

**OGK-2 GROUP  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)  
FOR THE THREE MONTHS ENDED 31 MARCH 2016 (UNAUDITED)**

**OGK-2 Group**
**Interim Condensed Consolidated Statement of Financial Position as at 31 March 2016 (unaudited)**

(in thousands of Russian Roubles, unless noted otherwise)

	Notes	31 March 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	182,476,650	178,397,832
Intangible assets		1,052,815	1,104,608
Deferred tax assets		46,757	-
Other non-current assets		1,013,893	978,332
<b>Total non-current assets</b>		<b>184,590,115</b>	<b>180,480,772</b>
<b>Current assets</b>			
Cash and cash equivalents	7	6,800,898	7,544,369
Trade and other receivables	8	15,809,917	15,958,468
Inventories		10,899,097	10,943,670
Income tax prepayments		146,476	449,766
<b>Total current assets</b>		<b>33,656,388</b>	<b>34,896,273</b>
<b>TOTAL ASSETS</b>		<b>218,246,503</b>	<b>215,377,045</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(4,150,598)	(4,150,598)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		50,798,422	48,832,446
<b>Equity attributable to the shareholders of JSC "OGK-2"</b>		<b>115,083,526</b>	<b>113,117,550</b>
Non-controlling interest		-	2,083,512
<b>Total equity</b>		<b>115,083,526</b>	<b>115,201,062</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		8,018,488	7,163,893
Non-current debt	10	45,495,467	36,574,060
Retirement benefit obligations		2,023,585	1,991,052
Restoration provision		997,634	1,051,656
Other long-term liabilities	11	6,591,306	3,744,299
<b>Total non-current liabilities</b>		<b>63,126,480</b>	<b>50,524,960</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	12	27,569,369	36,141,251
Trade and other payables	13	11,115,487	12,239,538
Other taxes payable	14	1,030,398	794,989
Income tax payable		3,604	-
Restoration provision		317,639	475,245
<b>Total current liabilities</b>		<b>40,036,497</b>	<b>49,651,023</b>
<b>Total liabilities</b>		<b>103,162,977</b>	<b>100,175,983</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>218,246,503</b>	<b>215,377,045</b>

Deputy General Director on economics and finance

Chief Accountant



E.N. Zemlinoy

L.V. Klisch

25 May 2016

**OGK-2 Group**  
**Interim Condensed Consolidated Statement of Profit or Loss**  
**for the 3 months ended 31 March 2016 (unaudited)**  
(in thousands of Russian Roubles, unless noted otherwise)

	Notes	3 months ended 31 March 2016	3 months ended 31 March 2015 (Restated)
Revenues	15	32,118,109	31,102,440
Operating expenses	16	(28,133,288)	(26,941,728)
Other operating income / (expenses)		111,827	(17,235)
<b>Operating profit</b>		<b>4,096,648</b>	<b>4,143,477</b>
Finance income	17	504,801	1,059,668
Finance costs	18	(1,124,852)	(658,825)
<b>Profit before income tax</b>		<b>3,476,597</b>	<b>4,544,320</b>
Income tax charge		(809,745)	(871,760)
<b>Profit for the period</b>		<b>2,666,852</b>	<b>3,672,560</b>
Attributable to:			
Shareholders of JSC "OGK-2"		2,783,733	3,666,618
Non-controlling interest		(116,881)	5,942
<b>Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)</b>	19	<b>0.03</b>	<b>0.03</b>

The interim condensed consolidated statement of profit or loss is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out on pages 7 to 23

**OGK-2 Group**  
**Interim Condensed Consolidated Statement of Comprehensive Income**  
**for the 3 months ended 31 March 2016 (unaudited)**  
(in thousands of Russian Roubles, unless noted otherwise)

	3 months ended 31 March 2016	3 months ended 31 March 2015 (Restated)
<b>Profit for the period</b>	<b>2,666,852</b>	<b>3,672,560</b>
<b>Total comprehensive income for the period</b>	<b>2,666,852</b>	<b>3,672,560</b>
Atributable to:		
Shareholders of JSC "OGK-2"	2,783,733	3,666,618
Non-controlling interest	(116,881)	5,942

The interim condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out on pages 7 to 23

**OGK-2 Group****Interim Condensed Consolidated Statement of Cash Flows for the 3 months ended****31 March 2016 (unaudited)**

(in thousands of Russian Roubles unless noted otherwise)

	Notes	3 months ended 31 March 2016	3 months ended 31 March 2015 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		3,476,597	4,544,320
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	16	1,811,975	1,486,764
Amortisation of intangible assets	16	59,085	73,364
Reversal of provision for impairment of trade and other receivables	16	(64,820)	(748,109)
Reversal of provision for inventory obsolescence	16	(223)	(1,459)
Finance income	17	(504,801)	(1,059,668)
Finance costs	18	1,124,852	658,825
Non-state pensions and other long-term benefits	16	21,004	14,453
Loss on disposal of assets, net	16	17,515	178,993
Other non-cash items		(1,943)	10,460
<b>Operating cash flows before working capital changes and income tax paid</b>		<b>5,939,241</b>	<b>5,157,943</b>
Working capital changes:			
Decrease in trade and other receivables		172,231	2,428,949
Decrease / (increase) in inventories		49,661	(1,752,277)
Decrease in other current assets		(47,551)	-
Decrease in trade and other payables		(762,984)	(1,606,897)
Increase in taxes payable, other than income tax		235,409	339,666
Payments in respect of retirement benefit obligations		(28,195)	(7,432)
Income tax received / (paid)		304,988	(187,545)
<b>Net cash generated from operating activities</b>		<b>5,862,800</b>	<b>4,372,407</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(5,458,481)	(5,294,235)
Proceeds from sale of property, plant and equipment		33,509	1,241
Purchase of intangible assets		(7,007)	(12,014)
Interest received		197,211	489,691
Increase in other non-current assets		(3,124)	-
<b>Net cash used in investing activities</b>		<b>(5,237,892)</b>	<b>(4,815,317)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings		(200,000)	-
Interest paid		(1,150,132)	(937,082)
Payments under finance lease		(18,150)	(21,627)
Finance lease advance		(97)	(97)
<b>Net cash used in financing activities</b>		<b>(1,368,379)</b>	<b>(958,806)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(743,471)</b>	<b>(1,401,716)</b>
<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>6,800,898</b>	<b>11,874,315</b>

The interim condensed consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out on pages 7 to 23

**OGK-2 Group**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**for the 3 months ended 31 March 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	-	-	-	3,666,618	3,666,618	5,942	3,672,560
<i>Total comprehensive income for the period</i>	-	-	-	3,666,618	3,666,618	5,942	3,672,560
<b>At 31 March 2015 (Restated)</b>	<b>40,057,009</b>	<b>(4,339,331)</b>	<b>28,378,693</b>	<b>51,173,580</b>	<b>115,269,951</b>	<b>4,951,566</b>	<b>120,221,517</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	-	-	-	2,783,733	2,783,733	(116,881)	2,666,852
<i>Total comprehensive income / (expense) for the period</i>	-	-	-	2,783,733	2,783,733	(116,881)	2,666,852
Acquisition of businesses under common control (Note 9)	-	-	-	(817,757)	(817,757)	(1,966,631)	(2,784,388)
<b>At 31 March 2016</b>	<b>40,057,009</b>	<b>(4,150,598)</b>	<b>28,378,693</b>	<b>50,798,422</b>	<b>115,083,526</b>	<b>-</b>	<b>115,083,526</b>

The interim condensed consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the interim condensed consolidated financial statements set out on pages 7 to 23

**OGK-2 Group**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**for the 3 months ended 31 March 2016 (unaudited)**  
(in thousands of Russian Roubles, unless noted otherwise)

**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. 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 101-3, Vernadskogo Avenue, 119526, Moscow, Russian Federation.

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

	% owned	
	31 March 2016	31 December 2015
LLC "OGK-2 Finance"	100%	100%
LLC "Centr 112"	100%	100%
LLC "OGK-Investproekt"	100%	55%

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 Financial Position, 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 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 3 months ended 31 March 2016</b>							
LLC "OGK-Investproekt"	16,402,829	1,045,967	8,926,092	3,997,784	473,852	(234,216)	(234,216)
<b>As of and for the year ended 31 December 2015</b>							
LLC "OGK-Investproekt"	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 21). During the 3 months ended 31 March 2016 the Russian economy was negatively impacted by a decline in oil prices and 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.

**OGK-2 Group**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**for the 3 months ended 31 March 2016 (unaudited)**  
(in thousands of Russian Roubles unless noted otherwise)

**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 31 March 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 31 March 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 21, the government's economic, social and other policies could have material effects on the operations of the Group.

**Note 2. Basis of preparation**

The interim condensed consolidated financial statements for the 3 months ended 31 March 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 Consolidated Statement of Profit or Loss:**

	3 months ended 31 March 2015
Revenues	12,213
Operating expenses	210,446
Other operating income / (expenses)	(397)
<b>Operating profit</b>	<b>222,262</b>
Finance income	11,260



**OGK-2 Group**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**for the 3 months ended 31 March 2016 (unaudited)**  
(in thousands of Russian Roubles, unless noted otherwise)

Finance costs	(224,833)
<b>Profit before income tax</b>	<b>8,689</b>
Income tax charge	(2,123)
<b>Profit for the period</b>	<b>6,566</b>
Attributable to:	
Shareholders of JSC "OGK-2"	624
Non-controlling interest	5,942

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

	3 months ended 31 March 2015
<b>Profit for the period</b>	<b>6,566</b>
Available-for-sale investments, net of tax	(3,026)
<b>Total comprehensive income for the period</b>	<b>3,540</b>
Attributable to:	
Shareholders of JSC "OGK-2"	(2,402)
Non-controlling interest	5,942

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

	3 months ended 31 March 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
<b>Profit before income tax</b>	<b>8,689</b>
Adjustments to reconcile profit before income tax to net cash provided by operations:	
Depreciation of property, plant and equipment	354,931
Amortisation of intangible assets	192
Finance income	(11,260)
Finance costs	224,833
<b>Operating cash flows before working capital changes and income tax paid</b>	<b>577,385</b>
Working capital changes:	
Decrease in trade and other receivables	155,110
Increase in inventories	(103)
Decrease in trade and other payables	(460,791)
Increase in taxes payable, other than income tax	104,919
<b>Net cash generated from operating activities</b>	<b>376,520</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property, plant and equipment	(261,777)
Interest received	(7,104)
<b>Net cash used in investing activities</b>	<b>(268,881)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Interest paid	(30)
<b>Net cash used in financing activities</b>	<b>(30)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>107,609</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>328,041</b>

**OGK-2 Group**  
**Notes to Interim Condensed Consolidated Financial Statements**  
**for the 3 months ended 31 March 2016 (unaudited)**  
(in thousands of Russian Roubles unless noted otherwise)

**Impact on 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>	(2,420)	(2,420)	4,945,624	4,943,204
Profit for the period	624	624	5,942	6,566
Available-for-sale investments, net of tax	(3,026)	(3,026)	-	(3,026)
<i>Total comprehensive income for the period</i>	<i>(2,402)</i>	<i>(2,402)</i>	<i>5,942</i>	<i>3,540</i>
<b>At 31 March 2015</b>	<b>(4,822)</b>	<b>(4,822)</b>	<b>4,951,566</b>	<b>4,946,744</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:

	3 months ended 31 March 2016	3 months ended 31 March 2015 (Restated)
Sales of electricity and capacity	382,425	498,927
Other sales	42,761	11,597
Interest income on cash and cash equivalents	74,493	166,529
Other income	20,111	136
Purchases of gas	8,879,351	9,725,576
Other purchases	2,729,436	917,402
Other expenses	850	3,066
Interest expense under finance lease agreements	699	3,013
Accrued interest on the loans	1,111,106	1,102,427

Balances with Gazprom Group and its associates were as follows:

	31 March 2016	31 December 2015
Long-term loan issued	109,119	105,999
Cash and cash equivalents (Note 7)	664,565	4,930,957
Trade and other receivables	1,106,744	941,382
Provision for impairment of trade and other receivables	(4,079)	-
Promissory notes Bank GPB (JSC) (Note 8)	92,720	89,955
(nominal value of promissory notes is RR 97,500 thousand as at 31 March 2016 and RR 97,500 thousand as at 31 December 2015)		
Debt	48,554,690	48,477,880
Trade and other payables	7,627,915	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

**OGK-2 Group****Notes to Interim Condensed Consolidated Financial Statements  
for the 3 months ended 31 March 2016 (unaudited)**

(in thousands of Russian Roubles, unless noted otherwise)

(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>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015 (Restated)</b>
Sales of electricity and capacity	4,080,692	3,383,491
Reversal of provision for impairment of trade receivables	(92,308)	(685,357)
Interest income on cash and cash equivalents	116,719	256,175
Building and construction works	2,542,698	1,979,498
Electricity transit (Note 16)	365,169	311,578
Interest expense on loans	285,763	59,458

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
Trade and other receivables, gross	8,502,948	8,227,218
Provision for impairment of trade and other receivables	(3,281,501)	(3,373,894)
Cash and cash equivalents (Note 7)	6,094,892	899,134
Trade and other payables	3,358,909	3,225,050
Debt	10,473,300	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>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015</b>
Sales of electricity	16,386,421	17,595,252
Purchases of electricity	2,649,403	2,667,406

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
Trade and other receivables	1,937,365	3,006,692
Trade and other payables	439,701	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 3 months ended 31 March 2016 was RR 18,485 thousand (for the 3 months ended 31 March 2015: RR 20,811 thousand).

**OGK-2 Group**
**Notes to Interim Condensed Consolidated Financial Statements  
for the 3 months ended 31 March 2016 (unaudited)**

(in thousands of Russian Roubles unless noted otherwise)

**Transactions with other related parties**

Transactions with other related parties represent transactions with the pension fund. For the 3 months ended 31 March 2016 the Group made contributions of RR 17 848 thousand to NPF Electroenergetiki (for the 3 months ended 31 March 2015: RR 9 361 thousand).

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

	Production buildings	Construc- tions	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	68	-	6,306	10,178	5,941,900	5,960,046
Transfer	-	58,357	413,881	437,317	48,844	(958,399)	-
Disposals	(277)	(6,075)	(12,622)	(8,858)	(23,357)	(24,080)	(75,269)
Closing balance as at 31 March 2016	45,129,492	26,513,616	73,525,728	25,452,250	2,065,005	83,608,099	256,294,190
<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	(234,615)	(223,264)	(820,060)	(539,197)	(27,997)	-	(1,845,133)
Disposals	169	5,928	2,378	7,702	22,746	251	39,174
Closing balance as at 31 March 2016	(20,972,554)	(13,276,461)	(26,007,742)	(11,296,730)	(1,279,154)	(984,899)	(73,817,540)
Net book value as at 31 March 2016	24,156,938	13,237,155	47,517,986	14,155,520	785,851	82,623,200	182,476,650
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	-	-	-	14,449	1,469	6,177,121	6,193,039
Transfer	35,709	61,410	59,592	42,662	431	(199,804)	-
Disposals	-	(6,395)	(405)	(837)	(1,759)	(13,689)	(23,085)
Closing balance as at 31 March 2015 (Restated)	42,860,818	23,185,613	55,003,829	19,962,000	1,814,574	89,538,310	232,365,144
<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	(377,530)	(261,544)	(671,038)	(428,765)	(9,750)	-	(1,748,627)
Disposals	-	4,861	389	837	1,759	-	7,846
Closing balance as at 31 March 2015 (Restated)	(19,900,063)	(12,697,534)	(22,839,332)	(9,590,573)	(1,265,725)	(1,058,793)	(67,352,020)
Net book value as at 31 March 2015 (Restated)	22,960,755	10,488,079	32,164,497	10,371,427	548,849	88,479,517	165,013,124
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

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**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:

	31 March 2016	31 December 2015
Energy machinery and equipment	31,848	32,746
Other machinery and equipment	137,617	144,070
Other	102,491	108,649
<b>Total</b>	<b>271,956</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:

	31 March 2016	31 December 2015
Not later than one year	2,257,264	2,522,748
Later than one year and not later than five years	279,679	468,922
Later than five years and not later than ten years	338,683	344,231
Later than ten years	2,441,338	2,493,056
<b>Total</b>	<b>5,316,964</b>	<b>5,828,957</b>

**Note 7. Cash and cash equivalents**

	Currency	31 March 2016	31 December 2015
Bank deposits with maturity three months or less	RR	5,463,953	1,869,737
Current bank accounts	RR	727,661	5,018,377
Bank deposits with maturity three months or less	USD	609,250	656,216
Other cash equivalents	RR	34	39
<b>Total</b>		<b>6,800,898</b>	<b>7,544,369</b>

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 31 March 2016*	31 March 2016	Credit rating on 31 December 2015*	31 December 2015
Bank GPB (JSC)	b1 / Negative	664,565	b1 / Negative	4,891,957
"BANK "ROSSIYA"	WR / Ratings Withdrawn	41,391	WR / Ratings Withdrawn	122,480
JSC VTB Bank	b1 / Negative	11,481	b1 / Negative	509
Sberbank	ba2 / Negative	10,208	ba2 / Negative	3,409
AO "ALFA-BANK"	ba3 / Negative	10	ba3 / Negative	22
"Bank Otkritie Financial Corporation" PJSC	b1 / Negative	6	-	-
<b>Total cash in bank</b>		<b>727,661</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 31 March 2016*	31 March 2016	Currency	Interest rate	Credit rating on 31 December 2015*	31 December 2015
JSC VTB Bank	RR	10.60% - 10.70%	Non-Prime	5,463,953	RR	10.80%	Non-Prime	239,000
Sberbank	USD	0.27%	Non-Prime	609,250	USD	0.42%	Non-Prime	656,216
"BANK "ROSSIYA"	-	-	-	-	RR	9.00%	Non-Prime	1,451,737
AO "ALFA-BANK"	-	-	-	-	RR	9.00%	Non-Prime	140,000
Bank GPB (JSC)	-	-	-	-	RR	10.80%	Non-Prime	39,000
<b>Total bank deposits with maturity of three months or less</b>				<b>6,073,203</b>				<b>2,525,953</b>

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

**Note 8. Trade and other receivables**

	31 March 2016	31 December 2015
Trade receivables	10,220,164	9,849,372
(net of provision for impairment of RR 5,129,443 thousand as at 31 March 2016 and RR 5,203,572 thousand as at 31 December 2015)		
Other receivables	3,849,502	3,837,149
(net of provision for impairment of RR 3,566,721 thousand as at 31 March 2016 and RR 3,562,290 thousand as at 31 December 2015, and the effect of discounting of RR 10,306 thousand as at 31 March 2016 and RR 10,819 thousand as at 31 December 2015)		
Promissory notes	467,471	457,930
(nominal value of promissory notes is RR 742,272 thousand as at 31 March 2016 and RR 743,489 thousand as at 31 December 2015)		
Interest receivable on cash and cash equivalents	6,714	9,046
<b>Financial assets</b>	<b>14,543,851</b>	<b>14,153,497</b>
Advances to suppliers	581,929	486,890
(net of provision for impairment of RR 691 thousand as at 31 March 2016 and RR 691 thousand as at 31 December 2015)		
Prepaid other taxes and social funds contribution	514,358	1,024,650
Input VAT	488,641	609,682
<b>Total</b>	<b>16,128,779</b>	<b>16,274,719</b>
Less: Long-term promissory notes	(301,362)	(294,729)
(nominal value of promissory notes is RR 570,027 thousand as at 31 March 2016 and RR 570,027 thousand as at 31 December 2015)		
Long-term restructured trade and other receivables	(16,840)	(17,341)
(net of provision for impairment of RR 4,989 thousand as at 31 March 2016 and RR 5,326 thousand as at 31 December 2015, and the effect of discounting of RR 10,115 thousand as at 31 March 2016 and RR 10,623 thousand as at 31 December 2015)		
Long-term advances to suppliers	(452)	-
Long-term input VAT from advances paid	(208)	(4,181)
<b>Total</b>	<b>15,809,917</b>	<b>15,958,468</b>

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Breakdown of promissory notes is presented below:

<b>Bank</b>	<b>Credit rating on 31 March 2016*</b>	<b>31 March 2016</b>	<b>Credit rating on 31 December 2015*</b>	<b>31 December 2015</b>
AO "ALFA-BANK"	ba3 / Negative	294,801	ba3 / Negative	288,534
Bank GPB (JSC)	b1 / Negative	92,720	b1 / Negative	89,955
"BANK "ROSSIYA"	WR / Ratings Withdrawn	75,537	WR / Ratings Withdrawn	73,932
Other	-	4,413	-	5,509
<b>Total promissory notes</b>		<b>467,471</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 9. Equity**

<b>Share capital</b>	<b>Number of ordinary shares 31 March 2016</b>	<b>Number of ordinary shares 31 December 2015</b>
Issued shares	110,441,160,870	110,441,160,870
Treasury shares	(4,631,395,784)	(4,631,395,784)
<b>Total outstanding shares</b>	<b>105,809,765,086</b>	<b>105,809,765,086</b>

Each ordinary share carries one vote.

As at 31 March 2016 and 31 December 2015 the number of authorised for issue but not issued ordinary shares is 58,886,766,090 shares.

**Dividends**

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

**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. Difference between the amount of consideration transferred and net asset value of LLC "OGK-Investproekt" is recognized in financial statements as retained earnings in the amount of RR 817,757 thousand.

**Note 10. Non-current debt**

	<b>Currency</b>	<b>Effective interest rate</b>	<b>Due</b>	<b>31 March 2016</b>	<b>31 December 2015</b>
Loans	RR	8.18%-12.00%	2017-2025	35,495,467	26,574,060
Bonds	RR	11.87%	2020	10,000,000	10,000,000
<b>Total</b>				<b>45,495,467</b>	<b>36,574,060</b>

All of 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.

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**Maturity table**

	<b>31 March 2016</b>	<b>31 December 2015</b>
<b>Due for repayment</b>		
Between one and two years	16,100,000	16,100,000
Between two and three years	12,561,315	3,639,908
Between four and five years	10,000,000	10,000,000
More than five years	6,834,152	6,834,152
<b>Total</b>	<b>45,495,467</b>	<b>36,574,060</b>

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>31 March 2016</b>	<b>31 December 2015</b>
<b>Due for repayment</b>		
Less than one year	17,867	36,288
Future finance charges on finance lease	(967)	(2,300)
<b>Present value of lease liabilities</b>	<b>16,900</b>	<b>33,988</b>

**Note 11. Other long-term liabilities**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Other payables	5,695,438	2,836,953
Trade payables	895,868	907,346
(net of effect of discounting RR 164,810 thousand as at 31 March 2016 and 171,326 thousand as at 31 December 2015)		
<b>Total finance liabilities</b>	<b>6,591,306</b>	<b>3,744,299</b>

**Note 12. Current debt and current portion of non-current debt**

	<b>Currency</b>	<b>Effective interest rate</b>	<b>31 March 2016</b>	<b>31 December 2015</b>
Current portion of long-term loans	RR	8.00%-12.00%	24,679,657	33,394,714
Current loans	RR	12.00%	2,486,290	2,602,504
Current portion of bonds	RR	11.87%	386,522	110,045
Current portion of finance lease liability	RR	19.62%-23.51%	16,900	33,988
<b>Total</b>			<b>27,569,369</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.



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**Note 13. Trade and other payables**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Trade payables (net of effect of discounting RR 2,041 thousand as at 31 March 2016 and RR 5,867 thousand as at 31 December 2015)	10,207,597	11,293,164
Accrued liabilities and other payables	396,735	370,949
Dividends payable	3,296	3,323
<b>Financial liabilities</b>	<b>10,607,628</b>	<b>11,667,436</b>
Salaries and wages payable	480,977	558,652
Advances from customers	26,882	13,450
<b>Total</b>	<b>11,115,487</b>	<b>12,239,538</b>

**Note 14. Other taxes payable**

	<b>31 March 2016</b>	<b>31 December 2015</b>
Property tax	603,155	297,670
Social funds contribution	215,677	212,008
Value added tax	95,040	134,535
Personal income tax	57,196	58,514
Environment pollution payment	48,926	56,896
Water usage tax	132	27,119
Other taxes	10,272	8,247
<b>Total</b>	<b>1,030,398</b>	<b>794,989</b>

**Note 15. Revenues**

	<b>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015 (Restated)</b>
Electricity and capacity	30,016,737	29,299,296
Heating	1,800,119	1,554,556
Other	301,253	248,588
<b>Total</b>	<b>32,118,109</b>	<b>31,102,440</b>

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**Note 16. Operating expenses**

	<b>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015 (Restated)</b>
Fuel	16,580,831	17,412,177
Purchased electricity, capacity and heat	2,824,865	2,892,959
Employee benefits	1,960,037	1,940,559
Depreciation and amortisation of property, plant, equipment and intangible assets	1,871,060	1,560,128
Raw materials and supplies	782,739	258,235
Repairs	779,870	507,011
Taxes other than income tax	759,213	642,704
Rent	582,222	648,265
Dispatcher's fees	499,868	487,829
Electricity transit	365,169	311,578
Transport	194,900	153,176
Ecological payments	82,584	161,336
Insurance	44,461	46,738
Consulting, legal and audit services	27,906	21,312
Loss on disposal of other assets	25,134	179,355
Reversal of provision for inventory obsolescence	(223)	(1 459)
Gain on disposal of property, plant, equipment	(7,619)	(362)
Reversal of provision for impairment of trade and other	(64,820)	(748,109)
Other expenses	825,091	468,296
<b>Total operating expenses</b>	<b>28,133,288</b>	<b>26,941,728</b>

Employee benefits expenses comprise the following:

	<b>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015 (Restated)</b>
Salaries and wages	1,428,665	1,361,402
Social funds contribution	451,398	447,659
Financial aid to employees and pensioners	58,970	117,045
Non-state pensions and other long-term benefits	21,004	14,453
<b>Employee benefits</b>	<b>1,960,037</b>	<b>1,940,559</b>
Number of personnel at the end of the period	9,496	9,582

Included in social funds contribution are statutory pension contributions of RR 365,029 thousand for the 3 months ended 31 March 2016 (for the 3 months ended 31 March 2015 (Restated): RR 352,009 thousand).

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**Note 17. Finance income**

	<b>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015 (Restated)</b>
Foreign currency exchange gain	234,530	475,720
Interest income on bank deposits and current bank account balances	194,856	495,000
Interest income on loans	24,629	28,159
Effect of discounting of long-term promissory notes received	10,758	13,141
Effect of discounting of long-term payables	2,471	-
Effect of discounting of long-term restructured trade and other receivables	513	3,284
Other finance income	37,044	44,364
<b>Total finance income</b>	<b>504,801</b>	<b>1,059,668</b>

**Note 18. Finance costs**

	<b>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015 (Restated)</b>
Interest expense on debt	747,134	231,954
Foreign currency exchange loss	262,780	323,479
Effect of discounting of long-term promissory notes received	56,019	40,753
Interest on employee benefit obligations	49,283	51,612
Effect of discounting of long-term payables	8,303	-
Interest expense under finance lease agreements	1,333	4,308
Unwinding of the present value discount - provision for ash dump	-	6,719
<b>Total finance costs</b>	<b>1,124,852</b>	<b>658,825</b>

**Note 19. Earnings per share**

	<b>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015 (Restated)</b>
Weighted average number of ordinary shares issued	105,809,765,086	105,699,323,931
Profit attributable to the shareholders of JSC "OGK-2" (thousands of RR)	2,783,733	3,666,618
<b>Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)</b>	<b>0.03</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 20. Capital commitments**

In November 2010 the Company had signed agency agreements with JSC "FSC", OJSC "Administrator of Trade System" (OJSC "ATS"), NP Council Market and 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 31 March 2016 the Company had an obligation to put into operation generating units, included in the Company's investment program, of 1 410 MW.

As at 31 March 2016 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 7,152,293 thousand (as at 31 December 2015: RR 9,937,908 thousand).

#### **Note 21. 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 31 March 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 22. 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. Before the 31 March 2016 the Group received covenant waivers from bank confirming absence of intention to request early repayment of loans. As a result, on 31 March 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.

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**(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>31 March 2016</b>						
<b>Financial assets</b>						
Promissory notes	8	-	448,837	-	448,837	467,471
Trade and other receivables	8	-	-	14,069,666	14,069,666	14,069,666
Interest receivable on cash and cash equivalents	8	-	-	6,714	6,714	6,714
Long term loan issued		-	93,080	-	93,080	109,119
Cash and cash equivalents	7	6,800,864	-	34	6,800,898	6,800,898
<b>Total financial assets</b>		<b>6,800,864</b>	<b>541,917</b>	<b>14,076,414</b>	<b>21,419,195</b>	<b>21,453,868</b>
<b>Financial liabilities</b>						
Debt (including finance lease liabilities)	10, 12	-	(69,353,888)	-	(69,353,888)	(73,064,836)
Trade and other payables	11, 13	-	-	(17,211,150)	(17,211,150)	(17,198,934)
<b>Total financial liabilities</b>		<b>-</b>	<b>(69,353,888)</b>	<b>(17,211,150)</b>	<b>(86,565,038)</b>	<b>(90,263,770)</b>

	Notes	Level 1	Level 2	Level 3	Fair value	Carrying value
<b>31 December 2015</b>						
<b>Financial assets</b>						
Promissory notes	8	-	442,045	-	442,045	457,930
Trade and other receivables	8	-	-	13,686,521	13,686,521	13,686,521
Interest receivable	8	-	-	9,046	9,046	9,046
Long term loan issued		-	90,094	-	90,094	105,999
Cash and cash equivalents	7	7,544,330	-	39	7,544,369	7,544,369
<b>Total financial assets</b>		<b>7,544,330</b>	<b>532,139</b>	<b>13,695,606</b>	<b>21,772,075</b>	<b>21,803,865</b>
<b>Financial liabilities</b>						
Debt (including finance lease liabilities)	10, 12	-	(68,879,879)	-	(68,879,879)	(72,715,311)
Trade and other payables	11, 13	-	-	(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 23. Segment information**

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

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separately due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Kirishskaya GRES, Novochoerkasskaya GRES, Stavropolskaya GRES, Krasnoyarskaya GRES-2, Troitskaya GRES, Serovskaya GRES. All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic

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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 51% of the Group revenue for the 3 months ended 31 March 2016 (for the 3 months ended 31 March 2015: 57%).

<b>3 months ended 31 March 2016</b>	<b>Surgutskaya GRES-1</b>	<b>Kirishskaya GRES</b>	<b>Novocherkass kaya GRES</b>	<b>Stavropolskaya GRES</b>	<b>Krasnoyarskaya GRES-2</b>
Revenue	5,614,471	4,692,599	3,857,408	4,809,786	2,440,848
Segment operating profit / (loss)	947,169	1,546,506	(78,668)	306,621	849,954
<b>3 months ended 31 March 2016</b>	<b>Troitskaya GRES</b>	<b>Serovskaya GRES</b>	<b>Other operating segments</b>		<b>Total operating segments</b>
Revenue	972,429	1,936,368	7,794,200		32,118,109
Segment operating profit / (loss)	(472,008)	568,611	1,011,975		4,680,160
<b>3 months ended 31 March 2015 (Restated)</b>	<b>Surgutskaya GRES-1</b>	<b>Kirishskaya GRES</b>	<b>Novocherkass kaya GRES</b>	<b>Stavropolskaya GRES</b>	<b>Krasnoyarskaya GRES-2</b>
Revenue	5,824,969	4,524,915	4,520,940	5,486,158	2,645,025
Segment operating profit / (loss)	1,592,488	1,653,585	127,141	471,976	1,071,626
<b>3 months ended 31 March 2015 (Restated)</b>	<b>Troitskaya GRES</b>	<b>Serovskaya GRES</b>	<b>Other operating segments</b>		<b>Total operating segments</b>
Revenue	1,507,670	631,776	5,960,987		31,102,440
Segment operating profit / (loss)	(691,285)	(116,800)	380,794		4,489,525

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

	<b>3 months ended 31 March 2016</b>	<b>3 months ended 31 March 2015 (Restated)</b>
Segment operating profit	4,680,160	4,489,525
Adjustments, arised from different accounting policy:	(83,802)	(111,833)
Finance lease	18,308	22,306
Gain on disposal of assets	5,856	544
Provision for impairment of trade and other receivables	397	405
Depreciation adjustment	(188,152)	(176,240)
Other adjustments	79,789	41,152
Unallocated expenses:	(499,710)	(234,215)
Provision for impairment of trade and other receivables	105,660	689,617
Consulting, legal and audit services	(11,346)	(12,486)
Rent	(88,026)	(109,914)
Employee benefits	(133,919)	(170,637)
Other corporate expenses	(372,079)	(630,795)
<b>Operating profit (IFRS)</b>	<b>4,096,648</b>	<b>4,143,477</b>

**OGK-2 Group**  
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Segment's assets are disclosed below:

	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkas- skaya GRES	Stavropolskaya GRES	Krasnoyarskaya GRES-2
<b>31 March 2016</b>	4,773,142	22,699,751	37,213,702	3,314,872	4,094,633
	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total assets
<b>31 March 2016</b>	55,428,408	24,605,352	39,333,609		<b>191,463,469</b>
	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkas- skaya GRES	Stavropolskaya GRES	Krasnoyarskaya GRES-2
<b>31 December 2015</b>	4,557,832	22,722,876	35,901,944	3,437,070	3,915,007
	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total assets
<b>31 December 2015</b>	52,326,191	24,348,966	40,095,243		<b>187,305,129</b>

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

	<b>31 March 2016</b>	<b>31 December 2015</b>
Total assets for reportable segment	191,463,469	187,305,129
Adjustments, arising from different accounting policy:	8,331,989	8,156,765
Property, plant and equipment adjustment	8,262,350	8,578,917
Deposits for pensions	579,255	549,428
Deferred tax	(4,262)	-
Impairment of trade and other receivables	(5,174)	(5,571)
Discounting of long-term trade and other receivables	(10,306)	(10,819)
Provision for inventory obsolescence	(27,309)	(27,532)
Discounting of promissory notes	(274,801)	(285,559)
Other adjustments	(187,764)	(642,099)
Unallocated assets	18,451,045	19,915,151
<b>Total assets (IFRS)</b>	<b>218,246,503</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.