



OGK-2 GROUP

**CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS) (UNAUDITED)**

**31 March 2020
Saint-Petersburg**

Translation from the Russian original

CONTENTS

Condensed Interim Consolidated Statement of Financial Position.....	3
Condensed Interim Consolidated Statement of Comprehensive Income	4
Condensed Interim Consolidated Statement of Cash Flows	5
Condensed Interim Consolidated Statement of Changes in Equity	6

Notes to Condensed Interim Consolidated Financial Statements

Note 1. General Information.....	7
Note 2. Basis of presentation.....	8
Note 3. Summary of significant accounting policies and accounting estimates	8
Note 4. Segment information	8
Note 5. Related Parties.....	10
Note 6. Property, plant and equipment.....	14
Note 7. Accounts receivable and prepayments	15
Note 8. Financial assets	15
Note 9. Other non-current assets	15
Note 10. Inventories.....	16
Note 11. Cash and cash equivalents.....	16
Note 12. Equity	16
Note 13. Borrowings	16
Note 14. Accounts payable and other liabilities.....	17
Note 15. Income tax	18
Note 16. Revenues.....	19
Note 17. Operating expenses	19
Note 18. Finance income and costs.....	19
Note 19. Basic and diluted earnings per share attributable to the shareholders of JSC "OGK-2".....	20
Note 20. Capital commitments.....	20
Note 21. Fair value of financial instruments.....	20
Note 22. Events after the reporting date.....	21

OGK-2 Group
Condensed Interim Consolidated Statement of Financial Position (unaudited)
as at 31 March 2020
(In millions of Russian Roubles)



	Notes	31 March 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	160,386	162,476
Intangible assets		427	442
Investments in associates		20,125	20,000
Accounts receivable and prepayments	7	668	563
Deferred tax assets	15	508	466
Other non-current assets	9	539	507
Total non-current assets		182,653	184,454
Current assets			
Inventories	10	13,792	13,486
Accounts receivable and prepayments	7	14,596	12,459
Income tax receivable		7	9
Cash and cash equivalents	11	85	92
Financial assets	8	7,939	9,722
Total current assets		36,419	35,768
Assets held for sale		694	5,681
Total current assets		37,113	41,449
TOTAL ASSETS		219,766	225,903
EQUITY AND LIABILITIES			
Equity			
Share capital	12	40,057	40,057
Share premium		26,846	26,846
Retained earnings and other reserves		78,362	70,423
Equity attributable to the shareholders of JSC "OGK-2"		145,265	137,326
Non-controlling interest		13	15
Total equity		145,278	137,341
Non-current liabilities			
Borrowings	13	33,246	33,246
Employee benefit liabilities		2,066	2,047
Accounts payable and other liabilities	14	762	1,613
Lease liabilities		520	597
Provisions		1,189	1,171
Deferred income tax liabilities	15	12,027	12,668
Total non-current liabilities		49,810	51,342
Current liabilities			
Borrowings	13	1,886	19,385
Accounts payable and other liabilities	14	14,881	15,205
Current income tax payable		2,258	141
Other taxes payable		5,424	2,304
Lease liabilities		229	185
Total current liabilities		24,678	37,220
Total liabilities		74,488	88,562
TOTAL EQUITY AND LIABILITIES		219,766	225,903

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

13 May 2020

The accompanying notes on pages 7 to 21 are an integral part of these condensed interim consolidated financial statements.

OGK-2 Group
Condensed Interim Consolidated Statement of Comprehensive Income (unaudited)
for the three months ended 31 March 2020
(in millions of Russian Roubles unless noted otherwise)



	Notes	Three months ended 31 March 2020	Three months ended 31 March 2019
Revenues	16	34,350	37,538
Operating expenses	17	(23,836)	(28,745)
Reversal of impairment loss / (impairment loss) on financial assets		74	(230)
Operating profit		10,588	8,563
Finance income	18	281	227
Finance costs	18	(1,012)	(959)
Share of profit of associates		125	-
Profit before income tax		9,982	7,831
Income tax charge	15	(2,045)	(1,569)
Profit for the period		7,937	6,262
Total comprehensive income for the period		7,937	6,262
Profit / (loss) for the period attributable to:			
Shareholders of JSC «OGK-2»		7,939	6,262
Non-controlling interest		(2)	-
Total comprehensive income / (expense) for the period attributable to:			
Shareholders of JSC «OGK-2»		7,939	6,262
Non-controlling interest		(2)	-
Earnings per ordinary share attributable to the shareholders of JSC «OGK-2» – basic and diluted (in Russian Roubles)	19	0.07	0.06

Managing Director

Chief Accountant



[Handwritten signature]

[Handwritten signature]

A.V. Semikolenov

L.V. Klishch

13 May 2020

OGK-2 Group
Condensed Interim Consolidated Statement of Cash Flows (unaudited)
for the three months ended 31 March 2020
(In millions of Russian Roubles)



	Notes	Three months ended 31 March 2020	Three months ended 31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		9,982	7,831
Adjustments to reconcile profit before income tax:			
Depreciation and amortisation	17	3,388	3,323
(Reversal of impairment loss) / impairment loss on financial assets		(74)	230
Share of profit of associates		(125)	-
Gain on disposal of property, plant and equipment and other assets		(3,769)	(4)
Non-state pensions and other long-term benefits		23	18
Finance income	18	(281)	(227)
Finance costs	18	1,012	959
Other non-cash items		57	88
Operating cash flows before working capital changes		10,213	12,218
Working capital changes:			
Change in accounts receivable and prepayments		(2,651)	24
Change in inventories		(368)	(1,202)
Change in accounts payable and other liabilities		(1,394)	732
Change in other taxes payable		3,120	717
Change in employee benefit liabilities		(31)	(25)
Working capital changes		(1,324)	246
Income tax paid		(609)	(382)
Interest paid		(853)	(662)
Net cash from operating activities		7,427	11,420
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment, intangible assets and other non-current assets		(1,588)	(1,716)
Proceeds from sale of property, plant and equipment and other assets		9,687	2
Loans issued		(7,450)	-
Proceeds from loans issued		9,349	-
Capitalized interest paid		-	(148)
Interest received		18	152
Net cash from (used in) investing activities		10,016	(1,710)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(17,410)	-
Payment of lease liabilities		(40)	(37)
Net cash used in financing activities		(17,450)	(37)
Effect of exchange rate changes on cash and cash equivalents		-	(88)
Net (decrease) / increase in cash and cash equivalents		(7)	9,585
Cash and cash equivalents at the beginning of the period	11	92	6,578
Cash and cash equivalents at the end of the period	11	85	16,163

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

13 May 2020

The accompanying notes on pages 7 to 21 are an integral part of these condensed interim consolidated financial statements.

OGK-2 Group
Condensed Interim Consolidated Statement of Changes in Equity (unaudited)
for the three months ended 31 March 2020
(in millions of Russian Roubles)



	Equity attributable to the shareholders of JSC "OGK-2"				Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	Retained earnings and other reserves			
At 1 January 2019	40,057	(3,707)	28,379	62,587	127,316	-	127,316
Profit for the period	-	-	-	6,262	6,262	-	6,262
Total comprehensive income for the period	-	-	-	6,262	6,262	-	6,262
At 31 March 2019	40,057	(3,707)	28,379	68,849	133,578	-	133,578
At 1 January 2020	40,057	-	26,846	70,423	137,326	15	137,341
Profit for the period	-	-	-	7,939	7,939	(2)	7,937
Total comprehensive income for the period	-	-	-	7,939	7,939	(2)	7,937
At 31 March 2020	40,057	-	26,846	78,362	145,265	13	145,278

Managing Director

Chief Accountant



[Handwritten signature]

A.V. Semikolenov

L.V. Klishch

13 May 2020

Note 1. General Information

1.1. Organisation and 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, Novochebasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Groznenskaya TES, Adlerskaya TES.

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"):

Company	Activities	Ownership interest (%)	
		31 March 2020	31 December 2019
LLC "Centr 112"	Fire safety	100%	100%
LLC "OGK-Investproekt"	Construction	100%	100%
LLC "Novomichurinskoe ATP"	Freight and passenger transportation services	100%	100%
OJSC "Novomichurinskoe PPGT"	Rail freight	75%	75%

1.2. Relations with the Government and influence on the Group activities

JSC "OGK-2" is part of the GAZPROM Group (www.gazprom.ru), which includes PJSC "GAZPROM" and its subsidiaries. PJSC "Centerenergyholding" owns 73.42% of the shares of JSC "OGK-2" as at 31 March 2020 (as at 31 December 2019: 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 2020 and 31 December 2019.

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 State also controls a number of suppliers of the Group.

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.

1.3. Operating environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Fluctuations in oil prices, continuing political tensions in the region, as well as international sanctions against some Russian organizations and citizens have had and can continue to affect the economy of the Russian Federation.

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.

1.4. Seasonality

Demand for electricity and heat produced and sold by the Group is influenced by the relative severity of the weather and the season of the year. 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. This seasonality does not impact on the revenue or cost recognition policies of the Group.

Note 2. Basis of presentation

The condensed interim consolidated financial statements ("Financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS. In order to improve presentation some comparative information was aligned with present disclosure.

Note 3. Summary of significant accounting policies and accounting estimates

The significant accounting policies followed by the Group and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

3.1. Application of interpretations and amendments to IFRS's

Certain new standards, interpretations and amendments are mandatory for the annual periods beginning on or after 1 January 2020.

In March 2018, the IASB issued a revised version of *Conceptual Framework for Financial Reporting*. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses.

In October 2018, the IASB issued amendments to *IFRS 3 Business Combinations*. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after 1 January 2020; earlier application is permitted.

In October 2018, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting policies, Changes in Accounting Estimates and Errors*. The amendments to IAS 1 and IAS 8 introduce new definition of material.

The Group has reviewed these interpretations and amendments to standards while preparing condensed interim consolidated financial statements. The interpretations and amendments to standards have no significant impact on the Group's condensed interim consolidated financial statements.

3.2. Standards, Interpretations and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards, interpretations and amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2021. In particular, the Group has not early adopted the standards and amendments:

In May 2017, the IASB issued *IFRS 17 Insurance Contracts*. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 Insurance Contracts. The standard is effective for annual periods beginning on or after 1 January 2021.

The Group is currently assessing how these changes will affect its financial position and results of operations.

Note 4. Segment information

The Management 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 99.0% of the Group revenue for the three months ended 31 March 2020 (98.7 % for the three months ended 31 March 2019). The Group operates in Russian Federation.

OGK-2 Group
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
for the three months ended 31 March 2020
(in millions of Russian Roubles unless noted otherwise)



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, Troitskaya GRES, Stavropolskaya GRES, Ryazanskaya 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 resources of the Group the Management uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management 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 36.9 % of the Group revenue for the three months ended 31 March 2020 (for the three months ended 31 March 2019: 41.4%).

Three months ended 31 March 2020	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Stavropolskaya GRES
Revenue	5,511	4,817	4,802	3,486
Segment operating profit*	913	537	1,741	119

Three months ended 31 March 2020	Troitskaya GRES	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
Revenue	3,440	2,725	1,934	7,635	34,350
Segment operating profit*	1,382	1,207	502	1,064	7,465

Three months ended 31 March 2019	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Stavropolskaya GRES
Revenue	5,762	5,266	6,554	3,374
Segment operating profit*	1,116	939	1,904	160

Three months ended 31 March 2019	Troitskaya GRES	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
Revenue	3,817	2,842	2,073	7,850	37,538
Segment operating profit*	1,506	1,070	819	2,106	9,620

* Segment operating profit represents segment operating profit under RAR.

The main items of reconciliation of management financial information prepared in accordance with RAR to consolidated financial statements prepared in accordance with IFRS are provided in consolidated financial statements for the year ended 31 December 2019.

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Stavropolskaya GRES
31 March 2020	5,796	35,193	21,234	3,286

	Troitskaya GRES	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total assets
31 March 2020	52,589	13,213	20,030	24,965	176,306

	Surgutskaya GRES-1	Novocherkasskaya GRES	Kirishskaya GRES	Stavropolskaya GRES
31 December 2019	5,978	35,500	20,516	3,363

	Troitskaya GRES	Ryazanskaya GRES	Serovskaya GRES	Other operating segments	Total assets
31 December 2019	53,611	13,372	20,337	29,419	182,096

The main items of reconciliation of management financial information to consolidated financial statements prepared in accordance with IFRS are provided in consolidated financial statements for the year ended 31 December 2019.

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.

OGK-2 Group
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
for the three months ended 31 March 2020



(in millions of Russian Roubles unless noted otherwise)

Note 5. Related Parties

In the condensed interim consolidated financial statements a related party is a person or entity that has control or significant influence over the reporting entity as determined in IAS 24 Related parties.

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 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 received at market rates. Bank deposits are invested at market rates.

PJSC Gazprom is the ultimate parent company of the Group. The Russian Federation is the ultimate controlling party of the Group.

a) GAZPROM Group and its associates

Significant transactions with Gazprom Group for the three months ended 31 March 2020 and balances with these organizations as at 31 March 2020 are presented below:

Revenues

	Three months ended 31 March 2020	Three months ended 31 March 2019
Electricity and capacity	1,057	1,170
Heating	2	2
Other	44	197
Total	1,103	1,369

Operating expenses

	Three months ended 31 March 2020	Three months ended 31 March 2019
Fuel	8,967	9,937
Rent	1,245	1,190
Repairs	626	593
Exchange rate differences	352	(197)
Transport	194	243
Consulting, legal and audit services	15	19
Purchased electricity and capacity	3	25
Penalties and fines	3	-
Insurance, except for VHI	-	53
Other operating expenses	226	37
Total operating expenses	11,631	11,900

Finance income and costs

	Three months ended 31 March 2020	Three months ended 31 March 2019
Finance income		
Interest income on loans	189	1
Effect of discounting of financial instruments	36	-
Interest income on bank deposits and current bank account balances	1	-
Total finance income	226	1
Finance costs		
Interest expense on debt	490	482
Effect of discounting of financial instruments	42	49
Interest expense on lease liabilities	9	13
Total finance costs	541	544

Balances

	31 March 2020	31 December 2019
Short-term financial assets	7,939	9,722
Cash and cash equivalents	35	2
Long-term accounts receivable and prepayments	17	86
Short-term accounts receivable and prepayments	2,114	1,837
Advances for construction included in property, plant and equipment	84	76
Total assets	10,189	11,723
Non-current borrowings	28,246	28,246
Current borrowings	161	186
Long-term accounts payable and other liabilities	725	1,296
Short-term accounts payable and other liabilities	9,672	9,522
Long-term lease liabilities	189	229
Short-term lease liabilities	187	170
Total liabilities	39,180	39,649

Purchase of non-current and current assets

	Three months ended 31 March 2020	Three months ended 31 March 2019
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	650	171
Purchases of materials	104	417
Total	754	588

Other transactions

	Three months ended 31 March 2020	Three months ended 31 March 2019
Reversal of impairment loss on financial assets	-	(3)

The Group has not entered into transactions with PJSC "Centerenergyholding" for the three months ended 31 March 2020 and 31 March 2019.

b) State-controlled entities

The information presented below does not include transactions and balances with Gazprom Group and its associates, as this information is disclosed in Note 5 (a).

Significant transactions with the state-controlled entities for the three months ended 31 March 2020 and balances with these organizations as at 31 March 2020 are presented below:

Revenues

	Three months ended 31 March 2020	Three months ended 31 March 2019
Electricity and capacity	7,282	7,954
Heating	335	382
Other	113	115
Total	7,730	8,451

Operating expenses

	Three months ended 31 March 2020	Three months ended 31 March 2019
Electricity market administration fees	554	527
Security and fire safety	115	103
Purchased electricity and capacity	25	179
Penalties and fines	13	(17)
Electricity transit	11	14
Ecological payments	(2)	12
Exchange rate differences	-	88
Other operating expenses	88	114
Total operating expenses	804	1,020

Finance income and costs

	Three months ended 31 March 2020	Three months ended 31 March 2019
Finance income		
Effect of discounting of financial instruments	10	-
Interest income on bank deposits and current bank account balances	-	114
Total finance income	10	114
Finance costs		
Interest expense on debt	185	257
Effect of discounting of financial instruments	100	-
Interest expenses on lease liabilities	14	12
Total finance costs	299	269

Balances

	31 March 2020	31 December 2019
Long-term accounts receivable and prepayments	336	72
Allowance for expected credit losses of long-term trade receivables	(152)	(14)
Short-term accounts receivable and prepayments	11,946	12,330
Allowance for expected credit losses of short-term accounts receivable	(8,365)	(8,568)
Advances for construction included in property, plant and equipment	1	1
Cash and cash equivalents	13	54
Total assets	3,779	3,875
Short-term accounts payable and other liabilities	551	948
Long-term lease liabilities	308	341
Short-term lease liabilities	4	6
Current borrowings	-	17,423
Total liabilities	863	18,718

Purchase of non-current and current assets

	Three months ended 31 March 2020	Three months ended 31 March 2019
Acquisition of property, plant and equipment including capitalized borrowing costs from related parties	-	256
Purchases of materials	136	25
Total	136	281

Other transactions

	Three months ended 31 March 2020	Three months ended 31 March 2019
(Reversal of) / impairment loss on financial assets	(65)	316
Repayment of borrowings (excluding interest)	17,410	-

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 operations with JSC "FSC":

Revenue and operating expenses

	Three months ended 31 March 2020	Three months ended 31 March 2019
Sales of electricity and capacity	12,680	15,551
Purchases of electricity and capacity	1,934	2,650
Other income	-	1
Other expenses	4	5

Balances

	31 March 2020	31 December 2019
Short-term accounts receivable and prepayments	3,054	1,812
Allowance for expected credit losses of short-term accounts receivable	(17)	(17)
Short-term accounts payable and other liabilities	532	451

c) Key management remuneration

Short-term remuneration includes remuneration to members of the Board of Directors for the performance of their duties in these positions and participation in meetings of the Board of Directors.

Information on remuneration to members of the Board of Directors and the Management Board is presented below:

	Three months ended 31 March 2020	Three months ended 31 March 2019
Board remuneration	-	2

The remuneration of the management company Gazprom Energoholding LLC was RR 34 million for the three months ended 31 March 2020, as well as for the three months ended 31 March 2019.

d) Capital commitments

	31 March 2020	31 December 2019
GAZPROM Group and its associates	11,002	10,021
Other state-controlled entities	6	6
Total	11,008	10,027

OGK-2 Group
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
for the three months ended 31 March 2020



(in millions of Russian Roubles unless noted otherwise)

Note 6. Property, plant and equipment

Changes in the carrying amount of property, plant and equipment are presented below:

	Right-of-use assets	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost								
As at 1 January 2019	40	61,392	37,902	108,825	52,487	3,573	14,113	278,332
Initial recognition as at 1 January 2019	1,209	-	-	-	-	-	-	1,209
Additions	146	-	-	-	3	15	533	697
Disposals	-	(13)	(5)	-	(21)	(2)	(1)	(42)
Transfer	-	95	1,116	164	1,084	1	(2,460)	-
As at 31 March 2019	1,395	61,474	39,013	108,989	53,553	3,587	12,185	280,196
As at 1 January 2020	2,329	60,214	39,226	106,205	56,925	3,692	5,066	273,657
Additions	64	-	-	-	19	66	1,154	1,303
Disposals	(40)	-	-	(3)	(7)	(1)	(14)	(65)
Transfer	-	52	10	998	396	-	(1,456)	-
As at 31 March 2020	2,353	60,266	39,236	107,200	57,333	3,757	4,750	274,895
Accumulated depreciation and impairment								
As at 1 January 2019	(9)	(24,478)	(16,280)	(38,729)	(20,286)	(1,965)	(91)	(101,838)
Charge for the period	(52)	(350)	(354)	(1,382)	(1,025)	(96)	-	(3,259)
Disposals	-	5	4	-	20	2	-	31
As at 31 March 2019	(61)	(24,823)	(16,630)	(40,111)	(21,291)	(2,059)	(91)	(105,066)
As at 1 January 2020	(230)	(23,438)	(16,938)	(44,390)	(23,477)	(2,158)	(550)	(111,181)
Charge for the period	(86)	(346)	(366)	(1,444)	(1,008)	(89)	-	(3,339)
Disposals	-	-	-	3	7	1	-	11
As at 31 March 2020	(316)	(23,784)	(17,304)	(45,831)	(24,478)	(2,246)	(550)	(114,509)
Net book value								
As at 1 January 2019	31	36,914	21,622	70,096	32,201	1,608	14,022	176,494
As at 31 March 2019	1,334	36,651	22,383	68,878	32,262	1,528	12,094	175,130
As at 1 January 2020	2,099	36,776	22,288	61,815	33,448	1,534	4,516	162,476
As at 31 March 2020	2,037	36,482	21,932	61,369	32,855	1,511	4,200	160,386

The right-of-use assets comprise rented land plots, office buildings, as well as initial direct costs associated with the rental of the power station.

Total cash outflow for leases for the three months ended 31 March 2020 is RR 1,719 million, including interest paid on lease liabilities - RR 24 million, variable lease payments - RR 1,646 million, short-term lease - RR 9 million (for the three months ended 31 March 2019: total cash outflow for leases - RR 65 million, including interest paid on lease liabilities - RR 27 million, short-term lease - RR 1 million).

The impairment provision balance in relation to property, plant, equipment, assets under construction and the right-of-use assets is included in accumulated depreciation as at 31 March 2020 in the amount of RR 11,596 million (as at 31 December 2019: RR 11,596 million).

Note 7. Accounts receivable and prepayments

	31 March 2020	31 December 2019
Short-term accounts receivable		
Trade receivables	12,407	10,506
Other receivables	273	265
Promissory notes	-	2
Total financial accounts receivable	12,680	10,773
Advances to suppliers and prepaid expenses	1,857	1,621
Input VAT	47	47
Prepaid other taxes, except for income tax	12	18
Total non-financial accounts receivable	1,916	1,686
Total short-term accounts receivable and prepayments	14,596	12,459
Long-term accounts receivable		
Trade receivables	142	4
Other receivables	41	51
Promissory notes	290	283
Total financial accounts receivable	473	338
Advances to suppliers and prepaid expenses	22	92
Input VAT	173	133
Total non-financial accounts receivable	195	225
Total long-term accounts receivable and prepayments	668	563

Trade receivables are presented net of allowance for expected credit losses of RR 10,667 million and RR 10,746 million as at 31 March 2020 as at 31 December 2019, respectively, and the effect of discounting of RR 90 million as at 31 March 2020 and RR 0 million as at 31 December 2019.

Other receivables are presented net of allowance for expected credit losses of RR 6,793 million and RR 6,801 million as at 31 March 2020 as at 31 December 2019, respectively.

The nominal value of promissory notes is RR 459 million and RR 460 million as at 31 March 2020 as at 31 December 2019, respectively.

Advances to suppliers and prepaid expenses are presented net of impairment allowance in the amount of RR 5 million as at 31 March 2020 and as at 31 December 2019.

Note 8. Financial assets

	31 March 2020	31 December 2019
Loans issued	7,683	9,408
Equity securities at fair value through profit or loss	256	314
Total short-term financial assets	7,939	9,722

Note 9. Other non-current assets

	31 March 2020	31 December 2019
Pension deposits	539	507
Total other non-current assets	539	507



Note 10. Inventories

	31 March 2020	31 December 2019
Spare parts	6,374	6,478
Fuel supplies	5,561	5,363
Materials and supplies	1,857	1,645
Total	13,792	13,486

Inventories are presented net of allowance for obsolescence of RR 231 million as at 31 March 2020 (as at 31 December 2019: RR 233 million).

The Group does not have pledged inventories as at 31 March 2020 and as at 31 December 2019.

Note 11. Cash and cash equivalents

	Currency	31 March 2020	31 December 2019
Current bank accounts	RR	44	48
Bank deposits with maturity three months or less	RR	41	44
Total		85	92

Note 12. Equity

Share capital and share premium

As at 31 March 2020 and as at 31 December 2019 total number of issued ordinary shares is 110,441,160,870 shares with nominal value of one share of RR 0.3627. All issued ordinary shares are fully paid.

As at 31 March 2020 and 31 December 2019 the number of authorized for issue but not issued ordinary shares is 58,886,766,090 shares.

Share premium in the amount of RR 26,846 million represents an excess of the amount of cash received from the issue of the authorized capital over its nominal value.

Dividends

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

Note 13. Borrowings

	31 March 2020	31 December 2019
Long-term borrowings		
Bank loans	19,450	19,450
Bonds	5,000	5,000
Other loans	8,796	8,796
Total long-term borrowings	33,246	33,246
Short-term borrowings		
Bank loans	-	8,306
Current portion of long-term bank loans	19	9,117
Current portion of bond	1,725	1,776
Current portion of other loans	142	186
Total short-term borrowings	1,886	19,385

The conditions of borrowings not repaid at the reporting date are indicated below:

Bank loans	Currency	Effective interest rate as at 31 March 2020	Due	31 March 2020	31 December 2019
Bank GPB (JSC)	RR	6.25%	2022	19,469	19,450
Sberbank	RR	-	-	-	17,423
Bonds					
Bond loan 001P-01R	RR	7.11%	2020	1,171	1,151
Bond loan 001P-02R	RR	7.11%	2020	554	545
Bond loan 001P-03R	RR	7.12%	2021	5,000	5,080
Other loans					
MOSENERGO	RR	6.50%	2021 - 2025	8,938	8,982
Total				35,132	52,631

The Group is subject to certain covenants related to its loans and borrowings. The Group was in compliance with covenants at 31 March 2020 and at 31 December 2019.

Note 14. Accounts payable and other liabilities

	31 March 2020	31 December 2019
Short-term accounts payable		
Trade payables	7,873	9,308
Accounts payable for acquisition of property, plant and equipment	758	811
Other payables	4,257	4,258
Total financial accounts payable	12,888	14,377
Contract liabilities from contracts with customers	1,151	15
Other payables	842	813
Total non-financial accounts payable	1,993	828
Total short-term accounts payable and other liabilities	14,881	15,205
Long-term accounts payable		
Trade payables	726	1,296
Accounts payable for acquisition of property, plant and equipment	30	311
Other payables	6	6
Total financial accounts payable	762	1,613
Total long-term accounts payable and other liabilities	762	1,613

Note 15. Income tax

<i>Income tax charge components</i>	Three months ended 31 March 2020	Three months ended 31 March 2019
Current income tax charge	(2,674)	(1,638)
Refund of income tax for prior periods	(54)	91
Deferred income tax expense	683	(22)
Total income tax charge	(2,045)	(1,569)

The tax effect of taxable and deductible temporary differences for the three months ended 31 March 2020 and for the three months ended 31 March 2019 is presented in the table below:

Three months ended 31 March 2020	1 January	Movement for the period recognized in profit and loss	31 March
Property, plant and equipment	(13,045)	33	(13,012)
Unused tax losses	611	137	748
Lease liabilities	158	(12)	146
Provisions	234	4	238
Employee benefit liabilities	183	2	185
Trade receivables and prepayments	(93)	57	(36)
Inventory	191	17	208
Assets held for sale	(407)	437	30
Trade and other payables	77	26	103
Other	(111)	(18)	(129)
Total	(12,202)	683	(11,519)

Three months ended 31 March 2019	1 January	Movement for the period recognized in profit and loss	Effect of the initial application of new standards	31 March
Property, plant and equipment	(13,544)	(15)	(199)	(13,758)
Unused tax losses	485	24	-	509
Lease liabilities	5	(2)	199	202
Provision	206	3	-	209
Employee benefit liabilities	141	2	-	143
Trade receivables and prepayments	(129)	65	-	(64)
Inventory	105	-	-	105
Trade and other payables	208	(101)	-	107
Other	(110)	2	-	(108)
Total	(12,633)	(22)	-	(12,655)

The tax effect of changes in these temporary differences is determined at the statutory rate of 20%.

Some deferred tax assets and liabilities have been set off in accordance with the Group's accounting policies. The following is the amount of deferred tax (after offset) reflected in the interim condensed consolidated statement of financial position:

	31 March 2020	31 December 2019
Deferred income tax assets	508	466
Deferred income tax liabilities	(12,027)	(12,668)
Deferred income tax liabilities, net	(11,519)	(12,202)

Note 16. Revenues

	Three months ended 31 March 2020	Three months ended 31 March 2019
Electricity and capacity	32,211	35,225
Heating	1,809	1,841
Other	330	472
Total	34,350	37,538

Note 17. Operating expenses

	Three months ended 31 March 2020	Three months ended 31 March 2019
Fuel	14,720	16,001
Amortisation and depreciation	3,388	3,323
Employee benefits	2,411	2,291
Purchased electricity and capacity	1,980	2,941
Rent	1,254	1,190
Taxes other than income tax	718	727
Repairs and maintenance	695	649
Electricity market administration fees	554	527
Other materials and supplies	438	418
Exchange rate differences	355	(151)
Transport	227	278
Security and fire safety	181	149
Consulting, legal and audit services	71	89
Cleaning and maintenance of territories	67	62
Insurance, except for VHI	58	54
Penalties and fines	24	(39)
Ecological payments	12	43
Profit on disposal of property, plant, equipment and other assets	(3,771)	(4)
Other expenses	454	197
Total operating expenses	23,836	28,745

Rent expense for the 3 months ended 31 March 2020 includes expense relating to variable rental payments in the amount of RR 1,245 million and expense relating to short-term leases in the amount of RR 9 million (for the 3 months ended 31 March 2019: variable rental payments in the amount of RR 1,190 million).

Note 18. Finance income and costs

	Three months ended 31 March 2020	Three months ended 31 March 2019
Finance income		
Interest income on loans issued	189	1
Effect of discounting of financial Instruments	52	6
Interest income on bank deposits and current bank account balances	2	220
Other	38	-
Total finance income	281	227
Finance costs		
Interest expense on debt	(792)	(999)
Effect of discounting of financial Instruments	(147)	(49)
Interest on employee benefit liabilities	(31)	(34)
Interest expense on lease liabilities	(24)	(27)
Unwinding of the present value discount – provision for ash dump	(18)	(22)
Less capitalized interest on loans and borrowings related to qualifying assets	-	172
Total net finance costs	(1,012)	(959)

Note 19. Basic and diluted earnings per share attributable to the shareholders of JSC "OGK-2"

Earnings per share attributable to the shareholders of JSC "OGK-2" was calculated by dividing the profit of shareholders of JSC "OGK-2" for the reporting period by the weighted average number of shares placed excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares. The calculation of earnings per share is presented in the table below.

	Three months ended 31 March 2020	Three months ended 31 March 2019
Outstanding shares (thousands of pcs)	110,441,161	110,441,161
Treasury shares (thousands of pcs)	-	(4,373,964)
Weighted average number of ordinary shares issued, thousands of pcs	110,441,161	106,067,197
Profit attributable to the shareholders of JSC "OGK-2" (in millions of RR)	7,939	6,262
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.07	0.06

There are no financial instruments with dilutive effect as at 31 March 2020 and as at 31 March 2019.

Note 20. Capital commitments

As at 31 March 2020 the Group has unrecognized contractual capital commitments (including VAT) in the amount of RR 16,818 million (as at 31 December 2019: RR 15,178 million).

Note 21. Fair value of financial instruments

Fair value. The fair value of financial assets and liabilities is determined as follows:

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the reporting date.

Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Financial instruments in Level 3

If one or more of the significant inputs in the valuation model used to fair value an instrument is not based on observable market data, the instrument is included in Level 3. The fair value of financial instruments, such as trade and other receivables and trade and other payables are classified as Level 3.

There was no change in the fair value measurement methods attributed to Level 2 and Level 3, there were no transfers between levels for the three months ended 31 March 2020 (31 December 2019: there was no change, there were no transfers).

OGK-2 Group
Notes to Condensed Interim Consolidated Financial Statements (unaudited)
for the three months ended 31 March 2020
 (in millions of Russian Roubles unless noted otherwise)



As at 31 March 2020 and 31 December 2019 the Group had the following assets that are measured at fair value:

	Notes	Level 1	Level 2	Level 3	Total
31 March 2020					
Financial assets at fair value					
Equity securities measured at fair value through profit or loss	8	256	-	-	256
Total financial assets		256	-	-	256
31 December 2019					
Financial assets at fair value					
Equity securities measured at fair value through profit or loss	8	314	-	-	314
Total financial assets		314	-	-	314

The estimated fair value of financial assets and liabilities not carried at fair value in the condensed interim consolidated statement of financial position approximates to their carrying amounts as at 31 March 2020 and 31 December 2019.

Note 22. Events after the reporting date

The coronavirus pandemic (COVID-19), the outbreak of which occurred in the first quarter of 2020, involves various measures to prevent, deter and suppress its spread, including transport restrictions, temporary closure of various organizations, restrictions on meetings, isolation. The Group considers these events as non-adjusting events after the reporting period. At present, it is not possible to estimate reliably the duration and effect of the consequences of the pandemic on the Group's financial position and results of operations in future reporting periods. The Group's management is currently assessing these events, including for the purposes of providing information to users of the financial statements.

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

13 May 2020