Approved by

Annual General Shareholders' Meeting

of E.ON Russia JSC

June 27, 2013

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Provisionally approved

by the Board of Directors

of E.ON Russia JSC

May 06, 2013

(minutes No. 183)

Validity of data

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by the opinion of the Revision

Commission

E.ON Russia JSC

Minutes No. 1

dated April 19, 2013

**ANNUAL REPORT**

**E.ON Russia JSC**

**FOR 2012**

CEO \_\_\_\_\_\_\_\_\_\_\_\_\_\_ /M.G. Shirokov/

Chief Accountant \_\_\_\_\_\_\_\_\_\_\_\_\_\_ /A.V. Shalyapina/

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#### 1. KEY PERFORMANCE INDICATORS

# 

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | 2012/2011 |
| Revenue | 76.7 | bln roubles | +13.9% |
| EBITDA[[1]](#footnote-1) | 28.2 | bln roubles | +26.8% |
| EBIT1 | 21.0 | bln roubles | +17.1% |
| Net profit | 18.4 | bln roubles | +22.2% |
| Assets value | 129.0 | bln roubles | +12.5% |
|  |  |  |  |
| Electric power generation | 64.2 | bln kWh | +2.8% |
| Electric power sales[[2]](#footnote-2) | 66.5 | bln kWh | +2.6% |
| ICUF(installed capacity utilization factor) | 70.7 | % | -2.9 p.p. |

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

#### 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,

In 2012 E.ON celebrated five years of work at the power market of Russia. We are proud of the work done during these years, it is marked by significant achievements and success. E.ON Russia JSC demonstrates sustainable growth of production and financial results each year: e.g. since 2007 when our Company joined E.ON, electric power generation has increased by almost 20% and EBITDA - more than 4 times. It is a significant result and it all was possible due to our determination to be efficient using best practices and of course due to implementation of the ambitious program on new capacities construction. Within the framework of the Russian electric power industry development our Company has already implemented ambitious investment projects on creation of state-of-the-art, hi-tech and highly efficient generating capacities: Shaturskaya GRES (400 MW), Surgutskaya GRES-2 (2x400 MW), Yaivinskaya GRES (400 MW).

In 2015 E.ON Russia JSC will complete the mandatory investment program, it will put into operation power unit No. 3 of Berezovskaya GRES (800 MW) in the Krasnoyarsk Territory in Siberia. This project is in the active phase and we are sure that due to professional work of the Company team the power unit will be put into operation in time. Thus we will perform our obligations to the RF Government that we undertook when we bought generating assets in Russia.

E.ON has third largest fleet of generating capacities in Russia after Germany and Great Britain, and we not just once emphasized that Russia is the region of strategic interest, an important part of E.ON development strategy.

In future we will continue our work on capitalization growth of E.ON Russia JSC, further development of production on the basis of updated, advanced technologies. We will focus on the projects for power efficiency increase, including generation decentralization and renewable energy sources. We still will facilitate economic and social development of the Company branches areas of presence, take care of the environment and head forward as declared in E.ON Group strategy: better and cleaner energy.

Chairman of the Board of Directors of E.ON Russia JSC

Dr. Bernhard Reutersberg.

# Address of the Chief Executive Officer

# Dear Shareholders,

# I wish to present you the annual report of E.ON Russia JSC following the results of 2012.

# As from 17 July I took office of the CEO of E.ON Russia JSC subject to the resolution of the Company Board of Directors. I came to the promising, rapidly developing company and I am firmly committed to implement all the tasks set by the shareholders. First of all it is provision of safety, reliability and efficiency of actual assets, increase of the company investment value, implementation of the investment program and its further development at the market.

# The last year was a great success for E.ON Russia JSC. Electric power generation increased by 2.8% and amounted to 64.2 kWh. The Company revenue reached 76.7 bln roubles - by 13.9% more than last year. EBITDA increased by 26.8% — up to 28.2 billion roubles, net profit — by 22.2% up to 18.4 billion roubles.  In 2012 E.ON Russia JSC strengthened its position as the leader of the Russian heat power industry. Today E.ON Russia is the most efficient Company of the sector.

# During 2012 an ambitious program of modernization and reconstruction of the Company capacities was implemented, it allowed to be reliable during the autumn and winter period. Negotiations with fuel suppliers were held, mid- and long-term contracts for gas supply were signed with independent suppliers. A lot was done as regards social responsibility, training of young specialists, provision of safety.

# In 2012 Berezovskaya GRES celebrated its 25th anniversary as from the day when the first power unit was put into operation, it is even more significant that particularly in 2012 full-scale works on construction of unit No. 3 (800 MW) were deployed at the plant. It is a major project with multi-billion investments, that is why Berezovskaya GRES is of special attention. We are sure that we will accomplish the project in time - commissioning of the power unit is scheduled for mid-2015 - and in compliance with the budget, and fully comply with the investment commitments that we undertook to the RF Government.

# In late 2012 the company proceeded to the new strategy development, its approval and commencement is the most important task for E.ON Russia in 2013.

# I am sure that the year of 2013 will be the year of further development and strengthening of our positions in electric power generation. I am sure that the Company has a great future.

# Dear shareholders, thank you for your support in 2012!

# CEO of E.ON Russia JSC

# Maksim Gennadyevich Shirokov.

#### 3. GENERAL INFORMATION ABOUT THE COMPANY

|  |  |
| --- | --- |
| **Full name** | **E.ON Russia**  **Open Joint Stock Company** |
| Date of state registration | March 04, 2005 |
| Primary State Registration Number (OGRN) | 1058602056985 |
| Company Legal Address | 23/34 Energostroiteley Str., Surgut, Khanty-Mansi Autonomous Area- Yugra, Tyumen Region |
| Address of the Moscow Representative Office | 10 Presnenskaya Nab., Block В, floor 23,  Moscow 123317 |
| Contact phone | (495) 545-38-38 |
| Fax | (495) 545-38-39 |
| E-mail address | [info@eon-russia.ru](mailto:info@eon-russia.ru) |
| Core business | Generation and sales of electric and heat power and capacity |
| Total installed capacity, MW | 10, 345.1 |
| Authorised capital, roubles | 25,219,482,458.37 |
| Total number of shares, pieces | 63,048,706,145.92 |
| Nominal value of the share, roubles | 0.40 |
| Number and date of state registration of shares issue | 1-02-65104-D dated 19.04.2007 |
| Majority Shareholder of the Company, %% shares | E.ON Russia Holding GmbH (83.73%) |
| Registrar’s Full Name | Registrar R.O.S.T. Open Joint Stock Company |
| Registrar’s Address | 18 Stromynka Str., build. 13, Moscow 107996 |
| Full name of the Company Auditor | PricewaterhouseCoopers Audit, Closed Joint Stock Company |
| Company Auditor’s Address | 10 Butyrskiy Val, Moscow 125047, Russia |

**3.1. Company History at a Glance**

In 2005 OGK-4 OAO was established on the basis of five power plants, in was composed of 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 OAO was acquired by the international E.ON Group, which has its business 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, it also has a share in the South Russian oil and gas field. Today E.ON is the largest foreign investor in the Russian electric power industry.

As from the moment of state registration (March 4, 2005 ) the Company was called Fourth Generation Company of the Wholesale Electricity Market Open Joint Stock Company (OGK-4 OAO). In July of 2011 OGK-4 OAO was renamed into E.ON Russia JSC[[3]](#footnote-3). The name change underlined the idea of E.ON Russia and its branches belonging to E.ON Group and manifests the long-term nature of its plans in the Russian electric power industry.

E.ON Russia 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 authorized capital, subsequently its share amounted to 83.73%. E.ON is one of the largest private power and gas groups in the world.

At present in the result of the investment program implementation related to construction of new capacities and the modernization program the total installed capacity of E.ON Russia JSC amounts to 10,345 MW. In 2010-2011 the Company put into operation 4 new CCGT power units with capacity of 1,600 MW at Shaturskaya GRES, Surgutskaya GRES-2 and Yaivinskaya GRES, as well as increased capacity of Berezovskaya GRES by 100 MW due to the equipment modernization.

Production and financial indicators of the company show sustainable growth. Electric power generation increased by 2.8% and amounted to 64.2 bln kWh in 2012.

The Company revenue reached 76.7 bln roubles, which is by 13.9% more than last year. EBITDA increased by 26.8% — up to 28.2 billion roubles, net profit — by 22.2% up to 18.4 billion roubles.

Shares of E.ON Russia are traded at stock exchange platforms of MICEX-RTS group.

**3.2. Place of the Company in the industry**

E.ON Russia JSC is a subject of the wholesale electricity market, it produces and sells electric and heat power. The Company share in the all Russia electric power generation increased up to 6.1% following the results of 2012, the share of installed capacity in UES of Russia amounted to 4.6%. The share in Russian thermal power plants output amounts to about 10%.

E.ON Russia 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.

Due to implementation of the investment program in 2010-2011 the generating fleet of E.ON Russia was joined by up-to-date, highly efficient power units that have high competitive ability at the electricity and capacity markets.

All this together with the effective strategy of expenses management allows E.ON Russia to be a leader of the Russian heat power industry.

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

**3.3. Areas of the Company priority**

In its activity E.ON Russia relies upon the global strategy of E.ON Group - "Cleaner and Better energy".

In 2012 the Company proceeded to the new strategy development, which will include both a conventional line - efficient management of the effective capacities, and new areas for the company growth: distributed generation and electric power generation on the basis of renewable energy sources.

The absolute priority of the Company for the next years is timely implementation of the final project of the investment program - construction of power unit No. 3 (800 MW STU) of Berezovskaya GRES.

**3.4. Company assets**

The structure of E.ON Russia includes five heat power plants with the total installed capacity of 10,345 MW/2,125.9 Gcal/h: Surgutskaya GRES-2 (Khanty-Mansi Autonomous Area, Tyumen Region), Berezovskaya GRES (Krasnoyarsk Territory), Shaturskaya GRES (Moscow Region), Smolenskaya GRES (Smolensk Region) and Yaivinskaya GRES (Perm Territory).



Khanty-Mansi Autonomous Area-Yugra

Surgutskaya GRES-2

Moscow

Smolensk Region

Smolenskaya GRES

Moscow region

Shaturskaya GRES

Perm Territory

Yaivinskaya GRES

Krasnoyarsk Territory

Berezovskaya GRES

power plants

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Basic production and technical characteristics of E.ON Russia, 2012 | | | | |
| Power plant | Commissioning years  (connection  to the grid) | Installed capacity,  MW | ICUF\* 2012 ,  % | Electric power generation  2012 ,  mln kWh |
| Surgutskaya GRES-2 | 1985-2011 | 5,597.1 | 81.3 | 39,967 |
| Berezovskaya GRES | 1987-1989 | 1,600.0 | 76.4 | 10,738 |
| Shaturskaya GRES | 1971-2010 | 1,493.4 | 39.5 | 5,185 |
| Smolenskaya GRES | 1978-1985 | 630.0 | 35.5 | 1,966 |
| Yaivinskaya GRES | 1963-2011 | 1024.6 | 70.5 | 6,345 |
| E.ON Russia |  | 10,345.1 | 70.7 | 64,202 |

\* Installed capacity utilization factor

**Surgutskaya GRES-2 branch of E.ON Russia JSC**

(hereinafter referred to as Surgutskaya GRES-2)

Surgutskaya GRES-2 is located in Surgut (Khanty-Mansi Autonomous Area – Yugra, Tyumen Region) and is the largest thermal power plant of Russia as regards installed capacity, which amounts to 5,597.1 MW. In 2012 the plant generated 39.967 billion kWh.

As for the electric power generation Surgutskaya GRES-2 is also 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 November 15, 1979. The resolution bears a symbolic number – 1,000. 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 recordingly short time, allowed for elimination of 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 started construction of two combined cycle 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 July 23, 2011 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 thermal power plants of the country. Its technical and economic indicators are highly competitive with the best foreign counterparts: specific fuel consumption amounts to less than 306 g/kWh at steam power units and 227 g - at CCGTs; electricity consumption for balance-of-plant needs — less than 2.5%; installed capacity utilization factor (ICUF) — 81%.

In 2012 the plant set an absolute record of annual generation - 39.967 bln kWh.

Staff headcount as of 31.12.2012 — 1,254 persons.

Branch Director: Yevgeniy Viktorovich Zhilyayev.

Contact information:

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

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E-mail: [surgut\_gres-2@eon-russia.ru](mailto:surgut_gres-2@eon-russia.ru)

Generation of electric and heat power at Surgutskaya GRES-2

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Indicator | 2008 | 2009 | 2010 | 2011 | 2012 |
| Electric power generation, mln kWh | 34,408 | 35,210 | 36,623 | 38,829 | 39.967 |
| Heat output from headers, thousand Gcal | 958 | 1,026 | 1,016 | 863 | 891 |

**BEREZOVSKAYA GRES branch of E.ON RUSSIA JSC**

(hereinafter — Berezovskaya GRES)

Berezovskaya GRES is located in the Krasnoyarsk Territory, 360 km to the north of the city of Krasnoyarsk. The power plant is a local economy mainstay of Sharypovo. Its installed capacity is 1,600 MW (2 power units of 800 MW each). The power plant is operated using lignites of the Berezovskoye deposit. The power plant generation amounted to 10,738.3 mln kWh following the results of 2012. Heat output from headers amounted to 731.3 thousand Gcal.

In 1975 the Ministry of Energy of the USSR issued order No. 11а “On preparation period for Berezovskaya GRES-1 power plant construction”. Construction of the first stage of the power plant began a year later. By 1985, installation of the main building of Berezovskaya GRES was 80% completed. At the same time, concreting work was completed on the stack shaft, 370 m high. Up to this day, it is the highest industrial facility in Russia and the fifth stack in the world (in terms of its height). On December 1, 1987 the first unit of the power plant was commissioned. In April 1991 an acceptance act on commissioning of unit No. 2 was signed.

In 2012 Berezovskaya GRES celebrated its 25th anniversary as from the moment when the first power unit was put into operation. For 25 years the plant has generated more than 150 bln kWh of electric power.

Berezovskaya GRES is famous for its non-conventional scheme of fuel supply. Lignite is delivered to the plant directly from Berezovskoye deposit of the Kansko-Achinskiy basin from Berezovskiy-1 cross-section via two 14 kilometers long open conveyor belts. Only during one hour up to 4.4. thousand tons of coal may be supplied to GRES.

Today Berezovskaya GRES is the most powerful thermal power plant of the Krasnoyarsk Territory and one of unique thermal power plants in Russia as regards technical part. The power plant is operated as part of the unified energy system of Siberia.

Share of yield in UES of Siberia amounts to 5%.

Share of installed capacity in UES of Siberia amounts to 3.4%.

Share of yield in the power balance of the Krasnoyarsk Territory amounts to 18%.

In November 2011 as a result of the large scale equipment modernization of the units in operation, the installed capacity of Berezovskaya GRES grew up to 1,600 MW. In May 2011 E.ON Russia JSC proceeded to implementation of the final stage of its investment program - construction of power unit No.3 of Berezovskaya GRES. As of today the construction enters the crucial phase - installation of the main equipment was commenced.

Berezovskaya GRES was one of the first Russian coal-fired power plants that introduced the European removal system for ash and sludge wastes generated in the result of coal combustion, - the dry ash and sludge removal system. The new system will allow for significant improvement of the power plant territory environment.

Equivalent fuel consumption for power output at Berezovskaya GRES amounted to 340.1 g per kWh in 2011. Installed capacity utilization factor — 76.4%.

Staff headcount as of 31.12.2012 — 1,027 persons.

Director of the branch — Vladimir Nikolayevich Borisov.

Contact information:

Berezovskaya GRES branch of E.ON Russia JSC.

Postal Address: PO 6-3/40, Sharypovo 662313, Krasnoyarsk Territory .

Office: Energetikov industrial base, building 1/15, Kholmogorskoe settl. 662328, Sharypovo District, Krasnoyarsk Territory.

Phone: (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 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Electric power generation, mln kWh | 10,821 | 9,425 | 9,288 | 11,082 | 10,738 |
| Heat output from headers, thousand Gcal | 725 | 736 | 774 | 694 | 731 |

**SHATURSKAYA GRES branch of E.ON RUSSIA JSC**

(hereinafter - Shaturskaya GRES)

Shaturskaya GRES is a thermal power plant located in Shatura (Moscow Region). The main fuel is natural gas, however, coal, fuel oil and peat may also be used at the GRES. Installed capacity of Shaturskaya GRES is 1,493.4 MW, heating capacity is 344.5 Gcal/h. Following the results of 2012 electric power generation amounted to 5.185 bln kWh.

History of Shaturskaya GRES counts over 90 years. On July 25, 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 was operated till 1926. The permanent plant design (it was named "Shaturskaya district electric power plant") was started in 1920. It is one of the first power plants constructed according to the plan of GOELRO. In Q2 of 2008 within implementation of the investment program of E.ON Russia, construction of the new power unit 400 MW CCGT was commenced. It was put into operation in November 2010. 400 MW CCGT of Shaturskaya GRES was the first one-shaft power unit in Russia with the most powerful commercial gas turbine of F class. The efficiency of the combined cycle unit of Shaturskaya GRES is about 56%, which is more than by one third exceeds the values of power units in the Russian heat generation. As from the power unit startup rated capacity of the plant has grown up to 1,493.4 MW. Due to its ecological compatibility, the project of 400 MW CCGT at Shaturskaya GRES became the first Russian project to be approved by the United Nations Organization under the Kyoto protocol.

Specific reference fuel consumption at GRES amounts to 314.7 g/kW h, installed capacity utilization factor (ICUF) — 39.5%.

Staff headcount as of 31.12.2012 — 998 persons.

Director of the branch — Sergei Dmitrievich Matveev.

Contact information:

Shaturskaya GRES branch of E.ON Russia JSC

Postal Address: 5 Chernoozerskiy proezd, Shatura 140700, Moscow Region.

Location: 5 Chernoozerskiy proezd, Shatura 140700, Moscow Region.

Phone: (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 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Electric power generation, mln kWh. | 5,002 | 3,636 | 4,112 | 5,893 | 5,185 |
| Heat output from headers, thousand Gcal | 410 | 415 | 430 | 403 | 401 |

**YAIVINSKAYA GRES branch of E.ON Russia JSC**

(hereinafter - Yaivinskaya GRES)

Yaivinskaya GRES is a thermal power plant located on the bank of the river Yaiva (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 a new combined cycle power unit of 426.4 MW was constructed at Yaivinskaya GRES.

Yaivinskaya GRES is situated in the Bereznikovsko-Solikamsky economic district, where in the 1950s there was a long-felt need for construction of the new power plant. Construction of GRES commenced in March 1956 and on June 30, 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 (24.12.1965), Yaivinskaya GRES reached the design generating capacity of 600 MW, and installed heating capacity amounted to 69 Gcal/h. At that time, it was the largest electric power plant in the Perm electric power system. Currently, Yaivinskaya GRES is the largest in Verkhnekamiye. After the fifth power unit was put into operation (01.08.2011) — CCGT, its installed capacity increased up to 1,024.6 MW.

The power plant 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.

Equivalent fuel consumption for power output at GRES amounted to 329.85 g per kWh in 2011. Installed capacity utilization factor — 71.2%. In 2012 these indicators were 305.6 g per kWh and 70.5%, respectively.

Staff headcount as of 31.12.2012 — 477 persons.

Director of the branch — Alexey Aleksandrovich Sokolov

Contact information:

Yaivinskaya GRES branch of E.ON Russia JSC

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

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

Phone: (34274) 2-43-59.

Fax: (34274) 3-14-64.

E-mail: [yagres@eon-russia.ru](mailto:yagres@eon-russia.ru)

Generation of electric and heat power at Yaivinskaya GRES

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Indicator | 2008 | 2009 | 2010 | 2011 | 2012 |
| Electric power generation, mln kWh | 4,234 | 3,955 | 3,840 | 4,854 | 6,345 |
| Heat output from headers, thousand Gcal | 101 | 104 | 104 | 100 | 95 |

**SMOLENSKAYA GRES branch of E.ON Russia JSC**

(hereinafter — Smolenskaya GRES)

Smolenskaya GRES is a thermal power plant located in Ozerny settlement of the Smolensk Region. Smolenskaya GRES was put into operation in 1978; it uses coal and natural gas as fuel. Installed capacity — 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. In 2012 the power plant generation amounted to 1.9 bln kWh, heat output from headers - 66.8 thousand Gcal.

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

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 that connects the Smolensk and Tver Regions was constructed, a modern motor road was built, a powermen settlement was constructed.

The power plant equipment was designed for combustion of low-ash sulfur-free fuel - peat, but at Smolenskaya GRES various types of solid fuel were used because of delays in peat extracting plants construction; and those solid fuels had different qualitative characteristics: high ash content, high sulfur content, high reactivity. During first years of its operation, the power plant had to change types of fuel frequently. 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 the non-design type of fuel required continuous reconstruction and modernization of the equipment.

As a result, 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 natural gas and Moscow lignite as main fuels.

In 2011 works on reconstruction and putting into operation of the first section of the ash disposal area at Smolenskaya GRES were completed. These works will allow for increasing the volume of ash and sludge waste storage, ensuring the possibility for the power plant operation when combusting significant share of coal in the fuel balance of the plant within more than 10 years, will decrease impact of the ash disposal area on the environment.

Specific fuel consumption at GRES in 2012 amounted to 370.59 g per kW/h, installed capacity utilization factor (ICUF) — 35.52%.

Staff headcount as of 31.12.2012 — 539 persons.

Director of the branch — Victor Ivanovich Brashchenkov

Contact information:

Smolenskaya GRES branch of E.ON Russia JSC

Postal Address: settlement of Ozerny 216239, Dukhovshchinsky district, Smolensk Region.

Location: settlement of Ozerny 216239, Dukhovshchinsky district, Smolensk Region.

Phone: (48166) 2-91-59

fax: (48166) 2-91-89

E-mail: [smgres@eon-russia.ru](mailto:smgres@eon-russia.ru)

Electric and heat power generation at Smolenskaya GRES

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Indicator | 2008 | 2009 | 2010 | 2011 | 2012 |
| Electric power generation, mln kWh | 2,212 | 1,722 | 1,928 | 1,809 | 1,966 |
| Heat output from headers, thousand Gcal | 67 | 72 | 70 | 66 | 66.8 |

**Moscow representative office of E.ON Russia JSC**

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

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

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

|  |  |
| --- | --- |
| **Description** | **Moscow representative office of E.ON Russia JSC** |
| Location | 10 Presnenskaya Nab., Block В, floor 23, Moscow 123317 |
| Postal Address | 10 Presnenskaya Nab., Block В, floor 23, Moscow 123317 |

**3.5. Events calendar for 2012**

|  |  |
| --- | --- |
| January | * Two more projects of new capacities construction of E.ON Russia JSC were approved for implementation within Article 6 of the Kyoto Protocol. New highly efficient power units with the total capacity of 1,200 MW are constructed at Surgutskaya GRES-2 and Yaivinskaya GRES within the Company investment program. |
| April | * At Surgutskaya GRES-2 a unique computer simulator is put into operation, it is one-of-a-kind in the power industry of Russia. It is designed for training the operating personnel of the plant to act both in standard situations (start-up, operation and shutdown of power units) and in the circumstances of various process violations elimination at the equipment. * Delivery of equipment to the construction site of power unit No. 3 of Berezovskaya GRES was commenced: in April the generator stator was delivered to the site. |
| May | * E.ON Russia JSC agreed with LUKOIL JSC on gas supply for the needs of Yaivinskaya GRES. To transport associated petroleum gas produced by LUKOIL-Perm JSC, a new gas pipeline will be constructed, which will allow for diversification of the gas supply sources and reduce the fuel risks. * E.ON Russia JSC confirmed compliance of its occupational health and safety management system with the requirements of international standard OHSAS 18001-2007. The certificate validity term is prolonged till May 2014. |
| June | * Works on recultivation of the first section of the ash disposal area are completed at Berezovskaya GRES. It is the first stage of works on modernization of the ash removal system and switching of Berezovskaya GRES to dry ash and sludge removal. * The Board of Directors of E.ON Russia JSC approved reporting drawn up in compliance with the International Financial Reporting Standards (IFRS) following the results of 2011 financial year. Revenue from the core activity amounted to 66.1 bln roubles, having increased by 31.3% versus indicators of 2010. Net profit of E.ON Russia JSC increased by 42.4% and amounted to 14.6 bln roubles. |
| July | * Maksim Shirokov is appointed CEO of E.ON Russia JSC. * E.ON Russia JSC obtained positive opinion of Glavgosexpertiza of Russia FAU for project construction of power unit No. 3 of 800 MW at Berezovskaya GRES. |
| August | * E.ON Russia JSC and NOVATEK JSC agreed on gas supplies for 15 years. The fuel will be supplied in 2013-2027 to Smolenskaya GRES, Surgutskaya GRES-2, Shaturskaya GRES and Yaivinskaya GRES. * E.ON Russia JSC published reporting calculated according to the international financial reporting standards (IFRS) for the first six years of 2012. Revenue from the core activity amounted to 35.21 bln roubles, it increased by 12.4%. Net profit increased by 22.3% - up to 8.67 bln roubles. |
| September | * E.ON Russia JSC and Rosneft Oil Company OJSC signed contract for gas supply in 2013-2015 to Surgutskaya GRES-2 branch. * Works on installation of the steam pulverized coal-fired boiler were commenced at the construction site of power unit No. 3 of Berezovskaya GRES. Commencement of the boiler installation is one of the most important stages of the power unit construction that determine the power unit commissioning term. |
| October | * E.ON Russia JSC obtained positive opinion of Glavgosexpertiza of Russia FAU for project construction of the dry ash and sludge removal system at Berezovskaya GRES branch. * At Surgutskaya GRES-2 an automatic control system of power unit No.3 processes is implemented. As a result quality of the power unit control system, accuracy of processing and information submission increased, metrological characteristics and quality of processes regulation improved. |
| November | * The company proceeded to the new strategy development, which besides main activity lines related to efficient assets management will include new ones, such as distributed power industry and renewable energy sources. To perform work in new lines a subsidiary E.ON Connecting Energy LLC was registered. * E.ON Russia JSC joined the Russian Union of Industrialists and Entrepreneurs. * On 29 November in the State Historical Museum a red carpet reception devoted to 5 year work of E.ON Group in the electric power industry of Russia, was held. The Minister of Energy of the Russian Federation Aleksandr Novak, ambassador of Germany in Russia Ulrich Brandenburg, member of the Board of E.ON SE, Chairman of the Board of Directors of E.ON Russia JSC Bernhard Reutersberg, heads of the Federal executive authorities, heads of the regions, in which E.ON Russia operates and many others took part in the reception. |
| December | * On December 1 Berezovskaya GRES celebrated its 25th anniversary of the first power unit start-up at the plant. * E.ON Russia JSC sold quotas for greenhouse gas emissions, obtained at operation of the new combined cycle power unit at Shaturskaya GRES in 2011. |

#### 4. CORPORATE MANAGEMENT

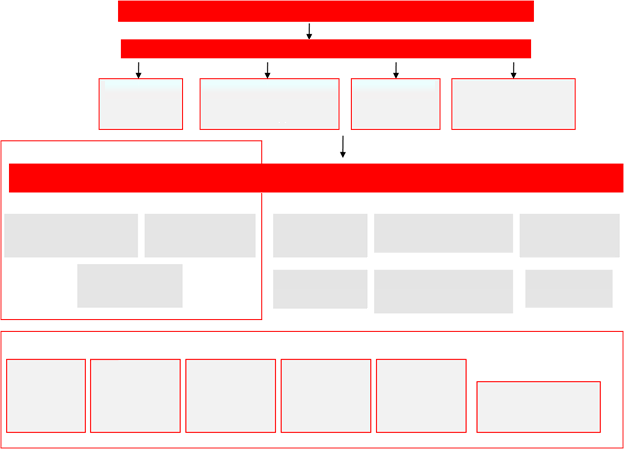
**4.1. Compliance with Legal and Ethical Standards**

Issues related to transparency and efficiency of the corporate management, as well as strict compliance with the legal requirements and the highest esthetic standards in responsible business doing are of great importance to E.ON Russia activity. The Board of Directors of E.ON Russia approved the Code of Ethics, which includes provisions that regulate the business conduct practice, relations with business partners, state institutions, conflict of interests settlement and which ensure fight against corruption,   commercial bribery, abuse of office. 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 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, an independent Responsible person is appointed, his/her major task is to control over compliance with the Code provisions, and any employee may address this person as to issues of violation of the provisions of the document specified.

The Company pays the most careful attention to compliance of its activity with the requirements of the applicable laws. The main principle of E.ON Russia operation is respect for the right, enforcement of the rights and observance of legal interests of other persons, enforcement of requirements of the effective regulatory legal acts. The Company respects and observes rights of third parties as well as it actively uses legal means to protect its legal rights and interests and rights and interests of its shareholders.

Pursuant to the up-to-date requirements in the sphere of counteracting the insider information use and securities prices manipulation, the Regulation on insider information was also developed and approved at the Company. 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 authorized by the Board of Directors in the sphere of compliance with the insider rules.

**4.2. Corporate structure**



BEREZOVSKAYA GRES BRANCH

SURGUTSKAYA GRES-2 BRANCH

HR Director

Deputy General Director for Production

Deputy General Director for Finance and Economics

GENERAL SHAREHOLDERS' MEETING (>300,000)

Director for Corporate Relations

HEAT NETWORKS OF BEREZOVSKAYA GRES BRANCH

YAIVINSKAYA GRES BRANCH

SMOLENSKAYA GRES BRANCH

SHATURSKAYA GRES BRANCH

**BRANCHES**

Commercial Director

PR and Government Authorities Director

Director for Investments and Development

General Director Aide for Security

Deputy General Director for Commercial Issues

**MANAGEMENT**

NEW BUILD STEERING COMMITTEE

RISK AND FINANCE COMMITTEE

APPOINTMENT AND REMUNERATION COMMITTEE

AUDIT COMMITTEE

CEO,

CHAIRMAN OF THE MANAGEMENT BOARD

BOARD OF DIRECTORS

Within 2012, including due to appointment of the new CEO of the Company by the Board of Directors, to optimize the effective system of management, the Company corporate structure underwent a number of significant changes:

By the Resolution of the Company Board of Directors, dated 06.07.2012, the Strategy and Development Committee of the Board of Directors of E.ON Russia JSC was wound up. The main functions of the Strategy and Development Committee were transferred to the Management Board. The Company strategy is developed at the sessions of strategy planning. The main functions of the Strategy and Development Committee were transferred to the Management Board. The Company strategy is developed at the sessions of strategy planning.

By the Resolution of the Company Board of Directors, dated 30.08.2012, Igor Viktorovich Popov, Deputy General Director for Production, was introduced into the Company Board composition.

Subject to the resolution of the Company Board dated 05.10.2012, as from 10.10.2012 the following positions were renamed: "Deputy General Director for Energy Management" into "Deputy General Director for Commercial Issues"; "PR and Authorities relations Aide to Director General" into "Director for PR and Authorities relations", "Deputy General Director for Human Resources" into Director for Human Resources"; "Deputy Director General for Investment and Development" into "Director for Investments and Development"; "Deputy Director General for Corporate Relations" into "Director for Corporate Relations", with activity, functions, authorities, responsibility and direct reporting to the Company CEO being preserved to them in full scope.

Moreover, positions "Deputy Director General for Information Technologies" and "Deputy Director General for General Affairs and Procurement" were terminated.

In the chart "Corporate Structure" the data are provided as of 31.12.2012, at the moment of provisional approval by the Board of Directors of the annual report - no significant changes took place.

**4.3. Management Bodies. Work results in 2012**

Organization of effective corporate management 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 shareholders is one of the major missions for the Company. Building of efficient corporate management system is based on application of the Russian and foreign best practices. Up-to-date standards of corporate governance widely practiced by E.ON Group companies, which E.ON Russia is actively implementing in its corporate practice are of special importance to us.

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

* reasonable distribution of competencies and responsibilities among corporate management bodies;
* enhancement of the collective approach to the Company business management;
* effective combination between decision making centralization and delegation of authority to various managerial levels;
* enhancement of promptness and efficiency of managerial decisions;
* exercise and protection of rights and interests of the Company shareholders;
* implementation of high standards of corporate ethics in the management bodies activity.

Within the framework of the corporate management system improvement in 2012 E.ON Russia JSC introduced amendments to the Articles of Association of E.ON Russia JSC. Introduction of amendments to the Articles of Association is conditioned by termination of the shareholders' agreement of E.ON Russia JSC in 2012, in this regard the provisions that were included thereto to comply with the requirements of the shareholders' agreement and that created redundant and unwarranted restrictions in E.ON Russia JSC activity (approval of the candidate of the independent engineer expert to audit compliance with the investment program of the Company, review of quarterly reports of the independent expert, etc.) were excluded from the Company Articles of Association. Other amendments to the Articles of Association were aimed at compliance with the effective laws of the Russian Federation and to increase efficiency and transparency of the management, improvement of the corporate rules and procedures.

Currently the major documents of E.ON. Russia in the sphere of corporate management are:

* Articles of Association;
* Code of Corporate Governance;
* Regulation for the General Meeting of Shareholders;
* Regulation for the Board of Directors;
* Regulation for the Management Board;
* Regulation for the Revision Commission;
* Delegation of Authority Policy;
* Regulation on distribution of competencies among the Company top managers;
* Regulation on the Compliance Procedure;
* Regulation on the Information Disclosure;
* Regulation on the Insider Information;
* Regulation on the Internal Control System;
* Regulation on the Corporate Risk Management System;
* Regulations on Committees of the Company Board of Directors.

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

E.ON Russia prepares and publishes reports in compliance with both Russian accounting standards (RAS) and International financial reporting standards (IFRS) on a regular basis. In the Company, there are organization units responsible for organization of information exchange with external environment.

The relevant information on the Company activity, and information that is required to be disclosed to comply with the RF laws requirements, is disclosed on the Company corporate site [www.eon-russia.ru](http://www.eon-russia.ru/), on the page on 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 newslines of authorised news agencies.

The Company management system is composed of the following levels:

* General Shareholders' Meeting;
* Board of Directors;
* Management;
* CEO.

**General Shareholders' Meeting**

The General Shareholders' Meeting is the supreme management body of E.ON Russia. It reviews key issues of the Company 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 general shareholders’ meetings is regulated by the Regulation on the General Shareholders' Meeting of E.ON Russia[[4]](#footnote-4).

**Board of Directors**

**Board of Directors[[5]](#footnote-5)**

The Board of Directors exercises strategic management of the Company activities, control over activities of its executive bodies and ensures observance of the shareholders’ rights and interests. Its competence includes determination of the Company development strategy, organization of control over the Company business activity, maintenance of the internal audit system efficiency, development and implementation of major internal rules for the main areas of the Company activities, ensuring exercising of the shareholders’ rights and review of reports on the Company performance and fulfillment of the tasks as set by executive bodies of E.ON Russia. Activities of the Board of Directors are regulated by the Regulation on the Board of Directors of E.ON Russia[[6]](#footnote-6).

Till June 29, 2012 the Board of Directors elected at the annual General Shareholders' Meeting on June 24, 2011, was in force, it was composed of:

1. Sergey Afanasievich Tazin — Chairman of the Board of Directors
2. Mike Winkel
3. Andrey Alexandrovich Drachuk
4. Reutersberg Albert Bernhard Wilhelm
5. Gunter Eckhardt Rümmler
6. Yuri Stepanovich Sablukov
7. Karl-Heinz Feldmann
8. Reiner Hartmann
9. Igor Yurievich Jurgens

Full data about the above members of the Board of Directors are given in the Company Annual report for 2011[[7]](#footnote-7).

The Board of Directors that functioned during the second half of 2012 was elected by the Annual General shareholders' meeting on June 29, 2012. Its composition included:

**1. Albert Bernhard Wilhelm Reutersberg,** Chairman of the Board of Directors.

Born in 1954.

In 1981 he graduated from University of Munster, economist with a degree. Took Doctor's degree.

E.ON SE is currently the primary employment.

In 2008 Mr. Reutersberg was a member of the advisory committee of Energieversorgung Mittelrhein E.ON Vertrieb Deutschland GmbH (Germany), and was a member of the Supervisory Board in such companies as Enovos/Saar Ferngas (Germany), EVG (Germany), GASAG (Germany), Thuga AG (Germany), Gerosgaz (Russia).

From 2008 till present he is the member of the shareholders' committee of Nord Stream AG (Switzerland).

From 2010 till present he is the Chairman of the Supervisory Board of E.ON Energie AG (Germany), member of the Board of Directors of E.ON Espana S.L. (Spain), member of the Board of Directors of E.ON Italia S.p.A. (Italy), Chairman of the Supervisory Board of E.ON Sverige AB (Sweden), Chairman of the Supervisory Board of E.ON Benelux N.V (Netherlands).

Since 2011 he's been the President of the Supervisory Board of E.ON France S.A.S (France) and Chairman of the Supervisory Board of E.ON Hungaria ZRt (Hungary).

Initially Mr. Reutersberg was elected a member of the Company Board of Directors on June 24, 2011 and last time he was re-elected on June 29, 2012.

Mr. Reutersberg does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Chairman of the Board of Directors.

The Company has no information regarding any claims brought against Mr. Reutersberg.

**2. Mike Winkel,**  Member of the Board of Directors.

Born in 1970.

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

For the last 13 years he has occupied various positions in E.ON Group.

From 2004 till 2007 was Senior Vice President for Market Management of E.ON AG (Dusseldorf, Germany), and from 2007 till 2008 was Senior Vice President for Trade and Optimization.

In 2009 — 2010 he occupied the position of the Managing Director of E.ON Russia Power GmbH, where he was responsible for the energy portfolio management and optimization.

From 2010 till 2011 he was Deputy Director General for Energy Management of E.ON Russia JSC.

From 2010 till 2011 he was the Deputy Director General of E.ON Russia GmbH.

From 2011 till present he occupies the position of CEO in E.ON Climate &Renewables, Essen, Germany.

Mr. Winkel was initially elected the member of the Company Board of Directors on June 17, 2009, and once again re-elected on June 29, 2012.

Mike Winkel does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board of Directors member.

The Company has no information regarding any claims brought against Mr. Winkel.

**3. Sergey Vladimirovich Malinov,** member of the Board of Directors

Born in 1973.

In 1995 he graduated from Financial Academy at the RF Government, Finance and Credit department, Economist.

During 2007-2010 Sergey Malinov worked at Rosenergoatom Concern Federal State Unitary Enterprise, Rosenergoatom Concern JSC as a Deputy General Director for Restructuring and Corporate Management, and then as the Deputy General Director - Director for Corporate Management.

Beside the Board of Directors of E.ON Russia Mr. Malinov is a member of the Board of Directors of the following companies: from 2009 till present he is the Chairman of the Board of Directors of Energosetproject JSC and Chairman of the Board of Directors of NIITeplopribor JSC State Research Center of the Russian Federation.

Mr. Malinov was elected the member of the Company Board of Directors for the first time on June 29, 2012.

Sergey Malinov has no share in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board of Directors member.

The Company has no information regarding any claims brought against Mr. Malinov.

**4. Gunter Eckhardt Rümmler,** member of the Board of Directors.

Born in 1960.

In 1984 he finished his studies in Hamburg, licensed engineer specializing in instrumentation and shipbuilding.

During the period from 2005 to 2007 Gunter Rümmler was the Senior Vice President of E.ON Energy Trading AG (Germany).

Since 2007 Mr. Rummler has occupied the position of Senior Vice President for hydrocarbons exploration and production / generation in E.ON FG (SE).

From 2008 till present Mr. Rummler is a member of the Board of Directors of E.ON Ruhrgas GmbH (Essen, Russia).

In 2009 Mr. Rummler was a member of the Board of Directors of German companies E.ON Kraftwerke GmbH (Hannover, Germany), E.ON Kernkraft GmbH (Hannover, Germany).

From 2009 till present Mr. Rummler is a member of the Board of Directors of E.ON Energy Trading SE (Düsseldorf, Germany).

From 2010 till present Mr. Rummler is a member of the Board of Directors of E.ON Generation GmbH (Hannover, Germany), E.ON New Bilding&Technology GmbH (Gelsenkirchen, Germany), E.ON Gas Storage GmbH (Essen, Germany).

From 2012 till present Mr. Rummler is a member of the Supervisory Board of E.ON Energie AG (Essen, Germany).

Mr. Rummler was initially elected the member of the Company Board of Directors on June 17, 2009, and once again re-elected on June 29, 2012.

Gunter Rümmler does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board of Directors member.

The Company has no information regarding any claims brought against Mr. Rummler. .

**5. Yuri Stepanovich Sablukov**, member of the Board of Directors, until August 30, 2012. — member of the Steering Committee of the Board of Directors for New Build.

Born in 1957.

Graduated from Ust-Kamenogorsk Industrial technical secondary school specializing in steam and turbine units, Alma-Ata Energy Institute (engineer-electrician), Alma-Ata Institute of Energy and Communications (engineer-economist). He was trained in the Center of professional training of Ernst&Young Company, Finances for Managers Department, and Academy Deloitte, Risks management at the enterprise Department.

From 1997 till 2005 he worked in regional organization units of AES in Kazakhstan. In particular within the period from 1998 to 2001 he occupied the position of the Head of the Repair and Maintenance Service of AES Ust-Kamenogorskaya CHP JSC.

From 2001 till 2004 — Director of Ust-Kamenogorskiye Teplovye Seti JSC.

In 2004-2005 he was Vice President of AES Group JSC ( Ust-Kamenogorsk).

In 2005-2007 — head of the Volgaenergo project of the Department of strategy planning and investments of Eurosibenergo LLC.

In 2007 he occupied the position of the Chief Operating Officer of OGK-3 JSC. On October 17, 2007, he was elected Director General of OGK-3 OAO.

From October 1, 2008 till 16.07.2012 — CEO of E.ON Russia JSC.

Initially Mr. Sablukov was elected a member of the Company Board of Directors on June 17, 2009 and last time he was re-elected on June 29, 2012.

Yu.S. Sablukov does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board of Directors member.

The Company has no information regarding any claims brought against Mr. Sablukov.

**6. Sergey Afanasievich Tazin**, member of the Board of Directors, within 2012 he was the member of the Committees of the Board of Directors.[[8]](#footnote-8)

Born in 1961.

Graduated from the Electric Power Department of the Rensselaer Polytechnic Institute (USA),  
Turbine University of General Electric Company (USA).

Started to work in the power industry sector in 1993 as an assistant engineer in American Con Edison (New York). From 1993 till 1998 — engineer, senior engineer in General Electric (USA).

In 1998 he became General Director of the power plant of AES Corporation (USA), after that he headed various organization units of AES in Kazakhstan and Ukraine for seven years.

In 2005—2008 was the head of Eurosibenergo Holding, in 2007–2008 — Executive Director of OGK-3 JSC.

From 2008 till mid 2012 he was the head of E.ON Russia Power GmbH and E.ON Russia LLC.

Initially Mr. Tazin was elected a member of the Company Board of Directors on June 17, 2009 and last time he was re-elected on June 29, 2012.

Mr. S.A. Tazin does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board of Directors member.

The Company has no information regarding any claims brought against Mr. Tazin.

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

Born in 1959.

In 1984 he graduated from Westphalian Wilhelm University of Münster, has degree in law.

From 2004 till present Mr. Feldmann occupies the position of Senior Vice— President for Legal Issues of E.ON AG(SE), (Düsseldorf, Germany).

Since February 2004 he has been the member of the Supervisory Board of Hamburger Hof (Germany), since 2008 he has been the member of the Board of E.ON Italia (Italy).

Until June 2010 Mr. Feldmann was also a member of the Supervisory Board of E.ON IS (Germany) and till 2007 — a member of the Supervisory Board of E.ON Risk Consulting GmbH (Germany).

From 2012 till present Mr. Feldmann is a member of the Supervisory Board of E.ON Energie AG (Essen, Germany).

Initially Mr. Feldmann was elected a member of the Company Board of Directors on June 17, 2009 and last time he was re-elected on June 29, 2012.

Karl-Heinz Feldmann does not have any share in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board of Directors member.

The Company has no information regarding any claims brought against Mr. Feldmann.

**8. Reiner Hartmann,** member of the Board of Directors, member of the Audit Committee of the Board of Directors.

Born in 1945.

He graduated from Private Trade School specializing in economy of the production process (Bayreuth, FRG).

Mr. Hartmann has been the Head of E.ON Ruhrgas representative office in Moscow since January 1992.

Since April 2006 he has been the Chairman of the Management Board of the Association of European Businesses in the Russian Federation.

From May 2008 till December 2009 he was the CEO of E.ON Russia LLC, in December 2009 Mr. Hartmann headed the Natural Gas Department of E.ON Russia LLC.

Initially Mr. Hartmann was elected a member of the Company Board of Directors on June 06, 2008 and last time he was re-elected on June 29, 2012.

Reiner Hartmann does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board of Directors member.

The Company has no information regarding any claims brought against Mr. Hartmann.

**9. Igor Yurievich Jurgens,** member of the Board of Directors, Chairman of the Audit Committee of the Board of Directors.

Born in 1952.

In 1974 he finished the Economy Department of Lomonosov Moscow State University, Ph.D. in Economics. Professor of the sub-faculty Theory and Practice of Business and Authorities Interaction  [of the State University - Higher School of Economics](http://ru.wikipedia.org/wiki/%D0%93%D0%BE%D1%81%D1%83%D0%B4%D0%B0%D1%80%D1%81%D1%82%D0%B2%D0%B5%D0%BD%D0%BD%D1%8B%D0%B9_%D1%83%D0%BD%D0%B8%D0%B2%D0%B5%D1%80%D1%81%D0%B8%D1%82%D0%B5%D1%82_-_%D0%92%D1%8B%D1%81%D1%88%D0%B0%D1%8F_%D1%88%D0%BA%D0%BE%D0%BB%D0%B0).

Since 1974 Mr. Jurgens has occupied various positions in international departments of the All-Union Central Council of Trade-Unions, Administration of International Relations of UNESCO. Honoured with several state and international awards, including — state Order of Honour of the Russian Federation, L’Ordre National du Merite (France), orders of St. Sergius of Radonezh and Daniil of Moscow of the Russian Orthodox Church.

Among his previous positions – First Deputy Chairman of the General Confederation of Trade Unions of the Commonwealth of Independent states (1992-1997), Chairman of the Board of Directors of MESKO Insurance Company (1996-1997), President of the All-Russian Insurance Association (1998-2000), Chairman of the Committee for Financial Markets and Credit Institutions of the Chamber of Commerce and Industry of the Russian Federation (2000-2009), Chairman of the Board of Directors of Renaissance Capital Bank (2001-2010) and Managing Director of Renaissance Capital - Financial Advisor LLC (2005-2010).

From 2006 till 2010 Mr. Jurgens was the Chairman of the Board of the Institute of Contemporary Development (INSOR), and from 2010 till present he is a scientific advisor.

From 2002 till present Mr. Jurgens is a member of the Board of the Russian Union of Industrialists and Entrepreneurs.

From 2011 till present Mr. Jurgens is also a member of the Board of Directors of Transcapital bank CJSC, member of the Board of trustees of NP Russian International Affairs Council.

From 2012 till present Mr. Jurgens is a Chairman of the Board of Directors of the Russian Agro Industrial Corporation.

Initially Mr. Jurgens was elected a member of the Company Board of Directors on May 25, 2007 and last time he was re-elected on June 29, 2012.

Mr. Jurgens does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board of Directors member.

The Company has no information regarding any claims brought against Mr. Jurgens.

**Overview of the meetings of the Board Directors for 2012**

In total within 2012 the Board of Directors of E.ON Russia held 17 meetings, 4 of them in person.

The most important resolutions taken by the Board of Directors in 2012:

1. in the sphere of key investment projects

In late August 2012 the Board of Directors updated the following parameters of the investment project "Construction of power unit No. 3 on the basis of 800 MW STU of Berezovskaya GRES branch", E.ON Russia JSC:

* Capacity to be commissioned — 800 MW;
* Commissioning date of the facility — on or prior to 01.05.2015;
* Project budget — EUR1,101.2 mln.

1. in the sphere of risk management

In May the Board of Directors reviewed the report on the Corporate risk management system work and on the most significant risks in the Company activity following the results of 2011.

In September amendments were introduced into the Regulation on risks management in the projects on new capacities construction of E.ON Russia JSC;

In October the Regulation on the Corporate Risk Management System of E.ON Russia JSC was approved in new version.

1. in the sphere of corporate management improvement

During the year 2012 process of further improvement of the Company corporate management was on, including:

* amendments were introduced into the Regulation on the Insider Information of E.ON Russia JSC;
* Delegation of Authority Policy in E.ON Russia JSC was approved in new version;
* Regulation on the Steering Committee for New Build of the Board of Directors of E.ON Russia JSC was approved in new version;
* Regulation on the Policy of Social Investments of E.ON Russia JSC was approved in new version;
* Regulation on Compliance Procedure was amended;
* financial policy of E.ON Russia JSC was approved in new version;
* Guidelines on compliance with antitrust laws of E.ON Russia JSC were approved in new version;
* Regulation on the Company Real Estate Management was approved in new version;
* participation of the Company in the Russian Union of Industrialists and Entrepreneurs (hereinafter - RUIE) was approved;
* participation of E.ON Russia JSC in E.ON Connecting Energy LLC was approved;
* cessation of membership in NP Power Engineers Association was approved;
* change of the Company Board composition was approved;
* change of quantitative and personal composition of the Committees of the Company Board of Directors was approved.

1. the issues related to operations efficiency increase

* in May signing of associated petroleum gas supply contracts for the needs of Yaivinskaya GRES between E.ON Russia JSC and Lukoil JSC for 2013-2022 was approved;
* in May signing of natural and/or dry stripped gas for the needs of Surgutskaya GRES-2 between Rosneft Oil Company OJSC and E.ON Russia JSC for 2013-2015 was approved;
* in August transactions between E.ON Russia JSC and NOVATEK JSC, NOVATEK-Perm LLC on gas supply to Smolenskaya GRES, Surgutskaya GRES-2, Shaturskaya GRES and Yaivinskaya GRES branches of E.ON Russia JSC in 2013-2027 were approved.
* Regulation on Procurement of E.ON Russia JSC was amended;

1. other important issues of the Board of Directors activity

* approval of credit limits for financial partners of the Company and approval of the terms for monetary funds placement on deposit accounts;
* approval of the financial statements prepared under the International Financial Reporting Standards (IFRS) following the results of the financial year 2011;
* approval of the Company budget in the IFRS format for 2013;
* approval of transactions in the cases when their approval was required subject to the laws or the Company Articles of Association.

**DATA ABOUT REMUNERATION AND COMPENSATIONS PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS**

The amount of remuneration and bonuses to the members of the Board of Directors and the procedure of their payment is regulated by the Regulation on the Board of Directors of E.ON Russia[[9]](#footnote-9)[1] approved by the Annual General Shareholders' Meeting on 24.06.2011. According to this Regulation members of the Board of Directors are entitled to:

* be compensated expenses associated with their duties performance as a member of the Board of Directors;
* receive quarterly fixed remuneration;
* receive an annual variable compensation depending on the level of the Company performance.

The total amount of remunerations and bonuses paid to the members of the Company Board of Directors in 2012 amounted to 22 mln 702.782 ths. roubles, including:

for participation in meetings in presentia — 369.517 ths roubles;

quarterly remuneration — 7 mln 299.53 ths. roubles,

annual remuneration (for 2011) — 15,033.735 ths. roubles.

**COMMITTEES OF THE BOARD OF DIRECTORS**

The effective system of committees at the Board of Directors is an optimal and justified one, it allows for taking informed and effective decisions in the most important areas of the Company activity.

***The Audit Committee*** was established on November 30, 2006 by the resolution of the Board of Directors of OGK-4, minutes No. 36.

It operates on the basis of the Articles of Association of E.ON Russia and Regulation on the Audit Committee of the Board of Directors of E.ON Russia.

The Audit Committee responsibility includes: assessment of nominees of the Auditor, assessment of the Auditor’s reports, assessment of the internal control procedure efficiency and development of recommendations for their improvement.

Data on the quantitative and personal composition of the Audit Committee in 2012 :

|  |  |  |
| --- | --- | --- |
| **Period** | **Number of the Committee members** | **Committee composition in persons** |
| **01.01.2012-31.12.2012** | 2 | Igor Yurievich Jurgens — Chairman of the Committee  Reiner Hartmann |

***The Appointment and Remuneration Committee*** was established on April 14, 2008 by the resolution of the Board of Directors of OGK-4, minutes No. 87.

It operates on the basis of the Articles of Association of E.ON Russia and Regulation on the Appointment and Remuneration Committee of the Board of Directors of OGK-4.

The Appointment and Remuneration Committee responsibility includes: review of issues and development of recommendations on personnel matters and remuneration, which are related to the competence of the Board of Directors, and development of recommendations on personnel matters for executive bodies of the Company.

Data on the quantitative and personal composition of the Appointment and Remuneration Committee in 2012:

|  |  |  |
| --- | --- | --- |
| **Period** | **Number of the Committee members** | **Committee composition in persons** |
| **01.01.2012–02.03.2012** | 2 | Sergey Afanasievich Tazin — Chairman of the Committee  Ulf Backmeyer |
| **02.03.2012–06.07.2012** | 3 | Sergey Afanasievich Tazin — Chairman of the Committee  Sebastian Eisenberg  Yuri Stepanovich Sablukov |
| **06.07.2012–30.08.2012** | 3 | Sebastian Eisenberg — Chairman of the Committee  Yuri Stepanovich Sablukov |
| **30.08.2012–31.12.2012** | 3 | Sebastian Eisenberg — Chairman of the Committee  Maksim Gennadyevich Shirokov  Andrey Vyacheslavovich Buzov |

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

It operates on the basis of the Articles of Association of E.ON Russia and Regulation on the Steering Committee for New Build of the Board of Directors of E.ON Russia.

The Steering Committee’s responsibilities include: issues of efficient management of the E.ON Russia Investment program implementation with due account for reasonable spending of the Company 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 solution drafts on the issues of the projects implementation.

Data on the quantitative and personal composition of the Steering Committee of the Board of Directors for New Build in 2012:

|  |  |  |
| --- | --- | --- |
| **Period** | **Number of the Committee members** | **Committee composition in persons** |
| **01.01.2012–02.03.2012** | 8 | Gerhard Seibel — Chairman of the Committee  Sergey Afanasievich Tazin — Deputy Chairman of the Committee  Ulf Backmeyer  Donald Weir  Aleksandr Vladimirovich Ilyenko  Peter Modrei  Derek Parkin  Yuri Stepanovich Sablukov |
| **02.03.2012–28.06.2012** | 6 | Gerhard Seibel — Chairman of the Committee  Sergey Afanasievich Tazin — Deputy Chairman of the Committee  Donald Weir  Peter Modrei  Derek Parkin  Yuri Stepanovich Sablukov |
| **28.06.2012–06.07.2012** | 7 | Gerhard Seibel — Chairman of the Committee  Sergey Afanasievich Tazin — Deputy Chairman of the Committee  Ulf Backmeyer  Donald Weir  Peter Modrei  Derek Parkin  Yuri Stepanovich Sablukov |
| **06.07.2012–30.08.2012** | 7 | Gerhard Seibel — Chairman of the Committee  Sebastian Eisenberg — Deputy Chairman of the Committee  Ulf Backmeyer  Donald Weir  Peter Modrei  Derek Parkin  Yuri Stepanovich Sablukov |
| **30.08.2012–31.12.2012** | 8 | Gerhard Seibel — Chairman of the Committee  Sebastian Eisenberg — Deputy Chairman of the Committee  Ulf Backmeyer  Donald Weir  Peter Modrei  Derek Parkin  Igor Viktorovich Popov  Maksim Gennadyevich Shirokov |

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

It operates on the basis of the Articles of Association of E.ON Russia and Regulation on the Risk and Finance Committee of the Board of Directors of OGK-4.

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

Data on the quantitative and personal composition of the Risk and Finance Committee in 2012:

|  |  |  |
| --- | --- | --- |
| **Period** | **Number of the Committee members** | **Committee composition in persons** |
| **01.01.2012–02.03.2012** | 4 | Ulf Backmeyer — Chairman of the Committee  Sebastian Eisenberg — Deputy Chairman of the Committee  Andrey Nikolayevich Zhukovsky  Yelena Vladimirovna Talalaeva |
| **02.03.2012–**  **28.06.2012** | 3 | Sebastian Eisenberg — Chairman of the Committee  Andrey Nikolayevich Zhukovsky  Yelena Vladimirovna Talalaeva |
| **28.06.2012–**  **31.12.2012** | 4 | Ulf Backmeyer — Chairman of the Committee  Sebastian Eisenberg — Deputy Chairman of the Committee  Andrey Nikolayevich Zhukovsky  Yelena Vladimirovna Talalaeva |

***The Strategy and Development Committee*** was established on June 30, 2009 by the resolution of the Board of Directors of OGK-4, minutes No. 115.

It operates on the basis of the Articles of Association of E.ON Russia and Regulation on the Strategy and Development Committee of the Board of Directors of OGK-4.

The Strategy and Development Committee developed solution drafts and recommendations on the issues of strategic and operational management for the Board of Directors and the Company executive bodies. It reviewed the issues on determination of priority lines, strategy targets and basic principles of strategic development and optimization of E.ON Russia activity, effected control over the implementation process of the programs adopted and the Company projects, achievement of the targets and tasks set by the Company.

Since July 06, 2012, the Strategy and Development Committee of the Company Board of Directors is abolished. The Regulation on the Strategy and Development Committee of the Board of Directors of OGK-4 OAO approved by the Board of Directors of OGK-4 OAO on 16.07.2009 (minutes No. 116 dated 20.07.2009) is deemed to have lost its force.

Data on the quantitative and personal composition of the Strategy and Development Committee in 2012:

|  |  |  |
| --- | --- | --- |
| **Period** | **Number of the Committee members** | **Committee composition in persons** |
| **01.01.2012–02.03.2012** | 4 | Sergey Afanasievich Tazin — Chairman of the Committee  Sebastian Eisenberg  Ulf Backmeyer  Yuri Stepanovich Sablukov |
| **02.03.2012–**  **28.06.2012** | 3 | Sergey Afanasievich Tazin — Chairman of the Committee  Sebastian Eisenberg  Yuri Stepanovich Sablukov |
| **28.06.2012–**  **06.07.2012** | 4 | Sergey Afanasievich Tazin — Chairman of the Committee  Sebastian Eisenberg  Ulf Backmeyer  Yuri Stepanovich Sablukov |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Participation of the Board of Directors members in the committees of the Board of Directors of E.ON Russia** | | | | | | | |
| Name | Position | Number of years in the Board of Directors | Audit committee | Risk and finance committee | Appointment and remuneration committee | Committee for Strategy and Development | Steering Committee for New Build |
| Mike Winkel | Member of the Board of Directors | 3 |  |  |  |  |  |
| Andrey Alexandrovich Drachuk | Member of the Board of Directors | 2 |  |  |  |  |  |
| Yuri Stepanovich Sablukov | Deputy Chairman of the Board of Directors | 4 |  |  | + | + | + |
| Sergey Afanasievich Tazin | Chairman of the Board of Directors/member of the Board of Directors | 4 |  |  | + | + | + |
| Reutersberg Albert Bernhard Wilhelm | Member of the Board of Directors/ Chairman of the Board of Directors | 2 |  |  |  |  |  |
| Gunter Eckhardt Rümmler | Member of the Board of Directors | 4 |  |  |  |  |  |
| Karl-Heinz Feldmann | Member of the Board of Directors | 4 |  |  |  |  |  |
| Reiner Hartmann | Member of the Board of Directors | 5 | + |  |  |  |  |
| Igor Yurievich Jurgens | Member of the Board of Directors | 6 | + |  |  |  |  |

Sergey Vladimirovich Malinov

Member of the Board of Directors 0.5

**Management**

The Management Board is a collective executive body that controls major issues of day-to-day management of the Company business within the framework of authorities provided by the Articles of Association and Regulation on the Management Board of E.ON Russia[[10]](#footnote-10). The Management Board reports to the Board of Directors and General Shareholders' Meeting.

E.ON Russia policy in the area of corporate management enhancement is consistently focusing on boosting up significance of the Management Board in exercising management of current activities, positioning it as the body elaborating the consistent stance of the Company top management in the key areas of operations. Enhancement of the Management Board activities is also conditioned by a more extensive application of the principle of collective leadership of management resolutions adoption in order to minimize the risk of ineffective management resolutions.

By the resolution of the Board of Directors dated 16.07.2012 the Company Board of Directors is instructed to preliminary consider all issues submitted for review by the Company Board of Directors and give recommendations to the members of the Company Board of Directors as regards voting on the issues 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 activity.
* approval of essential long-term investments of the Company;
* approval of major transactions of the Company;
* determination of the Company stance as regards regulation of a number of crucial issues on the Company subsidiaries activity;
* establishment of social guarantees and preferences to the Company employees;
* development of the solution drafts and recommendations for the Company Board of Directors.

Pursuant to cl. 18.3 of the Articles of Association of E.ON Russia members of the Company 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 the Management Board members.

The Company Board of Directors by its resolution dated July 08, 2010 determined the quantitative composition of the Management Board — 5 persons.

Data on changes in the personal composition of the Management Board of E.ON Russia in 2012:

|  |  |
| --- | --- |
| **Period** | **Management Board composition in person** |
| **01.01.2012–02.03.2012** | Yuri Stepanovich Sablukov — Chairman of the Management Board  Sebastian Eisenberg  Ulf Backmeyer  Yuri Yuriyevich Kalabin |
| **03.03.2012 – 28.06.2012** | Yuri Stepanovich Sablukov — Chairman of the Management Board  Sebastian Eisenberg  Yuri Yuriyevich Kalabin |
| **29.06.2012 – 16.07.2012** | Yuri Stepanovich Sablukov — Chairman of the Management Board  Sebastian Eisenberg  Ulf Backmeyer  Yuri Yuriyevich Kalabin |
| **17.07.2012 – 30.08.2012** | Maksim Gennadyevich Shirokov — Chairman of the Management Board  Sebastian Eisenberg  Ulf Backmeyer  Yuri Stepanovich Sablukov — Deputy Chairman of the Management Board |
| **31.08.2012 – 31.12.2012** | Maksim Gennadyevich Shirokov — Chairman of the Management Board  Sebastian Eisenberg  Ulf Backmeyer  Igor Viktorovich Popov |

**Data on persons being members of the Company Management Board:**

**Maksim Gennadyevich Shirokov —** CEO, Chairman of the Company Management Board.[[11]](#footnote-11)

Date when the General Director was appointed to his office and date of election to the Company Management Board: July 16, 2012.

Date of taking the office by the Company CEO (sole executive body of the Company management):July 17, 2012.

From 1992 till 1993 he worked as an expert, head of the foreign economic relations of the Trade and Finance Company Ortex in Moscow. In 1993–2001 — sales representative, sales and marketing manager, department head of ЗM Russia JSC in Moscow. In 2001 –2004 he was elected CEO, President of Uralkaliy JSC, Berezniki, Perm Region. In 2004–2005 - Chairman of the Management Board of Electrometallurgical works Dneprospetsstal, Zaporozhie, Ukraine. In 2005–2007 - CEO of Rusagro-Maslo LLC, Moscow. In 2007–2008 he took office of CEO of Vostok-Service Spetskomplekt CJSC, Moscow. In 2008–2012 — CEO of Ust-Luga Company JSC, Saint-Petersburg. And from 2012 till present — CEO of E.ON Russia JSC, Moscow.

M.G. Shirokov has no share in the Company authorized capital. During 2012, there were no transactions with the Company securities between E.ON Russia and the Board member.

The Company has no information regarding any claims brought against Mr. Shirokov.

**Sebastian Eisenberg —**  Deputy General Director for energy management of E.ON Russia, Chairman of the Appointment and Remuneration Committee, Deputy Chairman of the Risk and Finance Committee of the Board of Directors, Deputy Chairman of the New Build Committee of the Board of Directors.

Date of election to the Company Management Board: June 30, 2009.

From 1999 till 2000 he managed projects in organization units of E.ON Group. From 2002 till 2005 he occupied managerial positions in organization units of E.ON. Since 2007 Mr. Eisenberg has been working in Russia. In 2008 he was a member of the Board of Directors of OGK-4. From October 2010 till December 2011 - Deputy Director General of E.ON. Russia LLC. From 2009 till April 2011 Mr. Eisenberg occupied the position of Deputy Director General for Investment and Development of E.ON Russia JSC. Since July 2011 — Deputy General Director for energy management of E.ON Russia.

Sebastian Eisenberg does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board member.

The Company has no information regarding any claims brought against Mr. Eisenberg.

**Ulf Backmeyer —** Deputy General Director for Finance and Economics of E.ON Russia, Chairman of the Risk and Finance Committee, member of the Committee for New Build.

Date of election to the Company Management Board: January 27, 2011.

Mr. Backmeyer was a member of the Board of Directors of a number of telecommunication companies: in 2007–2008— Astrakhan Mobile CJSC (Astrakhan), Volgograd Mobile CJSC (Volgograd), Mobile Telesystems CJSC (Omsk), in 2008–2010 — Sibintertelecom CJSC (Chita), MTS-P JSC (Moscow).

From 2009 till mid 2011 Mr. Backmeyer was a member of the Revision Commission of TS Retail CJSC (Moscow) and member of the Board of Directors of K-Telecom JSC (Erevan, Armenia). From 2010 till June 2011 was a member of the Board of Directors of Comstar-OTS JSC and Multiregion CJSC (Moscow).

Ulf Backmeyer does not have any shares in the Company authorized capital; during 2012, there were no transactions with the Company securities between E.ON Russia and the Board member.

The Company has no information regarding any claims brought against Mr. Backmeyer.

**Igor Viktorovich Popov —** Deputy General Director for Production of E.ON Russia, member of the Committee for New Build.

Date of election to the Company Management Board: July 16, 2012.

In 1988-1989 worked as a maintenance and testing engineer of Baikalskiy pulp and paper plant, Baikalsk,

in 1989-1995 — auxiliary operator for boiler equipment, operator of the main control board, shift supervisor of the boiler shop of Chita CHP-1 of Chitaenergo JSC, Chita. In 1995–1998 — Lead Engineer, Head of the reliability and safety service of Chitaenergo JSC, Chita, and in 1998-2002 — Chief Engineer of Chita CHP-1 Chitaenergo JSC, Chita. In 2002-2003 — Director of Substation of Chitaenergo enterprise of MES, Chita, in 2003–2007 — Deputy General Director for Operation, First Deputy General Director — Technical Director of Kharanorskaya GRES, Chief Engineer of Kharanorskaya GRES JSC of OGK-3, settlement of Yasnogorsk. In 2007–2009 —Director for Production, General Director of OGK-3 JSC, Moscow. From April 2009 till November 2009 — Director of Yaivinskaya GRES branch of OGK-4 JSC, settlement of Yaiva, Perm Territory.

Since November 2009 - Deputy General Director for Production of E.ON Russia.

I.V. Popov has no share in the Company authorized capital. during 2012, there were no transactions with the Company securities between E.ON Russia and the Board member.

The Company has no information regarding any claims brought against Mr. Popov.

**Review of the Board meetings**

In 2012 there were held 50 meetings of the Management Board. At the meetings, the Management Board discussed issues related to all the areas of the Company operating activity. At the Board meetings special attention was paid to the issues of the Company business efficiency enhancement, development and implementation of the business plan, maintenance and procurement program, efficiency of operation at power markets, staff training system, approval of necessary transactions and approval of procurement procedures. Results of work in all the areas of E.ON Russia activity were regularly heard.

**Data about remuneration and compensations paid to the members of the Management Board**

Remunerations and compensations to the Company employees being the Management Board members are paid on the grounds of the labour contracts signed with them as the Company full-time employees, the terms and conditions of the labour contracts are approved by the Board of Directors.

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

In 2012 no other remuneration and compensation was paid to the Management Board members.

**CEO**

CEO is the Company sole executive body. His authority covers all issues related to management of the current activity, except for those which are the direct competence of the General Shareholders' Meeting, the Board of Directors or the Management Board of E.ON Russia.

The authority of the CEO covers the right to represent the Company 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.

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

From October 1, 2008 till July 16, 2012 (inclusive) subject to the resolution of the Board of Directors, functions of the sole executive body of the Company in the position of the CEO of E.ON Russia were performed by **Yuri Stepanovich** **Sablukov** [[12]](#footnote-12).

By resolution of the Board of Directors dated July 16, 2012 the authorities of Yuri Stepanovich Shirokov were terminated, and **Maksim Gennadyevich Shirokov** was elected to the position of the Company CEO, he took the office on July 17, 2012**.**

**Maksim Gennadyevich Shirokov**

Born on 03.06.1966 in Moscow

*Education:*

Moscow Military Red Banner Institute (1988).

Moscow Law Institute (1994).

Pacific Coast University, USA МВА (1996).

London business-school (2003).

Has and extensive experience in management work, currently concurrently holds positions of a number of leading positions both in the companies of E.ON Group and in other companies that do not belong to the electric power industry.

|  |  |  |
| --- | --- | --- |
| *Month and year of entry* | *Positions currently occupied, with the institution, company, enterprise name* | *Location of the institution, company, enterprise* |
| 09.2011 | Member of the Board of Directors — CENTRAVIS Ltd. (Cyprus) |  |
| 07.2012 | CEO of E.ON Russia Power GmbH | 10 Presnenskaya naberezhnaya, block B, Moscow 123317 |
| 07.2012 | Receiver of E.ON Russia Power GmbH | 10 Presnenskaya naberezhnaya, block B, Moscow 123317 |
| 07.2012 | CEO of E.ON Russia JSC | 10 Presnenskaya naberezhnaya, block B, Moscow 123317 |
| 09.2012 | Member of the Board of Directors of Transport and Logistic Complex Open Joint Stock Company | 25/2 prospect Karl Marx, Kingisepp, Leningrad Region |
| 11.2012 | CEO of E.ON Connecting Energy LLC | 5 Chernoozerskiy proezd, Shatura |

Positions occupied for the last five years:

|  |  |
| --- | --- |
|  |  |
| |  |  |  |  | | --- | --- | --- | --- | | Month and year of taking the office/ leaving | | Position and entity, company name | Location of the institution, company, enterprise | | 08.2007 | 05.2008 | CEO of Vostok-Service Spetskomplekt CJSC | 34, 2nd Graivoronovskiy pr., Moscow 109518 | | 07.2008 | 07.2012 | CEO of Ust-Luga Company JSC | 25/2 pr. Karl Marx, Kingisepp 188480, Leningrad Region, Russia 2 Shpalernaya Str., Saint-Petersburg 191187, Russia | |  |

M.G. Shirokov has no share in the Company authorized capital.

**Data about remuneration and compensations paid to CEO**

Remuneration and compensations of CEO, including terms and conditions of financial incentives are set forth in the labour contract with the Company CEO, its terms and conditions are approved by the Board of Directors of E.ON Russia.

No other remuneration except for those stipulated by the terms and conditions of the labour contract was paid to the CEO.

**4.4. Control Bodies and System**

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

**Revision Commission**

Pursuant to cl. 9.2. of E.ON Russia Articles of Association the Revision Commission is the body in charge for control over financial and business activity of the Company.

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

The Revision Commission effects regular control over business operations of the Company, its separate organization units, officials, management bodies and structural units. Scope of authority and procedure of operation of the Revision Commission is defined in the Regulation on the Revision Commission of E.ON Russia[[13]](#footnote-13).

Quantitative composition of the Revision Commission as per the Company Articles of Association is 4 persons.

Till June 29, 2012 the Revision Commission elected at the annual General Shareholders' Meeting on June 24, 2011, was in force, it was composed of:

1. Wilhelm Michael Winfried Christian;
2. Mario Ditmar Mazidowski;
3. Stanislav Alexandrovich Patrikeyev;
4. Thomas Fecker.

On June 29, 2012, the General Shareholders' Meeting of the Company elected the Revision Commission in the following composition:

**Wilhelm**  **Michael Winfried Christian** — Chairman of the Company Revision Commission, Senior Vice President for Financial Statements of E.ON SE (Chief Accountant);

**Aleksey Sergeyevich Asyaev** – till 01.10.2012 — Director of the Internal Audit Department of E.ON Russia LLC, from 01.10.2012 till present — Head of the Internal Audit Department of E.ON Russia JSC;

**Denis Kittler —** till 01.06.2012 — Head of the Business-Controlling Department of E.ON Russia JSC, from 01.06.2012 till 31.12.2012 — manager for reporting of E.ON Energie AG.

**Thomas Fecker —**  from 2011 till present — Vice President for corporate audit of E.ON SE.

Pursuant to cl. 12.2 of the Regulation on the Company Revision Commission remuneration to the Revision Commission members is not provided.

In 2012 no remuneration was paid to the Revision Commission members.

**Internal Audit Department**

The Internal Audit Department is a specialized structural organization unit of the Company that controls financial and economic activity. The internal control is based on the Regulation on Internal Audit System of E.ON Russia approved by the Board of Directors, and functions, procedures and methods of control applied by the Internal Audit Department are set forth in the Regulation on Internal Audit Procedures of E.ON Russia also approved by the Board of Directors. The most important functions of the Internal Audit Department are timely and qualitative internal revisions and audits aimed at effective use of the Company resources, assessment of the risk management systems efficiency, as well as efficiency of control and corporate management systems efficiency.

A system of internal control based on best practices applied by the companies of E.ON Group, is implemented within the Company. Internal control is a process effected by the Board of Directors, Company management and employees aimed at provision of sufficient confidence in targets achievement as regards activity efficiency, reliability of the financial statements, compliance with the applicable legal and regulatory acts requirements, ensurance of the assets soundness.

The Company has channels of communication to communicate cases of violation or non-conformity found in the process of financial statements preparation or in the work of the internal audit system. Any employee is entitled to address the issues specified to the Internal Audit Department and the Audit Committee of the Board of Directors.

**External auditor**

On June 29, 2012 the annual General Shareholders' Meeting of E.ON Russia approved PricewaterhouseCoopers Audit CJSC as an external auditor.

The amount of remuneration payable to the auditor is defined by the Company Board of Directors.

Pursuant to the resolution of the Board of Directors the remuneration amount to the external auditor amounted to:

* for accounting reports audit for the reporting period ending on December 31, 2012, drawn up in compliance with the Russian laws - 6,714,692.00 roubles (net of VAT);
* for financial statements audit for the reporting period ending on December 31, 2012, drawn up in compliance with IFRS - 18,064,326.00 roubles (net of VAT).

**The Audit Committee of the Board of Directors of E.ON Russia JSC**

The Audit Committee of the Company Board of Directors was composed on November 30, 2006 by resolution of the Board of Directors of OGK-4 OAO on the basis of the Articles of Association of E.ON Russia and Regulation on the Audit Committee of the Board of Directors of OGK-4*.*

The Committee is an advisory and negotiation body of the Board of Directors that provides for actual participation of the Board of Directors in control over financial and economic activities of the Company and objective informing of the Board of Directors on the quality of work of the internal audit and analysis of the Company financial statements.

The Audit Committee responsibility includes: assessment of nominees of the Auditor, assessment of the Auditor’s reports, assessment of the internal control procedure efficiency and development of recommendations for their improvement.

The Committee consists of minimum two members. Only members of the Board of Directors are entitled to be the members of the Committee.[[14]](#footnote-14)

**4.5. Interested Party Transactions. Major Transactions.**

Pursuant to the legal requirements of the Russian Federation interested party transactions are subject to approval by the Company Board of Directors prior to their conclusion — by the majority of votes of independent directors not interested in their conclusion. If all members of the Board of Directors are found interested or are not independent, or the transaction or several interrelated transactions subject is property, which cost subject to the accounting amounts to 2 and more per cent of the balance cost of E.ON Russia assets, and if by means of the transaction 2 and more per cent of E.ON Russia shares or securities are placed (such securities can be converted into E.ON Russia shares) then such transaction conclusion is subject to approval by the resolution of the General Shareholders' Meeting by majority of votes of all shareholders not interested in the transaction.

Transactions the subject of which is acquisition/alienation (possibility to alienate) by the company of the property, which cost exceeds 25% of the balance cost of the Company assets (except for transactions within ordinary business activity) are deemed to be major transactions subject to the effective laws and are subject to approval unanimously by all members of the Board of Directors, and if the property cost exceeds 50% of the assets balance cost then such transactions are subject to approval by the General Shareholders' Meeting by the majority of ¾ votes of the Company voting shares owners.

The Company shall track interested party transactions and major transactions by preliminary agreement of the transactions by the relevant Company structural units, weekly monitoring of the agreements signed, keeping register of all such transactions and maintaining the database subject to the data submitted by the members of the Board of Directors and Management Board of E.ON Russia on the companies, in which they occupy management positions or have share. The list of interested party transactions is specified in Annex No. 3 hereto, no major transactions were effected in 2012.

**4.6. Subsidiaries and Affiliates [[15]](#footnote-15)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Teplosbyt OOO** | **Shaturskaya**  **Upravlyayushchaya Kompaniya JSC** | **E.ON Connecting Energy LLC** |
| **Location:** | Chernoozerskiy proezd 5,  Shatura 140700,  Moscow Region, RF | 4 Konny proezd, Shatura 140700,  Moscow Region, RF | 10 Presnenskaya naberezhnaya, Moscow 123317, RF [[16]](#footnote-16) |
| **Core business:** | Participation, jointly with administration of the GRES areas of presence in managing organizations for management of apartment houses. | Providing of housing and public utility services, maintenance of the housing stock | Submission of distributed energy solutions, in particular: development, engineering, installation, operation, maintenance and optimization of distributed energy assets. |
| **Share of participation in the authorized capital, %** | 100 | 51  (indirectly, via Teplosbyt OOO) | 100 |
| **Date of state**  **registration:** | 28.11.2007 | 31.03.2008 | 16.11.2012 |

**4.7. Participation in non-profit organizations**

**The Company’s membership in non-profit organizations is presented below:**

|  |  |  |
| --- | --- | --- |
| **Name of the non-profit organization** | **Grounds of participation** | **Purpose of participation** |
| **NP Market Council** | Resolution of the Board of Directors dated January 29, 2007 | A prerequisite for obtaining the status of the wholesale market participant; status of the entity acting in the wholesale electricity market. |
| **NP Building Union of the Capital Self-regulating organization** | Resolution of the Board of Directors dated December 16, 2009 | Necessity to receive the access certificate issued by a self-regulating organization, with the purpose of carrying out organization of construction, reconstruction and overhaul of the capital structures. |
| **NP Council of Power Producers** | Resolution of the Board of Directors dated January 27, 2011 | Assistance to the members of the Partnership in performing the activity aimed at development of the electric power industry in the Russian Federation, improvement of the investment climate, introduction of new technologies. |
|  |  |  |
| **Russian Union of Industrialists and Entrepreneurs Organizational Development Group** | Resolution of the Board of Directors dated September 27, 2012 | Consolidation of the efforts of industrialists and entrepreneurs of Russia aimed at improvement of the business environment, increase of the Russian business status in the country and in the world, support of the balance of interests of the Company, authorities and business. |

#### 5. SHARES AND STOCK MARKET

**5.1. Structure of the Share Capital**

For the last 3 years the Company share capital underwent no material changes. Total number of persons registered in the shareholders register of E.ON Russia as of December 31, 2012 amounted to 303, 120, including[[17]](#footnote-17):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Structure in terms of types of client accounts** | **2011,**  **pcs.** | **2012,**  **pcs.** | **2011,**  **Share, %** | **2012,**  **Share, %** |
| **Ultimate owners** | **303,080** | **302,526** | **80.20** | **85.53** |
| Legal entities, including: | 644 | 648 | 78.49 | 83.92 |
| *Commercial companies* | 601 | 467 | *78.49* | *83.74* |
| *of them owned by Е.ОN Russia Holding GmbH* | *-* | *-* | *78.31* | *83.73* |
| *Financial and credit companies* | *25* | *159* | *less than 0.01* | *less than 0.01* |
| *Non-profit organizations* | *18* | *14* | *less than 0.01* | *less than 0.01* |
| Federal Authorities | 2 | 3 | *less than 0.01* | *less than 0.01* |
| Authorities of RF constituent entities | 5 | 5 | 0.01 | 0.01 |
| Local Authorities | - | - | - | - |
| Physical Persons | 302,429 | 301,878 | 1.70 | 1.61 |
| **Non-ultimate owners** | **588** | **594** | **19.80** | **14.47** |
| Nominal holders | 30 | 26 | 19.79 | 14.46 |
| *of them owned by Е.ОN Russia Holding GmbH* | *-* | *-* | *0.57* | *-[[18]](#footnote-18)* |
| Trust managers | 3 | 3 | less than 0.01 | less than 0.01 |
| Shares in common property | 555 | 565 | 0.01 | 0.01 |
| **Total** | **303,668** | **303,120** | **100** | **100** |

Within 2012 the Company placed no additional shares issues.

**5.2. Shares at Stock Exchange**

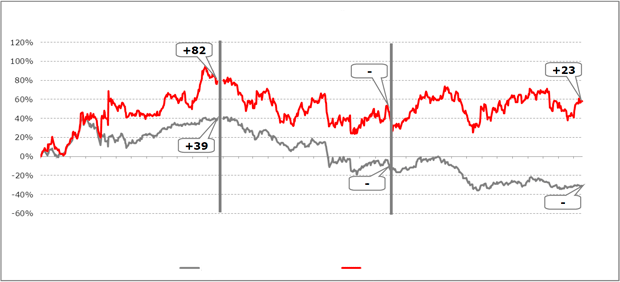
|  |  |
| --- | --- |
| **Outstanding shares** | |
| Quantity, pcs | 63,048,706,146 full and 4492504287/ 49130625974 fractional |
| with the nominal value, roubles | 0.40 |
| State number of issue | 1-02-65104-D |
| Date of state registration of issue | April 19, 2007 |
| Authorized capital, roubles | 25,219,482,458.37 |

Ordinary shares of E.ON Russia JSC are included into the List «Б» and are traded at trading platforms of the stock exchange of MICEX-RTS group.

Stock exchange MICEX-RTS includes 3 market sectors - Primary market, Standard, Classica.

Moscow Interbank Currency Exchange CJSC organizes trade at the stock exchange MICEX-RTS.

|  |  |  |
| --- | --- | --- |
| **Codes of E.ON Russia shares in the trade systems** | | |
| Stock exchange | Ordinary shares | Trading commencement date |
| Moscow Interbank Currency Exchange, (MICEX) CJSC | EONR/till 18.11.2011 OGK4 | August 2, 2006 |
| Standard | EONR/earlier OGKDG | July 14, 2006 |
| Classica | EONR/earlier OGKD | August 15, 2006 |



September 2011

September 2010

December 2012

November 2012

October 2012

September 2012

August 2012

July 2012

June 2012

April 2012

March 2012

February 2012

January 2012

May 2012

December 2011

November 2011

October 2011

August 2011

July 2011

June 2011

April 2011

March 2011

February 2011

January 2011

May 2011

May 2010

June 2010

July 2010

August 2010

October 2010

December 2010

November 2010

November 2012

April 2010

March 2010

February 2010

January 2010

MICEX E.ON Russia

MICEX Power industry

**Recovery\***

**Recession**

**Growth**

**Dynamics of the market of the power industry shares in 2010-2012**

**(change is calculated December vs. December)**

\* cycle stages are determined on the basis of E.ON Russia capitalization dynamics

Price dynamics of E.ON Russia shares in 2010-2012 inclusive is characterised by three classical stages of the cycle: growth in 2010, recession in 2011 and recovery in 2012.

Growth of 2010 as applied to the whole industry was connected with perspectives of the market liberalization, introduction of the long-term capacity market, expectations of the new system of tariff regulation for grid companies.

Commissioning of 400 MW CCGT at Shaturskaya GRES branch in November 2010 was a supplementary driver of growth for E.ON Russia capitalization.

Recession of 2011 was connected to exhaustion of the industry-wide fundamental factors of growth. Actions of the Government aimed at control of the electric power prices growth rate adjusted capitalization of all the companies in the industry. MICEX Power industry index by December 2011 had decreased by 40%. Adjustment of capitalization of E.ON Russia amounted to only minus 27%.

Commissioning of two new more efficient power units at Surgutskaya GRES-2 and Yaivinskaya GRES were a driver for E.ON Russia capitalization growth in 2011.

In 2012 electric power industry of the Russian Federation disappointed investors a bit. The causes of the negative dynamics for the Company capitalization were: reform slowdown, assets consolidation and tariffs indexation were lower than expected. These factors led to MICEX Power industry index decrease by 17% following the results of 2012. At the same time in 2012 one can note start of E.ON Russia capitalization recovery. Continuous search for solutions on expenses optimization, which together with more efficient work in the changing circumstances promotes achievement of better operation results by E.ON Russia among OGKs, is a traditional driver for the Company cost growth within the last years.

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Market capitalization in 2011-2012** | | | |
| Date | Market value | Number of outstanding shares | Market capitalization, roubles |
| 31.12.2011 | 2.13 | 63,048,706,145 | 134,293,744,088 |
| 31.03.2012 | 2.85 | 63,048,706,145 | 180,054,495,008 |
| 30.06.2012 | 2.33 | 63,048,706,145 | 147,161,985,013 |
| 30.09.2012 | 2.71 | 63,048,706,145 | 171,000,700,806 |
| 31.12.2012 | 2.62 | 63,048,706,145 | 165,477,634,148 |

*Source: Moscow Interbank Currency Exchange (MICEX)*

**5.3. Dividends**

At the Company annual General Shareholders' Meeting in 2012 held following the results of 2011, it was resolved on dividends payment for ordinary shares of E.ON Russia JSC following the results of 2011 financial year in the amount of 0.05787978807 roubles per one ordinary share. The total amount of dividends amounts to 3,649,245,749.81 roubles.

As of 31.12.2012 3,609,485,212.78 roubles are paid, or 98.9 %.

**5.4. Registrar Data**

Since 2009 Registrar R.O.S.T. JSC has been E.ON Russia's Registrar — a leader among major and rapidly developing registrar companies.

During 2012 Registrar R.O.S.T. JSC underwent a number of significant changes: profit from sales for 9 months increased by 115% against similar period of the previous year and amounted to 247 mln roubles.Net profit of the Company increased by 344% and amounted to 192 mln roubles.

For 9 months the Registrar accepted 139 registers for service and the total amount of issuers served amounted to 3,550. New clients of R.O.S.T. - subsidiaries and affiliated companies of State corporation Rosatom (Baltic NPP JSC, Rosatom Overseas CJSC, NIIgraphite JSC, Rosatom Service CJSC, etc.), Federal Space Agency (Kometa Corporation JSC, VNIIEM Corporation JSC, NII Submikron JSC, NII OEP JSC), Pipe Metallurgic Company (Sinarskiy Pipe Works JSC, RosNITI JSC, Orskiy Machine building Works JSC), EvrazHolding (Ulyanovskmetall JSC, Penzametalltorg JSC, Bryansk metallresources JSC, Tulametallopttorg CJSC) and a number of other enterprises.

Among other significant events it should be noted that Registrar R.O.S.T. won in the quality ranking of registrar services held by IR-agency Interfax Business Service in Q1 2012.

The regional network of Registrator R.O.S.T. has 35 regional subdivisions, operating in 8 federal districts of the Russian Federation.

|  |  |
| --- | --- |
| **Name of the Registrar** | **Registrar R.O.S.T. JSC** |
| Address | 18 Stromynka Str., build. 13, Moscow |
| Phone | (495) 771-7335, 771-7336 |
| Fax | (495) 771-7334 |
| Web-site | [www.rrost.com](http://www.rrost.com) |
| E-mail address | [rost@rrost.ru](mailto:rost@rrost.ru) |
| Number of registrar company branches it the territory of Russia | 35 |

#### 6. OPERATIONS OVERVIEW

**6.1. Key Performance Indicators of the Company for 2012**

GENERATION OF ELECTRIC POWER

In 2012 branches of E.ON Russia generated 64 bln202 mln kWh, which is 1 bln 735 mln kWh (2.8%) more than in 2011.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Power plant** | **Unit of measurement** | **2010** | **2011** | **2012** |
| Surgutskaya GRES-2 | mln kWh | 36,623 | 38,829 | 39,967 |
| Berezovskaya GRES | mln kWh | 9,288 | 11,082 | 10,738 |
| Shaturskaya GRES | mln kWh | 4,112 | 5,893 | 5,185 |
| Smolenskaya GRES | mln kWh | 1,928 | 1,809 | 1,966 |
| Yaivinskaya GRES | mln kWh | 3,840 | 4,854 | 6,345 |
| **E.ON Russia** | **mln kWh** | **55,791** | **62,467** | **64,202** |

Main centers of electric power generation by E.ON Russia were Surgutskaya GRES-2 — increased generation by 2.9% and Yaivinskaya GRES — generation growth of 30.7%. This growth was mainly due to commissioning of new generation capacities in Q2 2011, the generating capacities were built within the investment program of the Company. Due to new power units operation Surgutskaya GRES-2 and Yaivinskaya GRES set records of the annual electric power generation.

Growth of power generation by E.ON Russia in 2012 was conditioned by successful implementation of the investment program of new generating facilities construction. Within 2012 new power units of CCGT Surgutskaya GRES-2 and Yaivinskaya GRES were operated, their total installed capacity amounts to 1,222 MW.

Change in generation by Smolenskaya GRES, Shaturskaya GRES and Berezovskaya GRES is conditioned by mode and balance situations in the regions and correspondingly, by capacities load by regional dispatch control of the System Operator.

GENERATION OF HEAT POWER

In 2012 volume of heat power output from headers amounted to 2 mln 185 ths. Gcal, that is 59 thousand Gcal (2.8%) more than in the previous year. Change in the heat power generation volume is mainly connected to year-to-year fluctuations of the ambient air temperature.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Power plant** | **Unit of measurement** | **2010** | **2011** | **2012** |
| Surgutskaya GRES-2 | ths. Gcal | 1,016 | 863 | 891 |
| Berezovskaya GRES | ths. Gcal | 774 | 694 | 731 |
| Shaturskaya GRES | ths. Gcal | 430 | 403 | 401 |
| Smolenskaya GRES | ths. Gcal | 70 | 66 | 67 |
| Yaivinskaya GRES | ths. Gcal | 104 | 100 | 95 |
| **E.ON Russia** | **ths. Gcal** | **2,394** | **2,126** | **2,185** |

**INSTALLED CAPACITY UTILIZATION FACTOR (ICUF)**

E.ON Russia has one of the biggest load levels of production capacities — over 70%, among Russian companies of the electric power industry. Surgutskaya GRES-2 is our largest and most popular power plant, its production capacities are loaded over 80% annually.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Power plant** | **Unit of measurement** | **2010** | **2011** | **2012** |
| Surgutskaya GRES-2 | % | 87.1 | 85.0 | 81.3 |
| Berezovskaya GRES | % | 70.5 | 81.2 | 76.4 |
| Shaturskaya GRES | % | 41.2 | 45.1 | 39.5 |
| Smolenskaya GRES | % | 34.9 | 32.8 | 35.5 |
| Yaivinskaya GRES | % | 73.1 | 71.2 | 70.5 |
| **E.ON Russia** | % | **73.4** | **73.6** | **70.7** |

**6.2. Fuel Mix Information**

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 2012 it was not combusted. Basic fuel in the Company fuel mix is gas: in 2012 — 80.77% of the total fuel consumption.

The major consumer of gas is a mono-fuel Surgutskaya GRES-2. The branch mainly uses associated petroleum gas produced at oil fields located in close proximity to the power plant.

Berezovskaya GRES uses lignite as main fuel. Fuel oil is used at power units only during start-up operations. The major share of coal is supplied to the power plant by the ground conveyor from the coal pit Berezovskiy-1 located 14 km away from the branch. Coal consumption by Berezovskaya GRES in 2012 amounted to 6,761.9 ths. tons.

Shaturskaya, Smolenskaya and Yaivinskaya GRES can use various types of fuel for technological purposes. However, taking into account the prices conjuncture over the last years, gas is the major fuel for those branches. In 2012 its share in the fuel mix of Smolenskaya GRES amounted to about 99%, Shaturskaya GRES about 97%, Yaivinskaya GRES - more than 94%.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Branch** | **Fuel** | **Quantity, mln cub.m (ths. tons)** | **Quantity, ths. tons of fuel equivalent** | **Share, %** |
|
| Berezovskaya GRES | Coal | 6,761.88 | 3,556.76 | 99.83 |
| Fuel oil | 4.31 | 6.04 | 0.17 |
| other fuel | 0.02 | 0.03 | 0.00 |
| Smolenskaya GRES | Gas | 594.50 | 681.94 | 98.93 |
| Coal | 10.09 | 6.47 | 0.94 |
| Fuel oil | 0.66 | 0.88 | 0.13 |
| Surgutskaya GRES-2 | Gas | 10,0630.92 | 11,619.70 | 100.00 |
| Shaturskaya GRES | Gas | 1,345.99 | 1,558.46 | 97.41 |
| Coal | 54.48 | 35.19 | 2.20 |
| Fuel oil | 4.66 | 6.25 | 0.39 |
| Yaivinskaya GRES | Gas | 1,519.03 | 1,753.99 | 94.27 |
| Coal | 162.46 | 106.46 | 5.72 |
| Fuel oil | 0.10 | 0.14 | 0.01 |
| **E.ON Russia JSC** | **Gas** | **13,523.70** | **15,614.10** | **80.77** |
| **Coal** | **6,988.90** | **3,704.88** | **19.16** |
| **Fuel oil** | **9.73** | **13.31** | **0.07** |
| **Other fuel** | **0.02** | **0.03** | **0.00** |

Total following the results of 2012 E.ON Russia JSC used for process purposes about 13.5 bln m3 of gas, 7.0 mln tons of coal and 9.7 ths. tons of fuel oil. Cost of fuel consumed by branches of E.ON Russia JSC in 2012 amounted to 33.4 bln roubles net of VAT.

**KEY FUEL SUPPLIERS**

The key fuel supplier for E. ON Russia in 2012, as in 2011, is Surgutneftegaz OAO, which supplied fuel resources in the volume of about 36% of the total cost of the fuel procured by the Company. Surgutneftegaz OAO is the main gas supplier to Surgutskaya GRES-2.

Moreover in 2012 E.ON Russia JSC procured significant volumes of gas from third party producer - NOVATEK JSC. Its share in the total fuel cost procured for the power plant of the Company amounted to about 35%.

Major fuel suppliers also include regional companies engaged with gas sales of Gazprom OJSC, the total share of which in fuel resources supply for the needs of E.ON Russia JSC branches in 2012 amounted to about 13%.

The key coal supplier for the Company is SUEK OAO that supplies lignite to Berezovskaya GRES. In 2012 share of SUEK JSC in the general cost of the fuel procured for the Company power plants amounted to about 9%.

Strategy of E.ON Russia JSC in the sphere of procurement is in strengthening of long-term relations with major fuel suppliers, keeping the optimal degree of diversification.

**6.2.1. Information on the amount of energy resources used in the reporting year**

*For 2012 for the whole Company (with branches)*

|  |  |  |  |
| --- | --- | --- | --- |
| *Energy resource type\** | *Consumption scope in kind* | *Unit of measurement* | *Consumption scope,*  *ths. roubles* |
| *Nuclear power* | *no* | *-* | *-* |
| *Heat power* | *47.6* | *ths. Gcal* | *3.0* |
| *Electric power* | *2,278.0* | *mln kWh* | *3,360,832.0* |
| *Electromagnetic energy* | *No* | *-* | *-* |
| *Oil* | *No* | *-* | *-* |
| *Motor gasoline* | *534.70* | *tones* | *16,078.13* |
| *Diesel fuel* | *403.06* | *tones* | *11,265.22* |
| *Fuel oil* | *9.73* | *mln cub. m*  *(ths. tons)* | *33,429,101.44* |
| *Natural gas* | *13,523.43* | *mln cub. m*  *(ths. tons)* |
| *Coal* | *6,988.90* | *mln cub. m*  *(ths. tons)* |
| *Oil shale* | *No* | *-* | *-* |
| *Peat* | *No* | *-* | *-* |
| *Other:* | *-* | *-* | *-* |

*\*This indicators are approximate, subject to the Company assessment, because accurate data are not highlighted in calculations.*

**6.3. Maintenance and Repairs**

Every year the Company plans, approves and implements the program of repairs of the main production facilities. Repair work ensures reliable operation of the power generating equipment and extends its service life.

The repairs program is formed proceeding from the preliminary survey of the production facilities stock with due regard to requirements of the regulations and is based on the long-term experience of operating the equipment.

Within 2012 power units with the total capacity of 9,138 MW were repaired, including overhaul — 1,210 MW, medium maintenance — 1,160 MW and current maintenance — 6,768 MW.

In 2012 total expenses for maintenance works at E.ON Russia power plants amounted to 2 bln 899 mln roubles. All the scheduled repair work was done in full.

|  |  |
| --- | --- |
| **Repair program structure** | **Share, %** |
| Power unit repairs | 69 |
| Repairs of BOP equipment | 19 |
| Repairs of buildings and structures | 10 |
| Repairs of heat networks | 2 |
| **E.ON Russia** | **100** |

43% of repair work was done using the Company’s own resources and 57% on contractual basis. Tender procedure was implemented for concluding contracts on repair with contractors under the best terms for the Company.

Power unit repairs

In 2011 E.ON Russia implemented 6-year maintenance cycle for all power units and system of maintenance planning based on financial risks assessment as regards emergency shutdown of the equipment. Such a system of repair arrangements makes it possible to adapt repairs to conditions of the Company activities in the competitive electricity market and reduce repair timeline and cost.

#### 7. POWER MARKETS

**7.1. Data about the Electricity and Capacity Market Structure and Pace of its Development**

In 2011 the process of the wholesale electricity and capacity market liberalization was over. Since January 1, 2011 Rules of the Wholesale Electricity and Capacity Market No. 1172 dated December 27, 2010 are introduced, subject to these Rules at regulated prices electric power and capacity are supplied only to households and equal to them categories of consumers.

Pursuant to the laws for each power generator there are set power and capacity volumes to be contracted under Regulated contracts on supply to households and equivalent consumer categories.

The rest volumes of electric power generated are supplied at non-regulated prices at the wholesale market.

In 2012 at the wholesale market capacity was sold as follows: trade of capacity following the results of the competitive take-off for the relevant year; trade of capacity under non-regulated capacity sale contracts provided that this capacity is taken-off in the course of competitive take-off; trade of capacity under capacity supply contracts (CSC).

With the power market liberalization development there is a choice for E.ON Russia JSC to participate in different electric power market sectors (day-ahead market, capacity market, balancing market with due account for current expenses for electric power generation), in this regard E.ON Russia JSC continuously improves the behavioral strategy in competitive sectors of the market to maximize the profit. In 2012 the Company was able to extensively make use of all the potentials in the market sector and sell considerable volume of power and capacity at liberalized market prices.

**7.2. Review of the Competitive Environment**

Generating capacities of E.ON Russia JSC are located in five Russian regions: Tyumen Region, Krasnoyarsk Territory, Moscow Region, Perm Territory and Smolensk Region. Except for the latter, these regions are one of the most developed in the territory of Russia.

Competitors of Surgutskaya GRES-2 at the local market are Surgutskaya GRES-1 (OGK-2 JSC) and Nizhnevartovskaya GRES (Inter RAO-Electric Power Plants JSC) and gas power plants of Fortum JSC (previously TGK-10 JSC).

Berezovskaya GRES sells electric power and capacity in Siberia within the limits of price zone 2. Competitors: Krasnoyarskaya GRES-2 (OGK-2 JSC), Kuzbassenergo (TGK-12), TGK-13 (Yeniseyskaya TGK), and hydro power plants located in the region: including the largest one in Russia - Sayano-Shushenskaya HPP.

Main competitors of Shaturskaya GRES: Kashirskaya GRES, which is also located in the territory of the Moscow Region and is part of Inter RAO-Electric Power Plants JSC, and the largest power plants of the Central region - Ryazanskaya GRES (OGK-2 JSC) and Cherepetskaya GRES (Inter RAO-Electric Power Plants JSC) and power plants of Mosenergo.

Competitors of Smolenskaya GRES are, first of all, regional generating facilities located in the Smolensk region. Level of power generation cost and significant reserves of capacity at Smolenskaya GRES allow for reckoning on additional income of the power plant with the balancing and capacity markets operating.

Main competitors of Yaivinskaya GRES are Permskaya GRES and Iriklinskaya GRES (Inter RAO-Electric Power Plants JSC) and Serovskaya GRES (OGK-2), and facilities of regional generation of TGK-9.

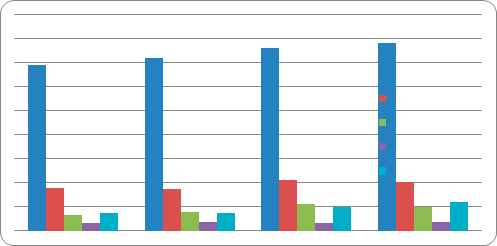
E.ON Russia JSC wants to implement its significant potential in all segments of the wholesale market. The Company will improve operating efficiency and enhance its competitive advantages in the regions of operation. This task is facilitated by the Investment program implementation of E.ON Russia, according to which in 2011 new generating capacities are commissioned, first of all in regions with low capacity margin.

**7.3. Electric Power Sales**

Most of electric power sales were effected from own generation of E.ON Russia JSC power plants. In 2012 volume of net electric power output by power plants of E.ON Russia JSC amounted to 61.9 bln kWh. In addition about 13.8% of sales fell on supplies under regulated contracts (RC). The rest part of electric power was traded at competitive segments of the market: at the Day-ahead market (DAM) and Balancing market (BM). Most of the margin from electric power sales (96%) was gained exactly due to activities in competitive segments of the wholesale market.

Net electric power output by the Company power plants[[19]](#footnote-19)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Power plant** | **Unit of measurement** | **2009** | **2010** | **2011** | **2012** |
| Surgutskaya GRES-2 | mln kWh | 34,488 | 35,911 | 38,053 | 39,095 |
| Berezovskaya GRES | mln kWh. | 8,872 | 8,733 | 10,470 | 10,147 |
| Shaturskaya GRES | mln kWh | 3,355 | 3,930 | 5,517 | 4,848 |
| Smolenskaya GRES | mln kWh | 1,576 | 1,774 | 1,662 | 1,809 |
| Yaivinskaya GRES | mln kWh | 3,717 | 3,605 | 4,827 | 6,025 |
| **E.ON Russia** | **mln kWh** | **52,008** | **53,952** | **60,529** | **61,924** |



**Net power output dynamics in 2009-2012**

Yaivinskaya GRES

Smolenskaya GRES

Shaturskaya GRES

Berezovskaya GRES

Surgutskaya GRES-2

In 2012 E.ON Russia increased power sales in the competitive sector of the wholesale market against the background of its total liberalization and commissioning of new generating facilities at Shaturskaya GRES, Surgutskaya GRES-2, Yaivinskaya GRES and modernized facilities at Berezovskaya GRES.

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

**POWER SALES, SECTOR-WISE**

|  |  |  |  |
| --- | --- | --- | --- |
| **Electric power sales** | **Unit of measurement** | **2011** | **2012** |
| RC (Regulated contracts) | **mln kWh** | 8,558 | 9,194 |
| DAM (Day-ahead market) | 54,523 | 56,024 |
| BM (Balancing market) | 1,713 | 1,314 |
| NRC (non-regulated contracts) | 0 | 0 |
| **E.ON Russia** | **64,794** | **66,532** |

Sales volume of electric power by power plants of E.ON Russia in 2012 with account for volumes bought at the market, amounted to 66.5 bln kWh , which is by 2.6% more than in 2011.

**7.4. Heat Power Sales**

E.ON Russia’s core business is generation and sales of electric power, while generation and sales of heat power are not the key activity of the Company. Following the results of 2012 funds received from heat power sales amounted to about 1.4% of the Company total revenue. Nevertheless, E.ON Russia 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 settlement Ozerny (Smolensk Region), Shatura (Moscow region), Surgut (Khanty-Mansi Autonomous Area), Yaiva (Perm Territory) and Sharypovo, including settlement Dubinino and settlement Kholmogorskoye, (Krasnoyarsk Territory). Moreover, the branches supply heat power to industrial enterprises in the regions of their operation.

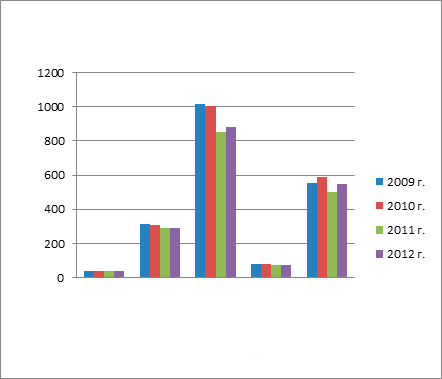
**NET HEAT OUTPUT BY THE COMPANY POWER PLANTS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **POWER PLANT** | **UNIT MEASUR.** | **2ОО9** | **2О1О** | **2О11** | **2О12** |
| Surgutskaya GRES-2 | ths. Gcal | 1014 | 1,003 | 851 | 879 |
| Berezovskaya GRES | ths. Gcal | 556 | 587 | 503 | 549 |
| Shaturskaya GRES | ths. Gcal | 314 | 311 | 293 | 292 |
| Smolenskaya GRES | ths. Gcal | 39 | 39 | 37 | 37 |
| Yaivinskaya GRES | ths. Gcal | 79 | 79 | 74 | 73 |
| **E.ON Russia** | ths. Gcal | **2,002** | **2,019** | **1,758** | **1830** |

In 2012 consumers were supplied heat power by 4.1% more than in 2011. Growth of net output is related to the weather conditions.

In all branches of E.ON Russia (except for Surgutskaya GRES-2) in 2012 heat was supplied directly to consumers under direct contracts or via housing and communal services organizations. Surgutskaya GRES-2 supplies heat power to Surgutskiye Town Electric Grids LLC.

To supply heat of adequate quality to consumers, the Company regularly implements repairs and modernization of heat supply systems.



2012

2011

2010

2009

**ths. Gcal**

Berezovskaya GRES

Yaivinskaya GRES

Shaturskaya GRES

Smolenskaya GRES

Surgutskaya GRES-2

**Net power output dynamics in 2009-2012**

Heat tariffs are regulated by the state and are set by executive authorities of the constituent entities of the Russian Federation in the sphere of state tariff regulation. Heat power price is a socially significant factor in the regions of power plants location that is why in the process of regulation affordability of this product is taken into account as well as consumers’ solvency. The Company focuses its efforts on break even sales at the expense of production efficiency increase.

**7.5. Relations with Basic Contractors**

Main contractors of the Company are the power and capacity wholesale market participants who signed an Agreement on trade system joining – guaranteeing suppliers, independent retail companies reselling the market-purchased power to end-users, and major industrial enterprises buying power under direct contracts.

As per Federal Law “On electric power industry” and Wholesale market regulations, electric power sellers and buyers enter into contracts for which essential conditions are set forth in legal acts.

Standard contract forms are approved by the Supervisory Board of Non-Profit Partnership Market Council.

Clients of the retail electricity market are non-industrial consumers, small business entities, households.

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

#### 8. FINANCIAL PERFORMANCE REVIEW

**8.1. 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 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 2012 revenues of E.ON Russia increased by 13.9% up to 76 bln 692 mln roubles from 67 bln 354 mln roubles for 2011 year. Earnings before interest, taxes, depreciation and amortization without exchange rate differences (EBITDA) of E.ON Russia increased by 26.8% from 22 bln 217 mln roubles for 2011 year up to 28 bln 175 mln roubles following the results of 2012. The key factor of the Company profit growth vs. 2011 was growth of the margin profit for the newly commissioned capacities.

**8.2. Several factors affecting the Company business activity results**

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

Regulation of the electric energy sector in Russia. Tariffs.

Regulated tariffs fixed for the Company power plants vary a lot depending on several conditions, including, but not limited to the following: power plant efficiency, power plant location, type of fuel used, investment plans. Historically, Smolenskaya GRES and Shaturskaya GRES had higher tariffs as compared to the Company 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 the Decree of the RF Government No. 1178 "On pricing in regulated prices (tariffs) in the electric power sector", dated 29.12.2011 regulated prices (tariffs) for electric power (capacity) of the suppliers for sale at the wholesale market under regulated contracts for 2012 are set by the Federal Tariff Service without price indexes application for 2012.

Details of power tariff change dynamics for the Company power plants is given in the table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Tariffs for electric power, rub./MW h** | | | |
| **Power plant** | **2010** | **2011** | **2012** |
| Surgutskaya GRES-2 | 525.6 | 605.13 | 605.59 |
| Berezovskaya GRES | 307.25 | 328.33 | 285.63 |
| Shaturskaya GRES | 1,119.63 | 1,119.83 | 1,094.14 |
| Smolenskaya GRES | 986.04 | 1,115.36 | 1,168.80 |
| Yaivinskaya GRES | 754.49 | 863.36 | 863.44 |

In 2012 in total under regulated contracts the Company sold over 9 bln kWh of electric power. Revenues from sales in the regulated market segment made 8 billion  218 mln roubles. Amount of this revenue includes also payment for capacity, actual amount of which in 2012 made 2 bln 607 mln roubles.

Capacity tariffs set forth by FTS for E.ON Russia power plants for the period from 2010 to 2012 are presented in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Capacity tariffs, RUR/MW per month** | | | |
| **Power plant** | **2010** | **2011** | **2012** |
| Surgutskaya GRES-2 | 74,891.44 | 81,149.61 | 81,146.18 |
| Berezovskaya GRES | 112,694.01 | 121,410.67 | 146,787.92 |
| Shaturskaya GRES | 110,850.91 | 131,714.13/  123,000.00\* | 123,000.00 |
| Smolenskaya GRES | 84,718.48 | 93,473.93 | 93,473.93 |
| Yaivinskaya GRES | 128,179.32 | 135,440.66 | 135,440.66 |

\* Change of tariffs as from April 1, 2011.

In 2012 there were also supplies of electric capacity at tariffs set for generating facilities, in relation to which higher prices were specified in price bids for competitive capacity takeoff in Smolenskaya GRES and Yaivinskaya GRES branches.

|  |  |
| --- | --- |
|  | **Tariffs for capacity, RUR/MW per month** |
| Smolenskaya GRES | 122,853.74 |
| Yaivinskaya GRES | 117,153.58 |

**Fuel expenses**

The Company consumes considerable amount of various types of fuel for generation of electric and heat power. E.ON Russia buys significant volumes of gas and coal, and in a less degree, fuel oil. Following the results of the year 2012, share of fuel expenses reduced by 3.1 per cent vs. 2011 and amounted to 60.9% of the total operational expenses of the Company. In general fuel expenses in 2012 increased by 2,627 mln roubles (+ 8.5%) against 2011 and amounted to 33 bln 429 mln roubles. Growth of fuel costs in the general structure of the Company expenses is conditioned by the two reasons: firstly, by the annual growth of prices for key utilities in Russia; secondly, increase of electric power generation by new production facilities.

Basic component of E.ON Russia fuel portfolio is gas. Its share in the physical volume of fuel consumed by the Company in 2012 amounted to 80.8%. Gas procurement expenses amounted to 89.2% of the overall fuel expenditure of the Company in 2012.

Coal is also a significant component in the Company fuel mix. In 2012 share of coal in physical volume of fuel consumed by the Company amounted to 19.2%. Expenses for coal consumed for electric and heat power generation made 10.6% of the overall fuel expenditure 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 E.ON Russia power plants (mainly to Berezovskaya GRES) is the Russian major coal producer - SUEK JSC, which is the owner of Berezovskiy-1 cross-section.

**Expenses for third party services**

The Company bears expenses related to third party 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 effecting financial settlements among them. The Company concludes standard service contracts with all the parties mentioned; whereas the terms and conditions of such contracts are standardized and non-negotiable. Besides, the Company pays for some third party services in accordance with regulated prices (tariffs) as set by the Federal Tariff Service.

The Company expenses for the services rendered by third parties at the wholesale electricity market amounted to 1,050.76 mln roubles (1.9%) of the total amount of the Company expenses on operation services for 2012.

**Seasonal prevalence**

Season-related factors have influence upon the Company business activity results. Power generation by the Company’s power plants depends on power demand and competitive nature of the offer.

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

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), terms of the system reliability (grid and system limitations). The factors indicated are also related to seasonal events: snowmelt flood (that leads to HPP output increase), campaigns for generating and electric power supply equipment maintenance, that are effected on a large scale between the autumn and winter period.

Influence of HPP power output increase is most relevant for Berezovskaya GRES. Factor of grid equipment repairs influences competitive power of Shaturskaya 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 economy growth and buoyant markets at which the Company pursues activities, considerably influence the Company activity results.

The table below shows several key macroeconomic indicators relevant for the Russian economy for the period from 2007 through 2012:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** |
| Growth of GDP, % | 8.10 | 5.60 | -7.80 | 4.30 | 4.30 | 3.40 |
| Consumer price index, % | 11.90 | 13.30 | 8.80 | 8.80 | 6.10 | 6.60 |
| Level of unemployment, % | 6.10 | 6.30 | 8.40 | 7.50 | 6.60 | 5.70 |

*Source: Rosstat*

On February 6, 2013 the Ministry of Economic Development published report On Results of Social and Economic Development of the Russian Federation in 2012, in which it was concluded:

1. In general in 2012 GDP growth amounted to 3.4%, having slowed down from 4.3% in 2011. That year was characterised by slow down both the investment and consumer demand against background of negative tendencies in the global economy and weakening of the external demand. Unfavourable weather conditions that led to loss of some harvest and prices growth for food, had a negative impact on the economy dynamics, which slackened growth of the actual wages and consumer expenses.

As regards production in 2012, GDP growth was due to high dynamics of the financial activity (15% in 2012 against 3.6 in 2011) and trade (6.5% in 2012 against 3.3 in 2011).

1. In 2012 there was growth in industrial production (102.6% by January–December 2011). Manufacturing sectors of economy were the growth driver: manufacture of transport vehicles and equipment, rubber and plastics goods, other non-ferrous mineral goods, food products, including drinks and tobacco, metallurgical production and manufacture of ready-made metal products, electrical equipment, electronic and optical equipment. Positive rate was also observed in mineral extraction.

Production dynamics decrease was in light industry: leather and leather articles production, shoes production, textile and clothing manufacture.

In 2012, according to the calculations of the Ministry of Economic Development, production of main types **of primary fuel and energy resources** was maintained at the level of 2011 with oil and coal production increase and gas production decrease.

For 2012 1,064.1 bln kWh of electric power was generated, or 101.1% against 2011. Thermal power plants (TPP) took the main load as regards satisfying demand for electric power in 2012, electric power generation at TPP amounted to 721.3 bln kWh (101% against 2011). NPP generation for the same period amounted to 177.7 bln kWh (103.1% against 2011), and HPP – 164.5 bln kWh (99.9% against 2011).

Decrease in electric power generation at HPP is related to unfavourable hydrological situation at a number of Siberian rivers.

1. Situation at the labor market was as follows in 2012. In the average amount of unemployed people amounted to 4.3 mln persons in 2012 or 5.7% of the economically active population, which is by 0.7 mln people fewer than in 2011. In December 2012 the unemployment level amounted to 5.3 per cent. This unemployment level is record low for the period as from 1999. Recovery of demand for labour in the result of the economic situation improvement in the country and measures on the labour market support implemented by the Government of the Russian Federation facilitated decrease of unemployment. For this purpose in 2012 monetary funds were allocated from the federal budget, they were sent to decrease tension at the labor market. Most actively these measures are implemented in the RF constituent entities that suffer from tense situation on the labor market (Republic of Dagestan, Mordovia, Buryatia, the North Caucasus Republics, Adygeya, Altai, Kalmykia, Mariy El, etc.).
2. Headline inflation (CPI) for 2012 amounted to 6.6%, thus exceeding the forecasted level by 0.6 p.p. and the last year value (6.1%) by 0.5 p.p.

The forecasted inflation level is exceeded because of the draught, poor harvest and global wave of prices growth for grains. Within the year the inflation processes developed as follows. In the first half year the inflation decreased — consumer prices gain for the year decreased down to 3.6% in April-May 2012 from 6.1% in December 2011, due to high supply and unchanged low price dynamics for food, and transfer of regulated tariffs increase at the federal level and locally (for housing and communal services organizations and town passenger transport services) from the year opening to the second half-year.

As from June the inflation started strengthening due to the prices leap for fruits and vegetables of the new harvest, thus the annual inflation had increased up to 4.3%. During subsequent months there was prices growth for food along with the global prices growth for grains and other food because of the draught in a number of countries. In September the annual inflation had reached 6.6 per cent.

**TAXATION AND DEDUCTIONS TO GOVERNMENTAL NON-BUDGETARY FUNDS**

The Company is a taxpayer of several taxes, which considerably influence the Company's business activity results. The table below sums up the data on types and size of taxes paid by the Company to budgets of various levels during 2011 and 2012.

|  |  |  |
| --- | --- | --- |
| **Taxes paid**  **to the federal budget, mln roubles** | **Paid in total**  **as per tax in 2011** | **Paid in total**  **as per tax in 2012** |
| VAT | -1,776.4 | 4,696.3 |
| Income tax | 1,859.0 | 3,998.6 |
| Mineral extraction tax | 0.06 | 0.02 |
| Water tax | 105.2 | 0.73 |
| Property tax | 702.1 | 954.3 |
| Personal income tax | 472.8 | 515.2 |
| Transport tax | 2.2 | 2.13 |
| Land tax | 25.3 | 31.5 |
| Other | 2.5 | 2.8 |
| **Total** | **1,392.8** | **10,201.7** |
| **Ensurance premium payments into state non-budget funds** | **Total payments to funds in 2011,**  **mln roubles** | **Total payments to funds in 2012,**  **mln roubles** |
|  | **616.3** | **740.7** |

The Company belongs to the category of “major taxpayers” of the Russian Federation; compliance with the tax laws is controlled by the Trans-regional supervisory body of the Federal Tax Service for major taxpayers No. 4.

**8.3. Business activity results**

# The table below shows operation results of the Company for 2011–2012:

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | 2011 | 2012 | 2012/2011 +/-% |
| Revenue, mln roubles | 67,354.0 | 76,692.7 | 13.9% |
| Prime cost, mln roubles | 48,196.0 | 54,932.6 | 14.0% |
| EBITDA (without exchange difference)[[20]](#footnote-20), mln | 22,217.0 | 28,175.0 | 26.8% |
| Rate of return with regard to EBITDA (without exchange differences), % | 33.0% | 37.0% | - |
| EBIT (without exchange difference)[[21]](#footnote-21) , mln roubles | 17,952.0 | 21,025.6 | 17.1% |
| Rate of return with regard to EBIT (without exchange differences), % | 26.7% | 27.4 % | - |
| Net profit, mln roubles | 15,052.0 | 18 ,386.0 | 22.2% |
| Profitability of salesfor Net profit, % | 22.3% | 24.0% |  |
| *Exchange rate difference, mln roubles* | *-89.0* | *-29.0* | *-67.0%* |

# We consider it correct to clear EBITDA & EBIT indicators from factors of non-permanent nature. Such factors include exchange rate difference, since we generate and sell electric power and capacity in the territory of the Russian Federation and for settlements and payments we use the Russian rouble. In our opinion, such an approach makes it possible to precisely estimate the results of operational activities of the electric power industry companies in Russia.

# Revenue

# In 2012 the Company’s revenue came from sales of electric power, heat and sales of other products and services of industrial and non-industrial nature. Following the results of 2012 revenue of E.ON Russia increased by 13.9% against 2011 and amounted to 76 bln 693 mln roubles.

|  |  |  |  |
| --- | --- | --- | --- |
| Indicator | 2011mln roubles | 2012mln roubles | 2012/2011+/-% |
| Power sales in the regulated sector | 5,610.0 | 5,611.2 | 0% |
| Power sales in the competitive sector | 44,249.0 | 48,550.6 | 9.7% |
| Power sales in the retail market | 4.0 | 7.7 | 92.1% |
| Sales of capacity | 16,219.0 | 21,086.6 | 30.0% |
| Sales of generated heat power | 759.0 | 771.9 | 1.7% |
| Heat power transportation | 253.0 | 298.3 | 17.9% |
| Other production sales | 245.0 | 351.4 | 43.4% |
| Other non-production sales | 15.0 | 15.0 | 0.0% |
| Total revenue | 67,354.0 | 76,692.7 | 13.9% |

# Electric power and capacity

# Following the results of the year 2012 revenue from electric power and capacity sales increased by 13.9% up to 75 bln 256 mln roubles from 66 bln 082 mln roubles following the results of 2011. Revenue share from electric power and capacity sales sold in the regulated market sector, changed slightly in the total revenue of E.ON Russia following the results of 2012, approximately by 1 p.p., and amounted to 8 bln 218 mln roubles (11%). In addition the revenue share from sales in the competitive sector increased by 1 p.p. up to 87%, and its volume amounted to 67 bln 030 mln roubles.

# Increase of revenues from sales of power and capacity is explained, first of all, by start of operation of new, more efficient power units at Shaturskaya GRES, Surgutskaya GRES-2 and Yaivinskaya GRES together with higher load of modernized units of Berezovskaya GRES.

# General growth of average weighted prices for electric power and capacity also influenced the general growth of the revenue. Following the results of 2012 revenues from electric power sales at the retail electricity market in the total Company revenue made up an extremely negligible share - about 0.01%.

# Heat power

# Following the results of 2012 revenue from heat power sales increased by 6% up to 1,070.2 mln roubles from 1,012 mln roubles following the results of 2011. Revenues increase from heat power sales is explained by growth of heat power output from headers due to ambient air temperature fluctuations year-to-year. In general following the results of 2012 revenues share from heat power sales (in the total Company revenues) changed negligible against 2011 and amounted to 1.4%.

# Other income

# Following the results of 2012 other income (revenues from sales of industrial and non-industrial nature) of the Company increased by 41% up to 366 mln roubles from 260 mln roubles following the results of 2011 Share of other income following the results of 2012 amounted to 0.5% of the total revenue of E.ON Russia.

# 8.4. Expenses

# The table below shows the Company expenses following the results of 2012 (in mln roubles):

| Indicator | 2011mln roubles | 2012mln roubles | 2012/2011 +/-% |
| --- | --- | --- | --- |
| Fuel for generation of power and heat | 30,802.0 | 33,429.1 | 8.5% |
| Power and capacity for re-sale | 3,405.0 | 3,347.5 | -1.7% |
| Payment for the market operator’s services | 926.0 | 1,050.8 | 13.5% |
| Expenses for repairs (net of labor compensation, uniform social tax, etc.) | 1,542.0 | 1,974.1 | 28.0% |
| Other material costs | 715.9 | 534.7 | -25.3% |
| Labor costs | 3,477.0 | 3,701.6 | 6.5% |
| Payroll expenses | 677.0 | 892.4 | 31.8% |
| Other taxes linked with prime cost | 899.0 | 986.2 | 9.7% |
| Insurances | 148.0 | 221.0 | 49.3% |
| Other expenses | 1,339.2 | 1,645.9 | 22.9% |
| Depreciation | 4,265.0 | 7,149.3 | 67.6% |
| Total expenses | 48,196.1 | 54,932.6 | 18.5% |

# Fuel expenses

# Share of fuel expenses in the Company operational expenses structure decreased by 3.1 p.p. — down to 60.9%. In general fuel expenses in 2012 increased by 2,627 mln roubles (+ 8.5%) against 2011 and amounted to 33 bln 429 mln roubles. Growth of fuel costs in the general structure of the Company expenses is conditioned by the two reasons: firstly, by the annual growth of prices for key utilities in Russia; secondly, increase of electric power generation by new production facilities.

# Procured power and capacity

# Being the wholesale market participant, the Company purchases electric power at the day-ahead market (DAM) as security for regulated contracts, as security for liberalized bilateral contracts for power and capacity sales; and at the balancing market (BM) as security for obligations under scheduled hourly volumes (sales schedule).

# Procurement of electric power at the wholesale market is both a consequence of the trading strategy and a forced event - in case when scope of regulated contracts exceeds scope of the maximum live capacity. It takes place when equipment is under repairs or in the state of cold reserve by order of the System operator. Electric power purchase as security for non-regulated bilateral sale contracts is also a mandatory condition at the Russian wholesale market.

# Following the results of 2012 the Company expenses for electric power and capacity procurement amounted to 3 bln 347.5 mln, which is by 1.7% lower than in 2011. In general, the Company expenses for power and capacity procurement amounted to 6.1% of the total expenses following the results of 2012.

# Payment for the market operator’s services

# Expenses for payment for the market operators' services include the Company payments under contracts with the System Operator, Administrator of Trading System, Center of Financial Settlements (see subsection "*Expenses for third parties' services payment"* of the section "Review of financial results"). Following the results of 2012 expenses of E.ON Russia for the market operators' services increased by 13.5% against 2011 and amounted to 1 bln 050.8 mln roubles (926 mln roubles following the results of 2011). Share of expenses for the market operator services in the total volume of the Company expenses amounted to 1.9% following the results of the year 2012.

# Other material costs

# Other material costs include costs for raw and other materials, for operation, for economic needs, for transport, office equipment servicing, for labor safety, expenses for transportation services, other services of the production nature, payment for water bodies use. Following the results of 2012 expenses of E.ON Russia for other material costs amounted to 534.7 mln roubles, which is by 25.3% less against 2011 (715.9 mln roubles following the results of 2011). Share of other material costs in the total volume of the Company expenses amounted to 1.0% following the results of 2012.

# Labor costs

# Labor costs include expenses for salaries and payments to the Company employees with due account for estimated liabilities. Following the results of 2012 the Company labour costs and payments to employees increased by 6.5% (with due account for estimated liabilities) — up to 3 bln701.6 mln roubles from 3 bln 477 mln roubles following the results of 2011. The Company labour costs and payments to employees with due account for estimated liabilities, amounted to 6.7% of the total Company expenses following the results of 2012.

# Expenses for repairs

# The Company repairs and maintains the existing facilities. As a rule, during the time of production decrease from April to September there are higher expenses for maintenance and repairs.

# In 2012 E.ON Russia increased its expenses for repairs by 28.0% — up to 1 bln 974.1 mln roubles (without Labor Compensation Fund of the repair personnel and other expenses). Total weight of this item in the Company prime cost structure increased by 3.6%. Increase of expenses for repairs is related to the service maintenance of new power units at SGRES-2 and ShGRES branches.

# Deductibles from the payroll

# Deductibles from the payroll 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 deductions from the Labor Compensation Fund with due account for estimated liabilities in 2012 amounted to 892.4 mln roubles, thus increasing by 31.8% against 2011. This increase is related to the rate change in 2012 and base for ensurance payments accrual subject to the effective laws of the Russian Federation.

# Other taxes linked with prime cost

# This cost item includes: property tax, transport tax, land tax, other taxes and duties Following the results of 2012 these expenses of the Company increased by 9.7% up to 986.2 mln roubles from 899 mln roubles following the results of 2011 . The Company expenses on this cost item amounted to 1.8% of the total Company expenses following the results of 2012. Such significant growth is related to the property tax accrual as regards new power units at Shaturskaya GRES, Yaivinskaya GRES and Surgutskaya GRES-2 that were put into operation. On the other hand, there was decrease as regards water tax – down to 0.738 mln roubles following the results of 2012 from 80.5 mln roubles following the results of 2011. It is related to transfer of water bodies under water use contracts in compliance with the Water Code, thus payment for water bodies use is increased, but the water tax is decreased.

# Insurances

# E.ON Russia’s property insurance program covers various risks and first of all, risk of loss or damage to the Company property including insurance of all power plant's generators and turbines against fire, lightning, explosion, acts of God, terrorism, short cuts, equipment failure. Moreover, E.ON Russia practices third-party insurance for operation of sources of special danger, insures breaks in the production activity and provides employees with casualty insurance and voluntary medical insurance.

# Following the results of 2012 the Company costs for ensurance increased by 49.3% — up to 221 mln roubles from 148 mln roubles following the results of 2011. Expenses of E.ON Russia for ensurance amounted to 0.4% of the total Company costs following the results of 2012. Growth of expenses for ensurance is related to the new type of ensurance subject to the legal requirement - Third-party liability insurance of companies that operate hazardous production facilities, nuclear energy facilities, hazardous cargoes carriers. In 2011 at the year-end there was a new type of ensurance — breaks in the production activities, growth following the results of 2012 for this ensurance type amounted to about 40 mln roubles.

# Depreciation

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

# Following the results of the year 2012 depreciation charges of E.ON Russia increased by 67.6% up to 7 bln 149.3 mln roubles from 4 bln 265 mln roubles following the results of 2011. The share of the Company amortized deductions in the structure of operational expenses in 2012 decreased down to 13.0%, against 8.8% in 2011. Increase of depreciation deductions is explained by commissioning in late 2010 and Q3 2011 of new power units and consequently their depreciation accruals.

# 8.5. EBITDA

# Following the results of the year 2012 earnings of E.ON Russia before interests, taxes and depreciation amounted to 28 bln 175 mln having increased by 26.8% as compared with 2011. (22 bln 217 mln roubles). The Key factors for EBITDA growth were increase of the revenue due to commissioning of new more efficient power units in aggregate with the measures aimed at cost management.

# Profitability of sales for EBITDA without exchange differences, following the results of 2012 amounted to 37% (in 2011 — 33.0%), which is one of the best values of work among companies of this industry (electric power industry) both following the results of 2011, and for 2012.

# 8.6. EBIT

# Following the results of the year 2012 E.ON Russia's earnings before interest and taxes increased by 17.1% up to 21 bln 025.6 mln roubles from 17 bln 952 mln roubles following the results of 2011. Key factor of EBIT growth in 2012 is similar to that for EBITDA.

# Rate of return with regard to EBIT following the results of the year 2012 amounted to 27.4% (26.7% in 2011).

# 8.7. Net profit

# Net profit of the Company following the results of 2012 amounted to 18 bln. 386 mln roubles. Following the results of the year 2011 net profit of E.ON Russia amounted to 15 bln. 052 mln roubles. Considerable growth of net profit following the results of the reporting period is associated with the influence of the following factors: growth of revenues from electric power and capacity sales together with the measures on expenses optimization.

# Rate of return with regard to Net profit of E.ON Russia amounted to 24% following the results of the year 2012 (in 2011 — 22.3%).

# 8.8. Assets. Significant Changes in Assets Profile

# In 2012 assets of E.ON Russia increased by 12.5% and amounted to 129 bln 046 mln roubles. This growth is associated with the following changes:

# As of the reporting date the Company non-current assets for 2012 increased by 3.1% — up to 78 bln 544 mln roubles from 76 bln 169 mln roubles as of January 1, 2012. The increase was in line 1151 "Under construction" due to works performance and equipment supply related to construction of power unit No. 3 of Berezovskaya GRES branch.

# In 2012 the most significant changes in the current assets structure took place in line 1240 "Short-term financial investments (except for monetary equivalents)", which increased from 14 bln 178 mln roubles as of beginning of 2011 — up to 27 bln 522 mln roubles as of December 31, 2011. This change is conditioned by the Company high operational efficiency and pursuit to place available monetary funds on deposits with the placement term of over three months.

# 8.9. Liabilities. Significant Changes in Liabilities Profile

# Change of the Liabilities structure is related to the changes to a greater extent in section: Shareholders' funds

# As of December 31, 2012 shareholders' funds of the Company increased up to 120 bln 380 mln roubles at the expense of net profit receipt in the reporting period of 18 bln 386 mln roubles.

# 

# Other sections underwent minor changes.

# 8.10. Liquidity and Equity Capital

# Monetary assets from the day-to-day operation were the main source of the Company liquidity in 2012. The Company believes that capital expenses will constitute essential appropriation of financial resources within the next few years.

# This is chiefly relevant for generation of electric and heat power and construction of new generating facilities and modernization of the existing generating facilities in the context of the approved Investment program. Implementation of the Investment program is planned using own funds.

#### 9. INVESTMENT PROGRAM

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

Investment activities of E.ON Russia are effected in three main lines:

1. implementation of the Company’s priority investment projects;
2. technical refurbishment and reconstruction of the operating facilities;
3. acquisition of fixed assets;

and is aimed at solving the following tasks:

* construction of new efficient generating facilities;
* modernization of equipment with enhancement of capacity and efficiency;
* replacement of the overaged equipment;
* enhancement of reliability and efficiency of operating facilities;
* implementation of the Health and Safety policy;
* implementation of ecological projects;
* IT systems modernization.

**9.1. Priority Investment Projects**

In 2012 main efforts of the Company were aimed at the investment project implementation - construction of 800 MW STU coal unit at Berezovskaya GRES. This final project of the large-scale investment program of the Company that provides for commissioning of 2,400 MW in total of new generation capacities.

The project of construction of unit No. 3 of Berezovskaya GRES is one of the largest investment projects in the electric power industry of Russia and is aimed at meeting the expected capacities deficit in the energy zone of Siberia in general and in the Krasnoyarsk Territory in particular, and creation of the required reserve of efficient heat generating capacities.

The General Contractor Agreement (EPC-Contract) for construction of unit No.3 of Berezovskaya GRES on a turn-key basis with Energoproject CJSC was signed on May 17, 2011. The project is implemented by E.ON Russia jointly with E.ON New Build & Technology.

In the course of this investment project implementation great attention was paid to the issues of labor safety. In 2012 all the works on the project infrastructure building and ensurance of safe working conditions were completed in full. In particular, all the required infrastructure for the employees engaged to live was constructed: a construction camp was built in the site territory.

Great attention was paid to the environmental issues as well. Thus within the project implementation of construction of unit No.3 at Berezovskaya GRES it is planned to switch the plant to the new, state-of-the-art and environmentally friendly technology of ash and sludge wastes removal and storage. The power plant is operated using lignites of the Berezovskoye deposit. About 7 million tons of coal is combusted a year. Initially at the plant there was designed an ash and sludge removal system conventional for Russian coal-fired power plants (and is operated now): wet closed-circuit. But technologies are developing and for example in Europe almost all coal-fired power plants have switched to dry ash and sludge removal. It significantly reduces impact of the ash disposal area on the environment and provides an opportunity to further process ash and sludge for example for fertilizers and construction materials manufacture, for use in metallurgy.

For timely successful implementation of the investment project leading Russian and foreign construction and installation companies are engaged. At present more than two and a half thousand people work at the construction site, all key construction and installation works are deployed.

Key events of 2012:

* Positive opinions on the design documentation for construction of unit No.3 at Berezovskaya GRES and switching the plant to dry ash and sludge removal are obtained from FSI Glavgosexpertiza of Russia;
* Dismantling of the main and auxiliary equipment foundations (transformers, draft mechanisms, ID fans, gas recirculating fans) is completed, new foundations are ready 80%;
* Works on inventory and defectation of the earlier supplied equipment to the construction site are completed;
* A contract is signed with Energoproject CJSC and ENKA for the boiler installation. In September ENKA started works on the boiler installation;
* About 80% of equipment, which is required for the project implementation, is contracted;
* The generator stator, auxiliary transformers, unit transformer are delivered to the site;
* Foundation of the turbogenerator is transferred for the equipment installation;
* Installation of metal structures of the turbine hall is completed, the turbine, high pressure and low pressure pipelines installation is commenced.

Below are the data on financing and spending of capital investments under the project as of 2012 year end against similar data as of 2011 year end.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Project** | **Financing** | | **Spending** | |
| **as of 31.12.2011** | **as of 31.12.2012** | **as of 31.12.2011** | **as of 31.12.2012** |
| **800 MW STU, Berezovskaya GRES** | **16%** | **30%** | **6%** | **17%** |

****

****

Information on the complete scope of the Company investment project is submitted below.

|  |  |  |
| --- | --- | --- |
| **Power Plant** | **Project** | **Expected**  **year of commissioning** |
| Shaturskaya GRES  (Moscow region) | Creation of the replacement capacity  on the basis of 400 MW CCGT | Put into operation in November 2010 |
| Surgutskaya GRES-2  (Khanty-Mansi Autonomous Area) | Creation of the replacement capacity  on the basis of 2x400 MW CCGT | Commissioned in July 2011 |
| Yaivinskaya GRES  (Perm Territory) | Creation of the replacement capacity  on the basis of 400 MW CCGT | Commissioned in July 2011 |
| Berezovskaya GRES  (Krasnoyarsk Territory) | Construction of power unit No. 3  on the basis of 800 MW STU | 2015 |

**9.2. Technical refurbishment and reconstruction of the operating facilities**

The program of technical refurbishment and reconstruction of the operating facilities (hereinafter — TRR) of E.ON Russia JSC planned for 2012, is completed at:

|  |  |
| --- | --- |
| **Power plant** | **Technical Refurbishment and Reconstruction (TRR) program completion, %** |
| Surgutskaya GRES-2 | 90 |
| Berezovskaya GRES | 101 |
| Shaturskaya GRES | 95 |
| Smolenskaya GRES | 103 |
| Yaivinskaya GRES | 100 |
| Heat Networks of Berezovskaya GRES | 99 |
| Total for E.ON Russia | 94 |

Main activities of the TRR program:

|  |  |
| --- | --- |
| Surgutskaya GRES-2 | Modernization of the access control and management system of power unit No.3 with implementation of the full-scale automated process control system  Reconstruction of the excitation system of power unit No.3  Reconstruction of the convection superheater (stage II) of the boiler unit of power unit No. 3  Reconstruction of the ball cleaning system of TG and turbo feed pump condensers, installation of turbo feed pump prefilters of power unit No.3. |
| Smolenskaya GRES | *Modernization of the generator stator of ТГВ-200МУЗ type of power unit No.2.* |
| Berezovskaya GRES | *Modernization of the cleaning system with blowers of ОГ-12 type replacement of boiler unit No.2 (68 pcs.).*  *Modernization of the complex switch yard (6 kV) of unit No.2 with SF6 breakers of ВЭ-6 type replacement for vacuum ones (20 pcs.).*  *Implementation of the technology of ash and sludge wastes storage\_Recultivation of map 1.* |
| Yaivinskaya GRES | *Modernization of 110/220 kV open switch yard with replacement of 1 air circuit breaker for SF6 one and replacement of the breaker*  *Installation of the BOP reducing demineralizer (Russian: РОУ-30/15).*  *Modernization of injection units of boiler No. 1,2,4 (replacement of existing control valves for valves controlled by analogue signal).* |
| Shaturskaya GRES | *Reconstruction of platen superheater elements, stage 2 unit No.4*  *Reconstruction of 110 kV oil breakers with their replacement for SF6 (2 pcs.).*  *Reconstruction of microunits of the convection superheater-3 power unit No. 6*  *Modernization of turbine No.4 with collar No.1 of high pressure cylinder replacement and partial replacement of stages.* |
| Heat Networks of Berezovskaya GRES | *Reconstruction of heat networks of Sharypovo, settlement of Dubinino.* |
| At all the branches of E.ON Russia | *Reconstruction of steam pipe elements of power units and heating surfaces of boilers.*  *Reconstruction of electric equipment (circuit breakers 0.4 kV , 6 kV, HV leads of 500 kV transformers, etc.).*  *Reconstruction of shut-off and control valves.*  *Holding of events aimed at increase of fire safety of the equipment, and building and structures of the power plant.* |

**9.3. Capital investments**

Capital investments of the Company within the investment program implementation in 2012 amounted to 7.12 bln roubles, including in the following lines:

* technical refurbishment and reconstruction — 33 %;
* new build (project on construction of unit No. 3 at Berezovskaya GRES) —

67 %.

#### 10. PROCUREMENT ACTIVITIES

**10.1. General Provisions of the Company Policy in Procurement Activities**

Main provisions of the Company policy as regards procurement are reflected in the Regulation on Procurement of E.ON Russia JSC, approved by the Company Board of Directors.

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

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

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

* Creation of the competitive environment: best procurement results are possible only with the market competition.
* Implementation of procurement in compliance with the annual comprehensive procurement program (ACPP), which is the main procurement plan of the Company.
* Usage of tender procedures as the main means of work/service and materials and equipment procurement.
* Making decision on the vendor selection according to the “four eyes” principle (the decision is always taken by the procurement officer in charge in coordination with the procurement initiator).

Responsibility for implementation of the procurement process in the Company rests with the Procurement Department. Its basic functions are planning, organization and implementation of procurement procedures; monitoring of procurement activities at the Company branches. Moreover the Procurement Department takes measures on the stance strengthening at the market by the needs consolidation and provision of the procurement process unification in the single ­model of behaviour in the competitive environment.

In doing so, the Procurement Department closely interacts with organization units initiating procurement, participates in uniting commercial and technical interests of E.ON Group.

In pursuing procurement activities, the Procurement Department of E.ON Russia takes into account all the newest standards and best practices of E.ON Group.

# 10.2. Basic Results of Procurement Activities of the Company in 2012

|  |  |  |  |
| --- | --- | --- | --- |
| Procurement under the annual comprehensive procurement program 2012 broken down by the initiator of procurement | | | |
|  | Number of procurement procedures, it. | Total value,ths. roubles | Share, % |
| Surgutskaya GRES-2 | 828 | 1,553,289.86 | 22.38% |
| Berezovskaya GRES | 1010 | 784,233.88 | 11.30% |
| Shaturskaya GRES | 808 | 571,578.07 | 8.24% |
| Smolenskaya GRES | 652 | 272,808.88 | 3.93% |
| Yaivinskaya GRES | 716 | 520,679.96 | 7.50% |
| Heat Networks of Berezovskaya GRES | 136 | 135,839.74 | 1.96% |
| Moscow Representative Office | 574 | 3,101,195.56 | 44.69% |
| Total for E.ON Russia | 4,724 | 6,939,625.95 | 100.0% |

# For the Company production activity the procuring employees of E.ON Russia JSC held 4,724 procurements to the total amount of 6,939,625.95 ths. roubles (net of VAT) for the needs of 2012.

# In the procurement scope specified 156 procedures to the amount of 624,402.14 ths. roubles were held within investment projects of E.ON Russia JSC.

# Procurements from single source for the needs of 2012 - 650 procedures to the amount of 2,441,790.40 ths. roubles. (35.19% of the total number of procurements in monetary terms, 13.58% of the total amount of procurement in quantitative terms). All other procurements were effected through “request for proposal”.

|  |  |
| --- | --- |
| Procurement under the annual comprehensive procurement program 2012 broken down by categories | Share, % |
| Repair, maintenance, installation and reconstruction of equipment | 23.93 |
| Construction, maintenance, servicing activities and reconstruction of buildings and structures | 10.86 |
| Turbines, turbogenerators and spare parts | 8.22 |
| Electrical works | 5.56 |
| Engineering and design, survey work | 5.34 |
| Services in the area of DCS and I&C | 4.90 |
| Boiler, heat exchange equipment | 4.37 |
| Administrative and maintenance services | 4.29 |
| Transportation services | 3.29 |
| Electrical equipment | 3.06 |
| Pipelines valves and spare parts | 2.65 |
| Other categories (30) | 23.53 |
| Total for E.ON Russia | 100.0 |

|  |  |
| --- | --- |
| Procurement under the annual comprehensive procurement program 2012 broken by total value | Share, % |
| less than Euro 5,000 | 2.74 |
| from Euro 5,000 to 100,000 | 22.52 |
| from Euro 100,000 to 1,000,000 | 42.75 |
| over Euro 1,000,000 | 31.99 |

# Difference between the most favourable comparable proposal initially submitted, and the cost specified in the contract (economic benefit from procurement) amounted (in monetary terms) to 662,848.54 ths. roubles.

#### 11. INFORMATION TECHNOLOGIES

Priority of E.ON Russia in IT is maintenance of smooth functioning and development of IT-systems important for the business to increase competitiveness of the Company and provide for support of the new capacities commissioning process.

In 2012 a project on building of the comprehensive system of financial planning on IBM Cognos TM1 platform was successfully completed, it is integrated with the Unified Automated System of Financial and Economic Activity Control. The system includes both processes of mid-term and operational budget planning and mechanisms of the plan-fact analysis. The project on automation of accounting and reporting generation (IFRS, within unified automated control system of the financial and economic activities) is implemented. Preparation works were done as regards switching to cost accounting by units as from 2013. Implementation of these projects allows for increasing the information quality and detailing to take decisions, providing for their maximum transparency and to reduce labour intensity of the processes on planning and drawing-up of corporate and stand-alone reporting. The project on accounting automation under IFRS won the national award "CFO of 2012" in the "ERP of the year. Step to the future: management accounting through IFRS" category.

To support trade operations at the wholesale electricity market, works on creation and development of Energy Trading were performed - creation of a system for prices forecasting and modernization of the analytical system of commercial dispatching. To increase level of the operational personnel professional training, to improve measures ensuring safe, fault-free and economic operation of the power equipment, in 2012 projects on creation of simulators for operational personnel of electric and chemical shops of all the Company branches were started. Implementation of this project will allow for ensuring the personnel training for the whole scope of major equipment of the Company branches (together with existing simulators for operational personnel of boiler and turbine shops). To increase production efficiency of the Company through operational adjustment of the equipment operation modes, increase of accuracy of technical and economic indicators, in 2012 a project on the automated system creation for accounting of technical and economic indicators of Surgutskaya GRES-2 was started.

The documentation control system on DIRECTUM platform continued its further development. In 2012 work with restricted documents (orders, instructions and memos) was automated. The implemented project "Automation of work with restricted documents through web-interface" took the 1st place in the "Development of the Year" category following the results of the annual international contest of IT-projects Directum Awards.

In 2012 great attention was paid to reliability and efficiency of IT functioning. Technologies that increase reliability of IT-infrastructure functioning at various levels were implemented in the Company. To increase efficiency a methodology was developed and a centralized ServiceDesk solution was implemented, it covers all users of information systems in the Company.

Due attention was paid to the systems and processes of the Company infrastructure and information assets protection. In particular, subject to the modern realia policies and base systems of the infrastructure protection were updated, coverage by the centralized control system over access is spread to all major business-systems of the Company. In addition processes of protection against insiders, protected documentation control were automated.

#### 12. RISKS AND RISKS 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 at E.ON Russia can be shown as follows:

Risk and

Finance Committee

External/

regulatory

risks

Operational

risks

Strategic

risks

Other

risks

Report for

Commodity risks

Report for

Credit risks

Report for KonTraG

risks

**Board of Directors of E.ON Russia**

Market

risks

Financial

risks

Quarterly report

Monthly reports

# Key elements of the risk management system are the Company strategy, internal regulating documents, controlling, planning, system of internal control and internal audit; reporting generated subject to the requirements of the Report on control and corporate transparency (KonTraG) and operation of the Risk and Finance Committee of the Board of Directors of E.ON Russia.

# The integrated system of risk-management is generated to timely identify risks and take required measures for risks management. The Company continuously reviews the processes of planning, controlling and reporting to ensure their effectiveness. Moreover, the internal audit unit assesses the risk management system efficiency on a regular basis.

# Risks Insurance Department

# E.ON Risk Consulting GmbH — a subsidiary of E.ON Group, renders services on E.ON Russia risk insurance management in key insurance spheres: property insurance and liability insurance. E.ON Risk Consulting GmbH is engaged in developing and optimization of solutions on operational risks management using insurance tools and similar tools. Moreover, this company provides for the necessary quality of insurance coverage at international reinsurance markets.

# Risk and Finance Committee of the Board of Directors

# The Risk and Finance Committee of the Board of Directors of E.ON Russia was established in accordance with the corporate standards of E.ON Group. The Committee includes heads and representatives of the Company leading units in charge of operational and financial activity, and provides for the credit and commodity risks management strategy implementation, which is approved by the Board of Directors.

# Commodity risks

# Risks related to change of commodity prices can arise in the process of commercial operations of the Company. Key elements of the risks management in this sphere except for availability and performance of the above mentioned regulating documents and reporting systems, are use of qualitative indicators, system of limits and clear division of functions among the units.

# Regulatory risks

# Russian wholesale electricity market constantly undergoes changes as a result of which the wholesale market structure changes as well as relations between the market participants.

# According to the Company assessment the important branch risk, which can significantly influence activity of E.ON Russia, is the risk - change of the electricity and capacity market rules of functioning. Increase of the regulated component share at the wholesale market negatively influences the Issuer's revenue as it decreases the share of efficient sales at non-regulated (free) prices.

# Operational risks

# The Company pays much attention to ensuring fuel security for its power plants. E.ON Russia tries to increase fuel efficiency and improve fuel consumption indicators at all the power plants due to equipment modernization.

# External risks

# An important category is the risks associated with season nature of power demand and considerable diurnal fluctuations of demand. Results of E.ON Russia operation in non-regulated market segments and location of the Company power plants in the regions of expected growth of power demand let us think that the Company will carry on operating effectively in conditions of continuous market liberalization.

# Considering unstable nature of the Russian tax laws, as well as different concepts of tax law interpretation by tax authorities and arbitration courts, there are risks of claims against the Company on the part of the tax authorities. Subject to the results of tax audits performed by tax authorities, the Company can be imposed on additional taxes, penalties and fines.

# Financial risks

# The Company minimizes foreign currency financial risks by placing deposits in foreign currency.

# E.ON Russia manages the credit risk by assessing good faith of counterparties, by setting and controlling the limits on transactions with lending financial institutions.

# In its activity the Company has to supply electric power to some RF regions that pay for the electric power consumed not in a timely manner of not in full and increase their receivables to E.ON Russia.

# Legal risks

# The Company continuously monitors the changes in requirements of the effective laws and manages legal risks associated with its activities. The Russian laws are unstable and are subject to frequent adjustments, additions and amendments, which in itself creates significant risks to perform activity. Additional difficulties are related to the fact that there is frequently an ambiguous interpretation of certain legal norms on the part of court and other law-enforcement bodies, which decreases legal certainty in regulation of specific legal relationships. Legal risks related to material and frequent changes in the law that regulates the core activity of the Company are of special significance for the Company. The Russian energy laws are new, comprehensive, are distinguished by complex hierarchy, structure and contents of the norms. Active state regulation of the electric power industry leads to frequent revisions of the most important legal acts in this sphere, that creates the risk for stable and predictable business. Increasing legal risks are related to toughening of the anti-trust laws requirements, volatility of tax relations regulation, cases of incorrect application of laws on the part of regulating and controlling state authorities. The Company does its best to timely reveal and minimize the legal risks specified, ensuring strict compliance with the effective laws during its operation.

# Due to the existing risk management system, the Company follows up identification of emerging risks, their adequate assessment and placing under control. However, there is a possibility of occurrence for risks, which are not known at the time being or are minor ones. In future, such risks can exert negative influence upon E.ON Russia performance.

#### 13. CORPORATE AND SOCIAL RESPONSIBILITY

In the course of its activity the Company proceeds from the fact that electric power and heat power generation are of exclusive importance for the life of regions of presence and economy functioning at the country level. That is why the key principles of corporate responsibility - guarantee of uninterruptible electric and heat power supplies, strict compliance with the laws and sustainable investments into personnel and social and economic development of the regions of presence. The Company practices responsible attitude to employees, consumers, suppliers, environment and society.

**13.1. Employees: Structure and Social Policy**

E.ON Russia is striving to use and develop its employees’ potential to full extent; the Company respects their work and wish to feel socially protected. The Company sees in its employees the key resource, without which no strategic target can be achieved, and even if other components are present no efficient operational activity is possible.

HR system covers the whole range of hiring and staffing, for all categories of personnel: from workers, officers, specialists to managers. Activity of E.ON Russia in this sphere is regulated by a complex of internal documents that provide for transparency and objective nature of HR resolutions. In the course of work with personnel data on personal achievements, experience and intentions of each employee of the Company are accounted for.

**TARGET VALUES, ORGANIZATIONAL STRUCTURES for CCGTs**

Target values of the manpower have been formed in E.ON Russia branches since May 2009. Target values are approved in general by branches, including for core business and personnel employed in capital construction. Manning table of the branches is formed and approved within the limits of the approved target values.

In 2011–2012 the target number of personnel in the Company branches was formed with account for personnel number optimization conducted in 2009, increase in the target number for Surgutskaya GRES-2 due to arrangement of the centralized maintenance shop, other structural changes in the branch shops and administrative functions structure.

Within 2010–2012 within target values of the headcount at Surgutskaya GRES-2, Shaturskaya GRES, Yaivinskaya GRES organizational structures and manning tables of steam gas turbine shops (SGTSh) were approved.

In the new shops well-trained qualified personnel are working; teaming was done from highly skilled specialists.

**Staff headcount**

As of December 31, 2012[[22]](#footnote-22) headcount of E.ON Russia amounted to 4 ths. 674 persons, including:

* in terms of principal activity number of the operational and non-operational personnel - 4 thousand 591 persons;
* headcount of personnel engaged in the investment projects implementation — 83 persons.

Dynamics of change in E.ON Russia headcount with due regard to personnel engaged in investment projects implementation for the period from 2010 through 2012 is shown in the diagram:

In 2012 the Company headcount increased due to personnel hiring to facilitate construction of new power units of 800 MW STU at Berezovskaya GRES.

One of the most urgent HR tasks is formation of age-balanced staff composition of the plant. This concept will promote transfer of unique knowledge, technologies and sharing traditions. Below is the E.ON Russia personnel structure in terms of age.

|  |  |  |
| --- | --- | --- |
| **Staff age profile** | | |
| **Category** | **Person** | **%** |
| Under 25 years old | 310 | 7 |
| From 26 to 40 years | 1,650 | 35 |
| From 41 to 55 years | 2,310 | 49 |
| Over 55 years old | 404 | 9 |
| **TOTAL** | 4,674 | 100.0 |

**Training and personnel advance training**

To implement the Company’s investment projects we need professionals with adequate training for operating highly automated equipment. The process of professional training of such specialists is time consuming and expensive that is why the staff of power units under construction is formed on a stage by stage basis, with engaging the experienced high-qualified GRES specialists.

In 2012, 2,055 persons received training; of them 1,496 persons received compulsory training; 80 persons took a course of English and 559 persons received advanced professional training in various areas of activity.

To increase professional excellence of the operating personnel at the branches of E.ON Russia JSC (Yaivinskaya GRES, Shaturskaya GRES and Smolenskaya GRES) there were held contests of professional excellence of operating personnel integrated teams among the branches teams on the basis of training center "Professional" in Surgut. Team of Smolenskaya GRES branch won the contest.

**Staff incentives**

In 2011 the Company developed and concluded between the Employer and authorised representatives of Employees Collective labour agreements of the Company branches for 2012–2014 and approved the Regulations on remuneration for labour to the branch employees.

Regulatory documents (Collective agreements and Regulations on labor remuneration) were developed on the basis of the Labor Code of the Russian Federation and proceeding from the unified regulatory principles for social and labor relations with due regard to the Company branch regional specifics. Collective agreements are a legal act, which establishes rights and obligations of the parties of the company social partnership. The signed collective agreements are based on the principle of equality, respect and consideration of rights and legal interests of employers and employees in the social partnership.

Remuneration payable to the Company employees consists of two parts: fixed and variable. The fixed part is set depending on the employee’s qualification and position he/she holds; bonuses and remunerations payable depend on specific results of the work. In new Regulations for labor remuneration fixed and variable parts are reallocated, the fixed (salary) part is increased. Period for indexation is changed - once a year instead of once a quarter. Providing part of benefits and remunerations is conditioned by the Company financial standing (EBITDA).

In 2010–2012 subject to E.ON standards the Company employees were graded. For these employees individual benchmark efficiency indicators are set forth in Efficiency management forms. As for other employees there is a remuneration system subject to the Collective and labour agreements.

To increase employees' motivation and decrease personnel turnover in the Company there is continuous monitoring of regional labour markets. The average salary of the branch employees of E.ON Russia is in general at the level of salaries of entities that produce and distribute electric power, gas and water in the region of the branch presence.

In 2011-2012 E.ON Russia participated in the Regional review of salaries and compensations for the Khanty-Mansi Autonomous Area and Krasnoyarsk Territory conducted by ERNST & YOUNG (CIS) B.V. (for Surgutskaya GRES-2 and Berezovskaya GRES branches). In 2012 to analyse the market for Shaturskaya GRES E.ON Russia participated in the review of salaries for power industry companies of the Moscow Region (conducted by PwC).

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

**Non-governmental pension provision**

E.ON Russia treats non-governmental pension provision (NGPP) as a tool to boost up the income for retiring employees and establish long-term labor relations. The NGPP system has been in effect as from December 2005 in the Company. It includes two basic pension plans: corporate and parity (since 2007). During 2012 within the corporate plan 108 persons at the branches formalized their non-state pension at the NPF (National Pension Fund) of the electric power industry.

The parity plan of the Company lets the employees accumulate pension accruals to increase their future pension amount. As of the end of 2012 number of participants in the NGPP system within the parity plan amounted to 1 thousand 710 persons, which is 36.6% of the total number of E.ON Russia employees. In 2013 the Company will continue to attract employees to participate in the parity pension program.

**Corporate support and assistance to E.ON Russia employees in housing improvement**

With the purpose of implementation of corporate support and providing assistance to E.ON Russia staff in improvement of their housing, in 2012 the Company approved the list of employees in need of housing improvement and identified the amount of funding for this purpose for the year 2012.

In the first place, this program is for:

* young specialists with work experience who have proved themselves in professional activities and were included into the talent pool;
* experienced specialists selected for operation at CCGT for their high professionalism;
* employees with long service record in the power industry who successfully passed attestation and confirmed their qualification.

In 2012 corporate support in improvement of housing was rendered to 63 employees at the Company branches. Contracts on non-interest special purpose loan are concluded with all the program participants (for housing purchase (construction),  and principal redemption for mortgage loan, loans obtained).

**13.2. Health and Safety**

As key indicators of occupational health efficiency in 2012 the following indicators were set in E.ON Russia JSC:

1. Compliance with the "Plan on occupational health and environmental protection for 2012".
2. Total recordable incident frequency (total TRIF) of own personnel and contractor's personnel at the production process < 1.16.

***The plan for increase of occupational health, safety and environmental protection level for 2012 was complied with in full and included the following key lines:***

1. Enhancement of the Occupational Health and Safety Management System (hereinafter - OHS MS).
2. Enhancement of occupational safety culture level.
3. Contractor Management.
4. Enhancement of occupational health and safety communication level.
5. Enhancement of occupational health and safety level when working with asbestos containing materials.
6. Implementation of the Environmental Management System.
7. Enhancement of environmental issues communication level.
8. Personnel health promotion.

Within implementation of the "Plan for occupational health, safety and environmental protection improvement" in April 2012 E.ON Russia JSC under management of the independent auditor Bureau Veritas Certification conducted supervisory audit of the Occupational Health and Safety Management System for compliance with OHSAS 18001–2007 as a result - the Company activity was audited, OHS MS was supported as regards application and certification, OHS MS documentation was audited for compliance with the requirements of OHSAS 18001:2007 standard. The auditors noted that the Company complies with the set key objectives and plans of occupational health management and monitors their achievement.

***Total recordable incident frequency (total TRIF) of own personnel and contractor's personnel at the production process < 1.16 is complied with.***

TRIF results for 2012 are shown in the table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description**  **of the indicator** | **Actual for 2010** | **Actual for 2011** | **Plan 2012** | **Actual 2012** |
| **Total recordable incident frequency (TRIF)** | 0.91 | 0.28 | 1.16 | 0.19 |
| **Total recordable incidents (TRI),**  **including** | 18 | 4 |  | 0 |
| For employees | 7 | 1 |  | 0 |
| For Contractors | 11 | 3 |  | 2 |
| - operating equipment | 1 | 1 |  | 2 |
| - new build | 10 | 2 |  | 0 |

Thus total recordable incident frequency (TRIF) amounts to 0.19, when the plan indicators for 2012 is 1.16. Against last year incidents are eliminated among own personnel and there is growth for the contractor personnel at the production process 2 against 1 in 2011. Achievement of the targets set was mainly influenced by one fatal accident with the contractor's personnel at the production process of Berezovskaya GRES branch.

All incidents with the contractor's personnel at the production process took place at Berezovskaya GRES branch. The incident circumstances are specified below.

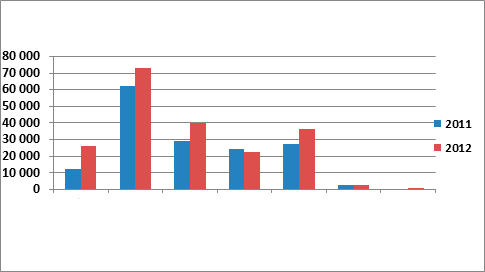
***Distribution of incidents by incident types is shown in the table below:***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Incident type** | **Number of incidents recorded**  **(TRI)** | **Lost time injury**  **(LTI)** | **Including fatality** | **Circumstances** |
| **Total** | **2** | **1** | **1** |  |
| Falling from height | 1 incident:  Contractor's Personnel (main equipment) | **1** |  | **Contractor's Personnel (main equipment)**  **Berezovskaya GRES:**  04.10.2012 A fitter for steam and gas turbine equipment maintenance (category 6) of KATEKenergoremont LLC fell from height of approx. 4 m when replacing the ash discharge pipeline section. As a result of his falling his right arm was broken (above the wrist). |
| Impact of moving, flying, rotating articles, parts  **death** | 1 incident:  Contractor's Personnel (main equipment) |  | **1** | **Contractor's Personnel (main equipment)**  **Berezovskaya GRES:**  On 13.10.2012 an inspector for cargo acceptance of SibUgol Trans controlled coal unloading. At the moment of the incident the coal unloading was completed but the truck bed was upward, tailgate of the bed was open and laid on the upper edge of the coal unloaded, the inspector for cargo acceptance was next to the tailgate of the truck. When the truck started moving away from the unloading point the tailgate of the bed closed, it hit the inspector for acceptance on the head, the head injury was fatal. |

All incidents were investigated by special commissions and preventive actions were developed.

**Occupational Health expenses**

All actions for occupational health planned by the branches for the reporting period were complied with. Expenses on Occupational Health for the reporting period increased by 27% and amounted to 200.8 mln roubles.Diagram 1 shows expenses by the branches for 2011 and 2012.

****

**Occupational Health expenses 2011/2012, ths. roubles**

Executive Office

Heat Networks of BGRES

Berezovskaya GRES

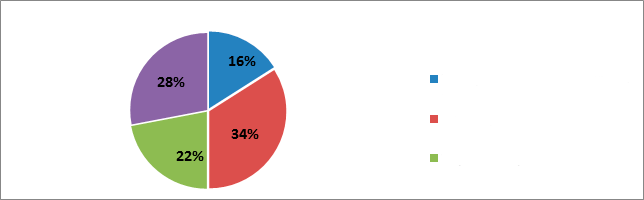
Yaivinskaya GRES

Shaturskaya GRES

Surgutskaya GRES-2

Smolenskaya GRES

**Diagram 1**

Diagram 2 shows distribution of expenses by action types for 2012: 

**Diagram 2**

**Distribution of workplaces by action types in 2012.**

Prevention of occupational diseases

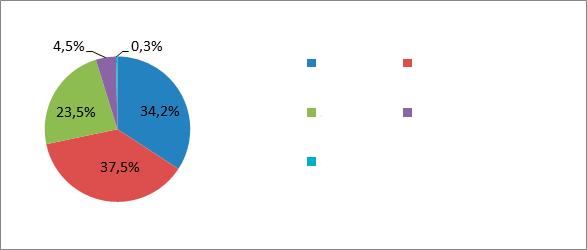
Prevention of incidents

Improvement of work conditions

**Assessment of workplaces**

According to the five-year programs for occupational safety improvement at the branches" (order of OGK-4 OAO No. 343, dated 27.12.2007) within 2012 works were held related to the illumination pulsation coefficient elimination, which allowed for improvement of occupational safety by 4% for all working places. According to the schedule planned certification of workplaces as regards occupational safety started at the branches, it is scheduled for completion in 2013.

Diagram 3 shows distribution of workplaces at the branches of E.ON Russia JSC by occupational safety classes as of 01.01.2013.

****

Class 3, 4

Class 3, 3

Class 3, 2

Class 3, 1

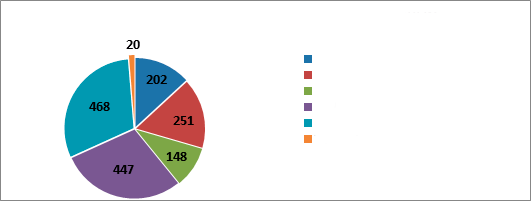
Class 1, 2

**Distribution of workplaces by occupational safety classes in 2012.**

**Diagram 3**

In the result of the measures implementation aimed at workplaces improvement, the number of workplaces with occupational safety class 3.4 (from 3% down to 0.3%) and occupational safety class 3.3 (from 8% down to 4.5%) decreased. The number of workplaces with occupational safety that complies with all requirements on safety increased by 4% (classes 1 and 2).

Diagram 4 shows the number of workplaces with harmful and hazardous factors (class 3.1-3.4) by branches as of 01.01.2013 .

****

Number of workplaces with harmful and hazardous factors by the branches

SmGRES

ShGRES

YaGRES

BGRES

SuGRES-2

Heat Networks of BGRES

**Diagram 4**

Number of the branch personnel that in 2012 has records in the Record cards for occupational health violations, is shown in the table below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | Branch | Number of violators | | | |
| Total for the year | Incl. with 1 violation | with 2 violations | with 3 violations |
| 1. | Berezovskaya GRES | 101 | 80 | 21 | 0 |
| 2. | Smolenskaya GRES | 20 | 17 | 2 | 1 |
| 3. | Surgutskaya GRES-2 | 118 | 101 | 13 | 4 |
| 4. | Shaturskaya GRES | 32 | 31 | 1 | 0 |
| 5. | Yaivinskaya GRES | 76 | 56 | 10 | 10 |
| 6. | Heat Networks of BGRES | 33 | 30 | 3 | 0 |
| **Total for the Company in**  **2012** | | **380** | **315** | **50** | **15** |
| **Total for the Company in**  **2011** | | **600** | **410** | **141** | **49** |

Number of violators among own personnel decreased by 37%.

**Safety**

E.ON Russia JSC operates 45 production facilities registered with the state register of hazardous production facilities in accordance with the Federal Law “On industrial safety of hazardous production facilities”.

All hazardous production facilities are insured subject to the Rules of civil liability insurance of the hazardous production facility owner for damage in the result of an accident at the hazardous production facility.

Control over HPF operation at the branches was arranged in compliance with the Regulation on production control over compliance with the safety requirements at hazardous production facilities of OGK-4 (approved by the General Director of OGK-4 on September 10, 2010 and agreed by acting Head of the North Ural Administration of Rostekhnadzor of the Federal Service for Ecological, Technological and Atomic Supervision on September 23, 2010) and is implemented in 4 stages subject to the annual plan of the production control.

**13.3. Environmental protection**

Relying upon the strategy of the major shareholder of E.ON Russia - E.ON Group Cleaner & Better Energy (better and cleaner energy) E.ON Russia JSC continued implementation of the Environment Policy of the Company adopted in 2009. In late 2012 a draft of the Company new environmental policy was drawn up for approval by the Board of Directors to update objectives and tasks in environmental protection and rational environmental management and mechanisms to achieve the same.

The Company had control activities conducted in due order, e.g. internal audits of the Environmental Management System (EMS) and production environmental control, in the course of which non-compliances of EMS functioning were revealed and correction measures for their prompt elimination were developed.

In 2012 the Company had Rules for environmental protection for contractors and lessees of E.ON Russia JSC developed, their main objective is to provide compliance with the environmental protection law of the Russian Federation by the contractor (lessee), as well as compliance with the standards effective at the Customer as regards environmental protection and rational environmental management.

Continuing development of one of the most important lines of this policy - energy efficiency, in 2012 the Company in all its branches conducted comprehensive energy audits, following their results bottlenecks in the branches equipment operation were identified and a program on energy saving was drawn up.

One more component of the Company activity in environmental protection is industrial and household wastes handling, its management was actively performed in 2012. Berezovskaya GRES is a solid fuel power plant - lignite of 2B make.

During the year about 300 thousand tons of ash on the average is removed to the ash disposal area of the power plant. Today the hydraulic ash handling system is operated at the plant. In 2011 main technical solutions to switch the plant to dry ash removal were developed at Berezovskaya GRES, engineering of the dry ash and sludge removal system (DARS) was started. The main objective of that project is to ensure environmentally friendly storage of ash and sludge wastes for a long period of the power plant operation without additional lands allocation for ash and sludge wastes storage (with the same area: hydro ash removal - within three years, dry ash removal - within 40 years), and reduction of water consumption for ash and sludge wastes transportation (water is used only for wetting, to exclude the possibility of dusting). Decree of the Government of the Krasnoyarsk Territory No. 711-р dated 11.09.12 aligned the amount of the payment adjustment for negative impact on the environment with due account for Berezovskaya GRES branch spending (as a subsoil user) of the funds for the DARS project implementation in 2013. Amount of the adjustment specified is equal to 36,351,605.06 roubles.

To comply with the license requirements to the activity on the wastes placement and deactivation set forth by Decree of the Government of the Russian Federation No. 255 dated 28.03.2012, the Procedure of production control for waste management by E.ON Russia JSC, was developed and put into effect. Due to change of the licensed activity name subject to amendments dated July 28, 2012 to Federal law No. 99-FZ "On licensing certain types of activity", dated 04.05.2011 and license requirements the license of E.ON Russia JSC for wastes of hazard class 1-4 placement and deactivation was reissued.

At all the Company branches measures on the water protection zones of reservoirs treatment, keeping in order of hydrotechnical and fish protection facilities, were implemented.

Measures taken by the Company and projects implemented in the environmental protection sphere allow for minimizing negative impact of the Company on the environment. Volume of emissions and discharges of harmful substances and generation and placement of harmful wastes by the Company power plants was always lower than the limits set. Compliance with these standards lets the Company keep the environmental pollution charges at the minimum level.

Scale of the Company environmental impact depends on numerous factors: on the technology of the electric and heat power generation, condition of the equipment and structure of the fuel used, on application of results of scientific and technical development in the industry, etc.

In general for E.ON Russia JSC with electric power generation increase in 2012 gross emissions of pollutants into the atmosphere were reduced by 0.77%: from 91.5 ths. tons in 2011 down to 90.8 ths. tons. In addition the main cause of pollutants emissions reduction is increase of the electric power generation share by new CCGT units commissioned in mid-2011, together with steam power units of Shaturskaya GRES load reduction.

Nearly 99 percent of water for the Company needs is taken from surface water bodies (rivers, lakes). Share of water from artesian wells and water supplied by local public utilities, makes 0.5% of the total volume of water used by the power plants. Increase of circulating water volume is connected with power generation increase and putting into operation of the cooling tower within implementation of the project on construction of 400 MW CCGT at Yaivinskaya GRES in 2011.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Level of pollutants emissions for 2009–2012** | | | | | |
| **Indicators** | **Unit of measurement** | **2009** | **2010** | **2011** | **2012** |
| Gross emissions of harmful substances into atmosphere, total | ths. tons | 80.3 | 81.8 | 91.5 | 90.8 |
| ash from solid fuel | ths. tons | 2.6 | 2.6 | 3.2 | 3.0 |
| gaseous and liquid | ths. tons | 77.7 | 79.2 | 88.3 | 87.1 |
| of them |  |  |  |  |  |
| sulphur dioxide | ths. tons | 11.7 | 11.2 | 15.9 | 12.9 |
| carbon oxide | ths. tons | 16.5 | 16.3 | 17.3 | 22.3 |
| nitrogen oxide | ths. tons | 47.8 | 50.0 | 53.1 | 50.0 |
| СО2 | ths. tons | 32,176.3 | 32,834.2 | 36,527.9 | 36,800.1 |
| СО2 | g/kW h (gen) | 596.4 | 587.0 | 581.6 | 595.2 |
| Ash and sludge wastes | ths. tons | 236.2 | 241.7 | 314.9 | 299.1 |
| Circulating water volume | mln m3 | 6,676.2 | 6,740.8 | 7,092.4 | 7,183.3 |
| Electric power generation | mln kWh | 53,947.6 | 55,936.5 | 62,805.4 | 64,202.0 |

E.ON Russia JSC, in the process of power and heat generation, produces a certain amount of production wastes of hazard class 1-5 (first and foremost, ash from coal combustion, hazard class 4-5). Ash and sludge wastes from coal combustion make more than 90% of the total amount of wastes and are dumped at the Company’s own ash and sludge disposal areas. Amount of wastes is directly related to the power plant fuel mix. Thus in 2012 318.9 ths. tones of production wastes were generated, out of them 299.1 ths. tones of ash and sludge wastes. As there is no demand for ash and sludge materials in the regions where the Company branches operate, thus the degree of their disposal is extremely low. For the past years of the plant operation on solid fuel about 13.971 mln tones of ash and sludge wastes are accumulated at the ash and sludge storage areas of the Company branches.

Payment for waste disposal is the most significant payment related to environmental impact. In 2012 the Company branches paid more than 45 mln roubles (70% of all payments for pollution) for production wastes placement. However, the Company thinks that implementation of measures of the Ecological program will allow for bringing useful use of ash and sludge wastes practically up to 100% in perspective, which shall significantly decrease payments by the Company for negative impact on the environment.

**13.4. Charity**

Following the traditions of the international E.ON Group, E.ON Russia JSC intends to preserve principles of the charity and sponsor policy aimed at improvement of the citizens' life conditions in the Company regions of presence.

In 2012 E.ON Russia sent about 50 mln roubles to implement charity projects in the following lines:

1. Support to children and children educational institutions.

2. Health maintenance.

3. Support of projects in sport, culture and education.

4. Support to veterans of the Great Patriotic War, long-service power engineers, low-income citizens, disabled persons, pensioners.

**Support to children and children educational institutions**

As it was in previous years E.ON Russia sent funds to procure equipment needed to equip classrooms and play-rooms, computer rooms, repair of kindergarten and boarding school rooms.

On the eve of New Year holidays pupils of children houses and orphan asylums received significant help from the Company. Thus, by the forces of Smolenskaya GRES (settlement Ozerny, Smolensk Region) "The Brightest New Year Tree" event was arranged for pupils of Lastochka social rehabilitation center. A New Year feast with presents and surprises was arranged for children.

Also in anticipation of New Year holidays E.ON Russia held an event "Charity instead of presents". The Company refused from corporate New Year souvenirs production and sent the funds to support children with serious diseases of the central nervous system. The children's families were given visible support in purchasing vital equipment.

**Health maintenance**

E.ON Russia supports various medical institutions on an annual basis.

In 2012 due to the financial support of Berezovskaya GRES branch (Sharypovo, Krasnoyarsk Territory) equipment for targeted examinations and operations was procured for A.I. Kryzhanovskiy Krasnoyarsk regional clinical cancer detection center.

Taking care about citizens of Sharypovo the Company financed procurement of the equipment for ultrasonic investigations for Sharypovo town hospital. The equipment of expert class allows for ultrasonic investigations of organs even of babies. Procurement of that equipment allowed reducing the queue to investigations at Sharypovo hospital from two weeks to 3-4 days.

Charity support of Shatura central district hospital (Shatura, Moscow region) has become a tradition. This long-term project aimed at quality improvement of the medical services rendered to citizens of the Shatura District. For the last year works on overhaul of the treatment building and maternity hospital were financed.

**Support of projects in sport, culture and education**

Support and development of sport is one of important lines of charity and sponsor activity of the Company.

Since 2010 E.ON Russia has been rendering sponsor support to the basketball club "University-Yugra" ( Surgut Khanty-Mansi Autonomous Area-Yugra) Due to this support the basketball team resumed participation in the Championships of Russia and following the results of 2011-2012 games season repeatedly won the title of the silver medalist of the Russian super league.

In 2012 the Company continued works started a year earlier on restoration and equipping of Zeus sports complex in Yaiva settlement (Perm Territory). In the reporting year equipment for hockey playing in the children and grown-up sections was procured. The hockey team of Yaivinskaya GRES takes a successful part in warm-up matches, which gives a possibility to further participate in tournaments of the regional level.

In 2012 monetary funds were allocated for development of the design documentation for construction of the roofed skating-rink in Sharypovo. The skating-rink will be constructed within the state and private partnership at the expense of the budget money under the territory program "Sporting Krasnoyarsk Territory". In the town where most employees of Berezovskaya GRES live, together with the skating-rink construction there will be conditions for hockey playing, a children section of figure-skating will open.

Attracting young people and younger generation to go in for sports, Berezovskaya GRES acted as a sponsor of the children tournament in football among school teams of Sharypovo and Sharypovo District for the cup of Berezovskaya GRES, 14 teams participated in it.

Annually the Company participates in the public and social life of regions, pays special attention to landscaping and planting the territories, thus facilitating preservance of historical and cultural monuments.

**Project "Career starts at school" - energy class**

Educational project "Career starts at school" is one of the priority lines of social and HR development of the regions of the company presence.

Continuing educational work on the project started in 2007 E.ON Russia intends to create a positive image and prestige of the power professions, increase educational level in engineering disciplines.

In secondary schools of Surgut, Sharypovo, Ozerny settlement and Yaiva settlement, where energy classes are opened, open lessons in power industry are held for pupils, the curriculum is supplemented with additional lectures in engineering disciplines. All classrooms are equipped with modern equipment and textbooks meeting the requirements and standards of the learning process.

Such events in school camps as Day of Ecologist with the power plant representatives participation, talk-show with pupils on electric power industry, excursions to production facilities of GRES, have become traditional ones.

Thus several times a year teachers of the pre-university training faculty of the Siberian Federal University ( Krasnoyarsk) conduct specialized lessons for pupils of secondary school No. 8 of Sharypovo, who in their turn, are provided with a possibility to have laboratory lessons in electric power industry in the university.

Upon finishing the energy classes pupils who have excellent marks are supported by E.ON Russia as regards entering specialized higher education institutions and further employment with the Company.

**Support to veterans of the Great Patriotic War, long-service power engineers, low-income citizens, disabled persons, pensioners**

In 2012 over 900 citizens of the regions of the Company presence were supported as regards medical treatment and improvement of social living conditions. The monetary funds are allocated purpose-wise on a regular basis.

#### 14. CONTACT INFORMATION

**General information**

Full commercial name: E.ON Russia Open Joint Stock Company

Short commercial name: E.ON Russia JSC.

Location: 23 Energostroiteley Street, Building 34, Surgut, Khanty-Mansi Autonomous Area – Yugra, Tyumen Region, Russian Federation.

Postal Address: 10 Presnenskaya Naberezhnaya, Block B, 23rd floor, Moscow, 123317

Phone: (495) 545 38 38

Fax: (495) 545 38 39

[www.eon-russia.ru](http://www.eon-russia.ru/)

E-mail: [info@eon-russia.ru](mailto:info@eon-russia.ru)

**Data on the persons in charge of work with shareholders**

Galina Sergeyevna Shcheglova

Phone: (495) 545 38 46

Olga Vladimirovna Sokolova

Phone: (495) 545 - 38-38 ext. 48-64

Irina Vladimirovna Zhuchkova

Phone: (495) 545 38 38, ext. 4870

Fax: (495) 545 38 39

E-mail: [IR@ eon-russia.ru](mailto:IR@ogk-4.ru)

**Press Service**

Dmitriy Valerievich Yermilichev — PR and Government Authorities Director

Anna Nikolayevna Martynova

Phone: (495) 545 38 38, ext. 4924

Fax: (495) 545 38 39

E-mail: [PR@eon-russia.ru](mailto:PR@eon-russia.ru)

**Registrar Data**

Full commercial name of the registrar: Registrar R.O.S.T. Open Joint Stock Company.

Short commercial name: Registrar R.O.S.T. JSC

License to conduct activity on register maintenance No.10-000-1-00264, issued by the Federal Commission for the Securities Market (Federal Financial Markets Service) of Russia on 03.12.2002.

Location: 18 Stromynka Str., build. 13, Moscow.

Postal Address: 18 Stromynka Str., PO 9, Moscow 107996

Phone: (495) 771-7335, (495) 771 73 36

Fax: (495) 771 73 34

www.rrost.com

E-mail: [rost@rrost.ru](mailto:rrost@rrost.ru).

**Auditor Data**

Full commercial name: PricewaterhouseCoopers Audit, Closed Joint Stock Company,

Member of non-profit partnership “Audit Chamber of Russia”, which is the auditors’ self-regulating organization; registration number 870 in the register of members of the Audit Chamber of Russia”.

Principal Number of Registration Entry (ORNZ) in the register of auditors and audit organizations – 10201003683

Location: 10 Butyrskiy Val, Moscow, Russia, Belaya Ploshchad Business Center.

Postal Address: 10 Butyrskiy Val, Moscow 125047, Russia.

Phone: (495) 967 60 00

Fax: (495) 967 60 01

[www.pwc.com](http://www.pwc.com)

#### Annex 1 - Financial statements of E.ON Russia for 2012

See the text of the audit opinion of PricewaterhouseCoopers Audit CJSC on accounting reports of E.ON Russia for 2012 These accounting reports are included into this annual report not in full scope.

This audit report is applicable to the accounting reports of E.ON Russia for 2012 in full scope only.

A copy of the accounting reports of E.ON Russia for 2012 in full scope is placed on the Company sitewww.eon-russia.ru in section *To Shareholders and Investors/Financial Statements/ RAS*.

***E.ON Russia Open Joint Stock Company***

Audit report of accounting reports

2012



***Audit report***

Att.: Shareholders of E.ON Russia Open Joint-Stock Company:

**Entity audited**

E.ON Russia Open Joint Stock Company

Certificate of making an entry into the Unified State Register of Legal Entities on legal entity establishing under No. 1058602056985 dated March 04, 2005, issued by the Inspectorate of the Federal Tax Service for Surgut, Khanty-Mansi Autonomous Area Yugra.

23 Energostroiteley Street, Building 34, Surgut 628406, Khanty-Mansi Autonomous Area – Yugra, Tyumen Region·

**Auditor**

PricewaterhouseCoopers Audit Closed Joint Stock Company (PWC Audit CJSC) located at: 10 Butyrskiy Val Str., Moscow 125047, Russian Federation.

Certificate of State Registration of the joint stock company under No. 008.890 was issued by the Moscow Registration Chamber on February 28, 1992.

Certificate of making an entry into the Unified State Register of Legal Entities on the legal entity registered prior to July 1, 2002 under No. 1027700148431 dated August 22, 2002, issued by the Interdistrict Inspectorate of the Ministry of Taxation of Russia No. 39 for Moscow.

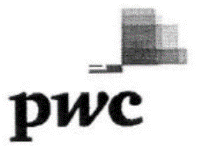
Member of non-profit partnership “Audit Chamber of Russia”, which is the auditors’ self-regulating organization; registration number 870 in the register of members of NP Audit Chamber of Russia”.

Principal Number of Registration Entry (ORNZ) in the register of auditors and audit organizations – 10201003683.

*PricewaterhouseCoopers Audit Closed Joint Stock Company, (PWC Audit CJSC) Business-center Belaya Ploshchad (White Square), 10 Butyrskiy Val Str., Moscow 125047, Russia.*

*Phone: +7(495) 967-6000, Fax:+7(495) 9б7-6001,* [*www.pwc.ru*](http://www.pwc.ru)

*2*



***Audit report***

Att.: Shareholders of E.ON Russia Open Joint-Stock Company:

We audited the accounting reporting attached of E.ON Russia Open Joint Stock Company (hereinafter - E.ON Russia JSC), consisting of the balance sheet as of December 31, 2012, P&L statement, statement of changes in equity and cash flow statement for 2012, explanations to the balance sheet and P&L statement (hereinafter all statements are jointly referred to as "accounting reporting").

**Liability of E.ON Russia JSC for accounting reporting**

Management of E.ON Russia JSC is liable for drawing up and reliability of the accounting reporting specified subject to the rules of the Russian Federation on accounting reporting drawing up and the system of internal control required for accounting reporting drawing up, which does not include any material misstatements due to fraud or error.

**Liability of the auditor**

Our liability consists of an opinion expression on the accounting reporting reliability on the grounds of the audit conducted by us. We conducted an audit in compliance with the federal standards of the audit activity and International Audit Standards. These standards require compliance with the applicable code of ethics and audit planning and conducting in such a way as to be confident that the accounting reporting does not include any material misstatements.

The audit included audit procedures aimed at audit proofs obtainment that confirm figures in the accounting reporting and disclosure of information in it. Choice of audit procedures is the subject of our discussion based on risk of material misstatements assessment due to fraud or error. In the assessment process we reviewed the internal control system that provides for the accounting reporting drawing up and reliability for the purposes of the relevant audit procedures selection but not for the purposes of the opinion expression as regards the internal control system efficiency. The audit also included assessment of the proper character of the accounting policy applicable and feasibility of assessment indicators obtained by E.ON Russia JSC management as well as assessment of the accounting reporting submission in general.

We think that the audit proofs obtained in the course of the audit give sufficient ground to express opinion on the accounting reporting reliability.

**Opinion**

In our opinion the accounting reporting reflects reliably in any material respect of the financial standing of E.ON Russia JSC as of December 31, 2012, results of its financial and economic activity for 2012 subject to the rules of the accounting reporting drawing up set forth in the Russian Federation.

Director of PricewaterhouseCoopers Audit CJSC /signature/ T.V. Sirotinskaya

March 22, 2013

Seal: Closed Joint Stock Company. illegible No.8880. MOSCOW. PriceWaterhose Coopers Audit.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Balance sheet | | | | | |
|  | as of December 31, 2012 | | | | Codes |
|  |  |  |  | OKUD Form | 0710001 |
|  |  |  |  | Date (day, month, year) | 31/12/2012 |
| Company E.ON Russia JSC | | | | OKPO | 76828204 |
| Taxpayer's identification number | | | | TIN | 8602067092 |
| Type of economic activity. Electric and heat power generation by thermal power plants | | | | OKVED | 40.10.11 |
| Legal form of the company/type of ownership Open Joint Stock Company /Private | | | | OKPO/OKFS | 47/16 |
| Unit of measurement: ths. roubles | | | | OKEI | 384 |
| Location (address) 23 Energostroiteley Str., build. 34, Surgut 628406, Tyumen Region, Khanty-Mansi Autonomous Area-Yugra | | | |  |  |
| **Notes** | Description | Line code | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 |
|  | **ASSETS**  **I. NON-CURRENT ASSETS** |  |  |  |  |
| **Vol. 2.1 P III cl. 3.2** | Fixed assets | 1150 | 75, 271, 514 | 75,605,854 | 67,446,589 |
| **Vol. 2.2 P III cl. 3.3** | including:  under construction | 1151 | 9,153,052 | 5, 462,308 | 38,257,480 |
| **Vol. 3.1 P III cl. 3.4** | Long-term financial investments | 1170 | 3, 001, 220 | 364,954 | 237,272 |
| P III cl. 3.5 | Other non-current assets | 1190 | 271,095 | 198, 136 | 348,352 |
|  | **Total Section I** | **1100** | **78,543,829** | **76, 168,944** | **68,032,213** |
| **Vol. 4.1 P III cl. 3.6** | **II. CURRENT ASSETS**  **Inventories** | 1210 | 2, 507, 451 | 2, 288, 006 | 1, 959,846 |
| **Vol. 4.1 P III cl. 3.6** | including.  raw material and other similar values | 1211 | 2,507,451 | 2,288,006 | 1, 959,846 |
|  | Value added tax on acquired assets | 1220 | 7,331 | 10,296 | 5777 |
| **Vol. 5.1 P III cl. 3.6** | Receivables | 1230 | 14,414,340 | 11, 230, 476 | 11,281,107 |
| **Vol. 5.1 P III cl. 3.8** | including.  long-term debt | 1231 | 3,168,494 | 2,867,076 | 50, 185 |
| **Vol. 5.1 P III cl. 3.8** | Short-term debt | 1232 | 11,245,846 | 8, 363,400 | 11,230,922 |
| **Vol. 5.1 P III cl. 3.8** | including:  buyers and customers | 1233 | 5, 632, 517 | 4,467,002 | 2, 069, 797 |
| **Vol. 5.1 P III cl. 3.8** | advances paid | 1234 | 5,274,557 | 3, 107, 032 | 5, 130, 231 |
| **Vol. 3.1 P III cl. 3.9** | Short-term financial investments (except for monetary equivalents) | 1240 | 27,522,100 | 14, 178,376 | 14, 173, 738 |
| P III cl. 3.10 | Cash and cash equivalents | 1250 | 5,806,725 | 10,516,322 | 262,488 |
|  | Other current assets | 1260 | 244,309 | 289,762 | 179,189 |
|  | **Total Section II** | **1200** | **50,502,256** | **38,513,238** | **27,862,145** |
|  | **BALANCE** | **1600** | **129,046,085** | **114, 682,182** | **95,894,358** |
|  | |  |  |  |  |
| **Notes** | Description | Line code | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| P III cl. 3.12 | LIABILITIES  III. SHAREHOLDERS' FUNDS  Authorized capital | 1310 | 25,219,482 | 25,219,482 | 25, 219, 482 |
|  | Revaluation of non-current assets | 1340 | 476,263 | 480,257 | 481,969 |
|  | 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 | 833,446 |
|  | Retained earnings (uncovered loss) | 1370 | 52,454,153 | 37,713,254 | 23,079,281 |
|  | **Total Section III** | **1300** | **120, 380, 183** | **105,643,278** | **90,583, 489** |
|  | IV. LONG-TERM LIABILITIES |  |  |  |  |
|  | Deferred tax liabilities | 1420 | 2,620,591 | 2, 582,766 | 429,873 |
| **vol. 5.3** | Other liabilities | 1450 | 332 | 463 | 595 |
|  | **Total Section IV** | **1400** | **2,620,923** | **2,583,229** | **430,468** |
|  | V. SHORT-TERM LIABILITIES |  |  |  |  |
| **Vol. 5.3 P III cl. 3.11** | Payables | 1520 | 5, 461,472 | 5,783,655 | 4, 394, 114 |
| **Vol. 5.3 P III cl. 3.11** | including:  payables to suppliers | 1521 | 2,346,429 | 3,239,367 | 3, 250, 139 |
| **Vol. 5.3 P III cl. 3.11** | taxes and charges payable | 1522 | 1, 647, 271 | 1,437461 | 307,711 |
| **vol. 7** | Estimated liabilities | 1540 | 583,507 | **672,020** | 486,287 |
|  | **Total Section V** | **1500** | **6,044,979** | **6,455,675** | 4, 880, 401 |
|  | **BALANCE** | **1700** | **129,046,085** | **114, 682, 182** | **95,894,358** |

# Head /signature/ M.G. Shirokov Chief Accountant /signature/ A.V. Shalyapina

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# March 22, 2013

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | P&L statement | | |  |
|  | for 2012 |  |  | Codes |
|  |  |  | OKUD Form | 0710002 |
|  |  |  | Date (day, month, year) | 31/12/2012 |
| Company E.ON Russia JSC  Taxpayer's identification number  Type of economic activity  Electric and heat power generation by thermal power plants  Legal form of the company/type of ownership  Open Joint Stock Company /Private  Unit of measurement: ths. roubles | |  | OKPO | 76828204 |
|  | |  | TIN | 8602067092 |
|  | |  | OKVED | 40.10.11:40.30.11 |
|  | |  | OKOPF / OKFS | 47/16 |
|  | |  | OKEI | 384 |
|  | |  |  |  |
| Notes | Description | Line code | For 2012 | For 2011 |
| 1 | 2 | 3 | 4 | 5 |
| P III cl. 3.13 | Revenue | 2110 | 76,692,673 | 67,354,218 |
| Vol. 6 P III cl. 3.14 | Cost of sales | 2120 | ( 54,932,592) | (48,196,139) |
|  | Gross profit (loss) | 2100 | 21,760,081 | 19, 158,079 |
|  | Profit (loss) from sales | 2200 | 21,760,081 | 19,158,079 |
|  | Interest receivable | 2320 | 1,971,759 | 623,647 |
|  | Interest payable | 2330 | ( 3,421) | **-** |
| P III cl. 3.15 | Other income | 2340 | 2,217,580 | 2,382,547 |
| P III cl. 3.15 | Other costs | 2350 | (2,980,157) | (3,677,601) |
|  | Profit (loss) before taxation | 2300 | 22,965,842 | 18,486,672 |
| P III cl. 3.15 | Current income tax | 2410 | (4,529,445) | (1,331,561) |
| P III cl. 3.15 | including Permanent tax liabilities (assets) | 2421 | 68,238 | 174,439 |
| P III cl. 3.15 | Change of the deferred tax liabilities | 2430 | 221, 598 | (2,167,444) |
| P III cl. 3.15 | Change of the deferred tax assets | 2450 | 13,594 | 12,606 |
|  | Other | 2460 | (285,438) | 51, 652 |
|  | Net profit (loss) | 2400 | 18,386,151 | 15,051,925 |
|  | |  |  |  |
| Notes | Description | Line code | For 2012 | For 2011 |
| 1 | 2 | 3 | 4 | 5 |
|  | **FOR REFERENCE** |  |  |  |
|  | Result from other transactions not included into net profit (loss) of the period | 2520 | – | 7,864 |
|  | Combined fiscal effect of the period | 2500 | 18,386,151 | 15,059,789 |
| P III cl. 3.16 | Base profit (loss) per share, roubles | 2900 | 0.2916 | 0.2387 |

**Head /signature/ M.G. Shirokov Chief Accountant /signature/ A.V. Shalyapina**

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**March 22, 2013**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Statement of changes in equity**  **For 2012** | | | | | | | | |
|  |  |  |  |  |  |  |  | **Codes** |
|  |  |  |  |  |  | **OKUD Form** | | 0710003 |
|  |  |  |  |  |  | **Date (day, month, year)** | | 31/12/2012 |
| **Company E.ON Russia JSC**  **Taxpayer's identification number**  **Type of economic activity Electric power generation at thermal electric power plants**  **Legal form of the company/type of ownership Open Joint Stock Company /Private**  **Unit of measurement: ths. roubles** | | | | |  | **OKPO** | | 76828204 |
|  | **TIN** | | 8602067092 |
|  | **OKVED** | | 40 10 11 |
|  | **OKOPF / OKFS** | | **47/16** |
|  | **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, 2010 | 3100 | 25,219,482 | – | 41,451,280 | 833,446 | 23,079,281 | 90,583,489 |
|  | For 2011 |  |  |  |  |  |  |  |
|  | Increase of the capital - total | 3210 | – | – | – | – | 15,059,789 | 15,059,789 |
|  | Including |  |  |  |  |  |  |  |
|  | Net profit | 3211 | Х | Х | Х | Х | 15,051,925 | 15,051,925 |
|  | Property revaluation | 3212 | Х | Х | – | Х | – | – |
|  | Revenues related directly to growth of capital | 3213 | Х | Х | – | Х | 7,864 | 7,864 |
|  | Additional share issue | 3214 | – | Х | – | Х | х | – |
|  | Increase of the share denomination | 3215 | – | Х | – | Х | – | х |
|  | Reorganization of the legal entity | 3216 | – | – | – | – | – | – |
|  | Placement of treasury shares | 3217 | Х | – | Х | Х | Х | – |
|  | Capital reduction - total | 3220 | – | – | – | – | – | – |
|  | Including |  |  |  |  |  |  |  |
|  | loss\* | 3221 | Х | Х | Х | Х | – | – |
|  | Property revaluation | 3222 | Х | Х | – | Х | – | – |
|  | Expenses related directly to capital reduction | 3223 | Х | Х | – | Х | – | – |
|  | Reduction of the share denomination | 3224 | – | Х | – | Х | – | – |
|  | Reduction of the shares amount | 3225 | – | Х | – | Х | – | – |
|  | Reorganization of the legal entity | 3226 | – | – | – | – | – | – |
|  | Dividends | 3227 | Х | Х | Х | Х | – | – |
|  | Treasury shares | 3228 | Х | – | Х | Х | Х | – |
|  | Change of the added capital | 3230 | Х | Х | (1712) | Х | 1,712 | Х |
|  | Change of the reserve capital | 3240 | Х | Х | х | 427,528 | (427,528) | Х |
|  | Capital value as of December 31, 2011. | 3200 | 25,219,482 | – | 41,449,568 | 1,260,974 | 37,713,254 | 105,643,278 |
|  | For 2012 |  |  |  |  |  |  |  |
|  | Increase of the capital - total | 3310 | – | – | – | – | 18,386,151 | 18,386,151 |
|  | Including |  |  |  |  |  |  |  |
|  | Net profit | 3311 | Х | Х | Х | Х | 18,386,151 | 18,386,151 |
|  | Property revaluation | 3312 | Х | Х | – | Х | – | – |
|  | Revenues related directly to growth of capital | 3313 | Х | Х | – | Х | – | – |
|  | Additional share issue | 3314 | – | Х | – | Х | х | – |
|  | Increase of the share denomination | 3315 | – | Х | – | Х | – | х |
|  | Reorganization of the legal entity | 3316 | – | – | – | – | – | – |
|  | Placement of treasury shares | 3317 | Х | – | Х | Х | Х | – |
|  | Capital reduction - total | 3320 | – | – | – | – | (3,649,246) | (3,649,246) |
|  | Including |  |  |  |  |  |  |  |
|  | loss\* | 3321 | Х | Х | Х | Х | – | – |
|  | Property revaluation | 3322 | Х | Х | – | Х | – | – |
|  | Expenses related directly to capital reduction | 3323 | Х | Х | – | Х | – | – |
|  | Reduction of the share denomination | 3324 | – | Х | – | Х | – | – |
|  | Reduction of the shares amount | 3325 | – | Х | – | Х | – | – |
|  | Reorganization of the legal entity | 3326 | – | – | – | – | – | – |
|  | Dividends | 3327 | Х | Х | Х | Х | (3,649,246) | (3,649,246) |
|  | Treasury shares | 3328 | Х | – | Х | Х | Х | – |
|  | Change of the added capital | 3330 | Х | Х | (3994) | Х | 3,994 | Х |
|  | Change of the reserve capital | 3340 | Х | Х | х | – | – | Х |
|  | Capital value as of December 31, 2012. | 3300 | 25,219,482 | – | 41,445,574 | 1,260,974 | 52,454,153 | 120,380,183 |
| **3. Net assets** | | | | | |  | |  |
| Note | **Description** | Line code | **As of December 31, 2012** | **As of December31,**  2011 | **As of December 31, 2010** |  | |  |
| 1 | 2 | 3 | 4 | 5 | 6 |  | |  |
|  | Net assets | 3600 | 120,380,183 | 105,543,278 | 90,583,489 |  | |  |

**Head /signature/ M.G. Shirokov Chief Accountant /signature/ A.V. Shalyapina**

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**March 22, 2013**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Statement on Cash Flow for 2012** | | | |  |
|  | | | | **Codes** |
|  |  | **OKUD Form** | | **0710004** |
|  |  | **Date (day, month, year)** | | **31/12/2012** |
| **E.ON Russia JSC- Taxpayer's identification number**  **Type of economic activity Electric and heat power generation by thermal power plants**  **Legal form of the company/type of ownership Open Joint Stock Company /Private** | | **OKPO** | | **76828204** |
| **TIN** | | **8602067092** |
| **OKVED** | | **4010.11:40.30.11** |
| **OKOPF / OKFS** | | **47/16** |
|  |  |  |
| **Unit of measurement: ths. roubles** | | **OKEI** | | **384** |
|  |  |  |  |  |
| **Notes** | **Description** | **Line code** | **For 2012** | **For 2011** |
| **1** | **2** | **3** | **4** | **5** |
|  | **Cash flows of the current transactions** |  |  |  |
|  | **Receipts - total** | **4110** | **75,882,171** | **68,434,203** |
|  | **including:** |  |  |  |
|  | **from sale of products, goods, works and services** | **4111** | **74,492,202** | **64, 519, 118** |
|  | **lease, license, royalty, commission and other similar payments** | **4112** | **.** |  |
|  | **from resale of financial investments** | **4113** |  |  |
|  | **other receipts** | **4119** | **1,389,969** | **3,915,085** |
|  | **Payments - total** | **4120** | **(52,586,351)** | **(47,891,097)** |
|  | **including** |  |  |  |
|  | **to suppliers (contractors) for raw material, other materials, works, services** | **4121** | **(42,012,517)** | **(39,664,613)** |
|  | **relative to the employees remuneration for labour** | **4122** | **(3,271,613)** | **(3,061,427)** |
|  | **debt interests** | **4123** |  |  |
|  | **corporate income tax** | **4124** | **(3, 998,649)** | **(2,023,287)** |
|  | **other payments** | **4129** | **(3,303,572)** | **(3,141,770)** |
|  | **Cash flow balance of the current transactions** | **4100** | **23,295,820** | **20, 543, 106** |
|  | **Cash flows of the investment transactions** |  |  |  |
|  | **Receipts - total** | **4210** | **64,417,245** | **31, 048,771** |
|  | **including** |  |  |  |
|  | **from sale of non-current assets (except for financial investments)** | **4211** | **34,523** | **24,463** |
|  | **from sales of shares of other companies (interest)** | **4212** |  |  |
|  | **from borrowings paid back, from sale of debt securities (right to claim monetary funds from third parties)** | **4213** | **183,656** | **455, 407** |
|  | **dividends, interests on debt financial investments and similar receipts from participation in third companies** | **4214** | **1,723,881** | **459,922** |
|  | **from deposits closure** | **4215** | **62,474,366** | **28,832,472** |
|  | **other receipts** | **4219** | **819** | **1,276,507** |
|  | **Payments - total** | **4220** | **(89, 071, 092)** | **(41, 415, 488)** |
|  | **including:** |  |  |  |
|  | **due to procurement, creation, modernization, reconstruction and preparation for use of non-current assets** | **4221** | **(9,500,085)** | **(12,262,806)** |
|  | **due to procurement of third party shares (interest)** | **4222** | **(500)** |  |
|  | **due to procurement of debt securities (rights to claim monetary funds from third parties), granting of loans to third parties** | **4223** | **(301,633)** |  |
|  | **debt interests included into the investment asset cost** | **4224** |  | **( 23,223)** |
|  | **placing monetary funds to deposits** | **4,225** | **(77,654,650)** | **(28,979,767)** |
|  | **other payments** | **4229** | **(1,614,224)** | **(149,692)** |
|  | **Cash flow balance of the investment transactions** | **4200** | **(24,653,847)** | **(10,366,717)** |
|  | **Cash flows of financial transactions** |  |  |  |
|  | **Receipts - total** | **4310** |  |  |
|  | **including:** |  |  |  |
|  | **obtainment of credits and loans** | **4311** | **-** |  |
|  | **cash deposits of owners (stakeholders)** | **4312** |  |  |
|  | **from shares issue, interest increase** | **4313** |  |  |
|  | **From shares, promissory notes and other debt securities issue, etc.** | **4314** |  |  |
|  | **other receipts** | **4319** |  |  |
|  | **Payments - total** | **4320** | **(3,395,422)** | **(120)** |
|  | **Including:** |  |  |  |
|  | **owners (stakeholders) due to repurchase of shares (interest) of the company or their cessation of membership** | **4321** |  |  |
|  | **for payment of dividends and other payments as regards profit allocation in favour of owners (stakeholders)** | **4322** | **(3,395,422)** | **(120)** |
|  | **due to repayment (repurchase) of promissory notes and other debt securities, credits and loans repayment** | **4323** |  |  |
|  | **other payments** | **4329** |  |  |
|  | **Cash flow balance of the financial transactions** | **4300** | **(3,395,422)** | **(120)** |
|  | **Cash flow balance for the reporting period** | **4400** | **(4,753,449)** | **10,176,269** |
|  | **Opening cash and cash equivalents balance** | **4450** | **10,516,281** | **262,180** |
|  | **Closing cash and cash equivalents balance** | **4500** | **5,806,692** | **10, 516, 281** |
|  | **Effect of exchange rate changes in relation to the rouble** | **4490** | **43,860** | **77,832** |

**Head /signature/ M.G. Shirokov Chief Accountant /signature/ A.V. Shalyapina**

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**March 22, 2013**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Explanations to the Balance sheet and P&L statement, ths. roubles  2. Fixed assets  2.1. Fixed assets availability and flow | | | | | | | | | | | | |
| description | Line code | Period | At the year opening | | Changes for the period | | | | | | At the period closure | |
| initial cost | accumulated depreciation | received | facilities retired | | depreciation accrued | revaluation | | Initial cost | Accumulated depreciation |
| initial cost | accumulated depreciation | **Initial cost** | Accumulated cost |
| 1 | 2 | 3 | 4 | 5 | 5 | 7 | **8** | 9 | 10 | 11 | 12 | 13 |
| Fixed assets (without income yielding investments into tangible assets) - total including:  Buildings | 5200 | 2012 | 79,343,473 | (9,199,927) | 3,331,142 | (238,055) | 50,677 | (7,168,848) | – | – | 82,436,560 | (16,318,098) |
| 5210 | 2011 | 34,141,307 | (4,952,198) | 45,361,014 | (158,848) | 55,175 | (4,302,904) | – | – | 79,343,473 | (9,199,927) |
| 5201 | 2012 | 20,833,234 | (826,126) | 184,473 | (192,356) | 3,684 | (569,472) | – | – | 20,825,351 | (1,391,914) |
| 5211 | 2011 | 12,143,824 | (417,330) | 8,711,716 | (22,306) | 1,959 | (410,755) | – | – | 20,833,234 | (826,126) |
| Facilities and transmission devices | 5202 | 2012 | 11,539,858 | (1,598,043) | 724,985 | (41,397) | 20,432 | (639,807) | – | – | 12,223,446 | (2,217,418) |
| 5212 | 2011 | 7,270,919 | (1,177,516) | 4,272,815 | (3,876) | 1,833 | (422,360) | – | – | 11,539,858 | (1,598,043) |
| Equipment and machinery | 5203 | 2012 | 46,529,878 | (6,636,820) | 2,366,266 | (1,578) | 11,433 | (5,912,521) | – | – | 48,894,566 | (12,537,908) |
| 5213 | 2011 | 14,362,076 | (3,237,523) | 32,192,303 | (24,501) | 21,530 | (3,420,827) | – | – | 46,529,878 | (6,636,820) |
| Vehicles | 5204 | 2012 | 299,887 | (92,039) | 11,330 | (1,858) | 14,475 | (35,629) | – | – | 309,359 | (113,193) |
| 5214 | 2011 | 233,790 | (78,705) | 168,181 | (102,064) | 23,942 | (37,276) | – | – | 299,887 | (92,039) |
| Production and household equipment | 5205 | 2012 | 63,751 | (45,853) | 41,766 | (796) | 653 | (10,011) | – | – | 104,721 | (55,211) |
| 5215 | 2011 | 56,165 | (40,464) | 13,605 | (6,019) | 5,911 | (11,300) | – | – | 63,751 | (45,853) |
| Other types | 5206 | 2012 | 8,999 | (1,046) | 2,322 |  |  | (1,408) | – | – | 11,321 | (2,454) |
| 5216 | 2011 | 6,643 | (660) | 2,356 | – | – | (386) | – | – | 8,999 | (1,046) |
| Land lots | 5207 | 2012 | 67,866 | – |  | (70) | – | – | – | – | 67,796 | – |
| 5217 | 2011 | 67,890 | – | 38 | (62) | – | – | – | – | 67,866 | – |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2.2. Outstanding capital investments | | | | | | | |
| Description | Line code | Period | At the year opening | Changes and period | | | At the period closure |
| expenses for the period | written-off | taken for accounting as fixed assets or cost increased |
| 1 | 2 | 3 | **4** | 5 | 6 | **7** | 8 |
| Under construction and outstanding transactions on procurement, modernization, etc. | 5240 | 2012 | 5,462,308 | 7,039,734 | (18,758) | (3,330,232) | 9,153,052 |
| 5250 | 2011 | 38,257,480 | 12,585,369 | (19,527) | (45,361,014) | 5,462,308 |
| new build | 5241 | 2012 | 3,527,242 | 2,715,900 | (1,054) | (1,512,080) | 4,730,008 |
| 5251 | 2011 | 36,367,978 | 11,004,645 | (9,958) | (43,835,423) | 3,527,242 |
| reconstruction, modernization | 5242 | 2012 | 628,222 | 2,360,772 | (5,534) | (1,734,477) | 1,248,983 |
| 5252 | 2011 | 535,236 | 1,409,803 | (8,593) | (1,308,224) | 628,222 |
| other capital investments | 5243 | 2012 | 1,306,844 | 1,963,062 | (12,170) | (83,675) | 3,174,061 |
| 5253 | 2011 | 1,354,266 | 170,921 | (976) | (217,367) | 1,306,844 |

**2.3 Change of the fixed assets value as a result of further construction, further equipping, reconstruction and partial liquidation**

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Line code | For 2012 | For 2011 |
| 1 | 2 | 3 | 4 |
| Increase of fixed assets value as a result of further construction, further equipping, reconstruction - total | 5260 | 1, 734,477 | 1, 291, 385 |
| including  buildings | 5261 | 71,198 | 74,158 |
| facilities and transmission devices | 5262 | 272,085 | 281,920 |
| equipment and machinery | 5263 | 1,362,080 | 934,941 |
| vehicles | 5264 | – | – |
| production and household equipment | 5265 | 29, 114 | 366 |
| other groups of fixed assets | 5266 |  |  |
| Reduction of value of the fixed assets facilities as a result of partial liquidation - total | 5270 | (2,101) | (1,224) |
| including:  equipment and machinery | 5271 |  | (1,224) |
|  | 5272 | (2,101) |  |

**2.4. Other use of fixed assets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | Line code | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010 |
| 1 | 2 | 3 | 4 | 5 |
| Fixed assets for lease but being on the balance sheet | 5280 | 219, 654 | 146,490 | 132,942 |
| Fixed assets for sublease being not on the balance sheet | 5281 | – | – | – |
| Fixed assets on the balance sheet leased | 5282 | – | – | – |
| Fixed assets not on the balance sheet rented | 5283 | 1,655,144 | 1, 636, 087 | 1,614,232 |
| Real estate facilities accepted for operation and actually used, being in the process of state registration | 5284 | – | – | – |
| Fixed assets transferred for preservation | 5285 | 37,865 | 27,161 | 8,140 |
| Fixed assets pledged | 5286 | – | – | – |
| Other use of fixed assets on the balance sheet | 5287 | – | – | – |
| Other use of fixed assets not on the balance sheet | 5288 | – | – | – |

**3. Financial investments**

**3.1. Financial investments availability and flow**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Description | Line code | Period | At the year opening | | Changes for the period | | | | | At the period closure | |
| initial cost | accumulated adjustment | received | retired (repaid) | | bringing the initial cost to the nominal | current market cost (losses from | initial cost | Accumulated adjustment |
| initial cost | accumulated adjustment |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Long-term financial investments - total | 5301 | 2012 | 410,478 | (45,524) | 2,805,320 | (158,557) | – | – | (10,497) | 3,057,241 | (56,021) |
| 5311 | 2011 | 252,580 | (15,308) | 157,898 | – | – | – | (30,216) | 410,478 | (45,524) |
| Including | 5302 | 2012 | 106,700 | (45,524) | 500 | – | – | X | (10,497) | 107,200 | (56,021) |
| Investments into authorized capitals | 5312 | 2011 | 106,700 | (15,308) | – | – | – | X | (30,216) | 106,700 | (45,524) |
| of them Investments into authorized capitals of subsidiaries and affiliated companies | 53021 | 2012 | 17,500 | – | 500 | – | – | X | – | 18,000 | – |
| 53121 | 2011 | 17,500 | – | – | – | – | X | – | 17,500 | – |
| Investments into authorized capitals of other companies | 53022 | 2012 | 89,200 | (45,524) | – | – | – | X | (10,497) | 89,200 | (56,021) |
| 53122 | 2011 | 89,200 | (15,308) | – | – | – | X | (30,216) | 89,200 | (45,524) |
| Investments into other securities of companies (bonds, promissory notes and others) | 5303 | 2012 | 303,778 | – | 558,793 | (158,557) | – | – | – | 704,014 | – |
| 5313 | 2011 | 145,880 | – | 157,898 | – | – | – | – | 303,778 | – |
| Investments into other securities of subsidiaries and affiliated companies (bonds, promissory notes and others) | 53031 | 2012 | – | – | – | – | – | – | – | – | – |
| 53131 | 2011 | – | – | – | – | – | – | – | – | – |
| Investments into other securities of other companies (bonds, promissory notes and others) | 53032 | 2012 | 303,778 | – | 558,793 | (158,557) | – | – | – | 704,014 | – |
| 53132 | 2011 | 145,880 | – | 157,898 | – | – | – | – | 303,778 | – |
| Other types of financial investments | 5304 | 2012 | – | – | 2,246,027 | – | – | – | – | 2,246,027 | – |
| 5314 | 2011 | – | – | – | – | – | – | – | – | – |
| State and municipal securities | 53041 | 2012 |  |  |  |  | – |  |  |  |  |
| 53141 | 2011 |  |  |  |  | – |  |  |  |  |
| Loans granted | 53042 | 2012 | – | – | 2,246,027 | – | – | – | – | 2,246,027 | – |
| 53142 | 2011 | – | – | – |  | – | – | – | – | – |
| Deposits | 53043 | 2012 | – | – | – | – | – | – | – | – | – |
| 53143 | 2011 | – | – | – | – | – | – | – | – | – |
| Other long-term financial investments | 53044 | 2012 | – | – | – | – | – | – | – | – | – |
| 53144 | 2011 | – | – | – | – | – | – | – | – | – |
| Short-term financial investments - total | 5305 | 2012 | 14,854,852 | (676,476) | 78,358,535 | (64,903,390) | (111,421) | – | – | 28,309,997 | (787,897) |
| 5315 | 2011 | 14,846,096 | (672,358) | 29,296,635 | (29,287,879) | (4,118) | – | – | 14,854,852 | (676,476) |
| Including | 5306 | 2012 | – | – | – | – | – | X | – | – | – |
| Investments into authorized capitals | 5316 | 2011 | – | – | – | – | – | X | – | – | – |
| Investments into authorized capitals of subsidiaries and affiliated companies | 53061 | 2012 | – | – | – | – | – | X | – | – | – |
| 53161 | 2011 | – | – | – | – | – | X | – | – | – |
| Investments into authorized capitals of other companies | 53062 | 2012 | – | – | – | – | – | X | – | – | – |
| 53162 | 2011 | – | – | – | – | – | X | – | – | – |
| Investments into other securities of companies (bonds, promissory notes and others) | 5307 | 2012 | 183,196 | – | 257,805 | (182,996) | – | – | – | 268,007 | – |
| 5317 | 2011 | 381,684 | – | 256,921 | (455,407) | – | – | – | 183,198 | – |
| Investments into other securities of subsidiaries and affiliated companies (bonds, promissory notes and others) | 53071 | 2012 | – | – | – | – | – | – | – | – | – |
| 53171 | 2011 | – | – | – | – | – | – | – | – | – |
| Investments into other securities of other companies (bonds, promissory notes and others) | 53072 | 2012 | 183,198 | – | 267,805 | (182,996) | – | – | – | 268,007 | – |
| 53172 | 2011 | 381,684 | – | 256,921 | (455,407) | – | – | – | 183,198 | – |
| Other types of financial investments | 5308 | 2012 | 14,671,654 | (676,476) | 78,090,730 | (54,720,394) | (111,421) | – | – | 28,041,990 | (787,897) |
| 5316 | 2011 | 14,484,412 | (672,358) | 29,039,714 | (28,832,472) | (4,118) | – | – | 14,671,654 | (676,476) |
| State and municipal securities | 53081 | 2012 |  |  |  |  |  |  |  |  |  |
| 53181 | 2011 |  |  |  |  |  |  |  |  |  |
| Loans granted | 53082 | 2012 | 1,809,947 | – | 436,080 | (2,246,027) | – | – | – | – | – |
| 53182 | 2011 | 1,750,000 | – | 59,947 | – | – | – | – | 1,809,947 | – |
| Deposits | 53083 | 2012 | 12,861,707 | (676,476) | 77,654,650 | (62,474,367) | (111,421) | – | – | 28,041,990 | (787,897) |
| 53183 | 2011 | 12,714,412 | (672,358) | 28,979,767 | (28,832,472) | (4,118) | – | – | 12,861,707 | (676,476) |
| Other short-term financial investments | 53084 | 2012 | – | – | – | – | – | – | – | – | – |
| 53184 | 2011 | – | – | – | – | – | – | – | – | – |
| Financial investments -  total | 5300 | 2012 | 15,265,330 | (722,000) | 81,163,855 | (65,061,947) | (111,421) | – | (10,497) | 31,367,238 | (843,918) |
| 5310 | 2011 | 15,098,676 | (687,666) | 29,454,533 | (29,287,879) | (4,118) | – | (30,216) | 15,265,330 | (722,000) |

**4. Inventories**

**4.1. Inventory availability and turnover**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Description | Line code | Period | At the year opening | | Changes for the period | | | | | At the period closure | |
| prime cost | inventory amount for cost reduction | receipts and expenses | retired | | inventory from cost reduction | inventory turnover between their groups (types) | prime cost | inventory amount for cost reduction |
| prime cost | inventory for the cost reduction |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Inventories - total | 5400 | 2012 | 2,317,906 | (29,900) | 34,715,113 | (34,494,224) | (18,294) | (19,738) | X | 2,538,795 | (31,344) |
| 5420 | 2011 | 1,992,329 | (32,483) | 32,010,749 | (31,685,172) | (9,057) | (6,474) | X | 2,317,906 | (29,900) |
| including:  fuel | 5401 | 2012 | 1,281,117 | (23) | 33,380,272 | (33,532,501) | (139) | (331) | – | 1,128,888 | (215) |
| 5421 | 2011 | 1,023,833 | – | 31,158,623 | (30,901,339) | – | (23) | – | 1,281,117 | (23) |
| raw and other materials | 5402 | 2012 | 1,036,789 | (29,877) | 1,334,841 | (961,723) | (18,155) | (19,407) | – | 1,409,907 | (31,129) |
| 5422 | 2011 | 968,496 | (32,483) | 852,126 | (783,833) | (9,057) | (6,451) | – | 1,036,789 | (29,877} |

**5. Payables and receivables**

**5.1 Payables availability and flow**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Description | Line code | Period | At the year opening | | Changes for the period | | | | | | | At the period closure | |
| accounted under the contract terms and conditions | reserve amount for doubtful debts | receipts | | | retired | | | transfer from long- into short-term debt (and vice a versa) | accounted under the contract terms and conditions | reserve amount for doubtful debts |
| in the result of business transactions (debt amount on the transaction) | interests due, penalties and other accruals | reserve accrual | repayment | writing-off to financial result | reserve recovery/ use |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Long-term receivables - total | 5501 | 2012 | 2,867,076 | – | 491,596 | – |  | (186,683) | – | – | (3,495) | 3,166,494 |  |
| 5521 | 2011 | 50,185 | – | 2,838,311 | – |  | (10,567) | – | – | (853) | 2,867,076 | – |
| Including: | 5502 | 2012 | – | – | – | – |  |  | – | – | – | – | – |
| Buyers and customers | 5522 | 2011 | 6,868 | – | – | – |  | (6,868) | – | – | – |  | – |
|  | 5503 | 2012 | 2,769,975 | – | 419,423 | – | – | (160,692) | – | – | – | 3,028,706 | – |
| Advances for construction | 5523 | 2011 | – | – | 2,769,975 | – | – | – | – | – | – | 2,769,975 | – |
| Credits, loans | 5504 | 2012 | 72,193 | – | 51,234 | – | – | (19,594) | – | – | (3,495) | 100,338 | – |
| 5524 | 2011 | 31,717 | – | 51,899 | – | – | (10,570) | – | – | (853) | 72,193 | – |
| Other | 5505 | 2012 | 24,908 | – | 20,939 | – | – | (6,397) | – | – |  | 39,450 |  |
| 5525 | 2011 | 11,600 | – | 15,437 | – | – | (3,129) | – | – |  | 24,908 | – |
| Short-term receivables - total | 5510 | 2012 | 9,500,398 | (1,136,998) | 126,257,992 | 11,260 | (1,895,803) | (124,682,517) | (46,658) | 1,234,677 | 3,495 | 13,043,970 | (1,798,124) |
| 5530 | 2011 | 12,031,718 | (800,796) | 115,276,336 | 55 | (1,136,791) | (117,598,303) | (210,261) | 800,589 | 853 | 9,500,398 | (1,136,998) |
| Including | 5511 | 2012 | 5,595,186 | (1,126,164) | 91,087,303 |  | (1,881,307) | (89,221,973) | (44,372) | 1,225,863 | – | 7,416,144 | (1,783,828) |
| Buyers and customers | 5531 | 2011 | 2,870,593 | (800,796) | 79,863,627 | – | (1,127,977) | (76,935,680) | (203,554) | 800,589 | – | 5,595,186 | (1,128,184) |
|  | 5512 | 2012 | 2,878,723 | (7,514) | 3,930,996 |  | (13,820) | (2,191,441) | – | 7,514 |  | 4,618,280 | (13,820) |
| Advances for construction | 5532 | 2011 | 5,059,762 | – | 6,211,166 | – | (7,514) | (8,385,563) | (6,642) | – | – | 2,878,723 | (7,514) |
|  | 5513 | 2012 | 235,823 |  | 26,504,327 |  | (30) | (26,069,991) | (32) |  | – | 670,127 | (30) |
| Other advances | 5533 | 2011 | 70,469 | – | 11,261,678 | – |  | (11,095,279) | (45) | – | – | 235,823 | – |
|  | 5514 | 2012 | 790,666 | (1,300) | 6,735,364 | 11,260 | (546) | (7,199,112) | (2,254) | 1,300 | 3,495 | 339,419 | (646) |
| Other | 5534 | 2011 | 4,030,894 | – | 17,939,665 | 55 | (1,300) | (21,180,781) | (20) | – | 853 | 790,666 | (1,300) |
| Total | 5500 | 2012 | 12,367,474 | (1,136,998) | 128,749,588 | 11,260 | (1,895,803) | (124,869,200) | (46,656) | 1,234,677 | Х | 16,212,464 | (1,798,124) |
| 5520 | 2011 | 12,081,903 | (800,796) | 118,114,647 | 55 | (1,136,791) | (117, 618,870) | (210,261) | 800,569 | Х | 12,367,474 | (1,136,998) |

**5.2. Overdue receivables**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Description | Line code | As of December 31, 2012 | | As of December 31, 2011 | | As of December 31, 2010 | |
| under the contract terms and conditions | less reserve of doubtful debts | under the contract terms and conditions | less reserve of doubtful debts | under the contract terms and conditions | less reserve of doubtful debts |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Total | 5540 | 1,916,404 | 118,280 | 1,487,063 | 350,065 | 1,268,021 | 467,226 |
| including:  buyers and customers | 5541 | 1,876,141 | 94,513 | 1,470,053 | 341,869 | 1,258,811 | 458,016 |
| advances paid | 5542 | 37,446 | 23,596 | 14,155 | 6,641 | 9,093 | 9,093 |
| other | 5543 | 817 | 171 | 2,855 | 1,555 | 117 | 117 |

5.3. Payables availability and flow

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Description | Line code | Period | Balance as of the year opening | Changes for the period | | | | | Balance as of the period closure |
| receipts | | retired | | transfer from long- into short-term debt (and vice a versa) |
| in the result of business transactions (debt amount on the transaction) | interests due, penalties and other accruals | repayment | writing-off to financial result |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Long-term receivables - total | 5551 | 2012 | 463 | – | – | (131) | – | – | 332 |
| 5571 | 2011 | 595 | – | – | (132) | – | – | 463 |
| including | 5552 | 2012 | 463 | – | – | (131) | – | – | 332 |
| suppliers, contractors | 5572 | 2011 | 595 | – | – | (132) | – | – | 463 |
| short-term payables - total | 5560 | 2012 | 5,783,655 | 148,094,967 | 23 | (148,347,076) | (70,097) | – | 5,461,472 |
| 5580 | 2011 | 4,394,114 | 92,638,748 | 4,310 | (91,215,612) | (37,905) | – | 5,783,655 |
| including | 5561 | 2012 | 3,239,367 | 59,154,100 |  | (60,028,585) | (18,453) | – | 2,346,429 |
| suppliers, contractors | 5581 | 2011 | 3,250,139 | 62,295,649 | 208 | (62,268,724) | (37,905) | – | 3,239,367 |
| advances received | 5562 | 2012 | 65,136 | 118,150 | – | (176,265) | – | – | 7,021 |
| 5582 | 2011 | 94,267 | 305,225 | – | (334,356) | – | – | 65,136 |
| tax calculations | 5563 | 2012 | 1,437,461 | 72,440,360 |  | (72,178,906) | (51,644) | – | 1,647,271 |
| 5583 | 2011 | 307,711 | 24,742,961 | 4,097 | (23,617,308) | – | – | 1,437,461 |
| credits, loans | 5564 | 2012 | – | – | – | – | – | – | – |
| 5584 | 2011 | – | – | – | – | – | – | – |
| other | 5565 | 2012 | 1,041,691 | 16,382,357 | 23 | (15,963,320) | – | – | 1,460,751 |
| 5585 | 2011 | 741,997 | 5,294,913 | 5 | (4,995,224) |  | – | 1,041,691 |
| Total | 5550 | 2012 | 5,784,118 | 148,094,967 | 23 | (148,347,207) | (70,097) | Х | 5,461,804 |
| 5570 | 2011 | 4,394,709 | 92,638,748 | 4,310 | (91,215,744) | (37,905) | Х | 5,784,118 |

5.4. Overdue payables

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | Line code | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010 |
| 1 | 2 | 3 | 4 | 5 |
| Total | 5590 | 153,547 | 48,264 | 53,790 |
| including  suppliers and contractors | 5591 | 13,731 | 15,732 | 16,297 |
| advances received | 5592 | 139,816 | 32,532 | 37,493 |

**6. Production costs**

|  |  |  |  |
| --- | --- | --- | --- |
| Description | Line code | 2012 | 2011 |
| 1 | 2 | 3 | 4 |
| Tangible costs | 5610 | 39,285,337 | 36,464,901 |
| Labor costs | 5620 | 3,701,615 | 3,476,873 |
| Social expenses | 5630 | 892,439 | 676,654 |
| Depreciation | 5640 | 7,149,346 | 4,264,912 |
| Other expenses | 5650 | 3,903,855 | 3,312,799 |
| Total for elements | 5660 | 54,932,592 | 48, 196, 139 |
| Change of work in process inventory, ready products, etc. (increase [-]), including: | 5670 | – | – |
| Change of work in process inventory, ready products, etc. (reduction [+]), including: | 5660 | **–** | ***–*** |
| Total expenses on regular types of activity | 5600 | 54,932,592 | 48,196,139 |

**7. Estimated liabilities**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Description | Line code | Balance as of the reporting year opening | Recognized | Repaid | Written-off as disallowed amount | Balance as of the reporting period closure |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Estimated liabilities - total | 5700 | 672,020 | 1,180,933 | (1,205,752) | (63,694) | 583,507 |
| including:  Estimated liabilities - for court proceedings | 5701 | 25,702 | 3,892 | ( 1,812) | (23,890) | 3,892 |
| Estimated liabilities - for unused vacations | 5702 | 248,418 | 660,010 | (643,251) | (34,835) | 230,342 |
| Estimated liabilities - for annual remuneration | 5703 | 337,342 | 265,947 | (337,342) |  | 265,947 |
| Estimated liabilities - for quarterly bonuses | 5704 | 60,558 | 251,084 | (223,347) | (4,969) | 83,326 |
|  |  |  | | | | |
| Description | Line code | Balance as of the reporting year opening | Recognized | Repaid | Written-off as disallowed amount | Balance as of the reporting period closure |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Estimated liabilities - total | 5700 | 486,287 | 672,020 | (468,569) | (17,718) | 672,020 |
| including:  Estimated liabilities - for court proceedings | 5701 | 17, 718 | 25,702 |  | (17,718) | 25,702 |
| Estimated liabilities - for unused vacations | 5702 | 203,553 | 248,418 | (203,553) |  | 248,418 |
| Estimated liabilities - for annual remuneration | 5703 | 265,016 | 337,342 | (265,016) | – | 337,342 |
| Estimated liabilities - for quarterly bonuses | 5704 | – | 60,558 | – | **–** | 60,558 |

**8. Obligations securing**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | Line code | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010. |
| 1 | 2 | 3 | 4 | 5 |
| Received - total | 5800 | 14,740,471 | 13,239,835 | 5,649,373 |
| including:  bank guarantees | 5801 | 13,872,162 | 13, 140, 163 | 5,648,945 |
| guarantees of construction contractors | 5802 | 278,641 | 38,873 | 214 |
| guarantees of repair contractors | 5803 | 504, 185 | 26,469 | – |
| property pledged | 5804 | 85,483 | 34,330 | 214 |
| Issued - total | 5810 | 9,441 | 9, 441 | – |
| including:  bank guarantees | 5811 | 9,441 | 9,441 | – |

# Head /signature/ M.G. Shirokov Chief Accountant /signature/ A.V. Shalyapina

Signature Printed name signature Printed name

March 22, 2013

# Revision Commission Report

#### Annex 2 -Data on the Company compliance with the Code of Corporate Conduct

|  |  |  |  |
| --- | --- | --- | --- |
| No. | Regulation for the Corporate Code of Conduct | Complied/ Partially complied/ Not complied/ Not applicable | Note |
| ***General Shareholders' Meeting*** | | | |
| 1. | The shareholders shall be notified of the General Shareholders' Meeting at least 30 days prior to the Meeting date regardless of the issues on the agenda, unless a longer term for notification is provided by the applicable law. | Complied | Clause 11.3 of the Company Articles of Association. |
| 2. | Shareholders shall be able to familiarize themselves with the list of persons having the right to participate in the General Shareholders' Meeting, as from the date of the General Shareholders' Meeting notice till the date of closing the General Shareholders' Meeting in praesentia, and till the last date for submitting voting ballots in the event the General Shareholders' Meeting is held in the form of absentee voting. | Complied | Paragraph 7 of clause 6.2. of the Company Articles of Association.  *List of persons entitled to participate in the general shareholders' meeting shall be provided by the company for familiarization upon request of persons included into this list and having min 1% of votes.  Article 51 clause 4. Federal Law “On Joint Stock Companies”.* |
| 3. | Shareholders shall have an opportunity to familiarize themselves with information (materials) to be submitted when preparing for the General Shareholders' Meeting by electronic telecommunications, including the Internet. | Complied | Pursuant to cl. 4.7 of the Regulation on preparation and holding of the Company General Shareholders' Meeting the shareholders are entitled to familiarize themselves with information (materials) pertaining to the Meeting.  Materials for the general shareholders' meetings are placed in the Company web-site [*www.eon-russia.ru*](http://www.eon-russia.ru/) , section "To Shareholders and Investors /Information for Shareholders /Materials for general shareholders' meetings". |
| 4. | A possibility for the shareholder to introduce an item to the agenda of the general shareholders' meeting or require convening the general shareholders' meeting without any extract from the shareholder register should his/her rights to the shares are exercised in the system of shareholder register maintenance, and should his/her rights to shares are accounted for in the depo settlement - an extract from the depo settlement to exercise the rights mentioned above, is sufficient. | Complied | The Articles of Association and internal documents of the Company do not contain a requirement to provide an extract from the Shareholder Register when an issue is introduced into the agenda of the General Shareholders' Meeting or in case a General Shareholders' Meeting is convened. |
| 5. | The Articles of Association or internal documents of a joint stock company provide for a requirement, according to which the CEO, members of the board, members of the Board of Directors, members of the revision commission, and an auditor of the joint stock company, must be present at the general shareholders' meeting. | Partially complied | The Articles of Association and internal documents of the Company do not provide for a requirement according to which the CEO, members of the board, members of the Board of Directors, members of the revision commission, and an auditor of the joint stock company, must be present at the general shareholders' meeting.  However, the Chairman of the Board of Directors, some members of the Board of Directors, CEO, members of the Board and Chairman of the Revision Commission are generally present at the general shareholders' meetings. |
| 6. | Candidates have to be present, when the general shareholders' meeting reviews election of members of the Board of Directors, CEO, members of the board, members of the revision commission, as well as approval of an auditor of the joint stock company. | Partially complied | The Articles of Association and internal documents of the Company have no provisions on their obligatory presence at the general shareholders' meetings, however, this condition is almost always complied with - in most cases several candidates are present at the general shareholders' meeting specified. |
| 7. | The Company internal documents shall provide for a procedure for registration of participants of the general shareholders' meeting. | Complied | Clause 6.1 of the Regulation on preparation and holding of the Company General Shareholders' Meeting. |
| ***Board of Directors*** | | | |
| 8. | The Articles of Association of the joint stock company shall provide for the authority of the Board of Directors as regards annual approval of the financial and economic plan of the joint stock company. | Complied | Sub-clause 28 clause 12.1 of the Company Articles of Association. |
| 9. | The procedure of risk management in the joint stock company shall be approved by the Board of Directors. | Complied | Regulation on the Corporate Risk Management System is approved by the Board of Directors on February 24, 2011, Minutes No.146 |
| 10. | The Articles of Association of the joint stock company shall provide for the Board of Directors’ right to suspend authority of the CEO appointed by the general shareholders' meeting. | Not applicable | Pursuant to sub-cl. 15 clause 12.1 of the Articles of Association election of the CEO and early termination of his/her authorities is the competence of the Company Board of Directors. |
| 11. | The Articles of Association of the joint stock company shall provide for the Board of Directors’ right to set requirements to the qualification and amount of remuneration payable to the CEO, members of the Management Board and heads of the major structural units of the Company. | Partially complied | Pursuant to sub-cl. 15.16 clause 12.1 of the Company Articles of Association the Board of Directors elects the CEO, defines quantitative composition of the Board and elects the Board members, approves the amount of bonuses and compensations paid, defines the rights and liabilities of the CEO and Board members on the basis of labour contracts concluded with them.  The Company CEO defines requirements to the qualification and amount of the remuneration of the heads of the main structural units. |
| 12. | The Articles of Association of the joint stock company shall provide for the right of the Board of Directors to approve terms of the contract with the CEO and Board members | Complied | Pursuant to sub-cl. 15 and 16 of clause 12.1 of the Company Articles of Association the Board of Directors defines terms and conditions of the labour contract with the CEO and the Company Board members. |
| 13. | The Articles of Association or internal documents of the joint stock company shall provide for requirements on the fact that when approving the contract terms with the CEO (managing organization, manager) and members of the Board, votes of the members of the Board of Directors who are the CEO and the Board members, are not accounted for in the votes counting. | Not complied | The Articles of Association and internal documents of the Company do not contain such a requirement. |
| 14. | At least 3 independent directors compliant with the Code of Corporate Conduct shall be included into the composition of the Company Board of Directors. | Complied | 3 independent directors compliant with the Code of Corporate Conduct are included into the composition of the Board of Directors. |
| 15. | The Board of Directors of the joint stock company shall not include persons who were found guilty in economic crimes. | Complied | The persons specified are not included into the composition of the Company Board of Directors. |
| 16. | The Company Board of Directors shall include no persons acting as a shareholder, CEO (manager), member of the management body or an employee of a legal entity competing with the Company. | Complied | The Company Board of Directors includes no persons who are members of the management bodies of legal entities  competing with the Company. |
| 17. | The Articles of Association of the joint stock company shall provide for the requirement on election to the Board of Directors by cumulative voting. | Complied | Clause 10.8 of the Company Articles of Association. |
| 18. | Internal documents of the Company shall contain a duty for members of the Board of Directors to refrain from any action that will lead or may potentially lead to any conflict of their interests with the Company’s interests; and in the event of such a conflict, their duty shall be to disclose the information of such a conflict to the Board of Directors. | Complied | Clause 3.3 of the Regulation for the Company Board of Directors.  Clause 4.1.6 of the Company Code of Corporate Governance. |
| 19. | Internal documents of the Company shall provide for a duty for the members of the Board of Directors to notify the Board of Directors in writing of their intention to effect a deal involving the Company securities in case they are members of the Board of Directors of this Company or they are members of its affiliates (subsidiaries); they shall also disclose any information on any transactions effected by them involving such securities. | Complied indirectly | Clause 5.2., 6.1. of the Regulation on Insider Information. |
| 20. | Internal documents of the Company shall provide for the requirement that the meetings of the Board of Directors are to be held at least once every six weeks. | Not complied | Clause 15.2 of the Articles of Association provides for holding a meeting of the Board of Directors as required, but at least once a quarter.  In total within 2012 the Board of Directors of E.ON Russia held 17 meetings, 4 of them in person. |
| 21. | Meetings of the Company Board of Directors shall be held during the year, for which the Company annual reporting is composed, with regularity of at least once every six weeks. | Complied | Within 2012 17 meetings of the Board of Directors were held. |
| 22. | The Company internal documents shall provide for a procedure for holding the Board of Directors meetings. | Complied | Articles 6, 7 and 8 of the Regulation on the Company Board of Directors. |
| 23. | Internal documents of the Company shall contain the provision for the Board of Directors to approve the Company transactions to the amount equal to and in excess of 10% of the book value of the Company assets (with the exception for transactions effected in the normal course of business. | Complied | Internal documents of the Company do not provide for the provision for the Board of Directors to approve the Company transactions to the amount equal to and in excess of 10% of the book value of the Company assets. However in accordance with sub-clause 33, cl. 12.1 of the Articles of Association the financial thresholds for transactions approval by the Company Board of Directors are set forth, they are substantially lower than 10 % of the Company assets value. |
| 24. | Internal documents of the Company shall provide for the right for the members of the Board of Directors to receive from executive bodies and heads of the main structural units of the joint stock company the information required for their functions performance, and liability for failure to provide such information. | Partially complied | Article 3 of the Regulation on the Board of Directors provides for the right of the members of the Board of Directors to receive information required for their functions performance.  At the same time, the Company internal documents do not provide for any liability for failure to provide such information.  Actually the information to the members of the Board of Directors is always provided. |
| 25. | Availability of the Committee for strategic planning of the Board of Directors, or assignment of its duties to another committee (other than the audit committee and appointment and remuneration committee). | Not complied | By resolution of the Board of Directors dated 06.07.2012 the Strategy and Development Committee is liquidated.  The main functions of the Strategy and Development Committee were transferred to the Management Board. The Company strategy is developed at the sessions of strategy planning. |
| 26. | Availability of the Board of Directors committee (audit committee) that recommends to the Board of Directors the company auditor, and interacts with it and the company revision commission. | Complied | Art. 3–5 of the Regulation on the Audit Committee of the Board of Directors of E.ON Russia, sub-cl. 1 cl.20.3 of the Articles of Association, Articles 4.1.3, 6.3. of the Code of Corporate Governance. |
| 27. | The Audit committee shall consist of independent and non-executive directors only. | Complied | The Audit committee consists of independent and non-executive directors only. |
| 28. | The Audit committee shall be chaired by an independent director. | Complied | The Audit Committee Chairman is an independent director. During 2012 — I.Yu. Jurgens (for details see cl. 4.3. hereof). |
| 29. | Internal documents of the company shall provide access rights to all the Audit Committee members to any documents and information of the company. | Complied | Clause 1 Article 6 of the Regulation on the Audit Committee of the Company Board of Directors. |
| 30. | The Board of Directors shall establish the Appointment and Remuneration Committee responsible for defining the criteria for selection of nominees to the Board of Directors and for development of the Company’s remuneration policy. | Partially complied | By the resolution of the Company Board of Directors dated 14.04.2008 the Appointment and Remuneration Committee of the Company Board of Directors was established (minutes No. 87).  The functions of this committee include development of recommendations about the amount of remuneration (bonuses) payable to the members of the Revision Commission, CEO, members of the Management Board. However, it is not the responsibility of the Committee to define criteria for selection of candidates to the Board of Directors. |
| 31. | The Appointment and Remuneration Committee shall be chaired by an independent director. | Not complied | Within 01.01.2012 - 06.07.2012 the Committee Chairman was the Chairman of the Company Board of Directors - S.A. Tazin not meeting the criteria of an independent director. Within 07.07.2012 - 31.12.2012 — the Committee Chairman was Sebastian Eisenberg not meeting the criteria of an independent director. (Data on the persons specified see in cl. 4.3 hereof). |
| 32. | The Appointment and Remuneration Committee shall not include any Company officials. | Not complied | In 2012 E.ON Russia HR and Remuneration Committee included officials of the Company. |
| 33. | The Committee for risks management of the Board of Directors shall be established, or its duties shall be assigned to another committee (other than the audit committee and appointment and remuneration committee). | Complied | On 30.06.2009 by resolution of the Company Board of Directors (minutes No. 115) the Committee for Risks and Finance of the Board of Directors was established. |
| 34. | The Committee for corporate conflicts settlement of the Board of Directors shall be established, or its duties shall be assigned to another committee (other than the audit committee and appointment and remuneration committee). | Not complied | Currently the Committee of the Board of Directors for corporate conflicts settlement is unavailable. |
| 35. | The Committee for Corporate Conflicts Settlement shall not include any Company officials. | Not applicable | Currently the Committee of the Board of Directors for corporate conflicts settlement is unavailable. |
| 36. | The Committee for corporate conflicts settlement shall be chaired by an independent director. | Not applicable | Currently the Committee of the Board of Directors for corporate conflicts settlement is unavailable. |
| 37. | Internal documents of the Company that provide for procedure of establishing and operation of the Board of Directors committees shall be approved by the Board of Directors. | Complied | The Company Board of Directors approved:  - Regulation on the Audit Committee of the Board of Directors (resolution of the Board of Directors dated 18.12.2008, Minutes No. 104);  - Regulation on the Appointment and Remuneration Committee of the Board of Directors (resolution of the Board of Directors dated 08.07.2010, Minutes No. 135);  - Regulation on the Risk and Finance Committee of the Board of Directors (resolution of the Board of Directors dated 24.02.2011, Minutes No. 146);  - Regulation on the Steering Committee for New Build of the Board of Directors (resolution of the Board of Directors dated 16.03.2009, Minutes No. 108). |
| 38. | The Company Articles of Association shall provide for the procedure of quorum determination of the Board of Directors that allows for provision of independent directors mandatory participation in the meetings of the Board of Directors. | Complied | Clause 15.6 of the Company Articles of Association. |

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| ***Executive Bodies*** | | | |
| 39. | Availability of the collective executive (management) body of the Company. | Complied | Clause 17.1 of the Company Articles of Association. |
| 40. | The Articles of Association or internal documents of the joint stock company shall provide for the requirement on the necessity for the management to approve transactions with property, to receive by the Company of credits should these transactions are not major transactions and their effecting is not related to the Company regular economic activity. | Complied  partially | Sub-clause 5-6 clause 18.2 of the Company Articles of Association. |
| 41. | Internal documents of the Company shall specify the approval procedure for transactions that are beyond the scope of the Company financial and economic plan. | Complied | Sub-clause 28 clause 12.1 of the Company Articles of Association. |
| 42. | The Company executive bodies shall include no persons acting as a shareholder, CEO (manager), a member of the management body or an employee of a legal entity competing with the Company. | Complied | The persons specified are not members of the Company Management Board. |
| 43. | The Company Executive bodies shall include no persons found guilty of economic crimes, or crimes against public authorities, interests of the public authorities and local self-government bodies, or those subjected to the administrative penalties for violations committed in the field of entrepreneurship, or in the field of finance, taxes and charges, securities market. If the functions of the sole executive body are performed by a managing organization or a manager, then CEO and members of the management board of the managing organization shall comply with the requirements set forth for the CEO and members of the Company Management Board. | Complied | The persons specified are not members of the Company Management Board. |
| 44. | The Company Articles of Association or internal documents shall provide for a veto for the managing company (manager) to perform similar functions in the competing company, and have any property relations with the joint stock company except for services rendering by the managing company (manager). | Not complied | This veto is not provided for by the Company Articles of Association or internal documents. |
| 45. | The Company internal documents shall provide for the duty of the executive bodies to refrain from any actions that will result or may potentially result in a conflict between their interests and interests of the Company; should any such conflict arise, they shall accordingly notify the Board of Directors. | Complied | Paragraph 2 of clause 4.2.7 of the Code of Corporate Governance of the Company. |
| 46. | The Company Articles of Association or internal documents shall provide for criteria for selection of the managing company (manager). | Not complied | The Articles of Association and internal documents of the Company do not provide for any criteria for selection of the managing company (manager). |
| 47. | The Company executive bodies shall submit monthly reports on their activities to the Board of Directors. | Complied  partially | Sub-clause 29 clause 12.1 of the Company Articles of Association provides for such reports submission on the quarterly basis. |
| 48. | Agreements concluded between the Company and CEO (managing company, manager) and members of the Board of Directors shall specify liability for violation of provisions related to use of confidential and insider information. | Complied | Labour contracts do not provide for such a requirement.  Article 8 of the Regulation on commercial secret protection of E.ON Russia JSC provides for liability for violation of the commercial secret regime. |
| ***The Company Secretary*** | | | |
| 49. | The Company shall have a special official (Secretary of the Company), with the responsibility to ensure that corporate bodies and officials of the Company comply with the procedure requirements, which secure the rights and interests of the Company shareholders. | Complied | Clause 2.1 of the Regulation on the Secretary and Secretariat of the Company Board of Directors, Art. 4 of the Regulation on the Company Board of Directors, Art. 5 of the Regulation on the Company Management Board. |
| 50. | The Company Articles of Association or internal documents shall provide for the procedure for appointment (election) of the Company Secretary and description of his/her responsibilities. | Complied | Article 4 of the Regulation on the Company Board of Directors, Article 3 of the Regulation on the Secretary and Secretariat of the Board of Directors, Article 5 of the Regulation on the Company Management Board. |
| 51. | The Company Articles of Association shall provide for requirements to the Company Secretary nominee. | Partially complied | These requirements are not set forth in the Company Articles of Association.  It is set forth in clause 3.3 of the Regulation on the Secretary and Secretariat of the Company Board of Directors. |
| ***Major Corporate Actions*** | | | |
| 52. | The Company Articles of Association or internal documents shall provide for requirements for a major transaction approval prior to effect thereof. | Complied | Sub-clause 30 clause 12.1 of the Company Articles of Association. |
| 53. | An independent assessor shall be engaged to determine the market value of property being the subject of a major transaction | Complied | The recommendation is complied with, but the Articles of Association and internal documents of the Company do not regulate this issue. |
| 54. | The Company Articles of Association shall provide for the veto to take when purchasing major shares of the joint stock company (acquisition) any actions aimed at protection of interests of executive bodies (members of the same) and members of the Board of Directors of the joint stock company and worsening the situation of shareholders against existing one (in particular, veto for the Board of Directors to resolve on additional shares issue, on issue of securities convertible into shares, on issue of securities that provide for the right to acquire shares of the Company even if the right to resolve is provided for by the Articles of Association, prior to end of the supposed term of shares acquisition). | Not complied | These requirements are not set forth in the Articles of Association. |
| 55. | The Company Articles of Association shall provide for the requirement on mandatory engagement of an independent assessor to assess the current market value of the shares and possible changes of their market value as a result of acquisition. | Not complied | These requirements are not set forth in the Company Articles of Association. Since July 2006 the Company shares have been traded at leading stock exchanges of the Russian Federation where their current market value is assessed. |
| 56. | The Company Articles of Association shall not provide for release of the acquirer from the responsibility to propose the shareholders to sell the Company ordinary shares owned by them (issued securities converted into ordinary shares) in the course of acquisition. | Complied | The Articles of Association do not contain such a waiver. |
| 57. | The Articles of Association or internal documents of the joint stock company shall provide for the requirement on mandatory engagement of the independent assessor to define the ratio for shares conversion in the course of acquisition. | Not complied | The Company Articles of Association or internal documents do not provide for mandatory engaging of an independent assessor. |
| ***Information Disclosure*** | | | |
| 58. | The internal document that provides for the rules and approaches of the joint stock company to information disclosure (Regulation on Information Policy) shall be approved by the Board of Directors. | Complied | Resolution of the Board of Directors dated 29.10.2009. (minutes No. 121) approved the Regulation on Information Disclosure. Earlier, the Regulation on the Company Information Policy was in force. |
| 59. | The Company internal documents shall provide for the requirements on information disclosure about the purpose of shares placement, about persons intending to purchase the shares placed, including big stock of shares, as well as information whether the Company top managers are going to purchase the Company shares placed. | Not complied | Internal documents of the Company do not provide for such requirements. |
| 60. | The Company internal documents shall provide for the list of information, documents and materials to be provided to shareholders for resolving the issues submitted for consideration to the General Shareholders' Meeting. | Complied  partially | Internal documents of the Company do not specify the list of information, documents and materials to be provided to shareholders for resolving the issues submitted for consideration to the General Shareholders' Meeting. The list of information, documents and materials to be submitted to shareholders to resolve issues submitted to the General Shareholders' Meeting, is always approved by the Company Board of Directors and is published on the Company web-site.  Internal documents of the Company specify reference provisions to the Federal law On Joint Stock Companies as regards the procedure to define content and list of information, documents and materials to be submitted to shareholders. |
| 61. | The Company shall have its own web site on the Internet and shall disclose information about the Company on its web site on a regular basis | Complied | Web site: [www.eon-russia.ru](http://www.eon-russia.ru/) |
| 62. | The Company internal documents shall provide for requirements to information disclosure about the Company’s transactions with the persons belonging to the Company top-managers as per the Company Articles of Association; information about the Company’s transactions with companies, in which the Company top-managers own 20 percent or more of the authorised capital or with companies on which such persons may exert considerable influence in any other way. | Complied | Internal documents of the Company provide for such a requirement. |
| 63. | The Company internal documents shall provide for the requirements on information disclosure about all the transactions that may affect the market value of the Company shares. | Complied | Internal documents of the Company provide for the requirement on disclosure of not only transactions but also other facts that affect the market value of the Company shares. |
| 64. | The internal document on material information use on the joint stock company activity, shares and other securities of the Company and transactions with them, which is not public and disclosure of which may materially impact the market value of shares and other securities of the joint stock company, shall be approved by the Board of Directors. | Complied | On 12.08.2011the Company Board of Directors approved the Regulation on Insider Information in new version, Minutes No. 155. |
| ***Control over Business Activities*** | | | |
| 65. | Internal procedures for control over financial and economic activity of the joint stock company shall be approved by the Board of Directors. | Complied | Regulation on the Internal Control System of E.ON Russia is approved by resolution of the Board of Directors on 15.10.2009, Minutes No.120. |
| 66. | The Company shall establish a special organization unit to ensure observance of internal control procedures (audit and internal control service). | Complied | Subject to the resolution of the Board of Directors dated 27.10.2008 (minutes No. 101) there was established the Risk Management and Internal Audit Department, it was transferred the functions of risks assessment and internal control over financial and economic activity. |
| 67. | The Company internal documents shall provide for the requirement for the Board of Directors to define the structure and composition of the Company audit and internal control service. | Not complied | Internal documents of the Company do not provide for such a requirement. |
| 68. | The audit and internal control service shall have no persons found guilty of economic crimes, or crimes against public authorities, interests of the public authorities and local self-government bodies, or those subjected to the administrative penalties for violations committed in the field of entrepreneurship, or in the field of finance, taxes and charges, securities market. | Complied | The Company does not have any information about any facts of penalties administered on persons from the audit and internal control service or the facts of them being found guilty of economic crimes, crimes against the government, public bodies or bodies of local self-government, or about any persons who were under administrative penalty for offence in business activities, finance, taxes and duties, or security market. |
| 69. | The audit and internal control service shall have no persons who are members of the Company executive bodies, or persons who are sharers, CEO (manager), members of the governing bodies or employees of a legal entity competing with the Company . | Complied | There are no such persons in the audit and internal control service. |
| 70. | The Company internal documents shall specify the date of submission to the audit and internal control service of documents and materials for evaluation of financial and business activity; liability of the Company officials and employees for failure to submit the same within the specified period shall also be specified. | Not complied | Internal documents shall not set forth any timeframe for submission of documents or liability for failure to submit the same. |
| 71. | The Company internal documents shall provide for the obligation of the audit and internal control service to inform the Audit Committee on violations found; should the Audit Committee be unavailable such information shall be submitted to the Company Board of Directors. | Complied | This provision is set forth in cl. 5.5 of the Regulation on the internal control procedure. |
| 72. | The Company Articles of Association shall provide for the requirement for preliminary evaluation by the audit and internal control service of the expediency of carrying out transactions not provided for by the financial and economic plan of the Company (non-standard transactions). | Not complied | The Company Articles of Association do not provide for this requirement. |
| 73. | The Company internal documents shall provide for a procedure for approval of a non-standard transaction by the Board of Directors. | Partially complied | The procedure of non-standard transactions approval by the Company Board of Directors is not provided for by the Company internal documents, however, submission of individual non-standard transactions to the Board of Directors for review is possible subject to a number of authorities of the Company Board of Directors set forth in the Articles of Association or internal documents of the Company. |
| 74. | The internal document that sets forth the procedure for conducting audits of the Company financial and economic activity by the Revision Commission shall be approved by the Board of Directors. | Complied | Regulation on the Revision Commission of E.ON Russia is approved by resolution of the General Shareholders' meeting on 24.06.2011, Minutes No. 10. |
| 75. | The Audit Committee shall evaluate the audit report prior to its submission to shareholders at the General Shareholders' Meeting. | Complied | Clause 1 Article 4 of the Regulation on the Audit Committee of the Company Board of Directors. |
| ***Dividends*** | | | |
| 76. | The internal document to rely upon in the process of developing recommendations about the amount of dividends (Regulation on Dividend Policy) shall be approved by the Board of Directors. | Not complied | The internal document to rely upon in the process of developing recommendations about the amount of dividends is not available. |
| 77. | The Regulation on Dividends Policy shall provide for the procedure for defining the minimum share of the Company net profit sent to pay dividends, and conditions under which dividends are not paid or partially paid for privileged shares, the dividends amount is set forth in the Company Articles of Association. | Not applicable | Recommendations on conditions of dividends payment on privileged shares are not applicable to the Company as in the Company there is no such category of shares. |
| 78. | The data on the Company dividends policy and amendments to it shall be published in the periodicals provided for by the Articles of Association for publishing information on general shareholders' meetings holding and placing of the information specified on the Company web-site in the Internet. | Not complied | Currently, Regulation on dividend policy is not available. |

#### Annex 3

**Data about interested party transactions effected by the Company in 2012.**

|  |  |  |
| --- | --- | --- |
| **Transaction** | **Interested party** | **Regulatory body authorizing the resolution** |
| Sublease contract between E.ON Russia JSC and E.ON IT LLC | E.ON Russia  Holding GmbH | Minutes of the Board of Directors of E.ON Russia No. 162 dated February 02.03.2012 |
|  |  |  |
| Additional agreement to Loan agreement No. IA-10-0862 dated 25.11.2010, concluded by and between OGK-4 OAO and E.ON AG | E.ON Russia  Holding GmbH | Minutes of the Board of Directors of E.ON Russia No. 164 dated February 03.05.2012 |
| Additional Agreement No. 1 to Paid Services Agreement No. IA-12-0002 dated January 10, 2012 concluded by and between E.ON Russia JSC and E.ON UK plc | E.ON Russia  Holding GmbH | Minutes of the Board of Directors of E.ON Russia No. 164 dated February 03.05.2012 |
|  |  |  |
| Additional Agreement No. 3 to the Frame Services Agreement No. IA-10-0602 dated September 02, 2010 by and between E.ON Russia JSC and E.ON New Build& Technology GmbH | E.ON Russia  Holding GmbH  Gunter Eckhardt Rummler | Minutes of the Board of Directors of E.ON Russia No. 172 dated February 30.08.2012 |
| Agreement on the contract termination No. IA-10-0762 dated 01.10.2010 by and between E.ON Russia JSC and E.ON Russia GmbH | E.ON Russia  Holding GmbH,  M.G. Shirokov | Minutes of the Board of Directors of E.ON Russia No. 173 dated February 27.09.2012 |
| Agreement on the sublease contract termination No. IA-11-0545 dated 18.11.2011 by and between E.ON Russia JSC and E.ON Russia GmbH | E.ON Russia  Holding GmbH,  M.G. Shirokov | Minutes of the Board of Directors of E.ON Russia No. 173 dated February 27.09.2012 |
| Agreement on the services agreement termination w/o dated 01.02.2011 by and between E.ON Russia JSC and E.ON Russia GmbH | E.ON Russia  Holding GmbH,  M.G. Shirokov | Minutes of the Board of Directors of E.ON Russia No. 173 dated February 27.09.2012 |
| Agreement on the transportation services agreement termination No. IA-10-0265 dated 11.05.2010 by and between E.ON Russia JSC and E.ON Russia GmbH | E.ON Russia  Holding GmbH,  M.G. Shirokov | Minutes of the Board of Directors of E.ON Russia No. 173 dated February 27.09.2012 |
|  |  |  |
| Additional Agreement to Loan Agreement No. IA-10-0862 dated 25.11.2010 by and between E.ON Russia JSC and E.ON AG | E.ON Russia  Holding GmbH | Minutes of the Board of Directors No. 174 dated 25.10.2012 |
| Paid services contract by and between E.ON Russia and E.ON New Build & Technology GmbH on advisory support of the engineering personnel of Shaturskaya GRES branch of E.ON Russia JSC and control of General Electric International Inc. specialists in the course of works performance on the gas and turbine unit of power unit No. 7 of Shaturskaya GRES branch of E.ON Russia JSC in the scope of Package 4. | E.ON Russia  Holding GmbH  Gunter Eckhardt Rummler | Minutes of the Board of Directors No. 174 dated 25.10.2012 |
| Contract for sale and purchase of property by and between E.ON Russia JSC and E.ON Russia GmbH | E.ON Russia  Holding GmbH  M.G. Shirokov | Minutes of the Board of Directors No. 176 dated 29.11.2012 |
| Sublease contract for parking space by and between E.ON Russia JSC and E.ON E&P Russia | E.ON Russia  Holding GmbH | Minutes of the Board of Directors No. 176 dated 29.11.2012 |
| Sublease contract of non-residential premise by and between E.ON Russia JSC and E.ON Russia Power GmbH | E.ON Russia  Holding GmbH  M.G. Shirokov | Minutes of the Board of Directors No. 176 dated 29.11.2012 |
| Additional Agreement to Paid services contract w/o dated 28.11.2012 by and between E.ON Russia JSC and E.ON New Build & Technology GmbH | E.ON Russia  Holding GmbH  Gunter Eckhardt Rummler | Minutes of the Board of Directors No. 177 dated 19.12.2012 |

**Data on major transactions effected by the Company in 2012 - no major transactions.**

1. *without exchange differences* [↑](#footnote-ref-1)
2. *including the power purchased in the market* [↑](#footnote-ref-2)
3. *Names: Fourth Generation Company of the Wholesale Electricity Market Open Joint Stock Company, OGK-4 OAO, OGK-4 shall read as E.ON Russia Open Joint Stock Company, E.ON Russia JSC, E.ON Russia respectively.* [↑](#footnote-ref-3)
4. *Text of the Company Articles of Association. and Regulation on the General Shareholders' Meeting is placed on the Company web-site:* [*www.eon-russia.ru*](http://www.eon-russia.ru/) *in section "To Shareholders and Investors/Documents".*

   *Minutes of the Company General shareholders' meetings are placed on the Company web-site* [*www.eon-russia.ru*](http://www.eon-russia.ru/)  *in section*

   *"To Shareholders and Investors/Company Management/General Shareholders' Meeting/Materials of General Shareholders' Meetings"* [↑](#footnote-ref-4)
5. *As of the date of this Annual Report approval the composition of the Board of Directors elected by an extraordinary general shareholders' meeting of E.ON Russia JSC held on February 21, 2013 is in effect, the personal composition of the effective Board of Directors is specified on the Company web-site* [*www.eon-russia.ru*](http://www.eon-russia.ru/) *in section "Company/Company Management/Board of Directors".* [↑](#footnote-ref-5)
6. *Text of the Regulation on the Board of Directors is placed on the Company web-site* [*www.eon-russia.ru*](http://www.eon-russia.ru/) *in section "To Shareholders and Investors/Documents".* [↑](#footnote-ref-6)
7. *Text of the Annual Report of E.ON Russia JSC for 2011 is placed on the Company web-site* [*www.eon-russia.ru*](http://www.eon-russia.ru/) *in section "To Shareholders and Investors/Annual Reports"* [↑](#footnote-ref-7)
8. *The detailed data are specified below, in subsection "Committees of the Board of Directors".* [↑](#footnote-ref-8)
9. ***[1]****, Text of the Regulation on the Board of Directors of E.ON Russia is placed on the Company web-site* [*www.eon-russia.ru*](http://www.eon-russia.ru/)*in section "To Shareholders and Investors/Documents"..* [↑](#footnote-ref-9)
10. *Text of the Regulation on the Management Board of E.ON Russia is placed on the Company web-site* [*www.eon-russia.ru*](http://www.eon-russia.ru/) *in section "To Shareholders and Investors/Documents".*

    *.* [↑](#footnote-ref-10)
11. *On February 21, 2013 M.G. Shirokov is elected to the Company Board of Directors by resolution of an extraordinary general shareholders' meeting of E.ON Russia JSC.* [↑](#footnote-ref-11)
12. *Data are specified in the text of the Annual Report of E.ON Russia JSC for 2011 placed on the Company web-site*  [*www.eon-russia.ru*](http://www.eon-russia.ru/) *in section "To Shareholders and Investors/Annual Reports".* [↑](#footnote-ref-12)
13. *Text of the Regulation on the Revision Commission of E.ON Russia is placed on the Company web-site* [www.eon-russia.ru](http://www.eon-russia.ru/) *in section "To Shareholders and Investors/Documents".* [↑](#footnote-ref-13)
14. *The Audit Committee composition in persons, that functioned within 2012, is specified in cl.4.3 of the Annual Report - in subsection "Committees of the Board of Directors"* [↑](#footnote-ref-14)
15. *The information is presented with regard to Companies in whose authorized capitals E.ON Russia's share is over 5%.* [↑](#footnote-ref-15)
16. *Data are submitted as of the date of the Annual Report for 2012 approval.* [↑](#footnote-ref-16)
17. *Subject to the data submitted by the Registrar.* [↑](#footnote-ref-17)
18. *Since 10.10.2012 share of Е.ОN Russia Holding GmbH has increased from 82.30 % up to 83.73 %, of them 0% are in nominal holding.* [↑](#footnote-ref-18)
19. *Data given net of load loss* [↑](#footnote-ref-19)
20. 19 EBITDA = Profit (loss) from sales + Other income - Other expenses – Net balance of exchange rate difference + Expenses on securities issue, IPO + depreciation [↑](#footnote-ref-20)
21. EBIT = Profit (loss) from sales + Other income - Other costs – Net balance of exchange rate difference + Expenses on securities issue, IPO [↑](#footnote-ref-21)
22. 21*The headcount means complete headcount, i.e. total number of employees that concluded labour contracts with the Company.* [↑](#footnote-ref-22)