



**OGK-2 GROUP
INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)
FOR THE THREE MONTHS ENDED
31 MARCH 2018 (UNAUDITED)**

Translation from the Russian original

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OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position
as at 31 March 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	31 March 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	5	183,453,523	184,267,282
Intangible assets		668,589	718,174
Deferred income tax assets		392,359	357,168
Other non-current assets	6	1,016,647	908,728
Total non-current assets		185,531,118	186,251,352
Current assets			
Cash and cash equivalents	7	12,763,629	5,140,926
Trade and other receivables	8	12,537,341	13,472,830
Inventories		11,489,549	11,129,570
Income tax prepayments		5,271	65,106
Total current assets		36,795,790	29,808,432
TOTAL ASSETS		222,326,908	216,059,784
EQUITY AND LIABILITIES			
Equity			
Share capital	9		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,821,383)	(3,821,383)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		61,007,270	56,398,279
Equity attributable to the shareholders of JSC "OGK-2"		125,621,589	121,012,598
Total equity		125,621,589	121,012,598
Non-current liabilities			
Deferred income tax liabilities		12,781,326	12,192,821
Non-current debt	10	55,888,470	57,891,843
Retirement benefit obligations		1,844,245	1,820,404
Restoration provision	11	1,154,592	1,075,463
Other long-term liabilities	12	7,789,409	561,975
Total non-current liabilities		79,458,042	73,542,506
Current liabilities			
Current debt and current portion of non-current debt	13	1,513,760	1,443,237
Trade and other payables	14	12,051,129	18,404,720
Other taxes payable	15	3,302,578	1,577,399
Restoration provision	11	20,174	79,324
Current income tax		359,636	-
Total current liabilities		17,247,277	21,504,680
Total liabilities		96,705,319	95,047,186
TOTAL EQUITY AND LIABILITIES		222,326,908	216,059,784

General Director

Chief Accountant



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 24

OGK-2 Group
Interim Condensed Consolidated Statement of Comprehensive Income
for the 3 months ended 31 March 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



		3 months ended 31 March 2018	3 months ended 31 March 2017
	Notes		
Revenues	16	39,649,500	38,145,406
Operating expenses	17	(32,266,286)	(30,330,692)
Other operating expenses		(530,236)	(10,134)
Operating profit		6,852,978	7,804,580
Finance income	18	195,845	307,893
Finance costs	19	(1,366,246)	(1,749,546)
Profit before income tax		5,682,577	6,362,927
Income tax charge		(1,073,586)	(1,357,619)
Profit for the period		4,608,991	5,005,308
Total comprehensive income for the period		4,608,991	5,005,308
Profit for the period attributable to:			
Shareholders of JSC "OGK-2"		4,608,991	5,005,308
		4,608,991	5,005,308
Total comprehensive income for the period attributable to:			
Shareholders of JSC "OGK-2"		4,608,991	5,005,308
		4,608,991	5,005,308
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)	20	0.04	0.05

General Director

Chief Accountant

S.A. Ananyev

L.V. Klisch

25 May 2018



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 24

OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows
for the 3 months ended 31 March 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	3 months ended 31 March 2018	3 months ended 31 March 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		5,682,577	6,362,927
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	17	2,961,436	2,713,866
Amortisation of intangible assets	17	60,834	47,943
Charge / (reversal) of provision for impairment of trade and other receivables	17	112,005	(189,076)
Charge of provision for inventory obsolescence	17	118	7,214
Finance income	18	(195,845)	(307,893)
Finance costs	19	1,366,246	1,749,546
Non-state pensions and other long-term benefits	17	21,308	23,992
Loss on disposal of assets, net	17	43,848	47,099
Other non-cash items		-	(312)
Operating cash flows before working capital changes and income tax paid		10,052,527	10,455,306
Working capital changes:			
Decrease / (increase) in trade and other receivables		595,481	(374,503)
Increase in inventories		(232,580)	(437,463)
Increase / (decrease) in trade and other payables		819,858	(655,995)
Increase in taxes payable, other than income tax		1,724,617	932,134
Decrease in retirement benefit obligations		(33,496)	(23,935)
Income tax (paid) / returned		(100,803)	32,901
Net cash generated from operating activities		12,825,604	9,928,445
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(2,203,838)	(1,304,711)
Proceeds from sale of property, plant and equipment		9,304	4,491
Purchase of intangible assets		(33,644)	(16,469)
Repayment of loans issued		64,984	-
Interest received		152,510	166,280
Net cash used in investing activities		(2,010,684)	(1,150,409)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of short-term borrowings	13	(175,510)	-
Repayment of long-term borrowings	10	(2,000,000)	-
Interest paid	13	(1,012,796)	(1,362,778)
Payments under finance lease	13	(816)	-
Net cash used in financing activities		(3,189,122)	(1,362,778)
Net increase in cash and cash equivalents		7,625,798	7,415,258
Effect of exchange rate changes on cash and cash equivalents		(3,095)	(38,668)
Cash and cash equivalents at the beginning of the period		5,140,926	4,538,684
Cash and cash equivalents at the end of the period		12,763,629	11,915,274

General Director

Chief Accountant



OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity
for the 3 months ended 31 March 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Total equity
At 1 January 2017	40,057,009	(3,961,865)	28,378,693	50,317,063	114,790,900	114,790,900
Profit for the period	-	-	-	5,005,308	5,005,308	5,005,308
<i>Total comprehensive income for the period</i>	-	-	-	5,005,308	5,005,308	5,005,308
At 31 March 2017	40,057,009	(3,961,865)	28,378,693	55,322,371	119,796,208	119,796,208
	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Total equity
At 1 January 2018	40,057,009	(3,821,383)	28,378,693	56,398,279	121,012,598	121,012,598
Profit for the period	-	-	-	4,608,991	4,608,991	4,608,991
<i>Total comprehensive income for the period</i>	-	-	-	4,608,991	4,608,991	4,608,991
At 31 March 2018	40,057,009	(3,821,383)	28,378,693	61,007,270	125,621,589	125,621,589

General Director

Chief Accountant

S.A. Ananyev

L.V. Klisch

25 May 2018



The interim condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 24



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, Novochercasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Groznenskaya TES. Moreover, the Company rents Adlerskaya TES station under operating lease agreement.

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

The Company's office is located at 66-1, lit. A, Peterburgskoye Highway, 196140, Saint Petersburg, Russian Federation.

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

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

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During the 3 months ended 31 March 2018 the Russian economy continued to be negatively impacted by international sanctions against certain Russian companies and individuals.

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

Relations with the state and current regulation. The Company is part of the GAZPROM Group (www.gazprom.ru), which includes PJSC "GAZPROM" and its subsidiaries. PJSC "Centerenergyholding" owns 73.42% of the shares of JSC "OGK-2" as at 31 March 2018 (as at 31 December 2017: 73.42%).

GAZPROM Group, in its turn, is controlled by the Russian Federation, therefore, the Russian Government is the ultimate controlling party of the Group as at 31 March 2018 and 31 December 2017.

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

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

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

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the 3 months ended 31 March 2018 ("Financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS.

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

Note 3. New accounting developments

The accounting policies followed in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statements as at and for the year ended 31 December 2017.

The Group has adopted all new standards, amendments to standards and interpretations that were effective from 1 January 2018. 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 2017, have been issued but are not effective for the financial year beginning 1 January 2018 and which the Group has not early adopted.

Note 4. Related Parties

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

Transactions with GAZPROM Group and its associates

Transactions with GAZPROM Group and its associates were as follows:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Sales of electricity and capacity	904,165	887,757
Other sales	49,995	50,631
Interest income	11,527	101,996
Other income	52,941	587
Purchases of gas	11,181,337	11,224,533
Other purchases	2,171,326	1,617,383
Other expenses	39,596	751
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	188,391 48,375	356,371 110,139
Purchases of materials	441,792	88,381
Interest expense under finance lease agreements (Note 19)	2,025	-
Interest expense on loans	758,038	998,079
Repayment of borrowings (excluding interest) (Note 10, 13)	2,176,326	-
Repayment of loans issued (excluding interest)	64,984	-

Balances with GAZPROM Group and its associates were as follows:

	31 March 2018	31 December 2017
Long-term loans issued (Note 8)	50,125	131,101
Cash and cash equivalents (Note 7)	6,186,756	3,973,595
Trade and other receivables	570,634	1,041,976
Provision for impairment of trade and other receivables	(7,732)	(7,732)
Advances for property, plant and equipment (net of VAT)	322,451	341,457
Debt (Note 10, 13)	32,886,844	35,101,718
Trade and other payables	11,770,357	10,807,732

As at 31 March 2018 the Group has capital commitments to GAZPROM Group (including VAT) and its associates of RR 10,539,629 thousand (as at 31 December 2017: RR 9,401,445 thousand).

Operating lease rentals to GAZPROM Group are payable as follows:

	31 March 2018	31 December 2017
Not later than one year	2,896,814	2,528,479
Later than one year and not later than five years	612,023	662,372
Total	3,508,837	3,190,851

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

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



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

	3 months ended 31 March 2018	3 months ended 31 March 2017
Sales of electricity and capacity	6,310,424	5,608,286
Other sales	1,091,377	475,297
Charge of provision for impairment of trade receivables (sales of electricity and capacity)	316,598	92,416
Reversal of provision for impairment of trade receivables (sales of electricity and capacity)	(133,546)	(192,888)
Interest income on cash and cash equivalents	104,397	65,958
Electricity transit (Note 17)	527,449	474,248
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	109,929	37,326
	109,799	36,775
Interest expense on loans	171,907	335,907

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

	31 March 2018	31 December 2017
Trade and other receivables, gross	11,449,064	10,773,650
Provision for impairment of trade and other receivables	(6,882,718)	(6,693,771)
Cash and cash equivalents (Note 7)	6,344,520	542,377
Trade and other payables	950,985	847,212
Debt (Note 10,13)	14,117,544	14,119,203

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

Operating lease rentals to state-controlled entities are payable as follows:

	31 March 2018	31 December 2017
Not later than one year	74,190	69,960
Later than one year and not later than five years	280,341	271,392
Later than five years and not later than ten years	348,764	336,979
Later than ten years	2,362,629	2,308,363
Total	3,065,924	2,986,694

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

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

	3 months ended 31 March 2018	3 months ended 31 March 2017
Sales of electricity	17,597,655	17,400,885
Purchases of electricity	2,830,588	2,828,529
Other income	859	1,197
Other expenses	5,878	5,727

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

	31 March 2018	31 December 2017
Trade and other receivables	2,255,867	2,370,953
Trade and other payables	452,831	592,376

Transactions with key management

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

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

Total remuneration in the form of salary, bonuses and compensations accrued to the members of the Board of Directors and Management Board for the 3 months ended 31 March 2018 was RR 21,036 thousand (for the 3 months ended 31 March 2017: RR 22,163 thousand).

Transactions with other related parties

Transactions with other related parties represent transactions with the non-state pension funds ("NPF"). For the 3 months ended 31 March 2018 the Group made contributions of RR 10,987 thousand to NPF Elektroenergetiki (for the 3 months ended 31 March 2017: RR 23,563 thousand).

Note 5. Property, plant and equipment

	Production buildings	Construc- tions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
Opening balance as at 1 January 2018	60,495,050	36,937,220	106,502,387	40,963,438	3,144,039	23,334,899	271,377,033
Additions	-	-	-	12,066	53,786	2,273,264	2,339,116
Transfer	943,264	691,266	675,826	9,052,099	601	(11,363,056)	-
Disposals	(66,492)	(811,928)	(372,286)	(234,578)	(3,835)	(12,758)	(1,501,877)
Closing balance as at 31 March 2018	61,371,822	36,816,558	106,805,927	49,793,025	3,194,591	14,232,349	272,214,272
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	(354,973)	(335,152)	(1,349,823)	(820,951)	(104,832)	-	(2,965,731)
Disposals	54,726	674,261	361,550	220,367	3,829	-	1,314,733
Transfer	-	-	-	(4,850)	-	4,850	-
Closing balance as at 31 March 2018	(22,400,882)	(14,954,982)	(32,775,063)	(16,696,503)	(1,614,476)	(318,843)	(88,760,749)
Net book value as at 31 March 2018	38,970,940	21,861,576	74,030,864	33,096,522	1,580,115	13,913,506	183,453,523
Net book value as at 31 December 2017	38,394,415	21,643,129	74,715,597	24,872,369	1,630,566	23,011,206	184,267,282
Cost							
Opening balance as at 1 January 2017	58,497,690	36,112,087	103,412,077	39,716,012	2,331,679	23,608,759	263,678,304
Additions	-	-	-	14,231	5,155	918,060	937,446
Transfer	56,261	83,154	332,254	57,112	12,078	(540,859)	-
Disposals	(1,420)	(16,716)	(3,768)	(7,781)	(3,712)	(4,976)	(38,373)
Reclassification	-	(63,024)	63,024	3,604	(3,604)	-	-
Closing balance as at 31 March 2017	58,552,531	36,115,501	103,803,587	39,783,178	2,341,596	23,980,984	264,577,377
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2017	(21,500,308)	(14,105,982)	(27,929,643)	(13,017,407)	(1,356,506)	(969,272)	(78,879,118)
Charge for the period	(300,860)	(336,973)	(1,236,028)	(796,824)	(47,206)	-	(2,717,891)
Disposals	1,420	16,716	3,730	7,781	3,648	2,016	35,311
Reclassification	-	1,397	(1,397)	(3,604)	3,604	-	-
Closing balance as at 31 March 2017	(21,799,748)	(14,424,842)	(29,163,338)	(13,810,054)	(1,396,460)	(967,256)	(81,561,698)
Net book value as at 31 March 2017	36,752,783	21,690,659	74,640,249	25,973,124	945,136	23,013,728	183,015,679
Net book value as at 31 December 2016	36,997,382	22,006,105	75,482,434	26,698,605	975,173	22,639,487	184,799,186

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

Finance lease

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

	31 March 2018	31 December 2017
Other machinery and equipment	35,505	36,924
Total	35,505	36,924

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

Operating lease

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

Operating lease rentals are payable as follows:

	31 March 2018	31 December 2017
Not later than one year	3,006,675	2,761,801
Later than one year and not later than five years	892,364	933,764
Later than five years and not later than ten years	348,764	336,979
Later than ten years	2,362,629	2,308,363
Total	6,610,432	6,340,907

Note 6. Other non-current assets

	Notes	31 March 2018	31 December 2017
Long-term promissory notes	8	245,919	240,635
(nominal value of promissory notes is RR 460,210 thousand as at 31 March 2018 and RR 460,210 thousand as at 31 December 2017)			
Long-term loan issued	8	50,125	131,101
Long-term trade and other receivables	8	14,187	14,749
(net of provision for impairment of RR 3,181 thousand as at 31 March 2018 and RR 3,337 thousand as at 31 December 2017, and the effect of discounting of 6,607 thousand as at 31 March 2018 and RR 7,046 thousand as at 31 December 2017)			
Financial assets		310,231	386,485
Deposits for pensions		500,471	498,131
Long-term input VAT from advances paid	8	181,662	-
Long-term advances to suppliers	8	17,188	17,019
Other		7,095	7,093
Total		1,016,647	908,728

Note 7. Cash and cash equivalents

	Currency	31 March 2018	31 December 2017
Current bank accounts	RR	6,464,266	4,267,106
Current bank accounts	KZT	65	63
Bank deposits with maturity of three months or less	RR	5,778,000	350,500
Bank deposits with maturity of three months or less	USD	521,251	523,194
Other cash and cash equivalents	RR	47	63
Total		12,763,629	5,140,926

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 31 March 2018*	31 March 2018	Credit rating on 31 December 2017*	31 December 2017
Bank GPB (JSC)	b1 / Positive	6,186,756	b1 / Positive	3,973,595
	WR / Ratings		WR / Ratings	
"BANK "ROSSIYA"	Withdrawn	232,298	Withdrawn	274,373
Sberbank	ba1 / Positive	44,783	ba1 / Positive	18,842
VTB Bank (PJSC)	b1 / Positive	486	b1 / Positive	341
AO "ALFA-BANK"	ba2 / Stable	8	ba2 / Stable	18
Total cash in bank		6,464,331		4,267,169

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

Credit quality of bank deposits is presented below:

Bank deposits with maturity of three months or less	Currency	Interest rate	Credit rating on 31 March 2018*	31 March 2018	Currency	Interest rate	Credit rating on 31 December 2017*	31 December 2017
VTB Bank (PJSC)	RR	6.35-6.50%	Non-Prime	5,778,000	-	-	-	-
Sberbank	USD	1.20%	Non-Prime	521,251	USD	0.84%	Non-Prime	523,194
"BANK "ROSSIYA"	-	-	-	-	RR	6.55%	Ratings Withdrawn	350,500
Total bank deposits with maturity of three months or less				6,299,251				873,694

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

Note 8. Trade and other receivables

	31 March 2018	31 December 2017
Trade receivables (net of provision for impairment of RR 8,969,670 thousand as at 31 March 2018 and RR 8,855,893 thousand as at 31 December 2017)	10,566,170	10,779,181
Other receivables (net of provision for impairment of RR 6,310,527 thousand as at 31 March 2018 and RR 6,312,701 thousand as at 31 December 2017, and the effect of discounting of RR 6,789 thousand as at 31 March 2018 and RR 7,228 thousand as at 31 December 2017)	1,544,145	1,547,651
Promissory notes (nominal value of promissory notes is RR 461,427 thousand as at 31 March 2018 and RR 462,644 thousand as at 31 December 2017)	247,038	242,938
Loans issued	50,125	131,101
Interest receivable	12,521	3,034
Financial assets	12,419,999	12,703,905
Advances to suppliers (net of provision for impairment of RR 13,694 thousand as at 31 March 2018 and RR 13,337 thousand as at 31 December 2017)	322,168	842,256
Input VAT	293,583	314,890
Prepaid other taxes and social funds contribution	10,672	15,283
Total	13,046,422	13,876,334
Less: Long-term promissory notes	(245,919)	(240,635)
Long-term input VAT from advances paid	(181,662)	-
Long-term loans issued	(50,125)	(131,101)
Long-term advances to suppliers	(17,188)	(17,019)
Long-term trade and other receivables	(14,187)	(14,749)
Total	12,537,341	13,472,830

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

Breakdown of promissory notes is presented below:

Bank	Effective interest rate	Credit rating on 31 March 2018*	31 March 2018	Credit rating on 31 December 2017*	31 December 2017
AO "ALFA-BANK"	8.11%-9.50%	ba2 / Stable	244,164	ba2 /Stable	238,927
Other	12.67%	-	2,874	-	4,011
Total			247,038		242,938

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



Note 9. Equity

Share capital

	Number of ordinary shares 31 March 2018	Number of ordinary shares 31 December 2017	Number of ordinary shares 31 December 2016
Issued shares	110,441,160,870	110,441,160,870	110,441,160,870
Treasury shares	(4,440,913,118)	(4,440,913,118)	(4,520,954,629)
Total outstanding shares	106,000,247,752	106,000,247,752	105,920,206,241

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

As at 31 March 2018 and 31 December 2017 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.

Note 10. Non-current debt

	Currency	Effective interest rate	Due	31 March 2018	31 December 2017
Loans	RR	7.90% - 10.00%	2020 - 2025	45,868,982	47,868,982
Bonds	RR	11.87%	2020	10,000,000	10,000,000
Finance lease liability	RR	26.52% -27.29%	2019 - 2020	19,488	22,861
Total				55,888,470	57,891,843

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

Breakdown of loans is presented below:

Company	31 March 2018	31 December 2017
PJSC "GAZPROM"	22,600,000	24,600,000
MOSENERGO	9,158,982	9,158,982
VTB Bank (PJSC)	7,600,000	7,600,000
Sberbank	6,510,000	6,510,000
Total	45,868,982	47,868,982

Maturity table

	31 March 2018	31 December 2017
Due for repayment		
Between one and two years	15,695	14,787
Between two and three years	24,113,793	24,118,074
Between three and four years	24,924,830	26,924,830
More than five years	6,834,152	6,834,152
Total	55,888,470	57,891,843

The movement of non-current debt is presented below:

	31 March 2018	31 March 2017
Non-current debt at the beginning of the period	57,891,843	34,590,389
Repayment of long-term borrowings	(2,000,000)	-
Current portion of finance lease liability	(3,373)	-
Non-current debt at the end of the period	55,888,470	34,590,389

Note 11. 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.

	Note	3 months ended 31 March 2018	3 months ended 31 March 2017
Total carrying amount at the beginning of year		1,154,787	1,312,297
Less current portion		(79,324)	(356,333)
Non-current portion at the beginning of year		1,075,463	955,964
Unwinding of the present value discount	19	19,979	25,918
Total carrying amount at the end of period		1,174,766	1,338,215
Less current portion		(20,174)	(366,069)
Non-current portion at the end of period		1,154,592	972,146

Note 12. Other long-term liabilities

	31 March 2018	31 December 2017
Trade payables	1,101,509	555,004
(net of effect of discounting RR 230,677 thousand as at 31 March 2018 and 115,907 thousand as at 31 December 2017)		
Other payables	6,687,900	6,971
Total finance liabilities	7,789,409	561,975

There is debt to MOSENERGO for the share of the capital of LLC "OGK-Investproekt" in the long-term other payables including interest in the amount RR 6,680,954 thousand as at the 31 March 2018, in the short-term other payables RR 6,563,399 thousand as at 31 December 2017.

Note 13. Current debt and current portion of non-current debt

	Currency	Effective interest rate	31 March 2018	31 December 2017
Current portion of long-term loans	RR	7.90% - 10.00%	1,101,710	1,317,427
Current portion of bonds	RR	11.87%	397,842	114,159
Current portion of finance lease liability	RR	26.52% - 27.29%	14,208	11,651
Total			1,513,760	1,443,237

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

Breakdown of loans is presented below:

Company	31 March 2018	31 December 2017
MOSENERGO	1,094,166	1,308,224
Sberbank	5,886	5,886
VTB Bank (PJSC)	1,658	3,317
Total	1,101,710	1,317,427

The movement of current debt and current portion of non-current debt is presented below:

	31 March 2018	31 March 2017
Current debt and current portion of non-current debt at the beginning of the period	1,443,237	32,459,634
Repayment of finance lease liability	(816)	-
Repayment of short-term borrowings	(175,510)	-
Interest expense	1,256,272	1,639,184
Interest paid	(1,012,796)	(1,362,778)
Current portion of finance lease liability	3,373	-
Current debt and current portion of non-current debt at the end of the period	1,513,760	32,736,040

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 2018	31 December 2017
Due for repayment		
Less than one year	20,572	18,731
Between one year and five years	22,664	27,346
Future finance charges on finance lease	(9,540)	(11,565)
Present value of lease liabilities	33,696	34,512

Note 14. Trade and other payables

	31 March 2018	31 December 2017
Trade payables	10,692,079	10,549,070
(net of effect of discounting RR 21,669 thousand as at 31 March 2018 and 23,115 as at 31 December 2017)		
Accrued liabilities and other payables	725,675	7,074,655
Dividends payable	9,826	9,902
Financial liabilities	11,427,580	17,633,627
Salaries and wages payable	594,636	716,839
Advances from customers	28,913	54,254
Total	12,051,129	18,404,720

There was debt to MOSENERGO for the share of the capital of LLC "OGK-Investproekt" in the other short-term liabilities in the amount RR 6,563,399 thousand (including interest) as at 31 December 2017. This debt was transferred to other long-term payables as at 31 March 2018, in connection with the conclusion of supplementary agreements on change of the maturities.

Note 15. Other taxes payable

	31 March 2018	31 December 2017
Value added tax	2,050,829	840,973
Property tax	894,744	349,272
Social funds contribution	253,344	277,955
Personal income tax	56,752	64,490
Environment pollution payment	36,112	29,905
Water usage tax	216	195
Other taxes	10,581	14,609
Total	3,302,578	1,577,399

Note 16. Revenues

	3 months ended 31 March 2018	3 months ended 31 March 2017
Electricity and capacity	36,812,962	36,074,732
Heating	1,904,788	1,786,091
Other	931,750	284,583
Total	39,649,500	38,145,406

Note 17. Operating expenses

	3 months ended 31 March 2018	3 months ended 31 March 2017
Fuel	18,509,212	18,149,620
Purchased electricity, capacity and heat	3,168,595	3,077,267
Depreciation and amortisation of property, plant, equipment and intangible assets	3,022,270	2,761,809
Employee benefits	2,010,100	1,973,588
Taxes other than income tax	1,131,586	819,022
Rent	982,297	532,390
Repairs	696,392	555,998
Electricity transit	527,449	474,248
Dispatcher's fees	502,288	511,710
Raw materials and supplies	370,307	324,754
Transport	199,266	209,721
Charge / (reversal) of provision for impairment of trade and other receivables	112,005	(189,076)
Ecological payments	59,500	57,303
Insurance	56,763	56,814
Consulting, legal and audit services	54,069	34,069
Loss / (gain) on disposal of property, plant, equipment	44,935	(4,018)
Charge of provision for inventory obsolescence	118	7,214
(Gain) / loss on disposal of other assets	(1,087)	51,117
Other expenses	820,221	927,142
Total operating expenses	32,266,286	30,330,692

Employee benefits expenses comprise the following:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Salaries and wages	1,471,635	1,426,348
Social funds contribution	465,101	455,585
Financial aid to employees and pensioners	52,056	67,663
Non-state pensions and other long-term benefits	21,308	23,992
Employee benefits	2,010,100	1,973,588
Average number of personnel for the period	8,941	9,095

Included in social funds contribution are statutory pension contributions of RR 366,735 thousand for the 3 months ended 31 March 2018 (for the 3 months ended 31 March 2017: RR 355,115 thousand).

Note 18. Finance income

	3 months ended 31 March 2018	3 months ended 31 March 2017
Interest income on bank deposits and current bank account balances	143,469	172,662
Foreign currency exchange gain	43,486	83,666
Effect of discounting of long-term promissory notes received	5,317	7,171
Interest income on loans	2,536	3,094
Effect of discounting of long-term restructured trade and other receivables	439	471
Other	598	40,829
Total finance income	195,845	307,893

Note 19. Finance costs

	3 months ended 31 March 2018	3 months ended 31 March 2017
Interest expense on debt	1,186,885	1,578,936
Foreign currency exchange loss	88,320	62,070
Effect of discounting of long-term payables	34,751	33,960
Interest on employee benefit obligations	34,286	48,662
Unwinding of the present value discount provision for ash dump	19,979	25,918
Interest expense under finance lease agreements	2,025	-
Total finance costs	1,366,246	1,749,546

Note 20. Earnings per share

	3 months ended 31 March 2018	3 months ended 31 March 2017
Weighted average number of ordinary shares issued	106,000,247,752	105,920,206,241
Profit attributable to the shareholders of JSC "OGK-2" (thousands of RR)	4,608,991	5,005,308
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.04	0.05

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

Note 21. Capital commitments

As at 31 March 2018 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 16,748,943 thousand (as at 31 December 2017: RR 16,399,422 thousand).

Note 22. Financial instruments and financial risks factors

Compliance with covenants. The Group is subject to certain covenants related primarily to its loans and borrowings. The Group was in compliance with covenants at 31 March 2018 and 31 December 2017.

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

(i) Recurring fair value measurements

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

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

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

	Notes	Level 1	Level 2	Level 3	Fair value	Carrying value
31 March 2018						
Financial assets						
Promissory notes	8	-	287,286	-	287,286	247,038
Loan issued	8	-	48,961	-	48,961	50,125
Total financial assets			336,247	-	336,247	297,163
Financial liabilities						
Debt	10, 13	-	(60,366,552)	-	(60,366,552)	(57,402,230)
Trade and other payables	12, 14	-	-	(19,231,170)	(19,231,170)	(19,216,989)
Total financial liabilities		-	(60,366,552)	(19,231,170)	(79,597,722)	(76,619,219)
31 December 2017						
Financial assets						
Promissory notes	8	-	283,785	-	283,785	242,938
Loan issued	8	-	128,034	-	128,034	131,101
Total financial assets		-	411,819	-	411,819	374,039
Financial liabilities						
Debt	10, 13	-	(62,099,256)	-	(62,099,256)	(59,335,080)
Trade and other payables	12, 14	-	-	(18,242,685)	(18,242,685)	(18,195,602)
Total financial liabilities		-	(62,099,256)	(18,242,685)	(80,341,941)	(77,530,682)

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

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

Note 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 97.7% of the Group revenue for the 3 months ended 31 March 2018 (for the 3 months ended 31 March 2017: 99.3%). 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 Group discloses seven reporting segments: Kirishskaya GRES, Stavropolskaya GRES, Surgutskaya GRES-1, Novocherkasskaya GRES, Troitskaya GRES, Krasnoyarskaya GRES-2, , Serovskaya GRES (as at 31 March 2018 Ryazanskaya GRES ceased to be reporting segments and are included in the "Other operating segments"). All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main differences relate to the respective carrying values of the value of property, plant and equipment. The Group does not have inter-segment revenue. The main contractor of the Group is JSC "FSC" which generates 44.4% of the Group revenue for the 3 months ended 31 March 2018 (for the 3 months ended 31 March 2017: 46%).

3 months ended 31 March 2018	Kirishskaya GRES	Stavropolskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES
Revenue	6,716,957	5,785,018	5,644,834	5,591,919	3,474,059
Segment operating profit*	2,273,728	272,640	905,439	246,700	1,014,072
3 months ended 31 March 2018	Krasnoyarskaya GRES-2	Serovskaya GRES	Other operating segments	Total operating segments	
Revenue	2,677,613	1,865,402	7,893,698	39,649,500	
Segment operating profit*	747,447	495,882	1,376,124	7,332,032	
3 months ended 31 March 2017	Kirishskaya GRES	Stavropolskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES
Revenue	5,378,387	5,748,685	5,520,167	5,106,633	3,872,193
Segment operating profit / (loss)*	1,582,741	424,723	1,092,021	(147,118)	1,948,718
3 months ended 31 March 2017	Krasnoyarskaya GRES-2	Serovskaya GRES	Other operating segments	Total operating segments	
Revenue	2,602,259	2,126,902	7,790,180	38,145,406	
Segment operating profit / (loss)*	819,830	801,013	1,945,404	8,467,332	

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

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2018 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



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

	3 months ended 31 March 2018	3 months ended 31 March 2017
Segment operating profit	7,332,032	8,467,332
Adjustments, arising from different accounting policy:	(343,492)	(157,643)
Finance lease	4,683	-
Depreciation adjustment	(163,481)	(179,027)
Other adjustments	(184,694)	21,384
Unallocated expenses:	(135,562)	(505,109)
Consulting, legal and audit services	(12,918)	(11,765)
Rent	(55,414)	(64,161)
(Charge) / reversal of provision for impairment of trade and other receivables	(131,047)	103,718
Employee benefits	(138,849)	(136,496)
Other corporate income / (expenses)	202,666	(396,405)
Operating profit (IFRS)	6,852,978	7,804,580

Segment's assets are disclosed below:

	Kirishskaya GRES	Stavropolskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES
31 March 2018	20,653,747	3,011,188	5,767,431	37,095,269	58,277,350
	Krasnoyarskaya GRES-2	Serovskaya GRES	Other operating segments	Total assets	
31 March 2018	4,631,089	20,079,208	38,371,396	187,886,678	

	Kirishskaya GRES	Stavropolskaya GRES	Surgutskaya GRES-1	Novocherkasskaya GRES	Troitskaya GRES
31 December 2017	20,988,147	3,381,361	5,515,593	37,619,739	57,220,749
	Krasnoyarskaya GRES-2	Serovskaya GRES	Other operating segments	Total assets	
31 December 2017	4,680,146	20,386,788	38,961,114	188,753,637	

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

	31 March 2018	31 December 2017
Total assets for reportable segment	187,886,678	188,753,637
Adjustments, arising from different accounting policy:	8,922,067	9,343,475
Property, plant and equipment adjustment	8,911,487	9,193,469
Deposits for pensions (Note 6)	500,471	498,131
Impairment of trade and other receivables	(3,306)	(3,467)
Discounting of long-term trade and other receivables (Note 8)	(6,789)	(7,228)
Provision for inventory obsolescence	(29,946)	(30,251)
Inventory adjustments	(206,768)	(58,658)
Discounting of promissory notes (Note 8)	(214,389)	(219,706)
Other adjustments	(28,693)	(28,815)
Unallocated assets	25,518,163	17,962,672
Total assets (IFRS)	222,326,908	216,059,784

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.

In April 2018 the Group repaid long-term loans to VTB Bank (PJSC) and Sberbank of RR 14,110 million.

Phan
Hue

Chief Accountant

L.V. Klisch

25 May 2018