

**OGK-2 GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)**

OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position as at 31 March 2014 (unaudited)

(in thousands of Russian Roubles)

	Notes	31 March 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	131,979,078	128,490,301
Intangible assets		1,533,328	1,544,061
Other non-current assets		2,892,105	2,917,982
Total non-current assets		136,404,511	132,952,344
Current assets			
Cash and cash equivalents	6	14,747,726	5,756,231
Trade and other receivables	7	17,282,530	18,734,815
Inventories	8	6,988,809	6,344,290
Income tax prepayments		664	398,488
Other current assets	9	-	3,100,000
Total current assets		39,019,729	34,333,824
TOTAL ASSETS		175,424,240	167,286,168
EQUITY AND LIABILITIES			
Equity			
Share capital	10		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(4,058,856)	(4,058,856)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		51,316,685	48,616,825
Total equity		115,693,531	112,993,671
Non-current liabilities			
Deferred income tax liabilities		6,933,869	6,702,917
Non-current debt	11	38,931,734	34,641,540
Retirement benefit obligations		2,036,766	2,020,359
Restoration provision	12	783,153	419,636
Other long-term liabilities	13	483,085	996,514
Total non-current liabilities		49,168,607	44,780,966
Current liabilities			
Current debt and current portion of non-current debt		70,095	79,751
Trade and other payables	14	9,262,002	8,664,936
Other taxes payable	15	944,967	727,698
Income tax payable		109,902	592
Restoration provision	12	175,136	38,554
Total current liabilities		10,562,102	9,511,531
Total liabilities		59,730,709	54,292,497
TOTAL EQUITY AND LIABILITIES		175,424,240	167,286,168

General Director

D.N. Bashuk

Chief Accountant

L.V. Klisch



23 May 2014

OGK-2 Group**Interim Condensed Consolidated Statement of Profit or Loss
for the 3 months ended 31 March 2014 (unaudited)**

(in thousands of Russian Roubles, except for earning per ordinary share information)

	Notes	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
Revenues	16	29,146,555	28,145,005
Operating expenses	17	(25,505,018)	(24,612,946)
Other operating items		4,120	53,794
Operating profit		3,645,657	3,585,853
Finance income	18	212,659	156,701
Finance costs	19	(425,683)	(504,101)
Profit before income tax		3,432,633	3,238,453
Income tax charge		(732,179)	(686,681)
Profit for the period		2,700,454	2,551,772
Attributable to:			
Shareholders of OJSC OGK-2		2,700,454	2,551,772
Earning per ordinary share attributable to the shareholders of OJSC OGK-2 – basic and diluted (in Russian Roubles)			
	20	0.02	0.02

The interim condensed consolidated statement of profit or loss 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 20

OGK-2 Group**Interim Condensed Consolidated Statement of Comprehensive Income for the 3 months ended 31 March 2014 (unaudited)**

(in thousands of Russian Roubles)

	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
Profit for the period	2,700,454	2,551,772
<i>Items that may be reclassified to profit or loss:</i>		
Available-for-sale investments, net of tax	(594)	(8,684)
Total comprehensive income for the period	2,699,860	2,543,088
Attributable to:		
Shareholders of OJSC OGK-2	2,699,860	2,543,088

The interim condensed consolidated statement of comprehensive income 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 20

OGK-2 Group**Interim Condensed Consolidated Statement of Cash Flows for the 3 months ended 31 March 2014****(unaudited)**

(in thousands of Russian Roubles)

	Notes	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		3,432,633	3,238,453
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	17	1,182,569	1,113,996
Amortisation of intangible assets	17	39,641	39,448
(Reversal) / charge of provision for impairment of trade and other receivables	17	(144,421)	292,005
(Reversal) / charge of provision for inventory obsolescence	17	(325)	341
Finance income	18	(212,659)	(156,701)
Finance costs	19	425,683	504,101
Increase in retirement benefit obligations	17	22,496	32,906
Gain on disposal of assets, net	17	(13,524)	(12,135)
Other non-cash items		3	(184,316)
Operating cash flows before working capital changes and income tax paid		4,732,096	4,868,098
Working capital changes:			
Decrease / (increase) in trade and other receivables		1,675,218	(293,460)
(increase) / decrease in inventories		(649,508)	286,977
Decrease in trade and other payables		(131,697)	(753,929)
Payments in respect of retirement benefit obligations		(70,017)	(47,999)
Decrease in other non-current liabilities		(71,955)	-
Increase in taxes payable, other than income tax		223,324	779,853
Income tax paid in cash		-	(790,304)
Net cash generated from operating activities		5,707,461	4,049,236
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(3,573,231)	(2,879,921)
Proceeds from sale of property, plant and equipment		11,729	10,906
Purchase of intangible assets		(12,233)	(1,007)
Proceeds from deposits		3,100,000	2,119,980
Interest received		183,855	99,038
Net cash used in investing activities		(289,880)	(651,004)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		-	274,786
Proceeds from long-term borrowings		4,300,000	-
Repayment of short-term borrowings		-	(3,475,146)
Interest paid		(688,324)	(452,576)
Payments under finance lease		(37,604)	(47,169)
Finance lease advance		(158)	(824)
Prepayments for issued shares		-	403
Net cash generated from financing activities / (used in financing activities)		3,573,914	(3,700,526)
Net increase / (decrease) in cash and cash equivalents		8,991,495	(302,294)
Cash and cash equivalents at the beginning of the period		5,756,231	3,760,344
Cash and cash equivalents at the end of the period		14,747,726	3,458,050

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 20

OGK-2 Group**Interim Condensed Consolidated Statement of Changes in Equity for the 3 months ended 31 March 2014 (unaudited)**

(in thousands of Russian Roubles)

	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Total
At 1 January 2013	21,518,239	(4,058,856)	23,916,508	66,829,632	108,205,523
Profit for the period (Restated)	-	-	-	2,551,772	2,551,772
Available-for-sale investments, net of tax	-	-	-	(8,684)	(8,684)
Total comprehensive income for the period (Restated)	-	-	-	2,543,088	2,543,088
Prepayments for issued shares	-	-	-	403	403
At 31 March 2013 (Restated)	21,518,239	(4,058,856)	23,916,508	69,373,123	110,749,014
At 1 January 2014	40,057,009	(4,058,856)	28,378,693	48,616,825	112,993,671
Profit for the period	-	-	-	2,700,454	2,700,454
Available-for-sale investments, net of tax	-	-	-	(594)	(594)
Total comprehensive income for the period	-	-	-	2,699,860	2,699,860
At 31 March 2014	40,057,009	(4,058,856)	28,378,693	51,316,685	115,693,531

The interim condensed consolidated statement of changes in equity 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 20

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2014 (unaudited)
(in thousands of Russian Roubles)

Note 1. The Group and its operations

Open Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (OJSC "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, Adlerskaya TES, Kirishskaya GRES, Ryazanskaya GRES, Novochebasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES.

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

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

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

	% owned	
	31 March 2014	31 December 2013
LLC "OGK-2 Finance"	100%	100%
LLC "Centr 112"	100%	100%

Operating environment of the Group. The Group's operations are primarily located in the Russian Federation. 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 varying interpretations (Note 22). The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the extent and impact of which are at this stage difficult to determine. The financial markets are uncertain and volatile. These and other events may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's current expectations.

Relations with the state and current regulation. OJSC "OGK-2" is part of the Gazprom Group, which includes OJSC "Gazprom" and its subsidiaries. OJSC "Centerenergyholding" owns 73.42% of the shares of OJSC "OGK-2" as at 31 March 2014 (as at 31 December 2013: 73.42%).

Gazprom Group, in its turn, is controlled by the Russian Federation, therefore, the Russian Government is the ultimate controlling party of the Group as at 31 March 2014 and 31 December 2013.

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 OJSC "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 Tariff Service ("FTS") 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.

As described in Note 22, the government's economic, social and other policies could have material effects on the operations of the Group.

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the 3 months ended 31 March 2014 ("Financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS.

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2014 (unaudited)
(in thousands of Russian Roubles)

Seasonality. Demand for electricity and heat is influenced by both the season of the year and the relative severity of the weather. Revenues from heating are concentrated within the months of October to March. A similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel.

Furthermore, during the periods of lower production from April to September, there is an increase in the expenditures on repairs and maintenance. This seasonality does not impact on the revenue or cost recognition policies of the Company.

Note 3. New accounting developments

The accounting policies followed in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statements as at and for the year ended 31 December 2013.

The Group has adopted all new standards, amendments to standards and interpretations that were effective from 1 January 2014. The impact of the adoption of these new standards, amendments to standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

Certain new standards and amendments to standards as disclosed in the consolidated financial statements as at and for the year ended 31 December 2013, have been issued but are not effective for the financial year beginning 1 January 2014 and which the Group has not early adopted.

Note 4. Related Parties

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

Transactions with Gazprom Group and its associates

Transactions with Gazprom Group and its associates were as follows:

	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
<i>Sales:</i>		
Sales of electricity and capacity	1,556,255	1,497,520
Sales of heat	1,107	188
Other sales	22,340	346,998
<i>Other income</i>	143	3,694
<i>Purchases:</i>		
Purchases of gas	8,900,806	10,831,641
Other purchases	1,228,065	357,948
<i>Other expenses</i>	586	188

Balances with Gazprom Group and its associates were as follows:

	31 March 2014	31 December 2013
Long-term loan issued	1,048,344	1,048,344
Bank accounts (Note 6)	5,613,956	43,594
Trade and other receivables	513,696	771,883
Promissory notes OJSC "Gazprombank"	732,114	750,611
(nominal value of promissory notes is RR 766,145 thousand as at 31 March 2014 and RR 777,794 thousand as at 31 December 2013)		
Non-current debt	25,900,000	21,600,000

OGK-2 Group
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(in thousands of Russian Roubles)

Trade and other payables	1,098,730	1,229,272
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Interest expense accrued in respect of non-current debt for the 3 months ended 31 March 2014 was RR 426,082 thousand (for the 3 months ended 31 March 2013: nil).

Interest income accrued in respect of loans issued for the 3 months ended 31 March 2014 was RR 18,741 thousand (for the 3 months ended 31 March 2013: nil).

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

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

Information concerning sales and purchases of electricity and capacity with the state-controlled entities is presented below:

	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
Sales of electricity and capacity	7,337,226	6,431,015
Charge of provision for impairment of trade receivables	-	84,658
Reversal of provision for impairment of trade receivables	(106,954)	(2,536)
Building and construction works	2,115,185	796,846
Purchases of electricity and capacity	2,541,546	2,142,807

Significant balances with state-controlled entities were as follows:

	31 March 2014	31 December 2013
Trade and other receivables, gross	18,584,578	18,411,101
Provision for impairment of trade and other receivables	(3,060,907)	(3,176,550)
Trade and other payables	2,023,561	2,185,843
Non-current debt and current portion of non-current debt to OJSB "Sberbank"	2,873,307	2,873,307
Cash and cash equivalents	1,904,100	620

Interest expense accrued in respect of debt for 3 months ended 31 March 2014 was RR 59,458 thousand (for 3 months ended 31 March 2013: nil).

The guarantees from OJSC "Sberbank" equal RR 2,949,243 thousand as at 31 March 2014 (as at 31 December 2013: RR 3,150,096 thousand). Significant amount of this guarantees ensures return of the advance payments made to CJSC "QUARTZ-Novie Technologii" to secure the contractor's obligations under the general construction contract.

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 their services in that capacity and for attending Board meetings are paid depending on results for the year.

Total remuneration in the form of salary and bonuses accrued to the members of the Board of Directors and Management Board for the 3 months ended 31 March 2014 was RR 23,723 thousand (for the 3 months ended 31 March 2013: RR 24,217 thousand).

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2014 (unaudited)
(in thousands of Russian Roubles)

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 2014	37,874,510	20,759,477	44,853,971	15,033,605	1,653,028	64,060,710	184,235,301
Additions	-	538,380	-	15,279	4,700	4,158,518	4,716,877
Transfer	7,697	32,500	31,069	52,098	29,955	(153,319)	-
Disposals	(23,955)	(4,745)	(16)	-	-	(105)	(28,821)
Closing balance as at 31 March 2014	37,858,252	21,325,612	44,885,024	15,100,982	1,687,683	68,065,804	188,923,357
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2014	(16,704,396)	(10,902,911)	(19,309,536)	(7,454,595)	(1,089,415)	(284,147)	(55,745,000)
Charge for the period	(176,194)	(207,864)	(494,462)	(301,565)	(29,361)	-	(1,209,446)
Disposals	7,980	2,175	12	-	-	-	10,167
Closing balance as at 31 March 2014	(16,872,610)	(11,108,600)	(19,803,986)	(7,756,160)	(1,118,776)	(284,147)	(56,944,279)
Net book value as at 31 March 2014	20,985,642	10,217,012	25,081,038	7,344,822	568,907	67,781,657	131,979,078
Net book value as at 31 December 2013	21,170,114	9,856,566	25,544,435	7,579,010	563,613	63,776,563	128,490,301
Cost							
Opening balance as at 1 January 2013	37,665,957	19,614,523	44,164,395	14,080,513	1,626,223	48,509,459	165,661,070
Additions (Restated)	-	-	-	1,271	1,667	2,967,014	2,969,952
Transfer	188,652	107,776	261,710	565,386	44,141	(1,167,665)	-
Disposals	-	-	-	(3,410)	(4,966)	-	(8,376)
Closing balance as at 31 March 2013 (Restated)	37,854,609	19,722,299	44,426,105	14,643,760	1,667,065	50,308,808	168,622,646
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2013	(16,003,525)	(10,117,988)	(17,451,848)	(6,325,226)	(981,129)	(326,451)	(51,206,167)
Charge for the period (Restated)	(175,135)	(166,769)	(480,918)	(272,317)	(34,900)	-	(1,130,039)
Disposals	-	-	-	3,079	4,966	-	8,045
Closing balance as at 31 March 2013 (Restated)	(16,178,660)	(10,284,757)	(17,932,766)	(6,594,454)	(1,011,063)	(326,451)	(52,328,161)
Net book value as at 31 March 2013 (Restated)	21,675,949	9,437,542	26,493,339	8,049,296	656,002	49,982,357	116,294,485
Net book value as at 31 December 2012	21,662,432	9,496,535	26,712,547	7,755,287	645,094	48,183,008	114,454,903

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2014 (unaudited)
(in thousands of Russian Roubles)

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 beneficial price. The net book value of leased property, plant and equipment is presented below:

	31 March 2014	31 December 2013
Energy machinery and equipment	39,036	39,934
Other machinery and equipment	179,302	175,452
Other	205,177	212,933
Total	423,515	428,319

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 real estate entities 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.

Operating lease rentals are payable as follows:

	31 March 2014	31 December 2013
Not later than one year	2,905,054	3,205,755
Later than one year and not later than five years	1,509,027	1,636,478
Later than five years and not later than ten years	950,461	1,087,932
Later than ten years	4,073,109	5,124,937
Total	9,437,651	11,055,102

The land areas leased by the Group are the territories on which the Group's electric power stations and other assets are located. Lease payments are linked to market value of land are reviewed regularly to reflect market rentals.

Note 6. Cash and cash equivalents

	Currency	31 March 2014	31 December 2013
Bank deposits with maturity three months or less	RR	7,708,500	3,467,861
Current bank accounts	RR	7,039,194	2,288,331
Other cash equivalents	RR	32	39
Total		14,747,726	5,756,231

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 31 March 2014*	31 March 2014	Credit rating on 31 December 2013*	31 December 2013
OJSC "Gazprombank"	D-/ Under Review	5,613,956	D-/Stable	43,594
OJSC "BANK "ROSSIYA"	WR/Ratings Withdrawn	1,417,054	WR/Ratings Withdrawn	21,099
OJSC "Alfa-bank"	D/Stable	6,049	D/Stable	2,223,018
OJSC "Sberbank"	D+/Under Review	2,070	D+/Stable	620
OJSC "VTB"	D-/ Under Review	65	-	-
Total cash in bank		7,039,194		2,288,331

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

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
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(in thousands of Russian Roubles)

Credit quality of bank deposits is presented below:

Bank deposits with maturity of three months or less	Interest rate	Credit rating on 31 March 2014*	31 March 2014	Interest rate	Credit rating on 31 December 2013*	31 December 2013
OJSC "VTB"	7.72%- 8.20%	Prime-3	5,800,000	-	-	-
OJSC "Sberbank"	7.80%	Prime-2	1,900,000	-	-	-
OJSC "BANK "ROSSIYA"	6.50%	WR/Ratings Withdrawn	8,500	6.00%	WR/Ratings Withdrawn	8,500
OJSC "Alfa-bank"	-	-	-	6.58%- 7.00%	Not-Prime	3,459,361
Total bank deposits with maturity of three months or less			7,708,500			3,467,861

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

Note 7. Trade and other receivables

	31 March 2014	31 December 2013
Trade receivables	8,735,388	9,304,844
(net of provision for impairment of RR 5,356,293 thousand as at 31 March 2014 and RR 5,500,512 thousand as at 31 December 2013, and the effect of discounting of RR 22,653 thousand as at 31 March 2014 and RR 35,795 thousand as at 31 December 2013)		
Other receivables	4,378,444	4,365,666
(net of provision for impairment of RR 1,237,278 thousand as at 31 March 2014 and RR 1,237,480 thousand as at 31 December 2013, and the effect of discounting of RR 8,723 thousand as at 31 March 2014 and RR 11,088 thousand as at 31 December 2013)		
Promissory notes	1,413,064	1,479,532
(nominal value of promissory notes is RR 1,784,774 thousand as at 31 March 2014 and RR 1,858,415 thousand as at 31 December 2013)		
Interest receivable	33,755	45,826
Financial assets	14,560,651	15,195,868
Input VAT	2,285,147	3,046,246
Prepaid other taxes and social funds contribution	762,067	270,203
Advances to suppliers	236,299	819,950
(net of provision for impairment of RR 14,130 thousand as at 31 March 2014 and RR 14,130 thousand as at 31 December 2013)		
Total	17,844,164	19,332,267
Less: Long-term promissory notes	(463,682)	(484,047)
Long-term restructured trade and other receivables	(72,745)	(87,335)
Long-term input VAT from advances paid	(25,207)	(26,070)
Total	17,282,530	18,734,815

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
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(in thousands of Russian Roubles)

Note 8. Inventories

	31 March 2014	31 December 2013
Fuel supplies	4,284,673	4,383,289
Materials and supplies	1,049,157	960,482
Spare parts	1,580,355	925,895
Other inventories	74,624	74,624
Total	6,988,809	6,344,290

The above inventory balances are recorded net of writes-down of RR 47,018 thousand and RR 47,343 thousand as at 31 March 2014 and 31 December 2013, respectively.

There is no inventory pledged as collateral at 31 March 2014 and at 31 December 2013.

Note 9. Other current assets

	31 March 2014	31 December 2013
Short-term deposits	-	3,100,000
Total	-	3,100,000

Credit quality of bank deposits is presented below:

Bank deposits with maturity more than three months but within one year	Inter- rest rate	Credit rating on 31 March 2014*	31 March 2014	Credit rating on 31 December 2013*	31 December 2013
OJSC "Alfa-bank"	6.83%- 7.00%	Not-Prime	-	Not-Prime	3,100,000
Total bank deposits with maturity more than three months but within one year			-		3,100,000

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

Note 10. Equity

Share capital	Number of ordinary shares 31 March 2014	Number of ordinary shares 31 December 2013
Issued shares	110,441,160,870	110,441,160,870
Treasury shares	(2,361,540,300)	(2,361,540,300)
Total outstanding shares	108,079,620,570	108,079,620,570

Each ordinary share carries one vote.

As at 31 March 2014 and December 2013 the number of authorised for issue but not issued ordinary shares is 58,886,766,090 shares.

Dividends

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

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Note 11. Non-current debt

	Currency	Effective interest rate	Due	31 March 2014	31 December 2013
Loans	RR	7.91%-8.40%	2015-2016	38,870,664	34,570,664
Finance lease liability	RR	19.62%-27.90%	2015-2016	61,070	70,876
Total				38,931,734	34,641,540

All of the above loans are obtained at fixed interest rates.

Maturity table

	31 March 2014	31 December 2013
Due for repayment		
Between one and two years	7,952,396	3,651,059
Between two and three years	30,979,338	30,990,481
Total	38,931,734	34,641,540

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

	31 March 2014	31 December 2013
Due for repayment		
Less than one year	88,443	101,666
Between one year and five years	70,566	80,297
Future finance charges on finance lease	(27,844)	(31,336)
Present value of lease liabilities	131,165	150,627

Management believes that the total current value of non-current debt approximates its fair value since actual interest rates approximate current market interest rates available to the Group for similar financial instruments.

Note 12. Restoration provision

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and an obligation to restore the surface of this ash dump when it is full. The main assumptions used in the calculation of the provision are as following:

		3 months ended 31 March 2014	3 months ended 31 March 2013
Average inflation per annum		4.2%	4.5%
Pre-tax discount rate		8.87%	13.88%
Projected restoration period		10 years	11 years
	Notes	3 months ended 31 March 2014	3 months ended 31 March 2013
Total carrying amount at the beginning of year		458,190	556,252
Less current portion		38,554	45,119
Non-current portion at the beginning of year		419,636	511,133
Unwinding of the present value discount	19	33,643	18,373
Changes in estimates adjusted against property, plant and equipment		538,380	-
Utilisation		(71,924)	-
Total carrying amount at the end of period		958,289	574,625
Less current portion		175,136	67,219
Non-current portion at the end of period		783,153	507,406

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Note 13. Other long-term liabilities

	31 March 2014	31 December 2013
Trade payables	474,505	987,751
Accrued liabilities and other payables	8,580	8,763
Total finance liabilities	483,085	996,514

Note 14. Trade and other payables

	31 March 2014	31 December 2013
Trade payables	8,346,775	7,532,200
Accrued liabilities and other payables	333,872	397,620
Dividends payable	3,609	3,624
Interest payable	2,643	2,643
Financial liabilities	8,686,899	7,936,087
Salaries and wages payable	454,117	682,177
Advances from customers	120,986	46,672
Total	9,262,002	8,664,936

Note 15. Other taxes payable

	31 March 2014	31 December 2013
Property tax	493,010	250,786
Social tax	200,649	215,945
Water usage tax	120,229	112,598
Environment pollution payment	55,341	51,925
Personal income tax	51,448	78,462
Value added tax	11,609	9,765
Other taxes	12,681	8,217
Total	944,967	727,698

Note 16. Revenues

	3 months ended 31 March 2014	3 months ended 31 March 2013
Electricity and capacity	27,341,901	26,209,249
Heating	1,548,594	1,384,401
Other	256,060	551,355
Total	29,146,555	28,145,005

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Note 17. Operating expenses

	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
Fuel	16,484,015	15,870,080
Purchased electricity, capacity and heat	2,645,949	2,181,673
Employee benefits	1,718,517	1,774,825
Depreciation and amortisation of property, plant, equipment and intangible assets	1,222,210	1,153,444
Rent	581,683	349,308
Repairs	543,181	591,477
Taxes other than income tax	520,153	548,136
Dispatcher's fees	487,079	452,322
Electricity transit	361,962	258,512
Raw materials and supplies	282,294	379,999
Transport	123,835	142,529
Ecological payments	99,335	51,957
Insurance	43,777	51,786
Consulting, legal and audit services	21,138	15,326
(Reversal) / charge of provision for impairment of trade and other receivables	(144,421)	292,005
Gain on disposal of other assets	(13,403)	(8,782)
(Reversal) / write-down for inventory obsolescence	(325)	341
(Gain) on disposal of property, plant, equipment	(121)	(3,353)
Other expenses	528,160	511,361
Total operating expenses	25,505,018	24,612,946

Employee benefits expenses comprise the following:

	3 months ended 31 March 2014	3 months ended 31 March 2013
Salaries and wages	1,236,046	1,264,899
Social funds contribution	410,418	405,832
Financial aid to employees and pensioners	49,557	71,188
Non-state pensions and other long-term benefits	22,496	32,906
Employee benefits	1,718,517	1,774,825
Number of personnel at the end of the period	9,479	9,747

Included in social funds contribution are statutory pension contributions of RR 323,659 thousand for the 3 months ended 31 March 2014 (for the 3 months ended 31 March 2013: RR 318,038 thousand).

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Note 18. Finance income

	3 months ended 31 March 2014	3 months ended 31 March 2013
Interest income on bank deposits and current bank account balances	153,005	117,318
Effect of discounting of long-term promissory notes received	19,046	15,285
Interest income on loans	18,802	9,614
Effect of discounting of long-term trade receivables	15,507	13,330
Foreign currency exchange gain	6,299	1,154
Total finance income	212,659	156,701

Note 19. Finance costs

	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
Interest expense on debt	(292,288)	(409,908)
Interest on employee benefit obligations	(53,275)	(49,800)
Unwinding of the present value discount - provision for ash dump (Note 12)	(33,643)	(18,373)
Foreign currency exchange loss	(26,610)	-
Effect of discounting of long-term promissory notes received	(11,873)	-
Interest expense under finance lease agreements	(7,994)	(15,450)
Effect of discounting of long-term trade receivables	-	(10,570)
Total finance costs	(425,683)	(504,101)

Note 20. Earnings per share

	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
Weighted average number of ordinary shares issued	108,079,620,570	108,079,523,145
Profit attributable to the shareholders of OJSC "OGK-2" (thousand of RR)	2,700,454	2,551,772
Earning per ordinary share attributable to the shareholders of OJSC "OGK-2" – basic and diluted (in RR)	0.02	0.02

Note 21. Capital commitments

As at 31 March 2014 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 22,384,774 thousand (as at 31 December 2013: RR 25,140,241 thousand).

As at 31 March 2014 the Group has commitments (including VAT) of RR 113,651 thousand in respect of software implementation costs (as at 31 December 2013: RR 169,283 thousand).

Note 22. Contingencies

Political environment. The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russian Federation.

Insurance. The Group holds limited insurance policies in relation to its assets, operations, public liability or other insurable risks. Accordingly, the Group is exposed to those risks for which it does not have insurance.

Legal proceedings. The Group is a party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

Tax contingency. Russian tax and currency legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting of water tax, deductibility of certain expenses.

As at 31 March 2014 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these financial statements.

The transfer pricing rules that became effective from 1 January 2012 appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Environmental matters. The Group and its predecessor entities have operated in the electric power industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement position of government authorities is continually being reconsidered.

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and is subject to the environmental regulations in this country in respect of the usage of the ash dump. As such, the Group periodically evaluates its obligations under Kazakhstan environmental regulations and accrues the respective provision.

Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental remediation in excess of those amounts for which the provision has been recognised by the Group in these consolidated financial statements.

Note 23. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 99.1% of the Group revenue. The Group operates in Russian Federation.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separately due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Troitskaya GRES, Stavropolskaya GRES, Serovskaya GRES, Kirishskaya GRES, Novochoerkasskaya GRES, Ryazanskaya 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 OJSC "CFR" which generates 62% of the Group revenue for the 3 months ended 31 March 2014 (for the 3 months ended 31 March 2013: 64%).

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3 months ended 31 March 2014	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
Revenue	6,308,564	3,990,968	1,245,966	758,445	4,541,131
Segment operating profit / (loss)	1,533,034	483,646	(461,457)	(13,277)	1,226,334
3 months ended 31 March 2014	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total operating segments	
Revenue	4,282,908	3,117,959	4,900,614	29,146,555	
Segment operating profit / (loss)	426,060	240,866	621,827	4,057,033	
3 months ended 31 March 2013	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
Revenue	5,988,072	3,595,325	1,750,160	804,927	4,962,476
Segment operating profit / (loss)	1,352,911	457,173	(140,665)	(17,275)	1,277,425
3 months ended 31 March 2013	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total operating segments	
Revenue	3,353,035	3,064,077	4,626,933	28,145,005	
Segment operating profit / (loss)	283,408	441,534	783,773	4,438,284	

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

	3 months ended 31 March 2014	3 months ended 31 March 2013 (Restated)
Segment operating profit	4,057,033	4,438,284
Adjustments, arising from different accounting policy:		
Provision for impairment of trade and other receivables	528	547
Depreciation adjustment	(299,219)	(247,194)
(Gain) / loss on disposal of assets	(6,053)	137
Finance lease	38,778	47,932
Other adjustments	123,331	18,174
Unallocated (expenses) / income:	(268,741)	(672,027)
Provision for impairment of trade and other receivables	143,892	(318,076)
Employee benefit	(145,116)	(155,534)
Rent	(61,867)	(62,959)
Consulting, legal and audit services	(8,040)	(11,362)
Other corporate expenses	(197,610)	(124,096)
Operating profit (IFRS)	3,645,657	3,585,853

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Stavropolskaya GRES	Troitskaya GRES	Serovskaya GRES	Kirishskaya GRES
31 March 2014	4,020,566	5,885,464	37,151,289	14,950,125	21,509,860
31 December 2013	4,163,632	5,866,484	35,580,191	14,692,145	21,626,144
	Novocherkasskaya GRES	Ryazanskaya GRES	Other operating segments	Total assets	
31 March 2014	23,716,758	12,988,323	9,303,627	129,506,012	
31 December 2013	22,779,257	13,140,852	9,252,974	127,101,679	

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A reconciliation of management financial information to IFRS financial information is provided below:

	31 March 2014	31 December 2013
Total assets for reportable segment	129,506,012	127,101,679
Adjustments, arising from different accounting policy:		
Property, plant and equipment adjustment	13,629,440	13,188,849
Deposits for pensions	693,861	683,208
Discounting of promissory notes	(371,710)	(378,883)
Discounting of long-term trade and other receivables	(31,376)	(46,883)
Impairment of trade and other receivables	(8,820)	(9,348)
Writes-down of inventories	(47,018)	(47,343)
Deferred tax	(81,341)	(440,337)
Other adjustments	(343,833)	(343,627)
Unallocated assets	32,479,025	27,578,853
Total assets (IFRS)	175,424,240	167,286,168

The unallocated assets are the assets which cannot be directly related to the certain operating segment and are also out of the operating segment control for decision making purposes. These assets include intangible assets, short – term and long - term trade receivables, cash in bank, deposits, inventories and items of property, plant and equipment which are subject to the headquarters control.

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