburger Hof (Germany).

From 2008 to 2010 - member of the Supervisory Board of E.ON IS (Germany).

From 2008 till 2015 - member of the Supervisory Board of E.ON Italia SpA (Italy, Milan).

From 2012 - member of the Supervisory Board of E.ON Energie AG (Essen, Germany).

From October 2015 - member of the Supervisory Board of E.ON Kernkraft GmbH (Hannover, Germany).

Mr. Feldmann was first elected the member of the Company's Board of Directors on 17 June 2009, and was last time re-elected on 26 June 2015.

Mr. Feldmann does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

8. Reinder Hartmann, member of the Board of Directors.

Born in 1945.

Graduated from Private Trade School with a degree in Economy of Production Process (Bayreuth, FRG). Honored Ph.D. of the Marconi University (Italy).

From 1992 till 2014 - Head of the Moscow Representative Office of E.ON Ruhrgas AG (Germany).

From 2006 till 2014 - Chairman of the Management Board of the Association of European Businesses in the Russian Federation.

From 2008 till 2009 - Chief Executive Officer of E.ON Russia LLC.

From 2009 to 2010 - Director of the Natural Gas Department of E.ON Russia LLC.

In 2013 - Director for Commerce of E.ON Russia Power LLC.

From 2013 - Head of the Representative Office of E.ON Global Commodities SE (Germany).

From 2014 - Chairman of the Honored Board of the Association of European Businesses in the Russian Federation.

Mr. Hartmann was first elected the member of the Company's Board of Directors on 6 June 2008, and was last time re-elected on 26 June 2015.

Mr. Hartmann does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

9. Maksim Gennadyevich Shirokov, Deputy Chairman of the Board of Directors, member of the New Build Steering Committee of the Board of Directors, Chairman of the Management Board.

Born in 1966.

In 1988 graduated from Moscow Red Banner Military Institute.

In 1994 graduated from Moscow Law Institute.

In 1996 received an MBA diploma at the Pacific Coast University, USA.

In 2003 graduated from London Business School.

From 2008 till 2012 - Chief Executive Officer of Ust-Luga Company JSC.

In 2012 - Chief Executive Officer of E.ON Russia LLC and E.ON Russia Power LLC.

From 2012 till 2013 - receiver of E.ON Russia LLC.

From 2012 till 2014 - receiver of E.ON Russia Power LLC.

From 2012 till 2014 - member of the Board of Directors of Transport and Logistic Complex JSC.

From 2012 till 2015 - Chief Executive Officer of E.ON Connecting Energies LLC.

From 2013 - member of the Supervisory Board of the Council of Power Producers Association.

From 2015 - Chief Executive Officer of Uniper LLC.

Mr. Shirokov was first elected a member of the Company's Board of Directors on 21 February 2013, and was last time re-elected on 26 June 2015. From July 2013 - Deputy Chairman of the Board of Directors of E.ON Russia JSC.

Mr. Shirokov does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

OVERVIEW OF THE MEETINGS OF THE BOARD DIRECTORS FOR 2015

In total during 2015 the Board of Directors of the Company held 17 meetings in the form of absentee voting.

The most important resolutions taken by the Board of Directors in 2015:

key investment projects issues

termination of the contract with *ENKA INSAAT VE SANAYI ANONIM SIRKETI (ENKA CONSTRUCTION AND INDUSTRY CO. INC.)* and *ENKA POWER SYSTEMS B.V.*, acting as the general contractor for implementation of the project "Replacement Capacity Creation Based on CCGT-400 of Yaivinskaya GRES Branch of E.ON of Russia JSC; *material terms of implementation of the investment project for construction of Power Unit No. 3 based on 800 MW SPU at Berezovskaya GRES Branch of E.ON Russia JSC were updated;*

amendments were introduced into material terms and conditions of Contract Service Agreements dated 10 June 2008 No. CS10166/OFK-4/08/246 and dated 10 June 2008 No. CS12717/OFK-4/08/247 with companies General Electric International Inc. and GE Rus LLC in respect of timely and quality maintenance of the equipment of steam power units of Shaturuskaya GRES Branch and Surgutskaya GRES-2 Branch.

risk management issues

an annual report on the functioning of the Company's corporate risk management system was approved; the issue on hedging of the currency risk under the contracts the sum of liabilities under which is expressed in foreign currency was considered.

corporate governance improvement issues

a revised version of the Regulation on Risk and Finance Committee was approved; amendments were introduced into the Regulation on the Corporate Secretary of E.ON Russia JSC; amendments were introduced into the Regulation on the Insider Information of E.ON Russia JSC; amendments were introduced into the Procurement Regulation of E.ON Russia JSC; amendments were introduced into the Policy of Authority Delegation of E.ON Russia JSC; the reports prepared in accordance with the International Financial Reporting Standards (IFRS) and based on the results of financial year 2014 were approved; the quantitative and personal composition of the Company's Management Board was changed; the quantitative and personal composition of committees of the Company's Board of Directors was changed; transactions were approved in cases when approval thereof was required in accordance with the laws of the Russian Federation and/or Articles of Association of the Company.

other important issues of activity of the Board of Directors

a fixed-term labor contract for 3 years with M.G. Shirokov, Chief Executive Officer of the Company, was approved; a contract of gas supply between Rosneft Oil Company JSC and E.ON Russia JSC was approved;

a contract for rendering services on the implementation of the project "Production operating efficiency enhancement using the LEAN production tools for the needs of Berezovskaya GRES Branch" was approved;
a decision on terminating the participation of E.ON Russia JSC in exchange trading in derivatives (electric power futures) was adopted;
participation of E.ON Russia JSC in Uniper LLC was approved;
participation of E.ON Russia JSC in E.ON Engineering LLC was approved;
increase of the authorised capital and change of the share of E.ON Russia JSC in E.ON Engineering LLC was approved;
the Shareholders' Agreement between E.ON Russia JSC and E.ON Connecting Energies GmbH in relation to E.ON Connecting Energies LLC and cooperation in the form of joint venture was approved;
the remuneration of the Company's auditor, PricewaterhouseCoopers Audit JSC was approved;
the credit limits of the Company's financial contracting parties and the conditions of monetary funds placement on deposit accounts were approved;
the limit of the Company's financial borrowings for the 1st half of 2016 was approved;
an issue on compliance with the Company's budget for 2015 was considered;
the Company's budget for 2016 was approved;
the general commodity limit for 2016 was approved;
the agreement on transfer, confidentiality and protection of proprietary information between E.ON Russia JSC and E.ON SE was approved;
the action plan of the Board of Directors for 2016 was approved;
the budget for rebranding of E.ON Russia JSC was approved.

INFORMATION ON EVALUATION OF PERFORMANCE OF THE BOARD OF DIRECTORS IN 2015

The HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC evaluated the overall performance of the Company's Board of Directors and its members, as well as Committees of the Company's Board of Directors, in accordance with clause 2.2.5 of the Regulation on the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC. The evaluation of performance of the Board of Directors of E.ON Russia JSC in 2015 confirms the efficiency of work of each member of the Board of Directors particularly and the Company's Board of Directors in general.

DATA ON THE REMUNERATION AND COMPENSATIONS PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

Until 21 February 2013, the amount of the remuneration and bonuses to the members of the Board of Directors and the procedure of their payment was regulated by the Regulation on the Board of Directors of E.ON Russia JSC[1] approved by the Annual General Meeting of Shareholders on 24 June 2011. In accordance with this Regulation, the members of the Board of Directors were entitled to:

compensation of expenses associated with performance of their duties as members of the Board of Directors;
receipt of the quarterly fixed remuneration;
receipt of an annual variable compensation depending on the level of the Company's performance.

On 21 February 2013 the Extraordinary General Meeting of Shareholders of E.ON Russia JSC approved a new version of the Regulation on the Board of Directors. The changes were made, in particular, in respect of payment of the remuneration and compensations to the members of the Board of Directors. According the changes made, the remuneration shall be paid only to those members of the Board of Directors who do not hold paid positions in E.ON Russia JSC and in its affiliates, and are not members of the Management Board of E.ON Russia JSC and its affiliates (clause 11.4. of Article 11 of the Regulation).

The HR and Remunerations Committee of the Company, annually reviews the annual variable remuneration of the Board of Directors of E.ON Russia JSC, within its jurisdiction, and gives recommendations on payment thereof.

The total amount of remunerations and compensations paid to members of the Company's Board of Directors in 2015 amounted to 13,792,247 rubles, including:
quarterly remuneration - 4,802,059 roubles,
annual remuneration (for 2014) - 8,990,188 roubles.

COMMITTEES OF THE BOARD OF DIRECTORS

The effective system of committees at the Board of Directors is optimal and justified, it enables to take informed and effective decisions in the most important areas of the Company's activity.

The Audit Committee was established on 30 November 2006 by the resolution of the Board of Directors of OGK-4 (E.ON Russia), minutes No. 36.
It acts by virtue of the Articles of Association of E.ON Russia JSC and the Regulation on the Audit Committee of the Board of Directors of E.ON Russia JSC.

In 2014 the Company elaborated a revised version of the Regulation on the Audit Committee of the Company's Board of Directors, which took into account all requirements set out by new MICEX Listing Rules, in order to include and maintain its shares in the quotation list of the first level.

The main functions of the Audit Committee include:

- a) Control over ensuring completeness, accuracy and authenticity of the Company's financial statements;
- b) Control over reliable and effective functioning of the risk management and internal control system;
- c) Ensuring the independent and unbiased performance of functions of internal and external audit;
- d) Control over effective functioning of the notification system on the possible cases of unfair actions of Company's employees (including unfair use of insider or confidential information) and third parties, as well as on other violations in the Company's activity, and control over the implementation of measures taken by the Company's executive managers within such system.

The Committee comprises only independent directors who meet the independence criteria established by MICEX. New members were elected to the Audit Committee by the Board of Directors of E.ON Russia JSC on 30 July 2015, minutes No. 216.

Data on the quantitative and personal composition of the Audit Committee in 2015:

Period	Number of members of the Committee	Members of the Committee
1 January 2015- 31 December 2015	2	Sergey Vladimirovich Malinov - Chairman of the Committee, independent member of the Board of Directors of E.ON Russia JSC; Aleksey Andreyevich Germanovich, independent member of the Board of Directors of E.ON Russia JSC.

In 2015 5 meetings of the Audit Committee were held.

The HR and Remuneration Committee was established on 14 April 2008 subject to the resolution of the Board of Directors of OGK-4 (E.ON Russia), minutes No. 87.

It acts by virtue of the Articles of Association of E.ON Russia JSC and the Regulation on the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC.

In 2014 the Company elaborated a revised version of the Regulation on the HR and Remuneration Committee of the Company's Board of Directors, which took into account all requirements set out by new MICEX Listing Rules, in order to include and maintain its shares in the quotation list of the first level.

The main functions of the HR and Remuneration Committee include:

- a) Elaboration and regular revision of the Company's policy on the remuneration paid to members of the Board of Directors, members of the Company's executive body and a sole executive body, supervision over its implementation and fulfilment;
- b) Preliminary assessment of work of the Company's executive body and Company's sole executive body following the year results, in accordance with the issuer's remuneration policy;
- c) Elaboration of terms and conditions for early termination of employment agreements with the members of the Company's executive body and with the Company's sole executive body;
- d) Elaboration of recommendations for the Board of Directors on determining the sum of remuneration and bonus payment principles for the corporate secretary (employees of the structural unit performing the functions of a corporate secretary) of the Company;
- e) Annual assessment of performance efficiency of the Board of Directors and its members, determination of the priority lines to improve the composition of the Board of Directors;
- f) Drawing up recommendations for the shareholders regarding voting on election of candidates to the Company's Board of Directors;
- g) Planning of personnel appointments, inter alia, with due consideration to operation succession, to members of the executive body and to a sole executive body, drawing up recommendations for the Board of Directors regarding candidates to the corporate secretary's position (or to the position of the head of the structural unit performing the functions of a corporate secretary), to members of the Company's executive body and Company's sole executive body.

The Committee comprises only independent directors who meet the independence criteria established by MICEX. New members were elected to the HR and Remuneration Committee by the Board of Directors of E.ON Russia JSC on 30 July 2015, minutes No. 216.

Data on the quantitative and personal composition of the HR and Remuneration Committee in 2015:

Period	Number of members of the Committee	Members of the Committee
1 January 2015-31 December 2015	2	Aleksey Andreyevich Germanovich - Chairman of the Committee, independent member of the Board of Directors of E.ON Russia JSC; Tatyana Alekseyevna Mitrova, independent member of the Board of Directors of E.ON Russia JSC.

In 2015 11 meetings of the HR and Remuneration Committee were held.

The New Build Steering Committee was established on 16 March 2009 subject to the resolution of the Board of Directors of OGK-4, minutes No. 108.

It acts by virtue of the Articles of Association of E.ON Russia JSC and Regulation on the New Build Steering Committee of the Board of Directors of E.ON Russia JSC.

The Steering Committee's responsibilities include: issues of efficient implementation management of the Investment Program of E.ON Russia JSC with due account for reasonable spending of the Company's monetary funds, compliance with the environmental and industrial safety, requirements of occupational health, environmental protection in the points of the projects implementation through development of the draft solutions on the issues of the projects implementation.

New members were elected to the New Build Steering Committee by the Board of Directors of E.ON Russia JSC on 30 July 2015, minutes No. 216.

Data on the quantitative and personal composition of the New Build Committee in 2015:

Period	Number of members of the Committee	Members of the Committee
1 January 2015-30 July 2015	6	Sebastian Eisenberg - Chairman of the Committee Ulf Backmeyer - Deputy Chairman of the Committee Donald Weir Peter Modrei Joerg Tumat Maksim Gennadyevich Shirokov
31 July 2015-31 December 2015	5	Sebastian Eisenberg - Chairman of the Committee Ulf Backmeyer - Deputy Chairman of the Committee Vladimir Nikolayevich Borisov Igor Viktorovich Popov Maksim Gennadyevich Shirokov

In 2015 6 meetings of the New Build Committee were held.

The Risk and Finance Committee was established on 30 June 2009 subject to the resolution of the Board of Directors of OGK-4, minutes No. 115.

It acts by virtue of the Articles of Association of E.ON Russia JSC and the Regulation on the Risk and Finance Committee of the Board of Directors of E.ON Russia JSC.

The competence of the Risk and Finance Committee includes reviewing issues and elaboration of recommendations to the Board of Directors and executive bodies in the area of risk management and financial management.

New members were elected to the Risk and Finance Committee by the Board of Directors of E.ON Russia JSC on 26 November 2015, minutes No. 222.

Data on the quantitative and personal composition of the Risk and Finance Committee in 2015:

Period	Number of members of the Committee	Members of the Committee
1 January 2015-26 November 2015	4	Ulf Backmeyer - Chairman of the Committee Joerg Tumat - Deputy Chairman of the Committee

		Andrey Nikolayevich Zhukovskiy Yelena Vladimirovna Talalayeva
26 November 2015 31 December 2015	6	Ulf Backmeyer - Chairman of the Committee Joerg Tumat - Deputy Chairman of the Committee Andrey Nikolayevich Zhukovskiy Igor Viktorovich Popov Maksim Sergeyeovich Porozov Yelena Vladimirovna Talalayeva

In 2015 12 meetings of the Risk and Finance Committee were held.

PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN THE COMMITTEES OF THE BOARD OF DIRECTORS OF E.ON RUSSIA JSC						
Members of the Board of Directors in the reporting year	Independent Director	Participation in meeting of the Board of Directors	Audit Committee	HR and Remuneration Committee	New Build Steering Committee	Risk and Finance Committee
Total meetings held		17	5	11	6	12
Mike Winkel		16	-	-	-	-
Aleksey Andreyevich Germanovich	+	17	5	11	-	-
Jorgen Kildahl		16	-	-	-	-
Sergey Vladimirovich Malinov	+	17	5	-	-	-
Tatiana Alekseyevna Mitrova	+	17	-	11	-	-
Albert Bernhard Wilhelm Reutersberg		17	-	-	-	-
Karl-Heinz Feldmann		16	-	-	-	-
Reiner Hartmann		17	-	-	-	-
Maksim Gennadyevich Shirokov		17	-	-	6	-

MANAGEMENT BOARD

The Management Board is a collective executive body that controls major issues of day-to-day management of the Company's business within the authorities provided for by the Articles of Association and Regulation on the Management Board of E.ON Russia JSC¹¹. The Management Board reports to the Board of Directors and the General Meeting of Shareholders.

The policy of E.ON Russia JSC in the area of corporate governance improvement is consistently focusing on boosting up significance of the Management Board in exercising management of current activities, positioning it as the body elaborating the uniform approach of the Company's management to the key areas of operations. Enhancement of activities of the Management Board is also conditioned by a more extensive application of the principle of collective leadership in respect of management resolutions adoption in order to minimise the risk of ineffective management resolutions.

The Resolution of the Company's Board of Directors dated 16 July 2012 instructed the Company's Management Board to preliminarily consider all items submitted for consideration by the Company's Board of Directors, and provide recommendations to members of the Company's Board of Directors regarding voting on the items specified.

The key responsibilities of the Management Board include:
development and submission for review by the Board of Directors of long-term plans on implementation of the major lines of the Company's activity;
approval of essential long-term investments of the Company;
approval of major transactions of the Company;
determination of the Company's opinion as regards regulation of a number of crucial issues on the Company subsidiaries' activity;
provision of social guarantees and benefits to the Company's employees;
development of draft resolutions and recommendations for the Company's Board of Directors.

Pursuant to clause 18.3 of the Articles of Association of E.ON Russia JSC members of the Company's Management Board are elected by the Board of Directors in the number of minimum three persons. The Board of Directors may determine a greater number of members of the Management Board.

The Company's Board of Directors by its resolution dated 29 January 2015 early terminated the powers of Timur Vladimirovich Lipatov as a member of the Company's Board of Directors, and determined the quantitative composition of the Management Board — 4 persons.

Data on changes of members of the Management Board of E.ON Russia JSC in 2015:

Period	Members of the Management Board
1 January 2015 – 29 January 2015	Maksim Gennadyevich Shirokov — Chairman of the Management Board Ulf Backmeyer Timur Vladimirovich Lipatov Igor Viktorovich Popov Joerg Tumat
29 January 2015 – 31 December 2015	Maksim Gennadyevich Shirokov — Chairman of the Management Board Ulf Backmeyer Igor Viktorovich Popov Joerg Tumat

Data on the persons being effective members of the Company's Management Board:

Maksim Gennadyevich Shirokov, Chief Executive Officer, Deputy Chairman of the Board of Directors, Chairman of the Management Board, member of the New Build Steering Committee of the Board of Directors.

Elected to the Management Board of the Company on: 16 July 2012

From 2008 till 2012 - Chief Executive Officer of Ust-Luga Company JSC.

In 2012 - Chief Executive Officer of E.ON Russia LLC and E.ON Russia Power LLC.

From 2012 till 2013 - receiver of E.ON Russia LLC.

From 2012 till 2014 - receiver of E.ON Russia Power LLC.

¹¹Text of the Regulation on the Management Board of E.ON Russia is published on the Company's web-site WWW.EON-RUSSIA.RU in section "About Company/Documents".

From 2012 till 2014 - member of the Board of Directors of Transport and Logistic Complex JSC.
From 2012 till 2015 - Chief Executive Officer of E.ON Connecting Energies LLC.
From 2013 - member of the Supervisory Board of the Council of Power Producers Association.
From 2015 - Chief Executive Officer of Uniper LLC.

Mr. Shirokov does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

Ulf Backmeyer, Deputy Chief Executive Officer of E.ON Russia JSC for Finance and Economy, Chairman of the Risk and Finance Committee of the Board of Directors, Deputy Chairman of the New Build Steering Committee of the Board of Directors.

Elected to the Management Board of the Company on: 28 January 2011.

In 2008 - 2010 - member of the Board of Directors of telecommunications companies Sibintertelecom JSC and MTS-P JSC.

From 2009 till 2011 - member of the Audit Commission of TS Retail JSC.

From 2009 till 2011 - member of the Board of Directors of K-Telecom JSC (Erevan, Armenia).

From 2010 till June 2011 - member of the Board of Directors of Comstar-OTS JSC and Multiregion JSC.

In 2011 - Deputy Chief Executive Officer of E.ON Russia LLC.

Mr. Backmeyer does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

Igor Viktorovich Popov, Deputy Chief Executive Officer for Production of E.ON Russia JSC, member of the Risk and Finance Committee of the Board of Directors, member of the New Build Steering Committee of the Board of Directors.

Elected to the Management Board of the Company on: 30 August 2012.

Since 2009 - Deputy Chief Executive Officer for Production of E.ON Russia JSC.

Mr. Popov does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

Joerg Tumat, Deputy Chief Executive Officer for Commerce of E.ON Russia JSC, Deputy Chairman of the Risk and Finance Committee of the Board of Directors.

Elected to the Management Board of the Company on: 24 October 2013.

From 2006 to 2013 - member of the Management Board, Deputy Chairman of the Management Board of Latvijas Gaze JSC (Riga, Latvia).

From 2014 - member of the Supervisory Board of Latvijas Gaze JSC (Riga, Latvia).

Mr. Tumat does not have any shares in the Company's authorised capital; during 2015, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

REVIEW OF MEETINGS OF THE MANAGEMENT BOARD

In 2015 51 meetings of the Management Board were held, in the course of which the Board discussed issues related to all areas of the Company's operating activity. The following issues were reviewed at the meetings of the Management Board in 2015:

amendments to the Regulation on Emergency Inventory of E.ON Russia JSC;

approval of the revised Regulation on the Corporate Risk Management System of E.ON Russia JSC;

approval of the revised Regulation on Fuel Provision for the Branches of E.ON Russia JSC;

approval of the Investment (Management) Program of E.ON Russia for 2016;

drawing up of and implementation of the Company's business plan for 2016;

forming and approval of the MTP financial indicators for 2016-2018;

approval of actual key performance indicators (KPI) for 2014;

approval of KPI for 2015;

approval of necessary transactions and results of procurement procedures;

approval of additional financing of emergency inventory procurement;

approval of the strategy of applying for competitive capacity selection for 2016 and 2017-2019;

approval of additional agreement No. 8 to contract for supply of dry compressed stripped gas dated 18 November 2009 No. 1344/ОГК4/09/376 between Surgutneftegas JSC and E.ON Russia JSC;

approval of the action plan for signing contracts for gas supply to the branches of E.ON Russia JSC starting from 2018;
on the results of work of E.ON Russia JSC on the Saint-Petersburg International Mercantile Exchange in the status of the Visitor to Trading Sessions in the "Natural Gas" Section.
approval of the termination procedure for contract of works and labor No. 4415/IA-14-0521 dated 19 August 2014 between E.ON Russia JSC and Sibirenergoinzhiniring JSC for performance of works related to construction of the dry ash removal system within implementation of the investment project of "Construction of the 3rd power unit on the basis of STU-800MW at Berezovskaya GRES Branch of E.ON Russia JSC";
introduction of changes into the organisational structure of E.ON Russia JSC;
provision of specific forms of corporate support to employees of E.ON Russia JSC to improve their living conditions;
approval, introduction of amendments into the register of minor property of the Company, and methods of its disposal;
transfer to one network provider;
approval of the Company's Social Investment Program for 2015;
consideration of the Concept for Development of E.ON Engineering LLC for 2015–2018 with an outlook till 2020;
other issues of the Company's current activities;

Each quarter Corporate Risks and Opportunities Reports were presented at meetings of the Management Board of E.ON Russia. Each half year the information on the results of work in all business areas of E.ON Russia was presented.

According to the corporate procedures, all issues submitted for consideration of the Board of Directors were preliminary discussed on a compulsory basis at meetings of the Company's Management Board.

DATA ABOUT THE REMUNERATION AND COMPENSATIONS PAID TO THE MEMBERS OF THE MANAGEMENT BOARD

Remunerations and compensations to the Company's employees being members of the Management Board are paid on the grounds of employment agreements signed with them as the Company's full-time employees, the terms and conditions of which are considered by the HR and Remuneration Committee of the Board of Directors.

The Regulation on the Management Board of E.ON Russia does not provide for any special remuneration or compensations for performance of functions of the member of the Management Board.

In 2015 the following sums were paid to the members of the Management Board:

salary - 131,913,813 roubles;

bonuses - 73,063,081 roubles;

compensation of expenses - 1,904,498 roubles.

CHIEF EXECUTIVE OFFICER

Chief Executive Officer is a sole executive body of the Company. His authorities cover all issues related to management of the current activity, except for those which are directly referred to the competence of the General Meeting of Shareholders, the Board of Directors or the Management Board of E.ON Russia JSC.

The authorities of the CEO cover the right to represent the Company's interests without any power of attorney, conclude transactions, including transactions approved by the collective management bodies of the Company, dispose of the property and monetary funds of the Company, open settlement and other accounts in banks and other credit institutions, approve manning table, issue orders, approve instructions, local regulatory acts and other internal documents. CEO reports to the Board of Directors of E.ON Russia JSC.

CEO is elected by the Company's Board of Directors by the majority of votes of the members present at meeting.

By the Resolution of the Board of Directors dated 16 July 2012 Maksim Gennadyevich Shirokov was elected to the position of the Company's CEO, he took the office on 17 July 2012.

Maksim Gennadyevich Shirokov

Born in 1966.

In 1988 graduated from Moscow Red Banner Military Institute.

In 1994 graduated from Moscow Law Institute.

In 1996 received an MBA diploma at the Pacific Coast University, USA.

In 2003 graduated from London Business School.

From 2008 till 2012 - Chief Executive Officer of Ust-Luga Company JSC.

In 2012 - Chief Executive Officer of E.ON Russia LLC and E.ON Russia Power LLC.

From 2012 till 2013 - receiver of E.ON Russia LLC.

From 2012 till 2014 - receiver of E.ON Russia Power LLC.
From 2012 till 2014 - member of the Board of Directors of Transport and Logistic Complex JSC.
From 2012 till 2015 - Chief Executive Officer of E.ON Connecting Energies LLC.
From 2013 - member of the Supervisory Board of the Council of Power Producers Association.
From 2015 - Chief Executive Officer of Uniper LLC.

Mr. Shirokov has no share in the Company's authorised capital.

DATA ON THE REMUNERATION AND COMPENSATIONS PAID TO THE CHIEF EXECUTIVE OFFICER

The remuneration and compensations of the CEO, including terms and conditions of financial incentives are set forth in the labor contract with the Company's CEO. The terms and conditions of such labor contract are approved by the Board of Directors of E.ON Russia JSC. No other remunerations except for those provided for by the terms and conditions of the labor contract was paid to the CEO. The sum of remunerations and compensations paid to the Chief Executive Officer in the reporting period is included in the sum of remunerations and compensations paid to the members of the Management Board.

CORPORATE SECRETARY

Corporate Secretary of the Company (referred to hereinafter as Corporate Secretary) is the Company's official, whose major responsibilities include the provision of effective current interaction with the Shareholders of the Company, coordination of the Company's actions taken to protect rights and interests of shareholders, maintenance of effective work of the Board of Directors of the Company. Corporate secretary reports to the Board of Directors of the company and is administratively supervised by the Chief Executive Officer of the Company.

The functions of the Corporate Secretary include:

- 1) participation in arrangement and holding of the General Shareholders' Meetings of the Company;
- 2) provision of activities of the Board of Directors (functions of the Secretary of the Board of Directors), Committees of the Board of Directors, as well as of interaction between the members of the Board of Directors and the executive bodies and employees of the Company, and monitoring of performance of resolutions approved by the Board of Directors;
- 3) participation in the implementation of Company's policy on information disclosure, as well as provision of storage of Company's corporate documents;
- 4) provision of interaction between the Company and its shareholders and participation in prevention of corporate conflicts;
- 5) provision of interaction between the Company and regulatory bodies, market makers, registrar, and other professional participants of the stock market within the scope of authority assigned to the Corporate Secretary;
- 6) provision of implementation of procedures for implementation of the rights and legitimate interests of the shareholders established by the current legislation and Company's internal documents, as well as the control of implementation thereof;
- 7) immediate notification of the Board of Directors of the Company on all identified violations of the legislation, as well as of the provisions of the Company's internal documents whose monitoring is included into the functions of the Corporate Secretary;
- 8) participation in the improvement of Company's corporate management system and practices.
- 9) the Corporate Secretary may also perform the functions of the Secretary of the General Shareholders' Meeting of the Company, the Secretary of the Committees of the Board of Directors as long as it is provided for by the resolutions of the Board of Directors or the Regulations on Committees of the Board of Directors, as well as the functions of the Secretary of the Management Board of the Company, if it is provided for by the resolution of the Management Board of the Company.
- 10) In accordance with separate resolutions of the Board of Directors the Corporate Secretary may be assigned with any functions associated with the activities of the Board of Directors within his or her competence.

The Corporate Secretary was appointed by the by the order of the Chief Executive Officer of E.ON Russia JSC No. 468/П dated 06.08.2014. By the Resolution of the Board of Directors dated 02.07.2015 (Minutes No. 215 dated 02.07.2015) Galina Sergeevna Shcheglova, the Deputy Head of the Corporate Policy Department of the Company, was elected to the position of the Corporate Secretary of the Company.

Galina Sergeevna Shcheglova

Born in 1959.

In 1982 graduated from Perm State University (Mathematical Methods and Operations Studies in Economics (Cybernetics)).

In 2004 graduated from the Urals Branch of the Russian Presidential Academy of Public Administration (Law).

From 1982 till 1997 – Head of Property and Securities Office, Head of Department of Property and Securities Management, Head of Privatisation Department, design engineer (programmer), process engineer (programmer), Perm Telephone Plant Telta, Perm.

From 1997 till 2005 – Head of Capital Management Department, Head of Securities Department, 1st Grade Economist and, at the same time, the Secretary of the Board of Directors, Secretary of the Management Board, Permenergo OJSC, Perm

In 2005 – Corporate Secretary of TGK-9 OAO, Perm.

From 2005 – Deputy Head of the Corporate Policy Department, Head of Investor Relations Department, Head of Shareholders and Investor Relations Department and, at the same time, the Secretary of the Board of Directors (Corporate secretary), Secretary of the Management Board, E.ON Russia OJSC (formerly OGK-4 OAO, Moscow).

6.4. Control Bodies and System

E.ON Russia JSC has the following structure of control bodies for financial and economic activity.

AUDIT COMMISSION

In accordance with clause 9.2. of E.ON Russia Articles of Association the Audit Commission is the body in charge of control over financial and business activity of the Company.

The Audit Commission is elected by the General Shareholders' Meeting for the term of office till the next annual General Shareholders' Meeting.

The Audit Commission exercises continuous control over finance and operating activities of the Company and its economically autonomous organisation units, officials, bodies of management and structural organisation units. Scope of authority and procedure of operation of the Audit Commission is defined in the Regulation on the Audit Commission of E.ON Russia JSC¹².

The Audit Commission as per the Company Articles of Association is comprised of 4 persons.

During the period from 1 January 2015 till 26 June 2015 the Audit Commission was functioning as elected at the Annual General Meeting of Shareholders on 26 June 2014, comprised of:

Denis Alexandrovich Alexeenkov

Alexey Sergeevich Asyaev

Sasha Biebert

Guntram Wurzburg

The following members were elected to the Audit Committee of the Company by the General Meeting of Shareholders of June 26, 2015:

Denis Alexandrovich Alexeenkov, Head of Controlling Department, E.ON Russia JSC. From June 2013 - Member of the Audit Committee, Council of Electricity Producers.

Alexey Sergeevich Asyaev, Director for Internal Audit, E.ON Russia JSC, until October 01, 2012. From October 01, 2012 - Head of the Internal Audit Department, E.ON Russia JSC.

Guntram Wurzburg, Director for Corporate Audit, E.ON SE (Dusseldorf, Germany). In 2013 - Head of the Personnel Management Department, E.ON Global Commodities (Dusseldorf, Germany). From 2009 to 2013 - Head of the Personnel Management Department, E.ON Ruhrgas SE (Essen, Germany).

Marcus Korthals, Vice President Controlling, E.ON SE (Dusseldorf, Germany), from 2010.

¹²The Regulation on the Audit Commission of E.ON Russia is available on the Company's web-site WWW.EON-RUSSIA.RU in the section "About the Company/Documents".

Paragraph 12.2 of the Regulation on the Audit Committee of the Company provides for no remuneration to members of the Audit Committee.

No remuneration was paid to members of the Company's Audit Committee in 2015.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department is the Company's specialised business unit controlling financial and business activities. The Company's Board of Directors approved the Internal Audit Policy. The internal control is organised based on the Regulation on the Internal Control System of E.ON Russia approved by the Board of Directors. Functions, procedures, and methods of control applied by the Internal Audit Department are set out in the Regulation on Internal Control Procedures of E.ON Russia approved by the Board of Directors. The most important functions of the Internal Audit Department include timely and quality implementation of internal audits and inspections aimed at efficient use of the Company's resources, as well as efficiency assessment of risk management, control, and corporate governance systems.

The Company has an internal control system based on the advanced standards applied by E.ON Group. Internal control is the process carried out by the Board of Directors, management, and employees of the Company in order to ensure reasonable confidence in achieving target performance efficiency, reliability of financial statements, compliance with applicable laws and regulations, and protection of assets.

The Company has developed feedback channels for issues related to violations or inconsistencies in preparation of financial statements or in operation of the internal control system. Any employee may refer these issues to the Internal Audit Department and the Audit Committee of the Board of Directors.

EXTERNAL AUDITOR

On June 26, 2015, the annual General Meeting of Shareholders of E.ON Russia JSC approved PricewaterhouseCoopers Audit CJSC as an external auditor.

The amount of remuneration payable to the auditor is determined by the Company's Board of Directors.

Pursuant to the resolution of the Board of Directors the external auditor's remuneration was determined as follows:

- 4,200,000 roubles (net of VAT) for the provision of audit services with regard to Company's financial statements for the reporting year ending on December 31, 2015, drafted in accordance with the effective Russian legislation;
- 15,300,000 roubles (net of VAT) for the provision of audit services with regard to Company's financial statements for the reporting year ending on December 31, 2015, drafted in accordance with IFRS.

THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF E.ON RUSSIA JSC

The Audit Committee of the Board of Directors of the Company was created on November 30, 2006 by resolution of the Board of Directors of OGK-4 OJSC under the Articles of Association of E.ON Russia JSC and the Regulation on the Audit Committee of the Board of Directors of OGK-4.

The Company's Board of Directors approved a new Regulation on the Audit Committee of the Board of Directors of E.ON Russia JSC¹³ on July 31, 2014.

The Committee is an advisory and negotiation body of the Board of Directors that ensures actual participation of the Board of Directors in control over financial and economic activities of the Company, as well as provision of unbiased information to the Board of Directors on quality of the internal audit and analysis of the Company's financial statements.

The quantitative and personal composition of the Committee is determined by resolution of the Board of Directors.¹⁴

6.5 Interested Party Transactions and Major Transactions

Pursuant to the applicable laws of the Russian Federation, interested party transactions are subject to approval by the Company's Board of Directors prior to their conclusion by the majority of votes of independent directors not interested in their conclusion. If all the members of the Board of Directors are found interested or are not independent, or the subject of the transaction or several interrelated transactions is property, the cost of which (according to accounting records) is two (2) or more percent of the book value of assets of E.ON Russia JSC, or if two (2) or more percent of E.ON Russia JSC shares or securities convertible into E.ON Russia JSC shares are placed by means of the transaction, then such a transaction is subject to approval by the resolution of the General Meeting of Shareholders by majority of votes of all the shareholders not interested in the transaction.

¹³The Regulation on the Audit Committee of the Board of Directors of E.ON Russia is available on the Company's web-site WWW.EON-RUSSIA.RU in the section "About the Company/Documents".

¹⁴The members of the Audit Committee who functioned within 2015 are specified in Cl. 5.3 of the Annual Report, in the subsection "Committees of the Board of Directors"

In accordance with the applicable law, transactions the subject of which is acquisition/alienation (possibility to alienate) by the Company of the property, the cost of which exceeds 25 percent of the book value of the Company's assets (except for transactions within ordinary business activity) are deemed to be major transactions subject to unanimous approval by all the members of the Board of Directors. If the cost of the property exceeds 50 percent of the assets' book value, such a transaction is subject to approval by the General Meeting of Shareholders by the majority of ¾ votes of holders of the Company's voting shares.

The Company tracks interested party transactions and major transactions through preliminary agreement of the transactions by the relevant business units of the Company, weekly monitoring of the agreements signed, keeping register of all such transactions, and maintaining the database based on the data submitted by members of the Board of Directors and Management Board of E.ON Russia JSC on the companies, in which they occupy management positions or have an interest. The list of interested party transactions and major transactions settled in 2015 is given in Annex No. 2 hereto.

6.6 Subsidiaries and Affiliates ¹⁵

Name	Teplosbyt LLC *	Shatura Management Company OJSC	E.ON Connecting Energies LLC	Noginsk Heat Center LLC	Uniper LLC	E.ON Engineering LLC
Location:	5 Chernoozerskiy Drive, Shatura, Moscow Region, Russian Federation, 140700	4 Konniy Drive, Shatura, Moscow Region, Russian Federation, 140700	10 Presnenskaya Embankment, Moscow, Russian Federation, 123317	24/2 Sretenka str., bldg. 1, Moscow, 107045	5 Chernoozerskiy Drive, Shatura, Moscow Region, Russian Federation, 140700	10 Presnenskaya Embankment, Moscow, Russian Federation, 123317
Core business:	Participation, jointly with administrations of areas of GRES presence, in management organisations for management of apartment houses	Provision of housing and public utility services, maintenance of the housing stock	Provision of distributed energy solutions, namely: development, engineering, installation, operation, maintenance, and optimisation of distributed energy assets	Generation and sale and/or distribution of electricity and thermal energy; Maintenance, repair, and installation of equipment, and provision of services related to production and sale and/or distribution of electricity and thermal energy	Generation and sale and/or distribution of electricity and thermal energy	Engineering services (project and technological engineering); Pre-project and project works and engineering surveys; investment activities and implementation of investment projects
Interest in the authorised capital, %	100	51**	50***	67 (indirectly via E.ON Connecting Energies LLC)	100	100
Date of state registration/ acquisition of the interest:	November 28, 2007	March 31, 2008	November 16, 2012	September 15, 2006/ April 15, 2014	June 05, 2015	October 06, 2015

*An entry on liquidation of Teplosbyt LLC was made in USRLE on April 21, 2015.

** Upon liquidation of Teplosbyt LLC, the Company became the holder of the shares in Shatura Management Company OJSC.

¹⁵ Information is shown on the Companies, in which E.ON Russia JSC has a participation share over 5 percent.

*** The interest of E.ON Connecting Energies LLC changed after a third party - E.ON Connecting Energies GmbH - had become a member of E.ON Connecting Energies LLC in June 03, 2015, and the authorised capital of the latter had been increased with the third party's contribution.

6.7. Participation in Non-Profit Organisations

The Company is also a member of a number of non-profit organisations, namely:

Name of the non-profit organisation	Grounds for participation	Purpose of participation
NP Market Council	Resolution of the Board of Directors of January 29, 2007	A prerequisite for obtaining the status of a wholesale market participant and the status of a participant in wholesale electricity trading
Building Union of the Capital, Self-Regulating Organisation	Resolution of the Board of Directors of December 16, 2009	Necessity to receive the access certificate issued by the self-regulating organisation in order to perform works on organisation of construction, reconstruction, and overhaul of a capital construction project
Council of Electricity Producers	Resolution of the Board of Directors of January 27, 2011	Assistance to members of the Partnership in activities aimed at development of the energy industry in the Russian Federation, improvement of the investment climate, and introduction of new technologies
Russian Union of Industrialists and Entrepreneurs, Organisational Development Group	Resolution of the Board of Directors of September 27, 2012	Consolidation of efforts of Russia's industrialists and entrepreneurs to improve the business environment, raise the status of the Russian business at the both national and global levels, and support the balance of interests of the public, authorities, and business
Russian-German Chamber of Commerce	Resolution of the Board of Directors of April 09, 2013	Maintenance of business contacts and efficient collaboration with German companies operating in Russia. Participation in holding special events for developing Russian-German relations
Association of European Businesses NP	Resolution of the Board of Directors of December 18, 2014	Commitment to strengthening economic relations between the EU and Russia, and aspiration to improve conditions for businesses in the Russian Federation

7. SHARES AND STOCK MARKET

7.1. Share Capital Structure

There have been no material changes in the Company's share capital over the past three years. The total number of persons registered in the shareholder register of E.ON Russia, as of December 31, 2015, was 301,741, including¹⁶:

Structure by types of personal accounts	2015, pcs	2014, pcs	2015, Share, %	2014, Share, %
Ultimate owners	301,137	301,444	85.40	85.44
Legal entities, including:	650	651	83.92	83.92
Commercial organisations	494	498	83.91	83.92
Of which owned by E.ON Russia Holding GmbH	-	-	83.73	83.73
Financial and credit organisations	138	136	Less than 0.01	Less than 0.01
Non-profit organisations	10	11	Less than 0.01	Less than 0.01
Federal authorities	3	3	Less than 0.01	Less than 0.01
Authorities of RF constituent entities	4	4	0.01	Less than 0.01
Local authorities	-	-	-	-
Individuals	300,487	300,793	1.49	1.52
Non-ultimate owners	604	596	14.60	14.56
Nominal holders	17	17	14.58	14.55
Trustees	4	4	Less than 0.01	Less than 0.01
Shares in common property	583	575	0.01	0.01
Total	301,741	302,040	100	100

The Company did not place any additional issues of shares in 2015.

7.2. Shares at Stock Exchange

OUTSTANDING SHARES

Quantity, pcs.	63,048,706,145 full and 4,492,504,287/ 49,130,625,974 fractional
With the nominal value in roubles	0.40
State number of issue	1-02-65104-D
Date of state registration of issue	April 19, 2007
Authorised capital in roubles	25,219,482,458.37

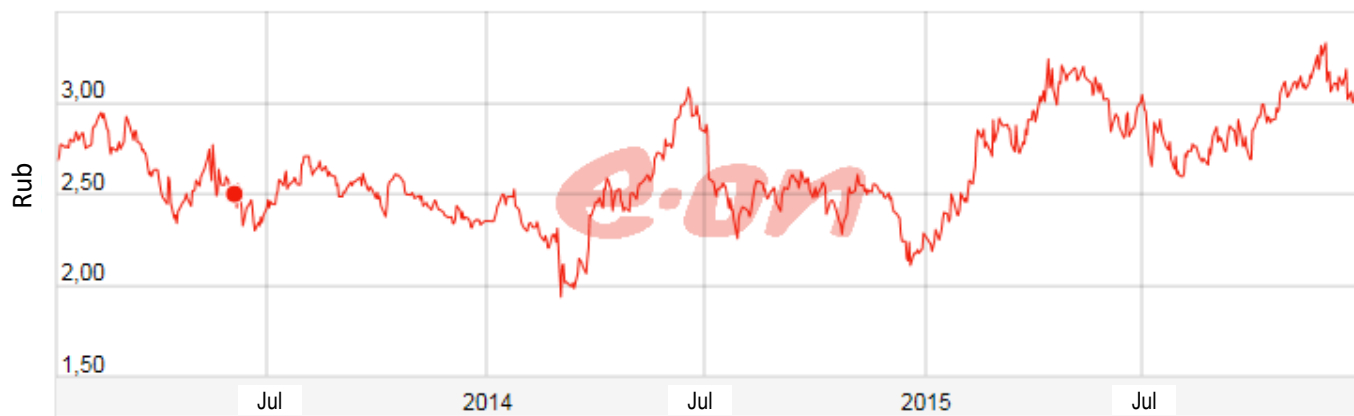
Ordinary shares of E.ON Russia JSC were listed on the Moscow Stock Exchange as Level One on September 01, 2014. The Moscow Stock Exchange comprises three market sectors - Basic, Standard, and Classica.

¹⁶ According to the data provided by the Registrar.

Trading at the Moscow Stock Exchange is organised by MICEX Stock Exchange CJSC.

CODES OF E.ON RUSSIA JSC SHARES IN THE TRADE SYSTEMS		
Stock exchange	Ordinary shares	Trade start date
MICEX Stock Exchange CJSC	EONR/before November 18, 2011 OGK4	August 02, 2006
Standard	EONR/before OGKDG	July 14, 2006
Classica	EONR/before OGKDG	August 15, 2006

Diagram of E.ON Russia JSC stock prices in 2013-2015



Total market capitalisation of E.ON Russia JSC in the reporting period is shown in the table below.

MARKET CAPITALISATION IN 2012-2015

Date	Market price	Quantity of outstanding shares	Market capitalisation in roubles
December 31, 2012	2.62	63,048,706,145	165,477,634,148
December 31, 2013	2.35	63,048,706,145	148,076,191,252
December 31, 2014	2.25	63,048,706,145	142,048,734,945
December 31, 2015	3.19	63,048,706,145	201,566,713,545

Source: MICEX SE CJSC

7.3. Dividends

The Company's annual General Meeting of Shareholders held in 2015 following the results of 2014 passed a resolution on paying dividends on the ordinary shares of E.ON Russia JSC following the results of 2014 financial year in the amount of RUB 0.2776423960677 per each ordinary share.

The total sum of dividends is RUB 17,504,993,843.32 following the results of 2014 financial year, which makes 100 percent net profit of the Company following the results of 2014 financial year.

The persons entitled to receive dividends were determined on July 07, 2015.

As of December 31, 2015, RUB 17,392,473,285.54 or 99.36 percent of the total amount of dividends payable on the Company's shares were paid.

7.4. Details of the Registrar

R.O.S.T. Registrar JSC has been the Registrar of E.ON Russia JSC since 2009. It is the leader among the largest and rapidly developing registrar companies.

In 2015, R.O.S.T. Registrar showed stable high activity indicators again - its revenue for nine (9) months reached RUB 840 million with the net profit on sales being RUB 214 million.

Following the results of nine (9) months, the number of processed registers exceeded 7,700 making a new historical record among the registrar companies. R.O.S.T. Registrar is the absolute leader among registrar companies in terms of this indicator. The number of serviced companies includes 47 issuers, securities of which are traded at organised trading, including 15 issuers of depositary receipts present at foreign stock exchanges.

Over the reporting period, R.O.S.T. Registrar has accepted for service shareholders' registers of over 1,000 companies. They included registers of companies such as 3M Russia, Locat Leasing Russia, Moscow Circus on Tsvetnoy Boulevard, Sovfracht, FINAM Investment Holding Company, YAPI KREDI BANK MOSCOW Joint-Stock Commercial Bank, and some others.

In 2015, the regional network of R.O.S.T. - the largest at the registrars market - had 35 regional units operating in eight (8) federal districts of the Russian Federation.

R.O.S.T. Registrar was the first in the rating according to the results of the 1st half of 2015, the first in the national rating of registrars in 2014 (PARTAD-INFI), the first in the rating in 2013, and the first among registrar companies in terms of quality of services (Interfax Business Service IR agency, 2012).

NAME OF THE REGISTRAR	R.O.S.T. Registrar JSC
Address	18 Stromynka Str., Bldg. 13, Moscow
Telephone	(495) 771-7335, 771-7336
Fax	(495) 771-7334
Web-site	www.rrost.ru
E-mail	rost@rrost.ru
Number of the registrar's branches in Russia	35

8. OPERATIONS OVERVIEW

8.1. Key Performance Indices of the Company for 2015

The key performance indices of a generating company include electric power generation, heat power output from headers, and CUF.

The values of the indices of electric power generation and heat power output from the headers make it possible to assess the scale of the generating company.

The CUF index shows demand for its production capacity.

ELECTRIC POWER GENERATION (PRODUCTION)

In 2015, branches of E.ON Russia JSC produced 53,766 bn kWh of electricity.

In comparison with actual figures in 2014, production of electricity reduced by 5.472 bn kWh (10%).

Considerable reduction was observed in the following branches:

Surgutskaya GRES-2 by 5.050 bn kWh due to long emergency repair of power unit No. 4;

Berezovskaya GRES by 78 mn kWh. Production by power units No. 1 and No. 2 reduced by 1.077 bn kWh in comparison with figures in 2014. This was due to increased downtime in the cold reserve and the existing nominal capacity constraints due to slagging on boilers' heating surfaces. Production by newly commissioned power unit No. 3 partially covered for the reduction in production by power units No. 1 and No. 2 (by 999 mn kWh).

Yaivinskaya GRES by 510 mn kWh. Reduced production was due to decreased number of operating hours of SPU power units (23,158 hours in 2014; 18,785 hours in 2015) mainly due to non-selection of the power units to CSS 2015.

An increase in production by Smolenskaya GRES by 237 mn kWh was determined by the actual modes of operation in the power system. The downtime of Smolenskaya GRES power units reduced to 9,155 hours in 2015 from 11,294 hours in 2014.

Power plant	Unit of measurement	2013	2014	2015
Surgutskaya GRES-2	mn kWh	39,850	37,886	32,836
Berezovskaya GRES	mn kWh	10,020	9,049	8,971
Shaturskaya GRES	mn kWh	5,311	4,969	4,899
Smolenskaya GRES	mn kWh	2,030	1,713	1,950
Yaivinskaya GRES	mn kWh	5,784	5,621	5,111
E.ON Russia	mn kWh	62,995	59,238	53,766

CAPACITY UTILISATION FACTOR (CUF)

Demand for the production capacity of E.ON Russia JSC remains at a high level and reaches 58 percent.

Power plant	Unit of measurement	2013	2014	2015
Surgutskaya GRES-2	%	81.3	77.3	67.0
Berezovskaya GRES	%	71.5	64.6	55.9
Shaturskaya GRES	%	40.6	38.0	37.4
Smolenskaya GRES	%	36.8	31.0	35.3
Yaivinskaya GRES	%	64.4	62.6	56.9
E.ON Russia	%	69.5	65.4	58.0

PRODUCTION OF HEAT POWER (HEAT POWER OUTPUT FROM HEADERS)

In the reporting period, the total volume of heat power output from headers of E.ON Russia JSC was 2,035 ths Gcal.

In comparison with the actual figures in 2014, the total volume of heat power output reduced by 176 ths Gcal (8%).

The main reason for the reduction was the increased average outdoor temperature recorded during the heating period.

Power plant	Unit of measurement	2013	2014	2015
Surgutskaya GRES-2	ths Gcal	909	961	896
Berezovskaya GRES	ths Gcal	696	715	634
Shaturskaya GRES	ths Gcal	384	378	355
Smolenskaya GRES	ths Gcal	65	61	59
Yaivinskaya GRES	ths Gcal	91	95	91
E.ON Russia	ths Gcal	2,145	2,211	2,035

8.2. Fuel Mix Structure

Power plants of E.ON Russia JSC use gas, coal, and fuel oil as process fuel. Besides, it is possible to use peat, but in 2015 it was not fired. Primary fuel in the Company's fuel mix is gas - it made 80.96 percent of the total fuel consumption in 2015.

The major gas consumer is the mono-fuel Surgutskaya GRES-2.

Berezovskaya GRES uses lignite as primary fuel. Fuel oil is used at power units for start-up operations only. The major share of coal is supplied to the power plant by the ground conveyor from Berezovskiy-1 coal pit located 14 km away from the branch. Coal consumption by Berezovskaya GRES was 5,703.4 ths tons in 2015.

Shaturskaya GRES, Smolenskaya GRES, and Yaivinskaya GRES can use various types of fuel for technological purposes. However, taking into account the prices over the last years, gas is the primary fuel for these branches. Its share in the fuel mix of Smolenskaya GRES, Shaturskaya GRES, and Yaivinskaya GRES reached over 99.5 percent in 2015.

Branch	Fuel	Volume, mn cbm (ths tons)	Volume, ths tons of fuel equivalent	Share, %
Berezovskaya GRES	Coal	5,703.45	3,031.75	99.291
	Fuel oil	15.18	21.47	0.703
	Other fuel	0.12	0.17	0.006
Smolenskaya GRES	Gas	572.19	662.91	99.573
	Coal	4.05	2.58	0.388
	Fuel oil	0.19	0.26	0.039
Surgutskaya GRES-2	Gas	8,312.96	9,523.41	100.000
Shaturskaya GRES	Gas	1,186.50	1,394.71	99.700
	Coal	7.62	3.76	0.269
	Fuel oil	0.32	0.43	0.031
Yaivinskaya GRES	Gas	1,173.08	1,435.06	99.989
	Coal	0.33	0.16	0.011
	Fuel oil	-	-	-
E.ON Russia JSC	Gas	11,244.73	13,016.09	80.963
	Coal	5,715.45	3,038.25	18.899
	Fuel oil	15.69	22.16	0.138

Following the results of 2015, E.ON Russia JSC spent a total of 11.2 bn m3 of gas, 5.7 mn tons of coal, and 15.7 ths tons of fuel oil for process purposes. The cost of fuel consumed by branches of E.ON Russia JSC for production of electricity and heat power in 2015 was 35.4 bn roubles, net of VAT.

KEY FUEL SUPPLIERS

The main fuel supplier to power plants of E.ON Russia JSC in 2015 was the independent gas producer NOVATEK OJSC. Its share in the total fuel cost procured for the Company's power plants reached about 68.5 percent. Moreover, in 2015 E.ON Russia JSC procured significant volumes of gas from Rosneft Oil Company OJSC. Its share in the total fuel cost procured for the Company's power plants reached about 15.3 percent.

The key coal supplier for the Company was SUEK OJSC that supplied lignite to Berezovskaya GRES. Its share in the total fuel cost procured for the Company's power plants reached about 9.3 percent in 2015.

The fuel procurement strategy of E.ON Russia JSC is aimed at strengthening long-term relations with major fuel suppliers, while keeping the optimal degree of diversification.

8.2.1 Information on Volume of Energy Resources Used in the Reporting Year

For the whole Company (with branches) in 2015

	Energy resource type*	Consumption volume in kind	Unit of measurement	Consumption volume in RUB ths
1	Nuclear power	None	-	-
2	Heat power	5.25	ths Gcal	3,105
3	Electricity	18.46	mn kWh	49,291
4	Electromagnetic energy	None	-	-
5	Oil	None	-	-
6	Motor gasoline	392.43	tons	35,633,279
7	Diesel fuel	1,612.24	tons	
8	Fuel oil	29.90	mn cu m (ths tons)	
9	Natural gas	11,262.46	mn cu m (ths tons)	
10	Coal	5,723.80	mn cu m (ths tons)	
11	Oil shale	None	-	-
12	Peat	None	-	-
13	Other:	-	-	-

* These figures are approximate, according to the Company's estimates, because accurate data are not specified in calculations.

8.3. Repairs

On the annual basis, the Company drafts, approves, and implements the schedule of repairs of the main production facilities. Repairs ensure reliable operation of the power generating equipment and extend its service life.

The schedule of repairs of E.ON Russia JSC branches is based on preliminary surveys of the production facilities, applicable regulations, and long-term experience in operating the equipment.

In 2015, power units with the total capacity of 10,345.1 MW have been repaired, including overhaul — 1,160 MW, intermediate maintenance — 1,890 MW, and current repairs — 7,295.1 MW.

The total expenses on repairs at E.ON Russia JSC power plants reached RUB 3.79 bn in 2015. All the scheduled repairs have been made in full.

Repair schedule structure	Share, %
Repairs of power units	79
Repairs of BOP equipment	10
Repairs of buildings and structures	9
Repairs of heat networks	2
E.ON Russia	100

31 percent of repairs have been done using the Company's own resources, and 69 percent - on a contractual basis. Contractors for signing repair contracts on the terms and conditions which were the most favourable for the Company were selected through tenders.

E.ON Russia JSC implemented a six-year maintenance cycle for all power units and a system of maintenance planning based on assessment of financial risks from emergency shutdown of the equipment. Such a system of repair arrangements makes it possible to adapt repairs to conditions for the Company's activities in the competitive electricity market and reduce time and money spent on repairs.

9. POWER MARKETS

9.1. Data about Electricity and Capacity Market Structure and Pace of its Development

The process of liberalisation of the wholesale electricity and capacity market was over in 2011. Since January 01, 2011, Rules of Wholesale Electricity and Capacity Market No. 1172 dated December 27, 2010 have been introduced in the wholesale market. Subject to these Rules, electricity and capacity shall be supplied at regulated prices only to households and categories of consumers equal to them.

Pursuant to the applicable laws, electricity and capacity volumes to be supplied under Regulated Contracts to households and equivalent consumer categories were stipulated for each power generator.

The rest electricity generated is supplied at non-regulated prices at the wholesale market.

At the wholesale market, capacity was sold through the following mechanisms in 2015: capacity trade following the results of CCS for the relevant year; capacity trade under non-regulated capacity sale contracts, provided that this capacity is selected in the course of CCS; capacity trade under capacity supply contracts.

With further liberalisation of the electricity market, there is a choice for E.ON Russia JSC to participate in different energy market sectors (day ahead market, capacity market, and balancing market with due account for current expenses for electricity generation). In this regard, E.ON Russia JSC continuously improves the behavioral strategy in competitive sectors of the market to maximise profit. In 2015, the Company was able to extensively make use of all the potentials in the market sector and sell considerable volume of electricity and capacity at liberalised market prices.

The market of system reliability assurance services (system services market), the purpose of which is to maintain the required level of reliability and quality of services by UES of Russia, has been functioning in the United Energy System of Russia since the beginning of 2011. E.ON Russia JSC has been a participant of the system services market since its startup, rendering the service of rated primary frequency control (RPFC). The primary frequency control limits frequency deviations in a power system after emergence of a power imbalance in any of its parts. RPFC is performed by automated frequency and active capacity control systems of power units, which have more advanced regulating system features than the standard equipment. 800 MW power units of Surgutskaya GRES-2, on which the System Operator allocates the primary control reserve (the reserve for loading/unloading equipment with regard to active capacity) participate in RPFC. Rendering the service involves maintaining the constant power units' availability to change the active capacity with required speed and accuracy in case of frequency change in the power system.

9.2. Review of the Competitive Environment

The major factor of competitiveness in the electric power industry is the production efficiency, as generating facilities for production at the electricity and capacity markets are selected according to the principles of the least costs. From this point of view, competitive advantages of E.ON Russia JSC are Surgutskaya GRES-2 and Berezovskaya GRES with units of large unit capacity (800 MW), which are the most budget-friendly and efficient power plants among the "old" gas and coal generation facilities of the country respectively. In addition, the Investment program of E.ON Russia JSC on commissioning new power units, which are also of high demand in the market, has been implemented in full.

The state of being in demand at the wholesale market may be additionally explained by the state of the network infrastructure and specifics of energy balances within some of the system's energy zones. Thus, the factors of demand in the power market for other power plants of E.ON Russia JSC are:

Involvement of Smolenskaya GRES in ensuring the export flow of electricity to Belarus;

Location of Shaturskaya GRES in the deficient Moscow Region; and

Involvement of Yaivinskaya GRES in supporting the energy balance in the Bereznikovskiy-Solikamskiy hub.

Within its own energy hubs, the main competitors to the Company's power plants are similar generating capacities - other GRES, which do not have a significant share of heat power output either.

To support the high performance of E.ON Russia JSC power plants in the competitive environment, works on optimisation of fuel expenses, enhancement of financial control, implementation of costs saving programs, and development of equipment modernisation projects are in progress.

9.3. Sales of Electricity

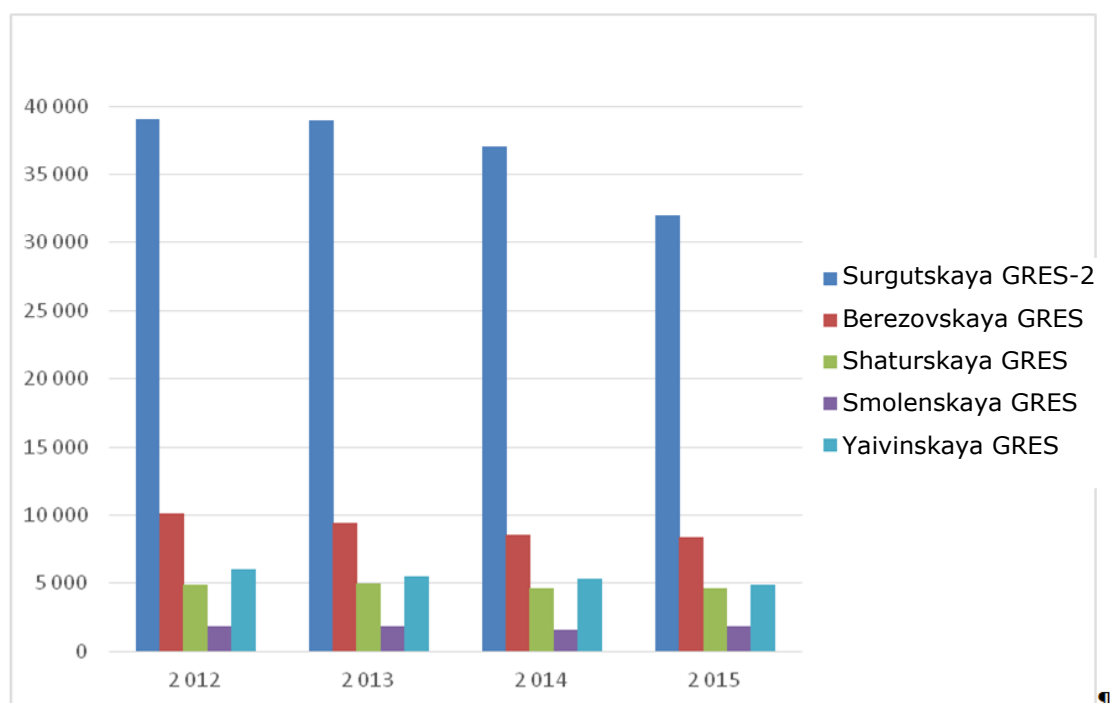
Most of electricity sales were affected from E.ON Russia JSC power plants' own generation. In 2015, the net electricity output by electric power plants of E.ON Russia JSC was 51.6 bn kW·h, with the supplies under regulated contracts (RC) being 20.0 percent of sales. The remaining electricity was sold in the competitive market sectors:

day-ahead market (DAM) and balancing market (BM). Most of the margin from electric power sales (99%) was gained exactly due to activities in competitive segments of the wholesale market.

Net electricity output by the Company's power plants¹⁷

Power plant	Unit of measurement	2012	2013	2014	2015
Surgutskaya GRES-2	mn kW·h	39,095	38,975	37,043	31,997
Berezovskaya GRES		10,147	9,463	8,536	8,375
Shaturskaya GRES		4,848	4,980	4,662	4,601
Smolenskaya GRES		1,809	1,875	1,585	1,807
Yaivinskaya GRES		6,025	5,508	5,344	4,860
E.ON Russia		61,924	60,801	57,170	51,640

Dynamics of net output in 2012-2015



In 2015, E.ON Russia JSC reduced its electricity sales in the competitive sector of the wholesale market in comparison with 2014 mostly through changing the fleet of operating equipment.

The Company will seek to further optimise electricity sales in all the sectors of the market in order to increase the net profit. Moreover, E.ON Russia JSC intends to use the maximum of opportunities in the competitive capacity market and launch a long-term capacity market, which allows for adequate return on investments.

ELECTRICITY SALES, SECTOR-WISE

Electricity sales	Unit of measurement	2014	2015
RC (Regulated Contracts)	mn kW·h	10,539	10,350
DAM (day ahead market)		49,699	44,872

¹⁷ The data are shown net of load losses

BM (balancing market)	1,169	1,465
NRC (Non-Regulated Contracts)	598	0
E.ON Russia	62,005	56,687

Sales of electricity by power plants of E.ON Russia in 2015 with account for volumes bought at the market was 56.7 bn kW·h, which is 8.6 percent less than in 2014.

9.4. Sales of Heat Power

The core business of E.ON Russia JSC is generation and sales of electricity. Heat power generation and sales are not the Company's core business. Following the results of 2015, revenue from heat power sales was about 1.5 percent of the Company's total revenue. Nevertheless, E.ON Russia JSC pays much attention to reliability and continuity of heat supply because it is essential for local consumers' life support in the nearby communities.

Main consumers of heat power are households and community of Ozerny settlement (Smolensk Region), Shatura (Moscow Region), Surgut (Khanty-Mansi Autonomous Area), Yaiva (Perm Territory), and Sharypovo, including Dubinino settlement and Kholmogorskoye settlement (Krasnoyarsk Territory). Moreover, the Company's branches supply heat power to industrial enterprises in the regions of their operation.

NET HEAT OUTPUT BY THE COMPANY'S POWER PLANTS

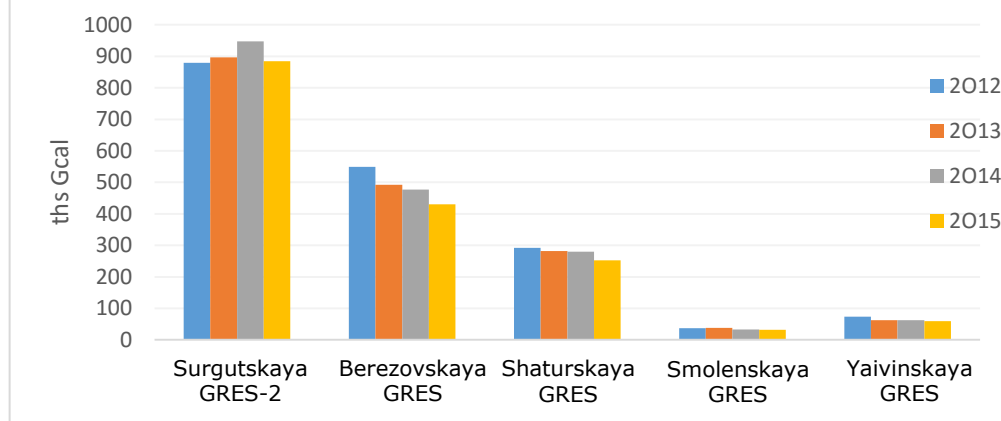
POWER PLANT	UNIT OF MEASUREMENT	2012	2013	2014	2015
Surgutskaya GRES-2	ths Gcal	879	897	948	885
Berezovskaya GRES		549	492	477	431
Shaturskaya GRES		292	282	280	252
Smolenskaya GRES		37	38	33	32
Yaivinskaya GRES		73	62	62	59
E.ON Russia		1,830	1,771	1,801	1,659

The amount of heat supplied to consumers in 2015 was 8 percent less than in 2014. The decrease was caused by the weather conditions.

In 2015, all the branches of E.ON Russia JSC (except for Surgutskaya GRES-2) supplied heat directly to consumers under direct contracts or via housing and utility services. Surgutskaya GRES-2 supplies heat to Surgut City Grid LLC.

To supply consumers with heat of adequate quality, the Company regularly repairs and upgrades its heat supply systems.

Dynamics of net heat output in 2012-2015



Heat tariffs are regulated by the state and are set by executive authorities of constituent entities of the Russian Federation in the sphere of state tariff regulation. Heat power price is a socially significant factor in the regions where power plants are located. That is why affordability of this product and consumers' solvency is taken into account in the process of regulation. The Company is focused on achievement of break even sales through increasing production efficiency.

9.5. Relations with Main Contractors

Main contractors of the Company are participants in the power and capacity wholesale market who signed a Trade System Connection Contract. These are guaranteeing suppliers, independent retail companies reselling market-purchased power to end-users, and major industrial enterprises.

As per the Federal Law "On electric power industry" and Rules of Wholesale Market, electricity sellers and buyers shall enter into contracts, material terms and conditions of which are stipulated by the applicable laws.

Standard contract forms are approved by the Supervisory Board of NP Market Council.

Consumers of heat power produced by branches of E.ON Russia JSC are public, local industry, as well as enterprises and entities funded from budgets of all levels. Material terms of contracts with consumers are published on the web-site of E.ON Russia JSC.

10. INVESTMENT PROGRAM

The main purpose of E.ON Russia's investment activities is implementation of investment projects proceeding from their economic feasibility. These projects are aimed at enhancing the Company's competitive growth and equipment operational reliability.

Main areas of the investment activity:

Modernisation of equipment with enhancement of capacity and efficiency;
Replacement of life-expired power generating equipment with modern equipment with high technical and economical performance indicators;
Enhancement of reliability and efficiency of operating facilities;
Construction of new highly efficient generating facilities;
Implementation of the health and safety policy;
Implementation of environmental projects; and
Modernisation of IT systems.

10.1. Implementation of the Investment Program in 2015

Following successful testing, power unit No. 3 at PSU-800 of Berezovskaya GRES branch of E.ON Russia JSC was commissioned in 2015.

The project named "Construction of Power Unit No. 3 at PSU-800 of Berezovskaya GRES Branch of E.ON Russia JSC" is one of the biggest investment projects in Russian electric power industry aimed at overcoming the expected power shortage in the energy zone of Siberia as a whole and in the Krasnoyarsk Territory in particular, as well as creating the necessary reserve of the efficient heat generating capacity.

The main milestones of commissioning of the third power unit in 2015:

May 01, 2015 - Turbine unit K-800-240-5 was installed on the barring gear;
June 2015 - The first boiler startup and steam-water-oxygen boiler circuit cleaning;
July 10, 2015 - The first balancing start of the turbine with generator at 3,000 rpm;
August 08, 2015 - Synchronisation of power unit No. 3 with the energy system;
September 2015 - Comprehensive testing (72 hours at maximum capacity) and certification testing of the power unit's equipment was successfully performed. Following testing, the installed capacity of power unit No. 3 is 800 MW (the actual available capacity is 804,788 MW).
September 25, 2015 - Permission to Commission Power Unit No. 3 was issued by the Administration of Sharypovsky District under Article 55 of the Civil Code of the Russian Federation.
Since October 01, 2015 - E.ON Russia JSC receives payment for capacity of power unit No. 3 put into operation.

The following milestones of construction of the Fuel Receiving Station of Berezovskaya GRES were completed in 2015:

- Installation of bearing building frame steel structures was completed;
- Installation of steel structures of 50,000 t hopper was completed;
- Installation of retractable conveyers 7 and 7A was completed;

A subsidiary of E.ON Russia JSC - E.ON Engineering JSC - was established for the purpose of further implementation of the construction project named "Fuel Receiving Station" and support of contracts concluded for the construction of power unit No. 3 and remedial works at power unit No. 3.

The following works were performed as part of construction of the dry ash and slag removal system at Berezovskaya GRES in 2015:

- Construction of Section No. 4 of the ash dump;
- Replacement of screw slag removers of P-67 boilers at units No. 1 and No. 2;
- Reconstruction of the underground tank of the oily water treatment plant (OWTP) with replacement of the pipeline from the main building to the OWTP tank and from the tank to treatment units of OWTP;
- Construction of SFA (spent fuel assembly) Pond-2;
- Modernisation of the exterior piping of the recirculating water system, clarified water pumping plant, and closed-circuit hydrocleaning system of the condensate clean-up plant of units No. 1 and No. 2.

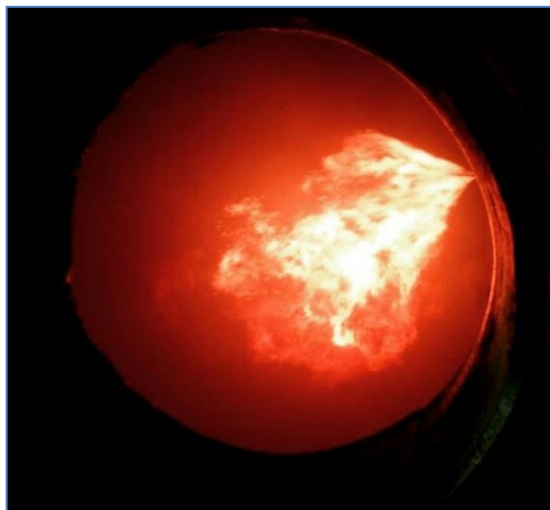
In November 2015, the construction of the dry ash removal system was suspended due to the need for reapproval of the project (Re-Gate 2) in connection with increased construction costs. In 2016 it was resolved to resume construction of the dry ash removal system (DARS).



Power unit No. 3 of Berezovskaya GRES



Turbine unit K-800-240-5



First boiler startup (June 05, 2015)





Busbar assembly (BA-2) - open switch yard - 500 kV



Fuel receiving station



Construction of the dry ash and slag removal system

Information about the full composition of the Company's investment program is presented below.

Power plant	Project	Expected year of commissioning
Shaturskaya GRES (Moscow Region)	Creation of replacement capacity at CCGT-400	Put into service in November 2010
Surgutskaya GRES-2 (Khanty - Mansi Autonomous Area)	Creation of replacement capacity at two CCGT-400	Put into service in July 2011
Yaivinskaya GRES (Perm Territory)	Creation of replacement capacity at CCGT-400	Put into service in July 2011
Berezovskaya GRES (Krasnoyarsk Territory)	Construction of the third power unit at SPU-800	Put into service in September 2015

10.2. Technical refurbishment and reconstruction of the existing operating facilities

The program of technical refurbishment and reconstruction of the existing operating facilities (TRR) of E.ON Russia JSC planned for 2015 was completed at:

Power plant	TRR progress, %
Surgutskaya GRES-2	70
Berezovskaya GRES	86
Shaturskaya GRES	105
Smolenskaya GRES	88
Yaivinskaya GRES	46
Total at E.ON Russia JSC	70

TRR milestones:

Surgutskaya GRES-2	<p>Reconstruction of complex switch yard KSY-6kV including replacement of circuit breakers at power units No. 1- No. 6.</p> <p>Turnkey reconstruction of the excitation system of power unit No. 1.</p> <p>Technical refurbishment of the gas supply system at Surgutskaya GRES-2.</p> <p>Technical refurbishment of the high-pressure valve box of power unit No. 1.</p> <p>Technical refurbishment of stem-supply pipes of the intermediate pressure cylinder of power unit No. 1.</p> <p>Reconstruction of direct current boards of power units No.1 and No. 3 including turnkey replacement of accumulator switches.</p> <p>Modernisation of HSS of "Kosmotronika-Venets" DCS of power unit No. 1.</p> <p>Work on ensuring fire protection of bearing steel structures of the turbine room in the main building.</p>
Smolenskaya GRES	<p>Reconstruction of the injection system of the TPE-208 boiler of power unit No. 2.</p> <p>Replacement of tanks of the first (lower) level of K-3B airheater of the TPE-208 boiler.</p>

	<p>Modernisation of transformer TDTs-250000/220 No. 15208. Replacement of the iron-clad condensate tank (ICCT) V=200m³. Replacement of life-expired oil switches VMPE-10 with vacuum ones. Installation of power swing devices on 220 kV overhead lines extending from Smolenskaya GRES buses. Installation of upgraded feed electric pump FEP-3B at power unit No. 3. Modernisation of C&I of power unit No. 2 in order to create an automated system for collecting and recording technological process parameters for calculation of performance indicators (turnkey).</p>
Berezovskaya GRES	<p>Creation of reserve capacity for storage of ash and slag waste through releasing the second ash dump plot. Modernisation of pneumatic ash handling systems of power units No. 1 and No. 2. Participation of power unit No. 1 in the market of system services (MSS) as related to the Rated Primary Frequency Control (RPFC). Modernisation of transformer TRDNS-63000/35 unit No. 21T_S3 No. 10030/B dated November 27, 2014. Reconstruction of soot blowers with the use of improved blasting pipes (37 pcs).</p>
Yaivinskaya GRES	<p>Modernisation of PSH-1 of boilers at power units No 1 and No. 4. Modernisation of high-pressure valves of power units No. 3 and No. 4. Modernisation of feed electric pump 4A (FE-580-185/200).</p>
Shaturskaya GRES	<p>Reconstruction of 24 CSH micromodules of the fourth level of boiler BK3-320-140GM-7 of power unit No. 6 and CSH micromodules of the third level of boiler BK3-320-140GM-7 of power unit No. 7. Reconstruction of 220kV oil switches, including replacement of oil-filled bushings (one set) and interrupting chambers (three sets). Reconstruction of power transformers 4T and transformer No. 5 with replacement with high-voltage bushings with RIP insulation. Modernisation of the GDS instrumentation and control system with replacement of the cable run. Replacement of injection steam coolers of the second and the third levels of the TM - 104A boiler at unit No. 5. Reconstruction of the 3T transformer.</p>

10.3. Capital Investments

In 2015, the Company's capital investments in implementation of the investment program reached about RUB 11.0 bn roubles (net of VAT), including in the following areas:
Technical refurbishment and reconstruction - 13 percent;
New construction - 87 percent.

11. PROCUREMENT ACTIVITIES

11.1. Basic Provisions of the Company's Procurement Policy

The basic provisions of the Company's Procurement Policy are set out in the Regulation on Procurement of E.ON Russia JSC approved by the Board of Directors of the Company.

This Regulation describes standard business process to meet production requirements of E.ON Russia JSC and contains links to other internal documents of the Company. The Regulation contains obligatory rules of procurement of goods, works, services, and software licenses, including definition of the responsibility limits and description of procurement processes.

Procurement processes and procedures provided for by the Regulation are aimed at ensuring intended and efficient spending of monetary funds of E.ON Russia JSC. The purpose of the procurement procedures is selection of vendors, contractors, and service providers on a competitive basis. Thus, optimal economic conditions of procurement are guaranteed, namely: compliance with the customer's requirements, deadlines, quality, and optimal prices.

The Regulation on Procurement of E.ON Russia JSC provides the following basic principles and approaches to procurement activities:

Creation of the competitive environment: the best procurement results are possible only with the market competition;

Usage of competitive procurement methods as main ones in procurement of works/services, material, and equipment;

Deciding on selection of the vendor using the "four-eyes" principle (the decision is always adopted in agreement between the responsible buyer and the applicant).

Responsibility for implementation of the procurement process in the Company rests with the Procurement Unit. Its basic functions are planning, organisation, and implementation of procurement procedures, including supervision of procurement activities at the Company's branches. Moreover, the Procurement Unit takes measures to enhance market position by consolidation of needs, unification of the procurement processes, and adoption of a single model of behavior in the competitive environment.

In doing so, the Procurement Unit closely interacts with the units initiating procurement and participates in uniting commercial and technical interests of the Company.

In its procurement activities, the Procurement Unit of E.ON Russia JSC takes into account the latest standards and the best practices of E.ON Group.

11.2. Main Procurement Results of the Company in 2015

Procurements under the annual comprehensive procurement program (ACPP) for 2015 by initiators

	Number of procurement procedures, pcs.	Total cost, RUB ths	Share, %
Moscow representative office	832	3,948,163.48	36.21%
Surgutskaya GRES-2	990	1,432,496.58	13.14%
Berezovskaya GRES	960	548,458.24	5.03%
Shaturskaya GRES	971	345,021.20	3.16%
Yaivinskaya GRES	829	243,514.88	2.23%
Smolenskaya GRES	556	155,406.09	1.43%
E.ON Engineering	1,580	4,231,328.00	38.80%
Total at E.ON Russia JSC	6,718	10,904,388.48	100.00%

In order to support the Company's production activities, buyers of E.ON Russia JSC held 6,718 procurements to the total amount of RUB 10,904,388.48 ths (net of VAT) for the needs of 2015.

Procurements under ACP for 2015 by areas of activity	Share, %
Repairs	29.24
Technical refurbishment and reconstruction	15.65
Operation	15.62
New construction	38.80
Other	0.69
TOTAL AT E.ON RUSSIA JSC	100.00

For the needs of 2015, 5,138 procedures for the amount of RUB 6,673,060.47 thousand were carried out, of which 461 procedures for the amount of RUB 2,746,909.13 thousand (41.16 percent of the total number of procurements in monetary terms) were carried out by means of procurement from a single supplier. All the rest procurements were carried out by means of competitive procedures.

1,580 procedures for the amount of RUB 4,231,328.00 thousand were carried out as part of investment projects, of which 361 procedures for the amount of RUB 2,335,853.21 thousand (55.20 percent of the total number of procurements in monetary terms) were carried out by means of procurement from a single supplier.

Procurements under ACP for 2015 by categories	Share, %
Procurements for investment projects	38.80
Design and survey, engineering, and inspection	10.40
Repair, maintenance, installation, and reconstruction of equipment	7.40
Construction, repair, maintenance, and reconstruction of buildings and structures	6.44
Electrical work	3.63
Business and administrative services	3.37
DCS and C&I services	2.23
Third-party IT services	2.20
Pipeline valves and spare parts	2.17
Transportation services	1.87
Pumps, compressors, and spare parts	1.54
Turbines, turbogenerators, and spare parts	1.50
Other categories	18.45
TOTAL AT E.ON RUSSIA JSC	100.00

Procurements under ACP for 2015 by final cost	Share, %
Less than RUB 500 ths	4.98
RUB 500 ths to RUB 5,000 ths	21.55
RUB 5,000 ths to RUB 50,000 ths	49.88

More than RUB 50,000 ths	23.59
Total	100.00

The difference between the cost of the most favorable initially submitted comparable proposal and the cost specified in the contract in the course of competitive procedures exclusive of investment projects (economic benefit from procurement) was (in monetary terms) RUB 225,842.06 thousand (5.94 percent).

12. INFORMATION TECHNOLOGIES

The IT Strategy 2013-2015 was completed in 2015. Most of the planned IT projects were successfully implemented. The IT Strategy for the next three years will be developed based on the business needs and approved in 2016.

Below are the most prominent projects of 2015.

The Executive Office and all the branches except Yaivinskaya GRES were transferred to a single cellular service provider (Beeline), which resulted in cost reduction in this area by about 10 to 20 percent, depending on the branch. According to a survey conducted to find out the level of satisfaction with the quality of service provided by the new provider, 63 percent of respondents positively assess the quality of cellular services, which indicates the overall satisfaction with the new service provider.

The corporate portal moved from SharePoint 2010 and SharePoint 2007 not supported by the manufacturer to a single system on the SharePoint 2013 platform. Solutions recommended following the audit made by Microsoft were implemented. All these made it possible to reduce the operating costs of this service.

ASUREO (the system for recording requests for repair of production equipment) migrated server systems to the latest operating system. The PC Requests system was upgraded from version 5 to version 8. EO and stations were trained to use the software system for making requests for repair of production equipment.

As part of the maintenance and repair module of FEAS AMS (Financial and Economic Activities Single Automated Management System), functionality for preparation and approval of the Annual Schedule of Repairs was created. Currently, the functionality is at the stage of pilot operation at all branches. The Schedule of Repairs 2017 will be fully prepared in FEAS AMS, which will make it possible to increase manageability and accuracy of the program.

An inventory barcoding system was introduced at the warehouse of CCGT of Yaivinskaya GRES. The warehouse is used for the repair and operation of the new production equipment. The solution will help to avoid mistakes when shipping materials and speed up stock-taking at the warehouse. If the project is successful, the solution will be expanded to the rest warehouses and stations.

In order to increase efficiency of repairs and early error detection, a tablet-based mobile application project was started for data collection by linemen. A supplier self-registration portal (Supplier's Personal Account) was started to increase transparency of procurement procedures. In addition, the supplier assessment process was moved to the FEAS AMS system too.

A transparent mechanism for staff performance management (KPI) with reflection targets for the year followed by evaluation of performance by both the employee and supervisor was implemented for the personnel management unit. A mechanism for planning and reflection of training passed was implemented as well. A monthly bonus automation project was started at branches.

Transition to the new version of Cognos software with further optimisation of the budgeting system was completed. As a result of this, the expenses under the annual technical support contract reduced by RUB 3.8 mn as compared to the previous year.

Speaking about the IT infrastructure, it should be noted that the main part of the project on upgrading the local area network of the data center of the Executive Office to the most advanced converged network was completed in 2105. In addition, the project was started at the Company's branches. The results were the simplified architecture and increased bandwidth between the data center's hubs to 10 Gbps or more. Outcomes of the project made it possible for the Company to further increase the virtualisation degree of the server system (bringing the old equipment out of service). As a result, they are expected to further contribute in reduction of operating costs for maintenance of the IT infrastructure.

A new video conferencing system was put into trial operation. The system provides better connection and makes it possible for both the Executive Office and branches of the Company to participate in video selectors of the Ministry of Energy. The system also helps to save on travel expenses.

13. RISKS AND RISK MANAGEMENT SYSTEM

The risk management system is an integral part of the production processes and decision making in the Company. The corporate risk management system in E.ON Russia can be shown as follows:



The key elements of the risk management system are the Company's strategy, internal regulations, controlling, planning, internal control system, and internal audit, as well as reporting on risks and opportunities, and operations of the Risk and Finance Committee of the Board of Directors of E.ON Russia JSC.

The integrated risk management system was established to timely identify risks and to take the required risk management efforts. The Company is continuously reviews the planning, controlling, and reporting processes to ensure their efficiency.

Risks Insurance Management

Uniper Risk Consulting GmbH - a subsidiary of E.ON Group - delivers to E.ON Russia JSC risk insurance management services in the key insurance areas: property insurance and liability insurance. Uniper Risk Consulting GmbH is engaged in development and optimisation of solutions to manage operational risks, using insurance tools and similar tools. Moreover, this company provides for the necessary quality of insurance coverage on global reinsurance markets.

Risk and Finance Committee of the Board of Directors¹⁸

The Risk and Finance Committee of the Board of Directors of E.ON Russia JSC was established in accordance with the corporate standards of E.ON Group. The Committee comprises heads and representatives of the Company's leading business units, who are in charge of operations and financial activity. The Committee ensures implementation of the credit and commodity risk strategy that is approved by the Board of Directors.

Commodity risks

Risks of changes in commodity prices can arise in the process of the Company's commercial operations. The key risk management elements in this field, in addition to availability and performance of the above mentioned regulations and reporting systems, are the use of qualitative indicators, the system of limits, and the clear division of functions among the business units.

Regulatory Risks

The Russian wholesale electricity market constantly undergoes changes that result in changes in the electricity

¹⁸ For more details see the Section "Committees of the Board of Directors" of the Annual Report.

market structure as well as relations between its participants.

According to the Company's assessment, the important branch risk, which can significantly influence activity of E.ON Russia JSC, is the risk of change in the electricity and capacity market rules of functioning. Increase in the share of the regulated component on the wholesale market negatively affects the Company's yield because it reduces the share of more efficient sales at non-regulated (free) prices.

Regulatory Committee

In order to form the common position, coordinate the work in interaction with external companies, and draft recommendations on the strategic issues of the electric power industry regulation, the Regulatory Committee was established in the Company. The Committee comprises heads and representatives of the Company's leading business units, which are in charge of the operational and financial activities and of liaising with the infrastructure organisations of the wholesale market and specialised ministries and institutions.

Operational risks

The Company pays much attention to ensuring fuel security of its power plants. E.ON Russia JSC strives to increase fuel efficiency and improve fuel consumption indicators at all the power plants through upgrading equipment.

External risks

Another important category is the risks related to the balance situation on the wholesale market. The are: demand for electricity and capacity and its fluctuations due to macroeconomic factors; the increasing supply on the market triggered by the introduction of new capacities under capacity provision contracts (CPC); growing excess capacity on the market; and the lack of the system of decommissioning obsolete generating equipment. However, the availability of highly efficient and marketable capacities (including newly constructed units) in the Company allows to expect high performance in the emerging market situation.

With unstable Russian tax law and differing approaches to interpretation of tax standards on the part of tax authorities and various arbitration courts, there are risks of claims against the Company on the part of tax authorities. Additional taxes, penalties, or fines may be charged on the Company following tax audits held by tax authorities.

Financial Risks

The Company mitigates foreign currency financial risks by placing foreign currency deposits.

E.ON Russia JSC manages credit risks by assessing fair practices of counterparts and by setting and controlling the limits on transactions with lending financial institutions.

In its operations, the Company has to supply electricity to certain regions of the Russian Federation, which fail to pay for consumption in full or in a timely manner and increase their receivables to E.ON Russia JSC.

Legal Risks

The Company continuously monitors changes in the requirements of applicable law and manages legal risks associated with its operations. Russian law is unstable and subject to frequent adjustments, additions and amendments, which in itself creates significant risks to doing business. Additional difficulties are related to the fact that there is frequently an ambiguous interpretation by judicial and other law enforcement bodies of some particular legal provisions, which decrease legal certainty in regulation of specific legal relationships. Legal risks associated with significant and frequent changes in law that governs the Company's core business are of special significance for the Company. Russian energy law is new, comprehensive, of complex hierarchy, structure and content of the provisions. Active state regulation of the power industry leads to frequent revisions in the most critical legal acts in this field, which creates the risk for stable and predictable business. The increasing legal risks are associated with more stringent requirements of anti-trust law, persistent volatility of regulation of tax relations, and cases of misapplication of laws on the part of regulatory and controlling state authorities. The Company exerts all efforts to timely identify and mitigate the above legal risks, ensuring strict compliance with applicable law in doing business.

With the existing risk management system, the Company makes sure that the emerging risks are detected, estimated, managed, and controlled. However, there is still a possibility of emergence of risks that are currently unknown or insignificant. Such risks can affect future performance of E.ON Russia JSC.

Insider Information Protection

E.ON Russia JSC is a public company with its securities listed as Level 1 at Moscow Exchange OJSC (MICEX Stock Exchange CJSC).

Therefore, the Company tracks the circulation of insider information, which can significantly influence the cost of

its financial instruments. In accordance with Russian law, the Company combats the illegal use of insider information by insiders of E.ON Russia JSC.

To ensure compliance with Federal Law No. 224-FZ of July 27, 2010 "On Combating Illegal Use of Insider Information and Market Manipulation", Order No. 13-51/pz-n of June 18, 2013 "On Approval of Provision on Procedure of Notification of Persons about Their Inclusion in a List of Insiders and Exclusion from such List; Provision on Procedure of Transfer of Lists of Insiders to Trade Organisers being Intermediates in Transactions with Financial Instruments, Foreign Exchange and/or Goods; and Provision on Procedure and Terms of Notification by Insiders of Transactions Conducted by Them", and Order No. 12-9/pz-n of December 28, 2012 "On Approval of Provision on Procedure and Terms of Disclosure of Insider Information of Persons Referred to in paragraphs 1 to 4, 11, and 12 of Article 4 of the Federal Law "On Combating Illegal Use of Insider Information and Market Manipulation" and Amending Individual Laws of the Russian Federation", a revised version of the Regulation on Insider Information (the Regulation) was approved by the Company. With the entry into force of Decree of the Central Bank of the Russian Federation No. 3379-U of September 11, 2014 "On the List of Insider Information of Persons Referred to in paragraphs 1 to 4, 11, and 12 of Article 4 of the Federal Law "On Combating Illegal Use of Insider Information and Market Manipulation, and Amending Individual Laws of the Russian Federation", the Board of Directors of E.ON Russia JSC approved amendments to the Regulation on Insider Information of E.ON Russia JSC on April 02, 2015.

The Regulation defines the concepts of "insider" and "insider information", establishes the use procedure, confidentiality rules and procedure for access to information on operations of E.ON Russia JSC, Company's securities and transactions with them, as well as to any other information referred to in the Regulation, which is not publicly accessible and disclosure of which can have impact on market value of the Company's securities and other securities referred to in the Regulation, as well as requirements for transactions with the mentioned securities by persons possessing insider information.

The Regulation on Insider Information establishes the rules of entering into transactions with insider financial instruments by insiders, in particular, bans on transactions with them during so-called "prohibition periods", and determines the list of the Company's insider information and requirements for maintenance and transfer of the list of insiders.

In accordance with the applicable laws, work is performed to maintain the list of the Company's insiders, timely transfer it to the trade organiser of MICEX Stock Exchange CJSC, and notify the insiders of their inclusion into or deletion from the list of insiders.

14. CORPORATE AND SOCIAL RESPONSIBILITY

In carrying out its business, the Company proceeds from the assumption that electricity and heat generation are of exclusive significance for the life of the regions of presence and for operation of the country economy as a whole. That is why the key corporate responsibility principles include the guarantee of uninterrupted electric and thermal energy supplies, strict compliance with the laws and sustainable investments in personnel and social and economic development of the regions of presence. The Company treats its employees, consumers, suppliers, environment, and society responsibly.

14.1. Staff: Structure and Social Policy

E.ON Russia JSC is striving to fully use and develop its employees' potential. It respects their work and their need to feel socially protected. The Company regards its employees as the key resource, without which no strategic target can be achieved, and even if other components are present, efficient operations are impossible.

The Company's staff management system covers a set of personnel issues by all the categories of employees - from workers and specialists to managers. The activities of E.ON Russia JSC in this field are governed by a set of internal documents that provide transparency and lack of bias in making personnel resolutions. When working with personnel, the data on personal achievements, experience and aspirations of each of the Company's employees are taken into account.

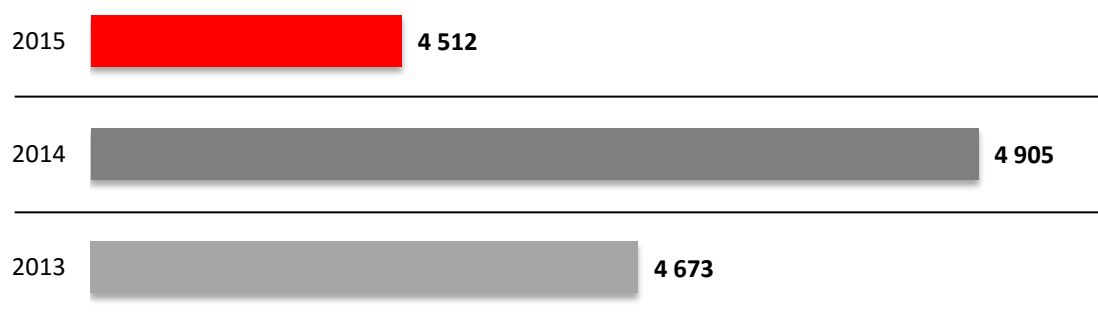
To enhance efficiency of personnel management, E.ON Russia JSC is actively working on automation of HR processes. In particular, employees of the Company designed an on-going bonus administration system based on Axapta FEAS for branches in 2015.

Staff Headcount

The headcount of E.ON Russia's staff¹⁹ as of December 31, 2015 was **4,512 employees**, including: In the core business, the headcount of industrial and production and non-industrial staff was **4,391**; The headcount of personnel involved in implementation of investment projects was **121**.

The dynamics of changes in the total headcount of E.ON Russia JSC, taking into account all the personnel involved in implementation of investment projects between 2013 and 2015, is shown in the chart below:

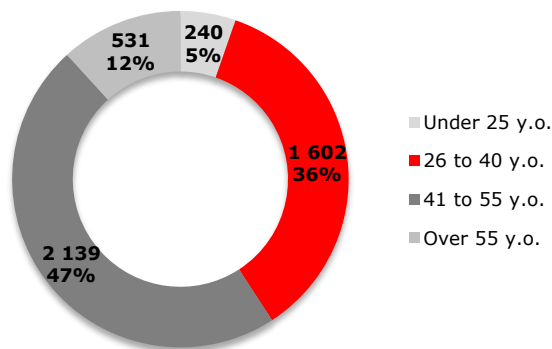
Headcount of E.ON Russia JSC (as of the end of the period)



One of the top priority objectives for personnel services is to create the Company's team, which is balanced by age categories. This concept will promote transfer of unique knowledge, technologies, and traditions. Below is the personnel structure of E.ON Russia JSC by age.

¹⁹ The headcount shall mean the complete headcount of personnel, i.e. the total number of employees who have concluded labour contracts with the Company.

Personnel structure of E.ON Russia JSC by age categories



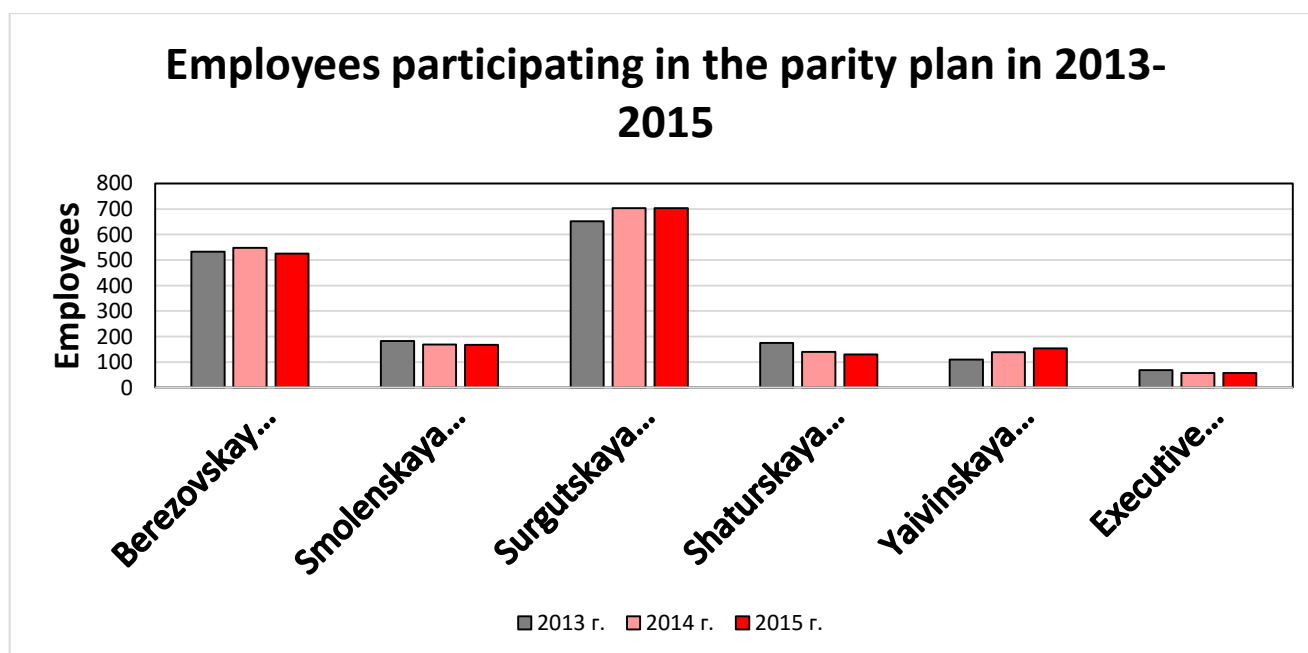
Category	People	%
Below the age of 25	240	5.3
26 to 40 years old	1,602	35.5
41 to 55 years old	2,139	47.4
Older than 55	531	11.8
TOTAL	4,512	100.0

4,512
people

Voluntary Pensions

E.ON Russia JSC sees the voluntary pension (VP) system as a tool to increase income of retiring employees and establish long-term employment relationship with employees. The VP system has been available in the Company since December 2005. It includes two major pension schemes - corporate scheme and parity scheme (since 2007). Over 2015, **75 people** have registered their voluntary pensions from voluntary pension funds of the electric power industry under the corporate scheme.

The Company's parity scheme allows employees to accumulate pension to increase its future amount. As of December 31, 2015, the number of participants in the VP system under the parity scheme was **1,811 people**, which is **41 percent** of the total headcount of E.ON Russia JSC. The Company is going to continue to engage its employees in the parity pension programme in 2016.



Personnel Training and Development

In 2015, the training and development priorities were as follows:
Mandatory training to enable personnel to perform their job duties;
Development and implementation of the skill pool formation and development methods; and
Personnel development in the fields of their expertise.

Mandatory Training

The main areas of mandatory training in 2015:

Pre-evaluation training and evaluation in occupational health and safety, energy safety, and safety of hydro-technical structures;
Pre-evaluation training, evaluation, and re-evaluation of specialists in non-destructive control, destructive testing, and other types of testing; and
Preparation to assessment of knowledge in the scope of process guidelines for service staff.

Skill Pool

A total of **392 employees** of E.ON Russia JSC branches took part in the Skill Pool Management Program, namely:

- Berezovskaya GRES - 87 people;
- Smolenskaya GRES - 43 people;
- Surgutskaya GRES-2 - 127 people;
- Shaturskaya GRES - 67 people; and
- Yaivinskaya GRES - 68 people.

Recruitment

A recruitment division was created in 2015. A unified recruitment procedure was developed for the entire Company. The tools such as a questionnaire in the form of interviews on competences, testing programs and group exercises to use in the recruitment for various positions were introduced in the recruitment process. A concept of working with young specialists and specialised universities was developed. A number of key positions in branches have been successfully filled, namely: Head of Boiler and Turbine Shop, Head of Electric Shop, Head of Resource Provision, Deputy Chief Engineer for Operations, and others. A concept for special events in the framework of the project on the development of the employer's brand was developed and approved.

Professional Skill Competitions

In order to improve professional skills, identify the level of professional training, reduce the number of accidents due to erroneous actions, and improve training of operational staff, professional skill competitions of integrated teams of operational staff of Berezovskaya GRES, Smolenskaya GRES, Surgutskaya GRES-2, Shaturskaya GRES, and Yaivinskaya GRES were held in 2015. **35 people** took part in the competitions.

Personnel Development

The Company's employees completed various training programs, courses, and workshops, which contributed to improvement of their performance.

Below are some of the training programs.

The E.ON Russia Leader program for managers of the Executive Office (EO) and branches continued in 2015.

The first part of the program named "Motivational Management within the Framework of Basic Managerial Functions" was attended by **233 people**:

- Berezovskaya GRES - 61 people;
- Smolenskaya GRES - 30 people;
- Surgutskaya GRES-2 - 60 people;
- Shaturskaya GRES - 44 people; and
- Yaivinskaya GRES - 38 people.

The second part of the program named "Efficiency Paradigm. Case and Emotional Leadership" was attended by **153 people**:

- EO - 33 people;
- Berezovskaya GRES - 61 people;
- Smolenskaya GRES - 27 people;
- Surgutskaya GRES-2 - 35 people;
- Shaturskaya GRES - 8 people; and
- Yaivinskaya GRES - 19 people.

The third part named "Team Management - Efficiency and Changes" was attended by **55 employees** of EO and branches.

In addition, a program for top managers named "Team and Corporate Culture Management - Efficiency and Changes" was held in October 2015.

"Effective Presentation Skills" for EO and branch staff as part of the "Success Energy" program was attended by **20 people**.

"Efficient Team Communication and Team Building" for the procurement unit, HR unit, EO and managers of Yaivinskaya GRES was attended by **73 people**.

"Efficient Personal Assistant" for personal assistants to managers of EO and branches was attended by **14 employees**.

The English language course for employees interacting with the Group was attended by **29 employees** in 2015.

In 2015, **2,605 people** received training, and **739 people** attended development courses in different fields of activity.

Branch	Mandatory training (people)	Development (people)	Total (people)
EO	173	103	276
Berezovskaya GRES	719	68	787
Smolenskaya GRES	350	49	399
Surgutskaya GRES-2	500	252	752
Shaturskaya GRES	490	198	680
Yaivinskaya GRES	283	69	349
Total:	2,605	739	3,243

Personnel Incentives

The Company developed Collective Bargaining Contracts for the Company's branches for 2015-2017. These contracts were signed between the Employer and authorised representatives of Employees. The Provisions on Remuneration of Branches' Employees are also applicable.

The regulations (Collective Bargaining Contracts and Provisions on Remuneration) were developed on the basis of the Labor Code of the Russian Federation, proceeding from the unified principles of regulation of social and employment relations and regional particularities of the branches. The Collective Bargaining Contracts are legal acts that establish rights and duties of the parties to the Company's social partnership. The Collective Bargaining Contracts signed are based on the principle of equality, respect and account of rights and legitimate interests of employers and employees in the social partnership.

The salary of the Company's employees consists of two parts: fixed and variable. The fixed part is set depending on the employee's qualification and position he/she holds, while bonuses and incentives are paid depending on performance.

The incentive system under E.ON standards is applicable for executives and heads of the Company's branches. Individual indicators/targets are annually set for employees and recorded in the Efficiency Management forms. Using these forms, employees' performance is assessed during the reporting year. According to the assessment and subject to achievement of control financial benchmarks of the Company, the bonus is paid, and the salary for the current year is revised.

In order to improve motivation of employees and reduce staff turnover in the Company, regional labor markets are constantly monitored. In general, the average salary of E.ON Russia branches' employees is on the same level with the salary at enterprises involved in production and distribution of electricity, gas, and water in the region of the branch's presence.

Regional labor markets are monitored by annual tracking of their state with the Company's participation in salary reviews held by major global independent companies (including E&Y, PWC, Hay Group, and others).

For individual positions, the salary was adjusted for the regional labor market and the importance of those positions for the Company.

Intangible Personnel Incentives

In 2014, the recognition competition named "**Success Energy!**" became an element of the comprehensive program of motivation and involvement of E.ON Russia JSC employees.

"**Success Energy!**" is a competition aimed at recognising, encouraging, and supporting achievements of the Company's employees aimed at improvement business indicators, raising social responsibility of the Company, and

improvement of the environment. This program enables everybody to tell the entire company about his or her projects and achievements, to express acknowledgement to colleagues (both to individual employees and to whole teams) for outstanding contribution to the Company's work.

For participation in the Success Energy contest, any of employees of E.ON Russia JSC could submit the application for himself or herself, his or her colleague or project group/team in one of the following four categories:

Improvements and Innovations: Those employees/projects/teams, which were pro-active, authored and implemented innovative ideas that enabled to enhance efficiency and financial indicators of the business unit and the entire company were recognised in this category.

Manager's Proficiency: Outstanding managers with excellent leadership qualities, who are able to incentivise and lead the team, to achieve high performance, were recognised in this category.

Business and Ecology: Achievements that helped to produce positive impact on the environment and enhance the Company's economic indicators were recognised in this category.

Social Responsibility: Employees whose social and charitable work improved the life of an individual person and the entire society were recognised in this category. The projects implemented outside the Company's charitable program were considered in that category.

More than **85 people** took part in the semi-finals of the first Success Energy recognition contest held in 2014!

The finals held in February 2015 had **20 winners**:

The third prize winners were awarded a trip to Moscow and tickets to a joint concert by Vladimir Spivakov and David Garrett in the Moscow State Philharmonic.

The second prize winners got the opportunity to visit the IX World Cup Biathlon (a sponsorship project by E.ON SE Group) in Khanty-Mansiysk in March 2015.

The first prize winners took part and won a prize in the international Baltic sailing regatta Ust-Luga Cup 2015. They passed the route from Stockholm to St. Petersburg.

The program will be held biennially.

Corporate Support to E.ON Russia JSC Employees in Improvement of Their Living Conditions

For the purpose of corporate support in improvement of living conditions to E.ON Russia employees, in 2015, the Company's Management Board approved the lists of employees who need to have their living conditions improved, and also determined the scope of funding for these purposes for 2015.

This program is first and foremost for the following categories:

Young specialists attracted to work for the Company after they graduated from specialised higher and secondary educational institutions;

Highly skilled workers or specialists, whose professional knowledge is of interest to the Company; and
Employees included in the skill pool.

In 2015, **53 employees** of the Company's branches received corporate support in improvement of their living conditions. Interest-Free Targeted Loan Contracts for acquisition (construction) of housing, as well as for repayment of the principal mortgage amount were signed with all the participants. The loans were received.

In addition, for engagement and retention of highly qualified specialists from the branches, E.ON Russia JSC decided to provide compensations and benefits (a relocation package) to employees transferred to the Executive Office from branches. The relocation package includes:

- Compensation for rental of housing in Moscow for three years;
- Compensation for travel and luggage expenses incurred by the employee and his/her family; and
- Payment of the initial relocation allowance.

14.2. Occupational Health and Safety

As the key productivity indicators in occupation safety, E.ON Russia JSC established the following indicators in 2015:

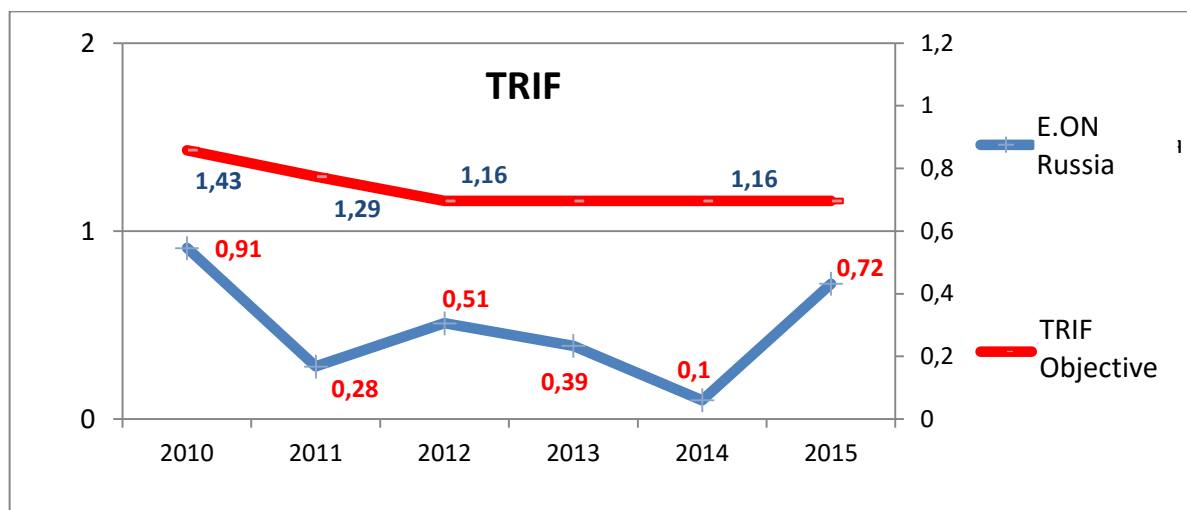
Strategic target - No fatal accidents involving the company's own personnel or contractors' personnel.

The TRIF (frequency of all recorded incidents involving the company's own personnel or contractors' personnel at the existing production) ratio is less than 1.16.

Implementation of the Health, Safety, and Environment Improvement Plan in 2015.

The strategic target - no fatal accidents involving the company's own personnel or contractors' personnel - was achieved.

The TRIF ratio was achieved. It was 0.72 with the expected value being less than 1.16.

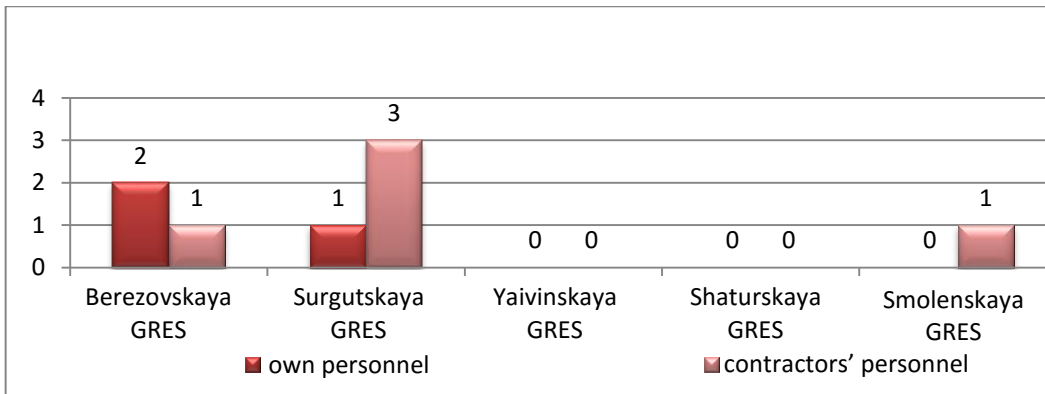


The safety triangle shows the main indicators of occupational health and safety at E.ON Russia JSC.

E.ON Russia personnel		Incident category	Contractor personnel	
2014	2015		2015	2014
0	0	Fatal	0	0
0	0	Severe	2	0
1	2	Lost time injuries	3	0
0	1	Administration (more than) of medical aid	0	0
0	0	Administration of medical first aid	0	0
4	1	Dangerous occurrences, Incidents that might cause injuries	1	2
335	68	Potentially dangerous actions (situations) that resulted in suspended work	306	965

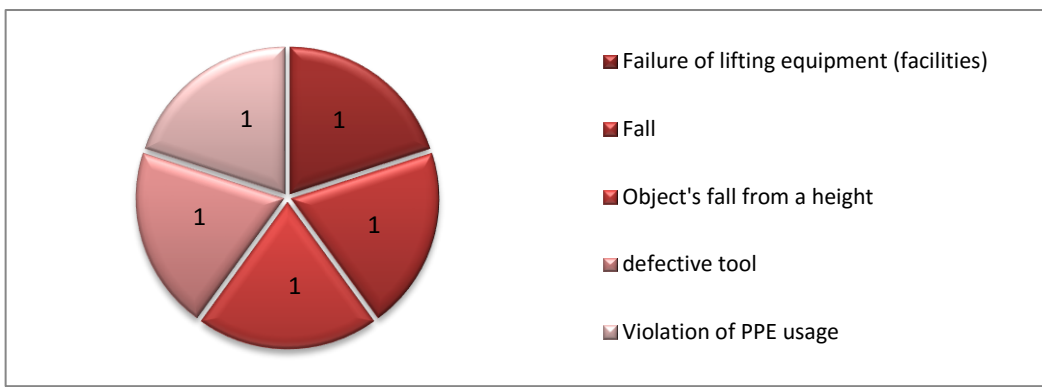
In implementation of the Company's incident awareness program, eight (8) recordable incidents (TRI) were reported during the reporting period, of which seven (7) incidents resulted in disability of the Company's own personnel and contractors' personnel.

Distribution of recordable incidents (TRI)

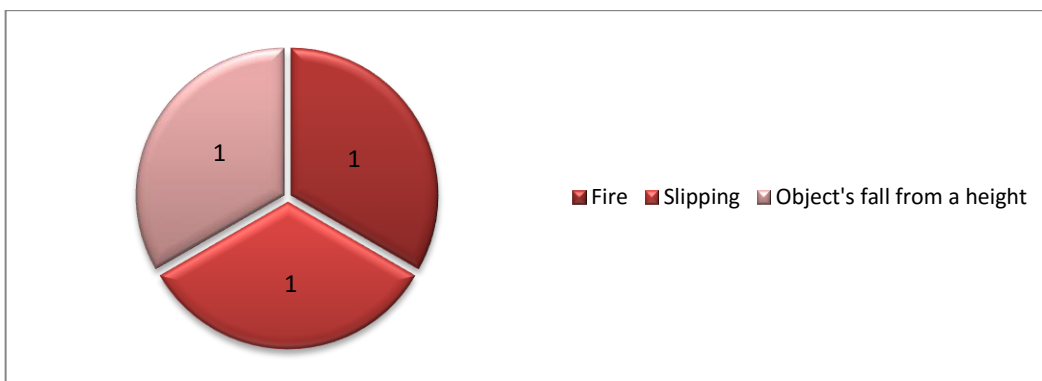


Three (3) of the eight (8) incidents that occurred in the Company in 2015 involved the Company's own personnel, and the rest five (5) involved contractors' personnel.

Distribution of recordable incidents (TRI) which happened to contractors by incident types

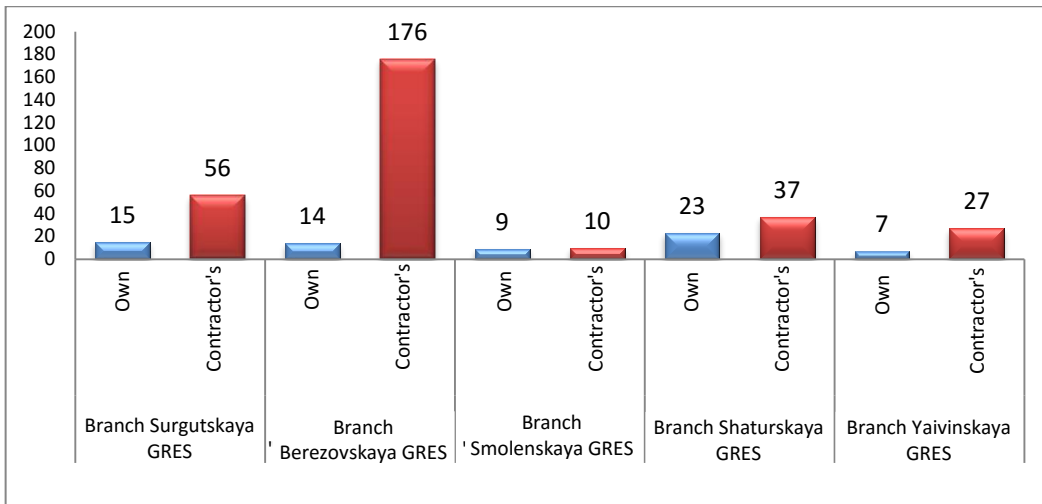


Distribution of recordable incidents (TRI) which happened to the Company's own personnel by incident types



All of the incidents have been investigated with the root causes identified. The lessons learnt have been communicated to the relevant personnel of the Company and contractors.

Distribution by potentially dangerous actions (situations) that resulted in suspended work



With continuous monitoring of sites and implementation of efficient measures for ensuring occupational health and safety, the amount of potentially dangerous actions (situations) that resulted in suspended work decreased 3.5 times in comparison with 2014.

Contractor management remains the main line of work in ensuring occupational health and safety, as in 2015 contractors' staff made potentially dangerous actions (created situations) which resulted in suspended work five times more frequently than E.ON Russia's own personnel did.

The Health, Safety, and Environment Improvement Plan for 2015 has been implemented in full.

In implementation of the Health, Safety, and Environment Improvement Plan for 2015, the following basic measures have been taken:

I. Measures urgently recommended by the management for all the market units of E.ON:

1,028 line managers and workers of E.ON Russia branches received training on the topic of Safety Leaders. The training included detailed study of the Safety Leader tools. A Memo to Line Manager at Admission of Subordinate Staff to Work was proposed for further use by line managers.

Functioning of the occupational health and safety management system of the Company's branches was analysed in accordance with the requirements of the OHSAS 18001-2007 international standard. The strengths and weaknesses of the occupational health and safety system were identified. Recommendations for further improvement of the occupational health and safety system were developed.

II. Measures to improve the occupational health and safety management system:

E.ON Russia JSC confirmed validity of the ISO 18001:2007 Conformity Certificate.

Within the period from the 21st to the 28th of April 2015, the audit team of Bureau Veritas Certification Rus CJSC has held their first audit of compliance of the occupational health and safety management system of E.ON Russia JSC with requirements of the OHSAS 18001:2007 international standard.

The audit results confirmed compliance of E.ON Russia's activities with the OHSAS 18001:2007 standard. It was noted that the occupational health and safety system introduced in the Company showed its efficiency and continuous improvement.

Self-assessment of the safety culture at each business unit of the branches and in the branches as a whole was carried out using the Bradley Curve from the Destination Zero (zero injuries) set of corporate tools. The survey was attended by 2,678 employees. The reassessment result was 57 points, which is four percent higher than the result in 2014 (54.8 percent).

Following the self-assessment, plans for further improvement of safety culture and improvement of position on the Bradley Curve were developed at each branch.

The Company has approved and put into effect the Occupational Health and Safety Management System Standard of E.ON Russia JSC named "Safety Precautions when Working at Height (SO-SOTTA-13)". The standard was developed to meet the requirements of the Technical Recommendations for Occupational Health and Safety, E.ON B2 Standard, Preventing Falls and new Safety Rules when Working at Height (approved by Decree No. 155n of March 28, 2014 issued by the Ministry of Labour and Social Security of the Russian Federation).

In accordance with the long-term program aimed at elimination of revealed defects of ladders and platforms for servicing technological equipment at E.ON Russia JSC branches, 389 defects were eliminated in 2015.

Long-term programs aimed at elimination of violations of occupational safety requirements when working with electricity generating plants at E.ON Russia JSC branches are implemented, under which 152 measures have been taken.

In March 2015, the Executive Office and all the branches of E.N Russia JSC carried out a scheduled identification of hazards and risk evaluation in accordance with the revised Procedure for Identification of Hazards, Risk Evaluation and Definition of Management Measures (MO-SOTTA-02).

III. Measures to increase the safety culture level:

In order to increase the safety culture level, a competence level assessment of 66 executives of the branches was carried out using the Knowledge River tool of the Destination Zero (zero injuries) program. Measures for transition to the higher competence level were developed according to the Knowledge River tool.

The Regulation on Participation of the Management Board Members and E.ON Russia JSC Area Directors in Inspecting Branches' Production Sites for Compliance with Basic Occupational Health and Safety Requirements was approved and implemented (the Fresh Perspective Project).

The main purpose of the Project is to show commitment of E.ON Russia JSC management to occupational health and safety issues with an independent, new perspective of the OHS status at the Company's branches.

The Procedure "Requirements for Improving Occupational Health and Safety (collection of documents)" (RO-SOTTA-26) was approved and implemented.

The document unifies the approach to compliance with the requirements of Section 4 "Administrative Procedures for Ensuring Work Safety" of the Safety Rules for Operation of Heat Machinery Equipment at Power Plants and Heating Networks (RD 34.03.201-97) in the following parts:

Procedure for filling in the work permit form for repair of heat machinery equipment.

Procedure for recording target briefings conducted to authorise a team under a job order and instruction for the person issuing the job order/instruction, person giving authorisation, work supervisor, and superintendent.

The Procedure sets requirements for arranging demonstrative authorisations for work under job orders on electricity generating plants and heat machinery equipment.

The document proposes measures to improve staff awareness of occupational safety through regulation of holding the Safety Hour.

IV. Contractor management measures.

Awareness-raising walk-round checks of other Contractors' workplaces have been carried out jointly with the Contractor, and joint training sessions in occupational safety addressing the strengths and weaknesses identified during the walk-round checks have been held as part of implementation of Contractor Management Best Practices Catalogue. 29 joint walk-round checks of workplaces and 15 meetings have been carried out including simultaneous joint training sessions in occupational safety.

V. Measures for occupational safety enhancement in handling asbestos-containing materials.

Implementation of the Long-range program for asbestos removal using the equipment in Branches is continuing. The actual amount of asbestos-containing materials removed in 2015 was 107.37 tons, monitoring of asbestos dust content in the working zone air proved that concentrations of asbestos fibres in the air exceeds the Russian sanitary standard.

Occupational Health and Safety Expenses

All the health and safety measures scheduled by the branches for the reporting period have been implemented in full. The costs of occupational health and safety measures for the reporting period were RUB 367.9 mn, exceeding the value of 2014 by 33 percent.

Sanitary and hygienic measures and improvement of working conditions received increased funding. Charts 1 to 3 show the costs by branches for 2014 and 2015 (absolute value and per personnel unit) and cost allocation by types of occupational health and safety measures.

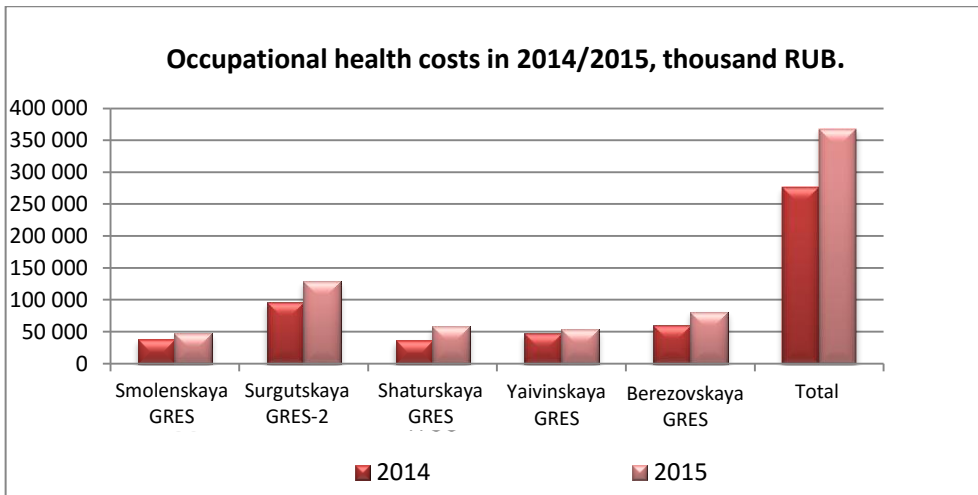


Chart 1

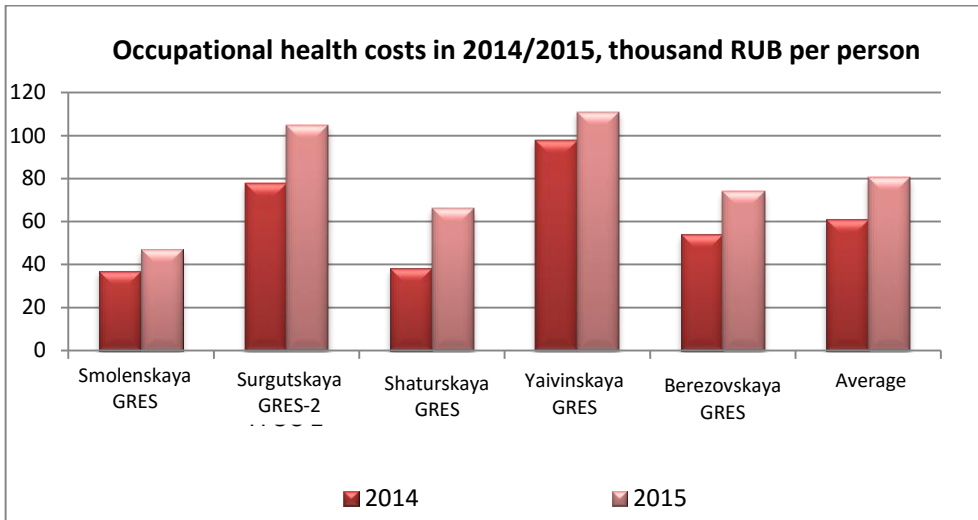


Chart 2

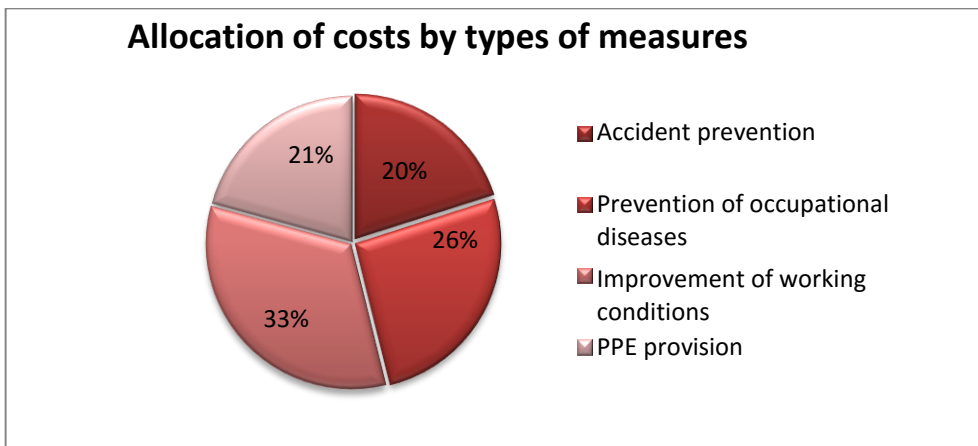


Chart 3

Special Assessment of Working Conditions

In accordance with the Federal Law on Special Assessment of Labor Conditions No. 426-FZ dated December 28, 2013, and Minutes of the Meeting of E.ON Russia JSC Management Board No. 407 dated April 29, 2014, the special assessment of working conditions (SAWC) was held at branches of E.ON Russia JSC from August 2014 to February 2015.

SAWC was held to identify harmful and (or) hazardous factors of the working environment, assess the level of their impact on the worker taking into account a deviation of their actual values from the established standards, and to develop measures to improve working conditions in the workplace based on the results of the special assessment.

Chart 4 shows the number of workplaces at branches of E.ON Russia JSC by classes of working conditions as compared with the results of the workplace evaluation.

As a result of the special assessment of working conditions, workplaces with classes 3.3 and 3.4 were excluded.

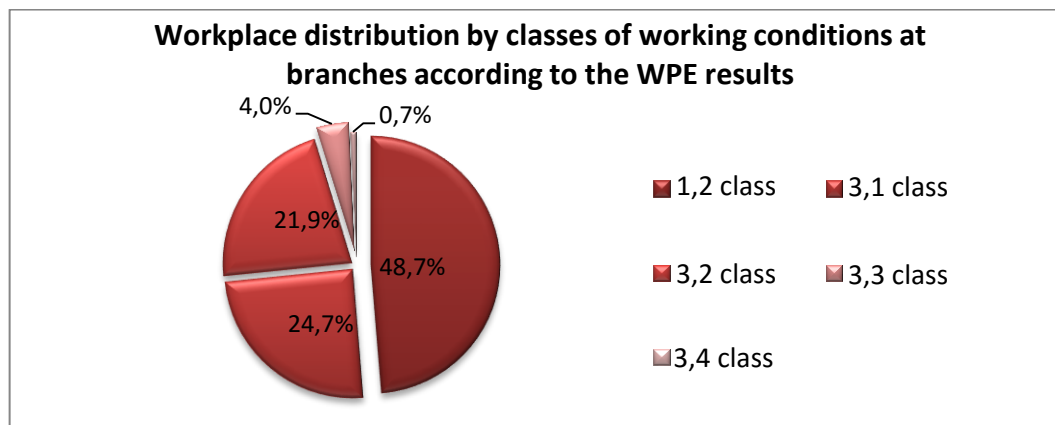
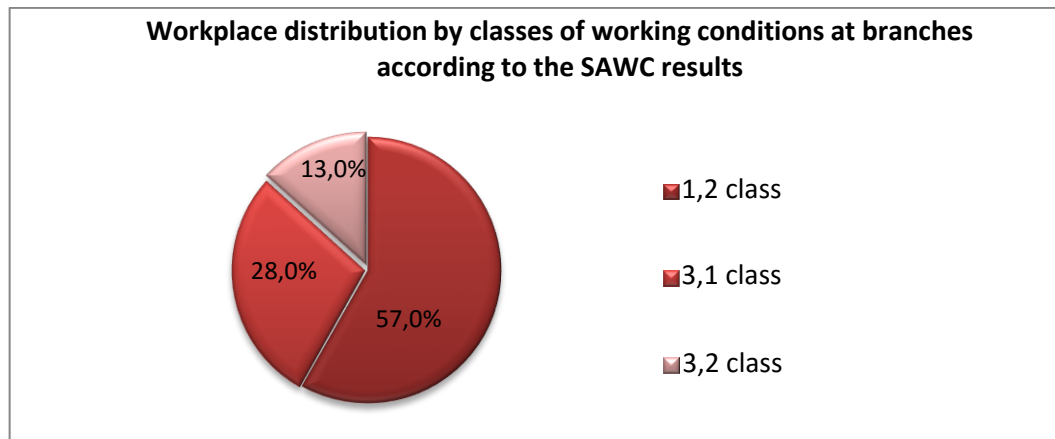


Chart 4

Chart 5 shows the number of workplaces with hazardous and harmful factors by branches as compared with the results of the workplace evaluation.

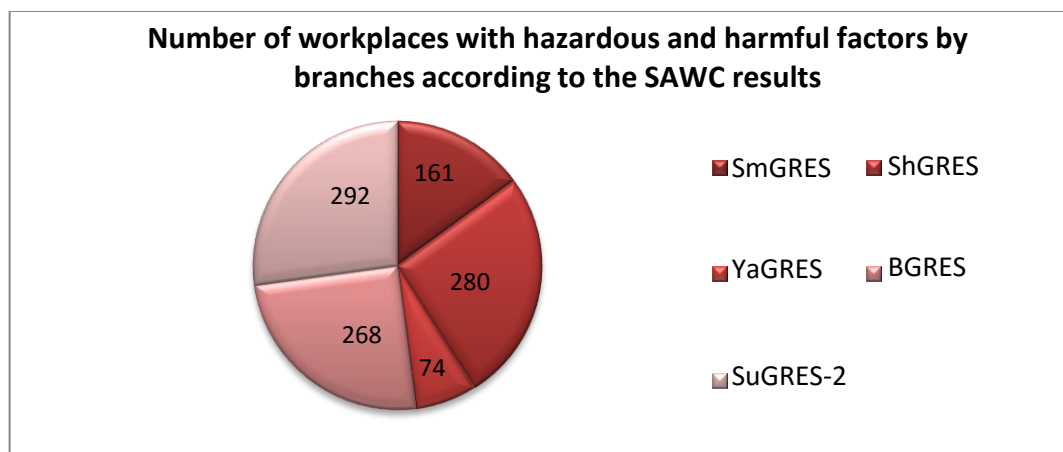
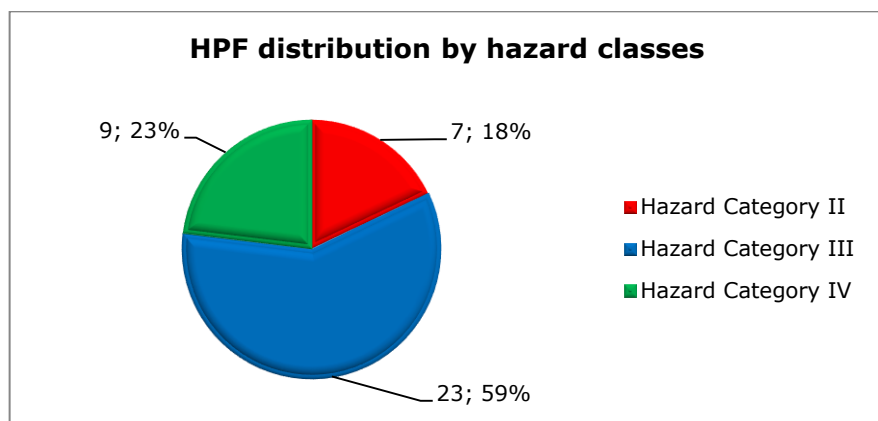


Chart 5

Industrial Safety

E.ON Russia JSC operates 39 hazardous production facilities (HPF) recorded in the state register of hazardous production facilities under Federal Law "On Industrial Safety of Hazardous Production Facilities" with assignment of the hazard category (registration certificate A58-70689):



All of the hazardous production facilities are insured in accordance with the Rules of Third-Party Liability Insurance of the Owner of a Hazardous Production Facility against Damage Resulting from an Accident at the Hazardous Production Facility.

Control over operation of hazardous production facilities is arranged at E.ON Russia JSC in accordance with the Regulation on Production Control over Compliance with the Industrial Safety Requirements at Hazardous Production Facilities of E.ON Russia JSC (approved by CEO of E.ON Russia JSC on June 11, 2014) and implemented in four stages in accordance with the annual production control plan.

To meet requirements of Federal Law "On Industrial Safety of Hazardous Production Facilities" No. 116-FZ of July 21, 1997 (Art. 11) and implement Decree of the Government of the Russian Federation "On Approval of Requirements for Documentary Support of Industrial Safety Management Systems" No. 536 of June 26, 2013 for category II hazardous production facilities operated by E.ON Russia JSC, the following documents were developed: Statement on E.ON Russia JSC Industrial Safety Policy (approved by CEO of E.ON Russia JSC on July 16, 2014) and Regulation on Industrial Safety Management System at E.ON Russia JSC PO-SOTTA-25 (approved by CEO of E.ON Russia JSC on December 03, 2014).

The Company also operates five (5) waterwork systems consisting of 107 facilities of I-IV safety levels. All of the waterworks (WW) are registered in the Russian Register of Waterworks and are insured under the laws on mandatory third-party liability insurance of the owner of a hazardous production facility against damage resulting from an accident at the hazardous production facility.

Branches of E.ON Russia JSC ensure compliance with all the mandatory requirements for technical operation of WW in order to ensure serviceable condition and trouble-free operation of WW. The safety status is regularly monitored by indicators of the WW state, environmental and anthropogenic influences. Based on the data received, WW safety is regularly evaluated, and WW safety criteria and WW operation rules are developed and timely clarified.

14.3. Environment Protection

Guided by a strategy of the principal shareholder of E.ON Russia JSC of E.ON Group - Cleaner & Better Energy - E.ON Russia JSC continued to implement the Company's Environment Policy adopted in 2009. In 2013, the Company's Environment Policy version was updated. It specified in detail the goals and objectives in environment conservation and sustainable use of natural resources, as well as mechanisms for their achievement.

In 2013, the EMS certification audit was conducted by the Certification Association "Russian Register", accredited by international certification authorities — members of the International Accreditation Forum (IAF), to confirm compliance with international standard ISO 14001:2004.

In 2014–2015, E.ON Russia JSC succeeded in passing the inspections (compliance audits) aimed at confirming the compliance of the Certificate of Conformity of the Company's environmental management system with ISO 14001:2004 requirements in the cogeneration area.

In 2016, it is planned to carry out transition to a new version of ISO 14001:2015 standard published in September 2015, the main novelty of which is consideration of the context of the organisation's activities and risk-based approach to the environmental management.

The inspection established that the 2015 environmental and environment conservancy goals and objectives (environmental key performance indicators of E.ON Russia JSC) are of current importance. All the last year's environmental goals of E.ON Russia JSC have been attained.

Having analysed the Company's Environmental Management System, the management found it adequate and effective which the auditors confirm.

The Company's internal environmental auditing processes were also considered effective.

The auditors noted EMS strengths and evidence of continuous improvement:

— Chemical laboratories of the audited E.ON Russia's branches were accredited for technical competence which means official recognition of their competence in the accreditation and measurement area, including in the process of environmental supervision;

- The Company has compiled and uses a standard list of inconsistency causes, which has considerably enhanced the quality of the corrective actions development;

— In the third quarter of 2014, the automated ecological and legal system ECOURS has been implemented.

The automated control system (ACS) ECOURS is aimed at assisting an environmental specialist in his / her routine activities and covers the following areas:

Enforcement of environmental laws;

Possibility of internal audit;

Maintenance of accounting and reporting tables;

Legal support;

Information support.

Leading Russian and foreign EMS certification organisations have repeatedly used this system to improve EMS.

In September 2015, local sewage plants (LSP) were constructed, set-up, and put into trial operation at Yaivinskaya GRES. LSP have been put into industrial operation. All the necessary approvals and permits for treated water discharge have been obtained. Main task of the project is to comply with tough maximum concentration limits which are set for water discharge to water bodies for commercial fishing.

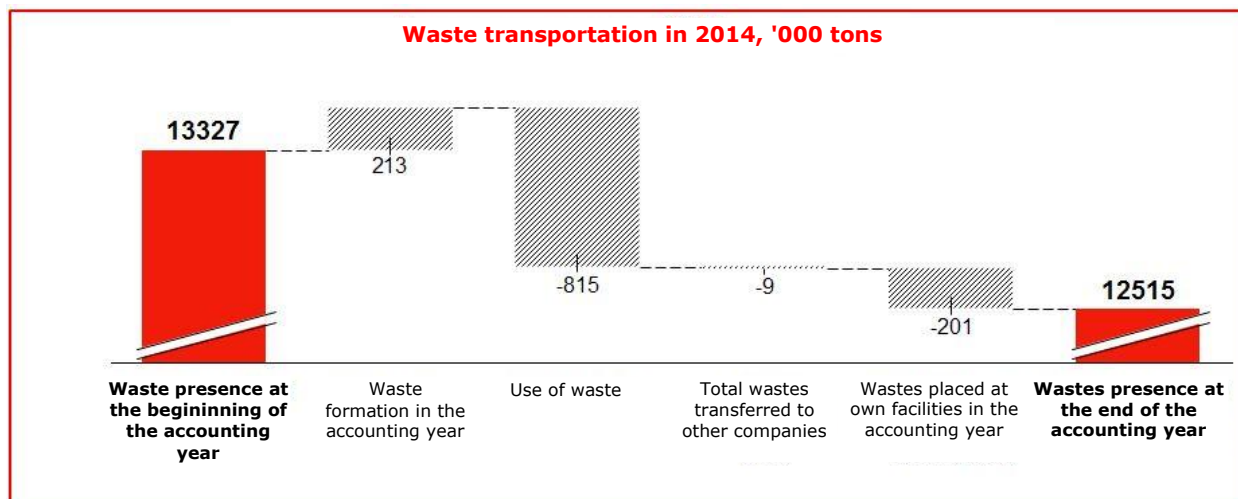
The respective consumers are being actively searched for to dispose ash and slag waste. Thus, a draft agreement for sale of ash and slag waste to Shaturuskaya GRES was developed in 2015. In addition, ash and slag waste of Berezovskaya GRES were surveyed with a view to further selling to construction companies.

During 2015, activities aimed at cleaning water protection zones of reservoirs and maintenance of waterworks and fish protection structures in good repair were carried out at all the branches of the Company.

With a decrease in electricity generation in 2015, the gross emissions of pollutants (limited in the Russian Federation) into the air continued to decline from 70.0 ths tons in 2014 to 69.2 ths tons in 2015 for the whole of E.ON. Russia JSC. For the same reason, a decrease in carbon dioxide emissions and recycled water production was observed. The volume of ash and slag waste increased with commissioning of powder-coal unit No. 3 at Berezovskaya GRES, as well as with the increased share of coal in the fuel mix of Shaturuskaya GRES. A slight increase in emissions of nitrogen oxides (calculated as nitrogen dioxide) was caused by changes in the calculation method applied at Smolenskaya GRES. Increased sulfur dioxide emissions occurred mainly at Surgutskaya GRES-2. This was due to elevated actual concentrations at combustion of the alternative supplier's fuel identified during instrumental measurements.

Emissions of pollutants in 2012-2015

Indicators	Unit of measurement	2012	2013	2014	2015
Total gross air emissions of hazardous substances	ths tons	90.8	80.9	70.0	69.2
Solid fuel ash	ths tons	3.0	2.0	1.8	1.8
Gaseous and liquid	ths tons	87.1	78.9	68.2	68.6
Of which					
Sulphur dioxide	ths tons	12.9	9.7	9.1	9.3
Carbon oxide	ths tons	22.3	22.2	17.3	14.2
Nitrogen oxide	ths tons	50.0	48.5	43.2	43.3
CO ₂	ths tons	36,800.1	35,287.7	33,140.4	30,113.5
CO ₂	g/kWh (output)	595.2	581.3	580.2	582.0
Ash and sludge wastes	ths tons	299.1	227.8	192.9	199.4
Recyclable water	mn m ³	7,183.3	7,497.6	7,394.1	6,262.2



The bulk of waste formed in the Company belongs to the 4th and 5th hazard category:

Ash and sludges from coal combustion of the **4th hazard category - 197,100 tons**. They are disposed at the Company's own facilities (ash disposal areas), for which a license for the 4th hazard category waste disposal was obtained. 813,000 tons of ash was used for construction (planning) of the 4th section of the ash disposal area at Berezovskaya GRES in 2015.

Ash and sludges from coal combustion of the **5th hazard category - 2,300 tons**. They are disposed at the Company's own facilities (ash disposal areas) with no licensing required.

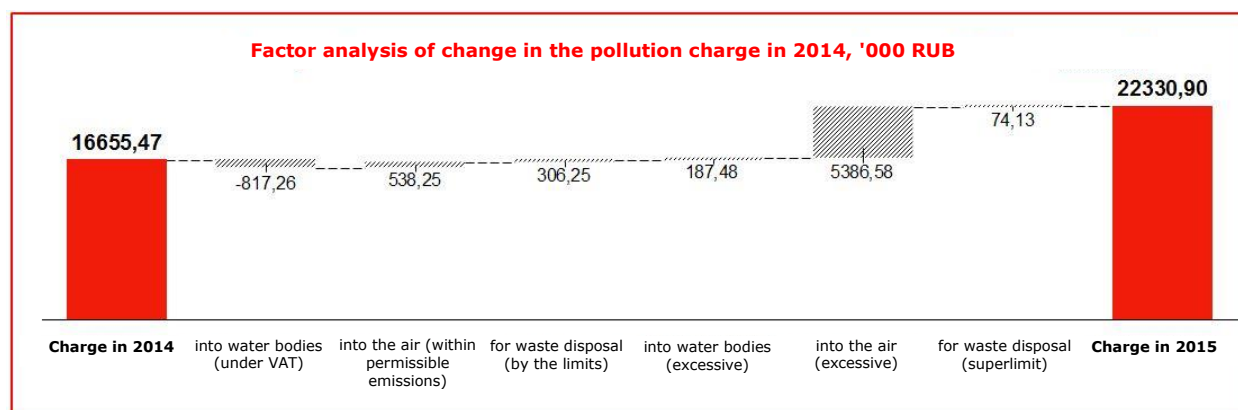
The higher hazard category wastes were generated in significantly smaller volumes:

The sludges of oil and refined products of the **3rd hazard category** are transferred for use as lubricants or transferred for neutralisation (combustion) to specialised licensed companies.

The **2nd hazard category** wastes (accumulator sulphuric acid and sulfuric acid electrolyte sludge) are neutralised in neutralising tanks of chemical shops, for which the appropriate license for neutralisation of the 2nd hazard category waste was obtained.

The **1st hazard category** waste (mostly mercury containing wastes) - used fluorescent lamps, mercury thermometers, and other meters - are transferred to licensed companies for neutralisation (de-mercurization).

Under applicable law of the Russian Federation, there are two main concepts - waste **accumulation** (storage on a production site for up to 11 months) and disposal. In this case, **disposal** may have the nature of waste **burial** or **storage** for the purpose of subsequent use. All the branches of the Company have waste disposal facilities for **storage**. In this connection, there are accumulated wastes as of the beginning and the end of the period. A centralised license for disposal and neutralisation of wastes of hazard category classes from 1 to 4 was obtained for the sites where the wastes of the 2nd or 4th hazard category classes are disposed. Therefore, the disposal meets the applicable legal requirements.



In 2015, the negative impact fee has increased significantly mainly due to the following above-limit payments:

At Surgutskaya GRES- 2 - Caused by exceedance of the maximum one-time concentration of nitrogen oxides from unit No. 6 due to reduced load of induced draft fans for exhaust gas recirculation by a technical order to reduce reheat temperature in order to maintain the third bleed temperature;

At Shaturskaya GRES - There was a delay in agreeing the project of maximum permissible emission standards (MPE) for a new term because of comments made by the administrative body, which in turn led to expiry of the emission permit and obligation to calculate the fees with a 25-fold exceedance coefficient in the fourth quarter of 2015.

A significant reduction in fees for discharges into water bodies was due to the legislative abolition of the fee for water discharges to soak away (in the absence of an oily sewer). The increased fee for emissions and wastes (within the established limits) was due to the increase in gross figures for the corresponding emissions, the causes of which are listed above.

14.4. Corporate and Social Responsibility

Following the traditions of E.ON Group, E.ON Russia JSC strives for maintenance of the principles of the charity and sponsorship policy aimed at improving living conditions of the population in the regions of the Company's presence.

In 2015, E.ON Russia allocated more than RUB 52 mn to implementation of charity projects in the following areas:

1. Educational projects;
2. Health projects;
3. Culture and sports projects;
4. Support to veterans of the Great Patriotic War, power industry veterans, low-income people, and people with disabilities.

Educational Projects

As part of the comprehensive target program for training young specialists - "Career Begins at School" - making it possible to combine studies at school or university and further work at the Company's plants, more than RUB 2 mn was allocated to further equip, repair, develop, pay salaries to teaching staff, work in laboratories, and promote the best students of thematic energy classes in the regions of presence of E.ON Russia JSC in 2015.

The Company became the first among the energy companies of the Krasnoyarsk Territory to take real steps towards adjustment of higher education to the needs of real production. The Company funded the Polytechnic Institute of Siberian Federal University to equip a laboratory for advanced training of operational personnel of power plants to operation of powder-coal energy power units K-800-240 and combined cycle power units CCGT-400.

As in previous years, E.ON Russia funded procurement of the necessary equipment for teaching and play rooms, renovation of premises at kindergartens, equipment of children's playgrounds and schools, and holding exhibitions of works made by children with disabilities.

Health Projects

E.ON Russia JSC supports various medical institutions on an annual basis in order to renovate and equip them with the latest medical equipment.

In 2015, as part of the traditional charity project aimed at improving quality of medical services provided to residents of Shatura District, the Company provided financial assistance to Shatura Central District Hospital in the amount of RUB 9 mn for an overhaul of the hospital.

With the financial support by Berezovskaya GRES, Sharypovo City Hospital acquired an ambulance car to replace the old one that was out of service, and bought a mobile X-ray unit in 2015. RUB 500 thousand was allocated for the purchase of specialised equipment and tools for the Krasnoyarsk Regional Oncology Dispensary.

Surgutskaya GRES- 2 helped the district cardiology dispensary of the Center for Diagnostics and Cardiovascular Surgery of Surgut to buy equipment for wards and medical offices.

Traditionally, on the eve of New Year holidays, the Company supported orphanages and shelters in the regions E.ON Russia's presence. Thus, for example, Surgutskaya GRES-2 provided charity support to Dobriy Volshebnik Rehabilitation Center in buying New-Year's presents for the children. Smolenskaya GRES (Ozerniy Settlement, Smolensk Region) supported the annual project named "The Brightest Christmas Tree" for pupils of the social rehabilitation center "Lastochka". It also allocated funds for the repair and equipment of kindergartens ("Skazka" and "Kolokolchik") and special boarding school No. 2. Berezovskaya GRES funded equipment, improvement, and landscaping of the playground around Sharypovo District Children and Teen-Age Center No. 35.

The campaign named "Charity instead of Gifts" held jointly with the Galchonok Foundation has already become a tradition. As part of the campaign, the Company stopped buying corporate Christmas presents and sends the money saved to help children with severe diseases of the central nervous system. In 2015, the children's families

received support worth RUB 2 million for treatment and acquisition of indispensable equipment, as well as social and psychological support. The Executive Office was joined by Shaturskaya GRES that gave the second million roubles to children on the occasion of its anniversary.

E.ON Russia has been participating in the charity program named "Books for Vision-Impaired Children" through the Fund "Illustrated Books for Little Blind Children" for ten years. With the Company's funding in 2015, visually-impaired children received emotional support, as part of which children's specialised institutions of Perm, Bereznyaki, Krasnoyarsk, Smolensk, Surgut, and Shatura received 157 unique sets of illustrated texturised books with microcodes and special pencils.

Culture and Sports Projects

In 2015, the Company continued financing cultural projects of both national and international scale. They included: revival of the oldest professional musical group known since the time of Peter the Great - the Moscow Synodal Choir (with the support of E.ON Russia, masterpieces of Russian sacred music were performed by the choir on the best cultural sites in Italy, United Kingdom, Armenia, and Russia in 2015); in joint effort with the Orfey radio station, support to the project on restoration of old scores and forgotten musical works created by famous Russian composers (in 2015, musical works by Nikolay Golovanov were restored; and restoration of rare books and scores of Sergey Prokofiev, R. Wagner, and N. Rimsky-Korsakov was started); joint concert by David Garrett and Vladimir Spivakov; and support to the museum estate of V.I. Surikov.

The Company takes part in regional social life, pays much attention to improvements and landscaping, and assists in preservation of historical and cultural heritage on an annual basis.

For example, in 2015, Berezovskaya GRES financed efforts of the regional Youth Center on improvement and landscaping of social facilities in Sharypovo and allocated funds for equipment of the KATEK History hall to the 35th anniversary of Sharypovo; Yaivinskaya GRES financed reconstruction of the Yaivinskaya GRES hall of the local history museum; Smolenskaya GRES donated for acquisition of equipment for the Ozerny children's art school and "Energetik" Ozerny culture center; Shaturskaya GRES funded repairs of Narimanov Culture Center; and Surgutskaya GRES-2 financed charity art exhibitions of works by Surgut artists and children with disabilities.

Support to development of sports is one of priorities of the Company's charity and sponsorship activities.

In 2015, Berezovskaya GRES branch of E.ON Russia supported Center for Physical Culture and Sports Training IAU in financing participation of the Energiya team in the regional football and futsal competitions, and allocated funds for procurement of sports equipment for Junior Sports School No. 32. Each year, on the occasion of the Power Engineer's Day, the branch organises a futsal tournament among the city's school teams for the prize of Berezovskaya GRES.

Being the only local economic mainstay, Smolenskaya GRES allocates funds for development of sports in the region, from year to year supporting the Children's Social Organisation of the Taekwondo Federation in the Smolensk Region.

Shaturskaya GRES traditionally finances organisation of tournaments and procurements of equipment of the local football team "Energiya" (the team participates and wins prizes in the district, regional, and international competitions).

Support to Veterans of the Great Patriotic War, Power Industry Veterans, Low-Income People, and People with Disabilities

Assistance to people with disabilities has traditionally been a priority area of E.ON Russia JSC social policy.

Last year, as part of this focus area, Berezovskaya GRES took an active part in a multi-year social and charitable program named "Sharypovo District - Territory of Equal Opportunities" and allocated RUB 1 mn to purchase computers for low-income disabled people and to compensate children with disabilities for social taxi costs.

Being the only local economic mainstay, Smolenskaya GRES has traditionally assisted pre-school and secondary educational institutions, arts school, cultural center, and library, as well as local veterans and children with disabilities.

All the branches of E.ON Russia JSC assist veterans and war participants annually.

15. CONTACT INFORMATION

General Information

Full business name: E.ON Russia Joint Stock Company

Abbreviated business name: E.ON Russia JSC

Location: Building 34, 23 Energostroiteley Street, Surgut, Khanty-Mansi Autonomous District - Yugra, Tyumen Region, Russian Federation

Mailing address: Floor 23, Building B, 10 Presnenskaya Emb., Moscow, 123317

Telephone: (495) 545 38 38

Fax: (495) 545 38 39

www.eon-russia.ru

E-mail: info@eon-russia.ru

Details of persons in charge of dealing with shareholders

Galina Sergeevna Shcheglova

Telephone: (495) 545 38 46

Olga Vladimirovna Sokolova

Telephone: (495) 545 38 38, ext. 4864

Irina Vladimirovna Zhuchkova

Telephone: (495) 545 38 38, ext. 4870

Fax: (495) 545 38 39

E-mail: IR@ eon-russia.ru

Press Office

Dmitry Valeryevich Ermilichev, Director for PR & GR

Telephone: (495) 545 38 49

Fax: (495) 545 38 39

E-mail: PR@eon-russia.ru

Details of the Registrar

Full name of the Registrar: R.O.S.T. Registrar Joint Stock Company

Abbreviated business name: R.O.S.T. Registrar JSC

Register Maintenance License No. 10-000-1-00264 issued by the Federal Commission for the Securities Market (the Federal Financial Markets Service) of Russia on December 03, 2002

Location: Building 13, 18 Stromynka Street, Moscow

Mailing address: P.O.B 9, Building 13, 18 Stromynka Street, Moscow, 107996

Telephone: (495) 771-73 35, (495) 771 73 36

Fax: (495) 771 73 34

www.rrost.com

E-mail: rost@rrost.ru.

Details of the Auditor

Full business name: PricewaterhouseCoopers Audit Joint Stock Company

Member of Russian Audit Chamber Non-Profit Partnership (RAC NPP), a self-regulating company of auditors, with No. 870 in the register of RAC NPP members.

The principle registration number of the entry (PRNE) in the register of auditors and audit companies is 10201003683.

Location: "White Square" Office Center, 10 Butyrskiy Val str., Moscow, Russia
Mailing address: 10/10 Butyrskiy Val str., Moscow, 125047, Russia

Telephone: (495) 967 60 00
Fax: (495) 967 60 01
www.pwc.com

Annex 1 – Financial Statements of E.ON Russia JSC for 2015

Below is the wording of the auditor's opinion of PricewaterhouseCoopers Audit JSC on the financial statements of E.ON Russia JSC for 2015. These financial statements are not included into this Annual Report in full. This auditor's opinion is only applicable to E.ON Russia JSC financial statements for 2015 in full. A copy of the financial statements of E.ON Russia JSC for 2015 is fully posted on the Company's website WWW.EON-RUSSIA.RU [HTTP://WWW.EON-RUSSIA.RU](http://WWW.EON-RUSSIA.RU) in the section "Investor Relations/Reports/Financial Statements" and on the website [HTTP://WWW.E-DISCLOSURE.RU/PORTAL/COMPANY.ASPX?ID=7878](http://WWW.E-DISCLOSURE.RU/PORTAL/COMPANY.ASPX?ID=7878).



Auditor's Opinion

To the shareholders of E.ON Russia Open Joint Stock Company:

Audited Entity

E.ON Russia Open Joint Stock Company

The certificate of making an entry to the Uniform State Register of Legal Entities as to Establishment of the Legal Entity under No. 1058602056985 dated March 4, 2005, issued by the Federal Tax Service Inspectorate for Surgut, Khanty-Mansi Autonomous Area - Yugra.

23, Energostroiteley Street, Bld. 34, Surgut, Khanty-Mansi Autonomous Area - Yugra, Tyumen Region, 628406, Russian Federation

Auditor

PricewaterhouseCoopers Audit Joint Stock Company (PwC Audit JSC), located at: 10, Butyrsky Val Street, Moscow, Russia Federation 125047.

Certificate of State Registration of Joint Stock Company No. 008.890 was issued by the Moscow Registration Chamber on February 28, 1992.

Certificate of Making an Entry to the Uniform State Register of Legal Entities on a Legal Entity Registered before July 1, 2002 No. 1027700148431 dated August 22, 2002 was issued by the Inter-District Inspectorate of the Federal Tax Service of the Russian Federation No. 39 for Moscow.

Member of Russian Audit Chamber Non-Profit Partnership (RAC NPP), being a self-regulated organization of auditors, with registration No. 870 in the Register of RAC NPP members.

The Principle Registration Number of the Entry (PRNE) in the Register of Auditors and Audit Companies is 10201003683.

*PricewaterhouseCoopers Audit Joint Stock Company (PwC Audit JSC)
10, Butyrsky Val Street, White Square Business Center, Moscow 125047, Russia
T: +7 (495) 967-6000, Fax: +7 (495) 967-6001, www.pwc.ru*



Auditor's Opinion

To the shareholders of E.ON Russia Open Joint Stock Company:

We have audited the enclosed financial statements of E.ON Russia Open Joint Stock Company (hereinafter referred to as "E.ON Russia JSC"), comprising the Balance Sheet as of December 31, 2015, Income Statement, Statement of Changes in Equity, and Cash Flow Statement for 2015, and explanations to the Balance Sheet and the Income Statement (hereinafter all of the statements are collectively referred to as "Financial Statements").

Responsibility of E.ON Russia JSC for Financial Statements

The top management of E.ON Russia JSC is responsible for drafting and reliability of the said Financial Statements in accordance with the accounting rules established in the Russian Federation and for the internal control system as required for drafting Financial Statements that are free from material misstatements due to fraud or error.

Auditor's responsibility

Our responsibility consists in expressing the opinion on reliability of the Financial Statements based on our audit. We have conducted our audit in accordance with the federal auditing standards and the International Auditing Standards. These Standards require compliance with the applicable ethical standards, as well as planning and holding the audit so as to gain reasonable assurance that the Financial Statements are free from material misstatements.

The audit included the auditing procedures aimed at obtaining audit evidence confirming the figures in financial statements and disclosures in them. The choice of auditing procedures is the matter of our judgment, which is based on assessing the risk of material misstatements committed due to fraud or error. When assessing this risk, we considered the internal control system that ensures drafting and reliability of Financial Statements, in order to select the appropriate audit procedures, but not to express the opinion on efficiency of the internal control system. Our audit also comprised the assessment of the appropriateness of the applicable accounting policy and the substantiation of the estimates obtained by the top management of E.ON Russia JSC, as well as the assessment of presentation of the Financial Statements in general.

We believe that the audit evidence obtained in the audit gives us sufficient grounds for expressing the opinion on reliability of the Financial Statements.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of E.ON Russia JSC in all material respects as of December 31, 2015, its financial and economic performance and cash flow for 2015, according to the accounting rules applicable in the Russian Federation.

Senior Manager, PricewaterhouseCoopers Audit JSC /Signature/ G.R. Khabirova
March 21, 2016

/Round seal/: PricewaterhouseCoopers Audit * Joint Stock Company * Primary State Registration Number (OGRN)
1027700148431 * MOSCOW

Balance Sheet
as of December 31, 2015

Company E.ON Russia JSC

Taxpayer's identification number

Type of economic activity Electric power generation by thermal power plants

Legal form of the company/type of ownership Open Joint Stock Company /Joint private and foreign ownership

Unit of measurement: ths. roubles

Location (address) 23 Energostroiteley Str., bld. 34, Surgut, Tyumen Region, Khanty-Mansi Autonomous Area-Yugra, 628406

OKUD Form	Codes
Date (day, month, year)	0710001
OKPO	31/12/2015
TIN	76828204
OKVED	8602067092
OKPO/OKFS	40.10.11
OKEI	12247/34
	384

Notes	Description	Line code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
1	2	3	4	5	6
ASSETS					
I. NON-CURRENT ASSETS					
Vol. 2.1 P III cl. 3.2	Fixed assets	1150	101,513,018	96,847,287	83,020,617
Vol. 2.2 P III cl. 3.3	Including: Under construction	1151	7,310,298	40,113,187	21,460,889
Vol. 3.1 P III cl. 3.4	Long-term financial investments	1170	1,927,296	840,012	3,107,245
P III cl. 3.5	Other non-current assets	1190	62,468	70,545	91,940
	Total Section I	1100	103,502,782	97,757,844	86,219,802
II. CURRENT ASSETS					
Vol. 4.1 P III cl. 3.6	Inventories	1210	5,997,264	5,168,289	3,950,471
Vol. 4.1 P III cl. 3.6	Including: Raw material and other similar values	1211	5,997,071	5,168,288	3,950,471
	Value added tax on acquired assets	1220	2,710	160,811	4,223
Vol. 5.1 P III cl. 3.6	Receivables	1230	8,177,139	6,875,784	13,696,069
Vol. 5.1 P III cl. 3.8	Including: Long-term debt	1231	229,275	205,470	2,319,532
Vol. 5.1 P III cl. 3.8	Short-term debt	1232	7,947,864	6,670,314	11,376,537
Vol. 5.1 P III cl. 3.8	Including: Buyers and customers	1233	5,743,266	4,315,516	5,564,675
Vol. 5.1 P III cl. 3.8	Advances paid	1234	638,587	1,427,127	3,703,969
Vol. 3.1 P III cl. 3.9	Short-term financial investments (except for monetary equivalents)	1240	152,964	2,097,437	8,900,104
P III cl. 3.10	Cash and cash equivalents	1250	9,356,387	12,992,586	17,980,007
	Other current assets	1260	186,403	306,460	250,046
	Total Section II	1200	23,872,867	27,601,367	44,780,920
	BALANCE	1600	127,375,649	125,359,211	131,000,722

Notes	Description	Line code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
1	2	3	4	5	6
LIABILITIES					
III. SHAREHOLDERS' FUNDS					
P III cl. 3.12	Authorized capital	1310	25,219,482	25,219,482	25,219,482
	Revaluation of non-current assets	1340	463,673	464,937	472,134
	Added capital (without revaluation)	1350	40,969,311	40,969,311	40,969,311
P III cl. 3.12	Reserve capital	1360	1,260,974	1,260,974	1,260,974
	Retained earnings (uncovered loss)	1370	44,790,587	46,715,269	53,129,583
	Total Section III	1300	112,704,027	114,629,973	121,051,484
IV. LONG-TERM LIABILITIES					
	Deferred tax liabilities	1420	6,443,009	4,430,282	4,057,820
Vol. 5.3	Other liabilities	1450	-	66	203
	Total Section IV	1400	6,443,009	4,430,348	4,058,023
V. SHORT-TERM LIABILITIES					
Vol. 5.3 P III cl. 3.11	Payables	1520	6,937,427	5,192,650	5,251,495
Vol. 5.3 P III cl. 3.11	Including: Payables to suppliers	1521	4,090,793	3,744,833	3,190,805
Vol. 5.3 P III cl. 3.11	Taxes and charges payable	1522	2,009,586	837,430	826,465
Vol. 7	Estimated liabilities	1540	1,291,186	1,106,240	639,720
	Total Section V	1500	8,228,613	6,298,890	5,891,215
	BALANCE	1700	127,375,649	125,359,211	131,000,722

Head /Signature/ M.G. Shirokov
Signature Printed name

Chief Accountant /Signature/ A.V. Shalvayina
Signature Printed name

March 21, 2016

Income statement
for 2015

	Codes
OKUD Form	0710002
Date (day, month, year)	31/12/2015
OKPO	76828204
TIN	8602067092
OKVED	40.10.11
OKOPF / OKFS	12247/34
OKEI	384

Company E.ON Russia JSC
Taxpayer's identification number
Type of economic activity
 Electric power generation by thermal power plants
Legal form of the company/type of ownership
 Open Joint Stock Company / Joint private and foreign ownership
Unit of measurement: ths. roubles

Notes	Description	Line code	For 2015	For 2014
1	2	3	4	5
P III cl. 3.13	Revenue	2110	78,618,786	79,955,933
Vol. 6 P III cl. 3.14	Cost of sales	2120	(60,664,553)	(60,954,890)
	Gross profit (loss)	2100	17,954,233	19,001,043
	Profit (loss) from sales	2200	17,954,233	19,001,043
	Interest receivable	2320	1,088,989	1,637,896
	Interest payable	2330	(136,731)	(5,334)
P III cl. 3.15	Other income	2340	10,049,061	6,381,901
P III cl. 3.15	Other costs	2350	(9,185,161)	(5,011,189)
	Profit (loss) before taxation	2300	19,770,391	22,004,317
P III cl. 3.15	Current income tax	2410	(1,755,102)	(4,288,921)
P III cl. 3.15	Including Permanent tax liabilities (assets)	2421	(54,615)	251,190
P III cl. 3.15	Change of the deferred tax liabilities	2430	(2,007,562)	(40,076)
P III cl. 3.15	Change of the deferred tax assets	2450	981	26,006
	Other	2460	(442,963)	(196,332)
	Net profit (loss)	2400	15,545,745	17,504,994

Notes	Description	Line code	For 2014	For 2013
1	2	3	4	5
	FOR REFERENCE			
	Result from other transactions not included into net profit (loss) of the period	2520	-	-
	Combined fiscal effect of the period	2500	15,545,745	17,504,994
P III cl. 3.18	Base profit (loss) per share, roubles	2900	0.25	0.28

Head /Signature/ _____ **M.G. Shirokov**
Signature Printed name

Chief Accountant /Signature/ _____ **A.V. Shalvapina**
Signature Printed name

March 21, 2016

**Statement of Changes in Equity
For 2015**

Company E.ON Russia JSC
Taxpayer's identification number
Type of economic activity Electric power generation at thermal power plants
Legal form of the company/type of ownership Open Joint Stock Company / Joint private and foreign ownership
Unit of measurement: ths. roubles

Codes	0710003
OKUD Form	31/12/2015
Date (day, month, year)	76828204
OKPO	860206709
TIN	2
OKVED	40 10 11
OKOPF / OKFS	12247/34/1
	6
OKEI	384

1. Capital flow

Notes	Description	Line code	Authorized capital	Treasury shares	Added capital	Reserve capital	Retained earnings (uncovered loss)	Total
1	2	3	4	5	6	7	8	9
	Capital value as of December 31, 2013	3100	25,219,482	-	41,441,445	1,260,974	53,129,583	121,051,484
	For 2014							
	Increase of the capital – total:	3210	-	-	-	-	17,504,994	17,504,994
	Including:							
	Net profit	3211	X	X	X	X	17,504,994	17,504,994
	Property revaluation	3212	X	X	-	X	-	-
	Revenues related directly to growth of capital	3213	X	X	-	X	x	x
	Additional share issue	3214	-	X	-	X	x	-
	Increase of the share denomination	3215	-	X	-	X	-	x
	Reorganization of the legal entity	3216	-	-	-	-	-	-
	Placement of treasury shares	3217	X	-	X	X	X	-
	Capital reduction – total:	3220	-	-	-	-	(23,926,506)	(23,926,506)
	Including:							
	Loss*	3221	X	X	X	X	-	-
	Property revaluation	3222	X	X	-	X	-	-
	Expenses related directly to capital reduction	3223	X	X	-	X	-	-
	Reduction of the share denomination	3224	-	X	-	X	-	-
	Reduction of the shares amount	3225	-	X	-	X	-	-
	Reorganization of the legal entity	3226	-	-	-	-	-	-
	Dividends	3227	X	X	X	X	(23,926,506)	(23,926,506)
	Treasury shares	3228	X	-	X	X	-	-
	Change of the added capital	3230	X	X	(7,198)	X	7,198	X
	Change of the reserve capital	3240	X	X	x	-	-	X
	Capital value as of December 31, 2014	3200	25,219,482	-	41,434,247	1,260,974	46,715,269	114,629,972
	For 2015							
	Increase of the capital – total:	3310	-	-	-	-	15,579,048	15,579,048
	Including:							
	Net profit	3311	X	X	X	X	15,545,745	15,545,745
	Property revaluation	3312	X	X	-	X	-	-
	Revenues related directly to growth of capital	3313	X	X	-	X	33,303	33,303
	Additional share issue	3314	-	X	-	X	x	-
	Increase of the share denomination	3315	-	X	-	X	-	x
	Reorganization of the legal entity	3316	-	-	-	-	-	-
	Placement of treasury shares	3317	X	-	X	X	X	-
	Capital reduction – total:	3320	-	-	-	-	(17,504,994)	(17,504,994)
	Including:							
	Loss*	3321	X	X	X	X	-	-
	Property revaluation	3322	X	X	-	X	-	-
	Expenses related directly to capital reduction	3323	X	X	-	X	-	-
	Reduction of the share denomination	3324	-	X	-	X	-	-
	Reduction of the shares amount	3325	-	X	-	X	-	-
	Reorganization of the legal entity	3326	-	-	-	-	-	-
	Dividends	3327	X	X	X	X	(17,504,994)	(17,504,994)
	Treasury shares	3328	X	-	X	X	X	-
	Change of the added capital	3330	X	X	(1,264)	X	1,264	X
	Change of the reserve capital	3340	X	X	x	-	-	X
	Capital value as of December 31, 2015	3300	25,219,482	-	41,432,983	1,260,974	44,790,587	112,704,026

3. Net assets

Notes	Description	Line code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
1	2	3	4	5	6
	Net assets	3600	112,704,026	114,629,972	121,051,484

Head /Signature/ M.G. Shirokov
Signature Printed name

Chief Accountant /Signature/ A.V. Shalyapina
Signature Printed name

March 21, 2016

**Cash Flow Statement
For 2015**

Company E.ON Russia JSC
Taxpayer's identification number
Type of economic activity Electric power generation at thermal power plants
Legal form of the company/type of ownership Open Joint Stock Company /
 Joint private and foreign ownership
Unit of measurement: ths. roubles

Codes	
OKUD Form	0710004
Date (day, month, year)	31/12/2015
OKPO	76828204
TIN	860206709
	2
OKVED	40 10 11
OKOPF / OKFS	12247/34/1
	6
OKEI	384

Notes	Description	Line code	For 2015	For 2014
1	2	3	4	5
	Operating cash flows			
	Total receipts	4110	82,868,892	82,043,960
	Including:			
	From sales of products, goods, work and services	4111	76,952,879	79,422,296
	Rental payments, license fees, royalty, commission, and other similar payments	4112		-
	From resale of financial investments	4113		-
	Other receipts	4119	5,916,013	2,621,664
	Total payments	4120	(60,697,948)	(58,930,830)
	Including:			
	To suppliers (contractors) for raw material, materials, works, services	4121	(47,221,517)	(48,538,650)
	In connection with salary payment to employees	4122	(4,579,771)	(4,116,575)
	Interest on debt liabilities	4123	(128,485)	-
	Corporate income tax	4124	(4,244,379)	(3,836,199)
	Other payments	4129	(4,523,796)	(2,439,406)
	Balance of operating cash flows	4100	22,170,944	23,113,130
	Investment cash flows			
	Total receipts	4210	5,398,765	13,008,260
	Including:			
	From sale of non-current assets (except for financial investments)	4211	28,431	233,426
	From sale of shares in other companies (participatory interests)	4212	-	-
	From return of provided loans, from sale of debt securities (monetary claims against other persons)	4213	4,509,533	3,109,707
	Dividends, interest on debt financial investments, and similar receipts from a stake in other companies	4214	510,321	1,621,838
	From closing of deposits	4215	347,501	8,043,248
	Other receipts	4219	2,979	41
	Total payments	4220	(15,533,502)	(20,340,926)
	Including:			
	In connection with acquisition, creation, upgrading, reconstruction, and preparation for use of non-current assets	4221	(10,909,019)	(16,274,056)
	In connection with acquisition of shares of other organizations (participatory interests)	4222	(850,500)	-
	In connection with acquisition of debt securities (monetary claims against other persons), provision of loans to other persons	4223	(2,256,650)	(1,180,125)
	Interest on the liabilities included in the investment asset value	4224	-	-
	Placement of money in deposits	4225	-	-
	Other payments	4229	(1,517,333)	(2,886,745)
	Balance of investment cash flows	4200	(10,134,737)	(7,332,666)
	Financial cash flows			
	Total receipts	4310	2,400,000	-
	Including:			
	Receipt of credits and loans	4311	2,400,000	-
	Cash deposits of owners (participants)	4312	-	-
	From the issue of shares, from increase in participatory interests	4313	-	-
	From the issue of bonds, bills, and other debt securities, etc.	4314	-	-
	Other receipts	4319	-	-
	Total payments	4320	(19,032,592)	(22,786,540)
	Including:			
	To owners (participants) in connection with the repurchase of shares/ participatory interests of the company from them or their withdrawal from the participants	4321	-	-
	For payment of dividends and making other payments in order to allocate profit for the benefit of owners (participants)	4322	(16,632,592)	(22,786,540)
	In connection with the repurchase of promissory notes and other debt securities, repayment of credits and loans	4323	(2,400,000)	-
	Other payments	4329	-	-
	Balance of financial cash flows	4300	(16,632,592)	(22,786,540)
	Balance of cash flows for the reporting period	4400	(4,596,385)	(7,006,076)
	Balance of cash and cash equivalent for the beginning of the reporting period	4450	12,992,576	17,979,992
	Balance of cash and cash equivalent for the end of the reporting period	4500	9,356,387	12,992,576
	Effect of changes in the foreign exchange rate to ruble	4490	960,196	2,018,660

Head /Signature/ M.G. Shirokov
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Chief Accountant /Signature/ A.V. Shalyapina
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March 21, 2016

Explanations to the Balance Sheet and Income Statement, ths. roubles

2. Fixed assets

2.1. Availability and movement of fixed assets

Description	Line code	Period	Balance for the beginning of the year		Changes for the period						Balance for the end of the period	
			Historic cost	Accumulated depreciation	Received	Withdrawn facilities		Accrued depreciation	Revaluation		Historic cost	Accumulated depreciation
						Historic cost	Accumulated depreciation		Historic cost	Accumulated depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13
Fixed assets (without investments in tangible assets) - in total	5200	2015	87,036,198	(30,302,098)	44,390,211	(136,378)	65,731	(6,850,945)	-	-	131,290,031	(37,087,311)
	5210	2014	85,209,458	(23,649,730)	1,956,868	(130,128)	75,714	(6,728,081)	-	-	87,036,198	(30,302,098)
Including:	5201	2015	21,242,066	(2,638,932)	6,706,952	(2,831)	812	(744,965)	-	-	27,946,187	(3,383,085)
Buildings	5211	2014	20,987,094	(1,968,731)	303,830	(48,858)	17,249	(687,450)	-	-	21,242,066	(2,638,932)
Structures and transmitters	5202	2015	13,080,444	(3,605,305)	3,686,113	(8,111)	4,818	(726,685)	-	-	16,758,446	(4,327,172)
	5212	2014	12,691,203	(2,918,141)	425,679	(36,438)	18,130	(705,294)	-	-	13,080,444	(3,605,305)
Machinery and equipment	5203	2015	52,099,474	(23,783,445)	33,968,445	(26,161)	25,475	(5,302,524)	-	-	86,041,758	(29,060,494)
	5213	2014	50,968,552	(18,555,135)	1,164,479	(33,557)	29,553	(5,257,863)	-	-	52,099,474	(23,783,445)
Vehicles	5204	2015	355,179	(159,887)	18,318	(96,804)	32,290	(41,005)	-	-	276,693	(168,602)
	5214	2014	314,589	(128,321)	50,217	(9,627)	9,267	(40,833)	-	-	355,179	(159,887)
Production and household tools	5205	2015	174,275	(108,248)	6,749	(1,815)	1,713	(33,683)	-	-	179,209	(140,218)
	5215	2014	166,815	(75,483)	9,011	(1,551)	1,474	(34,239)	-	-	174,275	(108,248)
Other types	5206	2015	16,920	(6,280)	1,505	(656)	623	(2,083)	-	-	17,769	(7,740)
	5216	2014	13,387	(3,919)	3,607	(74)	41	(2,402)	-	-	16,920	(6,280)
Land plots	5207	2015	67,840	-	2,129	-	-	-	-	-	69,969	-
	5217	2014	67,818	-	45	(23)	-	-	-	-	67,840	-

2.2. Capital investments in progress

Description	Line code	Period	Balance for the beginning of the year	Changes for the period			Balance for the end of the period
				Costs for the period	Written off	Entered into the books as fixed assets, or the value increased	
1	2	3	4	5	6	7	8
Construction in progress and incomplete acquisition, upgrading, etc. of fixed assets in total	5240	2015	40,113,187	17,532,465	(5,945,143)	(44,390,211)	7,310,298
	5250	2014	21,460,889	27,055,716	(6,446,668)	(1,956,750)	40,113,187
New construction	5241	2015	33,086,346	14,908,156	(3,704)	(42,500,721)	5,490,077
	5251	2014	12,217,967	20,904,594	(5,728)	(30,487)	33,086,346
Reconstruction and upgrading	5242	2015	989,147	1,835,038	(10,593)	(1,684,150)	1,129,442
	5252	2014	953,574	1,474,190	(190)	(1,438,427)	989,147
Other capital investments	5243	2015	6,037,694	789,271	(5,930,846)	(205,340)	690,779
	5253	2014	8,289,348	4,676,932	(6,440,750)	(487,836)	6,037,694

* Explanatory note Cl. 3.3. Construction in progress

2.3. Change in the value of fixed assets as a result of additional construction, additional equipment, reconstruction, and partial liquidation

Description	Line code	For 2015	For 2014
1	2	3	4
Increase in the value of fixed assets as a result of additional construction, additional equipment, reconstruction – total	5260	1,684,150	1,438,426
Including:			
Buildings	5261	579,469	86,342
Structures and transmitters	5262	208,674	364,188
Machinery and equipment	5263	889,668	985,318
Vehicles	5264	6,339	2,578
Production and household equipment	5265	-	-
Other groups of fixed assets	5266	-	-
Reduction of cost of fixed assets as a result of partial liquidation – total:	5270	1	1
Including:			
Machinery and equipment	5271		
Fixed assets	5272	1	1

2.4. Other use of fixed assets

Description	Line code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
1	2	3	3	4
Fixed assets transferred in lease, accounted for on the balance sheet	5280	98,936	236,537	256,484
Subleased fixed assets, accounted for on a balance sheet	5281	-	-	-
Fixed assets received in leasing, accounted for on the balance sheet	5282	-	-	-
Fixed assets received in lease, accounted for on the balance sheet	5283	2,074,900	1,806,835	1,577,489
Real estate commissioned and actually used, under state registration	5284	-	-	-
Shutdown fixed assets	5285	21,646	17,383	25,375
Pledged fixed assets	5286	-	-	-
Other use of fixed assets accounted for on the balance sheet	5287	-	-	-
Other use of off-balance sheet fixed assets	5288	-	-	-

*Fixed assets are recorded at the historic cost

3. Financial investments

3.1. Availability and movement of financial investments

Description	Line code	Period	Balance for the beginning of the year		Changes for the period					Balance for the end of the period	
			Historic cost	Accumulated Adjustment	Received	Withdrawn/ repaid		Bringing the historic cost up to the nominal	Fair market value (losses from impairment)	Historic cost	Accumulated adjustment
						Historic cost	Accumulated adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
Long-term financial investments - total	5301	2015	905,445	(65,433)	1,838,911	(758,045)	-	-	6,418	1,986,311	(59,015)
	5311	2014	3,170,774	(63,529)	734,862	(3,000,191)	-	-	(1,904)	905,445	(65,433)
Including:	5302	2015	107,700	(65,433)	992,973	(18,500)	-	X	6,418	1,082,173	(59,015)
Investments in authorized capitals	5312	2014	107,700	(63,529)	-	-	-	X	(1,904)	107,700	(65,433)
Including: Investments in authorized capitals of subsidiaries and affiliates	53021	2015	18,500	-	992,973	(18,500)	-	X	-	992,973	-
	53121	2014	18,500	-	-	-	-	X	-	18,500	-
Investments in authorized capitals of other companies	53022	2015	89,200	(65,433)	-	-	-	X	6,418	89,200	(59,015)
	53122	2014	89,200	(63,529)	-	-	-	X	(1,904)	89,200	(65,433)
Investments in other corporate securities (bonds, bills and other)	5303	2015	797,745	-	845,938	(739,545)	-	-	-	904,138	-
	5313	2014	645,470	-	650,478	(498,203)	-	-	-	797,745	-
Investments in other securities of subsidiaries and affiliates (bonds, bills, and other)	53031	2015	-	-	-	-	-	-	-	-	-
	53131	2014	-	-	-	-	-	-	-	-	-
Investments in other securities of other companies (bonds, bills, and other)	53032	2015	797,745	-	845,938	(739,545)	-	-	-	904,138	-
	53132	2014	645,470	-	650,478	(498,203)	-	-	-	797,745	-
Other types of financial investments	5304	2015	-	-	-	-	-	-	-	-	-
	5314	2014	2,417,604	-	84,384	(2,501,988)	-	-	-	-	-
Government and municipal securities	53041	2015	-	-	-	-	-	-	-	-	-
	53141	2014	-	-	-	-	-	-	-	-	-
Loans granted	53042	2015	-	-	-	-	-	-	-	-	-
	53142	2014	2,417,604	-	84,384	(2,501,988)	-	-	-	-	-
Deposits	53043	2015	-	-	-	-	-	-	-	-	-
	53143	2014	-	-	-	-	-	-	-	-	-
Other long-term financial investments	53044	2015	-	-	-	-	-	-	-	-	-
	53144	2014	-	-	-	-	-	-	-	-	-
Total short-term financial investments	5305	2015	2,097,437	-	9,582,561	(11,527,034)	-	-	-	152,964	-
	5315	2014	8,900,104	-	34,880,109	(41,682,776)	-	-	-	2,097,437	-
Including:	5306	2015	31,976	-	-	(31,976)	-	X	-	-	-
Investments in authorized capitals	5316	2014	27,630	-	4,346	-	-	X	-	31,976	-
Investments in authorized capitals of subsidiaries and affiliates	53061	2015	-	-	-	-	-	X	-	-	-
	53161	2014	-	-	-	-	-	X	-	-	-
Investments in other companies' authorized capitals	53062	2015	31,976	-	-	(31,976)	-	X	-	-	-
	53162	2014	27,630	-	4,346	-	-	X	-	31,976	-
Investments in other corporate securities (bonds, bills, etc.)	5307	2015	640,158	-	359,637	(846,831)	-	-	-	152,964	-
	5317	2014	546,871	-	639,955	(548,668)	-	-	-	640,158	-
Investments in other securities of subsidiaries and affiliates (bonds, bills, etc.)	53071	2015	-	-	-	-	-	-	-	-	-
	53171	2014	-	-	-	-	-	-	-	-	-
Investments in other securities of other companies bonds, bills, and other)	53072	2015	640,158	-	359,637	(846,831)	-	-	-	152,964	-
	53172	2014	546,871	-	639,955	(548,668)	-	-	-	640,158	-

Other types of financial investments	5308	2015	1,425,303	-	9,222,924	(10,648,227)	-	-	-	-	-
	5318	2014	8,325,603	-	34,235,808	(41,136,108)	-	-	-	1,425,303	-
Government and municipal securities	53081	2015									
	53181	2014									
Loans granted	53082	2015	1,126,375	-	2,256,650	(3,383,025)	-	-	-	-	-
	53182	2014	7,300	-	1,180,125	(61,050)	-	-	-	1,126,375	-
Deposits	53083	2015	298,928	-	6,966,274	(7,265,202)	-	-	-	-	-
	53183	2014	8,318,303	-	33,055,683	(41,075,058)	-	-	-	298,928	-
Other short-term financial investments	53084	2015	-	-	-	-	-	-	-	-	-
	53184	2014	-	-	-	-	-	-	-	-	-
Total financial investments	5300	2015	3,002,882	(65,433)	11,421,472	(12,285,079)	-	-	6,418	2,139,375	(59,015)
	5310	2014	12,070,878	(63,529)	35,614,971	(44,682,967)	-	-	(1,904)	3,002,882	(65,433)

4. Inventories

4.1. Availability and movement of inventories

Description	Line code	Period	Balance for the beginning of the year		Receipts and costs	Changes for the period				Balance for the end of the period	
			Prime cost	Amount of the provision for reduction of cost		Withdrawn	Provisions due to reduction of cost	Turnover of the inventories between their groups (types)	Prime cost	Amount of the provision for reduction of cost	
											Prime cost
1	2	3	4	5	6	7	8	9	10	11	12
Total inventories	5400	2015	5,184,011	(15,722)	39,398,045	(38,566,239)	(11,179)	(14,010)	X	6,015,817	(18,553)
	5420	2014	3,976,431	(25,960)	41,488,003	(40,280,423)	(11,554)	(1,316)	X	5,184,011	(15,722)
Including:	5401	2015	1,402,177	(293)	35,680,049	(35,739,497)	(155)	-	7,857	1,350,586	(138)
Fuel	5421	2014	1,248,550	(290)	37,779,453	(37,624,134)	-	(3)	(1,692)	1,402,177	(293)
Spare parts, materials, etc.	5402	2015	3,781,834	(15,429)	3,717,803	(2,826,742)	(11,024)	(14,010)	(7,857)	4,665,038	(18,415)
	5422	2014	2,727,881	(25,670)	3,708,550	(2,656,289)	(11,554)	(1,313)	1,692	3,781,834	(15,429)
Finished products and goods for resale	5403	2015	-	-	193	-	-	-	-	193	-
	5423	2014	-	-	-	-	-	-	-	-	-

5. Receivables and payables

5.1. Availability and movement of receivables

Description	Line code	Period	Balance for the beginning of the year		Changes for the period							Balance for the end of the period	
			Accounted for under contractual conditions	Provision for doubtful debts	Received			Withdrawn			Transfer from long- to short-term receivables (and vice versa)	Accounted for under contractual conditions	Provision for doubtful debts
					As a result of business transactions (the amount of debt for the deal/ transaction)	Interest payable, penalties, and other charges	Crediting of the provision	Repayment	Write-off to the financial result	Recovery/ Use of the provision			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Total long-term receivables	5501	2015	205,470	-	167,672	-	-	(142,868)	-	-	(999)	229,275	-
	5521	2014	2,319,532	-	121,566	-	-	(89,211)	-	-	(2,146,417)	205,470	-
Including: Buyers and customers	5502	2015	-	-	-	-	-	-	-	-	-	-	-
	5522	2014	-	-	-	-	-	-	-	-	-	-	-
Construction advances	5503	2015	-	-	-	-	-	-	-	-	-	-	-
	5523	2014	2,145,570	-	-	-	-	-	-	-	(2,145,570)	-	-
Loans to employees	5504	2015	205,470	-	145,749	-	-	(128,581)	-	-	(60)	222,578	-
	5524	2014	126,824	-	121,539	-	-	(42,046)	-	-	(847)	205,470	-
Other payables	5505	2015	-	-	21,923	-	-	(14,287)	-	-	(939)	6,697	-
	5525	2014	47,138	-	27	-	-	(47,165)	-	-	-	-	-
Total short-term receivables	5510	2015	10,094,040	(3,423,726)	127,582,133	-	(1,160,104)	(125,848,531)	(2,205)	705,258	999	11,826,436	(3,878,572)
	5530	2014	14,218,943	(2,842,406)	135,241,259	3,538	(2,078,536)	(141,516,069)	(48)	1,497,216	2,146,417	10,094,040	(3,423,726)
Including: Buyers and customers	5511	2015	7,726,451	(3,410,935)	95,451,872	-	(1,160,104)	(93,564,527)	(143)	700,652	-	9,613,653	(3,870,387)
	5531	2014	8,398,235	(2,833,560)	95,332,572	-	(2,073,038)	(96,004,356)	-	1,495,663	-	7,726,451	(3,410,935)
Construction advances	5512	2015	1,069,174	(7,514)	2,335,480	-	-	(3,095,195)	-	3,500	-	309,459	(4,014)
	5532	2014	2,895,284	(7,514)	2,682,125	65	(1,305)	(6,653,861)	(9)	1,305	2,145,570	1,069,174	(7,514)
Others advances	5513	2015	366,143	(676)	23,135,343	-	-	(23,167,687)	(11)	30	-	333,788	(646)
	5533	2014	816,876	(676)	26,737,720	-	-	(27,188,448)	(5)	-	-	366,143	(676)
Other	5514	2015	932,272	(4,601)	6,659,438	-	-	(6,021,122)	(2,051)	1,076	999	1,569,536	(3,525)
	5534	2014	2,108,548	(656)	10,448,842	3,473	(4,193)	(11,669,404)	(34)	248	847	932,272	(4,601)
Total	5500	2015	10,299,510	(3,423,726)	127,749,805	-	(1,160,104)	(125,991,399)	(2,205)	705,258	X	12,055,711	(3,878,572)
	5520	2014	16,538,475	(2,842,406)	135,362,825	3,538	(2,078,536)	(141,605,280)	(48)	1,497,216	X	10,299,510	(3,423,726)

5.2. Overdue receivables

Description	Line code	As of December 31, 2015		As of December 31, 2014		As of December 31, 2013	
		Under contractual conditions	Minus the provision for doubtful debts	Under contractual conditions	Minus the provision for doubtful debts	Under contractual conditions	Minus the provision for doubtful debts
1	2	3	4	5	6	7	8
Total	5540	3,669,698	42,819	4,032,233	676,755	3,789,652	1,011,644
Including: Buyers and customers	5541	3,655,218	36,523	3,347,515	5,208	3,776,516	1,003,309
Advances given	5542	8,657	3,997	679,689	671,499	12,408	8,262
Other	5543	5,823	2,299	5,029	48	728	73

5.3. Availability and movement of payables

Description	Line code	Period	Balance for the beginning of the year	Changes for the period					Balance for the end of the period
				Received		Withdrawn		Transfer from long- to short-term payables (and vice versa)	
				As a result of business transactions (the amount of debt for the deal/ transaction)	Interest payable, penalties, and other charges	Repayment	Write-off to the financial result		
1	2	3	4	5	6	7	8	9	10
Total long-term payables	5551	2015	66	-	-	(66)	-	-	-
	5671	2014	203	-	-	(133)	(4)	-	66
Including:	5552	2015	66	-	-	(66)	-	-	-
Trade payables	5572	2014	203	-	-	(133)	(4)	-	66
Total short-term payables	5560	2015	5,192,650	130,771,249	807	(129,027,207)	(72)	-	6,937,427
	5580	2014	5,251,495	135,313,125	436	(135,372,380)	(26)	-	5,192,650
Including:	5561	2015	3,744,833	72,142,013	-	(71,795,979)	(72)	-	4,090,795
Suppliers and contractors	5581	2014	3,190,805	83,371,640	-	(83,177,586)	(26)	-	3,744,833
Advances received	5562	2015	6,868	167,418	-	(157,159)	-	-	17,27
	5682	2014	12,464	358,465	-	(364,061)	-	-	6,868
Settlements for taxes	5563	2015	837,430	31,015,527	-	(29,843,372)	-	-	2,009,585
	5583	2014	826,465	17,131,647	-	(17,120,682)	-	-	837,430
Credits and loans	5564	2015	-	2,402,631	-	(2,402,631)	-	-	-
	5584	2014	-	-	-	-	-	-	-
Other	5665	2015	603,519	25,043,660	807	(24,828,066)	-	-	819,920
	5585	2014	1,221,761	34,091,373	436	(34,710,051)	-	-	603,519
Total	5550	2015	5,192,716	130,771,249	807	(129,027,273)	(72)	X	6,937,427
	5570	2014	5,251,698	135,313,125	436	(135,372,513)	(30)	X	5,192,716

5.4. Overdue payables

Description	Line code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
1	2	3	4	5
Total	5590	4,744	4,943	-
Including:				
Suppliers and contractors	5591	4,637	4,692	-
Advances received	5592	107	251	-

6. Costs of production

Description	Line code	2015	2014
1	2	3	4
Tangible costs	5610	43,119,948	43,717,644
Salary expenses	5620	4,654,581	4,330,231
Social security allocations	5630	1,134,555	978,162
Depreciation	5640	6,666,483	6,575,415
Other expenses	5650	5,088,986	5,353,438
Total, by elements	5660	60,664,553	60,954,890
Change in the balances of work in progress, finished goods etc. (Increase of [-]), including:	5670	-	-
Change in the balances of work in progress, finished goods etc. (decrease of [+]), including:	5680	-	-
Total costs in ordinary activities	5600	60,664,553	60,954,890

7. Estimated liabilities

Description	Line code	Balance for the beginning of the accounting year 2015	Recognized	Repaid	Written off as excess	Balance for the end of the reporting period of 2015
1	2	3	4	5	6	7
Total estimated liabilities	5700	1,106,240	2,074,452	(1,706,680)	(182,826)	1,291,186
Including:						
Estimated liabilities for legal proceedings	5701	288,862	559,884	(288,862)	-	559,884
Estimated liabilities for unused vacations	5702	267,467	693,942	(679,340)	(804)	281,265
Estimated liabilities for annual compensations	5703	452,662	419,325	(348,312)	(178,094)	345,581
Estimated liabilities for quarterly bonuses	5704	97,249	401,301	(390,166)	(3,928)	104,456

Description	Line code	Balance for the beginning of the accounting year 2014	Recognized	Repaid	Written off as excess	Balance for the end of the reporting period of 2014
1	2	3	4	5	6	7
Total estimated liabilities	5700	637,720	1,904,032	(1,414,137)	(23,375)	1,106,240
Including:						
Estimated liabilities for legal proceedings	5701	2,840	484,067	(198,045)		288,862
Estimated liabilities for unused vacations	5702	250,788	625,644	(593,544)	(15,421)	267,467
Estimated liabilities for annual compensations	5703	311,546	455,327	(312,500)	(1,711)	452,662
Estimated liabilities for quarterly bonuses	5704	74,546	338,994	(310,048)	(6,243)	97,249

8. Security of liabilities

Description	Line code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
1	2	3	4	5
Total received	5800	1,017,395	1,503,819	10,543,014
Including: Bank guarantees	5801	245,029	689,134	9,500,566
Guarantees of construction contractors	5802	438,611	532,408	337,533
Guarantees of repair contractors	5803	34,390	28,636	560,253
Pledged assets	5804	299,365	253,641	144,662
Total provided guarantees	5810	23,508	17,842	9,441
Including: Bank guarantees	5811	23,508	17,842	9,441

Head /Signature/ _____ **M.G. Shirokov**
Signature Printed name
March 21, 2016

Chief Accountant /Signature/ _____ **A.V. Shalvapina**
Signature Printed name

OPINION OF THE AUDIT COMMITTEE

E. ON Russia JSC Opinion of the Audit Committee on Performance in 2015

Introduction

The General Meeting of Shareholders of E.ON Russia JSC (Minutes No. 15 of June 26, 2015) elected the Audit Committee comprising the following members:

Dr. Guntram Wurzberg
Marcus Korthals
Alexey Sergeevich Asyaev
Denis Alexandrovich Alexeenkov

At the meeting of the Audit Committee (Minutes No. 1 of August 04, 2015), Dr. Guntram Wurzberg was elected as Chairman of the Audit Committee, and Alexey Sergeevich Asyaev was elected as the Committee's Secretary.

Under Clause 3.3 of the Regulation on the Audit Committee of E.ON Russia JSC (approved by the resolution of the General Meeting of E.ON Russia dated June 28, 2011), the Audit Committee has carried out the annual audit of the Company's financial and operating performance over the year of 2015.

According to Clause 5.4 of the Regulation on the Audit Committee, the audit of the financial and operating performance should be based, inter alia, on the results of the annual audit of financial statements, internal auditor's opinions, risk statements, and internal control reports.

E. ON Russia JSC Opinion of the Audit Committee on Performance in 2015

Basic Conclusions

Revenue for the period was RUB 78,618,786 thousand, including revenue from sales of electricity and energy in the amount of RUB 77,094,543 thousand and revenue from sale of thermal energy in the amount of RUB 1,164,596 thousand. The prime cost was RUB 60,664,553 thousand. The gross profit was RUB 17,954,233 thousand. The interest receivable was RUB 1,088,989 thousand. The reporting period's net profit was RUB 15,545,745 thousand. The Company's staff was 4,512 employees as of December 31, 2015.

Long-term financial investments were RUB 1,927,296 thousand as of December 31, 2015 (RUB 840,012 thousand as of December 31, 2014), including these of subsidiaries and affiliates in the amount of RUB 992,973 thousand, and investments in stock of RusHydro OJSC worth RUB 30,185 thousand according to the current market quotation. Bills were RUB 904,138 thousand.

The cost of projects under construction decreased to RUB 7,310,298 thousand (RUB 40,113,187 thousand as of December 31, 2014). The decrease was caused by commissioning of Unit No. 3 at Berezovskaya GRES.

The inventories were increased up to RUB 5,997,264 thousand as of December 31, 2015 (RUB 5,168,289 thousand as of December 31, 2014) with recognition of expensive spare parts for maintenance and repair of Units No. 7 and No. 8 of CCGT at Surgutskaya GRES-2.

Receivables were RUB 8,177,139 thousand as of December 31, 2015, including short-term receivables in the amount of RUB 7,947,864 thousand. Receivables increased (RUB 6,875,784 thousand as of December 31, 2014) with provision of advances under service contracts.

E. ON Russia JSC Opinion of the Audit Committee on Performance in 2015

Opinion

Based on the procedures held by the Audit Committee, including internal auditor's opinions and taking into account the opinion of the Company's auditor (opinion of PricewaterhouseCoopers Audit CJSC of March 21, 2016), the Company's Audit Committee has reasonable grounds to confirm accuracy of the data contained in the Company's Annual Report and annual Financial Statements.

Moscow, March 31, 2016

Chairman of the Audit Committee

Dr. Guntram Wurzberg /Signature/

Members of the Audit Committee

Marcus Korthals /Signature/

Alexey Sergeevich Asyaev

Denis Alexandrovich Alexeenkov

Annex 2

Information on Interested Party Transactions and Major Transactions Effected by the Company in 2015

1. Loan Contracts

Parties to the Contract:

E.ON Russia JSC as the Lender; and
E.ON SE as the Borrower.

Subject of the Contract:

The Lender undertakes to provide the Borrower with funds by right of ownership in the amount and on the terms as stipulated by the Agreement, while the Borrower undertakes to repay the funds and pay charged interest in the manner provided by the Agreement.

Granted loan amount:

The loan amount is RUB 2,150,000,000 (two billion one hundred fifty million roubles).

Loan interest rate:

The loan interest rate, as well as the periods (within the term of the loan) for which the appropriate rate is applicable, shall be determined by agreement between the parties. In this case, the minimum possible interest rate for the periods of 1, 2, 3, or 6 months shall be greater than the MOSPRIME rate for the corresponding period of 1, 2, 3, or 6 months (a standard MOSPRIME period) reduced by 20 percent.

If the period of application of the interest rate is not equal to the standard MOSPRIME period, the minimum interest rate shall be calculated using the following formula:

$$i=(c1+(c2-c1)*(p-t1)/(t2-t1))*0.8$$

Where:

i - the minimum interest rate;

p – required period for application of the interest rate in days, different from the Standard Period;

t1 – minimum standard MOSPRIME period (in days) closest to "p";

t2 – maximum standard MOSPRIME period (in days) closest to "p";

c1 – MOSPRIME established for the period "t1";

c2 – MOSPRIME established for the period "t2".

Each additional agreement between the parties on establishment of a new interest rate and the period of its application shall be entered into no later than three business days before the expiry of the period for which the valid interest rate is set. If the additional agreement is not entered into in this period, the Borrower shall return the remainder of the loan amount with interest accrued in accordance with clause 5.2 of the Contract, and the Contract shall be terminated.

Loan term:

The loan is provided for the period until August 04, 2015 (inclusive). The loan shall be made available on the third (3) business day from the date of signing the Contract by transferring its amount to the Borrower's settlement account. The Lender may require repayment of the loan amount, in whole or in part, before maturity by notifying the Borrower to that effect no less than three (3) business days in advance. The Borrower shall repay the loan amount and pay interest on the last day of the loan period established in the Agreement by transferring funds to the Lender's account specified in the Agreement or to another account of the Lender specified thereby.

Parties in interest: E.ON Russia Holding GmbH²⁰, M. Winkel, J. Kildahl, and B. Reutersberg²¹.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 207 dated January 30, 2015.

2. Vehicle Dry Lease Contract

Parties to the Contract:

E.ON Russia JSC as the Lessor; and
E.ON Connecting Energies LLC as the Lessee.

Subject of the Contract:

The Lessor shall provide the following vehicle to the Lessee for temporary possession and use: Make (model): AUDI A6, Year of manufacture: 2007, Vehicle identification number (VIN): WAUZZZ4F58N070136, Colour: Black, Engine horsepower: 209.44 hp, Engine type: Gasoline engine, Emission class: 4, Vehicle Registration Certificate: 77 TU 821412 issued on January 16, 2008 (the Vehicle), without crew.

²⁰ Hereinafter in Attachment 3 to the Annual report a reason for conflict of interest of E.ON Russia Holding GmbH – holds 20 or more percent of shares in a party to a contract.

²¹ Hereinafter in Attachment 3 to the Annual report a reason for conflict of interest of M. Winkel, J. Kildahl, and B. Reutersberg (each individually) – is a member of a corporate body of a company – a party to a contract.

The leased Vehicle is owned by the Lessor pursuant to Purchase and Sale Agreement No. DK-0013770/OGK4/08/31 dated February 05, 2008.

Civil liability of the owner of the Vehicle is insured under a contract of compulsory insurance of civil liability of vehicle owners as evidenced by the insurance policy series BBB No. 0608053767 (the MTPL Policy).

The Lessor shall transfer the Vehicle to the Lessee with all the documents required for the vehicle use, including: - Vehicle Registration Certificate series 50 YY No. 496592 issued on July 20, 2011 by the Registration and Examination Unit of the State Traffic Safety Inspectorate of the Shatura Department of Internal Affairs; and - MTPL Policy. The Vehicle is intended to carry the Lessee's staff.

The Lessor guarantees that, at the time of signing the Contract, the Vehicle is neither in dispute nor under arrest; and it is neither subject to collateral, nor is encumbered with any other rights of third parties.

The Parties may replace the Vehicle with another same-class car, which is subject to an additional agreement to the Contract.

Market value under the Contract:

The monthly lease payment for the use of the Vehicle is RUB 90,650 (ninety thousand six hundred fifty roubles), including 18% VAT.

In the event that the Vehicle is replaced with another same-class car by agreement of the Parties, the lease rate applicable to the new vehicle shall be agreed between the Parties. However, it may neither be lower than RUB 90,650 (ninety thousand six hundred fifty roubles) per month, including VAT, nor shall it exceed RUB 100,000 (one hundred thousand roubles) per month, including VAT.

Vehicle lease term under the Contract:

The Lessor shall, within one (1) business day after signing the Contract, transfer the Vehicle to the Lessee, including its accessories listed in clause 1.3 of the Contract and the documents listed in Clause 1.5 of the Contract, under Acceptance Certificate at the address: Building B, 10 Presnenskaya Emb., Moscow. The Acceptance Certificate for the Vehicle signed by the Parties is an integral part of the Contract. The lease term of the Vehicle shall be twelve (12) months following the date when the Vehicle is transferred to the Lessee.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 207 dated January 30, 2015.

3. Sublease Agreement

Parties to the Sublease Agreement:

E.ON Russia JSC as the Lessee; and
E.ON Connecting Energies LLC as the Sublessee.

Subject of the Sublease Agreement:

The Lessee shall provide the Sublessee with two (2) parking spaces (the Parking Spaces) to be temporarily used by the latter. The Parking Spaces are indicated in red on the layout (Annex No. 1 to the Agreement) and located in the underground parking lot at Building B, 10, Presnenskaya Emb., Moscow (the Building). The Sublessee shall pay for the Parking Spaces in compliance with procedures and terms established by the Agreement.

Market value under the Sublease Agreement:

The cost of the sublease of the Parking Spaces is c.u. 5,875.49 (five thousand eight hundred seventy five point forty nine currency units) per year per each Parking Space, including 18% VAT. One c.u. (currency unit) is equal to 1 U.S. dollar at the exchange rate of the Central Bank of the Russian Federation in effect on the payment day. Starting from January 01, 2016 and through the entire effective period of the Agreement, parking sublease rates shall be increased by applying the Euro area HICP (as defined below) to the rates effective as of the revaluation date. The said reevaluation of the cost rate for the Parking Spaces will be reflected by means of adjusting the cost rate for the Parking Spaces to be paid by the Sublessee for the respective paid period in the respective invoices issued by the Lessee. The rates will be revaluated in December 2015.

The Euro area HICP means the annual inflation in the euro area measured by the Monetary Union Index of Consumer Prices (MUiCP) and expressed in the form of appropriate Harmonised Indexes of Consumer Prices (HICP), which are currently published on the website of Eurostat (the link is valid as of the Lease Agreement date): <http://epp.eurostat.ec.europa.eu>. For the purposes of each revaluation, the Parties undertake to use the seasonally and date uncorrectable Euro area HICP; all items, annual rate of change (%). The revaluation shall be carried out by means of multiplying the fee for the Parking Spaces effective as of the date of revaluation by the latest available monthly Euro area HICP published as of the revaluation date. Following the revaluation of the fee for the Parking Spaces, a value of the revaluated fee with one decimal digit shall be used. If the Euro area HICP has a negative value, the fee for the Parking Spaces shall not be changed. If the Euro area HICP is not available for any reason, or it was not published for more than three (3) months prior to the revaluation date, an official seasonally and date uncorrectable index shall be used instead. In the absence of such, the most approximate alternative available seasonally uncorrectable index recommended by Eurostat shall be applied.

Duration of lease under the Sublease Agreement:

The Parking Space shall be provided to the Sublessee for eleven (11) months starting from the date of the Agreement.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 208 dated February 27, 2015.

4. Non-Residential Premises Sublease Agreement

Parties to the Contract:

E.ON Russia JSC as the Lessee; and
E.ON IT LLC as the Sublessee.

Subject of the Contract:

The Lessee agrees to sublet and the Sublessee agrees to accept the non-residential premises located at: Building B, 10 Presnenskaya Emb., Moscow, with a total area of nine (9) square meters (floor 19) to be used as office premises.

Market value under the Sublease Agreement:

The cost of subletting the Premises is 864 (eight hundred sixty four) c. u. per square metre a year, including 18% VAT.

One c.u. (currency unit) is equal to 1 U.S. dollar. Payments shall be effected in roubles at the exchange rate of the Central Bank of the Russian Federation as of the date of payment.

Starting from January 01, 2016 and until the expiration of the Agreement, the new sublease fee for the Premises shall be determined by increasing the sublease fee for the Premises effective as of the reevaluation date in accordance with the CPI-U (as defined below). The said reevaluation of the Premises sublease fee will be reflected by means of adjusting the Premises sublease fee payable by the Sublessee for the respective paid period in the respective invoices issued by the Lessee. The revaluation will be carried out in December 2015.

CPI-U stands for the unadjusted Consumer Price Index for All Urban Consumers, US City Average, All Items) (series 1982-84=100) as per the monthly bulletin officially published by the Bureau of Labor Statistics of the United States Department of Labor. The revaluation shall be carried out by means of increasing the sublease rate effective for the Premises as of the date of revaluation by the last month CPI-U that is published as of the revaluation date, and dividing the result by CPI-U for the same month of the year preceding the year of revaluation. Following the revaluation of the sublease rate, a value with two decimal digits shall be used. No sudden changes or further CPI-U adjustments shall be taken into consideration after the revaluation is completed.

Within 10 (ten) days following the receipt of the relevant invoice from the Sublessor, the Subtenant shall reimburse the Sublessor for the common area maintenance expenses based on the Subtenants' proportionate share of the premises.

The above-mentioned sublease payments include all operating costs (including utilities) pertaining to the Premises.

Duration of the Agreement:

The Premises shall be sublet for a period of eleven (11) months from the date of the Agreement.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 208 dated February 27, 2015.

5. Sublease Agreement

Parties to the Sublease Agreement:

E.ON Russia JSC as the Lessee; and
Representative Office of E.ON Global Commodities SE as the Sublessee.

Subject of the Sublease Agreement:

The Sublessor shall provide the Sublessee with one parking space (the Parking Space) to be temporarily used by the latter, which is indicated on the plan (Annex No. 1 to the Agreement) and located in the underground parking lot at Bldg B, 10 Presnenskaya Naberezhnaya, Moscow, Russia (hereinafter as the "Building"), while the Sublessee shall pay for the use of the Parking Space according to the procedure and within the timeframe stipulated by the Agreement.

Market value under the Sublease Agreement:

The sublease payment for the Parking Space is 5,875.49 c. u. (five thousand eight hundred seventy five point forty nine currency units) per year for each Parking Space, including 18% VAT. One c.u. (currency unit) is equal to 1 U.S. dollar at the exchange rate of the Central Bank of the Russian Federation in effect on the payment day. Starting from January 01, 2016 and through the entire effective period of the Agreement, the parking sublease rates shall be revised by applying the CPI-U index (as defined below) to the rates effective as of the revaluation date. The said revaluation of the sublease rate per Parking Space shall be reflected in the corresponding invoices issued by the Sublessor by means of adjusting the sublease rate payable by the Sublessee in the relevant period. The rates will be revaluated in December 2015.

CPI for all Urban Consumers stands for the unadjusted Consumer Price Index for All Urban Consumers, US City Average, All Items) (1982-84=100 series) as per the monthly bulletin officially published by the Bureau of Labor Statistics of the United States Department of Labor. Meanwhile, the reevaluation has to be carried out by means of increasing the cost rate for the parking effective as of the date of reevaluation by the amount of the last month CPI for all Urban Consumers that is published as of the reevaluation date, and dividing the result by CPI for

all Urban Consumers for the same month of the year when the reevaluation is being carried out. Following the reevaluation of the cost rate for the parking, a value with two decimal places shall be used. No sudden changes or further CPI-U adjustments shall be taken into consideration after the reevaluation is completed.

Duration of sublease under the Sublease Agreement:

The Parking Space shall be provided to the Sublessee for a period of eleven (11) months starting from April 01, 2015.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 210 dated April 03, 2015.

6. Non-Residential Premises Sublease Agreement

Parties to the Contract:

E.ON Russia JSC as the Lessee; and
E.ON Connecting Energies LLC as the Sublessee.

Subject of the Contract:

The Lessee agrees to sublet and the Sublessee agrees to accept the non-residential premises located at: Building B, 10 Presnenskaya Emb., Moscow, Russia, with a total area of 45 (forty five) square meters (floor 23) to be used as office premises.

Market value under the Sublease Agreement:

The cost of subletting the Premises is 881.76 (eight hundred eighty one point seventy six) c. u. per square metre a year, including 18% VAT.

One c.u. (currency unit) is equal to 1 U.S. dollar. Payments shall be effected in roubles at the exchange rate of the Central Bank of the Russian Federation as of the date of payment.

Starting from January 01, 2016 and through the entire effective period of the Agreement, the Premises sublease rates shall be increased by applying the CPI-U index (as defined below) to the rates effective as of the revaluation date. The said revaluation of the Premises sublease rate shall be reflected in the corresponding invoices issued by the Sublessor by means of adjusting the sublease rate payable by the Sublessee in the relevant period. The revaluation will be carried out in December 2015.

CPI-U stands for the unadjusted Consumer Price Index for All Urban Consumers, US City Average, All Items) (series 1982-84=100) as per the monthly bulletin officially published by the Bureau of Labor Statistics of the United States Department of Labor. The revaluation shall be carried out by means of increasing the sublease rate effective for the Premises as of the date of revaluation by the last month CPI-U that is published as of the revaluation date, and dividing the result by CPI-U for the same month of the year preceding the year of revaluation. Following the revaluation of the sublease rate, a value with two decimal digits shall be used. No sudden changes or further CPI-U adjustments shall be taken into consideration after the revaluation is completed.

Within 10 (ten) days following the receipt of the relevant invoice from the Sublessor, the Subtenant shall reimburse the Sublessor for the common area maintenance expenses based on the Subtenants' proportionate share of the premises.

The above-mentioned sublease payments include all operating costs (including utilities) pertaining to the Premises.

Duration of the Agreement:

The Premises shall be sublet for a period of eleven (11) months from the date of the Agreement. The Agreement shall apply to the relations of the Parties established de facto on April 23, 2015.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 211 dated May 03, 2015.

7. Visa Support Services Contract

Parties to the Contract:

E.ON Russia JSC as the Customer; and
E.ON Connecting Energies LLC as the Contractor.

Subject of the Contract:

1.1. The Contractor shall upon the Customer's order and within the validity period of the Contract provide visa support services to the foreign employees and partners of the Customer specified in clause 1.2. of the Contract in accordance with the written orders of the Customer, and the Customer shall receive the services rendered by the Contractor and pay for them as stipulated by the Contract.

1.2. Under the Contract, the Contractor undertakes to provide the following services to the Customer:

- Preparation of necessary documents and their submission to DFMS for Moscow for execution of invitations of entry into the Russian Federation, employment visas for foreign citizens;
- Preparation and submission to relevant authorities of documents for execution of permissions for engagement and employment of foreign specialists, work permissions for foreign citizens;
- Preparation and submission to the territorial DFMS of documents necessary for performing migration registration (notification of registration), keeping migration registration record of the Customer;

- Courier services for submission of documents to relevant authorities and receipt of the documents for transfer to the Customer; and
- Other services specified in the Customer's orders.

Period and cost of services provided under the Contract:

The period of provision of the services specified in clause 1.2 of the Contract shall be established by the Parties from January 01, 2015 to December 31, 2015.

Terms of providing specific services under written orders of the Customer are specified in Annex No. 1 to the Contract and subject to calculation from the moment of receipt by the Contractor of the Customer's written order and all necessary documents and information, and if necessary, extra or missing documents and/or information from the moment of provision of the latter.

The total cost of the services provided by the Contractor under the Contract shall represent the aggregate cost of all the services provided by the Contractor under the Customer's written orders. It shall not exceed RUB 1,180,000.00 (one million one hundred thousand eighty roubles), including 18% VAT (RUB 180,000.00).

Term of the Contract:

The Contract shall come into force (be deemed to be concluded) from the date of its signing by the Parties and remain valid until December 31, 2015; and in the part of obligations accepted and unfulfilled as of the expiry date of the Contract, until their full fulfilment.

The terms and conditions of the Contract shall cover the relations between the Parties that actually started on January 01, 2015.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 213 dated June 01, 2015.

8. Loan Contract

Transaction parties:

- E.ON Russia JSC as the Borrower; and
- E.ON SE as the Lender.

Subject of transaction:

The Lender undertakes to provide the Borrower with funds in the amount and on the terms as stipulated by the Contract, while the Borrower undertakes to repay the funds and pay charged interest in the manner provided by the Contract.

Granted loan amount:

The loan amount is RUB 2,400,000,000.00 (two billion four hundred million).

Loan interest rate:

The interest rate shall be fixed as of the Contract signing date and calculated by the following formula:

$$i = (c1 + (c2 - c1) * (p - t1) / (t2 - t1)) + 1.5\%$$

Where:

interest rate;

p – required period for application of the interest rate in days, different from the Standard Period;

t1 – minimum standard MOSPRIME period (in days) closest to "p";

t2 – maximum standard MOSPRIME period (in days) closest to "p";

c1 – MOSPRIME established for the period "t1";

c2 – MOSPRIME established for the period "t2".

The maximum interest rate under this Contract may not exceed 125 percent of the key rate of the Central Bank of the Russian Federation fixed as of the borrowing date.

Loan term:

The loan is provided for the period from August 04, 2015 to December 22, 2015 (inclusive).

The Borrower may repay the loan amount, in whole or in part, before maturity by notifying the Lender to that effect no less than three (3) business days in advance. The Lender may require repayment of the loan amount, in whole or in part, before maturity by notifying the Borrower to that effect no less than three (3) business days in advance.

The Borrower shall repay the loan amount and pay interest on the last day of the loan period established in the Contract by transferring funds to the Lender's account specified in the Contract or to another account of the Lender specified thereby.

Parties in interest: E.ON Russia Holding GmbH, J. Kildahl and B. Reutersberg.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 215 dated July 03, 2015.

9. Additional Agreement No. 3 to Vehicle Dry Lease Contract No. IA-13-0301 dated June 24, 2013

Parties to the Additional Agreement:

- E.ON Russia JSC as the Lessor; and
- E.ON Connecting Energies LLC as the Lessee.

Subject of the Additional Agreement:

Extension of the vehicle lease term:

The Vehicle shall be leased for the period from June 24, 2013 to June 24, 2016.

Term of the Additional Agreement:

The Additional Agreement shall come into effect upon signing by the Parties, and shall apply to the relationships between the Parties that were established on June 24, 2015.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 215 dated July 03, 2015.

*10. Agreement on Transfer, Confidentiality and Protection of Proprietary Information***Parties to the Agreement:**

E.ON Russia JSC as Party 1; and

E.ON SE as Party 2.

Subject of the Agreement:

Organisation of the access of both Parties to their information resources containing information constituting a trade secret, and conditions of treatment of the information constituting a trade secret.

The Parties' undertakings to keep the other Party's information constituting a trade secret confidential, take special measures to protect and use such information, accept liability for a breach of such obligations in accordance with applicable law of the Russian Federation and this Agreement.

Term of the Agreement:

The Agreement is entered into for two (2) years. It shall come into effect upon signature. Termination or expiration of the Agreement shall not relieve the Parties of the obligations assumed under the Agreement in respect of the information constituting a trade secret that was disclosed to it before the termination or expiry of the Agreement. Such obligations shall survive for two (2) years after expiration or early termination of the Agreement.

Parties in interest: E.ON Russia Holding GmbH, M. Winkel, and J. Kildahl.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 216 dated July 31, 2015.

*11. Additional Agreement No. 1 to the License Agreement on Use of E.ON Trademarks dated September 30, 2013***Parties to the Agreement:**

E.ON Russia JSC as the Licensee; and

E.ON SE as the Licensor.

Subject of the Agreement:

1. Clause 2.1 of the Agreement to read as follows:

"2.1. The Agreement was entered into for the period until December 31, 2016. The Agreement shall come into effect upon its registration with the Federal Service for Intellectual Property. The costs for registration of the Agreement, including amendments and supplements thereto, shall be borne by the Licensee".

2. Clause 2.3 of the Agreement to read as follows:

"2.3. The Agreement may be terminated by either Party for good reason without complying with the notice period specified in Clause 2.2 of the Agreement. The good reason may be any of the following: violation of the conditions of use of the Basic E.ON Trademarks; termination of the Licensor's international registration of any of the Basic E.ON Trademarks; or alienation by the Licensor of any Basic E.ON Trademark. In the case provided for in Clause 2.3, the Agreement shall cease to have effect from the date of receipt by any of the Parties of the other Party's notice of termination of the Agreement".

Parties in interest: E.ON Russia Holding GmbH, J. Kildahl, and B. Reutersberg.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 217 dated August 28, 2015.

*12. The Shareholders' Agreement between E.ON Russia JSC and E.ON Connecting Energies GmbH in relation to E.ON Connecting Energies LLC and cooperation in the form of joint venture.***Parties to the Agreement:**

E.ON Russia JSC – E.ON Russia;

E.ON Connecting Energies GmbH – ECT.

If E.ON Russia and ECT are referred to collectively hereinafter they will be referred to as "Parties" or "Shareholders"; in case they are referred to individually, they will be referred to as "Party" or "Shareholder".

Subject of the Agreement:

1. E.ON Connecting Energies LLC shareholders shall establish the Shareholder Committee (consisting of 4 members, including 2 representatives of E.ON Russia JSC: Maxim Shirokov, Jörg Tumat, and 2 representatives of E.ON Connecting Energies GmbH: Robert Hienz, Thomas Stephanblome) and the Management Committee (consisting of 2 members, including 1 representative of E.ON Russia JSC: Jörg Tumat, and 1 representative of E.ON Connecting Energies GmbH: Thomas Stephanblome) that shall not be the management bodies of E.ON Connecting Energies LLC, but an association of E.ON Connecting Energies LLC shareholders' representatives that will develop all shareholders' common position on specific issues of Company's operations, listed in sub-cl. 5.5, 6.4. of the Agreement. Provided that in accordance with E.ON Connecting Energies LLC Articles of Association or the legislation of the Russian Federation, one of the issues listed in sub-cl. 5.5. of the Agreement falls within the

area of competence of the General Meeting of Shareholders, the shareholders shall vote at the general meeting in line with the shareholders' common position developed by their representatives in the Shareholder Committee. Provided that in accordance with E.ON Connecting Energies LLC Articles of Association or the legislation of the Russian Federation, one of the issues listed in sub-cl. 5.5., 6.4. of the Agreement falls within the area of competence of the Chief Executive Officer of E.ON Connecting Energies LLC, the shareholders shall make all the possible effort not prohibited by the legislation, to ensure that the decision of the Chief Executive Officer is consistent with the shareholders' common position developed by their representatives in the Management Committee.

1.1. The list of issues, for which the shareholders' common position shall be developed for by the Shareholder Committee:

- All Company's final investment decisions with regard to CAPEX – decisions on "Gate 2" project;
- Any amendments to the Articles of Association, including – without limitation – Company's name or its legal address, or the rights obtained in connection with the possession of the Company's shares;
- Transfer of or transactions with Company's shares within the lockup period, excluding the permitted intra-group transfers;
- Increasing or altering the issued authorised capital, issuing securities, granting loans, etc.;
- Any borrowings not specified in the Business plan;
- Company liquidation;
- Amending the Business Plan for any fiscal year;
- Altering the substance of Company's activities or launching any new business that is neither related nor auxiliary with regard to the Company's core activities;
- Establishing branches or purchasing stocks/shares of other companies or participating in any partnerships or joint ventures (incorporated or otherwise);
- Merging with any other companies or enterprises;
- Purchase or sale of any material assets by the Company, excluding cases related to the Company's normal course of business;
- Pledging the business fully or in part;
- Raising a loan or issuing bonds (excluding cases related to the Company's normal course of business) or indemnity bonds;
- Substituting the bank managing the Company's accounts or the authority to sign the payment documents;
- Closing any agreements, contracts or transactions (excluding cases related to the Company's normal course of business) other than on arm's length terms or making new service level agreements or introducing major amendments to the current agreements, or any other agreements between the Company and the Parties;
- Issuing notifications on the termination of agreements, contracts or transactions that are important for the Company's business or introducing major amendments to contractual arrangements, agreements or transactions;
- Transferring title (as a license or in any other form) to intellectual property, used or owned by the Company;
- Appointing Company's auditors or amending the fiscal year end date;
- Introducing amendments (or sanctioning such amendments) to the Company's accounting policy and principles;
- Announcing or paying dividends in the amount that in any year exceeds the amount of dividends agreed upon by the Parties with account for the financing structure that is to be specified in the Agreement and the common objective of Company's self-sufficiency;
- Instituting or amending any program of distribution of profits, shares, rewards program or any other business incentive program for directors or employees;
- Instituting or amending any retirement benefit scheme or granting any rights to retirement benefits to any director, official, employee, former director, official or employee, or to any member of this person's family;
- Nominating a Chief Executive Officer;
- Dismissing any director, official or employee in cases when the Company incurs layoff expenses exceeding EUR 500,000;
- Authorising remuneration (through payments, non-financial rewards, etc.) of any Company's official or employee at a rate exceeding EUR 150,000 per year or increase of such person's remuneration at a rate exceeding EUR 150,000 per year;
- Making or amending any labor contract envisaging a remuneration (including retirement benefits and other types of benefits) at a rate exceeding EUR 150,000 per year, or increase of employees' remuneration (including retirement benefits and other types of benefits) at a rate exceeding EUR 150,000 per year;
- Reaching a settlement or a compromise on salient legal proceedings (excluding debt recovery proceedings under normal course of business) brought against the Company or that might be brought against the Company, or sanctioning the submission of any case concerning the Company to arbitration or any other agency for consideration of disputes; and
- Any other issues within the competence of the General Meeting of Shareholders.

1.2. The list of issues, for which the shareholders' common position shall be developed by the Management Committee:

- Developing a strategy;
- Developing MTR;
- "Gate 1" Project approval;

Developing KPI;
Approving the business model;
Minor modifications of the business model;
Amending the project budget within the adopted CAPEX limit;
Approving appointment decisions for positions below Chief Executive Officer; and
Important issues provided that they are redirected by the Chief Executive Officer or one of the managers.

The Parties reserve the right at any moment to agree upon the delegation of additional authorities to the Management Committee. For the sake of preventing ambiguity: the said delegation shall not require amending the Agreement.

2. The Agreement envisages the following procedures for the resolution of deadlock, i.e. situations when E.ON Russia LLC shareholders cannot develop a common position in the Shareholder Committee. In such a case the shareholders shall attempt to hold another meeting of the Shareholder Committee. In case the shareholders fail to develop a common position at the second meeting, or there is no quorum at the second meeting, any of the Parties shall have the right to send a notification of deadlock to the other Party, whereupon the issue shall be redirected to the shareholders' Boards of Directors. Provided that the shareholders' Boards of Directors fail to develop a common position, the issue shall be redirected to the shareholders' holding companies Boards of Directors. In case the agreement is not reached, the Parties can agree upon the buyout of the share of one Party by the other Party. In case the said agreement is not reached, the share of E.ON Connecting Energies GmbH is subject to sale to E.ON Russia JSC at a fair arm's length price determined by an independent expert from the "Big Four".

Identical procedures shall be used in case the shareholders cannot agree upon the issues submitted for the consideration of the General Meeting of Shareholders.

3. Transfer restrictions. A restriction shall be set on the transfer of shares within three years after the signing of the agreement between the Parties. This restriction shall not apply to the transfer of shares to the entities affiliated with the transferring Party. Following the expiration of the three-year period, each of the shareholders shall be entitled to sell their share to a third party; nevertheless, the other shareholder shall have the right of pre-emption to buy the share to be sold at the price of the offer to the third party or at a different price as might be agreed upon by the Parties, and in case the Parties fail to agree on the price, this price shall have to be determined by an independent expert. As an alternative to the right of pre-emption, E.ON Connecting Energies GmbH has the right to demand that E.ON Russia JSC buy the share of E.ON Connecting Energies GmbH (a put option). The share shall have to be bought out at arm's length price.

Applicable law.

The Agreement is subject to the laws of the Federal Republic of Germany.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 217 dated 28 August 2015

13. Additional Agreement No. 3 to Parking Space Sublease Agreement No. IA-13-0495 dated 11 November 2013

Parties to the Agreement:

E.ON Russia JSC – Sublessor;
E.ON E&P Russia LLC – Sublessee.

Subject of the Agreement:

1. The Sublease Agreement shall be extended for another six-month period starting on 13 September 2015 subject to terms and conditions identical to those specified in Parking Space Sublease Agreement No. IA-13-0495 dated 11 November 2013, as amended by Additional Agreement No. 2.

2. The following terms of payment shall be established for the sublease of the parking spaces:

- The cost of one parking space in the period from 13 September 2015 through 31 December 2015 is five thousand eight hundred and seventy eight 38/100 currency units (5878.38 c. u.) per year for each Parking Space, including 18% VAT.

Starting from 1 January 2016 and through the entire effective period of the Agreement, parking sublease rates shall be revised by applying the CPI-U index (as defined below) to the rates effective as of the revaluation date. The said revaluation of the sublease rate per Parking Space shall be reflected in the corresponding invoices issued by the Sublessor by means of adjusting the sublease rate payable by the Sublessee in the relevant period. The rates are subject to revaluation in December 2015.

CPI-U stands for the unadjusted Consumer Price Index for All Urban Consumers, US City Average, All Items (1982-84=100 series) as per the monthly bulletin officially published by the Bureau of Labor Statistics of the United States Department of Labor. The revaluation shall be carried out by means of multiplying the parking rate effective as of the date of revaluation by the latest available monthly CPI-U index published as of the revaluation date, and dividing the result by CPI-U for the same month of the year preceding the year of revaluation. Following the revaluation of the parking rate, a value with two decimal digits shall be used. No sudden changes or further CPI-U adjustments shall be taken into consideration after the revaluation has been completed.

The Additional Agreement shall come into effect upon signature while the terms and conditions thereof shall apply to the relations between the parties arising from 13 September 2015.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 218 dated 25 September 2015

14. Vehicle Dry Lease Contract

Parties to the Contract:

E.ON Russia JSC – Lessor;
E.ON Engineering LLC – Lessee.

Subject of the Contract:

The Lessor shall provide the following vehicle to the Lessee for temporary possession and use: make (model): BMW 528i xDrive, licence number: T668EB750, year of manufacture: 2015, vehicle identification number (VIN): X4X5A79440D36523, colour: black, engine power: 245 hp, engine type: gasoline, emission class: 5, certificate of title: 39 OA 259828 issued on 30 May 2015 ("Vehicle"), dry lease.

The vehicle is meant to carry the Lessee's staff.

The Lessor shall transfer the Vehicle to the Lessee complete with all documents required for the vehicle operation, including:

- Vehicle Registration Certificate series 50 32 No. 867434 issued on 2 July 2015 by the Registration & Examination Unit of the Shatura State Traffic Safety Inspectorate;
- Motor Third-Party Liability Insurance Policy series EEE No. 0351306034.

The Parties may replace the Vehicle with another same-class car, which is subject to a supplementary agreement to the Contract.

Market value under the Contract:

The lease payment for using the Vehicle is one hundred and thirty thousand roubles (RUB 130,000) a month, including 18% VAT.

In the event that the Vehicle is replaced with another same-class car by agreement of the Parties, the lease rate applicable to the new vehicle shall be agreed between the Parties but it may not be lower than one hundred and thirty thousand roubles (RUB 130,000) a month, including VAT, nor shall it exceed one hundred and thirty thousand five hundred roubles (RUB 130,500) a month, including VAT.

Vehicle lease term under the Contract:

The lease term of the Vehicle shall be twelve (12) months following the date when the Vehicle is handed over to the Lessee. Unless either of the Parties notifies the other Party of its decision to terminate the Contract in writing at least one (1) month prior to the expiry of the established contract period, the Contract shall be automatically renewed on the same terms for another period of twelve (12) months. The number of such renewals by the Parties is not limited.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 220 dated 30 October 2015

15. Sublease Agreement

Parties to the Sublease Agreement:

E.ON Russia JSC – Sublessor;
E.ON Engineering LLC – Sublessee.

Subject of the Sublease Agreement:

The Sublessor shall provide the Sublessee with one parking space (hereinafter as the "Parking Space") to be temporarily used by the latter, which is indicated on the plan (Appendix No. 1 to the Agreement) and located in the underground parking lot at Bldg B, 10 Presnenskaya Naberezhnaya, Moscow, Russia (hereinafter as the "Building"), while the Sublessee shall compensate for the use of the Parking Space according to the procedure and within the timeframe stipulated by the Agreement.

Market value under the Sublease Agreement:

The sublease payment for the Parking Space is five thousand eight hundred and seventy five 49/100 currency units (5875.49 c. u.) per year for each Parking Space, including 18% VAT. One c.u. (currency unit) equals 1 USD. Payments shall be effected in roubles at the exchange rate of the Central Bank of the Russian Federation as of the date of payment.

Starting from 1 January 2016 and through the entire effective period of the Agreement, parking sublease rates shall be revised by applying the CPI-U index (as defined below) to the rates effective as of the revaluation date. The said revaluation of the sublease rate per Parking Space shall be reflected in the corresponding invoices issued by the Sublessor by means of adjusting the sublease rate payable by the Sublessee in the relevant period. The rates are subject to revaluation in December 2015.

CPI-U stands for the unadjusted Consumer Price Index for All Urban Consumers, US City Average, All Items (1982-84=100 series) as per the monthly bulletin officially published by the Bureau of Labor Statistics of the United States Department of Labor. The revaluation shall be carried out by means of multiplying the parking rate effective as of the date of revaluation by the latest available monthly CPI-U index published as of the revaluation date, and dividing the result by CPI-U for the same month of the year preceding the year of revaluation. Following the revaluation of the parking rate, a value with two decimal digits shall be used. No sudden changes or further CPI-U adjustments shall be taken into consideration after the revaluation has been completed.

The sublease cost of the Parking Space includes all the operating costs (including utility costs) pertaining to the Parking Space.

Duration of the sublease under the Sublease Agreement:

The Parking Space shall be provided to the Sublessee for a period of eleven (11) months starting from 7 October 2015.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 220 dated 30 October 2015

16. Office Sublease Agreement

Parties to the Agreement:

E.ON Russia JSC – Sublessor;
E.ON E&P Russia LLC – Sublessee.

Subject of the Agreement:

The Sublessor shall sublet and the Sublessee shall accept the nonresidential premises marked with a red line on the plan (Appendix No. 1 to the Agreement), with a total floor area of one hundred and eighty 45/100 (180.45) square meters, located in the Building at Bldg B, 10 Presnenskaya Naberezhnaya, Moscow, Russia, to be used as offices (hereinafter the "Premises").

The Sublessee shall have the right to use the Sublessor's conference rooms fitted with media facilities (video and audio equipment, presentation and videoconferencing facilities).

Market value under the Agreement:

The cost of subleasing the Premises is 1,137 US dollars per square metre a year, including 18% VAT, and comprises:

- base rent = 747 US dollars per square metre a year, net of VAT;
- upkeep and servicing of common areas = 160 US dollars per square metre a year, net of VAT;
- maintenance of premises = 10 US dollars per square metre a year, net of VAT;
- cleaning = 10 US dollars per square metre a year, net of VAT;
- public utility services and conference room services = 36 US dollars per square metre a year, net of VAT;

The above payments (Clause 3.1 of the Agreement) include all operating costs (including public utility services, maintenance and upkeep of the building, cleaning and conference room services) pertaining to the Premises.

Unless otherwise provided by the Agreement, payments thereunder shall be made in advance for each quarter (or in proportion to the relevant part of the quarter in case of an incomplete quarter) in Russian roubles at the USD/RUB exchange rate established by the Central Bank of the Russian Federation as of the payment date, by wire transfer within ten (10) banking days following the receipt of the relevant invoice from the Sublessor. The first sublease payment for the Premises shall be made by the Sublessee within ten (10) business days following the signature of the Agreement.

If the rates that make up the sublease payments are increased or decreased by the Owner of the Building (City Center Investment B.V., with whom the Sublessor entered into the Office Lease Agreement dated 17 June 2010 and registered by the Moscow Department of the Federal Service for State Registration, Cadastral Records and Cartography on 1 September 2010 under number 77-77-11/148/2010-489), the above payments under the Sublease Agreement shall also be revised accordingly.

Duration of the Agreement:

The Premises shall be subleased for a period of eleven (11) months starting from 1 January 2016.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 220 dated 30 October 2015

17. Services Agreement

Parties to the Agreement:

E.ON Russia JSC – Contractor;
E.ON Engineering LLC – Customer.

Subject of the Agreement:

The Contractor undertakes to provide the following services:

1.2.1. Methodological support, as well as treasury and risk management services, including:

1.2.1.1. Processing payments against the documents furnished by the Contractor;

1.2.1.2. Providing safety and serviceability of digital signature (DS) keys;

1.2.1.3. Managing the liaisons with credit institutions (banks), including the closing, documenting and execution of financial transactions upon the Customer's request;

1.2.1.4. Submitting documents provided by the Customer to the bank to meet the currency regulations under the Russian laws;

the scope of these services will not exceed 25 man-hours per month.

1.2.2. Bookkeeping and fiscal accounting services, including the following:

1.2.2.1. Keeping all accounting ledgers in Axapta; maintaining tax ledgers according to the documents furnished by the Customer and covering financial and business operations as stipulated by the effective legislation of the Russian Federation;

1.2.2.2. Calculating payrolls, sick and leave payments, and assessing payroll taxes for the Customer's personnel. Maintaining personal files and tax records on the Customer's employees;

1.2.2.3. Staff training in bookkeeping and fiscal accounting of financial and business operations; providing methodological support in preparing interim and end-of-year accounting (financial) statements, quarterly and annual tax returns, reports for extra-budgetary funds and annual statements for public statistics authorities; preparing personal income tax data; personal record keeping; calculation of taxes and other compulsory payments in ERP-Axapta;

1.2.2.4. Verifying the Customer's primary documents for compliance and safekeeping of them;

1.2.2.5. Providing advisory support to accounting processes under applicable laws of the Russian Federation; the scope of these services will not exceed 82.125 man-hours per month (0.5 FTE).

1.2.3. Keeping records of employment, transfer and dismissal of human resources at E.ON Engineering LLC; keeping the Customer's staffing table and organisational chart updated and in line with applicable laws of the Russian Federation; creating and updating requisite documents on HR administration procedures/regulations and other issues related to personnel management;

the scope of these services will not exceed 41.0625 man-hours per month (0.25 FTE).

1.2.4. Providing support in ensuring economic and information security, namely:

1.2.4.1. Verification of counterparties;

1.2.4.2. Verification of job applicants;

1.2.4.3. Providing methodological support in building non-disclosure and personal data protection;

the scope of these services will not exceed 25 man-hours per month;

and provide other services within the scope and timeframe (similarly to the services listed above) established in the Customer's assignments approved by the Contractor.

Market value of services under the Agreement:

The cost of the services rendered under the Agreement is three hundred twenty thousand two hundred and eighty nine (320,289) roubles, including VAT of forty eight thousand eight hundred and fifty eight (48,858) roubles per month.

Service period:

The Contractor shall provide the services on a continuous and regular basis (subscription services) starting from the effective date of the Agreement through 31 December 2015, or, if the Agreement is renewed, to the expiry date thereof.

Duration of the Agreement:

The Agreement shall take effect upon signature and shall remain valid until 31 December 2015. The Agreement shall be deemed extended for another period of one (1) year on the same terms and conditions, unless either of the Parties notifies the other of its intention to terminate the Agreement in writing no later than 10 days prior to such termination.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 222 dated 27 November 2015

18. Office Sublease Agreement

Parties to the Agreement:

E.ON Russia JSC – Sublessor;

E.ON Engineering LLC – Sublessee.

Subject of the Agreement:

The Sublessor shall sublet and the Sublessee shall accept the nonresidential premises marked with a red line on the plan (Appendix No. 1 to the Agreement), with a total floor area of four hundred and thirteen 95/100 (413.95) square meters, located in the Building at Bldg B, 10 Presnenskaya Naberezhnaya, Moscow, Russia, to be used as offices (hereinafter the "Premises").

The Sublessee shall have the right to use the Sublessor's conference rooms fitted with media facilities (video and audio equipment, presentation and videoconferencing facilities).

Market value under the Agreement:

The cost of subleasing the Premises is 1,137 US dollars per square metre a year, including 18% VAT, and comprises:

- base rent = 747 US dollars per square metre a year, net of VAT;

- upkeep and servicing of common areas = 160 US dollars per square metre a year, net of VAT;

- maintenance of premises = 10 US dollars per square metre a year, net of VAT;

- cleaning = 10 US dollars per square metre a year, net of VAT;

- public utility services and conference room services = 36 US dollars per square metre a year, net of VAT;

The above payments (Clause 3.1 of the Agreement) include all operating costs (including public utility services, maintenance and upkeep of the building, cleaning and conference room services) pertaining to the Premises.

Unless otherwise provided by the Agreement, payments thereunder shall be made in advance for each quarter (or in proportion to the relevant part of the quarter in case of an incomplete quarter) in Russian roubles at the USD/RUB exchange rate established by the Central Bank of the Russian Federation as of the payment date, by wire transfer within ten (10) banking days following the receipt of the relevant invoice from the Sublessor. The first sublease payment for the Premises shall be made by the Sublessee within ten (10) business days following the signature of the Agreement.

If the rates that make up the sublease payments are increased or decreased by the Owner of the Building (City Center Investment B.V., with whom the Sublessor entered into the Office Lease Agreement dated 17 June 2010 and registered by the Moscow Department of the Federal Service for State Registration, Cadastral Records and Cartography on 1 September 2010 under number 77-77-11/148/2010-489), the above payments under the Sublease Agreement shall also be revised accordingly.

Duration of the Agreement:

The Premises shall be subleased for a period of eleven (11) months starting from 1 January 2016.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 222 dated 27 November 2015

19. Services Agreement for the management of contracts made for the purpose of constructing Power Unit 3 of Berezovskaya GRES Branch of E.ON Russia JSC and for the management of correction work at Power Unit 3 of Berezovskaya GRES Branch of E.ON Russia JSC.

Parties to the Agreement:

E.ON Russia JSC – Customer;

E.ON Engineering LLC – Contractor.

Subject of the Agreement:

Contractor's services.

The Contractor shall provide services which include the management of correction work at Power Unit 3 and the management of Power Unit 3 Contracts to facilitate termination of the relations between the parties to these Contracts, as well as the settlement of disputes with the parties to Power Unit 3 Contracts and all other contracts made by the Customer in the construction of Power Unit 3. These services include:

Activities aimed to ensure proper fulfilment by the contractors of their obligations under the Contracts for Rectification of Defects by monitoring the scope and quality of the Work, documents being developed/prepared, the schedule of the Work, and acceptance of the completed Work on behalf of the Customer by virtue of PoAs issued by the Customer;

Activities aimed to ensure proper fulfilment by the Customer of its obligations under the Contracts for Rectification of Defects by organising appropriate and well-timed acceptance of the completed Work, managing the budgeting and cost planning processes in compliance with the Customer's Standards, planning and submitting payment requests in favour of the contractors in compliance with the Customer's Standards, and proper fulfilment of other obligations of the Customer pertaining to the Correction Work, including the actions taken by virtue of PoAs issued by the Customer;

Preparation and presentation to the Customer of all required documentation pertaining to the Correction Work in compliance with the Customer's Standards and Technical Regulations and the Applicable Law (including but not limited to As-Built Documentation, source accounting documents and other documents required for correct accounting, tax book-keeping and statistical reporting in the course of the Correction Work, original copies of the Contracts for Rectification of Defects signed by the Project Manager on behalf of the Customer and/or kept by the Project Manager, original copies of Official Permits and Authorisations, original copies of letters of claim kept by the Project Manager, responses to them, statements of claim and other court documents and responses to them, as well as court judgements and writs of execution pertaining to the Correction Work, etc.);

Where necessary, application of procurement procedures for the selection of contractors to perform the Correction Work in compliance with the Customer's Standards, as well as preparation, coordination with the contractors and, where the Customer's Standards provide so, coordination and execution of the Contracts for Rectification of Defects on behalf of the Customer by virtue of PoAs;

Protection of the Customer's rights and interests in its relations with the parties to Power Unit 3 Contracts, third parties or Authorities by representing the Customer in the relations with the aforementioned parties, including the arrangement and holding of discussions, negotiations, meetings, sessions, management of claims, representation of the Customer in courts by virtue of PoAs, etc.;

Reconciliation of the parties' performance against Power Unit 3 Contracts;

Preparation, coordination with the contractors and, where provided so by the Customer's Standards, coordination and execution of supplements and amendments or agreements to terminate Power Unit 3 Contracts on behalf of the Customer by virtue of PoAs, if such transactions are necessary for well-timed and complete correction work and/or appropriate termination of relations with the contractors under Power Unit 3 Contracts. The Contractor shall perform these actions in compliance with the Customer's Standards;

Preparation and execution of documents that serve as the basis for the final settlement of accounts between the Customer and its contractors under Power Unit 3 Contracts, signing of acceptance certificates, statements, consignment notes, statements of performance, reconciliation reports and other source documents as required for

the final settlement of accounts between the Customer and its contractors under Power Unit 3 Contracts pursuant to PoAs, and proper termination of relations with the contractors under Power Unit 3 Contracts;

Creation and compilation of final packages of documents on the performance of Power Unit 3 Contracts to be transferred to the Customer's archive for safekeeping;

Raising of claims, demands and penalties in the name of the Customer's contractors under Power Unit 3 Contracts and other contracts made by the Customer in the construction of Power Unit 3, as stipulated in the effective contracts, in the event that the contractors fail to fulfil their obligations thereunder in a proper manner, settlement of disputes with the contractors under Power Unit 3 Contracts and other contracts made by the Customer in the construction of Power Unit 3, including disputes concerning claims and demands raised by the Customer's contractors under the abovementioned contracts, representation and defence of the Customer in courts in the settlement of disputes arising from the abovementioned contracts, by virtue of PoAs.

Market value of services under the Agreement (Value of the Agreement):

The Value of the Agreement includes the Contractor's Fee for the Services set out in the Agreement in the amount of four million six hundred and forty nine thousand five hundred and ninety five 34/100 (4,649,595.34) roubles plus VAT 18% in the amount of eight hundred and thirty six thousand nine hundred and twenty seven 16/100 (836,927.16) roubles to a total of five million four hundred and eighty six thousand five hundred and twenty two 50/100 (5,486,522.50) roubles for each calendar month. A calendar month shall mean a period from the first day of any month of the year through the last day of the same month. In the event that the services hereunder are provided for an incomplete calendar month, the value of the services for this month shall be proportionate to the number of days of the said calendar month.

The ceiling of this Agreement shall be 49,378,702.47 roubles, including VAT 7,532,344.45 roubles.

Service period under the Agreement:

The service period under the Agreement shall be nine (9) months following the effective date hereof.

In the event of the failure to eliminate the Defects on Power Unit 3 and/or terminate the relations of the parties under Power Unit 3 Contracts in a proper manner and/or settle any disputes with the contractors under Power Unit 3 Contracts or other contracts made in the construction of Power Unit 3 by the specified date, the Parties may agree to extend the service period for the Project Manager according to Cl. 3 of this Article, and negotiate the scope, value and other conditions of the services during the new period.

In the Contractor succeeds to eliminate all Defects on Power Unit 3, terminate the relations of the parties under Power Unit 3 Contracts in a proper manner and settle all disputes with the contractors under Power Unit 3 Contracts or other contracts made in the construction of Power Unit 3 and assigned by the Customer to the Contractor before the expiry date, the Parties shall complete a statement of early performance and the services shall be terminated upon signature thereof.

Term of the Agreement:

The Agreement shall come into effect when executed by authorised signatories of the Parties. The Agreement shall continue in force until the Parties fulfil their respective obligations in full.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 223 dated 17 December 2015

20. Contract for Engineering and Project Management Services for Construction of the Fuel Receiving Station in Berezovskaya GRES Branch of E.ON Russia JSC.

Parties to the Contract:

E.ON Russia JSC – Customer;

E.ON Engineering LLC – Project Manager.

Subject of the Contract:

Services provided by the Project Manager

The Project Manager shall provide Services to support the construction and start-up of the Facility as stipulated in the Contract. In doing so, the Project Manager shall serve and protect the interests of the Customer at the stage of construction and shall:

Ensure that the Facility is compliant with all Technical Specifications by supervising the design, engineering, organisational, financial arrangements or solutions offered by the Contractors;

Ensure that the Facility has been constructed and put into operation by the Project Completion Date as specified in Clause 1, Article 31 of the Contract, and make all necessary arrangements for the acceptance of the completed Facility;

Ensure that all financial targets of the Project are respected without overrunning the construction cost and the marginal cost of the Project as provided for in Clause 2, Article 32 of the Contract;

Conduct competitive bidding procedures and select Contractors to carry out the construction activities according to the Contract and the Customer's Standards;

Draft, prepare, coordinate with the Contractors, and, where it is required by the relevant Customer's Standards, coordinate and enter into Contractor Agreements on behalf of the Customer under a Power of Attorney. The Project Manager shall perform all the above in compliance with the Customer's Standards and using the standard forms and terms of agreements developed by the Customer to the greatest extent possible;

Ensure that the Contractors fulfil their respective obligations to the Customer in an appropriate manner by inspecting the scope and quality of the work, the documents drafted/developed, the Materials and Equipment supplied, including equipment manufacturing quality control, accepting the Work completed, services rendered, Materials and/or Equipment supplied by the Contractors, under a Power of Attorney;

Ensure that the Contractors fulfil their respective obligations to the Customer in a timely manner by monitoring the deadlines and schedules of jobs, document drafting/preparation activities, and supplies of Materials and Equipment;

Ensure proper fulfilment by the Customer of its obligations under agreements with the Contractors by organising appropriate and well-timed acceptance of the completed Work, managing the budgeting and project cost planning processes in compliance with the Customer's Standards, planning and submitting payment requests in favour of the Contractors in compliance with the Customer's Standards, and ensure proper fulfilment of other obligations of the Customer under the Contractor Agreements by virtue of PoAs issued by the Customer;

Protect the Customer's rights and interests in its relations with the Contractors, third parties or Authorities by representing the Customer in the relations with the aforementioned parties, including the arrangement and holding of discussions, negotiations, meetings, sessions, management of claims, representation of the Customer in courts by virtue of PoAs, etc.;

Liaise with all competent Authorities on matters pertaining to the construction and start-up of the Facility, including the statutory monitoring and supervisory procedures initiated by the above-mentioned Authorities, and obtain all Official Permits and Authorisations required for the implementation of the Project;

Prepare and submit to the Customer all required documentation pertaining to the Project in compliance with the Customer's Standards, Technical Regulations and the Applicable Law, both during and after the implementation period (including but not limited to Project Management Reports, As-Built and Operating Documentation, source accounting documents and other documents required for correct book-keeping, tax accounting and statistical reporting in the course of the construction of the Facility, original copies of the Contractor Agreements entered into by the Project Manager on behalf of the Customer and/or kept by the Project Manager, original copies of Official Permits and Authorisations, original copies of letters of claim kept by the Project Manager, responses to them, statements of claim and other court documents and responses to them, as well as court judgements and writs of execution pertaining to the construction of the Facility, etc.);

Ensure reliability and safety of the Facility at the stage of its further operation.

Project implementation period:

1. As of the date of signature, the Parties established the Target Project Completion Date in respect of the Facility to be January 2017.

2. The Actual Project Completion Date shall be the date when a permit has been obtained for the commissioning of the Facility.

3. The Project Manager shall arrange and fulfil its obligations under the Contract so as to ensure that the Project Completion Date is met.

Marginal cost of the Project:

1. The Project Manager shall arrange and fulfil its obligations under the Contract so as not to exceed the Marginal Cost of the Project.

2. The Marginal Cost of the Project is established by the project budget, which is approved by the Customer according to the applicable procedure and totals: RUR 3,067,789,912 excl. VAT. In case the budget is amended by the Customer, the Parties shall review the changes made and may adjust the Marginal Cost of the Project specified herein by virtue of an additional agreement to the Contract.

Market value of the services under the Contract (Value of the Contract and Additional Project Management Fee):

The Value of the Contract equals the Project Management Fee payable for the Services rendered in the period from 1 January 2016 through the Target Project Completion Date, as defined in Clause 1, Article 31 of the Contract, and amounts to one hundred and eighty one million nine hundred and forty three thousand one hundred and fifty 78/100 (181,943,150.78) roubles, excluding 18% VAT in the amount of thirty two million seven hundred and forty nine seven hundred and sixty seven 14/100 (32,749,767.14) roubles, which makes a total of two hundred and fourteen million six hundred and ninety two thousand nine hundred and seventeen 92/100 (214,692,917.92) roubles. The month-wise distribution of the total amount of the Project Management Fee is given in Appendix No. 4 to the Contract. In the event that the provision of services ends before the Target Project Completion Date, the Project Management Fee shall be paid on a pro-rata basis for the actual period of services as defined in Appendix No. 4 to the Contract.

Additional Project Management Fee:

If the Project Manager has the permit to operate the Facility obtained earlier than the Target Project Completion Date agreed between the Parties in Clause 1, Article 31 of the Contract, and if the project implementation and start-up costs make a smaller amount than the Marginal Cost of the Project as per Clause 2, Article 32 of the Contract, the Project Manager shall be entitled to Additional Project Management Fee payable in the following amount, time and procedure:

1. If the Actual Project Completion Date is no later than 31 January 2017 provided that the Marginal Cost of the Project defined in Clause 2, Article 32 of the Contract is not exceeded considering the Additional Project Management Fee, the Project Manager shall be entitled to Additional Project Management Fee at the rate of one per cent (1%) of the amount specified in Clause 2, Article 32 of the Contract (Marginal Cost of the Project). Given that, if by the Actual Project Completion Date the difference between the Marginal Cost of the Project defined in

Clause 2, Article 32 of the Contract and the actual cost of the Project (including the Additional Project Management Fee) is less than one per cent (1%), the amount of Additional Project Management Fee will equal this difference.

2. If the Actual Project Completion Date is no later than 31 October 2016 provided that the Marginal Cost of the Project defined in Clause 2, Article 32 of the Contract is not exceeded considering the Additional Project Management Fee, the Project Manager shall be entitled to Additional Project Management Fee at the rate of two per cent (2%) of the amount specified in Clause 2, Article 32 of the Contract (Marginal Cost of the Project). Given that, if by the Actual Project Completion Date the difference between the Marginal Cost of the Project defined in Clause 2, Article 32 of the Contract and the actual cost of the Project (including the Additional Project Management Fee) is less than two per cent (2%), the amount of Additional Project Management Fee will equal this difference.

3. If the Actual Project Completion Date is between 31 October 2016 and 31 January 2017 provided that the Marginal Cost of the Project defined in Clause 2, Article 32 of the Contract is not exceeded considering the Additional Project Management Fee, the Project Manager shall be entitled to Additional Project Management Fee in the amount calculated by the following formula:

$$K = 1 + \frac{T_6 - T_\phi}{T_6 - T_a}$$

where

K – percentage value used to calculate the Additional Project Management Fee relative to the project budget;

T₆ – 31 January 2017;

T_a – 31 October 2016;

T_φ – Actual Project Completion Date.

Therefore, the Project Manager shall be entitled to Additional Project Management Fee at K% of the amount specified in Clause 2, Article 32 of the Contract.

Given that, if by the Actual Project Completion Date the difference between the Marginal Cost of the Project defined in Clause 2, Article 32 of the Contract and the actual cost of the Project (including the Additional Project Management Fee) is less than the amount of Additional Project Management Fee calculated hereunder, the size of Additional Project Management Fee shall equal this difference.

4. Additional Project Management Fee shall be paid within thirty (30) days following the receipt of the invoice issued by the Project Manager and the calculation sheet agreed upon between the Parties.

The ceiling of this Contract shall be 287,092,759.84 roubles, including VAT 43,793,810.82 roubles.

Service period under the Contract:

The services under the Contract shall be rendered by the Project Manager to the Customer from 1 January 2016 until the Actual Project Completion Date as defined in Clause 2, Article 31 of the Contract (start-up date of the Facility), but in any case no later than the Target Project Completion Date as specified in Clause 1, Article 31 of the Contract. If the Actual Project Completion Date fails to occur by the Target Project Completion Date, the Parties shall be entitled to agree on extension of the period of services provided by the Project Manager under Clause 1 hereof, including the scope, cost and other terms of service provision applicable to the extension period. Moreover, if after the occurrence of the Actual Project Completion Date the Customer still requires some of the services rendered by the Project Manager under Clause 1 hereunder within a definite period of time, the Parties shall additionally agree on the terms and conditions of rendering such services.

Term of the Contract:

The Contract shall come into effect when executed by authorised signatories of the Parties. The Contract shall continue in force until the Parties fulfil their respective obligations in full.

Parties in interest: E.ON Russia Holding GmbH.

The transaction has been approved by E.ON Russia Board of Directors, Minutes No. 223 dated 17 December 2015

Information about major transactions closed by the Company in the year 2015.

None.

Annex 3

REPORT on compliance with the principles and recommendations of the Code of Corporate Governance

This report on compliance with the principles and recommendations of the Code of Corporate Governance was reviewed by E.ON Russia Board of Directors at its meeting on 21 April 2016 (Minutes No. 229 dated 21 April 2016) as part of the pre-approval procedure for the Company's Annual Report 2015.

The Board of Directors hereby certifies that the data contained in this report represent complete and reliable information on the Company's compliance with the principles and recommendations of the Code of Corporate Governance for the year 2015.

E.ON Russia Board of Directors states that as of the end of the reporting year the Company has failed to respect in full the corporate governance principles set out in the Code of Corporate Governance. For more details refer to the table below.

E.ON Russia intends to continue its work on the improvement of the corporate governance system in 2016 to meet the recommendations of the Code to the greatest extent possible.

Summary of the most significant aspects of the corporate governance model and practice

Share Capital Structure

As of 31 December 2015, the total number of persons recorded in the shareholder register of E.ON Russia was 301,741, including:

- Individuals: 300,487.
- Total nominal holders of the issuer's shares: 17.
- Federal authorities: 3.
- Authorities of RF constituent entities: 4.

Information about the issuer's shareholders with equity stakes of no less than 5 percent of its authorised capital or no less than 5 percent of its ordinary shares:

Full business name: *E.ON Russia Holding GmbH*.
Location: *E.ON-Platz 1, 40479 Düsseldorf, Germany*.
Stake in the authorised capital of the issuer: *83.73 %*.
Stake in total ordinary shares of the issuer: *83.73 %*.

Structure of the Governing Bodies

According to the issuer's Charter (Clause 9.1., Article 9), the governing bodies include:

- General Shareholders' Meeting²²;
- Board of Directors²³;
- Management Board²⁴;
- Chief Executive Officer²⁵.

The General Shareholders' Meeting is the supreme governing body of the Company.

The Board of Directors is responsible for the general management of the Company, except for affairs referred to the competence of the General Shareholder's Meeting according to the Federal Law "On Joint Stock Companies" and the Charter.

If a matter falls within the competence of the Board of Directors, the Management Board and the Chief Executive Officer shall not be authorised to take any action without prior approval by the Board of Directors. In certain cases, the Board of Directors is entitled to resolve on further approval of a transaction or any other matter that falls within the competence of the Board of Directors.

Affairs referred to the competence of the Board of Directors cannot be delegated for resolution to either the Chief Executive Officer or the Management Board. The Company's Board of Directors includes 3 independent directors²⁶.

²² *The scope of competence of the General Shareholders' Meeting is outlined in Clause 10.2., Article 10 of the Company's Charter.*

²³ *The scope of competence of the Board of Directors is outlined in Clause 12.1., Article 12 of the Company's Charter.*

²⁴ *The scope of competence of the Management Board is outlined in Clause 18.2., Article 18 of the Company's Charter.*

²⁵ *The scope of competence of the Chief Executive Officer is outlined in Clause 19.2.-19.3., Article 19 of the Company's Charter.*

²⁶ *For more details about independent members of the Board of Directors see Section 6.3. of this Annual Report.*

Pursuant to the resolution of the Board of Directors, the Company's Board of Directors has formed several committees²⁷. The Committees of the Board of Directors are set up to work on the matters that fall within the competence of the Board of Directors or are investigated by the Board of Directors in order to monitor the performance of the Company's executive bodies and/or develop recommendations to the Board of Directors and executive bodies of the Company.

The governance of the Company's day-to-day activities is placed on the Chief Executive Officer as the Company's sole executive body and on the Management Board as a collective executive body.

The Chief Executive Officer and the Management Board report to the General Shareholders' Meeting and the Board of Directors.

If a matter falls within the competence of the Management Board, the Chief Executive Officer shall not be authorised to take any action without prior approval by the Management Board. In certain cases, the Management Board is entitled to resolve on further approval of a transaction or any other matter that falls within the competence of the Management Board.

The Chief Executive Officer is responsible for governing the Company's day-to-day business operations in accordance with the resolutions of the General Shareholders' Meeting, the Board of Directors and the Management Board, made within the scope of their respective competence.

Approval of "Special" Transactions

1. Major Transactions

Resolutions on approval of major transactions in the cases stipulated by Chapter X of the Federal Law "On Joint Stock Companies" (involving property with the value exceeding fifty (50) per cent of the book value of the Company's assets) shall be passed at 3/4 of votes of the Company's shareholders entitled to vote and present at the General Shareholders' Meeting. The question of approving a major transaction shall only be submitted for resolution at the General Shareholders' Meeting by proposal of the Company's Board of Directors.

Resolutions of the Company's Board Directors on approval of major transactions in the cases provided for by Chapter X of the Federal Law "On Joint Stock Companies" shall be passed unanimously by all elected members of the Board of Directors, not including the votes of withdrawn members of the Board of Directors.

2. Interested Party Transactions

Resolutions on approval of interested party transactions shall be passed in accordance with the procedure established in Article 83, Chapter XI of the Federal Law "On Joint Stock Companies".

3. Stock Transactions

Resolutions of the General Shareholders' Meeting shall be passed by the majority of 3/4 (three fourths) of votes of the Company's shareholders entitled to vote and present at the General Shareholders' Meeting, for the following stock transactions:

- private placement of shares (the Company's securities convertible into shares) pursuant to a resolution of the General Shareholders' Meeting on increasing the Company's authorised capital through additional stock offering (on placing the Company's securities convertible into shares);
- public offering of ordinary shares which make more than twenty five (25) per cent of the previously placed ordinary shares;
- public offering of issued securities convertible into ordinary shares which make more than twenty five (25) per cent of the previously placed ordinary shares.

Resolutions of the Board of Directors on the following matters shall be passed unanimously by all elected members of the Board of Directors, not including the votes of withdrawn members of the Board of Directors:

- resolutions on the increase of the Company's authorised capital through additional stock offering (Subclause 6, Clause 12.1, Article 12 of the Charter);
- resolutions on the placement of the Company's convertible bonds and other securities convertible into shares (Subclause 7, Clause 12.1, Article 12 of the Charter).

Resolutions on the following matters shall be passed by a majority vote of the members of the Board of Directors, through either voting in person or absentee voting:

²⁷ For more details about the scope of competence and composition of the BoD Committees see Section 6.3. of this Annual Report.

- placement of bonds and other securities of the Company, except as otherwise established by the Federal Law "On Joint Stock Companies" and the Charter;
- approval of documents pertaining to the issuance of shares and other securities, share buybacks and redemptions, when approval of such documents by the Board of Directors is provided for by the Federal Law "On Joint Stock Companies" or other regulations of the Russian Federation;
- determination of the price (valuation) of property, the offer price and the repurchase price of the issued securities in the cases stipulated by the Federal Law "On Joint Stock Companies";
- approval of an independent appraiser (appraisers) to assess the value of the Company's shares, property and other assets in the cases provided for by the Federal Law "On Joint-Stock Companies" and the Charter.

Distribution of Affairs under Alternative Competences

In accordance with the Company's Charter, the following matters are referred to the competence of the General Shareholders' Meeting:

- resolution on filing an application for the delisting of the Company's shares and (or) the Company's issued securities convertible into shares;
- private placement of shares (the Company's securities convertible into shares) pursuant to a resolution of the General Shareholders' Meeting on increasing the Company's authorised capital through additional stock offering (on placing the Company's securities convertible into shares);
- public offering of ordinary shares which make more than twenty five (25) per cent of the previously placed ordinary shares;
- public offering of securities convertible into ordinary shares which make more than twenty five (25) per cent of the previously placed ordinary shares.
- passing resolutions on delegating the powers of the sole executive body to the managing company (manager), and early termination of powers of such managing company (manager);
- approval of internal documents governing the activity of the Company's governing and supervisory bodies.

In accordance with the Company's Charter, the following matters are referred to the competence of the Board of Directors:

- resolution on filing an application for the listing of the Company's shares and (or) the Company's securities convertible into shares;
- increase of the Company's authorised capital through additional stock offering, except when a resolution on additional stock offering is referred to the exclusive competence of the General Shareholders' Meeting in accordance with the requirements of the Federal Law "On Joint Stock Companies";
- election of the Chief Executive Officer and early termination of his/her powers, including definition of the terms and conditions of an employment agreement with the Chief Executive Officer and early termination thereof;
- resolution on the number of members of the Management Board, election of the Management Board members, early termination of their powers, including definition of the terms and conditions of employment agreements with them and resolution on early termination of such employment agreements;
- suspension of the powers of the managing company (manager), when the powers of the Chief Executive Officer have been delegated to the managing company (manager), and appointment of a temporary sole executive body;
- establishment of the committees of the Board of Directors, approval of regulations on the committees of the Board of Directors;
- approval of the Company's internal documents (except for those subject to approval by the General Shareholders' Meeting as well as other internal documents subject to approval by the Company's executive bodies), including financial policy, empowerment policy, procurement regulations and internal audit department regulations;
- resolution on the Company's participation in other companies (entities), including establishment of Subsidiaries, purchase of shares (equity interests), changes to the equity interest, encumbrance on shares (equity interests), and termination of participation in such entities.

In accordance with the Company's Charter, the following matters are referred to the competence of the Management Board:

- approval of the Company's internal documents that outline the core principles of the Company's business operations, including internal documents that govern the introduction of social benefits and guarantees for the Company's employees in excess of the ones set forth in the collective contracts and agreements;
- approval of the regulations that govern the activities of the Company's branches and representative offices.

Structure of the Supervisory Bodies

According to the Charter and other internal regulations, the following bodies are responsible for supervising the Company's financial and economic activities:

- **Audit Commission**

In accordance with Clause 20.1, Article 20 of the Company's Charter, the General Shareholders' Meeting shall elect members of the Audit Commission to supervise the financial and economic activities of the Company.

The scope of competence of the Audit Commission covers matters listed in Clause 20.3, Article 20 of the Charter. The Audit Commission serves the interests of the shareholders, and reports to the Company's General Shareholders' Meeting.

In its operations, the Audit Commission shall be independent from executive officers of the Company's governing bodies.

In its activity the Audit Commission shall be governed by the Federal Law "On Joint Stock Companies" and other effective laws of the Russian Federation, the Charter, and this Regulation.

- **Auditor**

In accordance with Clause 20.7, Article 20 of the Company's Charter, on an annual basis the General Shareholders' Meeting shall appoint the Auditor for the purpose of auditing and certifying the Company's end-of-year financial statements.

The Auditor shall review the financial and economic activities of the Company as required by the effective legislation of the Russian Federation and the agreement between the Company and the Auditor.

- **Internal Audit**

In accordance with Clause 20.11, Article 20 of the Charter, the Company shall set up an internal audit unit for the purpose of internal control over the Company's financial and economic activities.

Internal Audit Department is a dedicated function of the Company which is in charge of control over financial and economic activities and whose activity is governed by of the Regulation on Internal Audit Department of E.ON Russia JSC approved by the Company's Board of Directors.

Internal Audit Department is established, reorganised and liquidated by resolution of the Company's Board of Directors.

To ensure independence and objectivity of internal audit, Internal Audit Department reports to the Company's Board of Directors.

- **Audit Committee of the Board of Directors**

The Audit Committee was established on 30 November 2006 by resolution of the Board of Directors of OGK-4 OJSC under the Charter of E.ON Russia JSC and the Regulation on the Audit Committee of the Board of Directors of E.ON Russia JSC (as amended on 31 July 2014).

The Committee is an advisory and consultative body of the Board of Directors that ensures actual participation of the Board of Directors in control over financial and economic activities of the Company, as well as provision of unbiased information to the Board of Directors on the quality of internal audit and analysis of the Company's financial statements.

Description of the methodology used by the joint-stock company in the assessment of compliance with the corporate governance principles documented in the Code of Corporate Governance

The methodology used by E.ON Russia JSC in the assessment of compliance with the corporate governance principles documented in the Code of Corporate Governance (as approved by the Bank of Russia Board of Directors on 21 March 2014) was based on the Guidelines for Reporting on Compliance with the Principles and Recommendations of the Code of Corporate Governance (Bank of Russia Letter No. IN-06-52/8 dated 17 February 2016).

The assessment results are provided in the table below.

No.	Corporate Governance Principles	Compliance Criteria	Compliance Status	Comments on Deviations from Compliance Criteria
1	2	3	4	5
1.1	The Company must ensure equal and fair treatment of all shareholders as they exercise their right to contribute to corporate governance			
1.1.1	The company creates a most favourable environment for shareholders to participate in the General Shareholders' Meetings, conditions for the framing a reasoned position on the meeting agenda, coordination of their actions, and the possibility to express their opinion on the issues concerned.	<p>1. The internal document of the company that has been approved by the General Shareholders' Meeting and governs the meeting procedure is publicly available.</p> <p>2. The company offers immediately available means of communication, including a hotline, email and an online forum, which can be used by the shareholders to express their opinion and ask questions on the agenda in their preparation to a General Shareholders' Meeting. These actions were taken before each General Shareholders' Meeting held in the reference period.</p>	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
1.1.2	The procedure involving notification of an upcoming General Shareholders' Meeting and distribution of meeting materials allows the shareholders to prepare for it appropriately.	<p>1. Notice for an upcoming General Shareholders' Meeting is given (published) on the corporate website at least 30 days prior to the meeting date.</p> <p>2. The meeting notice specifies the venue and the documents required to access the venue.</p> <p>3. The shareholders were provided access to the information on who proposed the agenda items and who nominated the candidates to the company's Board of Directors and Audit Commission.</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>1. Only notices for upcoming Annual General Shareholders' Meetings are given (published) on the corporate website at least 30 days prior to the meeting date. In accordance with Clause 1, Article 52 of Federal Law No. 208-FZ "On Joint Stock Companies" dated 26 December 1995 (hereinafter as the Law on JSC), notice for an upcoming General Shareholder's Meeting shall be given at least 20 days prior to the meeting date. The Charter of E.ON Russia JSC extends the minimum notice period for a General Shareholder's Meeting to 30 days in respect of the Annual General Shareholders' Meeting only to ensure the right balance of interests between the Company and its shareholders. Since Clause 1, Article 47 of the Law on JSC obliges joint stock</p>

			<p>companies to hold Annual General Shareholders' Meetings every year, such meetings are planned well in advance and are of no extraordinary nature, therefore extension of the notice period for an upcoming Annual General Shareholders' Meeting will not significantly increase the total period of time required to call and conduct a meeting. The extension of this notice period in respect of an extraordinary General Shareholders' Meeting may significantly increase the total time required to call and conduct it, which may negatively affect the Company's activity in situations when the holding of an extraordinary General Shareholders' Meeting results from the need for a prompt resolution to be made by the shareholders on the Company's affairs.</p> <p>2. The Company did not specify the documents required to access the venue in their meeting notices. The Board of Directors proceeded from the premise that Clause 6.1.3. of the Regulation for the General Shareholders' Meeting of E.ON Russia JSC lists the documents required for registration of attendees of the General Shareholders' Meeting. The Regulation for the General Shareholders' Meeting of E.ON Russia JSC is available on the Company's website in the <i>About Company/Documents</i> section. In 2016, the notice of an upcoming E.ON Russia Annual General Shareholders' Meeting will include the documents required for registration of attendees.</p> <p>3. The shareholders were not provided access to the information on who proposed the agenda items and who nominated the candidates to the Company's Board of Directors and Audit</p>
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				<p>Commission.</p> <p>The structure of the Company's share capital presented in Clause 7.1. of the Annual Report, suggests that the stake of the principal shareholder (E.ON Russia Holding GmbH) accounts for 83.73 % of the Company's voting stock. Another 14.56 % of the stock belongs National Settlement Depository, which is a nominee shareholder. Within the timeframe established by the effective laws and the Company's Charter, E.ON Russia does not receive any proposals on agenda items or candidates for election to the Board of Directors and the Audit Commission of the Company, from attendees other than E.ON Russia Holding GmbH.</p> <p>In case the Company receives alternative proposals, the shareholders will be informed of the parties initiating such agenda items and nominating candidates to the Board of Directors and the Audit Commission of the Company.</p>
1.1.3	<p>At the stages of both preparation and holding of the meeting, the shareholders were able to get the meeting information and materials in a free and timely manner, address their questions to the members of the executive bodies and the Board of Directors, and communicate.</p>	<p>1. In the reference period, the shareholders were given opportunity to address their questions to the members of the executive bodies and the Board of Directors beforehand and during the Annual General Shareholders' Meeting.</p> <p>2. The stance of the Board of Directors (including dissenting opinions recorded in the minutes) on each of the agenda items covered during the reference period has been reflected in the materials for the General Shareholders' Meeting.</p> <p>3. The Company provided authorised shareholders with access to the list of people who have the right to attend the General Shareholders' Meeting. Such assess was given from the date when the list became available to the Company in all cases when the General Shareholder's Meeting was held in the reference period.</p>	<p><input checked="" type="checkbox"/> compliant</p> <p><input type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	

1.1.4	The exercise of a shareholder's right to demand the convening of an extraordinary General Shareholders' Meeting, nominate candidates to the governing bodies and propose agenda items, was not fraught with any needless complexities.	1. In the reference period, the shareholders were free to propose any agenda items for the Annual General Shareholders' Meeting within a minimum of 60 days following the ending of the relevant calendar year. 2. In the reference period, the company did not refuse to accept proposals on agenda items or nominees to the Company's governing bodies due to typing errors and other insignificant faults found in a shareholder's proposal.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
1.1.5	Every shareholder was able to exercise their voting rights in a way that is easy and convenient to them.	1. The internal regulations (internal policy) of the Company include provisions whereunder each attendee of the General Shareholders' Meeting has the right to request a copy of their ballot papers certified by the Scrutiny Committee before the end of the relevant meeting.	<input type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input checked="" type="checkbox"/> non-compliant	The Regulation for the General Meeting of Shareholders of E.ON Russia JSC does not provide this opportunity. In its practice regarding the holding of General Shareholders' Meetings, the Company has never had to deal with a situation when there was a need for the Registrar acting as a Scrutiny Committee to certify the ballot papers completed by the shareholders immediately before the end of a General Shareholders' Meeting. Despite the fact that this provision is not formalised in the Company's internal regulations, in 2016 E.ON Russia JSC will make all necessary arrangements so that the shareholders are able to obtain a copy of their ballot paper certified by the Scrutiny Committee before the end of the relevant meeting. In the future, the Regulation for the General Shareholders' Meeting of E.ON Russia JSC will be revised as part of the process for updating the Company's internal regulations.
1.1.6	The procedure of holding the General Shareholders' Meeting established by the Company ensures equal	1. The physical meetings of the shareholders held in the reference period included a sufficient amount of time for reports on the agenda items and a certain	<input type="checkbox"/> compliant	2. All nominees to the governing and supervising bodies of the Company were unavailable to answer the shareholders' questions during the meeting where they

	<p>rights for all attendees to express their opinions and ask their questions.</p>	<p>amount of time to discuss them.</p> <p>2. Nominees to the governing and supervising bodies of the Company were available to answer the shareholders' questions during the meeting where they were put to vote.</p> <p>3. When resolving on the matters regarding the preparation and holding of the General Shareholders' Meetings, the Board of Directors considered the idea of using telecommunication facilities to enable remote participation of the shareholders in the General Shareholders' Meetings in the reference period.</p>	<p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>were put to vote. At AGSM 2015, 5 of 9 candidates nominated to the Company's Board of Directors were present. The rest of the nominees to the Company's Board of Directors and Audit Commission were not able to attend AGSM for business or personal reasons. In 2016 the Company will make every effort to make as many nominees to the governing and supervising bodies of the Company as possible available to answer the shareholders' questions during the meeting where they are put to vote.</p> <p>3. When resolving on the matters regarding the preparation and holding of the Annual General Shareholders' Meetings based on the year 2014 results, the Board of Directors did not consider the idea of using telecommunication facilities to enable remote participation of the shareholders in AGSM. As of the date of the resolution by the Board of Directors on the matters regarding the preparation and holding of AGSM, the number of shareholders exceeds 300,000. According to the Company's Registrar, the share of shareholders who specified their email addresses in the questionnaire of a registered person is negligible. Therefore, the Board of Directors did not consider the idea of using telecommunication facilities to enable remote participation of the shareholders in AGSM. If the share of shareholders who specified their email addresses in the questionnaire rises substantially, the Board of Directors will consider the possibility of using telecommunication facilities to enable remote participation of the shareholders in the general meetings.</p>
<p>1.2</p>	<p>The shareholders have an equal and fair profit-sharing opportunity through dividends.</p>			

1.2.1	The Company developed and introduced a transparent and clear mechanism for the calculation of the amount and payment of dividends.	<p>1. The Company has a dividend policy developed, approved by the Board of Directors and disclosed.</p> <p>2. If the dividend policy of the Company draws upon the financial statements in the calculation of dividends, then the corresponding provisions of the dividend policy consider consolidated financial data.</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>2. The dividend policy of the Company does not use consolidated financial data to calculate the amount of dividends. In the payment of dividends the Company is governed by the Law on JSC. The Law on JSC defines financial circumstances that restrict the payment of dividends calculated based on RAS reports. Hence, the Company uses RAS reporting data in its dividend policy, too.</p> <p>The Company will make all reasonable effort to consider the recommendations of the Code of Corporate Governance when revising the dividend policy (in 2016-2018).</p>
1.2.2	The Company abstains from paying dividends if such payment, while formally compliant with the statutory restrictions, is uneconomic and may create the wrong impression of the Company's activity.	1. The dividend policy of the Company clearly defines the financial or economic circumstances whereunder the company should not pay dividends.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>In accordance with Clause 2.1. of E.ON Russia Dividend Policy, the Company should pay dividends under the following financial or economic circumstances:</p> <ul style="list-style-type: none"> - the Company has net profit as of the end of the first quarter, six months, nine months of the fiscal year and (or) the end of the fiscal year, or retained earnings from the previous years; - there are no statutory restrictions imposed on dividends according to the effective Russian legislation.
1.2.3	The Company does its best to prevent deterioration of rights of the existing shareholders.	1. In the reference period, the Company did not take any action that would cause deterioration of rights of the existing shareholders.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	

			compliant	
1.2.4	The Company strives to prevent its shareholders from using any means of profit (income) generation through the Company other than dividends and disposal value.	1. To prevent shareholders from using any means of profit (income) generation through the Company other than dividends and disposal value, the Company's internal regulations establish controls that ensure well-timed identification and approval of transactions involving parties affiliated (related) with the substantial shareholders (persons who have the right to exercise the votes according to their voting shares) in the cases when the law does not officially recognise such transactions as related party transactions.	<input type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input checked="" type="checkbox"/> non-compliant	The Company's internal regulations do not establish controls that ensure well-timed identification and approval of transactions involving parties affiliated (related) with the substantial shareholders (persons who have the right to exercise the votes according to their voting shares) in the cases when the law does not officially recognise such transactions as related party transactions. According to the internal procedure of the Company, all contracts and agreements that the Company intends to enter into are subject to preliminary approval, including verification of the counterparties involved in transactions. In the events that the Company is aware of the persons affiliated with a substantial shareholder of the Company, such transactions are subject to approval as related party transactions under the Law on JSC. In 2016-2018, the Company plans to consider the need for and, if found necessary, develop controls to prevent shareholders from using any means of profit (income) generation through the Company other than dividends and disposal value.
1.3	The corporate governance system and practice ensure equal conditions for all shareholders within one category (type) of shares, including minority (small) shareholders and foreign shareholders, and equal attitude towards them by the Company.			
1.3.1	The Company created an environment that suggests fair treatment of each shareholder by the governing and supervising bodies, including the conditions that ensure prohibition of abuse on the part of major shareholders in respect of minority shareholders.	1. During the reference period, the procedures for managing potential conflicts of interest between substantial shareholders were effective, and, if there were any conflicts between shareholders at all, the Board of Directors paid due attention to them.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant	

			<input type="checkbox"/> non-compliant	
1.3.2	The Company does not take any actions that cause or may cause artificial redistribution of corporate control.	1. In the reference period, quasi-treasury shares did not exist or participate in voting.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
1.4	Shareholders' stock rights are accurately and effectively accounted for, and shareholders are free to dispose of their shares without any encumbrance.			
1.4	Shareholders' stock rights are accurately and effectively accounted for, and shareholders are free to dispose of their shares without any encumbrance.	1. The quality and reliability of maintaining the register of security holders by the Company's registrar meets the requirements of the Company and its shareholders.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.1	The Board of Directors is responsible for strategic corporate management, defines the core principles and approaches towards the organization of a risk management and internal control system, controls the activity of the company's executive bodies, and performs other key functions.			

2.1.1	<p>The Board of Directors resolves on the appointment and discharge of the executive bodies, including dismissals resulting from their failure to perform their obligations appropriately. Besides, the Board of Directors ensures that the Company's executive bodies act in compliance with the approved development strategy and are focused on the key areas of the Company's business.</p>	<p>1. The Board of Directors has the Charter-established authority to appoint and discharge the members of the Company's executive bodies, as well as determine the terms and conditions of the agreements in respect of such members.</p> <p>2. The Board of Directors reviewed the strategy implementation report (reports) of the Company's sole executive body and members of the collective executive body.</p>	<p><input checked="" type="checkbox"/> compliant</p> <p><input type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	
2.1.2	<p>The Board of Directors determines the main strategic guidelines of the Company's activity with a long-term outlook, assesses and approves the Company's key performance indicators and business objectives, reviews and approves the strategy and business plans on the Company's key activities.</p>	<p>1. In the reference period, the Board of Directors addressed issues related to the implementation and updating of the strategy, approval of the business plan (budget) of the Company, as well as the review of the criteria and indicators (including interim ones) applicable to the implementation of the Company's strategy and business plans.</p>	<p><input checked="" type="checkbox"/> compliant</p> <p><input type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	
2.1.3	<p>The Board of Directors defines principles and approaches towards the organisation of the Company's risk management and internal control system.</p>	<p>1. The Board of Directors defined the principles and approaches towards the organisation of the Company's risk management and internal control system.</p> <p>2. The Board of Directors assessed the performance of the company's risk management and internal control system in the reference period.</p>	<p><input type="checkbox"/> compliant</p> <p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>2. In the reference period, the Board of Directors did not assess the performance of the Company's risk management and internal control system. However the Board of Directors reviews the annual report on the performance of the corporate risk management system and the major risks inherent in the Company's operations. In 2016-2018, the Company's Board of Directors plans to consider the need for and, if necessary, assess the performance of the</p>

			compliant	Company's risk management and internal control system.
2.1.4	The Board of Directors defines the Company's policy on remunerating and (or) reimbursing the members of the Board of Directors, executive bodies and other key executive officers of the Company.	<p>1. The Company developed and implemented a policy on remunerating and (or) reimbursing the members of the Board of Directors, executive bodies and other key executive officers of the Company, which was approved by the Board of Directors.</p> <p>2. At the meetings held in the reference period, the Board of Directors addressed issues related to the above-mentioned policy (policies).</p>	<p><input type="checkbox"/> compliant</p> <p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>The Company does not have a specific document that would regulate the policy on remunerating and (or) reimbursing the members of the Board of Directors, the Management Board, the Chief Executive Officer and key executive officers of the Company.</p> <p>The principles of remunerating the members of the Board of Directors are set out in the Company's Regulation on the Board of Directors. The remuneration payable to the Company's employees appointed members of the Board of Directors is determined by the relevant permanent employment agreements. The terms and conditions of such agreements are subject to review by the HR and Remuneration Committee.</p> <p>The Company uses individual employment agreements for the key executive officers, where the remuneration and reimbursement procedure is defined. In 2016-2018, the Company plans to consider the need for and, if found necessary, develop a policy on remunerating the members of the Management Board, the Chief Executive Officer and key executive officers of the Company.</p>
2.1.5	The Board of Directors plays a key role in the prevention, identification and settlement of internal conflicts between the bodies of the company, the shareholders of the company and the employees of the company.	<p>1. The Board of Directors plays a key role in the prevention, identification and settlement of internal conflicts.</p> <p>2. The company created a system for identification of transactions involving conflicts of interest and a system of measures aimed to settle such conflicts.</p>	<p><input checked="" type="checkbox"/> compliant</p> <p><input type="checkbox"/> partially compliant</p>	

			<input type="checkbox"/> non-compliant	
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the company's business, timeliness and completeness of information disclosed by the company, and unhindered access to the company's documents for the shareholders.	1. The Board of Directors approved a regulation on the information policy. 2. The company has dedicated personnel responsible for the implementation of the information policy.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.1.7	The Board of Directors exercises control over the corporate governance practices in the company and plays a key role in the company's major corporate events.	1. In the reference period, the Board of Directors addressed the issue of the corporate governance practices in the company.	<input type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input checked="" type="checkbox"/> non-compliant	In accordance with the Company's Charter, this matter does not fall within the competence of the Board of Directors. Therefore, in 2015 the Board of Directors did not address the issue of the corporate governance practices in the Company at its meetings. In the course of reviewing the Company's Charter in 2016-2018, E.ON Russia JSC will consider the need for including this matter in the scope of competence of the Board of Directors.
2.2	The Board of Directors reports to the company's shareholders.			
2.2.1	Information on the performance of the Board of Directors is disclosed and provided to the shareholders.	1. The Company's Annual Report for the reference period contains BoM and committee meeting attendance data in respect of individual directors. 2. The Annual Report contains information on key results of the Board of Directors	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially	

		performance assessment carried out in the reference period.	<input type="checkbox"/> compliant <input type="checkbox"/> non-compliant	
2.2.2	The Chairman of the Board of Directors is available for communication with the company's shareholders.	1. The Company operates a transparent procedure that allows shareholders to address their questions and opinions to the Chairman of the Board of Directors.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	The Company has a dedicated function responsible for shareholder relations, which is called the Corporate Policy Department. This function has a separate email address (IR@eon-russia.ru) where shareholders send their questions. Since the Chairman of the Board of Directors is a foreign citizen and resides outside Russia, all communications involving him are coordinated by the Company's Corporate Secretary. The Company is considering the idea of making available direct communication via the Company's website where questions could be asked and answered by the Chairman of the Board of Directors in 2016-2020.
2.3	The Board of Directors shall be an effective and professional governing body of the Company, which is capable of making unbiased independent judgments and pass resolutions that meet the interests of the Company and its shareholders.			
2.3.1	Only people with flawless business and personal reputation, as well as the knowledge, skills and experience required to resolve on the matters within the competence of the Board of Directors and perform the board functions effectively, shall be elected to the Board of Directors.	1. The company's internal procedure used to assess the performance of the Board of Directors includes competence assessment of the members of the Board of Directors. 2. In the reference period, the Board of Directors (or the Nomination Committee of the Board of Directors) assessed the candidates to the Board of Directors with respect to their experience, knowledge, business reputation, conflict of interest, etc.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	

2.3.2	Members of the Board of Directors are elected according to a transparent procedure that allows shareholders to have enough information about the nominees to get an idea of their personal and professional qualities.	1. At all General Shareholders' Meetings which were held in the reference period and where the agenda included items on the election of the BoM members, the company provided the shareholders with the biographies of all candidates to the Board of Directors, the results of the assessment of such candidates carried out by the Board of Directors (or the Nomination Committee of the Board of Directors), as well as the data on candidate compliance with the independence criteria as per recommendations 102 to 107 of the Code, and the board candidate letters of consent.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	When preparing for AGSM in 2015 on the item concerning the election of the members of the Company's Board of Directors, the shareholders were given the following information on the candidates to the Board of Directors: - Full name of the candidate - Position and the name of the employer as of the date of nomination to the Board of Directors - Details on the board candidate letter of consent (available/unavailable). When preparing for GSM in 2016, the shareholders will be given more complete information as recommended by the Code of Corporate Governance.
2.3.3	The composition of the Board of Directors is well-balanced in terms of qualifications, experience, knowledge and business qualities of the members and other factors, and the members have credibility.	1. As part of the performance assessment of the Board of Directors carried out in the reference period, the Board of Directors reviewed its own requirement for qualifications, experience and business skills.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	In 2015 the evaluation of performance of the Company's Board of Directors was carried out by the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC in accordance with clause 2.2.5 of the Regulation on the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC. The evaluation also included the analysis of needs of the Company's Board of Directors as related to professional qualification, experience and business skills.
2.3.4	The size of the Board of Directors makes it possible to organise the work of the Board of Directors in a most efficient way, which includes the possibility to set up committees of the Board of Directors, and ensures that significant minority shareholders have the	1. As part of the performance assessment of the Board of Directors carried out in the reference period, the Board of Directors addressed the issue regarding compliance of the number of the board members to the requirements of the company and the interests of the shareholders.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant	In 2015 the evaluation of performance of the Company's Board of Directors was carried out by the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC in accordance with clause 2.2.5 of the Regulation on the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC. Within the evaluation an issue on correspondence of the quantitative

	opportunity to elect their nominee to the Board of Directors.		<input type="checkbox"/> non-compliant	composition of the Company's Board of Directors to the Company's needs and to the interests of the Company's shareholders was considered.
2.4	The Board of Directors includes a sufficient number of independent directors.			
2.4.1	A person is recognised to be an independent director, when such person possesses enough professionalism, experience and independence to form his or her own opinion, is able to make unbiased and scrupulous judgments that do not depend on the influence of the Company's executive bodies, certain groups of shareholders or other stakeholders. It should also be taken into account that under normal conditions a candidate (an elected member of the Board of Directors) cannot be recognised as independent if he or she is affiliated with the Company, its significant shareholder, major contractor or competitor, or is bound with the state.	1. In the reference period, all independent members of the Board of Directors met all the independence criteria specified in recommendations 102 to 107 of the Code, or were recognised as independent by the decision of the Board of Directors.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.4.2	The company assesses compliance of the nominees to the Board of Directors with the independence criteria, as well as performs regular review of compliance of the independent directors with the independence criteria. In this assessment, the substance shall prevail over	1. In the reference period, the Board of Directors (or the Nomination Committee of the Board of Directors) formed an opinion about independence of each candidate to the Board of Directors and produced a corresponding report to the attention of the shareholders. 2. In the reference period, the Board of Directors (or the Nomination Committee	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant	1. During the reporting period the HR and Remuneration Committee of the Company's Board of Directors formed an opinion on independence of each candidate to the Board of Directors and specified the members of the Board of Directors that correspond to independence criteria recommended by the Code of Corporate Governance. However, the respective opinion was not

	<p>the form.</p>	<p>of the Board of Directors) reviewed the independence of the existing members of the Board of Directors qualified in the Annual Report as independent at least once.</p> <p>3. The company developed procedures that define the scope of actions to be taken by a member of the Board of Directors if he or she ceases to be independent, including the obligation to notify the Board of Directors to this effect in a timely manner.</p>	<p><input type="checkbox"/> non-compliant</p>	<p>submitted to the shareholders in the course of preparation for the Annual General Meeting of Shareholders (AGMS).</p> <p>When preparing for AGMS in 2016, the HR and Remuneration Committee plans to form an opinion on independence of each candidate to the Board of Directors and submit this information to the shareholders.</p> <p>2. In the reporting period, the Board of Directors (or the HR and Remuneration Committee of the Board of Directors) did not consider the independence of existing members of the Board of Directors qualified in the Annual Report as independent directors. However, on a quarterly basis the Corporate Secretary of the Company requests questionnaires of the Board of Directors' members based on which the information on independence of the Board of Directors' members is analysed. In 2016 - 2018 the Company plans to consider the issue on necessity and, if necessary, to refer the issue on independence of existing members of the Board of Directors to the competence of the HR and Remuneration Committee of the Company's Board of Directors.</p> <p>3. The Company did not develop procedures that define the actions required to be taken by the Board of Directors' member, if he ceases to be independent, including the obligation to notify the Board of Directors to this effect in a timely manner. Pursuant to clause 3.6. of the Regulation on the Company's Board of Directors, within 5 business days following the occurrence of one of the circumstances below, members of the Board of Directors shall submit the following information to the Secretary of the Board of Directors in writing:</p> <ul style="list-style-type: none"> - Information about legal entities where
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				<p>the member of the Board of Directors possesses, independently or collectively with its affiliated person(s), at least 20 per cent of voting shares (equity interests or stakes);</p> <ul style="list-style-type: none"> - Information about legal entities where the member of the Board of Directors holds positions in the governing bodies; - Information of all current and future transactions that the member of the Board of Directors is aware of, where he may be qualified as a related party. <p>In 2016-2018 when introducing amendments into the Regulation on the Board of Directors the Company plans to develop the procedure that defines the actions required to be taken by a member of the Board of Directors, if he ceases to be independent, including the obligation to notify the Company's Board of Directors to this effect in a timely manner.</p>
2.4.3	Independent directors shall make at least one third of the elected members of the Board of Directors.	1. Independent directors make at least one third of the members of the Board of Directors.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.4.4	Independent directors shall play a key role in the prevention of internal conflicts in the company and	1. Independent directors (that are free of conflict of interest) preliminarily assess significant corporate actions potentially inherent in a conflict of interest, and the	<input checked="" type="checkbox"/> compliant	

	undertaking by the company of significant corporate actions.	findings of such assessment are submitted to the Board of Directors.	<input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.5	The Chairman of the Board of Directors contributes to most efficient performance of the functions assigned to the Board of Directors.			
2.5.1	An independent director is elected to the position of the Chairman of the Board of Directors, or a senior director is elected of all independent directors to coordinate the work of independent directors and maintain interaction with the Chairman of the Board of Directors.	<p>1. The Chairman of the Board of Directors is an independent director, or a senior director is elected of all independent directors.</p> <p>2. The role, rights and responsibilities of the Chairman (and, where applicable, of the senior independent director) are duly defined in the company's internal regulations.</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>1. The Chairman of the Board of Directors is not an independent director, or a senior director is not elected among all independent directors.</p> <p>The Chairman of the Board of Directors is not an independent director. The person elected to be the Chairman of the Board of Directors is the most reputable member of the Board of Directors, who possesses the most valuable knowledge, professional qualities and experience. A senior director is not elected among all independent directors of the Company. The efficiency and professionalism of the Company's Board of Directors is ensured without adherence to these recommendations of the Code of Corporate Governance, which is supported by financial outcomes of the Company observed during the period of work of the Board of Directors. In the future, as the number of independent directors in the Board of Directors increases, the Company deems it possible for an independent director to become the Chairman of the Board of Directors.</p>
2.5.2	The Chairman of the Board of Directors creates a workable environment at the meetings, ensures free discussion of the	1. Performance of the Chairman of the Board of Directors was assessed as part of the Board performance assessment procedure in the reference period.	<input checked="" type="checkbox"/> compliant	

	agenda items and follows up on the resolutions passed by the Board of Directors.		<input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.5.3	The Chairman of the Board of Directors takes all necessary actions to provide the members of the Board of Directors with information required to take informed decisions on the agenda items in a timely manner.	1. The obligation of the Chairman of the Board of Directors to take actions in order to ensure that materials on the board meeting agenda items are provided to the members of the Board of Directors in a timely manner is formalised in the company's internal documents.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.6	The members of the Board of Directors shall act in good faith and reasonably to the benefit of the company and its shareholders, based on sufficient awareness and with due care and caution.			
2.6.1	The members of the Board of Directors make decisions considering all information available, in the absence of conflict of interest and within the normal entrepreneurial risk, while treating the company's shareholders equally.	<p>1. The internal regulations of the company stipulate that a member of the Board of Directors is obliged to notify the Board of Directors if it faces conflict of interest with regard to any agenda items addressed at a meeting of the Board of Directors or a committee of the Board of Directors, prior to discussion of the corresponding agenda item.</p> <p>2. The company's internal regulations stipulate that a member of the Board of Directors should abstain from voting on any agenda item where he or she faces conflict of interest.</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>2. The Company's internal regulations do not stipulate that a member of the Board of Directors should abstain from voting on any agenda item where he or she faces conflict of interest.</p> <p>The Company's internal regulations do not specifically stipulate that a member of the Board of Directors is obliged to abstain from voting on any agenda item where he or she faces conflict of interest. However in accordance with Clause 3.6. of the Regulation of E.ON Russia Board of Directors, within 5 business days following the occurrence of one of the circumstances below, a member of the Board of Directors shall submit the</p>

		3. The company follows the procedure which allows the Board of Directors to get professional advice on the matters that fall within the scope of its competence at the expense of the company.		<p>following information to the Secretary of the Board of Directors in writing:</p> <ul style="list-style-type: none"> - Information about legal entities where the member of the Board of Directors possesses, independently or collectively with its affiliated person(s), at least 20 per cent of voting shares (equity interest or stake); - Information about legal entities where the member of the Board of Directors holds positions in the governing bodies; - Information of all current and future transactions that the member of the Board of Directors is aware of, where he or she may be qualified as a related party. <p>Based on the information available and according to Clause 12.4 of the Company's Charter, the members of the Board of Directors shall abstain from voting on any agenda items where they may have conflict of interest.</p>
2.6.2	The rights and obligations of the members of the Board of Directors are defined and formalised in the company's internal regulations.	1. The company adopted and published an internal document that clearly defines the rights and obligations of the members of the Board of Directors.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.6.3	The members of the Board of Directors have enough time to fulfil their responsibilities.	1. Individual attendance at board and board committee meetings, as well as the time allocated by the members to prepare for the meetings, were taken into account	<input type="checkbox"/> compliant	2. According to the Company's internal documents, the members of the Board of Directors shall not inform the Board of Directors of their intention to become

		<p>when assessing the performance of the Board of Directors in the reference period.</p> <p>2. According to the company's internal documents, the members of the Board of Directors are obliged to inform the Board of Directors of their intention to become a member of the governing bodies in other entities (other than those controlled by the company or associated companies), as well as of their official appointment.</p>	<input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>members of the governing bodies in other entities (other than those controlled by the Company or associated companies). Members of the Board of Directors shall submit to the Corporate Secretary on a quarterly basis a Questionnaire of the Board of Directors' member, where inter alia they specify the information on all positions, including positions in governing bodies, held in companies of E.ON Group and other organisations, including on a part-time basis. In 2016 - 2018 the Company plans to consider the issue on necessity and, if necessary, to specify in the Company's internal documents the duty of the Board of Directors' members to notify the Company's Board of Directors on their intention to join the governing bodies of other entities (other than those controlled by the Company or associated companies).</p>
2.6.4	<p>All members of the Board of Directors have equal access to the company's documents and information. The newly elected members of the Board of Directors are provided with sufficient information about the company and the activity of the Board of Directors in the shortest time possible.</p>	<p>1. According to the company's internal regulations, the members of the Board of Directors have the right to access the documents and make requests relating to the company and the entities controlled by the company, while the executive bodies of the company are obliged to provide the requested information and documents.</p> <p>2. The Company has a documented induction program for the newly elected members of the Board of Directors.</p>	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.7	Meetings of the Board of Directors, preparation to and participation in such meetings by the members of the Board of Directors, ensure efficiency of the Board of Directors.			
2.7.1	<p>Meetings of the Board of Directors are held as</p>	<p>1. The Board of Directors held no fewer than six meetings in the reference period.</p>	<input checked="" type="checkbox"/> compliant	

	required, taking into account the scale of the company's operations and the objectives set before it in a certain period.		<input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.7.2	The company's internal documents establish the procedure for preparation and holding of the meetings of the Board of Directors, which makes it possible for the board members to prepare for the meeting appropriately.	1. The company approved an internal document that defines the procedure for preparation and holding of the meetings of the Board of Directors. This document, inter alia, establishes that notice of the meeting must usually be given at least 5 days prior to the meeting date.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.7.3	The format of the meeting of the Board of Directors is subject to importance of the agenda items. The most important issues shall be resolved at the in-person meetings.	1. The company's Charter or internal regulations stipulate that the most important issues (as listed in recommendation 168 of the Code) shall be addressed at in-person board meetings.	<input type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input checked="" type="checkbox"/> non-compliant	When developing an activity plan for the Company's Board of Directors for an upcoming year, the format is specified for all board meetings included in the activity plan subject to approval by the Board of Directors (Clause 6.2. of the Regulation on E.ON Russia Board of Directors). The format of each meeting of the Company's Board of Directors (in person or in absentia) is subject to the agenda items that have to be considered on the date of the corresponding board meeting. The need for an in-person meeting of the Board of Directors is determined by the Chairman of the Board of Directors (Clause 2.7. (2) of the Regulation on

				<p>E.ON Russia Board of Directors). Notice and materials for the meeting of the Board of Directors, whether in person or in absentia, are sent out to the members of the Board of Directors at least 7 calendar days prior to the date of the Meeting (Subclauses 7.6., 9.2. of the Regulation on E.ON Russia Board of Directors); therefore, the members of the Board of Directors are given enough time to investigate the agenda items, request additional information on the agenda items through the Secretary of the Board of Directors (Clause 3.1.(4) of the Regulation on E.ON Russia Board of Directors), and suggest the format of the meeting of the Board of Directors (in person or in absentia) (Clause 6.2. of the Regulation on E.ON Russia Board of Directors).</p>
2.7.4	<p>Resolutions on the most important matters concerning the Company's activity are passed at board meetings by a qualified majority or a majority of votes of all the elected members of the Board of Directors.</p>	<p>1. The company's Charter suggests that resolutions on the most important matters, as set out in recommendation 170 of the Code, must be passed at board meetings by a qualified majority of a least three fourths of the votes, or a majority of votes of all the elected members of the Board of Directors.</p>	<p><input type="checkbox"/> compliant</p> <p><input type="checkbox"/> partially compliant</p> <p><input checked="" type="checkbox"/> non-compliant</p>	<p>Clauses 15.4 and 15.5. of the Company's Charter provide a list of matters which require resolutions of the Board of Directors to be passed by a majority of three fourths of the votes of all the elected members of the Board of Directors, or unanimously by all the elected members of the Board of Directors. This list does not include all matters recommended in Item 170 of the Code of Corporate Governance. Currently, the Company does not deem it necessary to extend the list of matters which require resolutions of the Board of Directors to be passed by a qualified majority of a least three fourths of the votes, or a majority of votes of all the elected members of the Board of Directors. In the future, if deemed reasonably necessary, the Company may extend the list of matters which require resolutions of the Board of Directors to be passed by a qualified majority of a least three fourths of the votes, or a majority</p>

				of votes of all the elected members of the Board of Directors.
2.8	The Board of Directors shall set up committees for preliminary consideration of the most important issues of the company's activity.			
2.8.1	An Audit Committee consisting of independent directors was established to preliminarily consider matters concerning control of the company's business activities.	<p>1. The Board of Directors set up an Audit Committee consisting of independent directors only.</p> <p>2. The company's internal documents define the responsibilities of the Audit Committee, including those specified in recommendation 172 of the Code.</p> <p>3. At least one member of the Audit Committee, who is an independent director, has the experience and expertise required to prepare, analyse, review and audit accounting (financial) reporting.</p> <p>4. Meetings of the Audit Committee were held at least once a quarter during the reference period.</p>	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.8.2	For the purpose of preliminary review of the matters concerning the implementation of an effective and transparent remuneration policy, the company set up a Remuneration Committee represented by independent directors and led by an independent director other than the Chairman of the Board of Directors.	<p>1. The Board of Directors established a Remuneration Committee consisting of independent directors only.</p> <p>2. The Chairman of the Remuneration Committee is an independent director other than the Chairman of the Board of Directors.</p> <p>3. The company's internal documents define the responsibilities of the Remuneration Committee, including those specified in recommendation 180 of the Code.</p>	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	

2.8.3	For the purpose of preliminary review of the matters concerning human resource planning (succession planning), professional composition and efficiency of the Board of Directors, the company set up a Nomination (Appointment, HR) Committee mostly represented by independent directors.	<p>1. The Board of Directors set up a Nomination Committee (or the relevant responsibilities outlined in recommendation 186 of the Code are exercised by another committee), which mostly represented by independent directors.</p> <p>2. The company's internal documents define the responsibilities of the Nomination Committee (or another committee which combines the relevant functions), including those specified in recommendation 186 of the Code.</p>	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.8.4	Considering the scale of the Company's activity and exposure levels, the Board of Directors has made sure that the composition of its committees meets the objectives of the Company in full. Additional committees were either formed or deemed unnecessary (e. g. Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, HSE Committee, etc.).	1. In the reference period, the company's Board of Directors considered the issue of whether the composition of the board committees is adequate to the objectives of the Board of Directors and the goals of the company. Additional committees were either formed or deemed unnecessary.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	According to the Company's Charter, the Board of Directors is not competent to consider whether the composition of its committees is adequate to the objectives of the Board of Directors and the goals of the Company. The Company's Board of Directors did not address this issue in 2015. According to the objectives of the Board of Directors and the goals of the Company in general, in addition to the Audit Committee and the HR and Remuneration Committee the Company set up a Risk and Finance Committee and a New Build Steering Committee. See Section 6.3 for more details on the Committees of the Board of Directors. of this Annual Report.
2.8.5	The composition of the committees was determined so as to ensure that the items subject to preliminary review are discussed comprehensively, considering	<p>1. The committees of the Board of Directors are led by independent directors.</p> <p>2. The company's internal regulations</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially	2. The Company's internal regulations (policies) do not contain provisions whereunder persons other than the members of the Audit Committee of the Board of Directors, the HR and Remuneration Committee of the Board of

	a variety of opinions.	(policies) contain provisions whereunder persons other than the members of the Audit Committee, the Nomination Committee and the Remuneration Committee may only attend the meetings of the committees upon invitation of the Chairman of the relevant committee.	compliant <input type="checkbox"/> non-compliant	Directors may only attend the meetings of the Committees upon invitation of the Chairman of the relevant committee. However, actually when conducting meetings of the Committees in presence the Chairmen of the Committees invite to the meetings the persons responsible for preparation of issues submitted for consideration to a respective Committee. In 2016 - 2018 the Company plans to consider the issue on necessity and, if necessary, to specify in the Company's internal documents such provision.
2.8.6	Committee Chairmen report on the performance of their respective committees to the Board of Directors and the Chairman of the Board on a regular basis.	1. In the reference period, Committee Chairmen reported on the performance of their respective committees to the Board of Directors on a regular basis.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
2.9	The Board of Directors shall ensure quality assessment of the work of the Board of Directors, its committees and members.			
2.9.1	Quality assessment of the work of the Board of Directors seeks to assess the performance of the Board of Directors, as well as the committees and members of the Board, assess their adequacy to the requirements for corporate development, enhance the performance of the Board and identify improvement	1. The self-assessment or external assessment of the Board's performance carried out in the reference period included performance assessment of the committees, individual members of the Board of Directors, and the Board of Directors in general. 2. The findings of the self-assessment or external assessment of the Board's performance carried out in the reference period were reviewed at an in-person	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	In 2015 the evaluation of performance of the Company's Board of Directors was carried out by the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC in accordance with clause 2.2.5 of the Regulation on the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC. The evaluation also included reviewing the work of the Committees, particular members of the Board of Directors and the Company's Board of Directors in

	areas.	meeting of the Board of Directors.	compliant	general. The performance of the Company's Board of Directors in 2015 was considered at the meeting in presence of the HR and Remuneration Committee of the Company's Board of Directors.
2.9.2	Quality assessment of work of the Board of Directors, its committees and members shall be conducted on a regular basis at least once a year. At least once in three years such assessment shall be conducted with the involvement of an external company (consultant).	1. Within the past three reference periods, an outside organisation (consultant) was engaged by the company at least once for an independent assessment of the Board's performance.	<input type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input checked="" type="checkbox"/> non-compliant	In 2013-2015, no outside organisation (consultant) was engaged by the Company for an independent evaluation of the Board of Directors' performance. In 2015 the evaluation of performance of the Company's Board of Directors was carried out by the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC in accordance with clause 2.2.5 of the Regulation on the HR and Remuneration Committee of the Board of Directors of E.ON Russia JSC. The evaluation of performance of the Board of Directors of E.ON Russia JSC in 2015 confirms the efficiency of work of each member of the Board of Directors particularly and the Company's Board of Directors in general. The efficiency and professionalism of the Company's Board of Directors is ensured without adherence to these recommendations of the Code of Corporate Governance, which is supported by financial outcomes of the Company observed during the period of work of the Board of Directors. In 2016 - 2020 the Board of Directors plans to consider the issue on necessity of independent evaluation of the Board of Directors' performance.
3.1	The Corporate Secretary is responsible for effective day-to-day interaction with shareholders, coordination of the company's actions undertaken to protect the rights and interests of shareholders, and support of effective work of the Board of Directors.			
3.1.1	The Corporate Secretary shall have enough knowledge,	1. The company approved and disclosed an internal document (Regulation on the	<input checked="" type="checkbox"/> compliant	

	experience and qualifications to perform his or her duties, flawless reputation, and enjoy shareholders' confidence.	Corporate Secretary). 2. The corporate website and the Annual Report provide a biography of the Corporate Secretary with the same level of detail as is used for the members of the Board of Directors and executive management of the company.	<input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
3.1.2	The Corporate Secretary is independent enough from the company's executive bodies and has the required authority and resources to fulfil the duties assigned.	1. The Board of Directors approves the appointment, dismissal and additional remuneration of the Corporate Secretary.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
4.1	The level of remuneration payable by the company shall be enough to attract, incentivize and retain the persons who possess the competence and qualifications required for the company. Remuneration shall be paid to the members of the Board of Directors, executive bodies and other key executive officers of the company in accordance with the remuneration policy adopted in the company.			
4.1.1	The amount of remuneration payable by the company to the members of the Board of Directors, executive bodies and other key executive officers constitutes a sufficient incentive for their efficient performance while	1. The Company adopted an internal document (documents), i. e. the remuneration policy (policies) applicable to the members of the Board of Directors, executive bodies and other key executive officers, which clearly defines (define) approaches to such remuneration.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant	The Company does not have a specific document that would regulate the approaches to remuneration of the members of the Board of Directors, the Management Board, the Chief Executive Officer and key executive officers of the Company. The principles of remunerating the

	<p>helping the company to attract and retain professionals. Nevertheless, the Company avoids overrating the level of remuneration and an unreasonably significant gap between the levels of remuneration payable to the above-mentioned persons and employees of the Company.</p>		<p><input type="checkbox"/> non-compliant</p>	<p>members of the Board of Directors are set out in the Company's Regulation on the Board of Directors. The remuneration payable to the Company's employees appointed members of the Board of Directors is determined by the relevant permanent employment agreements. The terms and conditions of such agreements are subject to review by the HR and Remuneration Committee. The Company uses individual employment agreements for the key executive officers, where the remuneration and reimbursement procedure is defined. In 2016-2018, the Company plans to consider the need for and, if found necessary, implement a policy on remunerating the members of the Management Board, the Chief Executive Officer and key executive officers of the Company.</p>
4.1.2	<p>The company's remuneration policy was developed by the Remuneration Committee and approved by the Board of Directors. The Board of Directors, with the assistance from the Remuneration Committee, supervises the implementation and observance of the remuneration policy in the company and, where required, revises and amends it.</p>	<p>1. In the reference period, the Remuneration Committee reviewed the remuneration policy (policies) and the practice of its (their) implementation and, where required, gave the Board of Directors relevant recommendations.</p>	<p><input type="checkbox"/> compliant</p> <p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>The Company does not have a specific document that would regulate the policy on remunerating the members of the Board of Directors, the Management Board, the Chief Executive Officer and key executive officers of the Company. The principles of remunerating the members of the Board of Directors are set out in the Company's Regulation on the Board of Directors. The remuneration payable to the Company's employees appointed members of the Board of Directors is determined by the relevant permanent employment agreements. The terms and conditions of such agreements are subject to review by the HR and Remuneration Committee. The Company uses individual employment agreements for the key executive officers, where the remuneration and reimbursement procedure is defined. In 2016-2018, the Company's HR and Remuneration Committee plans to</p>

				consider the need for and, if found necessary, implement a policy on remunerating the members of the Management Board, the Chief Executive Officer and key executive officers of the Company.
4.1.3	The company's remuneration policy shall contain transparent mechanisms for determining the amount of remuneration payable to the members of the Board of Directors, executive bodies and other key executive officers of the company, and shall regulate all kinds of payments, benefits and privileges granted to the said persons.	1. The company's remuneration policy (policies) contains (contain) transparent mechanisms for determining the amount of remuneration payable to the members of the Board of Directors, executive bodies and other key executive officers of the company, and regulates (regulate) all kinds of payments, benefits and privileges granted to the said persons.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	The Company does not have a specific document that would regulate the policy on remunerating the members of the Board of Directors, the Management Board, the Chief Executive Officer and key executive officers of the Company. The principles of remunerating the members of the Board of Directors are set out in the Company's Regulation on the Board of Directors. The remuneration payable to the Company's employees appointed members of the Board of Directors is determined by the relevant permanent employment agreements. The terms and conditions of such agreements are subject to review by the HR and Remuneration Committee. The Company uses individual employment agreements for the key executive officers, where the remuneration and reimbursement procedure is defined. In 2016-2018, the Company's HR and Remuneration Committee plans to consider the need for and, if found necessary, implement a policy on remunerating the members of the Management Board, the Chief Executive Officer and key executive officers of the Company.
4.1.4	The company establishes a reimbursement (compensation) policy with an itemisation of expenses	1. The remuneration policy (policies) or other internal documents of the company establish the rules for reimbursement of expenses incurred by the members of the	<input checked="" type="checkbox"/> compliant	

	<p>subject to reimbursement and the level of service that the members of the Board of Directors, executive bodies and other key executive officers of the company are entitled to. This policy may be integrated into the company's remuneration policy.</p>	<p>Board of Directors, executive bodies and other key executive officers of the company.</p>	<p><input type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	
<p>4.2 The remuneration system for the members of the board of directors shall provide for the approximation of the directors' financial interests and long-term financial interests of the shareholders.</p>				
<p>4.2.1</p>	<p>The Company pays a fixed annual reward to the members of the Board of Directors. The Company does not compensate for participation in individual meetings of the Board of Directors or Committees of the Board of Directors. The Company does not apply short-term incentives or additional material incentives in respect of the members of the Board of Directors.</p>	<p>1. The fixed annual reward was the only form of material remuneration applicable to the members of the Board of Directors as a compensation for their work within the Board of Directors in the reference period.</p>	<p><input type="checkbox"/> compliant</p> <p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>The remuneration system existing in the Company for the members of the Board of Directors ensures the approximation of the financial interests of the members of the Board of Directors and the long-term financial interests of the Company, as notwithstanding the existence of quarterly remuneration in the remuneration system of members of the Company's Board of Directors, which depends on the extent of participation of the member of the Board of Directors in the meetings and absentee voting held in the corresponding quarter, this system also includes an annual remuneration for the members of the Company's Board of Directors, which depends on the Company's earnings before interest, tax, depreciation and amortization(EBITDA), based on the Company's financial statements prepared in accordance with the International Financial Reporting Standards and confirmed by the Company's auditor in terms of the reporting financial year following the results of which the annual remuneration is paid.</p>

4.2.2	The long-term holding of the company's shares facilitates approximation of the directors' financial interests and the long-term interests of the shareholders to the greatest extent. The company however does not make the right to sell shares contingent on the achievement of certain performance indicators, and the members of the Board of Directors do not take part in employee stock options plans.	1. If the internal document (documents), i. e. the remuneration policy (policies) of the company, suggests share-based compensation for the members of the Board of Directors, the shareholding rules must be clearly defined and disclosed in respect of the board members as an incentive for long-term holding of such shares.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	The internal document (documents), i. e. the remuneration policy (policies) of the Company, do not suggest share-based compensation for the members of the Board of Directors.
4.2.3	The company shall not provide for any additional payments or compensations in the event of early termination of powers of members of the Board of Directors in connection with the transfer of control over the company or other circumstances.	1. The company does not provide for any additional payments or compensations in the event of early termination of powers of members of the Board of Directors in connection with the transfer of control over the company or other circumstances.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
4.3	The remuneration system for the members of the executive bodies and other key executive officers of the company shall provide for the dependence of remuneration on the company's performance result and on their personal contribution to the achievement of such result.			
4.3.1	The remuneration for the members of the executive	1. In the reference period, the yearly performance indicators approved by the	<input type="checkbox"/> compliant	3. The Company does not apply a procedure that would ensure the return of

	<p>bodies and other key executive officers of the company is determined so as to ensure reasonable and feasible proportion between the fixed component and the variable component which depends on the performance of the company and personal (individual) contribution of the employee to the final outcome.</p>	<p>Board of Directors were used to determine the amount of the variable remuneration component for the members of the executive bodies and other key executive officers of the company.</p> <p>2. During the latest review of the remuneration system applicable to the members of the executive bodies and other key executive officers of the company, the Board of Directors (the Remuneration Committee) made sure that the company uses a feasible proportion between the fixed component and the variable component of the remuneration.</p> <p>3. The company implemented a procedure that ensures the return of illegitimate bonuses received by the members of the executive bodies and other key executive officers of the company.</p>	<p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>illegitimate bonuses received by the members of the executive bodies and other key executive officers of the Company.</p> <p>The members of the Company's Management Board are permanent employees (key executive officers) of the Company and do not receive special rewards for their duties as members of the Management Board. The Company does not have a specific local regulation that would govern the procedure for the return of illegitimate bonuses received by key executive officers to the Company. All permanent employees of the Company are subject to the imperative legal norms of the Russian labour legislation that define the cases and procedure of returning illegitimate payments to the employer.</p>
4.3.2	<p>The company implemented a program for long-term motivation of the members of the executive bodies and other key executive officers of the company by using the company's shares (options or other derivative financial instruments based on the company's shares).</p>	<p>1. The company implemented a program for long-term motivation of the members of the executive bodies and other key executive officers of the company by using the company's shares (financial instruments based on the company's shares).</p> <p>2. The program for long-term motivation of the members of the executive bodies and other key executive officers of the company suggests that the right to sell the shares and other financial instruments used under this program cannot be exercised earlier than three years after they were given to the employee. The company however made the right to sell them contingent on the achievement of certain performance indicators by the company.</p>	<p><input type="checkbox"/> compliant</p> <p><input type="checkbox"/> partially compliant</p> <p><input checked="" type="checkbox"/> non-compliant</p>	<p>The company has not implemented a program for long-term motivation of the members of the executive bodies and other key executive officers of the company using the company's shares (financial instruments based on the company's shares) yet. The regulation on long-term motivation of the members of the executive bodies and other key executive officers of the company is under development. The Company plans to consider the need for and, if found necessary, implement such a program in 2016-2018.</p>

4.3.3	The amount of severance pay (a golden parachute) payable by the company to the members of the executive bodies or other key executive officers in the case of early termination of their powers at the initiative of the company and without any unethical practices found with the employees does not exceed two times the fixed annual reward.	1. In the reference period, the amount of severance pay (a golden parachute) payable by the company to the members of the executive bodies or other key executive officers in the case of early termination of their powers at the initiative of the company and without any unethical practices found with the employees did not exceed two times the fixed annual reward.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
5.1	The company shall create an effectively functioning risk management and internal control system, ensuring reasonable confidence in the achievement of the company's goals.			
5.1.1	The company's Board of Directors defined the principles and approaches towards the organisation of the company's risk management and internal control system.	1. The functions assigned to various governing bodies and units of the company in the risk management system and internal control are clearly defined in the relevant internal documents/policy of the company approved by the Board of Directors.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
5.1.2	The executive bodies of the company ensure the implementation and maintenance of an effective risk management and internal control system in the company.	1. The executive bodies of the company ensured distribution of the functions and authority in respect of risk management and internal control between their subordinate managers (heads) of divisions and departments.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant	

			<input type="checkbox"/> non-compliant	
5.1.3	<p>The risk management and internal control system used in the company ensures an unbiased, fair and clear understanding of the current status and prospects of the company, integrity and transparency of the company's reports, and reasonability and acceptability of the risks assumed by the company.</p>	<p>1. The company has an anti-bribery and corruption policy.</p> <p>2. The company has a well-managed and easy way of reporting the breaches of law, internal procedures or the corporate Code of Ethics to the Board of Directors or the Audit Committee of the Board of Directors.</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>2. The Company does not have a special well-managed and easy way of reporting the breaches of law, internal procedures or the Company's Code of Ethics to the Company's Board of Directors or the Audit Committee of the Company's Board of Directors. The Company has a hot line that may be used by employees to report on possible breaches of law, Company's policies or procedures, in particular in such areas as antimonopoly law, stock market laws and rules in respect of the insider information, as well as on failure to comply with the Code of Conduct by the Company's employees, on corruption, fraud (falsifications, dishonesty, appropriation and embezzlement of property). If necessary, important issues are submitted for consideration by the Company's Management Board and specialised committees of the Company's Board of Directors.</p>
5.1.4	<p>The company's Board of Directors takes the necessary measures to make sure that the risk management and internal control system existing in the company complies with the principles and approaches towards its organisation, as determined by the Board of Directors, and is functioning effectively.</p>	<p>1. In the reference period, the Board of Directors or the Audit Committee of the Board of Directors assessed the performance of the company's risk management and internal control system. Details of the key assessment findings are included in the company's Annual Report.</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>In 2015, the Company's Board of Directors and the Audit Committee of the Board of Directors did not assess the performance of the Company's risk management and internal control system. However the Board of Directors reviews the annual report on the performance of the corporate risk management system and the major risks inherent in the Company's operations. In 2016-2018, the Company's Board of Directors plans to consider the need for and, if found necessary, assess the performance of the Company's risk management and internal control system.</p>

5.2	The company shall arrange internal auditing for the purpose of regular independent assessment of reliability and efficiency of the risk management and internal control system and the corporate governance practice.			
5.2.1	The company has formed a dedicated structural unit or engaged an independent outside organisation to perform the internal audit functions. The administrative and functional reporting lines for the internal audit department are different. The internal audit department shall be functionally subordinate to the company's Board of Directors.	1. The company formed a dedicated structural unit to be in charge of internal audit, which is functionally subordinate to the company's Board of Directors or the Audit Committee, or engaged an independent outside organisation following the same reporting principle.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
5.2.2	The internal audit function carries out the assessment of the internal control system performance, the assessment of the risk management system performance, and the assessment of the corporate governance system. The company applies the generally accepted standards of internal auditing.	1. In the reference period, performance assessment of the internal control and risk management system was carried out as part of the internal audit program. 2. The company applies the generally accepted approaches to internal control and risk management.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
6.1	The company and its activity shall be transparent for shareholders, investors and interested parties.			
6.1.1	The company developed and implemented an information policy that ensures effective communication between the company, shareholders, investors and other	1. The company's Board of Directors approved the information policy of the company, which is in line with the recommendations of the Code.	<input type="checkbox"/> compliant	2. In 2015, the Board of Directors (or one of its committees) did not address the issues of the Company's compliance with its information policy. According to the Company's Charter, the scope of competence of the Board of

	interested parties.	2. In the reference period, the Board of Directors (or one of its committees) addressed the issues of the company's compliance with its information policy at least once.	<input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	Directors does not include matters that relate to the Company's compliance with its information policy. The Company's information policy comprises two documents, which are the Regulation on the Information Disclosure and the Regulation on the Insider Information. Both documents are publicly available and can be found on the Company's website. The Board of Directors appointed a person who is responsible for meeting the requirements to transactions in insider securities. The responsibilities of such person include but not limited to control over the Company's compliance with the information policy.
6.1.2	The company shall disclose information on the corporate governance system and practice, including detailed information on compliance with the principles and recommendations of this Code.	<p>1. The Company discloses information on the Company's corporate governance system and general principles of corporate governance used in the Company, including the corporate website in the Internet.</p> <p>2. The company discloses information on the composition of the executive bodies and the Board of Directors, independence of the members of the Board of Directors and their membership in the Board Committees (according to the definition given in the Code).</p> <p>3. In case there is a controlling person, the company publishes a memorandum of the controlling person outlining the plans of this person towards the corporate governance in the company.</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	<p>3. The Company does not publish a memorandum of the controlling person outlining the plans of this person towards the corporate governance in the Company.</p> <p>The plans of the controlling person regarding the Company constitute confidential information and are not subject to disclosure, except as otherwise provided for by the legislation. In the event that the Company becomes aware of any statements made by the controlling person concerning such plans in respect of corporate governance in the Company, the Company undertakes to publish these statements on the corporate website.</p>
6.2	The company shall disclose complete, up-to-date and accurate information about the company in due time in order for the company's shareholders and investors to make well-informed decisions.			
6.2.1.	The company shall disclose information in accordance	1. The company's information policy defines the approaches and criteria used	<input type="checkbox"/> compliant	3. In the reference period, information was disclosed both in Russian and English

	<p>with the principles of regularity, consistency and efficiency, as well as availability, reliability, completeness and comparability of the disclosed data.</p>	<p>to identify information that is capable of having a significant impact on the value of the company and its securities, and procedures that ensure well-timed disclosure of such information.</p> <p>2. If the company's securities circulate in foreign regulated markets, the disclosure of material information in the Russian Federation and in these markets occurs simultaneously and equivalently during the reference year.</p> <p>3. If foreign shareholders own a significant amount of shares of the Company, then in the reference year information was disclosed both in Russian and one of the most spoken foreign languages.</p>	<p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>(partially) languages.</p> <p>The following information is disclosed on the Company's corporate website:</p> <ul style="list-style-type: none"> - Annual reports; - IFRS reporting (end-of-year and interim statements); - Details about the members of the Board of Directors and the Committees of the Board of Directors; - The scope of competence of GSM and the Board of Directors as documented in the Company's Charter. <p>In 2016-2018, the Company plans to disclose more information in English on the Company's website.</p>
6.2.2	<p>The company avoids a formal approach in the process of information disclosure, and discloses significant information about its activity even if disclosure of such information is not provided for by laws.</p>	<p>1. In the reference period, the company disclosed end-of-year and six months' financial reports prepared according to IFRS. The Company's Annual Report for the reference period includes audited end-of-year financial reports prepared according to IFRS.</p> <p>2. The company discloses complete information on the structure of the company's capital in its Annual Report and on the corporate website in accordance with the Recommendation 290 of the Code.</p>	<p><input type="checkbox"/> compliant</p> <p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>1. The Company's Annual Report for the reference period does not include audited end-of-year financial reports prepared according to IFRS.</p> <p>Since all the financials and calculations included in the Annual Report are based on the accounting (financial) statements of E.ON Russia JSC prepared according to RAS, for the convenience of the shareholders the Annual Report is accompanied by end-of-year accounting (financial) statements prepared for the year 2015 according to RAS.</p> <p>2. The Company does not disclose complete information on the structure of the Company's capital in its Annual Report and on the corporate website in accordance with the Recommendation 290 of the Code.</p> <p>The share capital structure disclosed in Section 7.1. of the Annual Report and made up on the basis of the data obtained from the Company's Registrar</p>

				shows that there is no need for the Company's executive bodies to state that the Company has no information on existing holdings of shares in the amount of over five per cent, other than the data already disclosed by the Company. The Company also prevents acquisition of control by certain shareholders that would be disproportionate to their stake in the Company's authorised capital, e. g. based on shareholder agreements or due to the holding of common or preferred stock with a different par value.
6.2.3	As one of the most important tools of communication with the shareholders and other interested parties, the Annual Report contains information that helps to assess the performance of the company in the reference period.	<p>1. The company's Annual Report contains information on the key aspects of the company's operations and financial performance.</p> <p>2. The company's Annual Report contains information on the environmental and social performance of the company.</p>	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
6.3	Information and documents shall be provided by the company at the shareholders' requests in accordance with the principles of fairness and easiness.			
6.3.1	Information and documents are provided by the company at the shareholders' requests in accordance with the principles of fairness and easiness.	<p>1. The company's information policy establishes an easy procedure for providing the shareholders access to corporate information, including information about the legal entities controlled by the company, at their request.</p>	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant	

			<input type="checkbox"/> non-compliant	
6.3.2	In the provision of information to the shareholders, a reasonable balance is ensured between the interests of individual shareholders and the interests of the company that wishes to keep important business information confidential as it may significantly influence the company's competitiveness.	<p>1. In the reference period, the company did not decline any incoming information requests from the shareholders, or such refusals were reasonable.</p> <p>2. In the cases defined by the company's information policy, shareholders are notified of the confidential nature of the information provided and shareholders undertake to keep it confidential.</p>	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant <input type="checkbox"/> not adequate	
7.1	The actions that significantly affect or may affect the structure of authorised capital and financial standing of the company and, therefore, the shareholders' standing (major corporate actions), shall be settled on fair conditions that respect the rights and interests of the shareholders and other interested parties.			
7.1.1	The definition of major corporate actions embraces reorganisation of the company, purchase of 30 or more per cent of the company's voting shares (take-over), closing of major transactions by the company, increase or reduction of the company's authorised capital, listing and delisting of the company's shares, as well as	<p>1. The company's Charter defines a list and criteria of transactions or other actions qualified as major corporate actions. Resolutions on major corporate actions are referred to the scope of competence of the Board of Directors. Where the laws directly refer the performance of these corporate actions to the competence of the General Shareholders' Meeting, the Board of Directors should give the shareholders necessary recommendations.</p>	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	The Company's Articles of Association does not define a special list and criteria of transactions or other actions qualified as major corporate actions. However, all actions defined by the Code of Corporate Governance as major corporate actions are referred to the competence of the General Meeting of Shareholders and the Board of Directors of the Company.

	<p>other actions that may have a significant impact on the rights of shareholders or infringe on their interests. The company's Charter defines a list (criteria) of transactions or other actions qualified as major corporate actions, and these actions are referred to the competence of the company's Board of Directors.</p>	<p>2. The company's Charter qualifies at least the following undertakings as major corporate actions: reorganisation of the company, purchase of 30 or more per cent of the company's voting shares (take-over), closing of major transactions by the company, increase or reduction of the company's authorised capital, listing and delisting of the company's shares.</p>	<p>compliant</p>	
7.1.2	<p>The Board of Directors shall play a key role in making decisions or elaborating recommendations for major corporate actions based on the opinion of the company's independent directors.</p>	<p>1. The company has a procedure whereunder independent directors express their opinions on major corporate actions prior to approval of those.</p>	<p><input type="checkbox"/> compliant</p> <p><input checked="" type="checkbox"/> partially compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>The company has no specific procedure whereunder independent directors would express their opinions on major corporate actions prior to approval of those. Notice and materials for the meeting of the Board of Directors, whether in person or in absentia, are sent out to the members of the Board of Directors at least 7 calendar days prior to the date of the meeting (Subclauses 7.6., 9.2. of the Regulation on E.ON Russia Board of Directors); therefore, the members of the Board of Directors are given enough time to investigate the agenda items, request additional information on the agenda items through the Corporate Secretary (Clause 3.1.(4) of the Regulation on E.ON Russia Board of Directors), and express their dissenting opinion which will be announced by the Chairman of the Board of Directors before the voting on the agenda items (Clause 8.2. of the Regulation on E.ON Russia Board of Directors).</p>
7.1.3	<p>When taking major corporate actions that affect the rights and legitimate interests of the shareholders, equal conditions shall be ensured for all shareholders of the</p>	<p>1. Considering the specific nature of the company's activity, the company's Charter establishes lower minimum criteria used to qualify the company's transactions as major corporate actions than those stipulated by the law.</p>	<p><input checked="" type="checkbox"/> compliant</p> <p><input type="checkbox"/> partially</p>	

	company; where the statutory mechanisms designed to protect the rights of the shareholders are insufficient, additional measures shall be ensured to protect the rights and legitimate interests of the shareholders. The company shall be governed by not only the formal requirements of the legislation, but also the corporate governance principles set out in the Code .	2. In the reference period, all major corporate actions were subject to the approval procedure before they were taken.	compliant <input type="checkbox"/> non-compliant	
7.2.	The company shall perform major corporate actions according to the procedure that would allow its shareholders to receive in due time full information on such actions, enable them to influence the performance of such actions, and guarantee compliance with and an adequate level of protection of their rights in the course of such actions.			
7.2.1	Information on the performance of all major corporate actions is disclosed with the explanation of the reasons, conditions and consequences of such actions.	1. In the reference period, the company disclosed information on the major corporate actions in a timely and detailed manner, including specification of the reasons and timeframe of such actions.	<input checked="" type="checkbox"/> compliant <input type="checkbox"/> partially compliant <input type="checkbox"/> non-compliant	
7.2.2	The rules and procedures pertaining to major corporate actions performed by the company are documented in the company's internal regulations.	1. The internal regulations of the company establish a procedure for engagement of an independent appraiser for the purpose of valuating the property alienated or purchased under a major transaction or a related party transaction.	<input type="checkbox"/> compliant <input checked="" type="checkbox"/> partially	3. The internal regulations of the Company do not establish an extended list of the reasons for the members of the Company's Board of Directors and other persons provided for by laws to be recognised as interested parties in the

		<p>2. The internal regulations of the Company establish a procedure for engagement of an independent appraiser to determine the purchase and redemption value of the Company's shares.</p> <p>3. The internal regulations of the Company establish an extended list of the reasons for the members of the Company's Board of Directors and other persons provided for by laws to be recognised as interested parties in the Company's transactions.</p>	<p>compliant</p> <p><input type="checkbox"/> non-compliant</p>	<p>Company's transactions. The Charter of the Company stipulates that related party transactions are subject to approval in accordance with Chapter XI of the Federal Law "On Joint Stock Companies". Currently, the Company does not deem it necessary to extend the list of the reasons for the members of the Company's Board of Directors and other persons provided for by laws to be recognised as interested parties in the Company's transactions. In the future the Company may extend the list of the reasons for the members of the Company's Board of Directors and other persons provided for by laws to be recognised as interested parties in the Company's transactions, provided that there is a reasonable need for it.</p>
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Planned (expected) actions and activities of the joint-stock company to improve the corporate governance model and practice

Considering the assessment of compliance with the corporate governance principles set out in the Code of Corporate Governance, the Company plans to implement the following in the long term:

- Increasing the number of independent directors;
- Developing the internal control and risk management system;
- Creating additional committees under the Board of Directors to specialise in different aspects of the company's activity;
- Disclosing additional information, including non-financial statements;
- Implementing a program of long-term motivation for the members of the executive bodies and other key executive officers of the Company;
- Reasonable distribution of competencies and responsibilities among the governing bodies;
- Effective combination of decision making centralisation and delegation of authority to various managerial levels;
- Enhancement of promptness and efficiency of the resolutions made;
- Exercise and protection of rights and interests of the Company's shareholders;
- Implementation of high standards of corporate governance ethics.