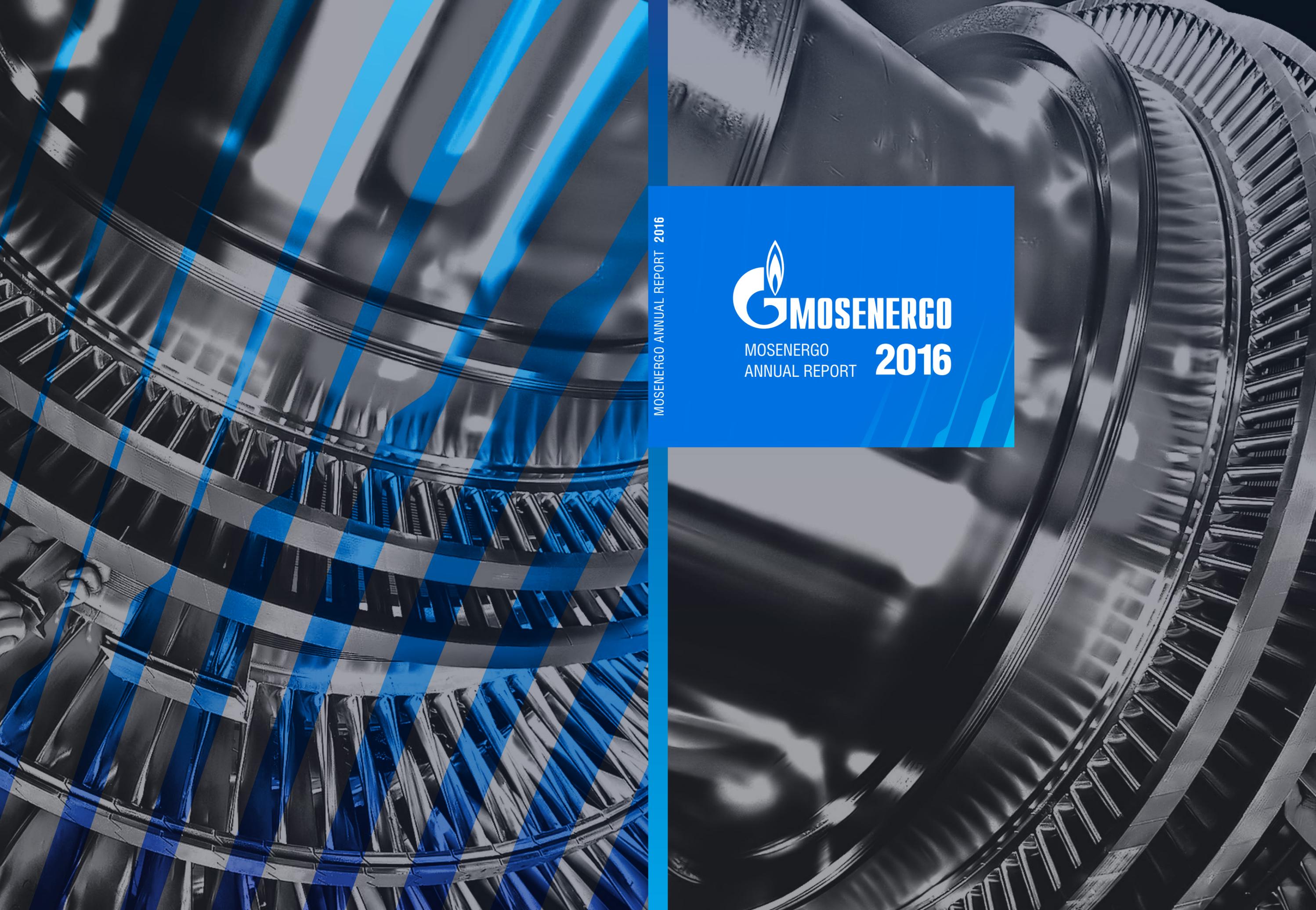


MOSENERGO ANNUAL REPORT 2016





PRE-APPROVED BY:  
the Mosenergo Board of Directors  
Minutes No. 33  
dated April 27, 2017

# MOSENERGO ANNUAL REPORT 2016

General Director of Gazprom Energoholding LLC –  
Mosenergo managing company  
**Denis Fedorov**

# CONTENTS

<b>1</b>	<b>Addresses</b>	<b>6</b>
1.1	Address of the Chairman of the Board of Directors	6
1.2	Address of Denis Fedorov, Gazprom Energoholding General Director	8
<b>2</b>	<b>Mosenergo Portrait</b>	<b>10</b>
<b>3</b>	<b>Information for Investors</b>	<b>12</b>
<b>4</b>	<b>Main corporate events of 2016</b>	<b>16</b>
<b>5</b>	<b>Results from operating activities</b>	<b>18</b>
5.1	Production	19
5.2	Sales	23
5.3	Fuel supply	26
5.4	Investment and maintenance activities	27
5.4.1	Investments	27
5.4.2	Repair	28
<b>6</b>	<b>Analysis of financial results</b>	<b>30</b>
6.1	Revenue	30
6.2	Prime cost	30
6.3	Other income and costs	31
6.4	Net profit	31
6.5	Liquidity and loan portfolio management	31
6.6	Balance sheet analysis	31
6.7	Financial position indicators	31
<b>7</b>	<b>Corporate governance</b>	<b>32</b>
7.1	Underlying principles	32
7.2	General Shareholders' Meeting	33
7.3	Board of Directors	34
7.3.1	Members of the Board of Directors	36
7.3.2	Committees of the Board of Directors	38
7.4	Executive bodies	40
7.5	Board of Internal Auditors	40
7.6	Remuneration	41

<b>8</b>	<b>Risk Management</b>	<b>42</b>
8.1	Risks due to regulation of tariffs	43
8.2	Market risks	43
8.2.1	Risks connected to the heating market	43
8.2.2	Inflation risk	44
8.2.3	Risks of losses due to unforeseen fluctuations in fuel prices	44
8.2.4	Risks of losses from unforeseen fluctuations in currency and interest rates	44
8.2.5	Liquidity risk	44
8.2.6	Credit risk	44
8.2.7	Tax risks	45
8.2.8	Risks of loss of assets due to damage to the property	45
8.3	Risks of civil liability	45
8.4	Corporate governance risks	46
8.5	Technical and production risks	46
8.6	Organizational risks	47
8.7	Investment risks	47
8.8	Legal risks	47
<b>9</b>	<b>Sustainable development</b>	<b>48</b>
9.1	Head count and structure of the staff	49
9.2	Corporate culture	50
9.3	Staff Training and Development	51
9.4	Motivation and social programs	52
9.5	Occupational health and safety	53
9.6	Environmental protection	56
<b>10</b>	<b>Additional information and annexes</b>	<b>58</b>
10.1	Information policy	58
10.2	History of Mosenergo	59
10.3	Report on compliance with the Corporate Governance Code	61
10.4	Financial statements according to IFRS	77
10.5	Glossary	82
10.6	Contact information	82

## 1.1 ADDRESS OF KIRILL SELEZNEV, THE CHAIRMAN OF THE MOSENERGO BOARD OF DIRECTORS, A MEMBER OF THE GAZPROM MANAGING BOARD



Dear Shareholders,

In 2016, Gazprom continued the dynamic development of its electric power direction. The companies of the Group ensured reliable production and supply of electric and heat energy to consumers and implemented important projects last year as before.

At the end of the year, the results of Gazprom's long-term work aimed at increasing the efficiency of operating activities and optimizing costs, as well as at renewing the production capacity fleet, clearly showed themselves. A significant improvement in the financial and economic performance of all our manufacturing companies was achieved by Mosenergo, JSC "MOEK", "TGC-1," and JSC "OGK-2." With an increase of the total electricity generation by 6.1% and heat production by 6.4%, the total revenue as per Russian Accounting Standards increased by 17.4% while the net profit increased by 65%. The total debt burden was reduced by 8.6% or by 13.6 billion rubles.

In 2016, Gazprom basically completed the fulfillment of its obligations under capacity supply agreements (CSA). Troitskaya and Novocherkasskaya GRES of JSC "OGK-2" commissioned two new coal-fired power units with a total capacity of about 1 GW. In total, more than 30 projects with a capacity of over 8.5 GW (the construction of the newest combined-cycle gas, gas-turbine and coal-power units, the renewal of traditional steam power units and small hydropower facilities) have been completed since 2007, when the Group started entering an unfamiliar electric power sector. Now, Gazprom has vast experience in creation, upgrade, adjustment, and operation of the modern power equipment of wide range. The implementation of the last CSA project of the Group (the construction of the Groznenskaya TPP) was launched.

In 2016, Mosenergo worked with the configuration of capacity for the first time after the full implementation of the CSA program: in 2007–2015, the company's power plants implemented an investment program with the commissioning of capacities of about 2.9 GW. At the same time, the development of the companies of the Group – and especially of Mosenergo – was based on the best traditions of the domestic energy industry and on multiplying the achievements of many generations of power engineers. Mosenergo is one of the first Russian energy companies, which is turning 130 years old in 2017. Today, it is one of the "youngest" generation companies in the country by the average age of the main equipment.

The successful completion of CSA projects by Mosenergo and the events held on the initiative of Gazprom aimed at improving the heat supply system in Moscow, with priority given to combined electricity-and-heat generation, have significantly increased the investment attractiveness of the company's shares, which had an objective effect on its market capitalization. While the overall growth of the Russian stock market in 2016 was 26.8% and the MICEX's industry electricity index increased by 110%, the cost of Mosenergo's shares increased more than tripled.

Successful development of Mosenergo under Gazprom management was confirmed by the largest international rating agencies, which took a number of steps to improve the company's valuation in 2016 by noting its strong positions in the field of finance and liquidity as well as a stable operating income.

For Gazprom, it is especially important that the operation of modern high-performance equipment can improve environmental performance. As a result of the commissioning of new facilities and the implementation of a number of environmental measures, the total emissions of Mosenergo power plants located on the territory of the capital have decreased by 30% over the last five years.

Dear shareholders! Gazprom continues to support activities aimed at further improving the profitability and the shareholder value of the power companies of the Group. Further implementation of upgrade projects subject to availability of economic incentives in the industry as well as implementation of cost-optimizing and debt-reducing policies create a basis for inclusion of an increase in dividend payments in the number of priorities of the Group.

Kirill Seleznev

Member of the Gazprom Management Board,  
Chairman of the Mosenergo Board of Directors

## 1.2 ADDRESS OF DENIS FEDOROV, GENERAL DIRECTOR OF GAZPROM ENERGOHOLDING LLC (MOSENERGO MANAGING COMPANY)



Dear Shareholders,

In 2016, Mosenergo demonstrated a dynamic improvement in its key performance indicators while providing reliable operation of production facilities that supply electricity and heat to consumers in the metropolitan region.

The total power generation by the company's power plants amounted to 59.1 billion kWh, which is an 8% increase over the same period of 2015. Heat output reached 81.8 million Gcal in 2016, which is 14.2% above the previous period's indicator. The growth of this indicator was achieved not so much due to temperature conditions but largely due to the transfer of a number of "MOEK" heat generation facilities to Mosenergo and the transfer of heat load to more efficient Mosenergo's TPPs in 2015. This allowed us to provide substantial fuel savings and to optimize the costs of two key Moscow companies managed by Gazprom Energoholding.

Improvement in the heat supply system in Moscow and completion of the implementation of Mosenergo's projects in the framework of capacity agreements at the end of 2015 played a significant role in improving the company's financial and economic performance in 2016. Revenue increased by 15.7% (at a 10.8% increase of the prime cost of manufacture of main products) while the net profit increased by 72.5% to 11.1 billion rubles. The debt burden has been reduced by 10% or by almost 5 billion rubles.

The high credit quality of Mosenergo in 2016 was confirmed by the ratings of the world's leading rating agencies. In June, Standard & Poor's raised Mosenergo's credit rating to BB + with a "Negative" outlook; and in September the rating outlook was improved to "Stable." At the same time, Fitch rating agency upgraded the issuer default rating of Mosenergo to the investment level of "BBB-" with the "Stable" outlook.

For Mosenergo, whose generating facilities provide electricity and heat to the multimillion metropolitan region, environmental protection is of particular importance. In 2016, following the results of the supervisory audit of the Mosenergo Environmental Management System, it was confirmed that it complies with the requirements of the ISO 14001:2004 international standard. The implementation of environmental measures can systematically reduce the amount of emissions from the company's power plants. In 2016, the total emissions of pollutants by Mosenergo also decreased (by 1.1%) despite the transfer of facilities from JSC "MOEK" and a significant increase in electricity generation and heat supply by Mosenergo.

One of the priorities of the Company is personnel development and the implementation of the personal potential of all its employees. In 2016, employees of Mosenergo confirmed their highest professionalism and initiative by their active participation in competitions of young specialists and rationalizers and competitions of operational personnel both among the companies of the Group and at the all-Russian level. For example, the Mosenergo TPP-26's team was a three-time winner of the competitions of operational personnel of block thermal power plants last year: first, at the company level, then among the power plants of the Gazprom Energoholding Group, and finally in the All-Russian competitions in the city of Essentuki.

In 2017, the management of Mosenergo will continue to implement projects aimed at improving production efficiency, reducing costs, decommissioning inefficient equipment, improving the accuracy of accounting for resources and released products, and improving the corporate culture.

The key task of the management and all employees of Mosenergo is to strengthen the momentum of development and to make every effort to achieve the impressive results in the year of the 130<sup>th</sup> anniversary of the company in the interests of all its shareholders once again.

Denis Fedorov

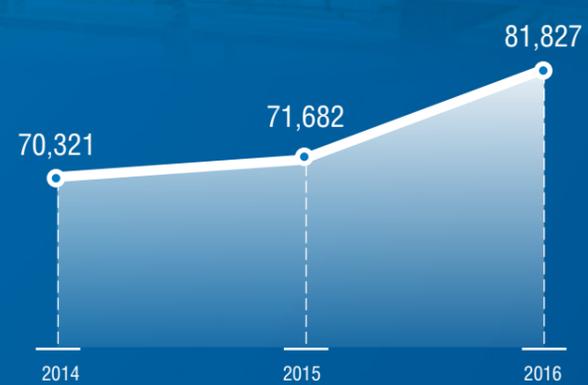
General Director of Gazprom Energoholding LLC –  
Mosenergo managing company



GROSS ELECTRICITY GENERATION, MILLION kWh



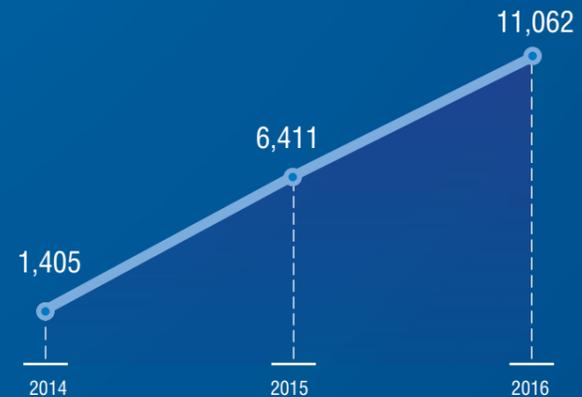
HEAT OUTPUT, THOUSAND Gcal



REVENUE, RUB MILLION



NET PROFIT, RUB MILLION



## Section 2

## MOSENERGO PORTRAIT

- Mosenergo is the largest regional power generating company in the Russian Federation.
- Mosenergo owns 15 power plants with an installed electrical capacity of 13 GW and a heat capacity of 43 thousand Gcal/h.
- Mosenergo is a major producer of electricity and heat energy for the Moscow Region and unites two constituent territories of the Russian Federation – the City of Moscow and the Moscow Region.
- Mosenergo power plants supply approximately 60% of electricity consumed in the Moscow Region.
- Mosenergo provides over 80% of Moscow's heat energy.



## KEY PERFORMANCE INDICATORS

	2014	2015	2016	2016/2015
Installed electric capacity, MW	12,737	12,915	12,963	+0.4%
Installed heat capacity, Gcal/hour	40,374	43,315	42,894	-1.0%
Gross electricity generation, million kWh	56,667	54,712	59,068	+8.0%
Electricity output, million kWh	52,079	50,232	54,214	+7.9%
Total electricity sales, million kWh	58,871	56,349	60,858	+8.0%
Heat output, thousand Gcal	70,321	71,682	81,827	+14.2%
Electricity generation fuel rate, gfe/kWh	241.3	232.6	232.3	-0.1%
Heat generation fuel rate, kg/Gcal	165.5	164.8	164.0	-0.5%

KEY FINANCIAL INDICATORS<sup>1</sup>, RUB MILLION

	2014	2015	2016	2016/2015
Revenue	158,820	164,508	190,342	+15.7%
Prime cost	-146,383	-149,261	-165,384	+10.8%
Gross profit	12,437	15,243	24,958	+63.7%
Sales profit	12,179	14,999	24,722	+64.8%
Net profit	1,405	6,411	11,062	+72.5%
	31.12.2014	31.12.2015	31.12.2016	2016/2015
Non-current assets	199,420	205,662	198,913	-3.3%
Current assets	69,350	69,823	88,747	+27.1%
Long-term liabilities	58,316	60,328	36,527	-39.5%
Short-term liabilities	19,120	17,797	44,920	+152.4%

<sup>1</sup> according to RAS

## Section 3

# INFORMATION FOR INVESTORS

MOSENERGO'S AUTHORIZED CAPITAL IS RUB 39,749,359,700, WHICH IS DIVIDED INTO 39,749,359,700 ORDINARY REGISTERED UNCERTIFICATED SHARES, EACH WITH A PAR VALUE OF RUB 1.00.

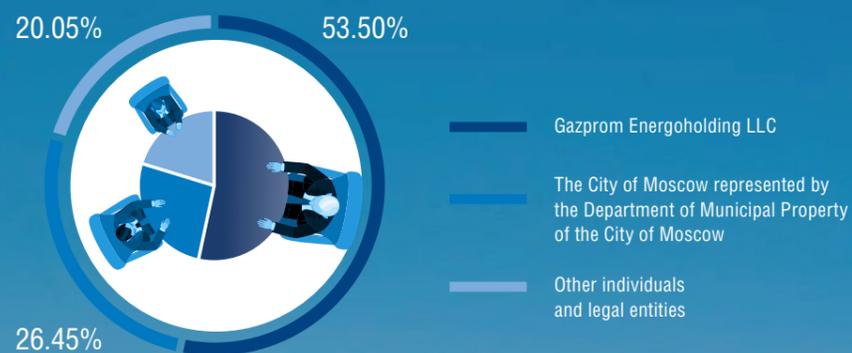
Mosenergo's shares are listed on the A1 quotation list on the Moscow Exchange.

Stock tickers:

- \_\_\_\_\_ Moscow Exchange - MSNG
- \_\_\_\_\_ Bloomberg - MSNG RU

Mosenergo's depository receipts are listed in the over-the-counter (OTC) market of the New York Stock Exchange and in the IOB sector of the London Stock Exchange.

### SHARE CAPITAL<sup>3</sup>



<sup>2</sup> International Order Book

<sup>3</sup> at December 31, 2016

## EQUITY MARKET IN 2016

The growth of the Russian stock market following the results of 2016 amounted to 26.8% while the MICEX sector index of the electric power industry showed much better dynamics than the rest of the market. Shares in Russian power companies included in the index demonstrated a 110% growth.

The shares in Mosenergo, whose value tripled, were in an especially high investors' demand. At the end of 2016, the price of 1 share was RUB 2.48 while the closing price of the last trading day of 2015 was RUB 0.82 per share of Mosenergo. The maximum price of a share in the Company in 2016 was RUB 2.56 while the market capitalization of Mosenergo exceeded RUB 100 billion.

Improvement of financial indicators of Mosenergo during 2016 as a result of successful completion of the mandatory investment program was one of the reasons for the growing interest of investors in the company's shares.

THE TOTAL SHAREHOLDER RETURN, TAKING INTO ACCOUNT AMOUNTS OF DIVIDENDS<sup>4</sup> RECOMMENDED TO BE PAID BY THE COMPANY'S BOARD OF DIRECTORS, TOTALED 213.2% ACCORDING TO THE RESULTS OF 2016.

### DYNAMICS OF THE VALUE OF SHARES IN MOSENERGO PJSC ON THE MOSCOW STOCK EXCHANGE IN 2016, RUB



<sup>4</sup> Calculated as the total of the relative change in the share price at the stock exchange and the dividend yield for the year

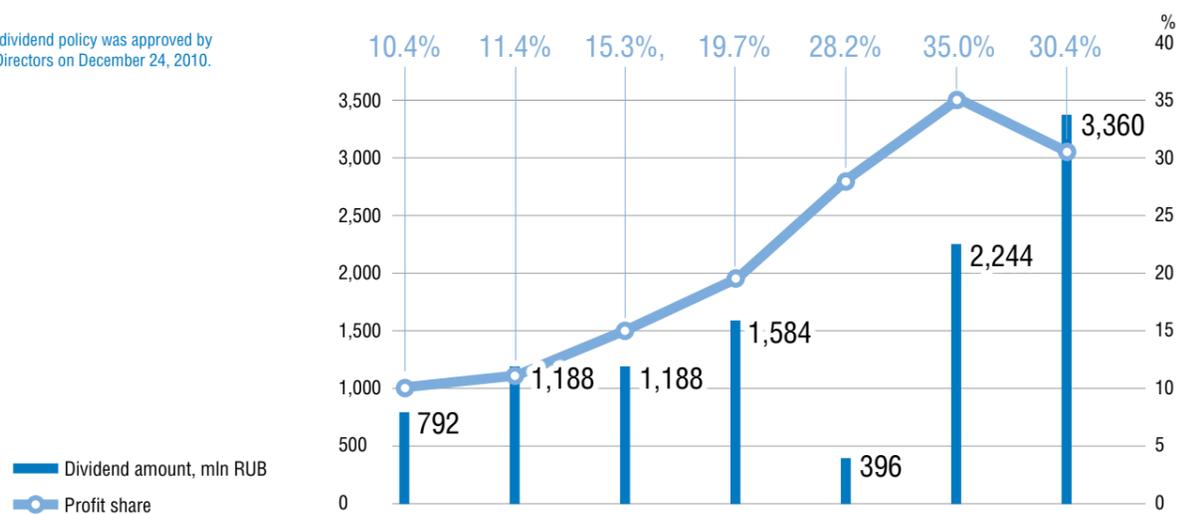
## INFORMATION ABOUT MOSENERGO SHARES<sup>5</sup>

		2014	2015	2016
Operating earnings per share	RUB	0.31	0.38	0.63
Net earnings per share	RUB	0.04	0.16	0.28
Operating cash flow per share	RUB	0.46	0.39	0.79
Capital per share	RUB	4.81	4.97	5.19
Dividends per share	RUB	0.01	0.05665	0.08482
Share price at the end of the year	RUB	0.6400	0.8190	2.4800
Highest share price for the year	RUB	0.9100	1.0440	2.5640
Lowest share price for the year	RUB	0.5435	0.6205	0.8110
Share price change over the year		-26.8%	+28.0%	+202.8%
MICEX index change		-7.1%	+26.1%	+26.8%
MICEX electric power index change		-22.7%	+18.4%	+110.1%
Dividend payout amount	RUB	396,091,303	2,243,857,229	3,359,646,428
Number of issued shares	units	39,749,359,700	39,749,359,700	39,749,359,700
Market capitalization (at the end of the year)	RUB	25,439,590,208	32,554,725,594	98,578,412,056
Average annual volume of trade in shares on the Moscow Stock Exchange	RUB	11,481,922	36,426,692	36,671,571
Price / EPS		18.11	5.08	8.91
Price / Cash flow		1.39	2.12	3.14
Dividend yield		1.6%	6.9%	3.4%
Total shareholder return per share	RUB	-0.2246	0.2357	1.7458
Total shareholder return		neg.	36.8%	213.2%

## DIVIDEND PAYOUT

		2010	2011	2012	2013	2014	2015	2016
Total amount of dividend	RUB	792,182,605	1,188,273,907	1,188,273,907	1,584,365,210	396,091,303	2,243,857,229	3,359,646,428
Share in net profit (according to RAS)		10.4%	11.4%	15.3%	19.7%	28.2%	35.0%	30.4%

Mosenergo's dividend policy was approved by the Board of Directors on December 24, 2010.



<sup>5</sup> According to the Company's statements under the RAS and the Moscow Stock Exchange data

Mosenergo's dividend policy was developed in compliance with the applicable laws of the Russian Federation, the Code of Corporate Conduct recommended by the Central Bank of the Russian Federation, Mosenergo's Articles of Association, and Mosenergo's internal documents.

The amount of dividends is calculated from the Company's net profit as reflected in the annual financial statements produced in accordance with the requirements of the laws of the Russian Federation.

The following principles are observed when calculating the amount of dividends:

- transparency of the mechanism for defining the dividend payment;
- balance between short-term (immediate income) and long-term (Company development) shareholder interests;
- focus on increasing the Company's investment appeal and market capitalization.

The established procedure for the calculation of the amount of dividends allows for the distribution of 5% to 35% of the Company's net profit under the condition that a reserve fund is fully created, as specified in the Company's Articles of Association.

The calculation of dividends is carried out as follows:

- part of the net profit is allocated to the reserve fund as stipulated by the Company's Articles of Association. The allocation of funds from net profit to the reserve fund ceases when the fund reaches the amount required by the Company's Articles of Association;
- up to 5% of the net profit is used for paying dividends;
- up to 95% but no less than 35% of the net profit is reserved for the Company's investment goals;
- remaining part of the net profits after deductions is evenly distributed between dividends and reserves to be used for the Company's investment goals.

In order to make decisions about the payment of dividends, the Board of Directors presents the General Shareholders' Meeting of the Company with its recommendations concerning the amount to be paid. After the decision has been made by the General Shareholders' Meeting of the Company, the dividends are paid out.

## MOSENERGO DEPOSITARY RECEIPT PROGRAMS

	Level 1	Reg.S	Rule 144-A
Coefficient	1:50 shares	1:50 shares	1:50 shares
Brief description	Receipts can be traded freely on the OTC market in the USA and Europe.	Receipts are intended for a wider range of private professional investors than 144-A, outside the USA.	Receipts are intended for private offering to a restricted number of institutional investors, primarily in the USA.
Date of issue	1997	2008	2008
Depository bank	The Bank of New York Mellon		

## DEPOSITARY RECEIPTS IN CIRCULATION

		31.12.2013	31.12.2014	31.12.2015	31.12.2016	2016/2015
Level 1	units	6,141,786	9,044,321	10,710,767	9,035,686	-15.6%
Reg.S	units	159,363	154,432	150,851	150,851	0.0%
Rule 144-A	units	21,530	21,530	21,530	21,530	0.0%
<b>Total</b>	<b>units</b>	<b>6,322,679</b>	<b>9,220,283</b>	<b>10,883,148</b>	<b>9,208,067</b>	<b>-15.4%</b>

DIVIDEND PAYOUT IN 2016

# 3,360

RUB MILLION

## Section 4

# MAIN CORPORATE EVENTS OF 2016

## March 4

Release of Mosenergo's financial statements for 2015 according to the Russian Accounting Standards.

## March 9

Release of Mosenergo's financial statements for 2015 according to the International Financial Reporting Standards.

## March 17

The Mayor of Moscow, Sergei Sobyenin, presented a letter of gratitude to Aleksander Butko, Managing Director of Mosenergo, addressed to the Company's staff for the successful modernization of generating facilities and a major contribution to the development of the fuel and energy complex in Moscow in 2015 during the celebration of the Utilities Day.

## April 29

Release of Mosenergo's financial statements for Q1 2016 according to the Russian Accounting Standards.

## May 16

Release of Mosenergo's financial statements for Q1 2016 according to the International Financial Reporting Standards.

## May 31

Annual General Shareholder Meeting of Mosenergo.

## June 27

Standard & Poor's Ratings Services upgraded Mosenergo's credit rating to BB+ / ruAA+ with a "Negative" outlook. In its study, Standard & Poor's noted the strong position of Mosenergo in the field of finance and liquidity due to the close completion of the investment program and stable operating income.

## July 29

Release of Mosenergo's financial statements for the first six months of 2016 according to the Russian Accounting Standards.

## August 25

Release of Mosenergo's financial statements for the first six months of 2016 according to the International Financial Reporting Standards.

## September 21

Standard & Poor's rating agency improved the outlook for Mosenergo's credit rating (currently BB+) from "Negative" to "Stable." The outlook for the credit rating of Mosenergo is improved due to a revision of the outlook on the sovereign rating of the Russian Federation from Negative to Stable.

## October 31

Release of Mosenergo's financial statements according to the Russian Accounting Standards for the nine months of 2016.

## October 28

According to the approved schedule of work of committees for controlling the readiness of electric power assets for the winter season, Mosenergo received a certificate of readiness for work in the autumn and winter season (AWS) of 2016–2017.

## December 5

Release of Mosenergo's financial statements according to the International Financial Reporting Standards for the nine months of 2016.

## December 12

Fitch rating agency upgraded the issuer default rating of Mosenergo to the investment level of "BBB-" with the "Stable" outlook. The agency notes the strong position of Mosenergo in the field of finance and liquidity due to the completion of the investment program and stable operating income.

MARCH

APRIL

MAY

JUNE

JULY

AUGUST

SEPTEMBER

OCTOBER

DECEMBER

MOSENERGO WON THE SECOND STAGE OF THE MOSCOW CITY REVIEW COMPETITION FOR THE BEST ORGANIZATION OF WORK IN THE FIELD OF LABOR PROTECTION. THE COMPANY WON FIRST PLACE IN THE CATEGORY "BEST ORGANIZATION OF THE CITY OF MOSCOW IN THE FIELD OF LABOR PROTECTION AMONG MANUFACTURING ORGANIZATIONS."

THE TEAM OF THE TPP-26 BRANCH OF MOSENERGO TOOK THE FIRST PLACE AT THE ALL-RUSSIA COMPETITION OF OPERATIONAL PERSONNEL OF BLOCK HEAT POWER PLANTS, WHICH WAS HELD UNDER THE AUSPICES OF THE MINISTRY OF ENERGY OF THE RUSSIAN FEDERATION AT THE STAVROPOL TRAINING CENTER OF THE CORPORATE ENERGY INSTITUTE (YESSENTUKI) ON SEPTEMBER 12–16, 2016.

## Section 5

**RESULTS FROM  
OPERATING ACTIVITIES****5.1 PRODUCTION**

In 2016, Mosenergo's generating operations were not subject to any major disruptions, which ensured the stable operation of power plant equipment and a reliable supply of heat and electricity to consumers in Moscow and the Moscow Region.

The following changes in Mosenergo's installed capacity occurred in 2016:

- On February 1, 2016, a unit at SGU-11 of TPP-20 with an installed capacity of 418 MW and 220 Gcal/h was certified on the WECM under a power supply agreement.
- On February 1, 2016, turbo generator of st. No. 5 at TPP-8 with an installed capacity of 25 MW and 100 Gcal/h was decommissioned.
- On March 1, 2016, turbo generator of st. No. 1 at TPP-20 with an installed capacity of 30 MW and 60 Gcal/h was decommissioned.
- On March 1, 2016, heating unit No. 9 at TPP-22 with the total installed capacity of 240 MW and 330 Gcal/h was decommissioned.
- On April 1, 2016, the following equipment was decommissioned:
  - turbo generator of st. No. 3 at TPP-16 with an installed capacity of 50 MW and 97 Gcal/h;
  - turbo generator of st. No. 4 at TPP-16 with an installed capacity of 25 MW and 54 Gcal/h.
- On June 1, 2016, the TP-26-type boiler of station No. 5 of TPP-16 was decommissioned.

As a result, the installed capacity of the Company at the end of 2016 was 12,962.9 MW and 42,893.5 Gcal/h, including 0.3 MW and 8,831.3 Gcal/h from RHPP, RHP, and DHP.

The average annual installed capacity of Mosenergo in 2016 totaled 12,992.5 MW and 42,984.8 Gcal/h, including: 12,992.2 MW and 34,153.5 Gcal/h from TPPs of the Company; and 0.3 MW and 8,831.3 Gcal/h in total from RHPP, RHP, and DHP, respectively.

The electric power generation of the Company totaled 59.1 billion kWh, a 8% increase year-on-year. The share of the RHPP remained at the level of the previous year, i.e. at 0.0%.

Capacity consumption in the Moscow Region increased by 2.5%; electric power consumption, by 3.3%.

In 2016, at the Company's TPPs, the capacity in repairs increased by 409 MW to 2,263 MW as compared to the previous year; at the same time, the reserve capacity was reduced (-678 MW or -5.2%) with an increase in the average annual installed capacity by +1.2% (+143.9 MW). The share of the reserve capacity reduced from 25%, which was established in 2015, to 23% in 2016.

THE AVERAGE ANNUAL  
INSTALLED CAPACITY IN 2016

ELECTRIC

**12,993**

MW

HEAT

**42,985**

Gcal/h

THE INCREASE IN ELECTRICITY GENERATION BY THE TPPS OF MOSENERGO WAS PERMANENT THROUGHOUT THE YEAR AND AMOUNTED TO 1.8 BILLION KWH OR +4.7% IN THE HEATING SEASON AND TO +2.6 BILLION KWH OR +15.3% IN THE SUMMER SEASON. THE WEATHER CONDITIONS OF Q4 2016, THE EARLIER START OF THE 2016/2017 HEATING SEASON, AND THE WORK OF A LARGE NUMBER OF EQUIPMENT ON AN EXTERNAL INITIATIVE (EWHO) IN Q3 2016 WERE THE CAUSE.

In the current conditions, the TPPs of Mosenergo optimized the composition of the operating equipment from the point of view of reducing condensate production by placing the least economical or reliable equipment in the reserve. At the same time, in Q3 2016, a negative effect was achieved due to the inclusion of additional generating equipment in the CN mode in the work of the EWHO program at a number of thermal power plants.

The electric power generation of the SPE group totaled 43.0 billion kWh, which exceeds the previous year's value by 5.8%.

The electric power generation of the PSA facilities totaled 16.1 billion kWh, which exceeds the previous year's value by 14.2%. The share of the "SPA facilities" group in the structure of electricity generation in 2016 reached 27.2%, which is 1.5% higher than the previous year's value.

The share of inefficient summer generation in the SPE group increased up to 28.1% (+1.5% to the level of 2015). The share of inefficient summer generation in the PSA facilities increased up to 44.6% (+2.9% to the level of 2015).

In 2016, the prime costs included the costs attributed to the CT of BL-11 at TPP-20 in January 2016 (before the certification of the unit for WEM). This is due to the decision taken by the Company in 2015 to attribute the consumed resources of the unapproved PSA to the cost of production in the presence of the sold generation.

In January 2016, the total output of electricity in the amount of 12.99 million kWh was generated by the unit, sold to consumers on the wholesale electricity market, and accepted for accounting. On February 1, 2016, the unit was certified for WEM.

#### THE ELECTRIC POWER GENERATION OF THE PSA FACILITIES IN 2016

# 16.1

BILLION KWH (+14.2%)

#### THE SHARE OF THE "SPA FACILITIES" GROUP IN THE STRUCTURE OF ELECTRICITY GENERATION IN 2016

# 27.2%

(+1.5%)

#### ELECTRIC POWER GENERATION

# 59,067.6

MLN. KWH (+8.0%)

#### ELECTRIC POWER GENERATION, MLN. KWH

	2015	2016	Change
SPP-1	268.9	260.2	-3.2%
SDPP-3	118.3	115.6	-2.3%
TPP-8	1,966.8	2,042.4	+3.8%
TPP-9	1,355.5	1,044.9	-22.9%
TPP-11	1,585.3	1,676.0	+5.7%
TPP-12	1,954.6	2,827.6	+44.7%
TPP-16	3,638.3	3,735.4	+2.7%
TPP-17	203.1	201.6	-0.7%
TPP-20	2,857.6	5,094.5	+78.3%
TPP-21	8,257.4	8,288.3	+0.4%
TPP-22	5,532.0	5,821.7	+5.2%
TPP-23	5,876.2	6,475.7	+10.2%
TPP-25	5,889.6	6,277.2	+6.6%
TPP-26	8,879.2	9,623.5	+8.4%
TPP-27	6,329.8	5,583.2	-11.8%
<b>Total</b>	<b>54,712.3</b>	<b>59,067.6</b>	<b>+8.0%</b>

The heat output from collectors of Mosenergo's heat sources totaled 81.8 million Gcal in 2016, 14.2% higher than in 2015. The indicator growth across the Company was caused by the weather conditions of Q4 and by a 3.0% increase in the share of boiler houses in the heat output structure. The leap year and the reduction in the inter-heating season were the cause. The transfer of heating systems to the summer operation mode started on May 4 in 2016 (on April 30 in 2015). The transfer of heating systems to the winter operation mode started on September 20 in 2016 (on October 4 in 2015).

The heat output from the boiler plants was 12.2 million Gcal and increased by 43.4% as compared to the previous year's value; the RHP share is at the level of 14.9%.

In the structure of heat supply of boiler houses, the share of the 3<sup>rd</sup>-wave boiler houses transferred to the management of Mosenergo from May 1, 2015 increased by 18.1%.

TPPs of Mosenergo provided 69.6 million Gcal of heat to consumers, which exceeds the level of 2015 by 10.2%, including +10.6% by the SPE group and +5.3% by PSA facilities.

#### AMBIENT AIR TEMPERATURE<sup>6</sup>

	T <sub>nv</sub> , °C		
	The average annual temperature	The average period temperature	
		Heating season	Summer period
2015	7.2	2.6	15.7
2016	6.7	-0.1	17.8

The lower rate of growth in heat supply in the PSA facilities group is due to an increase in the CHP in the monoblock (TPP-21, TPP-27) as part of the EWHO and PPR programs as well as an increase in the CHP in summer in the condensation mode (TPP-12, TPP-20, TPP-21).

The share of the PSA facilities group in the output of heat from TPPs decreased down to 6.0% (-0.3%).

In 2016, the amount of heat transferred from the RHP and the DHP of PJSC "MOEK" to the TPPs of Mosenergo was 3,093 thousand Gcal or 5.1% of the heat of the TPPs (without boilers).

#### HEAT OUTPUT FROM COLLECTORS, THOUSAND GCAL

	2015	2016	Изм.
SPP-1	1,496.5	1,539.8	+2.9%
SDPP-3	311.3	313.5	+0.7%
TPP-8 without boiler houses	2,457.3	2,768.7	+12.7%
TPP-9 without boiler houses	1,151.0	1,264.8	+9.9%
TPP-11	2,140.8	2,394.1	+11.8%
TPP-12	3,025.8	3,491.7	+15.4%
TPP-16 without boiler houses	2,920.2	3,246.1	+11.2%
TPP-17	504.3	526.9	+4.5%
TPP-20 without boiler houses	4,472.6	4,875.5	+9.0%
TPP-21 without boiler houses	9,952.7	10,832.1	+8.8%
TPP-22 without boiler houses	8,350.3	8,807.4	+5.5%
TPP-23 without boiler houses	8,373.3	9,219.6	+10.1%
TPP-25 without boiler houses	7,005.8	7,889.8	+12.6%
TPP-26 without boiler houses	7,730.3	8,651.8	+11.9%
TPP-27 without boiler houses	3,288.6	3,815.8	+16.0%
<b>Total TPP without boiler houses</b>	<b>63,180.7</b>	<b>69,637.6</b>	<b>+10.2%</b>
RHPP, RHP, and DHP	8,501.0	12,189.0	+43.4%
<b>Mosenergo</b>	<b>71,681.7</b>	<b>81,826.6</b>	<b>+14.2%</b>

#### THE HEAT OUTPUT FROM COLLECTORS OF MOSENERGO'S HEAT SOURCES

# 81.8

MILLION GCAL (+14.2%)

<sup>6</sup> according to the heating season dates

The rate of using the average annual installed electric capacity of the turbines of the power plants of Mosenergo in 2015 was 51.8% and increased by 3.2% in comparison with the previous year, including an increase of 3.9% by the Active Equipment group, and a decrease of 2.8% by the PSA facilities group.

The main reason for the underutilization of electric power in the PSA facilities group was the increase in the CHP of SGU units at TPP-21 and TPP-27 in the monounit mode within the framework of the program of the EWHO and PPR.

	LOAD FACTOR, %					
	Load Factor (electricity), %			Load Factor (heat), %		
	2015	2016	Change	2015	2016	Change
Total for Mosenergo TPP, including	48.6	51.8	+3.2	33.8	36.3	+2.5
Operating PP equipment (SPE)	44.3	48.2	+3.9	34.3	37.4	+3.1
PSA facilities <sup>7</sup>	67.3	64.5	-2.8	28.2	25.4	-2.9

#### LOAD FACTOR (ELECTRICITY)

# 51.8%

(+3.2%)

The utilization factor of the average annual installed heat output of the turbines of the ES of Mosenergo increased by 2.5%, including an increase of 3.1% by the Actual Equipment group and a decrease of 2.9% by the PSA facilities group. Underutilization of installed heat capacity in the PSA facilities group is explained by the increase in the CHP within the mono within the framework of the EWHO and PPR program (CHP-21.27), as well as the increase in the CHP in the CN mode in the summer period (TPP-12, TPP-20, TPP-21).

Fuel efficiency rate for electricity and heat production in 2016 reached 26,016,556 tfe, including 1,898,938 tfe for the transmitted boilers.

The conventional fuel consumption for production at Mosenergo power plants during the reporting year reached 24,117,618, 8.8% above as compared to the previous reporting period.

#### LOAD FACTOR (HEAT)

# 36.3%

(+2.5%)

#### FUEL CONSUMPTION, TFE

	2015	2016	Change
SPP-1	297,005	302,346	+1.8%
SDPP-3	84,783	82,847	-2.3%
TPP-8 without boiler houses	895,619	949,696	+6.0%
TPP-9 without boiler houses	533,234	481,304	-9.7%
TPP-11	706,545	763,614	+8.1%
TPP-12	933,554	1,176,937	+26.1%
TPP-16 without boiler houses	1,270,972	1,290,157	+1.5%
TPP-17	141,312	144,017	+1.9%
TPP-20 without boiler houses	1,390,768	1,946,413	+40.0%
TPP-21 without boiler houses	3,199,655	3,375,080	+5.5%
TPP-22 without boiler houses	2,663,693	2,840,712	+6.6%
TPP-23 without boiler houses	2,599,948	2,900,856	+11.6%
TPP-25 without boiler houses	2,456,280	2,675,143	+8.9%
TPP-26 without boiler houses	3,188,461	3,476,286	+9.0%
TPP-27 without boiler houses	1,808,224	1,712,210	-5.3%
Total TPP without boiler houses	22,170,053	24,117,618	+8.8%
RHPP, RHP, and DHP	1,322,150	1,898,938	+43.6%
<b>Mosenergo</b>	<b>23,492,203</b>	<b>26,016,556</b>	<b>+10.7%</b>

Fuel consumption increase in 2016 was caused by increasing volume of electricity and heat production at Mosenergo power plants and boiler houses.

In general, the Company's specific consumption of fuel equivalent totaled 232.3 g/kWh or 164.0 kg/Gcal, including 0 g/kWh and 155.8 kg/Gcal from RHPP, RHP, and DHP; the RHPP, RHP, and DHP contribution amounts to +0.0 g/kWh and -1.5 kg/Gcal.

Dynamics of specific fuel equivalent consumption for the Company's TPPs and equipment groups: for TPPs without boiler houses: 232.3 g/kWh (-0.3 g / kWh as compared to 2015) and 165.5 kg/Gcal (-0.5 kg/Gcal), incl. 217.2 g/kWh ( $\pm$  0 g/kWh) and 147.4 kg/Gcal (-2.6 kg/Gcal) by the PSA facilities group; 238.3 g/kWh (+0.1 g/kWh) and 166.6 kg / Gcal (-0.5 kg/Gcal) by the SPE group.

The general reasons for the reduction in SFEC at the TPP of the Company were the weather conditions of Q4 2016 accompanied by an increase in the number of PSE group equipment included during this period as part of the EWHO program.

During the summer period, the beginning of the heating season in the third decade of September 2016 also affected the improvement of the situation although the increase in the composition of the PSE included in EWHO in July–August 2016 in the CN mode was a negative factor that led to an increase in the share of uneconomical summer output by 2.1% for the Company's TPP. At the same time, in the summer period there was a partial replacement of the uneconomical production of the SPE group by the CN cycle with more economical generation of SGU units.

#### FACTORS THAT HAD AN IMPACT ON THE B<sub>e</sub> DYNAMICS OF THE COMPANY'S TPPS:

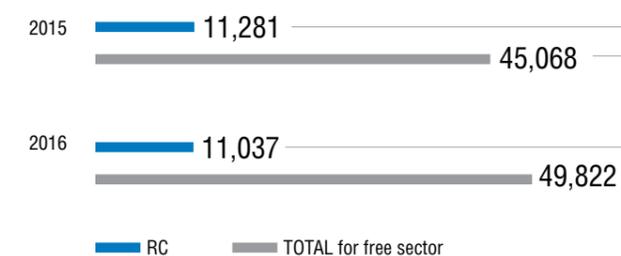
increase in the share of summer modes in the structure of the generation of SPE and PSA respectively by 1.5% and 2.9%	+ 0.7 g/kWh
increase in the share of Etf in the SPE group by 0.3%	- 0.4 g/kWh
decrease of burnouts of primary TPP steam power equipment	- 0.3 g/kWh
increase in the share of the "PSA facilities" group by 1.5%	- 0.3 g/kWh

The decrease in the specific fuel equivalent consumption for heat supply is caused by an increase in the volume of heat supply, efficiency of power boilers, an increase in the share of PVC in the heat supply structure of the TPP by 3.2% as compared to the decrease in the share of the PSA facilities group by 0.3%.

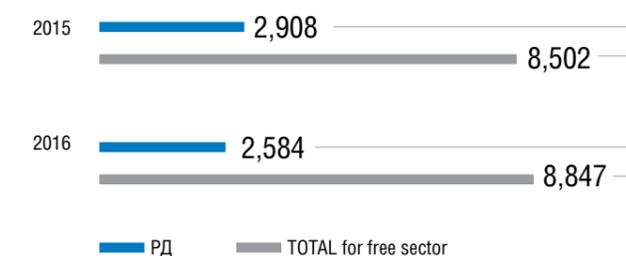
## 5.2 SALES

Total electricity sales in 2016 increased by 4,509.07 thousand MWh or 8% compared to the previous reporting period and totaled 60,858.39 thousand MWh. Total sales of capacity in 2016 reached 11,431 MW, an increase of 21 MW, or 0.2% compared to total sales in the previous year.

#### ELECTRICITY SALES, THOUSAND MWH



#### CAPACITY SALES, MW



<sup>7</sup> PSA facilities include GTU units of TPP-30 in Pavlovskiy Posad

ONE OF THE MOST SIGNIFICANT FACTORS THAT AFFECTED THE INCREASE IN ELECTRICITY SALES IN 2016, COMPARED TO THE SAME PERIOD OF THE PREVIOUS YEAR, WAS THE INCREASE IN OUTPUT ASSOCIATED WITH A LOWER OUTDOOR AIR TEMPERATURE IN THE HEATING SEASON, COMMISSIONING OF THE SGU-420 UNIT AT TPP-20 UNDER THE POWER SUPPLY AGREEMENT AS WELL AS WITH THE REDUCTION IN THE OUTPUT OF NUCLEAR POWER PLANTS IN THE UES OF THE CENTER FOR 12 MONTHS OF 2016 BY APPROXIMATELY -8.2% AS COMPARED TO THE SAME PERIOD OF LAST YEAR.

A slight increase in capacity sales in 2016 is due to the output of SGU-420 at TPP-20 to the wholesale market since February 1, 2016 and the decommissioning of old capacities of 25 MW at TPP-8, 30 MW at TPP-20, 240 MW at TPP-22, and 75 MW at TPP-16.

#### REVENUE FROM SALES OF ELECTRICITY AND CAPACITY

# 110.3

RUB BILLION (+17.4%)

#### REVENUE FROM SALES OF ELECTRICITY AND CAPACITY

in 2016 was RUB 110,325.48 million, an increase of RUB 16,323.29 million, or 17.4%, on the figure for 2015.

#### PRICES AND TARIFFS

Sales of Mosenergo electricity in 2016 were conducted mainly on the energy and capacity wholesale market (hereafter referred to as "WECM"), at market prices and regulated tariffs. Electricity sales (capacity) at regulated prices (tariffs) were conducted as follows:

##### The sale of electricity (capacity) at regulated tariffs was conducted:

- Under regulated contracts (RC) to supply public consumers and their equivalent (RC sector);
- Electricity (capacity) supplied by power plants which have been assigned "emergency generator status."

All heat energy is supplied to the Moscow and the Moscow Region retail markets at regulated tariffs.

	2015	2016	Change
Average weighted sale price of electricity, RUB/MWh, including:	1,126.22	1,182.67	+5.0%
Average weighted RC tariff rate, RUB/MWh	854.45	857.87	+0.4%
Average weighted sale price in the free sector, RUB/MWh	1,194.25	1,254.62	+5.1%
Average weighted sale price for new capacity, RUB/MWh/mth	584,727.12	798,194.12	+36.5%
Average weighted sale price for old capacity, RUB/MWh/mth	139,561.65	128,248.45	-8.1%
Average weighted tariff for heat energy, RUB/Gcal, including:	944.77	946.65	+0.2%
Average weighted tariff for heat generation and sales, RUB/Gcal	851.92	897.92	+5.4%

The key factors influencing price increases for electricity and capacity are as follows:

- rise in fuel prices;
- absence of indexation in 2016 and the competitive output of capacity under the new rules, based on the results of which the COM price was formed at the level of RUB 112.6 thousand / MW;
- increase in the average yield from 8.93% to 10.95% of long-term state bonds that is included in the price calculations for Power Supply Agreement facilities.
- inclusion of the cost of utility hookup to the electric and gas networks for the facility TPP-20 in the calculation of the PSA cost,
- change of the price for capacity in relation to previously commissioned PSA facilities (TPP-21, TPP-27, TPP-30) since July 1, 2016 as a result of accounting for the component calculated in order to ensure the regulatory payback period of generating facilities to be introduced under the PSA program; this component is taken into account in the price at the TPP-26 effective December 2016

Since heat energy is a regulated activity, the main reason for the increase in the average tariff for thermal energy by Mosenergo is the annual revision of tariffs by the Department of Economic Policies and Development of Moscow and the Committee on prices and tariffs of the Moscow Region for consumers, the values being adjusted for the indices of socio-economic development for 2016. In addition, the weighted average tariff was influenced by granting of the status of a single heat supply organization to PJSC "MOEK" and by the gradual renewal of heat supply contracts with this organization as well as by the redistribution of the structure of consumers that purchase thermal energy from collectors and through the networks of PJSC "MOEK" from energy sources in Moscow and the Moscow Region as differentiated by types of heat carrier: steam and hot water.

#### TOTAL SALES AND REVENUE FROM THE SALE OF HEAT ENERGY

	2015	2016	Change
Revenue from the sale of heat energy, RUB million	67,466	77,087	+14.3%
Total sales, thousand Gcal	71,410	81,431	+14.0%
Average tariff, RUB /Gcal	945	947	+0.2%

The increase in revenues from sales of the Company's thermal energy by 14.3% and sale volumes by 14.0% was achieved mainly due to the colder weather conditions in 2016. The average ambient air temperature in the heating period of 2016 was -0.7 °C, which is 1.7 °C below the average temperature for the same period of the previous year. Also the long duration of the heating season (+19 days) had an impact. In addition, the increase in sales of thermal energy was influenced by the increase in the heat supply of boiler houses, which were transferred to the management of Mosenergo from PJSC "MOEK" in May 2015. The sales volume for these facilities amounted to 5,852.1 thousand Gcal, i.e. 48% of the total sales of boiler houses for the reporting period.

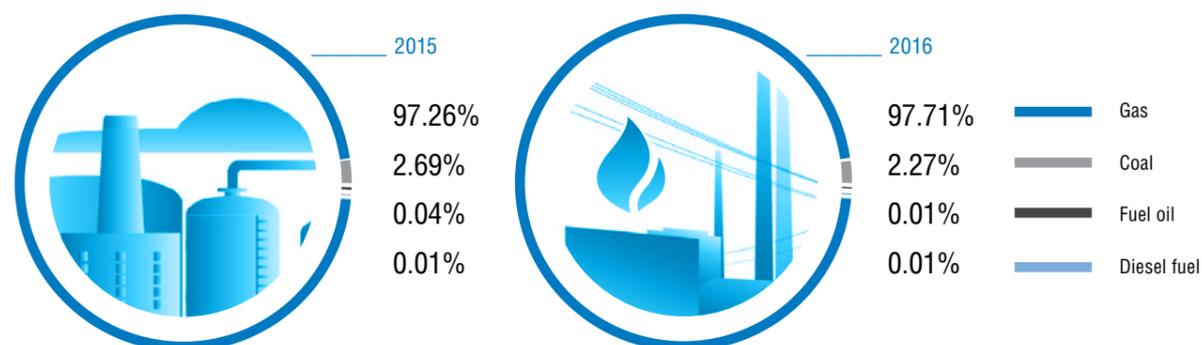
The increase in the PJSC "MOEK"'s share in the consumption structure was caused by the reduction in the client base of Mosenergo due to the gradual re-signing of contracts on behalf of PJSC "MOEK" in connection with the latter's status as an exclusive heating supplier (EHS) for Moscow.

#### CLIENT BASE FOR HEAT ENERGY SALES

	As of December 31, 2015		As of December 31, 2016	
	Share of useful output, %	Connected contractual heat load, Gcal/h	Share of useful output, %	Connected contractual heat load, Gcal/h
PJSC "MOEK" (wholesale reseller)	76%	29,188	87.7%	36,518
Including the boilers transferred to Mosenergo	12%	5,988	15%	6,063
Industrial enterprises (retail)	3%	2,691	2%	1,821
Public sector organizations (retail)	4%	2,283	0.3%	124
Other legal entities (retail)	13%	7,920	8%	4,580
General public, housing partnerships and associations, etc. (retail)	4%	1,411	2%	549
<b>Total</b>	<b>100%</b>	<b>43,493</b>	<b>100%</b>	<b>43,592</b>

### 5.3 FUEL SUPPLY

Natural gas continued to be the main fuel in the 2016 fuel balance. Gas accounted for 97.71% of the overall breakdown of the Company's fuel balance. Coal (2.27%) and fuel oil (0.01%) were both used by Mosenergo power plants as back-up fuels. Diesel fuel accounted for 0.01% in 2016.



The fuel balance distribution for the 12 months of fuel balance 2016 changed against the comparable period for 2015 as follows:

- gas combustion increased by 0.45%;
- coal combustion decreased by 0.42%;
- fuel oil combustion decreased by 0.03%;
- diesel fuel oil combustion did not change.

Increase in the extraction of natural gas as compared to the same period of last year was due to a general increase in consumption of fuel equivalent in 2016 against the background of a minor decrease in the consumption of coal.

A stable and reliable supply of fuel to all Mosenergo power plants in 2016 was achieved as a result of:

- Supply of gas in full compliance with current agreements;
- Creation of a sufficient stand-by of fuel reserves in accordance with orders and recommendations from the Ministry of Energy of the Russian Federation and the Moscow City Government.

#### FUEL CONSUMPTION BY MOSENERGO POWER PLANTS

	Measurement unit	2013	2014	2015	2016	Change
Gas	million cubic meters	20,555	20,407	19,516	21,693	+11.2%
Coal	thousand tfe	565	543	755	700	-7.3%
Fuel oil	thousand tfe	11	4	7	2	-71.7%

### 5.4 INVESTMENT AND MAINTENANCE ACTIVITIES

#### 5.4.1 INVESTMENTS

The Company continued to implement its large-scale investment initiatives in 2016. These initiatives were designed and developed taking into consideration the Company's strategic objectives; they are intended to increase installed capacity, and to maintain a high level of safety, efficiency and reliability in the production of heat and electricity.

THE KEY EVENT IN FEBRUARY 2016 WAS THE COMMISSIONING OF A 420 MW POWER UNIT AT TPP-20. WITH THE COMPLETION OF THE CONSTRUCTION OF THIS FACILITY, THE COMPANY COMPLETED THE IMPLEMENTATION OF THE POWER SUPPLY AGREEMENTS PROGRAM AND SIGNIFICANTLY IMPROVED THE TECHNICAL AND ECONOMIC INDICATORS OF PRODUCTION.

In addition, the following investment directions remain as important for the Company: ensuring reliable and trouble-free operation of power equipment, ensuring industrial safety of production facilities, introducing advanced technologies, efficient use of available financial resources, increasing the level of automation of production and reducing the technogenic impact of power plants on the environment through retrofitting and decommissioning of obsolete equipment. A sufficient amount of funds has been and will be directed to the development of information and communication technology.

#### INVESTMENT PROGRAM IMPLEMENTATION IN 2016

Generating company / project class	Investments (disbursement), excluding VAT		%	Financing, including VAT		%	Commissioning of fixed assets, excluding VAT		%
	Estimated	Actual Value		Estimated	Actual Value		Estimated	Actual Value	
Strategic PSA, including*	560,491	507,601	91	1,530,637	1,247,372	81	17,103,433	14,989,950	88
Strategic (without PSA)	2,685,870	3,065,299	114	2,251,247	1,697,743	75	1,645,021	30,962	2
Efficiency	34,518	39,912	116	53,856	46,293	86	267,786	227,085	85
Mandatory	1,038,086	832,428	80	1,344,475	1,118,827	83	1,426,996	508,370	36
Reliability	2,871,675	2,506,482	87	3,572,000	3,250,373	91	2,353,247	1,962,348	83
Other	3,409,120	4,096,583	121	3,786,400	4,482,152	119	1,218,548	2,205,440	181
including DSW of future years	108,850	96,876	89	101,629	92,755	91	-	-	-
<b>Total for the Company, including:</b>	<b>10,599,760</b>	<b>11,048,304</b>	<b>104</b>	<b>12,538,615</b>	<b>11,842,761</b>	<b>94</b>	<b>24,015,032</b>	<b>19,924,155</b>	<b>83</b>
<b>PSA projects</b>	<b>560,491</b>	<b>507,601</b>	<b>91</b>	<b>1,530,637</b>	<b>1,247,372</b>	<b>81</b>	<b>17,103,433</b>	<b>14,989,950</b>	<b>88</b>
<b>Projects outside PSA</b>	<b>10,039,269</b>	<b>10,540,703</b>	<b>105</b>	<b>11,007,978</b>	<b>10,595,389</b>	<b>96</b>	<b>6,911,598</b>	<b>4,934,205</b>	<b>71</b>

#### RESULTS OF IMPLEMENTATION OF THE MOST IMPORTANT PROJECTS OUTSIDE PSA FOR EACH CLASS, SPECIFYING THE EFFECT, TIME, AND COST OF IMPLEMENTATION

For the "Efficiency" class:

- Volume of funds allocated to projects aimed at decreasing the fuel efficiency rate for own needs totaled RUB 30 million excluding VAT.
- Volume of funds allocated to projects aimed at increasing the production efficiency rate totaled RUB 10 million excluding VAT.

For the "Mandatory" class:

- Projects aimed at retrofitting and increasing the safe operation of gas consumption and gas distribution schemes were implemented in 2016 by RUB 511 million without VAT.
- Projects aimed at ensuring fire safety were implemented in 2016 by RUB 68 million, excluding VAT.
- Projects aimed at reducing the negative impact on the environment were implemented in 2016 by RUB 73 million without VAT.
- Projects aimed at complying with comments of supervisory authorities were implemented in 2016 for RUB 179 million without VAT.

The most significant projects of the “Reliability” class that were completed in 2016 include the following:

- Project “Upgrading the management and control system of power unit No. 6 with the introduction of automated process control system; upgrading of the management and control system for electrical equipment at TPP-25.”  
Volume of funds in 2016: RUB 267 million, excluding VAT  
The obtained effect is an **INCREASE IN THE RELIABILITY OF THE OPERATION OF THE MANAGEMENT AND CONTROL SYSTEM OF POWER UNIT NO. 6.**
- Project “Upgrading the management and control systems of the steam generating unit at Station No. 12 at TPP-20.”  
Volume of funds in 2016: RUB 89 million, excluding VAT  
The obtained effect is an **INCREASE IN RELIABILITY AND SAFETY OF OPERATION OF THE PIPELINE EQUIPMENT OF THE BOILER BRANCH OF POWER UNIT NO. 12.**
- Project “Reconstruction of Cooling Tower No. 2 at TPP-8”  
Volume of funds in 2016: RUB 83 million.  
The obtained effect is an **INCREASE IN RELIABILITY, PRODUCTIVITY, AND EFFICIENCY OF OPERATION OF THE STATION EQUIPMENT.**
- The project “Replacement of the OP Steam Pipe of Boiler 04 at TPP-26”  
Volume of funds in 2016: RUB 74 million.  
The obtained effect is **ENSURING RELIABLE AND ACCIDENT-FREE OPERATION OF THE POWER UNIT.**
- Projects aimed at bringing technological process control systems to the normative state: RUB 366 million.  
Effect obtained: **MINIMIZATION OF TECHNOLOGICAL FAILURES OF OBSOLETE EQUIPMENT, MINIMIZATION OF ERRORS MADE BY PERSONNEL AND SAVING FUEL AS A RESULT OF REDUCING THE TRANSIENT REGIME TIME.**

In the “Other” class, the following groups of projects were implemented in 2016:

- Projects aimed at creating engineering and technical protection facilities with the volume of expenditure in 2016 in the amount of RUB 167 million.
- Projects aimed at reconstructing systems, improving the quality of communications, providing storage and information transfer with the volume of expenditure in 2016 in the amount of RUB 176 million.

#### 5.4.2 REPAIR

In 2016, all maintenance and service programs on all thermal mechanical and electrical equipment were fully carried out in line with the approved repairs schedule, on time and within budget.

#### MAINTENANCE AND REPAIR OF EQUIPMENT, UNITS

	Major overhaul	Medium-level repair	Routine maintenance
Power generation units	6	3	9
Boilers	16	9	53
Turbines	16	8	49
Gas turbines	1	0	6
Steam and water pipelines	1	0	100
Boilers (SGU)	2	0	15
Gas turbines (SGU)	2	0	15
Turbine generators (SGU)	1	1	10
WB (RHP/DHP)	0	0	145
Generators	24	14	-
Transformers	5	-	197
Switches 110–500 kV	4	4	-

#### BUILDINGS AND FACILITIES REPAIR, UNITS

	Total for Mosenergo	Type of Work	2015	2016
Cooling towers	59 pcs	Repair	27	35
		Inspection	14	14
Smoke stacks	198 pcs	Repair	23	34
		Inspection with Industrial Safety Expertise	14	51
Liquid fuel tanks	84 pcs	Repair	8	-
		Inspection with Industrial Safety Expertise	24	17
Buildings & Structures	1,267 pcs	Inspection and Examination, Industrial Safety Expertise	239	389

#### REPAIR COSTS, MLN. RUB.

	2015	2016	Change
Total basic production assets	5,103.0	6,258.8	+22.6%
including machinery and equipment	4,717.8	5,685.3	+20.5%
Facilities	385.2	573.5	+48.9%

#### ADDITIONAL REPAIR WORK ON THERMAL MECHANICAL EQUIPMENT, UNITS

	2015	2016
Industrial repair of turbine rotors	30	45
Replacement of turbine rotary blades / disks	10	7
Rotor replacement	1	4
Replacement of components in the flow-through section of the turbine cylinder	5	8
Replacement of the pipe system of heaters and condensers	5	6
Bearings replacement in the lower supports of the regenerative air heaters	13	1

Main repair work on electrical equipment included:

- At 12 generators, the rotors were repaired with removable retaining rings and then tested for defects: TG-7 at SDPP-3; TG-7 at TPP-8; TG-1B and TG-7 at TPP-12; TG-6 at TPP-20; TG-3 and TG-6 at TPP-21; TG-1, TG-4 and TG-8 at TPP-23; TG-1, TG-33 at TPP-27.
- An off-schedule repair of TG-5 was performed at TPP-26 with partial rewinding of the stator winding.
- On two generators, contact rings were replaced: TG-4 and TG-8 at TPP-23;
- On the recommendation of the manufacturer “Elektrosila,” a complete re-alignment of the stators of the generators TG-31, TG-32, and TG-33 at TPP-27 was implemented
- The replacement of 110 kV high-voltage bushings for MV 110 kV “T-11” and MV 110 kV OHL “Classon–Vodovod” at SDPP-3 was completed.

The total number of days spent on repairing the Company’s key equipment in 2016 amounted to 7,663 days (compared to 6,318 days in 2015).

## Section 6

# ANALYSIS OF FINANCIAL RESULTS<sup>8</sup>

## 6.1 REVENUE

The Company's revenue for 12 months of 2016 increased by 16% as compared to 12 months of 2015 and amounted to RUB 190.3 billion. Revenues from electricity sales increased by 8.5 billion rubles (13%) due to the 5% increase in the weighted average price and 8% increase in the sales volume. Revenues from capacity sales for the 12 months of 2016 were higher than the previous year by 7.8 million rubles (26%) due to a 26% increase in the average selling price. The revenue from sales of thermal energy increased by RUB 9.6 billion as compared to 12 months of 2015 (14%) due to the growth in sales volumes by 14% (the increase in sales of thermal energy due to colder weather conditions prevailing in the reporting period as well as an increase in heat supply by boiler plants transferred from PJSC "MOEK" to Mosenergo in May 2015) and the growth of the weighted average tariff by 0.2%.

## 6.2 PRIME COST

The prime cost of Mosenergo commercial output totaled RUB 165.4 billion, including energy and capacity of RUB 82.9 billion, heat energy of RUB 79.7 billion, and other products of RUB 2.9 billion.

The prime cost of the production of core products increased by 16.1%. (11%). The prime cost indicator, before fixed asset depreciation, increased by 11%.

The increase in material costs in 2016 in comparison with the preceding period was primarily caused by higher costs of raw materials and supplies (15%), depreciation of fixed and intangible assets (6%), and other costs (5%), and such increase was partly compensated by lower costs of production costs and services (11%).

**THE INCREASE IN MATERIAL COSTS IN 2016 IN COMPARISON WITH THE PRECEDING PERIOD WAS PRIMARILY CAUSED BY THE INCREASED COST OF FUEL. THE MAIN FACTOR OF THE INCREASE IN THE AMOUNT OF FUEL CONSUMED WAS THE INCREASE IN ELECTRICITY GENERATION AND THE WEIGHTED AVERAGE PRICE AS COMPARED TO 2015 AGAINST THE BACKGROUND OF DECREASE IN THE SPECIFIC FUEL CONSUMPTION FOR ELECTRICITY SUPPLY AS COMPARED TO THE PREVIOUS YEAR LEVEL.**

The increase in other expenses in 2016 was due, among other things, to a 29% increase in the cost of payment for work and services of outside organizations and an increase in the amount of taxes and fees, with the exception of the unified social tax, by 18%.

The decrease in the cost of work performed and production services rendered is caused by a decrease in the cost of services for the transfer of heat energy by 40%.

## 6.3 OTHER INCOME AND COSTS

The negative other income and expenses for 2016 increased in comparison with 2015 by RUB 1.7 billion.

The main deviation in other income and expenses in 2016 is mainly due to the following factors:

- positive balance of the exchange rate differences in 2016 was RUB 3.1 billion, which is 5.5 billion rubles above the level of 2015;
- an increase in the provision for doubtful debts in 2016 by RUB 4 billion as compared to 2015;
- increase in other expenses in 2016 by RUB 2.7 billion (due to the growth of estimated liabilities).

## 6.4 NET PROFIT

The net profit of Mosenergo was RUB 11.1 billion, which is 1.73 as high as the similar indicator of 2015.

## 6.5 LIQUIDITY AND LOAN PORTFOLIO MANAGEMENT

No new borrowings were made in 2016. As of December 31, 2016, the loan portfolio of the Company amounted to RUB 43.8 billion.

The average interest rate on borrowings for the 12 months of 2016 was 6.47% p.a. (8.5069% p.a. for borrowings made in RUB and 1.9068% p.a. for borrowings made in foreign currency).

There are no arrears on credit and loan repayment.

## 6.6 BALANCE SHEET ANALYSIS

As at December 31, 2016, fixed assets decreased by RUB 5.4 billion compared to December 31, 2015 (from RUB 176.6 billion to RUB 171.3 billion).

The current assets structure is dominated by receivables, which account for 58%; short-term investments, for 18%; cash, for 11%; and reserves, for 11%.

In 2016 there was an increase in Mosenergo current assets by RUB 18.9 million as compared with the beginning of the year, mainly due to an increase in cash and short-term investments.

The 3.5-fold increase in the level of short-term financial investments (from RUB 4.7 billion to RUB 16.3 billion) was mainly due to an increase in the amount of deposits from 3 months to 1 year by RUB 14.4 billion as of December 31, 2016 as compared to December 31, 2015.

Mosenergo shareholders' equity increased by RUB 8.9 billion.

As of December 31, 2016, accounts payable increased by RUB 4.4 billion as compared to December 31, 2015 mainly due to the increase in the amount of tax arrears and charges against the background of the reduction in accounts payable to suppliers and contractors.

## 6.7 FINANCIAL POSITION INDICATORS

The current liquidity ratio decreased by 2.25 points to 2.28 compared to the end of 2015, due to an increase in the rate of growth of short-term liabilities as compared to the rate of growth of current assets.

The receivables turnover indicator increased in comparison with 2015. This is due to higher growth rates of revenue as compared to the growth rate of accounts receivable.

Sales profitability rose from 9.12% in 2015 to 12.99% in 2016.

SALES PROFITABILITY

# 12.99%

12.99% (+3.87)

<sup>8</sup> According to RAS

## Section 7

# CORPORATE GOVERNANCE

## 7.1 UNDERLYING PRINCIPLES

The underlying principles of the Company are based on the legislative regulations of the Russian Federation, the Company's Articles of Association, the Corporate Governance Code, which is approved by the Board of Directors of the Bank of Russia on March 21, 2014 and recommended for use by joint-stock companies whose securities are on quotation lists, as well as on internationally recognized corporate governance principles.

The underlying principles of the Company's corporate governance are stated in Mosenergo Corporate Governance Code approved by the Board of Directors on November 27, 2006.

The company's corporate governance is based on the following:

- The Board of Directors' accountability to shareholders and the accountability of the Company's executive bodies to the Company's management bodies, as well as a sense of trust in relations between all participants of corporate governance;
- The safeguarding of stock ownership rights and the possibility of an unrestricted and fast disposal of the stock owned by shareholders, as well as the provision of shareholder access to effective protection in the event of any breach of rights;
- The transparency of activities, disclosure of accurate information on significant facts and information about the Company's activities; providing required access to information, as well as maintaining a reasonable balance between the Company's transparency and the pursuit of its commercial interests;
- The Company's social responsibility, including adherence to quality standards, environmental regulations and creating the most progressive working conditions;
- The adherence to ethical norms preventing staff abuse of official positions, which could damage both the Company and third parties, including the illegal use of confidential and insider information.

**MOSENERGO'S STRATEGY TO IMPROVE CORPORATE GOVERNANCE IS TO DEVELOP THE ACTIVITIES OF THE COMPANY'S BOARD OF DIRECTORS, TO IMPROVE THE QUALITY OF MATERIALS PREPARED FOR BOARD OF DIRECTORS' MEETINGS, INCLUDING THE PRELIMINARY DISCUSSION OF TOPICS TO BE CONSIDERED AT THE BOARD OF DIRECTORS' MEETINGS BY COMMITTEES, AND THROUGH INTERACTION BETWEEN THE COMPANY'S DEPARTMENTS AND SUBDIVISIONS WITH SHAREHOLDER REPRESENTATIVES.**

Mosenergo's most important corporate governance objectives continue to be the following:

- Maintaining the balance of all shareholders' interests as well as those of other persons interested in the continued development of the Company;
- Maintaining the required level of transparency and access to Company information;
- Organizing the operations of the Board of Directors' Committees with the participation of major shareholder representatives, Company specialists and independent experts;
- Ensuring the Company's participation in the management of its affiliate structures, the participation of the Company's representatives in assemblies, meetings of the executive bodies and other corporate events of the Company's affiliates and subsidiaries, non-profit, and other organizations where the Company acts as a member.

The management bodies of the Company are the General Shareholders' Meeting of the Company and the Board of Directors. The functions of the Company's sole executive body deciding on all matters associated with management of the Company's current activities, other than those placed within the competence of the General Meeting and the Board of Directors of the Company, have been performed by managing company Gazprom Energoholding LLC since May 21, 2015 under an agreement with the Company. The supervision of the Company's financial and business activities is the responsibility of the Board of Internal Auditors of Mosenergo.

## 7.2 GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting of Mosenergo is the supreme governing body of Mosenergo that makes it possible for shareholders to exercise their right to take part in the Company's management, as well as giving them access to the information about the Company's activities, achievements and plans. The procedure for the preparation and holding general shareholder meetings complies with the laws of the Russian Federation. This procedure is defined in the Company's Articles of Association and in the Regulations on Mosenergo's General Shareholders' Meeting of the Company, which is believed to follow best corporate governance practices. The established procedure guarantees the equal treatment of all Company shareholders.

The General Shareholders' Meeting of the Company relating to the results of the Company's operations in 2015 was held on May 31, 2016. This meeting approved Mosenergo's Annual Report for 2015 and its financial statements, including the profit and loss statement, as well as distribution of the Company's profits from 2015.

At this General Shareholders' Meeting of the Company, it was decided to pay dividends on ordinary shares of the Company for 2015 in the amount of RUB 0.05665 per one ordinary registered share of the Company in cash within the deadlines set by the applicable laws.

The shareholders also elected the new Board of Directors and Board of Internal Auditors of the Company and approved the Company's Auditor; a resolution was adopted concerning remunerations and compensations to Members of the Board of Directors.

The meeting approved a new version of the Mosenergo's Articles of Association, approved the revised Regulations on the Mosenergo's General Shareholder Meeting, Regulations on the Mosenergo's Board of Directors, Regulations on the Mosenergo's Board of Internal Auditors, Regulations on the procedure for determining the amount of remunerations and compensations to members of the Mosenergo's Board of Directors, and passed decisions to approve a number of related-party transactions, which can be conducted by Mosenergo in the future in the course of Mosenergo's day-to-day operations.

### 7.3 BOARD OF DIRECTORS

#### Members of the Board of Directors of Mosenergo as of December 31, 2015:

Andrey Yurievich <b>Berezin</b>	Aleksander Pavlovich <b>Dushko</b>	Kirill Gennadievich <b>Seleznev</b> (Chairman)
Gleb Valerievich <b>Bondarenko</b>	Irina Yurievna <b>Korobkina</b>	Denis Vladimirovich <b>Fedorov</b>
Anatoly Anatolievich <b>Gavrilenko</b>	Pavel Anatolievich <b>Livinsky</b>	Pavel Olegovich <b>Shatsky</b>
Valery Aleksandrovich <b>Golubev</b>	Elena Vladimirovna <b>Mikhailova</b>	
Yury Efimovich <b>Dolin</b>	Vladimir Igorevich <b>Pogrebenko</b>	

Mosenergo Annual General Shareholders' Meeting was held on May 31, 2016, at which the Company's new Board of Directors was elected. The Board of Directors of Mosenergo includes

Andrey Yurievich <b>Berezin</b>	Aleksandr Sergeevich <b>Ivannikov</b>	Kirill Gennadievich <b>Seleznev</b> (Chairman)
Aleksandr Aleksandrovich <b>Butko</b>	Pavel Anatolievich <b>Livinsky</b>	Denis Vladimirovich <b>Fedorov</b>
Anatoly Anatolievich <b>Gavrilenko</b>	Elena Vladimirovna <b>Mikhailova</b>	Pavel Olegovich <b>Shatsky</b>
Maksim Fedorovich <b>Gaman</b>	Valeriy Gennadievich <b>Pyatnitsev</b>	
Valery Aleksandrovich <b>Golubev</b>	Andrey Valerievich <b>Ryumin</b>	

According to the results of voting at the General Shareholder's Meeting, powers of the following members of the Board of Directors were terminated: G. V. Bondarenko, Yu.E. Dolina, A. P. Dushko, I. Yu. Korobkina, V. I. Pogrebenko, who were replaced by A. A. Butko, M. F. Gaman, A. S. Ivannikov, V. G. Pyatnitsev and A. V. Ryumin

The Mosenergo Board of Directors met 16 times in 2016. The most important items considered by the Board of Directors included the following:

- Approval of Mosenergo Annual Report for 2015;
- Approval of Mosenergo 2016 Business Plan;
- Approval of Mosenergo 2016 Investment Program;
- Approval of Mosenergo Annual Integrated Procurement Program for 2016 (phase 2);
- Definition of the procurement policy;
- Approval of the general structure of the Company's executive body;
- Convening and preparing the Company's Annual Shareholders' Meeting on the 2015 results;
- Approval of members of the committees of the Company's Board of Directors;
- Approval of the 2016 Insurance Program;
- Participation of Mosenergo in other organizations and decision-making relating to the competence of the management bodies of Mosenergo's affiliates and subsidiaries
- Approval of plans and reports on cash flow investment regarding Mosenergo investment projects (CFIIP), under Mosenergo investment projects for the construction of new power units at the Company's affiliates
- Expansion of the Company's credit policies.
- Approval of the reports of Gazprom Energoholding LLC on the provision of services under the power supply agreement of the sole executive body of Mosenergo.

In 2016, the most important agenda items for which the Company's Board of Directors was responsible were examined preliminarily by the Board of Directors' Committees. The Company's current Committees are the Audit Committee, the Strategy and Investment Committee, the Human Resources and Remuneration Committee and the Reliability Committee.

During the reporting year, the Board of Directors' Committees presented to the Board of Directors their recommendations on the following matters:

- Consideration of the accounting statements of Mosenergo for 2015 and the opinion provided by the Company's Auditor;
- Consideration of the candidacy of the Auditor of Mosenergo for 2016;
- Approval of the Mosenergo Business Plan for 2016 and reports on the business plan execution;
- Adjustment of the Investment Program of Mosenergo;
- Approval of plans and reports on cash flow investment regarding investment projects (CFIIP), under the Investment Program for the construction of power units TPP-12 and TPP-20;
- Other important Company matters.

7.3.1 MEMBERS OF THE BOARD OF DIRECTORS<sup>9</sup>**KIRILL GENNADIEVICH SELEZNEV**

Board of Directors Chairman

YEAR OF BIRTH: 1974

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012 to date:** PJSC Gazprom, Head of the Marketing Division, Gas and Liquid Hydrocarbons Processing, Head of the Division.

**2012 to date:** LLC Gazprom Mezhrefiongaz, General Director (part-time).

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**ANDREY YURIEVICH BEREZIN**

Member of the Board of Directors

YEAR OF BIRTH: 1982

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012-2013:** Department of Property of Moscow, Acting Head of Department, Head of Department, Deputy Head of the Department of Corporate Relations and Financial Assets, Head of the Department of Corporate Relations and Financial Assets.

**2013 to date:** Department of Property of Moscow, Head of the Department of Corporate Relations and Financial Assets, Deputy Head of the Division.

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**ALEKSANDR ALEKSANDROVICH BUTKO**

Member of the Board of Directors

YEAR OF BIRTH: 1964

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012-2014:** Mezhrefionergostroy OJSC, General Director.

**2012-2015:** Mezhrefionergostroy LLC, General Director.

**2014-2015:** LLC "CEI", General Director

**2015 to date:** Mosenergo, Managing Director.

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**ANATOLY ANATOLIEVICH GAVRILENKO**

Member of the Board of Directors

YEAR OF BIRTH: 1972

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012 to date:** Lider ZAO (pension-fund asset management company), General Director.

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**MAKSIM FEDOROVICH GAMAN**

Member of the Board of Directors

YEAR OF BIRTH: 1979

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012:** Ministry for Territorial Entities of the Moscow Region of the Moscow Region Government; Deputy Minister;

**2012-2013:** The Land Resources Department of the City of Moscow, Deputy Head of the Department;

**2013 to date:** Property Department of the City of Moscow, Deputy Head of the Department

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**VALERY ALEKSANDROVICH GOLUBEV**

Member of the Board of Directors

YEAR OF BIRTH: 1952

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012 to date:** PJSC Gazprom, Deputy Chairman of the Management Board.

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**ALEKSANDR SERGEYEVICH IVANNIKOV**

Member of the Board of Directors

YEAR OF BIRTH: 1966

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012 to date:** PJSC Gazprom, First Deputy Head of the Finance and Economics Department, Head of Department 816

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**PAVEL ANATOLIEVICH LIVINSKY**

Member of the Board of Directors

YEAR OF BIRTH: 1980

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012-2013:** JSC Integrated Power Company (OEK), General Director

**2013 to date:** Department of Fuel and Energy of the City of Moscow, Director.

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**ELENA VLADIMIROVNA MIKHAILOVA**

Member of the Board of Directors

YEAR OF BIRTH: 1977

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012 to date:** PJSC Gazprom, Board Member, Head of the Department of Management and Corporate Relations, Head of Department 105.

**2012 to date:** LLC Gazprom Mezhrefiongaz, Deputy General Director of Corporate and Property Relations (part-time).

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**VALERIY GENNADIEVICH PYATNITSEV**

Member of the Board of Directors

YEAR OF BIRTH: 1976

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012:** LLC "REGION Trust", Managing Director (part-time); LLC "REGION Portfolio investments", Managing Director (part-time);

**2013-2014:** "REGION BC" LLC, Director of the Security Market Transactions Department (part-time);

**2012-November 2016:** "REGION" Investment company" ZAO, Director of the Department of Western Markets, Director of the Department of Strategic Investments.

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**ANDREY VALERIEVICH RYUMIN**

Member of the Board of Directors

YEAR OF BIRTH: 1980

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012-January 2013:** JSC Integrated Power Company (OEK), First Deputy General Director

**2013-March 2014:** JSC Integrated Power Company (OEK), General Director

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

**DENIS VLADIMIROVICH FEDOROV**

Member of the Board of Directors

YEAR OF BIRTH: 1978

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012 to date:** PJSC Gazprom Head of the Division of Energy Sector Development and Marketing, Head of the Department

**2012 to date:** Director General, Gazprom Energoholding LLC

**2012 to date:** Director General, PJSC Tsentrenergoholding

Share in the issuer's authorized capital, %: **0.001**  
Ordinary shares in the issuer's authorized capital, %: **0.001**

**PAVEL OLEGOVICH SHATSKY**

Member of the Board of Directors

YEAR OF BIRTH: 1972

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012 to date:** First Deputy Director General, Gazprom Energoholding LLC

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

Appointed as the Secretary of the Board of Directors by the Decision of the Board of Directors of Mosenergo on June 7, 2016; appointed as the Corporate Secretary of Mosenergo by the Decision of the Board of Directors of Mosenergo on September 30, 2016:

**ALEKSEY MIKHAILOVICH GUSEV**

Corporate Secretary of Mosenergo

YEAR OF BIRTH: 1980

EDUCATION: HIGHER

**Positions held for the last 5 years and at present:**

**2012 to date:** Gazprom Energoholding LLC, Deputy Head, Head of the Department of Corporate Relations and Control – Corporate Secretary, Deputy Head of Corporate Relation Management; Head of Department of Corporate Work.

Interest in the issuer's authorized capital: **none**  
Issuer's ordinary shares held: **none**

<sup>9</sup> Elected by the General Shareholders' Meeting on May 31, 2016.

## 7.3.2 COMMITTEES OF THE BOARD OF DIRECTORS

### 7.3.2.1 AUDIT COMMITTEE

Members of the Audit Committee approved by the decision of the Board of Directors on July 28, 2016:

**Chairman of the Committee:**

**Aleksandr Sergeevich Ivannikov:** a member of the Board of Directors of Mosenergo.

**Members of the Committee:**

**Yelena Vladimirovna Mikhaylova:** a member of the Board of Directors of Mosenergo;

**Andrey Valerievich Ryumin:** a member of the Board of Directors of Mosenergo.

Members of the Committee approved by the decision of the Board of Directors of Mosenergo on September 30, 2016:

**Chairman of the Committee:**

**Aleksandr Sergeevich Ivannikov:** a member of the Board of Directors of Mosenergo.

**Members of the Committee:**

**Valeriy Gennadievich Pyatnitsev:** a member of the Board of Directors of Mosenergo;

**Andrei Valerievich Ryumin:** a member of the Board of Directors of Mosenergo.

Members of the Committee until June 7, 2016: Chairman of the Committee: A. P. Dushko; Members of the Committee: Ye. V. Mikhaylova, V. I. Pogrebenko

### 7.3.2.2 STRATEGY AND INVESTMENT COMMITTEE

Members of the Committee approved by the decision of the Board of Directors of Mosenergo on July 28, 2016:

**Chairman of the Committee:**

**Valery Aleksandrovich Golubev:** a member of the Board of Directors of Mosenergo.

**Members of the Committee:**

**Yelena Viktorovna Andreeva:** Deputy Managing Director – Sales Director of Mosenergo;

**Andrey Yurievich Berezin:** a member of the Board of Directors of Mosenergo;

**Aleksandr Aleksandrovich Butko:** a member of the Board of Directors of Mosenergo, Managing Director of Mosenergo;

**Valentin Borisovich Gryaznov:** Advisor to the Head of Department of PJSC Gazprom;

**Yury Efimovich Dolin:** Gazprom Energoholding LLC Deputy General Director of Capital Construction;

**Yelena Pavlovna Yegorova:** Deputy Managing Director – Director for Efficiency and Control of Mosenergo;

**Anna Aleksandrovna Yefimova:** Deputy Managing Director – Legal Director of Mosenergo;

Members of the Committee until June 7, 2016: Committee Chairman: V. A. Golubev; Committee members: Ye. V. Andreeva, A. Yu. Berezin, A. A. Butko, Yu. E. Dolin, I. G. Dubova, Ye. P. Yegorova, A. A. Efimova, K. V. Kravchenko, R. V. Panyushkin, V. I. Pogrebenko, D. V. Fedorov, P. O. Shatsky, A. G. Erlikhman.

**Evgeny Nikolaevich Zemlyanoy:** Deputy General Director for Economics and Finances of Gazprom Energoholding LLC;

**Irina Yurievna Korobkina:** Deputy Head of the Division of PJSC Gazprom;

**Valeriy Gennadievich Pyatnitsev:** a member of the Board of Directors of Mosenergo;

**Andrey Valerievich Ryumin:** a member of the Board of Directors of Mosenergo;

**Denis Vladimirovich Fedorov:** a member of the Board of Directors of Mosenergo; General Director of Gazprom Energoholding LLC;

**Pavel Olegovich Shatsky:** a member of the Board of Directors.

### 7.3.2.3 HR AND REMUNERATION COMMITTEE

Members of the Committee approved by the decision of the Board of Directors on September 30, 2016:

**Chairman of the Committee:**

**Anatoly Anatolievich Gavrilenko:** a member of the Board of Directors of Mosenergo; Director General of Lider ZAO;

**Members of the Committee:**

**Valeriy Gennadievich Pyatnitsev:** a member of the Board of Directors of Mosenergo;

**Andrei Valerievich Ryumin:** a member of the Board of Directors of Mosenergo.

Members of the Committee approved by the decision of the Board of Directors on July 28, 2016:

**Chairman of the Committee:**

**Valery Aleksandrovich Golubev:** a member of the Board of Directors of Mosenergo.

**Members of the Committee:**

**Anatoly Anatolievich Gavrilenko:** a member of the Board of Directors of Mosenergo;

**Denis Vladimirovich Fedorov:** a member of the Board of Directors of Mosenergo.

Members of the Committee approved by the decision of the Board of Directors on July 28, 2016:

**Chairman of the Committee:**

**Mikhail Vladimirovich Fedorov:** Director for Production, Gazprom Energoholding LLC.

**Members of the Committee:**

**Sergey Nikolaevich Lenyov:** Chief Engineer, Mosenergo;

**Pavel Anatolievich Livinsky:** a member of the Board of Directors of Mosenergo;

**Roman Viktorovich Litvinov:** Deputy Head of the Department of PJSC Gazprom;

**Sergey Faritovich Mukhametov:** Deputy Head of Technical Management - Head of the Department of Technical Maintenance of LLC Gazprom Energoholding;

**Alexander Semenovich Osyka:** Deputy Director General of Mosenergo for production;

**Sergey Alexandrovich Petelin:** Deputy Production Director - Head of the Technical Department, Gazprom Energoholding LLC;

**Mikhail Vladimirovich Sorokin:** PJSC Gazprom Deputy Head of Energy Engineering, the Department of Energy Sector Development and Marketing.

The decision of the Board of Directors of Mosenergo of September 30, 2016 terminated the authority of Alexander Semenovich Osyka, a member of the Reliability Committee of the Company, who was replaced by Victor Leonidovich Shchedrolubov, Deputy Chief Engineer for Retrofitting and Repair, the Head of the Equipment Operation Department of Mosenergo.

Members of the committee before June 7, 2016: Committee Chairman: V. A. Golubev; Committee Members: I. Yu. Korobkina, D. V. Fedorov

### 7.3.2.4 RELIABILITY COMMITTEE

Members of the committee before June 7, 2016: Committee Chairman: M. V. Fedorov; committee members: S. N. Lenyov, P. A. Livinsky, S. F. Mukhametov, A. S. Osyka, S. V. Radchenko, A. V. Rogov, and M. V. Sorokin.

## 7.4 EXECUTIVE BODIES

According to the decision of the extraordinary General Shareholders' Meeting of Mosenergo dated May 20, 2015, the powers of the sole executive body were transferred to the managing organization: Gazprom Energoholding Limited Liability Company (INN 7703323030, OGRN 1037739465004).

The rights and obligations of the managing organization to manage the Company's daily operations are defined by the Russian Federation laws, the Company's Articles of Association, and an agreement concluded with the Company. The managing organization decides on issues associated with management of the Company's day-to-day operations, except those placed within the competence of the General Shareholders' Meeting and the Board of Directors of the Company.

## 7.5 BOARD OF INTERNAL AUDITORS

In order to exercise control over the Company's financial and business activities, the General Shareholders' Meeting of the Company elects five members to the Board of Internal Auditors.

The Company's Board of Internal Auditors operates in accordance with the laws of the Russian Federation, the Company's Articles of Association and the Regulations on the Company's Board of Internal Auditors.

The Board of Internal Auditors carried out a documentary inspection (audit) of the Mosenergo's financial and business activities in 2016. Based on the findings of this audit, the Board of Internal Auditors confirmed the reliability of data and information contained in the Company's reports and other financial documents for 2016.

New members of the Board of Internal Auditors were elected on May 31, 2016 by the Annual General Shareholders' Meeting of Mosenergo:

- **Mikhail Valerievich Klenin:** Head of the Office of the Property Department of Moscow;
- **Anatoly Anatolievich Kotlyar:** Head of the Office of the Department of the Board Executive Office of PJSC Gazprom;
- **Margarita Ivanovna Mironova:** First Deputy Head of the Board Executive Office of PJSC Gazprom;
- **Marat Khasanovich Salekhov:** Deputy Head of the Division, Head of the Department of PJSC Gazprom.
- **Yury Anreevich Linovitsky:** Head of the Internal Auditing Department of Gazprom Energoholding LLC - Internal Audit Project of Gazprom Personnel LLC.

## 7.6 REMUNERATION

In accordance with the Company's Articles of Association and the decision of the General Shareholders' Meeting of the Company, members of the Company's Board of Directors are entitled to remuneration and/or compensation for expenses incurred while performing their functions as members of the Company's Board of Directors.

The amount, type and procedure for payment of remuneration and compensation to the members of Mosenergo's Board of Directors are provided for in the Regulations on Determination of the Amount of Remuneration and Compensation to Members of the Board of Directors of Mosenergo, approved by the General Shareholders' Meeting of the Company on May 31, 2016. Members of the Board of Directors that cannot receive remuneration from commercial organizations under the Russian Federation laws do not receive it.

According to these Regulations, the remuneration for members of the Board of Directors consists of basic and additional components.

The basic remuneration component constitutes remuneration paid to members of the Company's Board of Directors for their participation in meetings of the Board of Directors. The amount of remuneration paid is equivalent to four minimal monthly rates of a first grade employee, set by the industry-wide tariff agreement of the power sector of the Russian Federation as of the date when a meeting of the Company's Board of Directors is held, taking into account indexation set under the above agreement.

The additional remuneration component is paid to members of the Company's Board of Directors according to the results of the financial year, in the event of the Company's generating net profit. The decision to pay additional remuneration to the members of the Board of Directors is adopted by the General Shareholders' Meeting of the Company. The decision of the General Shareholders' Meeting of the Company on the payment of the additional component of remuneration to the members of the Board of Directors shall determine the total amount of such remuneration. The total amount of the additional remuneration element based on the Company's performance shall not exceed five per cent of the Company's net profit earned during the fiscal year when the current members of the Board of Directors were elected into office.

The additional remuneration component based on the Company's performance is not paid to members of the Board of Directors who attended fewer than half of all meetings of the Board of Directors (from the date of their election until termination of their authority).

The payment of remuneration and compensation to members of the Board of Internal Auditors is carried out according to the Regulations on Payment of Remuneration and Compensation to Members of the Board of Internal Auditors of Mosenergo, approved at the General Shareholders' Meeting of the Company on June 10, 2015.

Members of the Company's Board of Internal Auditors receive a one-time payment for their participation in the audit of the Company's financial and business activities. The amount paid equals twenty-five minimum monthly wages of a first grade employee established by an industry-wide tariff agreement of the power sector of the Russian Federation for the period of inspection (audit), taking into account the indexation stipulated by the Agreement.

Members of the Company's Board of Internal Auditors are reimbursed for their travelling expenses when they participate in the Board of Internal Auditors meetings related to inspections, according to the Company's regulations on the reimbursement of business travel expenses in force at the time of such meetings or such inspections.

The amount of remuneration of the managing organization is determined by an agreement for the transfer of powers of the Company's sole executive body to the managing organization and was RUB 42,775,000, VAT inclusive, in 2016.

## Section 8

# RISK MANAGEMENT

Mosenergo's risk management aims to prevent risks in its production and financial activities as well as minimizing the possible negative outcomes of such risks.

THE COMPANY HAS ADOPTED THE REGULATIONS ON RISK MANAGEMENT AT MOSENERGO. THESE REGULATIONS CONTAIN A RISK MAP, WHICH INCLUDES MAJOR TYPES OF RISKS THAT HAVE AN IMPACT ON MOSENERGO'S ACTIVITIES, AS WELL AS A RISK MANAGEMENT PROGRAM.

In addition, the Board of Directors of Mosenergo approved the "Risk Management Policy" of the Company on December 28, 2016, which defines the principles and the processes of risk management as well as the powers and responsibilities of participants in the risk management system.

Risk management is carried out within the Company by functional divisions according to the type of activities.

## 8.1 RISKS DUE TO REGULATION OF TARIFFS

These risks relate to an unreasonable state regulation of tariffs, related to the possibility of an artificial containment or a directive to lower tariffs, or an approval of tariffs that are insufficient in relation to the Company's costs.

Company experts cooperate on an ongoing basis with the FTS of Russia, the Department of Economic Policies and Development of Moscow, and the Price and Tariff Committee of the Moscow Region. The purpose of this cooperation is to ensure the approval of a reasonable level of tariffs.

## 8.2 MARKET RISKS

Significant risks connected to operations on the wholesale electricity market include:

- Unstable market prices and seasonal fluctuations in demand for electricity and heat;
- A controlling influence of the SO UES JSC upon the operating schedules of Mosenergo, which could lead to the transfer of equipment to cold reserve or the creation of surplus capacity and - as a consequence - a decrease in the electric power prices.
- The risk of the introduction of a special procedure for calculation of electricity prices on the wholesale market, including the transition to state regulation of prices. In order to prevent significant increases in electricity prices for the end consumer, relevant infrastructure organizations monitor prices on the wholesale market continuously. If the acceptable price growth rate is exceeded, the wholesale market can be transferred to a special pricing procedure, including the enforcement of governmental price regulation, which might result in a considerable downturn in the Company's revenue.
- The risk of changes in the rules of the wholesale market that significantly modify the rules of capacity sales. Significant changes can lead to lower prices for capacities that are sold on the results of the competitive selection of power.
- Risk of growing competition due to reduction of network restrictions..

In order to reduce these risks, Mosenergo is involved in the development of the regulatory base for the wholesale electricity market, modernizes the existing and introduces new equipment, removes obsolete and inefficient equipment, monitors the current situation at the regional level and the UES level, and analyzes the actions of and constantly cooperates with SO EES OJSC.

### 8.2.1 RISKS CONNECTED TO THE HEATING MARKET

- The main risks in this area relate to the seasonal fluctuations in demand for heat and the correlation between demand and climatic conditions;
- In order to mitigate these risks, Mosenergo is taking the following actions:
  - Facilitates entering into long-term contracts for the supply of thermal energy from collectors;
  - Optimizes the load of generating equipment of power plants by redistributing heat loads between sources;
  - Increasing the efficiency of its sources by transferring load of the boilers received from PJSC "MOEK".

### 8.2.2 INFLATION RISK

This risk may lead to the increase in the costs of Mosenergo and result in the decrease of the Company's profit. Inflation growth might also result in losses in real cost of the Company's accounts receivable in the event of significant deferred or delayed payments.

The effects of inflation on the Company's financial stability are taken into consideration during the development of the Company's financial plans. In order to mitigate inflation risks, Mosenergo signs long-term fixed annual price contracts for the supply and transportation of gas to its power plants.

### 8.2.3 RISKS OF LOSSES DUE TO UNFORESEEN FLUCTUATIONS IN FUEL PRICES

The price of purchased fuel may undergo significant fluctuations. It is not unlikely that the cost of fuel forecast in the business plan could be exceeded, calling for an allocation of additional funds for fuel supply.

In order to minimize such risks, the Company's power plants create reserve supplies of fuel (coal and fuel oil) to cover urgent demand and to eliminate the need for one-off purchases of large quantities of fuel. The Company also works together with Gazprom PJSC to sign mutually beneficial contracts.

### 8.2.4 RISKS OF LOSSES FROM UNFORESEEN FLUCTUATIONS IN CURRENCY AND INTEREST RATES

Mosenergo responds to these risks by planning its budget carefully in order to minimize demand for loans; assessing and monitoring risks associated with currency exchange and interest rates; and working to insure against interest-related risks in order to mitigate potential losses due to rise in interest rates.

### 8.2.5 LIQUIDITY RISK

Liquidity risk is managed via the careful planning of finance streams, taking into account the schedules of cash inflow and the Company's necessary payments.

### 8.2.6 CREDIT RISK

When working with clients, Mosenergo adopts a customized approach that takes into account the specifics of each client's financial and business activities.

For the purpose of credit risk monitoring, business partners are grouped according to their credit profiles, industry affiliation, and loan structure by date and contractual terms of the loan repayment.

In order to manage credit risks, the Company is working on the reduction of contracts with advance payment terms and uses banking guarantees for the repayment of advances, if any.

### 8.2.7 TAX RISKS

The management believes that the Company fully abides by the taxation laws, which govern its activities. However, potential risks may arise owing to differences of opinion with supervision authorities in areas that are open to interpretation. The taxation law of the Russian Federation is subject to frequent changes and sometimes contains ambiguities and uncertainties, and judicial practices and clarifications of supervisory authorities are often contradictory. As a result, several tax risks arise, including:

- Amendments to laws on taxes and levies in connection with tax increases;
- Introduction of new taxes;
- Incorrect calculations or payments of taxes due to differences in interpretation of ambiguous laws and regulations.
- Contradictory legal precedents on disputable questions of calculation and payment of taxes.

In order to minimize tax risks, the Company continuously monitors changes to tax laws and legal and administrative practices in order to ensure consistent approaches to tax calculation within the current interpretation of law. It also evaluates planned transactions from the point of view of tax risk mitigation, and carries out training and qualification upgrade courses for staff responsible for the calculation and payment of taxes.

### 8.2.8 RISKS OF LOSS OF ASSETS DUE TO DAMAGE TO THE PROPERTY

These risks include the risks of the Company's facilities being rendered inoperable or property being damaged as a result of terrorist activity, misappropriations and theft, or natural disasters in the region.

In order to mitigate these risks, the Company organizes regular inspections of anti-terrorist protection of staff and production facilities, implements protection against various possible after-effects of accidents, natural disasters, and catastrophes, conducts emergency response and fire safety drills for its personnel and insures its property.

## 8.3 RISKS OF CIVIL LIABILITY

This type of risk includes the risk of liability for polluting the environment in the region, damaging property owned by third parties, liability for the quality of goods supplied to the domestic market and to the wholesale electricity market, as well as risks of management's liability for damage caused to life and health of Company employees.

In order to mitigate these risks the Company strives to:

- Decrease emissions of pollutants into the environment;
- Continuously maintain equipment availability and capacity reserves;
- Develop an automated system for the commercial accounting of power;
- Conduct regular certification of work places, verify the availability of the means of individual and collective protection at workplaces and to worker crews;
- Undertake integrated measures to guarantee industrial safety at the Company's hazardous production facilities;
- Insure civil liability for harm caused to health, life or property of third parties.

## 8.4 CORPORATE GOVERNANCE RISKS

Current risks related to the Company's corporate governance are as follows:

- The risk of the decisions made by the General Shareholders' Meeting of the Company and/or the Board of Directors being appealed against in court;
- The risk of the Company's executive and management bodies failing to approve Company's transactions as provided for in the applicable laws and, consequentially, of such transactions being declared invalid following lawsuits of interested parties;
- Risks related to the Company's information disclosure procedures, according to legislative requirements of the Russian Federation.

In order to minimize these risks, the Company ensures there is a strict delineation of responsibilities of the Company's managing bodies (in compliance with the Company's Articles of Association), that proper work of the Committees of the Board of Directors is carried out, that the management of the Company's organizations is improved and amendments to documents regulating corporate governance are introduced. The Company's subdivisions regularly monitor compliance with laws and constitutional documents in the process of business activities of Mosenergo and execution of decisions made by the Company's executive bodies.

## 8.5 TECHNICAL AND PRODUCTION RISKS

The Company mitigates technical and production risks by creating reserves of fuel, spare parts and materials, as well as by implementing activities aimed to increase the reliability of the grid system.

The Company's power plants may face a risk of equipment failure due to human error both in normal and emergency operation.

Advanced staff training is provided at the Company's educational centers and directly at its TPPs.

Risks related to bringing new equipment into operation are mitigated by purchasing equipment which is made according to technical specifications from suppliers with a solid reputation in the market for such equipment and who guarantee the testing of established parameters during operational trial periods.

Mitigation of the risks related to the shortage of qualified personnel required to operate the equipment is achieved by retaining the employees of the Company's subsidiaries through career planning, monetary incentives and social guarantees.

Mosenergo analyzes possible risk scenarios while implementing its production program. The key organizational instrument for risk mitigation and compensation of damages is insurance. The Company insures property, hazardous production facilities, transport vehicles, civil liabilities, risks of occupational injuries and diseases, and also provides medical insurance to its employees.

## 8.6 ORGANIZATIONAL RISKS

Organizational risks include the risk of losses resulting from inadequate management procedures in the Company and the incorrect selection of market strategy.

In order to reduce these risks, the Company's business processes are constantly analyzed and improved.

In order to improve the quality of the Company's strategic decisions, the Company provides training to management and specialists and offers the opportunity to upgrade qualifications in relevant institutions.

## 8.7 INVESTMENT RISKS

While implementing its Investment Program, Mosenergo is always more or less exposed to certain investment risks, i.e. risks associated with the deterioration of key project parameters due to changes in external factors.

The Company is working to optimize the procedures for the monitoring of project implementation, to establish severe penalties for the late performance of contractual terms by contractors, to thoroughly analysis technical solutions for the implementation of projects at the design stage, and to develop options for replacing imported equipment with domestic.

## 8.8 LEGAL RISKS

These risks include: risks of losses caused by not complying with the applicable laws or with legislative amendments introduced during a transaction; and the risk of improperly made documentation.

Legal risks are controlled through the ongoing formalization of document production procedures. The minimization of legal risks is underpinned by the use of standard forms of documents and the continuous monitoring of changes in relevant laws.

Documents supporting Company business processes are subject to verification by the legal department, which facilitates the minimization of legal risks and risks associated with improperly made documentation.

# Section 9 SUSTAINABLE DEVELOPMENT

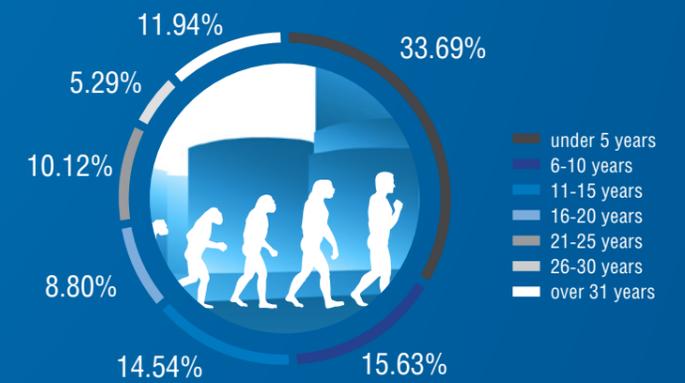
## 9.1 HEAD COUNT AND STRUCTURE OF THE STAFF

As of December 31, 2016, the number of employees on Mosenergo's payroll totaled 8,134.

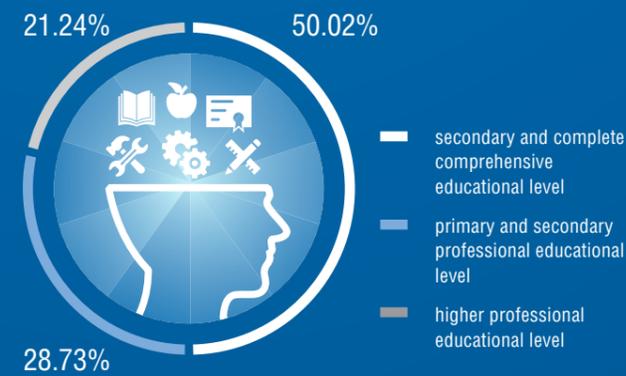
MOSENERGO EMPLOYEE BREAKDOWN AS OF DECEMBER 31, 2016



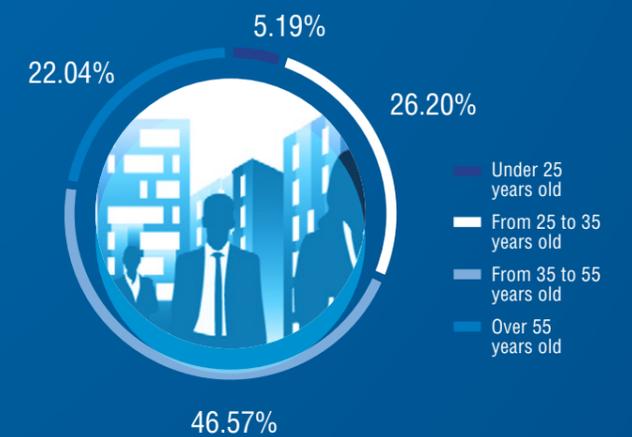
EMPLOYEE LENGTH OF SERVICE IN MOSENERGO AS OF DECEMBER 31, 2016



EDUCATIONAL LEVEL OF MOSENERGO STAFF AS OF DECEMBER 31, 2016



MOSENERGO EMPLOYEE PROFILE BY AGE AS OF DECEMBER 31, 2016



### STAFF TURNOVER

In 2016, staff turnover remained at 5.22%. During this period:

- 908 persons were hired;
- 850 employees were dismissed, including 425 employees by their own volition, 127 by mutual agreement, 24 due to staff reduction measures or reduction in the number of Company employees, 274 for other reasons.

## 9.2 CORPORATE CULTURE

The policy of human resources management at Mosenergo aims at creating an efficient mechanism of personnel management, including by developing and strengthening the corporate culture pursuing clear, open, timely informing of workers on the company's activities with the feedback.

Regular provision of information about the most important events of Mosenergo is supported through the main channels of communication such as the corporate newspaper "Mosenergo Vesti," the intranet portal, mass mailing, and corporate information booths. For feedback from the staff, the following are used: a 24/7 telephone hotline for employees and a dedicated email address: vopros@mosenergo.ru.

In 2016, the order "On the procedure for holding regular information meetings at the branches of Mosenergo" was issued. Meetings are held by the directors of branches, and employees of all categories of positions can be invited.

Within the framework of increasing the involvement of young specialists of Mosenergo, their quick and effective adaptation, identification, and the most effective use of their creative and productive potential, the Council of Young Specialists was established in June 2016 (approved by the Order "On establishing the Council of Young Specialists").

The Council of Young Specialists is engaged in the following activities:

- mass cultural events;
- technical ideas and rationalization proposals;
- social events;
- sporting events.

In 2016, the Council of Young Specialists held more than 10 events with different focus.

In 2016, the branches of Mosenergo continued the quarterly "The Best Employee" contest. The best employee is an employee of the company who showed the most significant and outstanding achievements that have affected the company's results. The list of the winners and the essays about the most outstanding winners are published in the corporate newspaper.

In May 2016, congratulations were sent to the participants of the Great Patriotic War. Employees of the Company and the Council of Young Specialists took an active part in the event and personally congratulated more than 150 veterans and workers on the home front.

In 2016, the Company organized its traditional Sports Festivals between the branches for 9 sports: volleyball, track and field, indoor football, table tennis, swimming, shooting, streetball, football and chess. More than 400 employees of the Company took part in the Sports Festivals.

## 9.3 STAFF TRAINING AND DEVELOPMENT

Mosenergo focuses heavily on the development of its staff, in accordance with business objectives and mandatory legislative requirements of the Russian Federation.

**THE COMPREHENSIVE PERSONNEL DEVELOPMENT SYSTEM HAS TWO KEY AREAS. FIRST AND FOREMOST, IT ENSURES MATCHING THE PERSONNEL'S QUALIFICATION FOR SOLVING CURRENT TASKS OF THE COMPANY. THE OTHER KEY AREA IS PERSONNEL TRAINING FOR IMPLEMENTING THE COMPANY'S STRATEGIC PLANS, IMPLYING THE DEVELOPMENT OF SKILLS AND COMPETENCES TO BE NECESSARY IN THE FUTURE.**

In 2016, in accordance with the established periodicity of training and current and future plans of training and professional development, 7,133 persons (3,676 operational staff and 3,457 managers and specialist staff) benefitted from training and staff development on a day-release basis.

Station and interstation competitions of operational personnel of block TPPs were conducted in order to improve the level of professional training of operational personnel of TPPs.

In June 2016, two teams of Mosenergo (the TPP-26 team and the TPP-22 team) took part in the competition of operating staff of block TPPs, which was organized by LLC Gazprom Energoholding. The TPP-26 team came first, and the TPP-22 team came second in this competition.

In September 2016, the TPP-26 team represented Mosenergo in the All-Russian Competition for TPP Operating Staff 2016 and came first.

At the end of 2016, 808 members of operational staff underwent regular training at the Training Preparation Center, including 48 employees who were trained for a new position.

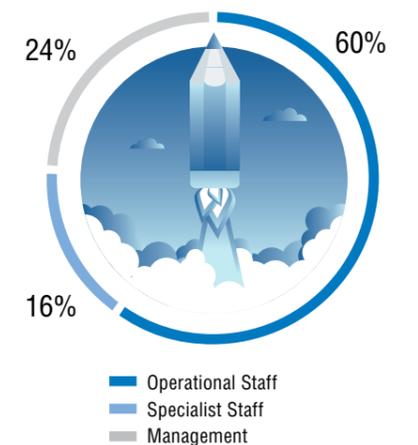
Mosenergo interacts with MPEI National Research University Federal State Budgetary Educational Institution of Higher Vocational Training in the field of first higher education and professional retraining for workers who do not have specialized higher education. In 2016, 54 employees followed training courses at MPEI.

133 students took part in the practical training in the Company in 2016.

In 2016, Mosenergo held the contest "My Idea: My Career," in which 130 employees took part. Based on the results of the last contest, the eight best projects were approved for manufacturing application, 6 projects were submitted to the Competition of Young Specialists and Innovators of the State Economic Commission, one of which won the second place.

To prepare and to develop the personnel reserve, the School of Chief Engineer was created in 2016, which includes training, internships, and work on projects.

2016 MOSENERGO  
STAFF TRAINING



## 9.4 MOTIVATION AND SOCIAL PROGRAMS

The incentive system used by Mosenergo based on grades and key performance indicators provides conditions for attracting and retaining qualified personnel by offering competitive financial remuneration.

On an annual basis, the regular review of salaries has been held in respect of 1,437 employees, which represents 18 % of the payroll headcount. In 2016, the average salary for the Company grew by 2.3% year-on-year.

**SOCIAL WELFARE OF WORKERS OF THE COMPANY IS ONE OF THE TOOLS FOR SUSTAINABLE DEVELOPMENT AND CONTRIBUTES TO STRENGTHENING THE REPUTATION OF MOSENERGO AS A RELIABLE AND RESPONSIBLE EMPLOYER AND PARTNER. SOCIAL PAYMENTS ARE MADE UNDER A COLLECTIVE BARGAINING AGREEMENT AND LOCAL REGULATIONS IN FORCE AT THE COMPANY.**

In 2016, social welfare expenditures for Company's employees amounted to RUB 232 million.

WELFARE EXPENDITURES FOR COMPANY'S EMPLOYEES

**232**  
RUB MILLION

### MOSENERGO SOCIAL SUPPORT STRUCTURE



82.31%	Voluntary medical insurance
5.66%	Work and activities with veterans and workers of the home front of the Great Patriotic War
5.95%	Financial aid
3.68%	Accident insurance
1.83%	Compensation for the costs of holiday packages for employees' children
0.57%	Private pension provision

#### Compensation for expenses related to holiday packages for children of employees of Mosenergo.

In 2016, 141 employees of Mosenergo received compensation for holiday packages acquired for their children for going to a camp for rest, treatment or education.

#### Private pension provision.

The Company operates a private pension program for its employees; the scheme was developed with the Gazfond Non-State Pension Fund. 55 employees participated in this scheme in 2016.

#### Non-financial motivation of employees

The Company pays special attention to non-financial motivation of personnel aimed at increasing the personal outcome and achieving high production results. An efficient tool of moral stimulation of the Company's personnel includes awarding the most distinguished staff with state, institutional, and industry-specific awards.

## 9.5 OCCUPATIONAL HEALTH AND SAFETY

The total expenditure on various measures to improve working conditions, health and safety and to prevent occupational illness (across the Company) amounted to RUB 669,900 thousand in 2015, representing 0.3% of the total production costs.

### HEALTH AND SAFETY EXPENDITURE 2016, RUB THOUSAND

Item No.	Cost description	2015	2016
1.	Voluntary medical insurance, accident insurance	154,643	193,700
2.	Special evaluation of workplaces, industrial control, milk provision	5,180	2,500
3.	Ensuring work of health centers, first-aid kits, medical checks, seasonal vaccination	63,746	64,300
4.	Provision of protective equipment (PPE, collective protective equipment, etc.), washing and repair of clothing, fire safety	142,604	124,400
5.	Cleaning of premises and production area	245,215	285,000
<b>Total:</b>		<b>611,388</b>	<b>669,900</b>

#### Availability of health and industrial safety services and expert staff in the administration offices and at affiliated Company's power plants

The occupational health, safety and production auditing department has 28 staff members. One of the 15 occupational health and safety managers oversees each power plant (branch facility). In addition, 5 independent inspectors have now been brought in to detect any potential occupational health and safety breaches at any of the facilities that have been earmarked for major construction and building work, as well as to identify any employee demonstrating signs of alcohol intoxication, under civil-law contracts.

#### Status of compulsory preliminary, regular and extraordinary medical checks (examinations)

Compulsory preliminary, regular and extraordinary medical checks (examinations) in the Company are carried out in accordance with Article 213 of the Labor Code of the Russian Federation, and Order of the Russian Ministry of Health Care and Social Development No. 302n dated April 12, 2011 "On the approval of lists of adverse and(or) hazardous production factors and work for which preliminary, regular and extraordinary medical checks (examinations) are mandatory, and the Procedure for the conduct of preliminary, regular and extraordinary medical checks (examination) of employees engaged in hard labor and work under adverse and(or) hazardous conditions".

Mandatory preliminary health checks are performed when new employees join the Company. Regular medical checks are carried out based on a named list of employees who are subject to regular checks. These named lists are submitted to the territorial authorities of the Federal Service for Consumer Rights and Human Welfare Protection (Rosпотребнадзор). The Company has signed a medical checks agreement with LLC SOGAZ-Medservice.

As part of seasonal prevention and immunization against the influenza virus in 2016, the Company held a free vaccination session for the personnel of Mosenergo, which was attended by approximately 860 Company employees.

**Holding a special assessment of working conditions.**

In accordance with Federal Law No. 426-FZ dated December 28, 2013 “On special assessment of working conditions”, Mosenergo held a special assessment of working conditions at 1,955 workplaces in 2016.

**Provision of personal protective equipment, protective clothing and footwear, therapeutic and preventive nutrition, milk or other equivalent products**

Mosenergo staff are provided with personal protective equipment, protective clothing and footwear, in compliance with the “Standard norms of provision of protective clothing, protective footwear and other personal protective equipment (PPE) (Order of the Russian Ministry of Health Care and Social Development dated April 25, 2011 no. 340n) and the Appendix to the Mosenergo Collective Bargaining Agreement. All PPE has a certificate of conformity, and is purchased from leading Russian PPE manufacturers. A centralized washing of special clothing of the workers has been organized.

The provision of Company staff with detergents and decontaminants is carried out in accordance with Russian Federation Ministry for Health and Social Development Order №1122n, dated December 17, 2010 “On the approval of standard regulations for the free issue to staff of detergents and decontaminants, the occupational health and safety standard “Providing staff with detergents and decontaminants” and the Appendix to the Mosenergo Collective Agreement.

Company employees are provided with milk in accordance with Article 222 of the Russian Federation Labor Code and Russian Federation Ministry for Health and Social Development Order N 45n dated February 16, 2009 “On the approval of terms and conditions for the free issue to staff working in hazardous conditions, of milk or other equivalent food items, or compensatory payments that are equal to the equivalent of the cost of milk or other food items of equal value, and a list of harmful workplace factors where the use of milk or other equivalent food items is recommended as a preventative measure.”

In 2016, the supply and delivery of milk to Company branch facilities was centralized under a services agreement with APK Shatursky LLC.

**Sanitary and healthcare services to employees. Availability and equipping sanitary facilities, rest-rooms, provision of medical aid, and staff recreation.**

In accordance with Article 223 of the Labor Code of the Russian Federation, each branch facility has fully equipped sanitary rooms (cloakrooms, changing rooms, shower cubicles, wash-rooms, lavatories, rooms for the storage and handout of protective clothing), rest-rooms, medical aid facilities, and staff recreation rooms. All these facilities are cleaned and aired. Relevant occupancy space requirements are observed. The workplace facilities are fully equipped with first-aid kits, water coolers and in hot workplace environments, carbonated soda water dispensing units have been installed.

**Workplace briefings (introductory, initial, secondary and unscheduled).**

The Company organizes workplace briefings (introductory, initial, secondary and unscheduled) in accordance with the requirements of the applicable laws of the Russian Federation. Instructions and briefing programs have been compiled, approved, and updated on a regular basis; standard logbooks are kept for each briefing.

**Industrial accident analysis**

In 2016, three accidents with employees of Mosenergo took place.

	2016
Number of fatal accidents or group accidents, if there is a seriously injured person	0
Number of workplace accidents	3
<b>Kchns =</b> <small>number of accidents × 1,000,000 hours. average number of staff × hours of work as per time sheet</small>	<b>0,19</b>

**Investigation procedure for workplace accidents (procedure and timeframe)**

Investigation of workplace accidents at Mosenergo is conducted in accordance with the requirements of Articles 227–231 of the Labor Code of the Russian Federation and Decree of the Ministry of Labor of the Russian Federation No. 73 dated October 24, 2002 “On approval of document forms required for the investigation and record of industrial accidents, and approval of Regulations on specific features of industrial accident investigation in individual industries and organizations.”

**Occupational health and safety supervision**

A Health and Safety Day and a Safety Hour are held regularly; in 2014, 180 Health and Safety Days and 720 Safety Hours were held by all the branches of the Company. Managers and General Directorate specialist staff were involved in the work of the TPP committees.

**IN 2016, MORE THAN 60 AUDITS WERE CONDUCTED ON LABOR PROTECTION IN STRUCTURAL SUBDIVISIONS OF THE BRANCHES AND THE GENERAL DIRECTORATE OF THE COMPANY.**

In the framework of cooperation with the holding’s subdivisions, cross-audits were conducted on labor protection at Cherepovetskaya SDPP (PJSC “OGK-2”), Narvskaya HPP (PJSC “TGC-1”), and Branch No. 8 of PJSC “MOEK”.

Measures implemented to oversee compliance with health and safety requirements amongst contractors working at Mosenergo facilities discovered and remedied more than 4,000 violations; according to the Legal Department, fines for violations amounted to over RUB 9 million. Provision is made for an enhanced inspection of the areas of capital construction.

As part of the Company’s system to identify, assess and eliminate any risks relating to occupational health and safety and fire safety, more than 58 thousand risks of infrastructure, of which more than 53 thousand were eliminated, had been revealed by the end of 2016. In 2016, more than 13 thousand risks were identified, and about 13 thousand were eliminated.

As part of the project on the development of a safe behavior culture which is directed at achievement of the strategic objective of “0 Injuries,” the Company has developed and put into action a Proprietary Standard for Behavioral Security Audits (BSA). The methodology of the BSA was taught to more than 800 workers of Mosenergo and the Company’s contractors, including the heads of boiler units, the staff of the General Directorate and the representatives of the management team of TER-Moscow LLC. The trained personnel conducted more than 15,000 behavioral audits, which resulted in identification and elimination of more than 24,000 dangerous conditions and dangerous actions of employees of branch facilities and contractors.

Informational posters about “The Golden Rules of Safe Behavior” and the methodology of behavioral safety audits were printed out and posted in all the branch facilities of the Company

The Company has been operating a Committee on Occupational Health and Safety and Commissions on Occupational Health and Safety of branch facilities on an ongoing basis.

## 9.6 ENVIRONMENTAL PROTECTION

Mosenergo maintains active and productive cooperation with Russian organizations and scientific and academic institutions with a successful track record in environmental protection and ecological safety.

The Company resolves environmental protection issues in close cooperation with the relevant state authorities, who monitor the environmental activity and performance of companies in the Moscow Region.

Mosenergo's expenditure for environmental protection measures and initiatives in 2016: RUB 182.623 million.

### MOSENERGO'S ENVIRONMENTAL PROTECTION EXPENDITURE, RUB THOUSAND<sup>10</sup>

	2012	2013	2014	2015	2016
Non-capital environmental protection measures (prime cost)	44,002	46,978	46,808	71,350	42,574
Waste recycling (prime cost)	56,242	57,164	57,421	31,194	35,441
Investment activities, including environmental survey	87,278	57,527	123,922	178,500	104,608
<b>Total</b>	<b>187,522</b>	<b>161,669</b>	<b>228,151</b>	<b>281,044</b>	<b>182,623</b>

Emissions by Mosenergo for the 12 months of 2016 generally decreased as compared to the same period of 2015 by 1.1% or by 0.571 thousand tons and amounted to 48.624 thousand tons. The dynamics of emissions by main ingredients:

- nitrogen oxide emissions increased by 3.6% or by 1.460 thousand tons and amounted to 41.502 thousand tons;
- nitrogen oxide emissions decreased by 28.2% or by 1.885 thousand tons and amounted to 4.810 thousand tons;
- emissions of solids decreased by 0.294 thousand tons or by 23.9% and amounted to 0.936 thousand tons;
- including:
  - fuel-oil ash emissions decreased by 5.8 times or by 0.001 thousand tons and amounted to 0.0003 thousand tons;
  - coal ash emissions have decreased by 24.4 % or 0.292 thousand tons and amounted to 0.902 thousand tons.

### EMISSIONS OF POLLUTANTS DECREASED DUE TO A DECREASE IN THE AMOUNT OF BURNED COAL AND FUEL OIL.

The growth of nitrogen oxide emissions is associated with an increase in natural gas consumption. Coal ash emissions decreased due to a reduction in coal consumption and the ash content of the used coal. The reduction of emissions of fuel oil was the result of reduced fuel oil consumption. The reduction of emissions of sulfur dioxide was due to the reduced consumption of coal and fuel oil as well as the sulfur content of the used coal.

Power generating boilers at the power plants are fitted with an automated environmental monitoring system, which allows the concentration of h gas pollutants to be monitored in real time and, if necessary, enabling plant performance activities to be changed to reduce emissions. Following work carried out on the boilers, boiler emissions did not exceed any permitted pollutant emission standards.

#### POLLUTANT EMISSIONS

# 48,6

THOUSAND TONS (-1,1%)

The Central Laboratory for Environmental Protection at the Mosenergo Department for Ecology (certification accreditation No. ROOS RU.001.511836, valid until June 11, 2018) took 571 measurements at the power plant boilers to determine the flue gas concentrations of nitric oxide, nitrogen dioxide and carbon dioxide and to monitor the temperature of the flue gases, as part of industrial environmental monitoring.

Throughout the year, the condition of the atmospheric air in residential areas near the TPP was also monitored. In 2016, 11,080 atmospheric air samples were taken in the immediate area near the TPP and analyzed for nitrogen oxide, carbon monoxide, sulphur dioxide and dust.

### MOSENERGO POLLUTANT EMISSIONS, THOUSAND TONS

	2012	2013	2014	2015	2016
<b>total</b>	<b>55</b>	<b>52.2</b>	<b>44.5</b>	<b>49.2</b>	<b>48.6</b>
nitrous oxides	40.7	40.1	38.2	40	41.5
sulfur dioxide	11.5	8	4.6	6.7	4.8
solids	0.9	3.2	0.7	1.2	0.9

Actual emissions of greenhouse gases in 2016 amounted to 42.024 million tons. Increase in greenhouse gas emissions, as compared to 2015, amounted to 2.895 million tons, which is associated with an increase in the amount of natural gas burned.

The total volume of waste water discharged into surface water bodies amounted to 329.9 million m<sup>3</sup>, of which partially clean water constituted 297.2 million m<sup>3</sup> and partially treated water constituted 13.4 million m<sup>3</sup>. The increase in the volume of discharges against the level of 2015 is 7.8 million m<sup>3</sup> due to an increase in the supply of heat and electricity.

The total amount of waste decreased by 27.1 thousand tons and constituted 146.3 thousand tons. The reduction in the formation of waste is associated with a decrease in the amount of coal burned.

### WASTEWATER DISCHARGE AT MOSENERGO, MILLION M<sup>3</sup>

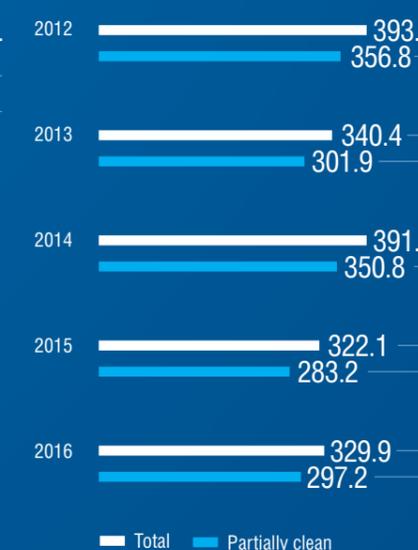
	2012	2013	2014	2015	2016
<b>Total</b>	<b>393.7</b>	<b>340.4</b>	<b>391.9</b>	<b>322.1</b>	<b>329.9</b>
Partially clean	356.8	301.9	350.8	283.2	297.2

In 2016, Mosenergo conducted a compliance audit of the Mosenergo Environmental Management System against ISO 14001:2004.

The audit was conducted by the Russian Register Certification Association and took place in the structural subdivisions and departments of the General Directorate as well as at Mosenergo's branch facilities TPP-12 AND TPP-20.

During the audit, auditors concluded that the environmental management system is maintained and developed according to the permanent improvement principle, is successful and meets the audit criteria. Non-compliances were not revealed during the control audit.

The Mosenergo environmental management system was recognized to meet the requirements of the ISO 14001:2004 standard. The certificate of conformity to the standard was confirmed.



## Section 10

# ADDITIONAL INFORMATION AND ANNEXES

## 10.1 INFORMATION POLICY

Mosenergo has an open information policy. The Company's operations are regulated by corporate governance principles, generally accepted in respected business, as well as by principles of social responsibility and a reliable partnership with government authorities.

Mosenergo's Information Policy aims to enable the prompt and comprehensive presentation of accurate information about the Company's activities, as well as to provide open access to such information to all stakeholders, such as shareholders, investors, government officials, the mass media etc.

In addition, Mosenergo participated in major industry exhibitions and conferences.

Mosenergo's official website (<http://www.mosenergo.ru>) is the Company's key information resource. Since April 1, 2016, Mosenergo has moved to a new version of the official website in accordance with the uniform corporate identity of the PJSC Gazprom Group. This website provides full information about the Company's activities and allows Mosenergo to respond in a timely manner to inquiries submitted by shareholders, investors, government officials and the media. The site displays quarterly and annual reports for shareholders, quarterly issuer's reports, financial statements compliant with RAS and IFRS standards and information that may have a significant impact on the value of securities. Mosenergo is also present on social media networks: since July 2011, Mosenergo has maintained a corporate page on Facebook: <http://www.facebook.com/pages/PAO-Mosenergo/122390031176582>

## 10.2 HISTORY OF MOSENERGO

Mosenergo's history is closely interrelated to the development of Russia's economics, society and culture.

Joint Stock Company of Electric Lighting was founded in 1886 by Carl Siemens, a Saint-Petersburg merchant of the First Guild who was the Head of the Siemens & Halske Representative Office. The Company was founded in Saint-Petersburg; however, at its very first Board of Directors' meeting, a proposal was made to prepare grounds for the Company's operations in Moscow.

On July 31, 1887, the executive board of the "1886 Society" approved the Agreement to install electric lighting in the Postnikova Passage on Tverskaya Street in Moscow.

At the end of 1888, the Company successfully completed the construction of the first centralised power plant, with electric power supplied by the Georgievskaya power plant. On November 28, 1897 the Company hosted a festive celebration for the opening of the Moscow Municipal Power Station (MMPS-1) Raushskaya (now SPP-1), and on February 15, 1907 the Company launched the second station – MMPS-2 Tramvaynaya.

The next important stage of development for Moscow's electrical power grid was the decision to construct a large power plant fired with local fuel in the vicinity of Moscow. This decision was implemented by Robert Klasson, managing director of the Moscow Office of "1886 Company". The construction of the plant, which envisioned the use a new type of fuel, was a major project involving the development of new technologies and the creation of the entire peat extraction industry.

In 1912, the Company started building the world's first peat-fired district power plant in the Bogorodsk District. In April 1913, a new company, Moscow Joint Stock Company "Elektroperedacha", was founded to utilize the capacity generated by the new station. The plant itself began operations in 1914 and, in 1915, started to work in parallel with the Raushskaya station.

Joint stock companies "Electric Lighting 1886 Company" and "Elektroperedacha" successfully operated until October 1917. After the October Revolution, the stations were nationalized and ceased operations under their previous ownership in December 1917.

The management of state power stations was delegated to the Power Department of the Supreme Council of Public Property. At the same time, in December 1917, Ivan Radchenko and Alexander Vinter proposed further developments of the Moscow power industry. These proposals became the basis for the first State Plan for the Electrification of the whole country, GOELRO.

In December 1920, the GOELRO plan was ratified by the eighth All-Russia Soviet Congress. According to the plan, the volume of capacity of the Moscow power system was intended to increase almost four-fold within 10 to 15 years. The installed capacity was to increase from 93 thousand to 340 thousand kW.

Pursuant to the GOELRO plan, several stations were built in the Moscow Region, namely Kashirskaya TPP (now TPP-4), Shaturskaya TPP (now TPP-5), Krasnopresnenskaya TPP (now a subsidiary of TPP-12), TPP-6 and TPP-8. One of the key events in this period was the completion of Russia's first 110 kV voltage power line between Kashira and Moscow, as well as a two-circuit ring of power lines and transformers around Moscow with a voltage of 115 kV.

In the 1930s, the workers of the Moscow power supply system, known until 1932 as MOGES (Unified Management of Power Plants of the Moscow Region), started operations to provide centralized district heating to the Soviet capital. In March 1931 the first heating mains from MMPS-1 was launched and a specialized enterprise for the maintenance and development of the Moscow district heating network was founded.

The start of World War II put the development of the power system on hold. Part of the equipment was destroyed, some was redeployed and the total capacity of Mosenergo dropped two-fold. Nevertheless, Moscow power engineers managed to maintain a continuous supply of power to the city's defense facilities; they constructed high-voltage obstacles to defend against enemy troops and assembled power-generating trains for the liberated regions of the country. The restoration of the power industry started immediately after the successful counter-offensive campaign of the Soviet Army in the winter of 1941-1942. As early as 1945, Mosenergo had already managed to achieve a pre-war level of installed capacity.

In 1946, Mosenergo began to utilize a new type of fuel: SPP-1 started burning natural gas. In the same year, the Moscow power system was connected to the Ivanovo, Yaroslavl and Gorky power systems. In 1956, the first section of the Unified Power System in the European part of Russia was created with the introduction of high-voltage power lines from Kuibyshev to Moscow.

Within the Unified Power System framework in 1960, the country brought into operation the first units of TPP-22, and for the first time in the USSR a 1,000 mm-diameter heat pipeline was installed at TPP-11. On October, 22 1963 Mosenergo launched TPP-21, shortly followed by TPP-23, TPP-25 and TPP-26.

In the 1970s, Mosenergo successfully implemented 250-MW thermal power generating units with supercritical steam parameters. This kind of unit was first constructed at TPP-22 and became the base for other heat and power plants: TPP-21, 23, 25 and 26.

The development of the district heating system remained a pending issue for Mosenergo, especially during the mass construction of residential apartments in the city when district heating pipelines with the length of 20-30 kilometers and pipeline diameters of 1,200-1,400 mm started to be laid from the new, powerful TPPs. At the same time, intensive grid development was in progress with the extensive construction of 750 kV power transmission lines. The total length of the high voltage power transmission lines increased dramatically. Two high-voltage 220 kV rings were completed around Moscow, soon followed by 500 kV rings.

On December 30, 1987, Mosenergo brought the first hydroelectric generating set of the Zagorsk Pumpedstorage HydroPlant into operation – a unique power unit regulating peak loads in the grid system. In 1990, the Moscow Grid absorbed Ryazan TPP-24 and in 1992 it acquired TPP-28 in Moscow.

In 1993, the production association, Mosenergo, was transformed into an open joint stock company.

In 2005, Mosenergo developed and started the implementation of the Program for Development and Retrofitting, including the planning, construction and commissioning of new generating facilities on the sites of operational power plants in energy-deficient regions and heat and electricity demand nodes with developed infrastructure.

On November 22, 2007, less than two years after the start of construction, TPP-27 launched a combined cycle steam-gas power unit with an electric power rating of 450 MW and heat output of 300 Gcal. In June 2008, a unit of the same type was put into operation at TPP-21, and in December of the same year the Company installed yet another 450-MW steam-gas power unit at TPP-27.

On June 30, 2011, a new 420-MWe combined-cycle power unit was put into operation at TPP-26. This unit has the highest efficiency rate among Russian power plants – up to 59%. The general contractors in its construction were Alstom Consortium (France) and EMAlliance JSC.

In April 2014, a GTU-65 unit with an AE64.3A Ansaldo Energia gas turbine (Italy) was commissioned at TPP-9; and in December 2014,

a SGU-420 steam-gas unit was commissioned at TPP-16 (the manufacturer and the supplier of the basic equipment: Siemens (Germany)).

A new steam and gas power unit (SGU-220) was commissioned at TPP-12 of Mosenergo on May 1, 2015. The core equipment of the new power unit was made in Russia. The nominal power of the unit: 220 MW, the certified power at cogeneration: 211.6 MW, heat power: no less than 140 Gcal / h. After the SGU-220 was commissioned, the installed power of TPP-12 rose by more than 50%.

On May 20, 2015, the extraordinary general shareholder's meeting of Mosenergo OJSC decided to transfer powers of the company's sole executive body to the managing organization: Gazprom Energoholding LLC. This decision was made to improve the management efficiency, avoid duplication of functions, and cut administrative expenses and other costs.

On December 22, 2015, two modern steam and gas power unit were commissioned at TPP-20 of Mosenergo in Moscow and the Serov SDPP of OGK-2 PJSC in the Sverdlovsk Region. President of the Russian Federation Vladimir Putin took part in the event through videoconference. The installed power of TPP-20 before the SGU-420 commissioning was 730 MW; heat power, 2,400 Gcal/h; after the unit was commissioned, the installed power increased to 1,148 MW, and the heat power, to 2,620 Gcal/h.

### 10.3 REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The underlying principles of the Company are based on the legislative regulations of the Russian Federation, the Company's Articles of Association, the Corporate Governance Code, which is approved by the Board of Directors of the Bank of Russia on March 21, 2014 and recommended for use by joint-stock companies whose stock is allowed for organized sales.

IN ORDER TO ASSESS COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES SET FORTH THE CORPORATE GOVERNANCE CODE, MOSENERGO USES THE REPORT FORM DEVELOPED AND RECOMMENDED FOR USE BY THE CENTRAL BANK OF THE RUSSIAN FEDERATION BY MEANS OF AN INFORMATION LETTER NO. IN-06-52/8 DATED FEBRUARY 17, 2016 ON THE DISCLOSURE OF INFORMATION ABOUT THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE IN THE ANNUAL REPORT OF THE COMPANY.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
1	2	3	4	5
<b>1. SHAREHOLDERS' RIGHTS AND EQUALITY OF SHAREHOLDERS IN THE EXERCISE OF THEIR RIGHTS</b>				
<b>1.1. Company shall ensure fair and equitable treatment of all shareholders in the course of implementation of their right to participate in the management of the Company.</b>				
1.1.1.	The company creates the best possible conditions for its shareholders to participate in the General Meeting, conditions for the development of sound positions related to agenda items at the General Meeting, for coordinating their activities, as well as an opportunity to express their views on the issues under consideration.	1. There is a publicly available internal company document, approved by the General Shareholders' Meeting that governs the procedures for conducting General Meetings. 2. The Company provides an accessible method of communication with the company such as a hotline, e-mail, or an online forum permitting the shareholders to express their opinion and send questions about the agenda in the process of preparing for the general meeting. The company undertook such actions before every General Meeting that took place during the reporting period.	Complied with	
1.1.2.	The procedure for giving notice of the general meeting and the provision of materials for the general meeting gives shareholders an opportunity to properly prepare for participation in the meeting.	1. A notice of holding the general shareholders' meeting is posted (published) on the website at least 30 days prior to the date of holding the general meeting. 2. The notice about an upcoming meeting must indicate the place of the meeting and the documents required for admission to the premises. 3. Shareholders were provided with access to information about who proposed agenda items and who nominated individuals to the Board of Directors and the Board of Internal Auditors of the Company.	Complied with	
1.1.3.	In the course of the preparation for and holding of a general meeting, shareholders had the opportunity to receive without hindrance and in a timely manner information about the meeting and materials for the meeting, to put questions to the executive bodies and the members of the Board of Directors and to communicate with one another.	1. During the reporting period, shareholders had the opportunity to put questions to members of the executive bodies and the members of the Board of Directors prior to and during the Annual General Meeting. 2. The position of the Board of Directors (including dissenting opinions entered in the minutes) on each agenda item at general meetings held during the reporting period was included in the materials for the General Shareholders' Meeting. 3. The company provided those shareholders with a right to access the list of persons entitled to participate in the General Meeting from the date of its receipt by the company in all cases regarding general meetings held during the reporting period.	Partly complied with	In cases set forth by the laws and/or the Articles of Association of the Company, the Board of Directors' attitude (including special opinions included in the minutes) to items of the agenda of general meetings held in the reporting period was added to the materials relevant to the general shareholder meeting.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
1.1.4.	Implementation of the shareholder right to request that a general meeting be convened, to nominate candidates to the management bodies and to make proposals for inclusion on the agenda of the general meeting did not involve needless difficulties.	<ol style="list-style-type: none"> <li>During the reporting period, shareholders had the opportunity, during a period of no less than 60 days after the end of the corresponding calendar year, to submit proposals for inclusion on the agenda of the Annual General Meeting.</li> <li>During the reporting period, the company did not refuse to accept proposals for the agenda or nominations to the company's various bodies as a result of typos or other insignificant errors in the shareholder's proposal.</li> </ol>	Complied with	
1.1.5.	Every shareholder had an opportunity to freely exercise their right to vote in the simplest and most convenient way for them.	<ol style="list-style-type: none"> <li>One of the company's internal documents (an internal policy) contains provisions pursuant to which each participant of a General Meeting may, prior to the completion of the meeting in question, request a copy of their completed ballot certified by the counting commission.</li> </ol>	Complied with	
1.1.6.	The procedures established by the company for conducting general meetings provides an equal opportunity to all individuals present at a meeting to express their opinions and ask questions.	<ol style="list-style-type: none"> <li>When conducting, during the reporting period, general meetings of shareholders in the form of a meeting (with the joint presence of shareholders), sufficient time was provided for reports on agenda items, as well as time to discuss those items.</li> <li>Candidates for the company's management and supervisory bodies were available to answer questions from shareholders at the meeting at which their nominations were put to a vote.</li> <li>When making decisions related to the preparation and holding of general shareholders' meetings, the Board of Directors considered the use of telecommunications facilities to provide remote access to shareholders to participate in general meetings during the reporting period.</li> </ol>	Partly complied with	<p>When making decisions related to the preparation and holding of general meetings of shareholders, the Board of Directors did not consider the use of telecommunications facilities to provide remote access to shareholders to participate in general meetings during the reporting period.</p> <p>In compliance with para. 18.2. of the Articles of Association of the Company, the Board of Directors of Mosenergo is entitled to determine the email address to be used to receive filled-out bulletin forms and (or) the website address that will host the electronic form of bulletins to be filled out.</p> <p>In compliance with para. 4.3. of the Regulations on the General Shareholders' Meeting of the Company, the broadcast of the General Shareholders' Meeting, including through video conferencing, may be arranged. At the General Shareholders' Meeting held in the form of a meeting, information and communication technologies can be used to allow for the possibility of remote participation in the General Shareholders' Meeting, discussion of issues on the agenda, and adoption of decisions on issues put to the vote, without attendance at the venue of the General Shareholders' Meeting.</p>
<b>1.2</b>	<b>Shareholders are given equal and fair opportunities to participate in the profits of the company by receiving dividends.</b>			
1.2.1.	The company has developed and implemented a transparent and clear mechanism for determining the amount and payment of dividends.	<ol style="list-style-type: none"> <li>The company has developed an open dividend policy that has been approved by the Board of Directors and that has been disclosed.</li> <li>If the company's dividend policy uses the company's reporting indicators to determine the amount of the dividend, then the relevant provisions of the dividend policy take into account the Group's consolidated financial statements.</li> </ol>	Partly complied with	In compliance with the Dividend Policy of the Company, the amount of dividends is calculated from the Company's net profit as reflected in the annual financial statements of the Company produced in accordance with the requirements of the laws of the Russian Federation.
1.2.2.	The company does not take a decision on the payment of dividends if such a decision, while not formally in violation of legal restrictions, is unjustified from an economic point of view and could lead to the formation of misconceptions about the company's activities.	<ol style="list-style-type: none"> <li>The company's dividend policy provides clear guidance on the financial/economic circumstances under which the company should not pay dividends.</li> </ol>	Complied with	
1.2.3.	The company does not permit any diminution of the dividend rights of existing shareholders.	<ol style="list-style-type: none"> <li>During the reporting period, the company did not take any actions that led to the diminution of the dividend rights of existing shareholders.</li> </ol>	Complied with	

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
1.2.4.	The company is committed to preventing shareholders from using other means of earning a profit (income) at the company's expense beyond dividends and liquidation value.	<ol style="list-style-type: none"> <li>In order to prevent shareholders from using other means of earning a profit (income) at the company's expense beyond dividends and liquidation value, the company's internal documents have established monitoring mechanisms that ensure the timely detection of and a procedure for the approval of transactions with persons affiliated (associated) with major shareholders (individuals with the right to make use of the votes provided by voting shares) in cases where the law does not formally recognize such transactions as related-party transactions.</li> </ol>	Complied with	
<b>1.3.</b>	<b>The corporate governance system and practices shall ensure equal terms and conditions for all shareholders owning shares of the same class (category), including minority and foreign shareholders, as well as their equal treatment by the company.</b>			
1.3.1.	The company has created the conditions for fair treatment of each shareholder by the company's management and supervisory bodies, including conditions ensuring the inadmissibility of abuse by major shareholders in relation to minority shareholders.	<ol style="list-style-type: none"> <li>During the reporting period, the procedures for managing potential conflicts of interest involving major shareholders were effective, and the conflicts between shareholders, if any, were given due attention by the Board of Directors.</li> </ol>	Complied with	
1.3.2.	The company does not undertake actions that lead or may lead to the artificial redistribution of corporate control.	<ol style="list-style-type: none"> <li>There were no quasi-treasury shares or they did not vote during the reporting period.</li> </ol>	Complied with	
<b>1.4.</b>	<b>Shareholders must be provided with reliable and effective ways to register their rights to their shares, as well the possibility to dispose of their shares freely and easily.</b>			
1.4.1.	Shareholders must be provided with reliable and effective ways to register their rights to their shares, as well the possibility to dispose of their shares freely and easily.	<ol style="list-style-type: none"> <li>The quality and reliability of the activities carried out by the company's registrar to maintain the register of securities holders meet the needs of the company and its shareholders.</li> </ol>	Complied with	
<b>2.1</b>	<b>The Board of Directors carries out strategic management within the company, defines the basic principles and approaches to organizing a risk management and internal control system within the company, supervises the activity of executive bodies, and also performs other key functions.</b>			
2.1.1.	The Board of Directors is in charge of making decisions associated with the appointment and dismissal of members of the executive bodies, including due to improper fulfillment of their duties. The Board of Directors also carries out supervisory measures to ensure that the company's executive bodies act in accordance with the approved development strategy and the company's main areas of activity.	<ol style="list-style-type: none"> <li>The Board of Directors has the authority, provided for in the Articles of Association, to appoint and dismiss members of executive bodies, as well as to determine the terms of their contracts.</li> <li>The Board of Directors reviewed the report(s) of the sole executive body and of members of the collective executive body on the implementation of the company's strategy.</li> </ol>	Complied with	
2.1.2.	The Board of Directors establishes the basic guidelines for the company's activities in the long term, evaluates and approves the company's key performance indicators and key business goals, and evaluates and approves the strategy and business plans for the company's core activities.	<ol style="list-style-type: none"> <li>During the reporting period, meetings of the Board of Directors addressed issues related to the progress concerning the implementation and updating of the company's strategy, approval of the company's financial and economic plan (budget), as well as the consideration of criteria and indicators (including interim) related to the company's strategy and business plans.</li> </ol>	Complied with	
2.1.3.	The Board of Directors determines the principles of and approaches to organizing a risk management and internal control system in the company.	<ol style="list-style-type: none"> <li>The Board of Directors has defined the principles and approaches to organizing a risk management and internal control system in the company.</li> <li>The Board of Directors assessed the company's risk management and internal control system during the reporting period.</li> </ol>	Partly complied with	In the reporting period, the Board of Directors did not consider the issue of evaluation of risk management system and corporate governance practices.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
2.1.4.	The Board of Directors determines the company's policy on remuneration and/or reimbursement (compensation) for expenses for members of the company's Board of Directors, executive bodies and other key executives.	<ol style="list-style-type: none"> <li>The company has developed and implemented a policy (policies), approved by the Board of Directors, on the remuneration and reimbursement (compensation) for expenses for members of the company's Board of Directors, executive bodies and other key executives.</li> <li>During the reporting period, issues related to this policy (policies) were considered during the reporting period at meetings of the Board of Directors.</li> </ol>	Partly complied with	The Board of Directors determines the company's policy on remuneration and/or reimbursement (compensation) for expenses for members of the company's Board of Directors. According to subpara. 21) of para. 15.1 of Article 15 of the Company's Articles of Association, the decision on remuneration of the members of the Board of Directors and (or) compensation shall fall into the scope of functions of the General Shareholders' Meeting. On May 31, 2016, the General Shareholders' Meeting approved the Regulations on Determination of the Amount of Remuneration and Compensation to Members of the Board of Directors of Mosenergo (Minutes No. 1/2016 dated June 3, 2016).
2.1.5.	The Board of Directors plays a key role in the prevention, detection and resolution of internal conflicts between the company's executive bodies, shareholders and the employees.	<ol style="list-style-type: none"> <li>The Board of Directors plays a key role in the prevention, detection and resolution of internal conflicts.</li> <li>The Company has established a system for identifying transactions involving a conflict of interest, and a system of measures aimed at resolving such conflicts</li> </ol>	Complied with	
2.1.6.	The Board of Directors plays a key role in ensuring the transparency of the company, the timeliness and completeness of the company's disclosure of the information, and shareholders' unhindered access to company documents.	<ol style="list-style-type: none"> <li>The Board of Directors approved the Regulations on Information Policy.</li> <li>The company has appointed responsible officials for implementation of its information policy</li> </ol>	Complied with	
2.1.7.	The Board of Directors oversees the corporate governance practices within the company and plays a key role in significant corporate events.	<ol style="list-style-type: none"> <li>During the reporting period, the Board of Directors considered the issue of the company's corporate governance practices.</li> </ol>	Partly complied with	During the reporting period, the Board of Directors did not consider the issue of the company's corporate governance practices. According to the current practices, during the year the company's management analyzed the company's corporate governance practices. This work resulted in the annual updating of the company's internal documents pursuant to the effective laws and best corporate practices as part of the annual general shareholder meeting. Under the Company's Articles of Association, the Board of Directors preliminarily considers the management's proposals to update the company's internal documents and, based on the consideration results, recommends decisions to the general shareholder meeting.
<b>2.2. The Board of Directors is accountable to the company's shareholders.</b>				
2.2.1.	Information about the work of the Board of Directors is disclosed and presented to the shareholders.	<ol style="list-style-type: none"> <li>The company's annual report for the reporting period includes information on individual directors' attendance at board and committee meetings.</li> <li>The annual report contains information about the main results of the assessment of the work of the Board of Directors carried out during the reporting period.</li> </ol>	Not complied with	<ol style="list-style-type: none"> <li>The company's annual report for the reporting period includes information on individual directors' attendance at board and committee meetings. The report provides information on the number of meetings of the Board of Directors held during the reporting period as well as on the most important issues discussed.</li> <li>Performance of the company's Board of Directors was not evaluated in the reporting period.</li> </ol>
2.2.2.	The Chairman of the Board of Directors must be available to the company's shareholders.	<ol style="list-style-type: none"> <li>The company has a transparent procedure for providing shareholders with an opportunity to direct their questions and their position on those questions to the Chairman of the Board of Directors.</li> </ol>	Complied with	

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>2.3. The Board of Directors must be an efficient and professional governing body that is capable of making objective and independent judgments and passing resolutions in the best interests of the company and its shareholders.</b>				
2.3.1.	Only individuals who have an excellent business and personal reputation, and who also have the knowledge, skills and experience required to make decisions related to the remit of the Board of Directors and required for the effective performance of its functions may be elected by the members of the Board of Directors.	<ol style="list-style-type: none"> <li>The company has adopted a procedure for assessing the effectiveness of the Board of Directors that includes an assessment of the professional qualifications of the members of the Board of Directors.</li> <li>During the reporting period, the Board of Directors (or its committee on nominations) evaluated candidates for the Board of Directors in terms of whether they had the necessary experience, knowledge and business reputation, as well as whether or not they had any conflicts of interest, etc.</li> </ol>	Partly complied with	In the reporting period, the Board of Directors did not consider the evaluation of candidates for the company's Board of Directors. In accordance with the Regulations on the HR and Remuneration Committee of the Board of Directors of Mosenergo, the scope of functions of the Committee shall include the definition of criteria for selecting candidates for the Board of Directors as well as the preliminary evaluation of these candidates.
2.3.2.	The members of the Board of Directors shall be elected through a transparent procedure that allows shareholders to receive information about the candidates that is sufficient to form an opinion of their personal and professional qualities.	<ol style="list-style-type: none"> <li>Whenever a General Shareholders' Meeting was held during in the reporting period whose agenda included the issue of the election of the Board of Directors, the company provided the shareholders with the CVs of all candidates for members of the Board of Directors, the results of the evaluation of the candidates conducted by the Board of Directors (or the Nominating Committee), and information on each candidate's compliance with the independence criteria in accordance with recommendations 102–107 of the Code, as well as the written consent of the candidates for election to the Board of Directors.</li> </ol>	Partly complied with	Whenever a General Shareholders' Meeting was held during the reporting period whose agenda included the issue of the election of the Board of Directors, the company provided the shareholders with the CVs of all candidates for members of the Board of Directors, information on each candidate's compliance with the independence criteria, and the written consent of the candidates for election to the Board of Directors. According to the company's internal documents, during the general shareholder meeting the shareholders may receive information from candidates for the company's Board of Directors present at the meeting.
2.3.3.	The membership in the Board of Directors shall be balanced, including in terms of the qualifications of its members, their experience, knowledge and business qualities, and it shall enjoy the confidence of the shareholders.	<ol style="list-style-type: none"> <li>As part of the procedures for assessing the work of the Board of Directors carried out during the reporting period, the Board of Directors analyzed its own requirements in the area of professional qualifications, experience and business skills.</li> </ol>	Partly complied with	In the reporting period, the Board of Directors did not consider the issue of its needs pertaining to professional qualification, experience, and business skills. In accordance with the Regulations on the HR and Remuneration Committee of the Board of Directors of Mosenergo, the scope of functions of the Committee shall include the definition of criteria for selecting candidates for the Board of Directors as well as the preliminary evaluation of these candidates. It should be noted that the stable membership in the company's Board of Directors, representation of the company's major shareholders at the Board of Directors, and long working experience by members of the company's Board of Directors at major national companies point out to the high professional qualification, experience and business skills of members of the Board of Directors.
2.3.4.	The quantity of the members of the Board of Directors shall make it possible to organize the activities of the Board of Directors in the most efficient manner possible, including the possibility of the formation of the board committees, and it shall also provide the company's significant minority shareholders with an opportunity to elect to the Board of Directors a candidate they vote for.	<ol style="list-style-type: none"> <li>As part of the procedures for assessing the work of the Board of Directors carried out during the reporting period, the Board of Directors considered the issue of compliance of the quantity of the members of the Board of Directors with the company's requirements and the interests of shareholders.</li> </ol>	Partly complied with	In the reporting period, the company's Board of Directors did not consider correspondence of the number of members of the Board of Directors to the company's needs and shareholders' interests. Pursuant to article 66 clause 3 item 2 of the Federal Law "On joint-stock companies, in case of a joint-stock company with the number of shareholders holding voting shares in the company of over ten thousand shares, the number of members of the Board of Directors (supervisory board) of the company may not be less than nine. Pursuant to article 19 clause 19.5 of the Mosenergo's Articles of Association, the company's Board of Directors consists of 13 members, which means that the number of members of the Board of Directors corresponds to the company's needs and shareholders' interests.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>2.4. The Board of Directors shall include a sufficient number of independent directors.</b>				
2.4.1.	An independent director is a person who has sufficient professionalism, experience and independence to form its own position, is able to formulate objective and honest opinions, is independent from the influence of the company's executive bodies, individual groups of shareholders and other related parties. It should be taken into account that normally a candidate cannot be considered independent (elected member of the Board of Directors), if it is affiliated to the company, its substantial shareholder, substantial counterparty or competitor of the company or the state.	1. During the reporting period, all independent members of the Board of Directors met all the criteria for independence set out in the recommendations 102–107 of the Code or were recognized as independent by a decision of the Board of Directors.	Partly complied with	The Board of Directors, which was elected by the Decision of the General Shareholders' Meeting on May 31, 2016, included 4 independent members of the Board of Directors, incl. 2 members of the Board of Directors who met all the independence criteria and 2 members of the Board of Directors who were deemed independent by the Decision of the Board of Directors.
2.4.2.	An assessment of the compliance of candidates for the Board of Directors with the criteria for independence shall be carried out, along with a regular review of the compliance of independent members of the Board of Directors with the independence criteria. In conducting such an assessment, content should prevail over form.	1. In the reporting period, the Board of Directors (or the nomination committee of the Board of Directors) expressed an opinion about independence of each candidate for the Board of Directors and provided the relevant conclusion to the shareholders. 2. In the reporting period, the Board of Directors (or the nomination committee of the Board of Directors) considered at least once independence of the current members of the Board of Directors indicated by the company in the annual report as independent directors. 3. The company has developed procedures for determining the necessary actions of a member of the Board of Directors if he/she is no longer independent, including obligations of timely notification of the Board of Directors thereof.	Partly complied with	In the reporting period, the Board of Directors did not provided an opinion about independence of each candidate for the Board of Directors to the shareholders. In accordance with the Decision of the Board of Directors, information on candidates to the Board of Directors of the Company (including the information on the compliance of each candidate to the Board of Directors with the requirements for independent directors) was included in the information (materials) provided to persons entitled to participate in the annual General Shareholders' Meeting of the Company. In compliance with para. 4.3. of the Regulations on the Board of Directors of the Company, a Member of the Board of Directors of the Company shall disclose the following information to the Board of Directors of the Company, the Board of Internal Auditors of the Company, and the Auditor of the Company: - on legal entities in which it owns, individually or jointly with its affiliate(s), over 20 percent of voting shares (parts of shares); - on legal entities where it holds governing positions; - about the implemented or expected transactions, in which he or she can be recognized as a related party, whereof the Member of the Board of Directors of the Company is aware.
2.4.3.	Independent directors shall account for at least one third of all directors elected to the board.	1. Independent directors account for at least one third of all directors elected to the board.	Not complied with	Independent directors account for 4 of 13 Members of the Board of Directors of the Company elected by the General Shareholder's Meeting on May 31, 2016. Pursuant to the effective laws and the Company's Articles of Association, the Company's shareholders may nominate candidates to the company's Board of Directors.
2.4.4.	Independent directors play a key role in the prevention of internal conflicts within the company and in the company's performance of significant corporate actions.	1. Independent directors (who have no conflict of interest) provide a preliminary assessment of significant corporate actions related to possible conflicts of interest, and the results of that assessment are presented to the board.	Not complied with	The procedure for the preliminary assessment of material corporate actions related to a possible conflict of interest has not been established by independent directors. All the Members of the Board of Directors of the Company express their opinion on agenda issues by voting.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>2.5. The Chairman of the Board of Directors shall facilitate the most effective performance of the functions assigned to it.</b>				
2.5.1.	The Chairman of the Board of Directors is an independent director, or the elected independent directors select a senior independent director who coordinates the work of the independent directors and is responsible for communication with the Chairman of the Board of Directors.	1. The Chairman of the Board of Directors is an independent director or a senior independent director is selected from among the independent directors. 2. The role, rights and responsibilities of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are specified, as required, in internal documents.	Partly complied with	The Chairman of the Board of Directors is not an independent director. No senior independent director has been selected from among the independent directors.
2.5.2.	The Chairman of the Board of Directors ensures a constructive atmosphere for holding meetings, a free discussion of the issues included in the meeting agenda and supervises the execution of decisions taken by the Board of Directors.	1. The effectiveness of work of the Chairman of the Board of Directors is evaluated in the framework of the performance evaluation procedures for the Board of Directors during the reporting period.	Not complied with	Pursuant to article 21 clause 21.2 of the Company's Articles of Association, the Chairman of the company's Board of Directors organizes its work, convenes meetings of the company's Board of Directors, approves the agenda of the meetings and chairs at the meetings of the Board of Directors, organizes keeping minutes of the meetings, and chairs at the general shareholders' meeting. In the reporting period, the procedure for evaluation of the efficiency of the company's Board of Directors was not conducted.
2.5.3.	The Chairman of the Board of Directors takes necessary measures to provide, in a timely manner, members of the Board of Directors with information necessary for deciding on agenda items.	1. The duty of the Chairman of the Board of Directors to take steps to ensure the timely delivery of materials to members of the Board of Directors concerning items on the agenda of a meeting of the board is provided for in internal company documents.	Complied with	
<b>2.6. Board members act in good faith and reasonably in the interests of the company and its shareholders on the basis of sufficient information, with due care and diligence.</b>				
2.6.1.	Board members take decisions based on all available information, without any conflicts of interest, taking into account the equal treatment of the company's shareholders, within the framework of normal business risk.	1. According to the company's internal documents, a member of the Board of Directors must notify the Board of Directors if he or she has a conflict of interest in respect of any item on the agenda of a meeting of the board or of a board committee prior to the discussion of the relevant agenda item. 2. The company's internal documents provide that a board member must abstain from voting on any matter in which he or she has a conflict of interest. 3. The company has established a procedure that allows the Board of Directors to receive professional advice on matters within its competence at the company's expense.	Partly complied with	The company's internal documents do not set forth that a member of the Board of Directors must notify the Board of Directors of his/her conflict of interest, if any, with respect to any item of the agenda of the meeting of the Board of Directors or the committee of the Board of Directors before this agenda item is discussed. However, the company's internal documents set an obligation of a member of the Board of Directors to provide information permitting the company's management to detect a conflict of interest of a specific member of the Board of Directors when deciding on a specific item. As a result of this detection, the company's management forming materials relevant to the items on the agenda of the meeting of the Board of Directors points out to the conflict of interest of a specific member of the Board of Directors.
2.6.2.	The rights and obligations of members of the Board of Directors are clearly defined and enshrined in the company's internal documents.	1. The company has adopted and published an internal document that clearly stipulates the rights and responsibilities of members of the Board of Directors.	Complied with	

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
2.6.3.	Board members have sufficient time to perform their duties.	<ol style="list-style-type: none"> <li>Individual attendance at Board and committee meetings, as well as the time devoted to preparation for participation in such meetings, was taken into account as part of the Board of Directors assessment procedures during the reporting period.</li> <li>In accordance with the company's internal documents, members of the Board of Directors are required to notify the Board of their intention to be a part of the management bodies of other organizations (beyond those that are the company's subsidiaries or dependent organizations), as well as the fact of such appointments.</li> </ol>	Partly complied with	<p>In the reporting period, the procedure for evaluation of the efficiency of the company's Board of Directors was not conducted.</p> <p>A notice of convening the meetings of the company's Board of Directors as well as all necessary documents were sent at least 5 business days before they were held, and in case of voting by correspondence – at least 5 business days before voting ballots were provided to the company's Board of Directors.</p> <p>In accordance with the company's internal documents, members of the Board of Directors are required to notify the Board of their intention to be a part of the management bodies of other organizations (beyond those that are the company's subsidiaries or dependent organization's), as well as the fact of such appointments.</p>
2.6.4.	All members of the Board of Directors shall have equal access to the company's documents and information. Newly elected members of the Board of Directors shall, in the shortest possible time, be provided with sufficient information about the company and the work of the Board of Directors.	<ol style="list-style-type: none"> <li>In accordance with the company's internal documents, the members of the Board of Directors have the right of access to documents and to make inquiries concerning the company and its affiliates, and the company's executive bodies are required to provide relevant information and documents.</li> <li>The company has established a formalized program for introductory events for newly elected members of the Board of Directors.</li> </ol>	Partly complied with	<p>The company has no formalized program of get-acquainted sessions for newly elected members of the Board of Directors, but newly elected members of the Board of Directors, just as other members of the Board of Directors, may request all necessary information about the company's activities.</p> <p>In accordance with para. 4.7. of the Regulations on the Board of Directors of the Company, Mosenergo aspires to conduct training events for the members of the Board of Directors of the Company on a regular basis (at least once a year) in order to promote the development of competencies and to expand the knowledge of the members of the Board of Directors of the Company in certain areas. Moreover, an introductory program for newly elected members of the Board of Directors of the Company may be developed.</p>
<b>2.7. Meetings of the Board of Directors, preparations for them and the participation of board members therein shall ensure that the board works in an efficient manner.</b>				
2.7.1.	Meetings of the Board of Directors shall be held as necessary, taking into account the scale of operations and the tasks facing the company at a certain period of time.	1. The Board of Directors held at least six meetings during the reporting year.	Complied with	
2.7.2.	The company's internal documents must provide for procedures for the preparation of and holding board meetings that allow members of the Board of Directors to prepare adequately for such meetings.	1. The company has approved an internal document that specifies the procedure for the preparation of and holding board meetings, in which it is also established that the meeting shall be held upon at least a five days' prior notice.	Complied with	
2.7.3.	The format of each meeting of the Board of Directors is determined based on the importance of the items on its agenda. The most important issues are resolved at meetings of the Board of Directors held in person.	1. The company's Articles of Association or internal documents provide that the most important issues (according to the list provided in recommendation 168 of the Code) should be considered at in-person Board meetings.	Not complied with	In accordance with the Company's internal documents, the Chairman of the Board of Directors (or the Deputy Chairman of the Board of Directors in the absence of the Chairman) determines the form of the meeting of the Board of Directors taking into account the importance of the agenda items.
2.7.4.	Decisions on the most important issues concerning the company's activities shall be taken at a meeting of the Board of Directors by a qualified majority or a majority of all the elected members of the Board of Directors.	1. The company's Articles of Association provides that decisions on the most important issues outlined in recommendation 170 of the Code should be taken at a meeting of the Board of Directors by a qualified majority of not less than three fourths of the votes or by a majority of all the elected members of the Board of Directors.	Partly complied with	At a meeting of the Board of Directors of the Company, decisions are adopted by a majority vote of the members of the Board of Directors who participate in the meeting unless otherwise provided for in the Federal Law "On Joint-Stock Companies," while discarding the votes of retired members of the Board of Directors.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>2.8. The Board of Directors shall form committees for preliminary consideration of the most important issues related to the company's activities.</b>				
2.8.1.	For the preliminary consideration of issues related to the control of the company's financial and economic activities, an audit committee shall be established that is composed of independent directors.	<ol style="list-style-type: none"> <li>The Board of Directors has formed an Audit Committee composed entirely of independent directors.</li> <li>The company's internal documents stipulate the Audit Committee's tasks, including those tasks outlined in recommendations 172 of the Code.</li> <li>At least one member of the Audit Committee, who is an independent director, has experience and expertise in the preparation, analysis, evaluation and auditing of financial statements.</li> <li>Meetings of the Audit Committee took place at least once a quarter during the reporting period.</li> </ol>	Partly complied with	In the reporting period, 2 meetings of the Audit Committee of the Company's Board of Directors were held. The Audit Committee established on September 30, 2016 consisted of independent directors.
2.8.2.	For preliminary consideration of issues related to the formation of effective and transparent remuneration practices, a remuneration committee was established that consists of independent directors and is chaired by an independent director who is not the Chairman of the Board of Directors.	<ol style="list-style-type: none"> <li>The Board of Directors set up a Remuneration Committee that consists solely of independent directors.</li> <li>The Chairman of the Remuneration Committee is an independent director who is not the Chairman of the Board of Directors.</li> <li>The company's internal documents stipulate the Remuneration Committee's tasks, including those tasks outlined in recommendations 180 of the Code.</li> </ol>	Partly complied with	The HR and Remuneration Committee established on September 30, 2016 consisted of independent directors. Functions of the Committee set forth in the Company's internal documents do not fully comply with the recommendations of the Corporate Governance Code.
2.8.3.	For preliminary consideration of issues related to the implementation of staff planning (succession planning) and the professional composition and performance of the Board of Directors, a committee on nominations (appointments, human resources) was established, most of whose members are independent directors.	<ol style="list-style-type: none"> <li>The Board of Directors has set up the nomination committee (its objectives stated in recommendation 186 of the Code are achieved within the other committee 40), most members of which are independent directors.</li> <li>The company internal documents stipulate the tasks of the nominating committee (or the relevant committee with combined functions), including the tasks outlined in recommendation 186 of the Code.</li> </ol>	Partly complied with	See para. 2.8.2.
2.8.4.	Given the scope and risk level, the Board of Directors determined that the members of its committees fully meet the company's goals of activities. Additional committees were either formed or are not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, committee on health, safety and the environment etc.).	1. During the reporting period, the company's Board of Directors considered the matter of the compliance of the members of its committees with Board's tasks the objectives of the company's activities. Additional committees were either formed or were deemed unnecessary.	Partly complied with	During the reporting period, the Board of Directors considered correspondence of members of its committees to the objectives of the Board of Directors and goals of the company's activities. As a result of consideration, the strategy and investment committee and the reliability committee were set up.
2.8.5.	The members of the committees are determined in such a way that it allows for a comprehensive discussion of issues beforehand, taking into account different views.	<ol style="list-style-type: none"> <li>Committees of the Board of Directors are chaired by independent directors.</li> <li>The company's internal documents (policies) include provisions under which individuals who are not members of the Audit Committee, the Nominating Committee or the Remuneration Committee may attend committee meetings only at the invitation of the Chairman of the relevant committee.</li> </ol>	Partly complied with	Audit and HR and Remuneration Committees of the Board of Directors of the Company, whose members were elected on September 30, 2016, were chaired by independent directors. The strategy and investment committee and the reliability committee were chaired by directors who were not independent directors.
2.8.6.	The committee chairmen shall regularly inform the Board of Directors and its Chairman on the work of its committees.	1. During the reporting period, the chairmen of the committees reported regularly to the Board of Directors on the work of the committees.	Partly complied with	Information about the results of consideration of the agenda items (if necessary) at the meeting of the Board of Directors are sent along with materials relevant to the agenda items to members of the company's Board of Directors.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>2.9.</b>	<b>The Board of Directors shall ensure that the quality of its work and that of its committees and its members is assessed.</b>			
2.9.1.	Assessment of the quality of the work of the Board of Directors aimed at determining the degree of the effectiveness of the work of the Board of Directors, its committees and board members, the compliance of their work with the company's development needs, intensification of the work of the Board of Directors and identifying areas in which their work can be improved.	1. The self-assessment and external evaluation of the Board of Directors carried out during the reporting period included an evaluation of the work of the committees, individual board members and the Board of Directors as a whole. 2. The results of self-assessment or external assessment of the Board of Directors carried out during the reporting period were discussed at an in-person meeting of the Board of Directors.	Not complied with	During the reporting period, there was neither self-evaluation nor external evaluation of the work of the Board of Directors, including the work of its committees.
2.9.2.	The work of the Board of Directors, its committees and board members is assessed on a regular basis, at least once a year. To conduct an independent assessment of the quality of the Board of Directors' work, by a third-party entity (consultant) is engaged at least once every three years.	1. To conduct an independent assessment of the quality of the Board of Directors' work during the last three reporting periods, the company engaged a third-party entity (consultant) at least once.	Complied with	
<b>3.1</b>	<b>The company's corporate secretary is responsible for efficient ongoing interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders and support for the efficient work of its Board of Directors.</b>			
3.1.1.	The corporate secretary possesses knowledge, experience, and qualification sufficient for fulfilling his/her duties, an impeccable reputation, and is trusted by the shareholders.	1. The Company has adopted and disclosed the internal document: the Regulation on the Corporate Secretary. 2. The Company's Internet website and the annual report provide biographical information about the Corporate Secretary. The same level of detail is provided about the members of the Company's Board of Directors and executive management.	Partly complied with	The Company has approved the Regulations on the Company's Corporate Secretary. The Company's website and the annual report provide biographical information about the Corporate Secretary. The same level of detail is provided about the members of the Company's Board of Directors
3.1.2.	The corporate secretary is sufficiently independent of the company's executive bodies, and has been invested with the necessary powers and resources to carry out its assigned tasks.	1. The Board of Directors approves the appointment and dismissal of the corporate secretary, as well as decisions to pay additional remuneration to the corporate secretary.	Complied with	
<b>4.1.</b>	<b>The amount of remuneration paid by the company shall be sufficient to enable it to attract, motivate and retain employees who have the required skills and qualifications. Remuneration shall be paid to board members, executive bodies and other key managers of the company in accordance with the remuneration policy adopted by the company.</b>			
4.1.1.	The level of remuneration paid by the company to members of the Board of Directors, executive bodies and other key managers adequately motivates their efficient work, permitting the company to attract and retain competent and qualified specialists. This allows the company to avoid having to pay an amount of remuneration that is more than necessary, and it prevents the formation of unjustifiably large gaps in the level of remuneration between these officials and company employees.	1. The company has adopted internal document(s) (policy/policies) regulating the remuneration for members of the Board of Directors, executive bodies and other key executives, which clearly stipulate approaches to the remuneration of these individuals.	Complied with	
4.1.2.	The company's remuneration policy is determined by the remuneration committee and approved by the Board of Directors. The Board of Directors, with the support of the remuneration committee, monitors the introduction and implementation of the company's remuneration policy, and if necessary it reviews and makes adjustments to it.	1. During the reporting period, the remuneration committee reviewed the remuneration policy (policies) and the policy regulating its (their) implementation; if necessary, it presented appropriate recommendations to the Board of Directors.	Not complied with	During the reporting period, the remuneration committee did not review the remuneration policy (policies) and the policy regulating its (their) implementation.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
4.1.3.	The company's remuneration policy provides transparent mechanisms for determining the amount of remuneration for members of the Board of Directors, executive bodies and other key executives of the company, and it also regulates all types of payments, benefits and privileges provided to such individuals.	1. The company's remuneration policy (policies) contains (contain) transparent mechanisms for determining the remuneration of members of the Board of Directors, executive bodies and other key executives of the company, and it (they) also regulates (regulate) all kinds of payments, benefits and privileges provided to such individuals.	Complied with	
4.1.4.	The company's remuneration policy provides transparent mechanisms for determining the amount of remuneration for members of the Board of Directors, executive bodies and other key executives of the company, and it also regulates all types of payments, benefits and privileges provided to such individuals.	1. The company's remuneration policy (policies) contains (contain) transparent mechanisms for determining the remuneration of members of the Board of Directors, executive bodies and other key executives of the company, and it (they) also regulates (regulate) all kinds of payments, benefits and privileges provided to such individuals.	Complied with	
<b>4.2.</b>	<b>The system for remuneration for members of the Board of Directors shall ensure that the financial interests of the directors are in line with the long-term financial interests of shareholders.</b>			
4.2.1.	The company pays fixed annual remuneration to the members of the Board of Directors.  The company does not pay a remuneration for participation in meetings of the board or board committees.  The company does not use short-term incentives or additional material incentives for members of the Board of Directors.	1. Fixed annual remuneration was the only monetary form of remuneration to members of the Board of Directors for work at the Board of Directors during the reporting period.	Not complied with	According to the Regulations on determination of the amount of remuneration and compensations to members of the company's Board of Directors, remuneration to members of the Board of Directors consists of basic and additional remuneration. The basic remuneration component constitutes remuneration paid to members of the Company's Board of Directors for their participation in meetings of the Board of Directors. The additional remuneration component is paid to members of the Company's Board of Directors according to the results of the financial year, in the event of the Company generating a net profit.  The decision to pay the additional component of the remuneration to the members of the Board of Directors shall be approved by the General Shareholders' Meeting of the Company. The decision of the General Shareholders' Meeting of the Company on payment of the additional component of remuneration to the members of the Board of Directors shall determine the total amount of such remuneration.
4.2.2.	Long-term holding of company shares has been the most conducive to ensuring the convergence of the financial interests of the members of the Board of Directors with the long-term interests of shareholders. The company does not make the right to dispose of shares dependent on the achievement of certain performance results, and board members do not participate in option programs.	1. If the internal document(s) – remuneration policy (policies) of the company stipulates granting of the company's shares to members of the Board of Directors, clear rules of shares possession by members of the Board of Directors aimed at stimulating long-term holding of such shares must be provided and disclosed.	Not complied with	According to the Regulations on determination of the amount of remuneration and compensations to members of the company's Board of Directors, the procedures and the conditions for the transfer of Company's shares shall be determined by the provisions of the agreement entered into by and between the members of the Company's Board of Directors and the Company.
4.2.3.	The company pays no additional payments or compensations in case of early termination of powers of members of the Board of Directors due to change of control over or other circumstances.	1. The company pays no additional payments or compensations in case of early termination of powers of members of the Board of Directors due to change of control or other circumstances.	Complied with	

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>4.3.</b>	<b>The system of remuneration due to members of the executive bodies and other key company managers provides that their remuneration is dependent on the company's performance results and their personal contributions to achieving these.</b>			
4.3.1.	Remuneration for members of executive bodies and other key executives at the company shall be determined in such a way as to provide a reasonable and justified ratio between their base salary and variable remuneration depending on the company's results and the personal (individual) contribution of each employee to the final result.	1. During the reporting period, the annual performance indicators approved by the Board of Directors were used to determine the amount of variable compensation for members of executive bodies and other key executives at the Company. 2. In the course of the last evaluation of the system of remuneration for members of executive bodies and other key executives at the Company, the Board of Directors (the Compensation Committee) confirmed that the Company employed an effective ratio of base salary to variable compensation. 3. The Company has established a procedure that provides for the return of bonuses that were unlawfully obtained by members of the executive bodies and other key executives at the Company.	Complied with	
4.3.2.	The company has established long-term incentive program for members of the executive bodies and other key company executives using the company's shares (options or other derivative instruments whose underlying asset is company shares).	1. The Company has established a long-term incentive program for members of the executive bodies and other key management employees of the Company using the Company's shares (financial instruments based on Company shares). 2. The long-term incentive program for members of executive bodies and other key executives at the Company provides that the right to sell shares and other financial instruments that are granted within the program shall not be granted less than three years from the date that such shares or instruments are awarded. The right to sell shares is conditional upon the company's achievement of certain performance indicators.	Not complied with	The company has not adopted so far a program of long-term motivation for members of the executive bodies and other key managers of the company using the company's shares (financial instruments based on the company's shares).
4.3.3.	The amount of compensation (golden parachute) that is paid by the company in the event of the early termination of members of the executive bodies or key executives at the initiative of the company and in the absence of any actions taken by the employees themselves that were not in good faith shall not exceed two times the base salary that is paid as part of the annual compensation package.	1. The amount of compensation (golden parachute) that is paid by the company in the event of the early termination of members of the executive bodies or key executives at the initiative of the company and in the absence of any actions taken by the employees themselves that were not in good faith did not, during the reporting period, exceed two times the base salary that is paid as part of the annual compensation package.	Complied with	

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>5.1.</b>	<b>The company has established an efficient risk management and internal control system that is designed to provide reasonable assurance that the company's goals will be achieved.</b>			
5.1.1.	The Board of Directors determines basic principles and approaches to organization of risk management and internal control of the Company	1. Functions of different governing bodies and subdivisions of the company in the risk management and internal control system are clearly determined in the company's internal documents/relevant policy approved by the Board of Directors.	Partly complied with	The Company has determined functions of different governing bodies and subdivisions in the risk management system. The Company has not determined functions of different structural subdivisions in the risk management system. However, the company has the following internal documents approved by the company's Board of Directors: 1. Risk management policies; 2. Regulations on Risk Management at Mosenergo; 3. Regulations on the Audit Committee of the Board of Directors of Mosenergo; 4. Regulations on the Reliability Committee of the Board of Directors of Mosenergo; 5. Regulations on the Strategy and Investment Committee of the Board of Directors of Mosenergo; 6. Company's Internal Control Regulation; 7. Regulations on Internal Audit Management at Mosenergo.
5.1.2.	The company's executive bodies shall ensure the establishment and maintenance of an effective system of risk management and internal control at the company.	1. The company's executive bodies ensure the distribution of functions and powers with respect to risk management and internal control between managers (heads) of subdivisions and units reporting to them.	Partly complied with	A specific internal document does not regulate the distribution of functions and powers with respect to management of risk between managers (heads) of subdivisions and departments reporting to the company's executive bodies. The company has the Mosenergo Risk Management Policy and the Mosenergo Risk Management Regulation approved by the Board of Directors.
5.1.3.	The company's risk management and internal control system provides for an objective, fair and clear picture of the company's current state and prospects, the integrity and transparency of the company's reporting, and the reasonableness and acceptability of the risks taken by the company.	1. The Company has approved a policy on combating corruption. 2. The Company provides an accessible way of notifying the Board of Directors or the Board's audit committee about violations of the law, internal procedures, and the Company's code of conduct.	Partly complied with	No separate internal document regulates the anti-corruption policy of the Company. Anti-corruption policy of the Company is partially regulated by the following documents: • Corporate Protection Management Regulation of Mosenergo; • Code of conduct; • Regulations on procurement of goods, work, and services; • Regulations on audits of inventories suppliers. The company has the hotline for counteracting fraud, corruption, and thefts at the Gazprom Group. Moreover, within the framework of risk management and internal control, provision is made for a set of measures that are designed to prevent corruption.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
5.1.4.	The Board of Directors takes necessary measures to ensure that the company's current risk management and internal control system complies with the principles and approaches determined by the Board of Directors to ensure that such system is organized and functions effectively.	1. During the reporting period, the Board of Directors or its audit committee evaluated the effectiveness of the company's risk management and internal control system. Information about the main findings of this evaluation is included in the company's annual report.	Partly complied with	In the reporting period, the company's Board of Directors or the audit committee of the Board of Directors did not consider evaluating the efficiency of the company's risks management and internal control system. Information about the main results of such evaluation is not included in the company's annual report.  In accordance with the Risk Management Policy of Mosenergo approved by the Board of Directors dated December 28, 2016, the Board of Directors of the Company considers the results of the evaluation of the functioning of the risk management system. The Audit Committee supervises the reliability and efficiency of the risk management system, including the assessment of the efficiency of risk management procedures and the preparation of suggestions for its improvement
<b>5.2.</b>	<b>The company organizes an internal audit to ensure the regular independent evaluation of the reliability and effectiveness of the risk management and internal control system and corporate governance practice.</b>			
5.2.1.	The company has created a separate structural unit or contracted an independent external organization to conduct the internal audit. The functional and administrative reporting relationship of the internal audit unit has been established. Functionally, the internal audit unit is subordinate to the Board of Directors.	1. The company has created a separate structural unit to conduct internal audits that is functionally subordinate to the Board of Directors or the audit committee or it has engaged an independent external organization with the same subordinate status to conduct internal audits.	Complied with	
5.2.2.	The internal audit unit evaluates the effectiveness of the internal control system and assesses the effectiveness of the risk management and corporate governance systems. The company employs generally accepted standards in the field of internal auditing.	1. During the reporting period, the effectiveness of internal control and risk management functions were assessed as part of the internal audit process. 2. The Company uses generally accepted approaches to internal control and risk management.	Partly complied with	During the reporting period, the efficiency of the risk management system was not evaluated as part of conducting an internal audit.
<b>6.1.</b>	<b>The company and its activities are transparent to shareholders, investors and stakeholders.</b>			
6.1.1.	The Company has developed and implemented an information policy that ensures effective communication of information between the company and its shareholders, investors, and other stakeholders.	1. The Board of Directors of the Company has developed and implemented an information policy ensuring the efficient information interaction of the company, shareholders, investors, and other interested parties. 2. The company's Board of Directors has approved its information policy developed by taking into account the recommendations of the Code.	Partly complied with	The Company has approved its Information Policy Regulation, which does not fully conform to the recommendations of the Code. The Board of Directors (or one of its Committees) did not consider issues associated with the Company's compliance with its information policy in the reporting period.
6.1.2.	The company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	1. The Company discloses information on the system of corporate governance and the general principles of corporate governance that are applied at the Company, including on the company's website. 2. The company discloses information about members of the executive bodies and the Board of Directors, independence of members of the board and their membership in the committees of the Board of Directors (as defined by the Code). 3. In the case that a person should assume control of the Company, the Company publishes a memorandum by the controlling person concerning the plans of this person for the corporate governance of the Company.	Partly complied with	The Company did not publish a memorandum by the controlling entity concerning the plans of this entity for the corporate governance of the Company.

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>6.2.</b>	<b>The Company discloses, in a timely manner, full, relevant, and accurate information about the company so that the company's shareholders and investors could make well-grounded decisions.</b>			
6.2.1.	The company discloses information in accordance with the principles of regular publication, consistency, timeliness, as well as accessibility, accuracy, completeness and comparability of the data disclosed.	1. The Company's information policy defines approaches and criteria for determining the information that could materially affect the Company's valuation, the value of its securities, and the procedures that ensure the timely disclosure of such information. 2. If the Company's securities are traded on foreign organized markets, then equivalent material information was disclosed in the Russian Federation and on these foreign markets at the same time during the reporting year. 3. If foreign shareholders hold a substantial number of shares in the company, then during the reporting year information was disclosed not only in Russian, but also one of the most common foreign languages.	Complied with	
6.2.2.	The company avoids taking a formal approach to the disclosure of information, and it discloses important information about its activities even when such disclosure is not required by law.	1. During the reporting period, the company disclosed its annual and semi-annual financial statements prepared in accordance with IFRS. The company's annual report for the reporting period included annual financial statements that were prepared in accordance with IFRS, along with the auditor's report. 2. The company discloses in its annual report on its website full information on its capital structure in accordance with recommendation 290 of the Code.	Complied with	
6.2.3.	The annual report, which is one of the most important tools for sharing information with shareholders and other stakeholders, contains information that makes it possible to assess the company's activities for the year.	1. The Company's annual report provides information on the key aspects of the Company's operating activities and its financial results 2. The Company's annual report contains information about the environmental and social aspects of the Company's activity.	Complied with	
<b>6.3.</b>	<b>The company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered access.</b>			
6.3.1.	The company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered access.	1. The company's information policy stipulates a non-burdensome procedure for providing shareholders with access to information, including information about the company's subsidiaries, at the request of shareholders.	Complied with	
6.3.2.	When the company provides information to shareholders, it ensures a reasonable balance between the interests of specific shareholders and the interest of the company itself in ensuring confidentiality of proprietary information that could have a material impact on its competitiveness.	1. During the reporting period, the Company never refused to satisfy shareholder requests for information, or if it did refused any requests, such refusals were justified. 2. In cases determined by the Company's information policy shareholders are warned about the confidential nature of the information that is disclosed and take responsibility to preserve its confidentiality.	Complied with	

No n/n	Basic corporate governance principles	Criteria for assessing compliance with the relevant corporate governance principle	Status of compliance with the relevant corporate governance principle	Explanation of non-compliance with criteria of evaluation of compliance with the corporate governance principle
<b>7.1.</b>	<b>Any actions that will or may have material effect on the company's share capital structure and its financial position and, subsequently, the position of its shareholders ("material corporate actions") shall be taken on fair terms and conditions ensuring that rights and interests of the shareholders as well as other stakeholders are observed.</b>			
7.1.1.	Material corporate actions include the reorganization of the company, the acquisition of 30 percent or more of voting shares (takeover), material transactions by the company, an increase or decrease in the company's share capital, the listing and delisting of company shares, as well as other actions that could lead to a significant change in the rights of shareholders or a violation of their interests. The company's Articles of Association include a list of (criteria) transactions or other actions falling within the category of material corporate actions. These actions fall within the competence of the company's Board of Directors.	1. The company's Articles of Association determine a list of transactions or other actions, which are material corporate actions, and criteria for their definition. Decisions regarding material corporate actions fall within the competence of the Board of Directors. In cases where the authority to take such corporate actions falls under the competence of the General Shareholders' Meeting, the Board of Directors provides shareholders with appropriate recommendations. 2. The company's Articles of Association define material corporate actions as at least the company's reorganization, acquisition of 30 and more percent of the company's voting shares (takeover), important transactions carried out by the company, the company's authorized capital increase or decrease, listing and delisting of the company's shares.	Complied with	
7.1.2.	The Board of Directors plays a key role in making decisions or developing recommendations about significant corporate actions. The Board of Directors relies on the position of the company's independent directors.	1. The company has stipulated a procedure under which the independent directors declare their positions on material corporate actions prior to their approval.	Not complied with	The company has no procedure under which the independent directors declare their positions on material corporate actions prior to their approval. All the Members of the Board of Directors of the Company express their opinion on agenda issues by voting.
7.1.3.	When completing material corporate actions that affect the rights and legal interests of shareholders, equal conditions are provided for all company shareholders. If the mechanisms protecting the legal rights of shareholders are insufficient, then further measures to protect the rights and legal interests of the company's shareholders are provided. The company is governed not only by compliance with the formal requirements of the law, but also by the principles of corporate governance set out in the Code.	1. Considering the nature of the Company's business, the Company's Articles of Association establish lower criteria than the minimum provided for under the laws for classifying the Company's transactions as material corporate actions. 2. During the reporting period, all material corporate actions were approved before they were carried out.	Complied with	
<b>7.2.</b>	<b>The Company has established a procedure governing material corporate actions that allows shareholders to receive timely and complete information on such actions, provides them with an opportunity to influence decision-making on such actions and ensures compliance with and an adequate level of protection of their rights in the performance of such actions.</b>			
7.2.1.	Information about material corporate actions is disclosed together with the reasons, conditions and consequences of such actions.	1. During the reporting period, the Company promptly and thoroughly disclosed information on the Company's material corporate actions, including the reasons and timing of such actions.	Complied with	
7.2.2.	The rules and procedures governing material corporate actions taken by the company are provided for in the company's internal documents.	1. The Company's internal documents provide for the procedure governing the hiring of an independent appraiser to determine the value of property that is alienated or acquired under a major transaction or a related party transaction. 2. The Company's internal documents provide for the procedure of hiring an independent appraiser to assess the value of shares that are acquired or redeemed by the Company. 3. The company's internal documents have established an expanded list of grounds on which the members of the Board of Directors and other persons referred to in respective laws are deemed related parties in the Company's transactions.	Partly complied with	The Company's internal documents do not provide for an expanded list of grounds on which the members of the Board of Directors and other persons determined by the laws are deemed related parties in the Company's transactions.

## 10.4 FINANCIAL STATEMENTS ACCORDING TO IFRS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN MILLIONS OF RUSSIAN ROUBLES)

	Note	31 December 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	222,659	229,348
Investment property	6	3,180	1,323
Investments in associates	8	669	3,978
Advances for acquisition of property, plant and equipment		1,012	1,933
Long-term financial assets	9	3,171	3,180
Trade and other receivables	10	17,507	14,284
Other non-current assets	11	9,258	10,707
<b>Total non-current assets</b>		<b>257,456</b>	<b>264,753</b>
<b>Current assets</b>			
Cash and cash equivalents	12	10,097	5,666
Short-term financial assets	9	15,057	894
Trade and other receivables	10	47,631	49,442
Inventories	13	9,552	8,361
Income tax receivable		143	668
Other current assets	11	893	394
		83,373	65,425
Assets classified as held for sale	7	445	229
<b>Total current assets</b>		<b>83,818</b>	<b>65,654</b>
<b>Total assets</b>		<b>341,274</b>	<b>330,407</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	166,124	166,124
Treasury shares		(871)	(871)
Share premium		49,213	49,213
Revaluation surplus		107,442	107,803
Accumulated loss		(76,475)	(90,400)
<b>Total equity</b>		<b>245,433</b>	<b>231,869</b>
<b>Non-current liabilities</b>			
Non-current borrowings	15	21,549	45,857
Deferred tax liabilities	25	28,025	27,780
Employee benefits	16	368	376
Trade and other payables	17	539	4,801
<b>Total non-current liabilities</b>		<b>50,481</b>	<b>78,814</b>
<b>Current liabilities</b>			
Current borrowings and current portion of non-current borrowings	15	21,453	3,113
Trade and other payables	17	11,164	12,948
Income tax payable		3,985	790
Other taxes payable	18	3,351	1,070
Provisions	19	5,407	1,803
<b>Total current liabilities</b>		<b>45,360</b>	<b>19,724</b>
<b>TOTAL LIABILITIES</b>		<b>95,841</b>	<b>98,538</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>341,274</b>	<b>330,407</b>

Managing Director

A.A. Butko

Chief Accountant

E.Y. Novenkova

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Sales	20	190 656	171 163
Operating expenses	21	(167 467)	(159 415)
Charge for impairment and other provisions, net	22	(7 553)	(13 663)
<b>Operating profit/(loss)</b>		<b>15 636</b>	<b>(1 915)</b>
Gains from disposal of subsidiaries and associates	23	922	1 460
Share of net loss of associates	8	(495)	-
Gains on disposal of available-for-sale financial assets		1	1
<b>Profit/(Loss) before interest and taxation</b>		<b>16 064</b>	<b>(454)</b>
Financial income	24	8 312	8 940
Financial expenses	24	(3 927)	(10 883)
<b>Profit/(loss) before income tax</b>		<b>20 449</b>	<b>(2 397)</b>
Income tax (expense)/benefit	25	(7 011)	619
<b>Profit/(loss) for the period</b>		<b>13 438</b>	<b>(1 778)</b>
Losses arising from change in fair value of available-for-sale financial assets		(2)	-
Losses arising from change in fair value of assets held for sale	7	(1)	-
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(3)</b>	<b>-</b>
Impairment of property, plant and equipment	5	-	(4 479)
Remeasurement of post employee benefit obligation	16	2	(64)
Effect of acquisition under common control	4,25	2 335	(3 745)
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>2 337</b>	<b>(8 288)</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>2 334</b>	<b>(8 288)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>15 772</b>	<b>(10 066)</b>
Profit/(loss) attributable to:			
Equity holders of the Group		13 438	(1 796)
Non-controlling interest		-	18
<b>Total comprehensive income/(loss) is attributable to:</b>			
<b>Equity holders of the Group</b>		<b>15 772</b>	<b>(10 084)</b>
<b>Non-controlling interest</b>		<b>-</b>	<b>18</b>
<b>Basic and diluted earnings / (loss) per share (in Russian Roubles)</b>	<b>26</b>	<b>0,34</b>	<b>(0,04)</b>

Managing Director

Chief Accountant



A.A. Butko



E.Y. Novenkova

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2016	Year ended 31 December 2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Profit / (loss) before income tax</b>		<b>20,449</b>	<b>(2,397)</b>
Adjustments for:			
Depreciation of property, plant and equipment	5	15,067	18,585
Financial income	24	(8,302)	(8,926)
Financial expenses	24	3,927	10,883
Loss on disposal of associates	8,23	29	-
Trade and other receivables impairment loss	22	4,763	1,740
Loss on disposal of property, plant and equipment, assets classified as held for sale	21	297	300
Gain on disposal of subsidiaries	23	(951)	(1,460)
Share of loss of associates	8	495	-
Dividend income	21	(90)	-
Impairment of property, plant and equipment	5,22	-	10,282
Increase in provisions	19	2,267	1,640
Losses arising from change in fair value of available-for-sale financial assets, net of tax	22	19	-
Increase in slow moving inventory provision	22	504	-
Other	21	-	(21)
<b>Cash flows from operations before working capital changes</b>		<b>38,474</b>	<b>30,626</b>
Change in trade and other receivables		(3,180)	(8,269)
Change in inventories		(1,721)	(810)
Change in other current and non-current assets		(364)	(24)
Change in taxes payables (other than income tax)		2,304	138
Change in trade and other payables		(1,449)	2,005
Change in employee benefit liabilities		(35)	77
Change in provisions		-	(24)
Cash flows from from operating activities before income taxation and interest paid		34,029	23,719
Income tax paid		(2,259)	(1,657)
Interest paid		(80)	(151)
<b>Net cash flows from operating activities</b>		<b>31,690</b>	<b>21,911</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of assets classified as held for sale		213	77
Net changes in loans issued		198	-
Interest received		118	200
Disposal of subsidiaries, net of cash acquired		(504)	(170)
Dividend received		78	33
Acquisition of property, plant and equipment		(8,192)	(23,145)
Interest paid and capitalised		(2,919)	(3,285)
Grid connections		1,853	(1,368)
Bank deposits more than three months placement		(14,513)	2,643
<b>Cash flows used in investing activities</b>		<b>(23,668)</b>	<b>(25,015)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		868	2,137
Repayment of borrowings		(2,239)	(2,662)
Dividend paid		(2,210)	(396)
<b>Cash flows used in financing activities</b>		<b>(3,581)</b>	<b>(921)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(10)	14
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>4,431</b>	<b>(4,011)</b>
Cash and cash equivalents at the beginning of the period	12	5,666	9,677
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>10,097</b>	<b>5,666</b>

Managing Director

Chief Accountant



A.A. Butko



E.Y. Novenkova

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital
<b>Balance at 1 January 2015</b>		<b>166,124</b>
The effect of changes in accounting policies		
<b>Balance at 1 January 2015</b>		<b>166,124</b>
Profit/(loss) for the period		-
Other comprehensive loss/(income) for the period:		
Effect of acquisition under common control		-
Remeasurement of post employee benefit liabilities	16	-
Impairment of property, plant and equipment	5	-
Transfers from revaluation surplus to retained earnings		-
<b>Total comprehensive income(loss) for the period</b>		<b>-</b>
Changes in non-controlling interest in subsidiaries		-
Dividends to shareholders		-
<b>Balance at 31 December 2015</b>		<b>166,124</b>
<b>Balance at 1 January 2016</b>		<b>166,124</b>
The effect of changes in accounting policies		
<b>Balance at 31 December 2015</b>		<b>166,124</b>
Profit for the period		-
Other comprehensive (loss)/income for the period:		
Effect of acquisition under common control	4,25	-
Change in fair value of available-for-sale financial assets		-
Remeasurement of post employee benefit obligation	16	-
Change in fair value of assets held for sale	7	-
Transfers from revaluation surplus to retained earnings		-
<b>Total comprehensive (loss)/income for the period</b>		<b>-</b>
Change of controlling interest in subsidiaries		-
Dividends to shareholders		-
<b>Balance at 31 December 2016</b>		<b>166,124</b>

Treasury stock	Share premium	Revaluation surplus	Accumulated loss	Total	Non-controlling interest	Total Equity
(871)	49,213	121,204	(94,503)	241,167	528	241,695
		(8,249)	8,249	-	-	-
(871)	49,213	112,955	(86,254)	241,167	528	241,695
-	-	-	(1,796)	(1,796)	18	(1,778)
-	-	-	(3,745)	(3,745)	-	(3,745)
-	-	(64)	-	(64)	-	(64)
-	-	(4,479)	-	(4,479)	-	(4,479)
-	-	(526)	526	-	-	-
-	-	(5,069)	(5,015)	(10,084)	18	(10,066)
-	-	(83)	1,254	1,171	(546)	625
-	-	-	(385)	(385)	-	(385)
(871)	49,213	107,803	(90,400)	231,869	-	231,869
(871)	49,213	116,578	(99,175)	231,869	-	231,869
		(8,775)	8,775	-	-	-
(871)	49,213	107,803	(90,400)	231,869	-	231,869
-	-	-	13,438	13,438	-	13,438
-	-	-	2,335	2,335	-	2,335
-	-	(2)	-	(2)	-	(2)
-	-	2	-	2	-	2
-	-	(1)	-	(1)	-	(1)
-	-	(360)	360	-	-	-
-	-	(361)	16,133	15,772	-	15,772
-	-	-	2	2	-	2
-	-	-	(2,210)	(2,210)	-	(2,210)
(871)	49,213	107,442	(76,475)	245,433	-	245,433

Managing Director

Chief Accountant


  
A.A. Butko


  
E.Y. Novenkova

## 10.5 GLOSSARY

ADR	American depository receipt	ST	Steam Turbine
NPP	Nuclear power plant	RAS	Russian accounting standards
SPHPP	Pumped-storage hydro power plant	DAM	Day ahead market (a sector of the electricity market)
GDR	Global depository receipt	RHP	Regional Heating Plant
SDPP	State-owned district power plant	REC	Regional Energy Commission
GTU	Gas turbine unit	BoD	Board of Directors
SPP	State Power Plant	SO UES	System operator of the unified energy system
VMI	Voluntary medical insurance	t/e	Thermal energy
FFZ	Free power transfer zone	EA, IS & EP	Department of engineering audit, industrial safety and environmental protection
CF	Capacity factor	TPP	Thermal power plant
CN mode	Condensing mode	FTS	Federal Tariff Service
IT	Integrated testing	FFMS	Federal Financial Markets Service
EC	Efficiency coefficient	RF CB	Russian Federation Central Bank
KPI	Key performance indicator	e/e	Electric power
DHP	District Heating Plant		
PJSC "MOEK"	Moscow Integrated Power Company		
IFRS	International financial reporting standards		
PPP	Private pension provision		
PPF	Private pension fund		
AI	Accident insurance		
WGC	Power generating company of the wholesale market		
WEM	Wholesale Electricity Market		
PWHB	Peak water-heating boiler		
SGU	Steam-and-gas unit		
CT	Commissioning trials		
SUW	Start-up works		
SPE	Steam-power equipment		

### UNITS OF MEASUREMENT

Gcal	(Giga calorie): unit of measurement of heat
Gcal/h	(Giga calories per hour): unit of measurement of thermal power
kV	(kilo Volt): unit of measurement of voltage
kWh	(kilo Watt hour): unit of measurement of electric power
MW	(Mega Watt): unit of measurement of electric power
tnf	tons of natural fuel
tfe	tons fuel equivalent

## 10.6 CONTACT INFORMATION

### INVESTOR RELATIONS DEPARTMENT:

**Denis Voronchikhin**

Senior Expert

Phone number: +7 (495) 957-1-957 (ext. 34-57)

[voronchikhinds@mosenergo.ru](mailto:voronchikhinds@mosenergo.ru)

### CONTACTS FOR INDIVIDUAL SHAREHOLDERS:

**Tatiana Sivova**

Chief Specialist in Corporate Work Management

Phone number: +7 (495) 957-1-957 (ext. 32-10)

Mosenergo website: [www.mosenergo.ru](http://www.mosenergo.ru)

### MAILING ADDRESS:

101, Vernadskogo Avenue, bldg. 3, Moscow 119526

### REGISTRAR:

**DRAGA JSC**

Building 71/32, Novocheremushkinskaia Street, Moscow

Phone number: +7 (495) 719-40-44, 719-39-29, 719-39-30

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

Website: [www.draga.ru](http://www.draga.ru)



