РОССЕТИ

ТЮМЕНЬЭНЕРГО

WORK EFFECTIVELY. THINK BIG

ANNUAL REPORT
2016

Integrated management system

Starting from 2008 JSC Tyumenenergo has worked in compliance with ISO 9001:2008 (quality management systems), ISO 14001:2008 (environmental management systems) and OHSAS 18001:2007 (occupational health and safety management systems) that starting from 2014 are supplemented with conformity to ISO 50001:2011 (energy management system). Observance of the aforementioned standards is being annually validated by external certification authorities from 2008 and to 2016 inclusive.

This is an abridged version of the 2016 Annual Report of JSC Tyumenenergo.The full version of this Report has been disclosed:

On the official website of the Company

On the Interfax official website

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Information about the Report

Basis of preparation

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Joint Stock Company Tyumenenergo (hereinafter referred to as JSC Tyumenenergo or the Company) herewith presents the first Integrated Annual Report (hereinafter referred to as the Report), which discloses information on the Company's performance for the period from January 1, 2016 to December 31, 2016.

The Report has been prepared in compliance with applicable requirements of the current legislation of the Russian Federation on the securities market, recommendations for the preparation of annual reports by the subsidiaries of PJSC "Rosseti", and the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI, G4 version).

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When preparing the present Report, JSC Tyumenenergo aspired to fully adhere to applicable requirements of the GRI Guidelines. The use of GRI standards in the JSC Tyumenenergo's Report allows for a comprehensive assessment of the Company's activities in the context of a sustainable development agenda and consideration of the interests of stakeholders. In preparing the present Report, the Company was guided by the «core" disclosure level.

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JSC Tyumenenergo traditionally follows an annual reporting cycle. The previous Report covering the results for the 2015 reporting year was released in 2016. Reformulations of the indicators given in previous reports are not available.

Definition of material aspects

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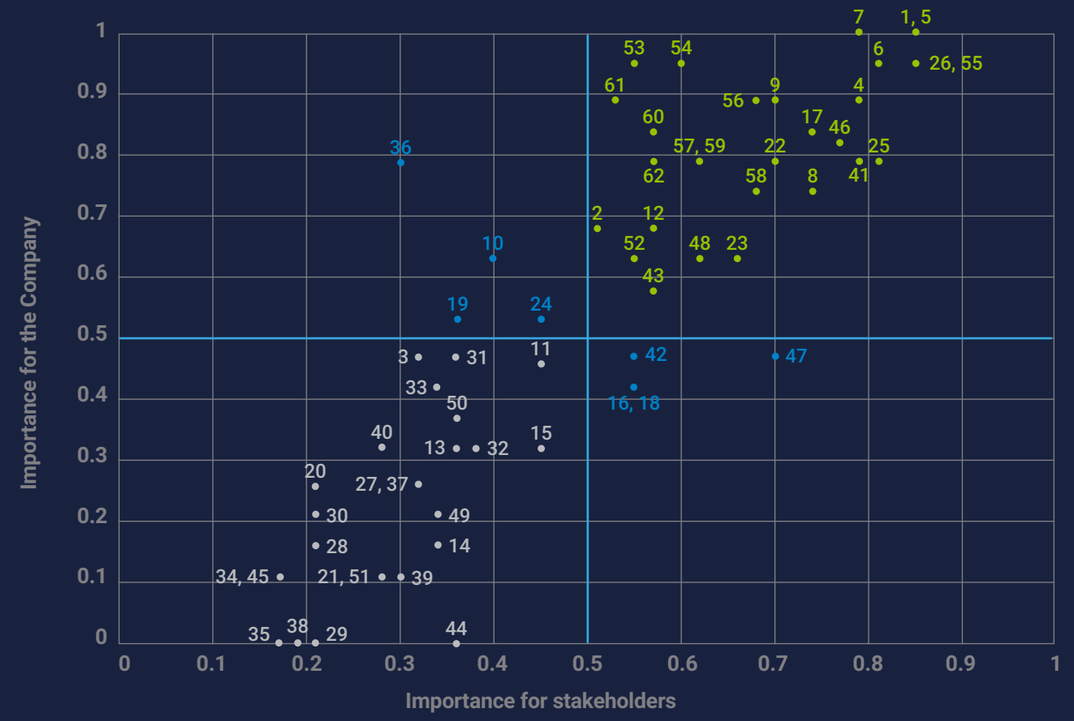
JSC Tyumenenergo aspires to ensure a high level of openness and transparency of its activities and implements the principle of active interaction with its stakeholders. The Company maintains active communications with all of its stakeholders while providing timely information on all the aspects of its activities and responding to requests and wishes of stakeholders.

According to the recommendations of the GRI G4 Guidelines, JSC Tyumenenergo has organized its work with stakeholders in order to determine the significant aspects of the Company's activities for the subsequent disclosure of information on these aspects in the Report.

As part of the preparation of the present Report, the Company has developed a questionnaire, which includes a list of 62 aspects. Respondents were asked to determine the impact of each aspect on the sustainable development of JSC Tyumenenergo using a yes / no scale. The survey was conducted among the management personnel and the stakeholders of the Company.

Based on the analysis of respondents' answers, a matrix of materiality of various aspects of the Company's activities has been generated. The vertical axis in the matrix reflects the importance of an aspect for the Company based on the results of the survey of the management personnel whle the horizontal axis indicates the significance of an aspect for the stakeholders of the Company. The value of the indicator for each axis has been determined as the ratio of the positive responses received to the total number of respondents. The threshold value for each of the axes is 0.3 or more. Aspects that fall into the above zone, taking into account the opinion of the working group, have been classified as major aspects.



1. Economic Performance
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3. Indirect Economic Impacts
4. Tariff policies
5. Results of production activities
6. Investment activities
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8. Innovative activities
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24. Relations between staff and management
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Address from Chairperson of the Board of Directors

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Dear Ladies and Gentlemen!

In 2016, JSC Tyumenenergo achieved good results in its development and confidently coped with all external challenges, including the passing of the test by abnormal frosts, and completed the year demonstrating a high level of reliability and efficiency.

As in the past, in 2016, the key areas of the activities of the Board of Directors of the Company were the development and the adoption of strategic decisions aimed at ensuring the interests of the Company's shareholder, improving management practices, and implementing key performance indicators. The high level of corporate governance and constructive interaction of the members of the Board of Directors with the management of the enterprise became the key to the sustainable development of the Company.

This year, 29 meetings of the Board of Directors were held, where 165 priority issues of development of the Company were considered and key decisions were made.

Particular attention was paid to business planning issues, which are an important tool for managing activities and strategic planning. In 2016, JSC Tyumenenergo fulfilled its business plan approved by the Board of Directors and demonstrated the balance of the current business model.

The Company successfully coped with its main objective: provision of reliable and high-quality power supply to consumers, including small and medium-sized businesses, budgetary institutions, the population, and large enterprises of oil and gas and agro-industrial complexes. To achieve this goal, the necessary repairs, reconstruction, and technical revamping of the facilities were completed, and programs to improve the reliability and the safety of electricity supply were approved.

In order to maintain a leading position in the market of the provision of electricity transmission services in the Tyumen region, the Company continues to work actively to improve the process of connecting new customers to the electricity grid. A set of measures to update regulatory documents, along with the implementation of road maps developed in conjunction with the governments of the autonomous districts and the Tyumen region, as well as intra-corporate measures aimed at the optimization of this process, improved utility hookup indicators.

While continuing the development of the power grid infrastructure, JSC Tyumenenergo also developed Comprehensive Programs for the Long-Term Development of Power Grids with a Voltage of 35 kV and above and approved a plan for the development of the asset management system and a program for the consolidation of power grid assets. In addition, the governors of the Tyumen region, the Khanty-Mansiysk Autonomous District–Yugra, and the Yamal-Nenets Autonomous District approved schemes and programs for the development of the electric power industry of the relevant constituent entities until 2021 with the active participation of the Company.

The implementation of the program aimed at improving the operating efficiency and cost reduction allowed JSC Tyumenenergo to reduce its operating expenses in 2016. A new element of the financial and economic strategy was the unconditional execution of the directive of the Government of the Russian Federation in terms of reducing operating expenses by the Company.

The task of preserving the investment activity of the Company was solved by improving the regulatory framework: the regulation on investment activity, the rules for the formation, adjustment of the investment program, and preparation of reporting on its implementation, and improvement of investment efficiency and reducing costs were approved; and the procedure for accounting for investment projects was adopted.

Work continued on the introduction of innovative and energy efficiency technologies, as evidenced by the effective implementation of the Innovative Development Program of JSC Tyumenenergo.

In the sphere of personnel policy, a lot of work was done to improve the Company's management system,

and target values established by the long-term development program of PJSC "Rosseti" as well as personnel and social policies and scenarios for business planning were achieved.

The above facts confirm the correctness of the selected strategic priorities for the Company's development. JSC Tyumenenergo demonstrates positive dynamics in key areas of its activity and ensures the stable functioning and development of the electric power industry in the strategically important region of the Russian Federation. I am confident that the Company will continue to work efficiently in its priority areas in 2017 while maintaining its leadership positions in the power industry of the Tyumen Region, Yugra, and Yamal-Nenets Autonomous District.

I would like to sincerely thank the members of the Board of Directors as well as the management and the employees of JSC Tyumenenergo for their fruitful work and to wish new achievements and high results.

Valentin Efimovich Mezhevich,

Chairperson of the Board of Directors of JSC Tyumenenergo

Address from General Manager

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Dear Ladies and Gentlemen!

Summarizing the work performed by JSC Tyumenenergo in the past year and assessing the main results of the Company's activities and prospects, we can confidently talk about our progressive and sustainable development.

An important role in the work of the Company is given to the implementation of activities that contribute to improving the investment climate of the regions. Such measures include the actualization of schemes and programs for the long-term development of the electric power industry, the reconstruction of existing energy facilities, and the construction of energy facilities that are necessary for the further development of the regions. In addition, the governments of the Tyumen region, Yugra, and Yamal-Nenets Autonomous District developed road maps for the implementation of targeted models in the Tyumen region in order to simplify business procedures and to increase the investment attractiveness of the region in the direction of "Utility Hook-Up to Power Grids."

In 2016, the Company concluded more than five thousand utility hook-up contracts with a total capacity of 448.8 MW. The larger share of this capacity is attributable to the hook-up of large customers. The social and economic development of the regions of operation of the Company is largely dependent on reliable power supply for the facilities of this category of applicants. In 2017, we will continue our work on the utility hook-up of the decentralized zone of the Yamal-Nenets Autonomous District to the Tyumen energy system and the coverage of the growing loads of Limited Liability Company RN-Yuganskneftegaz in Yugra. Within the framework of the state program on "Provision of Affordable and Comfortable Housing and Utility Services to Citizens of the Russian Federation," JSC Tyumenenergo will provide the possibility of utility hook-up of new microdistricts.

When speaking about utility hook-up of small and medium-sized businesses that requests the capacity of 15 to 150 kW to power grids, it should be noted that the deadline for the execution of applications was an average of 82 days. In total, 197 contracts were concluded in 2016 for connecting consumers of this category.

In 2016, the Company paid much attention to work with SMEs through the creation of a dialogue with entrepreneurs, who consider JSC Tyumenenergo a truly open company and who account for approximately 65% of the total volume of purchases in the order book of the Company. Also, the Company developed and operates a Partnership Program, whose members have certain preferences, within the framework of the Unified Procurement Policy of PJSC "Rosseti".

As in previous years, the Company continues to maintain its leading position in the market for the provision of electricity transmission services in the Tyumen region. The volume of productive supply of electricity from the grid in 2016 amounted to 69,560.2 million kWh.

The main tasks in the work of JSC Tyumenenergo remain the high reliability and quality of the services provided. That's why our Company is constantly working to reduce the accident rate and develops and implements programs aimed at increasing the reliability of power grids. The adopted measures make it possible to influence not only the accident rates but, ultimately, the efficiency of the Company as a whole. For example, the non-supply of electricity to consumers last year decreased by 64% in relation to the 2015 indicators while the economic damage received as a result of emergency outages was reduced by almost 10 times: from 90 to 9 million rubles.

One of the important factors for ensuring the high reliability and efficiency of the power grid economy is the competent planning and qualitative implementation of repair program activities, for which 2 203.85 million rubles was allocated in 2016. In order to ensure the readiness of the equipment to the maximum loads before the beginning of the cold weather, JSC Tyumenenergo approved a decision to redistribute the volume of work during the year with an increase in the proportion of activities carried out in the first and second quarters. This will allow us to work to the highest standard in the next autumn-winter period, which, perhaps, will have its own peculiarities, just like several previous ones.

The containment of the growth rate of the tariff for electricity transmission and the reduction of the productive supply of electricity led to a decrease in the net profit of the Company in relation to 2015. However, the net profit value still exceeds the value approved by the Board of Directors in the business plan of the Company by 2%. Thus, following the results of 2016, JSC Tyumenenergo remains a profitable and financially stable company.

Indicators of environmental and integrated security and energy efficiency are sustained at a high level in JSC Tyumenenergo. The Company retains the reputation of a socially responsible company and a reliable employer. The awards and titles received by JSC Tyumenenergo according to results of national, regional, and industry-specific contests prove this. At the same time, some awards have become traditional for the Company. For example, JSC Tyumenenergo has been the winner in the categories of "Reliability of Power Supply" and "Innovative Project of the Year" of the All-Russian Competition "The Best Power Grids of Russia" for five years. In 2016, the category of "Efficiency of Power Preservation" also returned to the number of winning categories for our Company in this competition.

Our partners have also marked the work of our Company in the field of promoting the energy saving lifestyle, which was held under the banner of the All-Russian Festival of Energy Saving #VmesteYarche: the Company was awarded a diploma from the Government of the KhMAD-Yugra for its active participation in the events of the festival in Yugra. In addition, JSC Tyumenenergo was awarded a diploma of the Department of Housing and Utilities and Energy of the Government of the KhMAO-Yugra for its contribution to the development of energy service activities in the Autonomous District.

The results of the work of JSC Tyumenenergo in 2016 and their evaluation by different communities confirm that the priorities have been properly placed by the Company and allow for an adequate compliance with the challenges of the time, retention of leadership positions in the industry, and reinforcement of the image of an enterprise that has high significance for the stable social and economic development of the Tyumen region, Yugra, and YaNAO.

Sergey Yurievich Savchuk,

General Manager
of JSC Tyumenenergo

1. ABOUT THE COMPANY

Area
353.9 km²

Population
360.2 thous. people

Surgut

Surgut, which is one of the oldest cities in Siberia, was founded in 1594 as a military stronghold of Russia in Western Siberia. The second birth of the city took place in 1957 with the beginning of development of oil fields. Currently, Surgut is the largest city of the Khanty-Mansiysk Autonomous District - Yugra and one of the main centers of the Russian oil industry.

Geographical footprint of the Company
1.4 mln km²
population
3.6 mln people

Company's share in the service market of electrical power transfer
85.7%

1.1.

Company overview

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JSC Tyumenenergo operates in the three regions of the Russian Federation: Tyumen region, Khanty-Mansiysk Autonomous District — Yugra, and Yamalo-Nenets Autonomous District. The Company's area of responsibility, which is home to about 3.6 million people, is more than 1.4 million square kilometers.

JSC Tyumenenergo ensures the growth of the industrial potential of the Russian critical region, increases general energy safety of the country in general, quality and safety of electric energy transmission and distribution services in accordance with world standards, and continues to steadily develop and improve power network of Tyumen region, the Yamal-Nenets Autonomous District, and the Khanty-Mansiysk Autonomous District. Systematic efforts in the network renovation and commissioning of new capacities are still a higher priority for JSC Tyumenenergo.

Nine branches of JSC Tyumenenergo are geographically located in three constituent entities of the Russian Federation as follows:

- Yamalo-Nenets Autonomous District — Northern and Noyabrsk Power Grids;
- KKhanty-Mansiysk Autonomous District – Yugra:: Kogalym, Nizhnevartovsk, Surgut, Nefteyugansk, Ural Power Grids, and the Energokompleks;
- Tyumen Region: Tyumen distribution grids comprising four territorial industrial associations: Tyumen, Tobolsk, Ishim, and Southern.

50,094 KM
The circuit length of maintained transmission lines

647
Substations of 35–220 kV

29,184 MVA
Total installed transformer capacity

6,790
Transformer substations of 6–10/04 kV

Geographical footprint of the Company

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	Area, thous. km²	Population, thous. people
Tyumen region, incl.:	**1,464.2**	**3,615,485**
Khanty-Mansiysk Autonomous District – Yugra	534.8	1,626,755
Yamalo-Nenets Autonomous District	769.3	534,104
Tyumen region	160.1	1,454,626

The average number of employees of JSC Tyumenenergo in 2016 amounted to 7,448 people, including 500 people of the Company's executive staff.

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No substantial changes related to the branches of JSC Tyumenenergo occurred during the reporting period.

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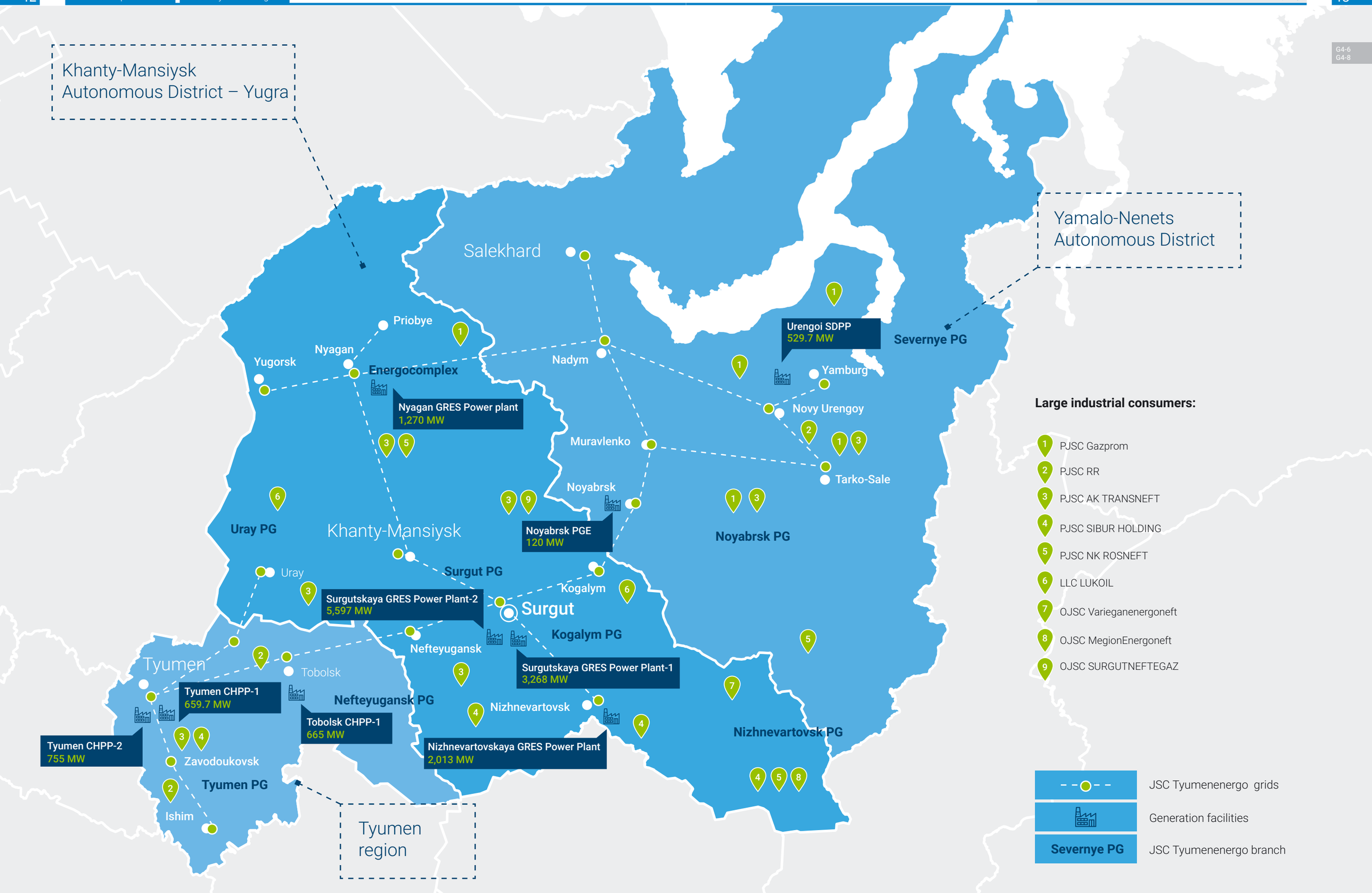
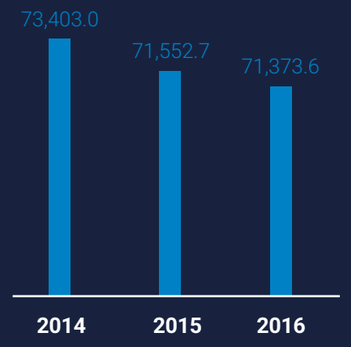

Khanty-Mansiysk Autonomous District – Yugra
Yamalo-Nenets Autonomous District
Tyumen region
Salekhard
Priobye
Nyagan
Yugorsk
Energocomplex
Nyagan GRES Power plant
1,270 MW
Nadym
Urengoi SDPP
529.7 MW
Severnye PG
Yamburg
Novy Urengoy
Muravlenko
Tarko-Sale
Noyabrsk
Noyabrsk PGE
120 MW
Noyabrsk PG
Uray PG
Khanty-Mansiysk
Uray
Surgut PG
Surgutskaya GRES Power Plant-2
5,597 MW
Kogalym
Surgut
Kogalym PG
Nefteyugansk
Surgutskaya GRES Power Plant-1
3,268 MW
Tyumen
Tobolsk
Tyumen CHPP-1
659.7 MW
Nefteyugansk PG
Tobolsk CHPP-1
665 MW
Nizhnevartovsk
Nizhnevartovskaya GRES Power Plant
2,013 MW
Nizhnevartovsk PG
Tyumen CHPP-2
755 MW
Zavodoukovsk
Tyumen PG
Ishim
Large industrial consumers:
1 PJSC Gazprom
2 PJSC RR
3 PJSC AK TRANSNEFT
4 PJSC SIBUR HOLDING
5 PJSC NK ROSNEFT
6 LLC LUKOIL
7 OJSC Varieganenergoneft
8 OJSC MegionEnergoneft
9 OJSC SURGUTNEFTEGAZ
JSC Tyumenenergo grids
Generation facilities
Severnye PG
JSC Tyumenenergo branch

1.2. Key performance indicators

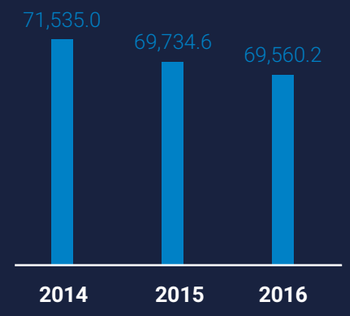
Indicator description	Measurement unit	2014	2015	2016	2016/2015 deviation abs.	2016/2015 deviation %
Operational Indicators						
Grid output	mln kWh	73,403.0	71,552.7	71,373.6	−179.2	−0.25
Output from the grid	mln kWh	71,535.0	69,734.6	69,560.2	−174.5	−0.25
Power losses	mln kWh	1,868.2	1,818.1	1,813.4	−4.7	−0.26
Losses	%	2.55	2.54	2.54	0	0
Financial Indicators						
Revenue from sale of products (services)	mln RUB	52,076	53,511	57,390	3,879	7
Net profit	mln RUB	3,106*	3,696	2,301	−1,395	−38
Net assets	mln RUB	112,761	117,740	123,902	6,162	5.23
EBITDA**	mln RUB	12,046	12,268	11,560	−708	−6
EBITDA / %		14.70	14.74	23.79	9.05	61.40
Impact of the decrease in specific operating expenses***	%	−9.35	−17.24	−18.35	−1.1	–
Specific expenses at 2012 year prices	thous. RUB / e.u.	19.96	18.22	17.98	−0.24	−1
Total Debt to EBITDA ratio		0.96	0.71	0.35	−0.36	−50.70
Equity ratio		0.83	0.83	0.86	0.03	4.04
Weighted average rate for credits and loans	%	7.90	7.97	8.096	0.13	–
Credit portfolio	mln RUB	11,503	8,668	4,001	−4,667	−53.84
Investment Indicators						
Application of capital investments	mln RUB, net of VAT	8,032.17	10,373.54	7,188.60	−3,184.94	−30.70
Financing of capital investments	mln RUB, with VAT	9,418.57	10,733.03	8,980.61	−1,752.42	−16.33
Entering of fixed assets	mln RUB, net of VAT	4,465.01	19,748.39	8,699.15	−11,049.24	−55.95
Lead-in of transformer powers	MVA	131.04	645.33	336.78	−308.55	−47.81
Lead-in of power lines	km	258.35	1,606.19	619.67	986.52	−61.42

* Taking into account retrospective changes in the financial statements
** EBITDA = Earnings before tax + Depreciation + Interest payable
*** In accordance with the Electric Grid Complex Development Strategy of the Russian Federation approved by the Decree of the Government of the Russian Federation dated April 3, 2013 and registered under No. 511-r, the target level for lowering operating expenses must equal 15% in 2017. The level is inflation-adjusted for 2012 level for the maintenance cost for an electric equipment unit.

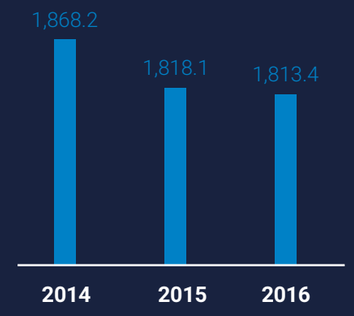
Grid Output,. mln kWh



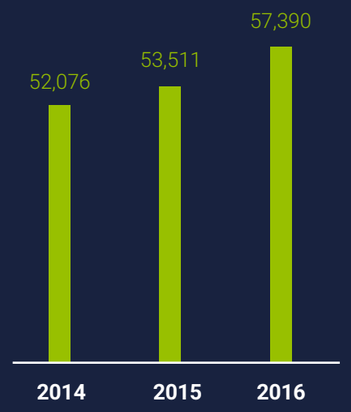
Output from the grid, mln kWh



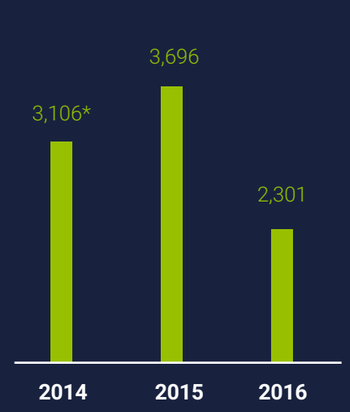
Power losses, mln kWh



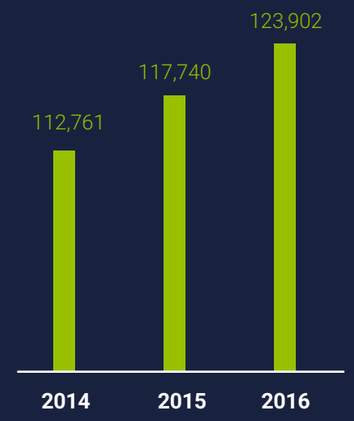
Revenue from sale of products (services), mln RUB



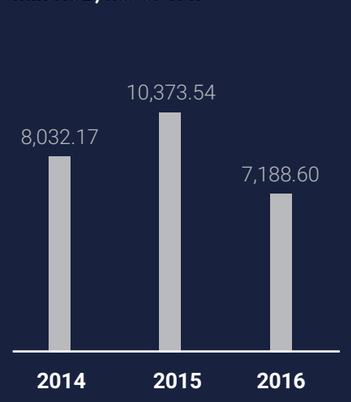
Net profit, mln RUB



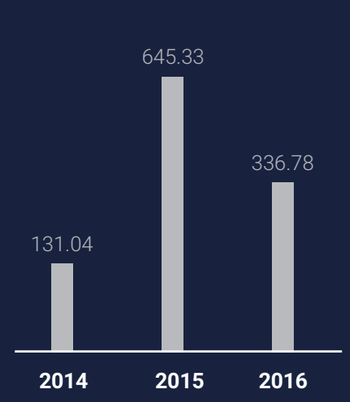
Net assets, mln RUB



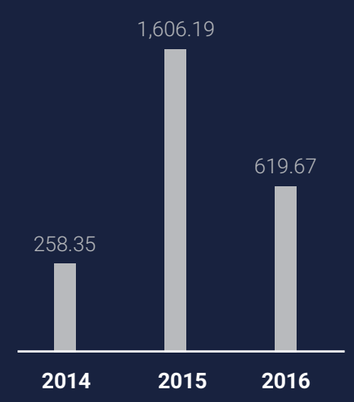
Application of capital investments, mln RUB, net of VAT



Lead-in of transformer powers, MVA



Lead-in of power lines, km



1.3. Performance focus: Major events of 2016

January

The collective agreement of JSC Tyumenenergo was prolonged for
3 years: an agreement on introducing changes and amendments to the collective agreement and its extension for 2016–2018 was signed by the general manager of the Company and the head of the Tyumen interregional public organization “All-Russian Electroprofsoyuz.”

April

The “EnergoStart” project, which tells about the development of the sport lifestyle of employees of JSC Tyumenenergo, took the 3rd place in the category of “The Best Intracorporate PR Project” of the All-Russian Competition “Press Service - 2015.”

Five employees of JSC Tyumenenergo entered the TOP-100 of the best labor protection specialists in Russia in 2016. The TOP-100 included the representatives of the following branches: Tyumen Distribution Grids, Kogalym, Severnye, and Noyabrsk Power Grids.

March

The specialists of JSC Tyumenenergo on environmental protection have entered the top ten in engineering competencies in the category of “The Best Environmental Engineer” of the professional skill competition “Glory to the Human Work!” in the Urals Federal District.

June

As a result of the 6th All-Russian Contest “The Best Russian Electrical Networks,” JSC Tyumenenergo became winner in “Reliability of Power Supply,” “Efficiency of Power Preservation,” and “Innovative Project of the Year.”

Vadim Shuvalov, the Deputy General Manager for Economics and Finance at JSC Tyumenenergo, was elected to the position of the mayor of the City of Surgut.

July

On July 1, a “Power Man” student construction brigade started work at JSC Tyumenenergo power facilities simultaneously in Tyumen and in Surgut within the framework of a labor semester.

Vladislav Zaitsev, an electrician of the Relay Protection and Repair Service of the Nizhnevartovsk branch of JSC Tyumenenergo, became the winner of the first corporate open WorldSkills international methodology championship in the framework of the Interregional professional skills competition for maintenance and repair of substation equipment organized by PJSC “Rosseti”.

The team of JSC Tyumenenergo, which was composed of Mikhail Ukrainets (the foreman of a repair group for electrical equipment of distribution networks), Dmitry Vernigorov (an electrician), Konstantin Kadochnikov (an electrician), Alexander Korolev (an electrician), Andrey Sivtsov (an electrician), and Evgeny Ivankov (the team leader) won silver in the Interregional contest for professional skills in the field of maintenance and repair of substation equipment organized by PJSC “Rosseti” within the framework of the Corporate Year of the Engineer.

August

The transit of electricity from Nyagan GRES via the networks of JSC Tyumenenergo to the unified energy system of Russia was ensured. In the course of the project implementation, the external power supply schemes for Sergino, Koda, Oktyabrskaya, and Sherkaly 110 kV substations were changed; the reconstruction of the 110 kV outdoor switchgear of Sergino and Oktyabrskaya substations and 110 kV overhead lines connecting these substations was completed; main microprocessor protections of seven 110 kV overhead lines located in the northwestern part of the Khanty-Mansiysk Autonomous District and Yamal-Nenets Autonomous District were installed; and the telemetry data transmission channels scheme from Sherkaly, Sergino, and Oktyabrskaya 110 kV substations was reconstructed

October

The team of JSC Tyumenenergo became the winner in the Festival of Working Youth “Get a Wing!” (“Na Krylo!”).

JSC Tyumenenergo won the city photo contest for labor protection “Labor Seen through the Lens - 2016,” which was organized by the Office of Labor of the Administration of the City of Surgut.

Sorovskaya and Chupalskaya 110 kV substations (Nefteyugansk PG branch) were put under load.

The “Power Man” student construction brigade, which represented JSC Tyumenenergo, was the runner-up at the meeting of the best student construction brigades that worked at power facilities during summer.

September

JSC Tyumenenergo supported the All-Russian Festival of Energy Saving #Vmeste-Yarche as a co-organizer of the festival events in the Khanty-Mansiysk Autonomous District - Ugra. In addition, in cities and towns in the entire area of responsibility of the Company, energy enterprises held open days for schoolchildren and classes on energy saving and the careful use of natural resources.

Urayskye PG branch celebtated its 35 years’ anniversary.

November

The “Upgrade of Lighting Systems of the Facilities of JSC Tyumenenergo as Part of Energy Service Contracts” project, submitted by JSC Tyumenenergo at the regional stage of the ENES-2016 All-Russian Competition of Completed Projects in the Field of Energy Saving and Energy Efficiency, won in the category of “The Best Project of LED Lighting of Public and Business Buildings” in the Khanty-Mansiysk Autonomous District – Yugra.

JSC Tyumenenergo received a diploma from the Government of the Khanty-Mansiysk Autonomous District – Yugra for its contribution into the development of energy-service activities in the Autonomous District.

Evgeny Levashkin, an employee of the Tyumen Distribution Networks branch of JSC Tyumenenergo, became the best electrician of the Tyumen region according to the results of the regional stage of the contest of professional skill “Glory to the Human Work!”.

December

The team of JSC Tyumenenergo took second place in the Cup of Surgut Energy Companies on “The Energy of Thought” intellectual games organized in the framework of the Day of Power Engineers.

It was the 30th anniversary of establishment of Nefteyugansk Electric Grids, branch of JSC Tyumenenergo.

The reconstruction of Signal 110/10/10 kV substation, which is the key facility in the power supply of the City of Gubkinsky (Noyabrsk Power Grids branch) was completed.

The overhead line feeders to Svyatogor 500/220/110 kV substation (Nefteyugansk Power Grids branch) were put into operation.

2. COMPANY BUSINESS MODEL AND DEVELOPMENT STRATEGY

Area
698.5 km²

Population
720.6
thous. people

Total installed transformer capacity
29,184 MVA

The circuit length of maintained transmission lines
50,094 km

Tyumen

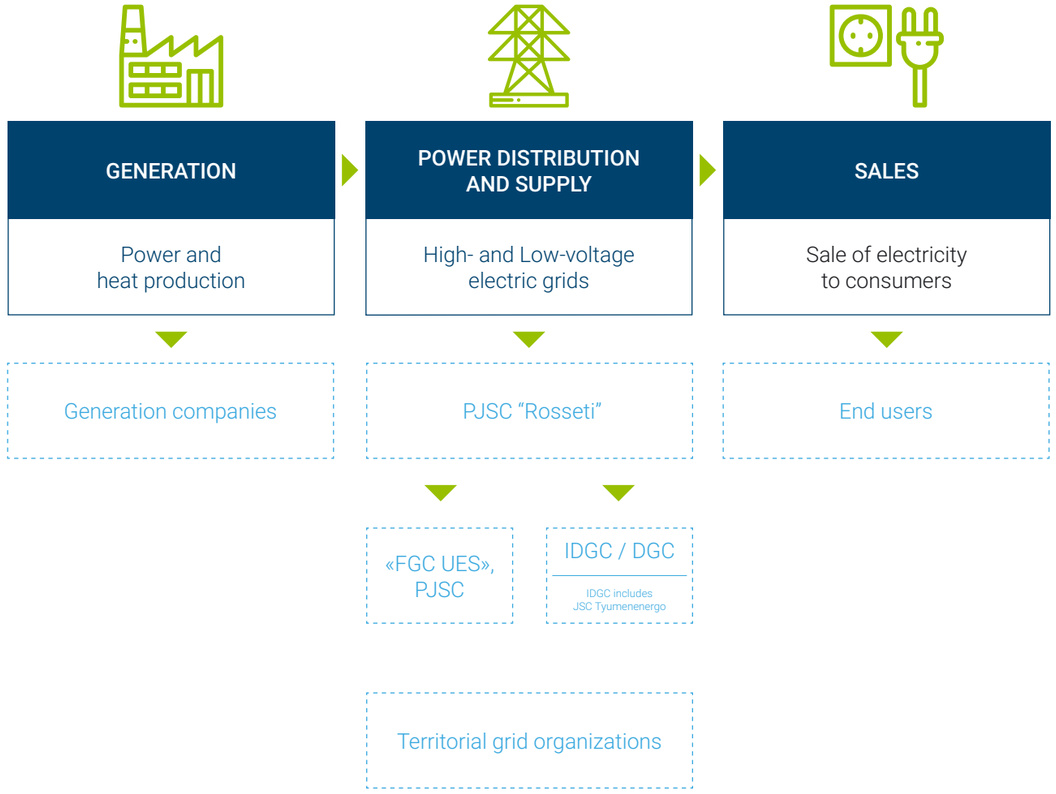
The city was laid in place of the capital of the Tyumen Khanate. The name of the city comes from the Turkic word “tuman,” which means “lower reaches of a river” or “the lowland.” This word was taken as the name of a new city without translation into Russian, a tradition that existed among explorers who founded many Siberian cities. Today, Tyumen is the largest industrial, financial, and scientific center of Western Siberia.

G4-4
G4-8

2.1. Company position in the industry and region

The structure of the modern Russian electric power complex includes three main components: power generation, power transmission and transportation, and power sales (Figure 1). The activity of PJSC "Rosseti" is a part of the segment of power transmission and transportation. As the largest electric Company in Russia, PJSC "Rosseti" unites a main power grid complex, interregional and regional distribution grid companies, the list of Interregional Distribution Grid Companies including JSC Tyumenenergo.

Structure of electric power industry in the Russian Federation



JSC Tyumenenergo is one of the largest interregional distribution companies in Russia, and it ranks second in electric power provision from the grid to consumers and adjacent local grid companies.

Among the distribution companies of the Tyumen energy system, which is located in the three entities of the Russian Federation (Yamal-Nenets Autonomous District, Khanty-Mansiysk Autonomous District — Yugra, and Tyumen region), JSC Tyumenenergo occupies a leading position in the market for electricity transmission services to end users and is the largest power grid company of the Ural Federal District.

Currently, there are three levels of grid companies, which were created in accordance with network and administrative and territorial principles:

LEVEL 1

Federal Grid Company, which owns 220 kV and more electric mains forming the Unified National Power Grid (UNPG). This company operates in the territory of the Russian Federation through its branches located in every region of the country.

LEVEL 2

Interregional distribution grid companies, which were formed after the reform of JSC Energo (which include JSC Tyumenenergo). These companies own 110–0.4 kV grids and render power transmission and network utility hook-up services locally on the territory of the constituent entities of the Russian Federation.

LEVEL 3

Local district power grid organizations, which generally own 0.4–10 kV grids. These organizations were formed, for the most part, by reselling businesses established as municipal enterprises to provide services for the municipality consumers and electrical grid facilities of industrial enterprises.

Currently there are more than 50 local grid companies working on the territory of Tyumen Region apart from JSC Tyumenenergo. They transmit electrical energy and provide network adjustment in the limits of municipal units and for internal use of industrial enterprises. These grid companies, for the most part, do not have direct access to the Unified National (All-Russia) Electric Grid (UNEG) but provide services for transmission of electric energy mainly at low and medium voltage (0.4-10 kV) and are connected to the power grid of JSC Tyumenenergo, which has a higher voltage level.

The presence of these local grid organizations does not create any significant risks for JSC Tyumenenergo activity as the volumes of electrical energy transmitted by their grids are taken from JSC Tyumenenergo electrical grid. No significant changes in the market share of JSC Tyumenenergo are foreseen for the near future.

Under the conditions of the developing market for energy services and the probability of competition, JSC Tyumenenergo defines expansion of its grid facilities as one of its areas of focus, including development and refinement of the process of network utility hook-up of consumer energy receivers to JSC Tyumenenergo grid.

2.2. Market Share, energy consumption pattern. Business model

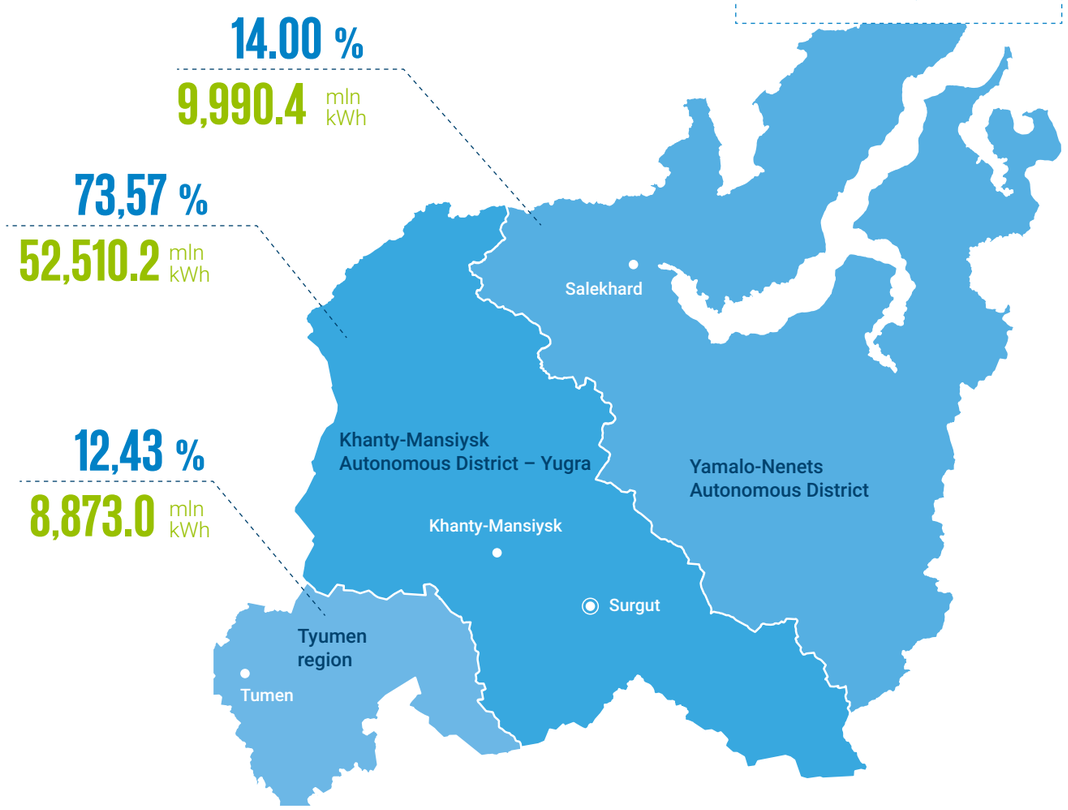
G4-8

71,373.6 mln kWh
Output from the grid in 2016

69,560.16 mln kWh
Power transmitted in 2016

12,794 MW
The annual load peak on the Tyumen energy system was registered at 11:00 a.m. on December 23, 2016.

Energy Consumption Pattern Broken Down by Regions:



Energy Consumption Pattern Broken Down by Consumers

Industrial consumers	72.91%
Territorial grid organizations	23.07%
Non-industrial consumers	1.44%
General public and equated	1.12%
Transport	0.67%
Agriculture	0.67%
State and public entities and other public sector consumers	0.12%

Large Industrial Consumers

PJSC NK ROSNEFT	20,800.1 mln kWh	29.90%
LLC Lukoil Zapadnaya Sibir	8,860.2 mln kWh	12.74%
PJSC Gazprom	7,664.3 mln kWh	11.02%
OJSC SURGUTNEFTEGAZ	6,724.0 mln kWh	9.67%
PJSC SIBUR HOLDING	5,226.3 mln kWh	7.51%
JSC Gazpromneft-Noyabrskneftegaz	4,425.1 mln kWh	6.36%
OJSC Slavneft - Megionneftegaz	2,952.2 mln kWh	4.24%

JSC Tyumenenergo Energy Balance for 2016

Grid output **71,373.6 mln kWh**	Generation	6,588.2 mln kWh	Grid output to consumers and allied grid operators **69,560.1 mln kWh**	Agriculture	467.5 mln kWh
	FGC 500	14,156.4 mln kWh		Large cities	6,915.1 mln kWh
	FGC 220	49,228.8 mln kWh		ther consumers	11,462.8 mln kWh
	Allied grid companies	–717.3 mln kWh		Large industrial consumers	50,714.8 mln kWh
	Station unit	2,117.4 mln kWh			

Energy loss 1,813.4 mln kWh (2.54%)

85.7%*

The company's share in the service market of electrical power transfer

* This value is calculated as the ratio of electrical supply volume for 2016 from JSC Tyumenenergo grid to end users and allied grid organizations excluding electrical energy supply volumes transmitted from the "last mile" and bus-bar energy facilities, to electrical supply volume for 2016 from JSC Tyumenenergo grid to end users and allied grid organizations.

JSC Tyumenenergo business model

G4-12

Key resources

Financial capital
- Authorized capital — 27,373 bln RUB
- Debt capital — 4 bln RUB

Production capital
- 0.4-220 kV HVL — 50,094 km
- 647 substations — 27,699 MVA

Intellectual capital
- Patents, licenses, software, innovations
- R&D — 854 mln RUB

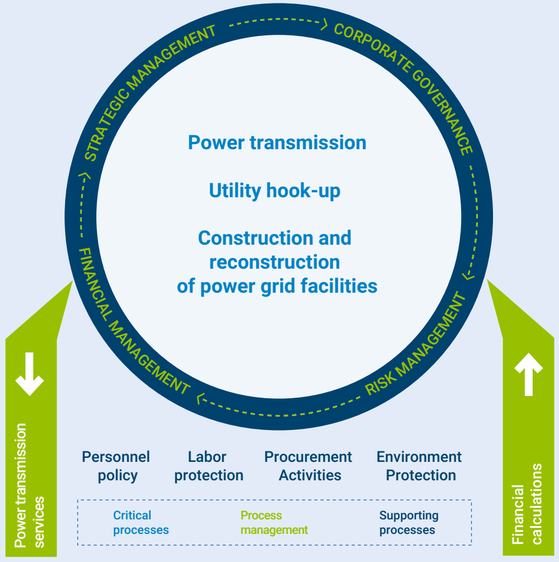
Human capital
- Vocational training — 80 % for employees
- Training costs — 67 bln RUB

Environmental capital
- Payments for environmental impacts, total — 1.5 bln RUB
- Certification according to the ISO 14001 environmental international standard since 2008
- License for 3 types of waste management activities

Mission

- **We provide the highest standards in terms of reliability, quality, and safety in electric power supply and distribution services to each consumer.**
- **We guarantee the free growth of the regional economy.**
- **We follow the path of innovative development, energy performance and power saving.**
- **We provide good working and career prospects conditions**

Repair and maintenance | Energy conservation and efficiency | Social policy



Wholesale electricity market
- FSK-EES PJSC
- Adjacent power systems
- Wholesale market consumers
- TGC, WGC

Electric energy retail market
- Territorial grid organizations
- Power supply companies
- Wholesale generating company power consumers

Strategic priority

1. Reliability and quality increase of power supply of consumers of the Tyumen power system
2. Keeping leading position on Tyumen regional market of power supply services and increasing availability of power infrastructure
3. Providing economic and financial stability
4. Maintaining investment activities of the Company
5. Implementation of innovative technologies and increase in energy efficiency
6. Human resources development
7. Integrated safety

Creating value for stakeholders

Shareholder and investors
- Dividends — 3,236 mln RUB
- Interest on liabilities — 486 mln RUB

Consumers
- Lead-in of power lines — 619.67 km
- Lead-in of transformer powers — 336.78 MVA

Company
- Planted trees and shrubs — 403.77 Thous. units
- Reduced waste generation — на 27 %
- Environmental protection expenditure — 49 mln RUB

Authorities
- Taxes paid to the budget — 6,483 mln RUB

Business partners
- Procurement — на 23.3 bln RUB
- Procurement from small and medium-sized enterprises — 62.77 %

Personnel
- Created — 7,536 jobs
- Trained personnel — 6,464 persons
- The appointed corporate NPP was — 4,460 RUB per month

Educational institutions
- Signed — 30 cooperation agreements

Scientific and expert community
- R&D — 87.3 mln RUB
- Completed — 3 R&D

No substantial changes in the supply chain of JSC Tyumenenergo occurred during the reporting period.

2.3. Company strategy. Priorities. Future developments of the Company

Currently the industry's strategic management is based on the Energy Strategy for the period up to 2030, which was approved by the Decree of the Government of the Russian Federation dated November 13, 2009 and registered under No. 1715-r. The strategy is oriented at the efficient use of natural energy resources and energy potential for sustainable economy growth, increase of the quality of life of the Russia's population, and assistance in consolidation of the Russia's foreign economic activity to the maximum extent possible.

The long-term perspective of JSC Tyumenenergo's activity is within the Strategy framework.

The main targets of electric power industry are set by the Electric Grid Complex Development Strategy, which was approved by the Decree of the Government of the Russian Federation dated April 3, 2013 and registered under No. 511-r.

Mission

- We provide the highest standards in terms of reliability, quality, and safety in electric power supply and distribution services to each consumer.
- We guarantee availability of free growth for local economy by providing and developing efficient and safe power grid.
- We lead the public energy service system and housing and utilities infrastructure by the path of innovative development, energy performance, and power saving.
- We take care of every employee by creating worthy conditions for labor and professional growth.

Priority

Reliability and quality increase of power supply of consumers of the Tyumen Power System

OBJECTIVE:

Revamping and reconstruction

RESULTS OF 2016

The most important activities of 2016 at the JSC Tyumenenergo facilities in terms of reliable power supply of cities, communities, and industrial consumers are as follows:

Substation re-equipment:

Replacement of outdated OD and KZ 35-110 kV oil switches with modern SF break switches — 45 units

Replacement of 35-110 kV porcelain support insulators with polymer and porcelain insulators: 2,181 units

Replacement of oil-filled bushings of power transformers with solid insulation bushings: 147 units

Replacement of 6-10 kV oil switches with vacuum switches: 84 units

Power Lines:

Support base reinforcement — 143 units

Replacement of supports to new bases – 77 units

Replacement of faulty poles of reinforced concrete supports of 35-110 kV overhead lines — 139 units

Replacement of ground wire — 15 km

Strengthening of wire / ground wire with installation of multi-frequency main switches and spiral fixtures: 7,506 sets.

FUTURE PERIOD PLANS

The following critical work is scheduled for implementation in 2017:

35-110 kV power lines

Emergency Zone, Bottlenecks:	Corrective Activities in 2017:
Degradation of poles of reinforced concrete supports	Replacement of faulty poles of reinforced concrete supports of 35-110 kV overhead lines: 14 units
Frost boil of piling foundations. Partial damage of foundation, partial decrease of supporting power in loose grounds	Support base reinforcement — 371 units Replacement of supports to new bases – 85 units
Ground wire wear due to multiple lightning strikes, wire swinging and vibration wear	Replacement of ground wire — 72.0 km
Vibration wear of wire	Strengthening of wire / ground wire with installation of multi-frequency main switches and spiral fixtures: 6,432 sets. Wire replacement - 53 km

Moreover, to remove bottlenecks, following activities for substation equipment are scheduled:

Replacement of 35-110 kV stick-pedestal insulators: 1,419 units.

Replacement of 35-110 kV power transformer bushings – 121 units.

OBJECTIVE:

Repair program

RESULTS OF 2016

The repairs program was implemented at the level of 100% in 2016. A total of 4,014.0 mln RUB were allocated for the repair and maintenance program in 2016, including 2,203.85 mln RUB allocated directly to repairs.

Autumn and winter period passed in the standard work mode

FUTURE PERIOD PLANS

A total 4,147.5 mln RUB are to be allocated for the repair and maintenance program in 2017, including 2,227.02 mln RUB to be allocated directly to repair.

Keeping leading position on Tyumen regional market of power supply services and increasing availability of power infrastructure

OBJECTIVE:

Connection of new consumers

RESULTS OF 2016

- as of January 1, 2017, 94% of utility hook-up contracts were concluded with a preferential category of applicants;
- the standard of the organization for the implementation of the utility hook-up procedure was completely revised;
- the procedure for handling callbacks of applicants under contracts with the deadline for the fulfillment of obligations, irrespective of the location of power receiving devices, operators of the call center of all territorial and production branches of the TRS, was approved. Automated and SMS notification of applicants was provided for;
- the analysis of utility hook-up contracts with the expired term of fulfillment of obligations by applicants was implemented, and claims were sent to applicants for violation of obligations under the utility hook-up agreement;
- target indicators for reducing the number of utility hook-up contracts with the expired deadline for the parties to implement the measures were established;
- the process of creating outbound claims for utility hook-up in the SAP ERP system was automated;
- representatives of JSC Tyumenenergo were included in the working groups for the introduction of targeted models in the Tyumen region "Utility Hook-Up to Power Networks";
- the governments of autonomous districts and the Tyumen region developed action plans ("road maps") for the implementation of targeted models for simplifying business procedures and increasing the investment attractiveness in the direction "Utility Hook-Up to Power Grids" in the Tyumen region;
- initiative of the introduction of fines for failure to meet network utility hook-up deadlines (the penalty for benefit persons, which is provided for by the current legislation is negligible and does not encourage the applicant to fulfill its obligations on time or terminate the contract) was implented in 2016 (the Decree of the Government of the Russian Federation dated October 5, 2016 and registered under No. 999)

FUTURE PERIOD PLANS

Development of the "Personal Office" service as follows:

- organization of digital signing of documents via an authorization centre service;
- organization of payment service availability for benefit applicants from the Personal Office without any extra commissions and fees;
- service promotion in mass media, corporate web-portal, and Customer Service Centres;
- promotion of legislative initiatives on the introduction of fines for inconsistency between maximum capacity applied demands and actual ones

OBJECTIVE:

Development of Electrical Grid Infrastructure

G4-SO1

RESULTS OF 2016

In 2016, JSC Tyumenenergo developed Comprehensive Programs for the Future Development of Electrical Networks with a Voltage of 35 kV and Higher in the Tyumen Region, Khanty-Mansi Autonomous District - Yugra, and Yamal-Nenets Autonomous District for 2017–2021 (hereinafter referred to as the CPDE) with the assistance of a specialized design organization; these Programs provide for a basic (based on existing obligations) and moderately optimistic (based on development plans for regions and generating companies) development forecasts. These CPDE were agreed by the branch of JSC SO UES Tyumen RDU, the branch of "FGC UES", PJSC - MES of Western Siberia and are the justification for the measures proposed by JSC Tyumenenergo to be included in the schemes and programs for the development of the electric power industry of these constituent entities of the Russian Federation (DS&P) for a 5-year period, as well as serve to synchronize the timing of the implementation of activities in distribution and backbone networks. Identification and selection of measures as part of the CPPPG is implemented on the basis of the results of technical and economic comparison of different options, which provides for high cost-effectiveness of the suggested measures and reduces the load on the tariff. Moreover, the developed CPDE served as the basis for the formation of proposals of JSC Tyumenenergo in terms of changes in the territorial planning scheme of the constituent entities of the Russian Federation. The presence of activities in the above is a prerequisite for inclusion in the investment program of JSC Tyumenenergo (according to the Decree of the Government of the Russian Federation No. 977).

Also, JSC Tyumenenergo participated in the development of Complex Programs of Perspective Development of Power Grids of the Tyumen Oblast, Khanty-Mansiysk Autonomous District - Yugra, and Yamal-Nenets Autonomous District according to the Rules for the Development of Complex Programs of Perspective Development of Power Grids of the regions of the Russian Federation (approved by the Decree of the Government of the Russian Federation dated October 17, 2009 and registered under No. 823). The result of the above was the approval of Complex Programs of Perspective Development of Power Grids of the Tyumen Oblast, Khanty-Mansiysk Autonomous District - Yugra, and Yamal-Nenets Autonomous District for the period until 2021 by the governments of the corresponding entities of the Russian Federation.

Within the framework of the Activity Schedule (Road Map) "Energy Infrastructure Availability Increase" approved by the Decree of the Government of the Russian Federation dated June 30, 2012 and registered under No. 1144-r for creating the Internet website, JSC Tyumenenergo is actively using modern technologies in its activities. The Company proceeded with activities for actualization of data on main substations 35 kV and higher, belonging to JSC Tyumenenergo and TNCs, including those, entered into information exchange agreements, (including changes in main substation loads, coverage area for substations, technical characteristics of substations, etc.) on the "Interactive map for loading substations of JSC Tyumenenergo" located at the Company's Internet portal. This map allows anyone to view the location and the amount of free capacity for supply centers and to determine the optimal location of their prospective sites and, therefore, minimize the cost and time to implement them.

FUTURE PERIOD PLANS

In 2017, JSC Tyumenenergo will continue collection and update of initial data for the perspective loads of the consumers of the Tyumen Oblast, Khanty-Mansiysk Autonomous District - Yugra, and Yamal-Nenets Autonomous District with subsequent update of the Complex Programs of Perspective Development of Power Grids with the voltage of 35 kV and higher for the Tyumen Oblast, Khanty-Mansiysk Autonomous District - Yugra and Yamal-Nenets Autonomous District for 2022, and will take an active part in the development of Schemes and Programs for the development of the power grids of the Tyumen Oblast, the Khanty-Mansiysk Autonomous District - Yugra, and the Yamal-Nenets Autonomous District until 2022.

Also, the Company will continue the actualization of data on main substations of 35 kV and higher owned by JSC Tyumenenergo and TNCs, including those that have entered into information exchange agreements, on the "Interactive map for loading substations of JSC Tyumenenergo located at the Company's Internet portal, thus increasing customer-orientation of all the grid companies and availability of the power infrastructure as a whole..

Providing economic and financial stability

OBJECTIVE:

Decrease in Operating Expenses

RESULTS OF 2016

The Program for increasing operational efficiency and cutting costs of JSC Tyumenenergo for 2016–2020 was formed. On the basis of the Order of JSC Tyumenenergo dated February 10, 2016 and registered under No. 72 approved by the Minutes of the meeting of the Board of Directors of JSC Tyumenenergo (Minutes No. 08/16 dated March 31, 2016). The implementation of the activities of this Program enabled the Company to reduce its operating expenses in 2016 by 18 % as compared to 2012, which significantly exceeds the targets.

In the part of KPI "Reducing specific operating costs," PJSC "Rosseti" set a target for reducing the amount of operating expenses taking into account the calculation of 1 ruble of revenue from services, excluding revenue from utility hook-up, as compared to last year, of not less than 10%.

In fact, in 2016, the Company fulfilled this KPI indicator at a rate of 15%, which significantly exceeds the targets.

FUTURE PERIOD PLANS

In 2017, the expected effect of the implementation of the activities of the Program for increasing operational efficiency and reducing the costs of JSC Tyumenenergo for 2016–2020 from reduction of operating costs will be 20%.

OBJECTIVE:

Ensuring availability of credit financing

RESULTS OF 2016

As of Januaryy 1, 2016, the free credit limit of JSC Tyumenenergo was represented by credit agreements in the form of an overdraft (a loan period of up to 12 months) for a total of 2 billion rubles.

In 2016, JSC Tyumenenergo held competitive procedures for the selection of financial organizations for the right to enter into credit agreements in the form of revolving credit lines, which resulted in the conclusion of credit agreements with the following banks:

- PJSC Bank FK Otkrytie (wiith a limit of 3.5 billion rubles for a period of 5 years);
- GPB Bank (JSC) (two contracts with a total limit of 3.5 billion rubles for a period of 3 years).

The free credit limit of JSC Tyumenenergo as of January 1, 2017 is 9 billion rubles.

In 2016, the Company did not retain any credit facilities.

FUTURE PERIOD PLANS

In 2017, competitive procedures for the opening of credit lines will be carried out in accordance with the needs of the Company in credit financing.

Maintaining investment activity of the Company

OBJECTIVE:

Maintaining investment development financing in the current situation

RESULTS OF 2016

The actual execution of the investment program of JSC Tyumenenergo for 2016 demonstrated, in general, the growth of the key indicators of investment activity as compared to the previous year. The volume of capital investments decreased by 31%; the volume of financing, by 16%; the volume of fixed assets commissioned, by more than a factor of 2.27.

Implementation of the 2016 Investment Program allows passing 2016–2017 winter peaks without failures. More information on the investment program is provided in section 4.1. of the present Report.

FUTURE PERIOD PLANS

While developing the Investment Program for 2017 reduction in equipment ageing and increase in reliability and quality of electric power supply of existing consumers were maintained as the priority. Creation of availability of hook-up of consumers' new capacities remain as priorities. The volume of financing of the investment program for 2017 is scheduled in the amount of 9,779.8 mln RUB with VAT, which is 9% above the actual financing of the investment program for 2016

Implementation of innovative technologies and increase in energy efficiency

OBJECTIVE:

Provision of energy efficiency and energy savings

RESULTS OF 2016

- corrective actions were performed based on the results of the energy analysis of the activities of JSC Tyumenenergo; measures designed to reduce the consumption of electrical energy for the needs of the substation were developed; and five measures aimed at reducing the cost of heating of the branches from their own sources of heat supply were implemented and included in the adjustment of the Energy Saving Program for 2017–2021;
- 5 contracts aimed at reducing electricity consumption for lighting of industrial and economic needs and substations of JSC Tyumenenergo were concluded for a period of up to 5 years. Within the framework of these contracts, 9,700 lamps were replaced with light-emitting diode ones; the annual saving is 2,925 thousand kWh; the total cost of contracts is 49,922 thousand rubles (annual savings obtained as a result of replacement of lamps from the volume of consumption of the basic lighting system)

FUTURE PERIOD PLANS

- implementation of a mandatory energy audit of JSC Tyumenenergo. In compliance with the requirements of FZ-261 dated November 23, 2009, the Company is obliged to make an energy survey before the end of 2017 and to compile an energy passport and an explanatory note in accordance with the Order of the Ministry of Energy of the Russian Federation of June 30, 2014 and registered under No. 400;
- further replication of energy service contracts for the replacement of luminaires used for more than 1,900 hours with LED ones;
- since the validity term of the certificate of compliance for the Energy Management System ends on December 15, 2017, it is necessary to carry out a procurement procedure for the right to conduct a recertification audit of JSC Tyumenenergo, as well as to conduct an external audit of the Company for compliance of the Energy Management System with requirements of the international standard ISO:50001, by the end of 2017;
- the development of an automated power-saving management system (APSMS) is scheduled to begin. The APSMS will be integrated with the SAP system, will take into account the planned and the actual values of consumption of fuel and energy resources in real time, and will allow for high-quality energy consumption planning as well as for the identification of the most energy-intensive facilities. The system will integrate information from the energy passport, including typical energy-saving measures, which will allow determining the potential for energy saving, the possibility of replicating the event and automating the process of forming an energy-saving program and an energy analysis. In 2017, the Company plans to determine technical solutions and the preliminary cost of the APSMS for its inclusion into the IT budget for 2018;
- development of the charging infrastructure for electric transport. In order to implement the resolution of the Management Board of PJSC "Rosseti" on the development of the charging infrastructure dated August 3, 2016 and registered under No. 503pr / 2, it is necessary to install 5 charging stations for electric transport in 2017. At the moment, a decision was made to install 4 charging stations in the Tyumen DG branch and 1 station in the parking lot of the executive office of JSC Tyumenenergo.

OBJECTIVE:

Innovative Development

RESULTS OF 2016

- The JSC Tyumenenergo Innovative Development Program was fulfilled for 108% in the reporting period;
- All efficiency parameters of realization of Innovative Development Program for 2016 were fulfilled;
- The total amount of expenses for the implementation of the Innovative Development Program of JSC Tyumenenergo in 2016 at the expense of its own sources was 505.8 million rubles and included the following:
- transition to digital active-adaptive networks with a distributed intelligent automation and control system: 268.0 million rubles;
- transition to integrated efficiency of business processes and automation of management systems: 137.4 million rubles;
- application of new technologies and materials in the electric power industry: 6.9 million rubles;
- development of a system for the development and the implementation of innovative products and technologies (R&D): 87.3 million rubles;
- development of personnel potential and partnership in the sphere of education: 6.2 million rubles.

FUTURE PERIOD PLANS

- implementation of the Company's Innovation Development Program in 2017;
- implementation of modern innovative equipment and new effective innovative technical solutions.
- commercialization of the results of research and development;
- experimental-industrial production, replicating, and implementation of R&D developments.
- Cooperation with higher education institutes, small and medium sized businesses, R&D Centers, Design Institutes in joint projects in research, design and experimental works and process development in compliance with the principles of energy efficiency, optimization of operation costs, cuts in losses and increase of reliability and safety of power supply in 0.4–110 / 220 kV power grids.

Human resources development

G4-SO1

RESULTS OF 2016

In order to increase the efficiency of the activities of JSC Tyumenenergo and to ensure the growth of labor productivity of employees, work was carried out in the following areas:

- improvement of the standard organizational and functional structure of JSC Tyumenenergo, including the synchronization of functional management verticals with PJSC "Rosseti" and the provision for the optimization of the number of levels of management while respecting the standards of manageability;
- improvement of the system of key performance indicators in the direction of ensuring its compliance with the objectives of the Rosseti Group in general and at each level of management in particular;
- organization of the implementation of professional standards;
- provision for the improvement of the organization of labor of the production personnel, increasing the motivation of members of the production personnel so as to perform their assigned tasks to the highest standard and within the given timeframe;
- implementation of monitoring of key indicators established by the Personnel and Social Policy of PJSC "Rosseti" on an ongoing basis.

The fulfillment of these tasks made it possible to improve the management system of JSC Tyumenenergo, to ensure that the Company achieves target values of the indicators set by the Long-Term Development Program of PJSC "Rosseti" and the Personnel and Social Policy and Scenario Conditions of Business Planning.

In order to develop its personnel potential, JSC Tyumenenergo accomplished the following tasks:

- expansion of cooperation with educational organizations that carry out training in the main areas of training for the power grid complex, inclusive of the following:
- implementation of activities in the framework of cooperation agreements concluded with universities and colleges; implementation of the Plan of Interaction with MEI Research Institute in the framework of the General Partnership Agreement and the Memorandum on Joint Activities in the Field of Personnel Training concluded between the Rosset Group and the universities of the energy education consortium;
- organization of the summer work season for student groups at the facilities of JSC Tyumenenergo;
- provision for the work experience, pre-graduation, and year-round internship at JSC Tyumenenergo by students of educational organizations of dedicated specialties / training;
- participation in the All-Russian competition of final qualification works of bachelors of technical universities in the fields of electric power and electric engineering;
- provision for the requirements for professional training and professional development of members of the personnel taking into account used and implemented equipment and technologies and ensuring the unconditional fulfillment of the above requirements for mandatory training of the production personnel;
- provision for the development of the personnel reserves of JSC Tyumenenergo, including the implementation of the corporate integrated modular program "Leader Development in the Power Grid Complex" for the members of the management personnel reserve at Skolkovo Moscow School of Management;
- participation of a representative of JSC Tyumenenergo in the International Youth Forum in the framework of the annual St. Petersburg International Energy Forum

FUTURE PERIOD PLANS

Implementation of tasks that contribute to the achievement of JSC Tyumenenergo's target values of the indicators set by the personnel and the social policy of JSC Tyumenenergo in the field of training and development of personnel, work with personnel reserves, provision for practical training of young professionals, improvement of the quality of training of employees and correspondence of their qualifications to specified requirements, and timely staffing of managerial positions with highly qualified members of the personnel

Integrated safety

OBJECTIVE:

Providing economic security and preventing corruption

RESULTS OF 2016

4 cases on the facts of economic damage to the Company were transferred to law enforcement bodies. For all directed cases, the guilty persons were identified and brought to administrative liability in accordance with the Code of Administrative Offenses of the Russian Federation

FUTURE PERIOD PLANS

One of the priority areas of activity is the work on the repayment of accounts receivable, which was carried out both independently and jointly with the interested structural subdivisions of the Company in the following business areas:

- control over the creation and the state of accounts receivable;
- participation in the implementation of a set of measures for reimbursement of accounts receivable (determination of the location of debtors, debtors' property, availability of bank accounts, etc.);
- support of claim papers (interaction with the Office of the Federal Bailiff Service of the Russian Federation)

OBJECTIVE:

Assurance of information security and protection of the Company's facilities

RESULTS OF 2016

- implementation of a complex of measures aimed at protecting the critical information and telecommunications infrastructure of the Company;
- updating of safety certificates of facilities in accordance with applicable provisions of the Federal Law No. 256-FZ dated July 21, 2011, which resulted in the assignment of a low hazard category to 31 facilities and in the removal of the category from 13 facilities;
- improvement of the physical protection system of 44 facilities of the Company in accordance with the Target Program "Antiterror 2015–2020";
- provision of 219 objects with physical security in accordance with concluded agreements with security firms;

FUTURE PERIOD PLANS

- preparation and implementation of a set of measures aimed at protecting the technological segment (ensuring the information security of the automated process control system) in accordance with the requirements of the current federal legislation;
- implementation of the activities of the Program for the creation of a comprehensive information security system of JSC Tyumenenergo for 2016–2020;
- improvement of the system of physical protection of facilities within the Company's production programs and in accordance with the Target Program "Antiterror 2015–2020";
- implementation of a set of measures aimed at optimizing the Company's financial expenses for ensuring the physical protection of facilities

Development of JSC Tyumenenergo in accordance with priority areas will ensure high-quality and reliable power supply to consumers in the Tyumen region, increase in the investment activity, and improvement of the management of the region's power grid complex (including the improvement through switching to a new type of power grid organization, namely: Smart Grid intelligent power grids).

2.4. Risk management

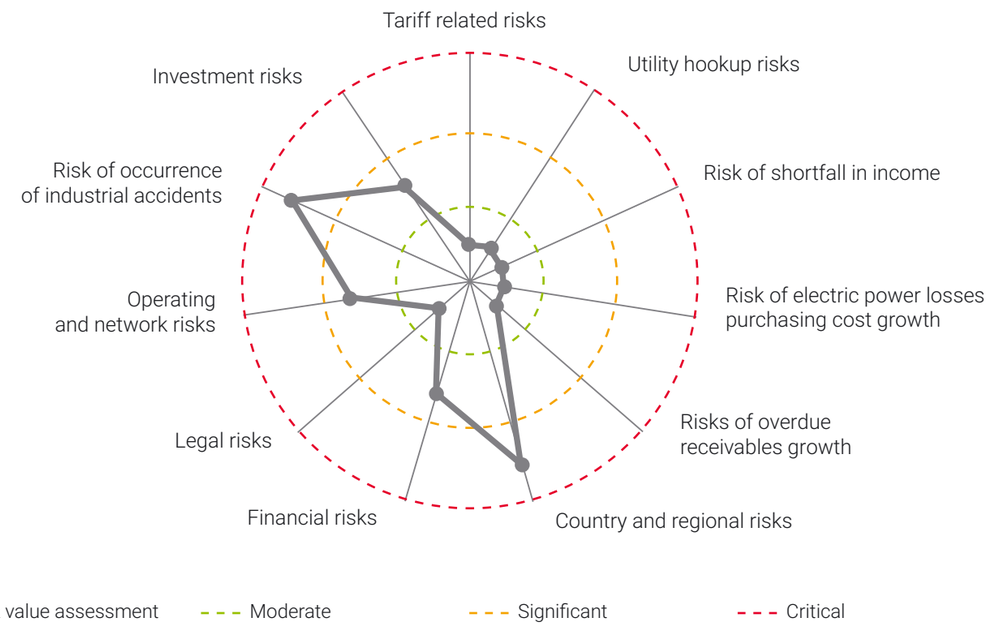
The Company has a risk management system (hereinafter referred to as the RMS), the purpose of which is to ensure a sustainable continued operation and development of the Company through timely identification, assessment, and management of risks that threaten the effective implementation of economic activities and the reputation of the Company, the health of the Company's employees, the environment, and the property interests of shareholders and investors.

In order to develop the RMS in the Company, the Board of Directors of JSC Tyumenenergo has approved a Risk Management Policy (Minutes of the Meeting of the Board of Directors of JSC Tyumenenergo dated March 21, 2016 and registered under No. 06 / 16).

RMS participants

The main participants in the risk management process are as follows:

- Board of Directors of the Company;
- authorized Committee of the Board of Directors of JSC Tyumenenergo;
- Revision Commission;
- General Manager;
- Risk Owners;
- Internal Audit and Control Department;
- Performers of risk-management measures.



Main Risk Factors

The risk value is a combination of the probability of the risk and the magnitude of the consequences thereof for the Company in monetary and other terms. Risk assessment is based on the following rank:

Value Assessment

Critical Significant Moderate

G4-2
G4-EC2

Item No.	Risk title	Risk description	Mitigation measures	Risk value assessment and trends
Industry risks				
1	**Tariff related risks**	• Incomplete accounting of costs related to losses purchasing, credits interests payments, shortfall in income, unrecoverable expenditures from previous periods and other business risks. Regional regulator's decision in the context of limited increase of end-user and networks tariffs, which does not fully consider IDGC's economically justified expenditures. • Reduction in yield due to tariff decrease within the tariff regulation period.	• In accordance with the Decision of the Regional Energy Commission of the Tyumen region, the Khanty-Mansiysk Autonomous District, and the Yamal-Nenets Autonomous District dated May 30, 2012 and registered under No. 109 (as amended by decisions No. 366 dated October 15, 2012, No. 3 dated February 26, 2013, No. 73 dated June 25, 2013, No. 100 dated November 28, 2014, No. 104 dated December 19, 2014, No. 38 dated June 29, 2015, and No. 145 dated December 28, 2015) the long-term regulation parameters were fixed for JSC Tyumenenergo for the 2012–2017 period via long-term indexation of the relevant gross profit, which allows for annual tariff adjustment within the tariff regulation period. • Continuous collaboration with regional authorities of Russian Federation in charge of state tariff regulation to ensure maximum permitted growth of unit (boiler) tariffs within the national development scenario, and Company's relevant gross profit in the tariff with regard to shortfall in income from the regulated activities. • Company's well-balanced policy to improve efficiency of its investment and operating activities, in particular, to reduce expenses and properly arrange the funding sources.	Dynamics unchanged
2	**Utility hook-up risks**	Technology connection services demand slow-down.	• Implementation of monitoring and timely adjustment of the investment program; accounting in the business plan for the next year. • Implementation of application monitoring, utility hook-up forecasting (including the increment geography) so as to forecast the volume of applications and the volume of grid company's obligations for the upcoming year. • Increase the consumer confidence in JSC Tyumenenergo by a more accessible explanation of the entire process of utility hook-up (placement of information on the official website of the Company, development of a methodology for informing applicants, creation of a Customer Service Center).	Dynamics unchanged
3	**Risk of shortfall in income due to cross-subsidization**	Drop of services scope due to termination (non-extension) of "last mile" rent agreements with "FGC UES", PJSC	• Electric power balance monitoring. • Analysis of actual electric power losses and productive supply. • "Last mile" consumers release to network monitoring and analysis of electric power loss mean value changes. • Control of contractual provisions with "FGC UES", PJSC (terms).	Dynamics unchanged

Item No.	Risk title	Risk description	Mitigation measures	Risk value assessment and trends
4	**Risk of electric power losses purchasing cost growth**	Proceeds determination for electric power transfer services by grid Company without cost of losses purchasing at unregulated price.	• Interaction with regional regulators on the formation of an own necessary gross revenue of the grid organization.	Dynamics unchanged
		Growth of losses accounted in settlements with "FGC UES", PJSC as compared with those accounted in TBR (tariff & balance resolution) approval.	• 1. Assets monitoring in terms of balance — that is electric power down-flow from FGC to the grids of Company's subsidiaries, forecasting upon actual performance to predict the volume of grid Company applications for the regulated period. • 2. Preparation of amendments to contracts between JSC Tyumenenergo and "FGC UES", PJSC on contracted capacity target values and normative losses corresponding to the approved TBR. • 3. Conducting negotiations with regional regulators on the issues of accounting shortfall revenues in the next period of regulation in case of excessive losses, including the accounting through changes in the approved loss ratios in the UNEG network and / or the actual price of electricity from the Wholesale Electric Energy Market from those registered under tariff regulation conditions.	Dynamics unchanged
5	**Risks of overdue and non-collectable receivables growth**	Risk related to consumer disagreements on the scope of provided services (with energy sales companies, consumers — legal entities, etc.). In consequence, the contested and overdue receivables appear for the Company's power transfer services which results in Company's liquidity and financial stability decrease.	• Measures on consumer conflict cause elimination, contested and overdue receivables for provided services reduction, communication with federal authorities on changes to the retail market functioning rules. • Court practice positive legal precedents establishing. • Realization of the Long-Term Development Program for electric power metering in retail market distribution grids approved by the Board of Directors.	Dynamics unchanged
Country and regional risks				
6	**Risks related to political and economic situation in the country and the region**	Changes of political and economic situation in the country and the region Risks related to potential military conflicts, imposition of the state of emergency and strikes in the country and region.	• The Company implements a complex of measures, aimed at optimization of loans in the overall capital structure. • Long-term loan raised at fixed interest rates. • Company's OPEX and CAPEX efficiency improvement. • Inclusion into Company's contracts of a Force Majeure clause to reduce Company's financial losses in some circumstances.	Dynamics unchanged
7	**Risks related to geographical features of the country and region including higher risk of hazards, potential loss of transport communication**	Geographic and climatic features of the region located in the northern part of West Siberia can expose the power facilities to a risk of emergency due to unfavorable natural events (hurricanes, heavy snowfalls, ice glazes, extremely low ambient temperatures etc.).	• Power facilities design considering the climate and geography. • Power distribution complex facilities insurance against natural hazards. • Feed, materials and fuel stock management required for Company's main activity. • Inclusion into Company's contracts of a Force Majeure clause to reduce Company's financial losses in some circumstances.	Dynamics unchanged

Item No.	Risk title	Risk description	Mitigation measures	Risk value assessment and trends
Financial risks				
8	**Risks related to the monetary policy of the CBRF**	JSC Tyumenenergo operates on the territory of the Russian Federation. The company is not an exporter, its contractors are Russian Federation residents, Company prices for electric energy transfer and network utility hook-up services, and assets and liabilities, are presented in Russian rubles. Russian ruble is the only currency used for the Company settlements, payments, and loans. However, since the goods and equipment purchased by Company contain import components, a considerable growth of the exchange rate can result in increase in procurement costs.	• Import substitution policy. • Long-term contracts without products price escalation.	Dynamics unchanged
9	**Risks related to changes in currency exchange rate**			
10	**Risks of interest rate changes**	Interest rate increase against planned values.	• Long-term loan raised at fixed interest rates. • Planning of attracting borrowed funds taking into account the financial markets environment. • Debt capital market monitoring and usage of economically feasible credit sources from interest rate and terms point of view. • Refinancing existing loans to reduce the cost of borrowing.	Dynamics unchanged
11	**Inflation-related risks**	Inflation growth against planned values may result in: • the risk of loss in receivables real value in case of considerable grace or delay in payment; • the risk of increasing interest payable on borrowed funds; • the risk of raised prime cost of the goods, products, works, services due to indexation of tariffs for purchased energy, wages and other consequences.	• Planning of financial and operational activities of the Company adjusted for inflation. • Accounting for inflation risks in the formation of a tariff application. • Optimization of costs in the implementation of the cost management program.	Dynamics unchanged
Legal risks				
12	**Legal risks**	Company failure to comply with the legislation and other legal acts, requirements of the regulation and supervision authorities, and Company by-laws that determine its internal policy, rules and procedures (compliance risk).	• Normative documents monitoring. • Internal Control system improvement. • Preventive, operational and follow-up control of Company's activity compliance with law and internal regulations and by-laws.	Dynamics unchanged
		Acknowledge the Company's antitrust infringement	• Effective law and court practice monitoring. • Network connection processes are in strict compliance with applicable legislation. • Investment program continuous monitoring and adjustment in order to expedite the obligations. • Application monitoring, utility hook-up forecasting (including the increment geography) so as to forecast the volume of applications and the volume of grid company's obligations for the upcoming year. • Management of network connection technical specifications and expedited contracts preparation. • Software implementation to successfully control the technical connection applications execution.	Dynamics unchanged

Item No.	Risk title	Risk description	Mitigation measures	Risk value assessment and trends
Risks related to operation activities				
13	**Operational and technological risk**	Failure of the power supply to consumers due to network fault in electric grid facilities operation.	• Failure analysis based on the data of the automated system; determining bottleneck areas. • Grid renovation, reliability improvement target program to enhance grid technical condition. • Facilities repair as required, taking into account risks and failure data. • HR activities: training, professional development. • Public work, PR programs development aimed at reducing injuries, promoting the energy-saving life-style, and the professions of the electricity industry. • Emergency response drills including special trainings on implementation of Temporary Shutdown Plan. • Preparation and updating of the Network collaboration guideline with power allied companies. • Measures on power grid reliability improvement.	Dynamics unchanged
14	**Risk of occurrence of industrial accidents**	Occurrence of accidents in relation to employees and third parties through the fault of the Company. Definition of a workplace accident in accordance with clause 3 of the Regulations on the specifics of the investigation of workplace accidents in certain industries and organizations approved by the Decree of the Ministry of Labor and Social Development of the Russian Federation dated October 24, 2002 and registered under No. 73.	• Implementation of the measures of the Comprehensive program of reduction of the risk of injury to personnel of JSC Tyumenenergo and to third parties at the facilities of the power grid complex of the Company. • Implementation of the measures of the Schedule of elimination of traumatic equipment, sites, and mechanisms and of elimination of injury risks at JSC Tyumenenergo. • Organization of public control over the level of labor protection at the workplace by trade union committees on labor protection and authorized occupational safety specialists. • Implementation of inspections of workplaces and working teams, including on weekends and holidays, as well as at night.	Dynamics unchanged
15	**Investment risks**	• Total performance decrease against planned values (as accepted during Investment Program planning phase). • Failure to meet the planned dates of CAPEX assimilation and investment projects commissioning delays, including due to contractors' and suppliers' failure to perform their obligations.	• Investment Program planning based on key performance criteria as follows: – grid infrastructure availability improvement; – wear and tear decrease and power facilities revamp; – High loading of commissioned facilities. • Monitoring of the Investment Program execution, its funding, cause analysis of actual vs. planned investment parameters. • 3. Measures aimed at projects execution quality improvement; enhancing the efficiency of investments in existing grid; construction cost factor reduction; ensuring high loads of commissioned facilities; comparative analysis system development and implementation in the context of construction / materials / automation cost factor within investment management system.	Dynamics unchanged

In order to improve the efficiency of the Company's operations management, the Company has implemented a project on integrating the risk management system into its business planning. Information on risk identification, assessment, and management measures is submitted quarterly to the Company's Board of Directors within the scope of the business plan performance report.

In addition, in order to improve the implementation of risk management measures, the Company has approved an action plan to manage key operational risks and operational risks of key and other business processes for 2017.

The risk management system is an integral part of the decision-making system of JSC Tyumenenergo.

2.5. Investment activities

In 2016, JSC Tyumenenergo invested into fixed capital in the form of investments including expenditures for new construction, revamping and re-equipment of the acting facilities, purchases of equipment and other fixed expenditures.

Construction of new facilities of power supply grids and fixed assets' renovation were directed at sustainable development of the three Russian territories: the YaNAD, the KhMAD — Yugra, and the Tyumen region, which were included in the Company's territory. As a result, reliability of power supply of consumers in maintenance diagrams was increased, and JSC Tyumenenergo's new image was being formed as a reliable business partner for electric power consumers.

Parameters of investment activities

Application of funds	New fixed assets commissioned	Financing	Capacity commissioning		Capacity increase	
mln RUB, net of VAT	mln RUB, net of VAT	mln RUB (with VAT)	MVA	km	MVA	km
7,188.598	8,699.149	8,980.612	336.776	619.674	242.629	330.600

Dynamics of New Fixed Assets Commissioned in 2016

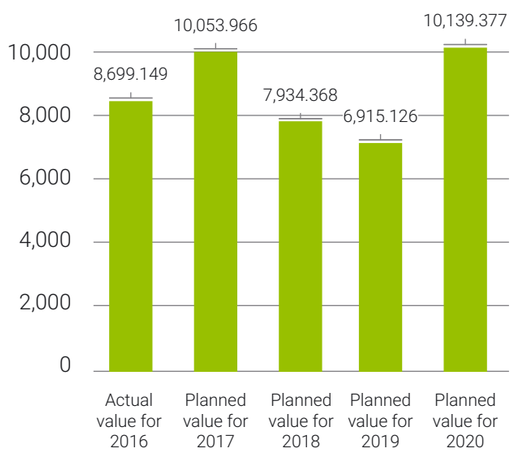
New fixed assets commissioned	Actual Value for 2016
mln RUB (without VAT)	8,699.149
MVA	336.776
km	619.674

For the 2017–2020 period, the total volume of capital investments of JSC Tyumenenergo was planned in the amount of 31,260.858 mln RUB.

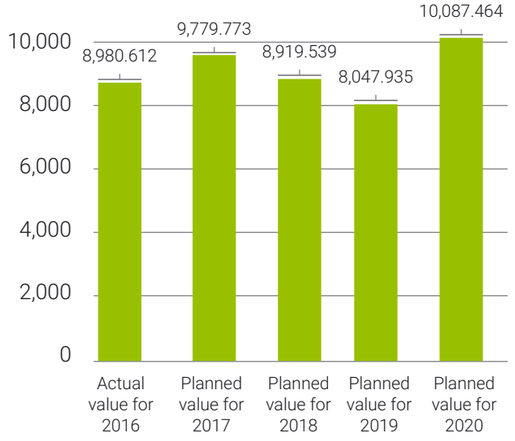
The planned volume of financing of the investment program of JSC Tyumenenergo for 2017–2020 was provided in the amount of 36,834.711 mln RUB (with VAT).

For the 2017-2020 period, the total volume of commissioning was planned at the level of 35,042.827 mln RUB; the commissioning of transformer capacities in the volume of 973.210 MVA; the commissioning of power transmission lines was envisaged in the volume of 1,389,886 km.

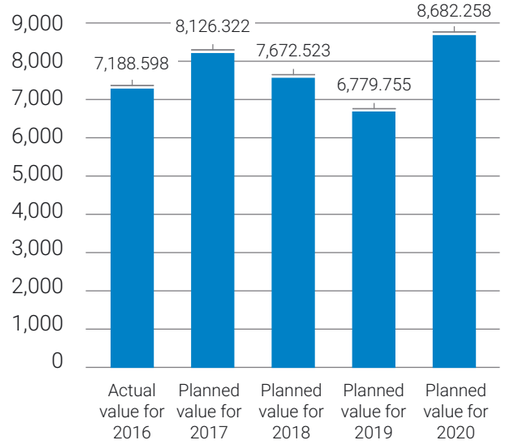
Volume of new fixed assets commissioned for 2016–2020, mln RUB, without VAT



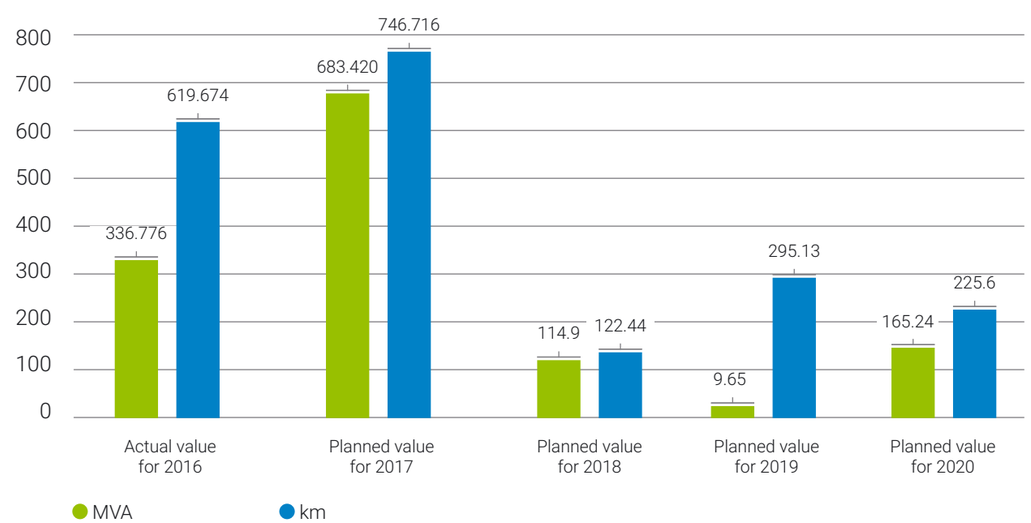
Volume of financing for 2016–2020, mln RUB, including VAT



Volume of application of funds for 2016–2020, mln RUB, without VAT



Volume of capacity commissioning for 2016-2020



Long-term investment program

The investment program of the Company for 2016–2020 was approved by the Order of the Ministry of Energy of the Russian Federation dated November 30, 2015 and registered under No. 896.

The investment program for 2016–2020 was formed in accordance with Scenario Requirements for business plans formation for subsidiaries and affiliates of JSC "ROSSETI" for 2016–2020 in view of the current situation of the Russian economy and the financial capacity of JSC Tyumenenergo. While developing the Investment Program for 2016–2020, reduction in equipment ageing was maintained as the priority. Creation of availability of hook-up of consumers' new capacities and increase of reliability and quality of power supply of current consumers remain as priorities.

G4-EC7

The priority facilities of the 2016 investment program that were commissioned in 2016

"Reconstruction of the Kartopya–Vandmtor 1, 2 110 kV OHL; Krasnoleninskaya-Vandmtor 1, 2 110 kV OHL; Nadym–Long-Yugan–Sorum 110 kV OHL; Nadym–Levokhettinskaya 110 kV OHL; Levokhettinskaya–Long-Yugan 110 kV OHL. Installation of Basic Protections." Commissioning of fixed assets amounted to 226.866 mln RUB. As a result of the project implementation, the reliability of electricity supply to consumers increased, and technical conditions for utility hook-up to the electricity grids of "FGC UES", JSC were fulfilled.

"Severnoe Siyanie 110 kV Substation in Salekhard with a 110 kV overhead line and Polyarnik 110 kV Substation with a 110 kV overhead line in Salekhard." The commissioning of fixed assets amounted to 763.319 mln RUB and to 863.014 mln RUB, respectively. The increase in power balance amounted to 80 MVA and 16.378 km and to 80 MVA and 12.215 km, respectively. As a result of the implementation of projects, the quality of electricity supply to existing consumers was improved, and the possibility of connecting new consumers was obtained. The possibility of take-down the substation equipment for repairs without the introduction of power consumption limitations was implemented. The implementation of the projects makes it possible to provide a centralized power supply to Salekhard.

"Pravdinskaya-Mercury 3, 4 110 kV OHL spur line for the transfer of power supply of Mushkino 110 kV Substation." The commissioning of fixed assets amounted to 169.083 mln RUB. The increase in the power balance was 7,629 km. The implementation of this measure has made it possible to unload the currently overloaded Magistralnaya-Pravdinskaya transit while ensuring the necessary categorization of power supply for the facilities of LLC RN-Yuganskneftegaz and the village of Poikovsky without imposing restrictions on repair modes, which allows for the increase in power consumption at 110 kV Substation Mushkino planned by LLC RN–Yuganskneftegaz.

Salekhard

Khanty-Mansiysk Autonomous District – Yugra

Yamalo-Nenets Autonomous District

"Reconstruction of the Signal 110/10/10 kV SS." The commissioning of fixed assets amounted to 153.477 mln RUB. As a result of the implementation of these measures, the reliability of the existing power supply was improved and the possibility of connecting new consumers was realized; the personnel was provided with safe conditions for servicing the substations;

Khanty-Mansiysk

Surgut

"Reconstruction of the Solkino 110/35/6 kV SS." The commissioning of fixed assets amounted to 346,129 mln RUB. As a result of the project, the reliability of power supply to consumers in the Surgut region was increased, and worn equipment was replaced.

"Construction of distribution grids of 0.4–10 kV power grid for benefit consumers." The result of the construction of distribution grids of 0.4–10 kV power grid for benefit consumers for Tyumensky, Tobolsky, Ishimsky and Southern territorial industrial units commissioned are 61.529 km and 8.894 MVA.

Tyumen

Tyumen region

"Reconstruction of distribution grids of 0.4–10 kV power grid for benefit consumers." The result of the upgrade of the distribution grids of the 0.4–10 kV power grid for benefit consumers for Tyumensky, Tobolsky, Ishimsky and Southern territorial industrial units is commissioning of 96.605 km and 11.476 MVA.

"Feeders of 110 kV overhead line at Svyatogor Substation." The commissioning of fixed assets amounted to 1,309.296 mln RUB. The increase in the power balance was 143,860 km. The facility was implemented to supply the prospective loads of LLC RN-Yuganskneftegaz.

3. RESULTS OF PRODUCTION ACTIVITIES

Area
111.0 km²

Population
111.2
thous. people

Total connected capacity
610.1 MW

Output from the grid
69,560.2
mln kWh

Novy Urengoy

The city was founded in 1975 in the area of the Urengoy gas field, the third largest gas field on the planet in terms of reserves. Today, Novy Urengoy is the unofficial gas “capital” of Russia.

3.1. Industrial assets

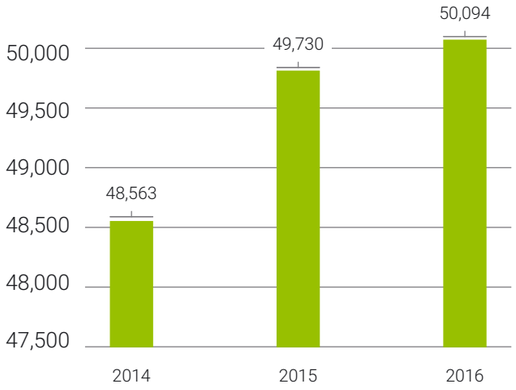
Today the total length of overhead power transmission lines of JSC Tyumenenergo for circuits constitutes 50,093.9 km and that of cable lines, 643.7 km (inclusive of 2,641.9 km of rented overhead power transmission lines and 106.8 km of rented cable lines)

The Company has the following facilities:

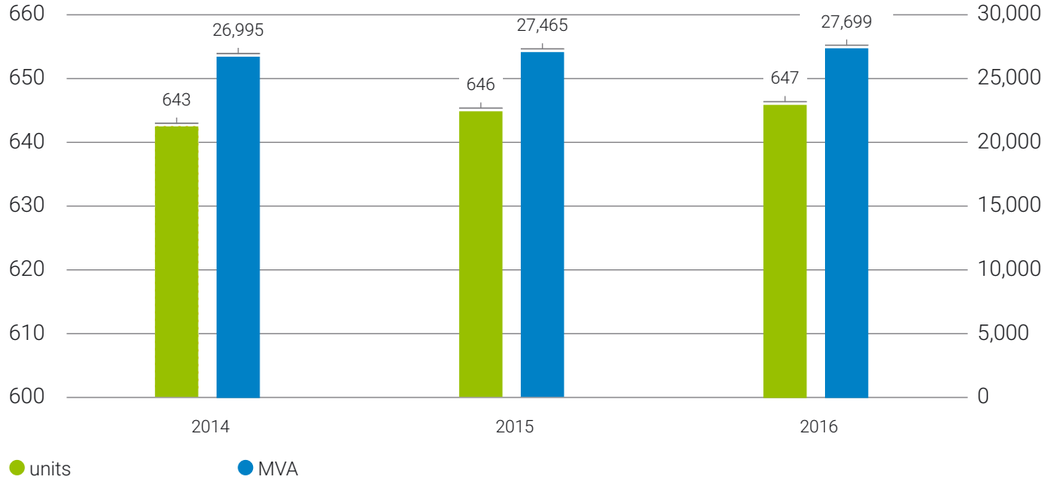
- 647 units of 35-220 kV substations with the installed transformer capacity of 27,698.6 MVA, including three rented 35-110 kV substations with the installed transformer capacity of 31.3 MVA;
- 6,790 units of 10(6) / 0.4 kV transformer substations with the installed transformer capacity of 1,485.4 MVA, including 1,196 rented transformer substations with the installed transformer capacity of 311.41 MVA.

Diagrams below show dynamic pattern of 0.4–220 kV OHL spread versus 35-220 kV substation in terms of number and capacity, including rented assets.

Dynamic pattern of 0.4–220 kV OHL spread (in circuits), km



Dynamic pattern of 35-220 kV substation number and capacity



3.2. Electric power transmission

In 2016, the total output of electrical energy by the Federal Grid Company, electricity producers and allied grid companies to JSC Tyumenenergo grids amounted to 71,373.55 mln kWh. A total of 69,560.16 mln kWh was transmitted to end users and territorial grid companies (TGC). Electrical energy losses amounted to 1,813.39 mln kWh or 2.54% of JSC Tyumenenergo electrical energy output.

Grid output
71,373.55 mln kWh

Output from the grid
69,560.16 mln kWh
to end users and allied TGCs within balance and operational responsibility limits

Losses
1,813.39 mln kWh **2.54**%

Changes in the scope of electrical energy transmission services in 2015–2016

2015		2016		Modification		
mln kWh	mln RUB	mln kWh	mln RUB	mln kWh	mln RUB	%
61,971.1	52,870.5	61,780.9	56,773.4	–190.2	3,902.9	–0.3

Based on the results of JSC Tyumenenergo activities in 2016, the scope of electrical energy transmission services amounted to 61,780.9 mln kWh, which is 190.2 mln kWh or 0.3% less than planned, when compared to 2015 results (61,971.1 mln kWh).

The reduction of the volume of electric energy transmission is associated with the reduction of the volumes of gas transported by PJSC Gazprom, the reduction of the volumes of oil extracted by Transneft, the reduction of the volumes of extraction of oil and hydrocarbons by OJSC Surgutneftegaz, OJSC Slavneft-Megionneftegaz, LLC Lukoil Zapadnaya Sibir, and PJSC Gazprom-Neft Noyabrskneftegaz, and the reduction of the municipal household load by the population of large cities due to the temperature factor.

Actual losses of electrical energy in 2015–2016

Actual value for 2015		Actual value for 2016		Delta*	
mln kWh	%	mln kWh	%	mln kWh*	%
1,818.1	2.54	1,813.4	2.54	–4.7	0.00

* Estimated as delta between the values in 2016 and 2015

Based on the results of 2016, the electrical power supply into the grid of JSC Tyumenenergo as compared to 2015 has decreased by 179.2 mln kWh; the volume of electrical power output from the grid within the DGC limits decreased by 174.5 mln kWh. Taking into account a decrease in electrical transmission losses due to a decrease in the grid output and the physical processes that take place in the course of transfer (reduction of loading losses), the actual losses of electrical energy in 2016 as compared to 2015 decreased by 4.7 mln kWh. Relative loss level in 2016 remained unchanged.

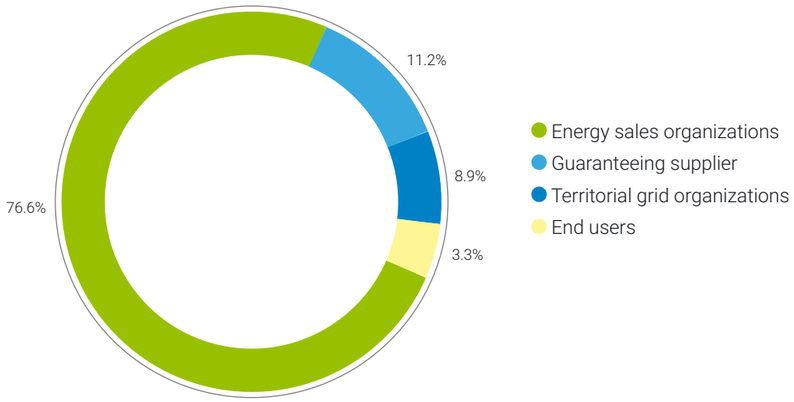
JSC Tyumenenergo has developed and implements a Program for reduction of electric power losses in electric networks of JSC Tyumenenergo (hereinafter referred to as the Program). Implementation of integrated activities as per effective Programs resulted in electrical energy loss reduction in JSC Tyumenenergo grids in 2016, which amounted to 27.4 mln kWh, including the same due to:

- organizational activities that reduced losses by 12.1 mln kWh;
- JSC Tyumenenergo Program of advanced development of electric power accounting systems for a retail market, which reduced losses by 3.8 mln kWh;
- the Program of revamping and reconstruction, which reduced losses by 11.5 mln kWh..

One of the main consumers of electric energy transmission services in the Tyumen Region is the guaranteed electric energy supply company JSC Tyumen Utilities Company. The share of OJSC Tyumen Utilities Company in the structure of revenues from electric energy transmission services is 11.2%. Amount of electric energy transferred by OJSC Tyumen Utilities Company to its consumers in the reporting year is 6,311.0 mln kWh, and the cost of the rendered services amounted to 6,347.7 mln RUB.

The share of energy sales organizations amounted to 76.6%. With the amount of the services rendered equal to 44,705.6 mln kWh, the cost of the rendered services amounted to 43,472.1 mln RUB. Within given consumer category there are companies purchasing electric energy both at the wholesale electricity market (hereinafter — WEM) or at the retail electricity market (REM).

Structure of JSC Tyumenenergo revenues by consumer groups in 2016



Structure of JSC Tyumenenergo revenues by consumer groups in 2016

Name of the group of service consumers	Amount of services rendered, mln kWh	Cost of services rendered, mln RUB, with VAT*
Guaranteeing supplier	6,311.0	6,347.7
Energy sales organizations	44,705.6	43,472.1
End users	2,492.6	1,853.1
Territorial grid organizations	8,271.7	5,100.5
Total:	**61,780.9**	**56,773.4**

* The cost of services is given net of cost of electric energy losses included in wholesale market prices of electric energy.

3.3. Utility hook-up

The process of network connection of the applicants' electricity receivers to JSC Tyumenenergo electrical grid is performed in accordance with the applicable Russian laws.

To arrange interaction with the service users beginning from 2007 JSC Tyumenenergo arranged Customer Service Center, which operates on the basis of the "one counter" principle. As of the end of 2016, it included the Central Office within the executive directorate, nine regional departments based on Company branches, and supplementary offices in territorial grid companies of Tyumen, Surgut and Nizhnevartovsk.

Since January 2014, the new online Client's Personal Account (http://www.lkk.te.ru/), which enables filing and tracking of applications for utility hookups of applicants with the capacity of up to 150 kW, has been in operation.

In 2016, JSC Tyumenenergo entered into 5,060 contracts for network connection with total powerof 446 MW.

In 2016, JSC Tyumenenergo received 5,645 applications for network connection with the total capacity of 693 MW. As compared to similar 2015 indicators, the number of applications reduced by 2%, and the scope of the applied capacity increased by 4%.

Scope of network connection demand and fulfilled network connection demand

Power range by voltage levels	up to 15 kW	from 15 to 150 kW	from 150 to 670 kW	more than 670 kW	Electric energy industrial facilities	Total
2014						
Number of applications for network connection, units	5,726	383	136	146	2	6,393
For total power, kW	72,576	22,508	39,635	823,320	34,700	992,739
Quantity of concluded contracts for TS, pcs	4,936	265	51	271	0	5,523
For total power, kW	63,900.5	13,225.1	14,724.4	742,884.7	0	834,734.7
2015						
Number of applications for network connection, units	5,270	299	83	108	0	5,760
For total power, kW	69,544	18,078	28,385	549,398	0	665,405
Quantity of concluded contracts for TS, pcs	4,936	215	41	66	2	5,260
For total power, kW	66,709	12,413	12,258	470,540	34,700	596,620
2016						
Number of applications for network connection, units	5,240	237	71	97	0	5,645
For total power, kW	70,506	15,000	25,806	581,598	0	692,910
Quantity of concluded contracts for TS, pcs	4,787	154	42	77	0	5,060
For total power, kW	64,047	9,537	13,385	359,220	0	446,189

In 2016, activities were completed and network utility hook-up was performed under 5,019 contracts with the total capacity of 610 MW. The total number of the contracts executed, as compared to 2015, increased by 8% while the amount of the tied-in capacity was reduced by 25%.

Connection statistics

Power range by voltage levels	2014		2015		2016	
	Quantity of performed requests at TS, pcs	For total power, kW	Quantity of performed requests at TS, pcs	For total power, kW	Quantity of performed requests at TS, pcs	On the total power, kW
Up to 15 kW, total	4,183	49,796	5,105	65,006	4,676	60,954
Including private individuals	3,916	46,468	4,924	63,409	4,475	59,351
From 15 to 150 kW	223	13,009	204	11,507	197	11,549
From 150 to 670 kW	69	21,003	49	14,580	44	13,882
More than 670 kW	101	1,324,885	75	717,024	102	523,721
Total	**4,576**	**1,408,693**	**5,433**	**808,117**	**5,019**	**610,106**

Result of financial and economic activities on network connection for 2016

Indicators	Amount, thous. RUB, without VAT
Network connection proceeds	409,331
Network connection costs	249,619
Network connection gross revenue	159,712
Network connection net profit	123,886
Advance payments received	162,947

3.4. Tariff policies

General Information

The basic principle of the tariff policy of the Company is the timely protection of tariffs for the services in the field of electric power transmission and service tariffs in the field of utility hook-up of consumers to power grids, which ensures a stable financial status of the Company and the development of reliable and quality power supply to consumers.

In the Tyumen area (the south of the Tyumen region, the Khanty-Mansiysk Autonomous District - Yugra, the Yamal-Nenets Autonomous District), the Company implements a single tariff regulation: the electric power transmission tariffs in all the three entities of the Russian Federation are the same for consumers connected to the grids at the same voltage level.

The tariffs for electric power transmission services as well as the services for utility hookup of consumers for the three entities are approved by the Regional Energy Commission of the Tyumen region, the Khanty-Mansiysk Autonomous District - Yugra, and the Yamalo-Nenets District.

Revenue from regulated activities has a major share in the total commodity revenue of the Company for all activities. In 2016, the revenue from services rendered in the field of transmission of electric energy amounted to 98.9% of the total commodity revenue while the revenue from the utility hookup services amounted to 0.7%. In relation to the past year, no significant changes in the revenue structure are available.

Tariffs for electrical energy transmission services

JSC Tyumenenergo uses the tariff regulation method of long-term indexation of the necessary gross revenue. The long-term period of regulation is 2012–2017. Long-term parameters of regulation are established by the decision of the Regional Energy Commission of the Tyumen Region, KhMAO-Yugra, YaNAO

JSC Tyumenenergo updated necessary gross revenue for 2016 for 47,933 mln RUB (the expenses for the services of "FGC UES" PJSC) was approved by Resolution No. 145 of the REC of the Tyumen Region, the Khanty-Mansiysk Autonomous District - Yugra, and the Yamal-Nenets Autonomous District dated December 28, 2015 "On Amending the Resolution of the REC of the Tyumen Region, the Khanty-Mansiysk Autonomous District - Yugra, and the Yamal-Nenets Autonomous District No. 109 dated May 30, 2012" with an increase of 9.2% as compared to previous year.

Since the Tyumen Region uses a tariff the contract model is called a "boiler below," according to which retail companies pay for electric energy transmission services under unified (boiler) tariffs to grid organizations where power receivers of their consumers are connected, in 2014, the commodity revenue of the Company for the services rendered in the field of electric power transmission is partially generated on the basis of unified (boiler) tariffs from sales companies for the volumes of output of electric power to end users and partially generated on the basis of individual tariffs for the volumes of output of electric power to other TGO. The commodity revenue from electric power transfer constitutes the source of covering the costs of JSC Tyumenenergo for the services rendered by "FGC UES" PJSC, for the purchase of electricity to cover losses from guaranteeing suppliers, for the payment for the services rendered by TGO* as well as for the maintenance and development of an own power grid complex (own necessary gross revenue) for ensure reliable and high-quality power supply to consumers as well as the future demand for electric energy (power).

*The TGOs whose necessary gross revenue is not fully offset by commodity revenue from sales companies at unified (boiler) tariffs for the volumes of electric energy output to end customers receive the missing funds from JSC Tyumenenergo through individual tariffs.

Unified (boiler) tariffs for electricity transmission services for 2016 were approved by the order of the Regional Energy Commission of the Tyumen Region, the KhMAO-Yugra, the YaNAO dated December 28, 2015 and registered under No. 143 (as amended by the Decisions No. 3 dated February 2, 2016 and No. 19 dated June 28, 2016), Individual tariffs for electricity transmission services for 2016 - by the decision of the Regional Energy Commission of the Tyumen Region, the KhMAO–Yugra, the YaNAO dated December 28, 2015 and registered under No. 144 (as amended by the Decision No. 20 dated June 28, 2016).

The rates of unified (boiler) tariffs in the first half of the year 2016 do not exceed the rates effective in the second half of the year 2015; for the second half of the year 2016 the unified (boiler) tariffs were established at the growth of voltage level of 7.5%. The tariffs for voltage level HV1 in the first half of the year 2016 do not exceed the rates effective in the second half of the year 2015; in the second half of the year 2016 there is a decrease as compared to the rates of the first half of the year 2016 due to the reduction of cross-subsidization rate included in tariff calculation at HV1 voltage level (as per Federal Law 308-FZ dated November 6, 2013).

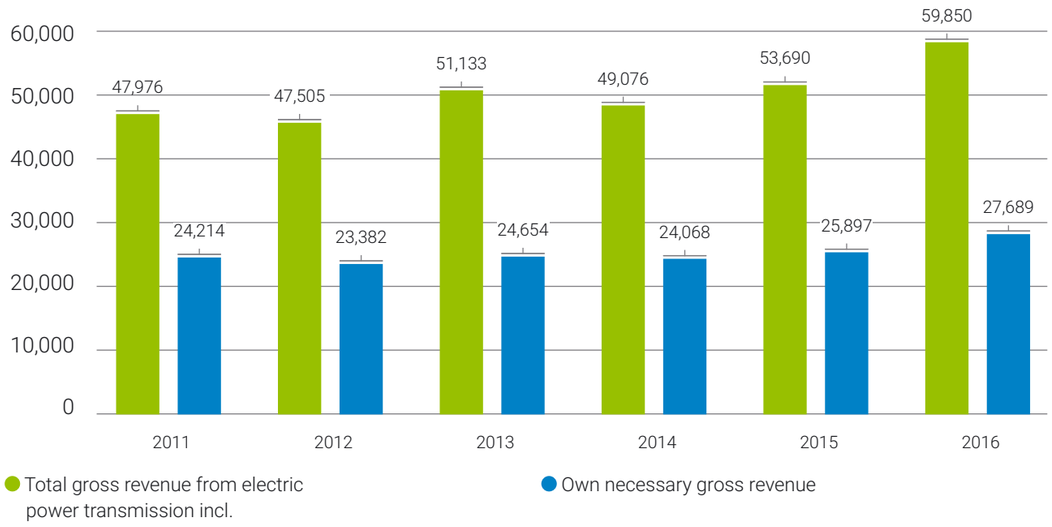
Since July 1, 2016, the tariffs for services of electric energy transfer to public and consumers equivalent to public are approved by Regional Energy Commission with differentiation for public and consumers equivalent to public for whom the tariffs are established without decreasing coefficient and for public and consumers equivalent to public for whom the tariffs are established with decreasing coefficient.

Analysis of the changes in the average tariff for the services on electrical energy transmission by JSC Tyumenenergo

	2012	2013	2014	2015	2016
Average tariff, kop / kWh	68.42	74.54	73.36	78.31	83.32
Growth, %	0.1%	8.9%	–1.6%	6.7%	6.4%

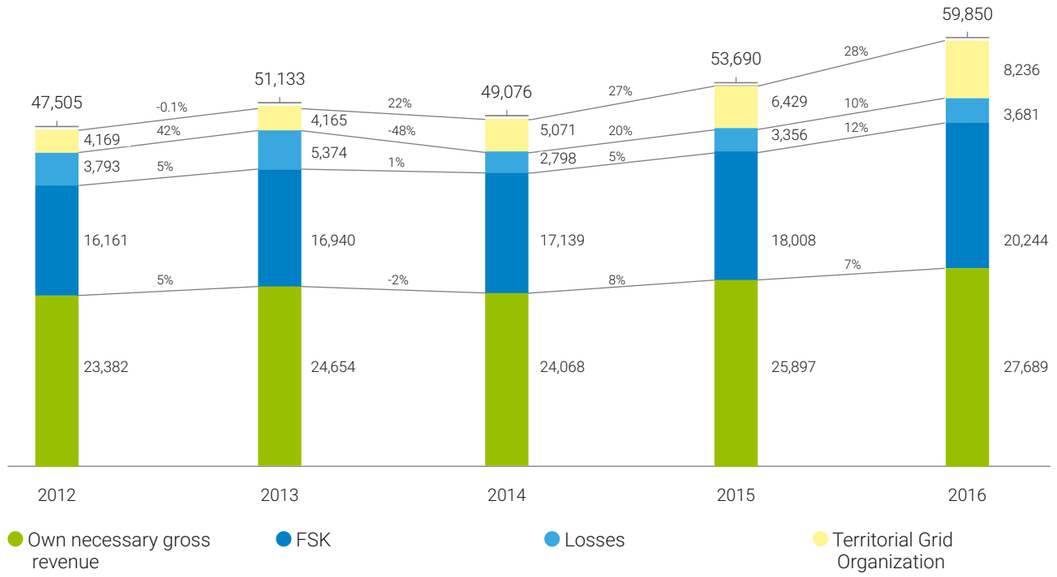
In 2016, the average tariff for electricity transmission services, which is calculated as the ratio of the gross revenue of JSC Tyumenenergo for the transfer of electrical energy to the output of electric energy from the grid at approved tariffs, increased by 6.4% as compared to 2015. This change is due to the increase in unified (boiler) and individual tariffs for electric energy transmission valid from July 1, 2016 as well as to the increase in the Company's own necessary gross revenue as compared to 2015.

Dynamics of required gross revenue from services on electrical energy transmission by JSC Tyumenenergo, mln RUB



Gross revenue from electrical energy transmission services in 2016 is increased by 6,160 mln RUB or by 11.5% as compared to the previous year. Increase in the gross revenue for the transfer services provides for an increase of the costs of payment for electricity transmission services rendered by PJSC "Federal Grid Company" and other territorial grid companies, the costs of the acquisition of electric energy to compensate for losses in the networks, the costs of maintenance and servicing of electric equipment to be able to provide the required level of reliability and quality of power supply to consumers, as well as the costs of development of the network that are envisaged in the tariff.

Dynamics of required gross revenue from services on electrical energy transmission



Utility hook-up fee

Payment for utility hookup is calculated in cases of connection of devices that are commissioned for the first time, formerly connected devices with an increase of the maximum power, and in cases in which the category of power supply reliability, the point of attachment, production activities that do not involve the revision of the value of maximum power but that change the scheme of external power supply of such devices changes in relation to previously connected devices

Payment for utility hookup can be calculated on the basis of the declared maximum power and approved standardized rates or rates per maximum power unit as well as according to an individual project. The payment rate is selected by the applicant at the stage of conclusion of the utility hookup contract.

In accordance with Methodological instructions on assessment of payment approved by Order of Russian FTS No. 209-e / 1 dated September 11, 2012, JSC Tyumenenergo calculated and Regional Energy Commission of the Tyumen Region, the Khanty-Mansiysk Autonomous District - Yugra, and the Yamal-Nenets Autonomous District approved (Resolution No. 100-tp dated December 15, 2015) tariffs for maximum power unit, standardized tariff rates, and formulas for calculation of the payment for utility hookup of applicants' power receivers to the grids of JSC Tyumenenergo (Annex 1).

3.5. Service customers relations

Customer-oriented approach of JSC Tyumenenergo is implemented through the establishment and operation of a centralized customer service system, which is based on the following principles:

Providing customers with sufficient information about the Company and its services

Providing complete and accurate information about all procedures of interaction with JSC Tyumenenergo is public, available in an accessible form for a consumer of services: in the media, on the Company's website, and on information stands of the Company.

Transparency of business services in the areas of consumer services and objectivity in reviewing consumers' complaints

Business services for customer services are transparent to ensure accountability and controllability of the process of interaction with consumers. JSC Tyumenenergo provides an objective and impartial review of complaints in a timely manner and the option to appeal decisions. The consumers are informed about these processes on "need to know" basis.

In 2016, the trends of previous years remain. For example, almost more than half of the calls (more than 21,000) concern the issues of utility hook-up.

All the more relevant means of communication with the Company are the Call-center and the "Client's Personal Cabinet." Compared to 2015, the number of applications has almost doubled.

And another stable trend is a small number of complaints. By the end of 2016, their share in the total number of requests was only 0.3%.

The main percentage of calls falls on the Tyumen Distribution Grids branch (70% or 25,939 units), which is due to the population density and the structure of consumers. In this region, consumers in the categories of small and medium-sized businesses and private individuals are predominant.

All applications are registered in the functional module IS-U "Contact Maintenance Energy Data Management" of the automated management system for financial and economic activities of JSC Tyumenenergo (SAP ERP).

Qualified service

JSC Tyumenenergo provides a high level of skill and competence of customer service personnel.

Availability and efficiency of distance and interactive services of the Company

The Company created the JSC Tyumenenergo Call Center. Currently, Call Centre of JSC Tyumenenergo supports two phone numbers: 8-800-200-55-02 — hotline for network violations and 8-800-20055-04 — universal number of Call Center. Calls are free for consumers.

Information about these numbers is available on the JSC Tyumenenergo website, which is regularly updated. This information is periodically published in the print media issued in the area of responsibility of the Company.

Automatic notification of applicants (auto dial and SMS) of delay in performance under contracts on network connection was introduced using the JSC Tyumenenergo Call Center system.

"Client's Personal Account" was implemented on the Company website. The applicants have an opportunity to promptly file an electronic application for network utility hook-up of their power receivers to the grid. For this, the customer simply has to fill in an application form available on the website and to attach required scanned copies of documents. Moreover, anyone can query a profile of the Company specialist directly, provide information, file a complaint, write a comment on the Company activity, share views about our Company activity by filling out a questionnaire.

In order to provide prompt consulting or solve problem issues of consumers JSC Tyumenenergo website has an "Internet reception" where everyone can pose his / her question directly to a relevant Company specialist or file a complaint.

A map of power centres loading (110 kV) was implemented on the Company corporate website.

In addition, consumers are provided with a utility hook-up cost calculator. The performed calculation is an approximation. Final calculations are carried out after filing an application for TC when preparing the contract for utility hook-up.

Moreover, in order to secure regular feedback and increase satisfaction level of the consumers, the corporate site of the Company launched an interactive questionnaire of consumers on a quality of services rendered by JSC Tyumenenergo.

The Company provides consumers with an opportunity of free choice in any type of feedback channel: face-to-face (personal visit of CSC) and distant (phone, fax, mail, the Internet), depending on individual capabilities and preferences of a customer.

Territorial accessibility and comfort conditions of face-to-face service

Infrastructure of face-to-face service provides territorial accessibility of Company's service for consumers, which is implemented by personal contact of service consumers with the Company employees on the base of Customer Service Centers (hereinafter referred to as CSC) and in stations receiving applications for network utility hook-up.

Face-to-face customers'service is organized within the entire territory of JSC Tyumenenergo customer support: south of Tyumen Region, Khanty-Mansiysk — Yugra and YNAD - in all the branches of the Company.

In the cities of Tyumen, Surgut, Nizhnevartovsk, Nefteyugansk, Kogalym, Noyabrsk, New Urengoy, Urai, and Nyagan, face-to-face service is performed within Customer Service Centers based in the Company's nine branches.

Characteristics of handling applications at JSC Tyumenenergo for 2016

Indicator	Number of requests		Growth rate
	2015	2016	%
	units	units	
The total number of applications received in SDCs	34,856	37,740	108.3
I. Distribution of applications by category	**34,856**	**37,740**	**108.3**
1.1. Complaint	75	102	136
Of them, complaints that are justified	21	19	90.5
1.2. Requests for reference information / consultation	2,474	4,751	192
1.3. Application for services	6,139	6,479	105.5
1.4. Reception / issue of documents	8,507	15,735	185
1.5. Provision of information	1,535	1,850	120.5
Of them, documents for emergency outages	995	1,315	132.2
1.6. Receiving payments	205	372	181.5
1.7. Consumer feedback on the Company's activities	2	14	700
1.8. Consumers' offers on improvement of the quality of service	90	87	96.7
1.9. Other	15,829	8,350	52.8
II. Distribution of applications through communication channels	**34,856**	**37,740**	**108.3**
2.1. Face-to-face handling	22,201	22,620	101.9
2.2. Correspondence through the Call Center	4,050	7,261	179.3
2.2.1. Including the electricity supply telephone hotline	1,485	1,312	88.4
2.3. Written applications filed through the office	2,601	2,604	100.2
2.4. Correspondence through the Internet reception / Personal Cabinet / Online consultations / Email	1,313	2,013	153.3
2.5. Other	4,691	3,239	69
III. Distribution of applications according to reasoning (by topics)	**34,856**	**37,740**	**108.3**
3.1. Utility hook-up	21,016	22,333	106.3
3.2. Electric power transmission	3,898	4,133	106
3.3. Electric power outages	1,229	1,870	152.2
3.4. Maintenance of power grid facilities	22	12	54.5
3.5. Commercial accounting of electricity	1,733	2,215	127.8
3.6. Additional services	0	371	–
3.7. Quality of service	0	4,138	–
3.8. Contact information	109	199	182.6
3.9. Other	6,849	2,469	36

G4-PR8

In 2016, JSC Tyumenenergo received 102 complaints. Of these, 19 complaints were justified. The main percentage of complaints received is the quality of electricity and utility hook-up. Based on 17 substantiated complaints received by the Company, measures were taken indicating the inadequate quality of electricity transmission and service. Other complaints on performance.

The Regulations for handling of complaints at JSC Tyumenenergo (Order of JSC Tyumenenergo dated September 19, 2014 and registered under No. 351) establish the uniform requirements for the handling of complaints concerning the activities of JSC Tyumenenergo that were filed with the Company via face-to-face and correspondence channels of communication by consumers, regulatory bodies, executive bodies of the constituent entities of the Russian Federation, and local self-government (inclusive of the regulatory authorities in the field of state tariff regulation), and the Federal Antimonopoly Service and its territorial bodies; determine the structure of the interaction of structural subdivisions of the Company and its subsidiaries and affiliates in the course of handling of complaints; regulate the control of the deadlines for processing and implementation of measures on the basis of received complaints.

Characteristics of complaints received by JSC Tyumenenergo

G4-EN34
G4-SO11

Indicator	Total number of complaints	
	2015	2016
Distribution of complaints by topic, pcs	21	19
Utility hook-up	1	8
Electric power transmission	18	9
Electrical energy outage (no disconnection messages are taken into account)	0	1
Maintenance of power grid facilities	0	0
Commercial accounting of electricity	1	0
Additional services	0	0
Quality of service	0	1
Contact information	0	0
Energy service activities	0	0
Other	1	0

G4-PR5

In order to improve the quality of customer service, to resolve issues of electricity supply, and to provide electricity transmission services, as well as to coordinate interaction in working with clients, a customer survey is conducted every year in all the branches of the Company. Regular consumer polling is conducted in order to obtain first-hand information and to use the analysis results for development and implementation of corrective actions on improvement of the service.

The survey involves consumers of services (legal entities) to whom questionnaires are sent by mail. In 2016, 3,770 consumers of services took part in the survey, which amounted to 63% of the total number of consumers (legal entities) of JSC Tyumenenergo.

Survey results by year

Year	The number of consumers provided with the polls	Consumers polled	Satisfied customers	A share of consumers' satisfaction with service quality	Satisfaction increase
2015	4,249	4,140	4,012	96.90%	0.45%
2016	3,802	3,770	3,658	97.03%	

The proportion of satisfied customers in 2016 increased by 0.45% as compared to 2015.

According to respondents, the quality of service remains at a high level: 97% are satisfied with provision of services in general, which is higher than the corresponding indicator for the previous year. Polling has identified the level of consumer awareness of self-services: 78% of polled private consumers are aware of the "Client's Personal Account" service on the Company website, and almost 70% have been informed about the functioning of the call center, hotlines, and helplines. The majority of our clients (85% of polled consumers) receive timely warnings of power supply interruption and know what departments to address in different situations.

3.6. Procurement activities

In 2016, the procurement activity of JSC Tyumenenergo was regulated by the Uniform Standard of Procurement of PJSC "Rosseti" (Procurement Regulations) approved by the Board of Directors of JSC Tyumenenergo (Minutes No. 22/15 dated December 22, 2015) as an internal document of the Company. The Uniform Standard was developed in the scope of development of the Procurement Policy of PJSC "Rosseti" and meets the requirements of the Federal Law No. 223-FZ dated July 18, 2011 "On Procurement of Goods, Work, and Services by Individual Types of Legal Entities." The Procurement Regulation controls procurement procedures, regardless of their cost.

Principles of procurement

1. Information openness of procurement
2. Equality, justice, non-discrimination and absence of unjustified limitations of competition in respect of participants of procurement
3. Targeted and economically efficient use of money for procurement of goods, works, and services (with due account of a cycle cost of products being purchased, if necessary) and implementation of measures aims at cost reduction
4. Absence of limitations for participation in procurement by means of introducing extraordinary requirements to procurement participants

The volume of procurement in 2016 amounted to 16,159.6 mln RUB with VAT. The volume of open procedures amounted to 16,050 mln RUB with VAT, or 99.32%. The volume of procurement made from a single source was 109.6 mln RUB, or 0.68%. .

The share of purchases made using e-commerce means was 100% in 2016.

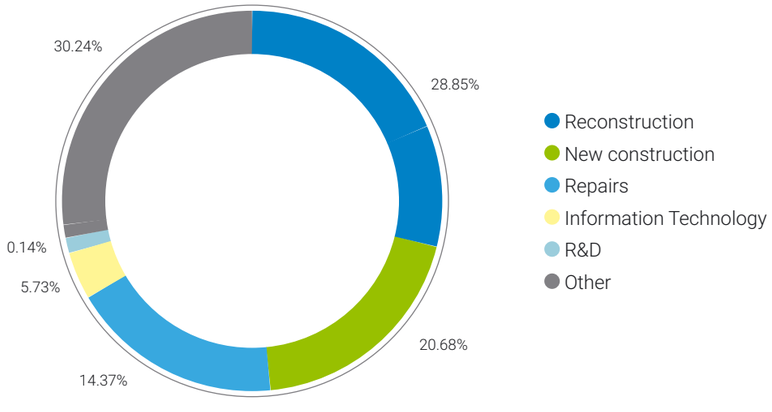
Efficiency from the conducted procurement procedures amounted to 688.1 mln RUB with VAT, or 4.08% of the announced value of procurement.

JSC Tyumenenergo adopted the Partnership Program between JSC Tyumenenergo and small and medium-sized businesses, the purpose of which was to ensure the state policy for small and medium-sized business development through the procurements by the Company.

The Partnership Program between JSC Tyumenenergo and small and medium-sized businesses was developed in order to implement the Decree of the Government of the Russian Federation dated May 29, 2012 and registered under No. 867-r regarding the approval of an actions plan ("roadmap") "Promotion of Access of Small and Medium-Sized Businesses to Procurements of Infrastructure Monopolies and Companies Partially Owned by the Government."

The Partnership Program between JSC Tyumenenergo and small and medium-sized businesses establishes a set of measures aimed at creating and supporting

Procurement structure by type of activity



a class of reliable, qualified, and responsible suppliers (contractors, performers) among small and medium-sized business entities. The Partnership Program establishes requirements for small and medium-sized businesses and the terms and conditions of accession to the Program.

At the end of 2016, 138 small and medium-sized business entities joined the Company's Partnership Program.

In addition, JSC Tyumenenergo regularly reviews its internal documents that regulate procurement activities in terms of simplifying the requirements for the participants of procurements and the products procured.

According to the annual report of the procurement of goods, works, services from small and medium-sized businesses, by JSC Tyumenenergo in 2016, which is posted on the official website of the single information system in the procurement sector, the annual volume of purchases from small and medium-sized businesses amounted to^

- 9,352.6 mln RUB with VAT or 62.77% of the total volume of purchases completed in 2016 (excluding the volume of purchases excluded from calculation of the annual volume of such purchases and the procedure for calculating this volume approved by the Decree of the Government of the Russian Federation dated December 11, 2014 and registered under No. 1352 in accordance with clause 7 of the Regulations on the Specifics of the Participation of Small and Medium-Sized Businesses in Purchasing Goods, Works, Services by Certain Types of Legal Entities).
- including the results of procurement, in which the participants in procurement are only entities of small and medium-sized businesses in the amount of 6,225.9 mln RUB with VAT or 41.78% of the total volume of purchases completed in 2016 (excluding the volume of purchases excluded from calculation of the annual volume of such purchases and the procedure for calculating this volume approved by the Decree of the Government of the Russian Federation dated December 11, 2014 and registered under No. 1352 in accordance with clause 7 of the Regulations on the Specifics of the Participation of Small and Medium-Sized Businesses in Purchasing Goods, Works, Services by Certain Types of Legal Entities).

Measures implemented to improve the economic performance of the Company's procurement activities:

- maximum open competitive bidding using the functionality of electronic trading platforms b2b-mrsk.ru (with an initial procurement price of more than 2.5 mln RUB) and etp.rosseti.ru (with an initial procurement price of up to 2.5 mln RUB);
- calculation of the planned (marginal) procurement price for investment projects in respect of the power grid facilities of capital construction taking into account the reduction of investment costs by 30% as compared to the level of 2012;
- decrease in the share of purchases from a single supplier as compared to the level of 2016;
- Procurement in the electronic form (without providing documents that are part of the procurement participation application, on paper);
- application of the auction procedure to reduce the application bid (rebidding) in the process of conducting the procurement in order to obtain the maximum possible savings of money.

Measures taken to increase the transparency of procurement activities, including the expansion of access for small and medium-sized businesses in procurement:

- holding of the meetings of the Advisory Body on ensuring the effectiveness of procurement conducted by JSC Tyumenenergo, including the same from small and medium-sized businesses;
- holding of conferences, training seminars for small and medium-sized businesses (a workshop "Five Steps to Winning in a Tender" was held within the framework of the "Open Door Day for Enterprise Suppliers and Potential Participants in Procurement Procedures");
- informing the participants of the Partnership Program between JSC Tyumenenergo and the small and medium-sized businesses about the main principles of procurement activities by sending targeted notices to suppliers entered in the Register of Participants of the Partnership Program.

Also, the documents are improved taking into account the changes introduced into the legislative instruments of the Russian Federation in the field of procurement.

G4-EC9

Companies registered in the territory of three constituent entities of the Russian Federation that constitute the service area of JSC Tyumenenergo ("local suppliers") became the winners in 628 procurements held by JSC Tyumenenergo for a total of 14,260.2 mln RUB with VAT, which is 61% of the total volume of procurements conducted in 2016.

G4-SO7

In 2016, the participants in the procurement procedures organized by JSC Tyumenenergo filed 6 complaints against the actions of procurement commissions of JSC Tyumenenergo to the Federal Antimonopoly Service of the Russian Federation; the Federal Antimonopoly Service of the Russian Federation recognized 3 complaints as unjustified, and 3 more complaints were withdrawn by the Participants of procurement procedures who filed them.

Thus, there were no binding regulations on the complaints reviewed by the FAS and no administrative fines stipulated by the Code of Administrative Offenses of the Russian Federation were applied to the Company.

G4-SO8

Evaluation of participants in procurement procedures held by JSC Tyumenenergo according to the criteria of the practice of labor relations was not implemented.

G4-LA14
G4-LA15
G4-HR4
G4-HR10
G4-HR11

Evaluation of personnel resources of participants in procurement procedures is carried out for the qualification and sufficiency for the performance of the contract. In addition, the participant's personnel must be trained in the safety of labor, pass a test of knowledge of general industrial safety requirements, and have an electrical safety group and personal protective equipment to perform work under the contract.

G4-SO9
G4-SO10

Also, the reliability of participants in procurement procedures in terms of the absence of tax arrears is estimated according to the certificate on the absence of arrears in the payment of taxes, fees, insurance premiums, fines, and tax sanctions in accordance with the current legislation of the Russian Federation.

Area
337.8 km²

Population
96.7
thous. people

Expenses for maintenance of equipment
4,014 mln RUB

Power losses
2.5%
(average level in Russia – 10%)

Khanty-Mansiysk

Since its foundation in 1582, the village has borne different names: first it was known as Samarskaya Sloboda; later, as Samarovo (after the local Ostyak prince of Samara). In 1931, a new settlement, Ostyako-Vogulsk, was laid 5 km away from Samarovo; in 1940, the settlement was renamed to Khanty-Mansiysk. In 1950, Khanty-Mansiysk received the status of a city, and Samarovo became a part of it.

4. ENSURING RELIABILITY AND QUALITY

4.1. Increasing the efficiency of operating activities

The program for increasing operational efficiency and reducing costs (hereinafter referred to as the PIOE&RC) was approved by the Board of Directors of JSC Tyumenenergo (Minutes of the Meeting of the Board of Directors dated March 31, 2016 and registered under No. 08/16) and is a key instrument used to enhance the internal operational efficiency of the Company and one of the main components of strategic priorities.

The program for increasing operational efficiency and reducing costs includes a set of measures aimed at increasing internal efficiency and ensuring profitability through the optimization of internal business processes.

Priority areas of the PIOE&RC are:

- operating expenses of the Company (managed and unmanaged);
- equipment repair and maintenance control;
- working capital management;
- fixed asset management;
- procurement and supply chain management;
- a system of motivation and remuneration of staff;
- principles of the formation of the organizational and functional structure and the definition of the optimal number of personnel;
- a system of energy saving and loss reduction;
- other areas of possible improvement.

The main priorities of the Program of increasing operational efficiency and reducing costs are:

- decrease in specific operating expenses by 15% by 2017 taking into account inflation in relation to the level of 2012 per unit of electrical equipment service according to the Strategy for the development of the power grid complex approved by the Decree of the Government of the Russian Federation No. 511-r dated April 3, 2013. As a result of implementation of measures to increase efficiency in 2016, the level of decrease in specific operating expenses of JSC Tyumenenergo amounted to 18% at the target level of 15%.
- decrease in specific operating expenses by at least 3% annually in accordance with the directive of the Government of the Russian Federation No. 2303p-P13 dated April 16, 2015 and the directive of the Government of the Russian Federation No. 2073p-P13 dated March 29, 2016. The effect of the reduction in specific operating costs of JSC Tyumenenergo amounted to 6% in 2016 against the target evel of 3% annually.

4.2. Repair and maintenance activities

According to 2016 results, the Company's repair program was fully implemented. Expenses for maintenance of plant and equipment across the Company in 2016 amounted to 4,014 mln RUB. Work undertaken by own efforts (using own resources) amounted to 2,254.5 mln RUB, and under third-party contract, to 1,759.5 mln RUB.

Implementation of the maintenance program on the main electrical equipment at SS and OHL of JSC Tyumenenergo for 2016 in terms of value, mln RUB

Item No	Type of equipment	Total	Including:	
			In-house maintenance	Contract
1	Power Line Maintenance	704.5	101.6	602.9
2	SS Equipment Maintenance	730.1	316.8	413.3
3	Buildings and structures	372.8	31.9	340.9
4	Other facilities	396.4	252.5	143.9
	TOTAL	**2,203.8**	**702.8**	**1,501.0**

Implementation of the maintenance program on the main electrical equipment at SS and OHL of JSC Tyumenenergo for 2016 in physical terms:

Item No.	Type of equipment	Measurement unit	Actual value for 2016	Planned value for 2017
1	Maintenance of 35-110 kV power transformers	units	67	69
2	Maintenance of circuit breakers	units	279	206
3	Maintenance of disconnectors	units	319	263
4	Maintenance of 0.4-110 kV overhead power transmission lines	km	2,609	2,507
5	Clearing of the route	Ha	5,854	6,120
6	Maintenance of 10 / 0.4 kV transformer substations	units	107	86

Analysis of the cost of maintenance for 2015–2017, mln RUB

Item No.	Description of work	Actual value for 2015	Actual value for 2016	Planned value for 2017
1	Own Resources Method	632.9	702.8	735.3
2	Contract	1,347.0	1,501.0	1,491.7
	Total	**1,979.9**	**2,203.8**	**2,227.0**

4.3. Energy conservation and efficiency

G4-EN6
G4-EN7

Measures aimed at energy saving and energy efficiency enhancement in JSC Tyumenenergo in 2016 were implemented in accordance with the JSC Tyumenenergo Program on Energy Saving and Energy Efficiency Enhancement for the period of 2016–2020 (hereinafter referred to as the Program) approved by the Board of Directors of JSC Tyumenenergo on April 22, 2016 (Minutes dated December 12, 2014 and registered under No. 09/16). In the area of energy saving and energy efficiency, the targets in accordance with the Program are the following:

- reducing electricity losses during the transmission and distribution in power grids;
- consumption of energy resources for production and economic needs;
- provision with up-to-date electrical energy meters available on the retail market in accordance with the prospective development of electricity metering equipment.

As a result of the implementation of complex measures for 2016:

- the effect on reduction of electric energy losses in the networks of JSC Tyumenenergo amounted to 27.36 million kWh, or to 72.74 mln RUB;
- the effect of 0.78 thousand T.F.O.E. or 8.449 mln RUB was obtained from the reduction in the consumption of fuel and energy resources for production and economic needs of JSC Tyumenenergo
- the availability of intelligent accounting devices from the total volume was 53.4%;
- the availability of LED lights from the total volume was 38.76%.

The total effect from the implementation of the Energy Saving Program for 2016 amounted to 4.06 thousand T.F.O.E. or to 81.19 mln RUB.

Consumption of energy resources

G4-EN1
G4-EN3
G4-EN4
G4-EN5

Energy consumption indicators, including energy intensity indicators

Item No.	Targets	Measurement unit	2014	2015	2016
1	**Loss of electricity in general**	mln kWh	1,868.18	1,818.09	1,813, 39
		% of the grid output	2.55	2.54	2.54
2	**Auxiliary power consumption of substations**	mln kWh	96.12	88.31	80.97
		% of item 1	4.58	4.81	3.94
		kWh / e. u.*	595.86	565.16	483.81
3	**Consumption of energy resources for the economic needs of administrative and industrial buildings, total, including:**	thous. TOE	20.07	17.93	17.60
3.1	Electrical energy	mln kWh	81.86	74.47	72.76
		kWh/m²**	228.05	210.94	202.70
3.2	Thermal energy (building heating systems)	Gcal	37,050.00	37,923.57	38,197.40
		Gcal/m³***	0.033	0.035	0.035
3.3	Natural gas (including liquefied gas)	thous. m³	2,861.84	2,081.97	2,040.21
3.4	Other types of fuel and energy (oil)	thous. tons	0.78	0.72	0.74
4	**Consumption of cold water for household needs**	thous. m³	77.11	60.17	60.49
5	**Consumption of motor fuel by vehicles and special equipment, total**	thous. l	6,444.45	4,511.11	4,681.77
6	**Installation of modern meters**	units	13 880	15 926	27 801

* The number of conventional units of substation equipment at the end of 2016 was 167,353.23.
** The area of operated buildings and structures was 358,952.41 m².
*** The heated volume of buildings and structures was 1,097,327.5 m³.

The main indicator of the energy intensity of services of transmission and distribution of electricity through the power grids of JSC Tyumenenergo remains at a stably low level: 2.54% of the output of electricity into the grid.

There is a positive dynamics of indicators of energy efficiency of consumption of fuel and energy resources for production and economic needs of the Company, which proves the effectiveness of the policy of JSC Tyumenenergo in the field of energy saving.

4.4. Information technologies and communications

JSC Tyumenenergo is a modern energy company whose effectiveness depends substantially on the use of information technology and automation equipment. In modern conditions, the operation of the electric grid complex as a whole and JSC Tyumenenergo in particular cannot be organized without such elements as:

- automated process control systems, which provide for automated collection and processing of information which is necessary for the purposes of optimization of the management of technological facilities of the Company for the rapid and uninterrupted management of the distribution power grid complex;
- automated business management systems, which ensure effectiveness of strategic management of the Company;
- communication systems and IT infrastructure, which ensure efficiency of the totality of the above automation tools as well as the smooth communication for all the employees of the Company.

The introduction of new - as well as development of existing and maintenance of already implemented - information technology projects is related to continuing operations, which are conducted in accordance with the Strategy of Information Technology and Telecommunications of the Company (hereinafter referred to as the ITT Strategy). This Strategy defines the objectives for the development of information technology of the Company, strategic initiatives, and activities aimed at achieving these objectives as approved by the Board of Directors of JSC Tyumenenergo (Minutes No. 08 / 12 dated August 30, 2012) and identifies the following IT design concepts:

- IT solutions;
- IT organization
- IT processes
- IT services
- IT infrastructure
- IT security

Results of the development in 2016

Business process automation

1. plant asset administration system. The PAAS of JSC Tyumenenergo is designed to provide the required level of reliability of power transmission and distribution through the efficient use of resources and the control of production assets on the basis of the balance of cost, risks, and performance of assets.
2. AIS “Client’s Personal Account” provides interactive services of interaction with consumers in the following areas: network connection, electricity distribution, perspective loads, consumer questioning.
3. Intranet portal of JSC Tyumenenergo is a single structured content corporate information.

Telecommunications, information technology and infrastructure

1. The backup system design stage. The centrally managed distributed software and hardware complex is designed to restore lost information in production information systems.
2. A Unified Communications System (UCS) is a hardware and software complex that provides for all the types of modern information communications, inclusive of email, instant messaging, video conferencing, and integration with telephony systems.

ASNM

1. Implementation of the upgrade and expansion program for the System for Information Collecting and Transmitting (SICT) on substations of JSC Tyumenenergo in terms of telemechanization
2. Implementation of the upgrade and expansion program for the System for Information Collecting and Transmitting (SICT) on substations of JSC Tyumenenergo in terms of communication channels.

Further ITT activities

1. CRM System Implementation
2. Development of the Website of JSC Tyumenenergo
3. Implementation of the service of external exchange of legally significant electronic documents-JSC Tyumenenergo
4. Development of the Plant Asset Administration System of JSC Tyumenenergo

4.5. Operational process control

In order to centralize the operational and technological management, the Company uses a Network Management Center (NCC), which is responsible for coordinating all the structural divisions of the operational and technological management of the Company.

Organizational Structure of the JSC Tyumenenergo NCC

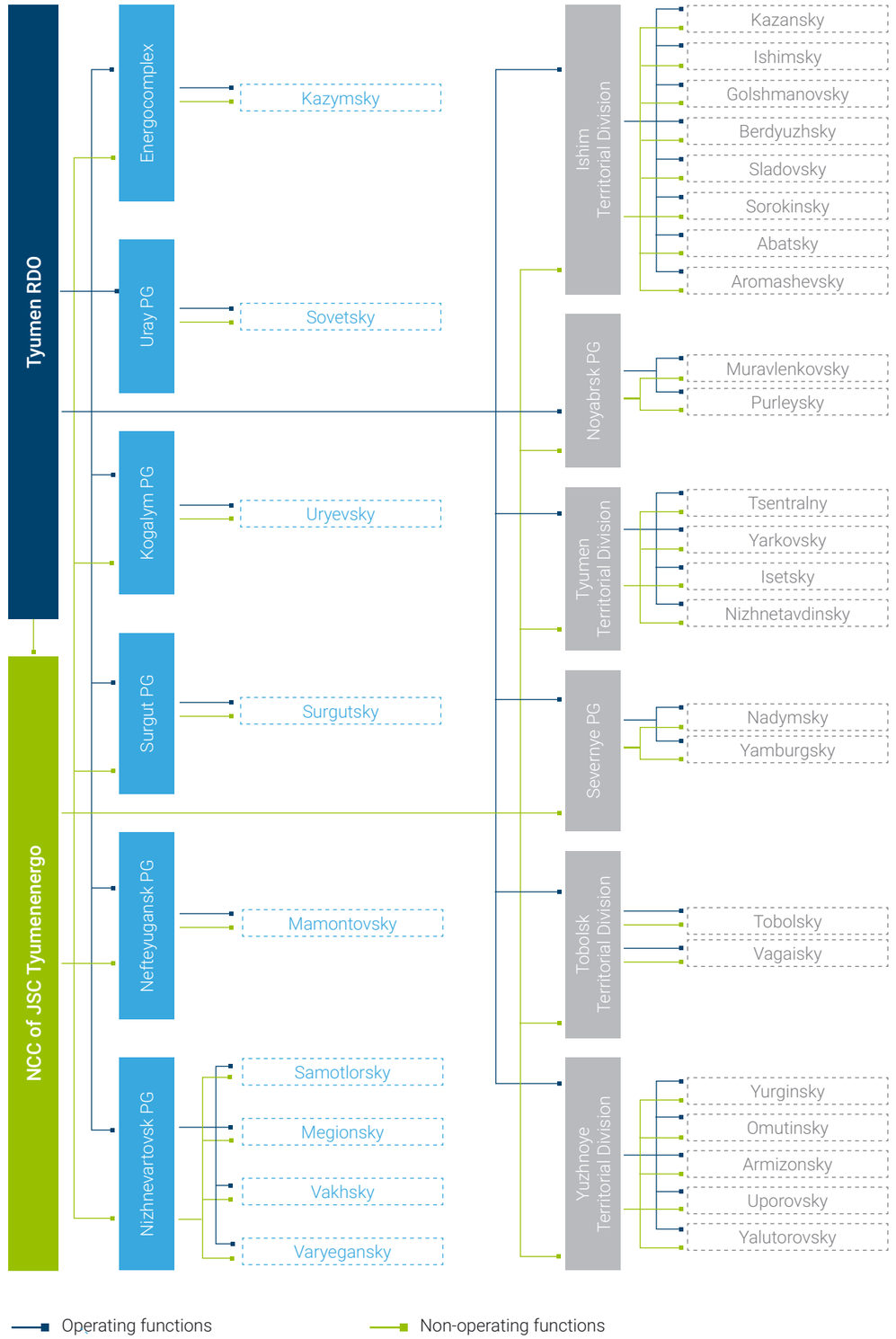
The system of operational and technological management of the distribution grid complex: the basic target model of operational and technological management is three-level:

- the first level: the Network Control Center (NCC), which functions in the Head Office of JSC Tyumenenergo and performs non-operational functions;
- the second level: twelve operational and dispatching services of the branches of JSC Tyumenenergo, which serve as the operational and technological control in the operational area of responsibility of electric networks;
- the third level: operational and dispatching groups of the areas of electrical networks.

The Network Control Center performs non-operational functions aimed at addressing the challenges of optimizing business processes of operational process control aimed at planning and optimizing operating practice of power grid facilities and improving the quality of maintenance planning and management within the power grid facilities, coordinating all the structural units of the operation and technological control of the Company as well as coordinating the implementation of organizational and technical activities in the course of operation of power grids in the high alert mode (HAM), the special operating mode (SOM), the high-risk mode (HRM) as well as interaction with the regional headquarters for provision of power supply to the Yamal-Nenets Autonomous District, the Khanty-Mansiysk Autonomous District – Yugra, and the Tyumen region.

Operational dispatching units and operational dispatching groups (district dispatching groups) of the branches of JSC Tyumenenergo were engaged in operational and technological control in accordance with the lists of distribution of transmission lines, equipment, and devices of dispatching facilities according to the method of control within the boundaries of the operational areas of responsibility of the branches of the Company. Operational staff carries out operational functions on a round-the-clock basis in real-time mode, including control over operating practice of the Company's power grid facilities, elimination of accidents (disturbances), and preparation for maintenance at the power grid facilities.

The structure of the operational and technological management of JSC Tyumenenergo



4.6. Scientific, network and innovation development

The purpose of the Company in the field of innovation development was transition to power grids of new grids wave with qualitatively new features of reliability, efficiency, availability, manageability, and customer-oriented approach in accordance with the guidelines established by the Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy.

The tasks of creating the necessary conditions for the innovative development of the power grid complex of the Company were determined by the Program of Innovative Development. The Program of Innovative Development of JSC Tyumenenergo for the period 2016–2020 with the prospect up to 2025 (hereinafter referred to as the Program) is an internal document of JSC Tyumenenergo developed in pursuance of the Innovative Development, Energy Conservation, and Energy Efficiency Enhancement Policy of PJSC "Rosseti" (approved by the Board of Directors of the Company, Minutes No. 08/14 dated June 24, 2014 (hereinafter referred to as the Policy) and is the main tool for implementing the Policy.

The purpose of the Innovative Development Program was the transition to a power grid of a new technological structure with qualitatively new characteristics of reliability, efficiency, availability, controllability, and customer-centricity of the operating power grid complex.

Implementation of the Program in 2016 was conducted in the following main directions:

- transition to digital active-adaptive networks with a distributed intelligent automation and control system: 268.0 mln RUB at the planned value of 252.7 mln RUB;
- transition to integrated efficiency of business processes and automation of management systems: 137.4 mln RUB at the planned value of 115.8 mln RUB;
- application of new technologies and materials in the electric power industry: 6.9 mln RUB; there were no deviations from planned values;
- development of a system for the development and the implementation of innovative products and technologies (R&D): 87.3 mln RUB; there were no deviations from planned values;
- development of personnel potential and partnership in the sphere of education: 6.2 mln RUB; there were no deviations from planned values.

The total amount of expenses for the implementation of the Program in 2016 at the expense of its own sources amounted to 505.8 mln RUB.

The program of innovative development for 2016 as a whole was executed for 108%.

In 2016, three protection documents were received for R&D results:

- patent for invention dated June 8, 2016 and registered under No. 2589400 "Automated system for recording, collecting, processing, storing, and viewing of emergency oscillographic information obtained from dissimilar controlled facilities of the electric power industry that were part of the power system by a power system operator" Patent holders: JSC Tyumenenergo and LLC "EnergopromAvtomatizatsiya";
- patent for utility model dated August 30, 2016 and registered under No. 164823 "STEP-BOLT". Patent holders: JSC Tyumenenergo and CJSC FENIKS-88;
- patent for utility model dated November 25, 2016 and registered under No. 166909 "Installation of OHL adaptive distance protection device." Patent holders: JSC Tyumenenergo, LLC IC Bresler.

Information on the Company's key projects

Tyumen DG

Name of the Facility	Key technical parameters
Creation of intelligent systems for accounting for electricity (capacity) in the retail market in the networks of JSC Tyumenenergo. Upgraded 27,801 points of accounting. In 2016, the following systems were introduced: the Echelon Corporation production accounting system in Ishim and Southern TGC; the accounting system for the production of JSC Energomera Concern in Tyumen, Ishim, Tobolsk, and Southern TGC of the Tyumen Distribution Grids branch.	Creation of a smart electricity (potential) metering systems in the retail market in DGC grids provides all participants of the electricity market with reliable and legitimate information about the actual movement of commodity industrial (electricity and power) required for operation of the wholesale and retail electricity markets.

All branches of JSC Tyumenenergo:
Urai PG branch, Energocomplex, Nefteyugansk PG, Surgut Power Grids, Nizhnevartovsk Power Grids, Kogalym Power Grids, Noyabrsk Power Grids, Severnye Power Grids, Tyumen Distribution Grids

Name of the Facility	Key technical parameters
Development of the Plant Asset Administration System Typed by: JSC "VOLS-VL Management"	PAAS is a multi-level multi-year event. Work on the implementationof the Plant Asset Administration System in JSC Tyumenenergo was determined by the Board of Directors of JSC Tyumenenergo as a priority direction of the Company's activity. The PAAS-related plans of the Company include "the introduction of unified principles for the reflection of the full single information on fixed assets used in various structural subdivisions, systems, and databases of management, technical and accounting records of PJSC "Rosseti", JSC Tyumenenergo, and other SDCs of PJSC "Rosseti"

Substation of the Surgut Power Grids branch

Name of the Facility

Olimpiyskaya 110/10 kV. Developing typical solutions of IDGC substation based on a centralized software and hardware complex for protection and management in a form of modular software complex. Pilot installation at 110 kV Substation. Development of proposals on normative and technical documentation alteration providing for industrial implementation of digital substation technology."

Typed by: Limited Liability Company "LISIS"

Key technical parameters

Within the framework of the project, the technology of a digital substation was tested in practice as a key element of a smart grid. The tasks that need to be addressed in the course of this work included:

- the determination of the optimal structure of a digital substation as a whole and its individual systems, as well as the determination of the optimal mechanisms for the transition from traditional Substation to DSS;
- the development of proposals for the modification of domestic regulatory documentation;
- the metrological attestation of automation systems, including automated information and measuring systems of commercial energy metering with the support of IEC 61850-9-2;
- the accumulation of statistics on the reliability of digital substation equipment;
- the accumulation of experience in mplementation and operation as well as in training of personnel and creation of competence centers

Severnye PG branch
Energocomplex, Noyabrsk PG

Name of the Facility

Engineering of quickly erected towers for performance of emergency recovery work at 35-110 kV power lines made of composite materials that do not require construction of special footings.

Typed by: CJSC FENIKS-88

Key technical parameters

The use of composite materials for the development of light supports is a novelty development. Implementation of emergency recovery work on 35-110 kV OHLs in harsh conditions, including the same in the hard-to-reach terrain, requires the installation of lightweight modern high-tech supports that allow the repair or the installation of OHLs at an accelerated rate and at low cost as well as with the provision of safety of operating personnel at work on the support elements. Important factors were the decrease in the transport weight, the increased simplicity of assembly and installation, the specific strength, and the resistance of the supports to the effects of climatic factors

Nefteyugansk PG

Name of the Facility

Commissioning of a multipurpose device for centralized protection of a substation with terminals of the type "TOR 300 Substation" on the basis of the experimental-industrial production results.

Typed by: Limited Liability Company "Relematika" (previously, LLC IC Bresler). Object of the experimental-industrial production: Poikovskaya 110 kV Substation of the Nefteyugansk Power Grids branch.

In 2015, a multipurpose prototype of a centralized substation protection device was installed and commissioned into the experimental-industrial production. The EIP period was completed: August 2015–December 2016. EIP results will be considered at a meeting of the Technical Board of JSC Tyumenenergo in Q2 2017, which will decide on the expediency of replication of the equipment

Key technical parameters

The multi-functional device for centralized protection of the substation complete with: two relay protection and automation cabinets of the type "Bresler ShN 2417.501" with terminals of the type "TOR 300 Substation."

This combination of protection in one device allows for:

- maintaining the independent functioning of the relay protection devices of various sections of the substation, thereby preserving the necessary reliability of power supply;
- reducing the costs at the construction and design stage;
- reducing the costs of maintenance of the installed equipment (the number of relay protection devices in the substation is significantly reduced);
- reducing the load on current transformers

Nefteyugansk PG branch

Name of the Facility

Commissioning of the adaptive protection of 110-220 kV OHLs with the terminal of "TOR 300 ADZ 514" on the basis of EIP results. Developer: CJSC Research and Development Centre Elektroseti.

Typed by: Limited Liability Company "Relematika" (previously, LLC IC Bresler). Object of the experimental-industrial production: Losinka 110/35/6 kV Substation on the Leninskaya–Losinka-1 110 kV OHL of the Nefteyugansk Power Grids branch.

The EIP period was completed: July 2015–November 2016.

EIP results will be considered at a meeting of the Technical Board of JSC Tyumenenergo in Q2 2017, which will decide on the expediency of replication of the equipment

Key technical parameters

A distinctive feature of the device is the absence of any need for calculating trigger settings.

Implementation of an adaptive system, which will provide high sensitivity of relay protection and will not require calculations; this will only require setting the protection zone. The adaptive distance protection will eliminate additional protection calculations when changing grid modes and configuration.

Severnye PG branch

Name of the Facility

The commissioning of six pilot wire galloping absorbers of the damper type with a friction quenching mechanism that efficiently helps to absorb the energy of the "aeolian vibration" of the OHLs was put into commercial operation according to EIP results.

Developed by: CJSC Research and Development Centre Elektroseti.

Object of the experimental-industrial production: Urengoy–Zvezda-2 110 kV OHL in the Northern Power Grids branch. The EIP period was completed: September 2013–April 2016. EIP results were recognized as successful. It is decided that wire galloping absorbers of the damper type are fit for installation only in short anchor spans (up to three spans)

Key technical parameters

Wire galloping absorbers of the damper type effectively extinguish the emerging "dancing" movements of the wire. The monitoring system has established that the phase protected by wire galloping absorbers has a smaller amplitude of wire shakes due to the inclusion of the damper in the work (friction clutch) than the phases on which "dancing" protection is not provided.

The main disadvantage of these wire galloping absorbers is that with the increase in the anchor span (starting from 5 supports in the anchor span), the effectiveness of absorbers is reduced to zero since the wire galloping absorbers of the damper type are attached to the tension suspension of the insulators

Name of the Facility

Fifteen prototypes of a spiral down lead clamp for connecting AC cables of various diameters (AC 70/11 – AC 240/56) on the basis of a spiral-type armature were commissioned on the basis of EIP results.

Developed by: CJSC Research and Development Centre Elektroseti.

EIP facilities: in the Northern Power Grids branch at Urengoi–Zvezda-1 110 kV OHL, Urengoy–Limby–Yakha-1 110 kV OHL, Urengoy–Varenga–Yakha-2 110 kV OHL, Urengoy–Varenga–Yakha-1 110 kV OHL. The EIP period was completed: October 2014–May 2016. EIP results were recognized as successful.

Key technical parameters

The spiral down lead clamp for connecting AC cables of various diameters was designed as a technical solution for creating a reliable connection design for AC wires (AC 70/11 – AC 240/56) of different diameters in a loop on the basis of spiral-type fittings (hereinafter referred to as the down lead clamp). During installation of the down lead clamps, convenience and ease of installation without the use of mounting hardware were noted.

As a result, the following advantages were noted:

- reliable fastening of the wire that protects it from bending, rubbing, vibration, and other mechanical damages;
- insignificant pressure exerted by the clamp on the wire being fixed; distribution of the squeezing force over a bigger length; exclusion of the concentration of force;
- absence of additional fasteners that require monitoring such as nuts, bolts etc.;
- rapid restoration of the loop with provision of electrical and necessary mechanical characteristics of the wire;
- compatibility with all types of attachments used;
- in the process of installation of the clamps, the calculated design strength of the cladding and the ease of the visual control of quality of the executed work were ensured

Introduction of new equipment

In 2016, JSC Tyumenenergo introduced:

1. Implementation of surge protectors against single-phase earth fault for overhead and cable lines of 6-35 kV distribution networks (TOR 110-IZN) (60 units)

The economic effect of the introduction of a surge protector against single-phase earth fault:

- reduction in the time of interruption of electricity supply (undersupply of electricity);
- reduction of operational costs for the search of the 1PEF;
- reduction of time for eliminating the 1PEF;
- reduction (or elimination) of the probability of the transition of 1PEF to 2PEF;
- reduction of the wear of CL insulation.

2. Introduction of relay protection devices for electrical installations that do not have a current source of the type TOR-120 (10 units)

The result of combining the functions of the combined power supply unit (fed from the current circuits of the protected connection) and the de-shunting relay for emergency shutdown of the circuit breaker in a single TOR-120 device allows for:

- reduce the range of equipment;
- increasing reliability and trouble-free operation through the reduction of secondary switching circuits which may lead to failure of protection if damaged;
- ensure normal functioning of protection in case of complete absence of auxiliary services supply at the facility.

3. Implementation of the software and hardware complex of ACS of the active-adaptive power grids in the modeling of RPAE functioning

The effect of the implementation was as follows:

- reduction of costs for the repair of relay protection and automation devices;
- elimination of the conditions of false positive relay protection;
- reduction of the time and costs for the elimination of emergency situations at the protected facility;
- prevention of the avalanche-like development of an emergency situation.

4. Implementation of the walking stairway (TKP) (15 units)

The universal mounting fixture is a cantilever-suspended structure that is attached to the support bracket by means of four universal attachment points that allow mounting the universal mounting fixture to the absolute majority of the anchor-angled supports of 35-110 kV OHLs.

5. Introduction of an intelligent electricity consumption metering system

Creation of a smart electricity (potential) metering systems in the retail market in DGC grids allows it to promptly and effectively provide all participants of the electricity market with reliable and legitimate information about the actual movement of commodity industrial (electricity and power) required for operation of the wholesale and retail electricity markets.

Such smart metering systems have wide-ranging functionality:

- power profile;
- load control function;
- provision of built-in modules of acceptance and transfer of information;
- electrical energy quality control;
- multi-tariff functions.

6. ntroduction of modern scalable, distributed telemechanics complexes with the function of software electromagnetic blocking at 110 kV substation

Reconstruction of electromagnetic locking at substations of power grids and replacement of existing integrated automation systems with reed switches allows for ensuring not only reliability of electromagnetic lock operation but also complying with the requirements for the volume of transmitted mode parameters from the facility and increasing the observability of the facility.

4.7. Quality management and security practices

Product compliance with regulatory requirements

In order to provide consumers with electrical energy that meets the established requirements, the Company conducts periodic measurements and analysis of the condition of the quality of electrical energy for compliance with the requirements of regulatory documents.

In 2016, 52 complaints were received from electricity consumers. All complaints received were reviewed on time; 9 of the 52 complaints received by the Company were recognized as justified by the results of the examination, and the necessary remedial activities were carried out under all 9 complaints.

G4-SO8
G4-PR9

There were no cases of non-compliance with regulatory requirements that resulted in fines or penalties.

In 2016, no administrative fines for violation of legislation in the field of electricity transmission and utility hook-up services were imposed.

The amounts of other administrative fines were not significant for the normal economic activity of JSC Tyumenenergo.

Also, in the reporting year, 94 inspections were carried out by external control (supervision) bodies (94 improvement notices were issued accordingly). A total of 1,188 violations were detected, of which 1,072 (96%) were eliminated as of December 31, 2016.

Providing economic security and preventing corruption

Activities of the Economic Security Service of JSC Tyumenenergo are aimed at identifying and minimizing the possibility of materilization of risks of causing economic or reputational damage to the Company, including the same from illegal actions of legal entities and individuals.

During the period of 2016, the employees of the Service conducted 607 inspections of financial and economic and business activities within the Company and at power facilities, of which 399 were conducted jointly with the Internal Audit Service and profile structural subdivisions. 48 facts of unlawful actions of the Company's personnel and third-party legal and natural persons that caused harm to the interests of the Company were revealed. 68 guilty persons were identified; disciplinary proceedings were brought against 57 employees of the Company; 7 employees were dismissed.

4 cases on the facts of economic damage to the Company were transferred to law enforcement bodies. For all directed cases, the guilty persons were identified and brought to administrative liability in accordance with the Code of Administrative Offenses of the Russian Federation.

One of the priority areas of activity is the work on the repayment of accounts receivable, which was carried out both independently and jointly with the interested structural subdivisions of the Company in the following business areas:

- control over the creation and the state of accounts receivable;
- participation in the implementation of a set of measures for reimbursement of accounts receivable (determination of the location of debtors, debtors' property, availability of bank accounts etc.);
- support of claim papers (interaction with the Office of the Federal Bailiff Service of the Russian Federation).

For the reporting period of 2016, with the participation of security units, 302 actions were taken to recover overdue receivables for a total of 191 mln RUB. 67 facts of unreasonable write-off of receivables from individuals and legal entities for the amount of 2.41 mln RUB were prevented.

The schedule for reducing the Company's overdue accounts receivable for 2016 was fully implemented.

Ensuring information security and protection of facilities

In the field of information security in 2016, the following work was done:

- protection of the corporate information system: more than 4.5 thousand automated workstations (AWS);
- operation of software and hardware-software systems for information protection: 13 systems;
- prevention of incidents of information security;
- ensuring the safety of processing personal data and the regime of protection of trade secrets in 6 information systems;
- implementation of measures aimed at the classification of automated engineering process control systems.

On the information security line, 48 technological infrastructure facilities and 286 workstations of branch users were inspected for compliance with regulatory requirements on issues of password and antivirus protection, installation of operating system updates, and backup of information.

In the field of facility protection in 2016 the following work was done:

- timely and high-quality execution of measures to equip facilities with engineering and technical means of protection provided for by the Company's investment and maintenance programs: 20 measures to equip 44 facilities with engineering and technical means of protection;
- 219 facilities were provided with physical protection;
- 64 antiterrorist training sessions were conducted, including 23 sessions with the participation of the bodies of the Ministry of Internal Affairs of the Russian Federation (Rosgvardia), the FSB of the Russian Federation, and the Ministry of Emergencies of the Russian Federation;
- 13 on-site inspections of the branches were carried out within the framework of work of the commissions for checking readiness for work in the autumn-winter period 2016–2017, during which 108 grid facilities were surveyed.

Area
84.5 km²

Population
48.5
thous. people

Revenue
57,390
mln RUB

Net profit
2,301
mln RUB

Salekhard

For centuries, Salekhard, which was known as Obdorsk until 1935, was an outpost of the Russian state on its Northern Sea Route. In the second half of the 20th century, Salekhard became one of the centers of the world's largest gas producing region. Moreover, Salehard is the only city in the world located at the latitude of the Arctic Circle.

5. FINANCIAL AND ECONOMIC RESULTS

5.1. Analysis of financial and economic indicators

Revenue

During 2016, revenue of JSC Tyumenenergo amounted to 57,390 mln RUB, which exceeded the level of 2015 by 3,879 mln RUB or 7%.

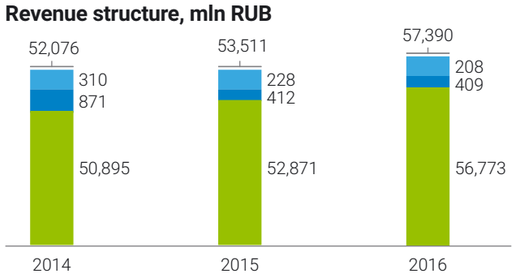
The bulk of JSC Tyumenenergo revenue (99%) comes from electric energy distribution in grid. 1.
During 2016, revenue from electric power transmission amounted to 56,773 mln RUB, which exceeded the level of 2015 by 3,902 mln RUB or 7%. The revenue growth is due to an increase in the tariff for electricity transmission services. 1. According to the results of 2016, revenue from utility hook-up to JSC Tyumenenergo grids amounted to 409 mln RUB, which corresponds to the level of 2015.

Revenue from the side activities amounted to 208 mln RUB, which was 20 mln RUB below the level of 2015. Revenue reduction was caused by the decrease in the income from the lease of property and in the income from repair and operation maintenance.

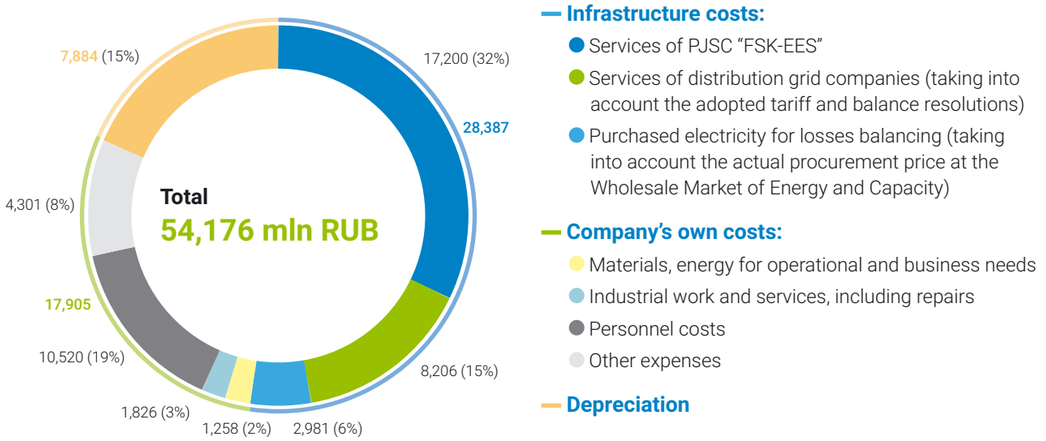
Prime cost

In 2016, the prime cost of JSC Tyumenenergo goods, work, and services sold totaled 54,176 mln RUB, which is 5,219 mln RUB or 11% above the level of 2015. The increase in the prime cost in 2016 was primarily due to the growth of infrastructure charges, depreciation, and labor costs of the industrial personnel.

Revenue structure, mln RUB



Prime cost components dynamics in 2016, mln RUB



Financial performance

Key financial results, mln RUB.

G4-EC1

Item No.	Name	2014	2015	2016	Deviation of 2016 against 2015	
					Abs.	%
1	**Revenue from sale of products (services), inclusive of:**	52,076	53,511	57,390	**3,879**	**7**
1.1	From electric energy distribution	50,895	52,871	56,773	3,902	7
1.2	From network connection	871	412	409	–3	–1
1.3	Revenue from side activities	310	228	208	–20	–9
2	**Prime cost of products (services)**	45,328	48,957	54,176	**5,219**	**11**
3	**Gross profit**	6,748	4,554	3,214	**–1,340**	**–29**
4	**Administrative costs**	–	16	10	**–6**	**–38**
5	**Commercial costs**	–	–	–	**–**	**–**
6	**Profit (loss) from sales**	6,748	4,538	3,204	**–1,334**	**–29**
7	**Interest receivable**	457	1,206	768	**–438**	**–36**
8	**Interest payable**	1	–	43	**43**	**–**
9	**Income from participation in other organizations**	2	2	3	**1**	**50**
10	**Other income, total**	417	2,238	1,023	**–1,215**	**–54**
11	**Other expenses, total**	2,819	2,792	1,322	**–1,470**	**–53**
12	**Profit (loss) before tax**	4,804	5,192	3,633	**–1,559**	**–30**
13	**Income tax and other payments**	1,698	1,496	1,332	**–164**	**–11**
14	**Net profit**	3,106*	3,696	2,301	**–1,395**	**–38**
15	**EBITDA****	12,046	12,268	11,560	**–708**	**–6**

* Taking into account retrospective changes in the financial statements
** EBITDA = Earnings before tax + Depreciation + Interest payable

According to the results of 2016, JSC Tyumenenergo net profit totaled 2,301 mln RUB, which exceeded the level of 2015 by 1,395 mln RUB. Growth of the Company's net profit was caused by the following factors:

- the increase in infrastructure payments;
- the decrease in interest receivable due to a decrease in the amount of free cash.

2,301 mln RUB.
Net profit in 2016

Indicators of the Company's financial status

Indicators of the Company's financial status and sources of funding

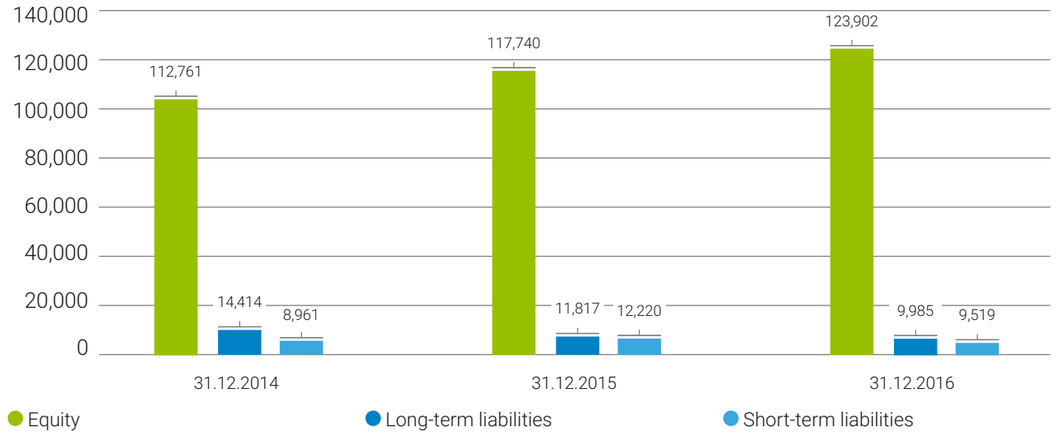
Indicator	31.12.2014	31.12.2015	31.12.2016	Deviation 2016/2015	
				Abs.	%
Total assets	136,136	141,777	143,406	1,629	1.1
Noncurrent asset value	124,475	128,890	136,173	7,283	5.7
Current asset value	11,661	12,887	7,233	−5,654	−43.9
Total liabilities	136,136	141,777	143,406	1,629	1.1
Equity	112,761	117,740	123,902	6,162	5.2
Long-term liabilities	14,414	11,817	9,985	−1,832	−15.5
Short-term liabilities	8,961	12,220	9,519	−2,701	−22.1

Shares of JSC Tyumenenergo are not traded in the regulated securities market; therefore, instead of Market Capitalization, the company calculates the net assets value.

As of December 31, 2016, net assets value was 123,902 mln RUB, which exceeds the amount of the authorized capital, which is a criterion of sustainability of the Company's financial standing.

Dynamics of the assets structure, mln RUB

Dynamics of the liabilities structure, mln RUB



Accounts receivable and accounts payable

Indicator Description	Periods		
	2014	2015	2016
Receivables	4,234	3,521	3,127

The amount of accounts receivable (hereinafter referred to as the AR) of the Company as of December 31, 2016 was 3,127 mln RUB (-11% as compared to the beginning of the year). The larger share in the structure of the AR is short-term debt (94%); the share of long-term debt is 6%.

The share of overdue AR as of December 31, 2016 was 3.1% of the total amount of accounts receivable or 96.3 mln RUB; the same as of January 1, 2016: 4.0% or 142 mln RUB. The Company deals with overdue accounts receivable using both non-judicial (lodging a claim for repayment of debts) and judicial methods. The repayment schedule of the overdue accounts receivable as of January 1, 2016 was fulfilled.

Indicator Description	Periods		
	2014	2015	2016
Payables	4,977	8,012	7,876

As of December 31, 2016, the Company's long- and short-term accounts payable amounted to 7,876 mln RUB (2% against the value for the beginning of the year). The larger share in the structure of accounts payable is short-term debt (77%); the share of long-term debt is 23%.

123,902 mln RUB.

Net assets

Company financial and economic indicators

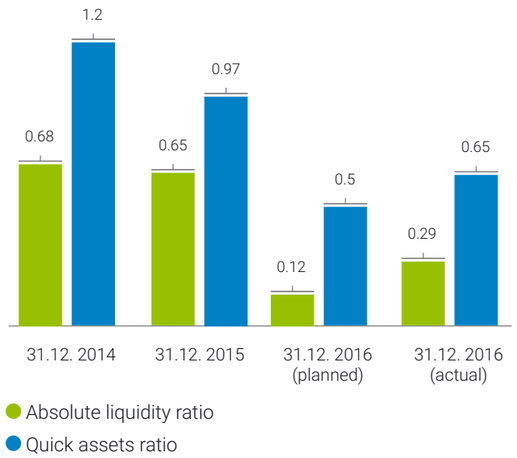
Calculation and assessment of liquidity ratios allow for establishing the degree of security of the most liquid funds. Each of them is a trend indicator and characterizes the solvency of the Company in accordance with the liquidity of assets.

Liquidity ratios for the year 2016 were higher than planned but tend to decrease during the analyzed period, which was due to the objective reason related to the distribution of profits for the year 2015 and the payment of dividends on July 25, 2016 in the amount of RUR 3,236 mln RUB (based on the extract from the Minutes of the Meeting of the Management Board dated June 29, 2016 and registered under No. 491pr/9).

In view of liquidity risk management, the Company was maintaining sufficient amount of funds to perform the obligations, which was achieved through competent planning and analysis of cash flows across JSC Tyumenenergo.

Name of the indicator	31.12.2014	31.12.2015	31.12.2016
Financial stability indicators			
Financial independence ratio	0.83	0.83	0.86
Total Debt to EBITDA ratio	0.96	0.71	0.35
EBITDA / %	14.70	14.74	23.79
Business activity indicators			
Accounts receivable (AR) and payable (AP) growth ratio	0.97	0.52	0.90
Total AR and AP ratio	0.85	0.44	0.40
AR share in the revenue	0.07	0.06	0.05
Payables turnover ratio	9.50	7.54	6.82

Dynamics of the company liquidity figures in 2014–2016



The analysis of statements of JSC Tyumenenergo and the calculated ratios confirm the strength of the position of the Company in the energy market, the reliability of the Company as a borrower of funds, and the effectiveness of the implemented credit and monetary policy of the Company.

JSC Tyumenenergo received no financial assistance (including tax incentives and tax credits and subsidies) in the reporting year.. G4-EC4

5.2. Appropriation of profits

Appropriation of net profit in 2014-2016, mln RUB G4-EC1

		2013 (2014 AGSM)	2014 (2015 AGSM)	2015 (2016 AGSM)
Retained net profit, total including:		2,050	2,669	3,696
Reserve fund		102	133	185
Profit for development		1,436	1,869	275
For dividend pay-out		512	667	3,236
	% of net profit	25	25	88
Dividends per ordinary share, RUB		1.8717	2.4378	11.8214598

* Information on the allocation of profit in accordance with the resolutions of the Annual General Shareholders Meetings (AGSM)

AGSM 2014 (for 2013): Minutes of the AGSM dated June 30, 2014 and registered under No. 242pr/14.

AGSM 2015 (for 2014): Minutes of the AGSM dated June 30, 2015 and registered under No. 361pr/9.

AGSM 2016 (for 2015): Minutes of the AGSM dated June 29, 2016 and registered under No. 491pr/9.

5.3. Credit policy

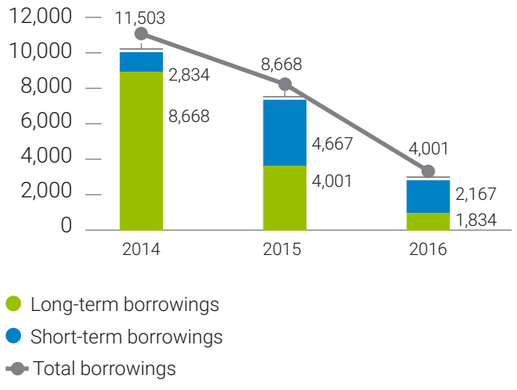
The loan portfolio of JSC Tyumenenergo as of January 1, 2016 was 8,668 mln RUB and fully (100%) consisted of bank loans denominated in Russian rubles.

The Company did not raise borrowed funds in 2016. In accordance with repayment deadlines, JSC Tyumenenergo repaid credit facilities totaling 4,667 mln RUB. All the liabilities to banks on the payment of interest for the use of loan funds for 2016 were performed in full.

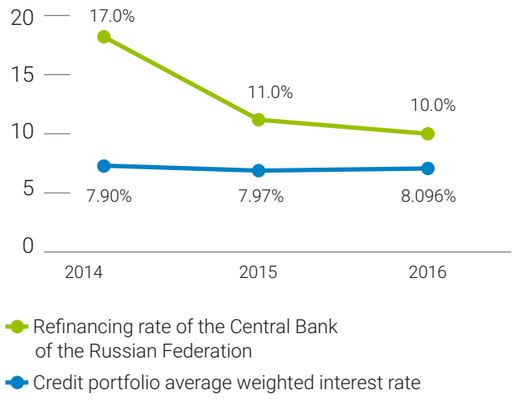
For example, since the beginning of 2016, the credit portfolio of JSC Tyumenenergo decreased by 53.8%, and the Company's loans and borrowings amounted to 4,001 mln RUB at the end of 2016.

As of the end of 2016, the structure of borrowed funds of JSC Tyumenenergo was dominated by short-term debt, which was due to switching of part of the debt from the long-term to the short-term liabilities in accordance with the requirements of Accounting Regulations 4 / 99 "Accounting Reports of an Organization" and with the Company's accounting policy as well as the absence of raising new long-term loan funds.

Credit portfolio dynamics in 2014 -2016, mln RUB



Credit portfolio average weighted interest rate dynamics



Partner banks of the Company in the field of crediting are the largest banks of the Russian Federation, namely: PJSC Sberbank of Russia, Gazprombank JSC, and Otkritie Financial Corporation Bank PJSC.

In 2016, based on the results of the competitive procedures of JSC Tyumenenergo, the Company entered into credit agreements with Otkritie Financial Corporation Bank PJSC for the amount of 3,500 mln RUB for a period of 5 years and into two loan contracts with Gazpromank JSC for the total amount of 3,500 mln RUB for a period of 3 years in order to ensure the availability of contingent financing.

Company financial stability indicators

Indicator	2014	2015	2016	2016 to 2015, expressed as %
Debt*, mln RUB	11,505	8,670	4,001	–53.85
Net debt, mln RUB	5,415	779	2,594	232.99
Debt / EBITDA**	0.96	0.71	0.35	–50.70
Net debt / EBITDA	0.45	0.06	0.22	266.66

* Debt = Long-term loans and credits (Line 1410 of Form 1) + Short-term loans and credits (Line 1510 of Form 1)
** EBITDA = Earnings before tax + Depreciation + Interest payable

Debt, mln.RUB, debt/EBITDA

Net debt, mln.RUB, net debt/EBITDA

At the end of 2016, the debt/EBITDA and the net debt/EBITDA indicators were at a low level. The decrease in the debt/EBITDA ratio as compared to 2015 was due to a significant reduction in the Company's total debt.

The growth of the net debt/EBITDA in turn was due to the increase in the net debt of the Company due to the reduction in the amount of cash at the end of the period.

6. CORPORATE GOVERNANCE

Tobolsk

From the 17th to the beginning of the 20th century, Tobolsk was one of the largest economic, cultural, and educational centers of Siberia. The pride of the city is the only stone Kremlin in Siberia and more than 200 other architectural and historical monuments.

Area
222 km²

Population
98.9
thous. people

Meetings of the Board of Directors
29

Average Board of Directors attendance
98.9%

6.1. Corporate governance system

The Company understands corporate management as a set of relations between shareholders, the Board of Directors, and the management of the Company for the benefit of shareholders. Corporate governance is a tool to determine the objectives of the Company and the means of achieving these objectives as well as of ensuring effective control of the company's activities on the part of shareholders and other stakeholders.

JSC Tyumenenergo is included in the PJSC "Rosseti" group of companies, in which is covers a significant part of the assets of PJSC "Rosseti", and is aware of the importance of voluntary disclosure of information in accordance with applicable provisions of the current legislation of the Russian Federation on the securities market and seeks to apply the provisions of the Corporate Governance Code (hereinafter referred to as the Code), which was approved on March 21, 2014 by the Board of Directors of the Bank of Russia, to the appropriate extent.

The peculiarities of corporate management in JSC Tyumenenergo are explained by the fact that there is only one shareholder of the Company, namely, PJSC "Rosseti", which owns 100% of the shares of the Company. All corporate processes in the Company are in line with the above shareholder's interests.

JSC Tyumenenergo has created a Board of Directors, which is a collegial management body that is responsible for the strategic management of the Company and which controls the activity of the sole executive body of the Company and performs other functions assigned to it by applicable provisions of the current legislation of the Russian Federation and the Charter of the Company.

The Corporate Secretary of JSC Tyumenenergo ensures efficient operation of the Board of Directors and current interaction with the shareholder of the Company.

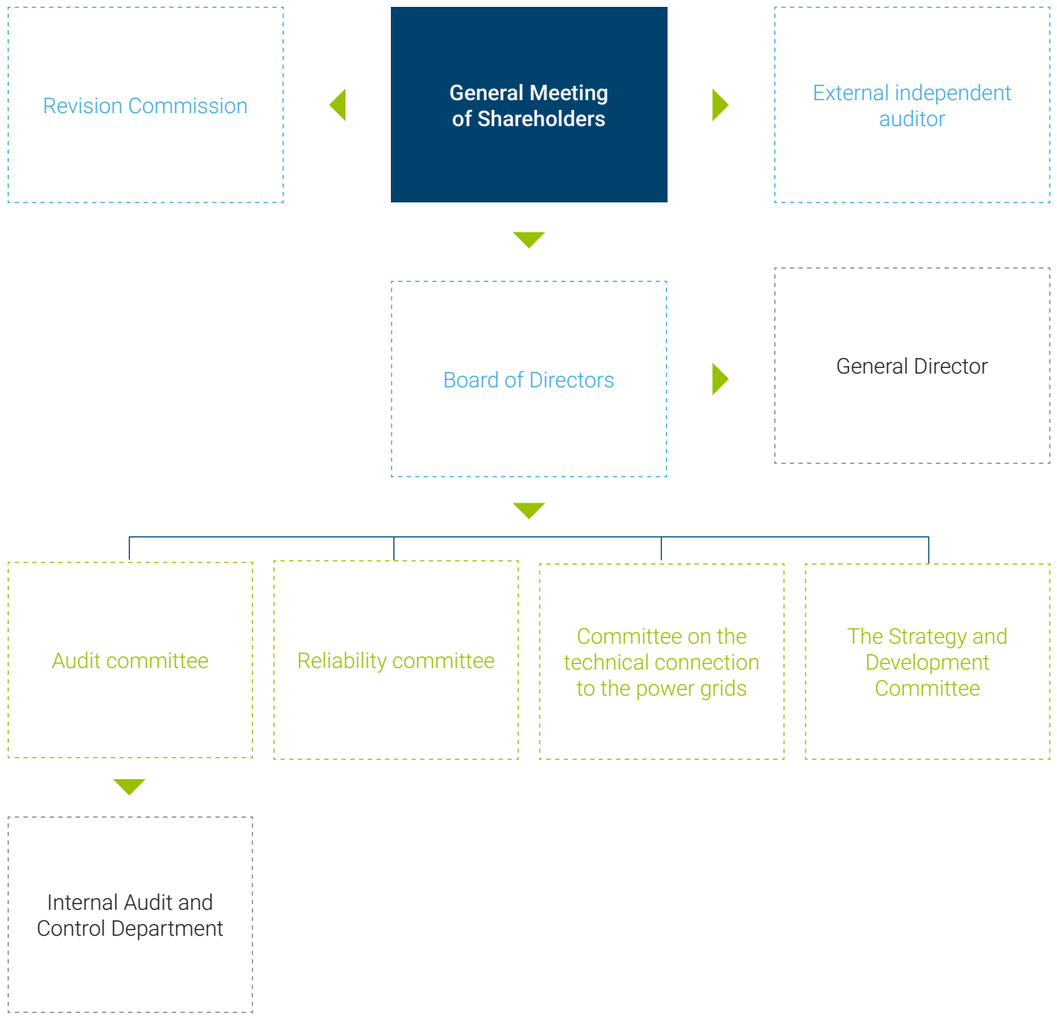
Remuneration to the Board of Directors members complies with market conditions and is established in a way as to ensure attraction and participation in the Company's activity of highly qualified specialists and motivate them to work honestly and effectively.

JSC Tyumenenergo has approved an information policy that is aimed at the disclosure of complete, relevant, and reliable information about the Company to all the stakeholders.

In the future, the Company does not exclude actions that will be aimed at compliance with the recommendations of the Code and at improvement of corporate governance.

G4-34

Corporate governance structure at JSC Tyumenenergo



Certain structures, procedures and practice of corporate management are regulated by Charter and internal documents of the Company, which can be found on the Company's website.

6.2. Management and control bodies

According to the Charter of JSC Tyumenenergo, the management bodies of the Company are as follows:

- the General Shareholder Meeting
- the Board of Directors;
- General Manager (sole executive body).

The body controlling the financial and business activity of the Company is the Revision Commission.

General meeting of shareholders

According to Section 11.1 of Article 11 of the Charter of JSC Tyumenenergo, if all the voting shares of the Company belong to one shareholder, the decisions on the matters within competence of General Meeting of Shareholders shall be taken by the shareholder (the authorized management body of the shareholder) in writing and communicated to the Company.

In respect to JSC Tyumenenergo, in accordance with section 13.3 of the Charter of PJSC "Rosseti" such an authorised management body of the shareholder is the collegial executive body, the Management Board of PJSC "Rosseti", exercising the powers of the supreme management body of JSC Tyumenenergo.

The issues attributed to the competence of General Meeting of Shareholders may not be referred to the Board of Directors or General Manager of the Company.

The decisions of the General Meeting of shareholders are published on the Company's official website.

Board of directors

The Board of Directors of JSC Tyumenenergo provides overall management of the Company, except for matters relating to the competence of the General Meeting of shareholders in compliance with the Federal Law "On joint stock companies" and the Charter of the Company.

According to section 13.1 of Art. 13 of the Charter of JSC Tyumenenergo the quantitative composition of the Board of Directors is 11 (eleven) persons.

The procedure for electing the Board of Directors is defined in the Charter of the Company and complies with the current legislation of the Russian Federation. Persons elected to the Board of Directors may be re-elected for an unlimited number of terms.

Competence of the Board of Directors

The issues attributed to the competence of Board of Directors may not be referred to the General Manager of the Company.

The proceedings of the Board of Directors of the Company are governed by applicable provisions of the Regulations on the Board of Directors of JSC Tyumenenergo approved by the Decision of the General Meeting of Shareholders of JSC Tyumenenergo as Minutes dated June 30, 2016 and registered under No. 491-pr/9 (hereinafter referred to as the Regulations).

In accordance with clause 5.1 of the Regulation, meetings of the Board of Directors shall be held in accordance with approved Board of Directors work plan, and also when necessary, but at least once a calendar quarter. The work plan for a corporate year is approved by the Board of Directors of the Company at its first meeting as elected at the Annual General Shareholder Meeting.

The Corporate Secretary of the Board of Directors ensures the timely receipt of comprehensive information simultaneously with the notice of the meeting of the Board of Directors by all the directors.

In 2016, there were no transactions between the members of the Board of Directors and the Company, and no suits were filed against the members of the Board of Directors.

Composition of the Board of Directors

On June 29, 2016, the Management Board of PJSC "Rosseti" elected the following members of JSC Tyumenenergo Board of Directors (positions are given as of the election date):

Andropov Dmitry Mikhailovich

Non-executive director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2016 for the first time

Year of birth: 1975.

Education background information:

Academy of National Economy under the Government of the Russian Federation, qualification "manager";
year of graduation: 1997.

2010–2012: OJSC Rosselkhozbank, Deputy Head of the Office of Credit Organization of the Credit Department;

2012–2014: (HR) Capital, Deputy General Director;

2014–2015: PJSC "Rosseti", Deputy Head of the Finance Department;

2016 - current*: Karachaevo-Cherkesskenergo JSC, Member of the Board of Directors;

2016–current: JSC SKB VTI, Member of the Board of Directors;

2016–current: JSC IDGC of the South, member of the Committee for Strategy, Development, Investment, and Reform;

2015–current: PJSC "Rosseti".

Job title at the primary place of employment:

Head of the Office of Credit and Structured Financing

Balayeva Svetlana Aleksandrovna

Non-executive director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2014 for the first time

Year of birth: 1975.

Education background information:

The State University of Management, specialty: "economic manager";
year of graduation: 1995.
Candidate minimum.

2008–2013: OJSC IDGC Holding, Head of the Investment Department

2013–2014: PJSC "Rosseti", Director of the Department of Investment Activities;

2014–current: PJSC "Rosseti",

Job title at the primary place of employment:

Executive Officer for Investments

Belenko Roman Alekseevich

Non-executive director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2016 for the first time

Year of birth: 1983.

Education background information:

The South-Russian State Polytechnical University (NPI) named after M. I. Platonov, specialty: "power supply";
qualification: "engineer";
year of graduation: 2005.

The South-Russian State Polytechnical University named after M.I. Platonov, specialty: "Enterprise Economics and Management (the Electric Power Industry)"; qualification: "economic manager"; year of graduation: 2009.

2011–2012: LLC "Transneftstroy," Head of the External Projects Construction Department;

2012–2013: OJSC "TsIUS UES," Head of the Construction Department, Deputy Director for the Construction of Olympic Facilities;

2016–current*: JSC Yantarenergo, Member of the Board of Directors;

2013–current: PJSC "Rosseti",

Job title at the primary place of employment:

Deputy Head of Department for Construction of Power Grid Objects

* The Company uses the term "current" to refer to the date of December 31, 2016

Gvozdev Dmitriy Borisovich

Non-executive director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2014 for the first time

Year of birth: 1974.

Education background information:

Kuzbass State Technical University, Electric Power Supply Department, Candidate of Technical Sciences, Associate Professor. Professional retraining: Company development management, the RF Government Academy of National Economy; year of graduation: 2004.

2010–2011: JSC "FGC UES" Deputy Chairman of the Board, Chief Engineer, Assets Management Director

2011—2012: Invest Holding LLC, CEO Advisor;

2012—2013: NIU Moscow Energy Institute, Deputy Director of the Energy Institute;

2012—current: NIU Moscow Energy Institute Associate professor of the Electric Systems department (part time)

2013–2013: Deputy General Manager at CJSC Russian Telecom Equipment Company;

2016–current: JSC Dagenergoset, Member of the Board of Directors;

2016–current: JSC IDGC of the South, Member of the Board of Directors;

2013–current: PJSC "Rosseti",

Job title at the primary place of employment:

Director of the Analytical Center

Goncharov Yury Vladimirovich

Board of Directors Deputy Chairman Non-executive director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2014 for the first time

Year of birth: 1977.

Education background information:

Moscow State Mining University, Management department, graduated in 2000.

2010–April 2013: JSC "FGC UES", Head of the Corporate Management Section

January 2013—April 2013: OJSC IDGC Holding Interim Deputy Executive Director for Corporate Management, Executive Director Office Advisor

June 2014–current: JSC IDGC Urals, Member of the Board of Directors

June 2012–current: JSC Yantarenergo, Member of the Board of Directors;

April 2013–current: PJSC "Rosseti".

Job title at the primary place of employment:

Deputy General Manager for corporate governance

Zafesov Yury Kazbekovich

Non-executive director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2013 until June 30, 2014 for the first time

Year of birth: 1975.

Education background information:

MGUPP, qualification: "process control engineer"; year of graduation: 1997.

Moscow State University named after M. V. Lomonosov, specialty: "management"; year of graduation: 1999.

Russian Academy of Public Administration under the President of the Russian Federation, candidate of economic sciences; year of thesis defense: 2006.

2010–2013: JSC "FGC UES" (part-time), Head of the Department of Consolidated Planning and Organization of Procurement;

2013–current: PJSC "Rosseti" (part-time), Director of the Procurement Department;

2016–current: JSC "ESSK UES," Member of the Board of Directors;

2009–current: JSC Energostroysnabkomplekt.

Job title at the primary place of employment:

General Director

Mezhevich Valentin Efimovich

Board of Directors Chairman

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2015 for the first time

Year of birth: 1947.

Education background information:

Irkutsk Polytechnic Institute, specialty: "Thermal Power Plants"; year of graduation: 1970.

Candidate of Technical Sciences.

22010 - September 2013 - the Federation Council of the Federal Assembly of the Russian Federation, Member of the Federation Council of the Federal Assembly of the Russian Federation, First Deputy Chairman of the Committee on Economic Security;

2016–current: JSC IDGC of Volga, Member of the Board of Directors

October 2013–current: PJSC "Rosseti".

Job title at the primary place of employment:

Member of the Management Board of the Company, Chief Adviser

Mikheev Dmitry Dmitrievich

Non-executive director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2016 for the first time

Year of birth: 1983.

Education background information:

Altai State Technical University named after I. I. Polzunov, specialty: "Power Supply of Industrial Enterprises"; year of graduation: 2005.

Altai Academy of Economics and Law, direction: "management"; qualification: "master"; graduation year: 2008.

2008–2012: JSC IDGC Holding, Chief Expert, Head of Division, Deputy Head of the Department;

2012–current: the Ministry of Energy of the Russian Federation,

Job title at the primary place of employment:

Deputy Director of the Power Sector Development Department

Mikheev Pavel Aleksandrovich

Executive Director until October 10, 2016
Since October 11, 2016: Non-Executive Director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 28, 2012 for the first time

Year of birth: 1968.

Education background information:

Graduated from Kirov Polytechnic Institute with major in electrical supply for urban and rural industrial enterprises in 1993.

2009–October 2016: JSC Tyumenenergo, General Manager;

October 2016–current: PJSC "Rosseti",

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Job title at the primary place of employment:

Advisor to the Chief Executive Officer

Piotrovich Nikolay Borisovich

Non-executive director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2016 for the first time

Year of birth: 1975.

Education background information:

North Caucasus Academy of Public Administration under the President of the Russian Federation; specialty: "State and Municipal Management"; qualification: "managing economist"; graduation year: 1997.

North Caucasus Academy of Public Administration under the President of the Russian Federation, Candidate of Economic Sciences; the year of thesis defense: 1999.

Rostov State University, specialty: "Jurisprudence"; qualification: "lawyer"; year of graduation: 2000.

2007–2013: JSC "FGC UES", Head of the Corporate Governance Department, Deputy Head of the Corporate Governance Department;

2016–current: UPGC JSC, Member of the Board of Directors;

2014–current: JSC "Energy Service of the South," Member of the Board of Directors;

2012–current: JSC Dagenergoset, Member of the Board of Directors

2014–current: PJSC "Rosseti".

Job title at the primary place of employment:

Deputy Head of the Directorate of Management Organization

Yavorsky Viktor Korneyevich

Independent Director

Elected to the Board of Directors of the Company by the General Shareholder Meeting on June 30, 2015 for the first time

Year of birth: 1955.

Education background information:

Moscow Power Engineering Institute, specialty: "Automated Control Systems"; qualification: Systems Engineer; year of graduation: 1981

2002–current: Center of Technologies LLC, Director General;

2010–June 2014: LLC OSBI-M Auditing Firm, General Director

June 2014–current: LLC Tori-AUDIT LLC, General Director

Job title at the primary place of employment:

General Director

The members of the Board of Directors have no shares of JSC Tyumenenergo nor participatory interest in the authorized capital of the Company.

The following persons were also members of the Board of Directors of the Company during 2016 (positions are indicated at the moment of election on June 30, 2015):

Zavizenov Konstantin Vladimirovich

Year of birth: 1974.

Education background information:

Perm State Technical University, Chemist Engineer, graduated in 1996.

ATRMC at PSTU, qualification Economist / Manager; year of graduation: 1996.

Principal place of employment:

Deputy Director of Power Sector Development Department, the Ministry of Energy of the Russian Federation

Novomlinsky Eduard Vitalievich

Year of birth: 1970.

Education background information:

Moscow Power Engineering Institute, Electromechanical Department, specialty: "Electric drives and automation systems"; qualification: "Engineer"

Principal place of employment:

Deputy Head of the Assets Condition Analysis Division of the Manufacturing Asset Management Department at PJSC "Rosseti"

Chevkin Dmitry Aleksandrovich

Year of birth: 1976.

Education background information:

Education background information: RF Government Academy of Finance, qualified economist, 1998.

Principal place of employment:

HR and Organizational Development Department Director at PJSC "Rosseti"

Ivanova Tatiana Aleksandrovna

Year of birth: 1964.

Education background information:

Moscow Institute of Steel and Alloys, qualification: Engineer Economist; year of graduation: 1986.

ATRMC at PSTU, qualification Economist / Manager; year of graduation: 1996.

Principal place of employment:

Head of the Tariff Making Methodology Office of the Tariff Policy Department at PJSC "Rosseti"

Serebryakov Konstantin Sergeyevich

Year of birth: 1981.

Education background information:

Mordovia State University named after N. P. Ogarev; specialty: "management"; year of graduation: 2003.

Principal place of employment:

Head of the Corporate Events Directorate of the Corporate Management and Shareholder and Investor Relations Department of PJSC "Rosseti"

Report of the Board of Directors

During 2016, the Board of Directors held 29 meetings, including 26 in the format of absentee voting and 3 meetings in person (joint presence). 165 issues were reviewed. The minutes of the Meetings of the Board of Directors are available on the Company's website.

Participation of members of the Board of Directors of JSC Tyumenenergo in meetings during the period from January 1, 2016 and until December 31, 2016.

Surname, name, and patronymic	Number of meetings attended	Number of meetings allowed to attend	Average Board of Directors attendance, %
Andropov Dmitry Mikhailovich	15	15	100
Balayeva Svetlana Aleksandrovna	28	29	97
Belenko Roman Alekseevich	15	15	100
Gvozdev Dmitriy Borisovich	29	29	100
Goncharov Yury Vladimirovich	29	29	100
Zavizenov Konstantin Vladimirovich	1	14	7
Zafesov Yury Kazbekovich	15	15	100
Ivanova Tatiana Aleksandrovna	13	14	93
Mezhevich Valentin Efimovich	29	29	100
Mikheev Dmitry Dmitrievich	14	15	93
Mikheev Pavel Aleksandrovich	26	29	90
Novomlinsky Eduard Vitalievich	14	14	100
Piotrovich Nikolai Borisovich	15	15	100
Serebryakov Konstantin Sergeyevich	14	14	100
Chevkin Dmitry Aleksandrovich	14	14	100
Yavorsky Viktor Korneyevich	27	29	93

29 meetings

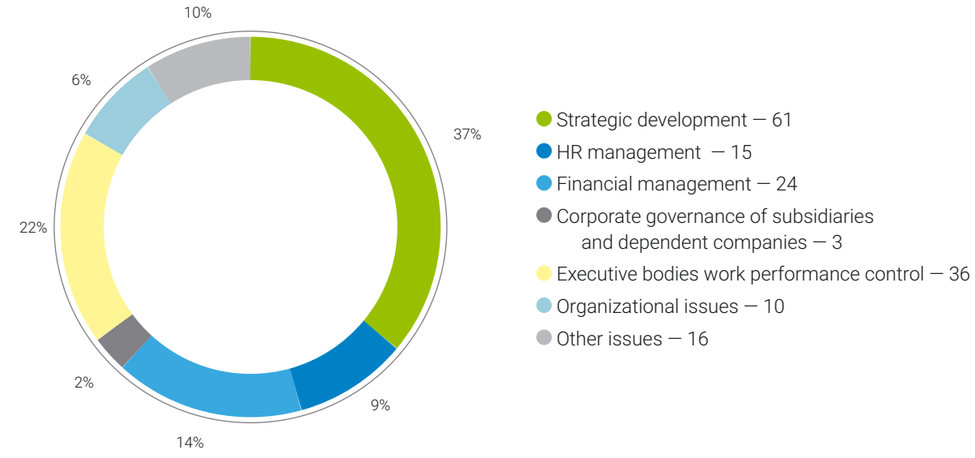
during 2016

93%

the average Board of Directors attendance

The issues reviewed by the Board of Directors are presented in the following diagram:

Statistics of issues reviewed by the Board of Directors in 2016



Report of the Board of Directors on priority areas of activity

In 2016, the Board of Directors of JSC Tyumenenergo adopted key decisions on strategic priorities. Strategic priorities and activities aimed at the achievement thereof are disclosed in Section 1 of the Annual Report.

The business plan of the Company is an important management tool and strategic planning element as well as guidance for the execution, control, and analysis of interim and final results. Business planning is implemented in the medium term by drawing up plans, budgets, reports, KPIs, and target programs whose activities relate to production, investment, and maintenance and determine the need for the necessary resources in order to address the set strategic objectives. Therefore, the Board of Directors pays special attention to issues relating to business planning and, accordingly, to the implementation of strategic plans.

The following decisions were adopted in 2016:

- the approval of the Company's business plan, inclusive of an investment program for 2016 and the approval of forecast figures for 2017–2020 in December 2015;
- the approval of the business plan of JSC Tyumenenergo, which was compiled as per applicable IFRS requirements, and the forecast figures for 2017–2020 in February 2016.
- the approval of quarterly reports of the General Manager of JSC Tyumenenergo on the implementation of the business plan (inclusive of the investment program) and the implementation of key operational risks of the Company in June, September, and December 2016;
- the approval of the report of the General Manager of JSC Tyumenenergo on the execution of the business plan, which is compiled as per applicable IFRS requirements, for 2015 in June 2016;
- the business plan of JSC Tyumenenergo, inclusive of the investment program and information on the key operational risks for 2016 was adopted and the forecast figures for 2017–2020 accepted in December 2016.

For certain strategic priorities, the following decisions were adopted:

Strategic priority	Decisions of the Board of Directors
Reliability and quality increase of power supply of consumers	• approval of the adjusted Comprehensive program of reduction of the risk of injury to personnel of JSC Tyumenenergo and to third parties at the facilities of the power grid complex of the Company for 2016–2018; • the approval of the Program for increasing the reliability of power OHLs of the Northern Power Grids branch of JSC Tyumenenergo
Keeping leading position on Tyumen regional market of power supply services and increasing availability of power infrastructure	• the approval of the Plan of development of the production asset management system of JSC Tyumenenergo for 2016–2018; • the approval of the Regulation of cooperation between the Branch of OJSC SO UES of the Ural Division and JSC Tyumenenergo during the development and the approval of complex programs for the development of power grids of 35 kV and higher in the Tyumen Region, the Khanty-Mansiysk Autonomous District – Yugra, the Yamal-Nenets Autonomous District, and the consideration of Schemes and programs for the development of the electric power industry of the Tyumen region, the Khanty-Mansiysk Autonomous District – Yugra, and the Yamal-Nenets Autonomous District; • the approval of the Program of JSC Tyumenenergo on consolidation of power grid assets for the period of 2016–2018.
Providing economic and financial stability	• extension of the simplified procedure for the implementation of procurement procedures for financial services that are aimed at providing emergency financing for JSC Tyumenenergo; • the Program of increasing operational efficiency and reducing costs of JSC Tyumenenergo for 2016–2020; • the Plan of measures aimed at increasing the efficiency of operations and at improving the financial and economic condition of JSC Tyumenenergo for 2016–2020.
Maintaining investment activity of the Company	• the approval of the revised Regulations on investment activities of JSC Tyumenenergo; • the approval of the Regulation on the formation and adjustment of the investment program and the preparation of reports on the implementation of the investment program, increasing investment efficiency, and reducing costs of JSC Tyumenenergo; • the approval of the Accounting Procedure for Investment Projects of JSC Tyumenenergo that comply with the selection criteria provided for by the Decree of the Government of the Russian Federation dated December 30, 2015 and registered under No. 1516
Implementation of innovative technologies and increase in energy efficiency	• the approval of the Program of Innovative Development of JSC Tyumenenergo for 2015–2020; • the approval of the Regulations on the procedure for the development and the implementation of the Innovative Development Program of JSC Tyumenenergo; • the approval of the Energy efficiency and energy saving program of JSC Tyumenenergo for 2016–2020; • the approval of the Energy efficiency and energy saving program of JSC Tyumenenergo for 2017–2021
Human resources development	• the approval of the Program of non-state pension provision for employees of JSC Tyumenenergo for 2016; • – the extension of the term of the Collective Agreement for the period 2016–2018.
Integrated safety:	• the approval of the Register of Key Operational Risks of JSC Tyumenenergo; • the approval of quarterly Timed action plans of the Company for the reduction of overdue accounts receivable for services related to electric power transmission and settlement of disputes

In order to introduce a common approach of the Rosseti group of companies, the Board of Directors of JSC Tyumenenergo approved the following internal documents that regulate different areas of activity of JSC Tyumenenergo:

- **the revised Internal Audit Policy of JSC Tyumenenergo;**
- **Revised Internal Control Policy of JSC Tyumenenergo;**
- **the Regulations on the Audit Committee at the Board of Directors of JSC Tyumenenergo;**
- **the revised Risk Management Policy of JSC Tyumenenergo;**
- **the Program of increasing operational efficiency and reducing costs**
- **of JSC Tyumenenergo for 2016–2020;**
- **the Plan of measures aimed at increasing the efficiency of operations and at improving the financial and economic condition of JSC Tyumenenergo for 2016–2020;**
- **Regulations on the procedure for the formation and the use of the sponsorship and charity fund of JSC Tyumenenergo;**
- **the Program of guarantees and improvement of the quality of internal audit JSC Tyumenenergo.**
- **the Plan of procurement of JSC Tyumenenergo for 2017.**

All the decisions of the Board of Directors of JSC Tyumenenergo are available on the Company's website.

Remuneration of the members of the Board of Directors

The amount of and the procedure for the payment of remuneration and compensation to Members of the Board of Directors of JSC Tyumenenergo were determined according to the revised Regulations for the payment of remunerations and compensations to the Members of the Board of Directors of JSC Tyumenenergo approved (Minutes of the Management Board of PJSC "Rosseti" registered under No. 361pr). The texts of the above documents are disclosed on the corporate website and on the Interfax website.

In accordance with the Regulations for the payment of remunerations and compensations to the Members of the Board of Directors of JSC Tyumenenergo, the payment of compensation to the Members of the Board of Directors is made on the basis of the results of the period since election of the candidate to the Board of Directors and until the election of the new Board of Directors of the Company. Remuneration must be paid as a lump sum in Russian rubles within 60 days after the date of the AGSM of JSC Tyumenenergo. The amount of remuneration payable to members of the Board of Directors of the Company depends on the number of meetings, in which the member participated, and is established on the basis of the revenue of the Company, which is calculated according to the RAS for the fiscal year.

Also, the abovementioned Regulations for the payment of remunerations and compensations to Members of the Board of Directors of JSC Tyumenenergo provides for extra charges for a one-time reward: 30% to the Chairman of the Board of Directors, 20% to the Chairman of specialized Committees of the Board of Directors, and 10% to members of specialized Committees of the Board of Directors.

Remuneration and compensation paid to members of the Board of Directors of the Company in 2016, RUB, kopecks

Surname, name, and patronymic	Compensation of costs	Remuneration for 2015 results
Andropov Dmitry Mikhailovich	0	0
Balayeva Svetlana Aleksandrovna	0	667,582.42
Belenko Roman Alekseevich	0	0
Gvozdev Dmitriy Borisovich	0	692,307.69
Goncharov Yury Vladimirovich	0	667,582.42
Zavizenov Konstantin Vladimirovich	0	0
Zafesov Yury Kazbekovich	0	0
Ivanova Tatiana Aleksandrovna	0	625,549.45
Mezhevich Valentin Efimovich	0	900,000.00
Mikheev Dmitry Dmitrievich	0	0
Mikheev Pavel Aleksandrovich	0	0
Novomlinsky Eduard Vitalievich	0	618,131.87
Piotrovich Nikolay Borisovich	0	0
Serebryakov Konstantin Sergeyevich	0	692,307.69
Chevkin Dmitry Aleksandrovich	0	761,538.46
Yavorsky Viktor Korneyevich	0	593,406.59
TOTAL:	0	6,218,406.59

No other payments were issued to Members of the Board of Directors in 2016

Corporate secretary

The position of the Corporate Secretary was introduced in the Company in July 2015. The Corporate Secretary is an official of JSC Tyumenenergo who ensures compliance of the Company with the current legislation of the Russian Federation, the Charter, and internal documents that guarantee the exercise of the rights and legitimate interests of the Company's shareholder (PJSC "Rosseti"). The Corporate Secretary is functionally subordinated to the Board of Directors of JSC Tyumenenergo.

The activities of the Corporate Secretary are regulated by the Regulations on the Corporate Secretary of JSC Tyumenenergo approved by the Decision of the Board of Directors on November 11, 2016 (Minutes dated November 11, 2016 and registered under No. 22/16).

SHAYDUROV Andrey Nikolaevich was elected to the post of the Corporate Secretary of JSC Tyumenenergo by the Decision of the Board of Directors dated July 12, 2016 (Minutes dated July 13, 2016 and registered under No. 15/16). Born in 1983. He graduated from the Planeta Institute of World Economy and Business (Surgut) in 2005, majoring in finance and credit, and has the qualification of an economist. He also had professional retraining under the program "Professional Member of the Board of Directors – the Corporate Director" at the State University – the Higher School of Economics (Moscow) in the period from March 10, 2015 to December 24, 2015.

Since 2007, he has been employed by JSC Tyumenenergo as a Leading Specialist in the Corporate Relations and Reporting Division of the Corporate Policy Department. The Corporate Secretary does not hold any shares in the authorized capital of JSC Tyumenenergo and does not own common shares of the Company.

Bodies of the Company

Audit Committee of the Board of Directors

The Board of Directors of JSC Tyumenenergo established the Audit Committee of the Board of Directors (hereinafter referred to as the Audit Committee) (Minutes dated October 2, 2013 and registered under No. 18/13) for the purposes of preliminary consideration of issues related to the control of financial and economic activities of the Company.

The Committee is governed by the Regulations on the Audit Committee under the Board of Directors of JSC Tyumenenergo approved by the Decision of the Board of Directors (Minutes registered under No. 06/16 as amended by Minutes dated October 21, 2016 and registered under No. 21/16 and Minutes dated March 10, 2017 and registered under No. 07/17).

The main tasks of the Audit Committee include the following:

- consideration of the accounting (financial) reporting of the Company and supervision over the process of its preparation;
- supervision of risk management, internal control, and corporate governance systems;
- supervision over external audit and auditor selection;
- organizing and ensuring the independence and the objectivity of the internal audit function;
- control of the efficiency of the functioning of the system of counteracting fraud by Company employees and third parties.

Committee members (positions are given as of election date):

Kim Svetlana Anatolyevna

Head of the Auditing Division of the Control Activities Department of PJSC "Rosseti"

July 31, 2015 – current

Chevkin Dmitry Aleksandrovich

HR and Organizational Development Department Director at PJSC "Rosseti"

July 31, 2015 — August 8, 2016

Ivanova Tatiana Aleksandrovna

Head of the Tariff Making Methodology Office of the Tariff Policy Department at PJSC "Rosseti"

July 31, 2015 — August 8, 2016

Gurenkova Irina Sergeevna

Head of the Division of the Settlement of Disputes in the Field of Peat Formation of the Department of Tariff Policy of PJSC "Rosseti"

August 9, 2016–current

Piotrovich Nikolai Borisovich

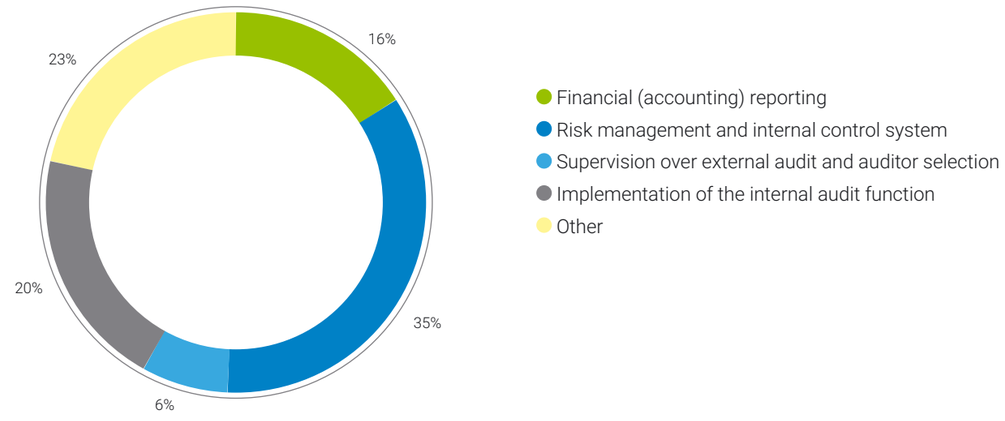
Deputy Head of the Directorate for Organization of Activities of the Management Bodies of PJSC "Rosseti"

August 9, 2016–current

In 2016, the Audit Committee held 12 meetings, inclusive of 6 meetings by personal attendance. In all, 49 issues were considered at the meetings. The structure of the Issues presented in the diagram below.

The amount of remuneration received by Members of the Audit Committee of the Board of Directors of the Company in 2016 was RUB 357,028.00, including the personal income tax in the amount of RUB 46,413.00

Issues reviewed by the Audit Committee in 2016



Reliability Committee of the Board of Directors

The Reliability Committee of the Board of Directors of the Company was established on December 16, 2005. The committee is governed by the Regulations on the Reliability Committee of the Board of Directors of JSC Tyumenenergo approved by the Board of Directors (Minutes dated February 10, 2009 and registered under No. 24/05).

Key goals and objectives of the Reliability Committee are as follows: development and presentation of recommendations (conclusions) to the Board of Directors in the following areas of activity of the Board of Directors:

- examination of production programs, plans for revamping, reconstruction, new construction, and repair of power grid facilities; analysis of development and performance thereof in terms of compliance with requirements for functional reliability and technical condition of power grids;
- assessment of completeness and sufficiency of measures based on the results of the investigation of emergencies in accordance with the Rules for investigation into the causes of emergencies in the electricity industry (approved by the Decree of the Government of the Russian Federation dated October 28, 2009 and registered under No. 846.) as well as monitoring of their implementation;
- examination of the quality of investigations into the causes of technological breakdowns (emergencies);
- examination of the Company's activities in the field of emergency response (preparedness, organization, and implementation of emergency and regenerative operations at power grid facilities);
- examination of Programs for the prevention and reduction of risk of injury to the Company personnel and third parties in the power plants of the Company as well as their control of the implementation thereof;
- monitoring and evaluation of the activities of the technical services of the Company in terms of ensuring reliable operation of electrical networks and industrial safety;
- examination of the internal technical control system of the Company;
- examination of the occupational safety and health management system of the Company;
- examination of the program of implementation of the environmental policy of the Company;
- expertise of the fire and the industrial safety systems.

Composition of the Reliability Committee for the period from January 1, 2016 and until July 31, 2016 (including the Chairman) (position as given as of the election date):

Shaydullin Farit Gabdulfatovich

Deputy Head of the Assets Condition Analysis Division of the Manufacturing Asset Management Department at PJSC "Rosseti" — Chairman of the Committee

Egoshin Sergey Nikolaevich

First Deputy General Manager on Technical Issues — Chief Engineer of JSC Tyumenenergo

Petrova Tatiana Valerievna

Deputy General Manager for Economics and Finance at JSC Tyumenenergo

Pauesov Sergey Mikhailovich

Deputy Chief Engineer - Head of the Service of Industrial Safety and Production Monitoring of JSC Tyumenenergo

Dobakhyants Yulia Vladimirovna

Head of the Office of Operational and Technological Control of the Analytical Center of PJSC "Rosseti"

Nasonov Aleksandr Arsentevich

Head of the Production Safety Supervision Department of the Technical Inspection Center branch of PJSC "Rosseti"

Korotenko Aleksandr Vasilievich

Deputy Head of the Department of Perspective Development of the Electric Power Industry of the Ministry of Energy of the Russian Federation

On August 5, 2016, the Board of Directors of JSC Tyumenenergo elected the members of the Reliability Committee (Minutes 16 / 16 dated August 9, 2016):

Frolov Sergey Nikolaevich

Deputy Chief Engineer of PJSC "Rosseti" – Chairman of the Committee

August 5, 2015 — current

Shaydullin Farit Gabdulfatovich

Head of the Analytical Department of the Situation and Analytical Center of PJSC "Rosseti"

July 30, 2015 — current

Egoshin SergeyNikolaevich

First Deputy General Manager on Technical Issues — Chief Engineer of JSC Tyumenenergo

March 29, 2013 — February 12, 2017

Petrova Tatiana Valerievna

Deputy General Manager for Economics and Finance at JSC Tyumenenergo

August 7, 2012 – current

Pauesov Sergey Mikhailovich

Deputy Chief Engineer - Head of the Service of Industrial Safety and Production Monitoring of JSC Tyumenenergo

July 26, 2013 — current

Nasonov Aleksandr Arsentevich

Head of the Production Safety Supervision Department of the Technical Inspection Center Branch of PJSC "Rosseti"

July 31, 2015 - current

Korotenko Aleksandr Vasilievich

Deputy Head of the Department of Perspective Development of the Electric Power Industry of the Ministry of Energy of the Russian Federation

July 31, 2015 – current

During 2016, the Reliability Committee held 9 meetings: 1 – full-time (in the videoconference mode), 8 – through an in-person correspondence vote.

Remuneration of the Members of the Reliability Committee in 2016: assessed - 563.458 thous. RUB, retained PIT - 73.249 thous. RUB, paid - 490.20 thous. RUB/

Committee on the technical connection to the power grids of the Board of Directors of JSC Tyumenenergo

The activities of the Committee on the Utility Hook-Up to Power Grids of the Board of Directors of JSC Tyumenenergo (hereinafter referred to as the Utility Hook-Up Committee) are governed by the relevant Regulations approved by the Board of Directors of the Company on February 10, 2009 (Minutes registered under No. 01/09).

On August 5, 2016, the Board of Directors of JSC Tyumenenergo elected the members of the Utility Hook-Up Committee (Minutes No. 16 / 16 dated August 9, 2016)

Masaleva Irina Borisovna

Director of the Department of Prospective Grid Development and Utility Hook-Up of PJSC "Rosseti"

August 9, 2016 – current

Korneev Alexander Yurievich

Head of the Office of Regulation of Utility Hook-Up of the Department of Prospective Grid Development and Utility Hook-Up of PJSC "Rosseti"

August 9, 2016 – current

Mylnikov Yuriy Petrovich

Chairman of the Board of the Regional Energy Commission of the Tyumen Region, the KhMAD–Yugra, and the YaNAD

August 9, 2016 – current

Pyaduhov Dmitry Olegovich

Deputy General Manager on Development and Service Realization of JSC Tyumenenergo

August 9, 2016 – current

Savchuk Sergey Yurievich

First Deputy General Manager of JSC Tyumenenergo

August 9, 2016 – current

Yavorsky Viktor Korneyevich

General Director of Tori-Audit LLC

August 9, 2016 – current

Pavlov Alexander Valerevich

Leading Advisor of the Department for the Development of the Regulatory Frameworkfor the Industry of the Department for the Development of the Electric Power Industry of the Ministry of Energy of the Russian Federation

August 9, 2016 - current

In 2016, one meeting of the Utility Hook-Up Committee was held in the form of absentee voting.

Strategy and Development Committee of the Board of Directors

On December 8, 2016 (Minutes dated December 9, 2016 and registered under No. 24/16), the Board of Directors of JSC Tyumenenergo decided to establish a Strategy and Development Committee, whose tasks would be to develop and to submit recommendations to the Board of Directors in the following areas of activity:

- definition of priority directions, strategic goals, and basic principles of strategic development of the Company;
- increasing the investment attractiveness of the Company, improving investment activities, and making sound investment decisions;
- financial planning, determination of the dividend policy of the Company;
- evaluation of the Company's performance;
- control over the organization and the functioning of the risk management system.

The Board of Directors of JSC Tyumenenergo elected the Strategy and Development Committee of the Board of Directors at its meeting on March 10, 2017 as follows:

Petukhov Konstantin Yuryevich

Deputy General Director on Development and Service Realization of PJSC "Rosseti"

Akopyan Dmitriy Borisovich

Director of the Investment Department of PJSC "Rosseti"

Kovalyov Sergey Alekseevich

Deputy Head of the Division of Construction of Power Network Facilities of the Department of Capital Construction of PJSC "Rosseti"

Sedykh Nadezhda Vitalyevna

Deputy Head of Division – Head of the Office of Business Planning of the Division of Economics of SDC of the Department of Economic Planning and Budgeting of PJSC "Rosseti"

Ukolov Vladimir Anatolyevich

Head of the Information Analysis and Control Department of the Situation and Analytical Center of PJSC "Rosseti"

Savchuk Sergey Yurievich

Acting General Manager of JSC Tyumenenergo

General manager as the sole executive body of the company

The competence of the General Manager of the Company includes all the issues of management of the day-to-day activity of the Company, except the issues attributed to the competence of the General Meeting of Shareholders and the Board of Directors of the Company.

General Manager is elected by the Company Board of Directors by a majority of the Board of Directors, participating in the meeting.

The provisions of the employment contract including the terms of the vested authority are determined by the Board of Directors of the Company or the person authorized by the Board of Directors of the Company to sign this labor contract in accordance with the Company Charter.

The Board of Directors is entitled to decide at any time to terminating the authority of the General Manager of the Company and to establish new executive bodies.

The remuneration package for the General Manager is determined by the Board of Directors. The remuneration consists of permanent and variable parts, the latter depends on achieving a definite KPI of work of executive bodies and is connected with their personal input into ensuring a long-term development of the Company in the interests of its shareholders

The remuneration to the sole executive body for 2016 amounted to 30,167.35 thous. RUB.

On October 10, 2016, the Board of Directors of JSC Tyumenenergo prematurely terminated the powers of Pavel Alexandrovich Mikheev, the General Manager of JSC Tyumenenergo.

Since October 11, 2016, Sergey Yurievich Savchuk has been employed as the acting General Manager of JSC Tyumenenergo. Sergey Yuryevich Savchuk was appointed to the position of the General Manager of JSC Tyumenenergo at the meeting of the Board of Directors of the Company April 3, 2017 for the term of office of three years effective April 4, 2017.

Sergey Yuryevich Savchuk

Was born in 1977 in Grozny.

He majored as a jurist at the Academy of the Federal Security Service, from which he graduated in 1998.

From 1993 to 2011, he served under contract in the bodies of the Federal Security Service of the Russian Federation.

From November 2011 to November 2012, he held positions of the acting Deputy General Director for Science and Innovation and the acting General Director and the General Director of JSC "Scientific and Research Engineering Center of Interregional Distribution Grid Companies" in Moscow.

From November 2012 to September 2013, he was the acting General Director and then the General Director of JSC Yantarenergosbyt in Kaliningrad.

From April 2014 to January 2015, he was the Chairman of the Management Board of the Non-Profit Partnership of Developers, Manufacturers and Suppliers of Insulating Devices and Materials, Fittings, and Protective Devices for Electrical Networks "Electrosetizoilatsia" in Moscow.

From February 2015 to May 2015 he held the position of the Deputy Director for Distribution Networks (0.4–6-10 kV) at State Unitary Enterprise of the Republic of Crimea Krymenergo in Simferopol.

In June 2016, he was appointed the acting Deputy General Manager for Investment Activities and was later promoted to the position of First Deputy General Manager of JSC Tyumenenergo.

S. Yu. Savchuk was issued a commendation by PJSC "Rosseti" for his role in the provision of reliable power supply to consumers.

Finance and economic activities control bodies

Revision Commission

The Revision Commission is a permanent acting body of internal control of the Company exercising control over the Company's financial and business activity as to its compliance with the legislation of the Russian Federation, the Charter of the Company and internal documents.

The Revision Commission functions in the interests of the shareholder of the Company and is accountable to the General Meeting of Shareholders. In accordance with applicable provisions of section 19.1 of Article 19 of the Charter of the Company, the size of the Revision Commission is determined as five members.

JSC Tyumenenergo Revision Commission members from June 30, 2015 until June 29, 2016 (positions are given as of the election date):

Lelekova Marina Alekseevna

Director of the Control Department of PJSC "Rosseti" – Chairman of the Audit Commission

Sinitsyna Elena Borisovna

Head of the Control and Risks Section of the Department for Internal Audit and Risk Management at PJSC "Rosseti"

Medvedeva Oksana Alekseevna

Chief Expert of the Auditing Division of the Control Activities Department of PJSC "Rosseti"

Guseva Elena Yurievna

Chief Expert of the Internal Audit Directorate of PJSC "Rosseti"

Kirillov Artem Nikolaevich

Deputy Head of the Auditing Division of the Control Activities Department of PJSC "Rosseti"

On June 30, 2016, the Executive Board of PJSC "Rosseti" elected the Revision Commission of JSC Tyumenenergo including the following members (positions are given as of election date):

Lelekova Marina Alekseevna

Director of Department of Security

Year of birth:1961.

Education background information:
Far Eastern Institute of Soviet Trade; qualification "economist"; year of graduation: 1982.

Professional background information:

2004–2013: PJSC "FGC UES," Head of the Control and Audit Department, Head of the Directorate of Financial Control and Internal Audit, Deputy Head, Leading Expert, Chief Specialist of the Directorate of Financial Control and Internal Audit;

2016–current*: PJSC "Lenenergo," Member of the Board of Directors;

2013–current: PJSC "Rosseti",

Director of the Control and Auditing Department

Malyshev Sergey Vladimirovich

Member of the Revision Commission

Year of birth:1965**.**

Education background information:
Yaroslavl Higher Military Financial School; specialty: "Financial Security"; qualification: "financial economist"; graduation year: 1986.

Professional background information:

22009–2010: the Ministry of Defense of the Russian Federation, serviceman under contract;

2010–2011: the Financial Inspectorate of the Ministry of Defense of the Russian Federation, Leading Consultant;

2011–2012: ZAO Gazpromneft-AERO, Chief Specialist;

2013–2013: OJSC "FGC UES", Head of the Investment Audit Department;

2013–current: PJSC "Rosseti", Leading Expert of the Audit Activity Division of the Control and Auditing Department

Medvedeva Oksana Alekseevna

Member of the Revision Commission

Year of birth:1978.

Education background information:
Russian Academy of Entrepreneurship, specialty: "Accounting"; qualification: "Analysis and Audit"; year of graduation: 2005.

Professional background information:

2010–2011: LLC Baikal-Service TC, Head of the Internal Audit Department;

2011–2014: OJSC "FGC UES", Head of the Department of Control and Audit;

2014–current: PJSC "Rosseti", Chief Expert of the Department of Control and Auditing Activities

Erandina Elena Stanislavovna

Secretary of the Revision Commission

Year of birth:1972.

Education background information:
Moscow State University of Environmental Engineering; specialty: "Economics and Management in the Agro-Industrial Complex"; qualification: "planning engineer"; year of graduation: 1994.

State University of Management, specialty: "finance and Credit"; qualification: "economist"; year of graduation: 2006.

Professional background information:

2011–2013: CJSC Oil Assets Management, Deputy Head of the Division of Financial and Economic Auditing of the Internal Control Department;

2013–2015: JSC "UNEG Electrosetservice," Chief Specialist of the Internal Audit Service;

2016–current: PJSC "Rosseti",

Chief Expert of the Control and Expert Division of the Control and Auditing Department

* The Company uses the term "current" to refer to the date of December 31, 2016

Charondina Aleksandra Vladimirovna

Member of the Revision Commission

Year of birth:1969.

Education background information:
State Finance Academy (Finance University under the Government of the Russian Federation); specialty: "Finance and Credit"; year of graduation: 1991.

Work experience:

2011–2012: the Accounting Chamber of the Russian Federation, Deputy Chief of Inspection;

2015–current: PJSC "Rosseti",

Deputy Head of the Internal Audit Department

The Revision Commission members do not own the shares of JSC Tyumenenergo. In 2016, no deals were concluded between the Company and Revision Commission members. JSC Tyumenenergo did not make any claims against Revision Commission members.

Remuneration is paid in accordance with the Provision on Remuneration and Compensation Paying to the Members of the Revision Commission of JSC Tyumenenergo approved by the Annual General Meeting of Shareholders of JSC Tyumenenergo on May 6, 2008 (Minutes registered under No. 361pr/9).

Payments issued to Members of JSC Tyumenenergo Revision Commission in 2016, thous. RUB

Indicator Description	Assessed (thous. RUB)	Retained PIT, thous. RUB	Paid, thous. RUB
Remuneration for participation in the Revision Commission work	793.94	103.22	690.72

Auditor

In accordance with the requirements of the current legislation, JSC Tyumenenergo must implement an annual audit of its financial (accounting) reporting. According to paragraph 11 clause 10.2 Article 10 of the Company Charter, the General Meeting of Shareholders annually elects an auditor of the Company in order to revise and approve annual financial (accounting) reporting.

On June 30, 2016, the General Meeting of Shareholders of JSC Tyumenenergo selected RSM Rus LLC, Moscow as the auditor. The Auditor is a member of the Self-Regulatory Organization Non-Profit Partnership "Sodruzhestvo Audit Association" (certificate of membership No. 6938, ORNZ 11306030308), location: 21 Michurinsky Avenue, Building 4, Moscow, Russian Federation 119192.

In accordance with applicable provisions of Article 12 of the Federal Law "On Audit Activity," the Auditor is completely independent from the Company's executive bodies. More details about the Company's auditor and registrar can be found in the "Reference Information" section.

According to paragraph 8 clause 12.1 of the Company Charter, the Board of Directors of the Company determined the amount of payment of RUB 2,541,492.06, including VAT, to LLC RSM RUS for the services of the auditor of the accounting statements for 2016 prepared in accordance with RAS and the consolidated financial statements for 2016 prepared in accordance with IFRS on September 28, 2016. The remuneration was paid in full.

In 2016, the Auditor did not provide any non-audit services.

6.3. Internal control system

The system of internal control of JSC Tyumenenergo (hereinafter referred to as the ICS) is an element of the general management system of the Company. The ICS covers all the areas of the Company's activities; control procedures are implemented consistently in all the processes (areas of activity) of the Company at all the levels of management and are aimed at providing reasonable assurance in achieving the objectives set for the Company in the following areas:

- efficiency and performance of business operations of the Company and safety of the Company's assets;
- compliance with legal requirements that apply to the Company and with the local regulations of the Company, inclusive of such compliance in the course of performance of business operations and accounting;
- ensuring the reliability and the timeliness of financial (accounting) and other reports.

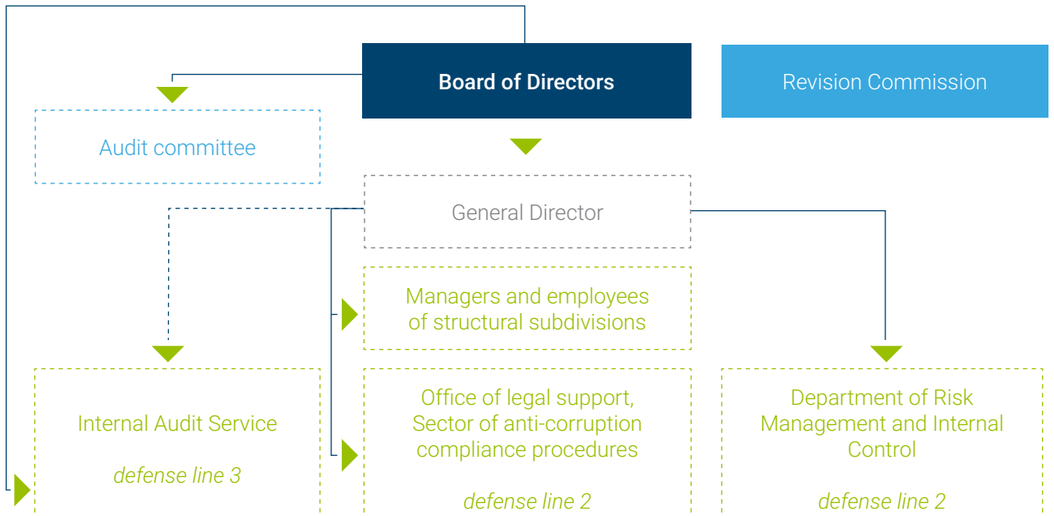
Internal Control System

IC&RM System improvement is carried out on all management levels of the Company by following control functions:

PREVENTIVE CONTROL	Adjustment of the process control environment, including: checking the adequacy of control procedures to prevent or to reduce the consequences of the risks and to achieve the objectives of business processes, development and implementation of control procedures.
CURRENT CONTROL	Implementation of control procedures, which are embedded in business processes, that are aimed at achieving the objectives of business processes.
SUBSEQUENT CONTROL	Internal audit, revision control of reporting validity, assets soundness, compliance control, external audit, self-assessment.

In order to implement the Strategy of development and improvement of the ICS of PJSC "Rosseti" and the SAF of PJSC "Rosseti" approved by the Board of Directors of PJSC "Rosseti" on February 10, 2014 (Minutes No. 143), the Board of Directors of JSC Tyumenenergo approved the revised Internal Control Policy of JSC Tyumenenergo on March 21, 2016 (Minutes No. 06/16). The internal control policy defines the objectives, the principles, and the elements of the functioning of ICS of the Company, the main functions and responsibilities of the ICS, and the procedure for evaluating the effectiveness of the ICS.

Parties of the Internal Control System



Functions of the ICS parties

Title of a party	Main ICS functions
Auditing commission	• implementation of control over financial and economic activities of the Company, which results in preparation of proposals / recommendations for the improvement of the ICS; • implementation of independent assessment of the data contained in the annual report and the annual accounting statements of the Company
Board of Directors	• determination of the principles for and the approaches to the organization of the internal control system (ICS) of the Company including the approval of internal documents that define the organization of and the strategy for development and improvement of the ICS; approval of the Internal Control Policy of the Company; • implementation of control of the activities of the executive bodies of the Company in main (priority) areas; • review of the report of the General Manager on the organization and the functioning of the internal control system of the Company; • annual review of the reports of the internal auditor on the assessment of the effectiveness of the internal control system; • consideration of the results of external independent audit of the effectiveness of the internal control system

Title of a party	Main ICS functions
Audit Committee of the Board of Directors	• implementation of the preliminary review of the Company's internal documents that define the organization of and the strategy for development and improvement of the ICS, the Internal Control Policy of the Company and subsequent amendments thereof prior to approval of these documents by the Board of Directors; • implementation of the preliminary review of the results of assessing the effectiveness of the ICS according to the internal auditor's report on the effectiveness of the ICS as well as reports on the results of external independent assessment of the ICS prior to approval thereof by the Board of Directors; preparation of proposals / recommendations for the improvement of the ICS; • implementation of supervision over the functioning reliability and efficiency of the ICS in terms of addressing the issues that are related to the supervision of the reliability of accounting (financial) statements of the Company, to the selection of an external auditor and the implementation of the external audit, to the enforcement of regulatory and legal requirements in terms of consideration of the Report of the Management Board on the organization and the functioning of the ICS, as well as in terms of consideration of the issues that are related to analysis and assessment of the implementation of internal control policies
Other Committees of the Board of Directors (Reliability Committee, Committee on the Technological Connection, Strategy Committee)	• implementation of supervision over the implementation of the set financial and operating performance indicators, compliance with applicable provisions of the current legislation as well as rules and procedures established by local regulations and the accuracy and timeliness of reporting prepared by the Company
General Director	• provision for the creation and the efficient functioning of the ICS; • liability for the performance of the decisions of the Board of Directors of the Company in the field of the organization of the ICS; • approval of regulations and methodological documents of the Company on the issues of the organization and the functioning of the ICS except the documents whereof the approval is assigned to the Board of Directors of the Company; • provision for the implementation of the business plans of the Company that are required for the performance of the Company goals and objectives; • organization of financial and management accounting; preparation of financial (accounting) and other reports; • submission of reports on the financial and economic activities of the Company and on the organization and the functioning of the internal control system of the Company to the Board of Directors of the Company for review;

Title of a party	Main ICS functions
Managers of sections and structural subdivisions	• performance of the functions of designing, documenting, implementing, monitoring, and developing the internal control system in the functional areas of activity of the Company for which the responsibility for the organization and coordination / implementation is assigned to them by the Company's regulatory documents / Regulations on structural subdivisions, including: • provision for the implementation of the principles of internal control; • organization of the construction of effective processes (activities), including the development and the implementation of new or the modification of existing control procedures taking into account the identified risks; • provision for the regulation of supervised processes (lines of business); • organization of the performance of control procedures; • implementation of assessment (monitoring) of the performance of control procedures; • implementation of assessment of supervised processes (activities) for the need of their optimization in order to increase efficiency and to comply with the changing conditions of external and internal environment; organization of the development of proposals for improving control procedures; • provision for the elimination of identified shortcomings of control procedures and processes (activities)
Employees of Company's structural units performing control procedures within their duties	• perform control procedures; • ensuring timely notification of the line managers about events when the implementation of control procedures became impossible due to any reasons and / or the change of design control procedures is required due to a change of internal and / or external functioning conditions of the Company; • submission of proposals for the implementation of control procedures in the relevant areas of activity to the direct supervisor for consideration
Sector of anti-corruption compliance procedures	• implementation of legal examination of contracts and other documents of a contractual nature; • implementation of legal examination of local regulatory documents for compliance with the current legislation
Sector of anti-corruption compliance procedures	• implementation of control activities aimed at detecting and preventing corruption offenses by employees of the Company

Title of a party	Main ICS functions
Department of Risk Management and Internal Control	• development of and provision for main and methodological documents for the construction and the improvement of the ICS; • provision of assistance to the management in building the control environment, developing recommendations for describing and implementing control procedures in processes (areas of activity), and assigning responsibility to officials; • coordination of activities in the area of maintenance and monitoring of the target condition of the ICS; • preparation of information on the condition of the ICS for stakeholders; • interaction with state control and supervisory bodies on internal control issues
Internal Audit Service	• development of recommendations for the improvement of control procedures, individual components (elements) of the internal control and the ICS on the basis of internal audit results; • implementation of an internal independent assessment of the effectiveness of the ICS and issuance of recommendations to improve the efficiency and the effectiveness of the ICS

During the reporting year, the Company implemented the following key actions aimed at improving its ICS:

1. Local regulations that determine and demarcate the obligations to perform control procedures (for example, Regulations on the procedure for consideration of citizens' claims filed through the Economic Security Service hotline; Regulations on interaction between the Internal Audit Department and structural and separate subdivisions during inspections and monitoring of the implementation of corrective action plans; Regulations on the formation of provisions on structural subdivisions; Regulations on the conduct of staff appraisal) have been developed / updated;

2. The obligation to execute control procedures is regulated in Provisions on structural subdivisions and in job descriptions.

3. The list of business processes of the Company has been finalized and approved; the action plan on improvement of the internal control system in the process of maintaining accounting records and compiling accounting (financial) statements as well as in processes (activities) that significantly influence the formation of accounting statements has been approved and accepted for execution.

4. The Company develops the description of business processes with the design of control matrices and the delineation of functional responsibility and further integration of the description of business processes in the organizational and executive documentation that regulates processes / activities.

The following have been determined as such directions (types of activity):

- sale of power transmission services;
- sale of utility hook-up services;
- investment activities;
- procurement management;
- financial management;
- claim-related work.

5. The analysis of grid reporting for the duplication and the absence of the end user has been carried out.

The level of maturity of the ICS by the end of 2016 is estimated as intermediate between "moderate" and "optimal."

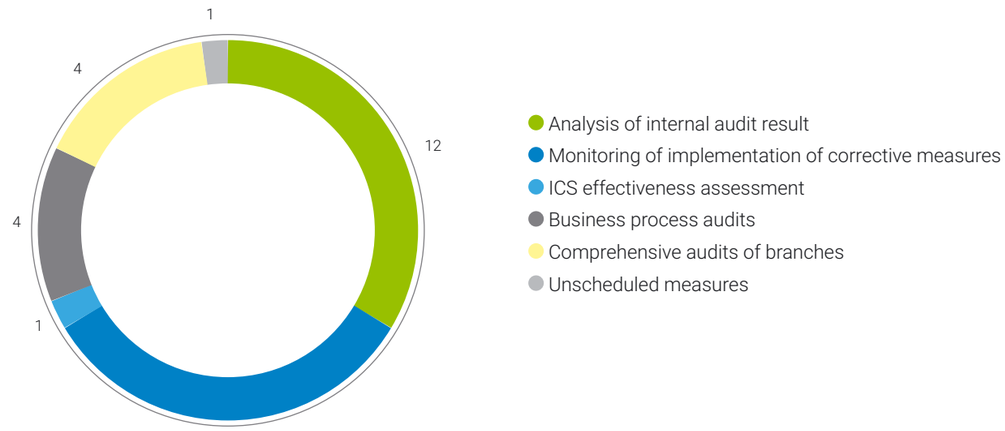
No internal independent assessment of the effectiveness of the ICS was conducted by the internal auditor of the Company.

The subdivision that is responsible for the implementation of the internal audit function in the Company is the Internal Audit Service of the Internal Audit and Control Department.

The Internal Audit Service functionally reports to the Board of Directors, which means the implementation of control and organization of the internal audit function, inclusive of the approval of the plan of the internal audit activity, the report on the implementation of the plan of the internal audit, and the budget of the internal audit unit as well as the approval of decisions on appointment, release from office, and definition of the remuneration payable to the Head of the internal audit unit, by the Board of Directors of JSC Tyumenenergo.

In 2016, the number of employees who performed the internal audit function was 5 people.

The Internal Auditor implemented 30 audits in 2016.



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Audits conducted by the internal auditor in 2016 revealed 128 points of concern. For the purposes of elimination of these points of concern, the management of the Company developed 144 corrective measures, which were aimed at elimination of violations and deficiencies identified by the internal auditor and prevention of the occurrence thereof in the future. Of the 96 measures, whereof the period of execution occurred in the reporting year, 96 corrective measures were performed

6.4. Ethics and anti-corruption practices

G4-15
G4-56

The National Anti-Corruption Plan for 2016–2017 approved by the Decree of the President of the Russian Federation dated April 1, 2016 and registered under No. 147 identified the implementation of requirements of Article 13.3 of the Federal Law dated December 25, 2008 and registered under No. 273-FZ "On Counteracting Corruption" which concerns the obligations of legal entities in the field of development and adoption of measures to prevent and to fight against corruption as the main task. At the same time, the provisions of Article 13.3. of the Federal Law dated December 25, 2008 and registered under No. 273-FZ " On Counteracting Corruption" indicates that JSC Tyumenenergo shall not only combat and eradicate corruption offenses but also prevent the occurrence thereof among its employees and in the course of cooperation with the Company's partners.

The need to create structural subdivisions responsible for the prevention of corruption and other offenses in the organizations is provided for in clause 1 Part 2 of Article 13.3 of the Federal Law dated December 25, 2008 and registered under No. 273-FZ "On Combating Corruption." Guided by the norms of the law, the Company has established a Sector of Anti-Corruption Compliance Procedures. Functions of this structural subdivision include: identification and subsequent elimination of the causes of corruption (prevention of corruption); detection, prevention, suppression, disclosure, and investigation of corruption offenses (combating corruption); minimization and (or) liquidation of consequences of corruption and other offenses. The headcount of the structural subdivision is 2 persons (the head and a specialist of the 2nd category). The Sector reports directly to the General Director of JSC Tyumenenergo.

G4-HR7

As part of the activities to improve skills, as well as to implement the tasks for the participation of managers and employees of security structural subdivisions and structural subdivisions responsible for the prevention of corruption and other offenses in trainings, seminars, conferences, and for a on preventing and combating corruption, the Head of the Sector of Anti-Corruption Compliance Procedures participated in the annual conference "Compliance and Anticorruption in Russia and the CIS: Status of 2016" (Moscow, June 2016).

G4-SO4

The Anticorruption Policy of PJSC "Rosseti" and SDCs of PJSC "Rosseti" (approved by the decision of the Board of Directors dated December 30, 2014 and registered under No. 21/14) is the fundamental document of the Rosseti Group of Companies in the area of counteraction to and prevention of corruption. The Anticorruption Policy identifies the unified approach of the Company and its SDCs to the implementation of requirements of Article 13.3 of the Federal Law dated December 25, 2008 and registered under No. 273-FZ "On Counteracting Corruption," which concerns the obligations of Rosseti Group of Companies to develop and adopt the measures aimed at preventing and counteracting corruption as their main task.

In 2016, the Company's activities were implemented in strict compliance with the principles of prevention of and counteraction to corruption as proclaimed by the participants of the Anti-Corruption Charter of the Russian Business. By accepting the Charter conditions (Certificate dated July 1, 2015 and registered under No. 414), JSC Tyumenenergo ensured the efficient financial monitoring, the rejection of illicitly obtained benefits, the procurement through open tendering, the effective financial control, staff training, and supervision, and the assistance to law enforcement authorities on all the matters related to anti-corruption activities as well as the publicity of the anticorruption measures implemented by the Company in 2016. Separately it is worth noting that anti-corruption activities in JSC Tyumenenergo in 2016, and for quite a long time before, were carried out in a systematic way and in accordance with the Unified Anticorruption Policy of PJSC "Rosseti" and SDCs of PJSC "Rosseti".

In order to improve the effectiveness of ethical standards for the activities of PJSC "Rosseti" and SDCs of PJSC "Rosseti", the professional conduct of the Company's employees and its subsidiaries and affiliates, ensure the compliance of these standards with the high ethical standards of conduct of open and honest business and with anti-corruption requirements of the current legislation of the Russian Federation, and to maintain the business reputation of JSC Tyumenenergo, the Company has a Code of Corporate Ethics (approved by the Decision of the Board of Directors dated March 19, 2013 and registered under No. 05/13). The Code is a set of general principles, norms, and rules of professional ethics and internal corporate behavior for employees of JSC Tyumenenergo, which must be followed by all the employees of the Company regardless of their job position as well as by Members of the Board of Directors of the Company.

In 2016, the Company updated the Regulations on the Settlement of the Conflict of Interests and the Regulations on the Committee of JSC Tyumenenergo for Compliance with the Rules of Corporate Ethics and Settlement of Conflicts of Interest. Modification and supplementation were approved and validated by the Order of JSC Tyumenenergo dated June 2, 2016 and registered under No. 278 and the Order of JSC Tyumenenergo dated December 29, 2016 and registered under No. 768. The updated provisions fully resolve the implementation of procedures aimed at preventing conflicts of interest. In addition, the procedure for informing the employees of the Company about the occurrence of a conflict of interests has been regulated; the measures taken to resolve the conflict of interests have been identified; the duties and responsibilities of employees in this area have been fixed; and standard situations of preconflict / conflict of interests have been determined. Regular meetings of the Commission of JSC Tyumenenergo on compliance with the rules of corporate ethics and resolution of conflicts of interest.

Also, the Society organized the work with employees upon receipt of gifts in connection with their official position or performance of their duties as one of the measures to prevent possible corruption.

In 2016, measures in the field of improvement of the legal regulation of anti-corruption activities of the Company were taken and a number of organizational and administrative documents in the area of combating corruption were developed in the course of the implementation of the Anti-Corruption Policy. Moreover, the regulatory framework in the following areas has been developed and (or) updated:

- implementation of the Anticorruption Policy of the Company;
- development of a procedure for compliance with the rules of corporate ethics and resolution of conflicts of interest in the Company;
- organization of work of the Commission of JSC Tyumenenergo on compliance with the rules of corporate ethics and resolution of conflicts of interest;
- organization of work on declaration of information about the property, the income, and property obligations of the Company's management;
- organization of work on the annual declaration of information on the conflict of interests of the Company's employees;
- implementing measures aimed at identifying conflicts of interest and pre-conflict situations in the Company; increasing the efficiency of the measures aimed at prevention of the occurrence of conflicts of interests in the future;
- organization of work on the declaration of information on the conflict of interests of candidates for a position in JSC Tyumenenergo;
- development of a procedure for acceptance, consideration, and resolution of the complaints of applicants (employees, counterparties of JSC Tyumenenergo, and other natural persons and legal entities) about possible cases of corruption;
- increase in the efficiency of measures on legal education and formation of bases of law-abiding behavior of employees of JSC Tyumenenergo and prevention of corruption committed by employees;
- improvement of local regulations of the Company that regulate activities of disclosure of final beneficiaries and contractors and mandatory inclusion of anti-corruption clauses in contracts;
- improvement of anti-corruption activities of the Company.

JSC Tyumenenergo implements the introduction of special verification procedures for contractors in order to reduce the risk of involvement of JSC Tyumenenergo in corrupt and other unfair practices; these procedures, which are implemented on a regular basis, provide for checking contractors for loyalty, affiliation and interest. JSC Tyumenenergo has applied policies, procedures, and rules aimed at preventing and combating corruption, which are used in the Company (anti-corruption standards, anti-corruption clauses etc.), to its interaction with contractors and business partners. In 2016, 7,591 counterparties (100% of counterparties under operating expenditure and income contracts) of the Company are familiar with the Anti-Corruption Policy as well as with other procedures and rules aimed at preventing and combating corruption used by JSC Tyumenenergo.

G4-HR2
G4-SO3

On a regular basis, the Company performs work on legal education and formation of the foundations of law-abiding behavior of its employees as well as consultation and training of its employees. The Company practices annual familiarization of its employees with regulatory legal acts and local regulatory acts in the field of prevention and combating corruption with written acknowledgement. For the notification of employees of JSC Tyumenenergo, the documents that regulate the activities of counteraction to corruption, compliance with the norms of corporate ethics, and settlement of conflict of interest have been uploaded to the internal network drive of the Company. Annually, the employees are familiarized with the Memo to an Employee of the Rosseti Group of Companies on Combating Corruption. The total number of employees familiarized with the current local regulatory acts in the area of counteracting corruption in 2016 was 7,478 people (100% of the number of staff as of December 31, 2016). Also, the Company practices briefing on and familiarization with the current regulatory acts in the field of prevention and combating corruption of candidates who are employed in job positions in JSC Tyumenenergo. In 2016, 605 candidates for job positions were familiarized with anti-corruption standards.

Familiarization of customers and counterparties with materials in the field of preventing corruption manifestations by disseminating information materials "Say No to Corruption!" is widely used in the Company. The Company regularly posts information on the activities in the field of implementation of the anti-corruption policy of the Company and information in the field of counteraction to and prevention of corruption in the Company in regional and corporate media.

The "Anticorruption Policy" section with access for all stakeholders was created on the official website of JSC Tyumenenergo and is regularly updated. Also a feedback mechanism for the applicants' complaints about possible cases of corruption operates on the website. The Company also uses other mechanisms for registration of complaints of employees, citizens, and representatives of legal entities such as the hotline, email, mail to the location of the Company, or personal reception by the Head of the Sector of Anti-Corruption Compliance Procedures.

There were no confirmed cases of corruption nor fines for falsifying accounting statements in 2016.

G4-05

For example, JSC Tyumenenergo fully formed a legal framework for the implementation of anti-corruption policy measures, implemented the planned activities aimed at prevention, detection, and suppression of corruption and minimization of reputational and corruption risks in the reporting 2016.

JSC Tyumenenergo has approved the Code of Corporate Ethics (the Minutes of the Meeting of the Board of Directors dated March 19, 2013 and registered under No. 19 / 13), which defines the norms and rules for individual and collective behavior of all the employees and members of the management and control bodies of the Company without exception.

The objectives of the Code are to create a sustainable corporate culture and a system of corporate values and to confirm the Company's continued readiness to follow high standards of business conduct, including:

- improvement and protection of the business reputation of the Company;
- increasing of the investment attractiveness of the Company;
- regulation and streamlining of the corporate behavior of employees in complex and
- ambiguous situations in terms of respect for the principles of ethics, integrity, and good faith;
- improvement of the level of the corporate culture.

6.5. Authorized capital, securities, divident policy

Authorized capital

In accordance with the Charter of JSC Tyumenenergo, the authorized capital of the Company as of December 31, 2016 constitutes RUB 27,373,895,100 and is divided into 273,738,951 ordinary shares with equal par value of 100 RUB / share. The Company does not own any privileged shares.

The Company announced issue of 3,121,409 ordinary registered shares with par value of 100 RUB each share for a total amount of 312,140,900 RUB in addition to the outstanding shares. Registered ordinary shares announced by the Company grant the holder the same rights as announced ordinary shares.

Joint Stock Company Rosseti is the sole shareholder of JSC Tyumenenergo.

G4-7

The shares of the Company are not in circulation on the organized shares market.

JSC Tyumenenergo owns preferred shares of PJSC "Rosseti".

Information about the shares in cross holding as of December 31, 2016

Name of the issuer	Central Bank code	Nominal holder	Share of JSC Tyumenenergo, %	Par value of 1 share, RUB
PJSC "Rosseti"	RSTIP	CJSC Sberbank CIB	0.0031	1

Bonds

On July 24, 2013, the Board of Directors of JSC Tyumenenergo (Minutes dated July 26, 2013 and registered under No. 12 / 13) decided to place corporate bonds in bearer series 03, 04, 05, and 06 with a total volume of 20 billion rubles as an alternative source of financing of the investment activity of the Company.

On October 17, 2013, the Bank of Russia performed state registration of JSC Tyumenenergo bond issues, Series 03, 04, 05, 06, amounting to 20 bln RUB.

In order to maximize the diversification of sources of borrowing and to maintain the constant readiness for placement of bond issues, the Company annually extended the term of placement of bonds of series 03, 04, 05, and 06 in 2014 and 2015.

In connection with the unfavorable situation prevailing in the stock market in 2014–2016 and the absence of need to finance the Company's activities at the expense of borrowed funds, no bonds of series 03, 04, 05, and 06 were placed.

The issues of corporate bonds of JSC Tyumenenergo of series 03, 04, 05, and 06 were declared invalid and canceled in connection with the end of the maximum possible placement period, which, when extended, may not exceed 3 years from the date of state registration of the securities issue. On November 10, 2016, the Board of Directors of JSC Tyumenenergo (Minutes dated November 11, 2016 and registered under No. 22 /16) approved reports on the results of the issue of securities of JSC Tyumenenergo of series 03, 04, 05, and 06. On November 29, 2016, reports on the results of the issue of securities of JSC Tyumenenergo of series 03, 04, 05, and 06 were registered by the Central Bank of the Russian Federation.

On March 1, 2017, PJSC Moscow Stock Exchange decided to assign identification number 4-00159-F-001P-02E to the Program of Exchange Bonds of Series 001P of JSC Tyumenenergo with a total volume of up to 25 bln RUB and the maximum maturity of up to 10,920 days (30 years).

Issue documents for these securities are available on the corporate website.

As of December 31, 2016 and the date of approval of the annual report, there are no issues of bonded loans of JSC Tyumenenergo in circulation.

Dividend policy

The Company's Dividend Policy is governed by the Regulations for Dividend Policy approved by the Resolution of the Board of Directors dated August 27, 2010 (Minutes No. 10/10).

The dividend policy of the Company is based on the following principles:

- calculation of dividends is based on the profit excluding the impact of the revaluation of financial investments;
- the need to maintain the required level of financial and technical state of the Company (implementation of the investment program), ensuring prospects of the Company's development;
- compliance of the Company's practice of dividend calculation and pay-out with the legislation of the Russian Federation and the best standards of corporate behavior;
- an optimum combination of interests of the Company and its shareholders;
- the need to enhance investment attractiveness of the Company and its capitalization;
- ensuring transparency of the mechanism for determining the amount of dividends and payment thereof.

In Q3 of 2016, based on the results for 2015, the Company paid dividends on the ordinary shares in the amount of 3,235,994 thous. RUB (RUB 11.8214598 per ordinary share of the Company).

Distribution of profit for dividend payout in 2012–2015*

Payment period	Dividend amount, thous. RUB	Share of net profit, %	Amount of dividend per 1 share, RUB
For 2012 (2013 AGSM)	31,735	25	0.1159316198
For 2013 (2014 AGSM)	512,357	25	1.8716992892
For 2014 (2015 AGSM)	667,321	25	2.4378
For 2015 (2016 AGSM)	3,235,994	87.54	11.8214598

* Information on the allocation of profit in accordance with the resolutions of the Annual General Shareholders Meetings (AGSM)

AGSM 2013 (for 2012): Minutes of the AGSM dated June 28, 2013 and registered under No. 187pr/14.

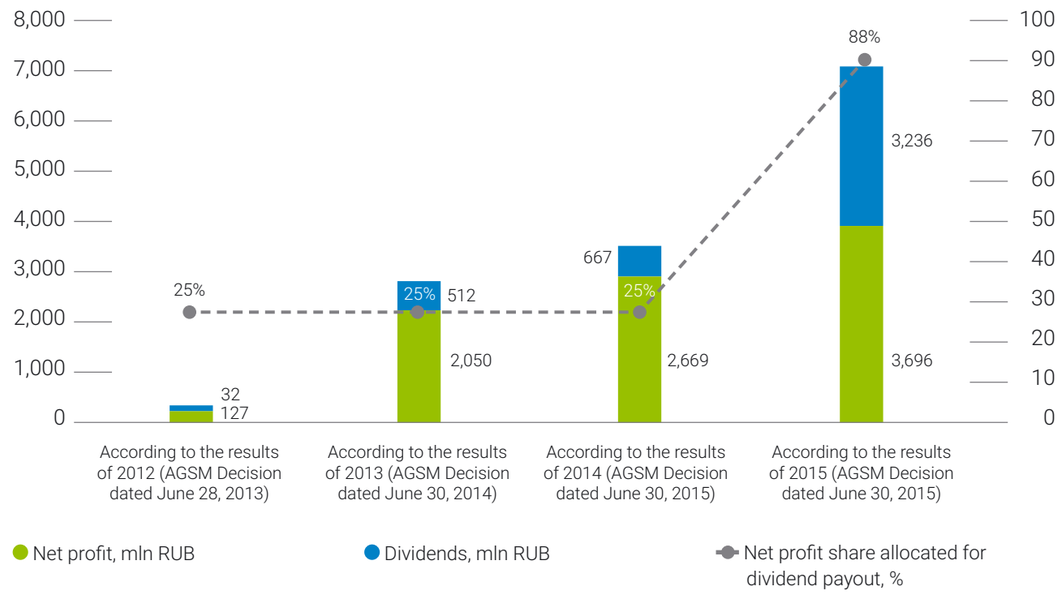
AGSM 2014 (for 2013): Minutes of the AGSM dated June 30, 2014 and registered under No. 242pr/14.

AGSM 2015 (for 2014): Minutes of the AGSM dated June 30, 2015 and registered under No. 361pr/9.

AGSM 2016 (for 2015): Minutes of the AGSM dated June 29, 2016 and registered under No. 491pr/9.

In accordance with the Charter of the Company, the resolution on distribution of profit according to the results of 2016 will be adopted on the basis of the resolution of the Annual General Shareholders Meeting (AGSM) in 2017. Information on the dividend payments is shown in the diagram.

Dividend information



6.6. Major transactions

In 2016, JSC Tyumenenergo did not make any significant deals and deals of possible interest.

7. SUSTAINABLE DEVELOPMENT AND COMMUNICATIONS WITH STAKEHOLDERS

Taxes in 2016
(all levels of budget)
6,484 mln RUB

Average number
of employees
7,436 people

Nizhnevartovsk

According to different versions, the name “Vartovsk” has either Ostyak or Slavic roots. According to the first tradition, the Ostyak word “varta” means the bend of a river. Indeed, the city is located in the bend of the river Ob. According to another tradition, the name comes from the Russian word “vareet” (to vulcanize). The locals, who were fishermen, used resin for the construction of their boats; this material was popularly called “var.”

Area
271.3 km²

Population
268.5
thous. people

7.1. Personnel policy

G4-56

Key goals of the Company personnel and social policy intended to ensure targets of the power grid development strategy are:

- workforce requirements planning — provision of reliable information on operational and forecasting numerical and qualitative demand for labor resources necessary and sufficient for execution of tasks set for the Company;
- timely meeting of the Company's demand for personnel with the required qualification;
- provision of personnel efficiency, increase of the Company labor productivity.

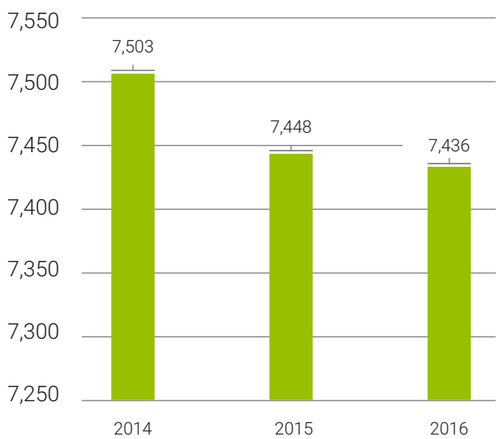
The above key goals of personnel and social policy are achieved by implementation of a set of measures in various activities directions and specified targets attaining.

The main conditions of the Company personnel and social policy implementation are as follows:

- development of a set of activities and methods of work with the personnel making it possible for the Company to adjust to corporate and external changes quickly and efficiently;
- creation of conditions for the personnel labor potential unlocking, assurance of the implementation of an approach of "behavior toward personnel of the power grid companies as the human capital assets," which provides for investment in personnel development and maximum investment performance;
- creation of conditions in which professional competence, efficiency, motivation for professional development and sharing of corporate-wide values constitute the necessary requirements and the only guarantee of advancement in the Company;
- creation of the Company image as a socially responsible preferable employer in order to improve the Company attraction for highly skilled employees.
- work in the conditions of an integrated personnel space, use of integrated solutions and shared information resources of the power grid company in order to increase the efficiency of personnel management and to provide cost reduction.

G4-10
G4-LA1

Average personnel of JSC Tyumenenergo, Trends for 2014–2016



The average number of employees of JSC Tyumenenergo in 2016 amounted to

7,436 people,

which is 0.16% below the corresponding value for 2015

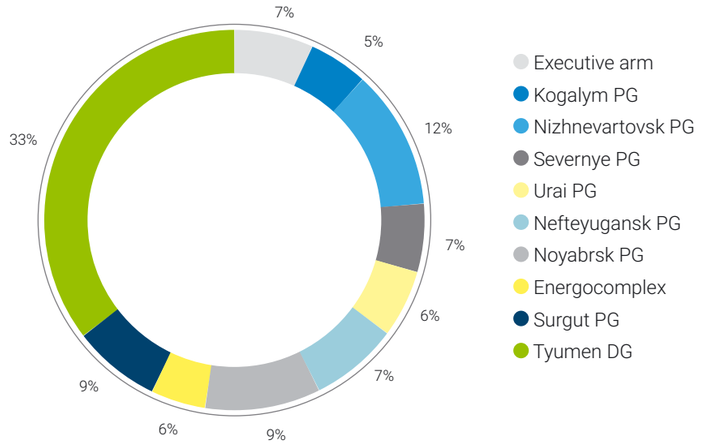
The reduction of the average staffing number is due to the implementation of measures of optimization of the number of administrative and management personnel.

When meeting the Company personnel requirements, preferences are given to operating personnel and personnel development in accordance with qualification requirements and to involvement of recent graduates having industry-specific vocational education.

In order to ensure continuity, the Company has established and annually updates personnel pools. Identification of talented young people and creation of conditions that are conducive to the fullest disclosure of the potential of young professionals of the Company are implemented within the work on the generation of the youth personnel pool.

The system of training and development of the Company's personnel is aimed at the implementation of the potential and at the professional development of employees who comply with the qualification requirements for the current and the target positions with due consideration of future needs, changes in the external environment, and the level of development of the corresponding employee's competencies.

Distribution of the average headcount of staff in 2016



A program of co-operation with institutions of higher, secondary, and vocational education that are mostly located in the regions of the Company's subdivisions and which provide training in the areas / specialties that are in high demand in the grid complex (supporting educational institutions) has been developed.

In order to ensure its effective functioning, the Company has created the necessary conditions for motivation of employees to productive work.

Interaction between the Company as an employer and its employees is based on the social partnership principles. Additional mechanisms that ensure employee engagement in and commitment to corporate values are the programs of social and cultural orientation.

The staffing of JSC Tyumenenergo had been steadily growing for two years and amounted to 97% in 2016 (an increase of 3 percentage points since 2014).

The average age of employees in 2016 remained at the level of 2015 (41 years old).

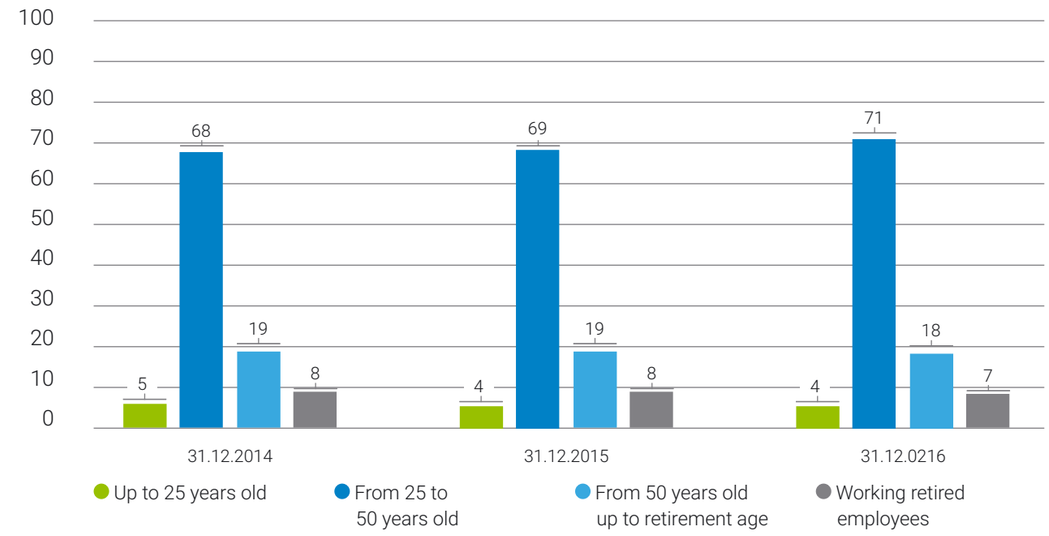
A significant share of employees of JSC Tyumenenergo is staff aged 25 to 50 years (71%). There is a decrease in the share of workers in the age category "50 years and older" (2 percentage points since 2014).

Active turnover of personnel of JSC Tyumenenergo for 2016 was 3.2%.

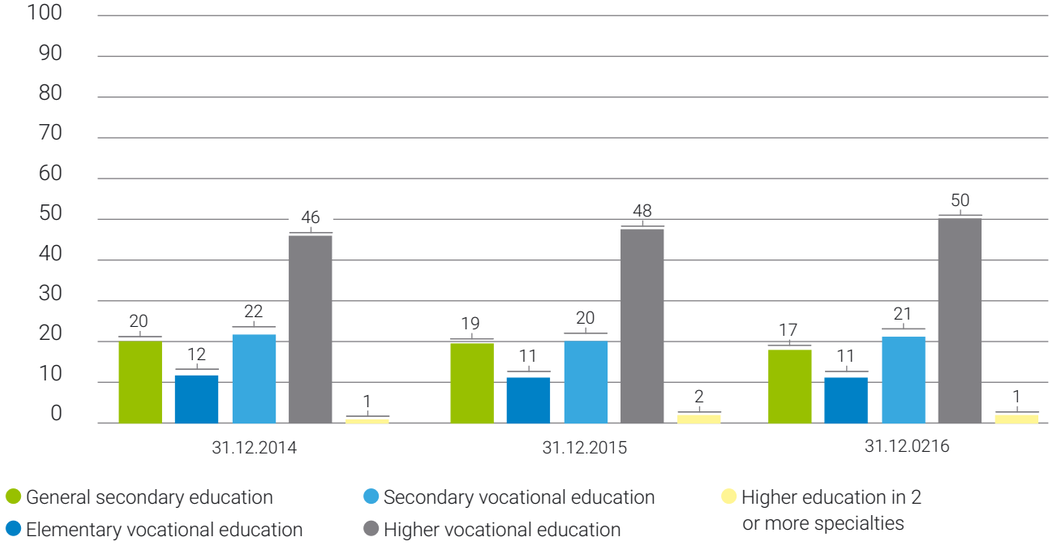
Personnel of JSC Tyumenenergo can be described as highly qualified; about 83% of the staff have professional education. This indicator has increased by 3 percentage points over the last three years.

G4-LA12

Personnel Structure by Age, Trends for 2014–2016, %



Personnel Structure by Education, Trends for 2014–2016



G4-LA3

Total number of employees who took maternity leave:

- under 1.5 years: 89 people (women);
- under 3 years: 56 persons (women).

G4-LA1

Personnel Training and Development

G4-LA10

Training is one of the priorities of the Personnel and Social Policy of the Company and is regulated by the Regulations on the Organization of Personnel Training in JSC Tyumenenergo, which were developed taking into account the requirements of the Rules of Work with Personnel in the Organizations of the Electric Power Industry of the Russian Federation.

The Company has developed its own educational strategy, which is aimed at developing the professional competencies of its employees and at increasing the level of production training of the personnel that is required in order to ensure stable operation of the entire distribution grid complex.

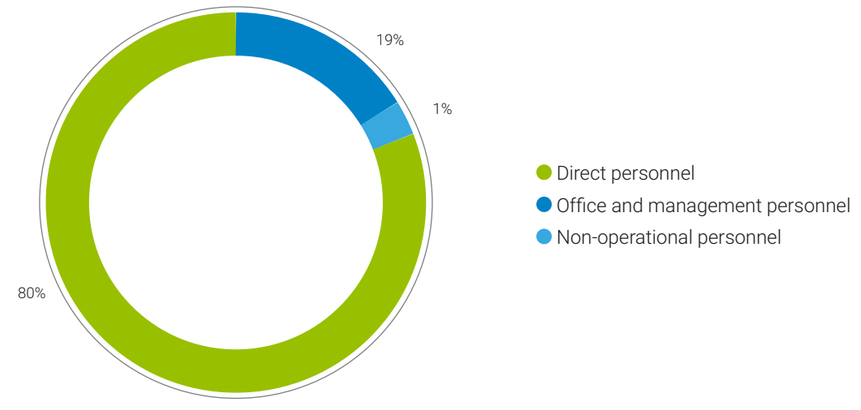
Main directions of training are as follows:

- Professional and advanced training for workers.
- Pre-examination and advanced training for managers and specialists;
- Professional re-training of employees.

Share of employees who have passed day release training to the average headcount of staff is 42% (3,118 persons), which is 4 percentage points (285 persons) above the corresponding indicator of 2015.

The largest share among the trained employees is the production personnel: 80% or 2,492 persons. This indicator in 2015 was 83%. The structure of the personnel who received training in the context of administrative management, production, and support personnel categories is presented below:

Profile of employees who have participated in day release training activities broken down by categories, %

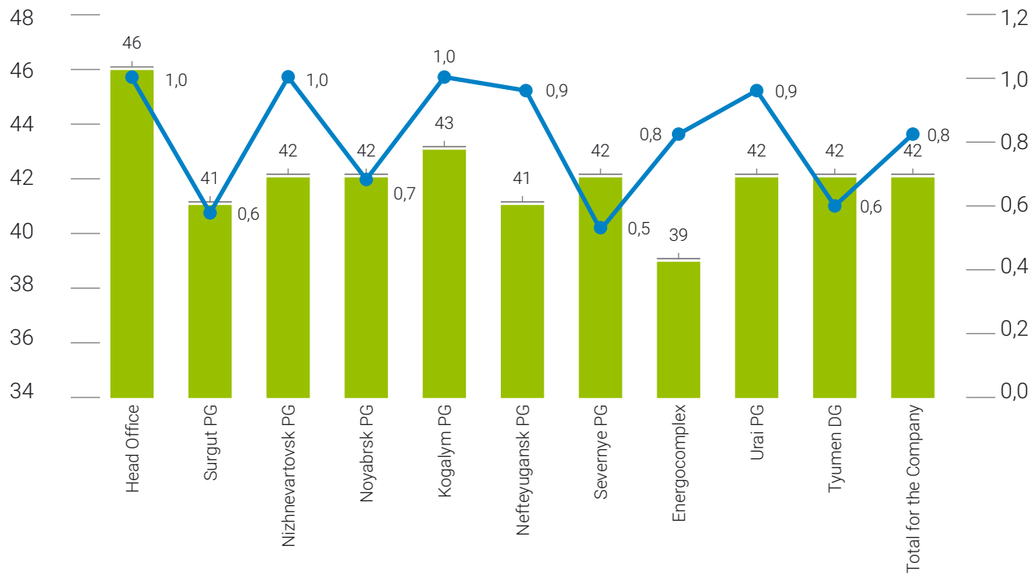


The key providers of educational services are:

- NP "Corporate Energy University" (Moscow)
- ANO DPO Training Center "Professional" (Surgut)
- FGAOU DPO "PEIPK" (St. Petersburg)
- FBU "Educational and Methodical Cabinet of Rostekhnadzor" (Moscow).

The actual costs of personnel training (regardless of sources) amounted to 35,086,825 thous. RUB. In 2015, 34,883 thous. RUB was allocated to personnel training. The ratio of the actual costs of personnel training to the payroll fund in 2016 was 0.8% (in 2015: 0.8%).

Share of employees who have passed day release training and the relation between the training costs and the labor compensation fund in 2016, %



G4-LA9

The average number of hours of training per 1 employee in 2016 was 32 hours.

The Company's management pays great attention to the expansion of forms of cooperation with higher and secondary educational establishments that provide professional training in electric power related qualifications in the territory of JSC Tyumenenergo. They include Surgut State University of Khanty-Mansiysk Autonomous District – Yugra, Tyumen State University, North Trans-Ural State Agricultural University, Omsk State Technical University, Yugra State University, etc.

Now JSC Tyumenenergo has concluded Cooperation and Joint Operation Agreements with 30 education institutions with associated departments.

In 2016, 192 students undertook on-the-job and pre-graduation practical training at JSC Tyumenenergo, 36 of them have been employed at the Company branches after graduation.

V. A. Belyi, Deputy General Manager of JSC Tyumenenergo, is a member of the Board of Trustees of the Surgut State University of Khanty-Mansiysk Autonomous District – Yugra, which contributes to supporting the university in training the specialists in the engineering and technical field needed by the region today.

Also, student construction brigade movement became widespread: 52 students who are enrolled in specialized areas of training received tickets to the Energetic SCB for the summer season working at power facilities of the Company this year. Students also took an active part in the public life cycle: sports, competitions, and events for veterans of the industry. For example, the members of the construction brigade not only became acquainted with the work of professionals but also obtained invaluable experience, which was generously shared by powermen. As a result of the contest of construction teams of the power grid complex, the Powerman student construction brigade took the second place.

The Company candidate pool management

G4-LA11

The Company uses a systematic approach to the implementation of the important tasks in the field of personnel management: the organization of work with personnel pools. Systematic work on the formation and the development of administrative and youth candidate pools that are created at the level of branches and the Head office of the Company is underway.

The main criteria for inclusion of employees in the management personnel pool are:

- high professional qualifications;
- high production results;
- availability of personal and business potential that is required for professional development and career growth.

Enrollment of candidates into the management personnel pool is implemented on a competitive basis. In 2016, 466 people were enrolled into the management personnel pool of the Company. Supply of management positions with the candidate pool was 99.3%.

In order to involve young specialists in solving urgent problems of the power grid complex, to enhance their professional competence, and to assist their career development, the Company has actively used Youth personnel pools.

The Youth personnel pools of the Company include young professionals with a high potential for development of professional and management skills. Enrolment advantage is given to employees who are actively involved in the social life of the Company and who have rationalization, inventive, and innovative achievements.

Each year, the Youth personnel pool compositions are reviewed and updated, and additional enrolment is held for vacancies from among young specialists of the Company.

At the end of 2016, the Youth personnel pools of the Company contained 81 employees.

The candidate pool efficiency directly depends on facilities provided for professional development of succession candidates. There are target positions approved, individual development programs developed, and tutors from among the most qualified Company's personnel assigned for each member of the Company candidate pool whose main task is assisting the reserve members in the development of the target position.

For developing professional and managerial skills of reserve members, the Company organized their participation in advanced training programs in leading Russian educational establishments: High Economics School — National Research University, Russian Academy of National Economy and Civil Service at the Russian President, and others. Employees enrolled in the management personnel pool of the Company participate in the Presidential Training Program for Management Personnel.

In 2016, there was a curriculum of master classes for the Company administrative and Youth personnel pool members on the following subjects: "Communicative Competence" and "Successful Management." These events were attended by 30 employees of the Company.

In order to develop professional and managerial competence of members of the administrative personnel pool, 7 employees of the Company started training under the "Development of Leaders for the Power Grid Complex" integrated program with the assistance of the Moscow School of Management Skolkovo.

In total 280 succession candidates were trained in all the training fields in the Company in 2016.

In 2016, 99 employees from personnel pools were appointed to higher positions in the Head Office and branches of the Company.

G4-EC6

The share of senior managers in the Head Office and branches who were hired from among the representatives of the local population, i.e. have a residence permit in the workplace district: 75%.

7.2. Conditions and remuneration of labor, including KPI

In JSC Tyumenenergo, the procedure for the remuneration of labor of employees is fixed by the Collective Agreement, namely the Annex thereto registered as the Regulations on the Unified Wage System for Workers, Managers, Specialists, and Employees of JSC Tyumenenergo.

The Regulations have been developed taking into account the requirements of the current legislation, sectoral and departmental regulations, and the Industry Tariff Agreement.

The Regulations determine uniform amounts of and procedures for establishing tariff rates, salaries for workers, managers, specialists, and employees as well as uniform amounts of and procedures for establishing compensatory surcharges and incentive premiums for tariff rates and a system of bonuses and rewards.

The system of material incentives includes several elements that allow to flexibly form the level of payment for each employee taking into account individual labor results.

G4-EC5

The average monthly salary of the production personnel of JSC Tyumenenergo in 2016 was 1.38 of the average monthly salary in the Tyumen region as a whole, 1.07 of the salary of workers engaged in the production, transmission, and distribution of electricity in the region, and 0.96 of the average monthly salary of personnel employed in the fuel and energy complex of the Tyumen Region (Source: Statistical Bulletin of the Territorial Agency of the Federal State Statistics Service for the Tyumen Region "Payment of Remuneration too Employees of Organizations (Excluding Small Businesses) in the Tyumen Region" for 11 months of 2016).

The situation on the labor market in the region determines the current policy of JSC Tyumenenergo in terms of social and labor relations.

Ensuring a constant increase in the level of remuneration of the Company's personnel allows us to maintain a stable and highly qualified team, which is the key to the successful development of the Company.

The minimum period for prior notification of employees and their elected representatives on the implementation of significant changes in economic activities that may affect them substantially is established by the current labor legislation of the Russian Federation. This information is not repeated in the Collective Agreement.

G4-LA16
G4-HR3
G4-HR12

Being a socially responsible Company that strictly observes the legislation, the Company does not accept nor tolerate discrimination or harassment in the workplace nor conduct that would be considered offensive and unacceptable. The Company respects the rights, personal freedom, and dignity of its employees and treats its employees with confidence and provides each with equal opportunities. The Company proceeds from the premise that employees must build their business relationships on the basis of partnership, mutual respect, and common goals and objectives while working as a team. In all circumstances, the activities and the conduct of Company employees must comply with high professional standards and generally accepted moral values. In 2016, there were no cases of discrimination.

G4-HR8

The system of Key Performance Indicators of the Company was established by the Decision of the Board of Directors of the Company dated March 31, 2016 (Minutes dated March 31, 2016 and registered under No. 08/16).

The composition and the methodology of the KPI calculation in 2016 were adjusted by the Decision of the Board of Directors of the Company dated December 29, 2016 (Minutes registered under No. 28 / 16) in pursuance of Directives of the Government of the Russian Federation dated March 3, 2016 and registered under No. 1472p-P13 and dated July 4, 2016 and registered under No. 4750p-P13 in terms of the KPI "Efficiency of Innovation Activities" and "Reduction of Unit Operating Costs."

In 2016, the following composition and target values of key performance indicators were established in compliance with the above decisions of the Board of Directors of the Company:

Quarterly performance indicators

Item No.	Composition of the indicators	Target values for 2016
1	**Absence of the increase of major accidents**	Absence of the increase
2	**Prevention of the increase of the number of accident victims**	Absence of the increase
3	**Financial stability and liquidity indicators**	KPI_{SEK} / ZK ≥ 0.67, KPI_{MKTL} ≥ 1

Annual performance indicators

Item No.	Composition of the indicators	Target values for 2016
1	**Return on investment of stockholders**	≥ RUB 403,804,337
2	**Return on invested capital**	≥ 5.5%
3	**Decrease in specific operating expenses; bonus payment conditions**	≥ 10%
4	**Energy loss level**	≤ 2.54%
5	**Achieving the level of reliability of services provided**	≤ 1
6	**Lowering specific investment expenditures**	≤ 1
7	**Compliance with facility commissioning deadlines**	≥ 95%
8	**Compliance with utility hook-up deadlines**	≤ 1.1
9	**Increase in labor productivity**	≥ 2,514 rubles / person-hour
10	**Efficiency of innovative activities**	≥ 90%

Actual values of indicators, taking into account the timing and the order of preparation of reporting that is the source of information for their calculation, at the time of the formation of the annual report were not summarized and approved by the Board of Directors of the Company.

Comparison of the values of the current year with previous years was not carried out due to changes in approaches to the procedure for establishing target KPI values and calculating actual KPI values.

The system of key performance indicators used by the Company is interlinked with the size of the variable part of the management compensation: for each of the indicators, there is a specific weight in the volume of bonuses paid: quarterly and annual bonuses are paid subject to the fulfillment of relevant KPIs.

7.3. Occupational health and safety

The focus of JSC Tyumenenergo policy in the sphere of labor protection is giving priority to company staff life and health protection over the business results of the Company.

G4-LA7

The Company constantly strives for mitigation of occupational diseases risk and occupational injuries' prevention.

JSC Tyumenenergo developed, implements and maintains the Management System in the Area of Health, Safety, and Environment Protection that complies with the requirements of the International Standard OHSAS 18001:2007. In the framework of the functioning of the HSE system, the Program of Management of the Health Protection and Labor Safety Provision, Implementation of the Functions and Activities Aimed at the Mitigation of Risks in the Area of Health Protection and Labor Safety Provision is implemented.

Management of health protection and labor safety provision in JSC Tyumenenergo includes the following risk management functions:

- the organization of plant supervision;
- the provision of means of individual and collective protection;
- training, instruction, and examination in the field of health protection and labor safety provision;
- the development and the implementation of collective activities in the field of health protection and labor safety provision.

In accordance with the Labor Code of the Russian Federation, each employee has the right to fair working conditions, including conditions of work that meet the requirements of safety and hygiene.

In order to monitor working conditions at workplaces, JSC Tyumenenergo conducts a special assessment of working conditions (hereinafter referred to as SAWC). JSC Tyumenenergo provides 5,081 workplaces altogether; working conditions were recognized as permissible on the basis of the SAWC in 4,504 workplaces; 577 workplaces have the class of working conditions 3.1, 3.2, and 3.3 (harmful working conditions).

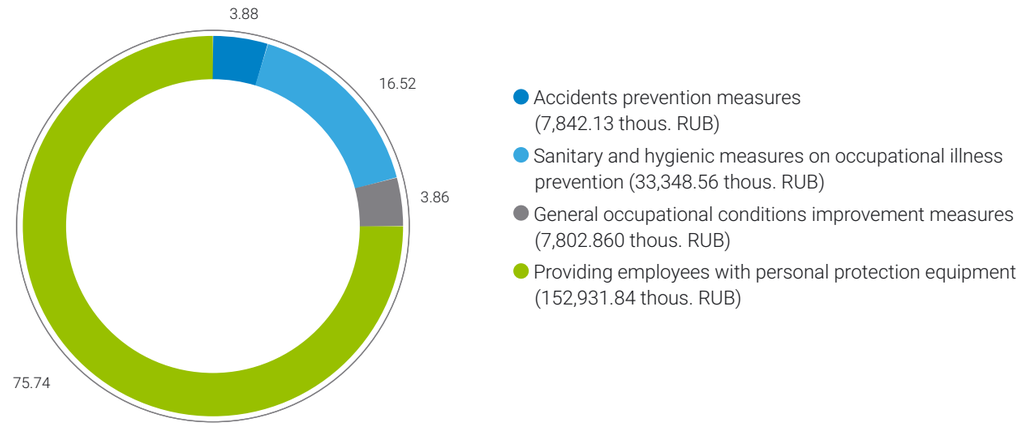
Personnel employed in workplaces with harmful working conditions are provided with additional paid leaves, increased wages, therapeutic and preventive nutrition, and reduced working hours.

Also, the Standard "Identification and Assessment of Occupational Safety and Health Hazards" (hereinafter referred to as the Standard) was introduced in order to regulate the procedure for identifying hazards and assessing risks in the field of health and safety at work in JSC Tyumenenergo (Order dated October 21, 2011 and registered under No. 383). Working groups (committees) of the Head Office and branches of JSC Tyumenenergo carried out hazard identification and risk assessment in accordance with the Standard and compiled hazard identification cards for job positions: there are no unacceptable risks at workplaces of the Company.

To monitor compliance with applicable labor protection requirements in the workplaces, the branches of JSC Tyumenenergo conduct rounds, inspect workplaces, sudden inspections of working teams; days of labor protection common for all the branches are held on a monthly basis. Specialists of the Labor protection services of the Company branches perform monthly systemic reviews of identified critical remarks and plan actions to remedy the identified breaches and to prevent similar breaches in the future.

In 2016, the costs of the activities to provide the workers with protection equipment amounted to 201,925.390 thous. RUB, inclusive of the costs per worker in the amount of RUB 27.16 thous. RUB.

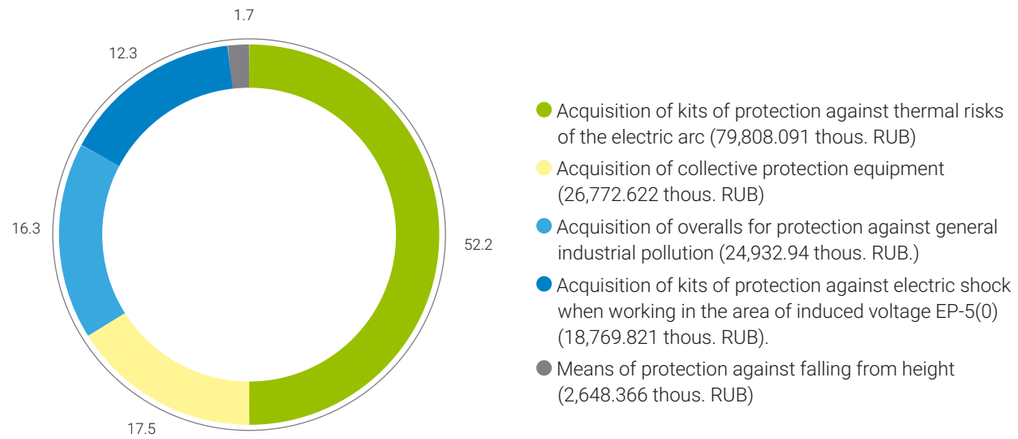
Occupational safety and health expenditures, %



All the workplaces at JSC Tyumenenergo are equipped with certified protection equipment, tools, and accessories as per applicable requirements of the regulatory codes in effect. At all JSC Tyumenenergo branches, facilities for protection equipment storage are provided as per applicable requirements of the Standard of PJSC "Rosseti", "Procedure for the Application of Electric Protection Equipment Used in the Power Grid Complex of PJSC "Rosseti". Operation and Testing Requirements."

The safety of personnel is also increased through the use of special clothing that was designed to resist electric arcs. In 2016, JSC Tyumenenergo spent 152,931.84 thous. RUB to provide its employees with personal protective equipment.

Protection equipment cost structure, %



For the purposes of protection of the employees who perform work in the existing electrical installations in the habitat of ticks and blood-sucking insects, the Company uses suits for protection against hazardous biological agents (ticks and blood-sucking insects) made of heat-resistant materials developed CJSC FPG Energokontrakt.

The Company employs the Comprehensive program of reduction of the risk of injury to personnel of JSC Tyumenenergo and to third parties at the facilities of the power grid complex of the Company for 2016–2018 (approved by the Board of Directors of JSC Tyumenenergo, Minutes dated February 16, 2016 and registered under No. 03/16).

In total, it was planned to invest 247,588.51 thous. RUB into the implementation of the Comprehensive Program activities for 2016. The actual expenditures for their implementation amounted to 247,906.498 thous. RUB.

In 2016, accidents at work and accidents with third parties at the facilities of JSC Tyumenenergo were absent. In 2017 and subsequent years work aimed at improving this program, and work aimed to improve (optimize) the program activities will be continued.

All health and safety issues are reflected in the Collective Agreement of JSC Tyumenenergo in the section “Labor Protection” in full.

The Company holds yearly vaccination of its employees against tick-borne encephalitis and the flu.

G4-LA6

Moreover, the Company implements purposeful work for the psycho-physiological examination of the operational staff in its branches in order to improve the professional activity of its employees and to prevent errors associated with their psychophysiological status. The psychophysiological examination is performed with the help of a computer psychodiagnostic system (PDS), which allows assessing the operator efficiency, researching the intelligence, and evaluating the psychophysiological status of the operating personnel.

During the year, 855 workers of this category took the psychophysiological examination in order to determine the level of development of professionally important qualities (PVC) and to identify high-risk groups (persons with a significant decrease in the level of professionally important qualities). On the basis of psychophysiological examination results, persons with a low psychophysiological status received recommendations for improving their professional activities based on the identified characteristics.

G4-LA8

7.4. Social policy

In 2016, taxes were transferred to the federal budget and the budgets of the constituent entities of the Russian Federation in the amount of RUB 6,483,644,232.96, including:

G4-EC8

		RUB
1	**Federal budget**	3,157,862,587, 64
2	**Budget of the City of Moscow**	60,705,576, 00
3	**Budget of the KhMAD–Yugra**	1,729,095,332, 58
4	**Budget of the YaNAD**	904,663,100, 42
5	**Budget of the Tyumen region**	630,456,476, 32
6	**Budget of the Sverdlovsk region**	731,124, 00
7	**Budget of the City of Omsk**	130,036, 00

Tree planting activities by branches and regions

G4-EN13

Branch	Type of plants	Quantity	Amount (RUB)	Planting area	Itemization of planting
Energocomplex	Common pine	2,600	170,000.00	Berezovsky district, TO-Berezovsky Forest District, Sosvinsky Area Forest District, quarter 609, land plot 1	Compensation measures (sowing of common pine saplings in order to compensate for the cutting of valuable cedar plantations during the construction of a 6 kV OHL Line Operation Section 1, 2 facility)
Surgut electric grids	Tree and shrub species	966	Budget of the City of Surgut	The City of Surgut, the building of the Philharmonic Hall	Event “Single Day for Planting Tree Seedlings” organized by the Department for Nature Management and Ecology of the Administration of the City of Surgut; Event “Single Day for Planting Tree Seedlings” organized by the Department for Nature Management and Ecology of the Administration of the City of Surgut
Urai power grids	Common pine	110	0	The Alley of Memory, Urai	Event dedicated to the Victory Day

Branch	Type of plants	Quantity	Amount (RUB)	Planting area	Itemization of planting
Nefteyugansk power grids	Siberian pine (cedar); common pine	385,898	15,344,121	Samarovskoe forest district; Samarovskoe forest district; Yung-Yakhskoe forest district;	Compensatory measures
Kogalym electric grids	Mountain ash, spruce fir, birch	98	0	Rehabilitation center for disabled children	Within the framework of the citywide event "The Alley of the Peace" plus the territory of the production bases and emergency crew bases
Nizhnevartovsk electric grids	Cedar (14 trees); Oregon pine (17 trees); juniper (17 shrubs); mountain ash (20 trees).	68	148,439	Vakhsky RPG PB, CM&T	Event "Make Your City Cleaner"
Noyabrsk electric grids	Rosehip, cedar, birth (10 each)	30	50,000	Territory near administrative buildings of Regional Power Grids	Event "Clean City. Clean Forest"
Tyumen dg	Pine	14,000	0	Tyumen highway, 47 km–The Forest of Victory; Zavodoukovsky city district	Event "The All-Russian Forest Planting Day"
TOTAL		**403,770**	**15,712,560**		

At the beginning of 2016, the Company updated agreements on cooperation in enhancing the electrical safety of students and pupils of educational organizations with the education departments of the Tyumen Region, the Khanty-Mansiysk Autonomous District – Yugra, and the Yamal-Nenets Autonomous District and also supplemented them with provisions on the promotion of an energy-saving lifestyle.

Work on the prevention of electrical injuries has been conducted by the Company for a number of years in kindergartens, schools, and colleges in the entire area of responsibility of JSC Tyumenenergo. The issues of an energy-saving lifestyle and energy saving in general, which are broadcast by the Company's specialists in a form accessible to every age group of children and adolescents, receive a lively response and interest in their environment and give some a boost not only to new knowledge but also to the future profession. In total, in 2016 specialists carried out about 600 events in the field of prevention of electrical injuries, which were attended by about 25 thousand children and adolescents, and more than 50 events promoting an energy-saving lifestyle.

Popularization of professions of the electric power profile is another aspect of the activities of the Company's specialists among children and adolescents. After talking about the rules of behavior near power facilities or energy-saving technologies and lifestyle, it is impossible not to talk about those who bring light and warmth to people.

In November 2016, a cooperation agreement was signed between JSC Tyumenenergo, the Budget Institution of Higher Education of the Khanty-Mansiysk Autonomous District – Yugra "Surgut State University," and the Board of Trustees of Surgut State University, which determines interaction between the parties in such areas as:

- increase of the professional competence of students through the organization and implementation of all types of internships (educational, industrial, pre-diploma), the organization of work of students in student brigades working at power facilities of JSC Tyumenenergo;
- increase of the motivation of university students to receive higher education in the areas in demand in the power grid complex; organization and conduct of scientific research in the interests of JSC Tyumenenergo; as well as holding joint activities in the field of employment of university graduates.

7.5. Social responsibility

G4-56

Corporate social responsibility is a major development factor for JSC Tyumenenergo. The main socially oriented principles the Company include the following:

- No discrimination in the area of labor relations;
- Elimination of all forms of forced and compulsory labor;
- Provision of safe work conditions;
- Timely payment of wages;
- Increase in personnel salaries by indexing tariff rates and salaries;
- Availability of monetary bonuses and a morale-boosting incentive system;
- Equal opportunities for personal and professional growth of the Company workers.

G4-11
G4-LA4

For sustainment of social stability and further development of social partnership, JSC Tyumenenergo has concluded a Collective Labor Agreement between the Employer, which is JSC Tyumenenergo, and the employees, who are represented by Tyumen Inter-Regional Organization of Public Association "All-Russia Trade Union of Electric Power Suppliers" ("Vserossiysky Elektroprofsoyuz"). In comparison with the current legislation of Russian Federation or clauses of the current Sectoral Tariff Agreement in the electric power industry of the Russian Federation, the Collective Agreement for of JSC Tyumenenergo does not worsen the position of employees.

G4-LA2

JSC Tyumenenergo provides a staff insurance system, including the following elements:

- voluntary staff medical insurance
- voluntary insurance against accidents and diseases
- insurance against work-related accidents.

G4-EC3

Moreover, JSC Tyumenenergo carries out a non-state pension program for its employees, which is targeted at providing decent living standards for its employees as they reach the retirement age. Participation in such a non-state pension program strengthens the trust of workers in the employer, which has a positive influence both on the stability and on rejuvenation of the personnel.

Moreover, JSC Tyumenenergo provides active assistance in improving housing of its employees. According to the Provisions for Corporate Assistance and Support of JSC Tyumenenergo Staff, a long-term housing improvement program was incorporated. The priority in this program belongs to highly qualified experts in extreme need for housing improvement.

In addition to material incentive, JSC Tyumenenergo also utilizes a morale encouragement system.

More than 1,200 employees of the Company were encouraged with awards of various denominations. Among them, one employee was awarded the Honorary Title of "Honored Power Engineer of the Russian Federation." Twenty-eight persons received departmental awards, inclusive of 5 employees who were awarded the honorary title of the "Honored Energy Worker." Seven people were awarded with certificates of honor from the Ministry of Energy of the Russian Federation. Nineteen employees were awarded with Citations of the Ministry of Energy of the Russian Federation. One hundred and forty people were awarded with Corporate rewards of PJSC "Rosseti", of whom one employee was bestowed the honorary title of the "Merited Worker of the Power Grid" and 21 employees

were bestowed the titles of "Veteran of the Power Grid." Four persons were awarded a badge of honor "For Contribution to Development of the Electric Grid" of the II degree; 11 persons were awarded merit button badges "For Professional Skill"; 74 persons were awarded certificates of honor of PJSC "Rosseti"; and one employee was entered on a roll of honor of PJSC "Rosseti". Industry awards were given to 25 people. The work of more than 150 employees of the Company was marked by regional awards of state authorities and local self-government bodies. More than 300 employees received Certificates of Honor and Letters of Gratitude from JSC Tyumenenergo; 27 employees were entered on a roll of honor of the Company; and more than 500 persons were awarded by their branches.

JSC Tyumenenergo pays great attention to healthy lifestyles of its employees, strengthening of the corporate culture, and development of internal communications between employees of the Company.

In 2016, a regional qualifying contest for children's drawings "Rosseti: Drawn by Children!" was held in dedication to the Day of the Company. The winners of the regional contest took part in the competition of PJSC "Rosseti" and became prizewinners.

The team of JSC Tyumenenergo took part in the football tournament "The Rosseti Cup" and took the 3rd place.

Neighborhood clean-ups and tree planting were performed by employees of the Head Office and branches of the Company. In the framework of the Spartakiada Games, JSC Tyumenenergo held competitions on skiing, table tennis, swimming, track and field, weight lifting, volleyball, mini-football, and chess. The team of JSC Tyumenenergo took part in the chess tournament of power engineers in memory of M. Botvinnik and took the 4th place among 37 teams. Sports events for families of employees of JSC Tyumenenergo were held under the title of "The Day of Health."

More than 20 corporate events were organized and carried out in 2016 by the Youth Council and the Veterans Council of the Company:

- participation of the youth council in the following projects of Surgut Museum of Local History: "Soldier of the Fatherland," "On the Rest Halt," and "Exponatarium";
- Young specialists of the Company took part in the celebration of the "City Day";
- contest exhibition of works of applied art of energy veterans was organized;
- Young specialists took part in the event "Crossing the Nation."

The following events were organized for the veterans of JSC Tyumenenergo: a "Day of an Elderly Person" and a festive evening devoted to the Energy Day, which has become a tradition.

Employees of JSC Tyumenenergo took part in the All-Russian festival "Brighter Together," in the international forum of young power engineers and industrialists "Forsage 2016," and in the youth forum "Morning."

Youth council representatives received prizes in the "New Year Tournament 2016" in intellectual games for the Cup of the Head of Surgut, which was attended by teams from the City of Surgut, Surgut district, and the Cities of Nizhnevartovsk and Nefteyugansk. Also, the youth team took the first place in the City Festival of Working Youth "Get a Wing!" ("Na Krylo!"). The team of young specialists of the Company took part in the 8th Yugra Cup on Business Management "Point of Growth." In Tyumen, the 8th Festival of young workers of JSC Tyumenenergo was organized. Representatives of the Youth Association took part in the event "Robinsonade." A corporate event was organized under the name of "Children are Our Future."

In summer 2016, the Company continued the program of student construction brigades at JSC Tyumenenergo sites. The first experience of such collaboration with education institutions has shown a mutual benefit for both parties.

Members of the Power Man student construction brigade organized a football match and a tennis tournament as well as provided assistance to the veterans. Also the Power Man student construction brigade entered the top five of construction brigades of the grid complex on the basis of the results of the labor season 2016.

New Year's holiday for children "The Brightest Christmas tree" is held every year.

A program on health and recreation opportunities for the employees living in the Far North and similar areas is being carried out. In health resorts of the Black Sea coast, 511 employees of the Company and their children improved their health. Children's summer holidays in health camps were organized, during which 159 children rested on the Black Sea coast and 32 persons rested in the Tyumen region.

The main directions of charitable assistance (individuals and organizations) are as follows:

- provision of assistance in the sphere of training, science, culture, art, and education;
- provision of assistance in the field of physical culture and mass sports;
- social support and protection of citizens, including improvement of the financial situation of the poor, social rehabilitation of the unemployed, the disabled, and other persons who are unable to independently exercise their rights and legitimate interests due to their physical or intellectual characteristics or other circumstances;
- protection and proper maintenance of buildings, facilities, and territories of historical, cultic, cultural or environmental importance;
- social rehabilitation of orphans, children left without parental care, neglected children, and children in difficult life situations;
- provision of assistance in the field of prevention, treatment, rehabilitation, and health protection of citizens as well as promotion of a healthy lifestyle and improvement of the moral and the psychological state of citizens;
- provision of assistance to victims of natural disasters, environmental, industrial, or other disasters, social, national, religious conflicts, victims of repression, refugees, and internally displaced persons.

During 2016, the employees of the Company held charity events in support of seriously ill children for the "I Give the Good" fund. Joint actions with the "Give Me Your Paw" public organization to raise funds for homeless animals were also implemented.

7.6. Environmental policy

Compliance with environmental requirements

G4-14
G4-EN12
G4-EN27
G4-EN29
G4-EN33
G4-SO8

The impact of production activities of JSC Tyumenenergo on the environment is insignificant; nevertheless, the Company takes the necessary measures to minimize the permissible impact on the environment. The volume of the impact of production activities (emissions of pollutants into the atmosphere and the volume of waste generation) and the volume of consumption of natural resources (water consumption) of JSC Tyumenenergo do not exceed 3% of the similar indicators of the Rosseti Group of Companies (in general) for 2015.

The mechanism for assessing the damage to natural complexes, as well as coordinating the plans for their restoration with the parties concerned, allows reducing the damage to natural areas during the passage of OHLs while ensuring the availability and the implementation of recovery plans and an environmental monitoring program at the stage of the investment project.

One of the main tasks of JSC Tyumenenergo in this area is the preservation of the natural environment in the area of the distribution grid company facilities, the rational use of natural resources, the provision of industrial and environmental safety of construction and operation of transport and distribution facilities. For example, working conditions in cities where the facilities are directly close to housing areas dictate increased environmental requirements for the operation of the Company, which in turn requires a large number of technical and organizational arrangements.

As a socially responsible Russian company, JSC Tyumenenergo assumes obligations that are in the interests of the Company itself and the society as a whole, namely:

- technological measures are taken to save energy, water, and other resources;
- production waste management is organized;
- rational land management is organized; biodiversity and natural habitat in the places of presence of the Company are maintained.

JSC Tyumenenergo implements an Environmental Policy based on planning, control, systemic approach, and environmental reporting both internally and externally.

BIn 2016, all the scheduled environmental measures were implemented, including the activities of the Target Program of JSC Tyumenenergo – "Ensuring Environmental Safety of JSC Tyumenenergo in 2014–2018."

Key results of 2016:

- **current environmental protection expenditure: 49 mln RUB;**
- **emissions of pollutants into the atmospheric air decreased by 20%;**
- **the volume of formation of wastes of hazard classes I, II, and III does not exceed the volume of the previous year;**
- **the absence of penalties for violation of the norms of environmental legislation for all 9 branches of JSC Tyumenenergo;**
- **2016 is the year of introduction of new norms of environmental legislation. Until January 1, 2017, all the facilities of the Company that have an impact on the environment were registered by the state. The total number of such facilities is 60; their category: III; according to the criteria of classification, these are facilities that have little impact on the environment.**

JSC Tyumenenergo is the first company of PJSC "Rosseti" to pass the environmental management certification according to the international standard ISO 14001 (in 2008); since then, the Company has been improving its environmental management system, which includes personal responsibility of managers, improvement of structures engaged in environmental management, training of personnel in the field of ecology at all levels etc. The experience of JSC Tyumenenergo is a unique example of effective environmental management in Russia, as all the ongoing audits of the environmental management system in 2009–2016 confirm its high level and full compliance with the international standard.

The supervisory audit notes the following strengths of the environmental management system of JSC Tyumenenergo:

- the current policy of the IMS;
- availability of skilled personnel;
- developed procedures of the management system;
- existence of proprietary standards (STO);
- a system of industrial environmental control, environmental auditing, and environmental monitoring.

JSC Tyumenenergo resolves environmental protection issues in close cooperation with the relevant state authorities, who monitor the environmental activity and performance of companies in the Khanty-Mansiysk Autonoumous District, the Yamalo-Nenets Autonomous District, and southern Tyumen region. Water consumption, emissions of pollutants and waste disposal are carried out in accordance with state permits and licenses.

Protection of the water basin

G4-EN8
G4-EN9
G4-EN10
G4-EN22
G4-EN26

Production activity of JSC Tyumenenergo is not associated with significant water consumption.

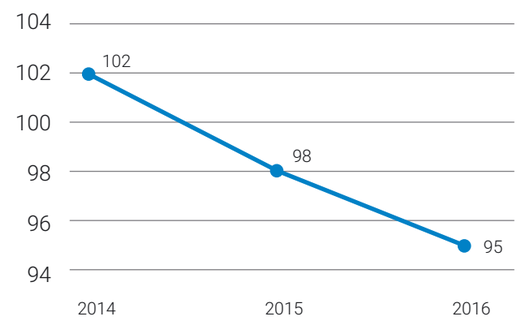
JSC Tyumenenergo does not conduct activities in the field of collection of water resources and discharge of water into surface water bodies. Thus, there is no discharge of contaminated sewage into water bodies. Discharge of domestic sewage is carried out into centralized water disposal systems according to agreements with Municipal Enterprises of Water Supply and Waste Water Treatment.

As of December 31, 2016 in the license register of JSC Tyumenenergo included 13 licenses for subsurface resources use, 2 contracts for water use (the use of the water body for the placement of swimming equipment).

Key measures of protection and sustainable use of water resources:

- receipt of licenses for the right to use subsurface resources in the area of groundwater production and fulfillment of licensing conditions: monitoring the level of water resources, recording water intake, complying with the mode of the sanitary protection zone;
- development of sanitary protection zone projects for water supply sources in case of the use of subsurface resources use for domestic water supply;
- conducting laboratory studies of the quality of water from water supply sources (wells).

Volume of fresh water consumption by JSC Tyumenenergo, thousand m³



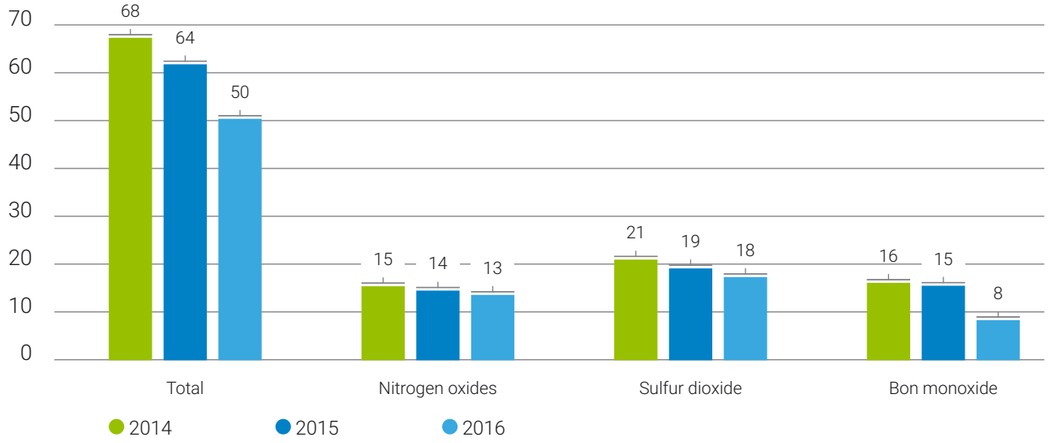
Air protection Payments for the emission of pollutants into the atmosphere

Practically all the branches of JSC Tyumenenergo have no sources of permanent negative impact on the atmospheric air. The Kogalym Power Grids and the Nefteyugansk Power Grids branches of JSC Tyumenenergo operate small-capacity boiler houses with VVD-1.8 boilers fueled by crude oil on their books. The Northern Power Grids and the Noyabrsk Power Grids branches of JSC Tyumenenergo operate small boiler houses fueled by natural gas.

The sources of emissions are mainly exhaust ventilation of industrial premises: welding areas, metalworking sites, maintenance and current repairs of vehicles, garages, carpentry, repair shops, diesel generators (standby), the pipe of Forsage-1 thermal waste neutralization plants, and paintwork.

Measures for the protection of atmospheric air are sufficient; the sources of emissions of the Company's branches do not significantly affect the quality of atmospheric air; emission permits are available for all branches; actual recording of emissions from sources of pollution is carried out on a systematic basis; and the efficiency of dust and gas cleaning equipment (cyclone) in the Urai Power Grids, the Kogalym Power Grids, and the Nefteyugansk Power Grids branches of JSC Tyumenenergo is implemented on a quarterly basis. Monthly monitoring of flue gas emissions of boiler houses is implemented with the use of the instrumental method (own certified gas analyzers).

Emissions of pollutants into the atmosphere, tons



Greenhouse gas emissions

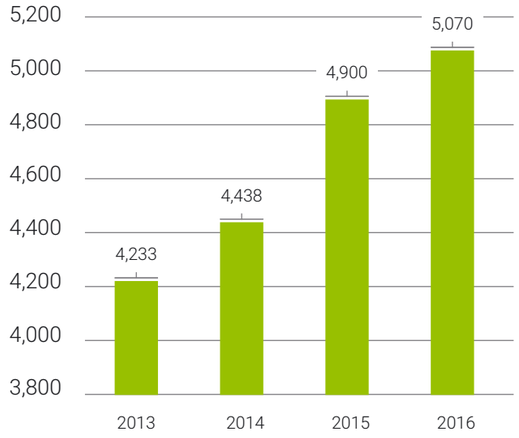
G4-EN15
G4-EN18
G4-EN20
G4-EN21

The disconnection of the current in high-voltage switches is achieved by disconnecting the contacts in a certain medium (such as, for example, SF_6 gas), which has excellent dielectric properties and the ability to extinguish the electric arc.

TNevertheless, studies conducted in Germany in 2013 show that the total contribution of distribution networks to the global warming potential in Germany is very low and that the differences between technologies used in switchgears are insignificant when compared to the significant influence of active losses from cables, power lines, and transformers.

Direct emissions of greenhouse gases from sources (i.e., emissions that occur directly from the Company's production facilities and ongoing production processes) are included in the boundaries of the quantitative determination of emissions of JSC Tyumenenergo. This indicator is calculated according to the installed gas-insulated equipment for sulfur hexafluoride.

Emissions of greenhouse gases in 2013-2016 in CO_2 equivalent, tons



The sources of greenhouse gas emissions by the Company are insignificant because they does not exceed 50 thous. tons of CO_2 equivalent per year according to the Methodical instructions of the Ministry of Natural Resources of the Russian Federation.

Evaluation of the impact of physical factors of production activities of JSC Tyumenenergo on the environment

Electromagnetic fields (EMF) and acoustic noise are specific factors associated with the adverse effect of the operation of power grids on the environment. The problem of electromagnetic safety and environmental protection from the impact of EMF has become very important and is characterized by the fact that the main sources of electromagnetic pollution are the most dynamically developing industries (such as the power sector) with significant investments made into the technical infrastructure.

Since 2007, work has been underway to assess the factors of the physical impact of the Company's production activities on the environment with the justification and the concurrence of the sizes of sanitary protection zones of industrial sites of branches in the territorial offices of the Federal Service on Surveillance for Consumer Rights Protection and Human Well-Being (the Rospotrebnadzor). The results of full-scale studies of the influence of EMF and noise emitted by the Company's facilities indicate the absence of exceedance of the maximum permissible limit (MPL) of the impact on the border of their territories.

Handling of waste

G4-EN23
G4-EN25

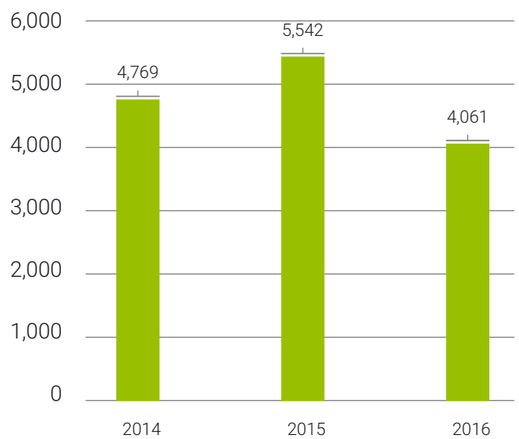
The Company has a license for waste management activities. The scope of the licensed type of activity includes processing, neutralization, and transportation of waste of environmental hazard classes 1–5.

The branches of JSC Tyumenenergo have draft waste generation standards and limits (permits) for their placement, which specify the ways of disposal, neutralization, and placement of waste.

Waste is transferred to other organizations for processing to be disposed of or used subsequently as secondary raw materials (for example, black and non-ferrous scrap) or to be placed in solid waste landfills under contracts with organizations licensed to operate in this area in strict compliance with environmental requirements.

In 2016, the total volume of waste generation amounted to 4 thousand tons, which is 1.5 thousand tons lower than the corresponding value for 2015. The increase in the volume of waste generation in 2015 is connected with the accounting and the recycling of the generated waste (secondary metals and aluminum and copper obtained as a result of repair and reconstruction of substations and overhead lines).

Production waste generation, tons



Environmental Protection Financing

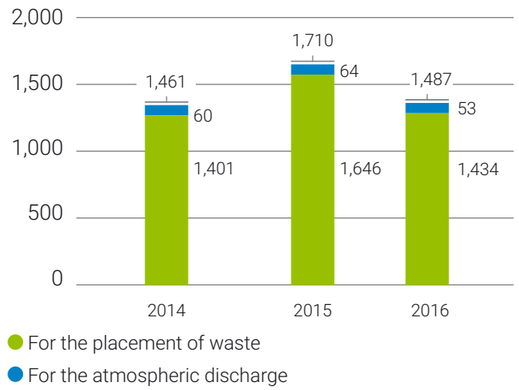
G4-EN31

In 2016, environmental protection expenditures amounted to 49 mln RUB.

The largest share in the structure of current environmental protection costs in 2016 is allocated to the protection of water bodies (39%) and land resources, including waste management (37%), air protection (4%), and other expenses, namely: purchase and installation of bird protection devices and replacement of traditional wires with self-supporting insulated wires (8%). Also the current costs include the maintenance of the environmental service of JSC Tyumenenergo.

In 2016, payments for the negative impact on the environment amounted to 1,487 thous. RUB, including payments for the excessive impact in the amount of 77 thous. RUB. (5%).

Environmental charges, thous. RUB per year



Environmental initiatives

G4-EN13

As an integral part of the Company's social responsibility policy, a dialogue with all the interested parties is conducted at the design and operation stage.

Electricity supply systems are an integral part of the majority of electricity consumers in all countries of the world. As a rule, they form dense electrical networks and occupy vast territories everywhere. When penetrating into natural landscapes, OHLs form an artificial (technogenic), often aggressive, habitat for birds.

Currently, there are affordable solutions for the environmentalization of energy transportation, which can reduce the death of birds on power lines.

JSC Tyumenenergo's plans of investment projects for the construction and reconstruction of transmission lines contain provisions for the mandatory availability and implementation of the introduction of technology for protecting birds on power lines, which include:

- replacement of traditional wires with a self-supporting insulated wires (SBIC assemblage: 2016 actual — 148 km, 2017 plan — 151 km);
- installation of certified bird protection devices (PZU installation: 2016 actual — 1,800 pcs., 2017 plan — 1,824 pcs.).

In places of mass habitat of birds, visual repellents and acoustic means are also used.

In 2016, almost all the branches of JSC Tyumenenergo took part in the events: "Single Tree Planting Day," "The Alley of Peace," "Make Your City Cleaner," and "Clean City. Clean Forest."

In total, 403,770 trees have been planted, including 385,898 trees planted in the framework of compensatory measures.

7.7. Corporate communications

Map of interaction of JSC Tyumenenergo and stakeholders in 2016

G4-24
G4-26
G4-27

SHAREHOLDER

Stakeholders' interests	Stakeholder engagement	What has been done to implement the interests of stakeholders in 2016
1. Effective growth and development of the Company. 2. Transparency of the Company's operations and management. 3. Dividend pay-out	1. General Meeting of Shareholders. 2. Annual Report. 3. Federal and regional media. 4. Corporate website	1. Dividends for 2015 were paid in the amount of 50% of the net profit calculated as per the IFRS. 2. Specific operating costs per 1 conventional unit were reduced by 6% in 2016 as compared to 2015. 3. Voluntary disclosure of information is implemented in accordance with the current legislation on the securities market

CONSUMERS

Stakeholders' interests	Stakeholder engagement	What has been done to implement the interests of stakeholders in 2016
1. Reliable, uninterrupted and high-quality power supply. 2. High quality of service 3. Transparency and accessibility of information on the activities of the Company. 4. Meeting of the needs for the Company's services	1. Consumer services offices 2. Client's Personal Account 3. Call center. 4. Hotline for network violations. 5. Using questionnaires. 6. Corporate website of JSC Tyumenenergo (online reception). 7. Regional mass media	1. A contractual campaign was carried out (a contract campaign was carried out for 2016 (approved by the Order dated September 4, 2015 and registered under No. 80r) that resulted in the conclusion of 87 contracts, including: GO: 21; TGO: 53, Direct: 13). 2. Mandatory disclosure of information was made (in compliance with the Decree of the Government of the Russian Federation dated January 21, 2004 and registered under No. 24 "On the Approval of Information Disclosure Standards for Wholesale and Retail Electricity Market Entities")

THE SOCIETY

(THE POPULATION OF REGIONS OF PRESENCE OF THE COMPANY, PUBLIC ORGANIZATIONS, AND MASS MEDIA)

Stakeholders' interests	Stakeholder engagement	What has been done to implement the interests of stakeholders in 2016
1. Reliable and stable operation of the power system. 2. Uninterrupted power supply. 3. Meeting the rising demand for electricity and capacity. 4. Creating new jobs. 5. Economic and social development of the regions of presence of the Company. 6. Transparency and availability of information on the work of the Company. 7. Energy security. 8. Environmental safety and protection. 9. Implementation of social programs	1. Interaction with the media (electronic, printed, TV, radio) of different levels (federal, regional, local). 2. Provision of information through the corporate website. 3. Social networks. 4. Support of social projects in the regions of presence of the Company; implementation of own social projects. 5. Interaction of management and specialists with various public institutions, including meetings with students and veterans. 6. Prevention of electrical injuries. 7. Promotion of an energy-saving lifestyle. 8. Popularization of professions of the electric power profile. 9. Congress and exhibition activity 10. Open competitive tenders	1. 212 press releases were published. 2. 600 events were held attended by almost 25 thousand people within the framework of the Communication Project of "Electricity Should Be Good," which was aimed at the prevention of electric traumatism of third parties. 3. 50 events devoted to the energy-saving lifestyle were conducted. 4. 403,770 trees and shrubs were planted. 5. Waste generation was reduced by 27%. 6. Environmental protection expenditure: 49 mln RUB. 7. The first place was won in the category of "The Best Project for LED Illumination of Public and Business Buildings"

AUTHORITIES

(CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION, MUNICIPALITIES)

Stakeholders' interests	Stakeholder engagement	What has been done to implement the interests of stakeholders in 2016
1. Reliable and stable operation of the power system. 2. Participation in projects aimed at the development of territories. 3. Meeting the demand for electricity and capacity. 4. Tax deductions. 5. Creating new jobs	1. Approval of investment programs. 2. Working groups on the concurrence of integrated programs for the development of the electric power industry in the regions. 3. Submission of reports and information on the disclosure of information to the authorities and supervisory bodies. 4. Participation of the Company's representatives in coordination councils of the authorities of various levels, including those on the development of vocational education. 5. Participation in the work of regional Energy Security Stations	1. The Integrated Program for the Development of the Electric Power Industry of the KhMAD–Yugra, the YaNAD, and the Tyumen Region has been updated for a five-year period (until 2020). 2. Taxes paid: • budget of the KhMAD–Yugra: 1,729 mln RUB; • budget of the YaNAD: 904 mln RUB; • budget of the Tyumen region: 630 mln RUB

BUSINESS PARTNERS

(SUPPLIERS AND CONTRACTORS)

Stakeholders' interests	Stakeholder engagement	What has been done to implement the interests of stakeholders in 2016
1. Mutually advantageous and long-term cooperation. 2. Transparency of activities of the Company. 3. Receiving profit from cooperation. 4. Timely and accurate contractual obligations 5. Fair competition	1. Implementation of Procurement Processes 2. Negotiations. 3. Business proposals. 4. Corporate website. 5. Federal and regional media. 6. Thematic seminars and conferences. 7. The Advisory Body on ensuring the effectiveness of procurement conducted by JSC Tyumenenergo, including the same from small and medium-sized businesses	1. 1,123 purchases were made for a total of 23.3 bln RUB. 2. The information on procurement (including the Procurement Plan) was posted in the single information system in the field of procurement and on the corporate website of the Company. 3. 100% of competitive procurement was conducted electronically using b2b-energo and etp.rosseti electronic trading platforms. 4. Efficiency obtained from the conducted procurement procedures amounted to 688.1 mln RUB with VAT, or 4.08% of the announced value of procurement. 5. The annual volume of purchases from small and medium-sized businesses is 62.77% of the total volume of purchases made in 2016, including 41.78% on the basis of the results of purchases wherein only small and medium-sized businesses were participants. 6. A training seminars for small and medium-sized businesses (a workshop "Five Steps to Winning in a Tender") was held within the framework of the "Open Door Day for Enterprise Suppliers and Potential Participants in Procurement Procedures"

PERSONNEL

(COMPANY EMPLOYEES, TRADE UNIONS, VETERANS COUNCIL, YOUTH COUNCIL)

Stakeholders' interests	Stakeholder engagement	What has been done to implement the interests of stakeholders in 2016
1. A decent standard of living 2. Social security 3. Occupational safety. 4. Opportunities for personal and professional growth. 5. A decent pension	1. Collective agreement. 2. Provision on material incentives. 3. Provisions for Corporate Assistance and Support of JSC Tyumenenergo Staff. 4. Trade unions. 5. Youth Council. 6. Veterans Council. 7. The corporate website and the newspaper of the Company. 8. Candidate pool. 9. Programs of improving children's and family rest. 10. Personnel training plan. 11. Sports and cultural events	1. The Collective Agreement for 2016–2018 has been signed. 2. Personnel insurance was made in 2016 (including voluntary medical insurance, voluntary insurance against accidents and illnesses, and insurance against accidents at work). 3. 20 corporate events were organized and carried out by the Youth Council and the Veterans Council of the Company. 4. 511 employees of the Company took advantage of the sanatorium treatment; 191 children rested in summer camps. 5. Costs of labor protection amounted to 201,925.390 thous. RUB. 6. Trained: the total number of personnel trained in various areas was 6,464 persons; training costs amounted to 68,516.2 thous. RUB. 7. 99 employees from personnel pools were promoted to higher positions.

EDUCATIONAL INSTITUTIONS

Stakeholders' interests	Stakeholder engagement	What has been done to implement the interests of stakeholders in 2016
1. Promoting the development of education. 2. Training of qualified personnel for the Company. 3. Improvement of educational programs with a view to introduction of professional standards. 4. Advanced training and retraining of the Company's personnel	1. Signing agreements on cooperation with educational institutions of higher and secondary vocational education. 2. Holding scientific and practical conferences. 3. Joint organization of competitions of diploma projects on electric grid subjects. 4. Organization of students' teams. 5. Organization of all kinds of internship. 6. Participation in state examination commissions in educational institutions. 7. Organization of trips to power grid facilities for students and teachers of universities and secon	1. The Concept of interaction of JSC Tyumenenergo with educational organizations was developed and put into effect. 2. Agreements on cooperation with 30 universities and colleges have been signed. 3. The managers of the Company are members of the Board of Trustees of Tyumen State University State Educational Establishment of Higher Education and State Budget-Funded Education Institution of Higher Professional Education KhMAD — Yugra "Surgut State University" 4. Employees of the Company took part in scientific and practical conferences of Surgut University and Polytechnic College of the KhMAD–Yugra. 5. Managers and specialists of JSC Tyumenenergo participated in the All-Russian competition of final qualification works of bachelors of technical universities in the fields of electric power and electric engineering. 6. 52 students took part in the Power Man Construction Troop in the summer labor season of 2016. 7. During the year more than 30 trips to the Company's power grid facilities were organized and conducted for students and teachers of universities and colleges

G4-25

External communications play a key role in JSC Tyumenenergo implementation of openness, transparency and disclosed information reliability principles; enhance the investment attractiveness of the Company and its positive reputation as a reliable power grid enterprise and a partner of governments in the regions development within the territory of responsibility. In this area, JSC Tyumenenergo works in a systemic and purposeful manner implementing the above-mentioned principles of unified information policy of ROSSETI group of companies aimed at strengthening and development of relationships with the business, expert, professional and scientific communities, federal and local government authorities, public organizations, mass media, consumers, and population.

The Company has defined goals, objectives, key information messages and has developed and adopted documents that regulate its activities in this area. They are mandatory for all the subdivisions of the Company.

Communications with the government authorities and public organizations

Effective communications with the government authorities and public organizations are one of the major objectives of JSC Tyumenenergo.

Creation of relations with government bodies and local authorities in the area of JSC Tyumenenergo activity promotes making decisions on the investment program implementation, coordinated with the regional development programs, security of the electric grid complex of Yugra, Yamal, and Tyumen region.

Specialists of the Department of Public Relations of JSC Tyumenenergo maintain ongoing business contacts with the PR Departments of federal and local government authorities, departments for propaganda and public relations of the Main Administration of the Ministry for Emergency Situations in Tyumen region, Khanty-Mansiysk Autonomous District — Yugra and Yamalo-Nenets Autonomous District, regional expert community, companies representing the business interests: Chambers of Industry and Commerce, regional divisions of the All-Russian public organizations Business Russia and Opora Rossii (Support of Russia), and the autonomous non-profit organization "Glory to Human Labor."

The work of the Company was repeatedly marked by letters of thanks, inclusive of awards for information work with consumers, work on electric injury prevention, promotion of energy-saving in the region's educational institutions, social partnership, and popularization of the electric power industry professions.

Social communications

The priorities of the Public Relations Office of JSC Tyumenenergo in 2016 included the work on promotion of the professions of the electric power industry, electric injury prevention, and promotion of energy-saving lifestyle among students and pupils of educational institutions in the company's area of responsibility.

The experience of popularization of working professions (the "Towards the profession" project) is becoming better recognized with every passing moment: the Company's specialists are frequent guests in schools, colleges, and universities of the region.

Employees of JSC Tyumenenergo performed 600 preventive activities throughout the year in schools, kindergartens, and school camps. About 25 thousand children and teenagers learned the rules of electrical safety and behavior near power facilities. In 2016, the Company supported the implementation of the events of the All-Russian Festival #VmesteYarche by becoming its co-organizer in the KhMAD–Yugra. In total, more than 50 events dedicated to the energy-saving lifestyle have been held in the educational areas of Yugra, Yamal, and southern Tyumen Region in the zone of responsibility of JSC Tyumenenergo.

Students of power specialties visited the professional skills contest among employees of the substation equipment maintenance and repair teams of JSC Tyumenenergo branches, which took place on the training ground of JSC Tyumenenergo in Nizhnevartovsk, in addition to the traditional excursions to the services and at the power facilities of the Company.

In 2016, the active cooperation with the Center of Patriotic Heritage of Surgut Local History Museum continued: several events, inclusive of the event "On the Rest Halt," which is traditionally held on June 22 on the Day of Memory and Grief, were implemented by the Museum and the Company. Company employees actively participate in the events organized by the authorities and timed to the anniversary of Victory in the Great Patriotic War in the entire territory of the Company.

An important component of integrated communications of JSC Tyumenenergo is the work with youth and veterans. Youth councils of the Company and branches are actively involved in all the areas of activity of JSC Tyumenenergo, inclusive of sports, patriotic, and environmental activities and protect the honor of the Company in competitions at various levels.

The Company's employees are not indifferent to the suffering of others and give their personal funds in support of the rehabilitation center for disabled children and teens "The Good Wizard," the regional charity foundation for seriously ill children and teens "Give the Good," to the animal society "Give Me Your Paw," and participate in the actions held by public organizations such as "A Sweet Letter to the Soldier," "Give a Smile to Children" and others.

Communications with mass media

JSC Tyumenenergo communications with mass media were built so as to meet the information needs of various categories of mass media users and on the principles of reasonable openness and observance of business and professional code of conduct.

Since JSC Tyumenenergo implements the state policy in the field of electrical power supply in its area of responsibility, the Company holds a constructive dialogue with various target audiences (consumers, public organizations, public authorities as well as the category of so-called third parties that are not related to the Company but are part of its target audience as a prevention group (in part of the programs of electrical safety, prevention of illegal actions etc.)) in the media in accordance with the basic principles of the Unified Communication Policy of PJSC "Rosseti".

Through the communication with the external environment by means of mass media, JSC Tyumenenergo works to promote energy literacy of its consumers, generates a proper understanding of the main provisions of the state policy in the industry, creates a perception of JSC Tyumenenergo as the main, the most reliable and effective representative of the industry in the regions of the Company, and assists the formation of electrically safe and energy-efficient behavior of the population.

Mass media are used to implement information, education, and branding tasks inclusive of maintenance of a positive attitude to the parent company in the area of responsibility. Given the wide range of its communication tasks, JSC Tyumenenergo cooperates with all the major types of mass media. They include industry, business, social and political channels, radio, printed media, and electronic information resources that work at the federal, regional, and municipal levels.

Implementation of communication projects for career counseling, prevention of electric injuries, the security of energy facilities, the formation of energy-saving behavior and responsible attitude to energy and power system as a whole continued in 2016. The largest project was the project aimed at increasing the electrical safety of all the categories of the population in the Company's area of responsibility. Project activities (creation and placement of preventive materials in all types of media, buses, profile websites and portals, sites of various institutions (entertainment cultural centers, children's hospitals, general and additional education organizations, shopping centers, specialized shops for fishermen and hunters, recreation centers etc.) were implemented in the period from May to December in all the regions of the presence of JSC Tyumenenergo. As a result, during the events for schoolchildren, the specialists of the Company noted the increased level of awareness of pupils and teachers about the rules of safe behavior near power facilities. In addition, no cases of electrical injuries to third parties by the equipment of JSC Tyumenenergo were registered during the year.

Congress and exhibition activity

Congress and exhibition activity is an important area of activities on the Company positioning as a leading power grid company in Russia. In 2016, specialists of JSC Tyumenenergo participated in 25 All-Russian and regional exhibitions, conferences and forums dedicated to various issues of power engineering, including innovations, energy efficiency and labor safety and protection. At these events, JSC Tyumenenergo was presented to the investment and expert community as one of the largest interregional distribution grid companies that follows the path of innovative development, social responsibility, and customer service.

The main achievements of the Company in this area include a diploma and a gold medal for reliable power supply awarded by the Specialized Exhibition Forum "Construction. Power. Housing and Utilities. New Technologies to the Far North"; the victory in the regional stage of the All-Russian Competition ENES-2016 in the category of "The Best Project for LED Lighting of Public and Business Buildings"; a diploma of the Department of Housing and Utilities and Energy of the Government of Khanty-Mansiysk Autonomous District – Yugra for the contribution to the development of

energy service activities in the KhMAD–Yugra; a diploma of the Government of the Khanty-Mansiysk Autonomous District – Yugra for the active participation in the energy saving festival #VmesteYarche; victory in the categories of "For Reliable Power Supply," "For Effective Energy Saving," and "The Innovative Project of the Year" of the 6th All-Russian Competition "The Best Power Grids of Russia."

The most significant events attended by the specialists of JSC Tyumenenergo were the All-Russian Forum Exhibition "Government Contracts: FOR Fair Procurement" (March, Moscow), the All-Russian Festival of Energy Saving #VmesteYarche (September–November), the International Electricity Forum "RUGRIDS-ELECTRO. Growth Infrastructure. Optimization. Opportunities" (October, Moscow), the Interregional Specialized Exhibition Forum "Construction. Power. Housing and Utilities. New Technologies for the Far North" (November, Novy Urengoy), the Specialized Forum "Energy Efficiency: A Strategic Vector of Development" (November, Khanty-Mansiysk), and the International Forum on Energy Saving, Energy Efficiency, and Energy Development "ENES-2016" (November, Moscow).

Participation of the Company's specialists in congress and exhibition activities is a key component in the exchange of experience with colleagues, building relations with equipment development contractors, establishing contacts with representatives of government authorities, business partners, mass media, and public organizations at different levels.

Annexes

Index of the standard GRI G4 items

G4-32

Indicators	Description	Reference
Strategy and Analysis		
G4-1	Statement from chief decision-maker regarding organization's strategy	CSR Report, Messgae from Top Management Komatsu Report, To Our stakeholders
G4-2	Description of key risks and opportunities	2.4. Risk management
Organizational Profile		
G4-3	Name of organization	CSR Report, Company Profile
G4-4	Primary brands, products, and services	2.1. Company position in the industry and region
G4-5	Location of organization's headquarters	Reference information
G4-6	Countries where organization operates, has significant operations, or is specifically relevant to sustainability	1.1. Company overview
G4-7	Nature of ownership and legal form	6.1. Corporate governance system
G4-8	Markets served	1.1. Company overview 2.1. Company position in the industry and region 2.2. Market share, energy consumption pattern. Business model
G4-9	Scale of organization	1.1. Company overview
G4-10	Number of employees	1.1. Company overview 7.1. Personnel policy
G4-11	Percentage of employees covered by collective bargaining agreements	7.5. Social responsibility
G4-12	Organization's supply chain	2.2. Market share, energy consumption pattern. Business model
G4-13	Significant changes to organization's size, structure, ownership, or supply chain	1.1. Company overview
G4-14	Whether/how precautionary approach or principle is addressed	7.6. Environmental policy
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives subscribed or endorsed	6.4. Ethics and anti-corruption practices
G4-16	Memberships to associations and national or international advocacy organizations	–

Indicators	Description	Reference
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G4-18	Materiality process (key aspects)	Information about the Report
G4-19	Materials identified in process	Information about the Report
G4-20	Aspect Boundary for each material Aspect within organization	Information about the Report
G4-21	Aspect Boundary for each material Aspect outside organization	Information about the Report
G4-22	Effect and reasons for restatements in previous reports	Information about the Report
G4-23	Significant changes since previous reports	–
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G4-24	Stakeholder groups engaged	7.7. Corporate communications
G4-25	Identification and selection of stakeholder groups engaged	7.7. Corporate communications
G4-26	Organization's approach to stakeholder engagement	7.7. Corporate communications
G4-27	Key topics and concerns raised through stakeholder engagement	7.7. Corporate communications
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G4-28	Reporting period for information provided	Information about the Report
G4-29	Date of most recent previous report (if any)	–
G4-30	Reporting cycle	Information about the Report
G4-31	Contact point for questions regarding report or its content	Reference information
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G4-33	Organization's policy and current practice regarding external assurance for report	–
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G4-34	Organization's governance structure	6.1. Corporate governance system
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G4-56	Organization's values, principles, standards, and codes of conduct	6.4. Ethics and anti-corruption practices 7.1. Personnel policy 7.5. Social responsibility
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G4-EC1	Direct economic value generated and distributed	5.1. Analysis of financial and economic indicators
G4-EC2	Organization's financial implications, risks and opportunities due to climate change	2.4. Risk management
G4-EC3	Organization's defined benefit plan obligations	7.5. Social responsibility
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Indicators	Description	Reference
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G4-EC5	Ratio of entry level wage compared to local minimum wage	7.2. Conditions and remuneration of labor, including kpi
G4-EC6	Proportion of senior management hired from local community	7.1. Personnel policy
Indirect Economic Impacts		
G4-EC7	Development and impact of infrastructure investment and services	2.5. Investment activities
G4-EC8	Significant indirect economic impact	7.4. Social policy
Procurement Practices		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	3.6. Procurement activities
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G4-EN1	Materials used by weight or volume	4.3. Energy conservation and efficiency
G4-EN2	Percentage of materials used that are recycled input materials	–
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G4-EN3	Energy consumption within organization	4.3. Energy conservation and efficiency
G4-EN4	Energy consumption outside organization	4.3. Energy conservation and efficiency
G4-EN5	Energy intensity	4.3. Energy conservation and efficiency
G4-EN6	Reduction of energy consumption	4.3. Energy conservation and efficiency
G4-EN7	Reduction in energy requirement of products and services	4.3. Energy conservation and efficiency
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G4-EN8	Total water withdrawal by source	7.6. Environmental policy
G4-EN9	Water sources significantly affected by withdrawal of water	7.6. Environmental policy
G4-EN10	Total volume of water recycled and reused	7.6. Environmental policy
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G4-EN11	Operational sites owned, leased, or managed in areas of high biodiversity value	–
G4-EN12	Activities, products, and services in areas of high biodiversity value	7.6. Environmental policy
G4-EN13	Habitats protected or restored	7.4. Social policy 7.6. Environmental policy
G4-EN14	Total number of endangered species with habitats in areas affected by operations	–
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G4-EN15	Direct greenhouse gas emissions (Scope 1)	7.6. Environmental policy
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Indicators	Description	Reference
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G4-EN18	Greenhouse gas emissions intensity	7.6. Environmental policy
G4-EN19	Reduction of greenhouse gas emissions	–
G4-EN20	Emissions of ozone-depleting substances	7.6. Environmental policy
G4-EN21	NOx, SOx and other significant air emissions	7.6. Environmental policy
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G4-EN22	Total water discharged by quality and destination	7.6. Environmental policy
G4-EN23	Total weight of waste by type and disposal method	7.6. Environmental policy
G4-EN24	Total number and volume of significant spills	
G4-EN25	Amount of waste deemed hazardous under Basel Convention2 Annex I, II, III and VIII	7.6. Environmental policy
G4-EN26	Water bodies affected by organization's discharge of water and runoff	7.6. Environmental policy
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G4-EN27	Extent of impact mitigation of environmental impacts of products and services	7.6. Environmental policy
G4-EN28	Percentage of products and their packaging materials that are reused or recycled	–
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G4-EN29	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations	7.6. Environmental policy
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G4-EN30	Impacts of shipping and transportation	–
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G4-EN31	Environmental protection expenditures and investments	7.6. Environmental policys
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G4-EN32	New suppliers screened using environmental criteria	–
G4-EN33	Negative environmental impacts in supply chain and actions taken	7.6. Environmental policy
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G4-EN34	Number of grievances filed through formal grievance mechanisms	3.5. Service customers relations
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G4-LA1	New employee hires and employee turnover	1.1. Company overview 7.1. Personnel policy
G4-LA2	Benefits provided to full-time employees	7.2. Conditions and remuneration of labor, including kpi 7.5. Social responsibility
G4-LA3	Return to work and retention rates after parental leave	7.1. Personnel policy

Indicators	Description	Reference
Labor/Management Relations		
G4-LA4	Minimum notice periods regarding operational changes	7.5. Social responsibility
Occupational Health and Safety		
G4-LA5	Total workforce represented in formal health and safety committees for occupational health and safety programs	–
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and work-related fatalities	7.3. Occupational health and safety
G4-LA7	Number of workers with high risk of occupational diseases	7.3. Occupational health and safety
G4-LA8	Health and safety topics covered in formal agreements with trade unions	7.5. Social responsibility
Training and Education		
G4-LA9	Average hours of training per year for employees	7.1. Personnel policy
G4-LA10	Support for continued employability through skills management and lifelong learning, and assistance for managing career endings	7.1. Personnel policy
G4-LA11	Percentage of employees receiving regular performance and career development reviews	7.1. Personnel policy
Diversity and Equal Opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees by categories	6.2. Management and control bodies 7.1. Personnel policy
Equal Remuneration for Women and Men		
G4-LA13	Ratio of basic salary and remuneration of women to men	–
Supplier Assessment for Labor Practices		
G4-LA14	Percentage of new suppliers screened using labor practices criteria	6.2. Management and control bodies
G4-LA15	Negative impacts for labor practices in supply chain and actions taken	6.2. Management and control bodies
Labor Practices Grievance Mechanisms		
G4-LA16	Number of grievances about labor practices filed through formal grievance mechanisms	7.2. Conditions and remuneration of labor, including kpi
Human Rights		
Investment		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or screening	–
G4-HR2	Total hours of employee training on human rights policies or procedures relevant to operations	6.4. Ethics and anti-corruption practices
Non-discrimination		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	7.2. Conditions and remuneration of labor, including kpi
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Indicators	Description	Reference
G4-HR4	Operations and suppliers identified in which right to exercise freedom of association and collective bargaining may be violated or at risk, and measures taken	3.6. Procurement activities
Child Labor		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken	–
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G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced labor, and measures taken	–
Security Practices		
G4-HR7	Security personnel trained in organization's human rights policies and procedures	6.4. Ethics and anti-corruption practices
Indigenous Rights		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples, and actions taken	7.2. Conditions and remuneration of labor, including kpi
Assessment		
G4-HR9	Operations that have been subject to human rights reviews or impact assessments	–
Supplier Human Rights Assessment		
G4-HR10	New suppliers screened using human rights criteria	3.6. Procurement activities
G4-HR11	Negative human rights impacts on supply chain and actions taken	3.6. Procurement activities
Human Rights Grievance Mechanisms		
G4-HR12	Number of grievances about human rights impacts filed through formal grievance mechanisms	3.5. Service customers relations
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G4-SO1	Implemented local community engagement, impact assessments, and development programs	2.3. Company strategy. Priorities. Future developments of the Company
G4-SO2	Operations with negative impacts on local communities	–
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G4-SO3	Total number and percentage of operations assessed for risk related to corruption and risks identified	6.4. Ethics and anti-corruption practices
G4-SO4	Communication and training on anti-corruption policies and procedures	6.4. Ethics and anti-corruption practices
G4-SO5	Confirmed incidents of corruption and actions taken	6.4. Ethics and anti-corruption practices
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G4-SO6	Total value of political contributions	–
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Indicators	Description	Reference
G4-SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	3.6. Procurement activities
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G4-SO8	Monetary value of significant fines and other non-monetary sanctions for non-compliance with laws and regulations	3.6. Procurement activities 6.4. Ethics and anti-corruption practices 7.6. Environmental policy
Supplier Assessment for Impacts on Society		
G4-SO9	Percentage of new suppliers screened using criteria for impacts on society	3.6. Procurement activities
G4-SO10	Negative impacts on society in the supply chain and actions taken	3.6. Procurement activities
Grievance Mechanisms for Impacts on Society		
G4-SO11	Number of grievances about impact on society filed through formal grievance mechanisms	3.5. Service customers relations
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Customer Health and Safety		
G4-PR1	Percentage of product and service categories assessed for health and safety impact improvement	–
G4-PR2	Non-compliance with regulations concerning health and safety impacts of products and services	–
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G4-PR3	Product and service information required by organization's procedures for information and labelling, and product and service categories subject to such requirements	–
G4-PR4	Non-compliance with regulations concerning product and service information and labelling	–
G4-PR5	Results of surveys measuring customer satisfaction	3.5. Service customers relations
Marketing Communications		
G4-PR6	Sale of banned or disputed products	–
G4-PR7	Non-compliance with regulations concerning marketing communications	–
Customer Privacy		
G4-PR8	Substantiated complaints regarding breaches of customer privacy and loss of customer data	3.5. Service customers relations
Compliance		
G4-PR9	Non-compliance with laws and regulations concerning provision and use of products and services	4.7. Quality management and security practices

Glossary

b2b-mrsk	Electronic trading platform.
ISO	International Standards Organization.
SAP ERP	SAP Enterprise Resource Planning.
AISEBM	Automated Information System of Electricity Billing Metering.
CDBA	Certificate of Delineation of Balance Sheet Attribution.
ADCS	Automated Dispatch Control System.
ABMS	Automated Business Management System.
EPFMS	Electric Power Fiscal Metering System.
APCS	Automatic Process Control System.
FEO AMS	Financial and economic operations automated management system.
OHL	Overhead line.
HV	High voltage.
AGSM	Annual General Shareholders Meetings.
GRES	Condensing power plant.
AS	Associated subsidiary.
UNEG	Unified National Electric Grid.
ISG	Indoor switchgear.
IP	Investment program.
IPS AAG	Intellectual Power System with an Actively Adaptive Grid.
OCL	Overhead cable line
SC	Short circuiter.
OFSG	Outdoor factory-assembled switch gears.
LRD	Local regulatory document.
Privileged applicants category	Privileged applicants are individuals, legal entities and sole proprietors applying power receivers up to 150 kW at 20 kV inclusively.
OB	Oil breaker.
IDGC	Interregional Distribution Grid Company (IDGC).
NGV	Necessary gross revenue.
LV	Low voltage.
PJSC FGC UES	PJSC Federal Grid Company of Unified Energy System.
OGRN	Main State Registration Number.
IS	Isolating switch.
ODS	Outdoor switchgear.
WEM	Wholesale energy market.
FA	Fixed assets.
ACCC cable	The Aluminium Conductor Composite Core (ACCC) is a bare overhead conductor with hybrid carbon and glass fiber core.
SS	Substation.
BICP	Business Improvement Control Program.
Rating Doing Business	Each country is assigned its relevant position in business environment rating. The rating contains 189 positions. The highest ratings are assigned to countries with the most favourable business environment for launching and running companies. Each country`s rating is defined by adjustment of the aggregate estimates developed by any country in assessment of its distance from the leading edge performance by ten indicators. Each indicator includes several factors ranking pari passu for the aggregate indicator. The rating for all relevant countries is made as of June 2014.
RPA	Relay protection and automatics.
REM	Retail electricity market.
DGC	Distribution Grid Company.
MV	Medium voltage.
TBR	Tariff & balance resolution.
TOM	Technical operation and maintenance activities (TOM).
TS	Transformer substation.
NC	Network connection.
TD	Territorial Production Department.
TGO	Territorial grid operator.
TPP	Thermal power plant.
FSBEI HPO	Federal State-Funded Educational Institution of Higher Professional Education.
CSC	Customer Service Centre.

Measurement units

A/m	Amper per meter, a unit of magnetic field strength
GW	GW, gigawatt, a unit of transformer capacity
GC	GC, gigacalorie, a unit of heating energy
GC/h	GC/h, gigacalorie per hour, a unit of heating capacity
Hz	Hz, Herz, a unit of electromagnetic emission
dB	dB, decibel, noise level unit
kV	kV, kilovolt, a unit of electromotive force
kV/m	kV/m, kilovolt per meter, a unit of electric field (E-field) strength
kWh	kWh, kilowatt-hour, a unit of electrical energy
MW	MW, megawatt, a unit of electrical capacity
MWh	Mwh, megawatt hour
MVA	Megavoltampere
MVAr	MVAr, Megavar, a unit of electrical reactive power
TWh	TWh = 1 billion kWh

List of annexes

G4-16
G4-17

1. Accounting statements for 2014 according to russian standards and auditor's opinion
2. Information about JSC Tyumenenergo shares in authorized capitals and voting shares in other companies as of december 31, 2016
3. Information about JSC Tyumenenergo participation in non-profit organizations as of december 31, 2016
4. Main laws and regulations
5. Tariff rates
6. Information on the actual effect of applying the methodology of planning the reduction of investment costs by 30% compared to the level of 2012
7. Table of compliance of the report with the requirements of the gri g4 international standard

Reference information

G4-3
G4-7

Full corporate name of the Company in Russian: Акционерное общество энергетики и электрификации «Тюменьэнерго».

Full corporate name of the Company in English: Joint Stock Company Tyumenenergo.

Short corporate name of the Company in Russian: АО «Тюменьэнерго».

Short corporate name of the Company in English: JSC Tyumenenergo.

Location of the Company: Surgut, Tyumen Region, Khanty-Mansiysk Autonomous District — Yugra, Russian Federation

Address of the Company: 4 Universitetskaya Street, Surgut, Tyumen Region, Khanty-Mansiysk Autonomous District — Yugra, the Russian Federation 628408. Address of the Company is specified in the unified state register of legal entities.

G4-5

Information on the state registration:

In accordance with data provided in legal entity state registration certificate registered prior to July 1, 2002:

Legal entity state registration number:	07-4784
Registration date	March 12, 1993
State registrar	Surgut administration

In accordance with data provided in Certificate of Entry in the Unified State Register of Legal Entities registered prior to July 1, 2002:

Primary State Registration Number (OGRN):	1028600587399
Registration date	October 14, 2002
State registrar	RF Ministry of Taxes and Assessments inspection in Surgut, Khanty-Mansiysk Autonomous District

Bank details and other information:

current account No. 40702810267170101719 with the West-Siberian Bank of Sberbank of Russia in Tyumen

correspondent account No. 30101810800000000651 with the West-Siberian Bank of Sberbank of Russia in Tyumen

BIC code: 047102651

INN code: 8602060185

KPP code: 860201001 (at the location in the territory of the Russian Federation)

KPP code: 997450001 (as the largest taxpayer)

OGRN code: 1028600587399 (OGRN code assignment date: 14.10.2002)

OKPO code: 05770629

OKATO: 71136000000

OKTMO: 71876000001

OKOGU: 4210008

OKOPF: 12247

OKFS: 16

NACE (main): 35.12

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E-mail: can@id.te.ru

Ask an Expert: http://www.te.ru/klientam/feedback /

Corporate website: www.te.ru

Registrar of JSC Tyumenenergo

Registrar maintains the register of securities owners.

Registrar full title	Reestr-RN Limited Liability Company
Registrar abbreviated title	Reestr-RN LLC
Registrar location:	109028, Moscow, Podkopayevskiy per, 2 / 6, bild. 3-4
Mailing address	115172, Moscow, P.O.B. 4
Phone / fax number	(495) 411-79-11 / (495) 411-83-12
E-mail address	support@reestrrn.ru
Website	http://www.reestrrn.ru /
Number of the registrar's license to perform activities related to maintaining the register of securities holders	10-000-1-00330
Issuance Date	16.12.2004
Validity of the license	without restriction
License issued by	The Federal Financial Markets Service
Date of commencement of maintenance of register of securities by the stated registrar	06.12.2010

Auditor of JSC Tyumenenergo

On June 30, 2016, the General Meeting of Shareholders of JSC Tyumenenergo selected RSM Rus LLC, Moscow as the auditor. The Auditor is a member of the Self-Regulatory Organization Non-Profit Partnership "Sodruzhestvo Audit Association" (certificate of membership No. 6938, ORNZ 11306030308), location: 21 Michurinsky Avenue, Building 4, Moscow, Russian Federation 119192.

Auditor full title:	RSM-Rus Limited Liability Company
Auditor short title	LLC RSM-RUS
Location	4 Pudovkin Street, Moscow, the Russian Federation 119285
Tel.	(495) 363-2848
Fax	(495) 981-4121
E-mail address	mail@rsmrus.ru
Financial year(s) when auditor performed independent validation of accounting records and accounting (financial) reports of the emitent	Annual reporting audit per Russian standards for 2016; consolidated financial reporting audit per IFRS for 2016.

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On all issues related to the Report is to be addressed:

Voronova Varvara Fedorovna

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