



**OGK-2 GROUP**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)**

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**OGK-2 Group**  
**Interim Condensed Consolidated Statement of Financial Position**  
**as at 30 September 2016 (unaudited)**

(in thousands of Russian Roubles, unless noted otherwise)



	Notes	30 September 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	185,376,413	178,397,832
Intangible assets	7	948,907	1,104,608
Deferred tax assets		146,584	-
Other non-current assets		971,835	978,332
<b>Total non-current assets</b>		<b>187,443,739</b>	<b>180,480,772</b>
<b>Current assets</b>			
Cash and cash equivalents	8	4,852,565	7,544,369
Trade and other receivables	9	13,440,112	15,958,468
Inventories	10	9,732,924	10,943,670
Income tax prepayments		242,760	449,766
<b>Total current assets</b>		<b>28,268,361</b>	<b>34,896,273</b>
<b>TOTAL ASSETS</b>		<b>215,712,100</b>	<b>215,377,045</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,979,022)	(4,150,598)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		49,381,739	48,832,446
<b>Equity attributable to the shareholders of JSC "OGK-2"</b>		<b>113,838,419</b>	<b>113,117,550</b>
Non-controlling interest		-	2,083,512
<b>Total equity</b>		<b>113,838,419</b>	<b>115,201,062</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		9,246,696	7,163,893
Non-current debt	12	32,720,297	36,574,060
Retirement benefit obligations		2,088,650	1,991,052
Restoration provision	13	879,650	1,051,656
Other long-term liabilities	14	7,100,478	3,744,299
<b>Total non-current liabilities</b>		<b>52,035,771</b>	<b>50,524,960</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	15	37,372,743	36,141,251
Trade and other payables	16	10,130,244	12,239,538
Other taxes payable	17	1,951,111	794,989
Income tax payable		3,272	-
Restoration provision		380,540	475,245
<b>Total current liabilities</b>		<b>49,837,910</b>	<b>49,651,023</b>
<b>Total liabilities</b>		<b>101,873,681</b>	<b>100,175,983</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>215,712,100</b>	<b>215,377,045</b>

General Director

S.A. Ananiev

Chief Accountant

L.V. Klisch

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 24 November 2016



**OGK-2 Group**  
**Interim Condensed Consolidated Statement**  
**of Profit or Loss for the 9 months ended 30 September 2016 (unaudited)**  
(in thousands of Russian Roubles, unless noted otherwise)



		9 months ended 30 September 2016	9 months ended 30 September 2015 (Restated)
	Notes		
Revenues	18	94,169,562	80,916,711
Operating expenses	19	(87,680,231)	(77,051,264)
Other operating expenses		(562,018)	(19,038)
<b>Operating profit</b>		<b>5,927,313</b>	<b>3,846,409</b>
Finance income	20	1,140,912	2,070,320
Finance costs	21	(4,115,668)	(2,121,950)
<b>Profit before income tax</b>		<b>2,952,557</b>	<b>3,794,779</b>
Income tax charge		(967,336)	(1,037,047)
<b>Profit for the period</b>		<b>1,985,221</b>	<b>2,757,732</b>
Attributable to:			
Shareholders of JSC "OGK-2"		2,102,102	2,727,939
Non-controlling interest		(116,881)	29,793
<b>Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)</b>			
	22	<b>0.02</b>	<b>0.03</b>

**OGK-2 Group**  
**Interim Condensed Consolidated Statement of Comprehensive Income**  
**for the 9 months ended 30 September 2016 (unaudited)**  
(in thousands of Russian Roubles, unless noted otherwise)



	9 months ended 30 September 2016	9 months ended 30 September 2015 (Restated)
<b>Profit for the period</b>	<b>1,985,221</b>	<b>2,757,732</b>
<b>Total comprehensive income for the period</b>	<b>1,985,221</b>	<b>2,757,732</b>
Attributable to:		
Shareholders of JSC "OGK-2"	2,102,102	2,727,939
Non-controlling interest	(116,881)	29,793

**OGK-2 Group**  
**Interim Condensed Consolidated Statement of Cash Flow**  
**for the 9 months ended 30 September 2016 (unaudited)**  
(in thousands of Russian Roubles, unless noted otherwise)



Notes	9 months ended 30 September 2016	9 months ended 30 September 2015 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before income tax	2,952,557	3,794,779
Adjustments to reconcile profit before income tax to net cash provided by operations:		
Depreciation of property, plant and equipment	19 6,555,772	4,432,754
Amortisation of intangible assets	19 175,800	221,968
Charge / (reversal) of provision for impairment of trade and other receivables	19 1,841,352	(355,366)
Charge / (reversal) of provision for inventory obsolescence	19 17,549	(3,949)
Finance income	20 (1,140,912)	(2,070,320)
Finance costs	21 4,115,668	2,121,950
Non-state pensions and other long-term benefits	19 63,013	43,361
(Gain) / loss on disposal of assets, net	19 (57,066)	291,293
Other non-cash items	35,039	37,643
<b>Operating cash flows before working capital changes and income tax paid</b>	<b>14,558,772</b>	<b>8,514,113</b>
Working capital changes:		
Decrease in trade and other receivables	645,781	3,030,451
Decrease / (increase) in inventories	434,064	(3,625,400)
Decrease in other current assets	(93,489)	-
(Decrease) / increase in trade and other payables	(1,000,241)	918,793
Increase / (decrease) in taxes payable, other than income tax	1,156,142	(80,306)
Payments in respect of retirement benefit obligations	(55,682)	(45,146)
Income tax received / (paid)	1,178,917	(947,364)
<b>Net cash generated from operating activities</b>	<b>16,824,264</b>	<b>7,765,141</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(12,163,890)	(19,357,485)
Proceeds from sale of property, plant and equipment	42,886	3,355
Purchase of intangible assets	(16,870)	(14,744)
Interest received	510,269	882,221
Increase in other non-current assets	-	(83,000)
<b>Net cash used in investing activities</b>	<b>(11,627,605)</b>	<b>(18,569,653)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term borrowings	-	2,950,000
Proceeds from long-term borrowings	-	7,788,308
Repayment of long-term borrowings	(87,674)	(436,135)
Repayment of short-term borrowings	(3,070,664)	(4,300,000)
Interest paid	(4,588,951)	(3,183,782)
Payments under finance lease	(33,145)	(57,927)
Dividend paid to shareholders of JSC "OGK-2"	(113,552)	(439,827)
Finance lease advance	(290)	(290)
<b>Net cash (used in) / generated from financing activities</b>	<b>(7,894,276)</b>	<b>2,320,347</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,697,617)</b>	<b>(8,484,165)</b>
Effect of exchange rate changes on cash and cash equivalents	5,813	-
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7,544,369</b>	<b>13,276,031</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,852,565</b>	<b>4,791,866</b>

The interim condensed consolidated statement of cash flow is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out on pages 8 to 26

**OGK-2 Group**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**for the 9 months ended 30 September 2016 (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
<b>At 1 January 2015 (Restated)</b>	<b>40,057,009</b>	<b>(4,339,331)</b>	<b>28,378,693</b>	<b>47,506,962</b>	<b>111,603,333</b>	<b>4,945,624</b>	<b>116,548,957</b>
Profit for the period	-	-	-	2,727,939	2,727,939	29,793	2,757,732
<i>Total comprehensive income for the period</i>	-	-	-	2,727,939	2,727,939	29,793	2,757,732
Dividends	-	-	-	(860,562)	(860,562)	-	(860,562)
Payment of remuneration	-	171,575	-	(146,676)	24,899	-	24,899
Other transactions	-	-	-	583	583	-	583
<b>At 30 September 2015 (Restated)</b>	<b>40,057,009</b>	<b>(4,167,756)</b>	<b>28,378,693</b>	<b>49,228,246</b>	<b>113,496,192</b>	<b>4,975,417</b>	<b>118,471,609</b>
<b>At 1 January 2016</b>	<b>40,057,009</b>	<b>(4,150,598)</b>	<b>28,378,693</b>	<b>48,832,446</b>	<b>113,117,550</b>	<b>2,083,512</b>	<b>115,201,062</b>
Profit / (loss) for the period	-	-	-	2,102,102	2,102,102	(116,881)	1,985,221
<i>Total comprehensive income / (expense) for the period</i>	-	-	-	2,102,102	2,102,102	(116,881)	1,985,221
Dividends (Note 11)	-	-	-	(600,346)	(600,346)	-	(600,346)
Payment of remuneration (Note 11)	-	171,576	-	(134,706)	36,870	-	36,870
Acquisition of businesses under common control (Note 11)	-	-	-	(817,757)	(817,757)	(1,966,631)	(2,784,388)
<b>At 30 September 2016</b>	<b>40,057,009</b>	<b>(3,979,022)</b>	<b>28,378,693</b>	<b>49,381,739</b>	<b>113,838,419</b>	<b>-</b>	<b>113,838,419</b>



**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, Novocherkasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Groznenskaya TES. The Company rents Adlerskaya TES station under operating lease agreement.

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

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

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

	% owned	
	30 September 2016	31 December 2015
LLC "OGK-2 Finance"	100%	100%
LLC "Centr 112"	100%	100%
OGK-Investprojekt LLC	100%	55%

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

Financial information about OGK-Investprojekt LLC non-controlling interest is presented in Interim condensed consolidated statement of financial position, Interim condensed consolidated statement of profit or loss, Interim condensed consolidated statement of comprehensive Income, Interim condensed consolidated statement of changes in equity. OGK-Investprojekt LLC did not pay dividends.

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

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Loss	Total comprehensive expense
<b>As of and for the 9 months ended 30 September 2016</b>							
OGK-Investprojekt LLC	15,765,449	960,096	11,209,356	1,412,156	1,374,172	(655,102)	(655,102)
<b>As of and for the year ended 31 December 2015</b>							
OGK-Investprojekt LLC	16,802,180	1,437,002	7,993,316	5,486,731	2,852,470	(705,365)	(705,365)

**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 (Note 24). During the 9 months ended 30 September 2016 the Russian economy was negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

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





**Relations with the state and current regulation.** JSC "OGK-2" is part of the Gazprom Group, which includes PJSC "GAZPROM" and its subsidiaries. JSC "Centerenergyholding" owns 73.42% of the shares of JSC "OGK-2" as at 30 September 2016 (as at 31 December 2015: 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 2016 and 31 December 2015.

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.

As described in Note 24, 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 2016 ("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 2015, which have been prepared in accordance with IFRS.

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

#### **Note 3. New accounting developments**

The accounting policies followed in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statements as at and for the year ended 31 December 2015.

The Group has adopted all new standards, amendments to standards and interpretations that were effective from 1 January 2016. 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 2015, have been issued but are not effective for the financial year beginning 1 January 2016 and which the Group has not early adopted.

#### **Note 4. Restatement of comparatives**

According to the Group's accounting policy the acquisition of the entity under common control (Note 1) is accounted for in the consolidated financial statements as if the acquisition had occurred at the beginning of the earliest comparative period presented, for this purpose comparatives are restated:

#### **Impact on Interim Condensed Consolidated Statement of Profit or Loss:**

	<b>9 months ended 30 September 2015</b>
Revenues	75,210
Operating expenses	670,756
Other operating income expenses	35,562
<b>Operating profit</b>	<b>781,528</b>

**OGK-2 Group**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**for the 9 months ended 30 September 2016 (unaudited)**  
(in thousands of Russian Roubles unless noted otherwise)



Finance income	40,966
Finance costs	(780,002)
<b>Profit before income tax</b>	<b>42,492</b>
Income tax charge	(34,511)
<b>Profit for the period</b>	<b>7,981</b>
Attributable to:	
Shareholders of JSC "OGK-2"	(21,812)
Non-controlling interest	29,793

**Impact on Interim Condensed Consolidated Statement of Comprehensive Income:**

	9 months ended 30 September 2015
<b>Profit for the period</b>	<b>7,981</b>
Available-for-sale investments, net of tax	(10,078)
<b>Total comprehensive income for the period</b>	<b>(2,097)</b>
Attributable to:	
Shareholders of JSC "OGK-2"	(31,890)
Non-controlling interest	29,793

**Impact on Interim Condensed Consolidated Statement of Cash Flows:**

	9 months ended 30 September 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
<b>Profit before income tax</b>	<b>42,492</b>
Adjustments to reconcile profit before income tax to net cash provided by operations:	
Depreciation of property, plant and equipment	1,045,353
Amortisation of intangible assets	156
Finance income	(40,966)
Finance costs	780,002
(Gain) / loss on disposal of assets	(55)
<b>Operating cash flows before working capital changes and income tax paid</b>	<b>1,826,982</b>
Working capital changes:	
Decrease in trade and other receivables	(225,878)
Decrease / (increase) in inventories	(405)
(Decrease) / increase in trade and other payables	(1,511,693)
Increase / (decrease) in taxes payable, other than income tax	129,546
<b>Net cash generated from operating activities</b>	<b>218,552</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property, plant and equipment	(2,097,008)
Decrease in other non-current assets	(83,000)
Interest received	3,813
<b>Net cash used in investing activities</b>	<b>(2,176,195)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Interest paid	(330,143)
Proceeds from short-term borrowings	2,950,000
Repayment of long-term borrowings	(436,135)
<b>Net cash (used in) / generated from financing activities</b>	<b>2,183,722</b>
<b>Net decrease in cash and cash equivalents</b>	<b>226,079</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>220,432</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>446,511</b>



**Impact on Interim Condensed Consolidated Statement of Changes in Equity:**

	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Non-controlling interest	Total equity
<b>At 1 January 2015</b>	<b>(2,420)</b>	<b>(2,420)</b>	<b>4,945,624</b>	<b>4,943,204</b>
Profit for the period	(21,812)	(21,812)	29,793	7,981
Available-for-sale investments, net of tax	(10,078)	(10,078)	-	(10,078)
<i>Total comprehensive income for the period</i>	<i>(31,890)</i>	<i>(31,890)</i>	<i>29,793</i>	<i>(2,097)</i>
<b>At 30 September 2015</b>	<b>(34,310)</b>	<b>(34,310)</b>	<b>4,975,417</b>	<b>4,941,107</b>

**Note 5. 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 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:

	9 months ended 30 September 2016	9 months ended 30 September 2015 (Restated)
Sales of electricity and capacity	1,096,407	1,181,594
Other sales	151,179	76,101
Interest income on cash and cash equivalents	297,873	180,794
Other income	56,793	9,966
Purchases of gas	27,128,594	23,642,767
Other purchases	7,997,575	7,972,974
Other expenses	41,260	5,052
Interest expense under finance lease agreements	1,512	7,246
Accrued interest on the loans	3,371,672	3,442,036

Balances with Gazprom Group and its associates were as follows:

	30 September 2016	31 December 2015
Loans issued (Note 9)	115,395	203,154
Cash and cash equivalents (Note 8)	4,131,105	4,930,957
Trade and other receivables	501,008	627,454
Advances for property, plant and equipment (net of VAT)	478,461	190,286
Promissory notes Bank GPB (JSC) (Note 9)	18,761	89,955
(nominal value of promissory notes is RR 20,000 thousand as at 30 September 2016 and RR 97,500 thousand as at 31 December 2015)		
Debt	48,461,497	48,477,880
Trade and other payables	8,344,429	4,960,918

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

In the normal course of business the Group enters into transactions with other entities under Government control (in addition to transactions with Gazprom Group), including sales of electricity and capacity, heat, purchases of electricity and capacity resources, services and other transactions. These transactions



(except for sales of electricity and capacity, electricity transit, building and construction works and loans received) are not significant either individually or collectively.

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

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2015 (Restated)</b>
Sales of electricity and capacity	11,195,247	11,126,968
Charge of provision for impairment of trade receivables (sales of electricity and capacity)	1,693,771	168,046
Reversal of provision for impairment of trade receivables (sales of electricity and capacity)	(153,217)	(1,334,559)
Interest income on cash and cash equivalents	175,707	466,784
Building and construction works	4,752,781	6,313,331
Electricity transit (Note 19)	1,213,196	964,027
Interest expense on loans	857,796	181,764

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade and other receivables, gross	8,163,648	8,227,218
Provision for impairment of trade and other receivables	(4,913,746)	(3,373,894)
Cash and cash equivalents (Note 8)	586,498	899,134
Trade and other payables	2,151,871	3,225,050
Debt	7,600,000	10,473,307

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":

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2015</b>
Sales of electricity	48,950,287	44,501,387
Purchases of electricity	8,187,385	8,552,486
Other income	6,620	12,245

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade and other receivables	2,211,847	3,006,692
Trade and other payables	665,345	527,161

#### ***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 year.

Total remuneration in the form of salary and bonuses accrued to the members of the Board of Directors and Management Board for the 9 months ended 30 September 2016 was RR 117,393 thousand (for the 9 months ended 30 September 2015: RR 107,021 thousand).



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**Transactions with other related parties**

Transactions with other related parties represent transactions with the pension fund. For the 9 months ended 30 September 2016 the Group made contributions of RR 65,679 thousand to NPF Electroenergetiki (for the 9 months ended 30 September 2015: RR 42,698 thousand).

**Note 6. Property, plant and equipment**

	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
<b>Cost</b>							
Opening balance as at 1 January 2016	45,128,175	26,461,266	73,124,469	25,017,485	2,029,340	78,648,678	250,409,413
Additions	1,594	32,607	-	59,943	25,481	14,418,962	14,538,582
Transfer	13,251,955	9,323,156	32,888,407	14,038,890	52,066	(69,554,474)	-
Disposals	(9,549)	(19,307)	(1,216,741)	(35,623)	(44,960)	(35,488)	(1,361,688)
Closing balance as at 30 September 2016	58,372,175	35,797,722	104,796,135	39,080,695	2,061,927	23,477,678	263,586,332
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 1 January 2016	(20,738,108)	(13,059,125)	(25,190,060)	(10,765,235)	(1,273,903)	(985,150)	(72,011,581)
Charge for the period	(757,178)	(786,518)	(3,040,818)	(1,922,546)	(90,475)	-	(6,597,535)
Transfer	-	-	-	-	(16)	16	-
Disposals	6,492	18,705	295,321	34,346	42,307	2,026	399,197
Closing balance as at 30 September 2016	(21,488,794)	(13,826,938)	(27,935,557)	(12,653,435)	(1,322,087)	(983,108)	(78,209,919)
Net book value as at 30 September 2016	36,883,381	21,970,784	76,860,578	26,427,260	739,840	22,494,570	185,376,413
Net book value as at 31 December 2015	24,390,067	13,402,141	47,934,409	14,252,250	755,437	77,663,528	178,397,832
<b>Cost</b>							
Opening balance as at 1 January 2015 (Restated)	42,825,109	23,130,598	54,944,642	19,905,726	1,814,433	83,574,682	226,195,190
Additions	189	-	-	33,778	185,781	20,935,976	21,155,724
Transfer	55,685	138,138	2,743,724	209,458	485	(3,147,490)	-
Disposals	(412)	(295,314)	(31,690)	(48,194)	(27,669)	(4,417,570)	(4,820,849)
Closing balance as at 30 September 2015 (Restated)	42,880,571	22,973,422	57,656,676	20,100,768	1,973,030	96,945,598	242,530,065
<b>Accumulated depreciation (including impairment)</b>							
Opening balance as at 1 January 2015 (Restated)	(19,522,533)	(12,440,851)	(22,168,683)	(9,162,645)	(1,257,734)	(1,058,793)	(65,611,239)
Charge for the period	(1,002,600)	(710,642)	(2,020,638)	(1,243,753)	(54,630)	-	(5,032,263)
Transfer	-	-	(92,089)	-	-	92,089	-
Disposals	412	291,180	28,185	47,423	27,350	9,747	404,297
Closing balance as at 30 September 2015 (Restated)	(20,524,721)	(12,860,313)	(24,253,225)	(10,358,975)	(1,285,014)	(956,957)	(70,239,205)
Net book value as at 30 September 2015 (Restated)	22,355,850	10,113,109	33,403,451	9,741,793	688,016	95,988,641	172,290,860
Net book value as at 31 December 2014 (Restated)	23,302,576	10,689,747	32,775,959	10,743,081	556,699	82,515,889	160,583,951

In the 2th quarter of 2016 commissioned the following CSC objects: the Object number 2 (PSU-330), construction of the coal-fired power on the territory of the Novocherkasskaya GRES (capacity increased

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by 330 MW) and the start-up facilities of the Object number 1 (PSU-660), construction of the coal-fired power on the territory of the Troitskaya GRES (capacity increased by 660 MW).

**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 property, plant and equipment is presented below:

	<b>30 September 2016</b>	<b>31 December 2015</b>
Energy machinery and equipment	-	32,746
Other machinery and equipment	15,301	144,070
Other	-	108,649
<b>Total</b>	<b>15,301</b>	<b>285,465</b>

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:

	<b>30 September 2016</b>	<b>31 December 2015</b>
Not later than one year	1,333,335	2,522,748
Later than one year and not later than five years	274,059	468,922
Later than five years and not later than ten years	336,094	344,231
Later than ten years	2,388,895	2,493,056
<b>Total</b>	<b>4,332,383</b>	<b>5,828,957</b>

**Note 7. Intangible assets**

	<b>SAP software</b>	<b>Other intangibles</b>	<b>Total</b>
<b>Cost</b>			
<b>Balance as at 1 January 2016</b>	<b>1,279,057</b>	<b>398,015</b>	<b>1,677,072</b>
Additions	-	20,200	20,200
Disposals	-	(17,704)	(17,704)
<b>Balance as at 30 September 2016</b>	<b>1,279,057</b>	<b>400,511</b>	<b>1,679,568</b>
<b>Amortisation</b>			
<b>Balance as at 1 January 2016</b>	<b>(419,363)</b>	<b>(153,101)</b>	<b>(572,464)</b>
Charge for the period	(127,571)	(48,330)	(175,901)
Disposals	-	17,704	17,704
<b>Balance as at 30 September 2016</b>	<b>(546,934)</b>	<b>(183,727)</b>	<b>(730,661)</b>
<b>Net book value as at 30 September 2016</b>	<b>732,123</b>	<b>216,784</b>	<b>948,907</b>
<b>Net book value as at 31 December 2015</b>	<b>859,694</b>	<b>244,914</b>	<b>1,104,608</b>



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	SAP software	Other intangibles	Total
<b>Cost</b>			
<b>Balance as at 1 January 2015 (Restated)</b>	<b>1,357,392</b>	<b>473,964</b>	<b>1,831,356</b>
Additions	-	19,114	19,114
Transfer	36,523	(36,523)	-
Disposals	-	(8,611)	(8,611)
<b>Balance as at 30 September 2015 (Restated)</b>	<b>1,393,915</b>	<b>447,944</b>	<b>1,841,859</b>
<b>Amortisation</b>			
<b>Balance as at 1 January 2015 (Restated)</b>	<b>(309,979)</b>	<b>(142,100)</b>	<b>(452,079)</b>
Charge for the period	(163,061)	(59,138)	(222,199)
Transfer	(6,390)	6,390	-
Disposals	-	8,611	8,611
<b>Balance as at 30 September 2015 (Restated)</b>	<b>(479,430)</b>	<b>(186,237)</b>	<b>(665,667)</b>
<b>Net book value as at 30 September 2015 (Restated)</b>	<b>914,485</b>	<b>261,707</b>	<b>1,176,192</b>
<b>Net book value as at 31 December 2014 (Restated)</b>	<b>1,047,413</b>	<b>331,864</b>	<b>1,379,277</b>

**Note 8. Cash and cash equivalents**

	Currency	30 September 2016	31 December 2015
Current bank accounts	RR	4,272,574	5,018,377
Bank deposits with maturity three months or less	USD	569,923	656,216
Bank deposits with maturity three months or less	RR	10,000	1,869,737
Other cash equivalents	RR	68	39
<b>Total</b>		<b>4,852,565</b>	<b>7,544,369</b>

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 30 September 2016*	30 September 2016	Credit rating on 31 December 2015*	31 December 2015
Bank GPB (JSC)	b1 / Negative	4,131,105	b1 / Negative	4,891,957
"BANK "ROSSIYA"	WR / Ratings Withdrawn	134,891	WR / Ratings Withdrawn	122,480
Sberbank	ba2 / Negative	6,293	ba2 / Negative	3,409
VTB Bank (PJSC)	b1 / Negative	282	b1 / Negative	509
"Khanty-Mansiysk bank Otkritie" (PJSC)	b1 / Negative	2	-	-
AO "ALFA-BANK"	ba3 / Negative	1	ba3 / Negative	22
<b>Total cash in bank</b>		<b>4,272,574</b>		<b>5,018,377</b>

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

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Credit quality of bank deposits is presented below:

Bank deposits with maturity of three months or less	Currency	Interest rate	Credit rating on 30 September 2016*	30 September 2016	Currency	Interest rate	Credit rating on 31 December 2015*	31 December 2015
Sberbank	USD	0.33%	Non-Prime	569,923	USD	0.42%	Non-Prime	656,216
Sberbank	RR	7.37%-7.50%	Non-Prime	10,000	-	-	-	-
Bank GPB (JSC)	-	-	-	-	RR	10.80%	Non-Prime	39,000
"BANK "ROSSIYA"	-	-	-	-	RR	9.00%	Non-Prime	1,451,737
VTB Bank (PJSC)	-	-	-	-	RR	10.80%	Non-Prime	239,000
AO "ALFA-BANK"	-	-	-	-	RR	9.00%	Non-Prime	140,000
<b>Total bank deposits with maturity of three months or less</b>				<b>579,923</b>				<b>2,525,953</b>

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

**Note 9. Trade and other receivables**

	30 September 2016	31 December 2015
Trade receivables	9,142,871	9,849,372
(net of provision for impairment of RR 6,803,640 thousand as at 30 September 2016 and RR 5,203,572 thousand as at 31 December 2015)		
Other receivables	3,553,410	3,739,994
(net of provision for impairment of RR 3,749,275 thousand as at 30 September 2016 and RR 3,562,290 thousand as at 31 December 2015, and the effect of discounting of RR 9,713 thousand as at 30 September 2016 and RR 10,819 thousand as at 31 December 2015)		
Promissory notes	376,393	457,930
(nominal value of promissory notes is RR 631,886 thousand as at 30 September 2016 and RR 743,489 thousand as at 31 December 2015)		
Loans issued	115,395	203,154
Interest receivable on cash and cash equivalents	914	9,046
<b>Financial assets</b>	<b>13,188,983</b>	<b>14,259,496</b>
Advances to suppliers	395,813	486,890
(net of provision for impairment of RR 264 thousand as at 30 September 2016 and RR 691 thousand as at 31 December 2015)		
Input VAT	247,132	609,682
Prepaid other taxes and social funds contribution	39,234	1,024,650
<b>Total</b>	<b>13,871,162</b>	<b>16,380,718</b>
Less: Long-term promissory notes	(296,390)	(294,729)
(nominal value of promissory notes is RR 550,027 thousand as at 30 September 2016 and RR 570,027 thousand as at 31 December 2015)		
Long-term loans issued	(115,395)	(105,999)
Long-term restructured trade and other receivables	(16,522)	(17,341)
(net of provision for impairment of RR 4,418 thousand as at 30 September 2016 and RR 5,326 thousand as at 31 December 2015, and the effect of discounting of RR 9,514 thousand as at 30 September 2016 and RR 10,623 thousand as at 31 December 2015)		
Long-term input VAT from advances paid	(2,342)	(4,181)
Long-term advances to suppliers	(401)	-
<b>Total</b>	<b>13,440,112</b>	<b>15,958,468</b>



Breakdown of promissory notes is presented below:

<b>Bank</b>	<b>Credit rating on 30 September 2016*</b>	<b>30 September 2016</b>	<b>Credit rating on 31 December 2015*</b>	<b>31 December 2015</b>
AO "ALFA-BANK"	ba3 / Negative	274,093	ba3 / Negative	288,534
"BANK "ROSSIYA"	WR / Ratings Withdrawn	78,872	WR / Ratings Withdrawn	73,932
Bank GPB (JSC)	b1 / Negative	18,761	b1 / Negative	89,955
Other	-	4,667	-	5,509
<b>Total</b>		<b>376,393</b>		<b>457,930</b>

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

#### Note 10. Inventories

	<b>30 September 2016</b>	<b>31 December 2015</b>
Fuel supplies	4,434,305	4,992,749
Spare parts	4,010,404	4,971,861
Materials and supplies	1,288,215	979,060
<b>Total</b>	<b>9,732,924</b>	<b>10,943,670</b>

Inventories are presented net of provision for obsolescence of RR 53,878 thousand and RR 38,961 thousand as at 30 September 2016 and 31 December 2015, respectively.

#### Note 11. Equity

<b>Share capital</b>	<b>Number of ordinary shares 30 September 2016</b>	<b>Number of ordinary shares 31 December 2015</b>
Issued shares	110,441,160,870	110,441,160,870
Treasury shares	(4,530,994,734)	(4,631,395,784)
<b>Total outstanding shares</b>	<b>105,910,166,136</b>	<b>105,809,765,086</b>

Each ordinary share carries one vote.

As at 30 September 2016 and 31 December 2015 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 2016 the Company declared final dividends for the year ended 31 December 2015 of RR 0.00567376233395 per ordinary share for RR 600,346 thousand. These dividends were recognized as liability and deducted from equity.



**Treasury shares**

On June 8, 2016 the Annual General Meeting of Shareholders of JSC "OGK-2" decided to pay an additional remuneration to the Board members elected by the Annual General Meeting of Shareholders on June 11, 2015, in the form of ordinary shares of JSC "OGK-2" held by JSC "OGK-2", in the total number of 110,441,155 shares. The payment of additional remuneration in the form of JSC "OGK-2" shares was carried at their market value of RR 36,870 thousand. The market 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 134,706 thousand between the market value of the above shares and their carrying amount was recognized in retained earnings.

**Acquisition of entity under common control**

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

**Note 12. Non-current debt**

	Currency	Effective interest rate	Due	30 September 2016	31 December 2015
Loans	RR	8.18%-12.00%	2017-2025	22,720,297	26,574,060
Bonds	RR	11.87%	2020	10,000,000	10,000,000
<b>Total</b>				<b>32,720,297</b>	<b>36,574,060</b>

The above debt is obtained at fixed and floating (the CBR key rate + 0.85%) interest rates. The effective interest rate is the market interest rate applicable to the loan at the date of origination for fixed rate loans.

**Maturity table**

	30 September 2016	31 December 2015
<b>Due for repayment</b>		
Between one and two years	8,939,908	16,100,000
Between two and three years	4,621,407	3,639,908
Between three and four years	-	-
Between four and five years	12,324,830	10,000,000
More than five years	6,834,152	6,834,152
<b>Total</b>	<b>32,720,297</b>	<b>36,574,060</b>

**Note 13. 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	9 months ended 30 September 2016	9 months ended 30 September 2015
<b>Total carrying amount at the beginning of year</b>		<b>1,526,901</b>	<b>1,706,856</b>
Less current portion		(475,245)	(261,372)
<b>Non-current portion at the beginning of year</b>		<b>1,051,656</b>	<b>1,445,484</b>
Unwinding of the present value discount	21	124,019	124,758
Utilisation		(390,730)	(220,988)
<b>Total carrying amount at the end of period</b>		<b>1,260,190</b>	<b>1,610,626</b>
Less current portion		(380,540)	(283,864)
<b>Non-current portion at the end of period</b>		<b>879,650</b>	<b>1,326,762</b>



**Note 14. Other long-term liabilities**

	<b>30 September 2016</b>	<b>31 December 2015</b>
Other payables	5,949,218	2,836,953
Trade payables	1,151,260	907,346
(net of effect of discounting RR 244,509 thousand as at 30 September 2016 and 171,326 thousand as at 31 December 2015)		
<b>Total finance liabilities</b>	<b>7,100,478</b>	<b>3,744,299</b>

**Note 15. Current debt and current portion of non-current debt**

	<b>Currency</b>	<b>Effective interest rate</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Current portion of long-term loans	RR	8.00%-12.00%	36,979,532	33,394,714
Current portion of bonds	RR	11.87%	390,872	110,045
Current portion of finance lease liability	RR	20.24%-23.51%	2,339	33,988
Current loans	RR	12.00%	-	2,602,504
<b>Total</b>			<b>37,372,743</b>	<b>36,141,251</b>

All of 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.

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**

	<b>30 September 2016</b>	<b>31 December 2015</b>
<b>Due for repayment</b>		
Less than one year	2,418	36,288
Future finance charges on finance lease	(79)	(2,300)
<b>Present value of lease liabilities</b>	<b>2,339</b>	<b>33,988</b>

**Note 16. Trade and other payables**

	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade payables	8,873,635	11,293,164
(net of effect of discounting RR 13,450 thousand as at 30 September 2016 and RR 5,867 thousand as at 31 December 2015)		
Dividends payable	489,404	3,323
Accrued liabilities and other payables	406,088	370,949
<b>Financial liabilities</b>	<b>9,769,127</b>	<b>11,667,436</b>
Salaries and wages payable	258,797	558,652
Advances from customers	102,320	13,450
<b>Total</b>	<b>10,130,244</b>	<b>12,239,538</b>



**Note 17. Other taxes payable**

	<b>30 September 2016</b>	<b>31 December 2015</b>
Value added tax	1,411,201	134,535
Property tax	315,196	297,670
Social funds contribution	135,317	212,008
Personal income tax	48,460	58,514
Environment pollution payment	26,311	56,896
Water usage tax	221	27,119
Other taxes	14,405	8,247
<b>Total</b>	<b>1,951,111</b>	<b>794,989</b>

**Note 18. Revenues**

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2015 (Restated)</b>
Electricity and capacity	89,989,012	77,148,571
Heating	3,372,948	3,035,522
Other	807,602	732,618
<b>Total</b>	<b>94,169,562</b>	<b>80,916,711</b>

**Note 19. Operating expenses**

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2015 (Restated)</b>
Fuel	48,765,930	45,623,640
Purchased electricity, capacity and heat	8,634,864	7,851,365
Depreciation and amortisation of property, plant, equipment and intangible assets	6,731,572	4,654,722
Employee benefits	5,848,344	5,753,638
Repairs and maintenance	2,790,040	2,317,334
Raw materials and supplies	2,711,065	1,594,856
Taxes other than income tax	2,096,599	1,874,715
Charge / (reversal) of provision for impairment of trade	1,841,352	(355,366)
Rent	1,735,672	1,909,558
Dispatcher's fees	1,508,956	1,499,954
Electricity transit	1,213,196	964,027
Transport	607,109	495,732
Ecological payments	209,730	329,447
Insurance	135,875	141,665
Consulting, legal and audit services	82,488	86,171
Loss on disposal of other assets	38,200	291,194
Charge / (reversal) of provision for inventory	17,549	(3,949)
(Gain) / loss on disposal of property, plant, equipment	(95,266)	99
Other expenses	2,806,956	2,022,462
<b>Total operating expenses</b>	<b>87,680,231</b>	<b>77,051,264</b>



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Employee benefits expenses comprise the following:

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2015 (Restated)</b>
Salaries and wages	4,256,093	4,032,735
Social funds contribution	1,285,304	1,258,092
Financial aid to employees and pensioners	243,934	419,450
Non-state pensions and other long-term benefits	63,013	43,361
<b>Employee benefits</b>	<b>5,848,344</b>	<b>5,753,638</b>
Number of personnel at the end of the period	9,491	9,541

Included in social funds contribution are statutory pension contributions of RR 1,046,633 thousand for the 9 months ended 30 September 2016 (for the 9 months ended 30 September 2015 (Restated): RR 956,119 thousand).

**Note 20. Finance income**

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2016 (Restated)</b>
Foreign currency exchange gain	539,062	1,081,477
Interest income on bank deposits and current bank account balances	494,805	832,284
Effect of discounting of long-term promissory notes received	30,066	38,131
Effect of discounting of long-term payables	22,493	-
Interest income on loans	15,862	66,215
Effect of discounting of long-term restructured trade and other receivables	1,987	7,848
Other finance income	36,637	44,365
<b>Total finance income</b>	<b>1,140,912</b>	<b>2,070,320</b>

**Note 21. Finance costs**

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2015 (Restated)</b>
Interest expense on debt	3,316,808	787,273
Foreign currency exchange loss	462,087	994,231
Interest on employee benefit obligations	147,849	154,835
Unwinding of the present value discount - provision for ash dump (Note 13)	124,019	124,758
Effect of discounting of long-term payables	62,684	22,449
Interest expense under finance lease agreements	2,221	10,663
Effect of discounting of long-term promissory notes received	-	27,741
<b>Total finance costs</b>	<b>4,115,668</b>	<b>2,121,950</b>

**Note 22. Earnings per share**

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2015 (Restated)</b>
Weighted average number of ordinary shares issued	105,820,611,331	105,712,526,853
Profit attributable to the shareholders of JSC "OGK-2" (thousands of RR)	2,102,102	2,727,939
<b>Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)</b>	<b>0.02</b>	<b>0.03</b>

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

**Note 23. Capital commitments**

In November 2010 the Company had signed agency agreements with JSC "FSC", JSC "Trading system of Wholesale Electricity Market Transaction" (JSC "TSA"), Association "NP Market Council" and JSC "SO UPS", under which JSC "FSC" was to sign on behalf of the Company contracts on capacity provision. In December 2010 JSC "FSC" on behalf of the Company signed the contracts on provision of capacity from estimated generating units. At 30 September 2016 the Company had an obligation to put into operation generating units, included in the Company's investment program, of 420 MW.

As at 30 September 2016 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 6,504,900 thousand (as at 31 December 2015: RR 9,937,908 thousand).

**Note 24. Contingencies**

**Political and economic 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, currency and customs legislation are subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular, the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may arise. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

As at 30 September 2016 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax and currency positions will be sustained.

**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 25. Financial instruments and financial risks factors**

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its loans and borrowings. On 31 December 2015 the Group partly did not comply with particular terms of financial covenants. As a result, on 31 December 2015 long-term loans in the amount of RR 7,600,000 thousand are classified as short-term loans. On 30 September 2016 the Group was in compliance with covenants. As a result, on 30 September 2016 loans in the amount of RR 7,600,000 thousand are classified as long-term loans.

**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:

	Notes	Level 1	Level 2	Level 3	Fair value	Carrying value
<b>30 September 2016</b>						
<b>Financial assets</b>						
Promissory notes	9	-	385,773	-	385,773	376,393
Trade and other receivables	9	-	-	12,696,281	12,696,281	12,696,281
Interest receivable on cash and cash equivalents	9	-	-	914	914	914
Long term loan issued	9	-	104,452	-	104,452	115,395
Cash and cash equivalents	8	4,852,497	-	68	4,852,565	4,852,565
<b>Total financial assets</b>		<b>4,852,497</b>	<b>490,225</b>	<b>12,697,263</b>	<b>18,039,985</b>	<b>18,041,548</b>
<b>Financial liabilities</b>						
Debt (including finance lease liabilities)	12, 15	-	(68,101,230)	-	(68,101,230)	(70,093,040)
Trade and other payables	14, 16	-	-	(17,128,875)	(17,128,875)	(16,869,605)
<b>Total financial liabilities</b>		<b>-</b>	<b>(68,101,230)</b>	<b>(17,128,875)</b>	<b>(85,230,105)</b>	<b>(86,962,645)</b>



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	Notes	Level 1	Level 2	Level 3	Fair value	Carrying value
<b>31 December 2015</b>						
<b>Financial assets</b>						
Promissory notes	9	-	442,045	-	442,045	457,930
Trade and other receivables	9	-	-	13,589,366	13,589,366	13,589,366
Interest receivable	9	-	-	9,046	9,046	9,046
Long term loan issued	9	-	187,249	-	187,249	203,154
Cash and cash equivalents	8	7,544,330	-	39	7,544,369	7,544,369
<b>Total financial assets</b>		<b>7,544,330</b>	<b>629,294</b>	<b>13,598,451</b>	<b>21,772,075</b>	<b>21,803,865</b>
<b>Financial liabilities</b>						
Debt (including finance lease liabilities)	12, 15	-	(68,879,879)	-	(68,879,879)	(72,715,311)
Trade and other payables	14, 16	-	-	(15,424,263)	(15,424,263)	(15,411,735)
<b>Total financial liabilities</b>		<b>-</b>	<b>(68,879,879)</b>	<b>(15,424,263)</b>	<b>(84,304,142)</b>	<b>(88,127,046)</b>

**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 26. 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 nine reporting segments: Surgutskaya GRES-1, Kirishskaya GRES, Novochoerkasskaya GRES, Stavropolskaya GRES, Krasnoyarskaya GRES-2, Troitskaya GRES, Serovskaya GRES, Ryazanskaya GRES, Cherepovetskaya GRES. All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main differences relate to the respective carrying values of the value of property, plant and equipment. The Group does not have inter-segment revenue. The main contractor of the Group is JSC "FSC" which generates 52% of the Group revenue for the 9 months ended 30 September 2016 (for the 9 months ended 30 September 2015: 55%).

<b>9 months ended 30 September 2016</b>	Surgutskaya GRES-1	Kirishskaya GRES	Novochoerkasskaya GRES	Stavropolskaya GRES	Krasnoyarskaya GRES-2	
Revenue	16,746,746	14,996,864	11,888,858	11,664,619	5,074,468	
Segment operating profit / (loss)	2,042,011	3,829,232	(612,825)	164,697	1,262,694	
<b>9 months ended 30 September 2016</b>	Troitskaya GRES	Serovskaya GRES	Ryazanskaya GRES	Cherepovetskaya GRES	Other operating segments	<b>Total operating segments</b>
Revenue	5,105,696	5,326,918	9,894,120	7,675,484	5,795,789	<b>94,169,562</b>
Segment operating profit / (loss)	201,572	1,086,061	1,350,188	1,388,398	(192,453)	<b>10,519,575</b>



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<b>9 months ended 30 September 2015 (Restated)</b>	<b>Surgutskaya GRES-1</b>	<b>Kirishskaya GRES</b>	<b>Novocherkasskaya GRES</b>	<b>Stavropolskaya GRES</b>	<b>Krasnoyarskaya GRES-2</b>	
Revenue	17,018,240	13,190,480	11,242,455	11,502,190	5,558,068	
Segment operating profit / (loss)	3,312,130	3,220,971	(471,414)	539,356	1,553,966	
<b>9 months ended 30 September 2015 (Restated)</b>	<b>Troitskaya GRES</b>	<b>Serovskaya GRES</b>	<b>Ryazanskaya GRES</b>	<b>Cherepovets- kaya GRES</b>	<b>Other operating segments</b>	<b>Total operating segments</b>
Revenue	2,920,405	1,765,015	7,019,436	5,546,512	5,153,910	<b>80,916,711</b>
Segment operating profit / (loss)	(2,001,057)	(494,974)	103,476	(413,362)	486,413	<b>5,835,505</b>

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

	<b>9 months ended 30 September 2016</b>	<b>9 months ended 30 September 2015 (Restated)</b>
Segment operating profit	10,519,575	5,835,505
<i>Adjustments, arised from different accounting policy:</i>	(128,732)	(246,706)
Finance lease	33,439	58,923
Provision for impairment of trade and other receivables	1,023	1,223
(Loss) / gain on disposal of assets	(4,762)	5,239
Depreciation adjustment	(614,017)	(592,656)
Other adjustments	455,585	280,565
<i>Unallocated expenses:</i>	(4,463,530)	(1,742,390)
Provision for impairment of trade and other receivables	(1,532,078)	354,143
Consulting, legal and audit services	(31,301)	(36,359)
Rent	(265,901)	(346,099)
Employee benefits	(418,720)	(474,542)
Other corporate expenses	(2,215,530)	(1,239,533)
<b>Operating profit (IFRS)</b>	<b>5,927,313</b>	<b>3,846,409</b>

Segment's assets are disclosed below:

	<b>Surgutskaya GRES-1</b>	<b>Kirishskaya GRES</b>	<b>Novocherkasskaya GRES</b>	<b>Stavropolskaya GRES</b>	<b>Krasnoyarskaya GRES-2</b>	
<b>30 September 2016</b>	4,802,220	22,447,856	38,480,526	3,238,284	4,081,805	
	<b>Troitskaya GRES</b>	<b>Serovskaya GRES</b>	<b>Ryazanskaya GRES</b>	<b>Cherepovets- kaya GRES</b>	<b>Other operating segments</b>	<b>Total assets</b>
<b>30 September 2016</b>	57,037,898	24,323,720	14,593,843	4,847,014	18,563,661	<b>192,416,827</b>
	<b>Surgutskaya GRES-1</b>	<b>Kirishskaya GRES</b>	<b>Novocherkasskaya GRES</b>	<b>Stavropolskaya GRES</b>	<b>Krasnoyarskaya GRES-2</b>	
<b>31 December 2015</b>	4,557,832	22,722,876	35,901,944	3,437,070	3,915,007	
	<b>Troitskaya GRES</b>	<b>Serovskaya GRES</b>	<b>Ryazanskaya GRES</b>	<b>Cherepovets- kaya GRES</b>	<b>Other operating segments</b>	<b>Total assets</b>
<b>31 December 2015</b>	52,326,191	24,348,966	15,178,452	5,164,355	19,752,436	<b>187,305,129</b>

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Total assets for reportable segment	192,416,827	187,305,129
<i>Adjustments, arising from different accounting policy:</i>		
Property, plant and equipment adjustment	8,242,945	8,156,765
Deposits for pensions	8,168,710	8,578,917
Deferred tax	534,130	549,428
Impairment of trade and other receivables	(3,984)	-
Discounting of long-term trade and other receivables (Note 9)	(4,548)	(5,571)
Provision for inventory obsolescence	(9,713)	(10,819)
Discounting of promissory notes	(42,449)	(27,532)
Other adjustments	(255,493)	(285,559)
<i>Unallocated assets</i>	(143,708)	(642,099)
	<b>15,052,328</b>	<b>19,915,151</b>
<b>Total assets (IFRS)</b>	<b>215,712,100</b>	<b>215,377,045</b>

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

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

**Note 27. Events after the reporting period**

The Company's Board of Directors decided to terminate the contract with the General Director in November 2016. The new General Director was appointed on 21 November 2016.