



OGK-2 GROUP

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED
30 JUNE 2018 (UNAUDITED)**

Translation from the Russian original

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Translation from the Russian original

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of JSC “OGK-2”

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC “OGK-2” (OGRN 1052600002180, 66-1, lit. A, Peterburgskoye Highway, 196140, Saint Petersburg, Russian Federation) and its subsidiaries (the Group), which comprise the interim condensed consolidated statement of financial position as at 30 June 2018, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2018 and notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2018 (interim financial information). Managing organization LTD “Gazprom energoholding” is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Translation from the Russian original

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34.

The translation is true and correct.

The engagement partner on the review



A.B.Balyakin

Audit company:

BDO Unicon Aktionerное Obshchestvo

Main State Registration Number: 1037739271701

11/1, 125 Warshavskoye Shosse, Moscow, 117587, Russia

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association)

Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations:
11603059593

27 August 2018

OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position
as at 30 June 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	30 June 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	5	181,542,084	184,267,282
Intangible assets	6	634,165	718,174
Deferred income tax assets		423,453	357,168
Other non-current assets	7	829,886	908,728
Total non-current assets		183,429,588	186,251,352
Current assets			
Cash and cash equivalents	8	4,693,338	5,140,926
Trade and other receivables	9	12,015,039	13,472,830
Inventories	10	12,450,869	11,129,570
Income tax prepayments		500,434	65,106
Total current assets		29,659,680	29,808,432
TOTAL ASSETS		213,089,268	216,059,784
EQUITY AND LIABILITIES			
Equity			
Share capital	11		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,821,383)	(3,821,383)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		60,792,072	56,398,279
Equity attributable to the shareholders of JSC "OGK-2"		125,406,391	121,012,598
Total equity		125,406,391	121,012,598
Non-current liabilities			
Deferred income tax liabilities		13,079,234	12,192,821
Non-current debt	12	47,567,989	57,891,843
Retirement benefit obligations		1,897,575	1,820,404
Restoration provision		1,112,997	1,075,463
Other long-term liabilities	13	7,476,369	561,975
Total non-current liabilities		71,134,164	73,542,506
Current liabilities			
Current debt and current portion of non-current debt	14	1,015,247	1,443,237
Trade and other payables	15	13,265,700	18,404,720
Other taxes payable	16	2,191,715	1,577,399
Restoration provision		76,051	79,324
Total current liabilities		16,548,713	21,504,680
Total liabilities		87,682,877	95,047,186
TOTAL EQUITY AND LIABILITIES		213,089,268	216,059,784

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

27 August 2018

The interim condensed consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out on pages 9 to 30

OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows
for the 6 months ended 30 June 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



Notes	6 months ended 30 June 2018	6 months ended 30 June 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	8,060,937	8,656,496
Adjustments to reconcile profit before income tax to net cash provided by operations:		
Depreciation and amortisation of property, plant, equipment and intangible assets	18 6,305,405	5,534,357
Impairment loss / (reversal of impairment loss) on financial assets	897,933	(295,406)
Charge of provision for inventory obsolescence	18 118	7,576
Finance income	19 (466,038)	(461,486)
Finance costs	20 2,681,811	3,323,891
Non-state pensions and other long-term benefits	18 46,419	(547,911)
Loss on disposal of assets, net	18 38,065	95,772
Operating cash flows before working capital changes and income tax paid	17,564,650	16,313,289
Working capital changes:		
(Increase) / decrease in trade and other receivables	(55,135)	650,626
Increase in inventories	(1,208,603)	(1,336,695)
(Decrease) / increase in trade and other payables	(240,220)	183,085
Increase / (decrease) in taxes payable, other than income tax	612,305	(344,973)
Decrease in retirement benefit obligations	(41,125)	(39,574)
Income tax paid	(1,003,299)	(1,140,293)
Net cash generated from operating activities	15,628,573	14,285,465
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3,323,773)	(2,879,304)
Proceeds from sale of property, plant and equipment	14,488	5,462
Purchase of intangible assets	(64,725)	(32,245)
Repayment of loans issued	64,984	-
Interest received	292,885	275,801
Net cash used in investing activities	(3,016,141)	(2,630,286)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	14,110,000	-
Repayment of short-term borrowings	(355,510)	(2,500,000)
Repayment of long-term borrowings	(24,426,899)	(7,600,000)
Interest paid	(2,429,033)	(3,077,493)
Payments under finance lease	(5,480)	(371)
Net cash used in financing activities	(13,106,922)	(13,177,864)
Net decrease in cash and cash equivalents	(494,490)	(1,522,685)
Effect of exchange rate changes on cash and cash equivalents	46,902	(14,160)
Cash and cash equivalents at the beginning of the period	8 5,140,926	4,538,684
Cash and cash equivalents at the end of the period	8 4,693,338	3,001,839

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

27 August 2018

OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity
for the 6 months ended 30 June 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Total equity
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	-	-	-	6,826,251	6,826,251	6,826,251
Remeasurements of retirement benefit obligations, net of tax	-	-	-	(87,779)	(87,779)	(87,779)
<i>Total comprehensive income for the period</i>	-	-	-	6,738,472	6,738,472	6,738,472
Dividends (Note 11)	-	-	-	(874,173)	(874,173)	(874,173)
At 30 June 2017	40,057,009	(3,961,865)	28,378,693	56,181,362	120,655,199	120,655,199
	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Total equity
At 1 January 2018 (Note 3)	40,057,009	(3,821,383)	28,378,693	55,968,010	120,582,329	120,582,329
Profit for the period	-	-	-	6,563,554	6,563,554	6,563,554
Remeasurements of retirement benefit obligations, net of tax	-	-	-	(9,672)	(9,672)	(9,672)
<i>Total comprehensive income for the period</i>	-	-	-	6,553,882	6,553,882	6,553,882
Dividends (Note 11)	-	-	-	(1,729,820)	(1,729,820)	(1,729,820)
At 30 June 2018	40,057,009	(3,821,383)	28,378,693	60,792,072	125,406,391	125,406,391

Managing Director

Chief Accountant



[Handwritten signatures]

A.V. Semikolenov

L.V. Klishch

27 August 2018

The interim condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 30



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 66-1, lit. A, Peterburgskoye Highway, 196140, Saint Petersburg, Russian Federation.

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

	% owned	
	30 June 2018	31 December 2017
LLC "OGK-2 Finance"	100%	100%
LLC "Centr 112"	100%	100%
LLC "OGK-Investproekt"	100%	100%

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 6 months ended 30 June 2018 the Russian economy continued to be negatively impacted by 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. The Company is part of the GAZPROM Group (www.gazprom.ru), which includes PJSC "GAZPROM" and its subsidiaries. PJSC "Centerenergyholding" owns 73.42% of the shares of JSC "OGK-2" as at 30 June 2018 (as at 31 December 2017: 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 30 June 2018 and 31 December 2017.

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 6 months ended 30 June 2018 ("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 consolidated financial statements for the year ended 31 December 2017, 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 and purchases of electricity. This seasonality does not impact on the revenue or cost recognition policies of the Group.

Note 3. New accounting developments

The significant accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017, except for the application of new standards that became effective on 1 January 2018.

The Group has adopted all new standards, amendments to standards and interpretations that were effective from 1 January 2018.

Application of new IFRSs

IFRS 9 Financial Instruments (issued in November 2009 and effective for annual periods beginning on or after 1 January 2018)

a) Classification and measurement of financial assets

The Group classifies financial assets into three measurement categories: those measured subsequently at amortised cost, those measured subsequently at fair value with changes recognised in other comprehensive income, and those measured subsequently at fair value with changes recognised in profit or loss.

Classification of financial assets depends on the business-model used by the Group for management of financial assets and contractual cash flows.

Financial assets measured subsequently at amortised cost. Such category of financial assets includes assets held to obtain contractual cash flows and it is expected that they will result in cash flows being solely payments of principal and interest, specifically loans, accounts receivable and investments held-to-maturity.

There are no changes in classification of financial assets that previously were also measured at amortised cost.

Financial assets measured subsequently at fair value with changes recognised in other comprehensive income. Such category of financial assets includes debt-type assets held within business models whose objective is achieved by both collecting contractual cash flows and selling financial assets and it is expected that they will result in cash flows being payments of principal and interest. The Group does not have such financial assets.

Financial assets that do not meet the criteria of recognition as financial assets measured at amortised cost or measured at fair value through other comprehensive income are measured at fair value through profit or loss. The Group does not have such financial assets.

b) Impairment of financial assets

The Group has introduced a new model of recognition of impairment losses - the expected credit loss model. The Group applies the "expected credit loss" model to financial assets measured at amortised cost or at fair value through other comprehensive income, except for investments in equity instruments, and to contract assets.



The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset is measured at an amount equal to 12-month expected credit losses.

For trade receivables measurement based on lifetime expected credit losses is applied. For assessment of expected credit losses trade receivables are grouped based on characteristics of general credit risk, type of receivables and default period. The Group calculates expected rates of credit losses for accounts receivables based on historic data that assume reasonable approximation of rates for actual losses taking into account external factors and projected values.

c) Classification and measurement of financial liabilities

Changes of the standard do not have significant effect on accounting of financial liabilities of the Group as the new requirements mainly concern accounting of financial liabilities measured at fair value through profit or loss which are absent in the Group.

Thus, application of IFRS 9 Financial Instruments has not had a significant effect on the consolidated interim condensed financial statements of the Group. The Group applied IFRS 9 Financial Instruments retrospectively and used an option not to restate prior periods in respect of new requirements. The effect of applying IFRS 9 Financial Instruments net of tax was recognized in the opening balance of retained earnings and other reserves as at 1 January 2018 in the interim condensed consolidated statement of changes in equity of the Group for the 6 months ended 30 June 2018.

	Balance as at 1 January 2018	Effect of initial application of IFRS 9	Restated balance as at 1 January 2018
Retained earnings and other reserves	56,398,279	(430,269)	55,968,010
Total equity	121,012,598	(430,269)	120,582,329

According to the new requirements of the standard credit losses in relation to trade and other receivables are presented separately in the interim condensed consolidated statement of comprehensive income. The Group has applied this requirement in relation to current period and also reclassified comparable data on gains on reversal of recognized credit losses in the amount of RR 295,406 thousand from the line "Operating expenses" into the line "Impairment loss / reversal of impairment loss on financial assets" in the interim condensed consolidated statement of comprehensive income for the 6 months ended 30 June 2017.

IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after 1 January 2018)

Revenue is recognized as the obligation to perform is fulfilled by transferring a promised good or service to a customer. An asset is transferred when the control over such asset is passed to the customer.

Application of IFRS 15 Revenue from Contracts with Customers has not had a significant effect on the interim condensed consolidated financial statements of the Group. Therefore, comparative data and opening balance of retained earnings and other reserves as at 1 January 2018 have not been restated.

Application of Interpretations and Amendments to existing Standards

A number of interpretations and amendments to current IFRSs became effective for the periods beginning on or after 1 January 2018:

IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) provides requirements for recognizing a non-monetary asset or a non-monetary obligation arising from a result of committing or receiving prepayment until the recognition of the related asset, income or expense.

The amendments to IFRS 2 Share-based Payment (issued in June 2016). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.



The amendments to IAS 40 Investment Property (issued in December 2016). These amendments clarify the criteria for the transfer of objects in the category or from the category of investment property.

The Group has reviewed these interpretations and amendments to standards while preparing interim condensed consolidated financial statements. The interpretations and amendments to standards have no significant impact on the Group's interim condensed consolidated financial statements.

Standards, Interpretations and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards, interpretations and amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2019. In particular, the Group has not early adopted the standards and amendments:

IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard replaces the previous IAS 17 Leases and establishes a general accounting model for all types of lease agreements in statement of financial position equal current accounting of the financial lease and obliges lessees to recognize assets and liabilities under lease agreements except cases specifically mentioned. Insignificant changes in the applicable accounting required IAS 17 Leases are implemented for lessors.

IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognizing and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.

The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.

The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalization in particular circumstances.

The Group is currently assessing the impact of the amendments on its financial position and results of operations.

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:

Revenues

	6 months ended 30 June 2018	6 months ended 30 June 2017
Electricity and capacity	1,743,767	1,553,531
Heating	2,647	2,946
Other	95,254	92,608
Total	1,841,668	1,649,085

Operating expenses

	6 months ended 30 June 2018	6 months ended 30 June 2017
Fuel	18,668,917	19,447,113
Rent	1,515,604	1,207,274
Repairs	1,499,266	1,436,307
Transport	321,112	345,623
Insurance	108,885	117,929
Purchased electricity, capacity and heat	102,710	100,518
Penalties and fines	73,742	19,567
Consulting, legal and audit services	15,875	18,910
Loss on disposal of assets, net	(395)	(254)
Other expenses	607,392	658,291
Total operating expenses	22,913,108	23,351,278

Finance income

	6 months ended 30 June 2018	6 months ended 30 June 2017
Interest income on bank deposits and current bank account balances	37,993	99,406
Interest income on loans	3,704	6,225
Effect of discounting of long-term promissory notes received	-	695
Total finance income	41,697	106,326

Finance costs

	6 months ended 30 June 2018	6 months ended 30 June 2017
Interest expense on debt	1,493,721	1,977,166
Effect of discounting of long-term payables	18,247	1,507
Interest expense under finance lease agreements	3,886	380
Total finance costs	1,515,854	1,979,053



Purchase of non-current and current assets

	6 months ended 30 June 2018	6 months ended 30 June 2017
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	519,030	921,334
	71,401	215,725
Purchases of materials	165,553	198,390
Purchases of intangible assets	109	590
Total purchase of non-current and current assets	684,692	1,120,314

Other transactions

	6 months ended 30 June 2018	6 months ended 30 June 2017
Impairment loss on financial assets	562	-
Repayment of borrowings (excluding interest)	2,360,990	2,500,000
Repayment of loans issued (excluding interest)	64,984	-

Balances

	30 June 2018	31 December 2017
Long-term loan issued (Note 7)	51,294	131,101
Cash and cash equivalents (Note 8)	3,911,352	3,973,595
Trade and other receivables	1,654,600	1,034,244
Advances for property, plant and equipment (net of VAT)	193,147	341,457
Debt (Note 12, 14)	32,699,900	35,101,718
Trade and other payables	12,244,241	10,807,732

As at 30 June 2018 the Group has capital commitments to GAZPROM Group (including VAT) of RR 13,065,309 thousand (as at 31 December 2017: RR 9,401,445 thousand).

Operating lease rentals (excluding contingent rent) to GAZPROM Group are payable as follows:

	30 June 2018	31 December 2017
Not later than one year	3,513,481	2,528,479
Later than one year and not later than five years	561,674	662,372
Total	4,075,155	3,190,851

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.

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



Transactions with the state-controlled entities were as follows:

Revenues

	6 months ended 30 June 2018	6 months ended 30 June 2017
Electricity and capacity	12,341,284	10,339,481
Heating	570,048	585,026
Other	1,315,691	483,979
Total	14,227,023	11,408,486

Operating expenses

	6 months ended 30 June 2018	6 months ended 30 June 2017
Electricity transit (Note 18)	1,054,692	951,481
Dispatcher's fees (Note 18)	1,004,414	1,023,834
Penalties and fines	356,433	96,402
Purchased electricity, capacity and heat	319,536	219,880
Rent	39,191	37,058
Ecological payments	33,322	33,881
Transport	3,253	1,602
Repairs	1,541	1,447
Consulting, legal and audit services	921	8,258
Other expenses	409,742	581,366
Total operating expenses	3,223,045	2,955,209

Finance income

	6 months ended 30 June 2018	6 months ended 30 June 2017
Interest income on bank deposits and current bank account balances	190,920	161,934
Total finance income	190,920	161,934

Finance costs

	6 months ended 30 June 2018	6 months ended 30 June 2017
Interest expense on debt	189,673	509,706
Total finance costs	189,673	509,706



Purchase of non-current and current assets

	6 months ended 30 June 2018	6 months ended 30 June 2017
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	265,964	52,036
Other purchases	263,035	48,580
	46,299	192,498
Total purchase of non-current and current assets	312,263	244,534

Other transactions

	6 months ended 30 June 2018	6 months ended 30 June 2017
Impairment loss / (reversal of impairment loss) on financial assets	496,352	(19,344)
Proceeds from borrowings	9,110,000	-
Repayment of borrowings (excluding interest)	14,110,000	7,600,000

Balances

	30 June 2018	31 December 2017
Trade and other receivables	3,547,508	4,059,912
Advances for property, plant and equipment (net of VAT)	212,949	19,967
Cash and cash equivalents (Note 8)	617,947	542,377
Trade and other payables	793,959	847,212
Debt (Note 12,14)	9,115,316	14,119,203

As at 30 June 2018 the Group has capital commitments to state-controlled entities (including VAT) of RR 1,150,420 thousand (as at 31 December 2017: RR 1,148,754 thousand).

Operating lease rentals (excluding contingent rent) to state-controlled entities are payable as follows:

	30 June 2018	31 December 2017
Not later than one year	82,666	69,960
Later than one year and not later than five years	294,244	271,392
Later than five years and not later than ten years	365,094	336,979
Later than ten years	2,458,467	2,308,363
Total	3,200,471	2,986,694

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":

	6 months ended 30 June 2018	6 months ended 30 June 2017
Sales of electricity	29,446,547	31,613,282
Purchases of electricity	5,409,531	5,464,160
Other income	1,238	2,084
Other expenses	10,391	10,633

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

	30 June 2018	31 December 2017
Trade and other receivables	1,665,825	2,370,953
Trade and other payables	452,603	592,376

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 6 months ended 30 June 2018 was RR 88,220 thousand (for the 6 months ended 30 June 2017: RR 92,276 thousand).

Transactions with other related parties

Transactions with other related parties represent transactions with the non-state pension funds ("NPF"). For the 6 months ended 30 June 2018 the Group made contributions of RR 22,737 thousand to NPF Electroenergetiki (for the 6 months ended 30 June 2017: RR 44,791 thousand).

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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 2018	60,495,050	36,937,220	106,502,387	40,963,438	3,144,039	23,334,899	271,377,033
Additions	-	-	-	14,167	56,029	3,589,192	3,659,388
Transfer	1,003,882	1,000,663	773,445	10,351,546	1,004	(13,130,540)	-
Disposals	(97,229)	(815,690)	(411,944)	(217,898)	(19,252)	(12,758)	(1,574,771)
Closing balance as at 30 June 2018	61,401,703	37,122,193	106,863,888	51,111,253	3,181,820	13,780,793	273,461,650
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2018	(22,100,635)	(15,294,091)	(31,786,790)	(16,091,069)	(1,513,473)	(323,693)	(87,109,751)
Charge for the period	(716,540)	(678,451)	(2,728,719)	(1,857,388)	(205,755)	-	(6,186,853)
Disposals	77,775	676,747	400,136	203,391	18,989	-	1,377,038
Transfer	-	-	(751)	(6,875)	-	7,626	-
Closing balance as at 30 June 2018	(22,739,400)	(15,295,795)	(34,116,124)	(17,751,941)	(1,700,239)	(316,067)	(91,919,566)
Net book value as at 30 June 2018	38,662,303	21,826,398	72,747,764	33,359,312	1,481,581	13,464,726	181,542,084
Net book value as at 31 December 2017	38,394,415	21,643,129	74,715,597	24,872,369	1,630,566	23,011,206	184,267,282
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	-	-	-	60,681	18,524	2,871,715	2,950,920
Transfer	351,355	170,869	1,168,222	408,864	10,065	(2,109,375)	-
Disposals	(1,721)	(51,543)	(7,064)	(18,301)	(9,386)	(53,039)	(141,054)
Closing balance as at 30 June 2017	58,847,324	36,231,413	104,573,235	40,167,256	2,350,882	24,318,060	266,488,170
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	(602,565)	(673,581)	(2,475,667)	(1,599,857)	(91,013)	-	(5,442,683)
Disposals	1,509	49,555	6,761	18,252	9,311	2,029	87,417
Closing balance as at 30 June 2017	(22,101,364)	(14,730,008)	(30,398,549)	(14,599,012)	(1,438,208)	(967,243)	(84,234,384)
Net book value as at 30 June 2017	36,745,960	21,501,405	74,174,686	25,568,244	912,674	23,350,817	182,253,786
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

The impairment provision balance in relation to property, plant and equipment and assets under construction is included in accumulated depreciation as at 30 June 2018 in the amount of RR 3,563,625 thousand (as at 31 December 2017: RR 3,572,353 thousand).

For the 6 months ended 30 June 2018 a power unit on site of Troitskaya GRES was commissioned.



Finance lease

The Group leased certain equipment under a number of finance lease agreements. At the end of the leases the Group has the option to purchase the equipment at a price significantly lower its fair value. The net book value of leased equipment is presented below:

	30 June 2018	31 December 2017
Other machinery and equipment	34,085	36,924
Total	34,085	36,924

The leased equipment is pledged as a security for the lease obligation.

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.

Operating lease rentals (excluding contingent rent) are payable as follows:

	30 June 2018	31 December 2017
Not later than one year	3,610,124	2,761,801
Later than one year and not later than five years	860,028	933,764
Later than five years and not later than ten years	369,719	336,979
Later than ten years	2,458,467	2,308,363
Total	7,298,338	6,340,907

Note 6. Intangible assets

	SAP software	Other intangibles	Total
Cost			
Balance as at 1 January 2018	862,292	567,230	1,429,522
Additions	-	43,369	43,369
Disposals	-	(66,121)	(66,121)
Balance as at 30 June 2018	862,292	544,478	1,406,770
Amortisation			
Balance as at 1 January 2018	(480,201)	(231,147)	(711,348)
Charge for the period	(45,241)	(82,137)	(127,378)
Disposals	-	66,121	66,121
Balance as at 30 June 2018	(525,442)	(247,163)	(772,605)
Net book value as at 30 June 2018	336,850	297,315	634,165
Net book value as at 31 December 2017	382,091	336,083	718,174

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	SAP software	Other intangibles	Total
Cost			
Balance as at 1 January 2017	1,279,057	410,090	1,689,147
Additions	-	25,830	25,830
Disposals	-	(6,139)	(6,139)
Balance as at 30 June 2017	1,279,057	429,781	1,708,838
Amortisation			
Balance as at 1 January 2017	(587,118)	(169,496)	(756,614)
Charge for the period	(69,677)	(30,508)	(100,185)
Disposals	-	6,139	6,139
Balance as at 30 June 2017	(656,795)	(193,865)	(850,660)
Net book value as at 30 June 2017	622,262	235,916	858,178
Net book value as at 31 December 2016	691,939	240,594	932,533

Note 7. Other non-current assets

	Notes	30 June 2018	31 December 2017
Long-term promissory notes (net of provision for impairment of RR 1,458 thousand as at 30 June 2018 and there were no provision for impairment as at 31 December 2017; nominal value of promissory notes is RR 460,210 thousand as at 30 June 2018 and RR 460,210 thousand as at 31 December 2017)	9	249,925	240,635
Long-term loan issued	9	51,294	131,101
Long-term trade and other receivables (net of provision for impairment of RR 2,909 thousand as at 30 June 2018 and RR 3,337 thousand as at 31 December 2017, and the effect of discounting of 6,181 thousand as at 30 June 2018 and RR 7,046 thousand as at 31 December 2017)	9	13,559	14,749
Financial assets		314,778	386,485
Deposits for pensions		490,701	498,131
Long-term advances to suppliers	9	17,117	17,019
Long-term input VAT from advances paid	9	195	-
Other		7,095	7,093
Total		829,886	908,728



Note 8. Cash and cash equivalents

	Currency	30 June 2018	31 December 2017
Current bank accounts	RR	4,120,196	4,267,106
Current bank accounts	KZT	-	63
Bank deposits with maturity of three months or less	RR	-	350,500
Bank deposits with maturity of three months or less	USD	573,086	523,194
Other cash and cash equivalents	RR	56	63
Total		4,693,338	5,140,926

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 30 June 2018*	30 June 2018	Credit rating on 31 December 2017*	31 December 2017
Bank GPB (JSC)	b1 / Positive	3,911,352	b1 / Positive	3,973,595
"BANK "ROSSIYA"	WR / Ratings		WR / Ratings	
Sberbank	Withdrawn	163,975	Withdrawn	274,373
VTB Bank (PJSC)	ba1 / Positive	44,360	ba1 / Positive	18,842
AO "ALFA-BANK"	b1 / Positive	501	b1 / Positive	341
	ba2 / Stable	8	ba2 / Stable	18
Total cash in bank		4,120,196		4,267,169

* 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 30 June 2018*	30 June 2018	Currency	Interest rate	Credit rating on 31 December 2017*	31 December 2017
Sberbank	USD	1.70%	Non-Prime	573,086	USD	0.84%	Non-Prime	523,194
"BANK "ROSSIYA"	-	-	-	-	RR	6.55%	Ratings Withdrawn	350,500
Total bank deposits with maturity of three months or less				573,086				873,694

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



Note 9. Trade and other receivables

	30 June 2018	31 December 2017
Trade receivables (net of provision for impairment of RR 10,281,734 thousand as at 30 June 2018 and RR 8,855,893 thousand as at 31 December 2017)	8,824,425	10,779,181
Other receivables (net of provision for impairment of RR 6,319,536 thousand as at 30 June 2018 and RR 6,312,701 thousand as at 31 December 2017, and the effect of discounting of RR 6,365 thousand as at 30 June 2018 and RR 7,228 thousand as at 31 December 2017)	1,532,295	1,547,651
Promissory notes (net of provision for impairment of RR 1,465 thousand as at 30 June 2018 and there were no provision for impairment as at 31 December 2017; nominal value of promissory notes is RR 461,427 thousand as at 30 June 2018 and RR 462,644 thousand as at 31 December 2017)	251,069	242,938
Loans issued	51,294	131,101
Interest receivable	1,714	3,034
Financial assets	10,660,797	12,703,905
Advances to suppliers (net of provision for impairment of RR 13,694 thousand as at 30 June 2018 and RR 13,337 thousand as at 31 December 2017)	1,458,762	842,256
Input VAT	217,329	314,890
Prepaid other taxes and social funds contribution	10,241	15,283
Total	12,347,129	13,876,334
Less: Long-term promissory notes	(249,925)	(240,635)
Long-term loans issued	(51,294)	(131,101)
Long-term advances to suppliers	(17,117)	(17,019)
Long-term trade and other receivables	(13,559)	(14,749)
Long-term input VAT from advances paid	(195)	-
Total	12,015,039	13,472,830

As at 30 June 2018 and 31 December 2017 the effective interest rate on the loans issued was 12.10%.

Breakdown of promissory notes is presented below:

Bank	Effective interest rate	Credit rating on 30 June 2018*	30 June 2018	Credit rating on 31 December 2017*	31 December 2017
AO "ALFA-BANK"	8.11%-9.50%	ba2 / Stable	248,130	ba2 / Stable	238,927
Other	12.67%	-	2,939	-	4,011
Total			251,069		242,938

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

Note 10. Inventories

	30 June 2018	31 December 2017
Spare parts	5,327,792	5,154,814
Fuel supplies	5,247,282	4,580,962
Materials and supplies	1,875,795	1,393,794
Total	12,450,869	11,129,570

Inventories are presented net of provision for obsolescence of RR 221,342 thousand as at 30 June 2018 and RR 221,945 thousand as at 31 December 2017.

Note 11. Equity

Share capital

	Number of ordinary shares 30 June 2018	Number of ordinary shares 31 December 2017
Issued shares	110,441,160,870	110,441,160,870
Treasury shares	(4,440,913,118)	(4,440,913,118)
Total outstanding shares	106,000,247,752	106,000,247,752

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

As at 30 June 2018 and 31 December 2017 the number of authorised for issue but not issued ordinary shares is 58,886,766,090 shares.

Dividends

The Company's annual statutory accounts form the basis for the annual profit distribution and other appropriations. The specific Russian legislation identifies the basis of distribution as net profit. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose an amount of the distributable reserves in these financial statements.

In June 2018 the Company declared final dividends for the year ended 31 December 2017 of RR 0.016319020075 per ordinary share for RR 1,729,820 thousand. These dividends were recognized as liability and deducted from equity.

In June 2017 the Company declared final dividends for the year ended 31 December 2016 of RR 0.00825304739908 per ordinary share for RR 874,173 thousand. These dividends were recognized as liability and deducted from equity.

Note 12. Non-current debt

	Currency	Effective interest rate	Due as at 30 June 2018	30 June 2018	31 December 2017
Loans	RR	7.90% - 10.00%	2020 - 2025	40,868,982	47,868,982
Bonds	RR	6.95% - 11.87%	2020 - 2021	6,683,101	10,000,000
Finance lease liability	RR	26.52% - 27.29%	2019 - 2020	15,906	22,861
Total				47,567,989	57,891,843

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.

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Breakdown of loans is presented below:

Company	30 June 2018	31 December 2017
PJSC "GAZPROM"	22,600,000	24,600,000
MOSENERGO	9,158,982	9,158,982
Sberbank	9,110,000	6,510,000
VTB Bank (PJSC)	-	7,600,000
Total	40,868,982	47,868,982

Maturity table

	30 June 2018	31 December 2017
Due for repayment		
Between one and two years	9,125,906	14,787
Between two and three years	9,007,931	24,118,074
Between three and four years	22,600,000	26,924,830
More than five years	6,834,152	6,834,152
Total	47,567,989	57,891,843

Note 13. Other long-term liabilities

	30 June 2018	31 December 2017
Trade payables (net of effect of discounting RR 135,834 thousand as at 30 June 2018 and RR 115,907 thousand as at 31 December 2017)	682,706	555,004
Other payables	6,793,663	6,971
Total finance liabilities	7,476,369	561,975

There is debt to MOSENERGO for the share of the capital of LLC "OGK-Investproekt" in the long-term other payables including interest in the amount RR 6,785,666 thousand as at the 30 June 2018, in the short-term other payables RR 6,563,399 thousand as at 31 December 2017.

Note 14. Current debt and current portion of non-current debt

	Currency	Effective interest rate	30 June 2018	31 December 2017
Current portion of long-term loans	RR	7.90% - 10.00%	917,202	1,317,427
Current portion of bonds	RR	6.95% - 11.87%	84,919	114,159
Current portion of finance lease liability	RR	26.52% - 27.29%	13,126	11,651
Total			1,015,247	1,443,237

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.

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Breakdown of loans is presented below:

Company	30 June 2018	31 December 2017
MOSENERGO	911,886	1,308,224
Sberbank	5,316	5,886
VTB Bank (PJSC)	-	3,317
Total	917,202	1,317,427

The lease liabilities are effectively secured as the rights for the leased asset revert to the lessor in the event of default.

Finance lease liabilities – minimum lease payments	30 June 2018	31 December 2017
Due for repayment		
Less than one year	18,730	18,731
Between one year and five years	17,981	27,346
Future finance charges on finance lease	(7,679)	(11,565)
Present value of lease liabilities	29,032	34,512

Note 15. Trade and other payables

	30 June 2018	31 December 2017
Trade payables (net of effect of discounting RR 1,067 thousand as at 30 June 2018 and 23,115 as at 31 December 2017)	10,383,046	10,549,070
Dividends payable	1,739,280	9,902
Accrued liabilities and other payables	756,924	7,074,655
Financial liabilities	12,879,250	17,633,627
Salaries and wages payable	360,447	716,839
Advances from customers	26,003	54,254
Total	13,265,700	18,404,720

Note 16. Other taxes payable

	30 June 2018	31 December 2017
Value added tax	1,429,293	840,973
Property tax	476,985	349,272
Social contributions	196,189	277,955
Personal income tax	51,663	64,490
Environment pollution payment	26,742	29,905
Water usage tax	262	195
Other taxes	10,581	14,609
Total	2,191,715	1,577,399



Note 17. Revenues

	6 months ended 30 June 2018	6 months ended 30 June 2017
Electricity and capacity	66,414,280	66,474,775
Heating	2,912,877	2,731,909
Other	1,802,038	887,049
Total	71,129,195	70,093,733

Note 18. Operating expenses

	6 months ended 30 June 2018	6 months ended 30 June 2017
Fuel	31,267,387	33,189,066
Depreciation and amortisation of property, plant, equipment and intangible assets	6,305,405	5,534,357
Purchased electricity, capacity and heat	6,049,349	5,961,767
Employee benefits	4,183,298	3,593,417
Taxes other than income tax	2,024,240	1,795,155
Repairs	1,637,165	1,535,032
Rent	1,591,732	1,381,309
Penalties and fines	1,272,967	157,484
Raw materials and supplies	1,156,165	941,675
Electricity transit	1,054,692	951,481
Dispatcher's fees	1,004,414	1,023,834
Transport	393,278	477,385
Ecological payments	110,123	106,594
Insurance	109,201	118,296
Consulting, legal and audit services	101,921	100,133
Loss on disposal of assets, net	38,065	95,772
Charge of provision for inventory obsolescence	118	7,576
Other expenses	1,655,032	1,899,905
Total operating expenses	59,954,552	58,870,238

Employee benefits expenses comprise the following:

	6 months ended 30 June 2018	6 months ended 30 June 2017
Salaries and wages	3,042,179	3,046,690
Social contributions	948,073	941,867
Financial aid to employees and pensioners	146,627	134,570
Non-state pensions and other long-term benefits	46,419	(547,911)
Other expenses	-	18,201
Employee benefits	4,183,298	3,593,417
Average number of personnel for the period	8,913	9,109

Included in social contributions are statutory pension contributions of RR 763,090 thousand for the 6 months ended 30 June 2018 (for the 6 months ended 30 June 2017: RR 742,330 thousand).

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In 2017, the Company changed the pension program, which led to a gain for the 6 months ended 30 June 2017.

Note 19. Finance income

	6 months ended 30 June 2018	6 months ended 30 June 2017
Interest income on bank deposits and current bank account balances	273,025	274,911
Foreign currency exchange gain	177,035	113,592
Effect of discounting of long-term promissory notes received	10,813	14,172
Interest income on loans	3,704	6,117
Effect of discounting of long-term restructured trade and other receivables	863	936
Effect of discounting of long-term payables	-	11,107
Other	598	40,651
Total finance income	466,038	461,486

Note 20. Finance costs

	6 months ended 30 June 2018	6 months ended 30 June 2017
Interest expense on debt	2,184,931	2,980,634
Foreign currency exchange loss	232,872	177,169
Effect of discounting of long-term payables	152,018	18,227
Interest on employee benefit obligations	68,241	96,392
Unwinding of the present value discount provision for ash dump	39,863	51,089
Interest expense under finance lease agreements	3,886	380
Total finance costs	2,681,811	3,323,891

Note 21. Earnings per share

	6 months ended 30 June 2018	6 months ended 30 June 2017
Weighted average number of ordinary shares issued	106,000,247,752	105,920,206,241
Profit attributable to the shareholders of JSC "OGK-2" (thousands of RR)	6,563,554	6,826,251
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.06	0.06

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

Note 22. Capital commitments

As at 30 June 2018 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 17,607,678 thousand (as at 31 December 2017: RR 16,399,422 thousand).

Note 23. 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 30 June 2018 and 31 December 2017.

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

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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
30 June 2018						
Financial assets						
Promissory notes	9	-	280,342	-	280,342	251,069
Loan issued	9	-	50,138	-	50,138	51,294
Total financial assets		-	330,480	-	330,480	302,363
Financial liabilities						
Debt	12, 14	-	(49,523,645)	-	(49,523,645)	(48,583,236)
Trade and other payables	13, 15	-	-	(20,261,293)	(20,261,293)	(20,355,619)
Total financial liabilities		-	(49,523,645)	(20,261,293)	(69,784,938)	(68,938,855)

	Notes	Level 1	Level 2	Level 3	Fair value	Carrying value
31 December 2017						
Financial assets						
Promissory notes	9	-	283,785	-	283,785	242,938
Loan issued	9	-	128,034	-	128,034	131,101
Total financial assets		-	411,819	-	411,819	374,039
Financial liabilities						
Debt	12, 14	-	(62,099,256)	-	(62,099,256)	(59,335,080)
Trade and other payables	13, 15	-	-	(18,242,685)	(18,242,685)	(18,195,602)
Total financial liabilities		-	(62,099,256)	(18,242,685)	(80,341,941)	(77,530,682)

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 24. 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 97,5% of the Group revenue for the 6 months ended 30 June 2018 (for the 6 months ended 30 June 2017: 98,7%). The Group operates in Russian Federation.

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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 Group discloses seven reporting segments: Kirishskaya GRES, Stavropolskaya GRES, Surgutskaya GRES-1, Novocherkasskaya GRES, Troitskaya GRES, Ryazanskaya GRES, Serovskaya GRES. 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 generates 41,4% of the Group revenue for the 6 months ended 30 June 2018 (for the 6 months ended 30 June 2017: 45%).

6 months ended 30 June 2018	Kirishskaya GRES	Stavropolskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES
Revenue	12,795,735	8,510,695	11,176,304	9,860,189	6,748,776
Segment operating profit*	4,018,896	217,344	1,426,280	350,110	1,688,480
6 months ended 30 June 2018	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments	
Revenue	5,099,087	3,468,767	13,469,642	71,129,195	
Segment operating profit*	1,533,972	764,054	1,734,618	11,733,754	
6 months ended 30 June 2017	Kirishskaya GRES	Stavropolskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES
Revenue	9,529,909	9,963,138	11,442,840	9,680,122	6,739,675
Segment operating profit / (loss)*	2,474,163	169,970	1,760,990	(113,420)	2,936,499
6 months ended 30 June 2017	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments	
Revenue	5,990,974	3,703,831	13,043,244	70,093,733	
Segment operating profit / (loss)*	1,258,923	982,043	2,201,128	11,670,296	

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

The main items of reconciliation of management financial information prepared in accordance with RAR to consolidated financial statements prepared in accordance with IFRS is provided in consolidated financial statements for the year ended 31 December 2017.

Segment's assets are disclosed below:

	Kirishskaya GRES	Stavropolskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES
30 June 2018	20,443,512	3,056,792	5,645,218	37,092,849	58,112,341
	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total assets	
30 June 2018	15,142,613	20,667,496	27,802,204	187,963,025	
	Kirishskaya GRES	Stavropolskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES
31 December 2017	20,988,147	3,381,361	5,515,593	37,619,739	57,220,749
	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total assets	
31 December 2017	15,024,540	20,386,788	28,616,720	188,753,637	

The main items of reconciliation of management financial information to consolidated financial statements prepared in accordance with IFRS is provided in consolidated financial statements for the year ended 31 December 2017.

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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 25. Events after the reporting date

There were no significant subsequent events that can influence the Group's financial position, cash flows or operating results which took place during the period between reporting date and date of signing of the Group's interim condensed consolidated financial statements for the 6 months ended 30 June 2018.

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

27 August 2018