



OGK-2 GROUP

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2019 (UNAUDITED)**

Translation from the Russian original

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OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position
as at 30 September 2019 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	30 September 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	171,262,528	176,494,377
Intangible assets		548,457	615,685
Deferred income tax assets	11	441,784	353,948
Other non-current assets	6	1,354,419	975,615
Total non-current assets		173,607,188	178,439,625
Current assets			
Cash and cash equivalents	7	18,680,338	6,577,568
Trade and other receivables	8	10,845,066	13,354,095
Inventories	9	14,002,610	12,004,239
Income tax prepayments		442,059	5,893
Other current assets		3,042,580	3,000,000
Total current assets		47,012,653	34,941,795
TOTAL ASSETS		220,619,841	213,381,420
EQUITY AND LIABILITIES			
Equity			
Share capital	10		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(24,083)	(3,706,973)
Share premium		26,856,509	28,378,693
Retained earnings and other reserves		70,757,584	62,586,843
Equity attributable to the shareholders of JSC "OGK-2"		137,647,019	127,315,572
Non-controlling interest		15,708	-
Total equity		137,662,727	127,315,572
Non-current liabilities			
Deferred income tax liabilities	11	13,401,780	12,987,413
Non-current debt	12	29,178,083	38,460,157
Retirement benefit obligations	13	1,891,133	1,599,543
Restoration provision		1,020,930	959,157
Other long-term liabilities	15	5,913,991	4,874,049
Total non-current liabilities		51,405,917	58,880,319
Current liabilities			
Current debt and current portion of non-current debt	14	17,651,549	8,611,170
Trade and other payables	15	11,447,671	15,467,251
Other taxes payable	16	2,401,670	2,907,214
Restoration provision		49,707	72,280
Income tax payable		600	127,614
Total current liabilities		31,551,197	27,185,529
Total liabilities		82,957,114	86,065,848
TOTAL EQUITY AND LIABILITIES		220,619,841	213,381,420

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

12 November 2019

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 7 to 27

OGK-2 Group
Interim Condensed Consolidated Statement of Comprehensive Income
for the 9 months ended 30 September 2019 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	3 months ended 30 September		9 months ended 30 September	
		2019	2018	2019	2018
Revenues	17	30,530,906	34,142,698	99,834,172	105,271,893
Operating expenses	18	(26,540,533)	(31,203,570)	(82,074,726)	(91,213,972)
Impairment loss on financial assets		(59,241)	(448,675)	(228,225)	(1,346,608)
Operating profit		3,931,132	2,490,453	17,531,221	12,711,313
Finance income	19	349,795	73,333	917,344	362,352
Finance costs	20	(1,126,485)	(888,425)	(3,035,685)	(3,337,367)
Profit before income tax		3,154,442	1,675,361	15,412,880	9,736,298
Income tax charge	11	(561,672)	(589,294)	(3,171,183)	(2,086,677)
Profit for the period		2,592,770	1,086,067	12,241,697	7,649,621
Other comprehensive (loss) / income:					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of retirement benefit obligation, net of tax	11, 13	(701)	104	(151,972)	(9,568)
Total comprehensive income for the period		2,592,069	1,086,171	12,089,725	7,640,053
Profit for the period attributable to:					
Shareholders of JSC "OGK-2"		2,588,665	1,086,067	12,237,592	7,649,621
Non-controlling interest		4,105	-	4,105	-
		2,592,770	1,086,067	12,241,697	7,649,621
Total comprehensive income for the period attributable to:					
Shareholders of JSC "OGK-2"		2,587,964	1,086,171	12,085,620	7,640,053
Non-controlling interest		4,105	-	4,105	-
		2,592,069	1,086,171	12,089,725	7,640,053
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)					
	21	0.02	0.01	0.11	0.07

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

12 November 2019

OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows
for the 9 months ended 30 September 2019 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	9 months ended 30 September 2019	9 months ended 30 September 2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		15,412,880	9,736,298
Adjustments to reconcile profit before income tax:			
Depreciation and amortization of property, plant, equipment, intangible assets and right-of-use assets	18	10,167,472	9,604,813
Impairment loss on financial assets		228,225	1,346,608
Charge of provision for inventory obsolescence		35,036	3,402
Finance income	19	(917,344)	(362,352)
Finance costs	20	3,035,685	3,337,367
Non-state pensions and other long-term benefits	18	106,068	67,683
Loss on disposal of assets, net		101,577	585,477
Other non-cash items		128,023	(47,992)
Operating cash flows before working capital changes and income tax paid		28,297,622	24,271,304
Working capital changes:			
Decrease / (increase) in trade and other receivables		1,276,848	(370,463)
Increase in inventories		(1,901,336)	(597,373)
Increase in trade and other payables		609,044	987,734
(Decrease) / increase in taxes payable, other than income tax		(513,845)	462,049
Decrease in retirement benefit obligations		(76,428)	(84,594)
Income tax paid		(3,379,201)	(1,004,238)
Net cash generated from operating activities		24,312,704	23,664,419
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(5,710,432)	(6,394,113)
Proceeds from sale of property, plant and equipment		8,046	33,231
Purchase of intangible assets		(122,251)	(97,627)
Proceeds from loans issued		1,500	64,984
Interest received		821,559	358,316
Business acquisition of subsidiaries, net of cash acquired		(63,730)	-
Net cash used in investing activities		(5,065,308)	(6,035,209)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowings		-	14,110,000
Repayment of short-term borrowings		-	(534,510)
Repayment of long-term borrowings		(164,000)	(26,026,899)
Interest paid		(2,840,217)	(3,235,825)
Payment of lease liabilities		(131,130)	(8,474)
Dividend paid to shareholders of JSC "OGK-2"		(3,890,177)	(1,726,307)
Net cash used in financing activities		(7,025,524)	(17,422,015)
Net increase in cash and cash equivalents		12,221,872	207,195
Effect of exchange rate changes on cash and cash equivalents		(119,102)	72,777
Cash and cash equivalents at the beginning of the period	7	6,577,568	5,140,926
Cash and cash equivalents at the end of the period	7	18,680,338	5,420,898

Managing Director

Chief Accountant



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A.V. Semikolenov

L.V. Klishch

12 November 2019

The interim condensed consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out on pages 7 to 27

OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity
for the 9 months ended 30 September 2019 (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"	Non-controlling interest	Total equity
At 1 January 2018	40,057,009	(3,821,383)	28,378,693	55,968,010	120,582,329	-	120,582,329
Profit for the period	-	-	-	7,649,621	7,649,621	-	7,649,621
Remeasurements of retirement benefit obligations, net of tax	-	-	-	(9,568)	(9,568)	-	(9,568)
<i>Total comprehensive income for the period</i>	-	-	-	<i>7,640,053</i>	<i>7,640,053</i>	-	<i>7,640,053</i>
Dividends (Note 10)	-	-	-	(1,729,820)	(1,729,820)	-	(1,729,820)
Restoration of unclaimed dividends	-	-	-	3,192	3,192	-	3,192
Transfer of treasury shares (Note 10)	-	114,410	-	(89,900)	24,510	-	24,510
At 30 September 2018	40,057,009	(3,706,973)	28,378,693	61,791,535	126,520,264	-	126,520,264
At 1 January 2019	40,057,009	(3,706,973)	28,378,693	62,586,843	127,315,572	-	127,315,572
Profit for the period	-	-	-	12,237,592	12,237,592	4,105	12,241,697
Remeasurements of retirement benefit obligations, net of tax	-	-	-	(151,972)	(151,972)	-	(151,972)
<i>Total comprehensive income for the period</i>	-	-	-	<i>12,085,620</i>	<i>12,085,620</i>	<i>4,105</i>	<i>12,089,725</i>
Dividends (Note 10)	-	-	-	(3,901,638)	(3,901,638)	-	(3,901,638)
Restoration of unclaimed dividends	-	-	-	2,429	2,429	-	2,429
Acquisition of businesses under common control (Note 1)	-	-	-	(15,670)	(15,670)	11,603	(4,067)
Transfer of treasury shares (Note 10)	-	3,682,890	(1,522,184)	-	2,160,706	-	2,160,706
At 30 September 2019	40,057,009	(24,083)	26,856,509	70,757,584	137,647,019	15,708	137,662,727

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

12 November 2019



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, Adlerskaya TES.

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"):

	Ownership interest (%)	
	30 September 2019	31 December 2018
LLC "Centr 112"	100%	100%
LLC "OGK-Investproekt"	100%	100%
LLC "OGK-2 Finance"	-	100%
LLC "Novomichurinskoe ATP"	100%	-
OJSC "Novomichurinskoe PPGT"	75%	-

As at 30 September 2019 the Group recognized 100% share in LLC «Novomichurinskoe ATP» and 75% share in OJSC «Novomichurinskoe ATP» for consolidation purposes. This transaction was considered as transfer of businesses from parties under common control. The assets and liabilities of the subsidiaries transferred under common control are accounted for at the predecessor entity's carrying amounts. Difference between the carrying amount of net assets and the nominal value of share capital contributed is accounted for in these financial statements as retained earnings. Value of the net assets of the acquired subsidiaries is RR 89,859 thousand. The Group's share in net assets of subsidiaries at the acquisition date is RR 78,256 thousand.

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 9 months ended 30 September 2019 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 the Company as at 30 September 2019 (as at 31 December 2018: 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 September 2019 and 31 December 2018.

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 9 months ended 30 September 2019 ("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 2018, which have been prepared in accordance with IFRS. In order to improve presentation some comparative information was aligned with present disclosure.

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 2018, except for the application of new standards that became effective on 1 January 2019.

The Group has adopted all new standards, amendments to standards and interpretations that were effective from 1 January 2019.

Application of new IFRSs

IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).

The new standard defines the principles of recognition, measurement, presentation and disclosure of information in the financial statements in respect of lease agreements. The standard requires lessees to recognize right-of-use assets and lease liabilities for most lease agreements.

Right-of-use assets are initially measured at cost and depreciated by the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The cost of right-of-use assets comprises of initial measurement of the lease liability, any lease payments made before or at the commencement date and initial direct costs.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortized cost with the interest expense recognized within finance expense in the consolidated statement of comprehensive income.

In accordance with IFRS 16, the Group elected not to apply the standard to short-term leases and leases with underlying assets of low value.

In accordance with transitional provisions of IFRS 16, the Group applied modified retrospective approach with cumulative effect of initial application of the standard recognized as at 1 January 2019. The Group followed allowed practical expedients and did not apply the new standard to leases for which the lease term ends within twelve months of the date of transition, and also applied one discount rate for a portfolio of contracts with relatively similar characteristics.

The table below shows the effect of the initial application of IFRS 16 Leases on the interim condensed consolidated statement of financial position as at 1 January 2019:

	Balance as at 31 December 2018	Effect of initial application of IFRS 16	Balance as at 1 January 2019 (restated)
Property, plant and equipment	176,494,377	1,208,919	177,703,296
Other non-current assets	975,615	(14,012)	961,603
Total non-current assets	178,439,625	1,194,907	179,634,532
Trade and other receivables	13,354,095	(211,989)	13,142,106
Total current assets	34,941,795	(211,989)	34,729,806
TOTAL ASSETS	213,381,420	982,918	214,364,338
Non-current debt	38,460,157	(8,074)	38,452,083
Other long-term liabilities	4,874,049	831,043	5,705,092
Total non-current liabilities	58,880,319	822,969	59,703,288
Current debt and current portion of non-current debt	8,611,170	(14,787)	8,596,383
Trade and other payables	15,467,251	174,736	15,641,987
Total current liabilities	27,185,529	159,949	27,345,478
Total liabilities	86,065,848	982,918	87,048,766
TOTAL EQUITY AND LIABILITIES	213,381,420	982,918	214,364,338

In the interim condensed consolidated statement of comprehensive income for the six months ended 30 September 2019 the Group has recorded RR 157,569 thousand in depreciation and amortisation of property, plant, equipment, intangible assets and right-of-use assets (Note 18) and RR 78,404 thousand (Note 19) in finance costs in relation to leases accounted for under IFRS 16 "Leases".

Explanation of differences between operation lease commitments as at 31 December 2018 with recognized lease liabilities as at 1 January 2019 is presented below:

Operating lease commitments as at 31 December 2018 disclosed applying IAS 17	5,405,557
Recognition exemptions:	
For short-term leases	(2,013)
For leases with variable payments	(2,459,593)
Effect of applying judgment regarding terms / variable lease payments based on index or rate as at 1 January 2019	(850,830)
Effect of discounting of lease liabilities as at 1 January 2019	(1,099,275)
Lease liabilities recognized in accordance with IFRS 16 as at 1 January 2019	993,846
Finance lease liability as at 31 December 2018	22,861
Lease liabilities in accordance with IFRS 16 as at 1 January 2019	1,016,707

The zero-coupon yield rate of government bonds, taking into account the risk premium adjusted by the correction factor, was used as the discount rate. The weighted average rate applied was 10.59%.

In June 2017, the IASB issued *IFRIC 23 Interpretation* entitled Uncertainty over Income Tax Treatments. The IFRIC clarifies that for the purposes of calculating current and deferred tax, companies should use a tax treatment of uncertainties, which will probably be accepted by the tax authorities. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019.

In October 2017, the IASB issued amendments to *IFRS 9 Financial instruments* named Prepayment Features with Negative Compensation. The amendments relate to financial assets with an option of early prepayment, the conditions of which allow early prepayment in a variable amount, which in turn may exceed as well as may be lower than remaining outstanding cash flows. The amendments allow to measure such prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2019.

In October 2017, the IASB issued an amendment to *IAS 28 Investments in Associates and Joint Ventures*. The amendment clarifies that long-term interests in associates and joint ventures that form part of the entity's net investment in an associate or joint venture should be accounted for in accordance with *IFRS 9 Financial Instruments*.

In December 2017, the IASB issued amendments to *IAS 3 Business Combinations* and *IFRS 11 Joint Arrangements*. This amendment clarifies the accounting for the acquisition of control (or joint control) over a business, which is a joint operation if the organization previously held interests in the business.

In December 2017, the IASB issued an amendment to *IAS 23 Borrowing Costs*. The amendment clarifies which borrowing costs are eligible for capitalisation in particular circumstances.

In December 2017, the IASB issued an amendment to *IAS 12 Income Taxes*. The amendment clarifies income tax consequences of payments on financial instruments classified as equity.

In February 2018, the IASB issued amendments to *IAS 19 Employee benefits* named Plan Amendment, Curtailment or Settlement. The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments are effective for annual periods beginning on or after 1 January 2019.

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 2020. In particular, the Group has not early adopted the standards and amendments:

In May 2017, the IASB issued *IFRS 17 Insurance Contracts*. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 Insurance Contracts. The standard is effective for annual periods beginning on or after 1 January 2021.

In March 2018, the IASB issued a revised version of *Conceptual Framework for Financial Reporting*. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses. The new version is effective for annual periods beginning on or after 1 January 2020.

In October 2018, the IASB issued amendments to *IFRS 3 Business Combinations*. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after 1 January 2020; earlier application is permitted.

In October 2018, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting policies, Changes in Accounting Estimates and Errors*. The amendments to IAS 1 and IAS 8 introduce new definition of material. The amendments are effective on or after 1 January 2020; earlier application is permitted.

The Group is currently assessing how these changes will affect its financial position and results of operations.

Note 4. Related Parties

Information on transactions and balances with related parties is presented below. 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

	9 months ended 30 September 2019	9 months ended 30 September 2018
Electricity and capacity	2,947,550	2,511,617
Heating	2,893	2,913
Other	460,347	161,627
Total	3,410,790	2,676,157

Operating expenses

	9 months ended 30 September 2019	9 months ended 30 September 2018
Fuel	25,408,392	28,121,100
Rent	3,163,350	1,921,942
Repairs and maintenance	2,270,980	2,398,725
Transport	602,794	486,751
Insurance	160,884	160,559
Consulting, legal and audit services	63,121	38,281
Purchased electricity, capacity and heat	31,509	139,030
Penalties and fines	13	99,411
Gain on disposal of assets	(888)	(1,231)
Other expenses	600,905	1,091,036
Total operating expenses	32,301,060	34,455,604

Rent expense for the 9 months ended 30 September 2019 includes expense relating to variable rental payments in the amount of RR 3,162,929 thousand and expense relating to short-term leases in the amount of RR 421 thousand.

Finance income

	9 months ended 30 September 2019	9 months ended 30 September 2018
Interest income on bank deposits and current bank account balances	84,172	61,419
Interest income on loans issued	2,310	4,886
Total finance income	86,482	66,305

Finance costs

	9 months ended 30 September 2019	9 months ended 30 September 2018
Interest expense on debt	1,526,310	2,219,855
Effect of discounting of long-term payables	104,480	27,109
Interest expenses on lease liabilities	36,887	5,575
Total finance costs	1,667,677	2,252,539



Purchase of non-current and current assets

	9 months ended 30 September 2019	9 months ended 30 September 2018
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	1,497,085	3,166,025
Purchases of materials	127,768	92,211
Purchases of intangible assets	473,123	815,219
	-	8,559
Total purchase of non-current and current assets	1,970,208	3,989,803

Other transactions

	9 months ended 30 September 2019	9 months ended 30 September 2018
Repayment of borrowings (excluding interest)	164,000	4,142,984
Repayment of loans issued (excluding interest)	-	64,984

Balances

	30 September 2019	31 December 2018
Loan issued	42,580	40,270
Cash and cash equivalents	4,537,577	4,331
Trade and other receivables	1,475,161	1,665,604
Advances for property, plant and equipment (net of VAT)	78,983	126,588
Debt (Note 12, 14)	22,684,489	22,874,485
Trade and other payables	12,404,375	13,549,763

As at 30 September 2019 the Group has capital commitments to GAZPROM Group and its associates (including VAT) of RR 11,175,111 thousand (as at 31 December 2018: RR 10,941,834 thousand).

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.

Transactions with the state-controlled entities were as follows:

Revenues

	9 months ended 30 September 2019	9 months ended 30 September 2018
Electricity and capacity	20,587,293	19,097,545
Heating	657,677	668,774
Other	301,230	1,881,844
Total	21,546,200	21,648,163

Operating expenses

	9 months ended 30 September 2019	9 months ended 30 September 2018
Dispatcher's fees (Note 18)	1,606,396	1,525,098
Purchased electricity, capacity and heat	224,258	478,829
Electricity transit (Note 18)	35,385	1,675,088
Ecological payments	28,696	48,140
Consulting, legal and audit services	5,593	1,553
Transport	2,883	5,491
Rent	81	3,638
Repairs and maintenance	-	3,227
Penalties and fines	(59,638)	558,634
Other expenses	722,227	568,737
Total operating expenses	2,565,881	4,868,435

Rent expense for the 9 months ended 30 September 2019 includes expense relating to short-term leases.

Finance income

	9 months ended 30 September 2019	9 months ended 30 September 2018
Interest income on bank deposits and current bank account balances	477,128	207,022
Total finance income	477,128	207,022

Finance costs

	9 months ended 30 September 2019	9 months ended 30 September 2018
Interest expense on debt	815,865	189,673
Interest expenses on lease liabilities	36,425	-
Total finance costs	852,290	189,673

Purchase of non-current and current assets

	9 months ended 30 September 2019	9 months ended 30 September 2018
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	374,921	429,657
Purchases of materials	157,694	426,067
Purchases of intangible assets	832,495	51,357
	2,772	441
Total purchase of non-current and current assets	1,210,188	481,455

Other transactions

	9 months ended 30 September 2019	9 months ended 30 September 2018
Impairment loss on financial assets	682,912	623,122
Proceeds from borrowings	-	9,110,000
Repayment of borrowings (excluding interest)	-	14,110,000

Balances

	30 September 2019	31 December 2018
Trade and other receivables	4,138,685	4,353,231
Advances for property, plant and equipment (net of VAT)	-	1,085
Cash and cash equivalents	14,131,286	2,560,189
Trade and other payables	1,039,102	920,964
Debt (Note 12, 14)	17,420,597	17,424,956

As at 30 September 2019 the Group has capital commitments to state-controlled entities (including VAT) of RR 5,709 thousand (as at 31 December 2018: RR 1,148,849 thousand).

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":

	9 months ended 30 September 2019	9 months ended 30 September 2018
Sales of electricity and capacity	41,866,458	44,683,513
Purchases of electricity and capacity	6,659,643	8,273,734
Other income	1,529	1,540
Other expenses	13,821	15,078

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

	30 September 2019	31 December 2018
Trade and other receivables	1,855,857	2,464,732
Trade and other payables	290,606	693,328

Transactions of key management personnel services

Short-term remuneration includes remuneration to members of the Board of Directors for the performance of their duties in these positions and participation in meetings of the Board of Directors, as well as members of the Company's Management Board before the transfer of the powers of the sole executive body to the management organization Gazprom Energoholding LLC on 4 July 2018 for performing their duties for positions held on an ongoing basis and consisted of a monthly salary, bonuses, taxes charged on them and other obligatory payments to relevant budgets, medical insurance costs. After the transfer of the powers of the sole executive body the remuneration of the management entity is included in the amount of short-term remuneration for the key management personnel services.

Total short-term remuneration for the key management personnel services for the 9 months ended 30 September 2019 was RR 148,614 thousand (for the 9 months ended 30 September 2018 was RR 109,966 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 2019 (Restated)	61,982,341	37,902,401	108,825,474	52,526,932	3,978,556	14,325,235	279,540,939
Additions	5,521	13,214	-	45,792	61,947	3,689,977	3,816,451
Transfer	3,627,273	2,629,024	1,141,273	5,388,680	143,437	(12,929,687)	-
Disposals	(19,152)	(162,326)	(403,177)	(632,132)	(15,167)	(4,915)	(1,236,869)
Closing balance as at 30 September 2019	65,595,983	40,382,313	109,563,570	57,329,272	4,168,773	5,080,610	282,120,521
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2019 (Restated)	(24,477,983)	(16,279,993)	(38,729,716)	(20,294,743)	(1,964,196)	(91,012)	(101,837,643)
Charge for the period	(1,215,375)	(1,091,563)	(4,170,406)	(3,238,532)	(323,486)	-	(10,039,362)
Disposals	9,267	54,415	373,656	566,893	14,781	-	1,019,012
Closing balance as at 30 September 2019	(25,684,091)	(17,317,141)	(42,526,466)	(22,966,382)	(2,272,901)	(91,012)	(110,857,993)
Net book value as at 30 September 2019	39,911,892	23,065,172	67,037,104	34,362,890	1,895,872	4,989,598	171,262,528
Net book value as at 31 December 2018	36,914,462	21,621,890	70,095,758	32,232,189	1,607,719	14,022,359	176,494,377
Net book value as at 1 January 2019 (Restated)	37,504,358	21,622,408	70,095,758	32,232,189	2,014,360	14,234,223	177,703,296
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	-	-	-	21,829	56,404	7,787,711	7,865,944
Transfer	1,003,882	1,192,045	1,041,552	10,382,414	218,670	(13,838,563)	-
Disposals	(110,481)	(933,039)	(1,235,762)	(238,576)	(61,024)	(16,845)	(2,595,727)
Closing balance as at 30 September 2018	61,388,451	37,196,226	106,308,177	51,129,105	3,358,089	17,267,202	276,647,250
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	(1,078,475)	(1,032,410)	(4,093,346)	(2,915,207)	(304,311)	-	(9,423,749)
Disposals	88,919	757,908	540,818	223,343	56,268	-	1,667,256
Transfer	-	-	(751)	(6,875)	-	7,626	-
Closing balance as at 30 September 2018	(23,090,191)	(15,568,593)	(35,340,069)	(18,789,808)	(1,761,516)	(316,067)	(94,866,244)
Net book value as at 30 September 2018	38,298,260	21,627,633	70,968,108	32,339,297	1,596,573	16,951,135	181,781,006
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

The impairment provision balance in relation to property, plant and equipment and assets under construction is included in accumulated depreciation as at 30 September 2019 in the amount of RR 7,320,047 thousand (as at 31 December 2018: RR 7,321,224 thousand).

The right-of-use assets are included in property, plant and equipment at 30 September 2019 with carrying value of RR 1,940,335 thousand (cost RR 2,106,405 thousand, accumulated depreciation RR 166,070 thousand), comprising mostly of land plots and office buildings.



Note 6. Other non-current assets

	30 September 2019	31 December 2018
Equity securities	314,698	443
Long-term promissory notes (nominal value of promissory notes is RR 458,993 thousand as at 30 September 2019 and RR 458,993 thousand as at 31 December 2018)	277,910	260,197
Long-term trade and other receivables (net of provision for impairment of RR 16,476 thousand as at 30 September 2019 and RR 21,476 thousand as at 31 December 2018)	63,181	20,483
Long-term loans issued	-	40,270
Financial assets	655,789	321,393
Deposits for pensions	488,789	500,536
Long-term advances to suppliers	206,343	153,491
Long-term input VAT from advances paid	3,498	195
Total	1,354,419	975,615

Note 7. Cash and cash equivalents

	Currency	30 September 2019	31 December 2018
Bank deposits with maturity three months or less	RR	17,692,100	5,488,500
Bank deposits with maturity three months or less	EUR	-	1,034,530
Current bank accounts	EUR	916,331	-
Current bank accounts	RR	71,808	54,538
Cash on hand	RR	99	-
Total		18,680,338	6,577,568

Note 8. Trade and other receivables

	30 September 2019	31 December 2018
Trade receivables		
(net of provision for impairment of RR 10,776,736 thousand as at 30 September 2019 and RR 10,590,673 thousand as at 31 December 2018)	9,492,356	10,859,532
Other receivables		
(net of provision for impairment of RR 6,855,767 thousand as at 30 September 2019 and RR 6,862,723 thousand as at 31 December 2018)	302,884	877,001
Promissory notes		
(nominal value of promissory notes is RR 460,210 thousand as at 30 September 2019 and RR 461,427 thousand as at 31 December 2018)	279,084	262,487
Interest receivable	71,162	28,367
Loans issued	42,580	40,270
Financial assets	10,188,066	12,067,657
Advances to suppliers		
(net of provision for impairment of RR 5,034 thousand as at 30 September 2019 and RR 5,023 thousand as at 31 December 2018)	1,042,714	1,598,739
Input VAT	189,141	142,013
Prepaid other taxes and social funds contribution	18,657	20,322
Total	11,438,578	13,828,731
Less:		
Long-term promissory notes		
(nominal value of promissory notes is RR 458,993 thousand as at 30 September 2019 and RR 458,993 thousand as at 31 December 2018)	(277,910)	(260,197)
Long-term advances to suppliers	(206,343)	(153,491)
Long-term trade and other receivables		
(net of provision for impairment of RR 16,476 thousand as at 30 September 2019 and RR 21,476 thousand as at 31 December 2018)	(63,181)	(20,483)
Loans issued	(42,580)	(40,270)
Long-term input VAT from advances paid	(3,498)	(195)
Total	10,845,066	13,354,095

As at 30 September 2019 and 31 December 2018 the effective interest rate on the loans issued was 12.10%.

Note 9. Inventories

	30 September 2019	31 December 2018
Spare parts	6,448,746	5,978,064
Fuel supplies	5,530,220	4,384,625
Materials and supplies	2,023,644	1,641,550
Total	14,002,610	12,004,239

Inventories are presented net of provision for obsolescence of RR 232,989 thousand and RR 197,953 thousand as at 30 September 2019 and 31 December 2018, respectively.

Note 10. Equity

Share capital

	Number of ordinary shares 30 September 2019	Number of ordinary shares 31 December 2018
Issued shares	110,441,160,870	110,441,160,870
Treasury shares	(28,416,040)	(4,373,963,548)
Total outstanding shares	110,412,744,830	106,067,197,322

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

As at 30 September 2019 and 31 December 2018 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 2019 the Company declared final dividends for the year ended 31 December 2018 of RR 0.036784587 per ordinary share for RR 3,901,638 thousand. These dividends were recognized as liability and deducted from equity.

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.

Treasury shares

In June 2019, the Annual General Meeting of Shareholders of JSC "OGK-2" decided to pay an additional remuneration to the Board members in the form of ordinary shares of JSC "OGK-2" held by JSC "OGK-2", in the total number of 78,144,110 shares. In September 2019, the shares were transferred in the amount of 49,728,070 shares. In September 2019, the payment of additional remuneration in the form of JSC "OGK-2" shares was carried out at their fair value of RR 23,536 thousand. The fair value was defined as the shares' weighted average price calculated by the Russian organizer of trade in the securities market (stock exchange) based on the results of the organized trading on the date of payment. The difference of RR 18,609 thousand between the fair value of the above shares and their carrying amount was recognized in share premium.

The similar additional remuneration to the Board members was paid in 2018: number of shares – 66,949,570, fair value RR 24,510 thousand, the difference between the fair value of the above shares and their carrying amount was RR 89,900 thousand.

In August 2019, JSC "OGK-2" sold 4,295,819,438 treasury shares for their market price of RR 2,137,170. The market price was determined as the product of the number of shares and the weighted average price of one share calculated on transactions made through the organizer of trading on the securities market within one trading day on the date of conclusion of the contract. The difference of RR 1,503,575 thousand between the market value of shares sold and their carrying amount is reflected in the share premium of the Group.

Note 11. Income tax

Income tax charge	9 months ended 30 September 2019	9 months ended 30 September 2018
Current income tax charge	(2,843,586)	(787,342)
Refund of income tax for prior periods	25,833	18,476
Deferred income tax expense	(353,430)	(1,317,811)
Total income tax charge	(3,171,183)	(2,086,677)

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The tax effect of taxable and deductible temporary differences for the 9 months ended 30 September 2019 and for the 9 months ended 30 September 2018 is presented in the table below:

9 months ended 30 September 2019	1 January 2019	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	Effect of the acquisition of subsidiaries	Effect of the initial application of new standards	30 September 2019
Property, plant and equipment	(13,544,473)	(232,983)	-	312	-	(13,777,144)
Unused tax losses	484,657	69,839	-	6,380	-	560,876
Trade and other payables	206,857	(113,047)	-	803	-	94,613
Restoration provision	206,287	7,840	-	-	-	214,127
Retirement benefit obligations	141,140	5,073	19,479	-	-	165,692
Trade and other receivables	(129,816)	(52,772)	-	(5)	-	(182,593)
Inventory	105,079	4,154	-	(70)	-	109,163
Other	(103,196)	(41,534)	-	-	-	(144,730)
Total	(12,633,465)	(353,430)	19,479	7,420	-	(12,959,996)

9 months ended 30 September 2018	1 January 2018	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	Effect of the acquisition of subsidiaries	Effect of the initial application of new standards	30 September 2018
Property, plant and equipment	(14,127,816)	(135,236)	-	-	-	(14,263,052)
Unused tax losses	1,649,045	(705,258)	-	-	-	943,787
Trade and other payables	365,336	(354,443)	-	-	-	10,893
Restoration provision	230,957	10,967	-	-	-	241,924
Retirement benefit obligations	168,251	5,510	1,980	-	-	175,741
Trade and other receivables	(66,163)	(178,112)	-	-	107,568	(136,707)
Inventory	42,719	38,496	-	-	-	81,215
Other	(97,982)	265	-	-	-	(97,717)
Total	(11,835,653)	(1,317,811)	1,980	-	107,568	(13,043,916)

The tax effect of changes in these temporary differences is determined at the statutory rate of 20%.

Some deferred tax assets and liabilities have been set off in accordance with the Group's accounting policies. The following is the amount of deferred tax (after offset) reflected in the interim condensed consolidated statement of financial position:

	30 September 2019	31 December 2018
Deferred income tax assets	441,784	353,948
Deferred income tax liabilities	(13,401,780)	(12,987,413)
Deferred income tax liabilities, net, total	(12,959,996)	(12,633,465)

Note 12. Non-current debt

	Currency	Effective interest rate as at 30 September 2019	Due	30 September 2019	31 December 2018
Loans	RR	7.64% - 8.83%	2021-2025	22,494,982	31,768,982
Bonds	RR	7.11% - 7.12%	2020-2021	6,683,101	6,683,101
Finance lease liability	RR	-	-	-	8,074
Total				29,178,083	38,460,157

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.

Breakdown of loans is presented below:

Company	30 September 2019	31 December 2018
PJSC "GAZPROM"	13,500,000	13,500,000
MOSENERGO	8,994,982	9,158,982
Sberbank	-	9,110,000
Total	22,494,982	31,768,982

Maturity table

	30 September 2019	31 December 2018
Due for repayment		
Between one and two years	22,343,931	10,801,175
Between two and three years	-	20,824,830
Between four and five years	4,503,475	2,600,000
More than five years	2,330,677	4,234,152
Total	29,178,083	38,460,157

Note 13. Retirement benefit obligations

The post-employment and post retirement program of the Company consists of the occupational pension plan and various post-employment, long-term and jubilee benefits. This is a defined benefit plan. The occupational pension program comprises the main part of the program. According to the pension formula, the pension benefit is dependent on the past service of participants and their final salary. Employees older than 25 with experience achievement in the industry more than 5 years are entitled to the occupational pension benefits.

The defined benefit pension plan provides old age retirement pension and disability pension. The plan's old age retirement pension is conditional on the member qualifying for the State old age pension.

The Company also provides benefits in case of death, retirement of employees and jubilee benefits.

Additionally the Company provides financial support payments of a defined benefit nature to its former employees, who have reached the retirement age. Such benefits are paid either to those who qualify for the occupational pension plan and those who do not.

Due to the post employment program the Company pays contributions to non-state pension funds (NPF), which are accumulated on pension accounts, which were opened under NPF contracts. In accordance with the terms of the treaty there is a possibility to abrogate a contract and receive the redemption amount of the depositor. In that way NPF funds do not meet the plan assets criteria. So they are recognized as a separate asset of the Group. The amount of that asset equals RR 488,789 thousand as at 30 September 2019 (as at 31 December 2018: 500,536 thousand).

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The last independent actuarial valuation of pension and other post-employment and long-term benefits in accordance with the provisions of IAS 19 Employee Benefits was performed as at 30 September 2019 using a simplified approach based on extrapolating of the valuation as at 31 December 2018.

Amounts recognised in the interim condensed consolidated statement of financial position are as follows:

	30 September 2019	31 December 2018
Present value of defined benefit obligation	1,442,934	1,223,605
Present value of other long-term employee benefit obligation	448,199	375,938
Total defined benefit liability	1,891,133	1,599,543

The movement in the defined benefit obligation over the period is as follows:

	Present value of defined benefit obligation	Present value of other long- term employee benefit obligation	Total
At 1 January 2018	1,499,735	320,669	1,820,404
Current service cost	46,552	17,372	63,924
Interest expense	83,417	17,631	101,048
Remeasurements:			
Experience losses	42,692	10,417	53,109
Gain from change in financial assumptions	(31,144)	(6,658)	(37,802)
Benefits paid	(72,547)	(22,713)	(95,260)
At 30 September 2018	1,568,705	336,718	1,905,423
At 1 January 2019	1,223,605	375,938	1,599,543
Current service cost	33,891	19,481	53,372
Interest expense	78,625	24,022	102,647
Remeasurements:			
Experience gains	(5,647)	(2,391)	(8,038)
Loss from change in financial assumptions	177,098	55,087	232,185
Benefits paid	(64,638)	(23,938)	(88,576)
At 30 September 2019	1,442,934	448,199	1,891,133

Amounts of profit for the period recognized in interim condensed consolidated statement of comprehensive income are as follows:

	9 months ended 30 September 2019	9 months ended 30 September 2018
Service cost	53,372	63,924
Remeasurements on present value of other long-term employee benefit obligation	52,696	3,759
Interest expense (Note 19)	102,647	101,048
Total	208,715	168,731

Amounts recognised in other comprehensive income in consolidated statement of comprehensive income are as follows:

	9 months ended 30 September 2019	9 months ended 30 September 2018
Experience (gains) / losses	(5,647)	42,692
Loss / (gain) from change in financial assumptions	177,098	(31,144)
Total	171,451	11,548

The movement of remeasurements in other comprehensive income in interim condensed consolidated statement of comprehensive income are as follows:

	9 months ended 30 September 2019	9 months ended 30 September 2018
At the beginning of period	382,844	513,380
Movement of remeasurements	171,451	11,548
Tax effect	(19,479)	(1,980)
At the end of period	534,816	522,948

The key actuarial assumptions used were as follows:

	30 September 2019	31 December 2018
Discount rate	7.50%	8.80%
Future salary increases	6.10%	6.10%
Future financial support benefits increases	4.50%	4.50%
Social fund contribution rate	30.00%	30.00%
Staff turnover	3.60%	3.60%
Expected retirement age*:		
Male	64	62
Female	58	57
Mortality (employees)	Russia, 2013 adjusted 60% (to level 40%)	Russia, 2013 adjusted 60% (to level 40%)
Mortality (pensioners)	Russia, 2013 adjusted 30% (to level 70%)	Russia, 2013 adjusted 30% (to level 70%)

* The probability curve depending on age, based on empirical data for men and women

Financial actuarial assumptions are based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled. The average period over which the Group obligations are to be settled is 11 years.

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

	Currency	Effective interest rate as at 30 September		30 September 2019	31 December 2018
		2019	30 September 2019		
Current portion of bonds	RR	7.11% - 7.12%		41,445	88,785
Current debt	RR	7.74%		8,305,280	-
Current portion of long-term loans	RR	7.10% - 8.83%		9,304,824	8,507,598
Current portion of finance lease liability	RR		-	-	14,787
Total				17,651,549	8,611,170

The above debt, except for current debt, is obtained at fixed interest rates. Current debt is obtained at the key rate of Central Bank of Russian Federation plus fixed margin. The effective interest rate is the market interest rate applicable to the loan at the date of obtaining of loans.

Breakdown of loans is presented below:

Company	30 September 2019	31 December 2018
Sberbank	17,420,597	8,314,956
MOSENERGO	189,507	192,642
Total	17,610,104	8,507,598

Note 15. Trade and other payables

	30 September 2019	31 December 2018
Trade payables	9,802,315	11,935,982
(net of effect of discounting RR 225,343 thousand as at 30 September 2019 and RR 301,528 thousand as at 31 December 2018)		
Other payables	6,160,512	7,654,968
Lease liabilities	875,968	-
Dividends payable	15,222	11,559
Financial liabilities	16,854,017	19,602,509
Salaries and wages payable	492,198	726,456
Advances from customers	15,447	12,335
Total	17,361,662	20,341,300
Less: Long-term trade payables	(1,610,541)	(1,420,782)
(net of effect of discounting RR 225,343 thousand as at 30 September 2019 and RR 301,528 thousand as at 31 December 2018)		
Long-term other payables	(3,608,363)	(3,453,267)
Long-term lease liabilities	(695,087)	-
Total short-term trade and other payables	11,447,671	15,467,251

Note 16. Other taxes payable

	30 September 2019	31 December 2018
Value added tax	1,856,428	1,952,051
Property tax	261,727	559,253
Social funds contribution	208,920	297,812
Personal income tax	52,532	68,978
Environment pollution payment	11,264	18,226
Other taxes	10,799	10,894
Total	2,401,670	2,907,214

Note 17. Revenues

	9 months ended 30 September 2019	9 months ended 30 September 2018
Electricity and capacity	94,996,981	99,032,763
Heating	3,663,222	3,652,562
Other	1,173,969	2,586,568
Total	99,834,172	105,271,893

Note 18. Operating expenses

	9 months ended 30 September 2019	9 months ended 30 September 2018
Fuel	43,300,849	46,761,131
Depreciation and amortisation of property, plant, equipment, intangible assets and right-of-use assets	10,167,472	9,604,813
Purchased electricity, capacity and heat	7,033,493	9,207,726
Employee benefits	6,729,237	6,198,062
Rent	3,174,620	1,972,985
Repairs and maintenance	2,670,335	2,909,036
Taxes other than income tax	2,261,610	3,170,033
Raw materials and supplies	2,030,841	2,247,537
Dispatcher's fees	1,606,396	1,525,098
Transport	691,856	592,152
Consulting, legal and audit services	300,676	196,912
Insurance	161,191	161,051
Ecological payments	96,073	141,795
Loss on disposal of assets	73,916	585,477
Electricity transit	35,385	1,675,088
Penalties and fines	(113,182)	1,689,303
Other expenses	1,853,958	2,575,773
Total operating expenses	82,074,726	91,213,972

Rent expense for the 9 months ended 30 September 2019 includes expense relating to variable rental payments in the amount of RR 3,162,929 thousand and expense relating to short-term leases in the amount of RR 11,691 thousand.

Employee benefits expenses comprise the following:

	9 months ended 30 September 2019	9 months ended 30 September 2018
Salaries and wages	4,942,179	4,544,767
Social funds contribution	1,491,240	1,379,073
Financial aid to employees and pensioners	189,750	206,539
Non-state pensions and other long-term benefits	106,068	67,683
Employee benefits	6,729,237	6,198,062
Average number of personnel for the period	9,155	8,883

Included in social funds contribution are statutory pension contributions of RR 1,159,480 thousand for the 9 months ended 30 September 2019 (for the 9 months ended 30 September 2018: RR 1,108,729 thousand).

Note 19. Finance income

	9 months ended 30 September 2019	9 months ended 30 September 2018
Interest income on bank deposits and current bank account balances	864,300	339,057
Effect of discounting of long-term trade and other payables	32,416	-
Effect of discounting of promissory notes received	17,911	16,491
Interest income on loans issued	2,316	4,886
Effect of discounting of long-term trade and other receivables	-	1,292
Foreign currency exchange gain	-	28
Other	401	598
Total finance income	917,344	362,352

Note 20. Finance costs

	9 months ended 30 September 2019	9 months ended 30 September 2018
Interest expense on debt	2,679,148	3,008,397
Effect of discounting of long-term payables	108,601	161,908
Interest on employee benefit obligations	102,647	101,048
Interest expense on lease liabilities	78,404	5,575
Unwinding of the present value discount - provision for ash dump	66,877	60,435
Foreign currency exchange loss	8	4
Total finance costs	3,035,685	3,337,367

Note 21. Earnings per share

	9 months ended 30 September 2019	9 months ended 30 September 2018
Weighted average number of ordinary shares issued, pcs	106,621,482,398	106,008,414,128
Profit attributable to the shareholders of JSC "OGK-2" (thousands of RR)	12,237,592	7,649,621
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.11	0.07

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 September 2019 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 14,190,865 thousand (as at 31 December 2018: RR 14,006,510 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 September 2019 and at 31 December 2018.

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):

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	Notes	Level 1	Level 2	Level 3	Fair value	Carrying value
30 September 2019						
Financial assets						
Promissory notes	8	-	314,804	-	314,804	279,084
Loans issued	8	-	42,014	-	42,014	42,580
Total financial assets		-	356,818	-	356,818	321,664
Financial liabilities						
Debt	12,14	(6,989,821)	(40,700,718)	-	(47,690,539)	(46,829,632)
Trade and other payables	15	-	(16,847,739)	-	(16,847,739)	(16,854,017)
Total financial liabilities		(6,989,821)	(57,548,457)	-	(64,538,278)	(63,683,649)
31 December 2018						
Financial assets						
Promissory notes	8	-	275,188	-	275,188	262,487
Loans issued	8	-	38,659	-	38,659	40,270
Total financial assets		-	313,847	-	313,847	302,757
Financial liabilities						
Debt	12,14	(6,588,237)	(40,300,977)	-	(46,889,214)	(47,071,327)
Trade and other payables	15	-	(19,477,770)	-	(19,477,770)	(19,602,509)
Total financial liabilities		(6,588,237)	(59,778,747)	-	(66,366,984)	(66,673,836)

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 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 98.8% of the Group revenue for the 9 months ended 30 September 2019 (for the 9 months ended 30 September 2018: 97.5%). 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: Kirishskaya GRES, Surgutskaya GRES-1, Novocherkasskaya GRES, Troitskaya GRES, Stavropolskaya 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 uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management 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 41.9% of the Group revenue for the 9 months ended 30 September 2019 (for the 9 months ended 30 September 2018: 42.4%).

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9 months ended 30 September 2019	Kirishskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES	Stavropolskaya GRES
Revenue	17,082,690	17,453,726	14,188,653	9,964,535	8,367,662
Segment operating profit*	4,538,837	2,868,912	1,603,519	3,316,209	(97,099)

9 months ended 30 September 2019	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
Revenue	7,721,933	5,245,885	19,810,746	99,835,830
Segment operating profit*	2,581,125	1,738,682	3,391,238	19,941,423

9 months ended 30 September 2018	Kirishskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES	Stavropolskaya GRES
Revenue	18,967,104	16,281,297	15,552,377	9,786,050	13,460,124
Segment operating profit*	5,763,833	1,745,959	582,403	2,487,552	31,184

9 months ended 30 September 2018	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
Revenue	7,744,491	4,515,942	18,964,508	105,271,893
Segment operating profit*	2,095,946	406,702	1,974,204	15,087,783

* Segment operating profit represents segment operating profit 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 are provided in consolidated financial statements for the year ended 31 December 2018. Segment's assets are disclosed below:

	Kirishskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES	Stavropolskaya GRES
30 September 2019	19,438,748	5,610,092	35,442,917	54,521,614	3,351,699

	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
30 September 2019	13,521,642	20,654,945	28,584,052	181,125,709

	Kirishskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES	Stavropolskaya GRES
31 December 2018	20,391,910	5,667,904	36,189,308	57,491,989	2,893,530

	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
31 December 2018	14,463,601	21,409,651	27,603,069	186 110 962

The main items of reconciliation of management financial information to consolidated financial statements prepared in accordance with IFRS are provided in the consolidated financial statements for the year ended 31 December 2018.

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.

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

12 November 2019