

PROVISIONALLY APPROVED
BY THE BOARD OF DIRECTORS
OF E.ON RUSSIA JSC
MAY 03, 2012
(MINUTES NO. 164)

**ANNUAL REPORT
of E.ON Russia JSC

FOR 2011**

DIRECTOR GENERAL

_____ /YU.S. SABLUKOV/

CHIEF ACCOUNTANT

_____ /A.V. SHALYAPINA/

2012

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1. KEY PERFORMANCE INDICATORS

			2011/2010
Revenue	67.3	billion roubles	+25.1%
EBITDA ¹	22.2	billion roubles	+57.9%
EBIT ¹	17.9	billion roubles	+39.5%
Net income	15.1	billion roubles	+44.6%
Assets value	114.7	billion roubles	+19.6%
Electric power generation	62.5	GWh	+12.0%
Electric power sales ²	64.8	GWh	+9.3%
ICUF (Installed Capacity Utilization Factor)	73.6	%	+0.2 p.p.

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

¹ net of exchange difference

² including the power purchased in the market

2. ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND DIRECTOR GENERAL TO SHAREHOLDERS

Dear Shareholders,

In the previous year the major aims of the Board of Directors and the Management Board were to implement investment programs, further increase of the performance indicators and efficiency of the Company activity. Special attention was paid to occupational safety and environmental protection.

The total output of all the plants in 2011 amounted to 62.5 bln kWh, having increased by 12% as compared with 2010. Actual volume of electric power sales reached 64.8 bln kWh, which is by 9.3% more than in 2010. At the same time, proceeds from products sales grew by 25 per cent reaching 67.35 billion roubles.

Subject to the results of the year 2011 installed capacity utilization factor (ICUF) increased up to 73.6%. Specific fuel equivalent consumption for electric power generation amounted to 312.7 g/kWh. They are the best indicators in the industry.

According to the Russian Accounting Standards (RAS), in 2011 the Company net income was over 15.0 billion roubles, having grown by 44.6% as compared to 2010.

In 2011 rebranding of the Company was conducted: the Company was renamed from OGK-4 OAO into E.ON Russia. It emphasizes belonging of the Company to E.ON Group, for which Russia is one of the priority regions of activity.

The most important event of 2011 was, undoubtedly, completion of major projects related to construction of new capacities. In Q3 E.ON Russia successfully commissioned two combined cycle power units (CCGT) at Surgutskaya GRES-2 and CCGT power unit at Yaivinskaya GRES with the aggregate capacity of 1,200 MW. All three power units were constructed in compliance with modern energy technologies, which is the Company's contribution into the industry modernization and its innovative development. Due to commissioning of new capacities Surgutskaya GRES-2 became the major gas power plant in the world.

Start of new power units operation (commissioned subject to obligations under Capacity supply contracts) significantly increases the Company's competitiveness at the electric power and capacity market. Moreover, due to high ecological compatibility of the combined cycle technology new power units of Surgutskaya GRES-2 and Yaivinskaya GRES were approved as joint implementation projects within mechanisms of the Kyoto Protocol.

Construction of the third unit of Berezovskaya GRES with the capacity of 800 MW was started. It is the final project of our investment program and it will be paid greater attention in the years to come.

We completed the project of the equipment modernization at Berezovskaya GRES in the reporting year, as the result the plant capacity increased by 50 MW more - up to the rated of 1,600 MW. Due to implementation of the investment program and modernization program, in 2011 the installed capacity of E.ON Russia exceeded 10 GW and as of the year end it amounted to 10.345 GW.

Electric power industry is the most important infrastructure industry, basis of sustainable economic growth of the country. Therefore governmental decisions influence its operation practically in all the countries of the world.

In Russia processes of forming long-term rules for the electric power industry are still in progress, but we cannot positively state that the Russian market is an attractive one for us. We see the potential for development, have long-term plans for work in Russia, and intend to do our best to achieve the maximum results for the benefit of our shareholders.

As before we intend to apply maximum force to increase the Company's efficiency, to improve ecological indicators, to increase reliability of the equipment and occupational safety.

Dear shareholders, thank you for your support in 2011!

Best regards,

Chairman of the Board of Directors of E.ON Russia JSC
Sergey Afanasievich Tazin

Director General of E.ON Russia JSC
Yuri Stepanovich Sablukov

3. GENERAL INFORMATION ABOUT THE COMPANY

Full Name	Open Joint Stock Company E.ON Russia
Date of state registration	March 04, 2005
Primary State Registration Number	1058602056985
Company Legal Address	23/34 Energostroiteley St., Surgut, Khanty-Mansi Autonomous Area-Yugra, Tyumen Region
Address of the Moscow Representative Office	10, Presnenskaya nab., build. B, 23rd floor, Moscow 123317
Contact phone	(495) 545-38-38
Fax	(495) 545-38-39
E-mail address	info@eon-russia.ru
Core business	Generation and sales of electric and heat power and capacity
Aggregate installed capacity, MW	10,345.1
Authorized capital, roubles	25,219,482,458.37
Total number of shares, items	63,048,706,145.92
Nominal value of the share, roubles	0.40
Number and date of state registration of share issue	1-02-65104-D dated 19.04.2007
Majority Shareholder of the Company, %% shares	E.ON Russia Holding GmbH (82.3%)
Registrar's Full Name	Registrar R.O.S.T. Open Joint Stock Company
Registrar's Address	18, Stromynka Str., build. 13, 107996, Moscow
Full name of the Company Auditor	PricewaterhouseCoopers Audit, Closed Joint Stock Company
Company Auditor's Address	10 Butyrskiy Val, Moscow, 125047 Russia

3.1. Company History at a Glance

E.ON Russia JSC was formed in 2005 on the basis of five power plants. The Company included Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Smolenskaya GRES and Yaivinskaya GRES, their aggregate capacity amounted to 8,630 MW. One more branch of E.ON Russia - Heat Supply Network of Berezovskaya GRES, which supplies heat to consumers in the region of Berezovskaya GRES operation.

As from the state registration (March 4, 2005) the Company was named Open Joint Stock Company Fourth Generation Company of the Wholesale Electricity Market (OGK-4 OAO). In June 2011 the Company shareholders resolved on changing the Company trade name for E.ON Russia³.

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

In 2007 international E.ON Group (hereinafter referred to as E.ON) acquired 69.34% of the Company authorized capital, subsequently increasing its share up to 82.3%. E.ON is one of major private electric power generating and gas groups. The history of partnership between E.ON and Russia counts more than 35 years. E.ON's subsidiary – E.ON Ruhrgas is Gazprom's partner for construction of "Nord Stream" pipeline which connects Russia and the West European countries. The pipeline is laid along the Baltic seabed.

Currently, in the result of the investment program implementation related to construction of new capacities and modernization program, the total installed capacity of E.ON Russia is 10,345 MW. Volume of electric power generation in 2011 – 62.5 billion kWh, net heat output – 1.8 mln Gcal. The Company revenue following the results of the year amounted to 67.35 bln roubles.

Shares of E.ON Russia are traded at MICEX-RTS stock exchanges.

3.2. Strategic line of the Company activity

E.ON Russia relies upon new strategic course in development of its activity line, E.ON Group announced that course in November 2010:

"Everywhere where we operate we are guided by the only point: we want electric power to be cleaner and better. Even in economically difficult times we are sure that availability, reliability of electric power supply and climate protection can be complementary elements of the successful strategy... Other major lines of the activity shall be effectiveness of functioning and competitiveness, which are the critical success factors with the increasingly demanding market conditions. That is why we will not only significantly increase efficiency of the organizational structure and processes, but will further improve indicators of our activity".

Timely implementation of the Company investment program project - construction of power unit No. 3 of 800 MW STU of Berezovskaya GRES is an absolute priority of E.ON Russia.

3.3. Company assets

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

³ *Names Fourth Generating Company of the Wholesale Electricity Market Open Joint Stock Company, OGK-4 OAO, OGK-4 shall read as E.ON Russia Open Joint Stock Company, E.ON Russia JSC, E.ON Russia.*

BASIC PRODUCTION AND TECHNICAL CHARACTERISTICS OF E.ON RUSSIA, 2011

Power plant	Commissioning years (connection to the grid)	Installed capacity, MW	ICUF* 2011 %	Electric power generation 2011, mln kWh
Surgutskaya GRES-2	1985-2011	5,597.1	85.0	38,829
Berezhovskaya GRES	1987-1989	1,600.0	81.2	11,082
Shaturskaya GRES	1971-2010	1,493.4	45.0	5,893
Smolenskaya GRES	1978-1985	630.0	32.8	1,809
Yaivinskaya GRES	1963-2011	1,024.6	71.2	4,854
E.ON Russia		10,345.1	73.6	62,467

* Installed Capacity Utilization Factor

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

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



SURGUTSKAYA GRES-2 BRANCH OF E.ON RUSSIA JSC

(hereinafter referred to as Surgutskaya GRES-2)

Surgutskaya GRES-2 is located in Surgut (Khanty-Mansi Autonomous Area – Yugra, Tyumen Region) and is the largest heat electric power plant of Russia as to the installed capacity. Its installed capacity is 5,597.1 MW. In 2011 the plant generated 38.8 billion kWh.

In terms of electric power generation Surgutskaya GRES-2 is the largest power plant in Russia.

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

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

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

Surgutskaya GRES-2 is one of the Russian most efficient heat power plants. Its technical and economic indicators are highly competitive with the best foreign counterparts: specific fuel consumption is less than 306 grams per kWh - at steam-power units and 238 grams - at combined cycle units; electric power consumption for BOP-needs is less than 2.5%; installed capacity utilization factor (ICUF) – 85%.

In 2011, the plant set an absolute record in the annual power output - 38.8 billion kWh. As from the commissioning date, Surgutskaya GRES-2 has generated 800 billion kWh of electric power.

Headcount as of 31.12.2011 – 1,259 persons.

Branch Director: Yevgeniy Viktorovich Zhilyayev.

Contact information:

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

Postal address: 23/34 Energostroyteley St., Surgut, 628406, Khanty-Mansi Autonomous Area-Yugra, Tyumen Region.

Location: 23/34 Energostroyteley St., Surgut, 628406, Khanty-Mansi Autonomous Area-Yugra, Tyumen Region.

Phone: (3462) 38-13-59.

Fax: (3462) 28-00-36.

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

GENERATION OF ELECTRIC AND HEAT POWER AT SURGUTSKAYA GRES-2

INDICATOR	2008	2009	2010	2011
Power generation, million kWh	34,408	35,210	36,623	38,829
Heat supply from HEADERS, thousand Gcal	958	1,026	1,016	863

BEREZOVSKAYA GRES BRANCH OF E.ON RUSSIA JSC

(hereinafter referred to as Berezovskaya GRES)

Berezovskaya GRES is located in the Krasnoyarsk Territory, 360 km west of the city of Krasnoyarsk. The power plant is a local economy mainstay of Sharypovo. GRES with its 1,600 MW installed capacity is a coal-fired plant. Following the results of the year 2011, the power plant generated 11,082.3 million kWh of power. Heat supply from headers amounted to 694.2 thousand Gcal.

In 1975 the Ministry of Energy of the USSR issued order No. 11a "On preparation period for Berezovskaya GRES-1 power plant construction". Construction of the first stage of the power plant began a year later. By 1985, installation of the main building of Berezovskaya GRES was 80% completed. At the same time, concreting work was completed on the stack shaft, 370 m high. Up to this day, it is the highest industrial facility in Russia and the fifth stack in the world (in terms of its height). On December 1, 1987 the first unit of the power plant was commissioned. In April 1991 an acceptance act on commissioning of unit No. 2 was signed. Total as from the commissioning date Berezovskaya GRES has generated over 146 bln kWh of electric power.

Berezovskaya GRES is famous for its non-traditional scheme of fuel supply. Lignite is delivered to the plant via two 14-km long open conveyor belts directly from Berezovskoye coal deposit in Kansko-Achinsky coal field, Berezovsky-1 coal pit. The rated output capacity of the coal pit is 55 million tons of coal a year. Only during one hour up to 4.4. thousand tons of coal may be supplied to GRES.

Today, Berezovskaya GRES is one of the youngest and unique heat power plants in Russia in technical terms.

In 2010, after modernization of power unit No. 2 under E.ON Russia investment program, the installed capacity of unit No. 2 was increased by 50 MW. In 2011 similar modernization was performed at power unit No. 1. Thus, the installed capacity of Berezovskaya GRES grew up to rated 1,600 MW. One more investment project - construction of the coal-based generating unit of 800 MW at Berezovskaya GRES is under implementation. The new power unit is planned for commissioning in late 2014.

Consumption of fuel equivalent for electric power supply at Berezovskaya GRES was 336.2 g/kWh in 2011. Installed Capacity Utilization Factor - 81.2%.

Headcount as of 31.12.2011 – 1,002 persons.
Branch Director - Vladimir Nikolayevich Borisov.

Contact information:

Berezovskaya GRES branch of E.ON Russia JSC.

Postal address: 662313, Krasnoyarsk Territory, town of Sharypovo, p/o box 6-3/40.
De facto address: Energetikov Industrial base, building 1/15, settlement of Kholmogorskoye, 662328, Sharypovo District, Krasnoyarsk Territory.
Phone: (39153) 7-13-50; 2-53-50.
Fax: (39153) 7-10-18.
E-mail: bgres@eon-russia.ru

GENERATION OF ELECTRIC AND HEAT POWER AT BEREZOVSKAYA GRES

INDICATOR	2008	2009	2010	2011
Power generation, million kWh	10,821	9,425	9,288	11,082
Heat supply from headers, thousand Gcal	725	736	774	694

SHATURSKAYA GRES BRANCH OF E.ON RUSSIA JSC (hereinafter referred to as Shaturskaya GRES)

Shaturskaya GRES is a heat power plant, located in Shatura (Moscow Region). The main fuel is natural gas, however, coal, fuel oil and peat may also be used at the GRES. Installed capacity of Shaturskaya GRES is 1,493.4 MW, heat capacity is 344.5 Gcal/h. Following the results of the year 2011 electric power generation amounted to 5.893 billion kWh, which was the record value during the whole period of the power plant operation.

History of Shaturskaya GRES counts over 90 years. On July 25, 1920 the first experimental temporary 5 MW power plant was constructed, it supplied electric power to the near-by peatery and served as a testing base for solving the problem of rational burning of peat. The temporary plant existed till the year 1926, operating in winter season when the load was maximal. Designing of the permanent power plant that got the name of Shaturskaya regional electric power plant started in 1920. It is one of the first power plants constructed according to the plan of GOELRO.

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

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

Specific fuel equivalent consumption at GRES is 317.4 g/kWh, installed capacity utilization factor (ICUF) – 45.05%.

Headcount as of 31.12.2011 – 1,003 persons.
Branch Director: Sergey Dmitrievich Matveyev

Contact information:

Shaturskaya GRES branch of E.ON Russia JSC

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

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

Phone: (49645) 7-11-03

Fax: (49645) 2-16-66

E-mail: shgres@eon-russia.ru

GENERATION OF ELECTRIC AND HEAT POWER AT SHATURSKAYA GRES

INDICATOR	2008	2009	2010	2011
Power generation, million kWh	5,002	3,636	4,112	5,893
Heat supply from headers, thousand Gcal	410	415	430	403

SMOLENSKAYA GRES BRANCH OF E.ON RUSSIA JSC

(hereinafter referred to as Smolenskaya GRES)

Smolenskaya GRES is a heat power plant located in the settlement of Ozerny, Smolensk region. Smolenskaya GRES was put into operation in 1978; it uses coal and natural gas as fuel. Installed capacity equals to 630 MW. Following the results of the year 2011, the power plant output amounted to 1.8 billion kWh, with heat output from headers - 66 thousand Gcal.

In 1965 the Ministry of Energy and Electrification of the Soviet Union resolved on building of Smolenskaya GRES considering the amount of milled peat stock at Svitsko-Zharkovskaya field. Construction of the power plant commenced in 1970. On January 12, 1978 the state committee accepted unit No. 1 of the power plant for operation and this date became the official operation commencement day of Smolenskaya GRES.

With the power plant commissioning, the Dukhovshchinsky district located in the north of the Smolensk region, got a powerful impetus for social and economic development. Railway to Smolensk that runs across three districts of the region was restored; railway connecting Smolensk and Tver regions was constructed; a modern road appeared; settlement for power engineers was constructed.

The plant equipment was designed to burn low-ash sulfur-free fuel – peat, however, because of lagging behind in construction of peat extraction facilities, Smolenskaya GRES used various types of solid fuel with other quality features: high ash content, high sulfur content, high reactivity. In the beginning of its operation, the power plant had to change types of fuel frequently. First, it received coal from Inta, later on it was replaced with coal from the suburbs of Moscow. Then, power engineers from Smolenskaya GRES started using slate as fuel, which was subsequently replaced with coal from Khakassia. All in all, burning of 14 types of solid fuel was tried at the power plant, including coal from Uzbekistan and European Silesia. Burning of millions of tons of the non-design type of fuel required continuous reconstruction and modernization of the equipment.

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

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

Specific fuel consumption at GRES is 372.42 g/kWh; installed capacity utilization factor is 32.77%.

Headcount as of 31.12.2011 – 546 persons.
Branch Director: Viktor Ivanovich Brashchenkov

Contact information:

Smolenskaya GRES branch of E.ON Russia JSC

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

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

Phone: (48166) 2-91-59

Fax: (48166) 2-91-89

E-mail: smgres@eon-russia.ru

GENERATION OF ELECTRIC AND HEAT POWER AT SMOLENSKAYA GRES

INDICATOR	2008	2009	2010	2011
Power generation, million kWh	2,212	1,722	1,928	1,809
Heat supply from headers, thousand Gcal	67	72	71	66

YAIVINSKAYA GRES BRANCH OF E.ON RUSSIA JSC

(hereinafter referred to as Yaivinskaya GRES)

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

Yaivinskaya GRES is situated in the Bereznikovsko-Solikamsky economic district, where in the 1950s there was a long-felt need for construction of the new power plant. Construction of GRES commenced in March 1956 and on June 30, 1963 the first power unit was accepted for operation. This day is considered to be the birthday of Yaivinskaya GRES. In 1964 units No. 2 and 3 were commissioned. In 1965, when the fourth unit was commissioned, Yaivinskaya GRES reached the rated capacity of 600 MW, and its installed heating capacity amounted to 69 Gcal/h. At that time, it was the largest electric power plant in the Perm electric power system. Currently, Yaivinskaya GRES is the largest in Verkhnekamiye. Upon putting into operation of the fifth power unit - CCGT - the installed capacity increased up to 1,024.6 MW.

The power plant plays an important role in providing stable power supply to major industrial facilities of the Perm Territory as well as to the social sector in the cities and settlements of the upper Kama river area. Since 2000, not a single accident has been registered at the plant.

Consumption of fuel equivalent for electric power supply at GRES was 329.85 g/kWh in 2011. Installed Capacity Utilization Factor - 71.2%.

Headcount as of 31.12.2011 – 469 persons.

Branch Director: Alexey Alexandrovich Sokolov

Contact information:

Yaivinskaya GRES branch of E.ON Russia JSC

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

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

Phone: (34274) 2-43-59.

Fax: (34274) 3-14-64.

E-mail: yagres@eon-russia.ru

GENERATION OF ELECTRIC AND HEAT POWER AT YAIVINSKAYA GRES

INDICATOR	2008	2009	2010	2011
Power generation, million kWh	4,234	3,955	3,840	4,854
Heat supply from headers, thousand Gcal	101	104	104	100

HEAT NETWORKS OF BEREZOVSKAYA GRES BRANCH OF E.ON RUSSIA JSC

(hereinafter referred to as Heat Supply Network of Berezovskaya GRES)

The branch is located in Sharypovo (Krasnoyarsk Territory); its areas of activity include transmission and distribution of heat power, hot water supply, pumping and treatment of waste water; and sales. The branch supplies heat to more than 44,000 consumers in the town of Sharypovo, settlement of Dubinino and village of Kholmogorskoye.

Branch Heat Networks of Berezovskaya GRES was founded on July 1, 2006. After the branch formation, the heat network maintenance shop of Berezovskaya GRES that provided maintenance of the main facilities of the heat supply network joined the branch. Specialists of the central heat supply service formed the operating service and repairs group within the framework of the branch non-shop management structure. The primary task of the newly established organization units is repair and maintenance of the heat network and two mix pump stations located in settlement Dubinino and Kholmogorskoye village, Sharypovo with three sewage pump stations and treatment facilities receiving waste water from Sharypovo, Dubinino, BGRES production sites.

Sales department of Heat Supply Network of Berezovskaya GRES branch concludes direct contracts with the local community for heat supplies, treatment and pumping of wastes. The aggregate length of main pipelines and district heating networks serviced by the branch is over 280 km; pipeline volume is 30 thousand cubic meters; the length of serviced sewage and drain lines is 60 km. Specifics of heat supply to consumers is remoteness of the main consumers from the source of thermal power (Berezovskaya GRES). For Sharypovo it makes up 8.2 km, for settlement Dubinino – 7 km, for Kholmogorskoye - 12 km.

Headcount as of 31.12.2011 – 142 persons.

Branch Director: Evgeniy Alexandrovich Inozemtsev

Contact information:

Heat Networks of Berezovskaya GRES branch of E.ON Russia JSC.

Postal address: p/o 6-3/58, Sharypovo, 662313, Krasnoyarsk Territory.

Location: microdistrict No.6, house 25, Sharypovo, 662313, Krasnoyarsk Territory.

Phone: (39153) 7-10-13, 7-12-05.

Fax: (39153) 7-11-60.

E-mail: teploseti@eon-russia.ru

MOSCOW REPRESENTATIVE OFFICE OF E.ON RUSSIA JSC

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

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

Director of the Representative Office - Yuri Yuriyevich Kalabin, Deputy Director General for General Affairs and Procurement of E.ON Russia, Board member.

NAME	MOSCOW REPRESENTATIVE OFFICE OF E.ON RUSSIA JSC
Location	10, Presnenskaya nab., build. B, 23rd floor, Moscow, 123317
Postal address	10, Presnenskaya nab., build. B, 23rd floor, Moscow, 123317

3.5. Events calendar for 2011

January	<ul style="list-style-type: none"> • Ulf Backmeyer is appointed Director General for Finance and Economics.
February	<ul style="list-style-type: none"> • The first firing of the gas turbine of power unit No. 7 of Surgutskaya GRES-2 being erected, took place.
March	<ul style="list-style-type: none"> • Power unit No. 7 being constructed at Surgutskaya GRES-2 is synchronized with the Unified National Power Grid (UNPG) of Russia. • To receive additional profit and decrease the risks of prices volatility at the wholesale power market the Company started exchange business related to electric power futures trade. • First hot start-up of the gas turbine of power unit No. 8 of Surgutskaya GRES-2 being constructed, took place.
April	<ul style="list-style-type: none"> • Comprehensive testing of power unit No. 7 of Surgutskaya GRES-2 is successfully completed.
May	<ul style="list-style-type: none"> • Power unit No. 8 of Surgutskaya GRES-2 branch is included into the FGC (Federal Grid Company) of Russia. • The Board of Directors approved Energoprojekt CJSC as the general contractor for construction of power unit No. 3 on the basis of 800 MW STU of Berezovskaya GRES. • Timur Lipatov is appointed Deputy Director General for Investment and Development.
June	<ul style="list-style-type: none"> • Comprehensive testing of power unit No. 8 of Surgutskaya GRES-2 is successfully completed. • The Company received a certificate of compliance of its Occupational Health and Safety Management System with the Occupational Health and Safety Management System International Standard (OHSAS 18001-2007).
July	<ul style="list-style-type: none"> • The Inspectorate of the Federal Tax Service for Surgut, Khanty-Mansi Autonomous Area - Yugra on 8 July entered the fact of the trade name change from OGC-4 OAO for E.ON Russia JSC into the Uniform State Register of Legal Entities. • Comprehensive testing of the new combined cycle power unit at Yaivinskaya GRES was completed. • The Company held solemn startup of two new power units with the total capacity of 797.1 MW at Surgutskaya GRES-2. Prime Minister V.V. Putin took part in the ceremony of commissioning. In the official ceremony which was held at the construction site of new power units in the territory of Surgutskaya GRES-2, the Minister of Energy of the Russian Federation Sergey Shmatko, Governor of the Khanty-Mansi Autonomous Area – Yugra Natalia Komarova, member of the Management Board Bernhard Reutersberg took part.
August	<ul style="list-style-type: none"> • Since August 1 the installed capacity of E.ON Russia increased up to 10,295 MW. • E.ON Russia expanded its participation in the ancillary services market: power unit No. 2 of Surgutskaya GRES-2 passed competitive selection of suppliers to render services on rated primary frequency control.
September	<ul style="list-style-type: none"> • The Company held solemn startup of the new power unit of 424.6 MW at Yaivinskaya GRES. • Power unit No.1 modernization was completed at Berezovskaya GRES.
November	<ul style="list-style-type: none"> • Since November 1 System Operator UES approved remarking of power unit No. 1 of Berezovskaya GRES for 800 MW.
December	<ul style="list-style-type: none"> • Three power plants of the Company – Surgutskaya GRES-2, Berezovskaya GRES and Shaturskaya GRES set absolute maximums of the annual electric power generation. • Smolenskaya GRES completed major project on reconstruction of the ash disposal area. It allowed for increase of the ash storage and improving of ecological indexes of its storage. • The Company transferred to the buyer the first quotas within mechanisms of the Kyoto protocol. Sold Emission Reduction Units of 56.9 thousand units were received during the operation of 400 MW CCGT of Shaturskaya GRES in 2010. • Two more projects on construction of new generating facilities of the Company - CCGT of Surgutskaya GRES-2 and Yaivinskaya GRES with the total capacity of 1,221.7 MW, are approved for implementation within Article 6 of the Kyoto Protocol.

4. CORPORATE MANAGEMENT

4.1. Compliance with Legal and Ethical Standards

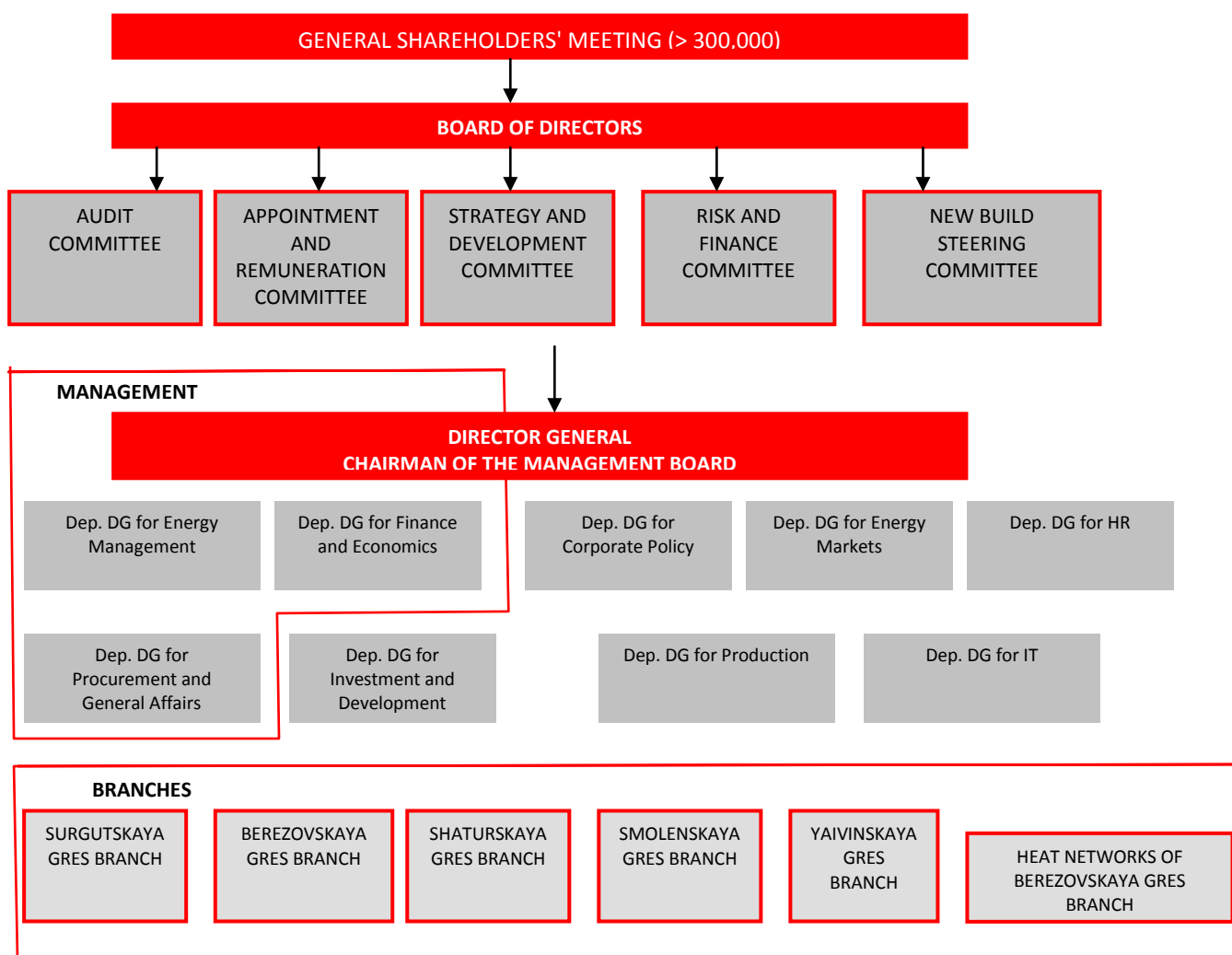
Issues related to transparency and efficiency of the corporate management, as well as strict compliance with the legal requirements and the highest esthetic standards in responsible business doing are of great importance to E.ON Russia activity. The Board of Directors of E.ON Russia adopted the Code of Ethics which contains provisions regulating the business practices, relations with business partners, state bodies, settlement of the conflict of interests, and ensuring corruption prevention, corrupt business practices, abuse of office authorities. The advanced standards documented in the Code of Ethics of E.ON Group served the basis for development and approval of this Code. The Company Board of Directors approved the Regulation on compliance procedure that regulates the issues of control over compliance with the mandatory requirements of the laws and Code of Ethics by officials and employees of E.ON Russia, an independent Responsible person is appointed, his/her major task is to control over compliance with the Code provisions, and any employee may address this person as to issues of violation of the provisions of the document specified.

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

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

In August 2011, the Board of Directors approved a new version of the Regulation on the Insider Information in E.ON Russia due to coming into force of base provisions of the Federal law No. 224-FZ On counteraction against misuse of the insider information and market manipulation, and on amendments to certain legal acts of the Russian Federation, dated July 27, 2010, aimed at creation of the maximum efficient system of the insider information protection and limitation of its unlawful use in personal interests of persons having access to it.

4.2. Corporate Structure



E.ON Russia has not undergone any considerable changes in the structure.

In January 2011, Frank Siebert was succeeded by Ulf Backmeyer in the position of the Deputy Director General for Finance and Economics. Moreover, in June 2011 changes in the Management composition of E.ON Russia took place due to Mike Winkel's (Deputy Director General for Energy Management) leaving the Company.

4.3. Management bodies. Following the results of the year 2011

Organization of effective corporate management aimed at gaining maximum efficiency and performance in the Company business, enhancement of transparency and justification of adopted managerial decisions, risk reduction and protection of rights and interests of the Company shareholders is one of the major missions for the Company. Building of efficient corporate management system is based on application of the advanced Russian and foreign experience. Up-to-date standards of corporate governance widely practiced by E.ON Group companies which E.ON Russia is actively implementing in its corporate practice are of special importance to us.

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

- reasonable distribution of competencies and responsibilities between corporate management bodies;
- enhancement of the collective approach to the Company business management;
- Effective combination between decision making centralization and delegation of authority to various managerial levels;
- enhancement of operational efficiency and productivity of managerial decisions;
- exercise and protection of rights and interests of the Company shareholders;
- implementation of high standards of corporate ethics and compliance with legal requirements in operation of the Company management bodies.

Within improvement of the corporate management system in E.ON Russia in 2011 new versions of the Articles of Association, Regulation on the Procedure of Preparation and Holding the Company General Shareholders' Meeting, Regulation on the Board of Directors, Regulation on the Management Board, Regulation on the Revision Commission of the Company, were adopted. Adoption of a new version of the document is conditioned by the change of the Company trade name from OGC-4 OAO for JSC E.ON. Russia. The new name was agreed with the corporate center of E.ON Group, and also a permit was received from the RF Ministry of Justice for using the word "Russia" in the Company's new name. Other changes in documentation were aimed at bringing in compliance with the effective laws of the Russian Federation, and to increase efficiency and transparency of management, improvement of corporate rules and procedures.

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

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

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

E.ON Russia prepares and publishes reports in compliance with both Russian accounting standards (RAS) and International financial reporting standards (IFRS) on a regular basis. In the Company, there are organization units responsible for organization of information exchange with external environment. Disclosure of significant information about the Company business is done via the corporate web-site www.eon-russia.ru and via news feeds of the authorized information agencies.

The Company management system is composed of the following levels:

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

GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the supreme management body of E.ON Russia. The meeting reviews the key issues of the Company operation as defined in the Federal Law "On Joint Stock Companies" and are within its scope of competence as per Article 10 of the Articles of Association. The meeting configures and renders the shareholders' will. The procedure of convening, preparation and holding the Company general shareholders' meetings is regulated by the Regulation on the General Shareholders' Meeting of E.ON Russia⁴.

BOARD OF DIRECTORS

The Board of Directors exercises strategic management of the Company activities, control over activities of its executive bodies and ensures observance of the shareholders' rights and interests. Its competence includes determination of the Company development strategy, organization of control over the Company business activity, maintenance of the internal audit system efficiency, development and implementation of major internal rules for the main areas of the Company activities, ensuring exercising of the shareholders' rights and review of reports on the Company performance and fulfillment of the tasks as

⁴ Text of the Company Articles of Association and Regulation on the General Shareholders' Meeting is placed on the Company web-site www.eon-russia.ru in section "To Shareholders and Investors/Documents". Minutes of General Shareholders' Meetings are placed on the Company web-site www.eon-russia.ru in section "Shareholders and investors/Company management/General Shareholders' Meeting/Information on the General Shareholders' Meetings held".

set by executive bodies of E.ON Russia. Activities of the Board of Directors are regulated by the Regulation on the Board of Directors of E.ON. Russia⁵.

During the period from January 01, 2011 through June 24, 2011 the Board of Directors elected at the annual General shareholders' meeting on June 18, 2010 worked in the following composition:

1. Sergey Afanasievich Tazin – Chairman of the Board of Directors
2. Frank Siebert
3. Lev Alexandrovich Ketkin
4. Gunter Eckhardt Rümmler
5. Yuri Stepanovich Sablukov
6. Karl-Heinz Feldmann
7. Lutz Peter Feldmann
8. Reiner Hartmann
9. Uwe Heinz Fip
10. Hermann Schmitt
11. Igor Yurievich Yurgens

Full data about the above members of the Board of Directors are given in 2010 Company Annual report.⁶

The Board of Directors that functioned during the second half of 2011 was elected by the Annual General shareholders' meeting on June 24, 2011. Its composition included:

Sergey Afanasievich Tazin, Chairman of the Board of Directors, Chairman of the Appointment and Remuneration Committee of the Board of Directors, Chairman of the Strategy and Development Committee of the Board of Directors, Deputy Chairman of the New Build Steering Committee.

Born in 1961.

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

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

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

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

In 2008 he headed E.ON Russia Power GmbH and E.ON Russia GmbH.

Mr. S.A. Tazin was initially elected the member of the Company Board of Directors on June 17, 2009, and once again re-elected on June 24, 2011.

Mr. S.A. Tazin does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the Chairman of the Board of Directors.

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

Mike Winkel, member of the Board of Directors.

Born in 1970.

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

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

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

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

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

Since 2010 was the Deputy Director General of E.ON Russia GmbH until 2011.

From 2011 till present he occupies the position of Director General of E.ON Climate & Renewables, Dusseldorf, Germany.

⁵ Text of the Regulation on the Board of Directors is placed at the Company web-site www.eon-russia.ru in section "To Shareholders and Investors/Documents".

⁶ Text of the Annual report of OGK-4 for 2010 is placed on the Company web-site www.eon-russia.ru in section "To Shareholders and Investors / Annual Reports"

Mr. Winkel was initially elected the member of the Company Board of Directors on June 17, 2009, and once again re-elected on June 24, 2011.

Mike Winkel does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Board of Directors.

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

Andrey Alexandrovich Drachuk, member of the Board of Directors.

Born in 1971.

In 1993 he graduated from Court and Prosecutor Department of the Sverdlovskiy Order of the Red Banner of Labour Law Institute. Specialization: lawyer.

Mr. Drachuk worked as a lawyer in Law Firm No. 30 of the Sverdlovsk region Bar within the period from 2002 to 2007.

In 2006-2007 - Executive Director - First Vice President of AFK Corporation LLC.

Worked as the Head of the Investment projects economic analysis Department in the electric power industry of System Operator of the Unified Energy System JSC (2007-2009).

From 2009 till December 2011 occupied the position of Director for strategy planning and organizational development of SO UES JSC.

From 2009 till 2011 was the member of the Board of Directors of Eniseyskaya TGK JSC (TGK-13).

Currently, Mr. Drachuk is a member of the Board of Directors of a number of companies: since 2008 - AFK Corporation LLC, TGK-1 JSC, TGK-6 JSC, HVDC Power Transmission Research Institute JSC, since 2009 - LUKOIL-Ecoenergo LLC, Kuzbassenergo JSC, since 2011 - OGK-1 JSC, OGK-3 JSC, TGK-14 JSC.

From December 2011 till present - Director for Corporate Management of SO UES JSC.

Mr. Drachuk was initially elected the member of the Company Board of Directors on June 24, 2011.

Participation share of Mr. Drachuk in the authorized capital of the Company amounts to 0.000173% (share of his ordinary shares is 0.000173%).

During 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Board of Directors.

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

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

Born in 1954.

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

In 2008 Mr. Reutersberg was a member of the Advisory Committee of Energieversorgung Mittelrhein E.ON Vertrieb Deutschland GmbH, and was a member of the Supervisory Board of such companies as Enovos/Saar Ferngas, EVG, GASAG, Thuga AG.

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

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

Since 2001 is the President of the Supervisory Board of E.ON France S.A.S. (France).

Mr. Reutersberg was initially elected the member of the Company Board of Directors on June 24, 2011.

Mr. Reutersberg does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Board of Directors.

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

Günter Eckhardt Rümmler, member of the Board of Directors.

Born in 1960.

In 1984, he completed his studies in Hamburg with an engineering degree in marine-/shipbuilding technology.

From 2005 to 2007 Mr. Rümmler was Senior Vice President with E.ON Energie (München, Germany), with responsibility for Energy and Business Optimization.

Mr. Rümmler was head of Upstream/Generation from 2007 to 2010, and has been head of Strategy & Corporate Development with E.ON AG (Dusseldorf, Germany) since 2010.

Besides being a member of the Board of Directors of E.ON Russia, Mr. Rümmler is a member of the Board of Directors of the following companies: E.ON Generation GmbH (Hannover, Germany), E.ON New-Build & Technology GmbH (Gelsenkirchen, Germany), E.ON Ruhrgas GmbH (Essen, Germany), and E.ON Energy Trading SE (Dusseldorf, Germany).

Mr. Rümmler was initially elected the member of the Company Board of Directors on June 17, 2009, and once again re-elected on June 24, 2011.

Mr. Rümmler does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Board of Directors.

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

Yuri Stepanovich Sablukov, member of the Board of Directors, member of the New Build Steering Committee of the Board of Directors, member of the Strategy and Development Committee of the Board of Directors, General Director of E.ON Russia, Chairman of the Management Board.

Born in 1957.

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

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

From 2001 till 2004 - Director of Ust-Kamenogorsk Heat Networks JSC.

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

In 2005-2007 - Project Manager of Volgaenergo, department of strategic planning and investments of Eurosibenergo OOO.

In 2007 he occupied the position of the Advisor to the Executive Director of OGK-3 JSC. On October 17, 2007, he was elected Director General of OGK-3 OAO.

Since October 1, 2008 - Director General of E.ON Russia JSC.

Yu.S. Sablukov was initially elected the member of the Company Board of Directors on June 17, 2009, and once again re-elected on June 24, 2011.

Yu.S. Sablukov does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Board of Directors.

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

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

Born in 1959.

In 1984 he graduated from Westphalia University named after Wilhelm, Munster, has degree in law.

Mr. Feldmann has occupied the position of the Senior Vice President for Legal issues of E.ON AG, (Dusseldorf, Germany) since 2004.

Since February 2004 is the member of the Supervisory Board of Hamburger Hof (Germany), since 2008 is a member of the Management Board of E.ON Italia (Italy).

Mr. Feldmann was the member of the Supervisory Board of E.ON IS (Germany) until June 2010, and until 2007 - the member of the Supervisory Board of E.ON Risk Consulting GmbH (Germany).

Mr. Feldmann was initially elected the member of the Company Board of Directors on June 17, 2009, and once again re-elected on June 24, 2011.

Karl-Heinz Feldmann does not have any share in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Board of Directors.

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

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

Born in 1945.

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

Mr. Hartmann has been the Head of E.ON Ruhrgas representative office in Moscow since January 1992. Since April 2006 he has been the Chairman of the Management Board of the Association of European Businesses in the Russian Federation.

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

Mr. Hartmann was initially elected the member of the Company Board of Directors on June 06, 2008, and once again re-elected on June 24, 2011.

Reiner Hartmann does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Board of Directors.

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

Igor Yurievich Yurgens, member of the Board of Directors, Chairman of the Audit Committee of the Board of Directors.

Born in 1952.

In 1974 he finished the Economy Department of the Moscow State University named after M.V. Lomonosov, Ph.D. in Economics. Professor of the Business and Authorities Interaction Theory and Practice Department of the State University - Higher School of Economics.

Since 1974 Mr. I.Yu. Yurgens has occupied various positions in international departments of the All-Union Central Council of Professional Unions, Department of Foreign Affairs of UNESCO. He is awarded a number of state and international awards, including state order of Honour of the Russian Federation, L'Ordre National du Merite (France), orders of St. Sergius of Radonezh and Daniel of Moscow of the Russian Orthodox Church.

Among his previous positions - First Deputy Chairman of the Board of Directors of the General Confederation of Trade Unions of the Commonwealth of Independent States (1992-1997), Chairman of the Board of Directors of the insurance company MESKO (1996-1997), President of the All-Russia Union of Insurers (1998-2000), Chairman of the Committee for Financial Risks and Credit Organizations of the Chamber of Commerce and Industry of the Russian Federation (2000-2009), Chairman of the Board of Directors of Renaissance Capital Bank (2001-2010) and First Vice President of Renaissance Capital - Financial Consultant (2005 - 2010).

From 2006 till present Mr. Yurgens has been the Chairman of the Management Board of the Institute of Contemporary Development Foundation, since 2005 he has been occupying the position of the Vice President of the Management Board of the Russian Union of Industrialists and Entrepreneurs (RUIE).

Mr. Yurgens is also the member of the Council at the President of the Russian Federation for information society development in the Russian Federation, member of the Council at the President of the Russian Federation on Civil Society Institutions and Human Rights, member of the scientific society at the Security Council of the Russian Federation, member of the Presidium of the Council for Foreign and Defense Policies (CFDP), member of the Russian Council for International Affairs, Chairman of the Committee of the Russian Union of Industrialists and Entrepreneurs for development of pension systems and social insurance, member of the Council of the International Institute for Strategic Studies (Great Britain).

Mr. Yurgens was initially elected the member of the Company Board of Directors on May 25, 2007, and once again re-elected on June 24, 2011.

Mr. Yurgens does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Board of Directors.

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

REVIEW OF THE BOARD MEETINGS HELD IN 2011

In total within 2011 the Board of Directors of E.ON Russia held 15 meetings, 5 of them in person.

The most important resolutions taken by the Board of Directors in 2011:

1) in the sphere of key investment projects

During 2011 the Board of Directors monitored the Company investment program implementation, including:

- implementation of the investment project of the Company "Completion of construction of power unit No. 3 on the basis of 800 MW STU of Bereзовskaya GRES branch of E.ON Russia JSC";
- implementation of the investment project "Creating of the replacement capacity on the basis of 2*400 MW CCGT of Surgutskaya GRES-2 branch of E.ON Russia".

The financing plan for priority investment projects implemented within the framework of capacity supply contracts (CSC) of E.ON Russia JSC for 2012 was approved.

On the quarterly basis the Board of Directors considered the Report of the independent engineer expert (technical agent) on the Company investment program implementation.

2) in the sphere of risk management

In January 2011, the Regulation on production risks management of OGK-4 OAO was approved.

In February the Board of Directors considered the issue on functioning of the Company's corporate risk management system.

In December 2011 the general commodity limit (risk-capital) of the Company for 2012 was approved.

3) in the sphere of corporate management improvement

During the year 2011 process of further improvement of the Company corporate management was on, including:

- a new version of the Regulation on the Insider Information of E.ON Russia JSC was adopted;
- a new person in charge of compliance with the insider rules and compliance with the laws related to insider information in the Company, was approved;
- Guidelines for Anti-Monopoly Rules of OAO OGK-4 were approved;
- new versions of the constituent and internal documents of the Company due to the change of the Company's trade name were adopted;
- Collective Agreements of the Company branches for 2012-2014 were approved;
- Delegation of Authority Policy in E.ON Russia JSC in new version was approved;
- change of the personal composition of the Company Management Board;
- change of quantitative and qualitative compositions of the Company Board of Directors Committees.

4) the issues related to operations efficiency increase

- introducing amendments to the Regulations for Supply of Fuel to OGK-4 OAO branches;
- introducing amendments to the Procurement Regulation of OGK-4 OAO;
- canceled Regulation on repair arrangement of OGK-4 OAO.
- canceled Regulation on technical policy of OGK-4 OAO.

5) Other important issues of the Board of Directors work

- participation of the Company in Non-commercial organization "Council of Power Producers and Strategic Investors of the Electric Power Industry";
- approval of the Company budget in the IFRS format for 2011 (later on amendments thereto were considered - in July and September);
- introducing amendments to the Finance Policy of OAO OGK-4;
- approval of the financial statements prepared under the International Financial Reporting Standards (IFRS) following the results of the financial year 2010;
- approval of the Company budget in the IFRS format for 2012;
- approval of transactions in the cases when their approval was required subject to the laws or the Company Articles of Association.

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

The amount of remuneration and compensations paid to the members of the Board of Directors as well as payment procedure is regulated by the Regulation for the Board of Directors of E.ON Russia⁷, approved by the annual General Shareholders' Meeting on June 24, 2011. In accordance with this Regulation, members of the Board of Directors are entitled to:

- be compensated for expenses related to performance of the official duties of the Board of Directors member;
- receive quarterly fixed remuneration;
- receive an annual variable compensation depending on the level of the Company performance.

The total amount of remunerations and compensations paid to members of the Board of Directors in 2011 amounted to 32 million 831.451 thousand roubles, including:
for participation in meetings in praesentia - 523.1 thousand roubles;
quarterly remuneration - 9 mln 626.19 thousand roubles,
year remuneration (for 2010) - 22,682.162 thousand roubles.

COMMITTEES OF THE BOARD OF DIRECTORS

During 2011 there were no changes in the system of Committees of E.ON Russia Board of Directors.

The existing system of Committees of the Board of Directors is optimal, justified and makes it possible to take well-grounded and efficient decisions in the most important areas of the Company business.

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

It acts by virtue of the Articles of Association of E.ON Russia and the Regulation on the Audit Committee of the Board of Directors of OGK-4.

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

Data on the quantitative and personal composition of the Audit Committee in 2011:

Period	Number of the Committee members	Committee composition in persons
01.01.2011-01.07.2011	2	Lev Alexandrovich Ketkin – Chairman of the Committee Reiner Hartmann
01.07.2011-31.12.2011	2	Igor Yurievich Yurgens – Chairman of the Committee Reiner Hartmann

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

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

The Appointment and Remuneration Committee responsibility includes: consideration of issues and development of recommendations related to staffing and remuneration within the scope of the Board of Directors competence and development of recommendations related to staffing issues for the Company executive bodies.

Data on the quantitative and personal composition of the Appointment and Remuneration Committee in 2011:

⁷ Text of the Regulation on the Board of Directors of E.ON Russia is placed on the Company web-site www.eon-russia.ru in section "To Shareholders and Investors/Documents."

Period	Number of the Committee members	Committee composition in persons
01.01.2011-01.07.2011	2	Sergey Afanasievich Tazin – Chairman of the Committee Mike Winkel
01.07.2011-31.12.2011	2	Sergey Afanasievich Tazin – Chairman of the Committee Ulf Backmeyer

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

It acts by virtue of the Articles of Association of E.ON Russia and the Regulation on the New Build Steering Committee of the Board of Directors of OGK-4.

The Steering Committee's responsibilities include: issues of effective management of OGK-4 Investment program implementation with due regard to rational expenditure of the Company monetary funds, observance of environmental and industrial safety regulations and labor protection requirements, observance of HSE requirements in the areas where the Company projects are implemented through development of draft solutions for project implementation.

Data on the quantitative and personal composition of the New Build Steering Committee of the Board of Directors in 2011:

Period	Number of the Committee members	Committee composition in persons
01.01.2011-27.01.2011	9	Sebastian Eisenberg - Committee Chairman Sergey Afanasievich Tazin - Deputy Chairman of the Committee Detlev Claes Gerhard Seibel Frank Siebert Aleksandr Vladimirovich Ilyenko Igor Viktorovich Popov Gunter Eckhardt Rümmler Yuri Stepanovich Sablukov
27.01.2011-28.02.2011	10	Sebastian Eisenberg - Committee Chairman Sergey Afanasievich Tazin - Deputy Chairman of the Committee Ulf Backmeyer Detlev Claes Gerhard Seibel Frank Siebert Aleksandr Vladimirovich Ilyenko Igor Viktorovich Popov Gunter Eckhardt Rümmler Yuri Stepanovich Sablukov
28.02.2011-15.06.2011	9	Sebastian Eisenberg - Committee Chairman Sergey Afanasievich Tazin - Deputy Chairman of the Committee Ulf Backmeyer Detlev Claes Gerhard Seibel Aleksandr Vladimirovich Ilyenko Igor Viktorovich Popov

		Gunter Eckhardt Rümmler Yuri Stepanovich Sablukov
15.06.2011- 24.11.2011	9	Gerhard Seibel - Chairman of the Committee Sebastian Eisenberg - Deputy Chairman of the Committee Ulf Backmeyer Vladimir Nikolayevich Borisov Aleksandr Vladimirovich Ilyenko Peter Modrei Yuri Stepanovich Sablukov Colin Skoins Sergey Afanasievich Tazin
24.11.2011- 31.12.2011	8	Gerhard Seibel - Chairman of the Committee Sergey Afanasievich Tazin - Deputy Chairman of the Committee Ulf Backmeyer Donald Weir Aleksandr Vladimirovich Ilyenko Peter Modrei Derek Parkin Yuri Stepanovich Sablukov

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

Acts by virtue of the Articles of Association of E.ON Russia and the Regulation on the Risks and Finance Committee of the Board of Directors of OGK-4.

The Risk and Finance Committee responsibility includes consideration of issues and development of recommendations to the Board of Directors and executive bodies in the sphere of risk management and financial management.

Data on the quantitative and personal composition of the Risk and Finance Committee in 2011:

Period	Number of the Committee members	Committee composition in persons
01.01.2011- 27.01.2011	4	Frank Siebert - Chairman of the Committee Mike Winkel - Deputy Chairman of the Committee Alexey Romanovich Gatin Andrey Nikolayevich Zhukovsky
27.01.2011- 28.02.2011	5	Frank Siebert - Chairman of the Committee Mike Winkel - Deputy Chairman of the Committee Ulf Backmeyer Alexey Romanovich Gatin Andrey Nikolayevich Zhukovsky
28.02.2011- 05.05.2011	4	Ulf Backmeyer - Committee Chairman Mike Winkel - Deputy Chairman of the Committee Alexey Romanovich Gatin Andrey Nikolayevich Zhukovsky
05.05.2011- 01.07.2011	4	Ulf Backmeyer - Committee Chairman

		Mike Winkel - Deputy Chairman of the Committee Andrey Nikolayevich Zhukovsky Yelena Vladimirovna Talalaeva
01.07.2011- 31.12.2011	4	Ulf Backmeyer - Committee Chairman Sebastian Eisenberg - Deputy Chairman of the Committee Andrey Nikolayevich Zhukovsky Yelena Vladimirovna Talalaeva

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

Acts by virtue of the Articles of Association of E.ON Russia and the Regulation on the Strategy and Development Committee of the Board of Directors of OGK-4.

The Strategy and Development Committee develops draft solutions and recommendations related to strategic and operative management for the Board of Directors and the Company executive bodies. The Committee reviews issues related to determination of priority directions, strategic goals and basic principles of strategic development and optimization of E.ON Russia business, exercises control over the progress of the Company approved programs and projects implementation, and the way the Company reaches the set goals and tasks.

Data on the quantitative and personal composition of the Strategy and Development Committee in 2011:

Period	Number of the Committee members	Committee composition in persons
01.01.2011- 27.01.2011	5	Sergey Afanasievich Tazin – Chairman of the Committee Mike Winkel Frank Siebert Yuri Stepanovich Sablukov Sebastian Eisenberg
27.01.2011- 28.02.2011	6	Sergey Afanasievich Tazin – Chairman of the Committee Ulf Backmeyer Mike Winkel Frank Siebert Yuri Stepanovich Sablukov Sebastian Eisenberg
28.02.2011- 01.07.2011	5	Sergey Afanasievich Tazin – Chairman of the Committee Ulf Backmeyer Mike Winkel Yuri Stepanovich Sablukov Sebastian Eisenberg
01.07.2011- 31.12.2011	4	Sergey Afanasievich Tazin – Chairman of the Committee Ulf Backmeyer Yuri Stepanovich Sablukov Sebastian Eisenberg

MEMBERSHIP OF THE BOARD OF DIRECTORS MEMBERS IN COMMITTEES OF E.ON RUSSIA BOARD OF DIRECTORS

Name	Position	Years of service in the Board of Directors	Audit Committee	Risk and Finance Committee	Appointment and Remuneration Committee	Strategy and Development Committee	New Build Steering Committee
Mike Winkel	Member of the Board of Directors	2		+	+	+	
Andrey Alexandrovich Drachuk	Member of the Board of Directors	1					
Yuri Stepanovich Sablukov	Deputy Chairman of the Board of Directors	3				+	+
Sergey Afanasievich Tazin	Chairman of the Board of Directors	3	+		+	+	+
Reutersberg Albert Bernhard Wilhelm	Member of the Board of Directors	1					
Gunter Eckhardt Rümmler	Member of the Board of Directors	3					
Karl-Heinz Feldmann	Member of the Board of Directors	3					
Reiner Hartmann	Member of the Board of Directors	4	+				
Igor Yurievich Yurgens	Member of the Board of Directors	5	+				

MANAGEMENT BOARD

The Management Board is a collective executive body that controls major issues of day-to-day management of the Company business within the framework of authorities provided by the Articles of Association and Regulation on the Management Board of E.ON Russia⁸. The Management Board reports to the Board of Directors and General Shareholders' meeting.

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

The key responsibilities of the Management Board include:

- development and submission to the Board of Directors of long term plans for the basic areas of the Company business;
- approval of essential long-term investments of the Company;

⁸ Text of the Regulation on the Management Board of the Board of Directors of E.ON Russia is placed on the Company web-site www.eon-russia.ru in section "To Shareholders and Investors/Documents".

- approval of major transactions of the Company;
- defining the Company's position with regard to management of crucial issues of subsidiaries' activities;
- establishment of social guarantees and preferences to the Company employees.

Pursuant to cl. 18.3 of the Articles of Association of E.ON Russia, members of the Management Board are elected by the Board of Directors, no less than three in number. The Board of Directors may determine greater number of the Board members.

By the resolution of the Company Board of Directors dated July 08, 2010 the quantitative composition of the Management Board is defined - 5 persons.

Data on changes in the personal composition of the Management Board of E.ON Russia in 2011:

Period	Management Board composition in person
01.01.2011 – 27.01.2011	Yuri Stepanovich Sablukov – Chairman of the Management Board Sebastian Eisenberg Mike Winkel Frank Siebert Yuri Yuriyevich Kalabin
28.01.2011 – 15.06.2011	Yuri Stepanovich Sablukov – Chairman of the Management Board Sebastian Eisenberg Ulf Backmeyer Mike Winkel Yuri Yuriyevich Kalabin
15.06.2011 – 31.12.2011	Yuri Stepanovich Sablukov – Chairman of the Management Board Sebastian Eisenberg Ulf Backmeyer Yuri Yuriyevich Kalabin

Data on persons being members of the Company Management Board:

Yuri Stepanovich Sablukov - Director General, member of the Board of Directors, Chairman of the Management Board.

Date of election to the Company Management Board: 01 October 2008

From 1997 till 2005 he worked in regional organization units of AES in Kazakhstan. From 2001 till 2004 - Director of Ust-Kamenogorsk Heat Networks JSC. In 2004-2005, - Vice President of Vostochno-Kazakhstanskaya Regionalnaya Energeticheskaya Kompaniya JSC (East Kazakhstan Regional Electricity Company). In 2005-2007, - Volgaenergo Project Manager (Eurosibenergo OOO). In 2007 he occupied the position of the Advisor to the Executive Director of OGK-3 JSC. On October 17, 2007, he was elected Director General of OGK-3 OAO. Since October 1, 2008 - Director General of E.ON Russia JSC.

Yu.S. Sablukov does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and Chairman of the Board.

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

Sebastian Eisenberg - Deputy Chairman of the Risk and Finance Committee of the Board of Directors, member of the Strategy and Development Committee of the Board of Directors.

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

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

Sebastian Eisenberg does not have any shares in the Company authorized capital; during 2011, there were no transactions with the Company securities between E.ON Russia and member of the Board.

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

Ulf Backmeyer⁹ – Deputy Director General for Finance and Economics of E.ON Russia.

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

⁹ In accordance with resolution of Board of Directors of E.ON Russia JSC, from 02 March 2012 Backmeyer is not a member of the Management Board.

Mr. Backmeyer was the member of the Board of Directors of a number of telecommunication companies: in 2007-2008, - Astrakhan Mobile CJSC (Astrakhan), Volgograd Mobile CJSC (Volgograd), Mobile Systems of Communication CJSC (Omsk), in 2008 - 2010 - Sibintertelecom CJSC (Chita), MTS-P JSC (Moscow). From 2009 till mid-2011 Mr. Backmeyer was the member of the Revision Commission of TS Retail CJSC (Moscow) and member of the Board of Directors of K-Telecom JSC (Erevan, Armenia). From 2010 till June 2011 was the member of the Board of Directors of Comstar-OTS JSC and Multiregion CJSC (Moscow).

Ulf Backmeyer does not have any shares in the Company charter capital; during 2011, there were no transactions with the Company securities between E.ON Russia and member of the Board.

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

Yuri Yurievich Kalabin - Deputy Director General of E.ON Russia for General Affairs and Procurement, Deputy Chairman of the Management Board.

Date of election to the Company Management Board: 15 September 2008

Before his appointment to the position of E.ON Russia Deputy Director General for Resources and General Affairs Mr. Kalabin was Director for Procurement at OGK-3 OAO.

In 1998-2003, - Director of the Central Financial Department— Chief accountant of Energomashkorporatsia JSC. In 2003-2005, - CFO, member of the Board of Directors of Volgogradskiy Melallurgical Plant Zavod Krasniy Oktyabr CJSC. In 2007-2008 he was Deputy Director General for Logistics and a member of the Management Board of OGK-3 JSC. Since 2008 - Deputy Director General for General Affairs and Procurement of E.ON Russia JSC.

Yu.Yu. Kalabin does not have any shares in the Company charter capital; during 2011, there were no transactions with the Company securities between E.ON Russia and the member of the Management Board.

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

REVIEW OF THE BOARD MEETINGS

In 2011 there were held 50 meetings of the Management Board. At the meetings, the Management Board discussed issues related to all the areas of the Company operating activity. At the Board meetings special attention was paid to the issues of the Company business efficiency enhancement, development and implementation of the business plan, maintenance and procurement program, efficiency of operation at power markets, staff training system, approval of necessary transactions and approval of procurement procedures. Results of work in all the areas of E.ON Russia activity were regularly heard.

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

Remunerations and compensations payable to the Company employees - members of the Management Board are paid on the basis of their labour agreements which they conclude as the Company staff members; terms and conditions of those agreements are to be approved by the Board of Directors.

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

In 2011 no other remuneration or compensation was paid to members of the Management Board.

DIRECTOR GENERAL

Director General is the Company sole executive body. His / her competence includes all the issues of the Company current business management except for those pertaining to line of competence of the General Shareholders' Meeting, Board of Directors and E.ON Russia Management Board.

Domain of competence of the Director General includes the right to represent the Company interests without the power of attorney, close deals, including deals approvable by collective management bodies of the Company, administer the Company estate and monetary funds, open settlement and other accounts with banks and other credit institutions, approve the manning table, issue orders, approve regulations, local regulatory legal acts and other internal documents. Director General reports to the Board of Directors of E.ON Russia.

Director General is elected by the Company Board of Directors by the majority of votes of the members present at the meeting. Since October 01, 2008 pursuant to the resolution of the Board of Directors Yuri Stepanovich Sablukov is Director General of E.ON Russia.

DATA ABOUT REMUNERATION AND COMPENSATIONS PAID TO DIRECTOR GENERAL

Remunerations and compensations payable to Director General, including the terms of financial incentives are set forth in the labour agreement concluded with the Company Director General; terms and conditions of that agreement are to be approved by E.ON Russia Board of Directors.

No other remuneration except for those stipulated by the terms and conditions of the labour agreement was paid to Director General.

4.4. Control Bodies and System

REVISION COMMISSION

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

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

The Revision Commission exercises continuous control over finance and operating activities of the Company and its economically autonomous organization units, officials, bodies of management and structural organization units. Scope of authority and procedure of operation of the Revision Commission is defined in the Regulation on the Revision Commission of E.ON Russia¹⁰.

Numerical strength of the Revision Commission as per the Company Articles of Association is 4 persons.

During the period from January 01, 2011 through June 24, 2011 the Revision Commission performed its functions, it was elected by the annual General shareholders' meeting on June 18, 2010, it worked in the following composition:

1. Wilhelm Michael Winfried Christian
2. Mario Ditmar Mazidowski
3. Andreas Kolpatzik
4. Stanislav Alexandrovich Patrikeyev

On June 24, 2011, the General Shareholders' Meeting of the Company elected the Revision Commission in the following composition:

Wilhelm Michael Winfried Christian – Chairman of the Company Revision Commission, Senior Vice-President of E.ON AG on financial reporting;

Mario Ditmar Mazidowski - until June 2011 Director for Economics of E.ON Russia, at present - Vice President for Finances of Fortum JSC;

Stanislav Alexandrovich Patrikeyev - until June 2011 Head of Internal audit department of E.ON. Russia Power OOO, at present - Director for Financial and Economic Activity Control at OMZ JSC;

Thomas Fecker - E.ON AG Vice-President for Corporate Audit.

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

In 2011 no remuneration was paid to the Audit Commission members.

RISK MANAGEMENT AND INTERNAL AUDIT DEPARTMENT

The Risk management and internal audit department is a specialized organization unit of the Company that controls its financial and economic activities. The internal control organization is based on the Regulation on the internal control system of OGK-4, approved by the Board of Directors, and functions, procedures and control methods applied by the Risks and Internal Control Department are set forth in the Regulation on internal control procedures of OGK-4, which are also approved by the Board of Directors. The crucial functions of the Department for risk management and internal control include timely implementation of high-quality internal audit and checks aimed at effective usage of the Company resources and assessment of the risk management, audit and corporate governance system efficiency.

The internal audit system has been introduced in the Company. The system is based on advanced standards applied by E.ON. Group. Internal control is the process pursued by the Company Board of Directors, top management and employees. The purpose is to ensure that the targets in the area of

¹⁰ Text of the Regulation on the Revision Commission of E.ON Russia is placed on the Company web-site www.eon-russia.ru in section "To Shareholders and Investors/Documents".

business efficiency are achieved, that the financial statements are reliable and in line with the applicable requirements of legislation and regulations and that assets soundness is ensured.

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

EXTERNAL AUDITOR

On June 26, 2011 the annual General Shareholders' Meeting of E.ON Russia approved PricewaterhouseCoopers Audit CJSC as an external auditor.

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

Pursuant to the resolution of the Board of Directors dated August 12, 2011, the remuneration to the external auditor amounted to:

- for the services related to audit of the accounting statements for the reporting year ending on December 31, 2011, prepared in compliance with the Russian laws - 6 mln 334.6 thousand roubles;
- for the services related to audit of the financial statements for the reporting year ending on December 31, 2011, prepared in compliance with IAS - 32 mln 747.185 thousand roubles.

4.5. Interested Party Transactions. Major Transactions.

As per the RF legislation, interested-party transactions are subject to approval by the Company Board of Directors, by major vote of independent directors who are not interested in closing a deal, prior to their closing. If all the members of the Board of Directors are found interested or are not independent, or if the subject of a transaction or a series of interdependent transactions is property, the cost of which according to the accounting records is 2 or more per cent of E.ON Russia book value of assets, or if via a transaction 2 or more percent of E.ON Russia shares or securities convertible into E.ON Russia shares are placed, then settlement of such a transaction is subject to approval by the resolution of the General Shareholders' Meeting, by the majority vote of all the uninterested shareholders.

Transactions the subject of which is acquisition/disposal (or possibility of disposal) of property the cost of which is over 25% of the book value of the Company's assets (with the exception for transactions in the normal course of business) are recognized to be major transactions in accordance with the effective laws and are subject to unanimous approval by all the members of the Board of Directors; and if the cost of property is over 50% of the book value of the Company's assets, then the transaction is subject to approval by the General Shareholders Meeting, by the $\frac{3}{4}$ majority votes of holders of the Company voting shares.

The Company monitors interested party transactions and major transactions by way of weekly review of the concluded contracts, by maintenance of the register of all such transactions and maintenance of the database on the basis of data provided by members of the Board of Directors and Management Board of E.ON Russia about the companies in which they hold managerial positions or hold stakes. List of interested party transactions and major transactions approved by the Board of Directors of E.ON Russia in 2011 is submitted in Annex No. 3 hereto.

4.6. Subsidiaries and Affiliates ¹¹

NAME	TEPLOSBYT OOO	OJSC SHATURSKAYA UPRAVLYAYUSHCHAYA KOMPANIYA
Location:	5 Chernoozerskiy proezd, Shatura, 140700, Moscow Region, Russian Federation	4 Konny proezd, Shatura, 140700, Moscow Region, Russian Federation
Core business:	Participation, jointly with administration of the GRES areas of presence in managing organizations for management of apartment houses.	Providing of housing and public utility services, maintenance of the housing stock

¹¹ The information is presented with regard to Companies in whose authorized capitals E.ON Russia's share is over 5%.

Share of participation in the charter capital, %	100	51% (indirectly, via Teplosbyt OOO)
Date of state registration:	28.11.2007	31.03.2008

4.7. Participation in Non-commercial Organizations

The Company's membership in non-commercial organizations is presented below:

NAME OF THE NON-COMMERCIAL ORGANIZATION	GROUND OF PARTICIPATION	PURPOSE OF PARTICIPATION
NP Market Council	resolution of the Board of Directors dated 29 January 2007	A prerequisite for obtaining the status of the wholesale market player; status of the entity acting in the wholesale power market.
NP Union of Power Engineers ¹²	resolution of the Board of Directors dated 30 July 2009	Interaction with electric power entities (members of NP) with the purpose of introducing into the Company operation practices of advanced technologies, engineering solutions, standards and methods of work of the best peer companies in the industry showing the highest efficiency in certain areas of activities.
NP Building Union of the Capital Self-regulating organization	resolution of the Board of Directors dated 16 December 2009,	Necessity to receive the access certificate issued by a self-regulating organization, with the purpose of carrying out organization of construction, reconstruction and overhaul of the capital structures.
NP Council of Power Producers	resolution of the Board of Directors dated 27 January 2011	Assistance to the members of the Partnership in performing the activity aimed at development of the electric power industry in the Russian Federation, improvement of the investment climate, introduction of new technologies.

¹² On April 04, 2012, the Board of Directors of E.ON Russia resolved to terminate participation in NP Union of Power Engineers.

5. SHARES AND STOCK MARKET

5.1. Structure of Capital Stock

Over the last 3 years there were no significant changes in the structure of the Company's authorized capital. Total number of persons entered into E.ON Russia shareholders register as of December 31, 2011 is 303,668 persons, including¹³:

STRUCTURE IN TERMS OF TYPES OF CLIENT ACCOUNTS	2010, PIECE(S)	2011, PIECE(S)	2010, SHARE, %	2011, SHARE, %
Ultimate owners	305,124	303,080	2.31	80.20
legal entities, including:	646	644	0.20	78.49
<i>Commercial organizations</i>	604	601	0.19	78.49
<i>of them owned by E.ON Russia Holding GmbH</i>	-	-	-	78.31
<i>Financial and credit organizations</i>	26	25	less than 0.01	less than 0.01
<i>Non-commercial organizations</i>	90	18	less than 0.01	less than 0.01
Federal Authorities	1	2	0.29	less than 0.01
Authorities of RF constituent entities	3	5	0.01	0.01
Local Authorities	2	-	less than 0.001	-
Physical Persons	304,472	302,429	1.81	1.70
Non-ultimate owners	576	588	97.70	19.80
Nominal holders	33	30	97.69	19.79
<i>of them owned by E.ON Russia Holding GmbH</i>	-	-	78.31	0.57 ¹⁴
Trust managers	3	3	less than 0.01	less than 0.01
Stock in common property	540	555	0.01	0.01
Total	305,700	303,668	100	100

During 2011 the Company did not place any additional share issues.

5.2. Shares at Stock Exchange

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

¹³ Based on data provided by the Registrar.

¹⁴ From November 14, 2011 till January 26, 2012 share of E.ON Russia Holding GmbH increased from 78.31 % up to 82.30 %, of them 3.99% are in the nominal holding.

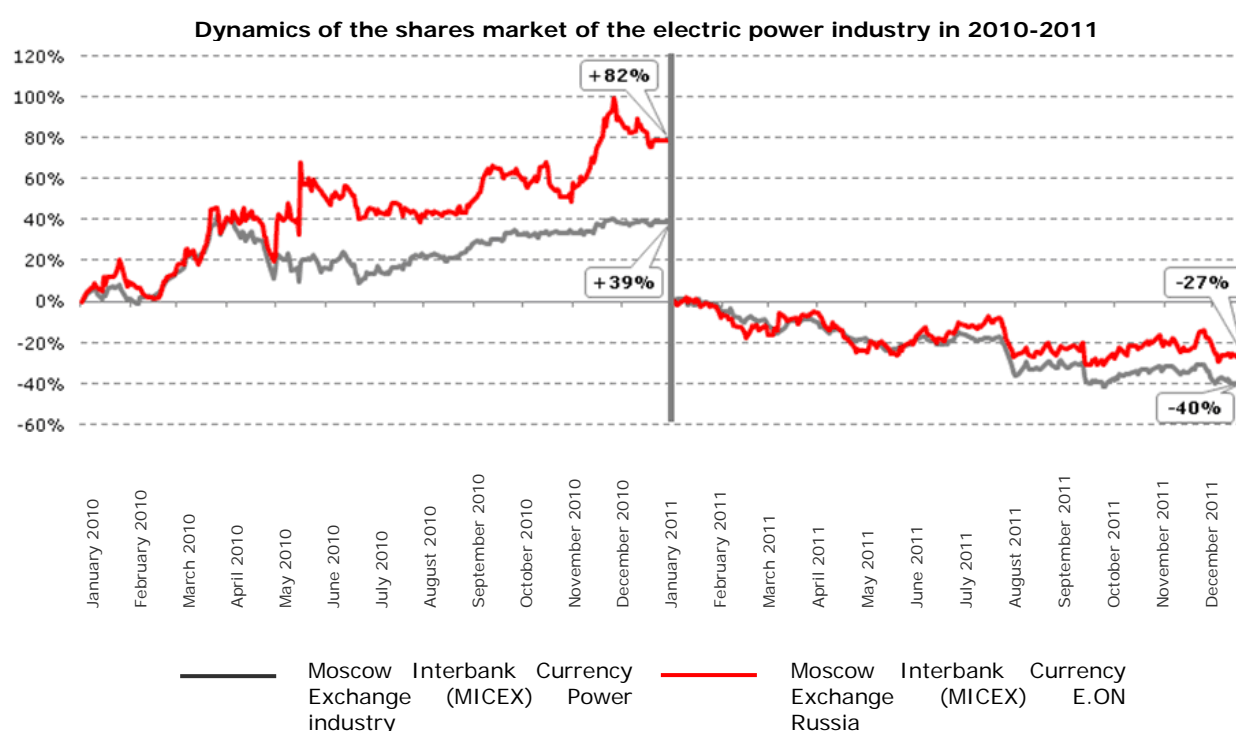
Ordinary shares of E.ON Russia JSC are included into the List "B" and are traded at the trading platforms of MICEX-RTS.

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

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

CODES OF E.ON RUSSIA SHARES IN THE TRADE SYSTEMS

Stock exchange	Ordinary shares	Trading commencement date
Moscow Interbank Currency Exchange, (MICEX) CJSC	EONR/until 18.11.2011 OGK4	2 August 2006
Standard	EONR/earlier OGKDG	14 July 2006
Classica	EONR/earlier OGKD	15 August 2006



In 2010 and 2011 the share market of the electric power industry was characterized by two diametrically opposed trends, in particular, growth in 2010 and decrease in 2011.

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

Additional drivers of growth for capitalization of E.ON Russia were putting into operation of 400 MW CCGT at Shaturskaya GRES branch in November 2010, in aggregate with the best operational results following the results of the first 9 months of 2010.

But already in early 2011 the industry-wide fundamental factors of growth were exhausted. Actions of the Government aimed at control of the electric power prices growth rate adjusted capitalization of all the companies in the industry. MICEX index of Energetika by December 2011 had decreased by 40%. Adjustment of capitalization of E.ON Russia amounted to only minus 27%. Less loss of value of E.ON Russia as compared with the Moscow Interbank Currency Exchange (MICEX) Energetika, is explained by the more efficient operation of the Company in the changing conditions.

In 2011 new more efficient power units were commissioned at Surgutskaya GRES-2 and Yaivinskaya GRES, search for solutions as to the Company expenses optimization is still in progress.

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

MARKET CAPITALIZATION IN 2010-2011

Date	Market value	Number of outstanding shares	Market capitalization, roubles
31.12.2010	2.96	63,048,706,145	185,363,196,066
31.03.2011	2.77	63,048,706,145	174,165,745,855
30.06.2011	2.51	63,048,706,145	158,170,289,106
30.09.2011	2.05	63,048,706,145	131,387,198,736
31.12.2011	2.14	63,048,706,145	134,558,548,655

Source: Moscow Interbank Currency Exchange (MICEX)

5.3. Dividends

At the General Shareholders' Meeting of E.ON. Russia on June 24, 2011 it was resolved not to pay dividends following the results of the year 2010. It was decided to allocate the profit to the reserve fund as provided by the Company Articles of Association and keep it at the Company's disposal for the purposes of the investment program implementation.

5.4. Registrar Data

Since 2009 registrar of E.ON. Russia is Registrar R.O.S.T. JSC - a leader among major and rapidly developing registrar companies.

During 2011 Registrar R.O.S.T. JSC underwent a number of significant changes: the Company revenue for 9 months doubled as compared to the same period of the last year and amounted to 481.2 mln roubles (exclusive of VAT).

In 2011 connection of the major regional registrar Reyeistr A-Plus JSC was completed, in the result of that connection the client database of the registrar increased by more than 1,000 companies. Total number of serviced issuers according to the data as of September 30, 2011, is 3,640.

Registrar R.O.S.T. started operations in the registers of a number of Russian aircraft enterprises that belong to the United Aircraft Corporation (UAC); registers of the major enterprises of the electric power industry, such as: Concern Energoatom JSC, Ulyanovskenergo JSC, Magadanenergo JSC; Krasnoyarsenergosbyt JSC, Boguchanskaya Hydro Power Plant JSC, TGK-11 Holding JSC; registers of St. Petersburg Exchange JSC, Voentelecom LLC, etc.

The regional network of Registrator R.O.S.T. has 35 regional subdivisions, operating in 7 federal districts of the Russian Federation.

NAME OF THE REGISTRAR	REGISTRAR R.O.S.T. JSC
Address	18, Stromynka Str., build. 13 Moscow
Phone	(495) 771-7335, 771-7336
Fax	(495) 771-7334
Internet site	www.rrost.com
E-mail address	rost@rost.ru
Number of registrar company branches it the territory of Russia	35

6. OPERATIONS OVERVIEW

6.1. Key Performance Indicators of the Company for 2011

GENERATION OF ELECTRIC POWER

In 2011 branches of E.ON Russia generated 62 bln 467 mln kWh, which is by 6 bln 676 mln kWh. (12%) more than in 2010.

POWER PLANT	UNIT OF MEASUR.	2009	2010	2011
Surgutskaya GRES-2	mln kWh	35,210	36,623	38,829
Berezovskaya GRES	mln kWh	9,425	9,288	11,082
Shaturskaya GRES	mln kWh	3,636	4,112	5,893
Smolenskaya GRES	mln kWh	1,722	1,928	1,809
Yaivinskaya GRES	mln kWh	3,955	3,840	4,854
E.ON Russia	mln kWh	53,948	55,791	62,467

Growth of power generation by E.ON Russia in 2011 was conditioned by successful implementation of the investment program of new generating facilities construction. During 2011 new power unit of Shaturskaya GRES with the installed capacity of 393.4 MW put into operation in November of 2010, was commissioned. Moreover, in Q3 of 2011, 1,222 MW of new generating facilities were commissioned at Surgutskaya GRES-2 and Yaivinskaya GRES. Modernized units of Berezovskaya GRES made tangible contribution into increase of electric power generation.

GENERATION OF HEAT POWER

In 2011 volume of heat power output from the headers amounted to 2 mln 126 thousand Gcal, that is 268 thousand Gcal (11.2%) less than in the previous year. Decrease of heat power generation is related to higher temperature of the ambient air.

POWER PLANT	UNIT OF MEASUR.	2009	2010	2011
Surgutskaya GRES-2	thousand Gcal	1,026	1,016	863
Berezovskaya GRES	thousand Gcal	736	774	694
Shaturskaya GRES	thousand Gcal	415	430	403
Smolenskaya GRES	thousand Gcal	72	70	66
Yaivinskaya GRES	thousand Gcal	104	104	100
E.ON Russia	thousand Gcal	2,354	2,394	2,126

INSTALLED CAPACITY UTILIZATION FACTOR (ICUF)

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

POWER PLANT	UNIT OF MEASUR.	2009	2010	2011
Surgutskaya GRES-2	%	83.7	87.1	85.0
Berezovskaya GRES	%	71.7	70.5	81.2
Shaturskaya GRES	%	37.7	41.2	45.0
Smolenskaya GRES	%	31.2	34.9	32.8
Yaivinskaya GRES	%	75.2	73.1	71.2

6.2. Fuel Mix Information

Power plants of E.ON Russia JSC use gas, coal and fuel oil as technological fuel, besides it is possible to use peat, but in 2011 it was not combusted. Main fuel in the Company balance is gas: in 2011 - 80.05% of the total fuel consumption.

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

Berezovskaya GRES uses lignite as main fuel. Fuel oil is used at power units only during start-up operations. The major share of coal is supplied to the power plant by the ground conveyor from the coal pit Berezovskiy-1 located 14 km away from the branch. In 2011, coal consumption at Berezovskaya GRES amounted to 6,692.6 thousand tons.

Shaturskaya, Smolenskaya and Yaivinskaya GRES can use various types of fuel for technological purposes. However, taking into account the prices conjuncture over the last years, gas is the major fuel for those branches. In 2011 its share in the fuel balance for Shaturskaya GRES amounted to about 94%, for Smolenskaya GRES – about 98%, for Yaivinskaya GRES — more than 94%.

Power plant	Fuel	Quantity, mln cubic meters; thousand ton	Quantity, thousand TFOE	Share, %
Surgutskaya GRES-2	Gas	9,979.201	11,535.410	100.000
	Coal	6,692.639	3,621.690	99.900
Berezovskaya GRES	Fuel oil	2.543	3.591	0.099
	other fuel	0.020	0.027	0.001
Shaturskaya GRES	Gas	1,484.971	1,711.165	94.031
	Coal	117.550	69.847	3.838
	Fuel oil	30.057	38.774	2.131
Smolenskaya GRES	Gas	545.005	624.082	97.838
	Coal	21.575	13.412	2.103
	Fuel oil	0.279	0.376	0.059
Yaivinskaya GRES	Gas	1,324.682	1,527.637	94.514
	Coal	128.373	88.370	5.467
	Fuel oil	0.225	0.315	0.019
E.ON Russia JSC	Gas	13,333.860	15,398.294	80.055
	Coal	6,960.137	3,793.319	19.721
	Fuel oil	33.104	43.056	0.224
	other fuel	0.020	0.027	0.000

Total following the results of 2011 JSC E. ON Russia used for technological purposes about 13.3 bln m³ of gas, 7.0 mln tons of coal and 33.1 thousand tons of fuel oil. Cost of the fuel consumed by E.ON Russia JSC branches in 2011 amounted to about 30.8 bln roubles (exclusive of VAT).

KEY FUEL SUPPLIERS

The key fuel supplier for E. ON Russia in 2011, as in 2010, is Surgutneftegaz OAO, which supplied fuel resources in the volume of about 39% of the total cost of the fuel procured by the Company. Surgutneftegaz OAO is the main gas supplier to Surgutskaya GRES-2.

Moreover, in 2011 E.ON Russia JSC significantly increased procurement volume of gas from the independent producer - NOVATECH JSC.

Major fuel suppliers also include regional companies engaged with gas sales of Gazprom OJSC.

The key coal supplier for the Company is SUEK OAO that supplies lignite to Berezovskaya GRES.

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

6.3. Maintenance and Repairs

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

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

During 2011 power units with the aggregate capacity of 9,138 MW underwent repairs; of which, overhaul - 1,210 MW, medium repairs - 1,160 MW and current maintenance - 6,768 MW.

Total amount of expenses related to repair works at E.ON Russia power plants in 2011 amounted to 2 bln 298 mln roubles. All the scheduled repair work was done in full.

REPAIR PROGRAM STRUCTURE	SHARE, %
Power unit repairs	67
Repairs of plant-service equipment	20
Repairs of buildings and structures	9
Repairs of heat networks	3
E.ON Russia	100

47% of repair work was done using the Company's own resources and 53% on contractual basis. Tender procedure was implemented for concluding contracts on repair with contractors under the best terms for the Company.

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

7. POWER MARKETS

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

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

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

Other volumes of the electric power generated are supplied at free prices existing at the wholesale market.

Since January 1, 2011 capacity was sold at the wholesale market under the following mechanisms: trade of capacity following the results of the competitive take-off for the relevant year; trade of capacity under liberalized capacity purchase and sale contracts (LCC), provided that this capacity is taken at the competitive take-off; trade of capacity under capacity supply contracts (CSC); trade of capacity of forced generators (generating facilities not taken-off at the competitive take-off, but continuous work of which is necessary for technological and other reasons).

With the electric power market liberalization development there was a possibility for E.ON Russia to choose participation in various sectors of the energy market (day ahead market, capacity market, balancing market taking into account current expenses for electric power generation), in this regard E.ON Russia continuously improves its strategy of behaviour in the competitive market sectors to maximize its profit. In 2011 the Company was able to extensively make use of all the potentials in the market sector and sell considerable volume of power and capacity at liberalized market prices.

7.2. Review of the Competitive Environment

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

At the local market, competitors of Surgutskaya GRES-2 is Surgutskaya GRES-1 owned by OGK-2, and Nizhnevartovskaya GRES owned by OGK-1, and also gas power plants of Fortum JSC (previously known as TGK-10 OAO).

Berezhovskaya GRES sells electric power and capacity in Siberia within the limits of price zone 2. Competitors: Krasnoyarskaya GRES-2 within the structure of OGK-2, Kuzbassenergo (TGK-12), TGK-13 (Yeniseiskaya TGK), and hydro power plants of the region – including Sayano-Shushenskaya HPP - the largest HPP in Russian.

Main competitors of Shaturskaya GRES are Kashirskaya GRES, which is also located in the Moscow Region and belongs to OGK-1, and major power plants of the Central Region — Ryazanskaya GRES (OGK-2) and Cherepetskaya GRES (OGK-3), as well as Mosenergo power plants (TGK-3).

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

Permskaya GRES and Irikhinskaya GRES under OGK-1, and Serovskaya GRES (OGK-2) and regional generating facilities of TGK-9 are main competitors of Yaivinskaya GRES.

E.ON Russia JSC wants to implement its significant potential in all segments of the wholesale market. The Company will improve operating efficiency and enhance its competitive advantages in the regions of operation. Implementation of the Investment program of E.ON Russia facilitates this objective, pursuant to the investment program in 2011 new generating facilities were put into operation, first of all, in the regions with low capacity reserve.

7.3. Electric Power Sales

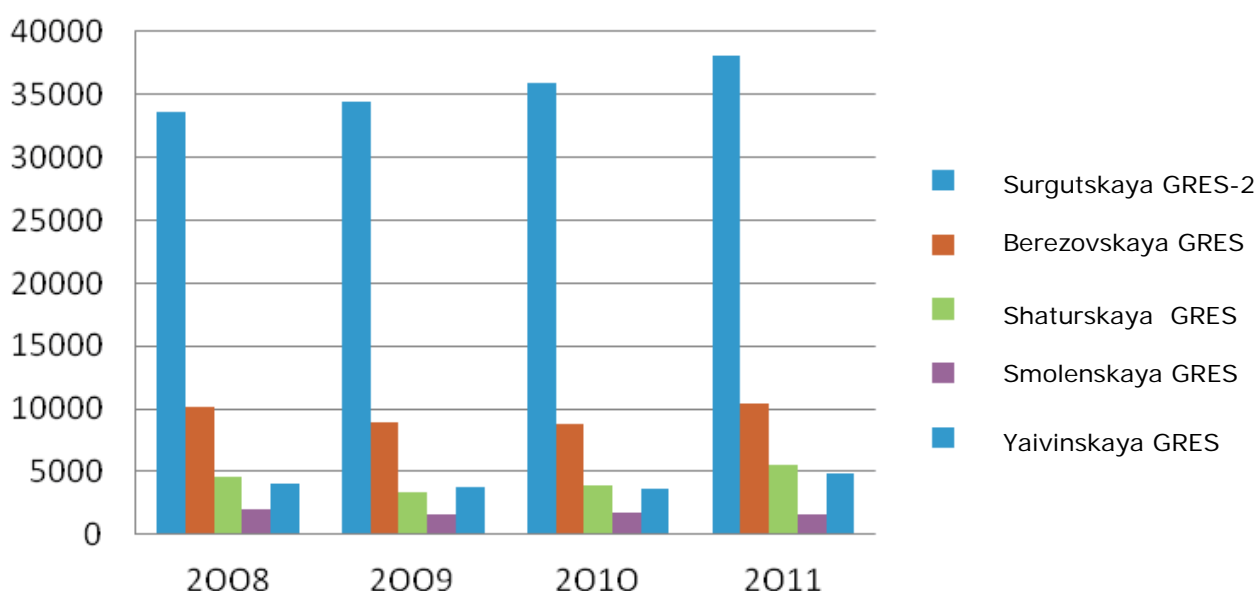
Most of electric power sales were effected from own generation of E.ON Russia JSC power plants. In 2011 volume of power net output to power plants of E.ON Russia JSC amounted to 60.5 billion kWh. Supplies under regulated contracts comprised 13% of sales. The rest part of electric power was traded at

competitive segments of the market: at the Day-ahead market (DAM) and Balancing market (BM). Most of the margin from electric power sales (94%) was gained exactly due to activities in competitive segments of the wholesale market.

NET ELECTRIC POWER OUTPUT BY THE COMPANY POWER PLANTS¹⁵

POWER PLANT	UNIT OF MEASUR.	2008	2009	2010	2011
Surgutskaya GRES-2	mIn kWh	33,668	34,488	35,911	38,053
Berezovskaya GRES	mIn kWh	10,195	8,872	8,733	10,470
Shaturskaya GRES	mIn kWh	4,619	3,355	3,930	5,517
Smolenskaya GRES	mIn kWh	2,032	1,576	1,774	1,662
Yaivinskaya GRES	mIn kWh	3,980	3,717	3,605	4,827
E.ON Russia	mIn kWh	54,494	52,008	53,952	60,529

Dynamics of net power output in 2008-2011



In 2011 E.ON Russia increased power sales in the competitive sector of the wholesale market against the background of its total liberalization and commissioning of new generating facilities at Shaturskaya GRES, Surgutskaya GRES-2, Yaivinskaya GRES and modernized facilities at Berezovskaya GRES.

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

POWER SALES, SECTOR-WISE

ELECTRIC POWER SALES	UNIT OF MEASUR.	2010	2011
RC (Regulated contracts)	mIn kWh	19.8	8.6
DAM (Day-ahead market)		34.5	54.5
BM (Balancing market)		1.1	1.7
NRC (non-regulated contracts)		3.9	0
E.ON Russia		59.3	64.8

¹⁵ Data given net of load loss

Electric power sales by E.ON Russia power plants in 2011 taking into account the volumes bought at the market amounted to 64.8 billion kWh, which is by 9.3% more than in 2010

7.4. Heat Power Sales

E.ON Russia's core business is generation and sales of electric power, while generation and sales of heat power are not the key activity of the Company. Following the results of the year 2011, revenue from heat power sales comprised only about 1.5% of the Company total receipts. Nevertheless, E.ON Russia pays much attention to reliability and continuity of heat supply because it is essential for local consumers' life support in the nearby communities.

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

NET HEAT OUTPUT BY THE COMPANY POWER PLANTS

POWER PLANT	UNIT of MEASUR.	2008	2009	2010	2011
Surgutskaya GRES-2	thousand Gcal	937	1,014	1,003	851
Berezovskaya GRES	thousand Gcal	546	556	587	503
Shaturskaya GRES	thousand Gcal	336	314	311	293
Smolenskaya GRES	thousand Gcal	38	39	39	37
Yaivinskaya GRES	thousand Gcal	79	79	79	74
E.ON Russia	thousand Gcal	1,936	2,002	2,019	1,758

In 2011 heat supplied to consumers was by 12.9% less than in 2010.

In all branches of E.ON Russia (except for Surgutskaya GRES-2) in 2011 heat supply was effected directly to consumers under direct contracts or via housing and communal services organizations. Surgutskaya GRES-2 supplies heat power to Heat and Grid Company of Ural JSC.

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

Dynamics of net power output in 2008-2011



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

7.5. Relations with Basic Contractors

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

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

Standard contract forms are approved by the Supervisory council of Non-commercial partnership Market Council.

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

8. FINANCIAL PERFORMANCE REVIEW

8.1. General information

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

Following the results of the year 2011 revenues of E.ON Russia increased by 25% up to 67 bln 354 mln roubles from 53 bln 819 mln roubles for 2010. Earnings before interest, taxes, depreciation and amortization without exchange rate differences (EBITDA) of E.ON Russia increased by 58% from 14 bln 69 mln roubles for 2010 up to 22 bln 217 mln roubles following the results of the year 2011. The key factor of revenues and profit growth for the Company (as compared with 2010) was successful implementation of the new generating facilities construction. E.ON Russia commissioned new combined cycle power units at Shaturskaya GRES, Yaivinskaya GRES and Surgutskaya GRES-2.

8.2. Several factors affecting the Company business activity results

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

REGULATION OF THE ELECTRIC ENERGY SECTOR IN RUSSIA. TARIFFS

Regulated tariffs fixed for the Company's power plants vary a lot depending on several conditions, including, but not limited to the following: power plant efficiency, power plant location, type of fuel used, investment plans. Historically, Smolenskaya GRES and Shaturskaya GRES had higher tariffs as compared to the Company power plants located in the Urals Federal District, Privolzhsky Federal District and Siberian Federal District, where the gas and coal prices are lower than in the Central Russia. Details of power tariff change dynamics for the Company power plants are given in the table:

ELECTRIC POWER TARIFFS, RUB/MWH			
Power plant	2009	2010	2011
Surgutskaya GRES-2	438.33	525.6	605.13
Berezovskaya GRES	278.43	307.25	328.33
Shaturskaya GRES	959.46	1,119.63	1,119.83
Smolenskaya GRES	903.25	986.04	1,115.36
Yaivinskaya GRES	648.29	754.49	863.36

In total in 2011 under regulated contracts the Company sold 8 bln 558 mln kWh of electric power. Revenues from sales in the regulated market segment made 7 billion 971 mln roubles. It shall be noted that the amount of this revenue also includes capacity payments; the actual amount of this payment in 2011 amounted to 2 billion 361 million roubles.

Capacity tariffs set forth by FST for E.ON Russia power plants for the period from 2009 to 2011 are presented in the table below:

CAPACITY TARIFFS, RUB./MW PER MONTH			
Power plant	2009	2010	2011
Surgutskaya GRES-2	79,696.97	74,891.44	81,149.61
Berezovskaya GRES	115,291.08	112,694.01	121,410.67
Shaturskaya GRES	118,504.06	110,850.91	131,714.13/ 123,000.00*
Smolenskaya GRES	86,831.69	84,718.48	93,473.93
Yaivinskaya GRES	127,764.22	128 179.32	135,440.66

* Change of tariffs as from April 1, 2011.

Taking into account that in 2011 the volume of sales under regulated contracts amounted to about 12% in the commercial products, tariff regulation did not significantly influence the business activity results in 2011.

In 2011 power (capacity) was supplied in the forced mode by Shaturskaya GRES branch at tariffs approved by the Federal Tariff Service of Russia, and capacity supply at tariffs set for generating facilities in relation to which higher prices were specified in quotations for competitive take-off at Smolenskaya GRES and Yaivinskaya GRES branches.

	TARIFF FOR POWER FORCED GENERATION, RUB./MWH	CAPACITY TARIFF FOR FORCED GENERATION, RUB./MW PER MONTH	CAPACITY TARIFF, RUB./MW PER MONTH
Shaturskaya GRES	1,119.83	131,714.13/ 123,000.00*	
Smolenskaya GRES			141,061.47
Yaivinskaya GRES			106,911.77

FUEL EXPENSES

The Company consumes considerable amount of various types of fuel for generation of electric and heat power. E.ON Russia procures considerable volume of gas and coal and somewhat less oil fuel. Following the results of the year 2011, share of fuel expenses reduced by 0.5 per cent as compared to the level of 2010 and amounted to 63.9% of the total operational expenses of the Company. In general fuel costs in 2011 increased by 4,608 mln roubles (+ 17.6%) against 2010 and amounted to 30 bln 802 mln roubles. Growth of fuel costs in the general structure of the Company expenses is conditioned by the two reasons: firstly, by the annual growth of prices for key utilities in Russia; secondly, by putting into operation of new generating facilities.

Basic component of E.ON Russia fuel portfolio is gas. Its share in the physical volume of fuel consumed by the Company in 2011 amounted to 80.1%. Gas procurement expenses amounted to 89.2% of the overall fuel expenditure of the Company in 2011.

Coal is also a significant component in the Company fuel mix. In 2011 share of coal in physical volume of fuel consumed by the Company amounted to 19.7%. Expenses for coal consumed for electric and heat power generation made 10.3% of the overall fuel expenditure of the Company. Coal is mainly used at Berezovskaya GRES, which is the Company's second largest power plant in terms of installed capacity. The major Russian coal producer – SUEK OAO, which owns Berezovskiy-1 coal pit, is the main coal supplier to E.ON Russia power plants (mostly to Berezovskaya GRES).

Other types of fuel, like oil fuel, following the results of the year 2011, amounted to 0.5% of the total fuel expenditure of the Company.

EXPENSES FOR THIRD PARTY SERVICES

The Company bears expenses related to third party services in the wholesale power market. Thus, the System Operator provides dispatch services within the power grid, the Trade system administrator controls the wholesale market trade system and the Center of Financial Settlements calculates demands and obligations of the wholesale power and capacity market participants and effects financial settlements among them. The Company concludes standard service contracts with all the parties mentioned; whereas the terms and conditions of such contracts are standardized and non-negotiable. Besides, the Company pays for some third party services in accordance with regulated prices (tariffs) as set by the Federal Tariff Service.

The Company's expenses related to third party services rendered at the wholesale power market amounted to 926 million roubles (1.9%) of the Company total operational expenses in 2011.

SEASONAL PREVALENCE

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

Electric and heat power demand fluctuates depending on the season, time of the day and weather conditions. It depends upon ambient air temperature, daylight hours' duration, light intensity, kind of

day– weekday/business day, weekend, day off (holiday), intermediate day between a business day and a day off (holiday).

Demand for offer provided by a specific power plant depends both on the power demand and on factors defining operating mode in the power zone where these power plants are located. These factors include: structure of the generated power, in terms of the power plant type (thermal, condensation, nuclear or hydraulic power plant), conditions of the system reliability (grid and system limitations). In addition, the above factors are linked to seasonal phenomena – flooding (resulting in increase of HPP total power generation) and generating and grid equipment maintenance campaigns, which are intensively carried out between the autumn and winter period.

Influence of HPP power output increase is most relevant for Berezovskaya GRES. Factor of grid equipment repairs influences competitive power of Shaturskaya and Smolenskaya GRES.

TENDENCIES OF MACROECONOMIC DEVELOPMENT IN RUSSIA

The Company operates in the territory of Russia. Accordingly, tendencies of macroeconomic development in Russia, including overall economy growth and buoyant markets at which the Company pursues activities, considerably influence the Company activity results.

The table below shows several key macroeconomic indicators relevant for the Russian economy for the period from 2006 through 2011:

INDICATOR	2006	2007	2008	2009	2010	2011
Growth of GDP, %	6.70	8.10	5.60	-7.80	4.30	4.30
Consumer price index, %	9.00	11.90	13.30	8.80	8.80	6.10
Level of unemployment, %	6.90	6.10	6.30	8.40	7.50	6.60

Source: Rosstat

On February 2, 2012, the Ministry for Economic Development of Russia published the report “On results of social and economic development of the Russian Federation in 2011” which contains the following conclusions:

1) In general in 2011 growth of GDP continued notwithstanding the increased uncertainty of the external conditions and strengthening of turbulence at financial markets. Increase of GDP, according to the first assessment of Rosstat is 4.3%, which complies with the dynamics of 2010.

On the part of the production, GDP dynamics in 2011 was conditioned, first of all, by growth of processing production, construction, all-time high rates in the agricultural sector.

As for demand the economic growth is related to increase of the consumption contribution and investments as well as replacement growth of reserves. Net export made negative contribution into the GDP dynamics due to maintenance of high import dynamics with export dynamics decrease.

2) In 2011 industrial production grew by 4.7% as compared with the level of 2010. During the whole year manufacturing activities grew at outstripping rates, annual increase amounted to 6.5 per cent. Machine building is the leader of growth, in the first place due to transport vehicles and equipment manufacture (annual increase is 24.6%). The highest rates following the results of the year are recorded in the rubber and plastics goods production, other non-metallic mineral goods, in leather, leather goods and shoes manufacture.

3) The situation at the employment market continued to improve in 2011. Number of unemployed persons decreased by 0.5 mln people (in comparable methodology) and amounted on the average to 6.6% of the economically active population, which is by 0.9 per cent lower of the level of 2010. Whereas in December with exclusion of the seasonal factor the unemployment level decreased to 6.0%, which is the minimal value as from July 2008.

Employment in construction, transport, trade, financial activity is being restored the most rapidly.

4) After the drought and growth of prices for food in 2010 the inflation reached 9.6% as the annual terms at the beginning of 2011 and kept that level during the first half of the year. However, record-breaking harvests of 2011 provided for rapid going down of food prices at all the markets. Since July the inflation started to rapidly decrease. In 2011 the consumer market inflation made up 6.1%, which is the least value since 1991.

Alongside with it, notwithstanding fast price decrease in the second half of the year, high inflation of the first six months of the year provided for acceleration of the consumer prices growth in the average annual expression. Annual average inflation increased in 2011 up to 8.4% against 6.9% in 2010.

TAXATION AND DEDUCTIONS TO GOVERNMENTAL NON-BUDGETARY FUNDS

The Company is a taxpayer of several taxes which considerably influence the Company's business activity results. The table below sums up the data on types and size of taxes paid by the Company to budgets of various levels during 2010 and 2011.

As per Federal Law No. 213-FZ dated 24.07.2009, Chapter 24 of RF Tax Code is deleted as from 01.01.2010. Starting from January 1, 2010 instead of the Uniform social tax, employers must pay insurance premium payments to governmental non-budgetary funds. In 2010 payments related to Uniform social tax was made only under obligations dated 2009.

TAXES PAID TO THE FEDERAL BUDGET, MILLION ROUBLES	PAID IN TOTAL AS PER TAX IN 2010	PAID IN TOTAL AS PER TAX IN 2011
VAT	-465.2	-1,776.4
Income tax	1,840.2	1,859.0
Mineral extraction tax	0.03	0.06
Water tax	143.2	105.2
Property tax	342.8	702.1
Personal income tax	408.0	472.8
Transportation tax	2.0	2.2
Uniform social tax	7.7	-
Land tax	13.8	25.3
Other	-	2.5
Total	2,292.6	1,392.8
INSURANCE PREMIUM PAYMENTS TO GOVERNMENTAL NON-BUDGETARY FUNDS	Total payments to funds in 2010, million roubles	Total payments to funds in 2011, million roubles
	386.6	616,3

The Company belongs to the category of "major taxpayers" of the Russian Federation; observance of tax legislation is controlled by the Trans-regional supervisory body of the Federal Tax Service for major taxpayers No. 4.

8.3. Business activity results

The table below shows the Company operating performance in 2010-2011:

INDICATOR	2010 million roubles	2011 million roubles	2011/2010 +/-%
Revenue	53,819.0	67,354.0	25.1%
Cost of production	40,684.0	48,196.0	18.5%
EBIT (not adjusted for exchange rate difference) ¹⁶	14,069.0	22,217.0	57.9%
Rate of return with regard to EBITDA (not adjusted for exchange rate difference)	26.1%	33.0%	-
EBIT (not adjusted for exchange rate difference) ¹⁷	12,868.0	17,952.0	39.5%
Rate of return with regard to EBIT (not adjusted for exchange rate difference)	23.9%	26.7%	-
Net income	10,407.0	15,052.0	44.6%
Rate of return with regard to Net profit	19.3%	22.3%	-
Net balance of exchange rate difference	-702.0	-89.0	-87.3%

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

¹Pursuant to the Regulation on accounting "Estimated liabilities, contingent liabilities and contingent assets" (RAS 8/2010) the Profit and loss account of E.ON Russia for 2010 was adjusted and estimated liabilities for unused holidays, annual and quarterly remuneration of 43 mln roubles were accrued, which led to growth of the cost and as a consequence - reduction of the Company profit and profitability ratios in the period specified.

REVENUE

In 2011 the Company's earnings came from sales of electric power, heat and sales of other products and services of industrial and non-industrial nature. Following the results of the year 2011 revenue of E.ON Russia increased by 25% as compared with 2010 and amounted to 67 bln 354 mln roubles.

INDICATOR	2010 million roubles	2011 million roubles	2011/2010 +/-%
Power sales in the regulated sector	11,545.0	5,610.0	-51.4%
Power sales in the competitive sector	29,523.0	44,249.0	49.9%
Power sales in the retail market	4.0	4.0	0.0%
Sales of capacity	11,459.0	16,219.0	41.5%
Sales of generated heat power	851.0	759.0	-10.8%
Heat power transportation	223.0	253.0	13.5%
Other production sales	199.0	245.0	23.1%
Other non-production sales	15.0	15.0	0.0%
Total earnings	53,819.0	67,354.0	25.1%

¹³ EBITDA = Profit (loss) from sales + Other income - Other expenses – Net balance of exchange rate difference + Expenses on securities issue, IPO + depreciation

¹⁷ EBITDA = Profit (loss) from sales + Other income - Other expenses – Net balance of exchange rate difference + Expenses on securities issue, IPO

ELECTRIC POWER AND CAPACITY

Following the results of the year 2011 revenue from electric power and capacity sales increased by 25.8% up to 66 bln 082 mln roubles from 52 bln 531 mln roubles following the results of the year 2010. In the structure of E.ON Russia total revenue, the share of proceeds from sales of electric power and capacity in the regulated market sector reduced by 16.6 p.p. following the results of the year 2011, and amounted to 7 billion 971 mln roubles (12%). At the same time, the share of proceeds from sales in the competitive sector increased by 17.1% reaching 86%, and its volume amounted to 58 billion 107 mln roubles. Increase of revenues from sales of power and capacity is explained, first of all, by start of operation of new, more efficient power units at Shaturskaya GRES, Surgutskaya GRES-2 and Yaivinskaya GRES together with higher load of modernized units of Berezovskaya GRES. General growth of average weighted prices for electric power and capacity also influenced the general growth of the revenue. Proceeds from sales of electric power in the retail market following the results of 2011 were very insignificant – about 0.01% of the Company's total revenue.

HEAT POWER

Following the results of the year 2011, proceeds from sales of heat power reduced by 5.8% to 1,012 million roubles from the level of 1,074 million roubles following the results of the year 2010. Decrease of revenues from sales of heat power is explained by higher temperature of the ambient air. In general in the year 2011 share from sales of heat power in the total revenue of the Company went down to 1.5%.

OTHER REVENUES

Following the results of the year 2011 other revenues (revenue from sales of industrial and non-industrial character) of the Company increased by 21.5% up to 260 mln roubles as compared to 214 mln roubles following the results of the year 2010. Share of other revenues following the results of the year 2011 amounted to 0.4% of the total revenue of E.ON Russia.

8.4. Expenses

The table below shows the Company expenses following the results of the year 2011 (million roubles):

INDICATOR	2010 million roubles	2011 million roubles	2011/2010 +/-%
Fuel for generation of power and heat	26,194.0	30,802.0	17.6%
Power and capacity for re-sale	5,122.0	3,405.0	-33.5%
Payment for the market operator's services	723.0	926.0	28.1%
Variable costs	32,039.0	35,133.0	9.7%
Labor costs	2,927.0	3,477.0	18.8%
including Estimated liabilities	24.0	127.0	429.2%
Expenses for repairs (net of labor compensation, uniform social tax, etc.)	1,661.0	1,542.0	-7.2%
Production Services	239.0	294.0	23.0%
Deductibles from the payroll	436.0	677.0	55.3%
including Estimated liabilities	19.0	51.0	168.4%
Other taxes linked with prime cost	632.0	946.0	49.7%
Auxiliary materials	210.0	270.0	28.6%
Insurance	137.0	148.0	8.0%
Other expenses	1,202.0	1,444.0	20.1%

Semi-fixed costs	7,444.0	8,798.0	18.2%
Depreciation	1,201.0	4,265.0	255.1%
Total expenses	40,684.0	48,196.0	18.5%

FUEL EXPENSES

Share of fuel expenses in the operational expenses of the Company reduced by 0.5% - to 63.9%. In absolute terms in 2011 expenses on fuel amounted to 30 bln 802 mln roubles. Growth of this indicator is explained by general advance in key energy carrier prices in Russia during 2011 in combination with growth of power generation by new and modernized power units.

PROCURED POWER AND CAPACITY

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

Electric power procurement at the wholesale market is a result of the trading strategy and an involuntary measure – in case when volumes under a regulated contract exceed the maximum included capacity. This takes place when equipment is under repairs or in the state of cold reserve by order of the System operator. Also, electric power purchase as security for non-regulated bilateral sale contracts is a mandatory condition at the Russian wholesale market.

Following the results of the year 2011 expenses of the Company on electric power and capacity procurement decreased by 33.5% to 3 bln 405 mln roubles from 5 bln 122 mln roubles following the results of the year 2010. Cost cutting of the Company to procure electric power and capacity, is explained by the following factors: absence in 2011 of free bilateral contracts on power and capacity sale, increase of the liberalization share and absence of capacity procurement in 2010 due to delay of putting into operation of a new generating facility at Shaturskaya GRES. In general, the Company expenses for power and capacity procurement amounted to 7.1% of the total expenses in the year 2011.

PAYMENT FOR THE MARKET OPERATOR'S SERVICES

Expenses for the market operator's services include the Company's payments under contracts with the System operator, Trade system administrator, Center of Financial Settlements (see sub-section "*Expenses for third-party services*" of section "Financial Performance Review"). Following the results of the year 2011 expenses of E.ON Russia on payment for the market operators' services increased by 28.1% as compared with 2010 and amounted to 926 mln roubles (723 mln roubles following the results of the year 2010). Share of expenses for the market operator services amounted to 1.9% following the results of the year 2011.

LABOR COSTS

Labor costs include expenses on wages and other payments to the Company employees. Following the results of the year 2011 expenses of the Company for salary and payments to the employees without taking into account estimated liabilities increased by 15.4% - up to 3 bln 350 mln roubles from 2 bln 903 mln roubles following the results of the year 2010. Increase of the Company's expenses for labour remuneration and payments to the employees without account to estimated liabilities, is explained by organizing of the centralized repair shop at Surgutskaya GRES-2 branch, and by meeting the norms of social guarantees set forth in the Collective agreements. Expenses of the Company on wages and other payments to the employees (without estimated liabilities) amounted to 7.0% of the total expenses following the results of the year 2011.

EXPENSES FOR REPAIRS

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

In 2011 E.ON Russia reduced expenses for repairs by 7.2% - up to 1 bln 542 mln roubles (without payroll of the repair personnel and other expenses). Total weight of this item of expenses in the Company cost structure went down to 3.2%. Decrease of expenses for repairs is related to change of the repair types at Berezovskaya GRES branch. Thus, in 2010 overhaul at power unit No. 1 and current maintenance at power unit No. 2 were performed, in 2011 only current maintenance was performed at the power units.

Establishing of the centralized repair shop at Surgutskaya GRES-2 branch also contributed to expenses decrease.

This repair cost cutting does not lead to reduction of reliability, safety and fail-safety of the Company generating facilities.

PRODUCTION SERVICES

Expenses for production services include: Transportation services, Testing and calibration of devices, Other expenses. Following the results of the year 2011 expenses of the Company on production services increased by 23.0% - up to 294 mln roubles as compared with 239 mln roubles following the results of the year 2010. Share of expenses related to production services payment in the total volume of the Company expenses amounted to 0.6% following the results of the year 2011.

DEDUCTIBLES FROM THE PAYROLL

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

The total amount of deductibles from the payroll without taking into account estimated liabilities in 2011 amounted to 626 million roubles, having increased by 50.1 % as compared to 2010. This increase is related to the rate growth and base for premiums accrual growth in 2011 subject to the effective laws of the Russian Federation.

OTHER TAXES LINKED WITH PRIME COST

This cost item includes: Water tax, property tax, transportation tax, ecology payments, other taxes. Following the results of the year 2011 the Company's expenses increased by 49.7% up to 946 mln roubles from the level of 632 mln following the results of the year 2010. Expenses of the Company on this item amounted to 2.0% of the total Company's expenses following the results of the year 2011. Such a significant growth is related to accrual of the property tax on the new power units commissioned at Shaturskaya GRES, Yaivinskaya GRES and Surgutskaya GRES-2.

AUXILIARY MATERIALS

Following the results of the year 2011, the Company's expenses for auxiliary materials increased by 28.6% - up to 270 million roubles as compared to 210 million roubles in 2010. Expenses of E.ON Russia on auxiliary materials amounted to 0.6% of the total expenses of the Company following the results of the year 2011.

INSURANCE

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

Following the results of the year 2011, the Company's expenses for insurance increased by 8.0% - up to 148 million roubles as compared to 137 million roubles in 2010. Expenses of E.ON Russia on insurance amounted to 0.3% of the total expenses of the Company following the results of the year 2011. Insurance expenses growth is related to increase of the insured property value due to commissioning of the new generating facilities.

DEPRECIATION

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

Following the results of the year 2011 depreciation charges of E.ON Russia increased by 255.1% up to 4 bln 265 mln roubles from 1 bln 201 mln roubles following the results of the year 2010. The share of the Company amortized deductions in the structure of operational expenses in 2011 decreased up to 8.8%, against 3.0% in 2010. Increase of depreciation deductions is explained by commissioning in late 2010 and Q3 2011 of new power units and consequently increase of their depreciation.

8.5. EBITDA

Following the results of the year 2011 income of E.ON Russia before interests, taxes and depreciation amounted to 22 bln 217 million roubles, having increased by 58% as compared with 2010. (14 bln 069 mln roubles). The Key factors for EBITDA growth were increase of the revenue due to commissioning of new more efficient power units in aggregate with the measures aimed at cost management.

Following the results of the year 2011 rate of return with regard to EBITDA (not adjusted for exchange rate difference) amounted to 33.0% (26.1% in 2010), which is among the best values of the electric power industry companies both following the results of the year 2010 and 2011.

8.6. EBIT

Following the results of the year 2011 E.ON Russia's earnings before interest and taxes increased by 39.5% up to 17 bln 952 mln roubles from 12 bln 868 mln roubles following the results of the year 2010. Key factor of EBIT growth in 2011 is similar to that for EBITDA.

Rate of return with regard to EBIT following the results of the year 2011 amounted to 26.7% (23.9% in 2010).

8.7. Net income

Net income of the Company following the results of 2011 amounted to 15 bln 52 mln roubles. Following the results of the year 2010 net income of E.ON Russia amounted to 10 bln 407 mln roubles. Considerable growth of net profit following the results of the reporting period is associated with the influence of the following factors: growth of revenues from electric power and capacity sales together with the measures on expenses optimization.

Rate of return with regard to Net profit of E.ON Russia amounted to 22.3% following the results of the year 2011 (19.3% in 2010).

8.8. Assets. Significant Changes in Assets Profile

In 2011 E.ON Russia assets increased by 19.6% and amounted to 114 bln 682 mln roubles. This growth is associated with the following changes:

As of the date of the report for 2011 non-current assets of the Company increased by 12.0% - up to 76 bln 169 mln roubles from 68 bln 032 mln roubles as of January 1, 2011. Change in the line "Under construction" (decrease by 85.7% - from 38 bln 257 mln roubles up to 5 bln 462 mln roubles) with practically symmetrical growth of the line "Fixed assets" is related to commissioning of new power units at Surgutskaya GRES-2 and Yaivinskaya GRES branches in Q3 of 2011.

In the structure of current assets the most significant changes in 2011 were in line "Cash and cash equivalents", which increased from 263 mln roubles as of beginning of 2011 - up to 10 bln 516 mln roubles as of December 31, 2011. This change is conditioned by high operational efficiency of the Company (profit earning).

8.9. Liabilities. Significant Changes in Liabilities Profile

Change of the Liabilities structure is related to changes in all sections, in particular: Equity and reserves, Long-term liabilities and Short-term liabilities.

As of December 31, 2011 equity and reserves of the Company increased up to 105 bln 643 mln roubles at the expense of net profit receipt in the reporting period of 15 bln 52 mln roubles.

Change of the Long-term liabilities is related to appearance of the Deferred tax liabilities in the reporting period of 2 bln 583 mln roubles due to putting into operation of new generating facilities.

Change of the Short-term liabilities is mainly related to "Accounts payable for taxes and levies", which increased from 308 mln roubles as compared with the beginning of 2011 up to 1 bln 438 mln roubles as of December 31, 2011. This growth is caused by the profit receipt in the reporting period.

8.10. Liquidity and Equity Capital

Monetary assets from the day-to-day operation were the main source of the Company liquidity in 2011. The Company considers that capital expenses will constitute essential appropriation of financial resources within the next few years.

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

9. INVESTMENT PROGRAM

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

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

- 1) implementation of the Company's priority investment projects;
- 2) Technical refurbishment and reconstruction of the operating facilities;
- 3) acquisition of fixed assets;

and is aimed at solving the following tasks:

- Construction of new efficient generating facilities;
- modernization of equipment with enhancement of capacity and efficiency;
- replacement of the overaged equipment;
- enhancement of reliability and efficiency of operating facilities;
- implementation of HSE policy;
- implementation of ecological projects;
- IT systems modernization.

9.1. Priority Investment Projects

The investment program includes such major projects as construction of new generating facilities at Surgutskaya GRES-2, Shaturskaya GRES, Yaivinskaya GRES and Berezovskaya GRES. The total amount of capacities put into operation is about 2,400 MW, cost of the investment program implementation is about 109.4 bln roubles.

POWER PLANT	PROJECT	EXPECTED YEAR OF COMMISSIONING ¹⁸
Shaturskaya GRES (Moscow Region)	Creation of the replacement capacity on the basis of 400 MW CCGT	Commissioned in November 2010
Surgutskaya GRES-2 (Khanty-Mansi Autonomous Area)	Creation of the replacement capacity on the basis of two 400 MW CCGT	Commissioned in July 2011
Yaivinskaya GRES (Perm Territory)	Creation of the replacement capacity on the basis of 400 MW CCGT	Commissioned in July 2011
Berezovskaya GRES (Krasnoyarsk Territory)	Construction of power unit No. 3 on the basis of 800 MW STU	2014

Investment projects implemented by E.ON Russia are directed towards renovation of generating facilities and meeting the growing demand for electric power in the regions of the Company's activities. Two investment projects - for construction of power units at Surgutskaya GRES-2 and Surgutskaya GRES - in 2006 were included into the list of Top-priority sites for commissioning of generating facilities in the Unified Energy System of Russia. All investment projects are approved by the Board of Directors of E.ON Russia.

At three power plants of the Company - Shaturskaya GRES, Yaivinskaya GRES and Surgutskaya GRES-2 the Company implements the generic solution for construction of single-shaft condenser power plants on the basis of the combined cycle power plants (400 MW CCGT).

Putting into operation of two 400 MW CCGT power units at Surgutskaya GRES-2 and putting into operation of 400 MW CCGT at Yaivinskaya GRES were the main achievements in 2011.

As of today, the combined cycle power plant is the most energy effective and environmentally friendly method of electrical and heat power generation. One of the advantages of combined cycle power plants is their high efficiency. It is expected that the efficiency factor of the new plants will be about 56%, while the efficiency factor of traditional steam power units is not more than 40 per cent. For 400 MW CCGT, specific fuel equivalent consumption is about 220 g per one kW-h, which considerably reduces the end price of the generated power.

¹⁸ Terms for putting the facilities into operation are given as per resolutions of E.ON Russia Board of Directors.

In late 2011 project of construction of 2 power units of 400 MW CCGT at Surgutskaya GRES-2 and 400 MW CCGT at Yaivinskaya GRES were approved for implementation subject to Article 6 of the Kyoto Protocol to the United Nations Framework Convention on Climate Change. Due to high-efficient combined cycle technology with the efficiency of 56-57%, during operation of new power units volume of emissions is reduced by 3.3 mln tons by 2012.

At Berezovskaya GRES within implementation of the investment program E.ON Russia started implementation of the coal power unit (800 MW) construction project on the basis of the steam-power cycle. This power plant is located in the territory with inexhaustible reserves of lignite at the Kansk-Achinsky coal pit and is one of the top-efficient coal power plants in Russia.

Besides putting into operation of 400 MW CCGT units at Yaivinskaya GRES and Surgutskaya GRES-2, in 2011 one can accentuate completion of the first power unit modernization of Berezovskaya GRES, it increased the power unit capacity by 50 MW - up to the rated capacity of 800 MW.

Thus, in 2011 E.ON Russia completed its most part of the investment program of new generating facilities construction. In the result of commissioning of 4 combined cycle power units and modernization of two power units at Berezovskaya GRES, the installed capacity of the Company increased by 20% - from 8,630 MW up to 10,345 MW as from late 2010. Under the Capacity supply contracts 1,665 MW are paid for.

9.2. 2*400 MW CCGT PROJECT, SURGUTSKAYA GRES-2

On July 25, 2011 two combined cycle power units with the total capacity of 797.1 MW were put into operation.

Prime Minister V.V. Putin took part in the ceremony of commissioning. Putin who in a video conference mode greeted the event participants and instructed to start loading of the new power units.

In the power unit control room of CCGT Sergey Shmatko, Minister of Energy of the Russian Federation, and Bernhard Reutersberg, the Board member of E.ON AG, were present. B. Reutersberg assured the RF Prime-Minister that E.ON shall continue to strictly comply with the obligations undertaken as to new capacities construction.

General contractor (EPC-contractor) for construction of 2*400 MW CCGT at Surgutskaya GRES-2 is Consortium consisting of General Electric International (US Company) and GAMA (Turkey).

MAIN BUILDING, 2*400 MW CCGT



January 2011



July 2011

9.3. 400 MW CCGT PROJECT, YAIVINSKAYA GRES

On September 21, 2011, E.ON Russia effected a solemn startup of the new power unit of Yaivinskaya GRES with capacity of 424.6 MW.

The combined cycle unit was constructed on the basis of advanced technologies in the electric power industry and subject to compliance with international quality standards for construction and operation of similar facilities. Efficiency of 400 MW CCGT (net) - 56.6%, which is the maximum value of efficiency of heat power units currently operated in Russia.

Maximum efficiency of the new power unit complies with the principles of the new strategy of E.ON Group, which is aimed at efficiency increase and ecological compatibility of the power generation process. Construction was started in Q3 2008, comprehensive testing was successfully performed in June 2011. Works under the General Contractor Agreement were performed by forces of the Consortium composed of Turkish companies Enka Insaat ve Sanayi A.S. and Enka Power Systems B.V.

400 MW CCGT, YAIVINSKAYA GRES



January 2011



September 2011

9.4. 800 MW STU PROJECT, BEREZOVSKAYA GRES (power unit No. 3)

On May 17, 2011 there was concluded an EPC-contract on construction of power unit No. 3 of Berezovskaya GRES on the turn-key basis with Energoprojekt CJSC.

At first it was planned to construct eight power units at Berezovskaya GRES, those units were supposed to operate on lignite, 800 MW each. The works started in 1984, and in 1988 and 1991 power units No. 1 and No. 2 were put into operation, respectively. Construction of power unit No. 3 was commenced in 1989, but in 1992 it was suspended.

The project is implemented by E.ON Russia jointly with E.ON New Build & Technology. According to Gerhard Seibel, member of the Board of Directors of E.ON New Build & Technology (Mr. Seibel is in charge of the Company major projects implementation), "for the time being this project is the most complex for the international project team of E.ON working outside Europe. It will significantly contribute into power supply of Russia. Moreover, implementation of this project will help to achieve the strategic objective of 25% EBITDA outside Europe, its achievement is planned by 2015.

In summer 2011 the General contractor started works at the construction site.

Main events:

- The site infrastructure is created, it accommodates 675 persons (village modules, canteen, amenity block, first-aid posts, shops).
- In the main building disassembly of the mills foundations, disassembly of the draft equipment foundations is completed.
- Started underpinning of the turbo-unit foundation, underpinning of the metal structures of the main building, disassembly of the existing heating surfaces of the boiler.
- Orders on manufacture and delivery of the main equipment are placed.
- The design documentation is submitted to FSI Glavgosexpertiza of Russia.

SITE



Main building



Turbo-unit foundation underpinning

9.5. Funding and Disbursement of capital expenses in the process of the Company investment projects implementation

Funding of the investment projects was effected mainly out of the funds attracted in the result of additional shares issue placement and own resources of the Company.

Below are the data on funding and disbursement of capex for priority investment projects as of the end of 2011 as compared to the same data as of the end of 2010.

PROJECT	FUNDING		DISBURSEMENT	
	as of December 31, 2010	as of December 31, 2011	as of December 31, 2010	as of December 31, 2011
400 MW CCGT, Shaturskaya GRES	87%	93%	86%	90%
2* 400 MW CCGT, Surgutskaya GRES-2	74%	82%	64%	87%
400 MW CCGT, Yaivinskaya GRES	66%	79%	65%	80%
800 MW STU, Berezovskaya GRES	8%	16%*	8%	6%*
TOTAL:	57%	58%	54%	55%

* % of the new approved budget of the project

9.6. Technical refurbishment and reconstruction of the operating facilities

Program of technical refurbishment and reconstruction planned for 2011 (hereinafter referred to as TRR) for E.ON Russia JSC operating facilities is done with the following extent of completion:

POWER PLANT	TRR PROGRAM COMPLETION, %
Surgutskaya GRES-2	100
Berezovskaya GRES	93
Shaturskaya GRES	105
Smolenskaya GRES	114
Yaivinskaya GRES	108
Heat Supply Network of Berezovskaya GRES	100
Total for E.ON Russia	100

Surgutskaya GRES-2	<ul style="list-style-type: none"> Reconstruction of the excitation system of the turbogenerator of power unit No. 4. Reconstruction of transformer TNTs- 1000000/500, serial No. 141824 with replacement of the LV winding of phase "C" and Main insulation. Modernization of the TVV-800-2EU3 turbogenerator rotor (Russian: TBB-800-2EY3). Development and implementation of the project on insulation replacement (asbestos free) of the hot reheat piping of power unit No. 4 with control of metal and adjustment of the support and hanging system.
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Smolenskaya GRES	<ul style="list-style-type: none"> • Modernization of the platen superheater of boiler unit TPE-208 of unit No. 1. • Technical refurbishment of the gas facilities at power unit No. 1 K-1A, 1B.
Berezovskaya GRES	<ul style="list-style-type: none"> • Removal of capacity limitation at power unit No. 1. (800 MW). • Modernization of the compressor and force plant systems. • Recultivation of 1 ash and sludge map.
Yaivinskaya GRES	<ul style="list-style-type: none"> • Reconstruction of the gas supply system of the power plant. • Modernization of boiler unit No. 3 heating surfaces. • Reconstruction of the turbogenerator TVV- 160 power unit No.3 with replacement of the rotor retaining rings. • Modernization of cable routings of the 110 kV open switch yard to enhance fire safety.
Shaturskaya GRES	<ul style="list-style-type: none"> • Bringing of the gas facilities at the water boiler in compliance with the effective Rules. • Reconstruction of the automatic control systems of power units Nos. 2, 6 to ensure their participation in the general initial regulation of frequency in the power system. • Reconstruction of the turbine building roofing of the main building. • Reconstruction of the fuel oil tank No. 3 20,000 m³ in volume.
Heat Supply Network of Berezovskaya GRES	<ul style="list-style-type: none"> • Reconstruction of heat networks of Sharypovo, settlement of Dubinino.
At all the branches of E.ON Russia	<ul style="list-style-type: none"> • Reconstruction of steampipe elements of power units and heating surfaces of boilers. • Reconstruction of electric equipment (circuit breakers 0.4 kV, 6 kV, HV leads of 500 kV transformers, etc.). • Reconstruction of the valves and piping. • Holding of events aimed at increase of fire safety of the equipment, and building and structures of the power plant.

9.7. CAPEX

Within the investment program implementation in 2011 CAPEX of the Company amounted to 12,6 bln million roubles, including in the following lines:

- Technical refurbishment and reconstruction (including projects for construction of replacement generating capacities at Surgutskaya GRES-2, Shaturskaya and Yaivinskaya GRES) – 97%,
- new build (project on construction of unit No. 3 at Berezovskaya GRES) – 3%.

10. PROCUREMENT ACTIVITIES

10.1. General Provisions of the Company Policy in Procurement Activities

General Provisions of the Company Policy in Procurement Activities are reflected in the Regulation on procurement of E.ON Russia JSC, approved by the resolution of the Company Board of Directors on January 28, 2010.

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

Procurement processes and procedures described in this Regulation are designed to ensure appropriate and efficient expenditure of E.ON Russia monetary funds. The purpose of procurement procedure is selection of vendors, contractors and service providers on competitive basis. Thus, optimum economic environment for procurement is ensured: compliance with the employer's requirements, timeframe, quality and optimum prices.

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

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

Responsibility for implementation of the procurement process in the Company rests with the Procurement Department. Its basic functions are planning, organization and implementation of procurement procedures; monitoring of procurement activities at the Company branches. In addition, the Procurement Department carries out activities aimed at strengthening the market position by way of consolidation of needs and ensures unification of procurement processes and defines unified model of behavior in the competitive environment.

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

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

10.2. Basic Results of Procurement Activities of the Company in 2011

2011 PROCUREMENT UNDER THE ANNUAL COMPREHENSIVE PROCUREMENT PROGRAM BROKEN DOWN BY THE INITIATOR OF PROCUREMENT

	Number of procurement procedures, it.	Total value, thousand roubles	Share, %
Surgutskaya GRES-2	846	1,280,056.48	16.41%
Berezovskaya GRES	1,013	869,274.71	11.15%
Shaturskaya GRES	761	519,437.38	6.66%
Smolenskaya GRES	663	291,043.49	3.73%
Yaivinskaya GRES	669	521,114.39	6.68%
Heat Supply Network of Berezovskaya GRES	133	45,463.00	0.58%
Moscow Representative Office	467	4,271,735.12	54.79%
Total for E.ON Russia	4,552	7,798,124.57	100.0%

To ensure production activity of the Company, procuring employees of E.ON Russia JSC effected 4,552 procurements for the total amount of 7,798,124.55 thousand roubles for the Company needs in 2011. (exclusive of VAT).

In the procurement scope specified above 154 procurements of 1,029,993 thousand roubles were effected within investment projects of E.ON Russia JSC.

Procurement from single source for the needs of 2011 - 682 procurements were effected to the total amount of 4,371,223.48 thousand roubles (56.05% of the total number of procurements in monetary terms, 14.98% of the total amount of procurement in quantitative terms). All other procurements were effected through "request for proposal".

2011 PROCUREMENT UNDER THE ANNUAL COMPREHENSIVE PROCUREMENT PROGRAM BROKEN DOWN BY CATEGORIES	SHARE, %
Repair, maintenance, installation and reconstruction of equipment	42.22
Services in the area of DCS and I&C	7.23
Administrative and maintenance services	7.14
Electrical work	6.60
Construction, repairs, maintenance and reconstruction of buildings and structures	5.98
Engineering and design, survey work	3.66
Transportation services	2.34
Outside IT services	2.07
Construction, repairs and upgrades of security systems	1.84
Electrical equipment	1.84
General construction work	1.78
Other categories (28)	17.30
Total for E.ON Russia	100.0

2011 PROCUREMENT UNDER THE ANNUAL COMPREHENSIVE PROCUREMENT PROGRAM BROKEN BY TOTAL VALUE	SHARE, %
less than 5,000 Euro	2.25
5,000 - 100,000 Euro	20.15
100,000 - 1,000,000 Euro	33.40
Over 1,000,000 Euro	44.20

Difference between the price of the initially submitted most favorable comparable proposal and the cost indicated in the procurement contract (economic effect from the procurement) totaled in monetary terms to 565,047.96. thousand roubles.

11. INFORMATION TECHNOLOGIES

E.ON Russia's priority in the area of IT is maintenance of continuous operation and development of IT-systems important for the business with the aim of boosting up the Company's competitive ability and providing support of the process of new generating facilities commissioning.

In 2011 the first stage of the project on construction of the complex system of financial planning on IBM Cognos TM1 platform integrated with the Unified Automated Control System of the Financial and Economic Activity (UACS FEA), was completed. On the basis of the built integrated environment projects on alignment of analytical reserves of the accounting and management reporting sub-systems, harmonization of the accounting models of IFRS and RAS, were started. Implementation of these projects will make it possible to complete creation of the comprehensive research and information environment in the Company in order to enhance the decision making process and ensure its maximum transparency.

To maintain trade operations at the wholesale electric power and capacity market (WECM) works related to development of the Energotrading system project were performed - prices forecasting system. The Company modernized the process monitoring system (PMS), which collects and processes online information from various automated process control systems (PCS).

In 2011 project for creation of the "Agreement and Performance of the Orders, Instructions and Office Memoranda" contour on the basis of DIRECTUM platform, was started. Functional implemented earlier in our Company in the investment unit and office served the basis for this system. Currently, pilot operation of this system is in progress, it is planned to transfer it to commercial operation in 2012.

In 2011 integration of the IT infrastructure of the Company with the Corporate Centre of E.ON was continued. Within this process a secure communication channel was organized (MPLS channel) with the Corporate Centre that fully meets the current business requirements.

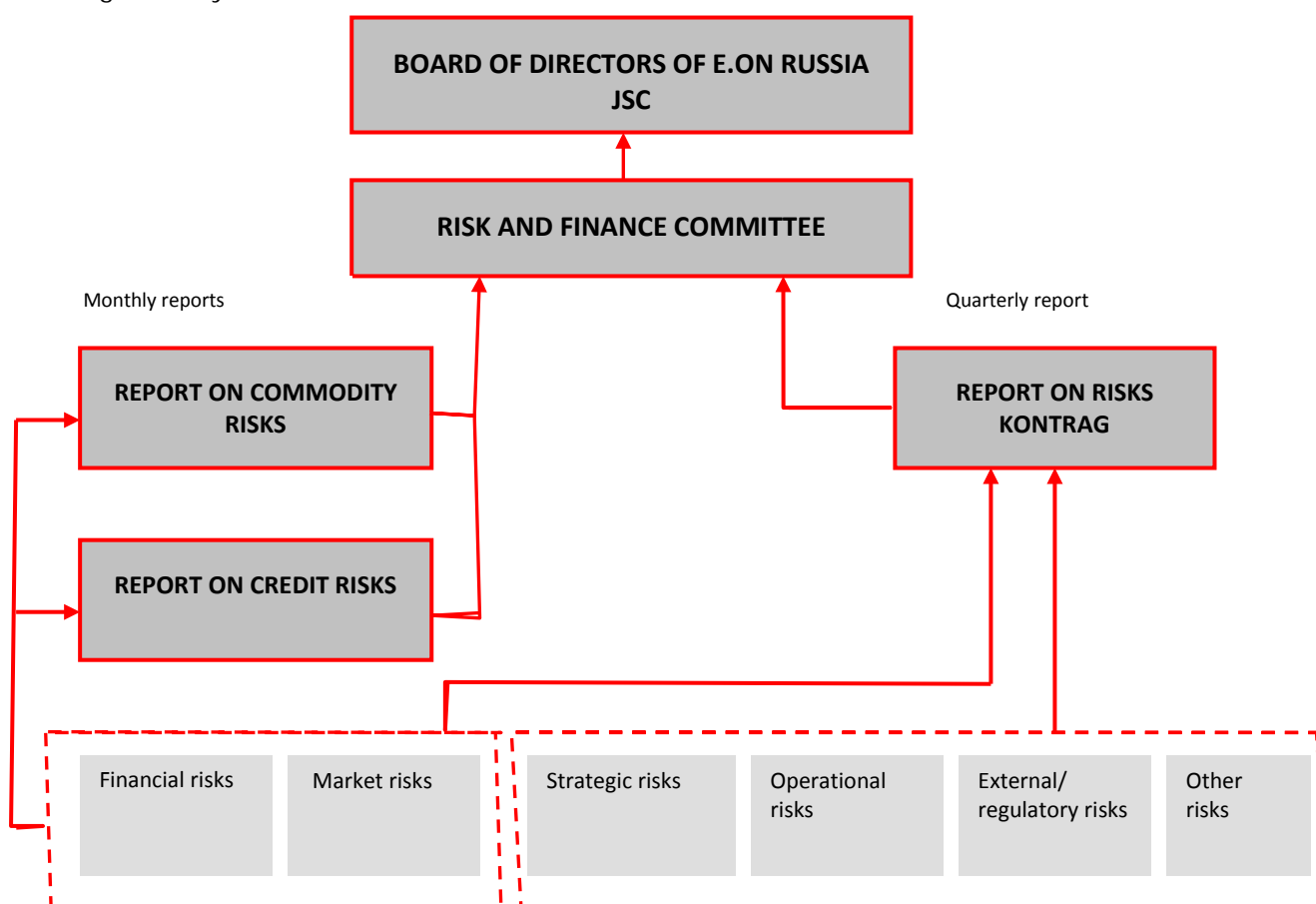
There was also effected integration with the Corporate system of the video-conference communication on the basis of Cisco Telepresence, which allowed for considerable increasing of interaction efficiency and speed of the management decisions adoption.

Within the works related to efficiency and reliability enhancement of using the existing infrastructure a number of projects in the sphere of IT-infrastructure visualization were implemented.

Moreover, in 2011 due attention was given to protection of the Company infrastructure and information assets, level of information security was considerably increased, in particular, systems of detection and prevention of breaks-through were put into operation, as well as the system of the protection control and compliance with the standards, system of centralized management of access provision to the resources was launched, this system is launched on the basis of the SUN Identity Management platform. Mechanism of protected information transfer between the branches is implemented. There were performed the works related to bringing into compliance of the processes and information systems of the Company with the new requirements of the regulators (FZ-152).

12. RISKS AND RISK MANAGEMENT SYSTEM

The risk management system is an integral part of the production processes and decision making in the Company. In E.ON Russia it consists of several components which are integrated into the Company management system and are also integrated into the Company production processes. The Corporate Risk management system of E.ON Russia can be shown as follows:



The key components of the risk management system are as follows: strategy of the Company, internal regulating documents of the Company, reporting system, controlling, planning, internal control and audit system; reports prepared subject to the requirements of the Act on control and corporate transparency (KonTraG), as well as availability and functioning of the Risk and Finance Committee of the Board of Directors of E.ON Russia.

The risk management system was formed to identify risks and timely take the necessary counter-measures. The Company continuously reviews the processes of planning, controlling and reporting to ensure their effectiveness. Moreover, internal audit organization unit (an external company) regularly assesses risk management system efficiency.

RISKS INSURANCE DEPARTMENT

E.ON Risk Consulting GmbH is an affiliate of E.ON Group renders services to the Company in E.ON Russia risk insurance management in the key areas of insurance: property insurance and liability insurance. E.ON Risk Consulting GmbH is engaged in development and optimization of decisions in operational risks management using insurance and similar tools. Moreover, this company provides for the necessary quality of insurance coverage at international reinsurance markets.

THE RISK AND FINANCE COMMITTEE OF THE BOARD OF DIRECTORS

The Risk and Finance Committee of the Board of Directors was established in accordance with the corporate standards of E.ON. Group. The Committee unites the Company management and representatives of key organizational units in charge of management of financial activities, credit and commodity risks, and ensures implementation of credit and commodity risk management strategy which is approvable by the Board of Directors.

COMMODITY RISKS

Risks related to change of commodity prices can arise in the process of commercial operations of the Company. Basic elements of risk management in this sphere, apart from availability and implementation of the above regulatory documents and reporting systems, are quantitative assessments, risk limitation and clear delimitation of functions between organization units.

REGULATORY RISKS

Russian wholesale power market constantly undergoes changes as a result of which the wholesale market structure changes as well as relations between the market players.

According to the Company estimates, an important risk in the power industry that can considerably affect E.ON Russia's performance is the risk of the power and capacity market operation rules change. Under conditions of the current tariff regulation the regulating authorities can establish low tariffs for the Company effective capacities. As the required investments are not taken into account in the tariff in full scope, this prevents production facilities from modernization and extension. At the same time, the share of the regulated sector remains considerable (up to 35%).

OPERATIONAL RISKS

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

EXTERNAL RISKS

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

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

FINANCIAL RISKS

The Company minimizes currency financial risks by concluding forward contracts and opening deposit accounts in foreign currency.

E.ON Russia manages credit risks by way of assessing contractors for trustworthiness, establishing and controlling limits for operations with financial institutions.

In its practice, the Company is forced to supply power to several RF regions which pay for power consumption either with delays or not in full thus increasing their accounts receivable towards E.ON Russia.

LEGAL RISKS

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

Due to the existing risk management system, the Company follows up identification of emerging risks, their adequate assessment and placing under control. However, there is still a possibility of emerging of a risk which is currently unknown or insignificant. In future, such risks can exert negative influence upon E.ON Russia performance.

13 CORPORATE AND SOCIAL RESPONSIBILITY

In doing business, the Company proceeds from a concept that generation of electric and heat power is crucially important for sustainability of the regions where it operates and for functioning of the economy, nationwide. That is why key principles of corporate responsibility are guarantee of continuous supplies of electric and heat power, strict observance of the laws and contributing to development of employees and social and economic development of the regions of the Company presence. The Company practices responsible attitude to employees, consumers, suppliers, environment and society.

13.1. Employees: Structure and Social Policy

E.ON Russia is striving to use and develop its employees' potential to full extent; the Company respects their work and wish to feel socially protected. The Company treats its employees as the most important resource without which not a single strategic target can be attained and even with all the other constituents available, efficient operation is impossible.

HR system covers the whole range of hiring and staffing, for all categories of personnel: from the level of workers, officers, specialists to the top management. E.ON activities in this area are regulated by a package of internal documents which ensures transparency and fairness of human resources decisions. In HR practice, data about personal accomplishments, experience and aspirations of each employee are taken into account by all means.

TARGET VALUES, ORGANIZATIONAL CHARTS FOR CCGTS

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

In 2011 the target quantity by the Company branches was formed taking into account the personnel quantity optimization held in 2009, as well as taking into account increase of the target quantity for Surgutskaya GRES-2 due to organizing the shop of centralized repair, other changes in the structure of shop and administrative organization units of branches.

Within 2010 - 2011 within the limits of target values of the quantity at Surgutskaya GRES-2, Shaturskaya GRES, Yaivinskaya GRES organization structures of the combined steam and gas shops (CSGS), manning tables of CSGS were formed: for Shaturskaya GRES - from 15 June 2010, for Surgutskaya GRES-2 - from 01 August 2010, for Yaivinskaya GRES – from 12 September 2011.

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

STAFF HEADCOUNT

Staff headcount of E.ON Russia¹⁹ as of December 31, 2011 amounted to 4 thousand 654 persons, including:

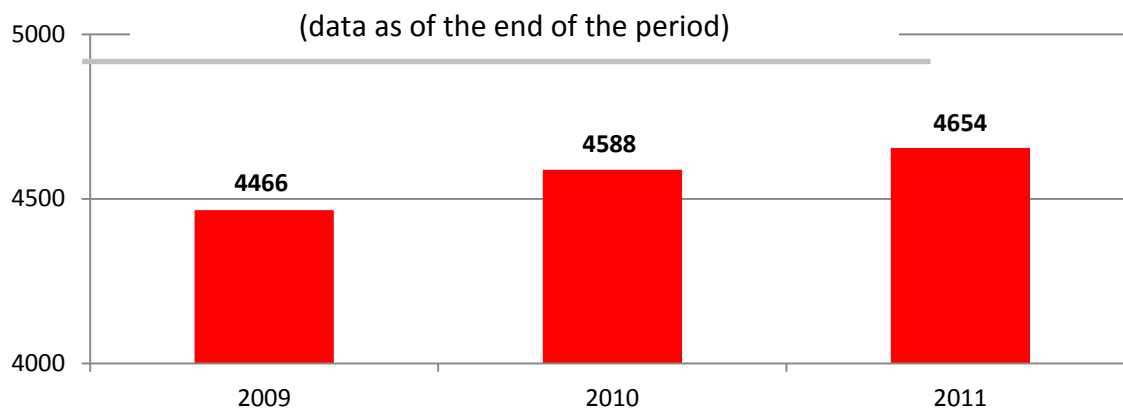
- in terms of principal activity number of the operational and non-production personnel - 4 thousand 587 persons;
- personnel involved in the investment projects implementation – 67 persons.

Dynamics of change in E.ON Russia headcount with due regard to personnel engaged in investment projects implementation for the period from 2009 through 2011 is shown in the diagram:

Growth of the Company headcount occurred due to hiring to the newly organized centralized repair shop at Surgutskaya GRES-2 branch.

¹⁹ The Company staff headcount means the overall number of employees, i.e. the total number of employees who have labor agreements with the Company.

**Динамика численности персонала
Dynamics of the personnel headcount of E.ON Russia
in 2009-2011**



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

STAFF AGE PROFILE

Category	Persons	%
Under 25 years old	266	6
26 - 40 years old	1,691	36
40 - 55 years old	2,337	50
Over 55 years old	360	8
TOTAL	4,654	100.0

TRAINING AND PERSONNEL DEVELOPMENT

Most employees of E.ON Russia JSC (over 80%) have intermediate vocational and higher professional education.

QUALITATIVE COMPOSITION OF THE PERSONNEL (EDUCATIONAL LEVEL)

Category	Persons	%
Secondary and /or general education	825	17.73
Primary and /or secondary vocational education	1,884	40.48
Higher professional education	1,896	40.74
Postgraduate vocational training	49	1.05
TOTAL	4,654	100.0

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

In 2011 special attention was paid to HSE. In June 2011 there was held training as to Leaders in Safety program at Smolenskaya GRES, Shaturskaya GRES and Yaivinskaya GRES branches, in July 2011 at Berezovskaya GRES and Heat Supply Network of Berezovskaya GRES branches, and in October 2011 - at

Surgutskaya GRES-2 branch. In total, 33 persons received training, including line managers from the Company branches, as well as HSE managers.

In 2011, 2,767 persons received training; of them 1,997 persons received compulsory training; 122 persons took a course of English and 648 persons received advanced professional training in various areas of activity.

In 2011 competitions of professional skills of complex teams of the operational personnel were held on the basis of the training center Professional in Surgut between Berezovskaya GRES and Surgutskaya GRES-2 branches. The team of Surgutskaya GRES-2 won.

Moreover, in 2011 two groups were trained in three modules according to E.ON Group curriculum in the Corporate training center of the E.ON Academy in Moscow on the basis of MSU Higher School of Business. Under the program "Intensive business-course for managers" 51 persons are trained.

STAFF INCENTIVES

In 2011 the Company developed and concluded Labour agreements of the Company branches between the Employer and authorized representatives of the Employees for 2012-2014, and approved the Regulations on the branch employees payment for labor.

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

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

In 2010-2011 pursuant to the standards E.ON performed grading of the Company employees. For these employees individual benchmark efficiency indicators are set forth in Efficiency management forms. As for other employees there is a remuneration system subject to the Collective and labour agreements.

In 2011 E.ON Russia participated in the Regional overview of salaries and compensations for the Khanty-Mansi Autonomous Area and Krasnoyarsk Territory held by Ernst&Young (CIS) B.V. Company. (for Surgutskaya GRES-2 branch and Berezovskaya GRES). The data received on the regional labour markets were considered when forming Collective agreements and Regulations on remuneration for 2012 - 2014. To increase employees' motivation and decrease personnel turnover in the Company there is continuous monitoring of regional labour markets. Average salary of employees of E.ON Russia branches is in general at the salary level of enterprises engaged in electric power, gas and water generation and distribution in the region of the branch location. For individual job positions the salary was adjusted for the regional market of employment and importance of those job positions for the Company.

NON-GOVERNMENTAL PENSION PROVISION

E.ON Russia treats non-governmental pension provision (NGPP) as a tool to boost up the income for retiring employees and establish long-term labor relations. The NGPP system is in effect as from December 2005 in the Company. It includes two basic pension plans: corporate and parity (since 2007). Within the framework of the corporate plan at the branches 96 persons formalized non-governmental pension received from NGPF (Non-Governmental Pension Fund) during 2011.

The parity plan of the Company lets the employees accumulate pension accruals to increase their future pension amount. As of the end of 2011 number of participants in the NGPP system within the parity plan amounted to 1 thousand 619 persons, which is 34.8% of the total number of E.ON Russia employees. In 2012 the Company will continue to attract employees to participate in the parity pension program.

CORPORATE SUPPORT AND ASSISTANCE TO E.ON RUSSIA EMPLOYEES IN HOUSING IMPROVEMENT

With the purpose of implementation of corporate support and providing assistance to E.ON Russia staff in improvement of their housing, in 2011 the Company approved the list of employees in need of housing improvement and identified the amount of funding for this purpose for the year 2011.

In the first place, this program is for:

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

In 2011 corporate support in improvement of housing was rendered to 63 employees at the Company branches. With all the program participants, the Company concluded interest-free special-purpose loan agreements for purchase (construction) of housing and contracts for payment of bank interests under mortgage loans; loans are granted.

13.2. Occupational Health and Safety

In May 2011 the Health and Safety Management System (hereinafter - H&S MS) of the Company was recognized to be compliant with the requirements of the international management standard OHSAS 18001-2007 (certifying organization Bureau Veritas).

In general, Key Performance Indicators in the sphere of H&S MS are complied with and they allowed for achieving strategic targets set for 2011:

- absence of fatalities in the Company both with own personnel and the Contractor's personnel,
- Total recordable incident frequency (TRIF) < 1.29.

TRIF indicators are given below:

Description	2011 Actual	Total recordable incidents (TRI)
TRIF – general (total recordable incident frequency)	0.28	
Berezovskaya GRES	0.35	1 case of own personnel address at Berezovskaya GRES branch without lost time.
Smolenskaya GRES	0	
Surgutskaya GRES-2	0.43	1 case of injury with lost time happened to the contractor's employee (Surgutliftremont LLC at Surgutskaya GRES-2) and 1 case at the new build facility (Klinservice LLC at Surgutskaya GRES-2).
Shaturskaya GRES	0	
Yaivinskaya GRES	0.36	1 case of the new build contractor's address of Yaivinskaya GRES branch without lost time.
Heat Supply Network of Berezovskaya GRES	0	
Executive Office	0	

In 2011, the total number of recordable incidents was 4, of which 1 is own personnel case and 3 are contractor-related incidents (of which 2 are new build cases).

In 2011 E.ON Russia JSC has worked with the following coefficients:

Total recordable incident frequency (TRIF), annual - 0.28, of which:

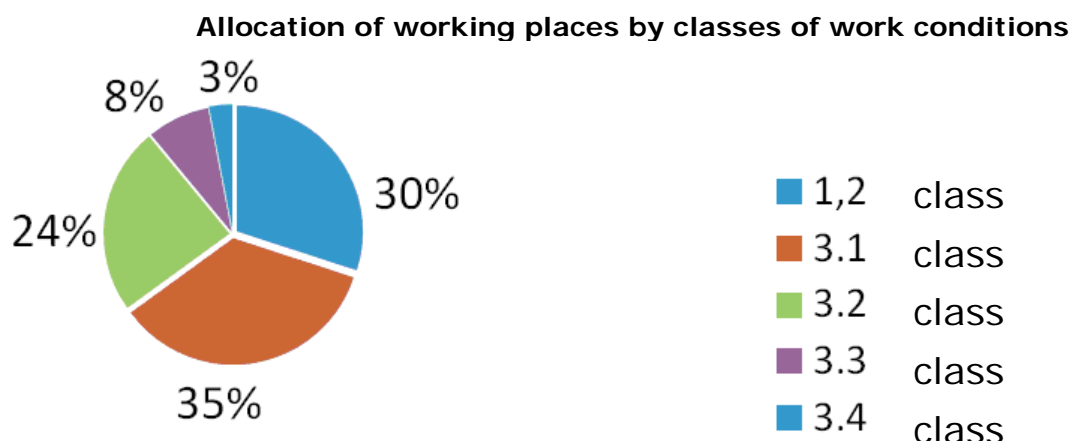
- TRIF, own personnel = 0.12;
- TRIF, contractor personnel (repairs) =0.51;
- TRIF, contractor personnel (new build) =0.47;

Work on prevention of injuries of own personnel, personnel of the contractor and other persons at the Company sites was carried out in accordance with the Program of activities for industrial injury prevention at the Company branches, for E.ON Russia contractors, including those working at new generation construction projects which was approved by Director General; and in accordance with E.ON Russia occupational safety and Safety Improvement Plan for 2011.

2011 was announced the Year of Safe Work with Hoisting Mechanisms. All the occupational safety activities planned for the year 2011, were implemented.

According to the "Five-Year Programs on Improvement of Work Conditions at the Branches" (Order No. 343 dated 27.12.2007 of OGC-4) within 2011 preparation works related to attestation of workplaces were started and held in a number of branches. Completion of works is planned for 2012.

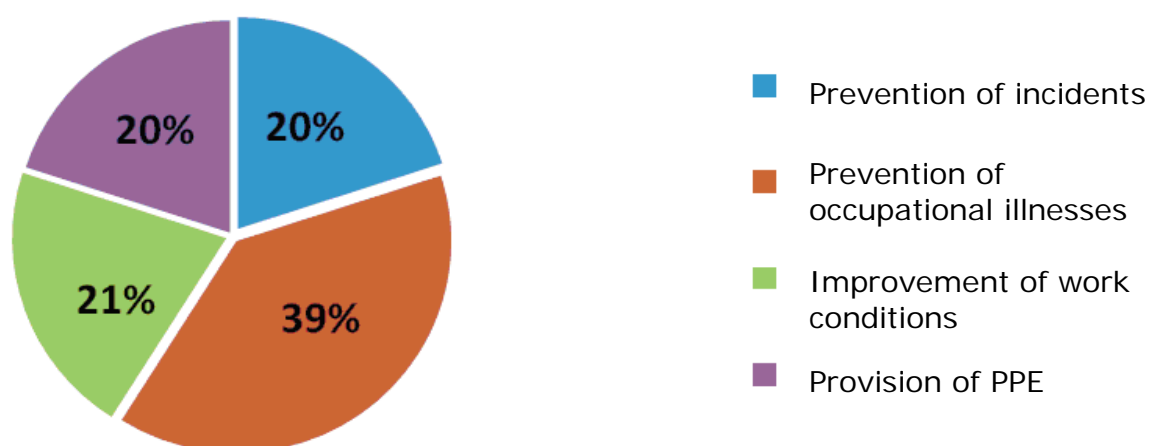
In 2011 working conditions were improved at 107 working places of the Company branches. In the diagram there is allocation of working places in the Company branches by classes of work conditions as of December 31, 2011.



For 2011 expenses on occupational safety grew by 15 million roubles (by 11%) and amounted to 158.8 million roubles against 143.6 million roubles in 2010. The funds were allocated as follows:

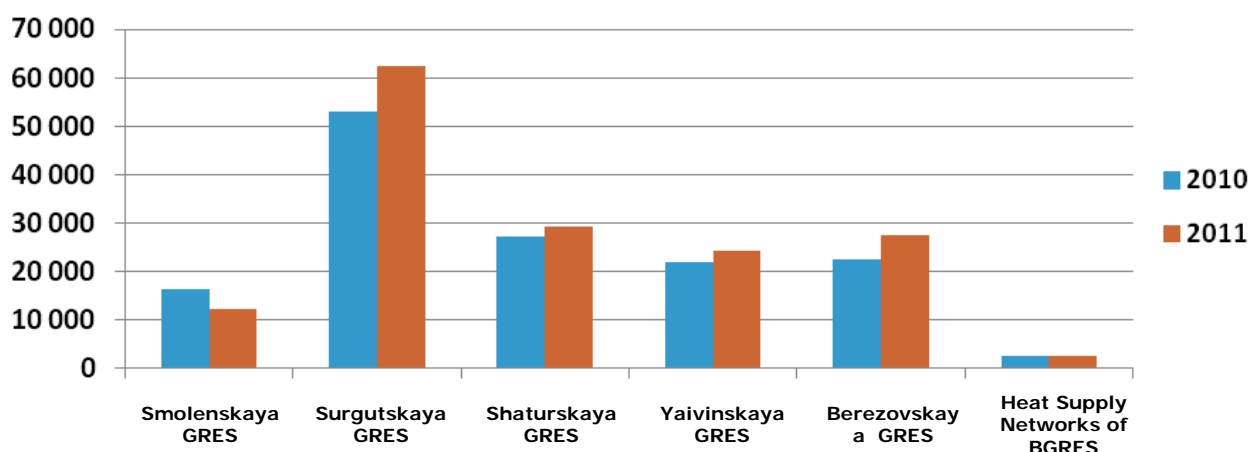
- for implementation of sanitation measures to prevent occupational illnesses – 62.2 million roubles;
- for implementation of measures for general improvement of work conditions – 34.1 million roubles;
- for implementation of accidents prevention – 30.8 million roubles;
- to supply employees with personal protection equipment – 31.7 million roubles.

Distribution of expenses by activity types (2011)



Distribution of expenses on the measures related to occupational safety broken down by the branches is presented below:

Expenses on occupational safety 2010/2011, thousand roubles.



E.ON Russia JSC operates 56 production facilities registered with the state register of hazardous production facilities in accordance with the Federal Law "On industrial safety of hazardous production facilities".

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

Monitoring of operation of hazardous industrial facilities at the Company branches is organized as per the "Regulation on industrial control over compliance with industrial safety requirements at OGK-4 hazardous industrial facilities" (approved by OGK-4 Director General on September 10, 2010 and agreed with acting Head of the North-Urals Department of Rostekhnadzor, Federal Service for process, environmental and atomic supervision on September 23, 2010), which is exercised in 4 stages according to the annual plan of production control.

13.3. Environmental protection

Relying upon the strategy of the major shareholder of E.ON Russia - E.ON Group Cleaner & Better Energy (to produce cleaner and better energy) E.ON Russia JSC continued implementation of the Environment Policy of the Company adopted in 2009.

Continuing development of one of the most important directions of this policy - the Company took active participation in the Joint implementation projects implemented subject to Article 6 of the Kyoto Protocol. In 2011 first Emission Reduction Units (ERU) of 56.9 thousand units received during construction of 400 MW CCGT of Shaturskaya GRES were transferred to the buyer. Two other Projects of new generating

facilities construction of E.ON Russia JSC at Surgutskaya GRES-2 and Yaivinskaya GRES branches were approved for implementation within Article 6 of the Kyoto Protocol. The decision on compliance of the projects with the requirements of the Kyoto protocol was taken by the Ministry of Economic Development of the Russian Federation at the end of 2011. New power units with the total capacity of 1,200 MW are constructed within the investment program of E.ON Russia and are put into operation in Q3 of 2011. Due to high-efficient combined cycle technology with the efficiency of 56-57%, during operation of new power units volume of emissions will be reduced by 3.3 mln tons by 2012. In 2011 comprehensive energy audits were held in all branches of the Company, following their results bottlenecks in the branch equipment operation will be identified and a power saving program will be made up. Money received by the Company when implementing its joint implementation projects, will be invested into new projects to construct high efficiency facilities and transferred for implementation of the power saving program.

Secondly, not the least important direction of the Company Environment Policy - wastes disposal, was also actively developed in 2011. Thus, upon receipt of the positive opinion of the State Ecology Expert Examination at Berezovskaya GRES branch, works related to recultivation of the 1st card of the plant ash disposal area were commissioned, using ash and sludge wastes of the 2nd and 3rd cards. Over 450 thousand m³ of hydrated ash and sludge wastes of BGRES were used in 2011 to recultivate the first section of the ash and sludge area. Performance of this work will allow for extending the service life of the ash and sludge disposal area sections until the plant fully transfers to dry ash removal.

Berezovskaya GRES operates on solid fuel - 2B lignite. During the year about 300 thousand tons of ash on the average is removed to the ash disposal area of the power plant. Today the hydraulic ash handling system operates the plant. In 2011 main design solutions to transfer the plant to dry ash removal were developed and accepted for implementation at Berezovskaya GRES, designing of the dry ash and sludge removal system (DARS) was commenced. Implementation of the DARS project will allow for shipping the ash produced by the plant to consumers of other industries and for improving the environmental situation.

In Smolenskaya GRES branch of E.ON Russia JSC reconstruction of the first section of the ash disposal area is completed, which will allow for increasing the volume of ash stored and improving ecological indicators of its warehousing. Ash disposal area of Smolenskaya GRES was put into operation in 1978 and consists of 2 sections. The hydraulic ash handling system is reverse.

Reconstruction of the first section started in 2007. Ash disposal area dams were raised, which allowed for increasing the capacity of the section. All drain waters were tapped via the ash disposal area dams aiming at their direction to the clarified water reservoir, which allowed for significant decrease in filtration losses and impact of the ash disposal area on the vicinity. Arrangement of the observation wells allowed for organizing qualitative monitoring system of the ash disposal area impact on the environment. In 2011, to the extent of the final stage for improvement of ecological indicators of waste ash storage, it was resolved on additional financing of the project aiming at damp-proofing of the first section bowl of the ash disposal area by geomembrane. Damp-proofing of the ash disposal area bowl by geomembrane is an advanced technology for power generation in Russia. As a result of its application impact of the ash disposal area on environment significantly decreases.

Completion of reconstruction of the first section of the ash and sludge disposal area of Smolenskaya GRES allowed for almost doubling the possible volume of ash and sludge waste storage - up to 850 thousand cubic meters. It will ensure the possibility for power plant operation when combusting the existing share of coal in the fuel mix of the plant within more than 10 years.

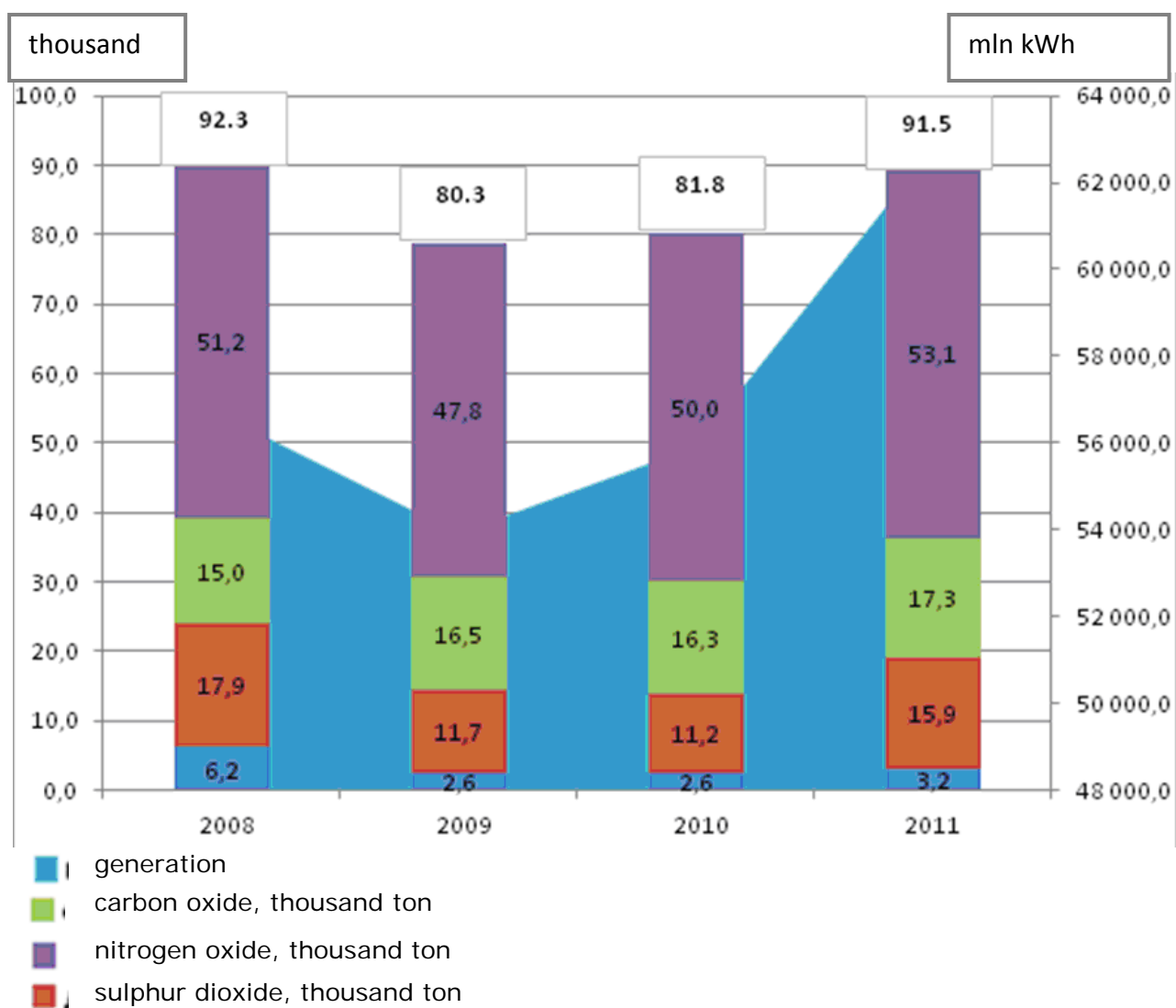
At all the branches of the Company water protection belts of the water reservoirs were cleaned; hydro-technical and fish protection facilities were maintained in good order.

Measures taken by the Company and projects implemented in the environmental protection sphere allow for minimizing negative impact of the Company on the environment. Amount of emissions and discharges of pollutants and the amount of wastes dumped by the Company power plants have always been lower than the established limits. Compliance with these standards lets the Company keep the environmental pollution charges at the minimum level.

Extent of the environmental impact of the Company's activities depends on many factors - technology of electric and heat power generation, condition of equipment and structure of the fuel used, on application of the products of scientific and technical developments in the industry, and others.

In general, in E.ON Russia JSC gross emissions of pollutants into the atmospheric air grew up from 81.8 thousand tons in 2010 up to 91.4 thousand tons, i.e. by 11.8%, with apparent increasing of electric power generation in 2011 (by 12.3%). Whereas, the primary cause of emissions increase was sufficient increase of electric power generation at Berezovskaya GRES. Specific emissions of pollutants from power generation reduced from 1.46 g/kWh in 2010 to 1.45 g/kWh, that is by 0.01 g/kWh or 0.4%. Decrease of

specific emissions is generally related to commissioning of new environmentally friendly combined cycle power units.



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

LEVEL OF EMISSIONS DURING 2008-2011

Indicators	Unit of measur.	2008	2009	2010	2011
Gross emissions of harmful substances into atmosphere, total	thousand ton	92.3	80.3	81.8	91.5
ash from solid fuel	thousand ton	6.2	2.6	2.6	3.2
gaseous and liquid	thousand ton	86.1	77.7	79.2	88.3
of them					
sulphur dioxide	thousand ton	17.9	11.7	11.2	15.9
carbon oxide	thousand ton	15.0	16.5	16.3	17.3
nitrogen oxide	thousand ton	51.2	47.8	50.0	53.1
CO ²	thousand	34,777.8	32,176.3	32,834.2	36,527.9

	ton				
CO ²	g/kWh (generation)	613.6	596.4	587.0	581.6
Ash and sludge wastes	thousand ton	318.9	236.2	241.7	314.9
Circulating water volume	mln m ³	7,006.7	6,676.2	6,740.8	7,092.4

E.ON Russia JSC, in the process of power and heat generation, produces a certain amount of production wastes of hazard class 1-5 (first and foremost, ash from coal combustion, hazard class 4-5). Ash and sludge wastes from coal combustion make more than 90% of the total amount of wastes and are dumped at the Company's own ash and sludge disposal areas. Amount of wastes is directly related to the power plant fuel mix. In 2011 amount of production wastes was 333.1 thousand ton, of which 314.9 thousand ton was ash and sludge. As there is no demand for ash and sludge materials in the regions where the Company branches operate, thus the degree of their disposal is extremely low. Over the previous years of power plants operation using solid fuels, about 13.7 million tons of ash and sludge wastes were accumulated at the ash and sludge disposal areas of the Company branches.

Waste disposal fee is the most significant payment related to environmental impact. In 2011 the Company branches paid about 45 million roubles (70% of all the environmental payments) for production waste disposal. However, the Company thinks that implementation of measures of the Ecological program will allow for bringing useful use of ash and sludge wastes practically up to 100% in perspective, which shall significantly decrease payments by the Company for negative impact on the environment.

13.4. Charity

E.ON Russia JSC as a part of the international E.ON Group relies upon the best practice in the sphere of social activity. Policy of charity and sponsorship of E.ON Russia is aimed at support of projects which purpose is to improve living conditions of the population in the regions of the Company's presence.

Main directions of social investments of E.ON Russia in 2011 were:

1. Support of projects in sport, culture and education.
2. Support to child organizations and institutions.
4. Funding of medical institutions.
5. Support of veterans of the Great Patriotic War, long-service power engineers, low-income citizens, disabled persons, pensioners.

To implement charity and sponsorship activities in 2011 there were transferred about 52 mln roubles.

E.ON Russia pays special attention to children - their bringing up, education and medical treatment. On continuing basis E.ON Russia transfers funds to orphanages and boarding schools to procure necessary equipment for playing rooms and studies. Supporting musical schools, sports sections, local houses of culture the Company assists in finding and development of young talented people.

Thus, for over 5 years Surgutskaya GRES-2 supports the bead weaving studio, this studio is attended by children suffering from various congenital diseases. Classes in the studio help children to better adapt to the social environment, develop useful skills for life. The studio has repeatedly become a winner of various competitions in Khanty-Mansiysk and Tyumen.

Support rendered on the New Year and Christmas Eve is also a tradition.

Thus, in December 2011 children from needy families of Sharypovo got New Year presents, and the event "The brightest New Year tree" was organized for young citizens of Ozerny settlement of the Smolensk Region.

E.ON Russia supports various medical institutions on an annual basis. In 2011 due to financial support of Berezovskaya GRES the operating room of the Krasnoyarsk Territorial Clinical Oncologic Dispensary named after A.I. Kryzhanovskiy was equipped with the modern medical apparatuses. Yet within the first two months of operation it allowed for putting away the order for operative treatment in the dispensary for patients subject to minimally invasive surgical treatment. It is yet the second year that E.ON Russia transfers monetary funds to Shaturskaya central regional hospital. In 2011 the funding was disposed for procurement of medical equipment and furniture, completion of works related to overhaul of the therapeutic building of the hospital. In 2011, in cooperation with the charity fund Sozidanie, E.ON Russia financed medical treatment and purchasing of expensive medicines for five children.

Sports development is one of the priorities of the charity and sponsorship support of the Company. Since 2010 E.ON Russia is a title sponsor of the basketball club "University-Yugra". It is the only basketball team in the Khanty-Mansi Autonomous Area that plays in super league. Due to the Company support the

basketball club resumed its participation in the championships of Russia and following the results of 2010-2011 season BC Universitet-Yugra became the silver medalist of the Russian basketball league.

Within the projects aimed at developing sports the Company financed project works related to capital reconstruction of the sports center Zeus in Yaiva settlement (Perm Territory). It is planned to implement the sports complex reconstruction within 3 years, there will be grounds to go in for various kinds of sports, athletic tracks, the stands and auxiliary premises will be reconstructed.

In 2011 E.ON Russia financed publishing the book "Town of our Destiny", devoted to the history of KATEK and Sharypovo (town of power engineers and location of Berezovskaya GRES) construction. The book was published on the 30th anniversary of town Sharypovo, part of the copies was distributed among the schools, libraries and museums of the town and Krasnoyarsk Territory. On the occasion of the anniversary celebration there was held a show for youngsters and there was a festive demonstration paid by Berezovskaya GRES.

Project "Career starts at school"

Following traditions of E.ON Group in the sphere of educational programs improvement and understanding by the students of problems related to energy and environment, the Company has been implementing the Project "Career starts at school" ("energy class") since 2007. In the energy class students of the 10th and 11th form receive elementary knowledge about professions related to power industry. The Company supports leavers who successfully finished energy classes, including by paying for their education in institutions of higher education subject to their study relevant specialities. Upon graduating from the Higher Educational Institutions, young specialists are employed by the power plant. In 2011 yet the third class of graduates left secondary school No. 19 of Surgut. All in all during this period of "Career starts at school" 11 leavers of the "energy class" cast their lot with the power industry. Of them 6 leavers entered Ural Federal University to receive paid education. Surgutskaya GRES-2 branch pays for education.

In 2011 the project was started in school No. 8 of Sharypovo jointly with Berezovskaya GRES and Siberian Federal University; in secondary school No. 1 of Ozerny settlement on the basis of Smolenskaya GRES; in secondary school No. 33 of Yaiva settlement with support of Yaivinskaya GRES.

14. CONTACT INFORMATION

General Information

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

Short commercial name: E.ON Russia JSC.

Location: 23/34 Energostroiteley St., Surgut, Khanty-Mansi Autonomous Area-Yugra, Tyumen Region, Russian Federation.

Postal address: 10, Presnenskaya naberezhnaya, Block B, floor 23, Moscow, 123317

Phone: (495) 545 38 38

Fax: (495) 545 38 39

www.eon-russia.ru

E-mail: info@eon-russia.ru

Persons in charge of Work with Shareholders

Galina Sergeyevna Shcheglova

Phone: (495) 545 38 46

Olga Vladimirovna Sokolova

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Irina Vladimirovna Zhuchkova

Phone: (495) 545 38 38, ext. 4,870

Fax: (495) 545 38 39

E-mail: IR@ eon-russia.ru

Press Service

Sergey Vitalievich Lagutenko

Anna Nikolayevna Martynova

Phone: (495) 545 38 38, ext. 4,924

Fax: (495) 545 38 39

E-mail: PR@eon-russia.ru

Registrar Data

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

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

License for carrying out activities associated with maintenance of register No. 10-000-1-00264, issued by FCSM (FFMS) of Russia on December 03, 2002.

Location: 18, Stromynka, build. 13, Moscow

Postal address: 18, Stromynka, p/o 9, Moscow, 107996.

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

Fax: (495) 771 73 34

www.rrost.com

E-mail: rost@rrost.ru.

Auditor Data

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

Member of non-commercial partnership "Audit Chamber of Russia" which is the auditors' self-regulating organization; registration number 870 in the register of members of the Audit Chamber of Russia".

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

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

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

Phone: (495) 967 60 00

Fax: (495) 967 60 01

www.pwc.com

ANNEX 1

Financial Statements of E.ON Russia for 2011 Revision Commission Report

Below is the text of the audit report by PricewaterhouseCoopers Audit CJSC with regard to E.ON Russia accounting records for the year 2011. These accounting records are included into this annual report not in full scope. The audit report is applicable only to E.ON Russia accounting records for 2011 in full scope. A full copy of the accounting statements of E.ON Russia for 2011 is placed in the Company web-site www.eon-russia.ru in section "To Shareholders and Investors/ Financial Statements / RAS".

BALANCE SHEET
as at 31 December 2011

Company OJSC E.ON. Russia
Taxpayer identification number

Field of activity Generation and sales of electric and heat power and
Legal form/property form Open joint stock company / Private property

Form on OKUD
3 (day, month, year)

OKPO

INN

OKVED

OKOPF/OKFS

OKEI

Codes

710001

31.12.2011

76828204

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40.10.11

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384

RR

Address 23/34 Energostroiteley St., Surgut, Khanty-Mansi Autonomous Area-Yugra, Tyumen Region

Note	Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
1	2	3	4	5	6
	ASSETS				
	I. FIXED ASSETS				
	Fixed assets	1130	75 605 854	67 446 589	42 092 262
	Financial investments	1150	364 954	237 272	73 914
	Other non-current assets	1170	198 136	348 352	391 149
	Total Section I	1100	76 168 944	68 032 213	42 557 325
	II. CURRENT ASSETS				
	Inventories	1210	2 288 006	1 959 846	1 822 608
	Value added tax on goods purchased	1220	10 296	5 777	197 077
	Accounts receivable	1230	11 230 476	11 281 107	23 635 732
	Financial investments (less cash equivalents)	1240	14 178 376	14 173 738	17 140 837
	Cash and cash equivalents	1250	10 516 322	262 488	481 706
	Other current assets	1260	289 762	179 189	167 249
	Total Section II	1200	38 513 238	27 862 145	43 445 209
	TOTAL SECTIONS I and II	1600	114 682 182	95 894 358	86 002 534

Note	Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
1	2	3	4	5	6
	EQUITY AND LIABILITIES				
	III. EQUITY AND RESERVES				
	Charter capital	1310	25 219 482	25 219 482	25 219 482
	Non-current asset revaluation	1340	480 257	481 969	502 127
	Additional capital (without revaluation)	1350	40 969 311	40 969 311	40 969 311
	Reserve capital	1360	1 260 974	833 446	478 313
	Retained earnings (loss)	1370	37 713 254	23 079 281	13 007 609
	Total Section III	1300	105 643 278	90 583 489	80 176 842
	IV. NON-CURRENT LIABILITIES				
	Deferred tax liabilities	1420	2 582 766	429 873	450 136
	Other liabilities	1450	463	595	728
	Total Section IV	1400	2 583 229	430 468	450 864
	V. CURRENT LIABILITIES				
	Accounts payable	1520	5 783 655	4 394 114	4 878 431
	Estimated liabilities	1540	672 020	486 287	496 223
	Total Section V	1500	6 455 675	4 880 401	5 374 828
	TOTAL SECTIONS III, IV, V	1700	114 682 182	95 894 358	86 002 534

Chief Executive Officer _____ Y.S. Sablukov

Chief _____

A.V. Shalyapina

Accountant

" 23 " March 2012 r.

**PROFIT AND LOSS STATEMENT
for 2011**

Company OJSC E.ON. Russia
 Taxpayer identification number
 Field of activity Generation and sales of electric and heat
 power and capacity
 Legal form/property form Open joint stock company /
 Private property
 Unit of measurement: thousands of RR

Form on OKUD
 Date (day, month, year)

OKPO
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Codes
710001
31.12.2011
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Note	Narrative	Line code	2011	2010
1	2	3	4	5
	Sales	2110	67 354 218	53 818 697
	Cost of sales	2120	(48 196 139)	(40 684 140)
	Gross profit (loss)	2100	19 458 079	13 134 557
	Profit (loss) from sales	2200	19 458 079	13 134 557
	Interest receivable	2320	623 647	449 583
	Interest payable	2330	-	(4 189)
	Other income	2340	2 382 547	2 145 958
	Other expenses	2350	(3 677 601)	(3 115 010)
	Income (loss) before taxation	2300	18 486 671	12 610 899
	Current income tax	2410	(1 331 561)	(2 490 875)
	including permanent tax liabilities (assets)	2421	174 439	98 556
	Changes in deferred tax liabilities	2430	(2 167 444)	34 343
	Changes in deferred tax assets	2450	12 606	2 907
	Other	2460	51 652	249 373
	Net profit (loss)	2400	15 051 925	10 406 647

Note	Narrative	Line code	2011	2010
1	2	3	4	5
	REFERENCE			
	Results of other transactions not included to the net profit (loss) for the reporting year	2520	7 864	-
	Cumulative financial result for the year	2500	15 059 789	10 406 647
	Basic earnings (loss) per share	2900	0,2387	0,1651

Chief Executive Officer _____ Y.S. Sablukov

Chief _____
 Accountant

A.V. Shalyapina

" 23 " March 2012 r.

STATEMENT OF CHANGES IN EQUITY
for 2011

at 31 December 2002

Company OJSC E.ON. Russia

Taxpayer identification number

Field of activity Generation and sales of electric and heat power and capacity

Legal form/property form Open joint stock company / Private property

Unit of measurement: thousands of RR

Form on OKUD
Date (day, month, year)

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Codes

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1. Changes in equity

Note	Narrative	Line code	Charter capital	Own shares buy-back	Additional capital	Reserve capital	Accumulated profit (loss)	Total
1	2	3	4	5	6	7	8	9
	Equity as of 31 December 2009	3100	25 219 482	-	41 471 438	478 313	13 007 609	80 176 842
	for 2010							
	Increase of equity - total:	3210	-	-	-	-	10 406 647	10 406 647
	including:							
	net profit	3211	x	x	x	x	10 406 647	10 406 647
	revaluation of assets	3212	x	x	-	x	-	-
	income directly attributable to equity	3213	x	x	-	x	-	-
	additional shares issue	3214	-	x	-	x	x	-
	increase of share par value	3215	-	x	-	x	-	x
	reorganization of legal entity	3216	-	-	-	-	-	-
	placement of buy-backed shares	3217	x	-	x	x	x	-
	Decrease of equity - total:	3220	-	-	-	-	-	-
	including:							
	loss	3221	x	x	x	x	-	-
	revaluation of assets	3222	x	x	-	x	-	-
	expenses directly attributable to equity	3223	x	x	-	x	-	-
	decrease of share par value	3224	-	x	-	x	-	-
	decrease in number of shares	3225	-	-	-	x	-	-
	reorganization of legal entity	3226	-	-	-	-	-	-
	dividends	3227	x	x	x	x	-	-
	buy-back of own shares	3228	x	-	x	x	x	-
	Additional capital change	3230	x	x	(20 158)	x	20 158	x
	Reserve capital change	3240	x	x	x	(355 133)	(355 133)	x
	Equity as of 31 December 2010	3200	25 219 482	-	41 451 280	(833 446)	23 079 281	90 583 489
	for 2011							
	Increase of equity - total:	3310	-	-	-	-	15 059 789	15 059 789
	including:							
	net profit	3311	x	x	x	x	15 051 925	15 051 925
	revaluation of assets	3312	x	x	-	x	-	-
	income directly attributable to equity	3313	x	x	-	x	7 864	7 864
	additional shares issue	3314	-	x	-	x	x	-
	increase of share par value	3315	-	x	-	x	-	x
	reorganization of legal entity	3316	-	-	-	-	-	-

placement of buy-backed shares	3317	x	-	x	x	x	-
Decrease of equity - total:	3320	-	-	-	-	-	-
including:							
loss	3321	x	x	x	x	-	-
revaluation of assets	3322	x	x	-	x	-	-
expenses directly attributable to equity	3323	x	x	-	x	-	-
decrease of share par value	3324	-	x	-	x	-	-
decrease in number of shares	3325	-	-	-	x	-	-
reorganization of legal entity	3326	-	-	-	-	-	-
dividends	3327	x	x	x	x	-	-
buy-back of own shares	3328	x	-	x	x	x	-
Additional capital change	3330	x	x	(1 712)	x	(1 712)	x
Reserve capital change	3340	x	x	x	(427 528)	(427 528)	x
Equity as of 31 December 2010	3300	25 219 482	-	41 449 568	1 260 974	37 713 254	105 643 278

2. Restatements due to changes in accounting policies and correction of mistakes

Note	Narrative	Line code	as at 31 December 2009	Changes in equity for 2010		as at 31 December 2010
				from net profit (loss)	from other equity	
1	2	3	4	5	6	7
	Equity - total					
	before restatement	3400	80 602 608	10 449 450	-	91 052 058
	restatement due to:					
	changes in accounting	3410	(425 766)	(42 803)	-	(468 569)
	corrections of accounting	3420	-	-	-	-
	after restatement	3500	80 176 842	10 406 647	-	90 583 489
	Including: Retained earnings (uncovered loss):					
	before restatement	3401	13 433 375	10 449 450	(334 975)	23 547 850
	restatement due to:					
	changes in accounting	3411	425 766	(42 803)	-	(468 569)
	corrections of accounting	3421	-	-	-	-
	after restatement	3501	13 007 609	10 406 647	(334 975)	23 079 281
	Other equity					
	before restatement	3402	67 169 233	-	334 975	67 504 208
	restatements due to:					
	changes in accounting	3412	-	-	-	-
	corrections of accounting	3422	-	-	-	-
	after restatement	3502	67 169 233	-	334 975	67 504 208

3. Net assets

Note	Narrative	line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
1	2	3	4	5	6
	Net assets	3600	105 643 278	90 583 489	80 177 016

Chief Executive Officer _____ Y.S. Sablukov

Chief _____ A.V. Shalyapina
Accountant

" 23 " March 2012 r.

**STATEMENT OF CASH FLOWS
for 2011**

Company OJSC E.ON. Russia

Taxpayer identification number

Field of activity Generation and sales of electric and heat power and capacity

Legal form/property form Open joint stock company /

Private property

Unit of measurement: thousands of RR

Form on OKUD

Date (day, month, year)

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Note	Narrative	Line code	2011	2010
1	2	3	4	5
	Cash flows from operating activities			
	Receipts - total	4110	68 434 203	56 224 511
	including:			
	from sales of finished goods, trade goods	4111	64 519 118	53 046 910
	lease payments, license payments, royalties, commissions and other payments	4112	-	-
	resale of financial investments	4113	-	-
	other receipts	4119	3 915 085	3 177 601
	Payments - total	4120	(47 891 097)	(43 547 912)
	including:			
	to suppliers for raw materials, works, services	4121	(39 664 613)	(36 383 883)
	wages and salaries	4122	(3 061 427)	(2 604 619)
	interests on borrowings	4123	-	-
	income tax	4124	(2 023 287)	(1 923 695)
	other payments	4129	(3 141 770)	(2 635 715)
	Net cash flows from operating activities	4100	20 543 106	12 676 599
	Cash flows from investing activities			
	Receipts - total	4210	31 048 771	30 639 042
	including:			
	from sales of fixed assets (except financial investments)	4211	24 463	99 410
	from sales of shares of other entities	4212	-	-
	from return of loans, sales of debt securities (chase of possession of cash from third parties)	4213	455 407	-
	dividends, interests from long term financial investments and receipts from participation in other entities	4214	459 922	441 303
	other receipts	4219	30 108 979	30 098 329
	Payments - total	4220	(41 415 488)	(43 526 710)
	including:			
	purchase, construction, modernisation, reconstruction and preparation for the use of non current assets	4221	(12 262 806)	(15 804 405)
	purchase of other entities shares	4222	-	-

purchase of debt securities (chase of possession of cash from third parties), loans granted	4223	-	(1 750 000)
borrowing costs included to the cost of the investment assets	4224	(23 223)	(97 972)
other payments	4229	(29 129 459)	(25 874 333)
Net cash flows from investment activities	4200	(10 366 717)	(12 887 668)
Cash flows from financing activities			
Receipts - total	4310	-	78 196
including:			
borrowings and bank loans	4311	-	78 196
contributions of owners (participants)	4312	-	-
equity issue	4313	-	-
issue of bonds, promissory notes and other receipts	4314	-	-
other receipts	4319	-	-
Payments - total	4320	(120)	(78 536)
including:			
to owners (participants) due to the fact of share buyback or cessation of membership	4321	-	-
dividends and other distributions to owners	4322	(120)	(340)
redemption (buyback) of promissory notes and other debt securities, loan repayment	4323	-	(78 196)
other payments	4329	-	-
Net cash flows from financing activities	4300	(120)	(340)
Net cash flows for the reporting period	4400	10 176 269	(211 409)
Cash and cash equivalents at the beginning of the reporting period	4450	262 180	481 633
Cash and cash equivalents at the end of the reporting period	4500	10 516 281	262 180
Foreign exchange rate difference	4490	77 832	(8 044)

Chief Executive Officer _____ Y.S. Sablukov

Chief _____ A.V. Shalyapina
Accountant

" 23 " March 2012 r.

Notes to the balance sheet
and income statement (thousand rubles)
2. Fixed Assets

Narrative	Line code	Period	At beginning of reporting		Changes for a period						At end of reporting period	
			Initial cost	Accumulated depreciation	Additions	Disposals		Depreciation	Revaluation		Initial cost	Accumulated depreciation
						Initial cost	Accumulated depreciation		Initial cost	Accumulated depreciation		
1	2	3	4	5	6	7	8	9	10	11	12	13
Fixed assets - total	5200	2011	34 141 307	(4 952 198)	45 361 014	(158 848)	55 175	(4 302 904)	-	-	79 343 473	(9 199 927)
Including:	5210	2010	20 010 908	(3 765 730)	14 195 836	(65 437)	29 323	(1 215 791)	-	-	34 141 307	(4 952 198)
Buildings	5201	2011	12 143 824	(417 330)	8 711 716	(22 306)	1 959	(410 755)	-	-	20 833 234	(826 126)
	5211	2010	6 389 497	(322 722)	5 772 694	(18 367)	2 133	(96 741)	-	-	12 143 824	(417 330)
Constructions and transfer mechanisms	5202	2011	7 270 919	(1 177 516)	4 272 815	(3 876)	1 833	(422 360)	-	-	11 539 858	(1 598 043)
	5212	2010	6 176 163	(948 223)	1 102 603	(7 847)	854	(230 147)	-	-	7 270 919	(1 177 516)
Machinery and equipment	5203	2011	14 362 076	(3 237 523)	32 191 303	(24 501)	21 530	(3 420 827)	-	-	46 529 878	(6 636 820)
	5213	2010	7 106 085	(2 390 990)	7 270 566	(14 575)	10 677	(857 210)	-	-	14 362 076	(3 237 523)
Means of transportation	5204	2011	233 790	(78 705)	168 181	(102 084)	23 942	(37 276)	-	-	299 887	(92 039)
	5214	2010	228 478	(66 682)	22 960	(17 648)	10 382	(22 405)	-	-	233 790	(78 705)
Production and work appliances	5205	2011	56 165	(40 464)	13 605	(6 019)	5 911	(11 300)	-	-	63 751	(45 853)
	5215	2010	53 191	(36 826)	8 838	(5 864)	5 277	(8 915)	-	-	56 165	(40 464)
Other types of fixed assets	5206	2011	6 643	(660)	2 356	-	-	(386)	-	-	8 999	(1 046)
	5216	2010	7 276	(287)	485	(1 118)	-	(373)	-	-	6 643	(660)
Land	5207	2011	67 890	-	38	(62)	-	-	-	-	67 890	-
	5217	2010	50 218	-	17 690	(18)	-	-	-	-	67 890	-
etc												

2.2. Capital investments in progress

Narrative	Line code	Period	At beginning of reporting year	Changes for a period			At end of reporting period
				costs for the period	written off	recognised as fixed assets or increased costs	
1	2	3	4	5	6	7	8
Construction and activity in progress on acquisition, modernisation etc. of fixed assets - total	5240	2011	38 257 480	12 585 369	(19 527)	(45 361 014)	5 462 308
greenfield project	5241	2011	36 367 978	11 004 645	(9 958)	(43 835 423)	3 527 242
	5251	2010	24 462 550	25 644 712	(102 367)	(13 636 917)	36 367 978
Reconstruction, modernization	5242	2011	535 236	1 409 803	(8 593)	(1 308 224)	628 222
	5252	2010	469 604	486 112	(606)	(419 874)	535 236
Other	5243	2011	1 354 266	170 921	(976)	(217 367)	1 306 844
	5253	2010	914 930	593 069	(14 688)	(139 045)	1 354 266
И Т.Д.							

2.3. The change of fixed assets cost as a result of completion, equipping, reconstruction or partial

Narrative	Line code	2011	2010
1	2	3	4
Increase in value of fixed assets as a result of completion, equipping, reconstruction - total:	5260	1 291 385	1 145 378
including:			
Buildings	5261	74 158	231 156
Constructions and transfer	5262	281 920	149 022
Machinery and equipment	5263	934 941	755 648
Means of transportation	5264	-	38
Production and work appliances	5265	366	865

etc		-	8 649
Reducing the cost of fixed assets as a result of partial liquidation - total:	5270	1 224	2 110
including:			
(fixed asset)	5271	1 224	2 110
etc.			

2.4. Other use of fixed assets

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
1	2	3	4	5
Leased out on-balance fixed assets	5280	146 490	132 942	176 953
Off-balance fixed assets subleased to	5281	-	-	-
On-balance fixed assets received in finance lease	5282	-	-	-
assets received in operating lease used and in the process of state registration	5283	1 636 087	1 614 232	18 458
	5284	-	-	-
Transferred fixed	5285	27 161	8 140	3 335
Pledged fixed assets	5286	-	-	-
Another use of on-balance fixed assets	5287	-	-	-
Another use of off-balance fixed assets	5288	-	-	-

3. Financial investments

3.1. Movement of financial investments

Narrative	Line code	Period	at beginning of reporting period		Changes for a period					At end of reporting period	
			Initial cost	Accrued adjustment	Additions	Disposed (redeemed)		Accrual of initial cost up to the nominal value	of the current market value (impairment loss)	Initial cost	Accrued adjustment
						Initial cost	accrued adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
Long term financial assets - including:	5301	2011	252 580	(15 308)	157 898	-	-	-	(30 216)	410 478	(45 524)
	5311	2010	111 745	(37 831)	145 880	(5 045)	-	-	22 523	252 580	(15 308)
	5302	2011	106 700	(15 308)	-	-	-	x	(30 216)	106 700	(45 524)
Investments to charter capitals	5312	2010	106 700	(37 831)	-	-	-	x	22 523	106 700	(15 308)
	53021	2011	17 500	-	-	-	-	x	-	17 500	-
Investment to charter capitals of	53121	2010	17 500	-	-	-	-	x	-	17 500	-
Investments to	53022	2011	89 200	(15 308)	-	-	-	x	(30 216)	89 200	(45 524)
charter capitals of	53122	2010	89 200	(37 831)	-	-	-	x	22 523	89 200	(15 308)
Other	5303	2011	-	-	-	-	-	-	-	-	-
securities(debentu	5313	2010	-	-	-	-	-	-	-	-	-
Other securities of	53031	2011	-	-	-	-	-	-	-	-	-
subsidiaries and	53131	2010	-	-	-	-	-	-	-	-	-
Other securities of	53032	2011	-	-	-	-	-	-	-	-	-
other entities	53132	2010	-	-	-	-	-	-	-	-	-
Other financial	5304	2011	145 880	-	157 898	-	-	-	-	303 778	-
investments	5314	2010	5 045	-	145 880	(5 045)	-	-	-	145 880	-
State and municipal	53041	2011	145 880	-	157 898	-	-	-	-	303 778	-
securities	53141	2010	-	-	145 880	-	-	-	-	145 880	-
Loans granted	53042	2011	-	-	-	-	-	-	-	-	-
Deposits	53142	2010	5 045	-	-	(5 045)	-	-	-	-	-
	53043	2011	-	-	-	-	-	-	-	-	-
	53143	2010	-	-	-	-	-	-	-	-	-
Other long term financial	53044	2011	-	-	-	-	-	-	-	-	-
	53144	2010	-	-	-	-	-	-	-	-	-

Narrative	Line code	Period	at beginning of reporting period		Changes for a period					At end of reporting period	
			Initial cost	Accrued adjustment	Additions	Disposed (redeemed)		Accrual of initial cost up to the nominal value	of the current market value (impairment)	Initial cost	Accrued adjustment
						Initial cost	accrued adjustment				
1	2	3	4	5	6	7	8	9	10	11	12
Short-term financial	5305	2011	14 846 096	(672 358)	29 296 635	(29 287 879)	(4 118)	-	-	14 854 852	676 476
including:	5315	2010	17 140 837	-	232 944 750	(235 239 491)	(672 358)	-	-	14 846 096	(672 358)
	5306	2011	-	-	-	-	-	x	-	-	-
Investments to charter capitals	5316	2010	-	-	-	-	-	x	-	-	-
Investment to charter capitals of	53061	2011	-	-	-	-	-	x	-	-	-
Investments to charter capitals of	53161	2010	-	-	-	-	-	x	-	-	-
Securities of other entities	53062	2011	-	-	-	-	-	x	-	-	-
Securities of other entities (debentures,	53162	2010	-	-	-	-	-	x	-	-	-
Other financial investments	5307	2011	-	-	-	-	-	-	-	-	-
State and municipal securities	5317	2010	-	-	-	-	-	-	-	-	-
Loans granted	5308	2011	14 846 096	(672 358)	29 296 635	(29 287 879)	(4 118)	-	-	14 854 852	676 476
Deposits	5318	2010	17 140 837	-	232 944 750	(235 239 491)	(672 358)	-	-	14 846 096	(672 358)
Other short-term financial	53081	2011	381 684	-	256 921	(455 407)	-	-	-	183 198	-
Financial investments -	53181	2010	148 235	-	443 302	(209 853)	-	-	-	381 684	-
	53082	2011	1 750 000	-	59 947	-	-	-	-	1 809 947	-
	53182	2010	-	-	1 750 000	-	-	-	-	1 750 000	-
	53083	2011	12 714 412	(672 358)	28 979 767	(28 832 472)	(4 118)	-	-	12 861 707	(676 476)
	53183	2010	16 992 602	-	230 751 448	(235 029 638)	(672 358)	-	-	12 714 412	(672 358)
	53084	2011	-	-	-	-	-	-	-	-	-
	53184	2010	-	-	-	-	-	-	-	-	-
	5300	2011	15 098 676	(687 666)	29 454 533	(29 287 879)	(4 118)	-	(30 216)	15 265 330	(722 000)
	5310	2010	17 252 582	(37 831)	233 090 630	(235 244 536)	(672 358)	-	22 523	15 098 676	(687 666)

4. Inventory

4.1. Movement of inventory

Narrative	Line code	Period	at beginning of		Changes for a period				At end of reporting period	
			cost	provision for the decrease in value of inventory	Additions	disposals	provision for the decrease in value of inventory	Provision for the decrease in value of inventory	cost	provision for the decrease in value of inventory
1	2	3	4	5	6	7	8	9	11	12
Resources - total	5400	2011	1 992 329	(32 483)	32 010 749	(31 685 172)	9 057	(6 474)	2 317 906	(29 900)
	5420	2010	1 897 615	(75 007)	27 203 544	(27 108 830)	42 751	227	1 992 329	(32 483)
including: Fuel	5401	2011	1 023 833	-	31 158 623	(30 901 339)	-	(23)	1 281 117	(23)
	5421	2010	1 296 480	-	26 044 346	(26 316 993)	-	-	1 023 833	-
Store	5402	2011	968 496	(32 483)	852 126	(783 833)	9 057	(6 451)	1 036 789	(29 877)
	5422	2010	601 135	(75 007)	1 159 198	(791 837)	42 751	(227)	968 496	(32 483)
etc										

5.Account receivable and accounts payable

5.1. The presence and movement of receivables

Narrative	Line code	Period	Changes for the period										At the end of the period	
			at the beginning of		Additions			Disposals			Transfer from long-term to short-term (and vice versa)	Recognised under the terms of the contract	Provision for doubtful debt	
Recognised under the terms of the contract	Provision for doubtful debt	As a result of transactions	Receivable on interest, penalties and other accruals	Provision for doubtful debt	Settlement	Write off to expenses	Recovery of the provision for doubtful debt							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Long-term receivable -	5501	2011	50 185	-	2 838 311	-	-	(20 567)	-	-	(853)	2 867 076	-	
including:	5521	2010	2 388 496	-	46 090	-	-	(2 383 468)	-	-	(933)	50 185	-	
Customers and clients	5502	2011	6 868	-	-	-	-	(6 868)	-	-	-	-	-	
Developers	5522	2010	90 950	-	-	-	-	(84 082)	-	-	-	6 868	-	
Advances	5503	2011	-	-	2 769 975	-	-	-	-	-	-	2 769 975	-	
Credits, borrowing	5523	2010	2 293 523	-	-	-	-	(2 293 523)	-	-	-	-	-	
etc.	5504	2011	43 317	-	68 336	-	-	(13 699)	-	-	(853)	97 101	-	
Short-term receivable -	5524	2010	4 023	-	46 090	-	-	(5 863)	-	-	(933)	43 317	-	
including:	5510	2011	12 031 718	(800 796)	115 276 336	55	(1 136 791)	(117 598 303)	(210 261)	800 589	853	9 500 398	(1 136 998)	
Customers and clients	5530	2010	21 655 128	(407 892)	102 902 067	493	(800 796)	(112 525 588)	(1 315)	407 892	933	12 031 718	(800 796)	
Construction advance	5511	2011	2 870 593	(800 796)	79 863 827	-	(1 127 977)	(76 935 680)	(203 554)	800 589	-	5 595 186	(1 128 184)	
Other advances	5531	2010	2 394 189	(407 892)	64 361 099	-	(800 796)	(63 883 589)	(1 097)	407 892	-	2 870 593	(800 796)	
	5512	2011	5 059 762	-	6 211 166	-	(7 514)	(8 385 563)	(6 642)	-	-	2 878 723	(7 514)	
	5532	2010	14 809 510	-	11 732 893	-	-	(21 482 541)	(100)	-	-	5 059 762	-	
	5513	2011	70 469	-	11 261 678	-	-	(11 096 279)	(45)	-	-	235 823	-	
	5533	2010	326 473	-	23 638 161	-	-	(23 894 086)	(79)	-	-	70 469	-	
Other	5514	2011	4 030 894	-	17 939 665	55	(1 300)	(21 180 781)	(20)	-	853	790 666	(1 300)	
etc.	5534	2010	4 124 956	-	3 169 914	493	-	(3 265 363)	(39)	-	933	4 030 894	-	
Total	5500	2011	12 081 903	800 796	118 114 647	55	1 136 791	117 618 870	210 261	800 589	X	12 367 474	1 136 998	
	5520	2010	24 043 624	407 892	102 948 157	493	800 796	114 909 056	1 315	407 892	X	12 081 903	800 796	

Narrative	Line code	as at 31 December 2011		as at 31 December 2010		as at 31 December	
		under a contract	net of doubtful debt provision	under a contract	net of doubtful debt provision	under a contract	net of doubtful debt provision
1	2	3	4	5	6	7	8
Total:	5540	1 487 063	350 065	1 268 021	467 226	142 012	141 682
including:							
Customers and clients	5541	1 470 053	341 869	1 258 811	458 016	132 426	132 096
advance paymen	5542	14 155	6 641	9 093	9 093	9 450	9 450
Other	5543	2 855	1 555	117	117	136	136
etc.							

5.3. The presence and movement liabilities

Narrative	Line code	Period	Balance at the beginning of the year	Changes for a period					Balance at the end of the period
				Additions		Disposals		transfer from long term to short-term (and vice versa)	
				As a result of transactions	Payable on interest, penalties and other accruals	Settlement	write-off to income		
1	2	3	4	5	6	7	8	9	10
Long-term payable - total	5551	2011	595	-	-	(132)	-	-	463
	5571	2010	728	-	-	(133)	-	-	595
including: Contractors	5552	2011	595	-	-	(132)	-	-	463
	5572	2010	728	-	-	(133)	-	-	595
etc.									
Short-term payable - total	5560	2011	4 394 114	92 638 748	4 310	(91 215 612)	(37 905)	-	5 783 655
	5580	2010	4 878 431	110 419 727	2 162	(110 906 061)	(145)	-	4 394 114
including: Contractors	5561	2011	3 250 139	62 295 649	208	(62 268 724)	(37 905)	-	3 239 367
	5581	2010	3 592 837	71 253 687	2 149	(71 598 390)	(144)	-	3 250 139
Advance payments received	5562	2011	94 267	305 225	-	(334 356)	-	-	65 136
	5582	2010	48 907	494 137	-	(448 777)	-	-	94 267
Accounts to taxes	5563	2011	307 711	24 742 961	4 097	(23 617 308)	-	-	1 437 461
	5583	2010	149 445	22 244 932	13	(22 086 679)	-	-	307 711
	5566	2011	741 997	5 294 913	5	(4 995 224)	-	-	1 041 691
Other	5586	2010	1 087 242	16 426 971	-	(16 772 215)	(1)	-	741 997
etc.									
Total	5550	2011	4 394 709	92 638 748	4 310	91 215 744	37 905	x	5 784 118
	5570	2010	4 879 159	110 419 727	2 162	110 906 194	145	x	4 394 709

5.4. Overdue payable

Narrative	Line code	as at 31 December	as at 31 December	as at 31 December
1	2	3	4	5
Total	5590	48 264	53 790	693
including: Contractors	5591	15 732	16 297	693
Advance payments received	5592	32 532	37 493	-
etc.				

6. Cost of production

Narrative	Line code	2011	2010
1	2	3	4
Material costs	5610	36 464 901	33 281 040
Payroll expenses	5620	3 476 873	2 927 140
Allocations for social needs	5630	676 654	436 429
Depreciation and amortisation	5640	4 264 912	1 201 270
Other expenses	5650	3 312 799	2 838 261
Total	5660	48 196 139	40 684 140
Change of work in progress, finished goods etc. (increase [-]),etc including:	5670	-	-
Change of work in progress, finished goods etc. (decrease [+]),etc including:	5680	-	-
Total general expenses	5600	48 196 139	40 684 140

7. Estimated liability

Narrative	Line code	At the beginning of the year	Recognised	Used	Written off as exhaustive	At the end of the reporting period
1	2	3	4	5	6	7
Estimated liability - total	5700	486 287	672 020	(468 569)	(17 718)	672 020
including:						
Estimated liability to trial	5701	17 718	25 702	-	(17 718)	25 702
Estimated liability - unused leave of absence	5702	203 553	248 418	(203 553)	-	248 418
Estimated liability - annual fee	5703	265 016	337 342	(265 016)	-	337 342
Estimated liability - quarterly bonus	5704	-	60 558	-	-	60 558
etc.						

Narrative	Line code	At the beginning of the previous year	Recognised	Used	Written off as exhaustive	At the end of the previous year
1	2	3	4	5	6	7
Estimated liability - total	5710	496 223	486 287	(496 223)	-	486 287
including:						
Estimated liability - unused leave of absence	5711	156 512	203 553	(156 512)	-	203 553
Estimated liability to trial	5712	70 457	17 718	(70 457)	-	17 718
Estimated liability - annual fee	5713	269 254	265 016	(269 254)	-	265 016
etc.						

8. Security

Narrative	Line code	as at 31 December 2011	as at 31 December 2010	as at 31 December 2009
1	2	3	4	5
Received - total	5800	13 239 835	5 649 373	5 473 414
including:				
Banker's guarantee	5801	13 140 163	5 648 945	5 473 200
Building contractor's insurance arrangements	5802	38 873	214	-
Repair contractor's insurance arrangements	5803	26 469	-	-
Property in pledge	5804	34 330	214	214
etc.				
Issued - total	5810	9 441	-	5 344
including:				
Banker's guarantee	5811	9 441	-	5 344
etc.				

Opinion

Based on the procedures carried out by the Revision Commission and considering Company's auditor opinion (the opinion of ZAO PricewaterhouseCoopers Audit dated March 23, 2012) the Revision Commission of the Company has the sufficient ground to confirm the accuracy of the data in Company's annual report and annual financial statements of Company.

Moscow, April 11, 2012

Revision Commission Chairman

Michael Winfried Christian Wilhelm

Member of Revision Commission:

Thomas Fecker

Mario Dietmar Mazidowski

Stanislav Patrikeev

Aleksey Asyaev engaged to work in the Revision Commission pursuant to item 3.1 (2) of Regulations for OJSC E.ON Russia Revision Commission (minute 1 dated September 13, 2011) of Revision Commission meeting.

A collection of handwritten signatures in black ink. The signatures are arranged vertically, corresponding to the names listed on the left. The top signature is the largest and most prominent, followed by several smaller ones. The bottom signature is also distinct and appears to be a checkmark or a stylized 'S'.

ANNEX 2

Information on Compliance with the Corporate Code of Conduct

No.	Provision of the Corporate Code of Conduct	Observed/ Partially observed/ Not observed/ Not applicable	Comment
General Shareholders' Meeting			
1.	Notice of the General Shareholders' Meeting shall be given not less than 30 days prior to the Meeting date regardless of the issues on the agenda, unless a longer term for notification is provided by the applicable law.	Observed	Cl. 11.3 of the Company Articles of Association.
2.	Shareholders shall be able to familiarize themselves with the list of persons authorized to participate in the General Shareholders' Meeting, beginning from the date of the General Shareholders' Meeting notice to the date of closing the General Shareholders' Meeting in praesentia, and to the last date for submitting voting ballots in the event the General Shareholders' Meeting is held in the form of absentee voting	Observed	Par. 5, cl. 6.2. of the Company Articles of Association
3.	Shareholders shall have an opportunity to familiarize themselves with information (materials) to be submitted when preparing for the General Shareholders' Meeting by electronic telecommunications, including the Internet	Observed	Pursuant to cl. 4.7 of the Regulation on preparation and holding of the Company General Shareholders' Meeting the shareholders are entitled to familiarize themselves with information (materials) pertaining to the Meeting. Materials for General Shareholders' Meetings of the Company are placed on the Company web-site www.eon-russia.ru in section "To Shareholders and Investors / Information for Shareholders / Materials for Shareholders' Meetings".
4.	The shareholder shall have an opportunity to propose issues for the General Shareholders' Meeting agenda, or request convening the General Shareholders' Meeting without submitting an extract from the Shareholder Register, if his/her share rights are recorded in accordance with the procedure on the Shareholder Register maintenance; in the event his/her share rights are recorded in the custody account, a statement of the custody account shall be sufficient for the above rights to be exercised.	Observed	The Articles of Association and internal documents of the Company do not contain a requirement to provide an extract from the Shareholder Register when an issue is introduced into the agenda of the General Shareholders' Meeting or in case a General Shareholders' Meeting is convened.
5.	The Articles of Association or internal documents of the Company shall contain the requirements that the Director General, members of the Management Board, members of the Board of Directors, members of the Revision Commission and the Auditor attend the General Shareholders' Meeting on a mandatory basis	Partially observed	The Articles of Association and internal documents of the Company do not contain a requirement of obligatory attendance of the General Shareholders' Meeting by Director General, members of the Management Board, members of the Board of Directors, members of the Audit Committee and the Company Auditor. However, Chairman of the Board of Directors, several members of the Board of Directors, Director General, members of the Management Board and Chairman of the Revision Commission usually attend the General Shareholders' Meetings.
6.	The candidates shall be required to attend the General Shareholders' Meeting when the agenda includes items on electing members of the Board of Directors, Director General, members of the Management Board, members of the Revision Commission, and approval of the External Auditor of the Company.	Partially observed	The Articles of Association and internal documents of the Company do not contain provisions of their obligatory attendance of the General Shareholders' Meetings, however in most cases some of candidates do attend the said General Shareholders' Meetings.
7.	Internal documents of the Company shall contain registration procedure for participants of the General Shareholders' Meeting	Observed	Cl. 6.1 of the Regulation on preparation and holding of the Company General Shareholders' Meeting.

Board of Directors			
8.	The Articles of Association shall specify the authority of the Board of Directors to approve the annual financial and business plan of the Company	Observed	Sub-clause 28, cl. 12.1 of the Company Articles of Association.
9.	Availability of the risk management procedures in the joint-stock company approved by the Company Board of Directors	Observed	Regulation on the Corporate Risk Management System, approved by the Board of Directors on February 24, 2011, minutes No. 146
10.	The Articles of Association shall provide for the Board of Directors' right to suspend authority of the Director General appointed by the General Shareholders' Meeting	Not Applicable	Pursuant to sub-clause 15, cl. 12.1 of the Articles of Association election of the Director General and early termination of his/her authority is the competence of the Company Board of Directors.
11.	The Articles of Association shall provide for the Board of Directors' right to set requirements for the qualification and amount of remuneration payable to Director General, members of the Management Board and heads of the major organization units of the Company	Partially observed	Pursuant to sub-clause 15, 16 of clause 12.1 of the Company Articles of Association the Board of Directors elects Director General, defines the number of members of the Management Board and elects members of the Management Board, approves the amount of remuneration and bonuses payable, defines the rights and responsibilities of the Director General and members of the Management Board based on labour agreements concluded with them. Requirements to qualification and amount of remuneration payable to heads of the main structural organization units are defined by the Company Director General.
12.	The Company Articles of Association shall provide for the Board of Directors' right to approve the agreement terms with Director General and members of the Management Board	Observed	Pursuant to sub-clause 15 and 16 of cl. 12.1 of the Company Articles of Association the Board of Directors defines the terms of the labour agreement with the Director General and members of the Company Management Board.
13.	The Company Articles of Association or internal documents of the Company shall contain the requirement that in the process of approval of the labour agreement terms with Director General (managing organization, manager) and members of the Management Board, the votes of the Board of Directors members, who are Director General and members of the Management Board are not counted	Not observed	The Articles of Association and internal documents of the Company do not contain such a requirement.
14.	The Board of Directors shall include at least 3 independent directors who act in compliance with the Corporate Code of Conduct	Observed	There are 3 independent Directors in the Board of Directors; they satisfy the requirements of the Corporate Code of Conduct
15.	Absence in the Board of Directors of the joint-stock company of persons who were found guilty in committing economic crimes	Observed	The persons specified are not members of the Company Board of Directors.
16.	Absence in the Company Board of Directors of persons who may be a partner, Director General (manager), or member of the management board or an employee of a legal entity competing with the Company	Not observed	The Board of Directors does not include persons being members of management boards of legal entities, competing with the Company
17.	The Company Articles of Association shall require that the Board of Directors be elected by cumulative voting	Observed	Cl. 10.8 of the Company Articles of Association
18.	Internal documents of the Company shall contain a duty for members of the Board of Directors to refrain from any action that will lead or may potentially lead to any conflict of their interests with the Company's interests; and in the event of such a conflict, their duty shall be to disclose the information of such conflict to the Board of Directors	Observed	Cl. 3.3 of the Regulation on the Company Board of Directors. Cl. 4.1.6 of the Code of Corporate Governance of the Company.
19.	Internal documents of the Company shall contain a duty for the members of the Board of Directors to notify the Board of Directors in	Observed indirectly	Cl. 5.2., 6.1. of the Regulation on the Insider information

	writing of their intention to effect a deal involving the Company securities in case they are members of the Board of Directors of this Company or they are members of its affiliates (subsidiaries); they also shall disclose any information on any transactions effected by them involving such securities		
20.	Internal documents of the Company shall contain the requirements that the meetings of the Board of Directors be held at least once every six weeks	Not observed	Cl. 15.2 of the Articles of Association and cl. 7.1. of the Regulation on the Company Board of Directors provides for holding the meeting of the Board of Directors as and when needed at least once a quarter. Actually in 2011 there were held 16 meetings of the Board of Directors
21.	Meetings of the Company Board of Directors shall be held during the reporting year with regularity of at least once every six weeks	Observed	During 2011 there were held 16 meetings of the Board of Directors
22.	Internal documents of the Company shall contain the procedure of the Board of Directors' meetings	Observed	Articles 7,8 of the Regulation on the Company Board of Directors
23.	Internal documents of the Company shall contain the requirement for the Board of Directors to approve the Company transactions to the amount equal to and in excess of 10% of the book value of the Company's assets (with the exception for transactions effected in the normal course of business)	Partially observed	Internal documents of the Company do not contain a requirement for the Board of Directors to approve the Company transactions to the amount equal to and in excess of 10% of the book value of the Company's assets. However in accordance with sub-clause 33, cl. 12.1 of the Articles of Association there are fiscal thresholds for transactions approval by the Board of Directors and the amount approvable is significantly lower than 10 % of the book value of the Company's assets.
24.	Internal documents of the Company shall entitle members of the Board of Directors to receive from the Company executive bodies and heads of its major structural organization units any information requisite for performance of their functions; and liability for failure to provide such information shall also be documented	Partially observed	Article 3 of the Regulation on the Board of Directors provides for the right to members of the Board of Directors to receive information requisite for implementation of their functions. At the same time, the Company internal documents do not provide for any liability for failure to provide such information. Actually, information is always provided to the members of the Board of Directors.
25.	Availability of the Strategy Committee of the Board of Directors or assigning its functions to another committee (except for the Audit Committee and the Appointment and Remuneration Committee)	Observed	The Strategy and Development Committee of the Board of Directors was established subject to the resolution of the Company Board of Directors dated July 16, 2009. (minutes No. 116)
26.	The Board of Directors shall establish the Audit Committee that shall recommend the Company Auditor to the Board of Directors and cooperate with the Auditor and the Revision Commission of the Company	Observed	Article 3-5 of the Regulation on the Audit Committee of the Board of Directors of E.ON Russia
27.	The Audit Committee shall consist of independent and non-executive directors only	Observed	The Audit Committee includes only independent and non-executive directors
28.	An independent director shall manage the Audit Committee	Observed	An independent director is the Chairman of the Audit Committee - I.Yu. Jurgens
29.	Internal documents of the Company shall specify access rights for all the members of the Audit Committee to any documents and information of the Company	Observed	Cl. 1 Article 6 of the Regulation on the Audit Committee of the Company Board of Directors.
30.	The Board of Directors shall form the Appointment and Remuneration Committee responsible for defining the criteria for selection of nominees to the Board of Directors and for development of the Company's remuneration policy	Partially observed	By the resolution of the Company Board of Directors dated April 14, 2008, the Appointment and Remuneration Committee was established (minutes No. 87). The functions of this committee include development of recommendations about the amount of remuneration (bonuses) payable to members of the Revision Commission, Director General, members of the Management Board. However, it is not the responsibility of the Committee to define criteria for selection of candidates to members of the Board of Directors.

31.	An independent director shall manage the Appointment and Remuneration Committee	Not observed	The Committee Chairman is the Chairman of the Company Board of Directors - S.A. Tazin not meeting the criteria of an independent director.
32.	The Appointment and Remuneration Committee shall not include any Company officials	Not observed	In 2011 E.ON Russia HR and Remuneration Committee included officials of the Company.
33.	Availability of the Risks Committee of the Board of Directors or assigning its functions to another committee (except for the Audit Committee and the Appointment and Remuneration Committee)	Observed	On June 30, 2009, the Risks and Finance Committee of the Company Board of Directors was established by the resolution of the Company Board of Directors (minutes No. 115).
34.	The Board of Directors shall establish the Corporate Conflicts Settlement Committee or assign its functions to another committee (except for the Audit Committee and the Appointment and Remuneration Committee)	Not observed	Currently, the Corporate Conflicts Settlement Committee of the Board of Directors is not available.
35.	The Corporate Conflicts Settlement Committee shall not include any Company officials	Not Applicable	Currently, the Corporate Conflicts Settlement Committee of the Board of Directors is not available.
36.	An independent director shall manage the Corporate Conflicts Settlement Committee	Not Applicable	Currently, the Corporate Conflicts Settlement Committee of the Board of Directors is not available.
37.	The Board of Directors shall approve internal documents of the Company that provide for the procedure of establishing and operation of the Committees of the Board of Directors	Observed	The Board of Directors approved: - Regulation on the Audit Committee of the Board of Directors (resolution of the Board of Directors dated December 18, 2008, minutes No. 104) - Regulation on the Appointment and Remuneration Committee of the Board of Directors (resolution of the Board of Directors dated July 08, 2010, minutes No. 135) - Regulation on the Risks and Finance Committee of the Board of Directors (resolution of the Board of Directors dated February 24, 2011, minutes No. 146) - Regulation for the New Build Steering Committee of the Board of Directors (resolution of the Board of Directors dated March 16, 2009, minutes No. 108) - Regulation on the Strategy and Development Committee of the Board of Directors (resolution of the Board of Directors dated July 16, 2009, minutes No. 116)
38.	The Company Articles of Association shall specify the procedure how to determine a quorum at the meetings of the Board of Directors to provide for mandatory participation of independent directors in the meetings of the Board of Directors	Observed	Cl. 15.6 of the Company Articles of Association

Executive Bodies			
39.	Availability of the collective executive body of the Company (Management Board)	Observed	Cl. 17.1 of the Company Articles of Association.
40.	The Company Articles of Association or internal documents of the Company shall establish the requirement for the Management Board to approve transactions involving real estate and loans received by the Company, if such transactions are not major transactions and are not effected in the course of the Company normal course of business	Observed	Sub-clause 5-6 of cl. 18.2 of the Company Articles of Association.
41.	Internal documents of the Company shall specify the approval procedure for transactions that are beyond the scope of the Company financial and economic plan	Partially observed	In accordance with the policy on delegation of authority, there is a procedure of the Board of Directors' approval of any investment in excess of 5% of the total amount allocated in the Company budget for the respective year.
42.	The Company Executive bodies shall be free of persons who may be a partner, Director General (manager), a member of the management board or an employee of a legal entity competing with the Company	Observed	The persons specified are not members of the Company Management Board.
43.	The Company executive bodies shall be free from persons who were found guilty of economic crimes, crimes against the government, public bodies or bodies of local self-government, or persons who were under administrative penalty for offence in business activities, finance, taxes and duties, or security market. If the functions of the sole executive body are performed by a managing organization or a manager, then Director General and members of the management board of the managing organization shall comply with the requirements set forth for Director General and members of the Management Board of the Company	Observed	The persons specified are not members of the Company Management Board.
44.	The Company Articles of Association or internal documents of the Company shall contain the veto for a managing organization (manager) to perform similar functions in a competing company, and to have any property relations with the Company other than rendering services of a managing organization (manager)	Not observed	This veto is not provided for by the Company Articles of Association or internal documents.
45.	Internal documents of the Company shall provide for the duty of the executive bodies to refrain from any actions that will result or may potentially result in a conflict between their interests and interests of the Company; should any such conflict arise, they shall accordingly notify the Board of Directors	Observed	Par. 2, cl. 4.2.7 of the Code of Corporate Governance of the Company.
46.	The Company Articles of Association or internal documents of the Company shall contain the criteria for selection of the managing organization (manager)	Not observed	There are no criteria for selection of the managing organization (manager) provided for by the Articles of Association and the Company internal documents.
47.	The Company executive bodies shall submit monthly reports on their activities to the Board of Directors	Observed partially	Sub-clause 29, cl. 12.1 of the Company Articles of Association provides for submission of such reports on quarterly basis.
48.	Labour agreements concluded between the Company and Director General (managing organization, manager) and members of the Management Board shall specify responsibility for violation of provisions related to use of confidential and insider information	Partially observed	There is no such requirement in labour agreements. Article 8 of the Regulation on organization of work related to protection of information constituting commercial secret of E.ON Russia, provides for responsibility for violation of the commercial secret mode.
The Company Secretary			
49.	The Company shall have a special official (Secretary of the Company), with the responsibility to ensure that corporate bodies and officials of the Company comply with the	Observed	Cl. 2.1 of the Regulation on the Secretary and Secretariat of the Company Board of Directors, Article 4 of the Regulation for the Company Board of Directors, Article 5 of

	procedure requirements safeguarding the rights and interests of the Company's shareholders		the Regulation on the Company Management Board.
50.	The Company Articles of Association or internal documents of the Company shall contain the procedure for appointment (election) of the Company Secretary and description of his/her responsibilities	Observed	Article 4 of the Regulation for the Company Board of Directors, Article 3 of the Regulation on the Secretary and Secretariat of the Company Board of Directors, Article 5 of the Regulation on the Company Management Board.
51.	The requirements for the Company Secretary shall be set forth in the Company Articles of Association	Partially observed	These requirements are not set forth in the Company Articles of Association. This provision is set forth in cl. 3.3 of the Regulation on the Secretary and Secretariat of the Company Board of Directors.
Essential Corporate Activities			
52.	The Company Articles of Association or internal documents of the Company shall contain requirements for a major transaction approval prior to effect thereof	Observed	Sub-clause 30, cl. 12.1 of the Company Articles of Association
53.	An independent assessor shall be engaged to determine the market value of property being the subject of a major transaction	Observed	The recommendation is complied with, but the Articles of Association and internal documents of the Company do not regulate this issue
54.	The Company Articles of Association shall contain a veto to take any actions in the process of acquisition of large stock of shares of the Company (takeover) with the purpose to protect the interests of the executive bodies (members of such bodies) and members of the Company Board of Directors, and veto to take actions which may result in putting shareholders to disadvantage as compared to their current position (specifically, the veto for the Board of Directors to resolve on issuing additional shares, securities convertible to shares or securities entitling to purchase the Company's shares, even if the right to take such resolution is authorized by the Company Articles of Association, prior to the estimated date of the shares acquisition termination)	Not observed	These requirements are not set forth in the Articles of Association.
55.	The Company Articles of Association shall contain a requirement to engage an independent assessor to assess the current market value of the Company's shares and how their market value may be affected by a take-over	Not observed	These requirements are not set forth in the Company Articles of Association. Since July 2006 the Company shares have been traded at leading stock exchanges of the Russian Federation where their current market value is assessed.
56.	The Company Articles of Association shall not relieve the purchaser of the obligation to offer the shareholders to sell their ordinary shares of the Company (issue-grade securities convertible into ordinary shares) at take-over	Observed	The Articles of Association do not contain such a waiver.
57.	The Company Articles of Association or internal documents of the Company shall contain the requirements to engage an independent assessor to determine the conversion ratio of shares at reorganization	Not observed	The Company Articles of Association or internal documents do not make provision for mandatory engaging an independent assessor.
Disclosure of Information			
58.	The Board of Directors shall approve the internal document that sets forth the Company's approach and rules towards information disclosure (Regulation on Information Policy)	Observed	By the resolution of the Board of Directors dated October 29, 2009 (minutes No. 121) the Regulation on Information Disclosure was approved. Earlier, the Regulation on the Company Information Policy was in force.
59.	Internal documents of the Company shall contain the requirements on information disclosure about the purpose of shares placement, about persons intending to purchase the shares placed, including big stock of shares, as well as information whether the Company top managers are going to purchase the Company shares placed	Not observed	Internal documents of the Company do not contain such requirements.

60.	Internal documents of the Company shall contain the list of information, documents and materials to be provided to shareholders for resolving the issues submitted for consideration to the General Shareholders' Meeting	Not observed	Internal documents of the Company do not contain the list of information, documents and materials to be provided to shareholders for resolving the issues submitted for consideration to the General Shareholders' Meeting
61.	The Company shall have its own web site on the Internet and shall disclose information about the Company on its web site on a regular basis	Observed	Web-site: www.eon-russia.ru
62.	Internal documents of the Company shall contain requirements to disclose information about the Company's transactions with the persons belonging to the Company top-managers as per the Company Articles of Association; information about the Company's transactions with organizations, in which the Company top-managers own 20 percent or more of the authorized capital or with organizations on which such persons may exert considerable influence in any other way	Not observed	Internal documents of the Company do not contain such requirements.
63.	Internal documents of the Company shall contain the requirements for disclosure of information about all the transactions that may affect the market value of the Company's shares	Not observed	Internal documents of the Company do not contain such requirements.
64.	The Board of Directors shall approve an internal document regulating the use of essential information about the Company activities, shares and other Company securities and transactions therewith; such information being not in the public domain and its disclosure may exert essential influence on the market value of shares and other securities of the Company	Observed	On 12.08.2011 the Company Board of Directors approved the Regulation on the Insider Information in new revision, minutes No. 155.
Control over Business Activities			
65.	The Board of Directors shall approve the procedures of internal control over the Company business activities	Observed	Regulation on internal control procedures of E.ON Russia was approved by the resolution of the Board of Directors on October 15, 2009, minutes No. 120.
66.	The Company shall establish a special organization unit to ensure observance of internal control procedures (audit and internal control department)	Observed	Subject to the resolution of the Board of Directors dated October 27, 2008, (minutes No. 101) there was established the Risk Management and Internal Audit Department, it was transferred the functions of risks assessment and internal control over financial and economic activity.
67.	Internal documents of the Company shall contain the requirement about defining by the Board of Directors of the structure and composition of the audit and internal control department of the Company	Not observed	Internal documents of the Company do not contain such requirements.
68.	The audit and internal control department shall be free from persons who were found guilty of economic crimes, crimes against the government, public bodies or bodies of local self-government, or persons who were under administrative penalty for offence in business activities, finance, taxes and duties, or security market.	Observed	The Company does not have any information about any facts of penalties administered on persons from the audit and internal control department or the facts of them being found guilty of economic crimes, crimes against the government, public bodies or bodies of local self-government, or about any persons who were under administrative penalty for offence in business activities, finance, taxes and duties, or security market.
69.	The audit and internal control department shall be free from persons who are members of the Company executive bodies, or persons who are partners, Director General (manager), members of the governing bodies or employees of a legal entity competing with the Company	Observed	There are no such persons in the audit and internal control department.
70.	Internal documents of the Company shall specify the date of submission to the audit and internal control department of documents and materials for evaluation of financial and business activities; liability of the Company	Not observed	Internal documents do not set forth any timeframe for submission of documents or liability for failure to submit the same.

	officials and employees for failure to submit the same within the specified timeframe shall also be specified		
71.	Internal documents of the Company shall require that the audit and internal control department shall provide the Audit Committee with information on violations found; when the Audit Committee is unavailable such information shall be submitted to the Company Board of Directors	Observed	This provision is set forth in cl. 5.5 of the Regulation on the internal control procedure.
72.	The Company Articles of Association shall set forth the requirements for preliminary evaluation by the audit and internal control department of the expediency of carrying out transactions not provided for by the financial and business plan of the Company (non-standard transactions)	Not observed	The Company Articles of Association do not provide for such requirement.
73.	Internal documents of the Company shall set forth a procedure for approval of a non-standard transaction by the Board of Directors	Partially observed	The Company internal documents do not provide for any procedure for a non-standard transaction approval by the Board of Directors; however submittal of individual non-standard transactions for consideration by the Board of Directors is possible as per a few individual authorities of the Board of Directors as documented in the Company Articles of Association or internal documents.
74.	The Board of Directors shall approve the internal document that sets forth the procedure of conducting audits of the Company financial and business activities by the Revision Commission	Observed	Regulation for the Revision Commission of E.ON Russia, approved by the resolution of the General Shareholders' Meeting dated June 24, 2011, minutes No. 10.
75.	The Audit Committee shall evaluate the audit report prior to its submission to shareholders at the General Shareholders' Meeting	Observed	Cl. 1 Article 4 of the Regulation on the Audit Committee of the Company Board of Directors.
Dividends			
76.	The Board of Directors shall approve the internal document to rely upon in the process of developing recommendations about the amount of dividends (Regulation on Dividend Policy)	Not observed	Internal document to rely upon in the process of developing recommendations about the amount of dividends is not available.
77.	The Regulation on Dividend Policy shall provide for the procedure for determining the Company minimum net profit to be appropriated for dividends payment, and circumstances under which dividends are not paid or paid only partially on preferred shares, for which the amount of dividends is determined in the Company Articles of Association	Not Applicable	Recommendations on conditions of dividends payment on privileged shares are not applicable to the Company as in the Company there is no such category of shares.
78.	Information on the Company's dividend policy and all amendments thereto shall be published in a periodical as determined in the Company Articles of Association for publication of notifications about General Shareholders' Meetings; the same information shall be also made available on the Company's Internet web site	Not observed	Currently, Regulation on dividend policy is not available.

ANNEX 3

Data about interested party transactions effected by the Company in 2011.

Transaction	Interested Party	The regulatory body authorizing the decision
Translation/interpretation services agreement between OGK-4 OAO and E.ON. Russia GmbH.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 146 dated February 24, 2011.
Additional agreement No.1 to sub-lease contract No.IA-10-0967 dated December 24, 2010 by and between OGK-4 OAO and E.ON Ruhrgas Geologorazvedka i Dobycha Russia.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 146 dated February 24, 2011.
Additional Agreement to Loan Agreement No. IA-10-0862 dated November 25, 2010, by and between OGK-4 OAO and E.ON AG.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 149 dated April 25, 2011.
The Agreement of Intent between OGK-4 OAO and E.ON Energy Trading SE.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 149 dated April 25, 2011.
Agreement on termination of the commercial property sublease agreement No. IA-10-0944 dated December 17, 2010 by and between OGK-4 OAO and E.ON IT.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 149 dated April 25, 2011.
Commercial property sublease agreement between OGK-4 OAO and E.ON IT OOO.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 149 dated April 25, 2011.
The Paid Consulting Services Agreement regarding operating and engineering personnel for operating management and organization of repairs and maintenance of the power unit equipment (unit No. 7) of 400 MW CCGT of Shaturskaya GRES branch of OGK-4 OAO signed by and between OGK-4 OAO and E.ON UK plc.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 150 dated May 05, 2011.
Additional Agreement to Agreement No. BA 1/10 dated April 02, 2010 for internal audit services by and between OGK-4 OAO and E.ON Russia GmbH.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia 4 No. 150 dated May 05, 2011.
Additional Agreement to Contract No. IA -10-0762/w/n dated October 01, 2010 for advisory services by and between OGK-4 OAO and E.ON Russia GmbH.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 150 dated May 05, 2011.
Agreement on guarantee fees by and between E.ON AG and OGK-4 OAO.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 152 dated June 15, 2011.
Additional Agreement No. 2 to the Frame Services Agreement No. IA-10-0602 dated September 02, 2010 by and between E.ON Russia JSC and E.ON New Build& Technology GmbH.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 154 dated July 28, 2011.
Additional Agreement to Loan Agreement No. IA-10-0862 dated November 25, 2010 by and between E.ON Russia JSC and E.ON AG.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 156 dated September 20, 2011.
The Sublease Agreement between E.ON Russia JSC and E.ON Russia Power GmbH.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 158 dated October 27, 2011.
The Sublease Agreement between E.ON Russia JSC and E.ON Russia GmbH.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 158 dated October 27, 2011.
Agreement on transactions with carbon units, concluded by and between E.ON Russia JSC, E.ON Carbon Sourcing GmbH and Sberbank of Russia JSC.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 158 dated October 27, 2011.
The advisory services agreement between E.ON Russia JSC and E.ON AG.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 160 dated December 22, 2011.
Agreement on termination of the commercial property sublease agreement No. IA-10-0945 dated December 17, 2010 by and between E.ON Russia and E.ON Ruhrgas AG.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 160 dated December 22, 2011.
Agreement on termination of the commercial property sublease agreement No.IA-10-0967 dated December 24, 2010 by and between E.ON Russia	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 160 dated December 22, 2011.

JSC and E.ON Ruhrgas Geologorazvedka i dobycha Russia.		
The sub-lease contract between E.ON Russia JSC and E.ON Ruhrgas Geologorazvedka i Dobycha Russia.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 160 dated December 22, 2011.
The Paid Services Agreement regarding operative management and repairs and maintenance of CCGT units equipment by and between E.ON Russia JSC and E.ON UK plc.	E.ON Russia Holding GmbH	Minutes of the Board of Directors of E.ON Russia No. 160 dated December 22, 2011.

Data about major transactions effected by the Company in 2011

EPC-Contract on the turnkey basis to implement the project "Construction of power unit No. 3 on the basis of 800 MW STU of Berezovskaya GRES branch of OGC-4 OAO.

The issuer's regulatory body that accepted approval of the transaction: Board of Directors of E.ON Russia JSC;

Date of taking the resolution to approve the transaction: May 13, 2011

Date of making up and number of the minutes of the issuer's authorized management body meeting at which the resolution to approve the transaction was taken: May 16, 2011, minutes No. 151.

Date of the transaction: May 17, 2011

Contract scope:

Within the terms and in the order provided for by the Contract, the Contractor shall perform the whole scope of works and transfer to the Employer power unit No. 3 of Berezovskaya GRES (hereinafter "the Works") which is constructed, fully equipped, assembled, tested, connected to external infrastructure and put into operation; the Works shall be constructed subject to the Employer's requirements, design and working documentation providing for achievement of the guaranteed performance indicators provided for by the Contract, and in cases set forth by the Contract - minimum performance indicators, together with all the documentation relevant to it, non-exclusive rights to use software included into the Works (non-exclusive licenses), including all necessary agreements and permissions from state authorities.

Specific scope and work type subject to performance are determined by the Contract, terms of reference for the Works and compulsory technical rules. The Contractor shall perform the works although not directly specified in the Contract, technical documentation for the Works and/or in obligatory technical rules, but are necessary and are usually performed to ensure works or to complete the Works, or for safe and reliable operation of the Works. Such works shall be performed towards the contractual price. Any such works are deemed to be included into the scope of works under the contract.

The Employer subject to the terms and conditions of the Contract shall accept the constructed Works, pay the cost of the works performed in the amount and subject to the procedure provided for by the Contract, and fulfill other obligations imposed on it by the Contract.

The Guarantor undertakes to be responsible to the Employer for performance by the Contractor of all and any obligations of the Contractor (in the same scope as the Contractor) that follow from this Contract or are related to it, including obligations arising upon termination of the Contract within 7 (seven) years upon works commencement under the Contract. The guarantee is terminated upon issue by the Employer to the Contractor of the Certificate on the Contract performance.

Parties to the contract:

Open Joint Stock Company Fourth Generating Company of the Wholesale Electricity Market - "Employer";

Energoproject Closed Joint Stock Company - "Contractor";

Open Joint Stock Company Zarubezhenergoproject - "Guarantor".

Period of work performance under the Contract:

Date of works commencement: March 22, 2011.

Expected date of material completion (achieved if the Works successfully pass comprehensive testing) is 1,260 calendar days after the date of the Contract signing,

Expected date of full completion (achieved if the Works successfully pass guarantee tests) is 153 calendar days after the date of material completion.

Expected date of Final completion (achieved in case of compliance with all the rest terms and conditions for final acceptance of the Works) is 62 calendar days after the Date of full completion.

Amount of the transaction in monetary terms: is not subject to disclosure because it is a commercial secret subject to the Contract terms and conditions

Contract validity term:

The Contract comes into force upon signature by the duly authorized bodies and/or representatives of the latter party and, considering that the works related to implementation of power unit No. 3 construction on the basis of 800 MW STU of Berezovskaya GRES branch, were commenced by the Contractor prior to the Contract signing on the basis of the contract on implementation of the preliminary stage of 800 MW STU of Berezovskaya GRES branch project dated March 22, 2011, subject to Article 425 of the Civil Code of the Russian Federation is applied to the relations between the Employer and the Contractor that arose as of the date of the contract signing to implement the preliminary stage of 800 MW STU of Berezovskaya GRES branch project, i.e. as from March 22, 2011.

This Contract is valid whichever is the earliest:

- termination of the Contract subject to the initiative of the Employer according to sub-clause 68.3, 68.9 of the Contract;
- termination of the Contract subject to the initiative of the Contractor according to clause 68.5; or
- proper performance by the Parties (Employer and Contractor) of the obligations under the Contract (the time of issue of the contract performance certificate).