

MOS ENERGY REGO



ANNUAL REPORT 2017

Pre-Approved by:
Mosenergo Board of Directors
Minutes No. 50
Dated May 3, 2018

Mosenergo

Annual report

2017

Director General of Gazprom Energoholding LLC,
Mosenergo managing company



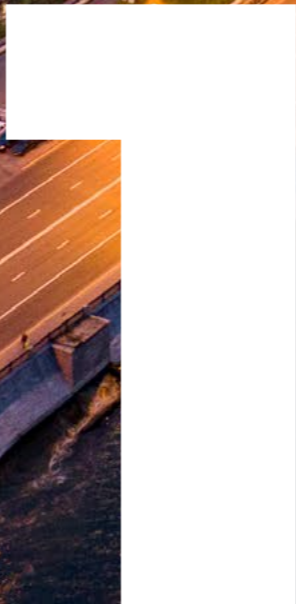
Denis Fedorov

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ADDRESSES

1.1 Address of the Chairman of the Mosenergo Board of Directors

Dear Shareholders,

The year 2017 became crucial for development of the power field of Gazprom activities. It is 10 years now since Gazprom has entered the power industry. At the Meeting of Board of Directors of Gazprom, successful performance of the 2007-approved Power Industry Strategy was noted. Russian' largest power holding was founded that unites assets of heat and electricity, transmission and sales of heat.

For the last decade, Gazprom has fulfilled all obligations regarding construction and modernization of facilities that were undertaken when entering the sector. Nowadays, all electric grid enterprises of the Group demonstrate progress of economic performance and enhance their financial stability.

Mosenergo, the company that became Gazprom's first power asset in 2007, celebrated its 130th anniversary last year, and met it as one of the top Russian power-generating companies by age of core equipment. The company comprises 7 fully-functional combined-cycle power units for the total capacity of around 3 GW, which were put into operation within the framework of Gazprom's investment obligations.

In 2017, the share of new power units in the total power generation volume of Mosenergo reached 28.5% (against 27.2% in the previous year).

The company proceeds taking measures aimed at increasing operating efficiency and cost optimization. The 2017 effect of such activities became 1.5 higher than the target value.

Within the framework of Gazprom activities on enhancing and optimizing the Moscow heat supply system, heat load was transitioned from boiler and heating stations to thermal power stations; these measures provided fuel-saving for more than 1.7 billion rubles.

Gazprom-supported complex activities on developing Mosenergo enables to show stable positive performance. Financial and economic performance of the Company broke a record in 2017. Revenue gained 3.4% and reached 196.8 billion rubles (prime cost decreased by 1.4%). Net profit increased by a factor of 2.3 and came to 25.3 billion rubles. With that, Mosenergo's total debt burden decreased by the factor of 1.9 or more than by 20 billion rubles.

It is critical that such performance is achieved with consideration of environmental friendliness and mitigation of industrial impact.

Mosenergo's environmental activities in 2017 was highly rated by the Moscow Government — the company was the winner in two categories of the Moscow contest Environmental Development Leader.

Mosenergo's project for developing electric vehicle charging infrastructure also makes contribution to improving Moscow environment. Further, it will enable not only to reduce vehicle atmospheric emissions but to drive up demand for power generated by the Company as well.

With that, Mosenergo is well prepared for further implementation of equipment-updating projects: the company commenced a pilot project for reconstructing the power unit No.9 TPP-22, assuming deployment of a new-generation Russian high-power steam turbine.

DEAR SHAREHOLDERS,

SUPPORTED BY GAZPROM, MOSENERGO KEEPS MOVING TOWARD THE KEY STRATEGIC GOAL — ENSURING STABLE PROFIT GROWTH CONCURRENTLY WITH MAINTAINING THE RELIABILITY OF POWER SUPPLY. WE EXPECT ON YOUR COOPERATION!



Member of the Gazprom Managing Board
Chairman of the Mosenergo Board of Directors
Kirill Seleznev

1.2 Address of the Managing Director

Dear Shareholders,

In the year of Mosenergo's 130th Anniversary, the Company ensured fail-safe performance of industrial facilities supplying power and heat to Central-region consumers and reached impressive financial performance.

For the decade of being the part of Gazprom Energoholding Group and particularly for recent years, the Company has passed a long way of optimizing core equipment, facilitating highest possible efficiency of operation thereof, increasing the share of combined-cycle power equipment in the general structure of power generation.

Power generation by combined-cycle units used at Mosenergo's TPPs pursuant to capacity-supply agreements gained 2.6% in 2017 and came to 16.5 billion kWh (concurrently with total generation decrease by 2% due to third-party effects).

Mosenergo management lays strong emphasis on issues related to social responsiveness, occupational and industrial safety, personnel development, and corporate culture enhancement.

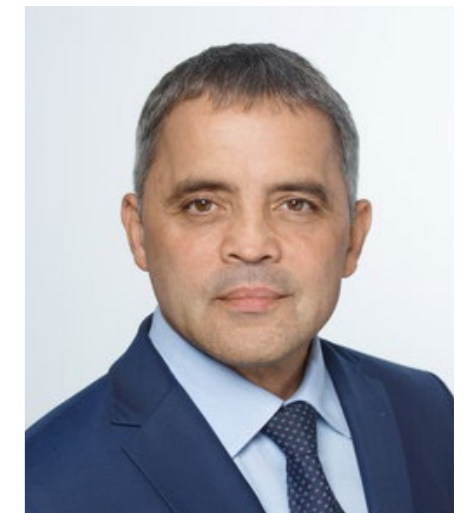
In the year of the Company's 130th Anniversary, a new exposition of the Museum of Mosenergo and Moscow Power Industry was opened, located in a separate building in the territory of TPP-20, which was reconstructed for this purpose.

Mosenergo's employees demonstrated refined proficiency, proactiveness, and involvement in the context of the Company's and Gazprom Energoholding Group's activities in 2017. Mosenergo's TPP-25 team took the second position in the First Open Championship of Cross-Braced TPP Personnel, held by the Association "Power Generator Council" housed by the Unified Staff Training Center of Gazprom Energoholding Group. Four members of the Mosenergo team were recognized best professionals according to the contest results. Projects of TPP-26 staff were awarded first and second prizes in the final of the 6th Young Specialist and Rationalizer Contest of Gazprom Energoholding Group. Mosenergo's representatives became winners in the final of the Environmental Proficiency Contest of Gazprom Energoholding Group, organized within the framework of the Year of Environment in Russia and Gazprom.

Environment protection remains the key field of Mosenergo's activities; the Company's power generation facilities are located in the Central region which is distinguished by the state's highest population density. In 2017, Mosenergo conducted a transition of the corporate Environmental Management System to the new standard, ISO 14001:2015, which prescribed additional requirements for the Company. Year after year, Mosenergo enhances the grade of environmental compliance, reduces negative environmental impact of power stations; according to 2017 results, total emissions decreased by 13.4% across the Company. This was a result of implementing environmental measures and optimizing fuel balance toward using natural gas.

In 2018, the Company plans to proceed activities aimed at enhancing process efficiency, cost optimization, implementation and maintaining of best practices in the field of occupational and industrial safety, and enhancement of the corporate governance quality.

MOSENERGO IS TO CONTINUE UNLEASHING ITS POTENTIAL AND TAKING MEASURES ON IMPROVING OPERATING PERFORMANCE AND FINANCIAL STABILITY REINFORCEMENT. I AM CONVINCED THAT MOSENERGO MANAGERS AND EMPLOYEES WILL DO THEIR VERY BEST TO SUPPORT COMPANY'S LEADERSHIP IN THE INDUSTRY.



Managing Director of Mosenergo
Aleksander Butko



ЭНЕРГИЯ РАЗВИТИЯ НАШЕЙ СТРАНЫ

section



MOSENERGO PROFILE

Installed
electric
capacity

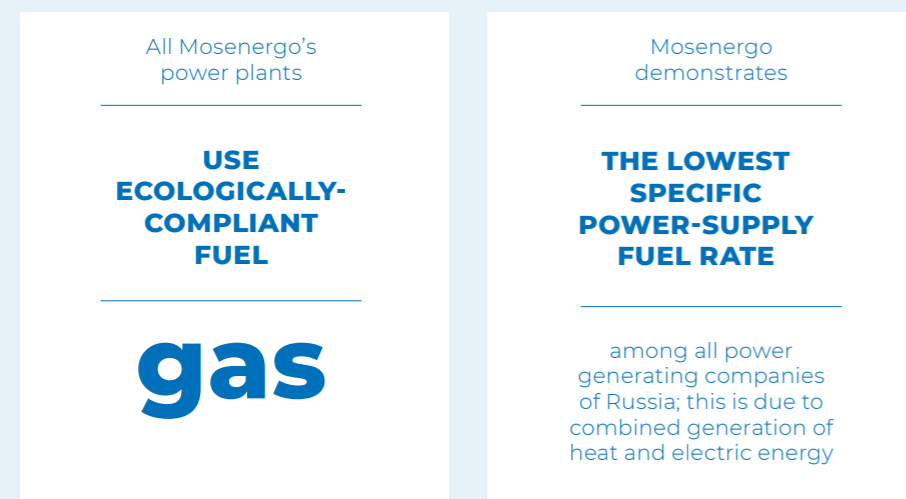
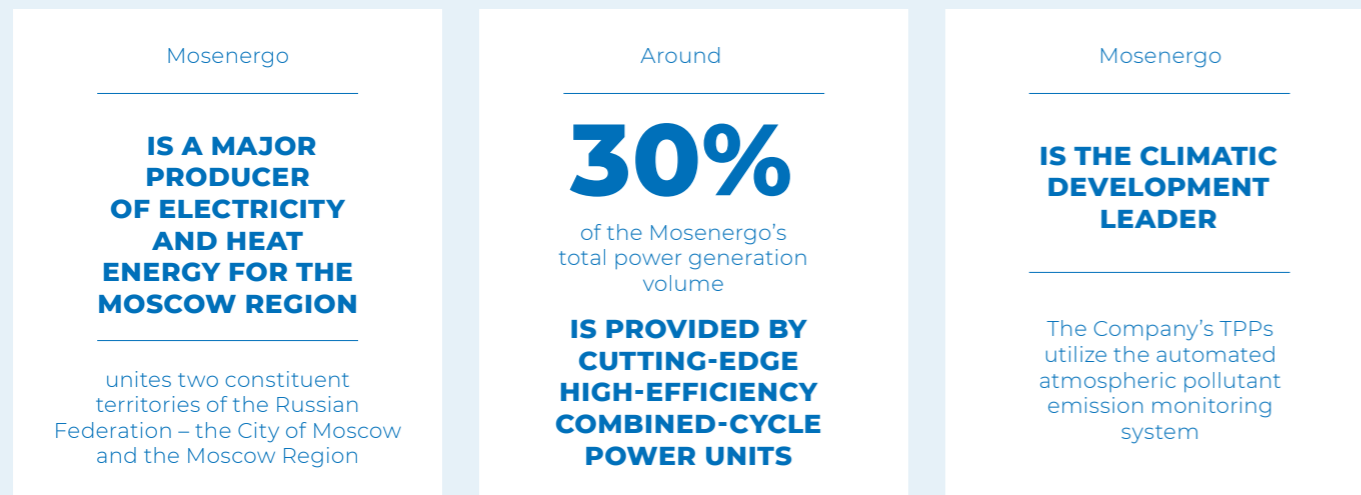
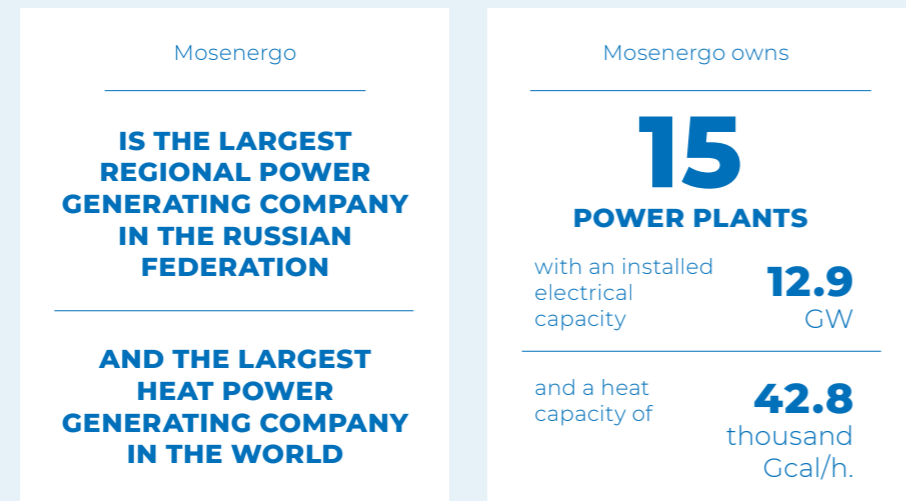
12,873
MW

Installed
heat
capacity

42,761
Gcal/hour

Gross electricity
generation

57,864
million kWh



Key Performance Indicators

	2015	2016	2017	2017/2016
Installed electric capacity, MW	12,915	12,963	12,873	-0.7%
Installed heat capacity, Gcal/hour	43,315	42,894	42,761	-0.3%
Gross electricity generation, million kWh	54,712	59,068	57,864	-2.0%
Electricity output, million kWh	50,232	54,214	52,999	-2.2%
Total electricity sales, million kWh	56,349	60,858	60,251	-1.0%
Heat output, thousand Gcal	71,682	81,827	79,447	-2.9%
Electricity generation fuel rate, gfe/kWh	232.6	232.3	226.3	-2.6%
Heat generation fuel rate, kg/Gcal	164.8	164.0	163.6	-0.2%

Key Financial Indicators¹, RUB million

	2015	2016	2017	2017/2016
Revenue	164,508	190,342	196,825	+3.4%
Prime cost	(149,266)	(165,384)	(162,996)	-1.4%
Gross profit	15,243	24,958	33,829	+35.5%
Sales profit	14,999	24,722	33,634	+36.1%
Net profit	6,411	11,062	25,282	+128.6%
	December 31, 2015	December 31, 2016	December 31, 2017	2017/2016
Non-current assets	205,662	198,913	191,270	-3.8%
Current assets	69,823	86,132	88,471	+2.7%
Long-term liabilities	60,328	36,527	23,476	-35.7%
Short-term liabilities	17,797	42,305	28,130	-33.5%

¹ According to RAS





section

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WHY INVEST²

EBITDA

44,093
million rubles

EBITDA
margin

22.4%

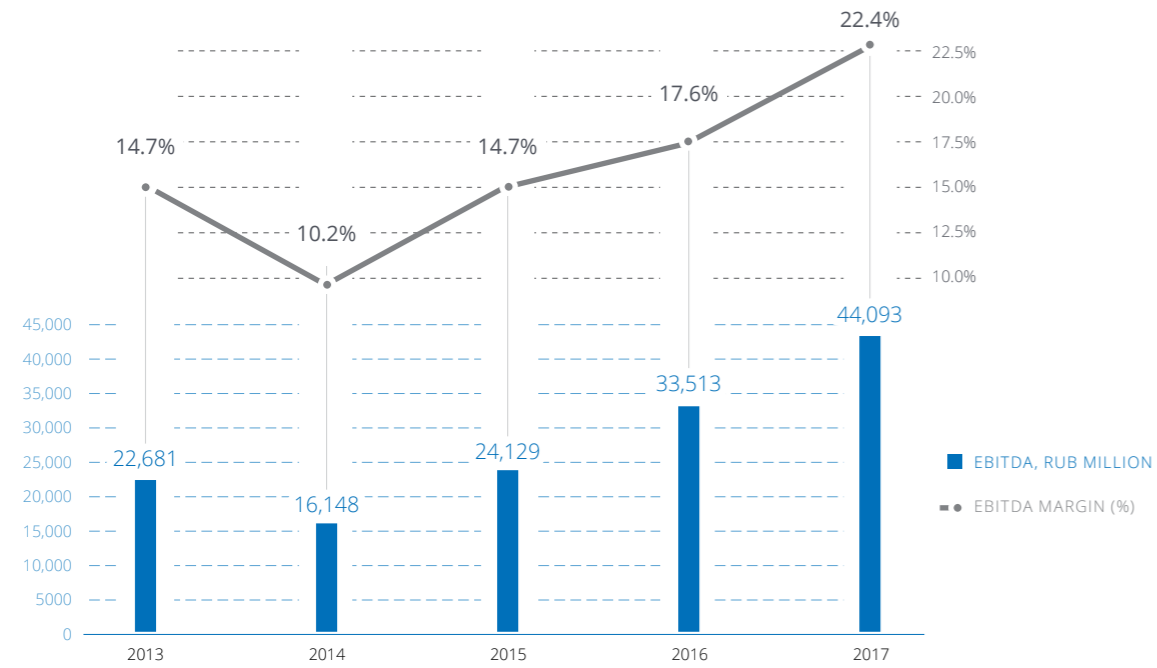
Net
debt

2,790
million rubles

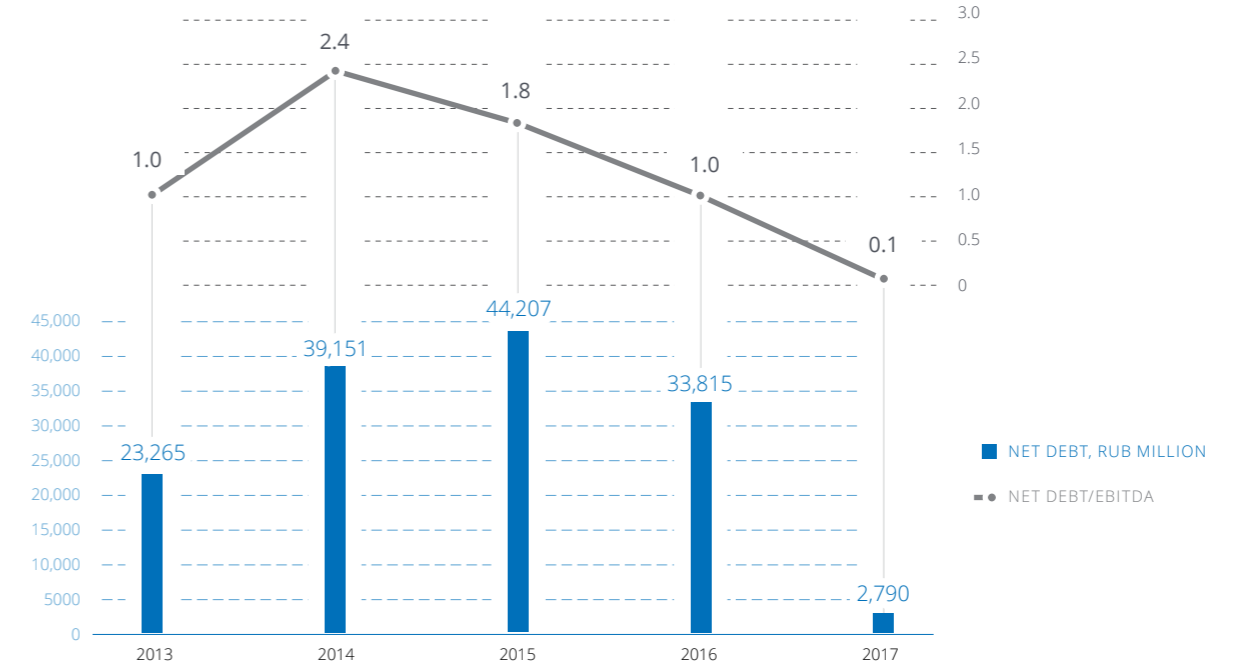
² According to RAS and the Company's management accounting

Rising Financial Performance

EBITDA (RUB million) and EBITDA margin (%)

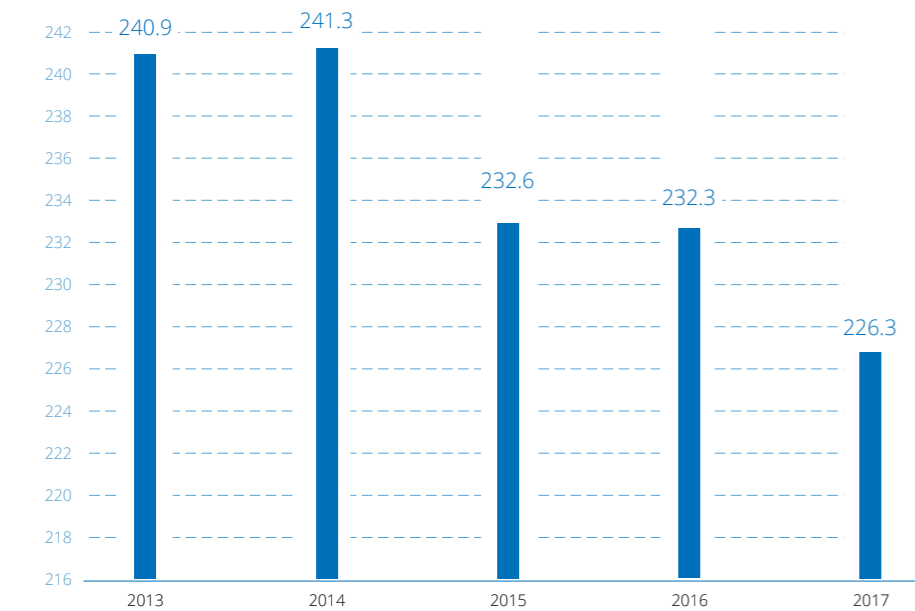


Low Debt

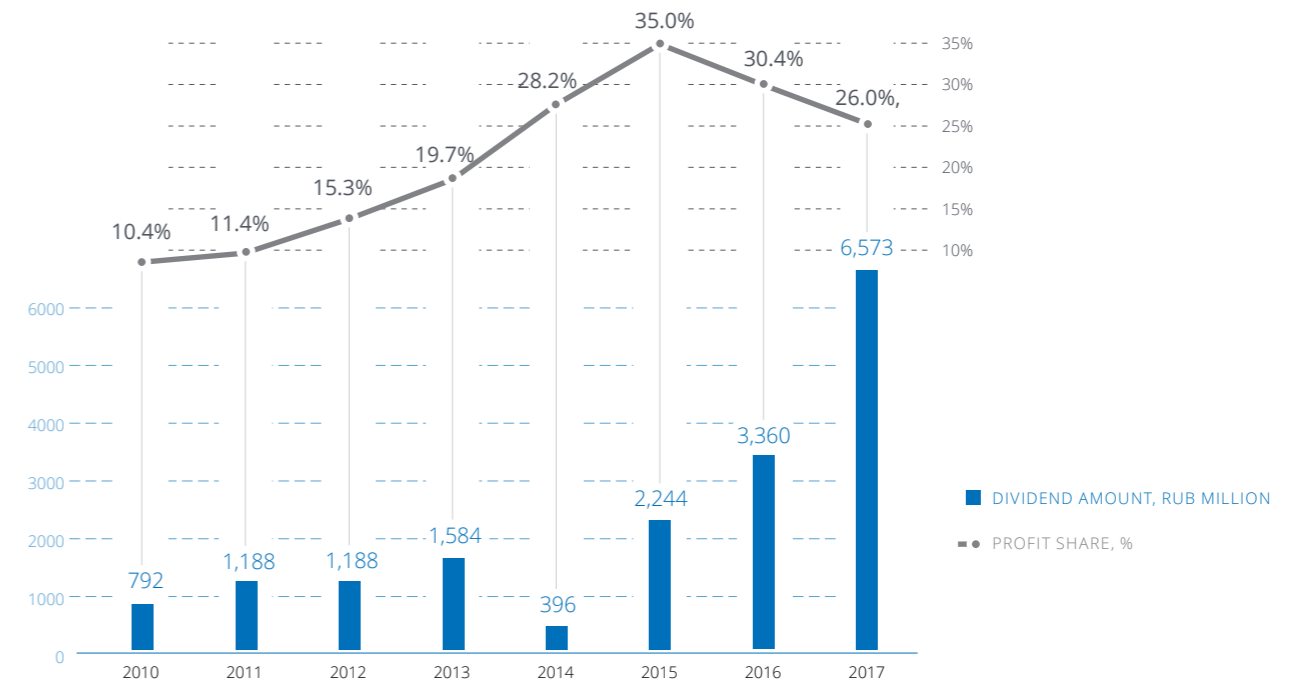


Mosenergo is the fuel efficiency leader

Power generation fuel rate, gfe/kWh



Dividend Payout Growth³



³ 2017 dividend amount is recommended by the Mosenergo Board of Directors for approval by the Annual General Meeting of Shareholders



section

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INFORMATION FOR INVESTORS

Operating earnings per share

0.85
rubles

Share price change of the year

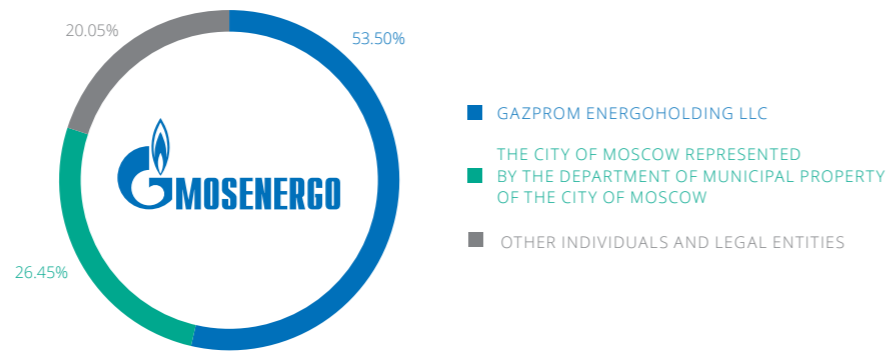
+5.7%

Total shareholder return

12.4%

Authorized Capital⁴

Mosenergo's authorized capital is 39,749,359,700 rubles, which is divided into 39,749,359,700 ordinary registered uncertificated shares, each with a par value of 1 ruble.



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

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

Stock tickers:

- Moscow Exchange – **MSNG**
- Bloomberg – **MSNG**
- Level 1 Program Code on the London Stock Exchange – **AOMD**
- Level 1 Program Code on the OTC market (New York) – **AOMOY**

Credit Ratings

Rating Agency	Rating Score	Date of Assignment
Fitch Ratings	BBB-/stable outlook	December 11, 2017
Standard&Poor's	BB+/positive outlook	June 21, 2017

Equity Market in 2017

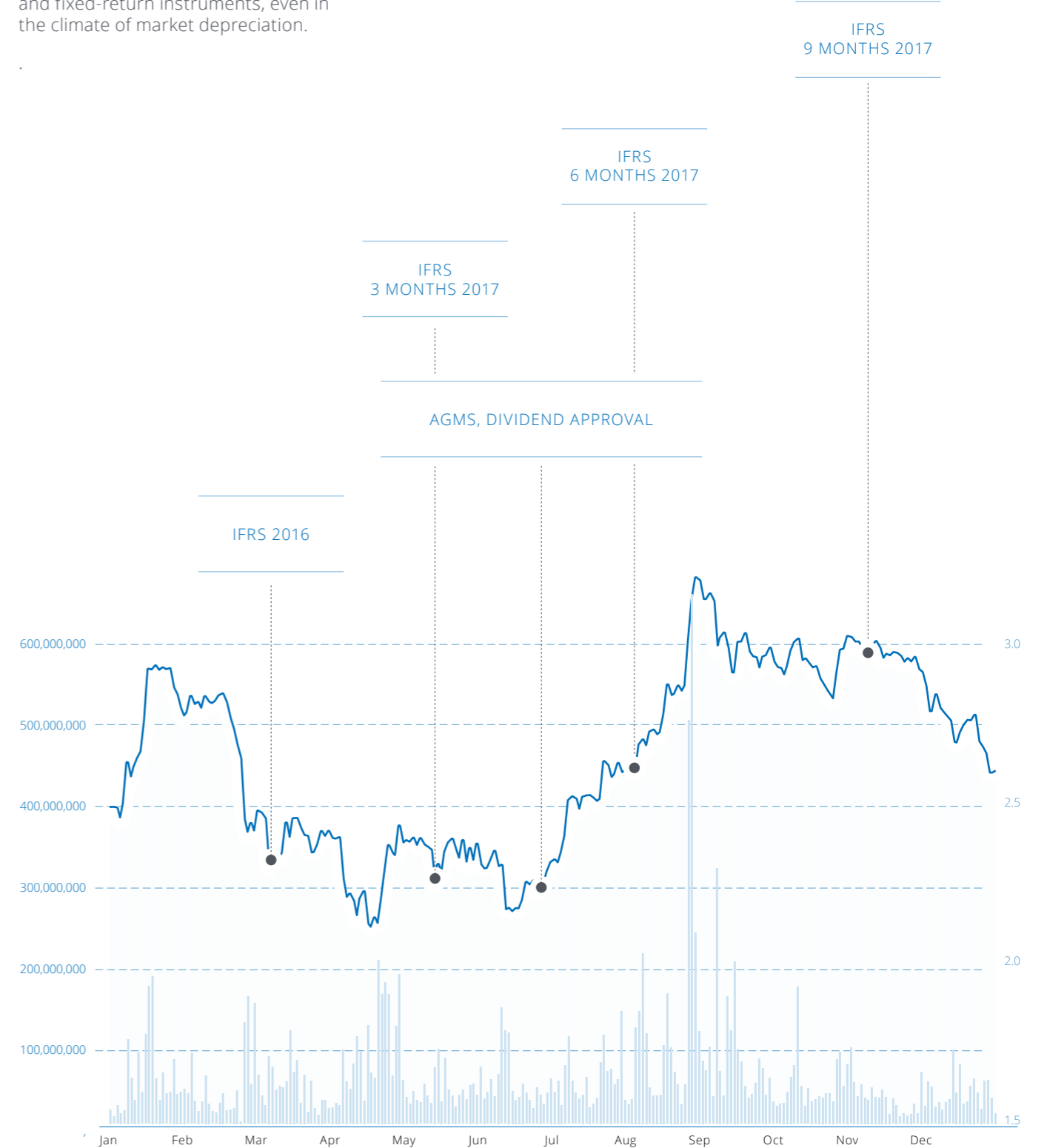
The shares of Mosenergo showed positive dynamics according to 2017 results; meanwhile, the key index of the MICEX index and electric power index decreased by 5.5% and 8.5% respectively. Solid operating and financial performance of the Company, high process efficiency, and communication with the investment community enabled to maintain investors' interest in Mosenergo's shares.

Periods of value growth of Mosenergo's shares over the year were supported by the increase of trade volumes; jumps of trade revenues usually were preceded by publications on annual and preliminary Company performance reports. The daily-average trade volume over the year came to 65.4 million rubles, but in periods of high investor interest, the Company's shares were traded at volumes that amounted to 100 and 200 million rubles. The 2017 peak was reached at 200-700 million rubles of daily trade volumes.

⁴ As on December 31, 2017

The yearly maximum of a share value was registered on September 6, 2017 and amounted to RUB 3,328.

The total shareholder return⁵ came to 12.4%. Thus, investing in Mosenergo shares enabled to ensure profitability higher than the level of bank deposits and fixed-return instruments, even in the climate of market depreciation.



⁵ Calculated as the total of the relative change in the share price at the stock exchange and the dividend yield for the year

Information about Mosenergo Shares⁷

		2015	2016	2017
Operating earnings per share	RUB	0.38	0.63	0.85
Net earnings per share	RUB	0.16	0.28	0.64
Operating cash flow per share	RUB	0.39	0.79	1.09
Capital per share	RUB	4.97	5.19	5.74
Dividends per share	RUB	0.05665	0.08482	0.16595
Share price at the end of the year	RUB	0.8190	2.4800	2.6225
Highest share price for the year	RUB	1.0440	2.5640	3.3280
Lowest share price for the year	RUB	0.6205	0.8110	2.0600
Share price change of the year		+28.0%	+202.8%	+5.7%
MICEX index change		+26.1%	+26.8%	-5.5%
MICEX electric power index change		+18.4%	+110.1%	-8.5%
Dividend payout amount	RUB	2,243,857,229	3,359,646,428	6,573,135,165
Number of issued shares	units	39,749,359,700	39,749,359,700	39,749,359,700
Market capitalization (at the end of the year)	RUB	32,554,725,594	98,578,412,056	104,242,695,813
Average annual volume of trade in shares on the Moscow Stock Exchange	RUB	36,426,692	36,671,571	65,377,340
Dividend Yield		6.9%	3.4%	6.3%
Total shareholder return per share	RUB	0.2357	1.7458	0.3085
Total shareholder return		36.8%	213.2%	12.4%

⁶ According to the Company's statements under the RAS and the Moscow Stock Exchange data

Dividend Payout

	2013	2014	2015	2016	2017
Total amount of dividends	1,584,365,210	396,091,303	2,243,857,229	3,359,646,428	6,573,135,165
Share in net profit (according to RAS)	19.7%	28.2%	35.0%	30.4%	26.0%

Mosenergo's Dividend Policy was approved by the Board of Directors on September 12, 2017.

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

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

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

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

The calculation of dividends is carried out as follows:

- Part of the net profit is allocated to the reserve fund as stipulated by the Company's Articles of Association.

The allocation of funds from the net profit to the reserve funds ceases when the fund reaches the amount required by the Company's Articles of Association;

- Part of the net profit, as recommended by the Board of Directors, is used for paying dividends;

- Remaining part of the net profit after deductions is at disposal of the Board of Directors.

In order to make decisions on paying dividends, the Board of Directors introduces recommendations concerning the amount to be paid, to the General Meeting of Shareholders. After the General Meeting of Shareholders makes the decision, the dividends are paid out.

Mosenergo Depositary Receipt Programs

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

Depositary Receipts Outstanding

		December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	2017/2016
Level 1	units	9,044,321	10,710,767	9,035,686	11,565,022	+28.0%
Reg.S	units	154,432	150,851	150,851	149,507	-0.9%
Rule 144-A	units	21,530	21,530	21,530	14,349	-33.4%
Total	units	9,220,283	10,883,148	9,208,067	11,728,878	+27.4%

The total amount of Mosenergo's depositary receipts in circulation continued growing in 2017 because of higher-liquidity Level 1 Program (+28.0% against 2016), sparking stronger interest of foreign investors. The

Level 1 Program enlarged from 6.1 million receipts (2013) to 11.6 million receipts (end of 2017). Two other illiquid programs, Reg S and 144-A, decreased by 0.9% and 33.4% respectively. The share of illiquid programs

Reg S and 144-A in the total share of Mosenergo's depositary receipts is insignificant and came to 1.4% by the end of 2017.



section

6

FEBRUARY

On February 10, 2017, the first heating turbine T-295 (manufactured by the Ural turbine factory) was presented to Mosenergo. The turbine is to be installed at the TPP-22, replacing T-250 that had been operating as a part of the energy unit No.9 and taken out of operation in 2016.

MARCH

MARCH 2

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

MARCH 9

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

MAY

MAY 2

Release of Mosenergo's financial statements for Q1 2017 according to the Russian Accounting Standards.

MAY 18

Release of Mosenergo's financial statements for Q1 2017 according to the International Financial Reporting Standards.

MAY 31

Annual General Shareholder Meeting of Mosenergo.

JUNE

JUNE 21

Standard & Poor's Ratings Services approved Mosenergo's credit rating at BB+ with improvement of the outlook from "Stable" to "Positive" due to enhancement of the Company's financial performance.

JULY

JULY 31

Release of Mosenergo's financial statements for the first six months of 2017 according to the Russian Accounting Standards.

Mosenergo celebrates its 130th Anniversary.

AUGUST

Mosenergo was recognized the winner of two categories in the contest for best solutions in the field of environmental and climatic initiatives "Climatic Development Leader", established by the Department of Natural Resources Management and Environmental Protection. In the category "Contribution to Climatic Development and Safety of the Region", the Company's project "Complex Implementation of Combined-Cycle Technologies at Mosenergo's TPP" took the first position. Also, Mosenergo obtained the certification for contribution to development of the municipal system in the category "Russian Environment-Concerned Company of the Year" with the project "Implementing Mosenergo's Environmental Policy".

AUGUST 9

Release of Mosenergo's financial statements for the first six months of 2017 according to the International Financial Reporting Standards.

SEPTEMBER

Mosenergo's TPP-25 team took the second position in the First Open Championship of Cross-Braced TPP Personnel, held in the framework of the "Reliable Energy Industry" Award. The competition took place from September 11 to September 15, housed by the Unified Staff Training Center of Gazprom Energoholding Group. Nine teams representing Russia's major power generating companies participated in the competition.

NOVEMBER

NOVEMBER 1

Release of Mosenergo's financial statements for the nine months of 2017 according to the Russian Accounting Standards.

NOVEMBER 3

According to the approved schedule of work of committees for controlling the readiness of electric power assets for the winter season, Mosenergo obtained a certificate of readiness for work in the fall and winter season (FWS) of 2017-2018.

NOVEMBER 10

Release of Mosenergo's financial statements for the nine months of 2017 according to the Iner Standards.

DECEMBER

Mosenergo transitioned from the Environmental Management System (EMS) to the new standard ISO 14001:2015 which prescribed additional requirements for the system. Previously, Mosenergo's EMS was certified according to the previous version of the standard ISO 14001:2004.

DECEMBER 11

Fitch rating agency approved Mosenergo's investment rating of BBB- with the Stable outlook.

DECEMBER 22

The new Museum of Mosenergo and Moscow Power Industry opened.

KEY CORPORATE EVENTS OF 2017



section

7

RESULTS OF OPERATING ACTIVITIES

Power generation volume

57,864
million kWh

The total heat output

79,447
thousand Gcal

Load factor

51.2%

7.1 Power Generation

In 2017, Mosenergo's generating operations were not subject to any major disruptions; the Company ensured stable operation of power plant equipment and reliable supply of heat and power to consumers in Moscow and the Moscow Region.

Mosenergo's annual-average installed capacity in 2017 came to 12,909.76 MW and 42,833.60 Gcal/h, including 12,909.46 MW and 33,947.39 Gcal/h from TPPs; 0.3 MW and 8,886.21 Gcal/h in total from DHPs and BHPs.

Mosenergo's annual-average installed capacity in 2017 came to

12,909.76
MW

42,833.60
Gcal/h

Mosenergo's annual-average installed capacity decreased by 82.76 MW and 151.22 Gcal/h against 2016 due to conducting the following activities:

- On February 1, 2017, a PWB-3 (type PTVM-60, 60 Gcal/h capacity) was commissioned at the DHP Nekrasovka;
- On April 1, heat accumulators (type T-30-90M and T-25-90, annual-average installed capacity decrease by 90.41 Gcal/h) of the stations 1,2 of TPP-16 were decommissioned;
- On September 1, heat accumulator (type ПТ-35-90M (PH-35-90M), annual-average installed capacity decrease by 24.40 Gcal/h) of the station 1 of TPP-20 was decommissioned.

As a result, Mosenergo's installed capacity at the end of 2017 came to 12,872.90 MW and 42,760.51 Gcal/h, including 0.3 MW and 8,891.31 Gcal/h from DHPs and BHPs.

Power generation volume for 2017 came to 57.9 billion kWh, which is 2.0% lower than in 2016.

Decrease of power generation volumes was divergent along the year and came to the following values:

- During the heating season, there was an increase by 2.2 billion kWh (+5.6%);
- During the summer season, there was a decrease by 3.4 billion kWh (-17.8%).

The reason for the decrease of power generation volumes was higher night load-shedding of equipment during the summer period, which was due to the initiative of the System Operator of the Unified Power System, and optimization of the equipment composition with a purpose of reducing the share of inefficient condensate production by steam-powered equipment (SPE).

In the Moscow Region, electric energy consumption increased by 2.5%, and capacity consumption decreased by 0.2%.

Power Generation Volumes, million kWh

	2016	2017	2017/2016
SPP-1	260	246	-5.5%
SDPP-3	79	86	8.1%
TPP-30 (CSA)	36	41	13.8%
TPP -8	2,042	1,973	-3.4%
TPP -9	1,045	1,140	9.1%
TPP -11	1,676	1,530	-8.7%
TPP -12	2,828	2,728	-3.5%
TPP -16	3,735	3,673	-1.7%
TPP -17	202	201	-0.3%
TPP -20	5,095	5,543	8.8%
TPP -21	8,288	7,997	-3.5%
TPP -22	5,822	5,194	-10.8%
TPP -23	6,476	6,560	1.3%
TPP -25	6,277	6,434	2.5%
TPP -26	9,624	8,638	-10.2%
TPP -27	5,583	5,881	5.3%
TOTAL	59,068	57,864	-2.0%

In 2017, the capacity in repairs decreased by 336 MW against 2016 and came to 1,928 MW; at the same time, the reserve capacity increased (+402 MW or +3.1%) with a decrease of the annual-average installed capacity by 0.6% (-82.7 MW). The share of the reserve capacity increased from 23% in 2016 to 26% in 2017.

In the current conditions, the TPPs of Mosenergo optimized the composition of the operating equipment; these activities were aimed at reducing condensate production by switching less efficient or reliable equipment to standby mode.

Power generation volume of SPE in 2017 came to 41.4 billion kWh (3.8% lower than in 2016).

The share of CSA facilities in the general structure of power generation in 2017 reached

28.5%

Power generation volume under capacity-supply agreements (CSA) totaled 16.5 billion kWh, which is 2.6% higher than in 2016. The share of CSA facilities in the general structure of power generation in 2017 reached 28.5%, which is 1.3% higher than in the previous year.

In 2017, heating-cycle power generation at the Company's TPPs, increased by 3.8%. The share of heating-cycle power generation came to 61.0% (+3.4% against 2016).

Heating-cycle power generation volume of combined-cycle plants increased by 27.0%. The share of heating-cycle power generation of combined-cycle plants came to 33.7% (+6.4% against 2016).

The share of combined-cycle plants in the heating-cycle structure came to 15.7% (+2.9% against 2016).

Condensate-cycle power generation at TPPs decreased by 2.5 billion kWh (-9.9%). Also, the condensate-cycle structure significantly changed: for the operating equipment, the decrease came to 1.7 billion kWh (-13.0%), for combined-cycle plants in came to 0.8 billion kWh (-6.4%).

The total heat output totaled 79.4 million Gcal; the share of DHPs and BHPs came to 13.5%.

TPP heat output totaled 68.7 Gcal (-1.4% against 2016).

Ambient air temperature⁷

year	T _{nv} , °C	season	
		heating	summer
2016	6.7	-0.1	17.8
2017	6.3	0.6	15.4

The transfer of heating loads from DHPs and BHPs to Mosenergo's TPP was proceeded in 2017: the total volume of heat output totaled 3,938 Gcal (6.2% of the total TPP heat output).

Heat output by CSA facilities totaled 5.2 million Gcal (+23.9%). The share of combined-cycle plants in the heat output structure came to 6.5% (+1.3%).

Mosenergo's total heat output in 2017 is 2.9% lower than in 2016, which is due to warmer weather during the heating season (+0.7 °C). Heat output by boiler stations was reduced by 11.6%.

Heat output from collectors, thousand Gcal

	2016	2017	2017/2016
SPP-1	1,540	1,413	-8.2%
SRPP-3	314	310	-1.3%
TPP-8 without boiler stations	2,769	2,689	-2.9%
TPP -9 without boiler stations	1,265	1,255	-0.8%
TPP -11	2,394	2,319	-3.1%
TPP -12	3,492	3,383	-3.1%
TPP -16 without boiler stations	3,246	3,216	-0.9%
TPP -17	527	508	-3.7%
TPP -20 without boiler stations	4,876	4,768	-2.2%
TPP -21 without boiler stations	10,832	10,627	-1.9%
TPP -22 without boiler stations	8,807	8,768	-0.4%
TPP -23 without boiler stations	9,220	8,871	-3.8%
TPP -25 without boiler stations	7,890	7,984	1.2%
TPP -26 without boiler stations	8,652	8,855	2.4%
TPP -27 without boiler stations	3,816	3,710	-2.8%
TPP without boiler stations Total	69,638	68,675	-1.4%
RHPPs, DHS, BHPs	12,189	10,771	-11.6%
Mosenergo	81,827	79,447	-2.9%

The rate of using the annual-average installed capacity of the Mosenergo's power plant turbines in 2017 came to 51.2% (-0.6% against 2016); including the 1.2% decrease for the operating equipment, and 1.3% increase for CSA facilities.

The key reason for the underuse of electric capacity for the operating equipment was decrease of generation amid higher equipment warehouse downtime, high night load-shedding, and decrease of average load during the summer season.

⁷ According to the heating season dates

Load factor, %

	Load Factor (electricity), %			Load Factor (heat), %		
	2016	2017	2017/2016	2016	2017	2017/2016
Total for Mosenergo's TPPs, including	51.8	51.2	-0.6	36.3	37.4	+1.1
Operating SPE Equipment	48.2	47.0	-1.2	37.4	38.1	+1.7
CSA Facilities ⁸	64.5	65.8	+1.3	25.4	31.0	+5.6

The rate of using the annual-average installed heat output of turbines of the ES of Mosenergo increased by 1.1%, including the 1.7% increase for the operating equipment, and 5.6% increase for CSA facilities.

Fuel consumption rate (total for Mosenergo) in 2017 came to 24,996,244 tfe, including 1,669,077 tfe for boilers.

Fuel consumption rate for power plants of Mosenergo in 2017 came to 23,327,167 tfe (-3.6% against 2016).

Fuel consumption decrease in 2017 was due to decreasing volume of power and heat generation at Mosenergo's power plants and boiler stations.

The Company's specific fuel equivalent consumption in 2017 totaled 226.3 g/kWh of power and 163.6 kg/Gcal of heat, including 0 g/kWh and 155.0 kg/Gcal for RHPP, DHP, and BHP.

Specific fuel equivalent consumption by Mosenergo's TPPs (without boiler stations) totaled 226.3 g/kWh of power (-6.0 g/kWh against 2016) and 165.0 kg/Gcal (-0.5 kg/Gcal against 2016) of heat, including 213.9 g/kWh (-3.3 g/kWh against 2016) and 146.4 kg/Gcal (-1.0 kg/Gcal against 2016); 231.5 g/kWh (-6.7 g/kWh against 2016) and 166.5 kg/Gcal (-0.1 kg/Gcal against 2016) for the operating equipment.

Fuel Consumption, tfe

	2016	2017	2017/2016
SPP-1	302,346	278,259	-8.0%
SRPP-3	82,847	87,760	5.9%
TPP-8 without boiler stations	949,696	922,063	-2.9%
TPP-9 without boiler stations	481,304	485,461	0.9%
TPP-11	763,614	708,592	-7.2%
TPP-12	1,176,937	1,110,519	-5.6%
TPP-16 without boiler stations	1,290,157	1,218,146	-5.6%
TPP-17	144,017	140,883	-2.2%
TPP-20 without boiler stations	1,946,413	1,973,028	1.4%
TPP-21 without boiler stations	3,375,080	3,255,730	-3.5%
TPP-22 without boiler stations	2,840,712	2,596,281	-8.6%
TPP-23 without boiler stations	2,900,856	2,883,239	-0.6%
TPP-25 without boiler stations	2,675,143	2,649,997	-0.9%
TPP-26 without boiler stations	3,476,286	3,275,349	-5.8%
TPP-27 without boiler stations	1,712,210	1,741,860	1.7%
TPP without boiler stations Total	24,117,618	23,327,167	-3.3%
RHPPs, DHS, BHPs	1,898,938	1,669,077	-12.1%
Mosenergo	26,016,556	24,996,244	-3.9%

Factors that had an impact on the dynamics of specific fuel equivalent consumption (SFEC) at Mosenergo's TPPs:

- Increase in the share of combined-cycle generation (SPE) by 2.9% — 4.5 g/kWh;
- Increase (+1.3%) of the share of steam-and-gas units with efficiency enhancement thereof — 1.5 g/kWh.

The key reasons for the decrease of the specific fuel equivalent consumption are increase of the share of CSA facilities in the heat supply structure (+1.5%) amid lower SFEC for heat of CSA facilities; enhancement of the fuel structure (the share of coal in the fuel balance of TPP-22 was decreased from 21% to 15%); increased efficiency of using the combined cycle in the SPE.

Specific fuel equivalent consumption by Mosenergo's TPPs totaled

226.3

kWh of power

163.6

kg/Gcal of heat energy

7.2 Sales

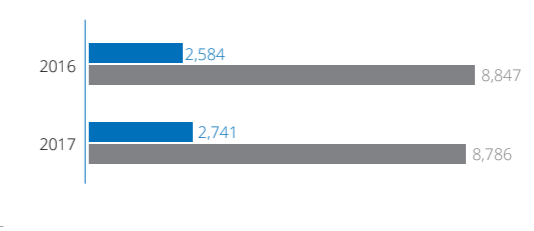
Total electricity sales in 2017 decreased by 607.90 thousand mWh (-1%) and totaled 60,250.59 thousand MW.

Total sales of capacity in 2017 totaled 11,527 MW (+0.8% or 96-MW increase against 2016).

Energy sales, thousand MWh



Capacity Sales, MW



One of the most significant factors that affected the decrease in electricity sales in 2017 against the same period of 2016, was the decrease in output due to higher output of the nuclear power plants of the Center (+9% against 2016).

A slight increase in capacity sales in 2017 is due to introduction of SGU-420 (steam-and-gas unit) TPP-20 on the wholesale market on February 1, 2016, and reduction of the undersupplied capacity, particularly by means of lifting of season-specific restrictions.

Revenue from sales of electricity and capacity in 2017 totaled 118,914.37 million rubles (+7.8% or +8,588.89 million rubles against 2016).

Prices and Tariffs

Sales of Mosenergo-generated electricity in 2017 was conducted on the wholesale market of electricity and capacity (hereinafter referred to as WMEC) at market prices and regulated tariffs.

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

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

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

Revenue from sales of electricity and capacity in 2017 totaled

118,914

million rubles
(+7.8% or +8,588.89 million rubles against 2016)

	2016	2017	2017/2016
Average weighted sale price of electricity, RUB/MWh, including:	1,182.67	1,193.08	+0.9%
Average weighted RC tariff rate, RUB/MWh	857.87	858.99	+0.1%
Average weighted sale price in the free sector, RUB/MWh	1,254.62	1,268.67	+1.1%
Average weighted sale price for new capacity, RUB/MWh/mth	798,194.12	1,055,014.49	+32.2%
Average weighted sale price for old capacity, RUB/MWh/mth	128,248.45	135,870.05	+5.9%
Average weighted tariff for heat energy, RUB/Gcal, including:	946.65	951.31	+0.5%
Average weighted tariff for heat generation and sales, RUB/Gcal	897.92	927.47	+3.3%

⁸ CSA facilities include GTU units of TPP-30 in Pavlovsky Posad

The key factors affecting electricity and capacity prices are as follows:

- Rise in fuel prices;
- Indexation in 2017 (4.4%). With account for indexation, competitive capacity outtake price came to 119.2 thousand RUB/MW;
- Change of the capacity price against previously-commissioned CSA facilities (TPP-21, TPP-27, TPP-30) since July 1, 2016 as a result of account for the component calculated in order to ensure the regulatory payback period of generating facilities to be introduced under the CSA program; this component is accounted for in the price at TPP-26 since December 2016;

- Adjustment (since 2017) of the share of compensated costs — this value reflects the forecasted profit of electricity sales for CSA facilities (TPP-12, TPP-16, TPP-26); these adjustments are caused by changes to the Ministry of Energy's methods for calculating the share value (forecasts for day-ahead market prices, fuel prices, SFEC prices, etc. are accounted and corrected);
- Adjustment (since April 1, 2017) of the share of compensated costs — this value reflects the forecasted profit of electricity sales for CSA facilities (TPP-21, TPP-26, TPP-27), for the periods after expiration of CSA-prescribed supply terms (adjustment of the regulatory-system calculation method).

Since heat energy is a regulated activity, the key reason for the increase in the weighted-average tariff for heat energy set by Mosenergo is the annual revision of tariffs conducted by the Department of Economic Policies and Development of Moscow and the Committee on Prices and Tariffs of the Moscow Regions for consumers; the values are adjusted according to indices of social and economic development for 2017. In addition, the weighted-average tariff was affected by assigning a status of the single heat-supply organization to MOEK PJSC and gradual renewal of heat-supply contracts with this organization, as well as by the redistribution of the structure of consumers that purchase heat energy from collectors and through grids of MOEK PJSC from energy sources in Moscow and the Moscow Region, as differentiated by types of heat carrier: steam and hot water.

Heat Energy Sales and Revenue

	2016	2017	2017/2016
Heat energy sales revenue, million rubles	77,087	75,215	-2.4%
Total sales, thousand Gcal	81,431	79,065	-2.9%
Average tariff, RUB/Gcal	947	951	+0.4%

The decrease in heat energy revenue by 2.4% and sales by 2.9% is due to warmer weather in 2017.

Heat Energy Customers

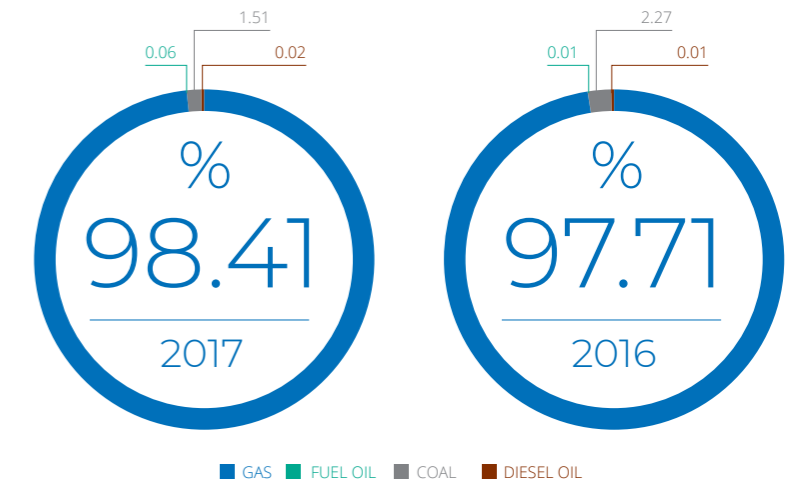
Клиент (категория клиентов)	As on December 31, 2016		As on December 31, 2017	
	Share in net supply, %	Connected contractual heat load, Gcal/h	Share in net supply, %	Connected contractual heat load, Gcal/h
MOEK PJSC (wholesale reseller):	87.7%	36,518	91.8%	40,829
Including boilers transferred to Mosenergo	15%	6,063	14%	5,812
Mosenergo TPP (wholesale reseller)	0%	0	1%	916
Industrial enterprises (retail)	2%	1,821	2%	1,171
Public-sector organizations (retail)	0.3%	124	0.2%	62
Other legal entities (retail)	8%	4,580	4%	1,479
General public, housing partnerships and associations, etc. (retail)	2%	549	1%	148
Total	100%	43,592	100%	44,605

The increase in MOEK PJSC's share in the consumption structure was caused by the reduction of the customer base of Mosenergo due to the gradual resigning

of contracts on behalf of MOEK PJSC, in connection with MOEK PJSC's status of the single heat-supply organization of Moscow.

7.3 Fuel Supply

Natural gas remained the main fuel in the 2017 fuel balance. The share of gas in the fuel balance came to 98.41%. Coal (1.51%) and fuel oil (0.06%) were both used by Mosenergo's power plants as back-up fuels. Diesel fuel share totaled 0.02% in 2017.



For 12 months of 2017, the fuel balance structure changed as follows against the same period of 2016:

- Gas combustion increased by 0.70%;
- Coal combustion decreased by 0.76%;
- Fuel oil combustion increased by 0.05%;
- Diesel fuel combustion increased by 0.01%.

The increase in gas combustion share is due to lower coal consumption for maintaining regulated reserves in the context of lower supply. The increase in oil product consumption is due to unscheduled consumption of diesel fuel at SRPP-3 and TPP-20 in Q4, and to scheduled fuel oil combustion according to its wear schedule and for updating reserves during the FWS of 2017-2018.

Stable and reliable fuel supply to all Mosenergo's power plants in 2017 was achieved as a result of:

- Gas supply in full compliance with current agreements;
- Formation of sufficient stand-by reserves of fuel in compliance with orders and recommendations of the Ministry of Energy of the Russian Federation and the Moscow City Government.

Fuel Consumption by Mosenergo Power Plants

	Measurement Unit	2013	2014	2015	2016	2017	2017/2016
Gas	million cu. m	20,555	20,407	19,516	21,693	21,063	-2.91%
Coal	thousand tfe	565	543	755	700	441	-37.04%
Fuel oil	thousand tfe	11	4	7	2	13	532.69%

7.4 Investment and Maintenance Activities

7.4.1 Investments

Actual financial amount of investment program:

14,119
million rubles
(VAT included)

The Company's 2017 Investment Program was approved by the Board of Directors of Mosenergo on April 24, 2017 (Minutes No. 32) and revised on November 13, 2017 (Minutes No. 41).

Within the framework of the Investment Program, Mosenergo continues implementing strategic initiatives aimed at maintaining high level of safety, efficiency, and reliability of heat and power generation.

For 2017, investment program financing plan totaled 14,238.83 million rubles (VAT included); actual financial amount came to 14,119.02 million rubles (VAT included), so the plan was 99% complete. The Investment Program was funded at Company's own expense, no debt financing was required.

Results of Implementing Most Important Projects (beside CSAs) for Each Class, by Effect

Mosenergo's key investment courses are:

- Enhancing safety of facilities by means of modernizing outdated equipment;
- Enhancing efficiency of equipment monitoring and diagnostics;
- Minimizing specific fuel consumption when generating power and heat, by means of introducing cutting-edge high-efficiency equipment;
- Forwarding process automation;
- Mitigating negative environmental impact of power plants by means of technical upgrades and taking outdated equipment out of operation;
- Extending the scope of environmental activities at power plants.

A sufficient amount of funds was allocated to development of information, communication technology, and safety and control systems.

Strategic:

Key strategic projects are "Full Equipment Reconstruction at Energy Unit No.9" at TPP-22, which includes replacement of the overaged steam turbine T-250/300 unit №9 by a cutting-edge combined-cycle turbine T-295/335-23.5 of the Ural turbine factory. The new series of Ural-made machines is to take the place of overused turbines T-250 and be the primary heat and power generator to supply major Russian cities. The Company prioritizes this project as turbines T-250 are key heat suppliers of Moscow; they hold a 40% share in the overall installed capacity of the Company. In total, 19 turbines T-250 had been put into operation for Mosenergo. After installation and commissioning of the modernized energy unit No.9 at TPP-22, the decision on further reconstruction of turbines T-250 that operate at power plants of the Company, will be made.

Efficiency:

1. Reducing in-house power consumption:
 - **TPP-12** Installing a hydraulic coupling at electrical submersible centrifugal pumps.
 - **TPP-26** Installing a hydraulic coupling at 5CH-2A line pump.
 - **TPP-11** Installing a hydraulic coupling to the line pump.
2. Enhancing fuel efficiency of equipment (reducing specific fuel consumption):
 - **TPP-11** Replacement of low-pressure feed heater turbine generator TG-9.

Mandatory:

1. Projects aimed at technical upgrade of gas-consumption and gas-distribution diagrams:
 - **TPP-8.** Upgrade of 3 boilers and 2 boilers with replacement of gas equipment and installing the single automated control system.
 - **TPP-21.** Upgrade of the internal gas-supply system of the peak water boilers №№5-14, 16.
 - **TPP-23.** Upgrade of 3 boilers with replacement of the gas equipment and installing the safety and control automatics at the DHP Rostokino.

EFFECT: ENHANCED SAFETY OF GAS-CONSUMPTION AND GAS-DISTRIBUTION SYSTEMS.
2. Fire safety projects at Mosenergo facilities:
 - **TPP-23.** Fire system replacement: city main to circulating water.
 - **TPP-22.** Alighting structures and constructions of the fuel oil pumping station and fuel conveying system with fire safety rules.
 - **TPP-21.** Replacement of the underground path of the fire main.
3. Reducing environmental impact:
 - **TPP-16.** Creation of the automated environmental control system for Mosenergo and data transfer to Mosecomonitoring at TPP-16 of the Mosenergo's subsidiary.
 - **TPP-16.** Installation the gas analysis system for controlling and accounting polluting emissions.

Reliability:

1. Enhancement of reliability of power output system of the station:
 - **TPP-26.** Transformer T-93 replacement.
 - **TPP-12.** Reconstruction of the gas distribution unit at TPP-12.
 - **TPP-26.** Replacement of phases «G»,» of the transformer AT-2.
 - **SPP-1.** Reconstruction of the distributing unit 6 kV of the Raushskaya substation at SPP-1 (Mosenergo's subsidiary)
 - **TPP-12.** Replacement of the coupling transformer No.2 63 MW with the set of relay protection and automatics, including the cooling system.
 - **TPP-22.** Replacement of T-4 70MVA with 80MVA.

EFFECT: ENHANCED RELIABILITY OF TRANSFORMING AND SWITCHING EQUIPMENT OF THE POWER OUTPUT SYSTEM OF THE STATION.
2. Enhancement of reliability of the boiler station:
 - **TPP-20.** Replacement of the tubular air preheater.
 - **TPP-25.** Replacement of the MSDSS of the boiler 06.
 - **TPP-22.** Replacement of the 3rd phase with convection superheaters of the boiler No.8.
 - **TPP-11.** Replacement of convective superheaters of 2nd and 3rd phases at the boiler No.9.
 - **TPP-11.** Replacement of coil bundles of the 3rd phase of the convection superheaters with collecting pipes at the boiler No.7.

EFFECT: ENHANCED RELIABILITY OF THE BOILING EQUIPMENT, EXHAUST GAS TEMPERATURE NORMALIZED.

Other:

1. Projects of the heating grids service:
 - Reconstruction of the main heating system, located on Barklaya St. (nearby Neverovskogo St., Main Heating System No.2).
 - Reconstruction of the load-carrying structure of the interchamber channel located at 8 Bestuzhevsk St. (Main Heating System No.5).
 - Reconstruction of the main heating system located at 27 Komsomolsky Prospekt (Main Heating System No.43).

EFFECT: REDUCTION OF HEAT AND HEAT CARRIER LOSSES; ENHANCEMENT OF HEAT SUPPLY RELIABILITY.
2. Architecting physical protection systems at Mosenergo's subsidiaries:
 - Creating the integrated security equipment complex at **TPP-16.**
 - Creating the integrated security equipment complex at **TPP-23.**

EFFECT: IMPROVING SECURITY OF SUBSIDIARIES.
3. Upgrading of IT, telecommunications, and connection:
 - Creating a disaster-proof data center.
 - Transfer of the grid control center to another location.
 - Upgrading of the data storage systems.

7.4.2 Maintenance and Repairs

In 2017, all maintenance and service programs on all thermal mechanical and electrical equipment were fully carried out in line with the approved maintenance schedule, on time and within the budget.

The scope of main repair work on electrical equipment:

- On 9 generators, the rotors were repaired with defect-testing and removal of retaining rings;
- On 2 generators, contact rings were replaced;
- Partial rewinding of TG-31 at TPP-27;
- Replacement of upper winding bar of a stator of TG-2 at TPP-23;
- Replacement of the generator rotor of TG-5 at TPP-20;
- Replacement of the generator rotor of TG-8 at TPP-21;
- Replacement of high-voltage bushings: TPP-11 T-1 110 kV, 1 unit; TPP-21 T-98 220 kV, 1 unit; TPP-22 T-5 110 kV, 3 units; TPP-23 T-96 0, 1 unit;
- Replacement of 2 oil coolers of the transformer T-96 at TPP-25, replacement of the OLTC of T-91 at TPP-21.

The total number of days spent on repairing the Company's primary equipment in 2017 amounted to 6,741 days (7,663 days in 2016).

Equipment Maintenance and Repair, units

	Major Overhaul	Medium-Level Repair	Routine Maintenance
Power generation units	3	3	12
Boilers	13	8	54
Turbines	12	3	55
Gas turbines	-	-	8
Steam and water pipelines	1	-	101
Boilers (CCP)	3	1	11
Gas turbines (CCP)	3	1	12
Turbine generators (CCP)	2	1	7
WB (DHP/BHP)	-	-	129
Generators	21	7	85
Transformers	6	-	217
110-500-kV Switches	6	3	-

Buildings and Facilities Repair, Units⁹

	Total for Mosenergo	Type of Work	2016	2017
Cooling towers	59 units	Repair	35	32
		Inspection	14	8
Smoke stacks	198 units	Repair	34	32
		Inspection with Industrial Safety Expertise	51	36
Liquid fuel tanks	84 units	Repair	-	-
		Inspection with Industrial Safety Expertise	17	10
Buildings & Structures	1267 units	Inspection and Examination, Industrial Safety Expertise	389	253

Additional Repair Work on Thermal Mechanical Equipment, units

	2016	2017
Industrial repair of turbine rotors	45	33
Replacement of turbine rotary blades / disks	7	10/1
Rotor replacement	4	1
Replacement of components in the flow-through section of the turbine cylinder	8	3
Replacement of the pipe system of heaters and condensers	6	15
Replacement of bearings in the lower supports of the regenerative air heaters	1	6

⁹ Within the scope of responsibility for equipment operation control



ГАЗПРОМ НОВАЯ ЭНЕРГИЯ ДЛЯ МОСКВЫ

section



ANALYSIS OF FINANCIAL RESULTS¹⁰

The Company's revenue

196.8
billion rubles

Net Profit

25.3
billion rubles

Sales profitability

17.09%

¹⁰ According to RAS

8.1 Revenue

The Company's revenue for 12 months of 2017

196.8
billion rubles

+3%
increase

The Company's revenue for 12 months of 2017 increased by 3% against 12 months of 2016 and totaled 196.8 billion rubles. Revenues from electricity sales decreased by 0.91 billion rubles (-0.1%) due to 1.0% decrease in the sales volume (at 0.9% increase in the weighted-average price) and came to 71.9 billion rubles. Revenues from capacity sales for 12 months

of 2017 came to 47.0 billion rubles (+23% or +8.68 billion rubles against 2016 mostly due to 22% increase of the weighted-average price. Revenues from sales of heat came to 75.2 billion ruble (-2% or -1.87 billion rubles against 2016 due to 3% decrease in the sales volume, which is related to warmer weather during the heating season of 2017).

8.2 Prime Cost

Prime cost of Mosenergo's commercial output in 2017 decreased by 2.4 billion rubles against 2016 and came to 163 billion rubles (prime cost of electricity and capacity amounted to 82.7 billion rubles, prime cost of heat to 77.6 billion rubles, prime cost of other products to 2.7 billion rubles).

Lower prime cost in 2017 is caused by lower fuel costs (2.1 billion rubles) and lower cost of production services (1.2 billion rubles), concurrently with the increase in costs of electricity procurement (0.7 billion rubles) and raw materials (0.2 billion rubles).

The key factor of fuel cost decrease was lower volume of consumed fuel; such a decrease was caused by lower supply of heat and electricity, concurrently with lower specific fuel consumption.

Lower production-services cost was caused by lower power supply costs (-53%), concurrently with higher cost of subcontractors' services on equipment maintenance and repair (+10%).

8.3 Other Incomes and Costs

Decrease of other incomes by 3.9 billion rubles (from 9.7 billion rubles for 12 months of 2016 to 5.7 billion rubles for 12 months of 2017) was due to the following factors:

- Lower income related to currency rate differences (-3.4 billion rubles);
- Lower income related to securities sales (-3 billion rubles) due to sale of the interest in the subsidiary OGK-Investproekt LLC. (see Cost Decrease);
- Increase in income (+0.2 billion rubles) related to sales of basic assets, inventory, intangible assets, and other non-current assets;

- Increase in income related to fines, penalties, forfeits (+0.2 billion rubles);
- Increase in other income by 2 billion rubles (including increase in compensation amounts by 0.9 billion rubles and income of material recognition due to write-off of basic assets (0.6 billion rubles), increase in insurance compensation amount by 0.2 billion rubles).

Decrease in other costs by 5.5 billion rubles (from 15.8 billion rubles for 12 months of 2016 to 10.3 billion rubles for 12 months of 2017) was due to the following factors:

- Lower costs related to securities sales (-2.7 billion rubles);
- Lower doubtful debt reserve (-2.3 billion rubles);
- Higher currency rate difference costs (+0.6 billion rubles);
- Decrease in other costs by 2.1 billion rubles (including decrease in estimated liabilities by 1.7 billion rubles).

8.4 Net Profit

Mosenergo's net profit amounted to 25.3 billion rubles (2.3 times higher than in 2016).

8.5 Liquidity and Loan Portfolio Management

No debt financing was performed in 2017. As on December 31, 2017, the loan portfolio of the Company amounted to 23.3 billion rubles.

The weighted-average interest rate on borrowings for 12 months of 2017 came to 8.3234% for borrowings made in rubles, and 1.7548% for borrowings made in foreign currency.

No past-due debts or loans registered.

8.6 Balance Sheet Analysis

As on December 31, 2017, fixed assets decreased by 8.9 billion rubles against December 31, 2016 (from 171.3 billion rubles to 162.4 billion rubles).

The current assets structure is dominated by receivables (47%), cash hold 23%, reserves hold 15%, short-term investments hold 13%.

In 2017, there was an increase in Mosenergo current assets (+2.3 billion rubles) against the beginning of the year, mostly due to an increase in cash amount, caused by increase in cash flow from operations.

Mosenergo shareholder's equity increased by 22 billion rubles.

As on December 31, 2017, accounts payable decreased by 7 billion rubles against December 31, 2016, mostly due to the increase in tax and trade liabilities.

8.7 Financial Position Indicators

The current liquidity ratio increased by 1.33 pp. against 2016 and came to 3.61 pp. (the increase was due to reduction of short-term liabilities).

The receivables turnover indicator increased against 2016 and came to 4.74 (+0.86) due to higher revenue, concurrently with lower amount of receivables (because of activities exercised by the Company management to enhance recovery of receivables).

Sales profitability rose from 12.99% in 2016 to 17.09% in 2017.



section

9

CORPORATE GOVERNANCE

9.1 Memorandum on Gazprom PJSC's intentions regarding controlled companies, namely Mosenergo PJSC, MOEK PJSC, O GK-2 PJSC, and TGK-1 PJSC

Power industry is strategically significant for Gazprom Group. For the last decade, the Russian greatest vertical-integration power generation holding was established within Gazprom PJSC, which unites assets of power and heat generation, transmission and sales of heat, and assets of related segments.

Energy assets are consolidated in Gazprom Energoholding LLC, a Gazprom PJSC's subsidiary which holds controlling stakes of Mosenergo PJSC, TGK-1 PJSC, and MOEK PJSC (the single heat supply organization of Moscow).

Centerenergoholding PJSC (Gazprom Energoholding's subsidiary) holds the controlling stake of O GK-2 PJSC.

Mosenergo PJSC, MOEK PJSC, O GK-2 PJSC, and TGK-1 PJSC are the integral part of Gazprom Group; disposal of the above-mentioned assets is not considered.

The priority task of electric energy course of Gazprom PJSC is gradual development of companies, ensuring stable growth of their financial performance indicators, and support of power supply reliability.

Gazprom PJSC exercises corporate governance according to unified corporate standards, realizing the importance of improving corporate governance of subordinate companies; also, it seeks to ensuring transparency and publicity of subordinate companies' activities.

9.2 Underlying Principles

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

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

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

- The Board of Directors' accountability to shareholders and the accountability of the Company's executive bodies to the Company's management bodies, as well as a sense of trust in relations between all participants of corporate governance;
- The safeguarding of stock ownership rights and the possibility of an unrestricted and fast disposal of the stock owned by shareholders, as well as the provision of shareholder access to effective protection in the event of any breach of rights;
- The transparency of activities, disclosure of accurate information on significant facts and information about the Company's activities; providing required access to information, as well as maintaining a reasonable balance between the Company's transparency and the pursuit of its commercial interests;

- The Company's social responsibility, including adherence to quality standards, environmental regulations and creating the most progressive working conditions;
- The adherence to ethical norms preventing staff abuse of official positions, which could damage both the Company and third parties, including the illegal use of confidential and insider information.

Mosenergo's strategy to improve corporate governance includes systematic updating of the Company's internal regulations, development of the activities of the Company's Board of Directors, improving the quality of materials prepared for meetings of the Board of Directors, including the preliminary discussion of topics to be considered at meetings of the Board of Directors by committees, and through interaction between the company's departments and subdivisions with shareholder representatives.

Mosenergo's most important corporate governance objectives are:

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

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

9.3 General Meeting of Shareholders

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

The General Meeting of Shareholders of Mosenergo that was dedicated to the results of the Company's operations in 2016 was held on May 31, 2017. This meeting approved Mosenergo's Annual Report for 2016 and its financial statements, as well as distribution of the Company's profits of 2016. It was decided to pay dividends on ordinary shares of the Company for 2016 in the amount of 0.08482 rubles per one ordinary registered share of the Company in cash within the deadlines set by the applicable laws.

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

The meeting approved a new revision of the Mosenergo's Articles of Association, revised Regulations on the Mosenergo's General Meeting of Shareholders, Regulations on the Mosenergo's Board of Directors, Regulations on the Mosenergo's Board of Internal Auditors. Also, resolutions were adopted regarding approval of transactions in which the Company is concerned.

9.4 Board of Directors

Members of the Board of Directors of Mosenergo as on December 31, 2016:

Andrey Yurievich **Berezin**

Aleksander Sergeevich **Ivannikov**

Kirill Gennadyevich **Seleznev**
(Chairman)

Aleksander Aleksandrovich **Butko**

Pavel Anatolyevich **Livinskiy**

Denis Vladimirovich **Fedorov**

Anatoly Anatolyevich **Gavrilenko**

Elena Vladimirovna **Mikhaylova**

Pavel Olegovich **Shatsky**

Maksim Fyodorovich **Gaman**

Valery Gennadyevich **Pyatnitsev**

Valery Aleskandrovich **Golubev**

Mosenergo Annual General Meeting of Shareholders was held on May 31, 2017, at which the Company's new Board of Directors was elected. The new composition of the Mosenergo's Board of Directors includes:

Andrey Yurievich Berezin	Pavel Anatolyevich Livinskiy	Kirill Gennadyevich Seleznev (Chairman)
Aleksander Aleksandrovich Butko	Irina Vasilyevna Mironova	Denis Vladimirovich Fedorov
Anatoly Anatolyevich Gavrilenko	Elena Vladimirovna Mikhaylova	Pavel Olegovich Shatsky
Valery Aleskandrovich Golubev	Vladimir Igorevich Pogrebenko	
Aleksander Sergeevich Ivannikov	Valery Gennadyevich Pyatnitsev	

According to the results of voting at the Annual General Meeting of Shareholders, powers of the following members of the Board of Directors were terminated: M.F. Gaman, A.V. Ryumin. These members were replaced by I.V. Mironova and V.I. Pogrebenko

The Mosenergo's Board of Directors met 16 times in 2017. The most important topics considered by the Board of Directors included the following:

- Approval of Mosenergo 2017 Business Plan;
- Determination of the procurement policy, including approval of the annual integrated procurement program for 2017 (Phase 2);
- Approval of the 2017 Insurance Program;
- Convening and preparing the Company's Annual Meeting of Shareholders on 2016 results;
- Approval of the general structure of the Company's executive body;
- Approval of members of the committees of the Company's Board of Directors;
- Definition of the status of members of the Company's Board of Directors;

- Determination of the remuneration to the auditor and approval of terms of agreement concluded with the latter;
- Approval of the new revision of the Regulation on the Dividend Policy;
- Determination of the Company's credit policy;
- Approval of the reports of Gazprom Energoholding LLCs on the provision of services under the agreement of transfer of authorities of the sole executive body of Mosenergo;
- Consent to making transactions in which the Company is concerned;
- Approval of transactions regarding the Company's estate property.

In 2017, the most important agenda topics for which the Company's Board of Directors was responsible, were examined preliminarily by the Board of Directors' Committees. The Company's current Committees are the Audit Committee, the Strategy and Investment Committee, the Human Resources and Remuneration Committee and the Reliability Committee.

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

- Consideration of the accounting statements of Mosenergo for 2016 and the opinion provided by the Company's Auditor;
- Consideration of the candidacy of the Auditor of Mosenergo for 2017;
- Approval of the Mosenergo Business Plan for 2017;
- Approval of and reports on the business plan performance and the Company's KPIs;
- Approval of the plan of the Company's Internal Audit Management operation for 2017;
- Adjustment of the Investment Program of Mosenergo and other important Company matters.

9.4.1 Members of the Board of Directors¹¹

KIRILL GENNADYEVICH SELEZNEV	ANDREY YURIEVICH BEREZIN	ALEKSANDER ALEKSANDROVICH BUTKO	ANATOLY ANATOLYEVICH GAVRILENKO
Board of Directors Chairman	Member of the Board of Directors	Member of the Board of Directors	Independent Member of the Board of Directors
Year of Birth: 1974	Year of Birth: 1982	Year of Birth: 1964	Year of Birth: 1972
Education: higher	Education: higher	Education: higher	Education: higher
Positions held for the last 5 years and at present: 2013 – present: Gazprom PJSC, Head of the Marketing Division, Gas and Liquid Hydrocarbons Processing, Head of the Department. 2013 – present: Gazprom Mezhhregiongaz LLC, General Director (part-time). <i>Interest in the issuer's authorized capital:</i> none <i>Issuer's ordinary shares held:</i> none	Positions held for the last 5 years and at present: 2013 – present: Department of Property of Moscow, Head of the Department of Corporate Relations and Financial Assets, Deputy Head of the Department. <i>Interest in the issuer's authorized capital:</i> none <i>Issuer's ordinary shares held:</i> none	Positions held for the last 5 years and at present: 2013 – 2014: Mezhhregionergostroy OJSC, Director General. 2013 – 2015: Mezhhregionergostroy LLC, Director General. 2014 – 2015: CEI LLC, Director General. 2015 – present: Mosenergo, Managing Director. <i>Interest in the issuer's authorized capital:</i> none <i>Issuer's ordinary shares held:</i> none	Positions held for the last 5 years and at present: 2013 – present: Lider ZAO (pension-fund asset management company), Director General. <i>Interest in the issuer's authorized capital:</i> none <i>Issuer's ordinary shares held:</i> none

¹¹ Elected by the General Meeting of Shareholders on May 31, 2017

**VALERY
ALEKSANDROVICH
GOLUBEV**

Member of the Board
of Directors

Year of Birth: 1952

Education: higher

Positions held for the last
5 years and at present:

2013 – present: Gazprom
PJSC, Deputy Chairman
of the Management Board.

Interest in the issuer's
authorized capital:

none

Issuer's ordinary shares held:

none

**ALEKSANDER
SERGEEVICH
IVANNIKOV**

Independent Member
of the Board of Directors

Year of Birth: 1966

Education: higher

Positions held for the last
5 years and at present:

2013 – present: Gazprom
PJSC, First Deputy Head of
the Finance and Economics
Department, Head of
Department 816.

Interest in the issuer's
authorized capital:

none

Issuer's ordinary shares held:

none

**PAVEL
ANATOLYEVICH
LIVINSKY**

Member of the Board
of Directors

Year of Birth: 1980

Education: higher

Positions held for the last
5 years and at present:

2013 – 2013: Integrated
Power Company JSC (OEK),
Director General.

2013 – 2017: Department of
Fuel and Energy of the City
of Moscow, Director.

2017 – 2017: Department
of Housing, Utilities and
Amenities of Moscow,
Director.

2017 – present: Rosseti
PJSC, Director General,
Chairman of the
Management Board.

Interest in the issuer's
authorized capital:

none

Issuer's ordinary shares held:

none

**IRINA
VASILYEVNA
MIRONOVA**

Member of the Board
of Directors

Year of Birth: 1963

Education: higher

Positions held for the last
5 years and at present:

2013 – present:
Department of Property
of Moscow, Deputy Head
of the Department of
Corporate Relations and
Financial Assets.

Interest in the issuer's
authorized capital:

none

Issuer's ordinary shares held:

none

**ELENA
VLADIMIROVNA
MIKHAYLOVA**

Member of the Board
of Directors

Year of Birth: 1977

Education: higher

Positions held for the last
5 years and at present:

2013 – present: Gazprom
PJSC, Member of the
Management Board,
Head of the Department
of Property Management
and Corporate Relations,
Head of the Department.

2013 – present: Gazprom
Mezhregiongaz LLC,
Deputy Director General
of Corporate and Property
Relations (part-time).

Interest in the issuer's
authorized capital:

none

Issuer's ordinary shares held:

none

**VLADIMIR
IGOREVICH
POGREBENKO**

Independent Member
of the Board of Directors

Year of Birth: 1978

Education: higher

Positions held for the last
5 years and at present:

2013 – 2014: Department
of Property of Moscow,
Deputy Head of the
Department.

2014 – 2015: VDNKh LLC,
Director General.

Interest in the issuer's
authorized capital:

none

Issuer's ordinary shares held:

none

**VALERY
GENNADYVICH
PYATNITSEV**

Independent Member
of the Board of Directors

Year of Birth: 1976

Education: higher

Positions held for the last
5 years and at present:

2013 – 2014: BK REGION
LLC, Head of the
Department of Stock
Market Operations
(part-time).

2013 – 2016: IK REGION JSC,
Head of the Department
of Strategic Investments.

2017 – present: FINAM JSC,
Strategy Director.

Interest in the issuer's
authorized capital:

none

Issuer's ordinary shares held:

none

DENIS VLADIMIROVICH FEDOROV

Member of the Board
of Directors

Year of Birth: 1978

Education: higher

Positions held for the last
5 years and at present:

2013 – present: Gazprom PJSC, Head of the Board of Electric Energy Sector Development and Marketing, Head of the Board.

2013 – present: Gazprom Energoholding LLC, Director General.

2013 – present: Centerenergoholding PJSC, Director General.

Interest in the issuer's
authorized capital,
%: **0.001075**

Issuer's ordinary shares held,
%: **0.001075**

PAVEL OLEGOVICH SHATSKY

Member of the Board
of Directors

Year of Birth: 1972

Education: higher

Positions held for the last
5 years and at present:

2013 – present: Gazprom Energoholding LLC, First Deputy Director General

Interest in the issuer's
authorized capital,
%: **0.001132**

Issuer's ordinary shares held,
%: **0.001132**

A transaction on purchasing
ordinary uncertified
shares of Mosenergo
(450,000 shares) executed
by the member of the Board
of Directors on April 18, 2017.

By the Resolution of the
Mosenergo Board of Directors
dd. September 30, 2016,
Mosenergo Corporate Secretary
is elected.

ALEXEY MIKHAYLOVICH GUSEV

Mosenergo Corporate
Secretary

Year of Birth: 1980

Education: higher

Positions held for the last
5 years and at present:

2013 – present: Gazprom Energoholding LLC, Deputy Head of the Division, Head of the Division of Corporate Relations and Control — Corporate Secretary, Deputy Head of the Corporate Relations Board, Head of the Corporate Activities Board, Deputy Director for Corporate and Property Matters — Head of the Board.

Interest in the issuer's
authorized capital:
none

Issuer's ordinary shares held:
none

9.4.2 Committees of the Board of Directors

9.4.2.1 Audit Committee

Members of the Audit Committee approved by the decision of the Board of Directors on June 22, 2017:

Chairman of the Committee: Members of the Committee:

VALERY GENNADYEVICH PYATNITSEV: Independent Member of the Board of Directors of Mosenergo, FINAM JSC Strategy Director;

ANATOLY ANATOLYEVICH GAVRILENKO: Independent Member of the Board of Directors of Mosenergo, Lider ZAO (pension-fund asset management company) Director General;

ALEKSANDER SERGEEVICH IVANNIKOV: Independent Member of the Board of Directors of Mosenergo, Gazprom PJSC Head of the Department;

VLADIMIR IGOREVICH POGREBENKO: Independent Member of the Board of Directors of Mosenergo.

Members of the
Committee until
June 22, 2017:

Chairman of the Committee:
A.S. IVANNIKOV

Members of the Committee:
V.G. PYATNITSEV, A.V. RYUMIN

9.4.2.2 Strategy and Investment Committee

Members of the Committee approved by the Board of Directors of Mosenergo on June 22, 2017:

Chairman of the Committee: Members of the Committee:

VALERY ALEKSANDROVICH GOLUBEV: a member of the Board of Directors of Mosenergo, Gazprom PJSC Deputy Chairman of the Board.

ELENA VIKTOROVNA ANDREEVA: Deputy Managing Director, Mosenergo Sales Director;

ANDREY YURIEVICH BEREZIN: a member of the Board of Directors of Mosenergo, Deputy Head of the Department of Property of Moscow;

ALEKSANDER ALEKSANDROVICH BUTKO: a member of the Board of Directors of Mosenergo, Mosenergo Managing Director;

VALENTIN BORISOVICH GRYAZNOV: Gazprom PJSC Head of Department's Advisor;

YURY EFIMOVICH DOLIN: Gazprom Energoholding LLC Deputy Director General for Capital Construction;

ELENA PAVLOVNA EGOROVA: Deputy Managing Director, Mosenergo Director for Efficiency and Control;

ANNA ALEKSANDROVNA EFIMOVA: Deputy Managing Director, Mosenergo Director for Legal Matters;

EVGENY NIKOLAEVICH ZEMLYANOV: Gazprom Energoholding LLC Deputy Director General for Economics and Finance;

IRINA YURIEVNA KOROBKINA: Gazprom PJSC Deputy Head of Board;

VLADIMIR IGOREVICH POGREBENKO: Independent Member of the Board of Directors of Mosenergo;

VALERY GENNADYEVICH PYATNITSEV: Independent Member of the Board of Directors of Mosenergo, FINAM JSC Strategy Director;

DENIS VLADIMIROVICH FEDOROV: a member of the Board of Directors of Mosenergo, Gazprom PJSC Head of the Board; Gazprom Energoholding LLC Director General;

PAVEL OLEGOVICH SHATSKY: a member of the Board of Directors of Mosenergo, Gazprom Energoholding LLC First Deputy Director General.

Members of the
Committee until
June 22, 2017:

Chairman of the Committee:
V.A. GOLUBEV

Members of the Committee:
E.V. ANDREEVA, A.YU. BEREZIN, A.A. BUTKO,
V.B. GRYAZNOV, YU.E. DOLIN, E.P. EGOROVA,
A.A. EFIMOVA, E.N. ZEMLYANOV, I.YU.
KOROBKINA, V.G. PYATNITSEV, A.V. RYUMIN,
D.V. FEDOROV, P.O. SHATSKY

9.4.2.3 HR and Remuneration Committee

Members of the Committee approved by the Board of Directors on June 22, 2017:

Chairman of the Committee: Members of the Committee:

PAVEL OLEGOVICH SHATSKY:

a member of the Board of Directors of Mosenergo, Gazprom Energoholding LLC First Deputy Director General.

ANATOLY ANATOLYEVICH GAVRILENKO:

Independent Member of the Board of Directors of Mosenergo, Lider ZAO (pension-fund asset management company) Director General;

VALERY GENNADYEVICH PYATNITSEV:

Independent Member of the Board of Directors of Mosenergo, FINAM JSC Strategy Director.

Members of the Committee until June 22, 2017:

Chairman of the Committee:
A.A. GAVRILENKO

Members of the Committee:
V.G. PYATNITSEV, A.V. RYUMIN

9.4.2.4 Reliability Committee

Members of the Committee approved by the Board of Directors on June 22, 2017:

Chairman of the Committee: Members of the Committee:

MIKHAIL VLADIMIROVICH FEDORV:

Gazprom Energoholding LLC Operations Director.

SERGEY NIKOLAEVICH LENYOV:

Deputy Managing Director, Mosenergo Chief Engineer;

SERGEY FARITOVICH MUKHAMETOV:

Deputy Head of the Technical Department; Gazprom Energoholding LLC Head of the Operations Department;

ROMAN VIKTOROVICH LITVINOV:

Gazprom PJSC Deputy Head of the Division;

MIKHAIL VLADIMIROVICH SOROKIN:

Gazprom PJSC Head of the Division.

KONSTANTIN VLADIMIROVICH MOSKVIN:

Deputy Chief Engineer, Mosenergo Head of the Equipment Operation Department;

The Resolution of the Mosenergo Board of Directors dd. July 31, 2017 determined the number of members of the Reliability Committee of the Board of Directors — 8 members. Vsevolod Georgievich Pleshivtsev, First Deputy of the Department of Housing, Utilities and Amenities of Moscow, was additionally elected to the Reliability Committee.

Members of the Committee until June 22, 2017:

Chairman of the Committee:
M.V. FEDOROV

Members of the Committee:
S.N. LENYOV, R.V. LITVINOV, K.V. MOSKVIN,
S.F. MUKHAMETOV, S.A. PETELIN,
M.V. SOROKIN

9.5 Executive Bodies

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

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

Gazprom Energoholding LLC holding in Mosenergo's authorized capital totals 53.5%.

Mosenergo's ordinary shares held by Gazprom Energoholding LLC total 53.5%.

9.6 Board of Internal Auditors

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

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

The Board of Internal Auditors carried out a documentary inspection (audit) of the Mosenergo's financial and business activities in 2017. Based on the findings of this audit, the Board of Internal Auditors confirmed the reliability of data and information contained in the Company's reports and other financial documents for 2017.

[New members of the Board of Internal Auditors were elected on May 31, 2017 by the Annual General Meeting of Shareholders of Mosenergo:](#)

MIKHAIL VALERIEVICH KLENIN: Head of the Department of Property of Moscow Department;

MARGARITA IVANOVNA MIRONOVA: First Deputy Head of the Department, Gazprom PJSC Head of the Department;

ANATOLY ANATOLYEVICH KOTLYAR: Gazprom PJSC Head of the Department;

MARAT KHASANOVICH SALEKHOV: Gazprom PJSC Head of the Department.

YURY ANDREEVICH LINOVITSKY: Gazprom Energoholding LLC Head of the Internal Audit Department of the Gazprom Personal LLC internal audit project;

9.7 Remuneration

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

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

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

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

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

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

The total amount of remuneration to the members of the Board of Directors for 2017 totaled 58,691,850.59 rubles, including: bonuses for participation in the executive body operation (37,282,760 rubles), salaries (21,365,524.69 rubles), other remuneration (43,565.9 rubles).

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

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

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

The amount of remuneration to the managing organization is determined by the agreement for the transfer of powers of the Company's sole executive body to the managing organization and totaled 42,775,000.00 rubles (VAT included) for the period of January 1 — March 31, and 43,588,726.50 rubles (VAT included) for the period of April 1 — December 31. Actual remuneration to the managing organization in 2017 totaled 172,727,453.00 rubles (VAT included).





section

10

**RISK
MANAGEMENT**

Mosenergo strives to be aware of all risks related to the Company's activities and to carry out timely responsive measures.

Objectives, tasks and principles of the risk management system of the Company are stated in the Mosenergo's Risk Management Policy and Regulation on the Internal Control System.

The Company's activities are subject to various risks that may affect Mosenergo's financial performance. Efficient risk management is the integral part of operation of the Company's divisions within the framework of their primary functions.

10.1 Industry Risks

Mosenergo's key activities are generation and sales of electricity, heat, and capacity.

Key electricity-related risks are state regulations when setting prices for heat and electricity, dependence

of the net heat supply on the ambient air temperature and depreciation of basic assets.

10.1.1 Risks Related to State Regulation of Heat and Electricity Tariffs

Risk related to state tariff regulation stems from artificial or directed tariff decrease, or approval of tariffs not capable to cover the Company's costs.

Mosenergo is constantly cooperating with the FAS of Russia, Department of Economic Policy and Development of Moscow, and the Committee for Prices and Tariffs of the Moscow Region, in order to approve the economically-sound tariff levels.

The Company implements programs on enhancing operating performance, aimed at reducing operating costs and saving fuel.

10.1.2 Risks Related to Annual or Seasonal Fluctuation of Demand for Heat

The risk is due to the seasonal character of demand for heat; net heat supply depends on the ambient air temperature.

In order to mitigate the weight of this risk, the Company carries out the following activities:

- Optimizing load and composition of the generating equipment of power plants by means of distributing heat loads between sources;
- Planning the maintenance program with due account for seasonal character of demand for heat;
- Enhancement of source efficiency by virtue of shifting boiler station loads to the Company's generators.

10.1.3 Risks Related to Possible Fluctuation of Prices of Energy Carriers and Supply Costs

Supply of natural gas, the key fuel, is conducted based on the long-term agreement concluded with Gazprom Mezhrefiongaz Moscow LLC. For the purpose of optimizing fuel supply, Mosenergo entered into the long-term agreement with NOVATEK Moscow Region LLC. The agreements prescribe strict order for daily and monthly gas selection. Backup fuel (reduced fuel oil) supply is conducted

according to the framework agreement between the Company and Gazprom Neft PJSC (generating and supplying company).

The share of fuel in the cost structure amounts to more than 50%, so a significant shift toward higher price of energy carriers may lead to decline of the Company's financial and economic performance.

Mosenergo carries out the following activities on managing this risk:

- Increasing accuracy of planning key fuel consumption;
- Optimizing backup fuel reserves.

10.1.4 Risk Related to Introduction of a Specific Price Formation Order on the Wholesale Electricity Market

In order to prevent significant growth of electricity tariff for end consumers, authorized organizations constantly monitor prices on the wholesale market. In case of exceeding the prescribed growth pace, a specific price formation order may be

introduced on the wholesale market, which may lead to decline in the Company's revenue.

To manage this risk, Mosenergo carries out a set of actions aimed at increasing efficiency of operating

on the wholesale electricity and capacity market; the Company's representatives are involved in developing and discussing adjustments in wholesale market regulations, hosted by the Association "NP of Market Council".

10.1.5 Risk Related to Competition Escalation after Recession of Transmission Constraints

Recession of transmission constraints in the Moscow Region due to deployment of new power transmission lines and substations may lead to competition escalation on the wholesale market, and therefore, to partial substitution of the Company's generation output.

In order to manage this risk, Mosenergo takes outdate and inefficient equipment of operation, thereby enhancing cost-efficiency of electricity and capacity generation and increasing operating reliability.

10.1.6 Operating Risks

Mosenergo defines the following key operating risks:

- Risks of technological accidents and emergency situations;
- Risks related to rise of prices of equipment and other resources.

The Company analyzes potential risk-related situations when implementing the operating program. Insurance is the major measure aimed at mitigating and compensating the damage. The following types of insurance are supported: property insurance, insurance of hazardous facilities, transport insurance, civil responsibility insurance, accident and sickness insurance, health insurance.

Also, the Company develops and regularly tests plans on continuity of operations and conducts corresponding trainings.

Mosenergo ensures protection against operating risks through reserving fuel, spare parts, materials, and through carrying out activities on enhancing the energy system reliability.

At the Company's power plants, there is a risk of equipment outage due to incorrect staff actions both in normal and emergency modes. Mosenergo staff development is conducted at the specialized training centers and thermal power stations.

Risks related to deployment of new equipment can be mitigated by purchasing equipment from reliable manufactures that proved performance of equipment in tests and during the testing period.

Risks related to lack of high-competence staff are mitigated through retention of specialists at the Company's subsidiaries by means of incentives, career perspectives, and social protection.

10.1.7 Risks Related to Industrial Accidents

These risks are due to possible safety rules violation, negligence during work, and negative industrial impact; all these factors can lead to accidents or professional diseases.

The Company mitigates hazardous and negative-impact industrial factors, ensures compliance with mandatory occupational and fire safety rules, and abidance by local safety regulations.

10.2 Financial Risks

In 2017, the Company prioritized management of the following financial risks.

10.2.1 Inflation Risk

This risk may take place in case monetary incomes devalue (from the point of money's real purchasing power) faster than grow nominally. Inflation growth affects the Company's financial performance. It may lead to increase of the Company's costs (due to rise in prices of energy resources and physical assets) and then lead to lower profits and ROI of activities.

The following risks bear negative affect of inflation on the Company's performance:

- Losses related to depreciation of real value of the receivables in case of a significant delay of payment;
- Rise in interest payable;

- Rise in prime cost of goods, output, work, services due to increase in prices of energy carriers, transportation costs, salaries, etc.

In order to mitigate the influence of this risk, the Company was carrying out activities on approving economically-sound tariffs within state restrictions, and took measures on reducing in-house costs during the reporting period.

10.2.2 Risk Related to Fluctuation in Interest Rates

The Company is subject to the risk of fluctuation in interest rates due to raising debt capital to fund investment projects and for in-house expenditures, due to time gaps

between energy supply and payments made by counteragents. The Company responds to this risk by borrowing funds at interest rates that could not be changed on a unilateral basis.

It should be noted that Mosenergo raised no debt funds within the reporting period.

10.2.3 Risk Related to Fluctuation in Currency Rates

Over the reporting period, the Company was subject to this risk due to the Company's foreign-currency liabilities.

In order to manage this risk, the Company carries out the following activities:

- Regular evaluation and monitoring of the currency risk;

- Planning cash flows in order to minimize need in fund raising.

10.2.4 Credit Risk

The Company interacts with numerous counteragents. However, their financial stability and capacity to meet obligations may decline over the course of time, and this may have negative impact on Mosenergo's cash flow.

To manage the credit risk, the Company regularly analyzes counteragents' paying capacity and financial stability, monitors receivables, and carries out activities aimed at reducing the amount of receivables.

10.2.5 Liquidity Risk

The Company is subject to the risk of non-performance or untimely performance of obligations, or insufficiency of funds in the required currency, due to currency or credit risk.

To minimize this risk, Mosenergo monitors correlation between currency, interest, and credit risk, and maintains the required liquidity level.

10.3 Legal Risks

Mosenergo is subject to legal risks due to possible changes to legislation within the agreement terms or documenting with no regard to the effective laws. The

Company manages this risk through monitoring and timely responding to legislative amendments, develops standard forms of documents, exercises legal audit of the Company's

documentation, and monitors changes in judicial and administrative procedures related to Mosenergo's activities.

The Company prioritizes the following legal risk:

10.3.1 Risk Related to Changes to Legislation

The Management is convinced that the Company is fully compliant with the tax legislation when conducting activities. Nevertheless, there is a potential risk of dissent with regulating authorities regardign issues that are subject to ambiguity. Russian tax legislation is subject to quite frequent changes, sometimes contains nebulosities, while judicial procedure and explanations of regulation authorities often clash with each other. In this regard, tax risks take place, related to:

- Changes to tax legislation, which concern rise in tax rates;
- New taxes;
- Wrong calculation and payment of taxes due to ambiguous interpretation of laws subject to such ambiguity;
- Contradictual precedents regarding ambiguity in tax calculation and payment.

To minimize tax risks, the Company regularly monitors changes to tax legislation and juridical and administrative procedures, in order to maintain compliance of the used tax calculation method with the effective legislation, evaluates planned transactions at the level of mitigating tax risks, carries out activities on advanced training of staff involved in tax calculation and payment.



section



SUSTAINABLE DEVELOPMENT

Social welfare expenditures

227.7
million rubles

Occupational Health and Safety Expenditure

657.7
million rubles

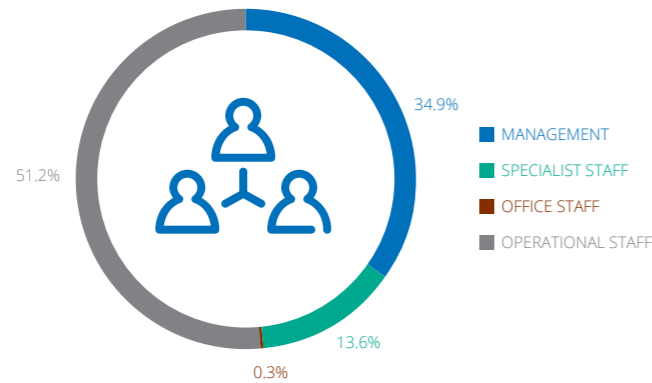
Environmental Protection Expenditure

102.2
million rubles

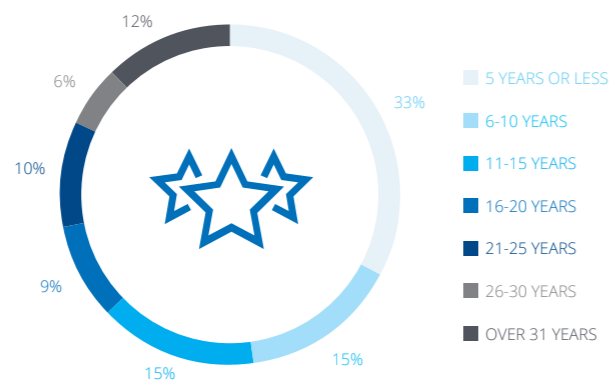
11.1 Headcount and Structure of the Staff

As of December 31, 2017, Mosenergo's headcount totaled 7,908 people.

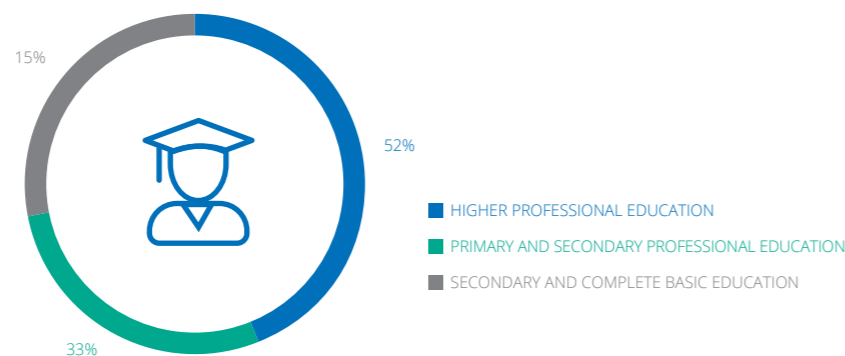
Mosenergo staff breakdown as on December 31, 2017



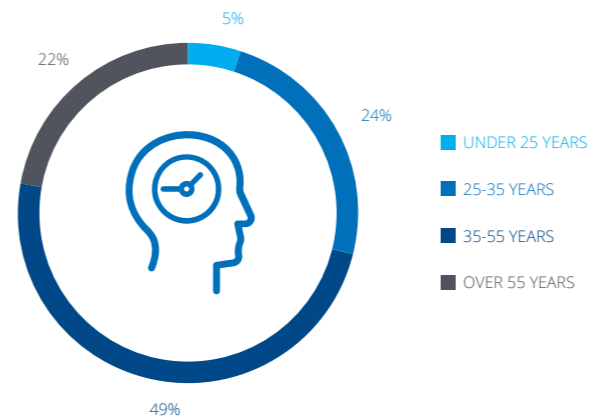
Length of service as on December 31, 2017



Educational level of the Mosenergo staff as on December 31, 2017



Staff profile by age as on December 31, 2017



11.2 Corporate Culture

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

Regular provision of information about the most important events of Mosenergo is supported through the main channels of communication such as the corporate newspaper "Mosenergo Vesti", the intranet portal, mass mailing, and corporate information booths.

For feedback from the staff, the following are used: a 24/7 telephone hotline for employees and a dedicated email address: vopros@mosenergo.ru. Directors of all Mosenergo's subsidiaries and affiliates regularly hold briefings.

The Staff Satisfaction Survey was conducted in 2017 and involved 2,491 employees. According to the survey results, measures aimed at improving the staff satisfaction level were developed for all subsidiaries.

Within the framework of increasing the involvement of young specialists of Mosenergo, their quick and effective adaptation, identification and most effective use of their creative and productive potential, the Council of Young Specialists was established, which is engaged in the following activities:

- Mass cultural events;
- Technical ideas and rationalization proposals
- Social events;
- Sports events.

In 2017, the Council of Young Specialists held more than 10 events with various focus, including the flashmob dedicated to Mosenergo's 130th Anniversary.

In 2017, the branches of Mosenergo continued the quarterly "The Best Employee" contest. The best employee is an employee of the company who showed the most significant and outstanding achievements that have affected the company's results. The list of the winners and the essays about the most outstanding winners are published in the corporate newspaper.

Staff Turnover

In 2017, staff turnover totaled 6.42%. During this period:

- 787 people were hired,
- 1,014 employees were dismissed, including 508 by their own volition, 70 by mutual agreement, 25 due to staff reduction measures or reduction in the number of the Company's employees, 411 for other reasons.

In May 2017, celebrations were held for the participants of the Great Patriotic War. Employees of the Company and the Council of Young Specialists took an active part in the event and personally congratulated more than 120 veterans and homefront workers.

In 2017, the Company organized its traditional Sports Festivals between the branches for 10 sports: cross-country skiing, volleyball, track and field, indoor football, table tennis, swimming, shooting, streetball, football and chess. More than 400 employees of the Company took part in the Sports Festivals.

In 2017, the Order on the establishment of Veterans Council was issued. Veterans related to the power industry were invited to celebrations and awarded the Mosenergo's 130th Anniversary Medal.

11.3 Staff Training & Development

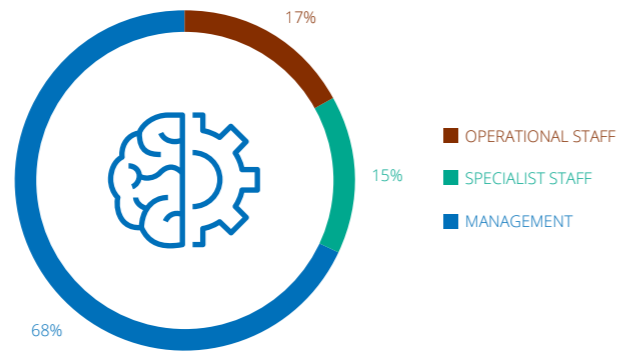
Mosenergo focuses heavily on the development of its staff, in accordance with business objectives and mandatory legislative requirements of the Russian Federation.

The comprehensive personnel development system has two key areas. First and foremost, it ensures matching the personnel's qualification for solving current tasks of the company. The other key area is personnel training for implementing the company's strategic plans, implying the development of skills and competences to be demanded in the future.

In 2017, in accordance with the established periodicity of training and current and future plans of training and professional development, 6,599 employees (1,155 operational

employees and 5,444 managers and specialists) took the off-job training and development courses.

2017 Mosenergo staff training



Operational employees, specialists, and managers of the Company undergo training at the Corporate Training Center, where target staff training programs on key majors were developed and implemented.

At the simulator-training section of the Training Center, Mosenergo's operational employees are trained. In 2017, 1,051 operational employees underwent regular training, including 53 employees who were trained for a new position.

984 employees underwent training at the Corporate Safety School (course "Energy of Safety") within the framework of the project "Culture of Safe Behavior of the Mosenergo's Staff".

The Company also provides remote learning, which includes mandatory remote training and courses aimed at developing personal and professional competences.

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

In June 2017, the TPP-25 team (winner of interstation competitions) took the second position in the First Open Championship of Cross-Braced TPP Personnel.

Within the context of developing cooperation with universities, Mosenergo interacts with MPEI National Research Institute in the following activities:

- Higher education of the Company's employees;
- Further education for the employees having no higher professional education;
- Bachelor-degree applied courses.

In 2017, 37 Mosenergo's employees underwent learning and further training at MPEI. Within the cooperation, the Bachelor-degree applied course "Heat Energy and Engineering" was developed jointly with MPEI; 19 students are being studied. The key feature of this program is extended practice conducted at the plant where a student will work further.

136 students underwent on-the-job training in 2017 (including 30 students that were appointed to positions).

The contest "My Idea: My Career" was held, in which 60 employees took part, 14 projects were approved for implementing, and 6 projects were submitted to the Competition of Young Specialists and Innovators of the State Economic Commission, two of which won the first and second positions in the technical category. 16 winners of the contest "My Idea: My Career" were awarded the excursion to power plants in Germany.

To form and develop the talent pool, 13 technical managers underwent training and internship, and passed exams within the framework of the School of Chief Engineer. According to the program results, 4 employees were promoted.

11.4 Motivation and Social Programs

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

On an annual basis, the regular review of salaries has been held in respect of 1,453 employees (18% of the headcount). In 2017, the Company-average salary grew by 5% against the previous year.

Social welfare of workers of the company is one of the tools for sustainable development and contributes to strengthening the reputation of Mosenergo as a

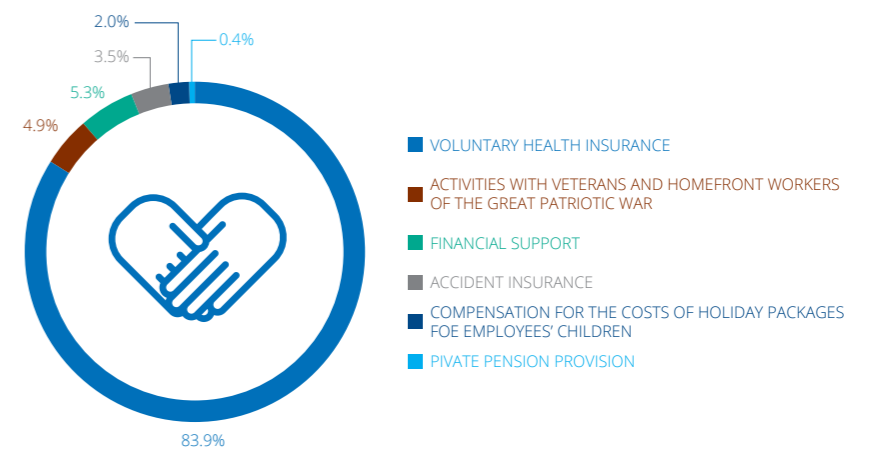
reliable and responsible employer and partner. Social payments are made under a collective bargaining agreement and local regulations in force at the company.

Social welfare expenditures for the Company's employees in 2017 totaled 227.7 million rubles.

Social welfare expenditures for the Company's employees in 2017 totaled

227.7
million rubles

Mosenergo social support structure



COMPENSATION FOR THE COSTS OF HOLIDAY PACKAGES FOR EMPLOYEES' CHILDREN.

In 2017, 168 Mosenergo's employees received compensation for holiday packages acquired for their children for going to a camp for rest, recreation, or education.

PRIVATE PENSION PROVISION.

The Company operates a private pension program for its employees, developed jointly with Gazfond Non-State Pension Fund. 55 employees were beneficiaries of this program in 2017.

NON-FINANCIAL MOTIVATION OF EMPLOYEES.

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

11.5 Occupational Health and Safety

The total amount of expenditure on various measures to improve occupational conditions, health and safety, and to prevent occupational sicknesses (across the Company) amounted to 657,740 thousand rubles in 2017 (more than 0.2% of the total production costs).

2017 Occupational Health and Safety Expenditure, thousand rubles

Cost Description	Amount, thousand rubles
Voluntary health insurance, milk provision	194,626
Special evaluation of workplaces, industrial control, occupational safety training	3,927
Operation of health centers, medical check-ups, seasonal vaccination	63,115
Provision of protective equipment (PPE, collective protective equipment, etc.), washing and repair of clothing,	145,237
Cleaning of premises and production area	250,834
TOTAL	657,739

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

The occupational health, safety and production auditing department has 28 staff members. One of the 15 occupational health and safety managers oversees each power

plant (branch facility). In addition, 5 independent inspectors have now been brought in to detect any potential occupational health and safety breaches at any of the facilities

that have been earmarked for major construction and building work, as well as to identify any employee demonstrating signs of alcohol intoxication, under civil-law contracts.

Status of mandatory preliminary, regular, and extraordinary medical check-ups (examinations)

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

mandatory, and the Procedure for the conduct of preliminary, regular and extraordinary medical checks (examination) of employees engaged in hard labor and work under adverse and(or) hazardous conditions".

Mandatory preliminary health checks are performed when new employees join the Company. Regular medical checks are carried out based on a named list of employees who are subject to regular checks

These lists are submitted to the local authorities of the Federal Service for Consumer Rights and Human Welfare Protection (Rospotrebnadzor). The Company has signed a medical checks agreement with SOGAZ-Medservice LLC.

As part of seasonal prevention and immunization against the influenza virus in 2017, the Company held a free vaccination session for the personnel of Mosenergo, which was attended by approximately 1,000 Company employees.

Special Assessment of Occupational Conditions

In accordance with Federal Law No. 426-FZ dated December 28, 2013

"On special assessment of working conditions", Mosenergo held a special

assessment of working conditions at 252 workplaces in 2017.

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

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

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

Company employees are provided with milk in accordance with Article 222 of the Russian Federation Labor Code and Russian Federation Ministry

for Health and Social Development Order N 45n dated February 16, 2009 "On the approval of terms and conditions for the free issue to staff working in hazardous conditions, of milk or other equivalent food items, or compensatory payments that are equal to the equivalent of the cost of milk or other food items of equal value, and a list of harmful workplace factors where the use of milk or other equivalent food items is recommended as a preventative measure."

In 2017, the supply and delivery of milk to Company branch facilities was centralized under a service agreement with APK Shatursky LLC.

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

In accordance with Article 223 of the Labor Code of the Russian Federation, each branch facility has fully equipped sanitary rooms (cloakrooms, changing rooms, shower cubicles, wash-rooms, lavatories, rooms for the storage and

handout of protective clothing), rest-rooms, medical aid facilities, and staff recreation rooms. All these facilities are cleaned and aired. Relevant occupancy space requirements are observed. The workplace facilities

are fully equipped with first-aid kits, water coolers and in hot workplace environments, water dispensing units have been installed.

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

The Company organizes workplace briefings (introductory, initial, secondary and unscheduled) in accordance with the requirements of the applicable laws of the Russian

Federation. Instructions and briefing programs have been compiled, approved, and updated on a regular basis; standard logbooks are kept for each briefing.

Industrial accident analysis.

In 2017, three accidents with employees of Mosenergo took place.

	2017
Fata; accidents or group accidents with a seriously injured person	0
Workplace incidents	3
K = $\frac{\text{Number of accidents} \times 1,000,000 \text{ hours}}{\text{headcount} \times \text{hours of work as per time sheet}}$	0.21

On March 29, 2017, an employee of TPP-26, when moving within the plant area, stumbled and injured her hand. According to the medical report, the injury was classified as minor.

On August 31, 2017, a member of the General Directorate, when moving along the passageway of the Gazprom Energodom business center, stumbled and injured her leg. According to the medical report, the injury was classified as minor.

In order to prevent such accidents in future, TPP-26 employees and members of the General Directorate underwent the unscheduled training on safety measures when moving along administrative, utility premises, and TPP area.

On December 8, 2017, an employee of TPP-16, when moving along the pedestrian lane within the territory of the subsidiary plant nearby the salt well, stumbled and injured her left

hand. According to the investigation, Mosenergo Committee has found that the reason was poor quality of road treatment with anti-icing chemicals. The officials that committed such violation, were brought to disciplinary responsibility. In order to prevent such accidents in future, subsidiary chiefs were instructed on the necessity in enhancing control over the quality of anti-icing treatment of plant territory; the Company's staff underwent an unscheduled training.

Investigation procedure for workplace accidents (procedure and timeframe)

Investigation of workplace accidents at Mosenergo is conducted in accordance with the requirements of Articles 227–231 of the Labor Code of the Russian Federation and Decree of

the Ministry of Labor of the Russian Federation No. 73 dated October 24, 2002 "On approval of document forms required for the investigation and record of industrial accidents,

and approval of Regulations on specific features of industrial accident investigation in individual industries and organizations."

Occupational health and safety supervision

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

In 2016, more than 60 occupational safety audits were conducted at subdivisions of subsidiaries and at the Company's General Directorate.

In the framework of cooperation with the holding's subdivisions, cross-audits were conducted on labor protection at MOEK PJSC (Subsidiary No. 5) and TGK-1 PJSC (Nevsky and Tsentralnaya TPP).

Measures implemented to oversee compliance with health and safety requirements amongst contractors working at Mosenergo facilities discovered and remedied more than 7,000 violations; according to the

Legal Department, fines for violations amounted to over 8 million rubles. Provision is made for an enhanced inspection of the areas of capital construction.

As part of the Company's system to identify, assess and eliminate any risks relating to occupational health and safety and fire safety, more than 76 thousand risks of infrastructure, of which more than 68 thousand were eliminated, had been revealed by the end of 2016. In 2017, more than 16 thousand risks were identified, and about 13 thousand were eliminated.

As part of the project on the development of a safe behavior culture which is directed at achievement of the strategic objective of "0 Injuries," the Company has developed and put into action a Proprietary Standard for Behavioral Security Audits (BSA). The methodology of the BSA was taught to more than 800 employees

of Mosenergo and the Company's contractors, including the heads of boiler units, the staff of the General Directorate and the representatives of the management team of TER-Moscow LLC. In 2017, the trained personnel conducted more than 15,000 behavioral audits, which resulted in identification and elimination of more than 23,000 dangerous conditions and dangerous actions of employees of branch facilities and contractors.

Informational posters about "The Golden Rules of Safe Behavior" and the methodology of behavioral safety audits were printed out and posted in all the subsidiary facilities of the Company and connected boilers stations.

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

11.6 Environmental Protection

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

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

Mosenergo's expenditure on environmental protection measures and initiatives in 2017 totaled 102.222 million rubles.

2017 Mosenergo's Environmental Protection Expenditure, thousand rubles ¹²

	2013	2014	2015	2016	2017
Non-capital environmental protection measures (prime cost)	46,978	46,808	71,350	42,574	32,015
Waste recycling (prime cost)	57,164	57,421	31,194	35,441	41,046
Investment activities, including environmental survey	57,527	123,922	178,500	104,608	29,161
TOTAL	161,669	228,151	281,044	182,623	102,222

Emissions by Mosenergo for the 12 months of 2017 generally decreased against the level of 2016 by 13.4% (by 6.502 thousand tons) and amounted to 42.122 thousand tons.

The dynamics of emissions by main ingredients:

- Nitrogen oxide emissions decreased by 11.6% or by 4.834 thousand tons and amounted to 36.668 thousand tons;
- Sulfur dioxide emissions decreased by 32.6% or by 1.568 thousand tons and amounted to 3.242 thousand tons;
- Emissions of solids decreased by 18.7% or by 0.175 thousand tons and amounted to 0.761 thousand tons

including:

- Fuel-oil ash emissions increased by 7.3 times (by 0.002 thousand tons) and amounted to 0.002 thousand tons;
- Coal ash emissions decreased by 20.7% (by 0.187 thousand tons) and amounted to 0.715 thousand tons.

Emissions of pollutants decreased due to a decreased in the amount of combusted coal and fuel oil. The decrease in fuel consumption led to lower emissions of nitrogen oxides which are formed during combustion of any fuel used at TPPs and boiler stations of Mosenergo. Decrease of the volume of combusted coal led to lower emissions of sulfur dioxide and coal ash. The increase in emissions of fuel-oil ash was due to higher fuel oil consumption.

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

The Central Laboratory for Environmental Protection at the Mosenergo Department for Ecology (certification accreditation No. ROOS RU.001.511836) took 486 measurements at the power plant boilers to determine the flue gas concentrations of nitric oxide, nitrogen dioxide and carbon dioxide and to monitor the temperature of the flue gases, as part of industrial environmental monitoring.

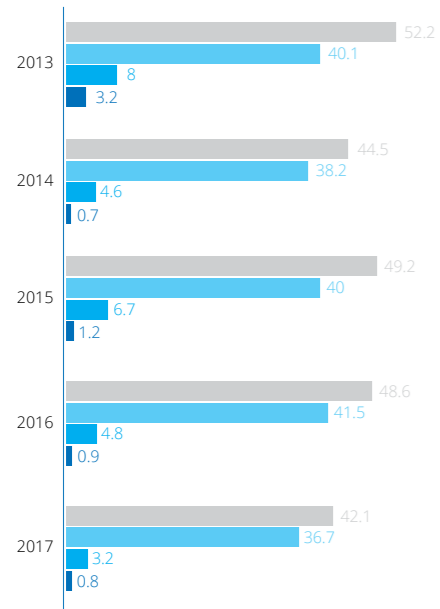
Throughout the year, the condition of the atmospheric air in residential areas near the TPP was also monitored. In 2017, 11,080 atmospheric air samples were taken in the immediate area near the TPP and analyzed for nitrogen oxide, carbon monoxide, sulfur dioxide and dust.

The contracting organization conducted industrial control over compliance with pollutant emission standards at boiler stations.

¹² Management accounting data

Mosenergo Pollutant Emissions, thousand tons

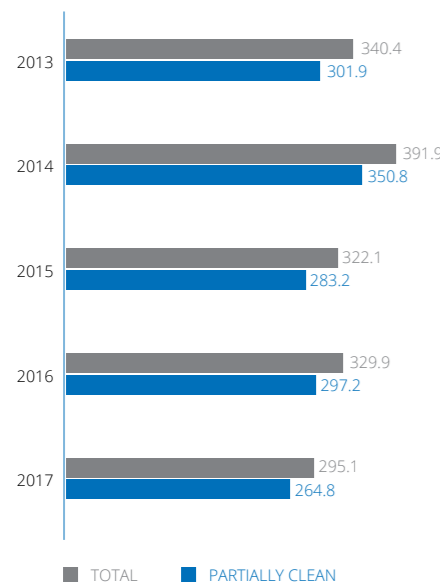
	2013	2014	2015	2016	2017
TOTAL	52.2	44.5	49.2	48.6	42.1
Nitrogen oxides	40.1	38.2	40	41.5	36.7
Sulfur dioxide	8	4.6	6.7	4.8	3.2
solids	3.2	0.7	1.2	0.9	0.8



- Actual emissions of greenhouse gases in 2017 amounted to 40.2 million tons. A decrease of greenhouse-gas emissions was due to lower fuel consumption and particularly because of conducting energy-saving activities. The value of reduction of emissions of greenhouse gases as a result of energy-saving activities in 2017 totaled 0.677 million tons of carbon dioxide.
- The total volume of waste water discharged into surface water bodies totaled 295.1 million cu. m, of which the volume of partially clean water totaled 264.8 million cu. m, the volume of partially treated water totaled 12.6 million cu. m. The value of reduction of waste water discharge totaled 34.8 million cu. m.; such a decrease was due to lower consumption of the freed water as a result of increase in hours of heat-extraction mode of equipment, and of water consumption rationalization activities.
- The total amount of waste decreased by 27.1 thousand tons and totaled 122.6 thousand tons. The reduction in waste formation was due to decrease in the amount of coal combusted.

Wastewater Discharge, million cu. m.

	2013	2014	2015	2016	2017
TOTAL	340.4	391.9	322.1	329.9	295.1
Partially clean	301.9	350.8	283.2	297.2	264.8



- Mosenergo is certified for compliance with the international standard ISO 14001 "Environmental Management Systems" since 2006. The Company follows the established environmental policy that is communicated to the Company's staff, new employees, and employees of contracting organizations.
- In 2017, Mosenergo transitioned to the new standard ISO 14001:2015, which prescribed additional requirements for the environmental management system.
- From November 27 to November 30, 2017, Mosenergo underwent a compliance audit of the Company's Environmental Management System with the standard ISO 14001:2015. The audit was conducted by the Certification Association "Russian Registrar" and took place at the environmental service of the general directorate and at Mosenergo's subsidiaries: TPP-8, 9, 26.
- The audit results proved the conformity with the new standard and effectiveness of the environmental management system. No non-conformances were found.
- The auditor noted high level of subsidiaries' preparation for the audit and fine results of the environmental service's activities on maintaining the environmental management system. A special emphasis was laid on the staff competence, realization of the Mosenergo's environmental policy, and staff role in preventing negative environmental impact.

Participation in Events Dedicated to the Year of Environment

By the Order of the President of the Russian Federation, 2017 was declared the Year of Environment in Russia.

In 2017, Mosenergo was involved in 32 events dedicated to the year of environment. These events were aimed at ensuring environmental safety and solving acute environmental management

issues. The events included: a meeting of the Committee of the Moscow Duma for the Environmental Policy, with the topic "Reduction of emissions of greenhouse gases and enhancing energy efficiency", a round-table conference "Acute Issues of Atmosphere Protection when Operating Power and Industrial Facilities", 5th All-Russian Environmental Protection Conference.

Mosenergo participated in the 5th International Conference "Environmental Safety in Gas Industry" with the report "Reduction of emissions of greenhouse gases and enhancing energy efficiency of Mosenergo".

Contest Winner

Mosenergo took part in the Climate Forum of Russian Cities that was held on August 21-22, 2017 in Moscow in the Central Exhibition Hall "Manezh".

The Climate Forum of Russian Cities was held within the framework of the agenda of the Year of Environment in Russia. Round-table conferences and meetings were dedicated to climatic changes, urbanization, alternative energy sources, territory development, and adaptation of citizens.

Mosenergo became the winner among best climatic and ecological initiatives within the project "Climatic Development Leader" established by the Department of Natural Resources Management and Environmental Protection of Moscow and held in August 2017 for the first time.

Mosenergo obtained winner certificates in two categories. In the category "Contribution to Climatic Development and Safety of the Region",

the Company's project "Complex Implementation of Combined-Cycle Technologies at Mosenergo's TPP" took the first position. Also, Mosenergo obtained the certification for contribution to development of the municipal system in the category "Russian Environment-Concerned Company of the Year" with the project "Implementing Mosenergo's Environmental Policy".

Other Events

Mosenergo acted as the host of events aimed at improving environmental awareness of employees and development of subsidiaries' territories. Social events were organized, namely: excursions to subsidiaries for students, an excursion to the TPP-12 for specialists of the Department of the Economic

Policy and Development of Moscow and Federal Antimonopoly Service. Mass media covered environmental activities of Mosenergo. The channel "TV Center" broadcasted a spot devoted to reduction of negative environmental impact by Mosenergo. The Head of the Health, Safety, and Environment Directorate was

interviewed on "Improvement of the Environmental Situation in Moscow Through Reduction of Emissions of Greenhouse Gases and Enhancing Energy Efficiency".

Clean-Up Events

In April 2017, Mosenergo's employees carried out traditional spring events on cleaning and development of the territory of industrial facilities in Moscow and the Moscow Region.

Clean-up events were held in all 15 Mosenergo's subsidiaries and involved more than 1,500 employees. During clean-up events, territories of facilities were significantly improved.





section

12

**ADDITIONAL
INFORMATION
AND APPENDICES**

12.1 Information Policy

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

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

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

Mosenergo's official website (mosenergo.ru) is the Company's key information resource. Since April 1, 2016, Mosenergo has moved to a new version of the official website in accordance with the uniform corporate identity of the PJSC Gazprom Group. This website provides full information about the Company's activities and allows Mosenergo to respond in a timely manner to inquiries submitted by shareholders, investors, government officials and the media.

The site displays quarterly and annual reports for shareholders, quarterly issuer's reports, financial statements compliant with RAS and IFRS standards and information that may have a significant impact on the value of securities. Mosenergo is also present on social media networks: since July 2011, Mosenergo has maintained a corporate page on Facebook: [facebook.com/pages/PAO-Mosenergo/122390031176582](https://www.facebook.com/pages/PAO-Mosenergo/122390031176582)

12.2 Mosenergo History

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

- Joint Stock Company of Electric Lighting was founded in 1886 by Carl Siemens, a Saint-Petersburg merchant of the First Guild who was the Head of the Siemens & Halske Representative Office. The Company was founded in Saint-Petersburg; however, at its very first Board of Directors' meeting, a proposal was made to prepare grounds for the Company's operations in Moscow.
- On July 31, 1887, the executive board of the "1886 Society" approved the Agreement to install electric lighting in the Postnikova Passage on Tverskaya Street in Moscow.
- At the end of 1888, the Company successfully completed the construction of the first centralised power plant, with electric power supplied by the Georgievskaya power plant.
- On November 28, 1897 the Company hosted a festive celebration for the opening of the Moscow Municipal Power Station (MMPS-1) Raushskaya (now SPP-1), and on February 15, 1907 the Company launched the second station – MMPS-2 Tramvaynaya.
- The next important stage of development for Moscow's electrical power grid was the decision to construct a large power plant fired with local fuel in the vicinity of Moscow. This decision was implemented by Robert Klasson, managing director of the Moscow Office of "1886 Company". The construction of the plant, which envisioned the use of a new type of fuel, was a major project involving the development of new technologies and the creation of the entire peat extraction industry.
- In 1912, the Company started building the world's first peat-fired district power plant in the Bogorodsk District. In April 1913, a new company, Moscow Joint Stock Company "Elektroperedacha", was founded to utilize the capacity generated by the new station. The plant itself began operations in 1914 and, in 1915, started to work in parallel with the Raushskaya station.
- Joint stock companies "Electric Lighting 1886 Company" and "Elektroperedacha" successfully operated until October 1917. After the October Revolution, the stations were nationalized and ceased operations under their previous ownership in December 1917.
- The management of state power stations was delegated to the Power Department of the Supreme Council of Public Property. At the same time, in December 1917, Ivan Radchenko and Alexander Vinter proposed further developments of the Moscow power industry. These proposals became the basis for the first State Plan for the Electrification of the whole country, GOELRO.
- In December 1920, the GOELRO plan was ratified by the eighth All-Russia Soviet Congress. According to the plan, the volume of capacity of the Moscow power system was intended to increase almost four-fold within 10 to 15 years. The installed capacity was to increase from 93 thousand to 340 thousand kW.
- Pursuant to the GOELRO plan, several stations were built in the Moscow Region, namely Kashirskaya TPP (now TPP-4), Shaturskaya TPP (now TPP-5), Krasnopresnenskaya TPP (now a subsidiary of TPP-12), TPP-6 and TPP-8. One of the key events in this period was the completion of Russia's first 110 kV voltage power line between Kashira and Moscow, as well as a two-circuit ring of power lines and transformers around Moscow with a voltage of 115 kV.
- In the 1930s, the workers of the Moscow power supply system, known until 1932 as MOGES (Unified Management of Power Plants of the Moscow Region), started operations to provide centralized district heating to the Soviet capital. In March 1931 the first heating mains from MMPS-1 was launched and a specialized enterprise for the maintenance and development of the Moscow district heating network was founded.
- The start of World War II put the development of the power system on hold. Part of the equipment was destroyed, some was redeployed and the total capacity of Mosenergo dropped twofold. Nevertheless, Moscow power engineers managed to maintain a continuous supply of power to the city's defense facilities; they constructed high-voltage obstacles to defend against enemy troops and assembled power-generating trains for the liberated regions of the country. The restoration of the power industry started immediately after the successful counter-offensive campaign of the Soviet Army in the winter of 1941-1942. As early as 1945, Mosenergo had already managed to achieve a pre-war level of installed capacity.
- In 1946, Mosenergo began to utilize a new type of fuel: SPP-1 started burning natural gas. In the same year, the Moscow power system was connected to the Ivanovo, Yaroslavl and Gorky power systems. In 1956, the first section of the Unified Power System in the European part of Russia was created with the introduction of high-voltage power lines from Kuibyshev to Moscow.
- Within the Unified Power System framework in 1960, the country brought into operation the first units of TPP-22, and for the first time in the USSR a 1,000 mm-diameter heat pipeline was installed at TPP-11. On October, 22 1963 Mosenergo launched TPP-21, shortly followed by TPP-23, TPP-25 and TPP-26.
- In the 1970s, Mosenergo successfully implemented 250-MW thermal power generating units with supercritical steam parameters. This kind of unit was first constructed at TPP-22 and became the base for other heat and power plants: TPP-21, 23, 25 and 26.
- The development of the district heating system remained a pending issue for Mosenergo, especially during the mass construction of residential apartments in the city when district heating pipelines with the length of 20-30 kilometers and pipeline diameters of 1,200-1,400 mm started to be laid from the new, powerful TPPs. At the same time, intensive grid development was in progress with the extensive construction of 750 kV power transmission lines. The total length of the high voltage power transmission lines increased dramatically. Two high-voltage 220 kV rings were completed around Moscow, soon followed by 500 kV rings.
- On December 30, 1987, Mosenergo brought the first hydroelectric generating set of the Zagorsk Pumpedstorage Hydro-Plant into operation – a unique power unit regulating peak loads in the grid system. In 1990, the Moscow Grid absorbed Ryazan TPP-24 and in 1992 it acquired TPP-28 in Moscow.
- In 1993, the production association, Mosenergo, was transformed into an open joint stock company.
- In 2005, Mosenergo developed and started the implementation of the Program for Development and Retrofitting, including the planning, construction and commissioning of new generating facilities on the sites of operational power plants in energy-deficient regions and heat and electricity demand nodes with developed infrastructure.
- On November 22, 2007, less than two years after the start of construction, TPP-27 launched a combined cycle steam-gas power unit with an electric power rating of 450 MW and heat output of 300 Gcal. In June 2008, a unit of the same type was put into operation at TPP-21, and in December of the same year the Company installed yet another 450-MW steam-gas power unit at TPP-27.

- On June 30, 2011, a new 420-MWe combined-cycle power unit was put into operation at TPP-26. This unit has the highest efficiency rate among Russian power plants – up to 59%. The general contractor in its construction were Alstom Consortium (France) and EMAlliance JSC.
- In April 2014, a GTU-65 unit with an AE64.3A Ansaldo Energia gas turbine (Italy) was commissioned at TPP-9; and in December 2014, a SGU-420 steam-gas unit was commissioned at TPP-16 (the manufacturer and the supplier of the basic equipment: Siemens (Germany)).
- A new steam and gas power unit (SGU-220) was commissioned at TPP-12 of Mosenergo on May 1, 2015. The core equipment of the new power unit was made in Russia. The nominal power of the unit: 220 MW, the certified power at cogeneration: 211.6 MW, heat power: no less than 140 Gcal / h. After the SGU-220 was commissioned, the installed power of TPP-12 rose by more than 50%.
- On May 20, 2015, the extraordinary general shareholder's meeting of Mosenergo OJSC decided to transfer powers of the company's sole executive body to the managing organization: Gazprom Energoholding LLC. This decision was made to improve the management efficiency, avoid duplication of functions, and cut administrative expenses and other costs.
- On December 22, 2015, two modern steam and gas power unit were commissioned at TPP-20 of Mosenergo in Moscow and the Serov SDPP of OGK-2 PJSC in the Sverdlovsk Region. President of the Russian Federation Vladimir Putin took part in the event through videoconference. The installed power of TPP-20 before the SGU-420 commissioning was 730 MW; heat power, 2,400 Gcal/h; after the unit was commissioned, the installed power increased to 1,148 MW, and the heat power, to 2,620 Gcal/h.
- In January 2017, Mosenergo acquired 100% share in the authorized capital of Mosenergo-proekt LLC, Russia's leading energy project institute, which had been belonging to the Company since 2010.
- On February 10, 2017, the first heating turbine T-295 (manufactured by the Ural turbine factory) was presented to Mosenergo. The turbine is to be installed at the TPP-22, replacing T-250 that had been operating as a part of the energy unit No.9 and taken out of operation in 2016. The modernized energy unit No.9 of the TPP-22 is to be commissioned in 2021.
- On December 22, 2017, the new Museum of Mosenergo and Moscow Power Industry was opened.

12.3 Financial statements according to IFRS¹³

Consolidated Statement of Financial Position (in millions of Russian Roubles)

	«31 December 2017»	«31 December 2016 (restated)»
ASSETS		
Current assets		
Cash and cash equivalents	20,627	10,097
Short-term financial assets	-	15,057
Trade and other receivables	51,630	45,016
Inventories	13,499	9,552
Income tax receivable	-	143
Other current assets	1,455	893
	87,211	80,758
Assets held for sale	43	445
Total current assets	87,254	81,203
Non-current assets		
Property, plant and equipment	215,994	222,659
Investment property	2,359	3,180
Goodwill	187	-
Other intangible assets	306	-
Investments in associates	314	669
Long-term financial assets	3,154	3,171
Trade and other receivables	12,582	17,507
Advances for assets under construction	3,804	1,012
Other non-current assets	8,893	9,258
Total non-current assets	247,593	257,456
Total assets	334,847	338,659
EQUITY AND LIABILITIES		
Current liabilities		
Short-term borrowings	14,561	21,453
Trade and other payables	8,674	11,164
Profit tax payable	64	3,985
Other taxes payable	2,775	3,351
Provisions	3,078	2,792
Total current liabilities	29,152	42,745
Non-current liabilities		
Long-term borrowings	9,027	21,549
Deferred tax liabilities	29,810	28,025
Employee benefits	352	368
Trade and other payables	154	539
Total non-current liabilities	39,343	50,481
Total liabilities	68,495	93,226
Equity		
Share capital	166,124	166,124
Treasury shares	(871)	(871)
Share premium	49,213	49,213
Revaluation reserve	107,206	107,442
Accumulated loss and other reserves	(55,320)	(76,475)
Total equity	266,352	245,433
Total equity and liabilities	334,847	338,659

Managing Director

Chief Accountant



A.A. Butko

E.Y. Novenkova

¹³ The full version of the financial statements can be found at www.mosenergo.ru

Consolidated Statement of Comprehensive Income (in millions of Russian Rubles)

	«Year ended 31 December»	
	2017	2016
Revenue	196,056	190,656
Operating expenses	(163,622)	(167,467)
Charge for impairment and other provisions, net	(3,224)	(7,553)
Operating profit	29,210	15,636
Gain on disposal of subsidiaries and associates	-	922
Share of loss of associates	(355)	(494)
Profit before finance income (expense) and profit tax	28,855	16,064
Finance income	5,271	8,312
Finance expense	(4,014)	(3,927)
Profit before profit tax	30,112	20,449
Profit tax expense	(5,310)	(7,011)
Profit for the period	24,802	13,438
Other comprehensive income (loss):		
Remeasurement of post-employment benefit obligations	8	2
Effect of acquisition under common control	(515)	2,335
"Total items that will not be reclassified subsequently to profit or loss"	(507)	2,337
Loss arising from change in fair value of available-for-sale financial assets	(16)	(3)
"Total items that may be reclassified subsequently to profit or loss"	(16)	(3)
Other comprehensive income (loss) for the period, net of tax	(523)	2,334
Total comprehensive income for the period	24,279	15,772
Profit attributable to:		
Owners of PJSC Mosenergo	24,802	13,438
Total comprehensive income attributable to:		
Owners of PJSC Mosenergo	24,279	15,772
"Basic and diluted earnings per share for profit attributable to the owners of PJSC Mosenergo (in Russian Rubles)"	0.63	0.34

Managing Director

Chief Accountant



A.A. Butko

E.Y. Novenkova

Consolidated Statement of Cash Flows (in millions of Russian Rubles)

	Notes	«Year ended 31 December»	
		2017	"2016 (restated)"
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before finance income (expense) and profit tax		28,855	16,064
ADJUSTMENTS TO PROFIT BEFORE PROFIT TAX FOR:			
Depreciation and amortisation	23	15,117	15,067
Share of loss of associates	14	355	494
Gain on disposal of subsidiaries and associates	14, 28	-	(922)
Charge for impairment and other provisions, net	24	3,224	7,553
Loss on sale and other disposal of property, plant and equipment	23	1,644	297
Other		-	(79)
Total effect of adjustments		20,340	22,410
"Cash flows from operations before working capital changes"		49,195	38,474
CHANGES IN WORKING CAPITAL:			
Change in trade and other receivables		7,486	(3,180)
Change in inventories		(3,966)	(1,721)
Change in other current assets		(566)	(364)
Change in trade and other payables		(776)	(1,449)
Change in other taxes payables (other than profit tax)		(569)	2,304
Change in employee benefit liabilities		(17)	(35)
Total effect of working capital changes		1,592	(4,445)
Income tax paid		(7,178)	(2,259)
Interest paid		(1,542)	(80)
Net cash from operating activities		42,067	31,690
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		(15,239)	(6,339)
Interested paid and capitalised		-	(2,919)
Net changes in loans issued	7	(10,092)	198
Sale of subsidiaries, net of cash disposed	28	-	(504)
Acquisition of subsidiaries, net of cash acquired		(16)	-
Proceeds from sale of property, plant and equipment		452	213
Interest received		3,182	118
Dividend received		76	78
Placement of short-term deposits		-	(14,513)
Repayment of short-term deposits		15,057	-
Net cash used in investing activities		(6,580)	(23,668)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		54	868
Repayment of borrowings		(21,629)	(2,239)
Dividend paid		(3,346)	(2,210)
Net cash used in financing activities		(24,921)	(3,581)
Effect of foreign exchange rate changes on cash and cash equivalents		(36)	(10)
Increase in cash and cash equivalents		10,530	4,431
Cash and cash equivalents at the beginning of the period	5	10,097	5,666
Cash and cash equivalents at the end of the period	5	20,627	10,097

Managing Director

Chief Accountant



A.A. Butko

E.Y. Novenkova

Consolidated Statement of Changes in Equity (in millions of Russian Roubles)

Equity attributable to owners of the PJSC Mosenergo						
	Share capital	Treasury shares	Share premium	"Revaluation reserve"	"Accumulated loss and other reserves"	Total
Balance as of 1 January 2016	166,124	(871)	49,213	107,803	(90,400)	231,869
Profit for the period	-	-	-	-	13,438	13,438
OTHER COMPREHENSIVE INCOME (LOSS):						
Remeasurement of post-employment benefit obligations	-	-	-	2	-	2
Effect of acquisition under common control	-	-	-	-	2,335	2,335
Change in fair value of available-for-sale financial assets	-	-	-	(3)	-	(3)
"Transfers from revaluation surplus on property, plant and equipment to accumulated loss and other reserves"	-	-	-	(360)	360	-
Total comprehensive income (loss) for the period	-	-	-	(361)	16,133	15,772
TRANSACTION WITH OWNERS OF PJSC MOSENERGO						
Change of controlling interest in subsidiaries	-	-	-	-	2	2
Dividends declared	-	-	-	-	(2,210)	(2,210)
Balance as of 31 December 2016	166,124	(871)	49,213	107,442	(76,475)	245,433
Balance as of 1 January 2017	166,124	(871)	49,213	107,442	(76,475)	245,433
Profit for the period	-	-	-	-	24,802	24,802
OTHER COMPREHENSIVE INCOME (LOSS):						
Remeasurement of post-employment benefit obligations	-	-	-	-	8	8
Effect of acquisition under common control	-	-	-	-	(515)	(515)
Change in fair value of available-for-sale financial assets	-	-	-	-	(16)	(16)
"Transfers from revaluation surplus of property, plant and equipment to accumulated loss and other reserves"	-	-	-	(327)	327	-
Other	-	-	-	91	(91)	-
Total comprehensive income (loss) for the period	-	-	-	(236)	24,515	24,279
TRANSACTION WITH OWNERS OF PJSC MOSENERGO						
Dividends declared	-	-	-	-	(3,360)	(3,360)
Balance as of 31 December 2017	166,124	(871)	49,213	107,206	(55,320)	266,352

Managing Director



A.A. Butko

Chief Accountant



E.Y. Novenkova

12.4 Glossary

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

Units of measurement

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

12.5 Contacts

Investor Relations Department:

DENIS VORONCHIKHIN

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

E-mail: voronchikhinds@mosenergo.ru

Contacts for individual shareholders:

TATIANA SIVOVA

Chief Specialist of Corporate Governance Department

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

Mosenergo website: www.mosenergo.ru

Mailing address: 101, Vernadskogo Avenue, bldg. 3, Moscow 11952

Auditor:

LLC "FBK" (FBK Moscow)

101990, Myasnitskaya Street, 44/1, Moscow

Phone number: +7 495 737-53-53

Fax: +7 495 737-53-47

E-mail: fbk@fbk.ru

Website: www.fbk.ru

Registrar:

DRAGA JSC

Building 71/32, Novocheremushkinskaia Street, Moscow

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

E-mail: info@draga.ru

Website: www.draga.ru
