

Pre-approved by
the Board of Directors of
of E.ON Russia JSC
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Validity of information of the Annual report is
certified by the opinion of the Audit
commission of E.ON Russia JSC No. w/n dated
April 03, 2015

ANNUAL REPORT of E.ON Russia JSC FOR 2014

CEO_____ /M.G. SHIROKOV/

2015TABLE OF CONTENTS

TABLE OF CONTENTS

1. KEY PERFORMANCE INDICATORS.....	3
2. ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO TO THE SHAREHOLDERS.....	4
3. GENERAL INFORMATION ABOUT THE COMPANY.....	7
4. FINANCIAL PERFORMANCE REVIEW.....	19
5. CORPORATE GOVERNANCE.....	28
6. SHARES AND STOCK MARKET.....	47
7. OPERATIONS OVERVIEW.....	50
8. POWER MARKETS.....	54
9. INVESTMENT PROGRAM.....	58
10. PROCUREMENT ACTIVITIES.....	63
11. INFORMATION TECHNOLOGIES.....	66
12. RISKS AND RISK MANAGEMENT SYSTEM.....	67
13. CORPORATE AND SOCIAL RESPONSIBILITY.....	71
14. CONTACT INFORMATION.....	85
Annex 1 – Financial statements of E.ON Russia JSC for 2014.....	87
Annex 2 – Data on the Company compliance with the Code of Corporate Conduct.....	101
Annex 3 - Information on interested party transactions effected by the Company in 2014.....	128

1. KEY PERFORMANCE INDICATORS

			2014/2013
Revenue	80.0	bln roubles	-0.7%
EBITDA ¹	25.2	bln roubles	-9.9%
EBIT ¹	18.6	bln roubles	-9.9%
Net profit	17.5	bln roubles	-7.5%
Assets value	125.4	bln roubles	-4.3%
Electric power generation	59.2	thousand GW/h	-6.0%
Electric power sales ²	62.0	thousand GW/h	-5.1%
ICUF	65.4	%	-4.1%
(installed capacity utilization factor)			

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

¹ without exchange differences

² including the volumes purchased in the market

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

ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders, Investors, Colleagues,

In 2014, E.ON Russia JSC demonstrated stable results, having produced 59.2 bln kWh of electric power. The electric power sales volumes reached 62 bln kWh. The company retained leading positions in the market in terms of efficiency and profitability.

Since 2010 E.ON Russia JSC has put into operation four modern steam-gas power units with total capacity of 1,600 MW. A launch of coal power unit 800 MW of capacity at Berezovskaya GRES in the Krasnoyarsk Territory in 2015 will become the completing stage of E.ON Russia JSC new facility construction program.

Despite difficult market conditions due to the overcapacity and low demand for the electric power consumption, E.ON Russia JSC has managed to retain good financial indicators. In comparison to 2013, the EBITDA indicator has dropped by 10% to 25.2 bln. roubles mainly for the reason of gross profit reduction.

In connection with significant cash flow, and taking into consideration a large share of stable payments for the capacity as received from our new power plants operation, we recommend to pay dividends in the amount of 17.5 bln. roubles at the Annual General Shareholders' Meeting.

In 2015, the main purpose of the investment program is to complete construction of the third power unit of Berezovskaya GRES, as well as to ensure reliable and efficient operation of the generating equipment.

On behalf of the Board of Directors of E.ON Russia JSC, I would like to express my gratitude to each of you for your substantial contribution to the operational and financial performance achieved in 2014.

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

Yours sincerely,
Chairman of the Board of Directors of E.ON Russia JSC
Jorgen Kildal

ADDRESS OF THE CHIEF EXECUTIVE OFFICER

Dear Colleagues, Shareholders,

Despite complex macroeconomic situation, E.ON Russia JSC remains one of the most advanced and competitive companies in the industry. In 2014, E.ON Russia JSC demonstrated stable results. The new facilities planned to be commissioned in 2015 will allow strengthening our positions in the market in the future.

Following the results of the year 2014, the power plants of the Company generated 59.2 billion kWh of electric power. The demand for E.ON Russia's production capacities remained at a high level, to amount to around 65% in 2014, which is significantly above market average.

In 2014, generating capacities of E.ON Russia JSC ensured uninterrupted electric power supply and stable operation of the energy system. All preparations for E.ON Russia JSC passing through the autumn-winter peak of 2014-2015 were carried out according to the agreed deadlines. The power units and the equipment were repaired and modernized according to the volumes scheduled and within the deadlines agreed with the System operator.

The investment program implementation still constitutes one of the main priorities of our work. The 800 MW power unit No. 3 of Berezovskaya GRES in the Sharypovo town (Krasnoyarsk Territory) expected to be commissioned in summer 2015 is currently in the process of construction. In order to optimize the construction of the third power unit of Berezovskaya GRES in early 2014 it was decided to complete the construction through the efforts of E.ON Russia JSC, for which purpose a separate division - the E.ON Engineering Branch - was created. Within the framework of an investment program, Berezovskaya GRES is being gradually shifted to a dry ash and slag removal system, which will allow to avoid the increase of the existing sludge disposal site area during 30 years and, at the same time, to provide a nearly 50 times reduction in the specific volume of water used in the process cycle. The shift to dry ash and slag removal system shall be completed by 2017.

In 2014, E.ON Russia JSC invested 2.6 bln. roubles in the maintenance of generating capacities and the development of its infrastructure.

It is worth noting that the Company pays special attention to the occupational health and safety at the production site. In 2014, a certificate was issued to E.ON Russia JSC confirming the compliance of the Occupational Health and Safety Management System implemented in the Company with the Occupational Health and Safety Management System International Standard OHSAS 18001:2007. This certificate demonstrates that E.ON Russia JSC exercises close control over the production and professional risk factors, as well as takes care of the personnel's safety in the workplaces.

In 2014, E.ON Russia JSC successfully passed inspection (supervisory audit) to confirm the Certificate of Conformity of the Environmental Management System (EMS) with the requirements of ISO 14001:2004 international standard in the area of electric and heat power generation. Following the audit results, it was found that all of the past year environmental objectives set by E.ON Russia JSC had been achieved. The auditors noted the EMS strong points and evidences of continuous improvement.

In addition to the main activity - electric power production - the Company intends to continue working on the distributed generation market in Russia. The development plan includes both the construction of new energy sources, and - if economically viable - the purchase of the existing ones. This segment is one of the promising development lines in the territory of the Russian Federation. In 2014, the Company's distributed generation assets were replenished by power plant in Noginsk (30 MW) where the Company owns a controlling stake. The construction of two facilities for METRO, our German customer, is in progress. Subsidiary of the Company engaged in this area - E.ON Connecting Energies GmbH - is developing in accordance with its plans relating to the decentralized generation volumes. The company already has a proven, flexible business model that makes it possible to confidently operate in this sector and to guarantee further development.

Following the traditions of the International E.ON SE Group, our Company gives close attention to social policy. E.ON Russia JSC annually supports various medical institutions in the regions of presence, pays considerable attention to the area improvement and landscaping, participates in the social and sporting life of the region, contributes to the conservation of history and culture monuments, provides charitable assistance to children with disabilities, as well as supports international cultural projects.

I have no doubts that with the active support of shareholders we will continue to address challenges facing E.ON Russia JSC in the most professional manner, to improve equipment reliability and occupational safety in order to ensure the Company's efficient performance. All these factors will contribute to E.ON Russia JSC maintaining leading positions among the Russian generating companies.

Yours sincerely,
CEO of E.ON Russia JSC
Maksim Gennadyevich Shirokov

3. GENERAL INFORMATION ABOUT THE COMPANY

Full name	Open Joint Stock Company E.ON Russia
Date of state registration	March 04, 2005
Primary State Registration Number (OGRN)	1058602056985
Company Legal Address	Tyumen Region, Khanty-Mansi Autonomous District - Yugra, Surgut city, 23 Energostroyteley Street. bld.34
Address of the Moscow Representative Office	10 Presnenskaya emb, bld. V, floor 23, Moscow, 123317
Contact phone	(495) 545-38-38
Fax	(495) 545-38-39
E-mail address	INFO@EON-RUSSIA.RU
Core business	Generation and sales of electric and heat power and capacity
Total installed capacity, MW	10,345.1
Authorized capital, roubles	25,219,482,458.37
Total number of shares, pcs	63,048,706,145.92
Nominal value of one share, roubles	0.40
Number and date of state registration of shares issue	1-02-65104-D dated 19.04.2007
Major 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., bld. 13, Moscow 107996
Full name of the Company Auditor	PricewaterhouseCoopers Audit, Closed Joint Stock Company

3.1. Company Brief History

In 2005, OGK-4 OAO was established on the basis of five power plants. It was composed of power plants with capacity of 8630 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 E.ON international energy group, which operates in more than 30 countries in the world. The main activity of the Group is generation and supply of electric power, gas production and transportation. E.ON Group and Russia are interconnected by more than 35 years of partnership. E.ON is a shareholder of the Nord Stream gas pipeline, and has a share in the Yuzhno-Russkoye oil and gas field. Today E.ON is the largest foreign investor in the Russian electric power industry.

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

E.ON Russia JSC is 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 increased to 83.73%. E.ON is one of the largest private power and gas groups in the world.

As a result of the investment program being currently implemented in relation to construction of new capacities, as well as the 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. The power unit No.3 of the STU (Steam Turbine Unit) - 800 MW Berezovskaya GRES - is planned to be commissioned in 2015

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

3.2. Position of the Company in the Industry

E.ON Russia JSC is a participant of the wholesale electricity market, it produces and sells electric and heat power. The Company share in the all-Russia electric power generation amounts to 6% following the results of 2014, the share of installed capacity in UES of Russia - 4.6%. The share in Russian heat power plants output amounts to about 10%.

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

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

All this, together with the efficient costs management strategy, allows E.ON Russia JSC 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. Focus Areas of the Company

E.ON Russia JSC continues to develop both a conventional line - efficient management of the existing capacities, and new areas for the Company growth - distributed generation.

The Company's absolute priority for 2015 is timely implementation of the final project of the investment program - construction of power unit No. 3 (800 MW STU) of Berezovskaya GRES. Within the framework of the above project, a gradual shift is being carried out towards a dry ash and slag removal system, which will make it possible to avoid the increase of the existing sludge disposal site area for 30 years and, at the same time, to provide a nearly 50 times reduction in the specific volume of water used in the process cycle. The shift to dry ash and slag removal system shall be completed by 2017. The modernization of treatment facilities of the reverse water supply system at the fuel feeder of the Berezovskaya GRES envisaged by the project was completed in the summer of 2014. Also, the oily wastewater treatment system was propelled to the new technological level in the reporting year.

3.4. Strategy of the Company's development

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

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

3.5. Prospects of the Company's Development

In 2014, E.ON Group decided to restructure its business – divide the Group into two public companies. E.ON SE will focus its efforts on the new energy market and work with customers. Its activity will encompass three main areas: renewable energy sources, distribution networks, and solutions for customers. The new company, which will include E.ON Russia JSC, will focus on the "traditional energy world". Power generation, gas production and transportation, as well as utilities trade will constitute core businesses for the New company.

Russia will be the key region for the "New company". All the businesses, including the distributed generation in Russia, will be transferred to the "New company".

3.6. Company assets

The structure of E.ON Russia JSC 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 District, Tyumen Region), Berezovskaya GRES (Krasnoyarsk Territory), Shaturskaya GRES (Moscow Region), Smolenskaya GRES (Smolensk Region) and Yaivinskaya GRES (Perm Territory).



Basic production and technical characteristics of E.ON Russia JSC, 2014

Power plant	Commissioning years (connection to the grid)	Installed capacity, MW	ICUF* 2014, %	Electric power generation 2014, mln kW·h
Surgutskaya GRES-2	1985-2011	5,597.1	77.3	37,886
Berezovskaya GRES	1987-1989	1,600.0	64.6	9,049
Shaturskaya GRES	1971-2010	1,493.4	38.0	4,969
Smolenskaya GRES	1978-1985	630.0	31.0	1,713
Yaivinskaya GRES	1963-2011	1,024.6	62.6	5,621
E.ON Russia JSC		10,345.1	65.4	59,238

* 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 District – Yugra, Tyumen Region) and is the largest thermal power plant of Russia as regards installed capacity, which amounts to 5,597.1 MW. In 2014, the plant generated 37.886 bln. kW·h.

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 – 1000. The necessity to construct the largest heat power plant in the country was caused by rapid growth of oil and gas production in early 1980s in the north of the Tyumen Region. The region needed electric power: to extract minerals it was necessary to increase the volume of electric power generation five times.

Putting into operation of six power units of Surgutskaya GRES-2 (800 MW each) in record-breaking short time 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 JSC 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 heat power plants in the country. Its technical and economic indicators are highly competitive with the best foreign counterparts: specific fuel consumption is less than 306 grams per kW·h - at steam power units and 227 grams - at CCGTs; electricity consumption for balance-of-plant needs — less than 2.5%; installed capacity utilization factor (ICUF) - 77.3%.

Staff headcount as of 31.12.2014 — 1,244 persons.
Branch Director: Yevgeniy Viktorovich Zhilyayev.

Contact information:

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

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

Location: 23 Energostroyteley Street, Building 34, Surgut 628406, Khanty-Mansi Autonomous District – Yugra, Tyumen Region.

Phone: (3462) 38-13-59.

Fax: (3462) 28-00-36.

E-mail: Surgut_gres-2@eon-russia.ru

Generation of electric and heat power at Surgutskaya GRES-2

Indicator	2010	2011	2012	2013	2014
Electric power generation, mln kW·h	36,623	38,829	39,967	39,850	37,886
Heat output from headers, thousand Gcal	1,016	863	891	908.7	961

BEREZOVSKAYA GRES Branch of E.ON Russia JSC

(hereinafter — Berezovskaya GRES)

Berezovskaya GRES Branch of E.ON Russia JSC is located in the Sharypovo district of the Krasnoyarsk Territory. The plant is operated using lignites. Installed capacity — 1,600 MW. Following the results of the year 2014, the electric power generation amounted to 9.05 billion kWh, heat output – 715 thousand Gcal.

Berezovskaya GRES is the only power plant in Russia with 800 MW power units where coal is used as fuel, all the rest of the heat power plants with same power units are operated using gas. The power plant is operated as part of the unified energy system of Siberia. Share of BGRES yield in the power balance of Siberia is around 6%, in the power balance of the Krasnoyarsk Territory – 18-20%.

Construction of Berezovskaya GRES started in 1976. The technical project of Berezovskaya GRES presupposed the construction of eight 800 MW power units. Thus, power plant's planned installed capacity was to amount to 6400 MW. On December 1, 1987 the first unit of the power plant was commissioned, the second one was put into operation in April 1991. Then the construction ceased to be financed. Installed capacity of the power plant capacity amounted to 1,600 MW. However, shortly after the launch, the capacity of existing power units was reduced from targeted 1,600 MW to 1,400 MW. It occurred due to the intensive slagging of boiler heating surfaces during the operation using the high-ash coal of the Berezovskoye deposit at maximum capacity parameters. In 2009, E.ON Russia JSC launched a project aimed to increase the capacity of the plant up to the targeted 1,600 MW. It became possible due to the use of up-to-date energy technologies. The project to increase installed capacity of power unit No. 2 was completed in the end of 2010. The similar project at power unit No. 1 was completed in 2011.

Berezovskaya GRES has a unique scheme of fuel supply. The main volume of coal is delivered to the plant directly from Berezovskoye deposit of the Kansk-Achinskii basin via two 14 kilometers long open conveyor belts. In 2014, at the Berezovskaya GRES, a new fuel supply distributed control system was put in test operation following the large-scale modernization. Up-to-date PCS software allows duty officers to conduct a real-time monitoring of all primary and secondary processes of coal supply, such as fire suppression, aspiration, ventilation, wet dust extraction and circulating water supply.

The investment program of E.ON Russia JSC envisages the construction of 800 MW power unit No. 3 at the Berezovskaya GRES. The works on the construction site started in May 2011. The new power unit putting into operation is planned in 2015. Concurrently with construction of power unit No. 3 at the Berezovskaya GRES, a project is being implemented to switch the plant to dry ash removal system, which will make it possible to avoid the increase of the ash disposal area for 40 years, will enable ash slag production use and reduce negative ash disposal area effect on the environment of the region to minimum.

Work aimed to reduce harmful emissions into the environment is systematically carried out at E.ON Russia JSC and covers all areas of the process flow at the Company's power plants. Following the results of the year, the Berezovskaya GRES Branch of E.ON Russia JSC was titled as "The Best Environmentally Responsible Company of the Krasnoyarsk Territory in 2014" for the systematic and high quality environmental measures execution. The respective diploma was given on behalf of the Chairman of the Federation Council Committee for Nature Management Gennady Gorbunov to the director of the branch Vladimir Borisov during the Russian Industry and Environment Forum which took place in Moscow on December 16-17, 2014.

Staff headcount as of 31.12.2014 — 1,105 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

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

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

Fax: (39153) 7-10-18.

E-mail: bgres@eon-russia.ru

Indicator	2010	2011	2012	2013	2014
Electric power generation, mln kW·h	9,288	11,082	10,738	10,020	9,049
Heat output from headers, thousand Gcal	774	694	731	696	715

SHATURSKAYA GRES Branch of E.ON Russia JSC

(hereinafter - Shaturskaya GRES)

Shaturskaya GRES is a heat power plant located in Shatura (Moscow Region). The main fuel is natural gas, however, coal, black oil and peat may also be used at the GRES. Installed capacity of Shaturskaya GRES is 1,493.4 MW, heating capacity is 344.5 Gcal/h. Following the results of 2014 electric power generation amounted to 4.969 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 existed till 1926. The design of permanent plant named "Shaturskaya District Electric Power Plant" 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 JSC, construction of a new power unit 400 MW CCGT was commenced. It was put into service in November 2010. 400 MW CCGT of Shaturskaya GRES was Russia's first single-shaft power unit with the most powerful serial gas turbine of F-class. The efficiency of the combined cycle unit of Shaturskaya GRES is about 56%, which exceeds the performance indicators of power units in the Russian heat generation more than by one third.

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

Staff headcount as of 31.12.2014 — 939 persons.

Director of the branch — Sergey Fedorovich Bakurin.

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	2010	2011	2012	2013	2014
Electric power generation, million kW·h	4,112	5,893	5,185	5,310	4,969
Heat output from headers, thousand Gcal	430	403	401	383	378

YAIVINSKAYA GRES Branch of E.ON Russia JSC

(hereinafter - Yaivinskaya GRES)

Yaivinskaya GRES is a heat 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 JSC a new combined cycle power unit of 426.4 MW was constructed at Yaivinskaya GRES. In 2014, the plant generated 5.621 billion kWh and 95 thousand Gcal of heat.

Yaivinskaya GRES is situated in the Bereznikovsko-Solikamsky economic district, where in the 1950s there was a long-felt need for construction of a new power plant. Construction of GRES commenced in March 1956 and on 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/hour. At that time it was the largest power plant of the Perm power system. Currently, Yaivinskaya GRES is the largest in the upper Kama river area. New impetus was obtained by the plant in 2008, when construction of 425 MW power unit No. 5 was commenced based on the state-of-the-art combined cycle technology in the power industry.

The CCGT-400 unit was put into service in August 2011. The new plant unit has a number of advantages over currently operated equipment. Efficiency factor is almost one third higher than that of the currently operated equipment - 54.1% (55.9% – electric power generation). In addition, the combined cycle gas turbine (CCGT) is maneuverable that allows for quickly adjusting the capacity being generated to the needs of the power grid, and environmentally friendly - less emission of nitrogen oxide and CO₂. Due to the 400 MW CCGT commissioning, installed capacity of the plant increased up to 1,025 MW.

In June 2013, a start-up of associated petroleum gas took place at the plant. It allowed to completely refuse from combustion of coal which now is a backup type of fuel.

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

Staff headcount as of 31.12.2014 — 484 persons.

Director of the branch — Yevgeniy Aleksandrovich Inozemtsev

Contact information:

Yaivinskaya GRES Branch of E.ON Russia JSC

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

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

Phone: (34274) 2-43-59.

Fax: (34274) 3-14-64.

E-mail: yagres@eon-russia.ru

Generation of electric and heat power at Yaivinskaya GRES

Indicator	2010	2011	2012	2013	2014
Electric power generation, mln kW·h	3,840	4,854	6,345	5,783	5,621
Heat output from headers, thousand Gcal	104	100	95	91	95

Smolenskaya GRES Branch of E.ON Russia JSC

(hereinafter — Smolenskaya GRES)

Smolenskaya GRES is a heat power plant located in Ozerny settlement of the Smolensk Region. Smolenskaya GRES is operated using coal and natural gas, it was put into operation in 1978. 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. Following the results of 2014 electric power generation amounted to 1.713 bln kW·h.

The Ministry of Energy and Electrification of the USSR resolved on construction of Smolenskaya GRES in 1965 with due account for milled peat reserve of the Svitsko-Zharkovskaya base. Construction of the power plant was commenced in 1970. On January 12, 1978 the state commission accepted for operation the first power unit of the plant, this day is the official date 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 connecting 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 and high reactivity. During first years of its operation, the power plant frequently had to change types of fuel. Initially the plant received coal from Inta, later on it was replaced with coal from the suburbs of Moscow. Then, power engineers from Smolenskaya GRES started using slate as fuel, which was subsequently replaced with coal from Khakassia. All in all, combustion of 14 types of solid fuel was tried at the power plant, including coal from Uzbekistan and European Silesia. Combustion of millions of tons of non-design type of fuel required continuous reconstruction and modernization of the equipment.

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

In 2011, works on reconstruction and commissioning of the first section of the ash disposal area at Smolenskaya GRES were completed. These works will 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 reduce environmental impact of the ash disposal area.

Staff headcount as of 31.12.2014 — 518 persons.

Director of the Branch — Victor Ivanovich Brashchenkov

Contact information:

Smolenskaya GRES Branch of E.ON Russia JSC

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

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

Phone: (48166) 2-91-59

Fax: (48166) 2-91-89

E-mail: smgres@eon-russia.ru

Electric and heat power generation at Smolenskaya GRES

Indicator	2010	2011	2012	2013	2014
Electric power generation, million kW·h	1,928	1,809	1,966	2,030	1,713
Heat output from headers, thousand Gcal	70	66	66.8	64	61

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

In order to increase the efficiency of control over the implementation of the project of "Construction of Power Unit No. 3 on the base of CCGT-800 of Berezovskaya GRES Branch of E.ON Russia JSC", E.ON Engineering JSC Branch of E.ON Russia JSC was established located in Moscow and Sharypovo pursuant to the resolution of the Board of Directors dated 29.01.2014.

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

Staff headcount as of 31.12.2014 — 415 persons.

Director of the Branch — Aleksey Igorevich Nepomnyashchiy

Contact information:

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

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

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

E-mail: info@eon-russia.ru

Moscow representative office of E.ON Russia JSC

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

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

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

Name	Moscow representative office of E.ON Russia JSC
Location	10 Presnenskaya Nab., Block B, Moscow 123317
Postal address	10 Presnenskaya Nab., Block B, Moscow 123317

3.7. Events calendar for 2014

January	<ul style="list-style-type: none"> □ CEO of E.ON Russia JSC Maksim Shirokov held a round-table discussion at the World Economic Forum in Davos.
February	<ul style="list-style-type: none"> □ Final stage of installation of the boiler of the power unit No. 3 at Berezovskaya GRES was launched. □ First inspection of the new combined cycle gas turbine plant was held at Yaivinskaya GRES. □ Shaturskaya GRES Branch of E.ON Russia JSC started the implementation of the scheduled repair of the main equipment of the plant in 2014. □ Power unit No. 4 of Surgutskaya GRES-2 Branch of E.ON Russia JSC passed through a competitive selection of system service providers for the provision of services for the standardized primary frequency control (SPFC) in the period from February to December 2014. □ E.ON Russia JSC held a round-table discussion concerning the prospects of development of electric power industry at the 11th Krasnoyarsk Economic Forum. □ E.ON Engineering Branch was established.
March	<ul style="list-style-type: none"> □ An annual partner check for the plant compliance with high labour safety requirements generally accepted in the E.ON Group was held at Yaivinskaya GRES. □ Heat Network of Berezovskaya GRES Branch of E.ON Russia JSC was liquidated.
April	<ul style="list-style-type: none"> □ Smolenskaya GRES Branch of E.ON Russia JSC started the scheduled operating repair of power unit No. 2. □ The installation of the main boiler equipment of power unit No. 3 at Berezovskaya GRES is completed. □ The scheduled repair of the 400 MW power unit No. 7 at Surgutskaya GRES-2 was completed. □ The scheduled repairs of power unit No. 5 at Yaivinskaya GRES was completed.
May	<ul style="list-style-type: none"> □ The Board of Directors of E.ON Russia JSC recommended the annual General Shareholders' Meeting of the Company to adopt a resolution on pay-out of dividends amounting to 100% of profit as per IFRS for year 2013 (18.926 mln roubles). As well as special dividends of profit based on the results of the last years in the amount of 5 bln. roubles. According to the proposals on profit distribution, the Board of Directors recommended the shareholders to approve the dividends pay-out for E.ON Russia JSC ordinary shares subject to the results of financial year 2013, amounting to 0.300189 roubles per each ordinary share, as well as following the results of shareholders undistributed profit of the last years in the amount of 0.079304 roubles per each ordinary share.

June	<p>□ E.ON Russia JSC obtained ISO 19770 certificate for the first time in the history of the Russian Federation. The SAM certification system confirms compliance with international standard ISO/IEC 19770-1: SAM Processes.</p> <p>□ Shaturskaya GRES held modernization of a combined cycle gas turbine.</p> <p>□ Director for Public Relations and Government Relations at E.ON Russia JSC Dmitry Valeryevich Ermilichev entered the Top 100 of the best directors for communications.</p> <p>□ Annual General Shareholders' Meeting of E.ON Russia JSC took place. The Shareholders' Meeting approved the annual report of E.ON Russia JSC for 2013, annual financial statements, including the profit and loss statement, and distribution of the Company's profit following the results of the financial year 2013 and retained earnings of shareholders of E.ON Russia JSC following the results of the last years. The dividends pay-out for E.ON Russian JSC ordinary shares was approved subject to the results of financial year 2013, amounting to 0.300189 roubles per each ordinary share, as well as put of retained earnings of the last years following the results of E.ON Russian JSC shareholders in the amount of 0.079304 roubles per each ordinary share, which is 18.926 bln roubles and 5 bln roubles, respectively. Dividends were decided to be paid in cash.</p>
July	<p>□ The Board of Directors of E.ON Russia JSC unanimously elected Jorgen Kildahl, member of the Board of E.ON SE, as the Chairman of the Board, and Maksim Shirokov, CEO of E.ON Russia JSC, as his Deputy.</p> <p>□ Surgutskaya GRES-2 Branch of E.ON Russia JSC was given a Plaque commemorating the System Operator of the Unified Energy System JSC (SO UES) Award "For the Significant Contribution to Ensuring the Reliability of Electric Power Modes in UES of Russia".</p>
August	<p>□ E.ON Russia JSC informed the Center for Financial Settlements of its intent to put into service power unit No. 3 of Berezovskaya GRES ahead of schedule.</p> <p>□ E.ON Russia JSC published reporting calculated according to the International Financial Accounting Standards (IFRS) for the I half of 2014. The Company's revenue for the accounting period increased by 2% as compared to 2013 and amounted to 39.25 bln roubles. The EBITDA indicator decreased by 12% and amounted to 12.7 bln roubles. Net profit of E.ON Russia JSC for the first half of 2014 by the IFRS fell by 15% from 9.4 bln roubles to 8.0 bln roubles.</p> <p>□ At the Berezovskaya GRES branch of E.ON Russia JSC a new fuel supply distributed control system was put into test operation following the large-scale modernization.</p>
September	<p>□ Beginning from September 1, 2014, Closed Joint-Stock Company "MICEX Stock Exchange" transferred ordinary shares of E.ON Russia JSC from the section "Second Level" to the section "First Level" of the List of securities admitted to trading on MICEX SE JSC.</p> <p>□ The meeting of E.ON Russia JSC Board of Directors was held, where a decision was adopted to approve the agreement concerning the termination of the contract for design, engineering, supply, construction under conditions of a "turnkey" construction with regard to implementation of project "Construction of Power unit No. 3 on the base of 800 MW STU of Berezovskaya GRES Branch of E.ON Russia JSC" entered into between Energoproekt CJSC, Zarubezhenergoproekt OJSC and E.ON Russia JSC. In order to optimize the construction of the third power unit of Berezovskaya GRES in early 2014 it was decided to complete the construction through the efforts of E.ON Russia JSC, for which purpose a separate division - the E.ON Engineering Branch - was created.</p> <p>□ Berezovskaya GRES Branch of E.ON Russia JSC completed connection to heating of consumers of Sharypovo town, Dubinino and Kholmogorskoye settlements of the Krasnoyarsk Territory.</p>
October	<p>□ Power unit No. 2 of the Berezovskaya GRES Branch of E.ON Russia JSC was withdrawn from reserve and included in the Unified Energy System of Siberia.</p>

November	<p>□ E.ON Russia JSC obtained the acknowledgement of the validity of the Certificate of Conformity of the Company's Environmental Management System (EMS) with the requirements of ISO 14001:2004 international standard in the area of electric and heat power generation.</p> <p>□ E.ON Russia JSC obtained a certificate of readiness for the autumn and winter period of 2014-2015. E.ON Russia JSC readiness to pass the AWP was acknowledged by a special commission comprising the representatives of the Ministry of Energy of the Russian Federation, the Rtn, SO UES JSC, the Russian Emergency Situations Ministry and the heads of E.ON Russia JSC production unit.</p>
December	<p>□ The Berezovskaya GRES Branch of E.ON Russia JSC was titled as "The Best Environmentally Responsible Company of the Krasnoyarsk Territory in 2014" for the systematic and high quality environmental measures execution. The respective diploma was presented on behalf of the Chairman of the Federation Council Committee for Nature Management Gennady Gorbunov to the Branch Director Vladimir Borisov during the Russian Industrial and Environmental Forum.</p> <p>□ E.ON Russia JSC approved a program for the enhancement of generating assets efficiency for 2015–2018. The proposed measures are based on results of the pilot project at the Shaturskaya GRES which is implemented with assistance of E.ON European experts and provides for the annual growth of the branch gross profit by more than 5% starting already from 2016.</p>

4. FINANCIAL PERFORMANCE REVIEW

4.1. 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 2014, revenues of E.ON Russia JSC decreased by 0.7% to 79 bln 956 mln roubles from 80 bln 492 mln roubles in 2013. Earnings before interest, taxes, depreciation and amortization without exchange rate differences (EBITDA) of E.ON Russia JSC decreased by 9.9% from 27 bln and 987 mln roubles in 2013 to 25 bln 207 mln roubles following the results of 2014.

4.2. Several factors affecting the Company performance

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

RUSSIAN ELECTRIC ENERGY SECTOR REGULATION. TARIFFS

Regulated tariffs for electric (heat) power (capacity) fixed for the Company power plants vary a lot depending on several conditions, including subject to the 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 RF Government Decree No. 1178, dated 29.12.2011, 'On pricing in regulated prices (tariffs) in the electric power industry', a tariff-setting procedure with calendar break-down was introduced based on the principle of non-exceedance of the prices (tariffs) value and their limits in the first half of the next annual regulatory period over the value of corresponding prices (tariffs) and their limits in the second half of the previous annual regulatory period as of December 31. When establishing tariffs for 2012 and 2014, growth indices were not applied pursuant to the Government resolution.

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

Electric power tariffs, RUB/Wh						
Name		2012	2013		2014	
			Half 1	Half 2	Half 1	Half 2
Surgutskaya GRES-2	Unit 1-6	605.59	605.59	696.91	696.91	696.99
	Unit 7/ Unit 8	462.47	462.47/ 462.47	532.34/ 533.70	528.74/ 528.74	528.74/ 528.74
Berezovskaya GRES	TG1/TG2	-/285.63	319.20/ 285.63	319.20/ 289.89	318.41/ 289.89	318.41/ 294.83
Shaturskaya GRES	Unit 1-6	1,094.14	1,094.14	1,179.22	1,179.22	1,193.20
	Unit 7	654.61	654.61	746.10	746.10	769.00
Smolenskaya GRES		1,168.80	1,168.80	1,335.95	1,265.88	1,265.88
Yaivinskaya GRES	Unit 1-4	863.44	863.44	991.61	991.61	1,007.85
	Unit 5	549.67	549.67	632.66	611.70	611.70

In 2014, around 10.5 bln kWh of electric power was sold under regulated contracts by the Company. Revenue from sales of electric power and capacity in a regulated segment of market was 10 bln 573 million roubles (or 13.5% of the total revenue).

The capacity tariffs under the regulated contracts set by the Federal Tariff Service for the E.ON Russia JSC power plants in the period from 2012 to 2014 are given in the table:

Capacity tariffs, RUB/MW per month

Name	2012	2013		2014	
		Half 1	Half 2	Half 1	Half 2
Surgutskaya GRES-2	81,146.18	81,146.18	86,014.51	86,014.51	86,239.42
Berezovskaya GRES TG1/TG2	-/146,787.92	156,000.00/ 146,787.92	156,000.00/ 153,980.53	156,000.00/ 153,980.53	156,000.00/ 153,980.53
Shaturskaya GRES	123,000.00	123,000.00	129,954.62	129,954.62	130,188.47
Smolenskaya GRES	93,473.93	93,473.93	98,029.90	98,029.90	98,264.33
Yaivinskaya GRES	135,440.66	135,440.66	142,995.76	142,995.76	143,227.31

Fuel expenses

The Company consumes considerable amount of various types of fuel for generation of electric and heat power. E.ON Russia JSC buys significant volumes of gas and coal, and in a less degree, fuel oil. Following the results of the year 2014, share of fuel expenses decreased by 0.3 per cent vs. 2013 and amounted to 61.5% of the total operational expenses of the Company. In general, fuel costs in 2014 increased by 1,015 mln roubles (+ 2.8%) against 2013 and amounted to 37 bln 512 mln roubles. Growth of fuel costs in the general structure of the Company expenses is conditioned by growth of prices for key utilities in Russia.

Basic component of E.ON Russia JSC fuel portfolio is gas, which share in the physical volume of fuel consumed by the Company in 2014 amounted to 82.8%. Gas procurement expenses amounted to 91.7% of the overall fuel expenditure of the Company in 2014.

Coal is also a significant component in the Company fuel mix. In 2014, share of coal in physical volume of fuel consumed by the Company amounted to 17.1%. Expenses for coal consumed (for electric and heat power generation) made 8.0% 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 JSC power plants (mainly to Berezovskaya GRES) is the Russian major coal producer - SUEK JSC, which is the owner of Berezovskiy-1 cross-section.

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

The Company's expenses related to third party services rendered at the wholesale power market amounted to 1,191.1 million roubles (2.0%) of the Company total operational expenses in 2014.

Seasonal prevalence

Season-related factors have material influence upon the Company's performance. 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 day and weather conditions. It depends on the ambient air temperature, length of the daylight hours, lighting, and 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 indicated factors are also related to seasonal events: snowmelt flood (that leads to HPP output increase), campaigns for maintenance of generating and electric power supply equipment that are effected on a large scale between the autumn and winter period. Influence of HPP power output 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 growth of economy and markets at which the Company conducts activities, considerably influence the Company's performance.

The table below shows several key macroeconomic indicators relevant for the Russian economy for the period from 2009 through 2014:

Indicator	2009	2010	2011	2012	2013	2014
Growth of GDP, %	-7.80	4.30	4.30	3.40	1.30	0.60
Consumer price index, %	8.80	8.80	6.10	6.60	6.50	11.40
Level of unemployment, %	8.40	7.50	6.60	5.70	5.50	5.20

Source: Rosstat

On February 6, 2014, the Ministry of Economic Development published report On Results of Social and Economic Development of the Russian Federation in 2014, which contained the following conclusions:

1) The macroeconomic situation is characterized in 2014 by gradual weakening in the dynamics of development.

Aggravation of the geopolitical situation and the strengthening of economic sanctions against Russia in 2014 led to an increase in uncertainty and sharp deterioration in business confidence. The restriction of access of Russian companies to international financial resources and the hardening of monetary policy led to an increase of cost of borrowing, which negatively to even larger extent affected investment demand and consumers' moods, having caused reinforcement of capital outflow and an inflation boom. Oil price drop and acuteness of an external economic situation from the middle of 2014 led to the further deterioration of conditions for economic growth.

2) In the real economy sector, the situation is as follows. With an exception of season- and calendar-specific component the volume of industrial production was 0.7% in December 2014 compared to November 2014. At the same time, industrial production index in 2014 was 101.7% vs. 2013, and 103.9 per cent in December 2014 vs. December 2013.

Development of industrial complex was characterized in 2014 by the following factors: stagnation in production, low increase of labour efficiency, slowdown in the investment activity, national currency weakening, and inhibition of growth of domestic demand, foreign political pressure and mutual sanctions. The highest growth rates following the results of the year were recorded in some manufacturing industries, vehicle and equipment manufacturing, production of rubber and plastic products, production of coke and oil products. At the same time, the negative trends were shown in branches of light industry and timber industry complex. Stable growth rates were recorded in activities related to mining, where the industrial production index in 2014 was 101.4% vs. 2013, including the activity "Extraction of Fuel and Energy Natural Resources" - 101.1%, and the activity "Extraction of Natural Resources, Except for Fuel and Energy Ones". In 2014, according to the calculations of the Ministry of Economic Development of Russia, production of main types of primary fuel and energy resources decreased by 1.0% vs. 2013 mainly due to reduction of oil and gas extraction and electric power generation by hydro power plants.

Extraction of natural and associated gas (hereinafter – the gas) in 2014 decreased to 639.2 bln cubic meters due to reduced production of Gazprom Group entities, while maintaining the trend of increasing gas production by independent producers and oil companies.

Coal extraction in 2014 amounted to 356 mln tons, while surface coal production decreased by 0.6%, and underground coal production - increased by 4.1 percent. Decrease in coal extraction is explained by decrease in production of lignite due to the reduction of domestic demand for it.

3) Situation at the labor market in 2014 was as follows. During 2014 unemployment rate (disregarding seasonal factor) was at the level of 5.1-5.2% of economically active population. In general, the public employment services on average registered 877 thousand unemployed people for 2014, which is 10% less than in 2013.

People's living standard. In general, for 2014, according to the State Statistics Service, the average monthly nominal accrued salary was 32,600 roubles (9.2% growth vs. 2013).

4) Following the results of 2014, consumer-price inflation (CPI) amounted to 11.4%, which is 4.9 percentage points higher compared to previous year (6.5%). This is the highest figure since 2009.

Inflation began to pick up pace since August following the counter sanctions introduction for the food import restriction which subsequently added up an effect of rouble devaluation sharply intensified at the end of the year

against falling of rouble in December. As a result, the growth of prices in 2014 in all the consumer market sectors was higher than a year ago.

The major contribution to inflation in 2014 was made by high growth of food prices during the year which by the end of the year reached 15.4%, 2 times exceeding the previous year figures (7.3%), and was higher than last five years indicators.

The sharp rouble collapse at the end of the year started to express in the enhanced growth of prices for non-food goods (annual growth by 8.1%) and market services (11.3%), which also increased their contribution to inflation.

As for the industry, the Producer Price Index in 2014 averaged 105.9% (vs. 103.7% in the previous year), including in December - 100.8%. Under stagnant domestic demand, weakening of the ruble was a major factor contributing to rising prices – for the export-oriented industries in the environment of the domestic prices orientation towards the equal profitability with export supplies, for the industries oriented towards the domestic market – under the pressure of rising costs of imported material resources.

5) In 2014, a significant weakening of currencies of the countries with emerging markets, including the Russian rouble against major world currencies, took place. Drop of Russian national currency rate was conditioned by high geopolitical risks, significant reduction in the world oil prices and increased credit institutions' demand for foreign currency liquidity, including for the purposes of servicing foreign debt. By the results of 2014, the official exchange rate of the US dollar against the rouble rose by 72% to reach 56.2376 roubles per dollar as of 01.01.15, the euro against the rouble - by 52% to reach 68.3681 roubles per euro, dual currency basket value increased by 61% to 61.6963 roubles.

TAXATION AND DEDUCTIBLES TO GOVERNMENTAL NON-BUDGETARY FUNDS

The Company is a taxpayer of several taxes, which considerably influence the Company's performance. The table below sums up the data on types and size of taxes paid by the Company to budgets of various levels during 2013 and 2014.

Taxes paid to budgets of all levels, mln roubles		
	Paid in total as per tax in 2013	Paid in total as per tax in 2014
VAT	4,373.0	3,424.2
Income tax	4,311.5	2,831.2
Income tax from revenues in the form of dividends	1,018.6	1,005.0
Mineral extraction tax	0.01	0.01
Water tax	0.72	0.74
Property tax	964.9	692.0
Personal income tax	558.3	596.1
Personal income tax in the form of dividends	45.6	33.2
Transport tax	2.1	2.2
Land tax	32.4	32.6
Others	2.9	3.5
Total	11,309.9	8,620.7
Insurance premium payments into state non-budget funds, million roubles		
	Total payments to funds in 2013	Total payments to funds in 2014
	859.2	994.2

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.

4.3. Performance

The table below shows operation results of the Company for 2013–2014:

Indicator	2013	2014	2014/2013 +/-%
Revenue, mln roubles	80,491.7	79,955.9	-0.7%
Prime cost, mln roubles	59,007.8	60,954.9	3.3%
EBITDA (without exchange difference) ¹ , mln	27,986.8	25,206.7	-9.9%
Rate of return with regard to EBITDA (without exchange differences), %	35.0%	31.5%	-
EBIT (without exchange differences) ² , mln	20,689.9	18,631.3	-9.9%
Rate of return with regard to EBIT (without exchange differences), %	25.7%	23.3%	-
Net profit, mln roubles	18,926.5	17,505.0	-7.5%
Rate of return with regard to Net profit, %	23.5%	21.9%	-
Exchange rate difference, mln roubles	314.6	1,741.2	453.4%

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 2014, the Company's revenue came from sales of electric power, heat, as well as sales of other products and services of industrial and non-industrial nature. Following the results of 2014, revenue of E.ON Russia JSC decreased by 0.7% against 2013 and amounted to 79,955.9 mln roubles.

Indicator	2013 million roubles	2014 million roubles	2014/2013 +/-%
Sales of electric power	56,291.8	57,478.7	2.1%
Sales of capacity	22,710.4	20,826.5	-8.3%
Sales of generated heat power	808.5	889.4	10.0%
Heat power transportation	301.3	309.9	2.8%
Other production sales	365.6	438.1	19.8%
Other non-production sales	14.1	13.5	-4.7%
Total revenue	80,491.7	79,955.9	-0.7%

¹ EBITDA = Profit (loss) from sales + Other income - Other expenses – Net balance of exchange rate difference + Expenses on securities issue, IPO + depreciation

² EBIT = Profit (loss) from sales + Other income - Other costs – Net balance of exchange rate difference + Expenses on securities issue, IPO

Electric power and capacity

Following the results of 2014, revenue from electric power and capacity sales decreased by 0.9% to 78.3 bln roubles from 79.0 bln roubles following the results of 2013. Revenue share from electric power and capacity sales

sold in the regulated market sector³ changed slightly in the total revenue of E.ON Russia JSC following the results of 2014, approximately by 1 p.p., and amounted to 10.57 bln roubles (share in the total revenue - 13%). In addition, the revenue share from sales in the competitive sector decreased by 1 p.p. to 85%, and its volume amounted to 67.73 bln roubles.

Decrease of revenues from sales of electric power and capacity in 2014 vs. 2013 is primarily due to decreased revenue from capacity sales because of decreased capacity price as a result of KOM 2014 for Berezovskaya GRES, as well as downtime of CCGT Unit No. 7 of Surgutskaya GRES-2 as a result of generator short circuit.

Heat power

Following the results of 2014, revenue from heat power sales increased by 8% up to 1,199.2 mln roubles from 1,109.8 mln roubles following the results of 2013. In general, following the results of 2014, revenues share from heat power sales (in the total Company revenues) amounted to 1.5%.

Other income

Following the results of 2014, other income (revenues from sales of industrial and non-industrial nature) of the Company increased by 19% up to 452 mln roubles from 380 mln roubles following the results of 2013, mainly due to the provision of services on the lease of the property provided to the contractors within the construction of the third power unit at Berezovskaya GRES, as well as due to increased income from the provision of system services for the standardized primary frequency control (SPFC) within the market of services for ensuring system reliability. Share of other income following the results of 2014 amounted to 0.6% of the total revenue of E.ON Russia JSC.

4.4. Expenses

The table below shows the Company expenses following the results of the year 2014 (million roubles):

Indicator	2013 million roubles	2014 million roubles	2014/2013 +/-%
Fuel for generation of electric power and heat	36,496.6	37,511.7	2.8%
Other material costs	5,779.6	6,206.0	7.4%
Payment for the market operator's services	1,148.5	1,191.1	3.7%
Labor costs	4,169.5	4,330.2	3.9%
Deductibles to Non-Budgetary Funds	898.1	978.2	8.9%
Taxes in the prime cost	1,064.9	1,166.5	9.5%
Other expenses	2,153.8	2,995.8	39.1%
Depreciation	7,296.9	6,575.4	-9.9%
Total expenses	59,007.8	60,954.9	3.3%

Fuel expenses

Share of fuel expenses in the Company operational expenses structure decreased by 0.3 p.p. — down to 61.5%. In general, fuel costs in 2014 increased by 1,015 mln roubles (+ 2.8%) against 2013 and amounted to 37 bln 511.7 mln roubles. Growth of fuel costs in the general structure of the Company expenses is conditioned by growth of prices for key utilities in Russia.

³ excluding Capacity Supply Contracts (CSC)

Other material expenses

Other material expenses include: procured electric power and capacity, repair costs, costs of raw materials and materials for operation and economic needs, transport and office equipment servicing, and labor safety. Following the results of 2014, costs of E.ON Russia JSC attributable to other material expenses amounted to 6,206.0 mln roubles, including the expenses on procured electric power and capacity - 4,279.5 mln roubles. Share of other material expenses in the total volume of the Company's expenses amounted to 10.2% following the results of 2014.

Payment for the market operator's services

Expenses on 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 on third parties' services payment*" of the section "Review of financial results"). Following the results of the year 2014, expenses of E.ON Russia JSC with regard to payment for the market operators' services increased by 3.7% as compared with 2013 and amounted to 1 bln 191.1 mln roubles (1,148.5 mln roubles following the results of the year 2013). Following the results of 2014, share of expenses on the market operator services in the total volume of the Company's costs remained unchanged compared to 2013 and amounted to 2.0%.

Labor costs

Labor costs include all costs of salaries with due account for estimated liabilities. Following the results of the year 2014, the Company's costs of salary increased by 3.9% - up to 4.33 bln roubles from 4.17 bln roubles following the results of 2013. The Company's costs of salary with due account for estimated liabilities amounted to 7.1% of the Company's total costs following the results of 2014.

Deductibles to Non-Budgetary Funds

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

The total amount of deductibles to non-budgetary funds with due account for estimated liabilities in 2014 amounted to 978.2 mln roubles. Based on the results of 2014, share of costs attributable to non-budgetary deductibles in the total volume of the Company's costs changed insignificantly vs. 2013 and amounted 1.6% (1.5% in 2013).

Other taxes linked with prime cost

Taxes attributable to prime cost include: property tax, transport tax, land tax, water tax, mineral extraction tax and duties. Following the results of 2014, the Company's tax costs increased by 9.5% to 1.17 bln roubles from 1.06 bln roubles following the results of 2013. The Company's tax costs amounted to 1.9% of the Company's total costs following the results of 2014. Growth on the property tax charges at Surgutskaya GRES-2 Branch was due to expiry of tax benefits in October 2013 in respect of the property created in the process of implementation of the project for construction of CCGT unit, as well as at Yaivinskaya GRES Branch due to the differentiated tax rate (1.1%) expiration in July 2014.

Other expenses

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

Following the results of 2014, other expenses of E.ON Russia JSC increased by 39.1% to 2.99 bln roubles from 2.15 bln roubles following the results of 2013. A share of the Company's other expenses in the operating costs structure of 2014 amounted to 4.9%. The increase in other expenses is mainly due to the scheduled maintenance and inspections with regard to the new CCGT units in 2014.

Depreciation

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

Following the results of 2014, depreciation charges of E.ON Russia JSC decreased by 9.9% to 6.58 bln roubles from 7.29 bln roubles following the results of 2013. The share of the Company's depreciation charges in the structure of operational costs in 2014 amounted to 10.8%. Decrease in depreciation charges is explained by the reflection in 2013 of reassessment of operations with regard to depreciation for 2010-2011 in connection with the revision of useful life of the disaggregated fixed assets.

4.5. EBITDA

Following the results of the year 2014, earnings of E.ON Russia JSC before interests, taxes and depreciation amounted to 25.21 bln roubles, that is lower than the same indicator of 2013 by 9.9% (27.99 bln roubles). This EBITDA negative dynamics in 2014 was due to: decreased revenue from sales of capacity by 8.3% because of reduced price of capacity based on the results of CCA (Competitive Capacity Auction) of 2014 for Bereznovskaya GRES, as well as downtime of CCGT Unit No. 7 of Surgutskaya GRES-2 as a result of short circuit of a generator; a 2.8% fuel costs increase caused by the increased prices for key utilities in Russia; borne expenditures for scheduled service maintenance of new CCGT units, as well as increased expenditures for the purchased energy

because of increased volume of purchase and increased price of purchased electric power. EBITDA was also positively influenced by increase in other income.

Rate of return with regard to EBITDA without exchange differences following the results of 2014 amounted to 31.5 (in 2013 – 35.0%).

4.6. EBIT

Earnings of E.ON Russia JSC before interest and taxes following the results of 2014 also decreased by 9.9% to 18.63 bln roubles from 20.69 bln roubles following the results of 2013. Key factors of such EBIT dynamics in 2014 were similar to the key factors of change in EBITDA.

Rate of return with regard to EBIT following the results of the year 2014 amounted to 23.3% (25.7% in 2013).

4.7. Net profit

Net profit of the Company following the results of 2014 amounted to 17.51 bln roubles, which is below the results of the net profit in 2013. Net profit E.ON Russia JSC following the results of 2013 amounted to 18.93 bln roubles.

Rate of return with regard to net profit of E.ON Russia JSC amounted to 21.9% following the results of the year 2014 (in 2013 — 23.5%).

4.8. Assets. Significant Changes in Assets Profile

In 2014, assets of E.ON Russia JSC decreased by 4.3% and amounted to 125 bln roubles. The above decrease is conditioned by the following changes:

The non-current Company assets as of the accounting date grew in 2014 by 13.4% to reach 97.76 bln roubles from 86.22 bln roubles as of January 1, 2014. Significant increase was in line 1151 "Construction in progress" due to equipment procurement and works performance related to construction of power unit No. 3 of Berezovskaya GRES branch scheduled to be commissioned in 2015.

The current assets of the Company as of 31.12.2014 decreased by 38.4% — to 27.60 bln roubles. Reduction was mainly due to: decrease of accounts receivable (-49.8%) as a result of improvements of payment discipline and increased percentage of collectability through the use of tools of financial guarantees with regard to WMEPC (wholesale market for electric power and capacity), as well as through the increased equipment supply under a service and equipment supply contract for construction of power unit No. 3 of Berezovskaya GRES Branch.

Changes in line 1240 "Short-term financial investments (except for monetary equivalents)", which decreased from 8.90 bln roubles as of beginning of 2014 to 2 bln 097 mln roubles as of December 31, 2014 were caused by the refusal from placing deposits with maturity exceeding 90 days with a view to reduce credit risks.

4.9. Liabilities. Significant Changes in Liabilities Profile

Significant changes in the structure of the Company's liabilities were connected with increase of long-term liabilities (+9.2%) in terms of deferred tax liabilities, as well as with increase of short-term liabilities (+6.9%) in terms of estimated liabilities.

Capital and reserves of the Company as of December 31, 2014 decreased to 114,630 mln roubles (-5.3%) due to the decreased undistributed profit of the Company. The decrease in undistributed profit of the Company is caused by resolution of the General Shareholders' Meeting of the Company concerning the payment of special dividends from undistributed profit of the previous years in the amount of 5 billion roubles.

Other sections underwent minor changes.

4.10. Liquidity and Equity Capital

Monetary assets from the day-to-day operation were the main source of the Company liquidity in 2014.

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

5. CORPORATE GOVERNANCE

5.1. Compliance with Legal and Ethical Standards

Issues related to transparency and efficiency of the corporate governance are of great importance for E.ON Russia JSC activity. In March 2014 the Bank of Russia Board of Directors approved the Code of Corporate Governance, the main provisions of which were reflected in the Company's internal documents governing the activities of the Company's management bodies⁴.

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

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

Pursuant to the up-to-date requirements in the sphere of counteracting the use of insider information and securities prices manipulation, the Company also developed and approved the Regulation on Insider Information⁵. 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.

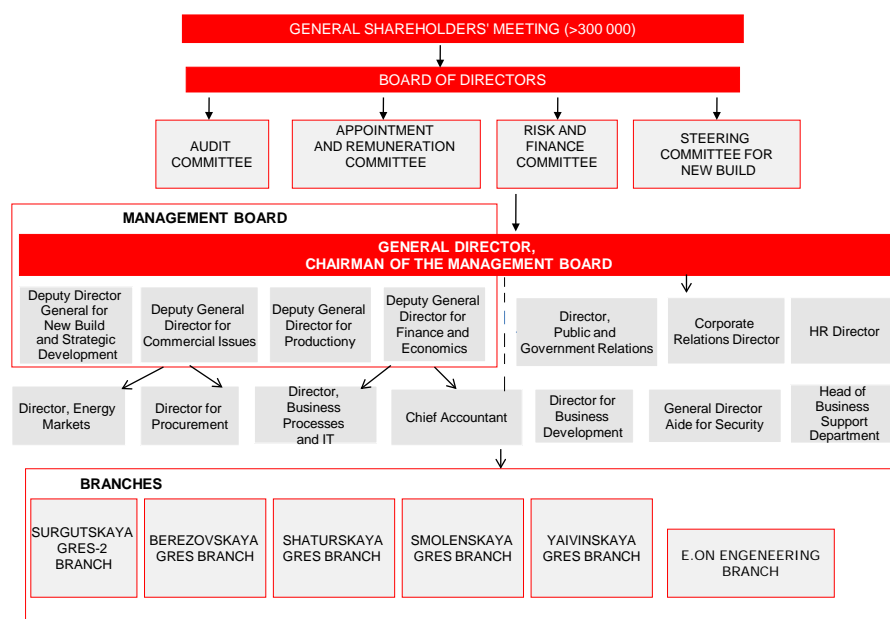
Strict compliance with legal norms and the highest ethical standards in the field of responsible business conduct is one of the fundamental principles of Company's operation. The Code of Ethics of E.ON Russia JSC contains provisions regulating the practice of business operations, relations with business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

Due to the commencement of new directives of E.ON SE in the field of compliance the Board of Directors of E.ON Russia JSC on October 30, 2014 revised the existing version of the Code of Ethics of E.ON Russia JSC. The following major amendments were introduced: refusal from business operations and achievement of company's internal goals when it is necessary to comply with the laws and directives; meetings with journalists are held in the same format as meetings with business partners (private companies, customers).

⁴ E.ON Russia's Primary Corporate Governance Documents are listed in clause 5.3. of the Annual Report.

⁵ On April 02, 2015 the Board of Directors of E.ON Russia approved a revised version of the Regulation on Insider Information.

5.2. Organizational Structure



During 2013, for the purpose of optimizing the effective management system and enhancing its efficiency, the Company's organizational structure underwent the following significant changes:

With the Resolution of its Board of Directors No. 192 dated 29/01/2014 the Company set up a branch of E.ON Russia JSC - E.ON Engineering.

On 03/03/2014 the Heat Networks of Berezovskaya GRES branch was wound up, a wind-up resolution was passed by the Company's Board of Directors on 28/11/2013 in order to reduce the Company's expenditures. The functionality of the Heat Networks of Berezovskaya GRES branch was transferred to the Berezovskaya GRES branch.

Pursuant to the Resolution of the Company's Management Board No. 389 dated 20/01/2014

- Position of the Director for Investment and Development was renamed as Deputy Director General for New Build and Strategic Development
- Position of the Commercial Director was liquidated
- Subordination of the Procurement Director was transferred to Deputy Director General for Commercial Issues
- Subordination of the Head of Business Support Department was transferred directly to Director General of the Company.

The Company's Management Board with its Resolution No. 419 dated 29/01/2014 introduced the position of Director for Business Development and subordinated it to Deputy Director General for New Build and Strategic Development.

The Company's Management Board with its Resolution No. 438 dated 02/12/2014 transferred the subordination of the position of Director for Business Development to Director General of the Company together with the functions of Company's strategy development.

The Corporate Structure chart contains data as of 31/12/2014.

As of the moment of preliminary approval of the annual report by the Company's Board of Directors, the Company's corporate structure suffered the following changes:

The Company's Board of Directors with its Resolution No. 207 dated 29/01/2015 reduced the number of members in the Management Board to 4 persons. The position of Deputy Director General for New Build and Strategic Development was removed from the Company's Management Board due to its liquidation for the reason of terminating the employment of T.V. Lipatov, who had been holding this position. T.V. Lipatov was removed from the Management Board of E.ON Russia JSC from 29/01/2015. The functions of Deputy Director General for New Build and Strategic Development in terms of investment program implementation were transferred to Director of E.ON Engineering branch.

5.3. Management Bodies. Work results, 2014

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

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

- 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 corporate management system improvement in E.ON Russia JSC in 2014 amendments to the Articles of Association of E.ON Russia JSC were introduced. Amendments to the Articles of Association were aimed at compliance with the effective laws of the Russian Federation, increasing efficiency and transparency of management, and improvement of corporate rules and procedures.

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

- Articles of Association;
- Code of Corporate Governance;
- Regulation on the General Meeting of Shareholders;
- Regulation on the Board of Directors;
- Regulation on the Management Board;
- Regulation on the Audit 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;
- Internal Audit Policy;
- Regulation on the Internal Control Procedures;
- Regulation on the Corporate Risk Management System;
- Regulations on Committees of the Company Board of Directors;
- Regulation on the Corporate Secretary;
- Regulation on the Dividend Policy;
- Regulation on the Internal Audit Department;
- Code of Ethics.

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

E.ON Russia JSC prepares and publishes reports in compliance with both Russian accounting standards (RAS) and international financial reporting standards (IFRS) on a regular basis. 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, 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 news lines of authorized news agencies.

The Company management system is composed of the following levels:

- General Shareholders' Meeting;
- Board of Directors;
- Management Board;
- General Director.

GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the supreme management body of E.ON Russia JSC. 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 governed by the Regulation on the General Shareholders' Meeting of E.ON Russia JSC⁶.

BOARD OF DIRECTORS

Board of Directors⁷

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 control 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 JSC. Activities of the Board of Directors are governed by Regulation on the Board of Directors of E.ON Russia JSC⁸.

During the period from January 01, 2014 till June 26, 2014 the Board of Directors was functioning as elected at the annual General Shareholders' Meeting on June 27, 2013; it comprised:

1. Jorgen Kildahl - Chairman of the Board of Directors;
2. Mike Winkel;
3. Sergey Maratovich Guriev;
4. Sergey Vladimirovich Malinov;
5. Albert Bernhard Wilhelm Reutersberg;
6. Gunter Eckhardt Rümmler;
7. Karl-Heinz Feldmann;
8. Reiner Hartmann;
9. Maksim Gennadyevich Shirokov.

Full data about the above members of the Board of Directors are given in the Company Annual report for 2013.⁹

The Board of Directors functioning during the second half of 2014 was elected by the Annual General shareholders' meeting on June 26, 2014. It comprised:

1. Jorgen Kildahl, Chairman of the Board of Directors.

Born in 1963.

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

From 2001 till 2010 - Executive Vice President of Statkraft AS (Oslo, Norway).

From 2010 till present - member of the Management Board of E.ON SE (Düsseldorf, Germany).

From July 2013 till present - Chairman of the Board of Directors of E.ON Russia JSC.

Mr. Kildahl was first elected a member of the Company Board of Directors on February 21, 2013 and last time he was re-elected on June 26, 2014.

Mr. Kildahl does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

⁶ Text of the Company Articles of Association and Regulation on the General Shareholders' Meeting is published on the Company web-site: WWW.EON-RUSSIA.RU in the section "About the Company/Documents".

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

⁷ As of the approval date of this Annual Report the Board of Directors consists of the members elected at the annual General Shareholders' Meeting of E.ON Russia held on June 26, 2014.

⁸ Text of Regulation on the Board of Directors is published on the Company web-site WWW.EON-RUSSIA.RU in the section "About the Company/Documents".

⁹ Text of the Annual Report of E.ON Russia JSC for 2013 is published on the Company web-site WWW.EON-RUSSIA.RU in the section "To Shareholders and Investors/Reports/Annual Reports"

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

Born in 1970.

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

In 2009-2010 he occupied the position of the Managing Director of E.ON Russia Power GmbH, and was in charge of the energy portfolio 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 JSC.

From 2011 till 2013 he occupied the position of CEO in E.ON Climate & Renewables (Essen, Germany).

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

Mr. Winkel was first elected the member of the Company Board of Directors on June 17, 2009, and last time re-elected on June 26, 2014.

Mr. Winkel does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

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

Born in 1977.

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

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

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

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

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

From 2011 till 2012 - member of the Board of Directors of SG Trans OJSC, LENMORNIIPROEKT OJSC.

From 2011 till 2013 - member of the Board of Directors of Siberia Airline JSC.

From 2011 till 2014 - member of the Board of Directors, Chairman of the Board of Directors of NIIAT OJSC.

From 2012 till 2014 - CEO, member of the Management Board, Advisor to the Russian Fund for Direct Investments.

From 2014 - Advisor to General Director of INVESTMENT MANAGEMENT CJSC.

From 2012 till 2014 - member of the Board of Directors, Chairman of the HR and Remunerations Committee of Aeroflot JSC.

From 2012 - member of the Board of Directors, Chairman of the HR and Remunerations Committee of GTLK JSC.

From June to October 2014 - member of the Board of Directors of NVC Vagony JSC.

From July 2014 - member of the Board of Directors of Bank St. Petersburg JSC, Irkutsk International Airport JSC.

Mr. Germanovich was elected for the first time to the Company Board of Directors on June 26, 2014.

Mr. Germanovich does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

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

Born in 1973.

In 1995 graduated from Financial Academy under the RF Government, Finance and Credit Department, Economist.

In 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 Governance.

From 2009 - Chairman of the Board of Directors of Russian State R&D Center "R&D Institute of Thermal Energy Instrument Engineering".

From 2009 till 2012 - member of the Board of Directors, professional attorney of Energosetproekt OJSC.

From 2010 till 2011 - Advisor to General Director of Atomenergomash JSC.

From 2012 till 2014 - member of the Board of Directors, professional attorney of ENERGOSETPROEKT Institute OJSC.

From 2013 - deputy General Director of TRANSINZHSTROY OJSC.

From 2013 till 2014 - member of the Board of Directors of Svyazinvest JSC.

From 2014 - deputy Chairman of the Board of Directors, Chairman of the Strategy and Investments Committee, professional attorney of ENERGOSETPROEKT Institute OJSC.

Mr. Malinov was first elected the member of the Company Board of Directors on June 29, 2012, and last time re-elected on June 26, 2014.

Mr. Malinov does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

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

Born in 1974.

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

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

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

From 2008 - General Director of the Energy Markets Research Center, Limited Liability Company.

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

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

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

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

Mrs. Mitrova was elected the member of the Company Board of Directors for the first time on June 26, 2014.

Mrs. Mitrova does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

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

Born in 1954.

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

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

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

From 2010 till present - 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).

From 2010 till present - member of the Management Board of E.ON SE (Dusseldorf, Germany).

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

From 2011 - 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).

From April 2014 - Chairman of the Supervisory Board of E.ON Czech Holding AG (Munich, Germany).

Mr. Reutersberg was first elected the member of the Company Board of Directors on June 24, 2011, and re-elected for the last time on June 26, 2014. From July 2012 till June 27, 2013 - Chairman of the Board of Directors of E.ON Russia JSC.

Mr. Reutersberg does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

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

Born in 1959.

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

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

From February 2004 - member of the Supervisory Board of Hamburger Hof (Germany), from 2008 - member of the Management Board of E.ON Italia SpA (Italy, Milan).

From 2008 to June 2010 Mr. Feldmann also was a member of the Supervisory Board of E.ON IS (Germany).

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

Mr. Feldmann was first elected a member of the Company Board of Directors on June 17, 2009, and last time re-elected on June 26, 2014.

Mr. Feldmann-Heinz does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

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

Born in 1945.

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

From January 1992 till January 2014 Mr. Hartmann was the Head of E.ON Ruhrgas AG (Germany) representative office in Moscow.

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

From May 2008 to December 2009 - General Director of E.ON Russia JSC.

From January 2009 to June 2010 Mr. Hartmann was Director of the Natural Gas Department of E.ON Russia JSC.

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

From September 2013 till December 2013 - Director for Commerce of E.ON Russia Power GmbH.

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

Mr. Hartmann was first elected a member of the Company Board of Directors on June 06, 2008 and re-elected for the last time on June 26, 2014.

Mr. Hartmann does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

9. Maksim Gennadyevich Shirokov, deputy Chairman of the Board of Directors, member of the Managing Committee of the Board of Directors for New Build, Chairman of the Management Board.

Born in 1966.

In 1988 graduated from Moscow Red Banner Military Institute.

In 1994 graduated from Moscow Law Institute.

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

In 2003 graduated from London Business School.

In 2008–2012 — CEO of Ust-Luga Company JSC.

In 2012 - General Director of E.ON Russia JSC and E.ON Russia Power LLC.

From 2012 till October 2013 - receiver of E.ON Russia JSC.

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

From 2012 till January 2015 - CEO of E.ON Connecting Energies LLC.

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

From 2013 - Member of the Supervisory Board of NP Council of Power Producers.

Mr. Shirokov was first elected a member of the Company Board of Directors on February 21, 2013 and re-elected for the last time on June 26, 2014. From July 2013 - Deputy Chairman of the Board of Directors of E.ON Russia JSC.

Mr. Shirokov does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

OVERVIEW OF THE MEETINGS OF THE BOARD DIRECTORS FOR 2014

During 2014 the Board of Directors of E.ON Russia JSC held 15 meetings, 1 of them in person.

The most important resolutions taken by the Board of Directors in 2014:

1) key investment projects issues

In September 2014 the Board of Directors approved a major transaction - an agreement on the termination of the contract of design, engineering, supply, turn-key construction under the project "Construction of Power Unit No. 3 800 MW STU of Berezovskaya GRES branch, E.ON Russia JSC" dated May 17, 2011 No. IA-11-0281 between Energoproekt CJSC, Zarubezhenergoproekt OJSC, and E.ON Russia JSC.

2) risk management issues

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

3) corporate governance improvement issues

During the year 2014 the process of further improvement of the Company corporate governance was on, in particular:

- a revised version of E.ON Russia Code of Ethics was approved;
- Regulation on the Dividend Policy of E.ON Russia JSC was approved;
- a revised version of Regulation on HR and Remunerations Committee of E.ON Russia JSC was approved;
- a revised version of Regulation on the Audit Committee was approved;
- Regulation on the Internal Audit Department of E.ON Russia JSC was approved;
- Regulation on the Corporate Secretary of E.ON Russia JSC was approved;
- amendments to the Regulation on the Insider Information of E.ON Russia JSC were introduced;
- amendments to the Procurement Regulation of E.ON Russia JSC were introduced;
- amendments to the Delegation of Authority Policy of E.ON Russia JSC were introduced;

change of quantitative and personnel composition of the Committees of the Company Board of Directors was approved;

4) other important issues of the Board of Directors activity

- Resolution on creating E.ON Engineering branch of E.ON Russia JSC and introduction of amendments to the Articles of Association of E.ON Russia JSC was taken;
- Resolution on the termination of Company's participation in Teplosbyt LLC through its liquidation was taken;
- Participation of E.ON Russia JSC in Non-Commercial Partnership "European Business Association" was approved;
- Remuneration of the Company's auditor - PricewaterhouseCoopers Audit CJSC was approved;
- Collective agreements of Company's branches for 2015-2017 were approved;
- Credit limits for financial partners of the Company and terms for monetary funds placement on deposit accounts were approved;
- Financial statements prepared under the International Financial Reporting Standards (IFRS) following the results of the financial year 2013 were approved;
- Amendments to the Company budget in the IFRS format for 2014 were introduced;
- Company's budget for 2015 was approved;
- Total commodities limit for 2015 was approved;
- Transactions requiring approval under the laws of the Russian Federation and/or Company's Articles of Association were approved;
- Position of the Company's representatives in the management bodies of E.ON Connecting Energies LLC regarding participation of the latter in Noginsk Thermal Center LLC was determined;
- Work Plan of the Board of Directors for 2015 was approved.

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

Until February 21, 2013, the amount of remuneration and bonuses to the members of the Board of Directors and the procedure of their payment was regulated by the Regulation on the Board of Directors of E.ON Russia JSC^[1] approved by the Annual General Shareholders' Meeting on 24.06.2011. In accordance with this Regulation, the members of the Board of Directors were entitled to:

^[1] Text of the Regulation on the Board of Directors of E.ON Russia is published on the Company web-site www.eon-russia.ru in the section "To Shareholders and Investors/Documents".

- compensation of 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.

On February 21, 2013 an extraordinary general shareholders' meeting of E.ON Russia JSC approved the Regulation on the Board of Directors as amended, according to which the remunerations shall be paid only to those members of the Board of Directors who do not hold paid positions in E.ON Russia JSC and in its affiliates, and are not members of the Management Board of E.ON Russia JSC and its affiliates (cl. 11.4. of Art. 11 of the Regulation).

The total amount of remunerations and compensations paid to members of the Company Board of Directors in 2014 amounted to 8,309,715 rubles, including:
 quarterly remuneration - 2,539,001 rubles,
 annual remuneration (for 2013) - 5,770,714 rubles.

COMMITTEES OF THE BOARD OF DIRECTORS

The effective system of committees at the Board of Directors is optimal and justified, 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 acts by virtue of the Articles of Association of E.ON Russia JSC and the Regulation on the Audit Committee of the Board of Directors of E.ON Russia JSC.

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

The main functions of the Audit Committee include:

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

The Committee comprises only independent directors who meet the independence criteria established by MICEX.

New members were elected to the Audit Committee by the Board of Directors of E.ON Russia JSC on 31/7/2014, minutes No. 199.

Data on the quantitative and personal composition of the Audit Committee in 2014:

Period	Number of the Committee members	Committee members
01/01/2014 - 31/07/2014	2	Sergey Vladimirovich Malinov - Chairman of the Committee, independent member of the Board of Directors of E.ON Russia JSC Reiner Hartmann
01/08/2014 - 31/12/2014	2	Sergey Vladimirovich Malinov - Chairman of the Committee, independent member of the Board of Directors of E.ON Russia JSC; Aleksey Andreyevich Germanovich, independent member of the Board of Directors of E.ON Russia JSC.

In 2014 2 meetings of the Audit Committee were held.

The HR and Remuneration Committee was established on April 14, 2008 subject to the resolution of the Board of Directors of OGC-4, minutes No. 87.

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

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

The main functions of the HR and Remuneration Committee include:

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

For the purpose of complying with requirements placed by MICEX to the Companies to include and maintain their shares in the quotation list of the first level, the Board of Directors of E.ON Russia JSC on 31/07/2014, minutes No. 199, elected new members to the HR and Remuneration Committee, which included only independent directors.

Data on the quantitative and personal composition of the HR and Remuneration Committee in 2014:

Period	Number of the Committee members	Committee members
01/01/2014 - 31/07/2014	3	Joerg Tumat - Chairman of the Committee Natalya Viktorovna Mashistova Maksim Gennadyevich Shirokov
01/08/2014 - 31/12/2014	2	Aleksey Andreyevich Germanovich - Chairman of the Committee, independent member of the Board of Directors of E.ON Russia JSC; Tatyana Alekseyevna Mitrova, independent member of the Board of Directors of E.ON Russia JSC.

In 2014 11 meetings of the HR and Remuneration Committee were held.

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

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

The Steering Committee's responsibilities include: issues of efficient 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 draft solutions on the issues of the projects implementation.

New members were elected to the New Build Steering Committee by the Board of Directors of E.ON Russia JSC on 25/06/2014, minutes No. 197.

Data on the quantitative and personal composition of the New Build Committee in 2014:

Period	Number of the Committee members	Committee members
01/01/2014 - 25/06/2014	8	Sebastian Eisenberg - Chairman of the Committee Ulf Backmeyer - Deputy Chairman of the Committee Donald Weir Colin Skoins Peter Modrei Igor Viktorovich Popov Joerg Tumat Maksim Gennadyevich Shirokov
26/06/2014 - 31/12/2014	6	Sebastian Eisenberg - Chairman of the Committee Ulf Backmeyer - Deputy Chairman of the Committee Donald Weir Peter Modrei Joerg Tumat Maksim Gennadyevich Shirokov

In 2014 4 meetings of the New Build Committee were held.

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

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

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

New members were elected to the Risk and Finance Committee by the Board of Directors of E.ON Russia JSC on 31/07/2014, minutes No. 199.

Data on the quantitative and personal composition of the Risk and Finance Committee in 2014:

Period	Number of the Committee members	Committee members
01/01/2014 - 31/12/2014	4	Ulf Backmeyer - Chairman of the Committee Joerg Tumat - Deputy Chairman of the Committee Andrey Nikolayevich Zhukovskiy Yelena Vladimirovna Talalaeva

In 2014 18 meetings of the Risk and Finance Committee were held.

PARTICIPATION OF THE BOARD OF DIRECTORS MEMBERS IN THE COMMITTEES OF THE BOARD OF DIRECTORS OF E.ON RUSSIA JSC

Name	Job title	Years of service in the Board of Directors	Audit Committee	Risk and Finance Committee	HR and Remuneration Committee	New Build Steering Committee
Mike Winkel	Member of the Board of Directors	5				
Alexey Andreevitch Germanovich	Member of the Board of Directors	1	+		+	
Jorgen Kildahl	Member of the Board of Directors/ Chairman of the Board of Directors	2				
Sergey Vladimirovich Malinov	Member of the Board of Directors	3	+			
Tatiana Alexeyevna Mitrova	Member of the Board of Directors	1			+	
Albert Bernhard Wilhelm Reutersberg	Member of the Board of Directors	4				
Karl-Heinz Feldmann	Member of the Board of Directors	5				
Reiner Hartmann	Member of the Board of Directors	6	¹⁰ +			
Maksim Gennadyevich Shirokov	Deputy Chairman of the Board of Directors	2			+ ¹¹	+

MANAGEMENT BOARD

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 JSC¹². The Management Board reports to the Board of Directors and General Shareholders' Meeting.

E.ON Russia JSC policy in the area of corporate governance improvement is consistently focusing on boosting up significance of the Management Board in exercising management of current activities, positioning it as the body elaborating the 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.

Resolution of the Company Board of Directors dated 16.07.2012 instructed the Company Management Board to preliminarily consider all items submitted for consideration by the Company Board of Directors, and provide recommendations to members of the Company Board of Directors on voting on the items specified.

¹⁰ Not a member of the Audit Committee of the Company's Board Directors since 01/08/2014

¹¹ Not a member of the HR and Remuneration Committee of the Company's Board Directors since 01/08/2014

¹² Text of Regulation on the Management Board of E.ON Russia is published on the Company web-site WWW.EON-RUSSIA.RU in section "About the Company/Documents".

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's opinion as regards regulation of a number of crucial issues on the Company subsidiaries activity;
- establishment of social guarantees and benefits to the Company employees;
- development of the draft solutions and recommendations for the Company Board of Directors.

Pursuant to cl. 18.3 of the Articles of Association of E.ON Russia JSC 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 October 24, 2013 determined the quantitative composition of the Management Board — 5 persons¹³.

Data on changes among the members of the Management Board of E.ON Russia JSC in 2014:

Period	Management Board members
01/01/2014 - 31/12/2014	Maksim Gennadyevich Shirokov — Chairman of the Management Board Ulf Backmeyer Timur Vladimirovich Lipatov ¹⁴ Igor Viktorovich Popov Joerg Tumat

Data on persons being members of the Company Management Board:

Maksim Gennadyevich Shirokov, General Director, deputy Chairman of the Board of Directors, Chairman of the Management Board, member of the New Build Steering Committee of the Board of Directors.

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

In 2008–2012 — CEO of Ust-Luga Company JSC.

In 2012 - General Director of E.ON Russia JSC and E.ON Russia Power LLC.

From 2012 till October 2013 - receiver of E.ON Russia JSC.

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

From 2012 till January 2015 - CEO of E.ON Connecting Energies LLC.

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

From 2013 - Member of the Supervisory Board of NP Council of Power Producers.

Mr. Shirokov does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

Ulf Backmeyer — Deputy General Director of E.ON Russia JSC for Finance and Economy, Chairman of the Risk and Finance Committee of the Board of Directors, member of the New Build Steering Committee of the Board of Directors.

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

In 2008-2010 Mr. Backmeyer was a member of the Board of Directors of telecommunications companies Sibintertelecom CJSC and MTS

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

In 2011 - Deputy Director General of E.ON Russia JSC.

Mr. Backmeyer does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

¹³ The Board of Directors of E.ON Russia with its Resolution dated 29/01/2015 reduced the number of members of the Management Board to 4 persons.

¹⁴ The Board of Directors of E.ON Russia by its Resolution dated 29/01/2015 terminated ahead of time the powers of the member of the Management Board T.V. Lipatov.

Timur Vladimirovich Lipatov – Deputy Director General for New Build and Strategic Development, E.ON Russia JSC.

Elected to the Management Board of the Company on: October 24, 2013.
Powers of the member of the Management Board expire on: January 29, 2015.

From 2009 till 2011 - Executive Director for Capital Construction, E.ON Russia JSC.
From 2011 till 2012 - Deputy Director General for Investment and Development of E.ON Russia JSC.
From 2012 till 2014 - Director for Investment and Development of E.ON Russia JSC.
From February 2014 to December 2014 - Deputy Director General for New Build and Strategic Development, E.ON Russia JSC.
Mr. Lipatov does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

Igor Viktorovich Popov, Deputy General Director for Production of E.ON Russia JSC.

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

Since 2009 - Deputy General Director, Production, E.ON Russia JSC.
Mr. Popov does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

Joerg Tumat – Deputy Director General of E.ON Russia JSC for Commerce, Deputy Chairman of the Risk and Finance Committee of the Board of Directors, member of the New Build Committee of the Board of Directors.

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

From 2006 to 2013 - member of the Management Board, Executive Vice President of Latvijas Gaze JSC (Riga, Latvia).
Since July 2013 — member of the Management Board, Deputy General Director for marketing of E.ON Russia JSC.
From January 2014 - member of the Supervisory Board of Latvijas Gaze JSC (Riga, Latvia).
Mr. Tumat does not have any shares in the Company authorized capital; during 2014, there were no purchase or alienation transactions with the shares of E.ON Russia JSC.

REVIEW OF THE MANAGEMENT BOARD MEETINGS

In 2014 53 meetings of the Management Board were held, in the course of which the Board discussed issues related to all areas of the Company operating activity. The following issues were reviewed at the meetings of the Management Board in 2014:

- Consulting project "Performance efficiency enhancement using LEAN Production tools";
- E.ON Russia Regulation on Repair Activity;
- E.ON Russia Investment Program (Managerial) for 2015;
- Preparing and accomplishing the Company's business plan for 2014;
- Formation and approval of inventory financial indicators (mid-term planning) for 2015-2017;
- Approval of the actual key performance indicators (KPI) for 2013;
- Approval of KPI for 2014;
- Results of E.ON Russia Procurement Unit operation in half 1 of the year 2014;
- Project "Organization of warehousing facilities of Surgutskaya GRES-2 Branch of E.ON Russia JSC".
- Approval of the required transactions and results of procurement procedures;
- Strategy for filing requests for competitive capacity outtake for 2015;
- Registration of E.ON Russia JSC as a Bidding Visitor in the Natural Gas Section at St. Petersburg International Commodity Exchange;
- Insurance coverage of the Company;
- Organization of information security assurance in E.ON Russia JSC;
- E.ON HR Management Strategy;
- E.ON Russia Organizational Structure;
- Provision of specific forms of corporate support for housing improvements to the employees of E.ON Russia JSC;
- Approval of a register of non-core property of the Company and ways of managing it;
- Schedule of Teplosbyt LLC liquidation.
- Approval of the Company's social investments for 2014.
- Other issues of the Company's current activity;

Corporate reports on risks and chances of E.ON Russia JSC were heard every quarter at the meetings of the Management Board. Results of work in all the areas of E.ON Russia JSC activity were heard once every six months.

According to the corporate procedures all issues submitted to the Board of Directors of E.ON Russia JSC were in all cases preliminary discussed at the meetings of the Management Board of the Company.

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 employment agreements signed with them as the Company full-time employees, the terms and conditions of which are considered by the HR and Remuneration Committee of 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 2014 the following sums were paid to the members of the Management Board:

salary - 114,002,149 rubles.

bonuses - 47,612,334 rubles.

compensation of expenses - 4,088,400 rubles.

GENERAL DIRECTOR

General Director is a sole executive body of the Company. 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 JSC.

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 JSC.

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

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

Maksim Gennadyevich Shirokov

Born in 1966.

In 1988 graduated from Moscow Red Banner Military Institute.

In 1994 graduated from Moscow Law Institute.

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

In 2003 graduated from London Business School.

In 2008–2012 — CEO of Ust-Luga Company JSC.

In 2012 - General Director of E.ON Russia JSC and E.ON Russia Power LLC.

From 2012 till October 2013 - receiver of E.ON Russia JSC.

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

From 2012 till January 2015 - CEO of E.ON Connecting Energies LLC.

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

From 2013 - Member of the Supervisory Board of NP Council of Power Producers.

Mr. 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 employment agreement with the Company CEO, its terms and conditions are approved by the Board of Directors of E.ON Russia JSC. No other remuneration except for those stipulated by the terms and conditions of the labor contract was paid to the CEO. The sum of remunerations and compensations paid to the General Director in the reporting period is included in the sum of remunerations and compensations paid to the members of the Management Board.

5.4. Control Bodies and System

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

AUDIT COMMISSION

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

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

The Audit Commission exercises continuous control over finance and operating activities of the Company and its economically autonomous organization units, officials, bodies of management and structural organization units. Scope of authority and procedure of operation of the Audit Commission is defined in the Regulation on the Audit Commission of E.ON Russia JSC¹⁵.

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

During the period from January 01, 2014 to June 26, 2014 the Audit Commission was functioning as elected at the annual General Shareholders' Meeting on June 27, 2013, it comprised:

1. Wilhelm Michael Winfried Christian
2. Aleksey Sergeevich Asyaev
3. Mikhail Mikhailovich Rabkin
4. Thomas Fecker

On June 26, 2014, the General Shareholders' Meeting of the Company elected the Audit Commission comprising:

Denis Alexandrovitch Alexeyenkov — Head of Controlling Department, E.ON Russia JSC. From June 2013 - member of the Audit Commission of Non-Commercial Partnership "Council of Electricity Producers and Strategic Investors in Power Engineering".

Aleksey Sergeevich Asyaev - till 01/10/2012 - Director of the Internal Audit Department of E.ON Russia JSC, from 01/10/2012 till present — Head of the Internal Audit Department of E.ON Russia JSC.

Sasha Bibert - Chief Financial Officer of Enerjisa Enerji A.S. (Istanbul, Turkey). From 2011 to 2014 - Senior Vice President for Financial Reporting and Controlling, E.ON SE (Düsseldorf, Germany).

Güntram Wursberg - Director for Corporate Audit, E.ON SE (Düsseldorf, Germany). In 2013 - Head of HR Department, E.ON Global Commodities (Düsseldorf, Germany). From 2009 to 2013 - Head of HR Department, E.ON Ruhrgas SE (Essen, Germany).

Pursuant to cl. 12.2 of the Regulation on the Company Audit Commission no remuneration to the Audit Commission members is provided.

In 2014 no remuneration was paid to the Audit 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 Board of Directors of the Company approved the Internal Audit Policy. The internal control is based on the Regulation on Internal Control System of E.ON Russia JSC 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 Control Procedures of E.ON Russia JSC, 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.

A system of internal control implemented within the Company is based on best practices applied by the companies of E.ON Group. 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,

¹⁵ Text of Regulation on the Audit Commission of E.ON Russia is published on the Company web-site WWW.EON-RUSSIA.RU in the section "About the Company/Documents".

reliability of the financial statements, compliance with the applicable legal and regulatory acts requirements, ensuring the assets soundness.

The Company has channels of communication to communicate cases of violation or non-conformity in preparing of financial statements 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 26, 2014 the annual General Shareholders' Meeting of E.ON Russia JSC 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 came to:

- for auditing accounting statements for the reporting year ending on December 31, 2014, drawn up in compliance with the Russian laws - 6,600,000 rubles (net of VAT);
- for auditing financial statements for the reporting year ending on December 31, 2014, drawn up in compliance with IFRS - 17,238,983.05 rubles (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 JSC and Regulation on the Audit Committee of the Board of Directors of OGK-4.

On July 31, 2014 the Company's Board of Directors approved a new Regulation on the Audit Committee of the Board of Directors of E.ON Russia JSC¹⁶.

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 quantitative and personnel composition of the Committee is determined by resolution of the Board of Directors.¹⁷

5.5. 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 JSC assets, and if by means of the transaction 2 and more per cent of E.ON Russia JSC shares or securities are placed (such securities can be converted into E.ON Russia JSC 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 JSC on the companies, in which they occupy management positions or have share. The list of interested party transactions and major transactions settled in 2014 is given in Appendix No. 3 hereto.

¹⁶ Text of Regulation on the Audit Committee of the Board of Directors of E.ON Russia is published on the Company web-site WWW.EON-RUSSIA.RU in the section "About the Company/Documents".

¹⁷ The members of the Audit Committee who functioned within 2014 are specified in cl. 5.3 of the Annual Report - in the subsection "Committees of the Board of Directors"

5.6. Subsidiaries and Affiliates ¹⁸

Name	Teplosbyt LLC ¹⁹	Shaturskaya Managing Company JSC	E.ON Connecting Energies LLC	Noginsk Thermal Center LLC
Address:	5, Chernoozerskiy Proezd, Shatura, Moscow Region, 140700, Russian Federation	4, Konnyy Proezd, Shatura, Moscow Region, 140700, Russian Federation	10, Presnenskaya Naberezhnaya, Moscow 123317, Russian Federation	24/2, Sretenka Str., Building 1, Moscow 107045
Core business:	Participation, jointly with administration of areas of GRES presence, in managing organizations for management of apartment houses.	Provision 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.	Production and sale and/or distribution of electricity and thermal energy; Maintenance, repair and installation of equipment and provision of services related to production and sale and/or distribution of electricity and thermal energy.
Share of participation in the authorized capital, %	100	51 (indirectly, via Teplosbyt LLC)	100	67 (indirectly, via E.ON Connecting Energies LLC)
Date of state registration/ date of share purchase:	28/11/2007	31/03/2008	16/11/2012	15/09/2006 / 15/04/2014

5.7. 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.

¹⁸ The information is presented with regard to Companies in which authorized capitals E.ON Russia's share is over 5%.

¹⁹ In accordance with the resolution of the Board of Directors dated 04/12/2014 and resolution of a sole participant of Teplosbyt LLC dated 08/12/2014, a decision on liquidation of Teplosbyt LLC was made.

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.
Russian-German Chamber of Commerce Alliance	Resolution of the Board of Directors dated April 9, 2013	Support of the business contacts and efficient collaboration with German companies operating in Russia. Participation in carrying out special events for developing Russian-German relations.
NP European Business Association	Resolution of the Board of Directors dated 18/12/2014	Adherence to the strengthening of economic relations between the EU and Russia, and aspiration to improve conditions for business operation in the Russian Federation.

6. SHARES AND STOCK MARKET

6.1. Authorized Capital Structure

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 JSC as of December 31, 2014 made 302,396 including²⁰:

Structure in terms of types of client accounts	2013, pcs.	2014, pcs.	2013, Share, %	2014, Share, %
Ultimate owners	301,805	301,444	85.47	85.44
legal entities, including:	649	651	83.93	83.92
Commercial companies	467	498	83.92	83.92
including owned by E.ON Russia Holding GmbH	-	-	83.73	83.73
Financial and credit companies	159	136	less than 0.01	Less than 0.01
Non-profit organizations	14	11	less than 0.01	Less than 0.01
Federal Authorities	4	3	less than 0.01	Less than 0.01
Authorities of RF constituent entities	5	4	0.01	Less than 0.01
Local Authorities	-	-	-	-
Natural persons	301,156	300,793	1.54	1.52
Non-ultimate owners	591	596	14.53	14.56
Nominal holders	17	17	14.52	14.55
Trust managers	3	4	less than 0.01	Less than 0.01
Shares in common property	571	575	0.01	0.01
Total	302,396	302,040	100	100

Within 2014 the Company placed no additional shares issues.

6.2. Shares at Stock Exchange

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

E.ON Russia JSC ordinary shares were included by Moscow Stock Exchange in the quotation list of Level One on September 01, 2014.

Equity market of the Moscow Stock Exchange includes 3 sectors - Primary market, Standard, Classica.

²⁰ Subject to the data submitted by the Registrar.

Moscow Interbank Currency Exchange CJSC organizes trade at the Moscow Stock Exchange.

CODES OF E.ON RUSSIA JSC 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

Diagram of exchange rate of E.ON Russia JSC shares in 2013-2014



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

MARKET CAPITALIZATION IN 2012-2014

Date	Market value	Number of outstanding shares	Market capitalization, rubles
12/31/2012.	2.62	63,048,706,145	165,477,634,148
12/31/2013 -	2.35	63,048,706,145	148,076,191,252
31/12/2014	2.25	63,048,706,145	142,048,734,945

Source: Moscow Interbank Currency Exchange Stock Exchange CJSC

6.3. Dividends

The annual General Shareholders' Meeting of the Company in 2014 held following the results of 2013 passed a resolution on paying dividends on the ordinary shares of E.ON Russia JSC following the results of 2013 financial year in the amount of 0.300189 rubles per one ordinary share, as well as following the results of retained profit of previous years - in the amount of 0.079304 rubles per one ordinary share.

The total sum of dividends amounts to 18,926,506,217.51 rubles following the results of 2013 financial year, which makes 100 % net profit of the Company following the results of 2013 financial year.

The total amount of dividends following the results of retained profit of previous years makes 5,000,000,000 rubles.

As of 31/12/2014 23,777,848,506.97 rubles or 99.38% of the total amount of dividends payable on the Company's shares have been paid.

6.4. Registrar Data

Since 2009 Registrar R.O.S.T. JSC has been the E.ON Russia's Registrar. Registrar R.O.S.T is the leader among the largest and rapidly developing registrar companies.

In 2014 Registrar R.O.S.T. showed once again stable high activity indicators: its revenue for 9 months made RUB 570 million (net of VAT), return on sales made RUB 59 million.

Following the results of 9 months the number of processed registers exceeded 5,400 making a new historical record among the registrar companies. According to this indicator, R.O.S.T. is the absolute leader among registrar companies. The number of maintained companies includes 47 issuers, securities of which are traded at organized trading, including 15 issuers of depositary receipts present at foreign stock exchanges.

In the reporting period Registrar R.O.S.T. accepted for service the shareholders' registers of over 2,200 companies, including registers of parent companies of the largest state holdings - United Shipbuilding Corporation, Roscartography and Rosgeology, Mortgage Housing Lending Agency, Unicredit Bank, McDonalds, Intel, AIG Insurance Company, Credit Swiss Bank, DHL, and some others.

Regional network of R.O.S.T. in 2014 includes 34 regional units, operating in 8 federal districts of the Russian Federation, and it is the largest at the registrars market. Affiliated companies of R.O.S.T. Registrar JSC, performing depository activity of the depository institution (license of the Securities and Stock Market State Commission No. 263224), depository activity of the custodian (license of the Securities and Stock Market State Commission No. 520458) and broker activity (license of the Securities and Stock Market State Commission No. 520457) have operated in the territory of Ukraine since 2007.

NAME OF THE REGISTRAR	REGISTRAR R.O.S.T. JSC
Address	18 Stromynka Str., Apt. 13, Moscow
Telephone	(495) 771-7335, 771-7336
Fax	(495) 771-7334
Website	www.rrost.ru
E-mail:	rost@rrost.ru
Number of registrar company's branches in the territory of Russia	34

7. OPERATIONS OVERVIEW

7.1. Key Performance Indicators of the Company for 2014

Among the main indicators characterizing the generating company's performance there are: electric power generation, heat power output from the headers, ICUF.

Indicators: Electric power generation and heat power output from the headers allow evaluating the scope of business of the generating company.

ICUF indicator demonstrates the demand in its production capacities.

ELECTRIC POWER PRODUCTION (GENERATION)

In 2014 branches of E.ON Russia JSC generated 59.24 bln kW*h of electric power.

In comparison with actual 2013, generation of electric power reduced by 3.76 bln kW*h (6%).

Considerable reduction was observed in the following branches:

☐ Surgutskaya GRES-2 - by 1,964 mln kW*h for the following reasons:

- Reduction of the actual capacity of the power unit St. No. 4 by 40 MW to ensure its participation in the rated primary regulation of frequency and capacity since February 2014.

- Increase in the downtime of power units of CCGT St. No. 7, 8 because of planned inspections of gas turbines in 2014;

- Emergency repair of turbine generator of CCGT power unit No. 7 from 05/08/2014 to 19/01/2015.

☐ Berezovskaya GRES - by 971 million kW*h as a result of forced downtime of the power unit No. 2 from 10/07/2014 to 04/10/2014 for the external reason connected with the repair of high-voltage line 500 kV.

☐ Smolenskaya GRES and Shaturskaya GRES - by 317 million kW*h and 342 million kW*h respectively. For the reason of changing the scope of generating equipment included in the work for the purpose of improving economic effect.

Power plant	Unit of Measurement	2012	2013	2014
Surgutskaya GRES-2	mln kWh	39,967	39,850	37,886
Berezovskaya GRES	mln kWh	10,738	10,020	9,049
Shaturskaya GRES	mln kWh	5,185	5,311	4,969
Smolenskaya GRES	mln kWh	1,966	2,030	1,713
Yaivinskaya GRES	mln kWh	6,346	5,784	5,621
E.ON Russia JSC	mln kWh	64,202	62,995	59,238

INSTALLED CAPACITY UTILIZATION FACTOR (ICUF)

Demand for the production capacities of E.ON remains at a high level and amounts to about 65%.

Power plant	Unit of Measurement	2012	2013	2014
Surgutskaya GRES-2	%	81.3	81.3	77.3
Berezovskaya GRES	%	76.4	71.5	64.6
Shaturskaya GRES	%	39.5	40.6	38.0
Smolenskaya GRES	%	35.5	36.8	31.0
Yaivinskaya GRES	%	70.5	64.4	62.6
E.ON Russia JSC	%	70.7	69.5	65.4

HEAT POWER GENERATION (HEAT POWER OUTPUT FROM THE HEADERS)

In the reporting period total volume of heat power output from the headers of E.ON Russia JSC amounted to 2,211 thousand Gcal.

In comparison with actual 2013, total volume of heat power output increased by 66 thousand Gcal (3%).

The main reason for the increase is reduction of the average outdoor temperature recorded during the heating period.

Power plant	Unit of Measurement	2012	2013	2014
Surgutskaya GRES-2	thousand Gcal	891	909	961
Berezovskaya GRES	thousand Gcal	731	696	715
Shaturskaya GRES	thousand Gcal	401	384	378
Smolenskaya GRES	thousand Gcal	67	65	61
Yaivinskaya GRES	thousand Gcal	95	91	95
E.ON Russia JSC	thousand Gcal	2,185	2,145	2,211

7.2. 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 2014 it was not combusted. Basic fuel in the Company's fuel mix is gas: in 2014 it made 82.8% of the total fuel consumption volume.

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

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 2014 amounted to 5,763.7 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 2014 its share in the fuel mix of Smolenskaya GRES, Shaturskaya GRES and Yaivinskaya GRES made over 99.5%.

Branch	Fuel	Amount, million cubic meters (ths tons)	Amount, ths. ton of fuel equivalent	Share, %
Berezovskaya GRES	Coal	5,763.74	3,039.14	99.563
	Black oil	9.49	13.31	0.436
	other fuel	0.02	0.03	0.001
Smolenskaya GRES	Gas	510.03	588.29	99.866
	Coal	1.18	0.76	0.128
	Black oil	0.03	0.04	0.006
Surgutskaya GRES-2	Gas	9,644.05	11,083.63	100.000
Shaturskaya GRES	Gas	1,226.23	1,432.42	99.786
	Coal	2.51	1.47	0.102
	Black oil	1.15	1.60	0.112
Yaivinskaya GRES	Gas	1,349.45	1,633.52	99.526
	Coal	13.29	7.79	0.474
	Black oil	-	-	-
E.ON Russia JSC	Gas	12,729.77	14,737.86	82.788
	Coal	5,780.71	3,049.15	17.128
	Black oil	10.67	14.95	0.084
	Other fuel	0.02	0.03	0.000

Following the results of 2014, E.ON Russia JSC spent on the process purposes about 12.7 bln m³ of gas, 5.8 mln tons of coal and 10.7 ths tons of black oil in total. Cost of fuel consumed by branches of E.ON Russia JSC in 2014 amounted to 37.5 bln rubles, net of VAT.

KEY FUEL SUPPLIERS

The main fuel supplier to power plants of E.ON Russia JSC in 2014 is an independent gas producer - NOVATEK JSC. Its share in the total fuel cost procured for the power plant of the Company amounted to about 73%. Moreover in 2014 E.ON Russia JSC procured significant volumes of gas from Rosneft Oil Company. Its share in the total fuel cost procured for the power plant of the Company amounted to about 12.5%.

The key coal supplier for the Company is SUEK OAO that supplies lignite to Berezovskaya GRES. In 2014 share of SUEK JSC in the general cost of the fuel procured for power plants of E.ON Russia JSC amounted to about 8.1%.

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.

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

In 2014 for the whole Company (with branches)

	Energy resource type*	Consumption volume in kind	Unit of measurement	Consumption volume, thousand RUB
1	Nuclear power	No	-	-
2	Heat power	5.6	thousand Gcal	3,104
3	Electric power	15.6	mln kW·h.	38,262
4	Electromagnetic energy	No	-	-
5	Oil	No	-	-
6	Motor gasoline	421	tons	126,274
7	Diesel fuel	1,593	tons	
8	Residual fuel	11,3	mln cubic meters (ths tons)	
9	Natural gas	12,736.87	mln cubic meters (ths tons)	37 417 200
10	Coal	5,780.71	mln cubic meters (ths tons)	
11	Oil shale	No	-	-
12	Peat	No	-	-
13	Other:	-	-	-

7.3. 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 of E.ON Russia JSC branches is based on the preliminary survey of the production facilities stock with due regard to requirements of the regulations and on the long-term experience of operating the equipment.

Within 2014 power units with the total capacity of 10,345.1 MW were repaired, including overhaul — 1,160 MW, medium maintenance — 2,432 MW and current maintenance — 6,753.1 MW.

In 2014 the total expenses on the maintenance works at E.ON Russia JSC power plants amounted to 3.47 bln rubles. All the scheduled repair work was done in full.

Repair program structure	Share, %
Power unit repairs	82
Repairs of BOP equipment	10
Repairs of buildings and structures	6
Repairs of heat networks	2
E.ON Russia JSC	100

29% of repair work was done using the Company's own resources and 71% on contractual basis. Tender procedure was implemented for concluding contracts on repair with contractors under the best terms for the Company.

E.ON Russia JSC implemented a 6-year maintenance cycle for all power units and a 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.

8. POWER MARKETS

8.1. 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 have been introduced, subject to these Rules electric power and capacity are supplied at regulated prices only to households and categories of consumers equal to them .

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 2014 capacity was sold via the following mechanisms at the wholesale market: 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 2014 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.

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

8.2. Review of the Competitive Environment

Major factor of competitiveness in the electric power industry is the production efficiency, as at the electricity and capacity markets selection of generating facilities for production at these markets is performed according to the principles of the least costs. From this point of view, competitive advantages of E.ON Russia JSC are Surgutskaya GRES-2 and Berezovskaya GRES with units of large unit capacity (800 MW), which are the most economical and efficient power plants among, accordingly, "old" gas and coal generation of the country. Besides, the main part of the Investment program of E.ON Russia JSC on commissioning new CCGT units, which are also of high demand in the market, has been implemented.

Additionally demand at the wholesale market can be caused by the grid infrastructure conditions and specifics of energy balances within some of the system energy zones. Thus, for other power plants of E.ON Russia JSC factors of demand in the power market are:

- involvement of Smolenskaya GRES in ensuring the export flow of electric power to Belarus;
- location of Shaturskaya GRES in the deficient Moscow region with insufficient transfer capacity of the grids for receiving electric power from outside;
- involvement of Yaivinskaya GRES in supporting the energy balance in the Bereznikovskiy-Solikamskiy hub.

Within the scope of its own power units, the main competitors to the Company's power plants are similar generating capacities: other GRES, which also do not have a significant share of heat power output.

To support the high results of E.ON Russia JSC power plants in the competitive environment, works on fuel expenses optimization, financial control enhancing and maintaining the costs saving programs, equipment modernization projects development are performed.

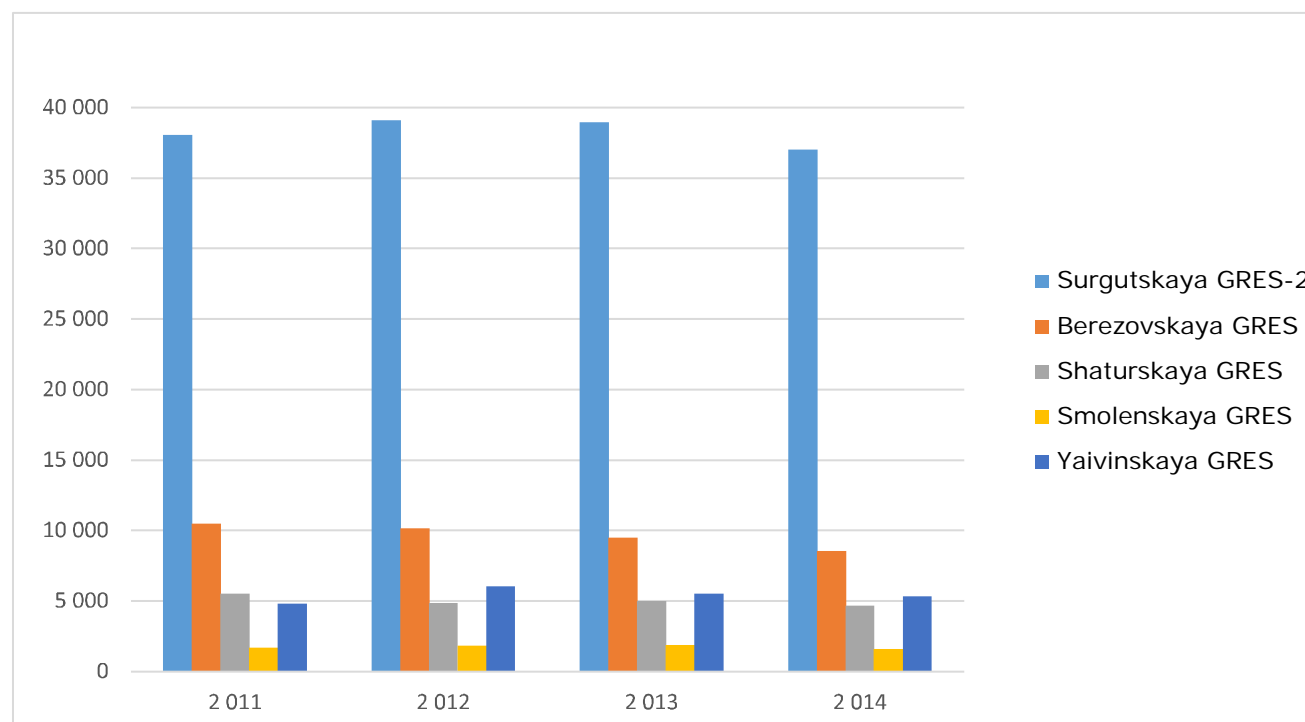
8.3. Electric Power Sales

Most of electric power sales were effected from own generation of E.ON Russia JSC power plants. In 2014 net electricity output by electric power plants of E.ON Russia JSC made 57.2 bln. kW·h. Moreover, the supplies under regulated contracts (RC) made about 18.0% of sales. The remaining electricity was sold in the competitive market sectors: at the Day-ahead market (DAM) and Balancing market (BM). Most of the margin from electric power sales (98%) was gained exactly due to activities in competitive segments of the wholesale market.

Net electric power output by the Company power plants²¹

Power plant	Unit of measurement	2011	2012	2013	2014
Surgutskaya GRES-2	mln kW·h	38,053	39,095	38,975	37,043
Berezhovskaya GRES	mln kW·h	10,470	10,147	9,463	8,536
Shaturskaya GRES	mln kW·h	5,517	4,848	4,980	4,662
Smolenskaya GRES	mln kW·h	1,662	1,809	1,875	1,585
Yaivinskaya GRES	mln kW·h	4,827	6,025	5,508	5,344
E.ON Russia JSC	mln kW·h	60,529	61,924	60,801	57,170

Dynamics of net output in 2011-2014



In 2014 E.ON Russia JSC reduced the electric power sales volume in the competitive sector of the wholesale market in comparison with 2013, mostly by means of changing the operating equipment composition.

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 JSC 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.

²¹ Data given net of load loss

POWER SALES, SECTOR-WISE

Electric power sales	Unit of measurement	2013	2014
RC (Regulated contracts)	mln kW·h	9,869	10,539
DAM (Day-ahead market)		54,153	49,699
BM (Balancing market)		1,275	1,169
NRC (non-regulated contracts)		0	598
E.ON Russia JSC		65,297	62,005

Sales volume of electric power by power plants of E.ON Russia in 2014 with account for volumes bought at the market, amounted to 62.0 bln kW·h, which is 5 % less than in 2013.

8.4. Heat Power Sales

E.ON Russia's core business is generation and sales of electric power; heat power generation and sales are not the Company core business. Following the results of 2014 funds received from heat power sales amounted to about 1.6% of the Company total revenue. Nevertheless, E.ON Russia JSC pays much attention to reliability and continuity of heat supply because it is essential for local consumers' life support in the nearby communities.

Main consumers of heat power are households and community of settlement Ozerny (Smolensk Region), Shatura (Moscow Region), Surgut (Khanty-Mansi Autonomous District), 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

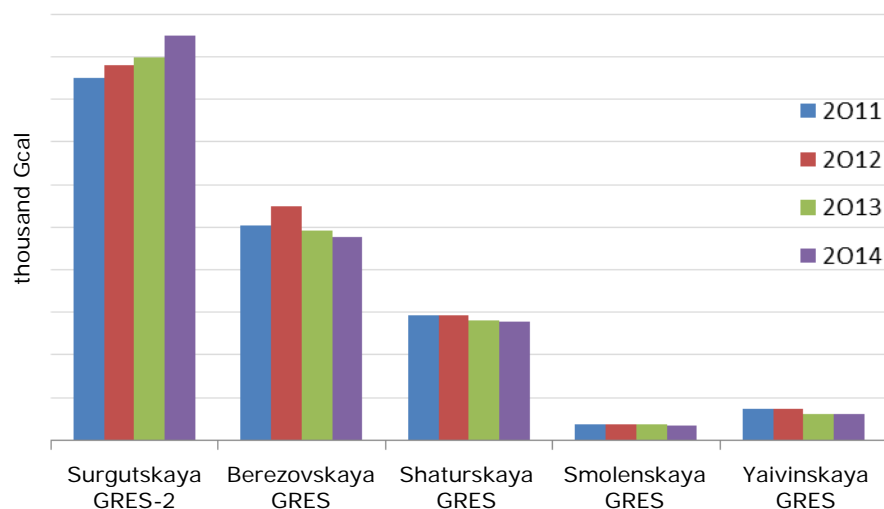
Power plant	Unit of measurement	2011	2012	2013	2014
Surgutskaya GRES-2	thousand Gcal	851	879	897	948
Berezovskaya GRES	thousand Gcal	503	549	492	477
Shaturskaya GRES	thousand Gcal	293	292	282	279
Smolenskaya GRES	thousand Gcal	37	37	38	33
Yaivinskaya GRES	thousand Gcal	74	73	62	62
E.ON Russia JSC	thousand Gcal	1,758	1,830	1,771	1,799

In 2014 the amount of heat supplied to consumers was 1.6% more than in 2013. Increase of net output is related to the weather conditions.

In all branches of E.ON Russia JSC (except for Surgutskaya GRES-2) in 2014 heat was supplied directly to consumers under direct contracts or via housing and communal services organizations. Surgutskaya GRES-2 supplies heat power to Surgutskiy Town Electric Grids LLC.

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

Dynamics of net heat power output in 2011-2014



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.

8.5. 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.

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

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 enhancing the Company's competitive growth and equipment operational reliability.

Main lines of the investment activity:

- modernization of equipment with enhancement of capacity and efficiency;
- replacement of the life-expired power generating equipment with modern equipment with high technical and economical rates;
- enhancement of reliability and efficiency of operating facilities;
- construction of new efficient generating facilities;
- implementation of the health and safety policy;
- implementation of ecological projects;
- IT systems modernization.

9.1. Investment program implementation in 2014

No new capacities were commissioned in 2014.

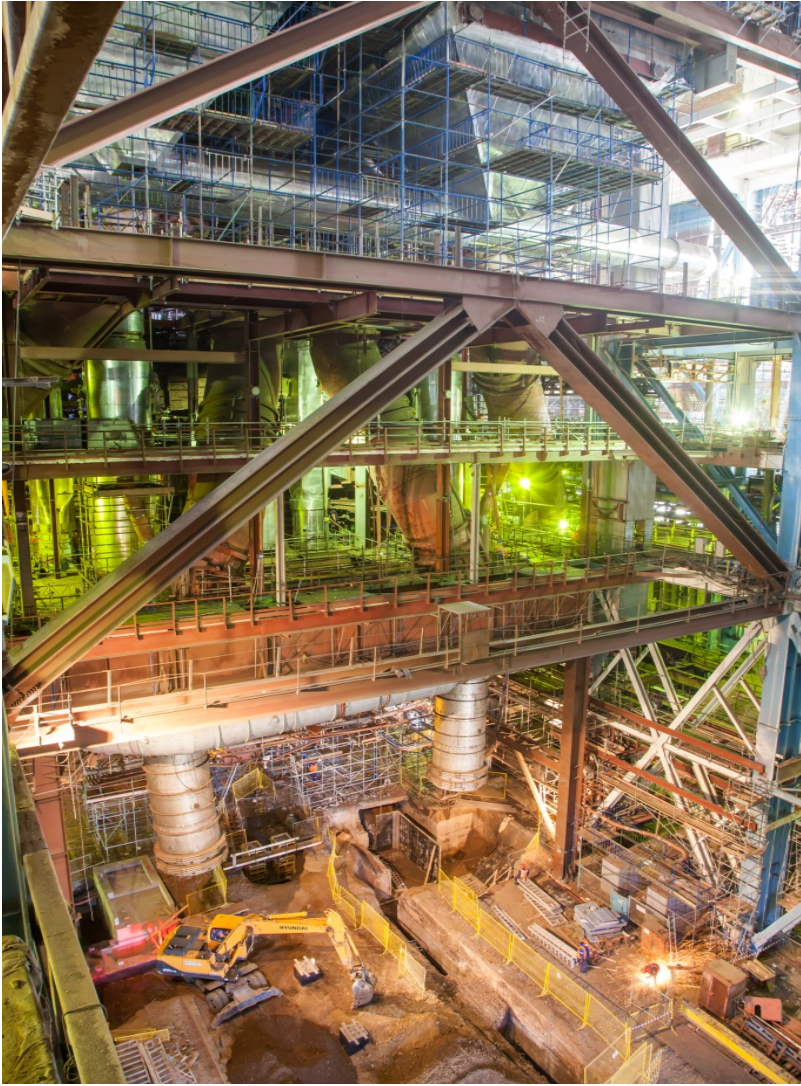
As regards highly efficient generating capacities, efforts of the Company were aimed at implementation of the large investment project "Construction of power unit No. 3 on the basis of 800 MW STU Berezovskaya GRES". The project of construction of unit No. 3 of Berezovskaya GRES is one of the largest investment projects in the electric power industry of Russia, it 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.

Works status of power unit No. 3 construction following the results of 2014:

- 97% of the total scope of boiler equipment is installed.
- Hydraulic tests of the secondary and primary tracts of the boiler unit P-67 have been conducted.
- 96% of pipelines and vessels of the turbine house have been mounted.
- A generator set is being installed, hydraulic measurements of auxiliary turbine equipment are being carried out (50% completed).
- Installation of unit pump station, transformer yard and busbar assembly No. 2, and electric filters has been finished.
- Installation of equipment in ID Fans Compartment is being finished (99% completed).
- Electrical equipment of busbar assembly No. 2 (500 kV switchyard) and transformer yard (Unit transformer and auxiliary transformer) has been energized.
- 0.4 kV MV Switchgear in turbine compartment, 0.4 kV MV Switchgear in hopper deaerator compartment (Main Building, Row A, el. 6.3, room 302) have been energized.
- Automatic Process Control System has been activated.
- Idling of CW pumps and water treatment revolving screens has been carried out.
- BGRES Unit 3 external and internal utilities are being constructed (70% mounted).
- Heat insulation is being applied (70% completed).
- Cable (power, optic, control) is being installed - 50% completed.
- Installation of C&I facilities is in progress (50% completed).

Below are the data on financing and spending of capital investments under the project as of 2014 year end against similar data as of 2013 year end.

Project	Financing		Spending	
	As of 31/12/2013	As of 31/12/2014	As of 31/12/2013	As of 31/12/2014
800 MW STU, Berezovskaya GRES	50%	82%	61%	70%



Boiler house (level 0.000-32.000)



Turbine room



ESP's



Water intake pump house



Busbar assembly No. 2

In 2014 financing of the investment programs for the Company's power plants was performed at its own expense. Investment programs were financed from: profit – 12.5 bln rubles and depreciation expenses - 6.9 bln rubles.

In 2015 under the "Construction of power unit No. 3 on the basis of 800 MW STU" project it is planned to complete installation, electrical, startup and adjustment works, to perform works on installing the turbine unit on the barring, perform trial hydraulic starts of the boiler and carry out synchronization of the generator with the network, carry out complex test of power unit No. 3 and attestation tests of the unit equipment, to commission power unit No. 3 (to obtain a permission for power unit commissioning).

The works on construction of a dry ash removal system of Berezovskaya GRES. The following works are performed in the course of construction:

- construction of Section No. 4 of ash dump (95% completed);
- replacement of worm-type ash removers of the boilers P-67 st. No. 1, 2 (50% completed);
- reconstruction of the underground oily water tank with replacement of pipeline from the main building to oily water tank and from oily water tank to oily water treatment plant (95% completed);
- upgrade of oily water plant and creation of a circulating process water treatment system (95% completed);
- construction of a pool for spent fuel assembly No. 2 (95% completed);
- upgrade of outdoor circulating water piping, clarified water pump house and circulating water for hydraulic cleaning of unit 1 and 2 boiler compartment (55% completed).

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	Commissioned in November 2010
Surgutskaya GRES-2 (Ханты-Мансийский автономный округ)	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 2014, is completed at:

Power plant	Technical Refurbishment and Reconstruction (TRR) program completion, %
Surgutskaya GRES-2	88
Berezovskaya GRES	95
Shaturskaya GRES	94
Smolenskaya GRES	95
Yaivinskaya GRES	92
Total for E.ON Russia JSC	87

Main activities of the TRR program:

Surgutskaya GRES-2	<p>Technical refurbishment of the hot reheat pipeline elements of power unit No. 5.</p> <p>Reconstruction of the excitation system of power unit No. 5.</p> <p>Technical refurbishment of the gas supply system of Surgutskaya GRES-2.</p> <p>Modernization of TBB-800-2EY3 generator rotor with replacement of turn and slot insulation.</p> <p>Replacement of the boost pumps at power unit No. 2, 5.</p> <p>Reconstruction of ball cleaning system of the turbine generator and turbo feed pump A/B condensers. Replacement and installation of pre-filters at the pressure circulating water conduits of the turbine generator and turbo feed pump A/B condensers of the power unit No. 5.</p> <p>Reconstruction of transformer unit 5T of the power unit No. 5 with replacement of the 500 kV inlets.</p>
Smolenskaya GRES	<p>Installation of upgraded PEN-1B of the power unit No.1.</p> <p>Upgrade of vibration control system of the power unit No. 1.</p> <p>Reconstruction of the injection system of the boiler assembly TPE-208 of the power unit No.1.</p>
Berezovskaya GRES	<p>Upgrade of fuel supply tract.</p> <p>Implementation of the technology of ash and sludge wastes storage_Recultivation of map 1.</p>
Yaivinskaya GRES	<p>Upgrade of HP heaters No. 6, 7, 8 of the power unit No. 2 with replacement of tube bundles.</p> <p>Upgrade of turbine set of the power unit No. 2 with replacement of tubes and tube sheets on the condenser.</p> <p>Upgrade of outdoor switchgear-110/220 kV with replacement of 1 air circuit breaker with gas-insulated one, and with replacement of 5 disconnecting devices.</p> <p>Upgrade of electric motors DV-2A, DS-2A at the power unit No. 2.</p> <p>Upgrade of packaged switchgear 6 kV with replacement of circuit breakers at the power unit No. 2.</p>
Shaturskaya GRES	<p>Upgrade of low-pressure cylinder of the turbine set of the power unit No. 5, with replacement of operating blades of stages 27, 31, and bandage of stage 25.</p> <p>Reconstruction of oil circuit breakers of the outdoor switchgear 220- kV, with replacement of oil-filled inlets and blowout chambers.</p> <p>Upgrade of stage 26 of the low-pressure hose of the turbine K-210-130-3 of the power unit No. 5.</p> <p>Upgrade of oil circuit breakers of the outdoor switchgear 110 kV (replaced with gas-insulated ones).</p> <p>Upgrade of vibration control systems of the power units No. 2, 5.</p>

9.3. Capital investments

Capital investments of the Company within the investment program implementation in 2014 amounted to about 20 bln rubles, including in the following lines:

- technical refurbishment and reconstruction — 7%;
- new build - 93%.

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 are 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 conditions of procurement are guaranteed, i.e.: compliance with the customer's requirements, deadlines, quality, and optimal 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 open 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 unit. Its basic functions are planning, organization and implementation of procurement procedures; control of procurement activities at the Company branches. Moreover, the Procurement unit 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 behavior in the competitive environment.

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

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

10.2. Basic Results of the Company Procurement Activities in 2014

2014 procurement under the annual comprehensive procurement program broken down by the initiator of procurement

	Number of procurement procedures, it.	Total value, thousand RUB	Share, %
MOSCOW REPRESENTATIVE OFFICE	718	4,156,946.81	45.63
SURGUTSKAYA GRES-2	789	1,087,391.23	11.94
BEREZOVSKAYA GRES	986	547,767.50	6.01
SHATURSKAYA GRES	809	271,326.06	2.98
SMOLENSKAYA GRES	619	148,724.95	1.63
YAIVINSKAYA GRES	770	194,087.60	2.13

E.ON ENGINEERING BRANCH	695	2,703,293.64	29.68
TOTAL FOR E.ON RUSSIA JSC	5,386	9,109,537.79	100.00

In order to support the Company's production activity the procuring employees of E.ON Russia JSC held 5,386 procurements to the total amount of 9,109,537.79 ths. rubles (net of VAT) for the needs of 2014.

In the procurement scope specified 730 procedures to the amount of 4,021,731.15 ths. rubles were held within investment projects of E.ON Russia JSC.

2014 procurement under the annual comprehensive procurement program broken down by activity areas	Share, %
Repair	22.84
Technical Refurbishment and Reconstruction Program	14.11
Operation	16.11
New Build	44.15
Other	2.79
Total for E.ON Russia JSC	100.00

For the needs of 2014, 497 procedures were carried out by means of procurement from a single supplier for the amount of 3,265,150.39 ths rubles (35.84% of the total number of procurements in monetary terms, 9.23% of the total amount of procurement in quantitative terms). All other procurements were carried out by means of competitive procedures.

2014 procurement under the annual comprehensive procurement program broken down by categories	Share, %
Procurements for investment projects	44.15
Turbines, turbogenerators and spare parts	8.13
Repair, maintenance, installation and reconstruction of equipment	7.18
Construction, maintenance, servicing activities and reconstruction of buildings and structures	4.44
Transportation services	3.54
Electrical Work	2.49
Administrative and household services	1.96
External IT services	1.92
Services in the area of DCS and I&C	1.76
Boiler, heat exchange equipment	1.66
Engineering and design, survey work	1.60
Spare parts for CCGP-4000	1.77
Other categories	19.39
Total for E.ON Russia JSC	100.00

2014 procurement under the annual comprehensive procurement program broken by total value	Share, %
Under 500 thousand rubles	5.71
From 500 ths. rubles to 4,000 ths. rubles	16.75
From 4,000 ths. rubles to 40,000 ths. rubles	38.92
Over 40,000 thousand rubles	38.61
Total	100.00

The difference between the value of the most favorable initially submitted comparable proposal and the value specified in the contract in the course of competitive procedures (economic benefit from procurement) amounted (in monetary terms) to 347,266.95 ths. rubles in total for the Company, and 215,476.34 ths. rubles as economic benefit net of investment projects (6.03% and 7.31% respectively - out of the total procurement volume in monetary terms in the course of competitive procedures).

11. INFORMATION TECHNOLOGIES

In the field of information technologies, E.ON Russia JSC focuses on the support of smooth operation and development of the IT systems that are important for the business, in order to enhance the Company's competitiveness and to support the commissioning of new energy capacities.

In 2014, significant attention was paid to reliability and efficiency of the IT infrastructure operation – in order to improve the work of centralized applications on the side of branches and to reduce the operating costs of scheduled extension of the communications channels between the branches and the Head Office, the subsystem of traffic optimization for the corporate network applications was created. Moreover, the project to upgrade the local computing network of the Data Processing Center of the Executive Authority to a new-generation convergent network was launched, which will streamline the architecture, increase the throughput between the nodes of the Data Processing Center up to 10 Gb/s and more. The project results will allow the Company to increase the server facility virtualization level and, consequently, to further curtail the operating costs of the IT infrastructure support.

As concerns the development of the information systems, in 2014, the Cognos budgeting system was transferred to the virtual environment. The virtualization of Cognos allowed supporting the business needs in new IT tools, while reducing the risks of unscheduled shutdowns of the system because of the infrastructure failure.

A prototype of a solution for a mobile application based on a tablet PC for data collection by station officers was developed as a pilot project at the Shatura hydro-power plant and commissioned into test operation. This project allowed the production unit to monitor the equipment maintenance and repairs more thoroughly, which was reflected in reduction of unscheduled stoppages of power units.

A comprehensive training program using automated simulators was prepared for the service staff of the stations.

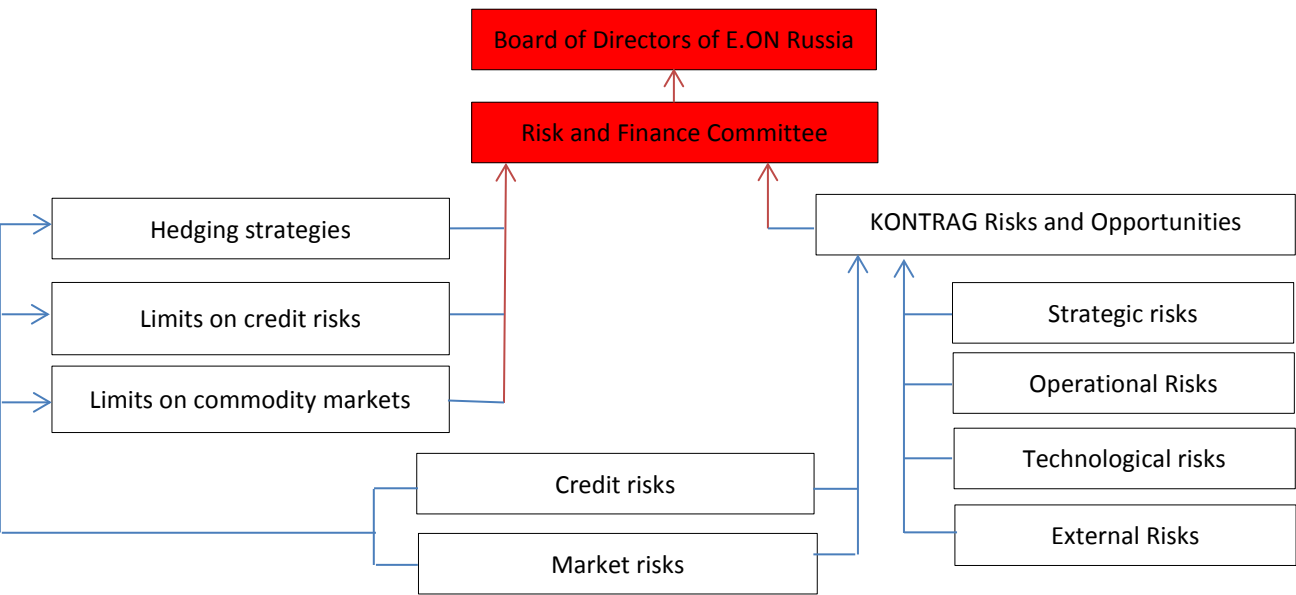
Despite high efficiency of the Company's processes, in August 2014 a project to improve the business processes of maintenance and repairs (M&R) was launched for the main production facilities of Surgutskaya GRES-2 Branch of E.ON Russia JSC.

The solutions to refine the organizational setups of the branch's business units involved in M&R, their headcount, allocation of responsibility and powers of managers and executives, as well as the key efficiency indicators for processes and business units under M&R were developed as part of the process. Implementation of this project allowed to get the positive economic effect by cutting down economic and operating losses and by improving the repair activity of the branch. The project at Surgutskaya GRES-2 is a pilot one in the given direction. The solutions developed and tested as part of this project will be translated to other branches of E.ON Russia JSC.

A number of projects on improvement of the Company's information safety was implemented, in order to increase the Company's protection. For example, in 2014, a centralized anti-virus protection system was upgraded; the security systems for mobile devices and mediums and for mobile PC encoding were implemented; the coverage and functionality of the information leakage control systems and the systems of control over access to the Company's information resources were expanded. Moreover, in line with the modern information security trends, the information security incident system was built up. At the same time, preparation for refurbishment and refining of the work of the existing systems and processes in order to reduce their total number and, accordingly, the costs of their support were the core line of business for the information security business unit created in 2014. In addition, the work to enhance operating efficiency through integration and consolidation was simultaneously performed. For example, projects were implemented and experiments were conducted to replace the perimeter control systems with the single NFGW class system, to create SIEM class system that consolidates the events in all other protective systems. The results of these projects will be used to analyze the detection of information security incidents with significantly lower costs and higher quality. Also, the project to audit the automatic process control systems and processes for their conformity to the required information security levels was developed in accordance with E.ON Group initiatives, in cooperation with the production unit specialists.

12. RISKS AND THE RISK MANAGEMENT SYSTEM

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



The key elements of the risk management system are the Company's strategy, internal regulations, controlling, planning, the internal control system and internal audit; statements generated according to the requirements of the Control and Corporate Transparency Act (KonTraG) and operations of the Risk and Finance Committee of the Board of Directors of E.ON Russia JSC.

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

Risks Insurance Department

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

Risk and Finance Committee of the Board of Directors²²

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

Commodity Risks

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

Regulatory Risks

The Russian wholesale electricity market constantly undergoes changes that result in changes in the electricity market structure as well as relations between its participants.

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

Regulation Commission

In order to form the common stance, to coordinate the work in interaction with external companies and to draft recommendations on the strategic issues of the power industry regulation, the Regulation Commission was established in the Company. The Commission includes heads and representatives of the Company's leading business unit, which are in charge of the operational and financial activities and of liaising with the infrastructure organizations of the wholesale market and specialized ministries and institutions.

Operational Risks

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

Construction Risks

In implementing the projects to build new power units as part of the investment programme of construction (upgrading) and to commission the generating equipment, the Company faces the risk of delay with introduction of new facilities, which entails serious penalties in accordance with the Capacity Provision Agreement and prevents power plants from generating and supplying electricity.

The Company makes all reasonable efforts to control this risk through thorough monitoring of the construction process, in order to detect and prevent delays in construction.

²² Detailed information is available in the Board of Directors Committees section of the Annual Report

External Risks

Risks related to the balance situation on the wholesale market are an important category: Demand for electricity and capacity and its fluctuations in connection with macroeconomic factors, the increasing supply on the market triggered by the introduction of new capacities under capacity provision contracts (CPC), growth of excessive capacity on the market, non-availability of the system of decommissioning obsolete generating equipment. But the availability in the Company of highly efficient and marketable capacities (including newly constructed units) allows to expect high performance on the emerging markets.

With the instability of Russian tax law and availability of different concepts in interpretation of tax standards on the part of tax authorities, different arbitration courts, there are risks of claims against the Company on the part of tax authorities. Based on the results of tax audits held by tax authorities, additional taxes, penalties and fines may be assessed on the Company.

Financial Risks

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

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

In its operations, the Company has to supply electricity to certain regions of the Russian Federation, which do not timely or fully pay for consumption and increase their receivables to E.ON Russia JSC.

Legal Risks

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

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

Insider Information Protection

E.ON Russia JSC is a publicly traded company whose securities are included into the First Level quotation list of Moscow Exchange OJSC ("MICEX Stock Exchange" CJSC).

Therefore, the Company tracks the circulation of insider information, which can significantly influence the cost of its financial instruments. In accordance with Russian law, the Company combats the illegal use of insider information by the insiders of E.ON Russia JSC.

For compliance with the Federal Law No. 224-FZ of 27.07.2010 «On Combating Illegal Use of Insider Information and Market Manipulation», Order No. 13-51/pz-n of 18.06.2013 «On approval of the Provision about a procedure of notification of persons about their inclusion in a list of insiders and the exclusion from such list, the Provision about a procedure of transfer of lists of insiders to organizers of trading when the operations with financial instruments, foreign exchange and/or goods are conducted, of the Provision about order and terms of dispatch by insiders of notices on operations conducted by them», Order No. 12-9/pz-n of 28.12.2012 «On approval of the Provision about procedure and time limits of disclosure of insider information of persons specified in Article 4, paragraphs 1-4, 11, and 12, of the Federal Law of «On Combating Illegal Use of Insider Information and Market Manipulation» and Amending Individual Laws of the Russian Federation», a revised version of the Regulation on

Insider Information (The Regulation) was approved in the Company ²³.

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

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

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

²³ In connection with coming into effect of the Instruction of the Central Bank of the Russian Federation No. 3379-U dated September 11, 2014, On the List of Insider Information of the Persons Indicated in paragraphs 1 to 4, 11, and 12 of Article 4 of the Federal Law "On Combating Illegal Use of Insider Information and Market Manipulation and Amending Individual Laws of the Russian Federation", the Board of Directors of E.ON Russia JSC approved the amendments to the Regulation on Insider Information of E.ON Russia JSC on April 2, 2015.

13. CORPORATE AND SOCIAL RESPONSIBILITY

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

13.1. Staff: Structure and Social Policy

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

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

To enhance efficiency of personnel management, E.ON Russia JSC is actively working on automation of HR processes; in particular, in 2014, the Company's employees developed and implemented the special module - Efficiency Management - by their own efforts.

As part of the Business Process Improvement project, the Company introduced the role of an HR Manager in five branches, in order to transform the HR function into a reliable business partner.

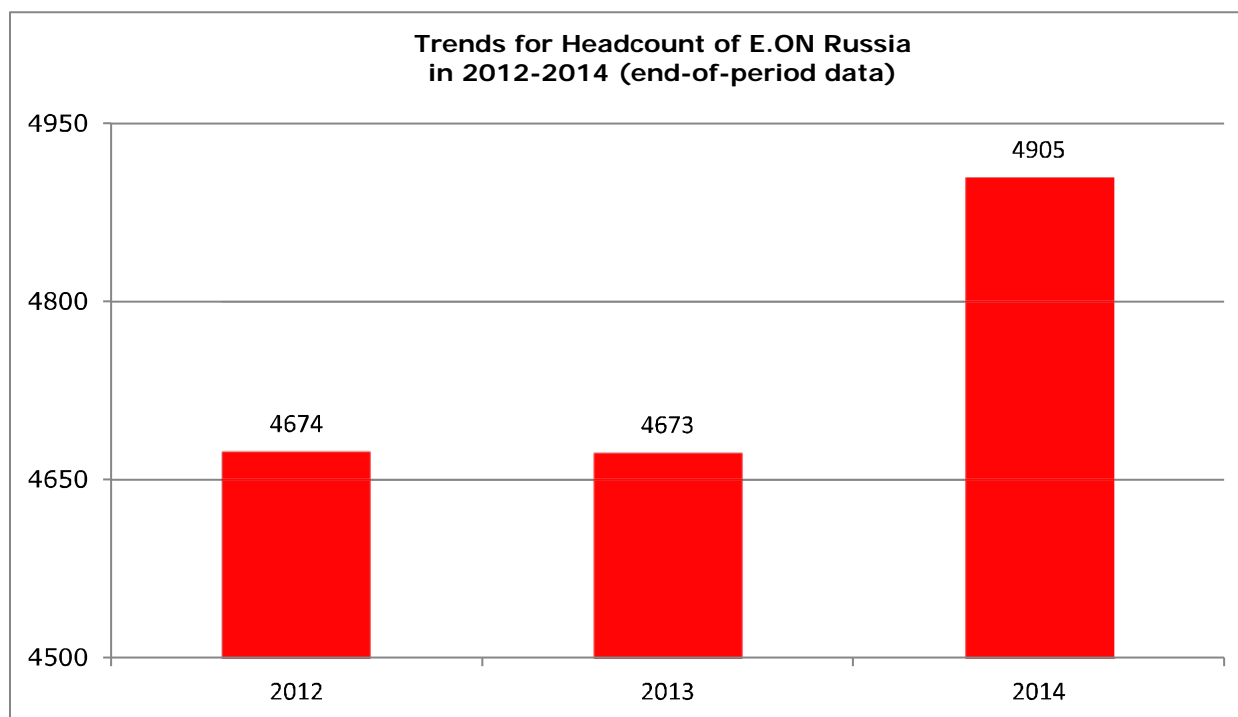
Headcount

The headcount of E.ON Russia JSC staff²⁴ as of December 31, 2014, came to 4,905 persons, including:

- in the core line of business, the headcount of industrial and production and non-industrial employees is 4,460;
- the headcount of the personnel involved in the investment project implementation program is 445.

The trends for the change of the headcount of E.ON Russia JSC, taking into account all personnel involved in the investment project implementation programs in 2012-2014 are shown in the chart below:

²⁴ By the headcount the complete headcount shall be meant, i.e. total number of employees who concluded labour contracts with the Company.

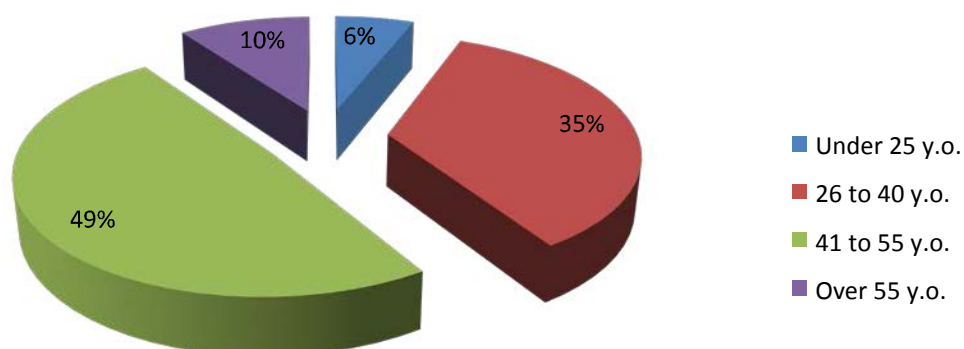


One of the top priority objectives for personnel services is to create the Company's team, which is balanced by age categories. This concept will promote transfer of unique knowledge, technologies and traditions. Below is E.ON Russia JSC personnel structure by age

Staff age profile

Category	Persons	%
Under 25 y.o.	269	6
26 to 40 y.o.	1754	35
41 to 55 y.o.	2337	49
Over 55 y.o.	545	10
TOTAL	4905	100,0

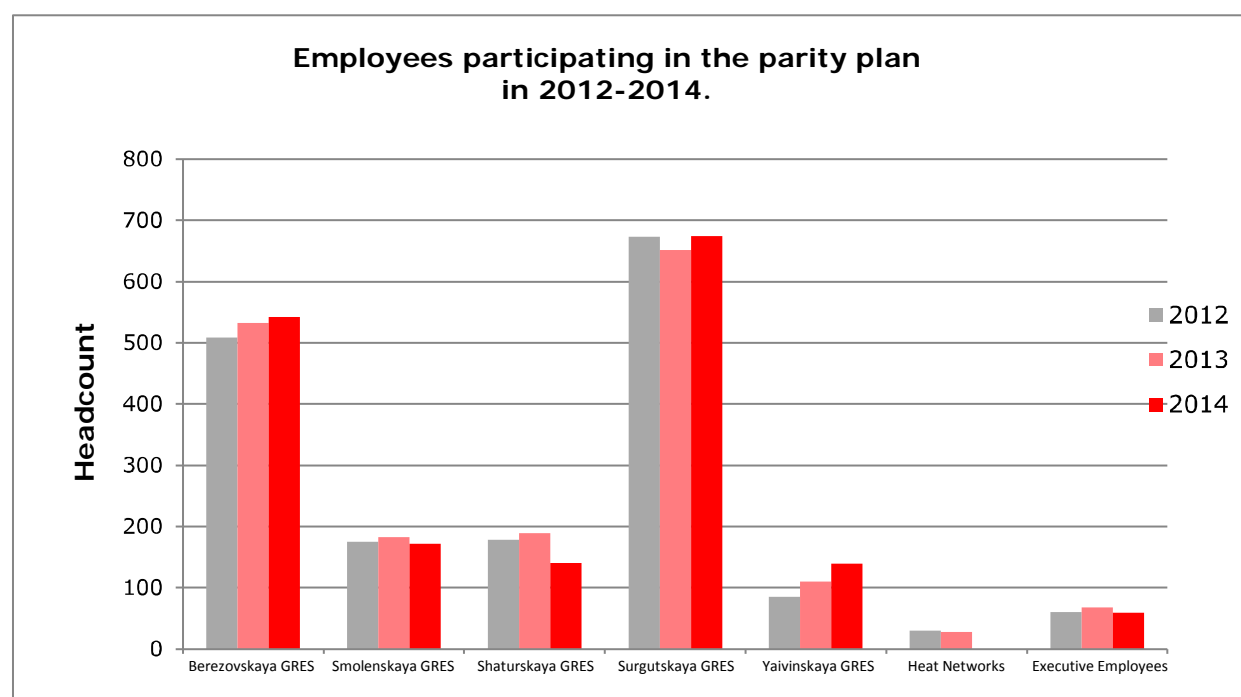
Staff age profile



Non-governmental pension provision

E.ON Russia JSC regards non-governmental pension provision (NGPP) as a tool of boosting the retiring employees' income and establishing long-term employment relations. The NGPP system has been in effect in the Company since December 2005. It includes two core retirement plans: corporate and parity plan (since 2007). As part of the corporate plan, 64 persons took out the non-governmental pension from non-governmental pension fund of electric power industry in the branches over 2014.

The Company's parity plan lets the employees to accumulate pension accruals to increase their future pension amount. As of December 31, 2014, the number of NGPP system participants came to 1,726, which is equal to 35% of total headcount of E.ON Russia JSC employees. In 2015, the Company will continue to engage its employees in the parity pension programme.



Personnel training and skills upgrade

In 2014, the training and development priorities were as follows:

- Mandatory training allowing the personnel to perform its job duties
- Development and implementation of the personnel reserve shaping and development methods
- Skills upgrade for personnel in their professional fields

Mandatory training

The main areas of mandatory training in 2014:

- Precertification training and certification in industrial safety, occupational safety, energy safety, safety of hydro-technical structures;
- Precertification training, certification, recertification of specialists in non-destructive control and in destructive and other test types;
- Training the service staff for the production instructions knowledge check.

Personnel reserve

A project is implemented at Berezovskaya GRES. The key positions for shaping the personnel reserve and the format criteria, which the candidates for these positions should meet, are determined.

165 employees of Berezovskaya GRES were enabled to take part in the program. 91 employees took part in the program (55% of the possible number of participants).

Result:

- The Table of Succession at the Berezovskaya GRES was approved, which allows to create a Plan of Filling Possible Vacancies for the Key Positions.

- The programme participants have the Individual Development Plans.
- The personnel reserve formation standard was established.

Skills upgrade

The Company's employees completed different study programmes, courses and workshops, which helped enhance the operating efficiency.

Some of the training programs:

- Training of Corporate Managers and Specialists in Special Assessment of Labor Conditions Participants 278 employees.
- Proficiency Competitions of Comprehensive Teams of the Operating Personnel of Combined Cycle Power Units of the Branches: Surgutskaya GRES-2, Shaturskaya GRES, and Yaivinskaya GRES. Participants: 21 employees.
- Motivation Management within a Manager's Key Functions; the first portion of the managerial skill development program of the Company's managers. Participants 34 employees.
- Bargaining Art and Influence Skills, for employees of the Procurement Unit. Participants 15 employees.
- English course for the employees liaising with the Group. 35 employees took part.

In 2014, 2,349 persons were trained, including 1,624 persons who underwent mandatory training; 725 employees underwent skills upgrading course in different business lines.

Branch	Mandatory training (persons)	Advanced training (persons)	Total (persons)
Information Agency	10	201	211
Berezovskaya GRES	411	50	461
Smolenskaya GRES	247	117	364
Surgutskaya GRES	301	170	471
Shaturskaya GRES	403	143	546
Yaivinskaya GRES	252	44	296
TOTAL:	1,624	725	2,349

Staff Incentives

In 2014, the Collective Bargaining Contracts were developed in the Company and concluded between the Employer and the authorized representatives of the Employees for 2015/2017; and revised versions of the Regulations on the Salary of the Branches' Employees were approved.

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

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

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

To engage, retain, develop and incentivize employee, in 2014 E.O. Russia launched the project to develop a new salary system based on the grade/position level and establishing the uniform salary revision principles.

To better incentivize employees and to reduce the personnel turnover, the Company constantly works on tracking the regional salary markets. The average employees' salary in E.ON Russia's branches is on a level with the salary at enterprises involved in production and distribution of electricity, gas and water in the branch's region of presence.

Monitoring of the regional employment markets is carried by annual tracking of state of the employment market, with the Company's participation in salary reviews held by major global independent companies (including E&Y, PWC, Hay Group and others.)

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

Intangible incentives for the staff

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

Success Energy! - a competition aimed at recognizing, encouraging and supporting the achievements of the Company's employees aimed at improvement of business indicators, enhancing social responsibility of the Company and improvement of the environment. This programme enables everybody to tell the entire company about his or her projects and achievements, to express acknowledgement to colleagues (both to individual employees and to whole teams) for outstanding contribution to the Company's work.

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

- **Improvements and Innovations:** Those employees/projects/teams who were pro-active, authored and implemented innovative ideas that enabled to enhance efficiency and financial indicators of the business unit and the entire company were recognised in this category.
- **Manager's Proficiency:** The outstanding managers with excellent leadership qualities, who are able to incentivize and lead the team, to achieve high performance, were recognized in this category.
- **Business and Ecology:** The achievements that helped produce positive impact on the environment, enhance the Company's economic indicators, were recognized in this category.
- **Social Responsibility:** The employees whose social and charitable work improved the life of an individual person and the entire society were recognized in this category. The projects implemented outside the Company's charitable program were considered in that category.

In the semi-finals of the first contest of the **Success Energy** recognition more than 85 persons took part! The programme will be held biennially.

Corporate support to E.ON Russia JSC employees in improvement of living conditions

For the purposes of corporate support in improvement of living conditions to E.ON Russia employees in 2014, the Company's Management Board approved the lists of employees who need to have their living conditions improved, and also determined the scope of funding for these purposes for 2014.

In the first place, this program is for:

- young specialists with work experience who 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 2014, 45 employees of the Company's branches received corporate support in improvement of living conditions. Contracts of an interest-free targeted loan for acquisition (construction) of housing, as well as for repayment of the principal debt on a mortgage credit were made with all participants of a program, and the loans were received.

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

- Compensation for rental of housing in Moscow during 3 years
- Compensation for expenses of the employee and his family for travel and transportation of luggage,
- Payment of the initial relocation allowance.

13.2. Occupational Health and Safety

As the key productivity indicators in occupation safety, E.ON Russia JSC established the following indicators in 2014:

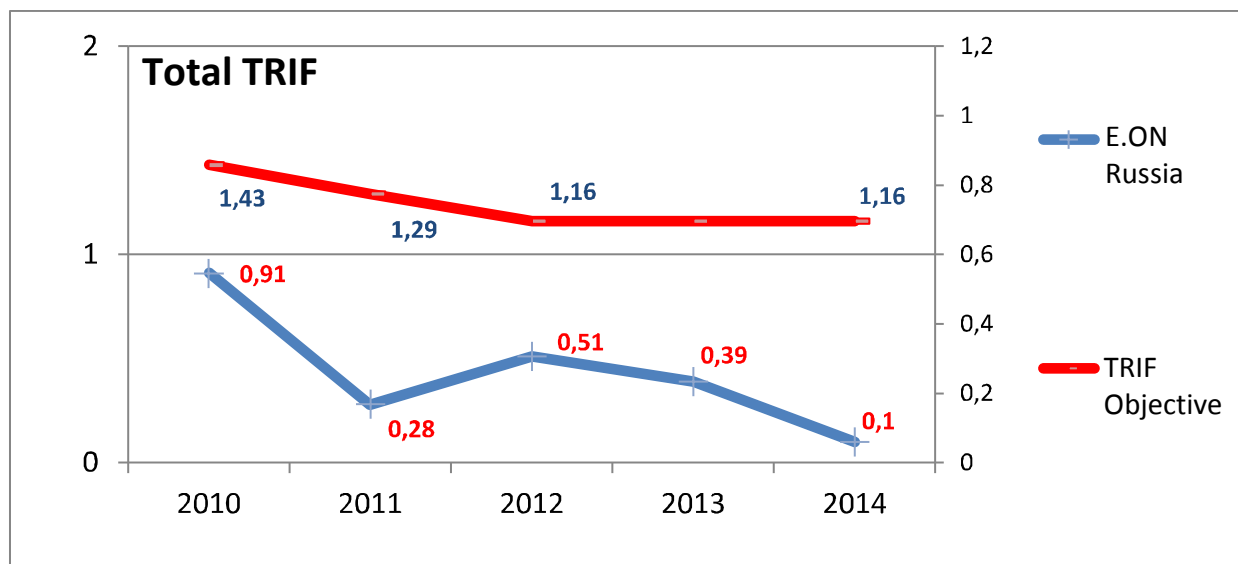
1. Implementation of the HSE Improvement Plan for 2014.
2. The frequency of all recorded incidents (total TRIF) of own staff and the Contractor's staff at the operational plant is less than 1.16.

The HSE Improvement Plan for 2014 was fulfilled for 102%.

As part of the HSE Improvement Plan for 2014, the following main actions were carried out:

1. Bureau Veritas conducted re-certification of E.ON Russia JSC for conformity to OHSAS 18001:2007. The Certificate valid till May 2017 was obtained; it confirms that the health management and occupational safety system operating at E.ON Russia JSC meets the requirements of OHSAS 18001:2007.
2. Self-evaluation of the safety culture of each business unit of branches and in general for branches was carried out, using the Bradley's Curve procedure from Destination Zero toolbox (zero of cases of injuries). Based on the self-evaluation results, the plans for refinement of the safety culture and improvement of the position on the Bradley's curve" are developed in every branch.
3. Training of 2,627 employees of business units of branches and the executives of E.ON Russia JSC on the requirements of the occupational health and safety management system was held.
4. The Regulations on Holding the Risk Assessment before the Start of Work on Job Orders in E.ON Russia JSC Branches (PO-COTTA-24), a document of E.ON Russia JSC Occupational Health and Safety Management System, was approved and brought into force on October 22, 2014. The Regulations establish for the first time the uniform risk assessment procedure, before the start of work on job orders at E.ON Russia JSC and before the start of processing of the initial permit in the job order at the work station.
5. The Regulations on Holding the Audits of Work Stations at Branches of E.ON Russia JSC (PO-COTTA-10), a document of the Occupational Health and Safety System of E.ON Russia JSC, was approved and brought into force on September 1, 2014. The Regulations are aimed at comprehensive assessment of both conformities and non-conformities of all occupational health and safety factors, with subsequent development of corrective efforts to eliminate any detected non-conformities, which enables to assess the security level at E.ON Russia JSC.
6. The implementation of the Prospective Program to Remove Asbestos in the Branch Equipment continues. The actual quantity of asbestos-containing materials dismantled in 2014 came to 151.161 tons. Air dustiness monitoring in the working area with asbestos-containing dust confirmed that the concentration of asbestos fibers in the air did not exceed the Russian hygienic standard.
7. In accordance with the prospective program of eliminating the detected defects in staircases and the service sites for the technological equipment at the branches of E.ON Russia JSC, 539 defects were eliminated in 2014.
8. The long-term programmes to eliminate violation of the occupational health requirements in power units, in E.ON Russia JSC branches, are being implemented, with 39 actions taken according to them.
9. The communications programme, which includes creation of the films for conducting of briefings on safety for own personnel and a contractor's personnel, was implemented; special stands and posters motivating employees for occupational safety and for improvement of the labor culture on the site were installed.
10. The events of the corporate Catalogue of the Best Contractor Management Practices were analyzed. The prospective program to improve liaising with the Contractor as concerns arrangement of safe work performance at the branches of E.ON Russia JSC was developed.

The frequency of all recorded incidents (total TRIF) of own personnel and the contractor's personnel at the existing production facilities of less than 1.16 was fulfilled and came to 0.1.



The key occupation safety indicators at E.ON Russia JSC are shown in the "safety triangle".

E.ON Staff		Incident category	Contractor	
2013	2014		2014	2013
1	0	fatal	0	0
0	0	serious	0	0
1	1	With loss of ability to work	0	2
0	0	Delivery of (more than) Medical care	0	0
0	0	Delivery of the first Aid	0	0
1	4	Dangerous incidents, Cases which could lead to an injury	2	3
741	335	Potentially dangerous actions (situations), due to which the work was stopped.	965	1941

As compared to the previous year, there is a decrease of injuries of own personnel and no injuries of the contractor's personnel.

The number of the potentially hazardous actions (situations) when the work was stopped dropped by 50% compared to 2013.

In 2014, one accident took place, with an employee of Surgutskaya GRES-2 Branch of E.ON Russia JSC. On January 13, 2014, head of shift of the power plant's chemical workshop sustained chemical burns of the face and both hands when preparing the pattern for pumping of sulphuric acid into the sulphuric acid dosing containers. Investigation into an accident was conducted, preventive measures were developed. After undergoing a course of a rehabilitation and treatment the employee started fulfillment of her job duties.

In 2014, 6 dangerous incidents which could lead to injury were recorded. The causes and circumstances of all incidents were communicated to the personnel; efforts were taken to eliminate the recurrence of such incidents in the future.

Occupational Health expenses

All of the occupational health events scheduled by branches for the reporting period were carried out in full. The costs of occupational safety events came to RUB 276.4 million, exceeding the 2013 indicator by 18%. Funding of the events related to accident prevention and improvement of working conditions increased. Costs by branches for

2013 and 2014 (absolute value and per personnel unit) and cost allocation to types of occupational health events are shown in Charts 1-3.



Chart 1

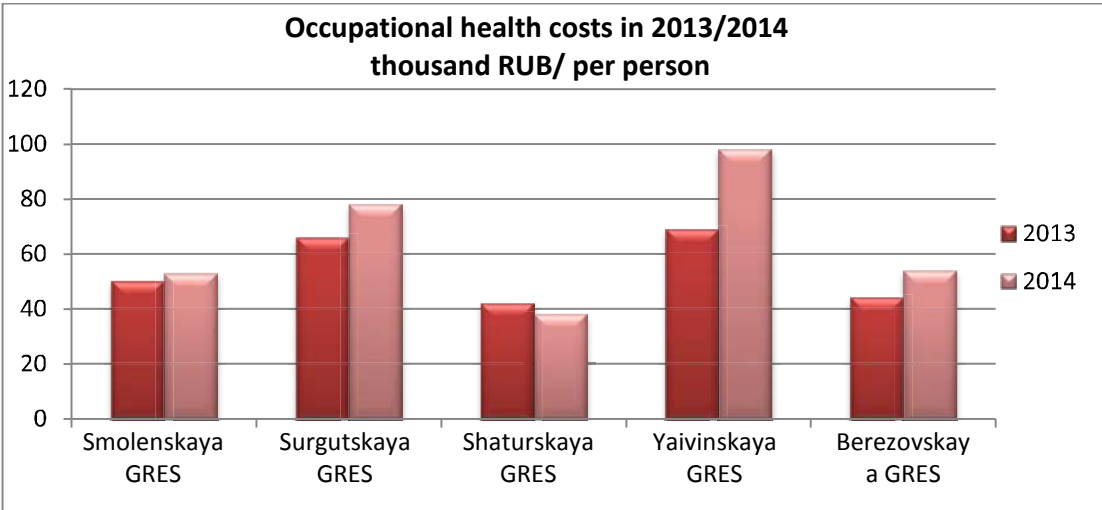


Chart 2

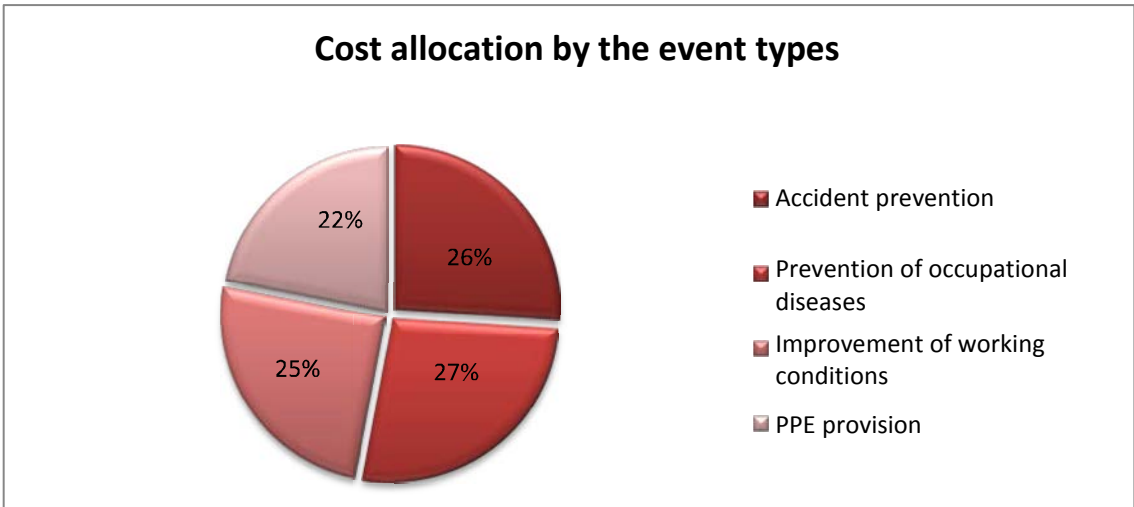


Chart 3

Special assessment of working conditions

In accordance with the Federal Law on Special Assessment of Labor Conditions dated December 28, 2013, No. 426-FZ, and the Minutes of the Meeting of E.ON Russia JSC Management Board No. 407 dated April 29, 2014, the special assessment of working conditions (hereinafter "SAWC") was held in branches of E.ON Russia JSC from August 2014 to February 2015.

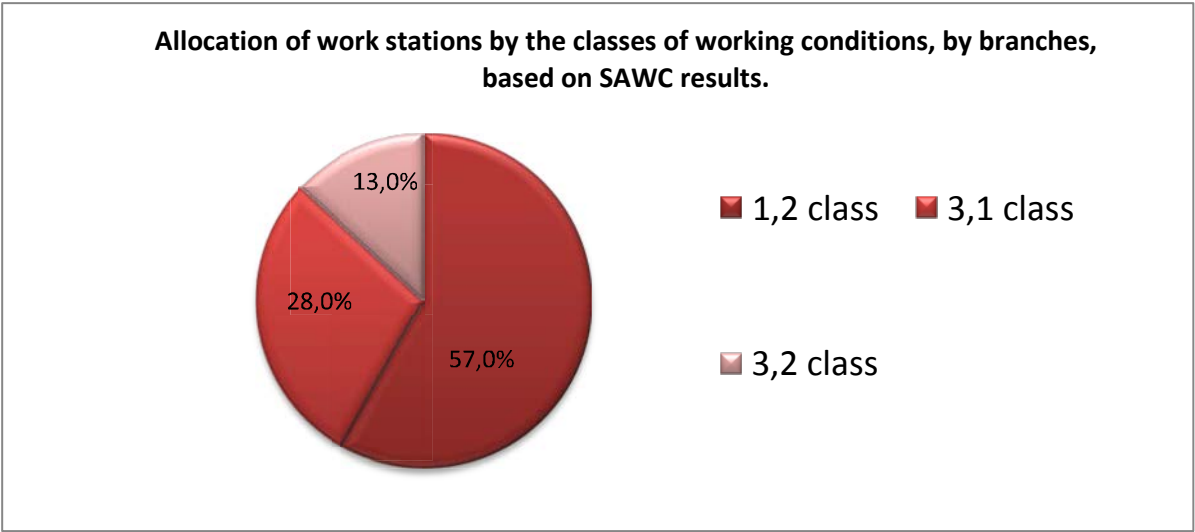
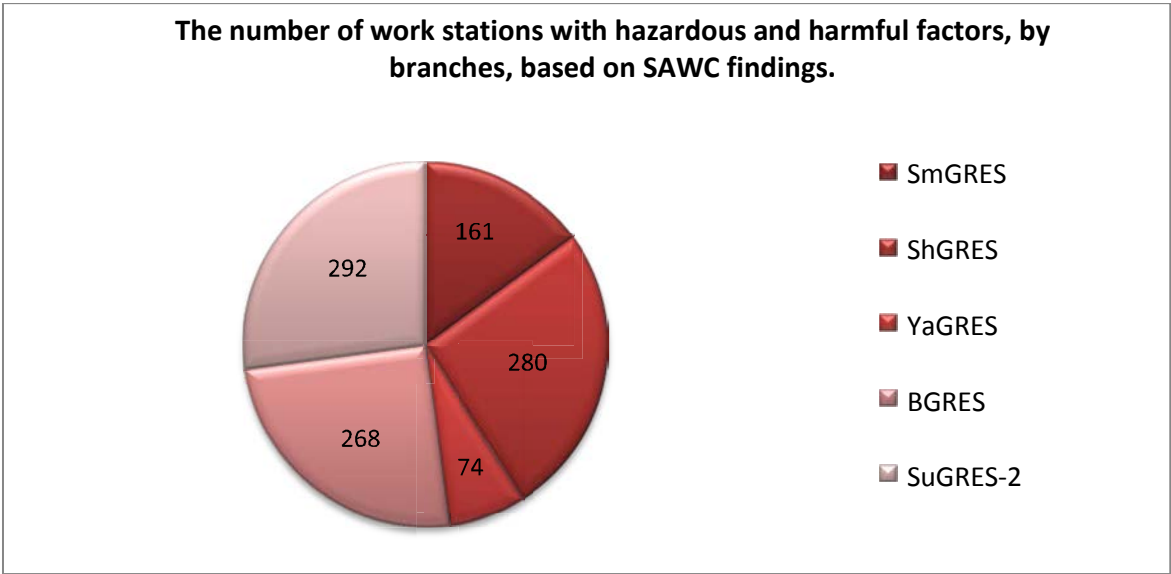


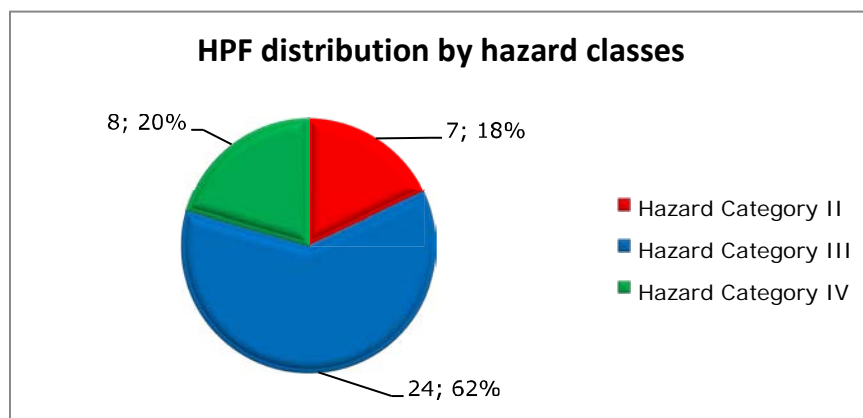
Chart 4

In Chart 5, the number of work stations with hazardous and harmful factors (class 3.1-3.2) is shown, by branches.



Occupational Safety

E.ON Russia JSC operates 39 hazardous production facilities (HPF) recorded in the state register of hazardous production facilities, according to Federal Law on Occupational Safety of Hazardous Production Facilities, with assignment of the hazard category (registration certificate A58-70689):



All of the hazardous production facilities are insured in accordance with the Rules of Third Party Liability Insurance of the Owner of a Hazardous Production Facility for Causing Harm Resulting from an Accident at a Hazardous Production Facility.

Control over the operation of hazardous production facilities at E.ON Russia JSC is arranged in accordance with the Regulations on Production Control over Compliance with the Industrial Safety Requirements at Hazardous Production Facilities of E.ON Russia JSC (approved by the CEO of E.ON Russia JSC on June 11, 2014), and implemented in 4 stages, according to the annual production control plan.

Within the framework of fulfillment of requirements of Federal Law On Occupational Safety of Hazardous Production Facilities (Art. 11) and implementation of the Resolution of the Government of the Russian Federation On Approval of the Requirements to Documentary Support of the Occupational Health Management Systems for category II hazardous production facilities operated by E.ON Russia JSC, the following documents were developed: Statement on E.ON Russia JSC Occupational Safety Policy - approved by the CEO of E.ON Russia JSC on July 16, 2014; Regulations on the Occupational Safety Management System at E.ON Russia JSC, approved by the CEO of E.ON Russia JSC on December 3, 2014.

13.3. Environmental protection

Guided by a strategy of the principal shareholder of E.ON Russia JSC of E.ON Group, i. e. Cleaner & Better Energy, E.ON Russia JSC continued to implement the Company's Environmental Policy adopted in 2009. In 2013, the Company's environment policy version was updated, which specified in detail any goals and objectives in environment conservation and reasonable natural use, and their achievement arrangements.

In 2013, SEM certification audit was conducted in the Company for compliance with requirements of an international standard of ISO 14001:2004 by the Russian Register Certification Association accredited by global certification bodies - members of the International Accreditation Forum (IAF).

In 2014, E.ON Russia JSC successfully passed the first inspection audit (supervisory audit) to confirm the Certificate of Compliance of the Company's environmental management system to the requirements of ISO 14001:2004 in electrical and thermal power generation.

The audit suggested that the environment conservation and sustainable natural use goals, the objectives (the key performance indicators of E.ON Russia JSC in environment) for 2014, were currently relevant. All of the environmental goals of E.ON Russia JSC for the previous year were achieved. Based on the analysis conducted by the Company's management, the Company's environment management system (EMS) was recognized as adequate and productive, which was confirmed by auditors.

The processes of the Company's internal environmental audits were also recognized as productive.

The auditors noted the EMS strengths and the evidence of constant improvement:

- the chemical laboratories of the audited branches of E.ON Russia JSC are accredited for technical competence, which serves as an official recognition of their competence in accreditation in the measurements they make, in particular, in production environmental control;
- the Company issued and uses the standard list of reasons for non-conformities, which significantly improved the development of corrective steps;
- In 3Q 2014, the automated environmental and legal system of Ecoyurs was introduced.

Ecoyurs ACS is intended to assist an ecologist in his daily work and covers the following areas:

Control over the Company's compliance with environmental law;

Internal audit option;
Maintenance of accounting and reporting tables;
Legal support;
Information support;

The system is being actively filled with information. The use of ECOYURS ACS by the Company's environmental services enables to:

- Conduct electronic assessment of conformity of legislative environment conservation requirements applicable to a separate environmental aspect and to the operations of the entire company. The conformity is assessed by setting the status for each of the requirements from the register;
- Conduct the assessment of availability of the permits necessary to comply with the requirements applicable to the Company's operations;
- Conduct the assessment of the feasibility of the necessary actions to manage each environmental aspect.
- Draft the register of guidelines obtained in the course of audits by governmental bodies as well as in the course of internal audit;
- Shape the statistics for the respective period (month, quarter, year) including data on the number of applicable environment conservation requirements (including non-complied requirements), and the quantity of the necessary permits.

The use of this system has been many times recognized by the leading domestic and foreign organization in charge of EMS certification as an improvement

The project to construct the dry ash removal system at Berezovskaya GRES branch is in progress. The main objective 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).

The construction of waste water treatment facilities at Yaivinskaya GRES is near completion. The project completion degree is around 95%. The work to obtain environmental permits for discharge of treated water is also near completion. The main project objective is to fulfill the stringent requirements to maximum concentrations, which are specified for discharges into waters of fishing reservoirs.

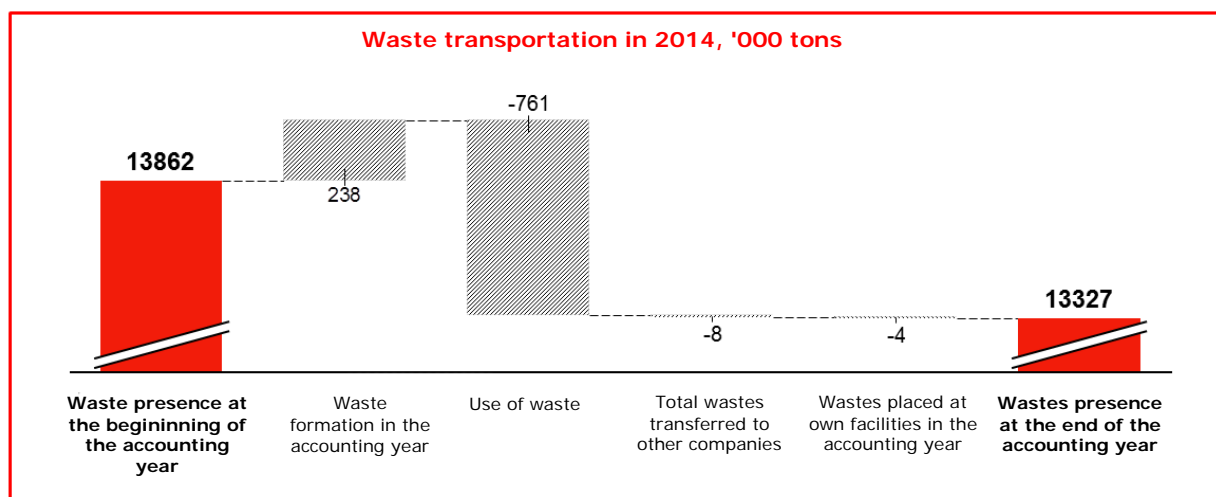
All of the Company's branches took efforts to treat water conservation areas of water reservoirs, to keep hydrotechnical and fish protection facilities in a good state of repairs, and to develop their safety declarations.

In general, in E.ON Russia JSC, by means of decrease in electricity generation and by reducing the use of solid fuel in 2014, the gross emissions of pollutants (rationed in the Russian Federation) into the air continued to decline by 13.5%, from 80,900 tons in 2013 to 70,000 tons in 2014.

For the same reason, carbon dioxide emissions and sludge wastes production decrease is observed. The volume of recycled water increased in 2013, due to the operations of Surgutskaya GRES-2: In 2012, the circulation pumps of the second 800 MW unit operated at winter speeds; in 2013, the circulation pumps of the third and fifth 800 MW units were switched to the summer speed in April.

Emissions of pollutants in 2011-2014.

Indicators	Unit of measurement.	2011	2012	2013	2014
Total gross air emissions of hazardous substances	thousand tons	91.5	90.8	80.9	70.0
Solid fuel ash	thousand tons	3.2	3.0	2.0	1.8
gaseous and liquid	thousand tons	88.3	87.1	78.9	68.2
including sulphur dioxide	thousand tons	15.9	12.9	9.7	9.1
carbon oxide	thousand tons	17.3	22,3	22,2	17.3
nitrogen oxide	thousand tons	53.1	50,0	48,5	43.2
CO ₂	thousand tons	36,527.9	36,800,1	35,287.7	33,140.4
CO ₂	g/kWh (output)	581.6	595.2	581.3	580.2
Ash and sludge wastes	thousand tons	314.9	299.1	227.8	192.9
Recyclable water	million m ³	7,092.4	7,183.3	7,497.6	7,394.1
Electricity generation	million kWh.	62,467	64,202	62,995	59,238



The bulk of waste formed in the Company belongs to the 4th and 5th hazard category:

Ash and sludges from coal combustion **of the 4th hazard category - 192,000 tons** Disposed at own facilities (ash disposal areas), for which a license for 4th hazard category waste disposal was obtained. At the Berezovskaya GRES branch, 729,000 tons of ash was used for construction (planning) of the 4th section of the ash disposal area in 2014.

Ash and sludges from the **5th hazard category coal combustion - 3,800 tons**. Disposed at own facilities (ash disposal areas) - no licensing is required.

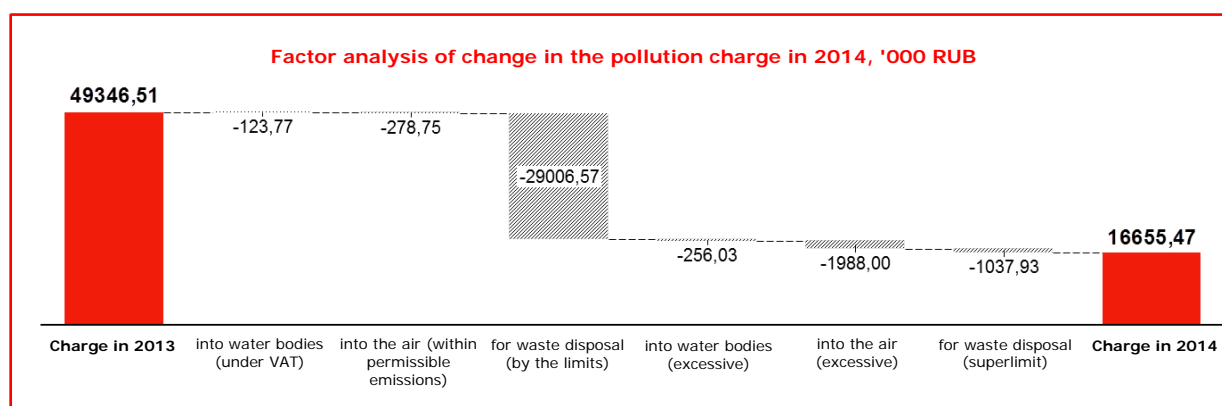
The wastes of higher hazard categories are generated in significantly smaller volumes:

The sludges of oil and **3 hazard category** refined products are transferred for use as lubricants or transferred for neutralization (combustion) to specialized licensed companies.

2nd hazard category wastes (the accumulator sulphuric acid, sulfuric acid electrolyte sludge) are neutralized in neutralizing tanks of chemical workshops, for which the appropriate license for neutralization of the 2nd hazard category waste is obtained.

1st hazard category waste (mostly mercury containing wastes): Used fluorescent lamps, mercury thermometers, and other meters) are transferred to licensed companies for neutralization (de-mercurization).

In accordance to Russian applicable law, there are two main concepts: **Waste accumulation** (storage on a production site for up to 6 months) and disposal. **Disposal** may have the nature of waste **burial** as well as their storage for the purpose of subsequent use. There are waste **disposal** facilities for storage at all of the Company's branches. In this connection, there are accumulated wastes as of the start and end of the period. For the sites where the 2nd or 4th hazard category wastes are disposed, the centralized license for disposal and neutralization of the 1st and 4th hazard category wastes is obtained. Therefore, the disposal meets the applicable legislative requirements.



In 2014, significant reduction in the pollution charge is observed in the entire Company. The waste disposal fee (over RUB 29 million) largely declined due to the use of waste (ash and sludges from coal combustion) in the Berezovskaya GRES Branch for construction of the 4th section.

Decrease in the charges for emissions and discharges into water bodies is largely due to the reduced electricity generation.

Reduction in excessive air emission charges - documentation of the draft of permissible emissions and obtaining the permit for emissions for Yaivinskaya GRES Branch.

Reduction in excessive waste disposal charges - obtaining of the disposal limits for the Yaivinskaya GRES Branch; entering into the agreement with a licensed solid domestic landfill in Uzhur for the Berezovskaya GRES Branch.

13.4. Charity

Following the traditions of the international Group E.ON, E.ON Russia JSC strives for maintenance of the principles of charitable and sponsor policy aimed at improving of the living conditions of the population in the regions of the Company's presence.

In 2014, E.ON Russia channeled approx. 35.4 million rubles towards implementation of the charitable projects in the following directions:

1. Assistance to children and children educational institutions.
2. Public health support.
3. Support of sports, culture, and educational projects.
4. Support of war veterans, powerman veterans, poor citizens, handicapped people, and people with disabilities.

Support to children and children educational institutions

As in previous years, E.ON Russia channeled money towards acquisition of the necessary equipment for fitting up the training and play rooms, computer classrooms, repair of the premises of kindergartens, boarding schools, and secondary schools, for holding of the exhibitions of works of children with disabilities.

On the eve of New Year holidays, foster children of orphanages and asylums in the regions of presence of E.ON Russia JSC got assistance from the Company. For instance, the employees of Surgutskaya GRES-2 provided charitable aid to the Magician recovery center in the purchase of New Year gifts and in holding the festive party for children. Smolenskaya GRES Branch of E.ON Russia JSC (settlement of Ozerny, Smolensk Region) supported The Brightest New Year Tree annual project for foster children of the Lastochka social recovery center. A New Year festival with gifts and surprises was arranged for children.

The Charity instead of Gifts action has already become a good tradition. As part of it, the Company, abandoning the manufacturing of corporate New Year souvenirs, channels additional money to sponsor the children suffering from the severe diseases of the central nervous system. In 2014, the aid of RUB 1 million was provided to families of the children for treatment and acquisition of the vital equipment, plus social and psychological support.

It is for ten years already that E.ON Russia JSC has been participating in the charitable program - Books as a Gift for Visually Impaired Children. In 2014 with the Company's assistance 119 sets of the unique illustrated relief books, with micro-codes for reproduction of musical and textual files and special pencils, were published. The specialized children institutions of Perm, Berezhnyaki, Smolensk, Surgut, and Shatura received them.

Healthcare Support

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

In 2014, with the financial assistance of Berezovskaya GRES Branch, E.ON Russia JSC quickly and effectively purchased two X-ray units, instead of the de-commissioned ones, for the surgical and traumatological division of the Sharypovo municipal hospital. In addition, RUB 2 million was allocated for acquisition of specialized equipment for the Krasnoyarsk Region cancer dispensary.

Support of Sports and Cultural Projects

The Company provides financial support for cultural projects of international significance. In 2014, the unique charitable project was launched together with the Orpheus radio station, to restore the ancient scores and forgotten musical works by famous Russian composers. As part of this project, the Rafael opera by Alexander S. Arensky written in 1894 and devoted to the talented Renaissance artist Rafael Santi was restored in 2014.

Also in 2014, to strengthen the cross-cultural dialogue between Russia and Europe, E.ON Russia JSC allocated money for the exhibition Ways of German Art from 1949 till Present.

Annually, the Company participates in public and social life of regions, pays much attention to landscaping and planting the territories, and facilitates preservation of historical and cultural monuments.

For example, in 2014, the Berezovskaya GRES financed the expenses incurred by the district Youth Center for landscaping and greenery plantation at the social facilities in Sharypovo; the Yaivinskaya GRES allocated money to the local municipal settlement for purchase of a stage facility (a stage, canopy, stands); the Smolenskaya GRES provided charitable donation for repairs and acquisition of the equipment to the Cultural Centre Energy Worker in Ozerny, and the Ozerny children's arts school; the Surgutskaya GRES-2 financed charitable exhibitions of pictures by Surgut artists in the exhibition hall of A.P. Zubarev Journalists' House.

Sports support and development is one of the important directions of the Company's charity and sponsor activity.

In 2014, the Berezovskaya GRES Branch of E.ON Russia JSC supported the Center of Physical Exercise and Sports Training (municipal institution) in order to finance the Energy team participation in regional football and mini football competitions in April 2014/ March 2015.

In 2014, the Yaivinskaya GRES Branch of E.ON Russia JSC allocated money towards purchase of sports equipment for the heart training sports facility, Zeus, in the settlement of Yaiva.

Being the only town-forming enterprise, the Smolenskaya GRES Branch of E.ON Russia JSC allocates money towards sports development in the region every year, by supporting the Children's Public Organization of the Smolensk Region Taekwondo Federation.

The Shaturskaya GRES branch of E.ON Russia JSC has traditionally financed the costs of arranging for tournaments and of purchasing the equipment for the local hockey team, Vympel, and the local football team, Energy (the team participates and takes prizes in regional and district competitions; most football players are employees of the Shatura GRES).

Educational Projects

In 2014, the methods for teaching the program of career guidance, in-depth training in certain subjects and setting up the community of future energy workers - Career Begins at School - was fully developed. The programme allows to accelerate the process of training of a specialist who meets some particular qualifications and is ready to start full-time employment at E.ON Russia JSC. The single methodological document was created for teaching in «energy classes» organized in secondary schools of Surgut, the town of Sharypovo, the settlement of Ozerny and the settlement of Yaiva.

As part of the project of Career Starts at School and the comprehensive target program of E.ON Russia JSC in training of young specialists, the Company became the first power enterprise in the Krasnoyarsk Region to take real steps to align the higher school education with the needs of real production. The resources allocated to the Polytechnic Institute of the Siberian Federal University in 2014 were the next stage in setting up the Comprehensive Specialized Laboratory of E.ON Russia JSC, which targets in-depth training of service staff for operation of pulverized coal energy K-800-240 and combined cycle power units PGU-400. The project to create the laboratory of E.ON Russia JSC is intended for three years.

Sponsorship of war veterans, powermen veterans, poor citizens, disabled people

Assistance to people with disabilities has traditionally been a priority area of E.ON Russia JSC social policy.

As part of this focus area, the Berezovskaya GRES took an active part in a multi-year social and charitable program, Sharypovo District - Territory of Equal Opportunities, last year and allocated RUB 1 million towards purchase of 25 computers for poor disabled people and towards reimbursement of social taxi costs for 52 disabled children.

The only city-forming enterprise, the Smolenskaya GRES Branch of E.ON Russia JSC has traditionally assisted pre-school and secondary educational institutions, the arts school, the cultural center, the library as well as the local veterans and children with disabilities.

All branches of E.ON Russia JSC assist veterans and war participants annually.

14. CONTACT INFORMATION

General information

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

Abbreviated corporate name: E.ON Russia JSC

Location: 23, Energostroitelei Street, Bld. 34, Surgut, Khanty-Mansi Autonomous Area - Yugra, Tyumen Region, Russian Federation

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Email: info@eon-russia.ru

Persons in charge of dealing with shareholders

Galina Sergeyevna Shcheglova

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Olga Vladimirovna Sokolova

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Irina Vladimirovna Zhuchkova

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Email: IR@eon-russia.ru

Press Office

Dmitriy Valeryevich Yermilichev – Director, Public and Government Relations

Telephone: (495) 545 38 49

Telefax: (495) 545 38 39

Email: PR@eon-russia.ru

Registrar Data

Registrar's full corporate name: R.O.S.T. Registrar Open Joint Stock Company

Abbreviated corporate name: Registrar R.O.S.T. OJSC

Register Maintenance License No.10-000-1-00264, issued by the Federal Commission for the Securities Market (Federal Financial Markets Service) of Russia on December 3, 2012

Location: 18, Stromynka Street, Bld. 13, Moscow

Mailing address: 18, Stromynka Street, P.O.B. 9, Moscow, 107996

Telephone: (495) 771-73 35, (495) 771 73 36

Telefax: (495) 771 73 34

www.rrost.com

Email: rost@rrost.ru

Auditor Data

Full corporate name: PricewaterhouseCoopers Audit Closed Joint Stock Company

Member of Russian Audit Chamber non-profit partnership (RAC NPP), which is a self-regulating company of auditors; registration No. 870 in the register of RAC NPP members.

Principle registration number of the entry (PRNE) in the register of auditors and audit companies: 10201003683.

Location: 10, Butyrsky Val Street, White Square Business Center, Moscow, Russia

Mailing address: 10/10, Butyrsky Val Street, Moscow 125047, Russia

Telephone: (495) 967 60 00
Telefax: (495) 967 60 01
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Annex 1 - Financial statements of E.ON Russia for 2014

Below is the wording of the auditor's opinion of PricewaterhouseCoopers Audit CJSC on the financial statements of E.ON Russia JSC for 2014. These financial statements are not included into this Annual Report in full.

This auditor's opinion is only applicable to E.ON Russia JSC financial statements for 2014 in full.

A copy of the financial statements of E.ON Russia JSC for 2014 is fully posted on the Company's website WWW.EON-RUSSIA.RU in the section "Investor Relations/Reports/Financial Statements" and on the website [HTTP://WWW.E-DISCLOSURE.RU/PORTAL/COMPANY.ASPX?ID=7878](http://WWW.E-DISCLOSURE.RU/PORTAL/COMPANY.ASPX?ID=7878).



Auditor's Opinion

To the shareholders of E.ON Russia Open Joint Stock Company:

Audited Entity

E.ON Russia Open Joint Stock Company

The certificate of making an entry to the Uniform State Register of Legal Entities as to Establishment of the Legal Entity under No. 1058602056985 dated March 4, 2005, issued by the Federal Tax Service Inspectorate for Surgut, Khanty-Mansi Autonomous Area - Yugra.

23, Energostroitelei Street, Bld. 34, Surgut, Khanty-Mansi Autonomous Area - Yugra, Tyumen Region, 628406, Russian Federation

Auditor

PricewaterhouseCoopers Audit Closed Joint Stock Company (PwC Audit CJSC), located at: 10, Butyrsky Val Street, Moscow, Russia Federation 125047

Certificate of state registration of a joint stock company No. 008.890 is issued by the Moscow Registration Chamber on February 28, 1992.

Certificate of making an entry to the Uniform State Register of Legal Entities on a legal entity registered before July 1, 2002, under No. 1027700148431 dated August 22, 2002; issued by the Inter-District Inspectorate of the Federal Tax Service of the Russian Federation No. 39 for Moscow.

Member of Russian Audit Chamber non-profit partnership (RAC NPP), being a self-regulating organization of auditors - registration No. 870 in the register of RAC NPP members.

Principle registration number of the entry (PRNE) in the Register of Auditors and Audit Companies - 10201003683.

*PricewaterhouseCoopers Audit Closed Joint Stock Company (PwC Audit CJSC).
10, Butyrsky Val Street, White Square Business Center, Moscow 125047, Russia
T: +7(495) 967-6000, Fax: +7 (495) 967-6001, www.pwc.ru*



Auditor's Opinion

To the shareholders of E.ON Russia Open Joint Stock Company:

We conducted the audit of the enclosed financial statements of E.ON Russia Open Joint Stock Company (hereinafter referred to as "E.ON Russia JSC"), comprising the balance sheet as of December 31, 2014, the income statement, the capital flow statement and the cash flow statement for 2014, explanations to the balance sheet and the income statement (hereinafter all of the statements are collectively referred to as "financial statements").

Responsibility of E.ON Russia JSC for financial statements

The top management of E.ON Russia JSC is responsible for drafting and reliability of the said financial statements, in accordance with the reporting rules established in the Russian Federation and for the internal control system as required for drafting financial statements that is free from material misstatements due to unfair actions and omissions.

Auditor's responsibility

Our responsibility consists in expressing the opinion on the reliability of the financial statements based on our audit. We conducted our audit in accordance with the federal auditing standards and the International Auditing Standards. These Standards require compliance with the applicable ethical standards, as well as planning and holding the audit so as to gain reasonable assurance that the financial statements are free from material misstatements.

The audit included the auditing procedures aimed at obtaining audit evidence confirming the figures in financial statements and disclosures in them. The choice of auditing procedures is the matter of our judgment, which is based on assessing the risk of material misstatements committed due to frauds or mistakes. When assessing this risk, we considered the internal control system that ensures drafting and reliability of financial statements, in order to select the appropriate audit procedures, but not to express the opinion on the efficiency of the internal control system. Our audit also comprised the assessment of the appropriateness of the applicable accounting policy and the substantiation of the estimates obtained by the top management of E.ON Russia JSC as well as the assessment of presentation of financial statements in general.

We believe the audit evidence obtained in the audit gives us sufficient grounds for expressing the opinion on the reliability of the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of E.ON Russia JSC in all material respects as of December 31, 2014, its financial and economic performance and cash flow for 2014, according to the rules of drafting the financial statements as established in the Russian Federation.

Director, PricewaterhouseCoopers Audit CJSC */signature/* O.V. Strelnikova
March 20, 2015

/Round seal/: Closed Joint Stock Company * Registration Number 8890 MOSCOW *
PricewaterhouseCoopers Audit

Balance sheet
as of December 31, 2014

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

Location (address) 23 Energostroiteley Str., build. 34, Surgut 628406, Tyumen Region, Khanty-Mansi

Autonomous Area-Yugra

	Codes
OKUD	0710001
Form	
Date (day, month, year)	31/12/2014
OKPO	76828204
TIN	8602067092
OKVED	40.10.11
OKPO/OKF	12247/34
S	
OKEI	384

Notes	Description	Line code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
1	2	3	4	5	6
	ASSETS				
	I. NON-CURRENT ASSETS				
Vol. 2.1 P III cl. 3.2	Fixed assets	1150	96,847,287	83,020,617	75,271,514
Vol. 2.2 P III cl. 3.3	including: under construction	1151	40,113,187	21,460,889	9,153,052
Vol. 3.1 P III cl. 3.4	Long-term financial investments	1170	840,012	3,107,245	3,001,220
P III cl. 3.5	Other non-current assets	1190	70,545	91,940	271,095
	Total Section I	1100	97,757,844	88,219,802	78,543,829
	II. CURRENT ASSETS				
Vol. 4.1 P III cl. 3.6	Inventories	1210	5,168,289	3,950,471	2,507,451
Vol. 4.1 P III cl. 3.6	including: raw material and other similar values	1211	5,168,288	3,950,471	2,507,451
	Value added tax on acquired assets	1220	160,811	4,223	7,331
Vol. 5.1 P III cl. 3.6	Receivables	1230	6,875,784	13,696,069	14,414,340
Vol. 5.1 P III cl. 3.8	including: long-term debt	1231	205,470	2,319,532	3,168,494
Vol. 5.1 P III cl. 3.8	Short-term debt	1232	6,670,314	11,376,537	11,245,846
Vol. 5.1 P III cl. 3.8	including: buyers and customers	1233	4,315,516	5,564,675	5,632,517
Vol. 5.1 P III cl. 3.8	advances paid	1234	1,427,127	3,703,969	5,274,557
Vol. 3.1 P III cl. 3.9	Short-term financial investments (except for monetary equivalents)	1240	2,097,437	8,900,104	27,522,100
P III cl. 3.10	Cash and cash equivalents	1250	12,992,586	17,980,007	5,806,725
	Other current assets	1260	306,460	250,046	244,309
	Total Section II	1200	27,601,367	44,780,920	50,502,256
	BALANCE	1600	125,359,211	131,000,722	129,046,085

Notes	Description	Line code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
1	2	3	4	5	6
	LIABILITIES				
	III. SHAREHOLDERS' FUNDS				
P III cl. 3.12	Authorized capital	1310	25,219,482	25,219,482	25,219,482
	Revaluation of non-current assets	1340	464,937	472,134	476,263
	Added capital (without revaluation)	1350	40,969,311	40,969,311	40,969,311
P III cl. 3.12	Reserve capital	1360	1,260,974	1,260,974	1,260,974
	Retained earnings (uncovered loss)	1370	46,715,269	53,129,583	52,454,153
	Total Section III	1300	114,629,973	121,051,484	120,380,183
	IV. LONG-TERM LIABILITIES				
	Deferred tax liabilities	1420	4,430,282	4,057,820	2,620,591
vol. 5.3	Other liabilities	1450	66	203	332
	Total Section IV	1400	4,430,348	4,058,023	2,620,923
	V. SHORT-TERM LIABILITIES				
Vol. 5.3 P III cl. 3.11	Payables	1520	5,192,650	5,251,495	5,461,472
Vol. 5.3 P III cl. 3.11	including: payables to suppliers	1521	3,744,833	3,190,805	2,346,429
Vol. 5.3 P III cl. 3.11	taxes and charges payable	1522	837,430	826,465	1,647,271
vol. 7	Estimated liabilities	1540	1,106,240	639,720	583,507
	Total Section V	1500	6,298,890	5,891,215	6,044,979
	BALANCE	1700	125,359,211	131,000,722	129,046,085

CEO /signature/ M.G. Shirokov

Chief Accountant /signature/ A.V. Shaliapina

Signature Signatory name Signature Signatory name interpretation

March 20, 2015

PriceWaterhouse Coopers Audit

P&L statement
for 2014

Company E.ON Russia JSC

OKUD Form
Date (day, month, year)

OKPO

TIN

OKVED

OKOPF /

OKFS

OKEI

Codes
0710002
31/12/2014
76828204
8602067092
40.10.11
12247/34
384

Notes	Description	Line code	For 2014	For 2013
1	2	3	4	5
P III cl. 3.13	Revenue	2110	79,955,933	80,491,685
Vol. 6 P III cl.	Cost of sales	2120	(60,954,890)	(59,007,724)
	Gross profit (loss)	2100	19,001,043	21,483,961
	Profit (loss) from sales	2200	19,001,043	21,483,961
	Interest receivable	2320	1,637,896	2,167,321
	Interest payable	2330	(5,334)	(4,455)
P III cl. 3.15	Other income	2340	6,381,901	3,713,651
P III cl. 3.15	Other costs	2350	(5,011,189)	(4,187,618)
	Profit (loss) before taxation	2300	22,004,317	23,172,860
P III cl. 3.15	Current income tax	2410	(4,288,921)	(3,930,182)
P III cl. 3.15	including Permanent tax liabilities (assets)	2421	251,190	(2,660)
P III cl. 3.15	Change of the deferred tax liabilities	2430	(40,076)	(418,360)
P III cl. 3.15	Change of the deferred tax assets	2450	26,006	70,868
	Other	2460	(196,332)	31,320
	Net profit (loss)	2400	17,504,994	18,926,506

Notes	Description	Line code	For 2014	For 2013
1	2	3	4	5
	FOR REFERENCE			
	Result from other transactions not included into net profit (loss) of the period	2520	-	-
	Combined fiscal effect of the period	2500	17,504,994	18,926,506
P III cl. 3.16	Base profit (loss) per share, roubles	2900	0.28	0.30

Head /signature/ M.G. Shirokov
Signature Printed name

Chief Accountant /signature/ A.V. Shalyapina
signature Printed name

March 20, 2015

Statement of changes in equity
For 2014

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

Codes
 OKUD Form 0710003
 Date (day, month, year) 31/12/2014
 OKPO 76828204
 TIN 8602067092
 OKVED 40.10.11
 OKOPF / OKFS 12247/34/16
 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, 2012	3100	25,219,482	—	41,445,574	1,260,974	52,545,153	120,380,183
	For 2013							
	Increase of the capital - total	3210	—	—	—	—	18,926,506	18,926,506
	Including							
	Net profit	3211	X	X	X	X	18,926,506	18,926,506
	Property revaluation	3212	X	X	—	X	—	—
	Revenues related directly to growth of capital	3213	X	X	—	X	x	x
	Additional share issue	3214	—	X	—	X	x	—
	Increase of the share denomination	3215	—	X	—	X	—	x
	Reorganization of the legal entity	3216	—	—	—	—	—	—
	Placement of treasury shares	3217	X	—	X	X	X	—
	Capital reduction - total	3220	—	—	—	—	(18,255,205)	(18,255,205)
	Including							
	loss*	3221	X	X	X	X	—	—
	Property revaluation	3222	X	X	—	X	—	—
	Expenses related directly to capital reduction	3223	X	X	—	X	—	—
	Reduction of the share denomination	3224	—	X	—	X	—	—
	Reduction of the shares amount	3225	—	X	—	X	—	—
	Reorganization of the legal entity	3226	—	—	—	—	—	—
	Dividends	3227	X	X	X	X	(18,255,205)	(18,255,205)
	Treasury shares	3228	X	—	X	X	X	—
	Change of the added capital	3230	X	X	(4,129)	X	4,129	X
	Change of the reserve capital	3240	X	X	x	—	—	X
	Capital value as of December 31, 2013.	3200	25,219,482	—	41,441,445	1,260,974	53,129,583	121,051,484
	For 2014							
	Increase of the capital - total	3310	—	—	—	—	17,504,994	17,504,994
	Including							
	Net profit	3311	X	X	X	X	17,504,994	17,504,994
	Property revaluation	3312	X	X	—	X	—	—
	Revenues related directly to growth of capital	3313	X	X	—	X	—	—
	Additional share issue	3314	—	X	—	X	x	—
	Increase of the share denomination	3315	—	X	—	X	—	x
	Reorganization of the legal entity	3316	—	—	—	—	—	—
	Placement of treasury shares	3317	X	—	X	X	X	—
	Capital reduction - total	3320	—	—	—	—	(23,926,506)	(23,926,506)
	Including							
	loss*	3321	X	X	X	X	—	—
	Property revaluation	3322	X	X	—	X	—	—
	Expenses related directly to capital reduction	3323	X	X	—	X	—	—
	Reduction of the share denomination	3324	—	X	—	X	—	—
	Reduction of the shares amount	3325	—	X	—	X	—	—
	Reorganization of the legal entity	3326	—	—	—	—	—	—
	Dividends	3327	X	X	X	X	(23,926,506)	(23,926,506)
	Treasury shares	3328	X	—	X	X	X	—
	Change of the added capital	3330	X	X	(7,198)	X	7,198	X
	Change of the reserve capital	3340	X	X	x	—	—	X
	Capital value as of December 31, 2012.	3300	25,219,482	—	41,434,247	1,260,974	46,715,269	114,629,972

3. Net assets

Note	Description	Line code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
1	2	3	4	5	6
	Net assets	3600	114,629,972	121,051,484	120,380,183

Head /signature/ M.G. Shirokov
 Signature Printed name

Chief Accountant /signature/ A.V. Shalyapina
 signature Printed name

March 20, 2015

E.ON Russia JSC

Taxpayer's identification number

Line of business: Electricity and thermal energy generation by power plants

Legal form of incorporation/ form of ownership:

Open joint stock company/ joint private and foreign ownership

Measurement unit: '000 RUB

Form under the All-Russian Classifier of Uniform Documents

Date (day, month, year)

under OKPO

The taxpayer
identification number

under OKVED

under OKOPF/ OKFS

under OKEI

Codes

0710004

31/12/2014

76828204

8602067092

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12247/34

384

Explanations	Indicator	Code of the line	In 2014.	In 2013.
1	2	3	4	5
	Operating cash flows			
	Total receipts	4110	82,068,922	80,933,682
	including:			
	from sales of products, goods, work and services	4111	79,418,646	79,029,833
	Rental payments, license fees, royalty, commission, and other similar payments	4112	-	-
	From resale of financial investments	4113	-	-
	Miscellaneous receipts	4119	2,650,276	1,903,849
	Total payments	4120	(59,154,271)	(57,937,711)
	including:			
	To suppliers (contractors) for raw material, materials, works, services	4121	(48,542,249)	(45,669,661)
	In connection with salary payment to employees	4122	(3,673,870)	(3,592,058)
	Interest on debt liabilities	4123	-	-
	Corporate income tax	4124	(3,836,199)	(5,330,075)
	Other payments	4129	(3,101,953)	(3,345,917)
	Balance of operating cash flows	4100	22,914,651	22,995,971
	Investment cash flows			
	Total receipts	4210	13,012,863	21,571,202
	including:			
	From sale of non-current assets (except for financial investments)	4211	233,471	81,776
	From sale of shares in other companies (participatory interests)	4212	-	-
	From return of provided loans, from sale of debt securities (monetary claims against other persons)	4213	3,109,707	267,805
	Dividends, interest on debt financial investments, and similar receipts from a stake in other companies	4214	1,621,838	2,065,537
	From closing of deposits	4215	8,043,248	19,156,027
	Miscellaneous receipts	4219	4,599	57
	Total payments	4220	(20,147,050)	(15,450,411)
	including:			
	In connection with acquisition, creation, upgrading, reconstruction, and preparation for use of non-current assets	4221	(16,175,053)	(13,082,581)
	In connection with acquisition of shares of other organizations (participatory interests)	4222	-	(27,630)
	In connection with acquisition of debt securities (monetary claims against other persons), provision of loans to other persons	4223	(1,186,525)	(17,584)
	Interest on the liabilities included in the investment asset value	4224	-	-
	Placement of money in deposits	4225	-	-
	Other payments	4229	12,785,472	(2,322,616)
	Balance of investment cash flows	4200	(7,134,187)	6,120,791
	Financial cash flows			
	Total receipts	4310	-	-
	including:			
	Receipt of credits and loans	4311	-	-
	Cash deposits of owners (participants)	4312	-	-
	From the issue of shares, from increase in participatory interests	4313	-	-
	From the issue of bonds, bills, and other debt securities, etc.	4314	-	-
	Miscellaneous receipts	4319	-	-
	Total payments	4320	(22,786,540)	(17,035,714)
	including:			
	to owners (participants) in connection with the repurchase of shares/ participatory interests of the company from them or their withdrawal from the participants	4321	-	-
	For payment of dividends and making other payments in order to allocate profit for the benefit of owners (participants)	4322	(22,786,540)	(17,035,714)
	In connection with the repurchase of promissory notes and other debt securities, repayment of credits and loans	4323	-	-
	Other payments	4329	-	-
	Balance of financial cash flows	4300	(22,786,540)	(17,035,714)
	Balance of cash flows for the reporting period	4400	(7,006,076)	12,081,048
	Balance of cash and cash equivalent for the beginning of the reporting period	4450	17,979,992	5,806,692
	Balance of cash and cash equivalent for the end of the reporting period	4500	12,992,576	17,979,992
	Effect of changes in the foreign exchange rate to ruble	4490	2,018,660	92,252

CEO /signature/ M.G. Shirokov

Chief Accountant /signature/ A.V. Shaliapina

Signature Signatory name Signature Signatory name interpretation

March 20, 2015

Explanations to the Balance Sheet and Income Statement, '000 RUB

2. Fixed assets

2.1. Availability and movement of fixed assets

Indicator	Line code	Period	For the beginning of the year		Changes for the period						For the end of the period	
			Historic cost	accumulated depreciation	received	withdrawn facilities		accrued depreciation	revaluation		VALUE	accumulated depreciation
						historic cost	accumulated depreciation		historic cost	accumulated depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13
Fixed assets (without investments in tangible assets) - in total	5200	2014.	85,209,458	(23,649,730)	1,956,868	(130,128)	75,714	(6,728,082)	-	-	87,036,198	(30,302,098)
including:	5210	2013.	82,436,560	(16,318,098)	3,057,709	(284,811)	147,740	(7,479,372)	-	-	85,209,458	(23,649,730)
Buildings	5201	2014.	20,987,084	(1,968,731)	303,830	(48,858)	17,249	(687,450)	-	-	21,242,066	(2,638,932)
	5211	2013.	20,825,351	(1,391,914)	261,855	(100,112)	11,405	(588,222)	-	-	20,987,094	(1,968,731)
Structures and transmitters	5202	2014.	12,691,203	(2,918,141)	425,679	(36,438)	18,130	(705,294)	-	-	13,080,444	(3,605,305)
	5212	2013.	12,223,446	(2,217,418)	524,565	(56,808)	35,070	(735,793)	-	-	12,691,203	(2,918,141)
Machinery and equipment	5203	2014.	50,968,552	(18,555,135)	1,164,479	(33,557)	29,553	(5,257,863)	-	-	52,090,474	(23,783,445)
	5213	2013.	48,894,566	(12,537,908)	2,166,753	(92,767)	74,860	(6,092,087)	-	-	50,968,552	(18,555,135)
Vehicles	5204	2014.	314,589	(128,321)	50,217	(9,627)	9,267	(40,833)	-	-	355,179	(159,887)
	5214	2013.	309,359	(113,193)	34,865	(29,638)	22,523	(37,651)	-	-	314,589	(128,321)
Production and household equipment	5205	2014.	166,815	(75,483)	9,011	(1,551)	1,474	(34,239)	-	-	174,275	(108,248)
	5215	2013.	104,721	(55,211)	63,621	(1,527)	1,520	(21,792)	-	-	166,815	(75,483)
Other types	5206	2014.	13,387	(3,919)	3,607	(74)	41	(2,402)	-	-	16,920	(6,280)
	5216	2013.	11,321	(2,454)	5,759	(2,583)	2,362	(3,827)	-	-	13,387	(3,919)
Land plots	5207	2014.	67,818	-	45	-	-	-	-	-	67,840	-
	5217	2013.	67,796	-	1,398	(1,376)	-	-	-	-	67,818	-

2.2. Capital investments in progress

Indicator	Line code	Period	As of the start of the year	Changes for the period			For the end of the period
				Costs for the period	Written off	Entered into the books as fixed assets, or the value increased	
1	2	3	4	5	6	7	8
Construction in progress and incomplete acquisition, upgrading and	5240	2014.	21,460,889	27,055,716	(6,446,668)	(1,956,750)	40,113,187
	5250	2013.	9,153,052	15,335,382	(32,764)	(2,994,781)	21,460,889
new construction	5241	2014.	12,163,369	20,904,594	(5,728)	(30,487)	33,031,748
	5251	2013.	4,730,008	8,449,590	(16,255)	(999,974)	12,163,369
Reconstruction, upgrading	5242	2014.	1,008,172	1,474,190	(190)	(1,438,427)	1,043,745
	5252	2013.	1,248,983	1628,386	(1,246)	(1,867,951)	1,008,172
Other capital investments	5243	2014.	8,289,348	4676,932	(6,440,750)	(487,836)	6,037,694
	5253	2013.	3,174061	5,257406	(15,263)	(126,856)	8,289348

2.3. Change in the value of fixed assets as a result of additional construction, additional equipment, reconstruction, and partial liquidation

Indicator	Line code	For 2014	For 2013
1	2	3	4
Increase in the value of fixed assets as a result of additional construction, additional equipment, reconstruction – total	5, 260	1, 438, 426	1, 867, 951
including:			
Buildings	5, 261	86, 342	124, 294
Structures and transmitters	5, 262	364, 188	200, 661
Machinery and equipment	5, 263	985, 318	1, 542, 345
Vehicles	5, 264	2, 578	651
Production and household equipment	5, 265		
Other groups of fixed assets	5, 266		
Reduction of cost of fixed assets as a result of partial liquidation – total:	5, 270	1	(58, 501)
including: Machinery and equipment	5, 271		(44, 877)
Fixed assets	5, 272	1	(13624)

2.4. Other use of fixed assets

Indicator	Line code	As of December 31, 2014.	As of December 31, 2013.	As of December 31, 2012.
1	2	3	3	4
Fixed assets transferred in lease, accounted for on the balance sheet	5, 280	236, 537	256, 484	219, 654
Subleased fixed assets, accounted for on a balance sheet	5, 281	–	–	–
Fixed assets received in leasing, accounted for on the balance sheet	5, 282	–	–	–
Fixed assets received in lease, accounted for on the balance sheet	5, 283	1, 806, 835	1, 577, 489	1, 655, 144
Real estate commissioned and actually used, under state registration	5, 284	–	–	–
Shutdown fixed assets	5, 285	17, 383	25375	37, 865
Pledged fixed assets	5, 286	–	–	–
Other use of fixed assets accounted for on the balance sheet	5, 287	–	–	–
Other use of off-balance sheet fixed assets	5, 288	–	–	–

*Fixed assets are recorded at the historic cost

3. Financial investments

3.1. Availability and movement of financial investments

Indicator	Line code	Period	For the beginning of the year		Changes for the period					For the end of the period	
			Historic cost	Accumulated Adjustment	Received	Withdrawn/ repaid		Bringing the historic cost up to the nominal	fair market value (losses from impairment)	Historic cost	Accumulated Adjustment
						Historic cost	Accumulated Adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
Long-term financial investments - total	5301	2014.	3, 170, 774	(63, 529)	734, 862	(3, 000, 191)			(1, 904)	905, 445	(65, 433)
	5311	2013.	3, 057, 241	(56, 021)	485, 880	(372, 347)			(7, 508)	3, 170, 774	(63, 529)
Including:	5302	2014.	107,700	(63, 529)				X	(1, 904)	107, 700	(65, 433)
Investments in authorized capitals	5312	2013.	107, 200	(56, 021)	500			X	(7, 508)	107, 700	(63, 529)
Including: Investments in authorized capitals of subsidiaries and dependent companies	53021	2014.	18, 500					X		18, 500	
	53121	2013.	18, 000		500			X		18, 500	
Investments in authorized capitals of other companies	53022	2014.	89, 200	(63, 529)				X	(1, 904)	89, 200	(65, 433)
	53122	2013.	89, 200	(56, 021)				X	(7, 508)	89, 200	(63, 529)
Investments in other corporate securities (bonds, bills and other)	5303	2014.	645, 470		650, 478	(498, 203)				797, 745	
	5313	2013.	704, 014		313, 803	(372, 347)				645, 470	
Investments in other securities of subsidiaries and dependent companies (bonds, bills, and other)	53031	2014.									
	53131	2013.									
Investments in other securities of other companies (bonds, bills, and other)	53032	2014.	645, 470		65, 0478	(498, 203)				797, 745	
	53132	2013.	704, 014		313, 803	(372, 347)				645, 470	
Other types of financial investments	5304	2014.	2, 417, 604		84, 384	(2, 501, 988)					
	5314	2013.	2, 246, 027		171, 577					2, 417, 604	
Federal and municipal securities	53041	2014.									
	53141	2013.									
Granted loans	53042	2014.	2, 417, 604		84, 384	(2, 501, 988)					
	53142	2013.	2, 246, 027		171, 577					2417604	
Deposits	53043	2014.									
	53143	2013.									
Other long-term financial investments	53044	2014.									
	53144	2013.									
Total short-term financial investments	5305	2014.	8, 900,104		34, 880, 109	(41, 682,776)				2, 097, 437	
	5315	2013.	27, 522, 100		77, 466, 395	(95, 088, 391)				8, 900, 104	
Including:	5306	2014.	27, 630		4, 346			X		31, 976	
Investments in authorized capitals	5316	2013.			27, 630			X		27, 630	
Investments in authorized capitals of subsidiaries and dependent companies	53061	2014.						X			
	53161	2013.						X			
Investments in other companies' authorized capitals	53062	2014.	27, 630		4, 346			X		31, 976	
	53162	2013.			27, 630			X		27, 630	
Investments in other corporate securities (bonds, bills, etc.)	5307	2014.	546, 871		639, 955	(546, 668)				640, 158	
	5317	2013.	268, 007		546, 668	(267, 804)				546, 871	
Investments in other securities of subsidiaries and dependent companies (bonds, bills, etc.)	53071	2014.									
	53171	2013.									

Investments in other securities of other companies bonds, bills, and other)	53072	2014.	546,871		639,955	(546,668)				640,158	
	53172	2013.	268,007		546,668	(267,804)				546,871	
Other types of financial investments	5308	2014.	8,325,603		34,235,808	(41,136,108)				1,425,303	
	5318	2013.	27,254,093		76,892,097	(95,820,587)				835,603	
Federal and municipal securities	53081	2014.									
	53181	2013.									
Provided loans	53082	2014.	7,300		1,180,125	(61,050)				1,126,375	
	53182	2013.			7,300					7,300	
Deposits	53083	2014.	8,318,303		33,055,683	(41,075,058)				298,928	
	53183	2013.	27,254,093		76,884,797	(95,820,587)				8,318,303	
Other short-term financial investments	53084	2014.									
	53184	2013.									
Total financial investments	5300	2014.	12,070,878	(63,529)	35,614,971	(44,682,967)			(1,904)	3,002,882	(65,433)
	5310	2013.	30,579,341	(56,021)	77,952,275	(96,460,738)			(7508)	12,070,878	(63,529)

4. Inventories

4.1. Availability and movement of inventories

Indicator	Line code	Period	For the beginning of the year		Changes for the period					For the end of the period	
			Prime cost	Amount of the provision for reduction of cost	Receipts and costs	Withdrawn		provisions due to reduction of cost	Turnover of the inventories between their groups (types)	Prime cost	Amount of the provision for reduction of cost
						Prime cost	provision for reduction of cost				
1	2	3	4	5	6	7	8	9	10	11	12
Total inventories	5400	2014.	3, 976, 431	(25, 960)	41, 488, 003	(40, 280, 423)	(11, 554)	(1, 316)	X	5, 184, 011	(15, 722)
	5420	2013.	2, 538, 795	(31, 344)	39, 108, 761	(37, 671, 125)	(18, 803)	(13, 419)	X	3, 976, 431	(25, 960)
including:	5401	2014.	1, 248, 550	(290)	37, 779, 453	(37, 624, 134)	-	(3)	(1, 692)	1, 402, 177	(293)
Fuel	5421	2013.	1, 128, 888	(215)	36, 722, 324	(36, 608, 285)	(215)	(290)	5, 623	1, 248, 550	(290)
Spare parts, materials etc.	5402	2014.	2, 727, 881	(25, 670)	3, 708, 550	(2, 656, 289)	(11, 554)	(1, 313)	1, 692	3, 781, 834	(15, 429)
	5422	2013.	1, 409, 907	(31, 129)	2, 386, 437	(1, 062, 840)	(18, 588)	(13, 129)	(5, 623)	2, 727, 881	(25, 670)

5. Receivables and payables

5.1. Availability and movement of receivables

Indicator	Line code	Period	For the beginning of the year		Changes for the period							For the end of	the period
			accounted for under contractual conditions	Provision for doubtful debts	Received			Withdrawn			Transfer from long- to short-term indebtedness (and vice versa)		
					As a result of business transactions (the debt under a deal/ transaction)	Interest payable, penalties, and other charges	Crediting of the provision	Repayment	Writing off to the financial result	Recovery/ Use of the provision			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Total long-term receivables	5501	2014.	2, 319, 532	-	121, 566	-	-	(89, 211)	-	-	(2, 146, 417)	205, 470	-
	5521	2013.	3, 168, 494	-	1, 823, 570	-	-	(2, 669, 313)	-	-	(3219)	2319, 532	-
including: buyers and customers	5502	2014.	-	-	-	-	-	-	-	-	-	-	-
	5522	2013.	-	-	-	-	-	-	-	-	-	-	-
Construction advances	5503	2014.	2, 145, 570	-	-	-	-	-	-	-	(2, 145, 570)	-	-
	5523	2013.	3, 028, 706	-	1, 760, 764	-	-	(2, 643, 900)	-	-	-	2, 145, 570	-
Credits, loans	5504	2014.	126, 824	-	121, 539	-	-	(42 046)	-	-	-	205, 470	-
	5524	2013.	100, 338	-	44, 796	-	-	(1 8310)	-	-	-	126, 824	-
Other payables	5505	2014.	47, 138	-	27	-	-	(47 165)	-	-	-	-	-
	5525	2013.	39, 450	-	18, 010	-	-	(7 103)	-	-	(3 219)	47, 138	-
Total short-term receivables	5510	2014.	14, 218, 943	(2, 842, 406)	135, 241, 259	3538	(2, 078, 536)	(141 516 069)	(48)	1, 497, 216	2, 146, 417	10, 094, 040	(3 423 726)
	5530	2013.	13, 043, 970	(1 798 124)	131, 307, 346	2140	(2, 809, 025)	(130, 133, 992)	(3740)	1, 764, 743	3, 219	14, 218, 943	(2, 842, 406)
including: buyers and customers	5511	2014.	8, 398, 235	(2, 833, 560)	95, 332, 572	-	(2, 073, 038)	(96, 004, 356)		1, 495, 663		7, 726, 451	(3, 410, 935)
	5531	2013.	7, 416, 144	(1, 783, 628)	96, 049, 531	-	(2, 804, 128)	(95, 064, 612)	(2828)	1, 754, 196	-	8, 398, 235	(2, 833, 560)
Construction advances	5512	2014.	2, 895, 284	(7, 514)	2, 682, 125	65	(1, 305)	(6, 653, 861)	(9)	1, 305	2, 145, 570	1, 069, 174	(7, 514)
	5532	2013.	4, 618, 280	(13820)	668, 440		(3, 500)	(2, 411, 436)		9, 806	-	2, 895, 284	(7, 514)
Others advances	5513	2014.	816, 876	(676)	26, 737, 720	-	-	(27, 188, 448)	(5)	-	-	366, 143	(676)
	5533	2013.	670, 127	(30)	26, 533, 517	-	-	(26, 386, 760)	(8)	30	-	816, 876	(676)
Other	5514	2014.	2, 108, 548	(656)	10, 488, 842	3473	(4, 193)	(11, 669, 404)	(34)	248	847	932, 272	(4601)
	5534	2013.	339, 419	(646)	8, 035, 858	2140	(721)	(6, 271, 184)	(904)	711	3, 219	2, 108, 548	(656)
Total	5500	2014.	16, 538, 475	(2, 842, 406)	135, 362, 825	3538	(2, 078, 536)	(141, 605, 280)	(48)	1, 497, 216	X	10, 299, 510	(3, 423, 726)
	5520	2013.	16, 212, 464	(1, 798, 124)	133, 130, 916	2140	(2, 809, 025)	(132, 803, 305)	(3, 740)	1, 764, 743	X	16, 538, 475	(2, 842, 406)

5.2. Overdue receivables

Indicator	Line code	As of December 31, 2014		As of December 31, 2013		As of December 31, 2012	
		under contractual conditions	minus the provision for doubtful debts	under contractual conditions	minus the provision for doubtful debts	under contractual conditions	minus the provision for doubtful debts
1	2	3	4	5	6	7	8
Total	5540	4, 032233	676755	3789652	1, 011, 644	1, 916404	1, 707357
including: buyers and customers	5541	3347515	5208	3776516	1, 003309	1, 883675	1, 684705

Given advances	5542	679689	671,499	12408	8262	32302	22481
Other	5543	5029	48	728	73	427	171

5.3. Availability and movement of payables

Indicator	Line code	Period	Balance for the beginning of the year	Changes for the period					Balance for the end of the period
				Received		Withdrawn		Transfer from long-to short-term payables (and vice versa)	
				as a result of business transactions (the amount of debt for the deal/ transaction)	Interest payable, penalties, and other charges	Repayment	Write-off to the financial result		
1	2	3	4	5	6	7	8	9	10
Total long-term payables	5551	2014.	203	-	-	(133)	(4)	-	66
	5671	2013.	332	4	-	(133)	-	-	203
including: Trade payables:	5552	2014.	203	-	-	(133)	(4)	-	66
	5572	2013.	332	4	-	(133)	-	-	203
Total short-term payables	5560	2014.	5, 251, 495	135, 313, 125	436	(135, 372, 380)	(26)	-	5, 192, 650
	5580	2013.	5, 461, 472	96, 180, 685	185	(96, 390, 113)	(734)	-	5, 251, 495
including: suppliers, contractors:	5561	2014.	3, 190, 805	83, 731, 640	-	(83, 177, 586)	(26)	-	3, 744, 833
	5581	2013.	2, 346, 429	41, 165, 429	-	(40, 320, 707)	(346)	-	3, 190, 805
Advances received	5562	2014.	12, 464	358, 465	-	(364, 061)	-	-	6, 868
	5682	2013.	7, 021	152, 021	-	(146, 533)	(45)	-	12, 464
Settlements for taxes	5563	2014.	826, 465	17, 131, 647	-	(17, 120, 682)	-	-	837, 430
	5583	2013.	1, 647, 271	30, 656, 218	-	(31, 477, 024)	-	-	826, 465
Credits, loans	5564	2014.	-	-	-	-	-	-	-
	5584	2013.	-	-	-	-	-	-	-
Other	5665	2014.	1, 221, 761	34, 091, 373	436	(34, 710, 051)	-	-	603, 519
	5585	2013.	1, 460, 751	24, 207, 017	185	(24, 445, 849)	(343)	-	1, 221, 761
Total	5550	2014.	5, 251, 698	135, 313, 125	436	(135, 372, 513)	(30)	X	5, 192, 716
	5570	2013.	5, 461, 804	96, 180, 689	185	(96, 390, 246)	(734)	X	5251, 698

5.4. Overdue payables

Indicator	Line code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
1	2	3	4	5
Total	5590	4,943		153,547
including: suppliers and contractors	5591	4,692		13,731
Advances received	5592	251		139,816

6. Costs of production

Indicator	Line code	2014.	2013.
1	2	3	4
Tangible costs	5610	43, 717,644	42, 276, 237
Salary expenses	5620	4, 330, 231	4, 169, 492
Social security allocations	5630	978, 162	898, 147
Depreciation	5640	6, 575, 415	7, 296, 873
Other expenses	5650	5, 353, 438	4, 366, 975
Total, by elements	5660	60, 954, 890	59, 007, 724
Change in the balances of work in progress, finished goods etc. (Increase of [-11], including:	5670	-	-
Change in the balances of work in progress, finished goods etc. (decrease of [+1]), including:	5680	-	-
Total costs in ordinary activities	5600	60, 954, 890	59, 007, 724

7. Estimated liabilities

Indicator	Code of the line	Balance for beginning of the 2014 accounting year	Recognized	Repaid	Written off as excess	Balance for the end of the reporting period of 2014
1	2	3	4	5	6	7
Total estimated liabilities	5700	639,720	1,904,032	(1,414,137)	(23,375)	1,106,240
including:						
Estimated liabilities for legal proceedings	5701	2,840	484,067	(198,045)	-	288,862
Estimated liabilities for unused vacations	5702	250,788	625,644	(593,544)	(15,421)	267,467
Estimated liabilities for the annual compensation	5703	311,546	455,327	(312,500)	(1,711)	452,662
Estimated liabilities for the quarterly bonus	5704	74,546	338,994	(310,048)	(6,243)	97,249

Indicator	Code of the line	Balance for the beginning of the 2013 accounting year	Recognized	Repaid	Written off as excess	Balance for the end of the 2013 reporting period
1	2	3	4	5	6	7
Total estimated liabilities	5700	583,507	1,244,451	(1,175,350)	(12,888)	639,720
including:						
Estimated liabilities for legal proceedings	5701	3,892	2,840	(2,488)	(1,404)	2,840
Estimated liabilities for unused vacations	5702	230,342	602,999	(576,164)	(6,389)	250,788
Estimated liabilities for the annual compensation	5703	265,947	325,120	(278,234)	(1,287)	311,546
Estimated liabilities for the quarterly bonus	5704	83,326	313,492	(318,464)	(3,808)	74,546

8. Security of liabilities

Indicator	Line code	As of December 31, 2014.	As of December 31, 2013.	As of December 31, 2012.
1	2	3	4	5
Total received	5800	1, 503, 819	10, 543, 014	14, 740, 471
including: Bank guarantees	5801	689, 134	9, 500, 566	13, 872, 162
Guarantees of construction contractors	5802	532, 408	337, 533	278, 641
Guarantees of repair contractors	5803	28, 636	560, 253	504, 185
Pledged assets	5804	253, 641	144, 662	85, 483
Total provided guarantees	5810	17, 842	9, 441	9, 441
including: Bank guarantees	5811	-	-	9, 441

CEO/*signature*/M.G.Shirokov Chief Accountant/*signature*/A.V. Shaliapina

Signature Signatory name Signature Signatory name

March 20, 2015

CONCLUSION OF THE AUDIT COMMISSION

OJSC E.ON Russia Revision Commission Opinion on 2014 performance

INTRODUCTION

The general Meeting of OJSC E.ON Russia shareholders (minutes #14 dated June 27, 2014) elected Revision Commission members:

Dr. Guntram Würzberg

Sascha Bibert

Alexey Asyaev

Denis Alekseenkov

Dr. Guntram Würzberg was elected as a chairman of the Revision Commission and Alexey Asyaev as the secretary of the Commission at the meeting of the Commission (minutes 1 date September 26, 2014).

The Revision Commission according to cl.3.3 of Regulation for OJSC E.ON Russia Revision Commission (approved by General Shareholders meeting on June 28, 2011 hereinafter referred to as the Regulations) performed annual overview of the financial statements and business performance of the Company for the year ended December 31, 2014.

Financial and Business Performance Audit based according to cl.5.4. of the Regulations on the results of legislative annual audit of financial statement, Internal audit opinions, Risk and IC reporting.

KEY FINDINGS

Revenue for the reporting period amounted to RUR 79,955,933 thousand, including revenue from electricity and capacity sales – RUR 78,305,123 thousand, revenue from heat power sales is RUR 1,199,227 thousand. Prime cost – RUR 60,954,890 thousand. Gross profit – RUR 19,001,043 thousand. Interest receivable – RUR 1,637,896 thousand. Net profit for the reporting period amounted to RUR 17,504,994 thousand. Headcount of the Company as of 31.12.2014 was 4,905 persons.

Long-term financial investments as of 31.12.2014 amounted to RUR 840,012 thousand, including subsidiaries and affiliated companies – RUR 18,500 thousand, investments in shares of RusHydro JSC - according to the current market quotation their cost amounts to RUR 23,767 thousand. Promissory notes – RUR 797,745 thousand. In 2014 the loan agreement of E.ON SE was terminated. Accrued interest in 2014 amounted to RUR 141,676 thousand.

Increase of inventories up to RUR 5,168,289 thousand (RUR 3,950,471 thousand as of 31.12.2013) as of 31.12.2013 is due to receipt of expensive spare parts for service maintenance and repairs for CCGT units at "Shaturskaya GRES" branch, as well as after a service repair and modernization of units №7,8 CCGT at the branch "Surgutskaya GRES-2".

Accounts receivable as of 31.12.2014 amounted to RUR 6,875,784 thousand, including short-term accounts receivable of RUR 6,670,314 thousand. Significant reduction in accounts receivable (RUR 13,696,069 thousand as of 31.12.2013) is a result of conclusion of cession contracts with the winners of the competitions for a change of a electricity guaranteeing supplier.

Long-term accounts receivable as of 31.12.2014 amounted to RUR 205,470 thousand. Receivables decreased by 91% as a result of supply of equipment and performance of a work under EPC contract for the project "Construction of the 3rd power unit based on powered installation 800 of the branch" Berezhovskaya GRES".

Allowance for doubtful debts as of 31.12.2014 amounted to RUR 3,423,726 thousand (increased by 20%), i.e. 33% of total accounts receivable are doubtful. The increase of allowance for doubtful debts in 2014 in comparison with 2013 is related to the increase of debt in the North Caucasus and the inclusion of JSC Volgogradenergosbyt's doubtful debts in the reserve amount.

Accounts receivable of Nurenergo JSC in the amount of RUR 101,281 thousand were sold in 2014 at a discount of 50%.

OPINION

Based on the procedures held by the Revision Commission, as well as internal audit reports and taking into account the opinion of the Company's auditor (opinion of PricewaterhouseCoopers Audit CJSC dated 20.03.2015), the Company Revision Commission has reasonable grounds to confirm accuracy of the data included in the Company annual report and annual accounting statements.

Moscow, April 3, 2015

Revision Commission Chairman

Dr. Guntram Würzberg

Members of Revision Commission:

Sascha Bibert

Alexey Asyaev

Denis Alekseenkov

Annex 2

REPORT on the compliance with the principles and recommendations of the Corporate Governance Code

Short description of the most significant aspects of the corporate governance model and practice

Authorized Capital Structure

Total number of persons registered in the shareholders register of E.ON Russia JSC as of December 31, 2014 made 302,396, including:

- Natural persons: 300,793.
- Total number of the nominal holders of issuer's shares: 17.
- Federal authorities: 3.
- Authorities of RF constituent entities: 4.

Information on the issuer's shareholders owning at least 5 per cent of its authorized capital or at least 5 per cent of its ordinary shares:

Full business name: *E.ON Russia Holding GmbH.*

Address: *1 E.ON-Platz, 40479 Düsseldorf, Germany.*

The entity's interest in the issuer's authorized capital: *83.73 %.*

Share of issuer's ordinary shares belonging to the entity: *83.73 %.*

Structure of the Management Bodies

Issuer's management bodies in accordance with its Articles of Association (clause 9.1, article 9) are:

- General Shareholders' Meeting²⁵;
- Board of Directors²⁶;
- Management Board²⁷;
- General Director²⁸.

The General Shareholders' Meeting is the supreme management body of the Company.

The Board of Directors carries out general management of the Company, except for resolution of questions related by the Federal Law "On Joint Stock Companies" and by the Articles of Association to the competence of the General Shareholders' Meeting.

If resolution of a question is related to the competence of the Board of Directors, the Management Board and the General Director shall not be authorized to act without prior approval of the Board of Directors. In certain cases, the Board of Directors is entitled to decide on further approval of a transaction or other decision related to the competence of the Board of Directors.

Questions related to the competence of the Board of Directors cannot be delegated for resolution to the General Director and the Management Board. The Company's Board of Directors includes 3 independent directors²⁹.

In accordance with the decision of the Board of Directors, there are the Committees of the Board of Directors formed in the Company³⁰. The Committees of the Board of Directors are established to study the issues falling within the Board of Director's competence, or investigated by the Board of Directors in the course of controlling the activities of the Company's executive body, and/or to elaborate the necessary recommendations to the Board of Directors and executive bodies of the Company.

The governance of the Company's regular activity is carried out by General Director – a sole executive body, and by the Management Board – a collective executive body.

²⁵ The competence of the General Shareholders' Meeting is described in clause 10.2, article 10 of the Company's Articles of Association.

²⁶ The competence of the Board of Directors is described in clause 12.1, article 12 of the Company's Articles of Association.

²⁷ The competence of the Management Board is described in clause 18.2, article 18 of the Company's Articles of Association.

²⁸ The competence of the General Director is described in clauses 19.2 – 19.3, article 19 of the Company's Articles of Association.

²⁹ Information about the independent directors of the Board of Directors is given in section 5.3. of the Annual Report.

³⁰ Information about the competence and members of the Committees of the Board of Directors is given in section 5.3. of the Annual Report.

General Director and the Management Board report to the General Shareholders' Meeting and the Board of Directors.

If resolution of a question is related to the competence of the Management Board, the General Director shall not be authorized to act without prior approval of the Management Board. In certain cases, the Management Board is entitled to decide on further approval of a transaction or other decision related to the competence of the Management Board.

General Director governs the Company's regular activity in accordance with the decisions of the General Shareholders' Meeting, the Board of Directors, and the Management Board, made according to their competence.

Approval of "Special" Transactions

1. Major transactions

A resolution on approving a major transaction in cases provided for by Chapter X of the Federal Law "On Joint Stock Companies" (the subject matter of which is the property with the value of over fifty (50) per cent of the balance-sheet value of the Company's assets) shall be passed by 3/4 of votes of the shareholders owning the Company's voting shares, who take part in the General Shareholders' Meeting. A question on approving a major transaction shall be submitted to resolution at the General Shareholders' Meeting only by proposal of the Company's Board of Directors.

A decision of the Company's Board Directors on approving major transactions in cases provided for by Chapter X of the Federal Law "On Joint Stock Companies" shall be passed unanimously by all elected members of the Board of Directors, not including the votes of withdrawn members of the Board of Directors.

2. Interested Party Transactions

A resolution on approving interested party transactions shall be passed in accordance with the procedure described in article 83, chapter XI of the Federal Law "On Joint Stock Companies".

3. Shares Issue Transactions

The decisions of the General Shareholders' Meeting shall be made by the majority in 3/4 (three fourth) of votes of the shareholders owning the Company's voting shares, who take part in the General Shareholders' Meeting, with regard to the following issues:

- placement of shares (the Company's issued securities converted into shares) through private subscription by decision of the General Shareholders' Meeting on increasing the Company's authorized capital by means of additional shares placement (on placing the Company's issued securities converted into shares);
- placement of ordinary shares through public subscription, which make more than twenty five (25) per cent of the ordinary shares placed earlier;
- placement through public subscription of issued securities convertible into ordinary shares, which may be converted into ordinary shares, making over twenty five (25) per cent of the ordinary shares placed earlier.

A resolution of the Board of Directors on the following questions shall be passed unanimously by all elected members of the Board of Directors, not including the votes of withdrawn members of the Board of Directors:

- a resolution on increasing the Company's authorized capital by means of placing the Company's additional shares (subclause 6, clause 12.1, article 12 of the Articles of Association);
- a resolution on placing by the Company bonds convertible into shares and other issued securities convertible into shares (subclause 7, clause 12.1, article 12 of the Articles of Association).

A resolution on the following questions shall be made by a majority vote of the members of the Board of Directors who take part in the meeting or in the absentee voting:

- placement of bonds and other issued securities by the Company, except as otherwise established by Federal Law "On Joint Stock Companies" and by the Articles of Association;
- approval of documents on the issuance of shares and other securities, purchase of shares from the Company's shareholders, and redemption of shares, when approval of such documents by the Board of Directors is provided for by Federal Law "On Joint Stock Companies" or other regulatory legal acts of the Russian Federation;
- determination of price (pecuniary value) of property, issued securities placement and repurchase prices in cases stipulated by the Federal Law "On Joint Stock Companies";
- approval of an independent appraiser (appraisers) for the purpose of determining the value of the Company's shares, property and other assets in cases provided for by the Federal Law "On Joint-Stock Companies" and the Articles of Association.

Distribution of Questions under Alternative Competences

In accordance with the Company's Articles of Association, the following questions are related to the competence of the General Shareholders' Meeting:

- passing a resolution on filing an application for delisting of the Company's shares and (or) the Company's issued securities converted into its shares;
- placement of shares (the Company's issued securities converted into shares) through private subscription by decision of the General Shareholders' Meeting on increasing the Company's authorized capital by means of additional shares placement (on placing the Company's issued securities converted into shares);
- placement of ordinary shares through public subscription, which make more than twenty five (25) per cent of the ordinary shares placed earlier;
- placement through public subscription of issued securities convertible into ordinary shares, which may be converted into ordinary shares, making over twenty five (25) per cent of the ordinary shares placed earlier;
- passing a resolution on delegating the powers of a sole executive body to the managing company (manager), and early termination of powers of such managing company (manager);
- approval of internal documents governing the activity of the Company's management and supervisory bodies.

In accordance with the Company's Articles of Association, the following questions are related to the competence of the Board of Directors:

- passing a resolution on filing an application for listing of the Company's shares and (or) the Company's issued securities converted into its shares;
- increasing the Company's authorized capital by placing the Company's additional shares, except when a resolution on placing the Company's additional shares is related to the exclusive competence of the General Shareholders' Meeting in accordance with requirements of the Federal Law "On Joint Stock Companies";
- electing the General Director and early termination of his/her powers, inter alia, determining the terms and conditions of an employment agreement with the General Director and early termination thereof;
- determining the number of members of the Management Board, election of the Management Board members, early termination of their powers, inter alia, determining the terms and conditions of employment agreements with them and deciding on early termination of such employment agreements;
- suspending the powers of the managing company (manager), when the powers of the General Director have been delegated to the managing company (manager), and appointing a temporary sole executive body;
- formation of the committees of the Board of Directors, approval of regulations on the committees of the Board of Directors;
- approval of the Company's internal documents (except for internal documents, approval of which is related to the competence of the General Shareholders' Meeting, and other internal documents, approval of which is related to the competence of the Company's executive bodies), including financial policy, authority delegation policy, regulation on procurement, regulations on the internal audit unit;
- resolutions on the Company's participation in other companies (organizations), including establishment of Subsidiaries, purchase of shares (equity interests), changing the equity interest, encumbrance on shares (equity interests), and termination of participation in such organizations.

In accordance with the Company's Articles of Association, the following questions are related to the competence of the Management Board:

- approval of the Company's internal documents outlining core principles of the Company's functioning, including internal documents regulating establishment of social benefits and guarantees for the Company's employees in excess of the ones set forth in the collective contracts and agreements;
- approval of Regulations on branches and representative offices of the Company.

Structure of the Supervisory Bodies

The bodies supervising the Company's financial and economic activity in accordance with the Articles of Association and internal documents are:

• Audit Commission

In accordance with clause 20.1, article 20 of the Company's Articles of Association, the General Shareholders' Meeting shall elect the Audit Commission for the purpose of supervising the Company's financial and economic activity.

The competence of the Audit Commission covers the questions listed in clause 20.3, article 20 of the Articles of Association.

The Audit Commission acts for the benefit of the shareholders, and reports to the Company's General Shareholders' Meeting.

In its activity the Audit Commission shall be independent from the Company's executive officers and management bodies.

In its activity the Audit Commission shall comply with the Federal Law "On Joint Stock Companies" and other provisions of current legislation of the Russian Federation, Articles of Association, and this Regulation.

- **Auditor**

In accordance with clause 20.7, article 20 of the Company's Articles of Association, the General Shareholders' Meeting shall agree on the Auditor on an annual basis for the purpose of auditing and confirming the Company's annual financial statements.

The auditor checks the Company's financial and economic activity in accordance with requirements of Russian laws and on the basis of the contract concluded with him/her.

- **Internal Audit**

In accordance with clause 20.11, article 20 of the Articles of Association, the Company sets up an internal audit unit for the purpose of internal control over the Company's financial and economic activity.

Internal Audit Department is a specialized structural unit of the Company in charge of control over financial and economic activity, acting on the basis of the Regulation on Internal Audit Department of E.ON Russia JSC, approved by the Company's Board of Directors.

Internal Audit Department is established, reorganized and liquidated by decision of the Company's Board of Directors.

For the purpose of ensuring independence and objectivity of internal audit, the Internal Audit Department reports to the Company's Board of Directors.

- **Audit Committee of the Board of Directors**

It was formed on November 30, 2006 by decision of the Board of Directors of OGK-4 based on the Articles of Association of E.ON Russia JSC, and conducts its activity under the Regulation on the Audit Committee of the Board of Directors of E.ON Russia JSC (as revised on July 31, 2014).

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.

Description of the methodology for assessment of compliance with the corporate governance principles by joint-stock company, as established in the Corporate Governance Code

Assessment of the compliance with the corporate governance principles established in the Corporate Governance Code (approved by the Bank of Russia Board of Directors on March 21, 2014) was conducted by means of comparing the said principles with the corporate governance system existing in the Company (principles, rules, business practices), including the system established in the Company's internal documents.

The assessment results are provided in the table below.

No.	Corporate governance principle (principles) or key criterion (recommendation)	Complied with/ partially complied with/ not complied with	Brief description of where the principle or key criterion is not complied with	Explanation of key reasons, factors and (or) circumstances, due to which the principle or key criterion is not complied with or is partially complied with; description of applicable alternative mechanisms and tools of corporate governance
1	2		3	4
I. Shareholders' rights and equal conditions for the shareholders to exercise their rights				
1.1.	The Company shall provide for the equal and fair attitude towards all shareholders while they exercise their right to participate in the company management. The corporate governance system and practice shall ensure equal conditions for all shareholders owning the shares of the same category (type), including minority (small) shareholders and foreign shareholders, and equal attitude towards them by the company.			
1.1.1.	<p>The company has approved an internal document outlining the main procedures for preparing to, convening and holding the General Shareholders' Meeting, which complies with the recommendations of the Corporate Governance Code, including the company's duty:</p> <p>1) To inform shareholders about convening the general shareholders' meeting and to provide access to the materials, in particular, to publish a notice and materials on the company's website in the Internet at least 30 days prior to the date of the meeting (unless a longer period is provided for by laws of the Russian Federation)</p> <p>2) To disclose information on the date of preparing a list of the persons entitled to participate in the General Shareholders' Meeting at least 7 days in advance</p> <p>3) To submit additional information and materials on the items of agenda to the General Shareholders' Meeting, as recommended by the Corporate Governance Code</p>	Partially complied with	<p>1) In accordance with clause 4.8. of the Regulation on Preparing to and Holding the GSM:</p> <p>- the materials on the items of agenda of the GSM shall be made available to the persons entitled to participate in the meeting for familiarization within 20 days, and for the GSM, the agenda of which includes the issue of the Company reorganization – within 30 days before the GSM, in the Company's executive body and in other places the addresses of which are indicated in the notice of the GSM</p> <p>- Procedure for familiarization of the persons entitled to participate in the meeting with the information (materials) on the items of agenda of the GSM and the address where it is available shall be determined by decision of the Company's Board of Directors</p> <p>2) In accordance with clause 11.4 of the Articles of Association and clause 4.5. of the Procedure for Preparing and Holding the GSM, information on the date of preparing the list of the persons entitled to participate in the shareholders' meeting shall be disclosed by the Company in accordance with the procedure established by Russian laws at least 5 days prior to such date;</p>	<p>As for items 1), 2): In accordance with clause 1, article 52 of the Federal Law "On Joint-Stock Companies" No. 208-FZ dated December 26, 1995 (hereinafter referred to as "Law on JSC"), a notice of the general shareholders' meeting shall be given at least 20 days in advance. The Articles of Association of E.ON Russia JSC extends the minimum time for notifying shareholders about the general shareholders' meeting to 30 days only when it concerns the annual general shareholders' meeting in order to ensure the balance of interests of the Company and its shareholders. As according to clause 1, article 47 of the Law on JSC, joint-stock companies shall hold the annual general shareholders' meeting on an annual basis, such meeting is planned every year in advance, and is not of urgent nature, therefore, prolongation of the time for notifying shareholders about the annual general shareholders' meeting shall not result in a significant extension of the total time required for its convening and holding. The extension of this time with regard to the notice of the extraordinary general shareholders' meeting shall result in a significant extension of the total time required for its convening and holding, which may negatively affect the Company's activity in cases when an extraordinary general shareholders' meeting shall be held for the</p>

				<p>shareholders to make an urgent decision on the issues of the Company's activity.</p> <p>As for item 3): In accordance with the Regulation on Information Disclosure by the Issuers of Issued Securities, approved by the Bank of Russia on December 30, 2014, No. 454-P (hereinafter referred to as "Regulation on Information Disclosure"), the issuer whose securities are included in the list of securities admitted for trading at the securities market operator shall disclose information on the date of preparing the list of persons entitled to participate in the general shareholders' meeting before 10:00 of the day following the date of the corresponding decision, or in the form of a press release on the decision made by the issuer's board of directors, or in the form of a notice of material fact.</p> <p>In accordance with clause 1, article 51 of the Law on JSC, the date of preparing the list of persons entitled to participate in the general shareholders' meeting cannot be established earlier than 10 days after making a decision on holding the general shareholders' meeting. Therefore, taking into account the aforesaid provisions of the Regulation on Information Disclosure, even if the Company's Board of Directors decides to set the date of preparing the list of persons entitled to participate in the general shareholders' meeting to the earliest date, i.e. on the 11th day after holding the corresponding meeting of the Board of Directors, the information about the said date will be disclosed by the issuer 9 days prior to such date. Even if the corresponding decision of the Company's Board of Directors is made on Friday, the corresponding information will be disclosed 7 days prior to such date even considering two days off following the day of decision making. Therefore, in 99% cases the Company shall disclose information on the date of preparing the list of persons entitled to participate in the general shareholders' meeting at least 7 days (and in most cases – 9 days) prior to such date.</p> <p>However, the Company strives to inform</p>
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				shareholders of convening the general shareholders' meeting, to disclose information on the date of preparing the list of persons entitled to participate in the general shareholders' meeting, and to provide shareholders with the necessary information and materials for the general shareholders' meeting on due time that does not only complies with the laws, but would also allow shareholders to receive all the necessary information and materials in advance, to analyze them and to make a balanced and grounded decision while voting at the general shareholders' meeting.
1.1.2.	The Company assumed obligations to provide shareholders in the course of preparing and holding the general shareholders' meeting with the possibility to put questions on the Company's activity to the members of the management and supervisory bodies, members of the Audit Committee, chief accountant, the company's auditors, and candidates to the management and supervisory bodies. The said obligations are set out in the Articles of Association or internal documents of the Company.	Partially complied with	In accordance with clause 6.3.1. of the Regulation on the procedure for preparing to and holding the GSM, a shareholder is given a possibility to participate in debates on the items of agenda of the GSN <u>only</u> in the course of the general shareholders' meeting.	Provisions of clause 6.3.1. Regulation on the procedure for preparing to and holding the GSM are intended to ensure the balance of interests of the Company and its shareholders, as it allows all shareholders to receive the information on the Company's activity they need, on the one hand, and allows to deliver this information not only to the shareholder initiating the question, but to other shareholders participating in the general shareholders' meeting as well, with the minimum costs for the Company, on the other hand. The questions put by shareholders at the general shareholders' meeting shall be considered when preparing the next general shareholders' meeting.
1.1.3.	The Company assumed the obligations to adhere to the principle of intolerance to the actions resulting in the artificial re-allocation of corporate control (e.g., voting with "quasi-treasury" shares, making a decision on paying dividends on the preferred shares in conditions of limited financial opportunities, making a decision on non-payment of dividends on the preferred shares according to the Company's Articles of Association when there are enough sources for their payment). The said obligations are set out in the Articles of Association or internal documents of the Company.	Not complied with	-	The Company's Articles of Association and internal documents do not provide for the possibility to take actions resulting in the artificial re-allocation of corporate control, including those specified in the Corporate Governance Code: the Company has no "quasi-treasury" shares or anything of that kind, and the Company has not placed any preferred shares. When introducing amendments to the Articles of Association, elaborating new and amending the existing internal documents, the Company carries out legal expert evaluation of the documents, in particular, to avoid the clauses resulting in the artificial re-allocation of

				corporate control.
1.1.4.	<p>Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.</p> <p><i>Clause 7, part B: In accordance with the legislation, a notice of the general meeting and materials thereto shall be sent to shareholders whose rights are accounted with the depositories through such depositories in the electronic form. It is recommended to ensure that the shareholders whose rights are accounted in the register are able to receive a notice of the meeting and have access to the materials of the meeting in the electronic form at the shareholder's request.</i></p> <p><i>In order to ensure equal attitude towards all shareholders, including foreign ones, the company is recommended to provide information on holding the meeting not only in Russian, but also in a foreign language generally acceptable at the financial market.</i></p>	Complied with	-	-
1.2	Shareholders shall be given an equal and fair opportunity to participate in the Company's earnings by receiving dividends.			
1.2.1.	<p>The Company has approved an internal document defining the dividend policy of the company, which is in line with the recommendations of the Corporate Governance Code, and sets out, without limitation:</p> <p>1) the procedure for determining a part of net earnings (for the companies executing consolidated financial statements – a</p>	Partially complied with	1) apart from the procedure for determining a part of net earnings (for the companies executing consolidated financial statements – a minimum part (share) of consolidated net earnings) used to pay dividends	<p>The absence of an indication in the Regulation on Dividend Policy of the minimum part (share) of consolidated net earnings used to pay dividends allows the Company to implement a more flexible dividend policy, to take into account current financial standing of the Company and its real possibilities to pay dividends.</p> <p>The Company has established and supports functioning of the Audit Committee of the Board of Directors consisting of the</p>

	<p>minimum part (share) of consolidated net earnings) used to pay dividends, and conditions for announcing dividends;</p> <p>2) a minimum amount of dividends on the company's shares of different categories (types);</p> <p>3) an obligation to disclose the document outlining the company's dividend policy on the company's website in the Internet</p>			independent members of the Company's Board of Directors, which preliminarily considers and recommends the Board of Directors the amount of dividends that may be offered by the Company's Board of Directors to the General Shareholders' Meeting for payment
1.2.2.	<p>Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance:</p> <p><i>Clause 38, part B: If the company makes a decision on paying dividends, the company is recommended to explain the shareholders the importance of timely notification of the company on changing their data required to pay dividends (bank account details, postal address etc.), and the consequences and risks associated with delayed notification of the company on changing such data</i></p>	Complied with	-	-
II. The Company's Board of Directors				
2.1	The Board of Directors determines the main strategic guidelines for the company for a long-term prospect, key performance indicators of the company, carries out strategic management of the company, defines core principles and approaches towards the organization of a risk management and internal control system in the company, controls the activity of the company's executive bodies, defines the company's policy on remunerating the members of the Board of Directors and executive bodies, and performs other key functions.			
1.1.2.	<p>The Company has formed the board of directors, which:</p> <p>1) Determines the main strategic guidelines of the company's activity for a long-term prospect and the company's key performance indicators;</p> <p>2) Controls the activities of the company's executive bodies;</p> <p>3) Defines principles and approaches towards the organization of risk management and internal control in the</p>	Complied with	-	-

	company; 4) Defines the company's policy on remunerating the members of the Board of Directors, executive bodies, and other key executive officers of the company			
2.1.2.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance. <i>Clause 2.1.6., part B: The Board of Directors shall play a key role in assuring the transparency of the company, timely and full information disclosure by the company, and unhampered access of shareholders to the company's documents.</i>	Complied with	-	-
2.2.	The Board of Directors shall be an effective and professional management body of the company able to make its unbiased independent judgments and pass resolutions that meet the interests of the company and its shareholders. Chairman of the Board of Directors shall facilitate the most effective performance of functions assigned to the Board of Directors. Meetings of the Board of Directors, preparation to and participation in them by members of the Board of Directors shall ensure effective activity of the Board of Directors			
1.2.2.	Chairman of the Board of Directors shall be an independent director, or a senior independent director shall be chosen among the elected independent directors to coordinate the work of independent directors and interact with the Chairman of the Board of Directors.	Not complied with	-	Efficiency and competence of the Company's Board of Directors is ensured without the compliance with these recommendations of the Corporate Governance Code, which is supported by the financial indicators of the Company's performance during the period of work of the Board of Directors. The Company's Board of Directors can make unbiased and independent judgments and pass resolutions that meet the interests of the Company and its shareholders without complying with these requirements of the Corporate Governance Code, which is ensured by means of including three independent members to the Company's Board of Directors, who make up the HR and Remuneration Committee and the Audit Committee of the Company's Board of Directors. These Committees carry out preliminary revision of the most important questions related to the competence of the Company's Board of Directors and give the latter recommendations on the resolutions on such questions.
2.2.2.	The company's internal documents set out a procedure for preparing and holding the	Complied with	-	-

	<p>meetings of the Board of Directors, which enables the members of the Board of Directors to get prepared to the meeting properly, and particularly provides for the following:</p> <p>1) Deadlines for notifying the members of the Board of Directors on the upcoming meeting</p> <p>2) Deadlines for sending documents (bulletins) for voting, and for receiving completed documents (bulletins) when meetings are held in the absentee form</p> <p>3) Possibility to send and take into account a written opinion on the items of agenda for the members of the Board of Directors who are absent at the in-person meeting</p> <p>4) Possibility to discuss and vote via conference communication and video conference communication equipment</p>			
2.2.3.	<p>The most important questions shall be resolved at the in-person meetings of the board of directors. The list of such questions shall comply with the recommendations of the Corporate Governance Code³¹</p>	Not complied with	-	<p>Formation of the work plan of the Company's Board of Directors for the next year provides for, among other things, determination of the form of all meetings of the Board of Directors included in the said plan approved by the Board of Directors (clause 6.2. of the Regulation on the Board of Directors of E.ON Russia JSC). The form of each meeting of the Board of Directors (in-person or absentee) shall be determined proceeding from the scope of questions included in the agenda of such meeting of the Board of Directors. The need to hold an in-person meeting of the Board of Directors shall be determined by Chairman of the Company's Board of Directors (clause 2.7. (2) of the Regulation on the Board of Directors of E.ON Russia JSC). A notice and materials to the in-person or absentee meeting of the Company's Board of Directors shall be sent to the members of the Board of Directors not later than 7 calendar days prior to the date of the meeting (clauses 7.6., 9.2. of the Regulation on the Board of Directors of E.ON</p>

³¹ Specified in clause 168, part B, of the Corporate Governance Code

				Russia JSC), thus providing the members of the Company's Board of Directors with enough time to study the items of agenda of the meeting of the Board of Directors, enabling them to request through the Secretary of the Board of Directors any additional information concerning the items of agenda (clause 3.1. (4) of the Regulation on the Board of Directors), and to suggest a form of the meeting of the Board of Directors (either in-person or absentee voting) (clause 6.2. of the Regulation on the Board of Directors of E.ON Russia JSC)
2.2.4.	<p>Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.</p> <p><i>Clause 96, part B: It is necessary to obtain a written consent from the candidate for election to the board of directors and for work in the committee, when this candidate is supposed to participate in the work of the committee (committees) of the board of directors, and to disclose information on whether such consent has been obtained.</i></p> <p><i>Clause 97, part B: Information about candidates to members of the company's board of directors shall be provided in the form of materials while preparing and holding the company's general shareholders' meeting.</i></p> <p><i>Clause 98, part B: The minutes of the general shareholders' meeting where the election of the company's board of directors is considered shall include information on the members of the board of directors elected as independent directors.</i></p>	Complied with	-	-
2.3.	The Board of Directors shall include enough amount of independent directors			
2.3.1.	Independent directors shall make at least one third of the elected number of members of the board of directors	Complied with	-	-
2.3.2.	Independent directors shall fully comply with the independence criteria	Complied with	-	-

	recommended by the Corporate Governance Code			
2.3.3.	The Board of Directors (Nominations (HR, Appointments)) Committee evaluates the conformance of the candidates to members of the board of directors to the independence criteria	Complied with	-	-
2.3.4.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance. <i>Clause 2.4.1., part B: It is recommended to recognize a person to be an independent director, when such person possesses enough professionalism, experience and independence to form his/her own opinion, is able to express unbiased and scrupulous judgments that do not depend on the influence of executive bodies of the company, certain groups of shareholders or other interested parties. It should be also taken into account that in normal conditions a candidate (elected member of the board of directors) cannot be recognized as independent if he/she is affiliated with the company, its major shareholder, major contractor or competitive, or is bound with the state.</i>	Complied with	-	-
2.4.	The Board of Directors shall set up committees for preliminary consideration of the most important issues of the company's activity			
2.4.1.	The Company's Board of Directors has established the Audit Committee consisting of independent directors, the functions of which are set forth in the internal documents and are in line with the recommendations of the Corporate Governance Code ³²	Complied with	-	-
2.4.2.	The Company's Board of Directors has established the Remuneration Committee (that may be combined with the Nominations (HR, Appointments) Committee) consisting of independent	Complied with	-	-

³² Specified in clause 172, part B, of the Corporate Governance Code

	directors, the functions of which are in line with the recommendations of the Corporate Governance Code ³³			
2.4.3.	The Company's Board of Directors has established the Nominations (HR, Appointments) Committee (that may be combined with the Remuneration Committee), most members of which are independent directors, the functions of which are in line with the recommendations of the Corporate Governance Code ³⁴	Complied with	-	-
2.4.4.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance. Clause 2.8.4., part B: Taking into account the scope of activity and risk level, the company is recommended to establish other committees of the board of directors (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, HSE Committee and others). Clause 2.8.5., part B: It is recommended to determine the scope of committees so that it allows for comprehensive discussion of preliminarily considered issues, with due regard to different opinions.	Complied with	-	-
2.5.	The Board of Directors shall ensure quality assessment of work of the Board of Directors, its committees and members.			
2.5.1.	Quality assessment of work of the Board of Directors shall be conducted on a regular basis at least once a year; moreover, such assessment shall be conducted with involvement of an external company (consultant) at least once in three years	Not complied with	-	Work results of the Company's Board of Directors shall be reflected in the financial indicators of the Company's performance for the corresponding period, which are then submitted to the Company's shareholders as part of the annual report to the annual general shareholders' meeting of the Company. Therefore, shareholders are able to evaluate work of the Board of Directors based on the

³³ Specified in clause 180, part B, of the Corporate Governance Code

³⁴ Specified in clause 186, part B, of the Corporate Governance Code

				Company's financial indicators, and to take this evaluation into account while voting on election of the Company's Board of Directors.
2.5.2.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.	-	-	-
III. Corporate Secretary of the Company				
3.1.	Effective current interaction with shareholders, coordination of the company's actions taken to protect rights and interests of shareholders, maintenance of effective work of the board of directors are ensured by the corporate secretary (a special structural unit with the corporate secretary at head)			
1.1.3.	Corporate secretary reports to the board of directors, is appointed to and dismissed from the position by decision or with the consent of the board of directors	Complied with	-	-
2.1.3.	The Company has approved an internal document defining rights and obligations of the corporate secretary (Regulation on the Corporate Secretary), the content of which is in line with the recommendations of the Corporate Governance Code ³⁵	Complied with	-	-
3.1.3.	Corporate Secretary holds the position that cannot be combined with other functions in the company. Corporate Secretary is given the functions in accordance with the recommendations of the Corporate Governance Code. ³⁶ Corporate Secretary has enough resources to perform his/her functions	Complied with	-	-
3.1.4.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance. <i>Clause 3.1.1., part B: Corporate secretary shall have enough knowledge, experience and qualification to perform his/her duties,</i>	Complied with	-	-

³⁵ Specified in clause 217, part B, of the Corporate Governance Code

³⁶ Specified in clause 218, part B, of the Corporate Governance Code

	<i>stainless reputation, and enjoy shareholders' confidence.</i>			
IV. Remuneration system for the members of the board of directors, executive bodies, and other key executive officers of the company				
4.1.	The level of remuneration paid by the company shall be enough to attract, incentive and withhold the person possessing the competence and qualification required for the company. Remuneration shall be paid to members of the board of directors, executive bodies, and other key executive officers of the company in accordance with the remuneration policy adopted in the company			
1.1.4.	The company regulates all payments, benefits and privileges granted to the members of the board of directors, executive bodies, and other key executive officers of the company	Complied with	-	-
2.1.4.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance. <i>Clause 4.1.2., part B: The Company's Remuneration Policy shall be developed by the Remuneration Committee and approved by the Company's Board of Directors. The Board of Directors with the support of the Remuneration Committee shall ensure control over the implementation and fulfillment of the remuneration policy in the company, and when necessary – revise and introduce amendments thereto.</i> <i>Clause 4.1.3., part B: The Company's remuneration policy shall contain transparent mechanisms for determining the amount of remuneration to the members of the board of directors, executive bodies, and other key executive officers of the company, and shall regulate all kinds of payments, benefits and privileges granted to the said persons.</i>	Complied with	-	-
4.2.	The remuneration system for the members of the board of directors shall provide for the approximation of directors' financial interests and long-term financial interests of shareholders			
1.2.4.	The company does not apply any other forms of monetary remuneration to the members of the board of directors, but a fixed annual remuneration	Not complied with	-	The remuneration system existing in the Company for the members of the Board of Directors ensures the approximation of financial interests of the members of the Board

				of Directors and long-term financial interests of the Company, as notwithstanding the existence of quarterly remuneration in the remuneration system of members of the Company's Board of Directors, which depends on the extent of participation of the member of the Board of Directors in the meetings and absentee voting held in the corresponding system, this system also includes an annual remuneration for the members of the Company's Board of Directors, which depends on the Company's earnings before interest, tax, depreciation and amortization(EBITDA), based on the Company's financial statements prepared in accordance with the International Financial Reporting Standards and confirmed by the Company's auditor in terms of the reporting financial year following the results of which the annual remuneration is paid.
4.2.2.	Members of the Company's Board of Directors are not provided with an opportunity to participate in the optional programs, and the right to sell their shares of the company does not depend on the achievement of certain performance indicators	Complied with	-	-
4.2.3.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance. <i>Clause 4.2.3., part B: It is not recommended to provide for any additional payments or compensations in the event of early termination of powers of members of the Board of Directors in connection with the transfer of control over the company or other circumstances.</i>	Complied with	-	-
4.3.	The remuneration system for the executive bodies and other key executive officers of the company shall provide for the dependence of remuneration on the company's performance result, and on their personal contribution in the achievement of such result			
4.3.1.	The company has implemented a program of long-term motivation for the members of the executive bodies and other key executive officers of the company	Not complied with	-	Regulation on long-term stimulation of such employees is being elaborated.

4.3.2.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.			
V. Risk Management and Internal Control System				
5.1.	The company shall create an effectively functioning risk management and internal control system, ensuring reasonable confidence in the achievement of the company's goals			
1.1.5.	The Board of Directors has determined principles and approaches towards the organization of risk management and internal control system in the company	Complied with	-	-
2.1.5.	The company has established a separate structural unit for risk management and internal control	Complied with	-	-
5.1.3.	The company has elaborated and implemented an anti-corruption policy of the company, which sets out measures aimed at formation of the elements of corporate culture, organizational structure, rules and procedures ensuring the prohibition of corruption	Complied with	-	-
5.1.4.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance. <i>Clause 5.1.4., part B: The Company's Board of Directors is recommended to take the necessary measures to make sure that the risk management and internal control system existing in the company complies with the principles and approaches towards its organization, as determined by the board of directors, and is functioning effectively.</i>	Complied with	-	-
5.2.	The company shall arrange internal auditing for the purpose of regular independent assessment of reliability and efficiency of risk management and internal control system and corporate governance practice			
1.2.5.	The company has formed a separate structural unit performing the functions of internal audit, which is functionally subordinate to the company's board of	Complied with	-	-

	<p>directors. The functions of the said unit are in line with the recommendations of the Corporate Governance Code, and particularly include the following:</p> <p>1) Assessment of internal control system efficiency</p> <p>2) Assessment of risk management system efficiency</p> <p>3) Assessment of corporate governance (when there is no Corporate Governance Committee)</p>			
5.2.2.	Head of internal audit unit reports to the company's board of directors, and is appointed to and dismissed from the position by decision of the company's board of directors	Complied with	-	-
5.2.3.	The company has approved the internal audit policy (Regulation on Internal Audit), which sets out goals, tasks and functions of internal audit	Complied with	-	-
5.2.4.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.			
VI. Information disclosure about the company, the company's information policy				
6.1.	The company and its activity shall be transparent for shareholders, investors and interested parties			
6.1.1.	<p>The Company has approved an internal document defining the information policy of the company, which is in line with the recommendations of the Corporate Governance Code. The Company's information policy includes the following forms of interaction with investors and other interested parties:</p> <p>1) Organization of a special page of the company's website in the Internet, with the answers to standard questions of shareholders and investors, schedule of the company's corporate events updated on a regular basis, and other useful information for shareholders and investors</p> <p>2) Regular meetings of the members of executive bodies and other key executive</p>	Complied with	-	-

	officers of the Company with analysts 3) Regular presentations (inter alia, in the form of teleconferences, web-casts) and meetings with the participation of members of the management bodies and other key executive officers of the company, including those accompanying publication of accounting (financial) statements of the company, or connected with the main investment projects and strategic development plans of the company			
6.1.2.	The company implements its information policy through its executive bodies. The company's board of directors is in charge of control over the proper information disclosure and compliance with the information policy	Complied with	-	-
6.1.3.	The company has established the procedures ensuring work coordination between all services and structural units of the company connected with the information disclosure, or whose activity may result in the need to disclose information	Complied with	-	-
6.1.4.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance. <i>Clause 6.1.2., part B: The company shall disclose information on the corporate governance system and practice, including detailed information on the compliance with the principles and recommendations of this Code.</i>	Complied with	-	-
6.2.	The company shall disclose on due time full, updated and accurate information about the company in order to enable decision making by the company's shareholders and investors			
6.2.1.	When the company's capital includes a considerable share of foreign investors, the company shall ensure disclosure of the most significant information about the company (including notices of the general shareholders' meeting, annual report of the company) in the foreign language being generally acceptable at the financial	Complied with	-	-

	market alongside with the information disclosure in the Russian language			
6.2.2.	The company shall ensure disclosure of information not only about the company itself, but also about the legal entities controlled by the company and being of significant importance for it	Complied with	-	-
6.2.3.	The company discloses its annual and interim (half-year) consolidated or individual financial statements executed in accordance with the International Financial Reporting Standards (IFRS). Annual consolidated or individual financial statements shall be disclosed together with the auditor's report, and interim (half-year) consolidated or individual financial statements – together with the report on the results of overview audit or auditor's report	Complied with	-	-
6.2.4.	The company has disclosed a special memorandum containing plans of the entity controlling the Company concerning the Company. This memorandum has been executed in accordance with the recommendations of the Corporate Governance Code ³⁷	Not complied with	-	Plans of the entity controlling the Company concerning the Company shall be the commercial secret of this entity, and shall not be disclosed, except as otherwise provided for by law
6.2.5.	The company shall provide for disclosure of detailed information on the biographic data of members of the board of directors, including information on whether they are independent directors, and prompt information disclosure on the loss of the status of independent director by a member of the board of directors	Complied with	-	-
6.2.6.	The company discloses information on the structure of its capital in accordance with the recommendations of the Corporate Governance Code	Complied with	-	-
6.2.7.	The company's annual report contains additional information recommended by the Corporate Governance Code: 1) Brief overview of the most significant transactions, including related	Partially complied with	5) Does not contain information on the amount of individual remuneration following the year results for each member of the board of directors (broken down by base, additional remuneration for chairmanship in	As for items 5), 6), information is classified as personal data in accordance with the Federal Law No. 152-FZ, dated July 27, 2006 "On Personal Data"; no consent of members of the Board of Directors for its processing by means

³⁷ Specified in clause 279, part B, of the Corporate Governance Code

<p>transactions settled by the company and legal entities controlled by the company for the last year</p> <p>2) Report on the work of the Board of Directors (including its committees) for the year, containing without limitation information on the number of in-person (absentee) meetings, on participation of each member of the board of directors in the meetings, description of the most significant issues and the most difficult problems considered at the meetings of the board of directors and committees of the board of directors, basic recommendations given by the committees to the board of directors</p> <p>3) Information on the direct or indirect ownership of the company's shares by members of the board of directors and executive bodies of the company</p> <p>4) Information on the conflict of interests of the members of the board of directors and executive bodies (including conflict of interest associated with the participation of the said persons in the management bodies of the company's competitors)</p> <p>5) Description of a remuneration system for the members of the board of directors, including the amount of individual remuneration following the year results for each member of the board of directors (broken down by base, additional remuneration for chairmanship in the board of directors, for chairmanship (membership) in the committees of the board of directors, participation in the long-term motivation program, participation of each member of the board of directors in the optional program, if any), compensations of expenses on the participation in the board of directors, and the company's expenses on the insurance of directors' liability as members of the management bodies;</p> <p>6) Information about the cumulative</p>		<p>the board of directors, for chairmanship (membership) in the committees of the board of directors, participation in the long-term motivation program, participation of each member of the board of directors in the optional program, if any), compensations of expenses on the participation in the board of directors, and the company's expenses on the insurance of directors' liability as members of the management bodies;</p> <p>6) Does not contain information about the cumulative remuneration for the year</p>	<p>of disclosure in the Company's annual report has been received.</p>
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	<p>remuneration for the year:</p> <p>a) for a group of at least five most high-paid members of executive boards and other key executive officers of the company, broken down by each kind of remuneration;</p> <p>b) for all members of executive bodies and other key executive officers of the company covered by the company's remuneration policy, broken down by each kind of remuneration;</p> <p>7) Information on the year remuneration of a sole executive body it has received or shall receive from the company (legal entity from a group of organizations the company is a member of), broken down by each kind of remuneration, both for performing the duties of a sole executive body and on the other grounds</p>			
6.2.8.	<p>Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.</p> <p><i>Clause 6.2.2., part B: The company is recommended to avoid a formal approach in the process of information disclosure, and to disclose significant information about its activity even if disclosure of such information is not provided for by laws.</i></p>	Complied with	-	-
6.3.	Information and documents shall be provided by the company at the shareholders' requests in accordance with the principles of fairness and easiness			
6.3.1.	<p>In accordance with the company's information policy, the company's shareholders owning the same amount of the company's voting shares shall have equal access to information and documents of the company</p>	Complied with	-	-
6.3.2.	<p>Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.</p> <p><i>Clause 6.3.1., part B: Exercise of right to access the Company's documents and information by shareholders shall not imply any unjustified difficulties.</i></p>	Complied with	-	-

VII. Major corporate actions				
7.1.	The actions that significantly affect or may affect the structure of authorized capital and financial standing of the company and, therefore, the shareholders' standing (major corporate actions), shall be settled on fair conditions ensuring the compliance with the rights and interests of shareholders and other interested parties			
7.1.1.	<p>The company's articles of association define a list (criteria) of transactions or other actions qualified as major corporate actions, the revision of which is related to the competence of the company's board of directors, including:</p> <p>1) The company reorganization, purchase of 30 and more percent of the company's voting shares (merger), increase or reduction of the company's authorized capital, listing and delisting of the company's shares</p> <p>2) Transactions of sale of shares (equity interest) of the legal entities controlled by the company, which are of major importance for the company, and as a result of which the company loses control over such legal entities</p> <p>3) Transactions, including mutually related transactions, with the property of the company or legal entities controlled by the company, the cost of which exceeds the sum specified in the company's articles of association, or which is of major importance for the company's business activity</p> <p>4) Establishment of a legal entity controlled by the company, which is of major importance for the company's activity</p> <p>5) Alienation of treasury and quasi-treasury shares by the company</p>	Partially complied with	The competence of the Company's Board of Directors does not cover the issues associated with the delisting of the company's shares and alienation of treasury and quasi-treasury shares by the company	<p>In accordance with clause 19.1.) of the Company's Articles of Association, passing a resolution on filing an application for delisting of the Company's shares and (or) the Company's issued securities converted into its shares is related to the competence of the GSM.</p> <p>The Company's Articles of Association and internal documents do not provide for the treasury and quasi-treasury shares</p>
7.1.2.	<p>Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.</p> <p><i>Clause 7.1.2., part B: The Board of</i></p>	Complied with	-	-

	<i>Directors shall play a key role in making decisions or elaborating recommendations for the major corporate actions based on the opinion of the company's independent directors.</i>			
7.2.	The company shall provide for the procedure of performing major corporate actions, which would allow its shareholders to receive on due time a full information on such actions, enable them to influence on the performance of such actions, and guarantee the compliance with and adequate level of protection of their rights in the course of such actions			
7.2.1.	<p>The company's internal documents establish a principle of ensuring uniform conditions for all the company's shareholders in the course of major corporate actions which affect rights and lawful interests of shareholders, and set out additional measures protecting rights and lawful interests of the company's shareholders, as provided for by the Corporate Governance Code, including:</p> <p>1) Engagement of an independent appraiser with irreproachable reputation at the market and appraisal experience in the corresponding area, or presentation of the grounds for non-engagement of an independent appraiser when determining the value of the property alienated or purchased under a major transaction or interested party transaction</p> <p>2) Determination of the price of the company's shares upon their purchase and redemption by an independent appraiser with irreproachable reputation at the market and appraisal experience in the corresponding area, taking into account the average weighted price of shares for a reasonable time period, not including the effect connected with the settlement of such transaction by the company (inter alia, not including the changes in the price of shares as a result of dissemination of the information on the settlement of such transaction by the company), and not including discount for alienation of shares in the minority shareholding</p> <p>3) Extension of the list of grounds for the members of the company's board of directors and other persons provided for</p>	Partially complied with	The company's internal documents do not specifically establish additional measures protecting rights and lawful interests of the company's shareholders, as provided for by the Corporate Governance Code	Recommendations of the Corporate Governance Code are complied with to the extent stipulated by current legislation of the Russian Federation, e.g. engagement of an independent appraiser is mandatory upon repurchase of the Company's shares on demand of its shareholders (Article 75 of the Law on JSC). Extension of a scope of cases for engagement of an independent appraiser, and a list of grounds for recognizing a certain transaction to be an interested party transaction, will incur additional expenses of the Company and will considerably delay the process of settling such transactions, which may also negatively affect the financial results of the Company's activity. At the same time, the shareholder who does not agree with the appraisal of the property alienated or purchased under a major transaction or interested party transaction shall have the right to seek protection of his/her rights and the Company's rights infringed as a result of such transaction in court.

	by laws to be recognized as interested parties in the company's transactions for the purpose of evaluating the actual affiliation of the said persons			
7.2.2.	Other key (in the Company's opinion) criteria (recommendations) of the Corporate Governance Code related to the said principle (principles) of corporate governance.			

Planned (expected) actions and activities of the joint-stock company to improve the corporate governance model and practice

With consideration for the assessment of the compliance with corporate governance principles set out in the Corporate Governance Code, the Company plans the following activities in the long-term prospect:

- Increasing the number of independent directors
- Developing the internal control and risk management system
- Creating additional committees in different aspects of the company's activity at the Board of Directors
- Disclosing additional information, including non-financial statements
- Implementing a program of long-term motivation for the members of the board of directors, executive bodies, and other key executive officers of the Company
- Reasonable distribution of competencies and responsibilities among corporate management bodies
- Enhancement of the collective approach to the Company business management
- Effective combination of 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's shareholders
- Implementation of high standards of corporate ethics in the management bodies activity.

Annex 3

Information on interested-party transactions effected by the Company in 2014

1. *Services Contract between E.ON Russia JSC and Non-Profit Partnership Council of Power Producers and Power Industry Strategic Investors*

Parties to the Contract:

E.ON Russia JSC as the Customer;

Non-Profit Partnership Council of Power Producers and Power Industry Strategic Investors as the Contractor.

Subject of the Contract:

The Contractor, as assigned by the Customer, undertakes to provide consulting services for analysis of consequences and means to mitigate negative effects as may occur during crossover to thermal energy tariff policy based on alternative boiler method and prepare a work completion report; as well as perform other services defined in the Customer's Assignment (Annex No. 1 to the Contract) and the Customer undertakes to accept and pay for the services provided by the Contractor in the manner provided for by the Contract.

Market value of the services under the Contract:

Total cost of the services provided by the Contractor under the Contract is two hundred and thirty four thousand (234,000) rubles 00 kopecks including 18% VAT of thirty five thousand six hundred ninety four (35,694) rubles 92 kopecks.

Period of the services under the Contract:

Services commencement date: November 20, 2013;

Services completion date: March 1, 2014.

Term of the Contract:

This Contract shall come into force upon its signature, cover relations established as of November 20, 2013 and remain in force until the Parties perform their obligations in full.

Interested party M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 192, dated 29/01/2014

2. *Services Contract between E.ON Russia JSC and E.ON Connecting Energies LLC*

Parties to the Contract:

E.ON Russia JSC as the Customer;

E.ON Connecting Energies LLC as the Contractor.

Subject of the Contract:

1.1 The Contractor, as assigned by the Customer according to his written requisitions, undertakes to provide visa support services to foreign employees and partners of the Customer specified in the clause 1.2 of this Contract during the term hereof and the Customer undertakes to accept and pay for the services provided by the Contractor in the manner provided for by the Contract.

1.2. For the purposes hereof the Contractor undertakes to provide the following services to the Customer:

- preparation of document and their submission to Moscow Department of the Federal Migration Service as necessary to obtain invitations for entry into the Russian Federation or job visas for foreign citizens;
- preparation of documents and their submission to the relevant authorities as necessary to obtain Permits to engage and use foreign workers or Work Permits for foreign citizens;
- preparation of documents and their submission to regional Department of the Federal Migration Service as necessary for the purposes of migration registration (registration notification), management of the Customer's migration registration matters;
- courier services for delivery of documents to respective institutions and reception of documents intended for the Customer;
- other services specified in the Customer's requisitions.

Period of the services under the Contract and cost of the services under Contract:

Period of the services specified in the clause 1.2 hereof shall be set by the Parties from August 1, 2013 to December 31, 2014.

Terms of specific types of services under the Customer's written requisitions have been determined by the Annex No. 1 hereto and shall be calculated as of the time the Contractor receives a written requisition and all necessary documents and information from the Customer or where additional or missing documents and/or information is required – as of provision thereof.

Total cost of the services provided by the Contractor under the Contract shall be comprised of the aggregate of all services provided by the Contractor based on the Customer's written requisitions.

Prices for the services provided by the Contractor under the Contract are determined in the Annex No. 1.

Terms and Prices of the Services hereto:

Terms and Cost of the Services

1. Execution cost and term for Invitation for Entry into the Russian Federation with Commercial visit purpose.

Execution of single and double entry invitations from your Company*		
Execution term	16 calendar days	7-10 calendar days
Single for 1 or 3 months	1,734-00	4,794-00
Double for 1 or 3 months	1,836-00	4,896-00
Execution of multiple entry invitations from your Company*		
Execution term	21 calendar days	16 calendar days
Multiple for 6 months	3,264-00	6,324-00
Multiple for 12 months	3,366-00	6,426-00

2. Execution cost and term for Invitation for Entry into the Russian Federation and multiple entry visa with Employment visit purpose.

Execution of single and double entry invitations from your Company*		
Execution term	16 calendar days	7-10 calendar days
Single invitation for 1 or 3 months	2,550-00	5,250-00
Execution term	14-21 calendar days	1-2 work days
Multiple entry visa for 12 months	3,570-00	11,550-00

If the company is accredited with Moscow Department of the Federal Migration Service

3. Execution cost and term for permit to engage and employ foreign workers.

Execution of documents for engagement and employment of foreign workforce within the Russian Federation		
	Execution term	Price***
Execution of permit to engage foreign workforce from the Federal Migration Service of Russia***	70-75 calendar days	12,240-00
Execution of permit to employ foreign workforce within the Russian Federation for a natural person (including the state duty)	21-30 calendar days	9,690-00

*** Cost per 1 employee

**** The cost includes submission of documents to regional Employment Center of the Federal Employment Service. The state duty of 6,000 rubles shall be paid additionally to the address of Moscow Department of the Federal Migration Service.

Term of the Contract:

The Contract shall come into force (be deemed concluded) upon its signature by both Parties and remain in force till December 31, 2014, and to the extent relating to obligations undertaken but not fulfilled upon expiry hereof, till the time they are fully fulfilled.

Terms and conditions of the Contract shall cover relations of the Parties actually established as of August 1, 2013.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 193 dated 25/2/2014

3. Non-residential Premise Sublease Agreement between E.ON Russia JSC and E.ON IT LLC

Parties to the Agreement:

E.ON Russia JSC as the Leaseholder;

E.ON IT LLC as the Subleaseholder.

Subject of the Agreement:

Pursuant to the Agreement the Leaseholder shall grant and the Subleaseholder shall accept sublease of non-residential premises located at: 10, Presnenskaya naberezhnaya, block B, Moscow, Russia, designated by the red line in the layout (Annex No. 1 hereto), 9 (nine) sq. m in area (19th floor) for the use as office premises.

Market cost under the Sublease Agreement:

The Premises Sublease Cost is 700 (seven hundred) c.u. per one square meter annually, incl. VAT-18%. One conventional unit (c.u.) is equivalent to one US Dollar at the exchange rate of the Central Bank of Russia as of the date of payment.

From January 1, 2015 and until expiry hereof the new Premises Sublease Cost will be determined by increasing the Premises Sublease Cost current as of the date of recalculation by CPI-U. Such recalculation of the Premises Sublease Cost will be reflected by changing the Premises Sublease Cost payable by the Subleaseholder for respective paid period in the relevant invoices issued by the Leaseholder. Recalculation will be made in December, 2014.

The Subleaseholder shall compensate the Leaseholder for expenses related to maintenance of shared facilities in proportion to occupied area of the Premises within 10 (ten) days of a relative invoice from the Leaseholder.

Term of the Agreement:

The Premises are let on sublease for 11 months starting from the date of this agreement. Therewith, the terms and conditions of the agreement shall cover relations of the Parties established from 28/01/2014.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 194, dated 4/4/2014

4. Additional Agreement No. 4 to the Services Frame Contract No. IA-10-0602 dated September 2, 2010 between E.ON Russia JSC and E.ON New Build&Technology GmbH

Parties to the Additional Agreement:

E.ON Russia JSC as the Customer;

E.ON New Build&Technology GmbH as the Contractor.

Subject of the Additional Agreement:

By this Additional Agreement the Parties agree upon the cost rates for the services provided for the purposes of E.ON Russia JSC investment project 'Construction of the 3rd Power Unit on the Basis of 800 MW STU of Berezovskaya GRES' (hereinafter, the Services), approve tariffs for the Contractor Services provided under and pursuant to the Frame Contract for the period from January 1, 2014.

Market value of the services under the Additional Agreement:

Services provided during the period from January 1, 2014 shall be paid for subject to the following conditions and tariffs:

Tariffs for the Contractor Services during the period from January 1, 2014.		
The Customer shall pay for the Contractor Services based on the following tariff rates that include all Contractor's expenses including transportation, visa, living and daily allowance expenses and excluding all subcontractor expenses that shall be additionally paid for by the Customer.		
Class	Qualification	Rate in €/man-hour (net of VAT)
R1	Chief Project Manager – based projects (CPM), Technical Project Manager – based projects (TPM), Commercial Project Manager – based projects (ComPM), Construction Site Manager – major projects (CSM), Specialist (EEA status), Head of Division/Department	196.80
R2	Lead Engineer, Territorial Unit Manager (TUM), Lead Specialist1), Civil Works Manager, Territorial Unit Civil Works Manager (TUCWM), Consultant	168.00
R3	Chief Engineer, Chief Specialist1), Chief Foreman	154.80
R4	Project Engineer, Project Specialist 1), Foreman	141.60
R5	Engineer, Specialist 1), Junior Engineer, Senior Technical Specialist	128.40
R6	Technical Project Specialist, Engineering Technician, CAD System Operator, Skilled Worker	110.40
R7	Technician, Project Assistant, Mechanist, Constructor, Laboratory Assistant	87.60
R8	Assistant	66.00
1. Expert/specialist to provide project support, i.e. project follow-up control (time/production expenses/controlling) / reclamation management, document management, resource provision, forwarding, commercial project controlling, quality management, H&S, R&D, modelling, innovations, startup and setup works etc. shall be classified according to qualification.		
2. When third parties need to be engaged, related expenses shall be agreed upon by the Parties in advance in writing. The expenses shall be evidenced by documents complying with requirements of the laws of the Russian Federation.		
3. The above rates shall be applicable to the Services provided during the period from January 1,		

2014 and remain valid till the time the Parties approve new tariff rates and sign a relevant agreement. The Parties shall review the rates at the beginning of each new year.
4. Payment shall be made by the Customer in Euro as invoiced by the Contractor within the time limit provided for by Clause 4.2 of the Frame Contract.
5. The Contractor shall specify the amount of payable fee in the invoice to the Customer itemizing separately the amount of VAT payable according to the laws of the Russian Federation.
6. If the Services charge is subject to Russian VAT, Russian income tax or similar tax credits, such payments shall be made by the Customer.
7. All other matters that are not stipulated by this Annex shall be governed by the Agreement.
8. This Annex is made in two counterparts having equal legal force, one for each of the Parties.

If applicable, the tariffs provided for by Annex No. 1 to the Additional Agreement No. 4 shall not include value-added tax payable according to the laws of the Russian Federation.

Term of the Additional Agreement:

The Additional Agreement shall come into force on the date of its signing by representatives of both Parties and cover relations of the Parties established as of 1/1/2014.

Interested party E.ON Russia Holding GmbH

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 196, dated 11/5/2014

5. Additional Agreement No. 1 to the Paid Services Frame Contract No. IA-14-0026 dated 9/1/2014 between E.ON Russia JSC and E.ON New Build & Technology Limited

Parties to the Additional Agreement No. 1:

E.ON Russia JSC as the Customer;

E.ON Technologies (Ratcliffe) Limited as the Contractor.

Subject of the Additional Agreement No. 1:

1. Replace the words as used in the Contract: "E.ON New Build & Technology Ltd." for: "E.ON Technologies (Ratcliffe) Limited" and the words: "ENT" for: "ETG".

2. Clause 4.2 of the Contract shall be amended to read as follows: "4.2. Total cost of the Services provided by the Contractor under the Contract may not exceed EUR 2,000,000.00 (two million) net of VAT."

3. Clause 7.1 of the Contract shall be amended to read as follows: "7.1. The Contract shall come into force from the date of its signing by the Parties and cover relations of the Parties established as of January 1, 2013."

4. Annex No. 2 to the Contract shall be amended to read according to Annex No. 1 to the Additional Agreement.

Market cost of the services under the Contract subject to the Additional Agreement No. 1:

The amount of the Contractor fee shall be determined for each case of the Contractor specialist engagement based on hourly tariff rates specified in the Table 1. Hourly rate shall include overhead expenses and the minimum rate as required by the internal procedures of E.ON SE. Transportation and hotel accommodation expenses complying with E.ON SE Directive on KR29-E.ON Travel management shall be paid for in addition to the hourly rate based on actual costs against evidencing documents. Hourly tariff rates applicable as of 1/2/2014:

Table 1

Class	Qualification	Rate 2014, €/man-hour (net of VAT and other taxes, if applicable)
R1	Chief Project Manager – based projects (CPM), Technical Project Manager – based projects (TPM), Commercial Project Manager – based projects (ComPM), Construction Site Manager – major projects (CSM), Specialist (EEA status), Head of Division/Department	167.00
R2	Lead Engineer, Territorial Unit Manager (TUM), Lead Specialist1), Civil Works Manager, Territorial Unit Civil Works Manager (TUCWM), Consultant	142.5
R3	Chief Engineer, Chief Specialist1), Chief Foreman	131.50
R4	Project Engineer, Project Specialist 1), Foreman	120.50

R5	Engineer, Specialist 1), Junior Engineer, Senior Technical Specialist	109.00
R6	Technical Project Specialist, Engineering Technician, CAD System Operator, Skilled workman	94.00
R7	Technician, Project Assistant, Mechanist, Constructor, Laboratory Assistant	74.50
R8	Assistant	56.00

1) Expert/specialist to provide project support, i.e. project follow-up control (time/production expenses/controlling), document management, resource provision, forwarding, commercial project controlling, quality management, H&S, R&D, modelling, innovations etc. shall be classified according to qualification.

Provided that total amount of the Contractor's services may not exceed EUR 2,000,000 during the term of the Contract.

Term of the Additional Agreement:

The Additional Agreement shall come into force upon its signing by its Parties and cover relation of the Parties actually established as of January 1, 2013, and to the extent relating to the amount of hourly tariff rates – as of February 1, 2014. The Additional Agreement shall be valid until the expiry of the Contract.

Interested party E.ON Russia Holding GmbH, Gunter Eckhardt Rümmler

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 196, dated 11/5/2014

6. Non-residential Premise Sublease Agreement between E.ON Russia JSC and E.ON Connecting Energies LLC

Parties to the Agreement:

E.ON Russia JSC as the Leaseholder;

E.ON Connecting Energies LLC as the Subleaseholder.

Subject of the Agreement:

Pursuant to the Agreement the Leaseholder shall grant and the Subleaseholder shall accept sublease of non-residential premises located at: 10, Presnenskaya naberezhnaya, block B, Moscow, Russia, designated by the red line in the layout (Annex No. 1 hereto), 6 (six) sq. m in total area for the use as office premises.

Market cost under the Sublease Agreement:

The Premises Sublease Cost is 826 (eight hundred twenty six) c.u. per one square meter annually, incl. VAT-18%.

One c. u. (conditional unit) is equivalent to one US Dollar. Payment shall be made in rubles at the rate of the Central Bank of the Russian Federation on the day of payment.

From January 01, 2015 and till the expiration of this Agreement a new Premises Sublease Cost will be determined by increasing the Premises Sublease Cost as of the day of the recalculation in accordance with CPI-U (as defined below) Such recalculation of the Premises Sublease Cost will be reflected by changing the cost of the Premises sublease payable by the Subleaseholder for a relative paid period in corresponding invoices issued by the Leaseholder. Recalculation will be made in December, 2014.

CPI-U means seasonally unadjusted Consumer Price Index for All Urban Consumers, US City Average, All Items (series 1982-84=100), as specified in the monthly bulletin officially published by Bureau of Labor Statistics of the US Department of Labor. The recalculation shall be made by increasing the Premises Sublease Cost as of the day of the recalculation by the CPI-U for the last month, the results for which are published as of the Recalculation Date, and dividing the output by the CPI-U for the same month of the year preceding the year of the recalculation. After the Premises Sublease Cost has been recalculated, the rate with two decimal places shall be used. Any extraordinary changes in or any subsequent revisions of the CPI-U after the recalculation shall not be taken into account.

The Subleaseholder shall compensate the Leaseholder for expenses related to maintenance of shared facilities in proportion to occupied area of the Premises within 10 (ten) days of a relative invoice from the Leaseholder.

The above payments include all operating expenses (incl. utility costs) in relation to the Premises.

Term of the Agreement:

The Premises are let on sublease for 11 months starting from the date of the agreement. Therewith, the terms and conditions of the agreement shall cover relations of the Parties established from 23/04/2014.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 196, dated 11/5/2014

7. Additional Agreement No. 1 to the Sublease Agreement No. IA-13-0495 dated 11/11/2013 between E.ON Russia JSC and E.ON E&P Russia LLC

Parties to the Additional Agreement:

E.ON Russia JSC as the Leaseholder;
E.ON E&P Russia LLC as the Subleaseholder.

Subject of the Additional Agreement:

1. Amend clause 1.1 of the Agreement to read as follows:

"1.1. The Leaseholder grants to the Subleaseholder temporary use of 4 (four) parking lots (hereinafter, the Parking Lots) designated by the red line in the layout (Annex No. 1) and located in the underground parking of the building: 10, Presnenskaya naberezhnaya, block B, Moscow, Russia (hereinafter, the Building), and the Subleaseholder undertakes to pay for the Parking Lots in the manner and within the time limits set forth by this Agreement."

2. Amend Clause 3.1.1 of the Agreement to read as follows:

"3.1.1. Charge for the Parking Lot sublease is 5,772.28 (five thousand seven hundred seventy two and 28/100) c.u. per each Parking Lot annually, incl. VAT-18%."

3. Amend Clause 3.1.3 of the Agreement to read as follows:

"3.1.3. One c. u. (conditional unit) is equivalent to one US Dollar. Payment shall be made in rubles at the rate of the Central Bank of the Russian Federation as of the day of payment."

4. The Subleaseholder undertakes to deliver/return 2 (two) parking lots designated by the red line on the layout (Annex No. 1 hereto) to the Leaseholder based on the Acceptance Certificate (Annex No. 3 hereto) within 3 (three) work days from the signing of this Agreement by the Parties.

5. Amend the Provided Parking Lot Layout (Annex No. 1 to the Sublease Agreement No. IA-13-0495 dated 11/11/2013) to read according to Annex No. 2 hereto (Provided Parking Lots Layout).

Market cost under the Sublease Agreement subject to the Additional Agreement:

Cost of the Parking Lot sublease is 5,777.28 (five thousand seven hundred seventy seven and 28/100) c.u. per each Parking Lot annually, incl. 18% VAT. One conventional unit (c.u.) is equivalent to one Dollar at the exchange rate established by the Central Bank of Russia at the date of payment.

Term of the Additional Agreement:

The Additional Agreement shall come into force upon signature.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 196, dated 11/5/2014

8. Accounting and Tax Records Services Contract between E.ON Russia JSC and E.ON Connecting Energies LLC

Parties to the Contract:

E.ON Russia JSC as the Contractor;
E.ON Connecting Energies LLC as the Customer.

Subject of the Contract:

The Contractor undertakes obligation to provide the following services to the Customer:

- Maintenance of accounting and tax records;
- Management of the Customer's cash assets
- Effecting payments and interacting with banks and other settlement and credit institutions, ensuring control over effected payments within the cash flow budget;
- Management of the Customer's financial statements preparation to the extent and under conditions provided for by the Agreement, and the Customer undertakes to accept and pay for the services provided by the Contractor in the manner provided for by the Agreement.

Market value of the services under the Contract:

Cost of the Contractor services specified in Clause 1.1. of the Contract is 327,018.12 (three hundred twenty seven thousand eighteen rubles 12 kopecks) per month, including VAT of 49,884.12 rubles.

Services commencement date: date of the Contract.

Services completion date: December 31, 2014, or in case of the Contract prolongation – till the expiry of the Contract.

Term of the Contract:

The Contract shall come into force on April 1, 2014 and remain in force till December 31, 2014. If neither of the Parties declares its intention to terminate the Contract within 30 calendar days to its expiry, it shall be extended for another one year.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 196, dated 11/5/2014

9. Additional Agreement No. 2 to the Vehicle Dry Sublease Agreement No. IA-13-0301 dated June 24, 2013 between E.ON Russia JSC and E.ON Connecting Energies LLC

Parties to the Additional Agreement:

E.ON Russia JSC as the Leaseholder;
E.ON Connecting Energies LLC as the Subleaseholder.

Subject of the Additional Agreement:

1. Amend clause 1.7 of the Agreement to read as follows: "1.7. The lease of the Vehicle is granted for the period from June 24, 2013 to June 24, 2015."
2. All other terms and conditions of the Agreement shall remain unchanged and in full force and effect.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 197, dated 26/06/2014

10. Additional Agreement to the Non-Residential Premises Sublease Agreement No. IA-14-0149 dated April 9, 2014 between E.ON Russia JSC and E.ON IT LLC

Parties to the Additional Agreement:

E.ON Russia JSC as the Leaseholder;

E.ON IT LLC as the Subleaseholder.

Subject and market cost of the Additional Agreement to the Sublease Agreement no. IA-14-0149 dated April 9, 2014:

Changing the Premises Sublease Cost. The Premises Sublease Cost is 826 (eight hundred twenty six) c.u. per one square meter annually, incl. VAT-18%. One conventional unit (c.u.) is equivalent to one US Dollar at the exchange rate of the Central Bank of Russia as of the date of payment.

Term of the Additional Agreement:

The Additional Agreement shall come into force from the date of its signature. Therewith, the terms and conditions of the Additional Agreement shall cover relations of the Parties established as of 28/01/2014.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 197, dated 26/06/2014

11. Additional Agreement to the Loan Agreement No. IA-13-0227 dated 21/05/2013 between E.ON Russia JSC and E.ON Connecting Energies LLC

Parties to the Additional Agreement:

E.ON Russia JSC as the Lender;

E.ON Connecting Energies LLC as the Borrower.

Subject of the Additional Agreement:

1. Clause 1.2 of the Agreement shall be amended to read as follows:

"1.2. The limit amount of loan that may be granted to the Borrower shall be 1,420,000,000.00 (one billion four hundred twenty million rubles) Rubles and the limit Loan Disbursement period shall not exceed 1 year and nine months but in any case the Repayment Date shall not be later than December 31, 2015."

Term of the Additional Agreement:

The Additional Agreement shall come into force upon its signing by the Parties.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 204, dated 01/11/2014

12. Additional Agreement No. 2 to the Sublease Agreement No. IA-13-0495 dated 11/11/2013 between E.ON Russia JSC and E.ON E&P Russia LLC

Parties to the Additional Agreement:

E.ON Russia JSC as the Leaseholder;

E.ON E&P Russia LLC as the Subleaseholder.

Subject and market cost of the Additional Agreement:

1. Clause 1.1 of the Agreement shall be amended to read as follows: "1.1. The Leaseholder grants to the Subleaseholder temporary use of 3 (three) parking lots (hereinafter, the Parking Lots) designated by the yellow color on the Provided Parking Lots Layout (Annex No. 1) located in the underground parking of the building at: 10, Presnenskaya naberezhnaya, block B, Moscow, Russia (hereinafter, the Building), and the Subleaseholder undertakes to pay for the Parking Lots in the manner and within the time periods stipulated by this Agreement.

2. The Annex No. 1 to the Agreement shall be amended to read according to the Annex No. 2 to this Additional Agreement (Provided Parking Lots Layout).

The Subleaseholder undertakes to deliver/return 1 (one) parking lot designated in yellow in the Provided (Returned) Parking Lots Layout (Annex No. 1 hereto) to the Leaseholder based on the Acceptance Certificate (Annex No. 3 hereto) within 3 (three) work days from the signing of this Agreement by the Parties.

3. Prolong the Agreement for a new term of eleven months from October 14, 2014 under the terms and conditions identical to those set forth in the Sublease Agreement No. IA-13-0495 dated 11/11/2013 as amended by this Additional Agreement.

4. Establish the following conditions of payment for sublease of the parking lots:

- The cost of one parking lot during the period from 14/10/2014 to 31/12/2014 is 5,772.28 (five thousand seven hundred seventy two and 28/100) c.u. per each Parking Lot annually, including VAT-18%
- The cost of one parking lot during the period from 01/01/2015 to 13/09/2015 is 5,916.59 (five thousand nine hundred sixteen and 59/100) c.u. per each Parking Lot annually, including VAT-18%
5. This Agreement shall come into force upon signature, provided that the terms and conditions hereof shall cover relations of the Parties established as of 14/10/2014.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 204, dated 01/11/2014

13. Agreement for Termination of the Accounting and Tax Records Services Contract No. IA-14-0266 dated 16/05/2014 between E.ON Russia JSC and E.ON Connecting Energies LLC

Parties to the Contract Termination Agreement:

E.ON Russia JSC as the Contractor;

E.ON Connecting Energies LLC as the Customer.

Subject of the Contract Termination Agreement:

1. The Parties have reached the agreement to terminate the Accounting and Tax Records Services Contract No. IA-14-0266 concluded on May 16, 2014, starting from 16/05/2014.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 205, dated 5/12/2014

14. Paid Services Contract between E.ON Russia JSC and E.ON Connecting Energies LLC.

Parties to the Contract:

E.ON Russia JSC as the Contractor;

E.ON Connecting Energies LLC as the Customer.

Subject of the Contract:

For the purposes hereof the Contractor undertakes to provide the following services:

- Methodological assistance and consulting services with regard to treasury operations and risk management to the extent of at most 25 man-hours per month;
- Methodological assistance for and management of procurement of goods and services for the Customer and providing the Customer with inventories to the extent of at most 25 man-hours per month;
- Methodological assistance in legal matters to the extent of at most 25 man-hours per month.

Other services defined in the Customer's Assignments agreed with the Contractor.

The Customer undertakes to accept and pay for the services provided by the Contractor in the manner provided for by the Contract.

Market value of the services under the Contract:

The Customer shall pay for the services provided by the Contractor to the Customer under the Contract a fixed monthly subscription fee of 129,800 (one hundred twenty nine thousand and eight hundred) rubles, including VAT of 19,800 (nineteen thousand and eight hundred) rubles. The subscription fee includes all Contractor's expenses, except for business travel expenses comprised of transportation expenses and subsistence expenses as well as third party services expenses subject to prior agreement with the Customer of engagement by the Contractor of third parties for the purposes of the services provided under the Contract.

Services commencement date:

date of the Contract.

Services completion date:

November 30, 2015, or in case of the Contract prolongation – till the expiry of the Contract.

Term of the Contract:

The Contract shall come into force on the date of its conclusion and remain in force till 30/11/2015. The Contract shall be deemed prolonged for the next year, if neither of the Parties has declared its intention to terminate it within 10 days to its expiry.

Interested party E.ON Russia Holding GmbH, M.G. Shirokov

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 205, dated 5/12/2014

Data on major transactions effected by the Company in 2014.

1. Agreement for Termination of the Contract for Turn-Key Designing, Engineering, Procurement and Construction for the Purposes of E.ON Russia JSC Project 'Construction of the 3rd Power Unit on the Basis of 800 MW STU of Berezovskaya GRES' No. IA-11-0281 dated May 17, 2011 (hereinafter, the Contract).

Subject of the transaction:

The Parties terminate the Contract prior to its expiry starting from the date of this Termination Agreement (hereinafter, the Termination Date). As of the Termination Date the Parties' obligations arising out of the Contract shall terminate, unless their survival of the Contract termination has been provided for by the Termination Agreement.

Period of fulfillment of obligations under the transaction: 9/9/2014

Parties and beneficiaries to the transaction:

E.ON Russia Open Joint-Stock Company as the Customer;

Energoproekt Closed Joint-Stock Company as the Contractor located at: 105 B Smirnova Str., 153034 Ivanovo; Taxpayer Identification Number (INN) 3728030535, Primary State Registration Number (OGRN) 1023700529038;

Zarubezhenergoproekt Open Joint-Stock Company as the Guarantor located at: 105 B Smirnova Str., 153034 Ivanovo; INN 3728024228, OGRN 1023700535033.

The amount of the transaction in terms of money and in percentage of the value of the assets of the issuer or person providing security for the issuer's bonds who effected the transaction: Price of the Contract terminated is 35,215,285,750 (thirty five billion two hundred and fifteen million two hundred and eighty five thousand and seven hundred fifty) rubles 00 kopecks, including the value-added tax (VAT); 25.12%.

Date of the transaction consummation (Contract conclusion): 9/9/2014.

The transaction has been approved by the Board of Directors of E.ON Russia JSC, Minutes No. 202 dated 3/9/2014.