



OGK-2 GROUP

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS)
FOR THE SIX MONTHS ENDED
30 JUNE 2017 (UNAUDITED)**

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OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position
as at 30 June 2017 (unaudited)

(in thousands of Russian Roubles unless noted otherwise)



	Notes	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	182,253,786	184,799,186
Intangible assets		858,178	932,533
Deferred income tax assets	6	272,181	188,778
Other non-current assets		920,022	923,858
Total non-current assets		184,304,167	186,844,355
Current assets			
Cash and cash equivalents	7	3,001,839	4,538,684
Trade and other receivables	8	15,258,811	15,628,777
Inventories	9	10,499,328	9,277,515
Income tax prepayments		592,683	118,705
Total current assets		29,352,661	29,563,681
TOTAL ASSETS		213,656,828	216,408,036
EQUITY AND LIABILITIES			
Equity			
Share capital	10		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,961,865)	(3,961,865)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		56,181,362	50,317,063
Equity attributable to the shareholders of JSC "OGK-2"		120,655,199	114,790,900
Total equity		120,655,199	114,790,900
Non-current liabilities			
Deferred income tax liabilities	6	11,542,026	10,303,385
Non-current debt	11	27,004,150	34,590,389
Retirement benefit obligations	12	1,765,649	2,207,546
Restoration provision		988,593	955,964
Other long-term liabilities	13	981,753	3,865,670
Total non-current liabilities		42,282,171	51,922,954
Current liabilities			
Current debt and current portion of non-current debt	14	29,958,412	32,459,634
Trade and other payables	15	18,507,528	14,642,616
Other taxes payable	16	1,890,457	2,235,599
Restoration provision		363,002	356,333
Current income tax		59	-
Total current liabilities		50,719,458	49,694,182
Total liabilities		93,001,629	101,617,136
TOTAL EQUITY AND LIABILITIES		213,656,828	216,408,036

Deputy General Director on economics and finance

S.N. Popovsky

Chief Accountant



L.V. Klisch

25 August 2017

OGK-2 Group
Interim Condensed Consolidated Statement of Profit or Loss
for the 6 months ended 30 June 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	6 months ended 30 June 2017	6 months ended 30 June 2016
Revenues	17	70,093,733	59,719,952
Operating expenses	18	(58,336,367)	(54,981,886)
Other operating expenses		(238,465)	(48,752)
Operating profit		11,518,901	4,689,314
Finance income	19	461,486	863,789
Finance costs	20	(3,323,891)	(2,238,119)
Profit before income tax		8,656,496	3,314,984
Income tax charge	6	(1,830,245)	(896,404)
Profit for the period		6,826,251	2,418,580
Attributable to:			
Shareholders of JSC "OGK-2"		6,826,251	2,535,461
Non-controlling interest		-	(116,881)
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)	21	0.06	0.02

Deputy General Director on economics and finance

S.N. Popovsky

Chief Accountant



L.V. Klisch

25 August 2017

OGK-2 Group**Interim Condensed Consolidated Statement of Comprehensive Income
for the 6 months ended 30 June 2017 (unaudited)**

(in thousands of Russian Roubles unless noted otherwise)



	Notes	6 months ended 30 June 2017	6 months ended 30 June 2016
Profit for the period		6,826,251	2,418,580
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of retirement benefit obligation, net of tax	6,12	(87,779)	-
Total comprehensive income for the period		6,738,472	2,418,580
Attributable to:			
Shareholders of JSC "OGK-2"		6,738,472	2,535,461
Non-controlling interest		-	(116,881)

Deputy General Director on economics and finance



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S.N. Popovsky

Chief Accountant

A handwritten signature in blue ink, appearing to read "L.V. Klisch".

L.V. Klisch

25 August 2017

OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows
for the 6 months ended 30 June 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	6 months ended 30 June 2017	6 months ended 30 June 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		8,656,496	3,314,984
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	18	5,434,194	3,811,711
Amortisation of intangible assets	18	100,163	117,602
Reversal of provision for impairment of trade and other receivables	18	(295,406)	(14,392)
Charge / (reversal) of provision for inventory obsolescence	18	7,576	(2,724)
Finance income	19	(461,486)	(863,789)
Finance costs	20	3,323,891	2,238,119
Non-state pensions and other long-term benefits	18	(547,911)	42,009
Loss / (gain) on disposal of assets, net	18	95,772	(66,783)
Other non-cash items		-	(4,187)
Operating cash flows before working capital changes and income tax paid		16,313,289	8,572,550
Working capital changes:			
Decrease in trade and other receivables		650,626	683,915
(Increase) / decrease in inventories		(1,336,695)	77,908
Increase in other current assets		-	(70,526)
Increase / (decrease) in trade and other payables		183,085	(1,132,328)
Decrease in taxes payable, other than income tax		(344,973)	(11,272)
Decrease in retirement benefit obligations		(39,574)	(49,315)
Income tax (paid) / returned		(1,140,293)	375,512
Net cash generated from operating activities		14,285,465	8,446,444
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(2,879,304)	(9,724,575)
Proceeds from sale of property, plant and equipment		5,462	38,225
Purchase of intangible assets		(32,245)	(10,264)
Interest received		275,801	356,232
Net cash used in investing activities		(2,630,286)	(9,340,382)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of short-term borrowings		(2,500,000)	(200,000)
Repayment of long-term borrowings		(7,600,000)	-
Interest paid		(3,077,493)	(3,153,631)
Payments under finance lease		(371)	(27,826)
Dividend paid to shareholders of JSC "OGK-2"		-	(1,161)
Finance lease advance		-	(193)
Net cash used in financing activities		(13,177,864)	(3,382,811)
Net decrease in cash and cash equivalents		(1,522,685)	(4,276,749)
Effect of exchange rate changes on cash and cash equivalents		(14,160)	(7,225)
Cash and cash equivalents at the beginning of the period		4,538,684	7,544,369
Cash and cash equivalents at the end of the period		3,001,839	3,260,395

Deputy General Director on economics and finance

S.N. Popovsky

Chief Accountant



L.V. Klisch

25 August 2017

OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity
for the 6 months ended 30 June 2017 (unaudited)
(in thousands of Russian Roubles)



	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Non-controlling interest	Total equity
At 1 January 2016	40,057,009	(4,150,598)	28,378,693	48,832,446	113,117,550	2,083,512	115,201,062
Profit / (loss) for the period	-	-	-	2,535,461	2,535,461	(116,881)	2,418,580
<i>Total comprehensive income / (expense) for the period</i>	-	-	-	2,535,461	2,535,461	(116,881)	2,418,580
Dividends (Note 10)	-	-	-	(600,346)	(600,346)	-	(600,346)
Acquisition of businesses under common control (Note 10)	-	-	-	(817,757)	(817,757)	(1,966,631)	(2,784,388)
At 30 June 2016	40,057,009	(4,150,598)	28,378,693	49,949,804	114,234,908	-	114,234,908

	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Non-controlling interest	Total equity
At 1 January 2017	40,057,009	(3,961,865)	28,378,693	50,317,063	114,790,900	-	114,790,900
Profit for the period	-	-	-	6,826,251	6,826,251	-	6,826,251
Remeasurements of retirement benefit obligations, net of tax (Notes 6,12)	-	-	-	(87,779)	(87,779)	-	(87,779)
<i>Total comprehensive income for the period</i>	-	-	-	6,738,472	6,738,472	-	6,738,472
Dividends (Note 10)	-	-	-	(874,173)	(874,173)	-	(874,173)
At 30 June 2017	40,057,009	(3,961,865)	28,378,693	56,181,362	120,655,199	-	120,655,199

Deputy General Director on economics and finance

S.N. Popovsky

Chief Accountant



L.V. Klisch

25 August 2017

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	
	30 June 2017	31 December 2016
LLC "OGK-2 Finance"	100%	100%
LLC "Centr 112"	100%	100%
LLC "OGK-Investproekt"	100%	100%

On March 2016 the Company acquired 45% of the capital of LLC "OGK-Investproekt" 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 LLC "OGK-Investproekt" decreased from 45% to 0%. LLC "OGK-Investproekt" is provider of construction services.

Financial information about LLC "OGK-Investproekt" non-controlling interest is presented in Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity. LLC "OGK-Investproekt" did not pay dividends.

The following table summarizes financial information about each subsidiary, that had 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
As at 30 June 2016 and for the 6 months ended 30 June 2016							
LLC "OGK-Investproekt"	16,136,754	999,557	11,278,519	1,515,410	944,388	(416,754)	(416,754)

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During the 6 months ended 30 June 2017 the Russian economy continued to be 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. PJSC "Centerenergyholding" owns 73.42% of the shares of JSC "OGK-2" as at 30 June 2017 (as at 31 December 2016: 73.42%).

GAZPROM Group, in its turn, is controlled by the Russian Federation, therefore, the Russian Government is the ultimate controlling party of the Group as at 30 June 2017 and 31 December 2016.

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

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

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

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the 6 months ended 30 June 2017 ("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 2016, 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 2016.

The Group has adopted all new standards, amendments to standards and interpretations that were effective from 1 January 2017. 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 2016, have been issued but are not effective for the financial year beginning 1 January 2017 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:

	6 months ended 30 June 2017	6 months ended 30 June 2016
Sales of electricity and capacity	1,553,531	655,408
Other sales	95,808	80,134
Interest income	106,326	162,943
Other income	60	24,265
Purchases of gas	19,382,506	16,459,394
Other purchases	4,854,108	5,592,411
Other expenses	21,074	15,016
Interest expense under finance lease agreements	380	1,342
Interest expense on loans	2,192,891	2,272,849
Repayment of borrowings (excluding interest)	2,500,000	190,000

Balances with GAZPROM Group and its associates were as follows:

	30 June 2017	31 December 2016
Long-term loans issued (Note 8)	124,775	118,550
Cash and cash equivalents (Note 7)	3,611	3,900,796
Trade and other receivables	2,643,932	1,928,008
Advances for property, plant and equipment (net of VAT)	455,238	432,246
Promissory notes Bank GPB (JSC) (Note 8)	-	19,305
(nominal value of promissory notes is RR 0 thousand as at 30 June 2017 and RR 20,000 thousand as at 31 December 2016)		
Debt	40,345,919	42,829,126
Trade and other payables	10,409,792	9,556,527

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:

	6 months ended 30 June 2017	6 months ended 30 June 2016
Sales of electricity and capacity	10,339,481	7,428,456
Charge of provision for impairment of trade receivables (sales of electricity and capacity)	131,438	-
Reversal of provision for impairment of trade receivables (sales of electricity and capacity)	(193,628)	(131,387)
Interest income on cash and cash equivalents	161,934	173,150
Electricity transit (Note 18)	951,481	727,792
Building and construction works	828,845	4,535,385
Interest expense on loans	558,286	571,528

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

	30 June 2017	31 December 2016
Trade and other receivables, gross	8,707,001	7,802,780
Provision for impairment of trade and other receivables	(5,189,250)	(5,208,594)
Advances for property, plant and equipment (net of VAT)	655,381	664,855
Cash and cash equivalents (Note 7)	2,829,452	562,283
Trade and other payables	2,300,544	2,104,717
Debt (Note 11)	6,510,000	14,112,378

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

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

	6 months ended 30 June 2017	6 months ended 30 June 2016
Sales of electricity	31,613,282	30,328,089
Purchases of electricity	5,464,160	5,140,731
Other income	2,084	6,161
Other expenses	10,633	9,896

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

	30 June 2017	31 December 2016
Trade and other receivables	1,630,498	3,187,914
Trade and other payables	404,179	654,314

Transactions with key management

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

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

Total remuneration in the form of salary, bonuses and compensations accrued to the members of the Board of Directors and Management Board for the 6 months ended 30 June 2017 was RR 92,276 thousand (for the 6 months ended 30 June 2016: RR 73,515 thousand).

Transactions with other related parties

Transactions with other related parties represent transactions with the non-state pension funds ("NPF"). For the 6 months ended 30 June 2017 the Group made contributions of RR 44,791 thousand to NPF Electroenergetiki (for the 6 months ended 30 June 2016: RR 43,743 thousand).

Note 5. Property, plant and equipment

	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
Opening balance as at 1 January 2017	58,497,690	36,112,087	103,412,077	39,716,012	2,331,679	23,608,759	263,678,304
Additions	-	-	-	60,681	18,524	2,871,715	2,950,920
Transfer	351,355	170,869	1,168,222	408,864	10,065	(2,109,375)	-
Disposals	(1,721)	(51,543)	(7,064)	(18,301)	(9,386)	(53,039)	(141,054)
Closing balance as at 30 June 2017	58,847,324	36,231,413	104,573,235	40,167,256	2,350,882	24,318,060	266,488,170
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2017	(21,500,308)	(14,105,982)	(27,929,643)	(13,017,407)	(1,356,506)	(969,272)	(78,879,118)
Charge for the period	(602,565)	(673,581)	(2,475,667)	(1,599,857)	(91,013)	-	(5,442,683)
Disposals	1,509	49,555	6,761	18,252	9,311	2,029	87,417
Closing balance as at 30 June 2017	(22,101,364)	(14,730,008)	(30,398,549)	(14,599,012)	(1,438,208)	(967,243)	(84,234,384)
Net book value as at 30 June 2017	36,745,960	21,501,405	74,174,686	25,568,244	912,674	23,350,817	182,253,786
Net book value as at 31 December 2016	36,997,382	22,006,105	75,482,434	26,698,605	975,173	22,639,487	184,799,186

	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
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	-	31,144	19,434	12,584,978	12,669,757
Transfer	13,237,112	9,226,057	32,743,557	13,978,147	51,574	(69,236,447)	-
Disposals	(9,427)	(17,110)	(1,184,248)	(15,352)	(34,159)	(155,277)	(1,415,573)
Closing balance as at 30 June 2016	58,357,454	35,702,820	104,683,778	39,011,424	2,066,189	21,841,932	261,663,597
Accumulated depreciation (including impairment)							
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	(459,133)	(449,317)	(1,751,549)	(1,129,601)	(59,082)	-	(3,848,682)
Transfer	-	-	-	-	(16)	16	-
Disposals	6,381	16,797	267,551	14,075	33,518	2,026	340,348
Closing balance as at 30 June 2016	(21,190,860)	(13,491,645)	(26,674,058)	(11,880,761)	(1,299,483)	(983,108)	(75,519,915)
Net book value as at 30 June 2016	37,166,594	22,211,175	78,009,720	27,130,663	766,706	20,858,824	186,143,682
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

The impairment provision balance in relation to property, plant and equipment and assets under construction is included in accumulated depreciation as at 30 June 2017 in the amount of RR 5,196,455 thousand (as at 31 December 2016: RR 5,199,360 thousand).

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:

	30 June 2017	31 December 2016
Not later than one year	4,379,720	1,655,879
Later than one year and not later than five years	284,343	284,637
Later than five years and not later than ten years	351,952	350,590
Later than ten years	2,453,954	2,472,579
Total	7,469,969	4,763,685

Finance lease

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

	30 June 2017	31 December 2016
Other machinery and equipment	18,966	-
Total	18,966	-

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

Note 6. Income tax

Income tax charge

	6 months ended 30 June 2017	6 months ended 30 June 2016
Current income tax charge	(666,368)	(2,352)
Deferred income tax expense	(1,163,877)	(894,052)
Total income tax charge	(1,830,245)	(896,404)

During the 6 months ended 30 June 2017 the Group was subject to a 20% income tax rate on taxable profits (for the 6 months ended 30 June 2016: 20%).

Reconciliation between the expected and the actual taxation charge is provided below:

	6 months ended 30 June 2017	6 months ended 30 June 2016
Profit before tax	8,656,496	3,314,984
Theoretical tax charge at the statutory tax rate of 20%	(1,731,299)	(662,997)
Tax effects of items which are non-deductible for income tax purposes	(98,946)	(233,407)
Total income tax charge	(1,830,245)	(896,404)

Deferred income tax. Differences between IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax assets and liabilities are measured at 20%, the rate applicable when the temporary differences will reverse.

Deferred income tax liabilities

	31 December 2016	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 June 2017
Property, plant and equipment	(13,309,216)	(116,686)	-	(13,425,902)
Deposits for pensions	(109,034)	1,314	-	(107,720)
Provision for impairment of trade receivables	(101,148)	(269,366)	-	(370,514)
Trade and other payables	(5,001)	559	-	(4,442)
Intangible assets	(1,416)	(250)	-	(1,666)
Other	(4)	4	-	-
Total	(13,525,819)	(384,425)	-	(13,910,244)

Deferred income tax assets

	31 December 2016	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 June 2017
Unused tax losses	2,774,723	(649,604)	-	2,125,119
Restoration provision	262,459	7,860	-	270,319
Retirement benefit obligations	258,297	(109,896)	8,639	157,040
Trade and other receivables	58,186	1,011	-	59,197
Trade and other payables	51,691	(34,824)	-	16,867
Inventory	5,856	2,236	-	8,092
Finance lease liabilities	-	3,765	-	3,765
Total	3,411,212	(779,452)	8,639	2,640,399

	31 December 2016	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 June 2017
Total deferred income tax liabilities	(13,525,819)	(384,425)	-	(13,910,244)
Total deferred income tax assets	3,411,212	(779,452)	8,639	2,640,399
Deferred income tax liabilities, net, total	(10,114,607)	(1,163,877)	8,639	(11,269,845)

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

<i>deferred income tax assets, net*</i>	188,778	X	X	272,181
<i>deferred income tax liabilities, net*</i>	(10,303,385)	X	X	(11,542,026)

* deferred income tax assets and liabilities, for which the Group has a legally enforceable right to set off the recognised amounts

Deferred income tax liabilities

	31 December 2015	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 June 2016
Property, plant and equipment	(7,949,599)	(2,967,372)	-	(10,916,971)
Deposits for pensions	(109,886)	(2,980)	-	(112,866)
Provision for impairment of trade receivables	(62,993)	(304,181)	-	(367,174)
Intangible assets	(5,499)	2,987	-	(2,512)
Trade and other payables	(3,643)	(3,025)	-	(6,668)
Other	(40)	7	-	(33)
Total	(8,131,660)	(3,274,564)	-	(11,406,224)

Deferred income tax assets

	31 December 2015	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 June 2016
Restoration provision	305,380	(50,357)	-	255,023
Retirement benefit obligations	232,518	8,141	-	240,659
Unused tax losses	170,966	2,548,712	-	2,719,678
Trade and other payables	154,263	(103,018)	-	51,245
Trade and other receivables	74,676	(4,252)	-	70,424
Inventory	22,905	(13,418)	-	9,487
Finance lease liabilities	7,059	(5,296)	-	1,763
Total	967,767	2,380,512	-	3,348,279

	31 December 2015	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 June 2016
Total deferred income tax liabilities	(8,131,660)	(3,274,564)	-	(11,406,224)
Total deferred income tax assets	967,767	2,380,512	-	3,348,279
Deferred income tax liabilities, net, total	(7,163,893)	(894,052)	-	(8,057,945)

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

<i>deferred income tax assets, net*</i>	-	X	X	95,692
<i>deferred income tax liabilities, net*</i>	(7,163,893)	X	X	(8,153,637)

* deferred income tax assets and liabilities, for which the Group has a legally enforceable right to set off the recognised amounts

Note 7. Cash and cash equivalents

	Currency	30 June 2017	31 December 2016
Bank deposits with maturity three months or less	RR	2,289,500	-
Bank deposits with maturity three months or less	USD	535,005	547,787
Current bank accounts	RR	177,297	3,990,883
Other cash equivalents	RR	37	14
Total		3,001,839	4,538,684

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 30 June 2017*	30 June 2017	Credit rating on 31 December 2016*	31 December 2016
	WR / Ratings		WR / Ratings	
"BANK "ROSSIYA"	Withdrawn	168,686	Withdrawn	75,504
Sberbank	ba1 / Stable	4,070	ba2 / Negative	13,949
Bank GPB (JSC)	b1 / Stable	3,611	b1 / Negative	3,900,796
JSC VTB Bank	b1 / Stable	877	b1 / Negative	547
"Bank Otkritie Financial Corporation" PJSC	b1 / Negative	32	b1 / Negative	47
AO "ALFA-BANK"	ba2 / Stable	21	ba3 / Negative	40
Total cash in bank		177,297		3,990,883

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

Credit quality of bank deposits is presented below:

Bank deposits with maturity of three months or less	Currency	Interest rate	Credit rating on 30 June 2017*	30 June 2017	Currency	Interest rate	Credit rating on 31 December 2016*	31 December 2016
JSC VTB Bank	RR	8.30-8.35%	Non-Prime	2,289,500	-	-	-	-
Sberbank	USD	0.52%	Non-Prime	535,005	USD	0.47%	Non-Prime	547,787
Total bank deposits with maturity of three months or less				2,824,505				547,787

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

Note 8. Trade and other receivables

	30 June 2017	31 December 2016
Trade receivables	9,344,526	10,630,501
(net of provision for impairment of RR 6,982,332 thousand as at 30 June 2017 and RR 7,156,533 thousand as at 31 December 2016)		
Other receivables	3,139,201	2,746,348
(net of provision for impairment of RR 4,327,647 thousand as at 30 June 2017 and RR 4,612,232 thousand as at 31 December 2016, and the effect of discounting of RR 7,916 thousand as at 30 June 2017 and RR 8,852 thousand as at 31 December 2016)		
Promissory notes	316,484	323,529
(nominal value of promissory notes is RR 550,027 thousand as at 30 June 2017 and RR 571,244 thousand as at 31 December 2016)		
Loans issued	124,775	118,550
Interest receivable	1,157	2,044
Financial assets	12,926,143	13,820,972
Advances to suppliers	2,456,421	1,916,818
(net of provision for impairment of RR 137 thousand as at 30 June 2017 and RR 269 thousand as at 31 December 2016)		
Input VAT	238,676	219,228
Prepaid other taxes and social funds contribution	12,335	43,790
Total	15,633,575	16,000,808
Less: Long-term promissory notes	(231,212)	(221,318)
(nominal value of promissory notes is RR 461,427 thousand as at 30 June 2017 and RR 461,427 thousand as at 31 December 2016)		
Long-term loans issued	(124,775)	(118,550)
Long-term trade and other receivables	(14,885)	(15,848)
(net of provision for impairment of RR 3,738 thousand as at 30 June 2017 and RR 4,181 thousand as at 31 December 2016, and the effect of discounting of RR 7,730 thousand as at 30 June 2017 and RR 8,667 thousand as at 31 December 2016)		
Long-term input VAT from advances paid	(3,594)	(195)
Long-term advances to suppliers	(298)	(16,120)
Total	15,258,811	15,628,777

As at 30 June 2017 and 31 December 2016 the effective interest rate on the loans issued was 12.10%.

Breakdown of promissory notes is presented below:

Bank	Effective interest rate	Credit rating on 30 June 2017*	30 June 2017	Credit rating on 31 December 2016*	31 December 2016
AO "ALFA-BANK"	8.11%-9.50%	ba2 /Stable	228,571	ba3 / Negative	218,819
"BANK "ROSSIYA"	9.00%	WR / Ratings Withdrawn	84,123	WR / Ratings Withdrawn	80,604
Bank GPB (JSC)	12.00%	-	-	b1 / Negative	19,305
Other	12.67%	-	3,790	-	4,801
Total promissory notes			316,484		323,529

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

Note 9. Inventories

	30 June 2017	31 December 2016
Fuel supplies	4,770,785	4,275,720
Spare parts	4,087,484	3,797,836
Materials and supplies	1,641,059	1,203,959
Total	10,499,328	9,277,515

Inventories are presented net of provision for obsolescence of RR 34,067 thousand and RR 27,162 thousand as at 30 June 2017 and 31 December 2016, respectively.

Note 10. Equity

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

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.

Acquisition of entity under common control

According to the Group's accounting policy assets and liabilities of subsidiary LLC "OGK-Investproekt" (Note 1) transferred between entities under common control are accounted for at the predecessor entity's carrying amounts. In March 2016 loss from the difference between the amount of consideration transferred and net asset value of LLC "OGK-Investproekt" is recognized in the financial statements as retained earnings in the amount of RR 817,757 thousand.

Note 11. Non-current debt

	Currency	Effective interest rate	Due	30 June 2017	31 December 2016
Loans	RR	8.50% - 11.45%	2018 - 2025	16,990,389	24,590,389
Bonds	RR	11.87%	2020	10,000,000	10,000,000
Finance lease liability	RR	26.53%	-	13,761	-
Total				27,004,150	34,590,389

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

Breakdown of loans is presented below:

Company	30 June 2017	31 December 2016
MOSENERGO	10,480,389	10,480,389
JSC VTB Bank	6,510,000	14,110,000
Total	16,990,389	24,590,389

Maturity table

	30 June 2017	31 December 2016
Due for repayment		
Between one and two years	1,327,812	7,600,000
Between two and three years	6,517,356	7,831,407
Between three and four years	12,324,830	10,000,000
Between four and five years	-	2,324,830
More than five years	6,834,152	6,834,152
Total	27,004,150	34,590,389

The movement of non-current debt is presented below:

	30 June 2017	31 December 2016
Non-current debt at the beginning of the period	34,590,389	36,574,060
Proceeds from finance lease liability	13,761	-
Proceeds from long-term borrowings	-	6,510,000
Repayment of long-term borrowings	(7,600,000)	(87,674)
Current portion of long-term loans and borrowings	-	(19,739,908)
Transfer of long-term loans and borrowings to short-term loans and borrowings	-	11,333,911
Non-current debt at the end of the period	27,004,150	34,590,389

Note 12. Retirement benefit obligations

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

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

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

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

Due to the post employment program the Company pays contributions to NPF Electroenergetiki and NPF GAZFOND, which are accumulated on pension accounts, which were opened under NPF contracts. In accordance with the terms of the treaty there is a possibility to abrogate a contract and receive the redemption amount of the depositor. In that way NPF funds do not meet the plan assets criteria. So they are recognized as a separate asset of the Group. The amount of that asset equals RR 538,599 thousand as at 30 June 2017 (as at 31 December 2016: 545,169 RR thousand).

The independent actuarial valuation of pension and other post employment and long-term benefits in accordance with the provisions of IAS 19 was performed as at 31 December 2016 using individual members' census data as at the valuation date. In the second quarter of 2017, the Company changed the pension program, which led to a decrease in the Company's liabilities as at 30 June 2017.

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

	30 June 2017	31 December 2016
Present value of defined benefit obligation	1,462,377	1,913,643
Present value of other long-term employee benefit obligation	303,272	293,903
Total defined benefit liability	1,765,649	2,207,546

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

	Present value of defined benefit obligation	Present value of other long- term employee benefit obligation	Total
At 1 January 2016	1,709,968	281,084	1,991,052
Current service cost	31,960	10,049	42,009
Interest expense	84,260	14,306	98,566
Benefits paid	(59,113)	(16,397)	(75,510)
At 30 June 2016	1,767,075	289,042	2,056,117
At 1 January 2017	1,913,643	293,903	2,207,546
Current service cost	26,277	10,676	36,953
Past service cost	(585,583)	-	(585,583)
Interest expense	83,073	13,319	96,392
Remeasurements:			
Loss / (gain) from change in demographic assumptions	34,893	(9,321)	25,572
Gain from change in financial assumptions	61,525	10,040	71,565
Benefits paid	(71,451)	(15,345)	(86,796)
At 30 June 2017	1,462,377	303,272	1,765,649

Amounts recognised in the consolidated statement of profit or loss are as follows:

	6 months ended 30 June 2017	6 months ended 30 June 2016
Service cost	(548,630)	42,009
Remeasurements on present value of other long-term employee benefit obligation	719	-
Interest expense (Note 20)	96,392	98,566
Total	(451,519)	140,575

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

	6 months ended 30 June 2017	6 months ended 30 June 2016
Loss from change in demographic assumptions	34,893	-
Loss from change in financial assumptions	61,525	-
Total	96,418	-

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

	6 months ended 30 June 2017	6 months ended 30 June 2016
At the beginning of year	375,707	241,164
Movement of remeasurements	96,418	-
At the end of year	472,125	241,164

The key actuarial assumptions used were as follows:

	30 June 2016	31 December 2016
Discount rate	8.00%	8.45%
Future salary increases	5.90%	5.90%
Future pension increases	n/a	n/a
Future financial support benefits increases	4.30%	4.30%
Social fund contribution rate	27.54%	27.54%
Staff turnover	3.60%	3.60%
Expected retirement age:		
Male	62	62
Female	57	57
Mortality (employees)	Russia, 2013 adjusted 60% (to level 40%)	Russia, 2013 adjusted 60% (to level 40%)
Mortality (pensioners)	Russia, 2013 adjusted 6% (to level 94%)	Russia, 2013 adjusted 6% (to level 94%)

Note 13. Other long-term liabilities

	30 June 2017	31 December 2016
Trade payables	974,602	873,847
(net of effect of discounting RR 189,537 thousand as at 30 June 2017 and 180,147 thousand as at 31 December 2016)		
Other payables	7,151	2,991,823
Total finance liabilities	981,753	3,865,670

There was debt to MOSENERGO for the share of the capital of LLC "OGK-Investproekt" (Note 1) in the other long-term liabilities in the amount RR 2,984,492 thousand as at 31 December 2016. This debt was transferred to short-term other payables as at 30 June 2017.

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

	Currency	Effective interest rate	30 June 2017	31 December 2016
Current loans	RR	10.50%	16,000,000	16,000,000
Current portion of long-term loans	RR	8.18% - 11.45%	13,846,707	16,351,115
Current portion of bonds	RR	11.87%	106,643	108,519
Current portion of finance lease liability	RR	26.5%	5,062	-
Total			29,958,412	32,459,634

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	30 June 2017	31 December 2016
PJSC "GAZPROM"	29,600,000	32,100,000
MOSENERGO	246,707	248,737
JSC VTB Bank	-	2,378
Total	29,846,707	32,351,115

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

	30 June 2017	31 December 2016
Current debt and current portion of non-current debt at the beginning of the period	32,459,634	36,141,251
Proceeds from finance lease liability	5,433	-
Repayment of finance lease liability	(371)	(35,677)
Proceeds from short-term borrowings	-	16,000,000
Repayment of short-term borrowings	(2,500,000)	(28,310,572)
Interest expense	3,071,209	6,834,781
Interest paid	(3,077,493)	(6,576,146)
Current portion of long-term loans and borrowings	-	19,739,908
Transfer of long-term loans and borrowings to short-term loans and borrowings	-	(11,333,911)
Current debt and current portion of non-current debt at the end of the period	29,958,412	32,459,634

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

Finance lease liabilities – minimum lease payments	30 June 2017	31 December 2016
Due for repayment		
Less than one year	9,008	-
Between one year and five years	17,266	-
Future finance charges on finance lease	(7,451)	-
Present value of lease liabilities	18,823	-

Note 15. Trade and other payables

	30 June 2017	31 December 2016
Trade payables	9,309,793	9,563,818
(net of effect of discounting RR 18,848 thousand as at 30 June 2017 and 30,886 as at 31 December 2016)		
Accrued liabilities and other payables	7,624,092	4,204,885
Dividends payable	880,341	6,164
Financial liabilities	17,814,226	13,774,867
Salaries and wages payable	427,354	687,682
Advances from customers	265,948	180,067
Total	18,507,528	14,642,616

There is debt to MOSENERGO for the share of the capital of LLC "OGK-Investproekt" (Note 1) in the other payables including interest in the amount RR 6,321,345 thousand as at the 30 June 2017, and RR 3,084,980 thousand as at 31 December 2016.

Note 16. Other taxes payable

	30 June 2017	31 December 2016
Value added tax	1,213,199	1,642,183
Property tax	380,539	235,623
Social funds contribution	198,853	249,832
Personal income tax	54,175	65,199
Environment pollution payment	28,941	28,377
Water usage tax	213	194
Other taxes	14,537	14,191
Total	1,890,457	2,235,599

Note 17. Revenues

	6 months ended 30 June 2017	6 months ended 30 June 2016
Electricity and capacity	66,474,775	56,455,580
Heating	2,731,909	2,694,690
Other	887,049	569,682
Total	70,093,733	59,719,952

Note 18. Operating expenses

	6 months ended 30 June 2017	6 months ended 30 June 2016
Fuel	33,189,066	30,825,716
Purchased electricity, capacity and heat	5,961,767	5,451,166
Depreciation and amortisation of property, plant, equipment and intangible assets	5,534,357	3,929,313
Employee benefits	3,593,417	3,931,278
Taxes other than income tax	1,795,155	1,548,676
Repairs	1,535,032	1,888,188
Rent	1,381,309	1,161,068
Dispatcher's fees	1,023,834	997,635
Electricity transit	951,481	727,792
Raw materials and supplies	941,675	2,073,261
Transport	477,385	403,713
Insurance	118,296	90,249
Ecological payments	106,594	148,397
Consulting, legal and audit services	100,133	54,587
Loss on disposal of other assets	75,694	30,830
Loss / (gain) on disposal of property, plant, equipment	20,078	(97,613)
Charge / (reversal) of provision for inventory obsolescence	7,576	(2,724)
Reversal of provision for impairment of trade and other receivables	(295,406)	(14,392)
Other expenses	1,818,924	1,834,746
Total operating expenses	58,336,367	54,981,886

Employee benefits expenses comprise the following:

	6 months ended 30 June 2017	6 months ended 30 June 2016
Salaries and wages	3,046,690	2,860,176
Social funds contribution	941,867	886,960
Financial aid to employees and pensioners	134,570	142,133
Non-state pensions and other long-term benefits (Note 12)	(547,911)	42,009
Other expenses	18,201	-
Employee benefits	3,593,417	3,931,278
Average number of personnel for the period	9,109	9,234

Included in social funds contribution are statutory pension contributions of RR 742,330 thousand for the 6 months ended 30 June 2017 (for the 6 months ended 30 June 2016: RR 730,005 thousand).

Note 19. Finance income

	6 months ended 30 June 2017	6 months ended 30 June 2016
Interest income on bank deposits and current bank account balances	274,911	347,293
Foreign currency exchange gain	113,592	424,641
Effect of discounting of long-term promissory notes received	14,172	21,139
Effect of discounting of long-term payables	11,107	21,029
Interest income on loans	6,117	12,047
Effect of discounting of long-term restructured trade and other receivables	936	1,002
Other finance income	40,651	36,638
Total finance income	461,486	863,789

Note 20. Finance costs

	6 months ended 30 June 2017	6 months ended 30 June 2016
Interest expense on debt	2,980,634	1,678,799
Foreign currency exchange loss	177,169	344,695
Interest on employee benefit obligations (Note12)	96,392	98,566
Unwinding of the present value discount - provision for ash dump	51,089	91,714
Effect of discounting of long-term payables	18,227	22,412
Interest expense under finance lease agreements	380	1,933
Total finance costs	3,323,891	2,238,119

Note 21. Earnings per share

	6 months ended 30 June 2017	6 months ended 30 June 2016
Weighted average number of ordinary shares issued	105,920,206,241	105,809,765,086
Profit attributable to the shareholders of JSC "OGK-2" (thousands of RR)	6,826,251	2,535,461
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.06	0.02

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

Note 22. Capital commitments

As at 30 June 2017 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 6,158,292 thousand (as at 31 December 2016: RR 5,387,513 thousand).

Note 23. Financial instruments and financial risks factors

Compliance with covenants. The Group is subject to certain covenants related primarily to its loans and borrowings. The Group was in compliance with covenants at 30 June 2017 and 31 December 2016.

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
30 June 2017						
Financial assets						
Promissory notes	8	-	353,841	-	353,841	316,484
Loan issued	8	-	117,958	-	117,958	124,775
Total financial assets		-	471,799	-	471,799	441,259
Financial liabilities						
Debt	11, 14	-	(55,560,523)	-	(55,560,523)	(56,962,562)
Trade and other payables	13, 15	-	-	(18,836,942)	(18,836,942)	(18,795,979)
Total financial liabilities		-	(55,560,523)	(18,836,942)	(74,397,465)	(75,758,541)
31 December 2016						
Financial assets						
Promissory notes	8	-	347,983	-	347,983	323,529
Loan issued	8	-	109,284	-	109,284	118,550
Total financial assets		-	457,267	-	457,267	442,079
Financial liabilities						
Debt	11, 14	-	(64,752,474)	-	(64,752,474)	(67,050,023)
Trade and other payables	13, 15	-	-	(17,713,451)	(17,713,451)	(17,640,537)
Total financial liabilities		-	(64,752,474)	(17,713,451)	(82,465,925)	(84,690,560)

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

values. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

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

Note 24. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 98.7% of the Group revenue for the 6 months ended 30 June 2017 (for the 6 months ended 30 June 2016: 99.1%). The Group operates in Russian Federation.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separately due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Kirishskaya GRES, Novocherkasskaya GRES, Stavropolskaya GRES, Ryazanskaya GRES, Troitskaya GRES, Serovskaya GRES (as at 30 June 2017 Krasnoyarskaya GRES-2 and Cherepovetskaya 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 45% of the Group revenue for the 6 months ended 30 June 2017 (for the 6 months ended 30 June 2016: 51%).

6 months ended 30 June 2017	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
Revenue	11,442,840	9,529,909	9,680,122	9,963,138	5,990,974
Segment operating profit / (loss)*	1,760,990	2,474,163	(113,420)	169,970	1,258,923
6 months ended 30 June 2017	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total operating segments
Revenue	6,739,675	3,703,831	13,043,244		70,093,733
Segment operating profit / (loss)*	2,936,499	982,043	2,201,128		11,670,296
6 months ended 30 June 2016	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
Revenue	10,972,773	9,387,762	7,222,247	7,921,850	5,397,121
Segment operating profit / (loss)*	1,324,520	2,512,994	(136,566)	216,834	896,329
6 months ended 30 June 2016	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total operating segments
Revenue	1,976,877	3,582,897	13,258,712		59,720,239
Segment operating profit / (loss)*	(932,525)	832,989	1,706,551		6,421,126

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

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

	6 months ended 30 June 2017	6 months ended 30 June 2016
Segment operating profit	11,670,296	6,421,126
Adjustments, arising from different accounting policy:	238,180	(238,175)
Retirement benefit obligations adjustment	587,485	11,767
Gain on disposal of assets	2,510	(677)
Finance lease	751	27,985
Provision for impairment of trade and other receivables	437	792
Depreciation adjustment	(370,409)	(388,447)
Other adjustments	17,406	110,405
Unallocated expenses:	(389,575)	(1,493,637)
Reversal of provision for impairment of trade and other receivables	340,930	137,988
Consulting, legal and audit services	(34,235)	(22,191)
Rent	(128,170)	(175,995)
Employee benefits	(375,465)	(283,712)
Other corporate expenses	(192,635)	(1,149,727)
Operating profit (IFRS)	11,518,901	4,689,314

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
30 June 2017	5,383,802	21,864,992	38,196,901	3,473,629	14,677,280
	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total assets
30 June 2017	56,375,559	23,021,377	26,626,776		189,620,316

	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
31 December 2016	5,052,812	22,065,226	38,371,281	3,185,116	14,532,847
	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total assets
31 December 2016	56,134,118	23,616,518	27,510,906		190,468,824

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

	30 June 2017	31 December 2016
Total assets for reportable segment	189,620,316	190,468,824
Adjustments, arising from different accounting policy:	8,200,340	8,425,731
Property, plant and equipment adjustment	8,027,441	8,319,609
Deposits for pensions (Note 12)	538,599	545,169
Deferred tax	(1,971)	(3,574)
Impairment of trade and other receivables	(3,873)	(4,310)
Discounting of long-term trade and other receivables (Note 8)	(7,916)	(8,852)
Provision for inventory obsolescence	(34,067)	(27,162)
Discounting of promissory notes (Note 8)	(233,543)	(247,715)
Other adjustments	(84,330)	(147,434)
Unallocated assets	15,836,172	17,513,481
Total assets (IFRS)	213,656,828	216,408,036

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.

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L.V. Klisch

25 August 2017