



OGK-2 GROUP

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)
FOR THE THREE MONTHS ENDED
31 MARCH 2017 (UNAUDITED)**

CONTENTS

Interim Condensed Consolidated Statement of Financial Position	3
Interim Condensed Consolidated Statement of Profit or Loss	4
Interim Condensed Consolidated Statement of Comprehensive Income	5
Interim Condensed Consolidated Statement of Cash Flows	6
Interim Condensed Consolidated Statement of Changes in Equity	7

Notes to Interim Condensed Consolidated Financial Statements

Note 1. The Group and its operations	8
Note 2. Basis of preparation	9
Note 3. New accounting developments	9
Note 4. Related Parties	9
Note 5. Property, plant and equipment	12
Note 6. Cash and cash equivalents	13
Note 7. Trade and other receivables	14
Note 8. Equity	15
Note 9. Non-current debt	15
Note 10. Other long-term liabilities	15
Note 11. Current debt and current portion of non-current debt	16
Note 12. Trade and other payables	16
Note 13. Other taxes payable	16
Note 14. Revenues	16
Note 15. Operating expenses	17
Note 16. Finance income	17
Note 17. Finance costs	18
Note 18. Earnings per share	18
Note 19. Capital commitments	18
Note 20. Financial instruments and financial risks factors	18
Note 21. Segment information	19
Note 22. Events after the reporting date	21

OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position
as at 31 March 2017 (unaudited)



(in thousands of Russian Roubles unless noted otherwise)

	Notes	31 March 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	183,015,679	184,799,186
Intangible assets		894,545	932,533
Deferred income tax assets		230,800	188,778
Other non-current assets		937,221	923,858
Total non-current assets		185,078,245	186,844,355
Current assets			
Cash and cash equivalents	6	11,915,274	4,538,684
Trade and other receivables	7	16,128,565	15,628,777
Inventories		9,694,998	9,277,515
Income tax prepayments		3,372	118,705
Total current assets		37,742,209	29,563,681
TOTAL ASSETS		222,820,454	216,408,036
EQUITY AND LIABILITIES			
Equity			
Share capital	8		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,961,865)	(3,961,865)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		55,322,371	50,317,063
Equity attributable to the shareholders of JSC "OGK-2"		119,796,208	114,790,900
Total equity		119,796,208	114,790,900
Non-current liabilities			
Deferred income tax liabilities		11,116,431	10,303,385
Non-current debt	9	34,590,389	34,590,389
Retirement benefit obligations		2,236,802	2,207,546
Restoration provision		972,146	955,964
Other long-term liabilities	10	791,242	3,865,670
Total non-current liabilities		49,707,010	51,922,954
Current liabilities			
Current debt and current portion of non-current debt	11	32,736,040	32,459,634
Trade and other payables	12	16,543,784	14,642,616
Other taxes payable	13	3,167,181	2,235,599
Restoration provision		366,069	356,333
Current income tax		504,162	-
Total current liabilities		53,317,236	49,694,182
Total liabilities		103,024,246	101,617,136
TOTAL EQUITY AND LIABILITIES		222,820,454	216,408,036

General Director

S.A. Ananyev

Chief Accountant

L.V. Klisch

23 May 2017



OGK-2 Group
Interim Condensed Consolidated Statement of Profit or Loss
for the 3 months ended 31 March 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	3 months ended 31 March 2017	3 months ended 31 March 2016
Revenues	14	38,145,406	32,118,109
Operating expenses	15	(30,330,692)	(28,133,288)
Other operating (expenses) / income		(10,134)	111,827
Operating profit		7,804,580	4,096,648
Finance income	16	307,893	504,801
Finance costs	17	(1,749,546)	(1,124,852)
Profit before income tax		6,362,927	3,476,597
Income tax charge		(1,357,619)	(809,745)
Profit for the period		5,005,308	2,666,852
Attributable to:			
Shareholders of JSC "OGK-2"		5,005,308	2,783,733
Non-controlling interest		-	(116,881)
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)	18	0.05	0.03

General Director

S.A. Ananyev

Chief Accountant

L.V. Klisch

23 May 2017



OGK-2 Group
Interim Condensed Consolidated Statement of Comprehensive Income
for the 3 months ended 31 March 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	3 months ended 31 March 2017	3 months ended 31 March 2016
Profit for the period	5,005,308	2,666,852
Total comprehensive income for the period	5,005,308	2,666,852
Attributable to:		
Shareholders of JSC "OGK-2"	5,005,308	2,783,733
Non-controlling interest	-	(116,881)

General Director

S.A. Ananyev

Chief Accountant

L.V. Klisch



OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows
for the 3 months ended 31 March 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	3 months ended 31 March 2017	3 months ended 31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		6,362,927	3,476,597
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	15	2,713,866	1,811,975
Amortisation of intangible assets	15	47,943	59,085
Reversal of provision for impairment of trade and other receivables	15	(189,076)	(64,820)
Charge / (reversal) of provision for inventory obsolescence	15	7,214	(223)
Finance income	16	(307,893)	(504,801)
Finance costs	17	1,749,546	1,124,852
Non-state pensions and other long-term benefits	15	23,992	21,004
Loss on disposal of assets, net	15	47,099	17,515
Other non-cash items		(312)	(1,943)
Operating cash flows before working capital changes and income tax paid		10,455,306	5,939,241
Working capital changes:			
(Increase) / decrease in trade and other receivables		(374,503)	172,231
(Increase) / decrease in inventories		(437,463)	49,661
Increase in other current assets		-	(47,551)
Decrease in trade and other payables		(655,995)	(762,984)
Increase in taxes payable, other than income tax		932,134	235,409
Decrease in retirement benefit obligations		(23,935)	(28,195)
Income tax returned		32,901	304,988
Net cash generated from operating activities		9,928,445	5,862,800
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1,304,711)	(5,458,481)
Proceeds from sale of property, plant and equipment		4,491	33,509
Purchase of intangible assets		(16,469)	(7,007)
Interest received		166,280	197,211
Increase in other non-current assets		-	(3,124)
Net cash used in investing activities		(1,150,409)	(5,237,892)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of short-term borrowings		-	(200,000)
Interest paid		(1,362,778)	(1,150,132)
Payments under finance lease		-	(18,150)
Finance lease advance		-	(97)
Net used in financing activities		(1,362,778)	(1,368,379)
Net increase / (decrease) in cash and cash equivalents		7,415,258	(743,471)
Effect of exchange rate changes on cash and cash equivalents		(38,668)	-
Cash and cash equivalents at the beginning of the period		4,538,684	7,544,369
Cash and cash equivalents at the end of the period		11,915,274	6,800,898

General Director

Chief Accountant



OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity
for the 3 months ended 31 March 2017 (unaudited)
(in thousands of Russian Roubles)



	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Non-controlling interest	Total equity
At 1 January 2016	40,057,009	(4,150,598)	28,378,693	48,832,446	113,117,550	2,083,512	115,201,062
Profit / (loss) for the period	-	-	-	2,783,733	2,783,733	(116,881)	2,666,852
<i>Total comprehensive income / (expense) for the period</i>	-	-	-	2,783,733	2,783,733	(116,881)	2,666,852
Acquisition of businesses under common control (Note 8)	-	-	-	(817,757)	(817,757)	(1,966,631)	(2,784,388)
At 31 March 2016	40,057,009	(4,150,598)	28,378,693	50,798,422	115,083,526	-	115,083,526
At 1 January 2017	40,057,009	(3,961,865)	28,378,693	50,317,063	114,790,900	-	114,790,900
Profit for the period	-	-	-	5,005,308	5,005,308	-	5,005,308
<i>Total comprehensive income for the period</i>	-	-	-	5,005,308	5,005,308	-	5,005,308
At 31 March 2017	40,057,009	(3,961,865)	28,378,693	55,322,371	119,796,208	-	119,796,208

General Director

S.A. Ananyev

Chief Accountant

L.V. Klisch

23 May 2017



Note 1. The Group and its operations

Public Joint Stock Company (till 24 June 2015 - Open Joint Stock Company) "The Second Generating Company of the Wholesale Electric Power Market" (JSC "OGK-2", or the "Company") was established on 9 March 2005 within the framework of Russian electricity sector restructuring in accordance with the Resolution No. 1254-r adopted by the Russian Federation Government on 1 September 2003.

The primary activities of the Company are generation and sale of electric and heat power. The Company consists of the following power stations (plants): Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Kirishskaya GRES, Ryazanskaya GRES, Novochebasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Groznenskaya TES. Moreover, the Company rents Adlerskaya TES station under operating lease agreement.

The Company is registered by the Izobilnensk District Inspectorate of the RF Ministry of Taxation of Stavropol Region.

The Company's office is located at 101-3, Vernadskogo Avenue, 119526, Moscow, Russian Federation.

JSC "OGK-2" and its following subsidiaries form the OGK-2 Group (the "Group"):

	% owned	
	31 March 2017	31 December 2016
LLC "OGK-2 Finance"	100%	100%
LLC "Centr 112"	100%	100%
LLC "OGK-Investproekt"	100%	100%

On March 2016 the Company acquired 45% of the capital of LLC "OGK-Investproekt" from MOSENERGO (another company of Gazprom Group), share in capital was increased up to 100%. As a result of acquisition share of non-controlling interest in LLC "OGK-Investproekt" decreased from 45% to 0%. LLC "OGK-Investproekt" is provider of construction services.

Financial information about LLC "OGK-Investproekt" non-controlling interest is presented in Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity. LLC "OGK-Investproekt" did not pay dividends.

The following table summarizes financial information about each subsidiary, that had non-controlling interest, before any intra-group eliminations. The assets, liabilities, revenue, loss, comprehensive expense presented below are total consolidated data, but not only the Group's share:

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Loss	Total comprehensive expense
As of and for the 3 months ended 31 March 2016							
LLC "OGK-Investproekt"	16,402,829	1,045,967	8,926,092	3,997,784	473,852	(234,216)	(234,216)

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During the 3 months ended 31 March 2017 the Russian economy continued to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Relations with the state and current regulation. JSC "OGK-2" is part of the Gazprom Group, which includes PJSC Gazprom and its subsidiaries. PJSC "Centerenergyholding" owns 73.42% of the shares of JSC "OGK-2" as at 31 March 2017 (as at 31 December 2016: 73.42%).

Gazprom Group, in its turn, is controlled by the Russian Federation, therefore, the Russian Government is the ultimate controlling party of the Group as at 31 March 2017 and 31 December 2016.



The Group's customer base includes a large number of entities controlled by or related to the State. The list of the Group's major fuel suppliers includes subsidiaries of PJSC Gazprom.

The government of the Russian Federation directly affects the Group's operations through regulations of wholesale sales of electricity (capacity) and retail sales of heat exercised by the Federal Antimonopoly Service ("FAS") and the tariffs regulation executive authorities. JSC "System Operator of the United Power System" ("SO UPS"), which is controlled by the Russian Federation represented by the Federal executive body for state property management, regulates operations of generating assets of the Group.

The government's economic, social and other policies could have material effects on the operations of the Group.

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the 3 months ended 31 March 2017 ("Financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS.

Seasonality. Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel. Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact on the revenue or cost recognition policies of the Group.

Note 3. New accounting developments

The accounting policies followed in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statements as at and for the year ended 31 December 2016.

The Group has adopted all new standards, amendments to standards and interpretations that were effective from 1 January 2017. The impact of the adoption of these new standards, amendments to standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

Certain new standards and amendments to standards as disclosed in the consolidated financial statements as at and for the year ended 31 December 2016, have been issued but are not effective for the financial year beginning 1 January 2017 and which the Group has not early adopted.

Note 4. Related Parties

Information on transactions and balances with related parties is presented below. All transactions were made in Russian Federation and in Russian Roubles. Transactions with related parties have been made mostly on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and heat are based on tariffs set by FAS, prices for electricity and capacity are based on tariffs set by FAS and also based on competitive take-off on the wholesale electricity (capacity) market. Loans and borrowings are granted at market rates. Bank deposits are invested at market rates.

Transactions with Gazprom Group and its associates

Transactions with Gazprom Group and its associates were as follows:

	3 months ended 31 March 2017	3 months ended 31 March 2016
Sales of electricity and capacity	887,757	382,425
Other sales	50,631	42,761
Interest income	101,996	74,493
Other income	587	20,111
Purchases of gas	11,224,634	8,879,351
Other purchases	1,951,895	2,729,436
Other expenses	751	850
Interest expense under finance lease agreements	-	699
Interest expense on loans	1,108,218	1,111,106

Balances with Gazprom Group and its associates were as follows:

	31 March 2017	31 December 2016
Long-term loans issued (Note 7)	121,644	118,550
Cash and cash equivalents (Note 6)	82,998	3,900,796
Trade and other receivables	2,122,795	1,928,008
Advances for property, plant and equipment (net of VAT)	492,689	432,246
Promissory notes Bank GPB (JSC) (Note 7) (nominal value of promissory notes is RR 20,000 thousand as at 31 March 2017 and RR 20,000 thousand as at 31 December 2016)	19,852	19,305
Debt	42,824,385	42,829,126
Trade and other payables	9,183,000	9,556,527

Transactions with state-controlled entities and its associates other than Gazprom Group

In the normal course of business the Group enters into transactions with other entities under Government control (in addition to transactions with Gazprom Group), including sales of electricity and capacity, heat, purchases of electricity and capacity resources, services and other transactions. These transactions (except for sales of electricity and capacity, electricity transit, building and construction works and loans received) are not significant either individually or collectively.

Significant transactions with the state-controlled entities were as follows:

	3 months ended 31 March 2017	3 months ended 31 March 2016
Sales of electricity and capacity	5,608,286	4,080,692
Charge of provision for impairment of trade receivables (sales of electricity and capacity)	92,416	-
Reversal of provision for impairment of trade receivables (sales of electricity and capacity)	(192,888)	(92,308)
Interest income on cash and cash equivalents	65,958	116,719
Electricity transit (Note 15)	474,248	365,169
Interest expense on loans	372,682	285,763
Building and construction works	181,171	2,542,698

Significant balances with the state-controlled entities were as follows:

	31 March 2017	31 December 2016
Trade and other receivables, gross	9,527,039	8,585,610
Provision for impairment of trade and other receivables	(5,107,617)	(5,208,594)
Cash and cash equivalents (Note 6)	11,792,670	562,283
Trade and other payables	2,073,601	2,104,717
Debt	14,110,000	14,112,378

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with Joint-stock company "Financial Settling Center" (JSC "FSC"). Current financial settlement system of JSC "FSC" does not provide the final counterparty with automated information about transactions and settlement balances with end consumers. Government-related entities, Gazprom Group and its subsidiaries may also act as counterparties.

The Group had the following significant transactions with JSC "FSC":

	3 months ended 31 March 2017	3 months ended 31 March 2016
Sales of electricity	17,400,885	16,386,421
Purchases of electricity	2,828,529	2,649,403
Other income	1,197	4,052
Other expenses	5,727	5,145

The Group had the following significant balances with JSC "FSC":

	31 March 2017	31 December 2016
Trade and other receivables	2,143,700	3,187,914
Trade and other payables	419,454	654,314

Transactions with key management

Compensation is paid to members of the Management Board of the Company for their services in full time management positions. The compensation is made up of a contractual salary and a performance bonus depending on results for the period according to Russian statutory financial results of the Company. The compensation is approved by the Board of Directors. Discretionary bonuses are also payable to members of the Management Board, which are approved by the Chairman of the Management Board according to his perception of the value of their contribution.

Fees, compensation or allowances to the members of the Board of Directors for attending Board meetings are paid depending on results for the period.

Total remuneration in the form of salary, bonuses and compensations accrued to the members of the Board of Directors and Management Board for the 3 months ended 31 March 2017 was RR 22,163 thousand (for the 3 months ended 31 March 2016: RR 18,485 thousand).

Transactions with other related parties

Transactions with other related parties represent transactions with the non-state pension funds ("NPF"). For the 3 months ended 31 March 2017 the Group made contributions of RR 23,563 thousand to NPF Elektroenergetiki (for the 3 months ended 31 March 2016: RR 17,848 thousand).

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2017 (unaudited)

(in thousands of Russian Roubles unless noted otherwise)



Note 5. Property, plant and equipment

	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
Opening balance as at 1 January 2017	58,497,690	36,112,087	103,412,077	39,716,012	2,331,679	23,608,759	263,678,304
Additions	-	-	-	14,231	5,155	918,060	937,446
Transfer	56,261	83,154	332,254	57,112	12,078	(540,859)	-
Disposals	(1,420)	(16,716)	(3,768)	(7,781)	(3,712)	(4,976)	(38,373)
Reclassification	-	(63,024)	63,024	3,604	(3,604)	-	-
Closing balance as at 31 March 2017	58,552,531	36,115,501	103,803,587	39,783,178	2,341,596	23,980,984	264,577,377
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2017	(21,500,308)	(14,105,982)	(27,929,643)	(13,017,407)	(1,356,506)	(969,272)	(78,879,118)
Charge for the period	(300,860)	(336,973)	(1,236,028)	(796,824)	(47,206)	-	(2,717,891)
Disposals	1,420	16,716	3,730	7,781	3,648	2,016	35,311
Reclassification	-	1,397	(1,397)	(3,604)	3,604	-	-
Closing balance as at 31 March 2017	(21,799,748)	(14,424,842)	(29,163,338)	(13,810,054)	(1,396,460)	(967,256)	(81,561,698)
Net book value as at 31 March 2017	36,752,783	21,690,659	74,640,249	25,973,124	945,136	23,013,728	183,015,679
Net book value as at 31 December 2016	36,997,382	22,006,105	75,482,434	26,698,605	975,173	22,639,487	184,799,186
Cost							
Opening balance as at 1 January 2016	45,128,175	26,461,266	73,124,469	25,017,485	2,029,340	78,648,678	250,409,413
Additions	1,594	68	-	6,306	10,178	5,941,900	5,960,046
Transfer	-	58,357	413,881	437,317	48,844	(958,399)	-
Disposals	(277)	(6,075)	(12,622)	(8,858)	(23,357)	(24,080)	(75,269)
Closing balance as at 31 March 2016	45,129,492	26,513,616	73,525,728	25,452,250	2,065,005	83,608,099	256,294,190
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2016	(20,738,108)	(13,059,125)	(25,190,060)	(10,765,235)	(1,273,903)	(985,150)	(72,011,581)
Charge for the period	(234,615)	(223,264)	(820,060)	(539,197)	(27,997)	-	(1,845,133)
Disposals	169	5,928	2,378	7,702	22,746	251	39,174
Closing balance as at 31 March 2016	(20,972,554)	(13,276,461)	(26,007,742)	(11,296,730)	(1,279,154)	(984,899)	(73,817,540)
Net book value as at 31 March 2016	24,156,938	13,237,155	47,517,986	14,155,520	785,851	82,623,200	182,476,650
Net book value as at 31 December 2015	24,390,067	13,402,141	47,934,409	14,252,250	755,437	77,663,528	178,397,832

Operating lease

The Group leases a number of land plots owned by local governments and other assets under operating leases. Lease payments are determined by lease agreements. Lease agreements are concluded for the different periods. Part of the lease contracts is concluded for a year with right of future prolongation, maximum lease period is 49 years. Lease payments are reviewed regularly to reflect market rentals.

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2017 (unaudited)



(in thousands of Russian Roubles unless noted otherwise)

Operating lease rentals are payable as follows:

	31 March 2017	31 December 2016
Not later than one year	1,310,206	1,655,879
Later than one year and not later than five years	284,716	284,637
Later than five years and not later than ten years	351,849	350,590
Later than ten years	2,470,272	2,472,579
Total	4,417,043	4,763,685

Note 6. Cash and cash equivalents

	Currency	31 March 2017	31 December 2016
Bank deposits with maturity three months or less	RR	11,276,300	-
Bank deposits with maturity three months or less	USD	509,719	547,787
Current bank accounts	RR	129,245	3,990,883
Other cash equivalents	RR	10	14
Total		11,915,274	4,538,684

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 31 March 2017*	31 March 2017	Credit rating on 31 December 2016*	31 December 2016
Bank GPB (JSC)	b1 / Stable	82,998	b1 / Negative	3,900,796
"BANK "ROSSIYA"	WR / Ratings		WR / Ratings	
Sberbank	Withdrawn	39,530	Withdrawn	75,504
JSC VTB Bank	ba1 / Stable	5,695	ba2 / Negative	13,949
"Bank Otkritie Financial Corporation" PJSC	b1 / Stable	956	b1 / Negative	547
AO "ALFA-BANK"	b1 / Negative	41	b1 / Negative	47
	ba3 / Stable	25	ba3 / Negative	40
Total cash in bank		129,245		3,990,883

* Baseline Credit Assessment / the outlook on all of the bank's ratings, determined by Moody's Investor Service.

Credit quality of bank deposits is presented below:

Bank deposits with maturity of three months or less	Currency	Interest rate	Credit rating on 31 March 2017*	31 March 2017	Currency	Interest rate	Credit rating on 31 December 2016*	31 December 2016
JSC VTB Bank	RR	9.00%-9.42%	Non-Prime	11,276,300	-	-	-	-
Sberbank	USD	0.68%	Non-Prime	509,719	USD	0.47%	Non-Prime	547,787
Total bank deposits with maturity of three months or less				11,786,019				547,787

* Short-term rating of domestic currency deposits, determined by Moody's Investors Service.

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



Note 7. Trade and other receivables

	31 March 2017	31 December 2016
Trade receivables (net of provision for impairment of RR 6,969,258 thousand as at 31 March 2017 and RR 7,156,533 thousand as at 31 December 2016)	11,031,299	10,630,501
Other receivables (net of provision for impairment of RR 4,610,181 thousand as at 31 March 2017 and RR 4,612,232 thousand as at 31 December 2016, and the effect of discounting of RR 8,381 thousand as at 31 March 2017 and RR 8,852 thousand as at 31 December 2016)	2,728,709	2,746,348
Promissory notes (nominal value of promissory notes is RR 570,027 thousand as at 31 March 2017 and RR 571,244 thousand as at 31 December 2016)	329,483	323,529
Loans issued	121,644	118,550
Interest receivable	8,426	2,044
Financial assets	14,219,561	13,820,972
Advances to suppliers (net of provision for impairment of RR 137 thousand as at 31 March 2017 and RR 269 thousand as at 31 December 2016)	1,995,372	1,916,818
Input VAT	233,841	219,228
Prepaid other taxes and social funds contribution	43,507	43,790
Total	16,492,281	16,000,808
Less: Long-term promissory notes (nominal value of promissory notes is RR 461,427 thousand as at 31 March 2017 and RR 461,427 thousand as at 31 December 2016)	(226,179)	(221,318)
Long-term loans issued	(121,644)	(118,550)
Long-term trade and other receivables (net of provision for impairment of RR 3,957 thousand as at 31 March 2017 and RR 4,181 thousand as at 31 December 2016, and the effect of discounting of RR 8,196 thousand as at 31 March 2017 and RR 8,667 thousand as at 31 December 2016)	(15,369)	(15,848)
Long-term advances to suppliers	(329)	(16,120)
Long-term input VAT from advances paid	(195)	(195)
Total	16,128,565	15,628,777

Breakdown of promissory notes is presented below:

Bank	Credit rating on 31 March 2017*	31 March 2017	Credit rating on 31 December 2016*	31 December 2016
AO "ALFA-BANK"	ba3 / Stable	223,611	ba3 / Negative	218,819
"BANK "ROSSIYA"	WR / Ratings	82,335	WR / Ratings	80,604
Bank GPB (JSC)	Withdrawn	19,852	Withdrawn	19,305
Other	b1 / Stable	3,685	b1 / Negative	4,801
	-		-	
Total promissory notes		329,483		323,529

* The bank financial strength rating / the outlook on all of the bank's ratings, determined by Moody's Investor Service.

Note 8. Equity

Share capital

	Number of ordinary shares 31 March 2017	Number of ordinary shares 31 December 2016	Number of ordinary shares 31 December 2015
Issued shares	110,441,160,870	110,441,160,870	110,441,160,870
Treasury shares	(4,520,954,629)	(4,520,954,629)	(4,631,395,784)
Total outstanding shares	105,920,206,241	105,920,206,241	105,809,765,086

Each ordinary share carries one vote. The nominal value of one share is RR 0.3627.

As at 31 March 2017 and 31 December 2016 the number of authorised for issue but not issued ordinary shares is 58,886,766,090 shares.

Dividends

There were no dividends proposed or declared before the financial statements were authorized.

Acquisition of entity under common control

According to the Group's accounting policy assets and liabilities of subsidiary LLC "OGK-Investproekt" (Note 1) transferred between entities under common control are accounted for at the predecessor entity's carrying amounts. In March 2016 loss from the difference between the amount of consideration transferred and net asset value of LLC "OGK-Investproekt" is recognized in the financial statements as retained earnings in the amount of RR 817,757 thousand.

Note 9. Non-current debt

	Currency	Effective interest rate	Due	31 March 2017	31 December 2016
Loans	RR	8.50%-11.45%	2018-2025	24,590,389	24,590,389
Bonds	RR	11.87%	2020	10,000,000	10,000,000
Total				34,590,389	34,590,389

The above debt is obtained at fixed interest rates. The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans.

Maturity table

	31 March 2017	31 December 2016
Due for repayment		
Between one and two years	8,921,407	7,600,000
Between two and three years	6,510,000	7,831,407
Between three and four years	10,000,000	10,000,000
Between four and five years	2,324,830	2,324,830
More than five years	6,834,152	6,834,152
Total	34,590,389	34,590,389

Note 10. Other long-term liabilities

	31 March 2017	31 December 2016
Trade payables (net of effect of discounting RR 148,734 thousand as at 31 March 2017 and 180,147 thousand as at 31 December 2016)	784,002	873,847
Other payables	7,240	2,991,823
Total finance liabilities	791,242	3,865,670

There was debt to MOSENERGO for the share of the capital of LLC "OGK-Investproekt" (Note 1) in the other long-term liabilities in the amount RR 2,984,492 thousand as at 31 December 2016. This debt was transferred to short-term other payables as at 31 March 2017.

Note 11. Current debt and current portion of non-current debt

	Currency	Effective interest rate	31 March 2017	31 December 2016
Current portion of long-term loans	RR	8.18%-11.45%	16,343,996	16,351,115
Current loans	RR	10.50%	16,000,000	16,000,000
Current portion of bonds	RR	11.87%	392,044	108,519
Total			32,736,040	32,459,634

The above debt is obtained at fixed interest rates. The effective interest rate is the market interest rate applicable to the loan at the date of obtaining of fixed rate loans.

Note 12. Trade and other payables

	31 March 2017	31 December 2016
Trade payables (net of effect of discounting RR 28,882 thousand as at 31 March 2017 and 30,886 as at 31 December 2016)	8,376,274	9,563,818
Accrued liabilities and other payables	7,355,007	4,204,885
Dividends payable	6,067	6,164
Financial liabilities	15,737,348	13,774,867
Salaries and wages payable	553,484	687,682
Advances from customers	252,952	180,067
Total	16,543,784	14,642,616

There is debt to MOSENERGO for the share of the capital of LLC "OGK-Investproekt" (Note 1) in the other payables including interest in the amount RR 6,194,713 thousand as at the 31 March 2017, and RR 3,084,980 thousand as at 31 December 2016.

Note 13. Other taxes payable

	31 March 2017	31 December 2016
Value added tax	2,161,454	1,642,183
Property tax	690,865	235,623
Social funds contribution	212,093	249,832
Personal income tax	51,170	65,199
Environment pollution payment	36,973	28,377
Water usage tax	210	194
Other taxes	14,416	14,191
Total	3,167,181	2,235,599

Note 14. Revenues

	3 months ended 31 March 2017	3 months ended 31 March 2016
Electricity and capacity	36,074,732	30,016,737
Heating	1,786,091	1,800,119
Other	284,583	301,253
Total	38,145,406	32,118,109

Note 15. Operating expenses

	3 months ended 31 March 2017	3 months ended 31 March 2016
Fuel	18,149,620	16,580,831
Purchased electricity, capacity and heat	3,077,267	2,824,865
Depreciation and amortisation of property, plant, equipment and intangible assets	2,761,809	1,871,060
Employee benefits	1,973,588	1,960,037
Taxes other than income tax	819,022	759,213
Repairs and maintenance	555,998	779,870
Rent	532,390	582,222
Dispatcher's fees	511,710	499,868
Electricity transit	474,248	365,169
Raw materials and supplies	324,754	782,739
Transport	209,721	194,900
Ecological payments	57,303	82,584
Insurance	56,814	44,461
Loss on disposal of other assets	51,117	25,134
Consulting, legal and audit services	34,069	27,906
Charge / (reversal) of provision for inventory obsolescence	7,214	(223)
Gain on disposal of property, plant, equipment	(4,018)	(7,619)
Reversal of provision for impairment of trade and other receivables	(189,076)	(64,820)
Other expenses	927,142	825,091
Total operating expenses	30,330,692	28,133,288

Employee benefits expenses comprise the following:

	3 months ended 31 March 2017	3 months ended 31 March 2016
Salaries and wages	1,426,348	1,428,665
Social funds contribution	455,585	451,398
Financial aid to employees and pensioners	67,663	58,970
Non-state pensions and other long-term benefits	23,992	21,004
Employee benefits	1,973,588	1,960,037
Average number of personnel for the period	9,095	9,212

Included in social funds contribution are statutory pension contributions of RR 355,115 thousand for the 3 months ended 31 March 2017 (for the 3 months ended 31 March 2016: RR 365,029 thousand).

Note 16. Finance income

	3 months ended 31 March 2017	3 months ended 31 March 2016
Interest income on bank deposits and current bank account balances	172,662	194,856
Foreign currency exchange gain	83,666	234,530
Effect of discounting of long-term promissory notes received	7,171	10,758
Interest income on loans	3,094	24,629
Effect of discounting of long-term trade and other receivables	471	513
Effect of discounting of long-term payables	-	2,471
Other	40,829	37,044
Total finance income	307,893	504,801

Note 17. Finance costs

	3 months ended 31 March 2017	3 months ended 31 March 2016
Interest expense on debt	1,578,936	747,134
Foreign currency exchange loss	62,070	262,780
Interest on employee benefit obligations	48,662	49,283
Effect of discounting of long-term payables	33,960	8,303
Unwinding of the present value discount - provision for ash dump	25,918	56,019
Interest expense under finance lease agreements	-	1,333
Total finance costs	1,749,546	1,124,852

Note 18. Earnings per share

	3 months ended 31 March 2017	3 months ended 31 March 2016
Weighted average number of ordinary shares issued	105,920,206,241	105,809,765,086
Profit attributable to the shareholders of JSC "OGK-2" (thousands of RR)	5,005,308	2,783,733
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.05	0.03

The diluted earnings per share are equal to the basic earnings per share as the Company has no dilutive ordinary shares.

Note 19. Capital commitments

As at 31 March 2017 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 6,661,587 thousand (as at 31 December 2016: RR 5,387,513 thousand).

Note 20. Financial instruments and financial risks factors

Compliance with covenants. The Group is subject to certain covenants related primarily to its loans and borrowings. The Group was in compliance with covenants at 31 March 2017 and 31 December 2016.

Fair values. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(i) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period.

(ii) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows (except those financial assets which carrying value is equal to fair value):

	Notes	Level 1	Level 2	Level 3	Fair value	Carrying value
31 March 2017						
Financial assets						
Promissory notes	7	-	357,520	-	357,520	329,483
Loan issued	7	-	112,381	-	112,381	121,644
Total financial assets		-	469,901	-	469,901	451,127
Financial liabilities						
Debt	9, 11	-	(65,500,168)	-	(65,500,168)	(67,326,429)
Trade and other payables	10, 12	-	-	(16,511,127)	(16,511,127)	(16,528,590)
Total financial liabilities		-	(65,500,168)	(16,511,127)	(82,011,295)	(83,855,019)
31 December 2016						
Financial assets						
Promissory notes	7	-	347,983	-	347,983	323,529
Loan issued	7	-	109,284	-	109,284	118,550
Total financial assets		-	457,267	-	457,267	442,079
Financial liabilities						
Debt	9, 11	-	(64,752,474)	-	(64,752,474)	(67,050,023)
Trade and other payables	10, 12	-	-	(17,713,451)	(17,713,451)	(17,640,537)
Total financial liabilities		-	(64,752,474)	(17,713,451)	(82,465,925)	(84,690,560)

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. The carrying amounts of trade and other receivables approximates their fair values. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Liabilities carried at amortised cost. Fair values of financial liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Note 21. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 99.3% of the Group revenue for the 3 months ended 31 March 2017 (for the 3 months ended 31 March 2016: 99.1%). The Group operates in Russian Federation.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separately due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Kirishskaya GRES, Novocherkasskaya GRES, Stavropolskaya GRES, Krasnoyarskaya GRES-2, Troitskaya GRES, Serovskaya GRES (as at 31 March 2017 Ryazanskaya GRES and Cherepovetskaya GRES ceased to be reporting segments and are included in the "Other operating segments"). All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main differences relate to the respective carrying values of the value of property, plant and equipment. The Group does not have inter-segment revenue. The main contractor of the Group is JSC "FSC" which

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2017 (unaudited)



(in thousands of Russian Roubles unless noted otherwise)

generates 46% of the Group revenue for the 3 months ended 31 March 2017 (for the 3 months ended 31 March 2016: 51%).

3 months ended 31 March 2017	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Krasnoyarskaya GRES-2
Revenue	5,520,167	5,378,387	5,106,633	5,748,685	2,602,259
Segment operating profit / (loss)*	1,092,021	1,582,741	(147,118)	424,723	819,830
3 months ended 31 March 2017	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total operating segments
Revenue	3,872,193	2,126,902	7,790,180		38,145,406
Segment operating profit / (loss)*	1,948,718	801,013	1,945,404		8,467,332
3 months ended 31 March 2016	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Krasnoyarskaya GRES-2
Revenue	5,614,471	4,692,599	3,857,408	4,809,786	2,440,848
Segment operating profit / (loss)*	947,169	1,546,506	(78,668)	306,621	849,954
3 months ended 31 March 2016	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total operating segments
Revenue	972,429	1,936,368	7,794,200		32,118,109
Segment operating profit / (loss)*	(472,008)	568,611	1,011,975		4,680,160

* Segment operating profit / (loss) represents segment operating profit / (loss) under RAR.

A reconciliation of management financial information prepared in accordance with RAR to consolidated financial statements prepared in accordance with IFRS is provided below:

	3 months ended 31 March 2017	3 months ended 31 March 2016
Segment operating profit	8,467,332	4,680,160
Adjustments, arising from different accounting policy:	(157,643)	(83,802)
Gain on disposal of assets	2,248	5,856
Reversal of provision for impairment of trade and other receivables	222	397
Finance lease	-	18,308
Depreciation adjustment	(179,027)	(188,152)
Other adjustments	18,914	79,789
Unallocated expenses:	(505,109)	(499,710)
Reversal of provision for impairment of trade and other receivables	103,718	105,660
Consulting, legal and audit services	(11,765)	(11,346)
Rent	(64,161)	(88,026)
Employee benefits	(136,496)	(133,919)
Other corporate expenses	(396,405)	(372,079)
Operating profit (IFRS)	7,804,580	4,096,648

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Krasnoyarskaya GRES-2
31 March 2017	5,207,073	21,775,440	38,224,897	3,246,809	4,388,948
31 March 2017	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total assets
	56,029,751	23,293,705	37,389,219		189,555,842

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2017 (unaudited)

(in thousands of Russian Roubles unless noted otherwise)



	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Krasnoyarskaya GRES-2
31 December 2016	5,052,812	22,065,226	38,371,281	3,185,116	4,223,356
	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total assets
31 December 2016	56,134,118	23,616,518	37,820,397		190,468,824

A reconciliation of management financial information to consolidated financial statements prepared in accordance with IFRS is provided below:

	31 March 2017	31 December 2016
Total assets for reportable segment	189,555,842	190,468,824
Adjustments, arising from different accounting policy:	8,344,538	8,425,731
Property, plant and equipment adjustment	8,152,409	8,319,609
Deposits for pensions	566,848	545,169
Deferred tax	(3,510)	(3,574)
Impairment of trade and other receivables	(4,088)	(4,310)
Discounting of long-term trade and other receivables (Note 7)	(8,381)	(8,852)
Provision for inventory obsolescence	(34,307)	(27,162)
Discounting of promissory notes (Note 7)	(240,544)	(247,715)
Other adjustments	(83,889)	(147,434)
Unallocated assets	24,920,074	17,513,481
Total assets (IFRS)	222,820,454	216,408,036

The unallocated assets are the assets which cannot be directly related to the certain operating segment and are also out of the operating segment control for decision making purposes. These assets include intangible assets, short – term and long - term trade receivables (which mainly presented by receivables for sales of electricity and power on the wholesale electric power market), cash in bank, deposits, inventories and items of property, plant and equipment which are subject to the headquarters control.

Management of the Group does not review the information in respect of operating segment's liabilities in order to make a decision about allocation of resources, because of centralisation of significant part of payment transactions.

Note 22. Events after the reporting date

In connection with changes in the list of objects of Contracts on capacity provision (CCP) on the basis of the Decision of the Government of the Russian Federation No132-r of 2 February 2016, the CCP object «Unit №12 Verkhnetagilskoy GRES» was assigned to the Company. In April 2017 the agreements on transfer of rights and obligations on agency agreement and CCP agreements regarding the CCP object «Unit №12 Verkhnetagilskoy GRES» were concluded. Also in April 2017 the Company issued guarantees on performance of obligations on agency agreement and CCP agreements by the other participant of the CCP Program and received a guarantee to recover the abovementioned expenses in case they occur.

General Director

S.A. Ananyev

Chief Accountant

