



OGK-2 GROUP

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

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OGK-2 Group
Interim Condensed Consolidated Statement of Financial Position
as at 30 September 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	30 September 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	180,982,651	184,799,186
Intangible assets	6	913,313	932,533
Deferred income tax assets	11	313,505	188,778
Other non-current assets		902,475	923,858
Total non-current assets		183,111,944	186,844,355
Current assets			
Cash and cash equivalents	7	5,845,265	4,538,684
Trade and other receivables	8	15,629,194	15,628,777
Inventories	9	10,326,077	9,277,515
Income tax prepayments		464,342	118,705
Total current assets		32,264,878	29,563,681
TOTAL ASSETS		215,376,822	216,408,036
EQUITY AND LIABILITIES			
Equity			
Share capital	10		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,839,225)	(3,961,865)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		56,938,351	50,317,063
Equity attributable to the shareholders of JSC "OGK-2"		121,534,828	114,790,900
Total equity		121,534,828	114,790,900
Non-current liabilities			
Deferred income tax liabilities	11	11,667,357	10,303,385
Non-current debt	12	58,589,429	34,590,389
Retirement benefit obligations	13	1,790,412	2,207,546
Restoration provision	14	1,005,312	955,964
Other long-term liabilities	15	711,313	3,865,670
Total non-current liabilities		73,763,823	51,922,954
Current liabilities			
Current debt and current portion of non-current debt	16	661,711	32,459,634
Trade and other payables	17	17,124,873	14,642,616
Other taxes payable		2,183,079	2,235,599
Restoration provision		106,817	356,333
Current income tax		1,691	-
Total current liabilities		20,078,171	49,694,182
Total liabilities		93,841,994	101,617,136
TOTAL EQUITY AND LIABILITIES		215,376,822	216,408,036

General Director

S.A. Ananyev

Chief Accountant

L.V. Klisch

20 November 2017

The interim condensed consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of the interim condensed consolidated financial statements set out on pages 8 to 29



OGK-2 Group
Interim Condensed Consolidated Statement of Comprehensive Income
for the 9 months ended 30 September 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	3 months ended 30 September		9 months ended 30 September	
		2017	2016	2017	2016
Revenues	18	33,596,603	34,449,610	103,690,336	94,169,562
Operating expenses	19	(30,606,747)	(32,698,345)	(88,943,114)	(87,680,231)
Other operating expenses		(530,300)	(513,266)	(768,765)	(562,018)
Operating profit		2,459,556	1,237,999	13,978,457	5,927,313
Finance income	20	119,873	277,123	581,359	1,140,912
Finance costs	21	(1,498,254)	(1,877,549)	(4,822,145)	(4,115,668)
Profit / (loss) before income tax		1,081,175	(362,427)	9,737,671	2,952,557
Income tax charge	11	(235,320)	(70,932)	(2,065,565)	(967,336)
Profit / (loss) for the period		845,855	(433,359)	7,672,106	1,985,221
Other comprehensive income / (loss):					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of retirement benefit obligation, net of tax	11,13	1,674	-	(86,105)	-
Total comprehensive income / (loss) for the period		847,529	(433,359)	7,586,001	1,985,221
Profit / (loss) for the period attributable to:					
Shareholders of JSC "OGK-2"		845,855	(433,359)	7,672,106	2,102,102
Non-controlling interest		-	-	-	(116,881)
		845,855	(433,359)	7,672,106	1,985,221
Total comprehensive income / (loss) for the period attributable to:					
Shareholders of JSC "OGK-2"		847,529	(433,359)	7,586,001	2,102,102
Non-controlling interest		-	-	-	(116,881)
		847,529	(433,359)	7,586,001	1,985,221
Earnings / (loss) per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)					
	22	0.01	(0.00)	0.07	0.02

General Director

Chief Accountant



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20 November 2017

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 8 to 29

OGK-2 Group
Interim Condensed Consolidated Statement of Cash Flows
for the 9 months ended 30 September 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



	Notes	9 months ended 30 September 2017	9 months ended 30 September 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		9,737,671	2,952,557
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	19	8,198,411	6,555,772
Amortisation of intangible assets	19	152,834	175,800
Charge of provision for impairment of trade and other receivables	19	733,312	1,841,352
Charge of provision for inventory obsolescence	19	12,777	17,549
Finance income	20	(581,359)	(1,140,912)
Finance costs	21	4,822,145	4,115,668
Non-state pensions and other long-term benefits	19	(529,405)	63,013
Loss / (gain) on disposal of assets, net	19	114,810	(57,066)
Other non-cash items		32,100	35,039
Operating cash flows before working capital changes and income tax paid		22,693,296	14,558,772
Working capital changes:			
(Increase) / decrease in trade and other receivables		(736,569)	645,781
(Increase) / decrease in inventories		(1,180,066)	434,064
Increase in other current assets		-	(93,489)
Decrease in trade and other payables		(961,245)	(1,000,241)
(Decrease) / increase in taxes payable, other than income tax		(51,397)	1,156,142
Decrease in retirement benefit obligations		(56,886)	(55,682)
Income tax (paid) / returned		(1,158,494)	1,178,917
Net cash generated from operating activities		18,548,639	16,824,264
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(4,313,829)	(12,163,890)
Proceeds from sale of property, plant and equipment		5,810	42,886
Purchase of intangible assets		(133,706)	(16,870)
Interest received		337,010	510,269
Net cash used in investing activities		(4,104,715)	(11,627,605)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowings		38,110,000	-
Repayment of short-term borrowings		(32,100,000)	(3,070,664)
Repayment of long-term borrowings		(14,137,000)	(87,674)
Interest paid		(4,113,426)	(4,588,951)
Payments under finance lease		(2,730)	(33,145)
Dividend paid to shareholders of JSC "OGK-2"		(870,270)	(113,552)
Finance lease advance		-	(290)
Net cash used in financing activities		(13,113,426)	(7,894,276)
Net increase / (decrease) in cash and cash equivalents		1,330,498	(2,697,617)
Effect of exchange rate changes on cash and cash equivalents		(23,917)	5,813
Cash and cash equivalents at the beginning of the period		4,538,684	7,544,369
Cash and cash equivalents at the end of the period		5,845,265	4,852,565

General Director

S.A. Ananyev

Chief Accountant

L.V. Klisch



20 November 2017

OGK-2 Group
Interim Condensed Consolidated Statement of Changes in Equity
for the 9 months ended 30 September 2017 (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
At 1 January 2016	40,057,009	(4,150,598)	28,378,693	48,832,446	113,117,550	2,083,512	115,201,062
Profit / (loss) for the period	-	-	-	2,102,102	2,102,102	(116,881)	1,985,221
<i>Total comprehensive income / (loss) for the period</i>	-	-	-	2,102,102	2,102,102	(116,881)	1,985,221
Dividends (Note 10)	-	-	-	(600,346)	(600,346)	-	(600,346)
Payment of remuneration (Note 10)	-	171,576	-	(134,706)	36,870	-	36,870
Acquisition of businesses under common control (Note 10)	-	-	-	(817,757)	(817,757)	(1,966,631)	(2,784,388)
At 30 September 2016	40,057,009	(3,979,022)	28,378,693	49,381,739	113,838,419	-	113,838,419

	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Non-controlling interest	Total equity
At 1 January 2017	40,057,009	(3,961,865)	28,378,693	50,317,063	114,790,900	-	114,790,900
Profit for the period	-	-	-	7,672,106	7,672,106	-	7,672,106
Remeasurements of retirement benefit obligations, net of tax (Notes 11,13)	-	-	-	(86,105)	(86,105)	-	(86,105)
<i>Total comprehensive income for the period</i>	-	-	-	7,586,001	7,586,001	-	7,586,001
Dividends (Note 10)	-	-	-	(874,173)	(874,173)	-	(874,173)
Payment of remuneration (Note 10)	-	122,640	-	(90,540)	32,100	-	32,100
At 30 September 2017	40,057,009	(3,839,225)	28,378,693	56,938,351	121,534,828	-	121,534,828

General Director

Chief Accountant



S.A. Ananyev

L.V. Klisch

20 November 2017

OGK-2 Group

Notes to Interim Condensed Consolidated Financial Statements for the 9 months ended 30 September 2017 (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, Novocherasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Groznenskaya TES. Moreover, the Company rents Adlerskaya TES station under operating lease agreement.

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

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

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

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

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

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

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

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Loss	Total comprehensive expense
As at 30 September 2016 and for the 9 months ended 30 September 2016							
LLC "OGK-Investproekt"	15,765,449	960,096	11,209,356	1,412,156	1,374,172	(655,102)	(655,102)

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During the 9 months ended 30 September 2017 the Russian economy continued to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

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

Relations with the state and current regulation. JSC "OGK-2" is part of the GAZPROM Group, which includes PJSC "GAZPROM" and its subsidiaries. PJSC "Centerenergyholding" owns 73.42% of the shares of JSC "OGK-2" as at 30 September 2017 (as at 31 December 2016: 73.42%).

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 9 months ended 30 September 2017 (unaudited)

(in thousands of Russian Roubles unless noted otherwise)



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

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

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

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

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the 9 months ended 30 September 2017 ("Financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS.

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

Note 3. New accounting developments

The accounting policies followed in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statements as at and for the year ended 31 December 2016.

The Group has adopted all new standards, amendments to standards and interpretations that were effective from 1 January 2017. The impact of the adoption of these new standards, amendments to standards and interpretations has not been significant with respect to these interim condensed consolidated financial statements.

Certain new standards and amendments to standards as disclosed in the consolidated financial statements as at and for the year ended 31 December 2016, have been issued but are not effective for the financial year beginning 1 January 2017 and which the Group has not early adopted.

Note 4. Related Parties

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

OGK-2 Group**Notes to Interim Condensed Consolidated Financial Statements
for the 9 months ended 30 September 2017 (unaudited)**

(in thousands of Russian Roubles unless noted otherwise)

**Transactions with GAZPROM Group and its associates**

Transactions with GAZPROM Group and its associates were as follows:

	9 months ended 30 September 2017	9 months ended 30 September 2016
Sales of electricity and capacity	2,267,582	1,096,407
Other sales	143,179	151,179
Interest income	109,597	297,873
Other income	94	56,793
Purchases of gas	28,353,161	27,128,594
Other purchases	7,300,638	7,997,575
Other expenses	58,439	41,260
Interest expense under finance lease agreements	2,704	1,512
Interest expense on loans	3,204,792	3,371,672
Proceeds from borrowings	29,600,00	-
Repayment of borrowings (excluding interest)	32,127,000	227,674

Balances with GAZPROM Group and its associates were as follows:

	30 September 2017	31 December 2016
Long-term loans issued (Note 8)	127,937	118,550
Cash and cash equivalents (Note 7)	77,408	3,900,796
Trade and other receivables	2,909,850	1,928,008
Advances for property, plant and equipment (net of VAT)	329,874	432,246
Promissory notes Bank GPB (JSC) (Note 8)	-	19,305
<small>(nominal value of promissory notes is RR 0 thousand as at 30 September 2017 and RR 20,000 thousand as at 31 December 2016)</small>		
Debt (Note 12, 16)	40,339,757	42,829,126
Trade and other payables	10,147,800	9,556,527

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

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

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 9 months ended 30 September 2017 (unaudited)
(in thousands of Russian Roubles unless noted otherwise)



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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Sales of electricity and capacity	14,909,123	11,195,247
Other sales	1,823,387	825,208
Charge of provision for impairment of trade receivables (sales of electricity and capacity)	845,071	1,693,771
Reversal of provision for impairment of trade receivables (sales of electricity and capacity)	(193,629)	(153,217)
Interest income on cash and cash equivalents	211,997	175,707
Electricity transit (Note 19)	1,468,303	1,213,196
Building and construction works	-	4,752,781
Interest expense on loans	715,543	857,796
Proceeds from borrowings	8,510,000	-
Repayment of borrowings (excluding interest)	14,110,000	2,870,664

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

	30 September 2017	31 December 2016
Trade and other receivables, gross	9,175,070	7,802,780
Provision for impairment of trade and other receivables	(5,913,013)	(5,208,594)
Advances for property, plant and equipment (net of VAT)	21,304	664,855
Cash and cash equivalents (Note 7)	5,014,832	562,283
Trade and other payables	905,665	2,104,717
Debt (Note 12,16)	8,514,880	14,112,378

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

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Sales of electricity	47,840,231	48,950,287
Purchases of electricity	8,502,336	8,187,385
Other income	2,439	6,620
Other expenses	15,680	15,336

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

	30 September 2017	31 December 2016
Trade and other receivables	2,250,823	3,187,914
Trade and other payables	543,658	654,314

Transactions with key management

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

OGK-2 Group
Notes to Interim Condensed Consolidated Financial Statements
for the 9 months ended 30 September 2017 (unaudited)



(in thousands of Russian Roubles unless noted otherwise)

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

Total remuneration in the form of salary, bonuses and compensations accrued to the members of the Board of Directors and Management Board for the 9 months ended 30 September 2017 was RR 119,291 thousand (for the 9 months ended 30 September 2016: RR 117,393 thousand).

Transactions with other related parties

Transactions with other related parties represent transactions with the non-state pension funds ("NPF"). For the 9 months ended 30 September 2017 the Group made contributions of RR 56,229 thousand to NPF Electroenergetiki (for the 9 months ended 30 September 2016: RR 65,679 thousand).

Note 5. Property, plant and equipment

	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost							
Opening balance as at 1 January 2017	58,497,690	36,112,087	103,412,077	39,716,012	2,331,679	23,608,759	263,678,304
Additions	-	-	690	97,467	28,417	4,327,517	4,454,091
Transfer	351,355	215,785	1,419,480	814,943	381,786	(3,183,349)	-
Disposals	(1,721)	(52,923)	(13,286)	(25,928)	(10,213)	(56,945)	(161,016)
Closing balance as at 30 September 2017	58,847,324	36,274,949	104,818,961	40,602,494	2,731,669	24,695,982	267,971,379
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2017	(21,500,308)	(14,105,982)	(27,929,643)	(13,017,407)	(1,356,506)	(969,272)	(78,879,118)
Charge for the period	(906,155)	(1,013,823)	(3,734,509)	(2,400,606)	(156,249)	-	(8,211,342)
Transfer	-	-	-	-	(331)	331	-
Disposals	1,509	50,761	11,616	25,878	9,939	2,029	101,732
Closing balance as at 30 September 2017	(22,404,954)	(15,069,044)	(31,652,536)	(15,392,135)	(1,503,147)	(966,912)	(86,988,728)
Net book value as at 30 September 2017	36,442,370	21,205,905	73,166,425	25,210,359	1,228,522	23,729,070	180,982,651
Net book value as at 31 December 2016	36,997,382	22,006,105	75,482,434	26,698,605	975,173	22,639,487	184,799,186
Cost							
Opening balance as at 1 January 2016	45,128,175	26,461,266	73,124,469	25,017,485	2,029,340	78,648,678	250,409,413
Additions	1,594	32,607	-	59,943	25,481	14,418,962	14,538,587
Transfer	13,251,955	9,323,156	32,888,407	14,038,890	52,066	(69,554,474)	-
Disposals	(9,549)	(19,307)	(1,216,741)	(35,623)	(44,960)	(35,488)	(1,361,668)
Closing balance as at 30 September 2016	58,372,175	35,797,722	104,796,135	39,080,695	2,061,927	23,477,678	263,586,332
Accumulated depreciation (including impairment)							
Opening balance as at 1 January 2016	(20,738,108)	(13,059,125)	(25,190,060)	(10,765,235)	(1,273,903)	(985,150)	(72,011,581)
Charge for the period	(757,178)	(786,518)	(3,040,818)	(1,922,546)	(90,475)	-	(6,597,535)
Transfer	-	-	-	-	(16)	16	-
Disposals	6,492	18,705	295,321	34,346	42,307	2,026	399,197
Closing balance as at 30 September 2016	(21,488,794)	(13,826,938)	(27,935,557)	(12,653,435)	(1,322,087)	(983,108)	(78,209,919)
Net book value as at 30 September 2016	36,883,381	21,970,784	76,860,578	26,427,260	739,840	22,494,570	185,376,413
Net book value as at 31 December 2015	24,390,067	13,402,141	47,934,409	14,252,250	755,437	77,663,528	178,397,832

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The impairment provision balance in relation to property, plant and equipment and assets under construction is included in accumulated depreciation as at 30 September 2017 in the amount of RR 5,196,426 thousand (as at 31 December 2016: RR 5,199,360 thousand).

Operating lease

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

Operating lease rentals are payable as follows:

	30 September 2017	31 December 2016
Not later than one year	3,238,150	1,655,879
Later than one year and not later than five years	273,803	284,637
Later than five years and not later than ten years	339,420	350,590
Later than ten years	2,339,917	2,472,579
Total	6,191,290	4,763,685

Finance lease

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

	30 September 2017	31 December 2016
Other machinery and equipment	38,344	-
Total	38,344	-

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

Note 6. Intangible assets

	SAP software	Other intangibles	Total
Cost			
Balance as at 1 January 2017	1,279,057	410,090	1,689,147
Additions	-	133,649	133,649
Disposals	-	(7,667)	(7,667)
Balance as at 30 September 2017	1,279,057	536,072	1,815,129
Amortisation			
Balance as at 1 January 2017	(587,118)	(169,496)	(756,614)
Charge for the period	(104,854)	(48,015)	(152,869)
Disposals	-	7,667	7,667
Balance as at 30 September 2017	(691,972)	(209,844)	(901,816)
Net book value as at 30 September 2017	587,085	326,228	913,313
Net book value as at 31 December 2016	691,939	240,594	932,533

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

Advances paid to suppliers of intangible assets at 30 September 2017 are RR 100,614 thousand (as at 31 December 2016: RR 1,481 thousand).

Note 7. Cash and cash equivalents

	Currency	30 September 2017	31 December 2016
Bank deposits with maturity three months or less	RR	5,053,500	-
Bank deposits with maturity three months or less	USD	526,066	547,787
Current bank accounts	RR	265,663	3,990,883
Other cash equivalents	RR	36	14
Total		5,845,265	4,538,684

The Group has current bank accounts in the following banks:

Cash in bank	Credit rating on 30 September 2017*	30 September 2017	Credit rating on 31 December 2016*	31 December 2016
"BANK "ROSSIYA"	WR / Ratings Withdrawn	182,971	WR / Ratings Withdrawn	75,504
Bank GPB (JSC)	b1 / Stable	77,408	b1 / Negative	3,900,796
Sberbank	ba1 / Stable	4,694	ba2 / Negative	13,949
JSC VTB Bank	b1 / Stable	572	b1 / Negative	547
AO "ALFA-BANK"	ba2 / Stable	18	ba3 / Negative	40
"Bank Otkritie Financial Corporation" PJSC	-	-	b1 / Negative	47
Total cash in bank		265,663		3,990,883

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

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Credit quality of bank deposits is presented below:

Bank deposits with maturity of three months or less	Currency	Interest rate	Credit rating on 30 September 2017*		Interest rate	Credit rating on 31 December 2016*	
			September 2017	30 September 2017		December 2016	31 December 2016
JSC VTB Bank	RR	7.80-7.85%	Not-Prime	4,473,500	-	-	-
"BANK "ROSSIYA"	RR	8.00%	Not-Prime	570,000	-	-	-
Sberbank	USD	0.70%	Not-Prime	526,066	USD	0.47%	Non-Prime
Sberbank	RR	5.47%	Not-Prime	10,000	-	-	-
Total bank deposits with maturity of three months or less				5,579,566			547,787

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

Note 8. Trade and other receivables

	30 September 2017	31 December 2016
Trade receivables	9,890,379	10,630,501
(net of provision for impairment of RR 7,991,852 thousand as at 30 September 2017 and RR 7,156,533 thousand as at 31 December 2016)		
Other receivables	2,761,388	2,746,348
(net of provision for impairment of RR 4,333,050 thousand as at 30 September 2017 and RR 4,612,232 thousand as at 31 December 2016, and the effect of discounting of RR 7,669 thousand as at 30 September 2017 and RR 8,852 thousand as at 31 December 2016)		
Promissory notes	323,559	323,529
(nominal value of promissory notes is RR 550,027 thousand as at 30 September 2017 and RR 571,244 thousand as at 31 December 2016)		
Loans issued	127,937	118,550
Interest receivable	2,663	2,044
Financial assets	13,105,926	13,820,972
Advances to suppliers	2,613,688	1,916,818
(net of provision for impairment of RR 2,788 thousand as at 30 September 2017 and RR 269 thousand as at 31 December 2016)		
Input VAT	280,831	219,228
Prepaid other taxes and social funds contribution	11,614	43,790
Total	16,012,059	16,000,808
Less: Long-term promissory notes	(236,406)	(221,318)
(nominal value of promissory notes is RR 461,427 thousand as at 30 September 2017 and RR 461,427 thousand as at 31 December 2016)		
Long-term loans issued	(127,937)	(118,550)
Long-term trade and other receivables	(14,661)	(15,848)
(net of provision for impairment of RR 3,532 thousand as at 30 September 2017 and RR 4,181 thousand as at 31 December 2016, and the effect of discounting of RR 7,484 thousand as at 30 September 2017 and RR 8,667 thousand as at 31 December 2016)		
Long-term input VAT from advances paid	(3,594)	(195)
Long-term advances to suppliers	(267)	(16,120)
Total	15,629,194	15,628,777

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

Breakdown of promissory notes is presented below:

Bank	Effective interest rate	Credit rating on 30 September 2017*	30 September 2017	Credit rating on 31 December 2016*	31 December 2016
AO "ALFA-BANK"	8.11%-9.50%	ba2 /Stable	233,689	ba3 / Negative	218,819
"BANK "ROSSIYA"	9.00%	WR / Ratings Withdrawn	85,971	WR / Ratings Withdrawn	80,604
Bank GPB (JSC)	12.00%	-	-	b1 / Negative	19,305
Other	12.67%	-	3,899	-	4,801
Total promissory notes			323,559		323,529

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

Note 9. Inventories

	30 September 2017	31 December 2016
Fuel supplies	4,633,711	4,275,720
Spare parts	4,044,649	3,797,836
Materials and supplies	1,647,717	1,203,959
Total	10,326,077	9,277,515

Inventories are presented net of provision for obsolescence of RR 39,182 thousand and RR 27,162 thousand as at 30 September 2017 and 31 December 2016, respectively.

Note 10. Equity

Dividends

The Company's annual statutory accounts form the basis for the annual profit distribution and other appropriations. The specific Russian legislation identifies the basis of distribution as net profit. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose an amount of the distributable reserves in these financial statements.

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

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

Treasury shares

On June 2, 2017 the Annual General Meeting of Shareholders of JSC "OGK-2" decided to pay an additional remuneration to the Board members elected by the Annual General Meeting of Shareholders on December 16, 2016, in the form of ordinary shares of JSC "OGK-2" held by JSC "OGK-2", in the total number of 78,941,511 shares. The payment of additional remuneration in the form of JSC "OGK-2" shares was carried at their fair value of RR 32,100 thousand. The fair value was defined as the shares' weighted average price calculated by the Russian organizer of trade in the securities market (stock exchange) based on the results of the organized trading on the date of payment. The difference of RR 90,540 thousand between the fair value of the above shares and their carrying amount was recognized in retained earnings. The similar additional remuneration to the Board members was paid in 9 months of 2016: number of shares - 110,441,155, fair value RR 36,870 thousand, the difference between the fair value of the above shares and their carrying amount was RR 134,706 thousand.

Acquisition of entity under common control

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

Note 11. Income tax

Income tax charge

	9 months ended 30 September 2017	9 months ended 30 September 2016
Current income tax charge	(814,548)	(4,321)
Refund of income tax for prior periods	-	973,204
Deferred income tax expense	(1,251,017)	(1,936,219)
Total income tax charge	(2,065,565)	(967,336)

During the 9 months ended 30 September 2017 the Group was subject to a 20% income tax rate on taxable profits (for the 9 months ended 30 September 2016: 20%).

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Profit before tax	9,737,671	2,952,557
Theoretical tax charge at the statutory tax rate of 20%	(1,947,534)	(590,511)
Tax effects of items which are non-deductible for income tax purposes	(118,031)	(376,825)
Total income tax charge	(2,065,565)	(967,336)

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

Deferred income tax liabilities

	31 December 2016	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 September 2017
Property, plant and equipment	(13,309,216)	(105,890)	-	(13,415,106)
Provision for impairment of trade receivables	(101,148)	(195,792)	-	(296,940)
Deposits for pensions	(109,034)	6,531	-	(102,503)
Trade and other payables	(5,001)	(788)	-	(5,789)
Intangible assets	(1,416)	(1,401)	-	(2,817)
Other	(4)	4	-	-
Total	(13,525,819)	(297,336)	-	(13,823,155)

Deferred income tax assets

	31 December 2016	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 September 2017
Unused tax losses	2,774,723	(759,496)	-	2,015,227
Restoration provision	262,459	(40,033)	-	222,426
Retirement benefit obligations	258,297	(110,731)	11,772	159,338
Trade and other receivables	58,186	(757)	-	57,429
Inventory	5,856	1,624	-	7,480
Finance lease liabilities	-	7,403	-	7,403
Trade and other payables	51,691	(51,691)	-	-
Total	3,411,212	(953,681)	11,772	2,469,303

	31 December 2016	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 September 2017
Total deferred income tax liabilities	(13,525,819)	(297,336)	-	(13,823,155)
Total deferred income tax assets	3,411,212	(953,681)	11,772	2,469,303
Deferred income tax liabilities, net, total	(10,114,607)	(1,251,017)	11,772	(11,353,852)

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

deferred income tax assets, net*	188,778	X	X	313,505
deferred income tax liabilities, net*	(10,303,385)	X	X	(11,667,357)

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

Deferred income tax liabilities

	31 December 2015	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 September 2016
Property, plant and equipment	(7,949,599)	(5,312,677)	-	(13,262,276)
Deposits for pensions	(62,993)	(151,326)	-	(214,319)
Provision for impairment of trade receivables	(109,886)	3,060	-	(106,826)
Trade and other payables	(3,643)	(3,348)	-	(6,991)
Intangible assets	(5,499)	4,498	-	(1,001)
Other	(40)	9	-	(31)
Total	(8,131,660)	(5,459,784)	-	(13,591,444)

Deferred income tax assets

	31 December 2015	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 September 2016
Restoration provision	305,380	(53,342)	-	252,038
Retirement benefit obligations	232,518	12,211	-	244,729
Unused tax losses	170,966	3,378,166	-	3,549,132
Trade and other payables	154,263	(110,930)	-	43,333
Trade and other receivables	74,676	314,496	-	389,172
Inventory	22,905	(10,670)	-	12,235
Finance lease liabilities	7,059	(6,366)	-	693
Total	967,767	3,523,565	-	4,491,332

	31 December 2015	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 September 2016
Total deferred income tax liabilities	(8,131,660)	(5,459,784)	-	(13,591,444)
Total deferred income tax assets	967,767	3,523,565	-	4,491,332

Deferred income tax liabilities, net, total	(7,163,893)	(1,936,219)	-	(9,100,112)
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Amounts recognised in the consolidated statement of financial position are as follows:

<i>deferred income tax assets, net*</i>	-	X	X	146,584
<i>deferred income tax liabilities, net*</i>	(7,163,893)	X	X	(9,246,696)

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

Note 12. Non-current debt

	Currency	Effective interest rate	Due	30 September 2017	31 December 2016
Loans	RR	7.96% - 11.45%	2018 - 2025	48,563,389	24,590,389
Bonds	RR	11.87%	2020	10,000,000	10,000,000
Finance lease liability	RR	26.52% - 27.29%	2018-2020	26,040	-
Total				58,589,429	34,590,389

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

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Breakdown of loans is presented below:

Company	30 September 2017	31 December 2016
PJSC "GAZPROM"	29,600,000	-
MOSENERGO	10,453,389	10,480,389
Sberbank	6,510,000	-
JSC VTB Bank	2,000,000	14,110,000
Total	48,563,389	24,590,389

Maturity table

	30 September 2017	31 December 2016
Due for repayment		
Between one and two years	1,308,339	7,600,000
Between two and three years	8,522,108	7,831,407
Between three and four years	41,924,830	10,000,000
Between four and five years	-	2,324,830
More than five years	6,834,152	6,834,152
Total	58,589,429	34,590,389

The movement of non-current debt is presented below:

	30 September 2017	30 September 2016
Non-current debt at the beginning of the period	34,590,389	36,574,060
Proceeds from finance lease liability	26,040	-
Proceeds from long-term borrowings	38,110,000	-
Repayment of long-term borrowings	(14,137,000)	(87,674)
Current portion of long-term loans and borrowings	-	(15,100,000)
Transfer of long-term loans and borrowings to short-term loans and borrowings	-	11,333,911
Non-current debt at the end of the period	58,589,429	32,720,297

Note 13. Retirement benefit obligations

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

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

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

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

Due to the post employment program the Company pays contributions to NPF Electroenergetiki and NPF GAZFOND, which are accumulated on pension accounts, which were opened under NPF contracts. In accordance with the terms of the treaty there is a possibility to abrogate a contract and receive the redemption amount of the depositor. In that way NPF funds do not meet the plan assets criteria. So they are recognized as a separate asset of the Group. The amount of that asset equals RR 512,515 thousand as at 30 September 2017 (as at 31 December 2016: 545,169 RR thousand).

The independent actuarial valuation of pension and other post employment and long-term benefits in accordance with the provisions of IAS 19 was performed as at 31 December 2016 using individual

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members' census data as at the valuation date. In the second quarter of 2017, the Company changed the pension program, which led to a decrease in the Company's liabilities as at 30 September 2017.

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

	30 September 2017	31 December 2016
Present value of defined benefit obligation	1,482,785	1,913,643
Present value of other long-term employee benefit obligation	307,627	293,903
Total defined benefit liability	1,790,412	2,207,546

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

	Present value of defined benefit obligation	Present value of other long- term employee benefit obligation	Total
At 1 January 2016	1,709,968	281,084	1,991,052
Current service cost	47,940	15,073	63,013
Interest expense	126,390	21,459	147,849
Benefits paid	(88,669)	(24,595)	(113,264)
At 30 September 2016	1,795,629	293,021	2,088,650
At 1 January 2017	1,913,643	293,903	2,207,546
Current service cost	39,415	16,014	55,429
Past service cost	(585,583)	-	(585,583)
Interest expense	124,609	19,978	144,587
Remeasurements:			
Loss / (gain) from change in demographic assumptions	35,450	(9,436)	26,014
Loss from change in financial assumptions	62,427	10,185	72,612
Benefits paid	(107,176)	(23,017)	(130,193)
At 30 September 2017	1,482,785	307,627	1,790,412

Amounts of profit / (loss) for the period recognized in consolidated statement of comprehensive income are as follows:

	9 months ended 30 September 2017	9 months ended 30 September 2016
Service cost	(530,154)	63,013
Remeasurements on present value of other long-term employee benefit obligation	749	-
Interest expense (Note 21)	144,587	147,849
Total	(384,818)	210,862

Amounts of other comprehensive income recognized in consolidated statement of comprehensive income are as follows:

	9 months ended 30 September 2017	9 months ended 30 September 2016
Loss from change in demographic assumptions	35,450	-
Loss from change in financial assumptions	62,427	-
Total	97,877	-

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
At the beginning of year	375,707	241,164
Movement of remeasurements	97,877	-
At the end of year	473,584	241,164

The key actuarial assumptions used were as follows:

	30 September 2017	31 December 2016
Discount rate	8.00%	8.45%
Future salary increases	5.90%	5.90%
Future pension increases	n/a	n/a
Future financial support benefits increases	4.30%	4.30%
Social fund contribution rate	27.54%	27.54%
Staff turnover	3.60%	3.60%
Expected retirement age:		
Male	62	62
Female	57	57
Mortality (employees)	Russia, 2013 adjusted 60% (to level 40%)	Russia, 2013 adjusted 60% (to level 40%)
Mortality (pensioners)	Russia, 2013 adjusted 6% (to level 94%)	Russia, 2013 adjusted 6% (to level 94%)

Note 14. Restoration provision

The Group owns an ash dump on the territory of the Republic of Kazakhstan, and an obligation to restore the surface of this ash dump when it is full.

	Note	9 months ended 30 September 2017	9 months ended 30 September 2016
Total carrying amount at the beginning of year		1,312,297	1,526,901
Less current portion		(356,333)	(475,245)
Non-current portion at the beginning of year		955,964	1,051,656
Unwinding of the present value discount	21	71,919	124,019
Utilisation		(272,087)	(390,730)
Total carrying amount at the end of period		1,112,129	1,260,190
Less current portion		(106,817)	(380,540)
Non-current portion at the end of period		1,005,312	879,650

Note 15. Other long-term liabilities

	30 September 2017	31 December 2016
Trade payables	704,252	873,847
(net of effect of discounting RR 155,765 thousand as at 30 September 2017 and 180,147 thousand as at 31 December 2016)		
Other payables	7,061	2,991,823
Total finance liabilities	711,313	3,865,670

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



Note 16. Current debt and current portion of non-current debt

	Currency	Effective interest rate	30 September 2017	31 December 2016
Current portion of bonds	RR	11.87%	396,503	108,519
Current portion of long-term loans	RR	8.25% - 11.45%	254,231	16,351,115
Current portion of finance lease liability	RR	26.52% - 27.29%	10,977	-
Current loans	RR	10.50%	-	16,000,000
Total			661,711	32,459,634

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

Breakdown of loans is presented below:

Company	30 September 2017	31 December 2016
MOSENERGO	249,351	248,737
JSC VTB Bank	4,880	2,378
PJSC "GAZPROM"	-	32,100,000
Total	254,231	32,351,115

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

	30 September 2017	30 September 2016
Current debt and current portion of non-current debt at the beginning of the period	32,459,634	36,141,251
Proceeds from finance lease liability	13,707	-
Repayment of finance lease liability	(2,730)	(33,145)
Repayment of short-term borrowings	(32,100,000)	(3,070,664)
Interest expense	4,404,526	5,158,163
Interest paid	(4,113,426)	(4,588,951)
Current portion of long-term loans and borrowings	-	15,100,000
Transfer of long-term loans and borrowings to short-term loans and borrowings	-	(11,333,911)
Current debt and current portion of non-current debt at the end of the period	661,711	37,372,743

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

Finance lease liabilities – minimum lease payments	30 September 2017	31 December 2016
Due for repayment		
Less than one year	18,731	-
Between one year and five years	32,029	-
Future finance charges on finance lease	(13,743)	-
Present value of lease liabilities	37,017	-

Note 17. Trade and other payables

	30 September 2017	31 December 2016
Trade payables	9,033,273	9,563,818
(net of effect of discounting RR 15,264 thousand as at 30 September 2017 and 30,886 as at 31 December 2016)		
Accrued liabilities and other payables	7,751,553	4,204,885
Dividends payable	8,986	6,164
Financial liabilities	16,793,812	13,774,867
Salaries and wages payable	295,032	687,682
Advances from customers	36,029	180,067
Total	17,124,873	14,642,616

There is debt to MOSENERGO for the share of the capital of LLC "OGK-Investproekt" (Note 1) in the other payables including interest in the amount RR 6,449,369 thousand as at the 30 September 2017, and RR 3,084,980 thousand as at 31 December 2016.

Note 18. Revenues

	9 months ended 30 September 2017	9 months ended 30 September 2016
Electricity and capacity	98,319,932	89,989,012
Heating	3,390,617	3,372,948
Other	1,979,787	807,602
Total	103,690,336	94,169,562

Note 19. Operating expenses

	9 months ended 30 September 2017	9 months ended 30 September 2016
Fuel	49,396,538	48,765,930
Purchased electricity, capacity and heat	9,262,404	8,634,864
Depreciation and amortisation of property, plant, equipment and intangible assets	8,351,245	6,731,572
Employee benefits	5,536,273	5,848,344
Taxes other than income tax	2,770,226	2,096,599
Repairs	2,457,895	2,790,040
Rent	1,710,947	1,735,672
Raw materials and supplies	1,631,019	2,711,065
Dispatcher's fees	1,536,462	1,508,956
Electricity transit	1,468,303	1,213,196
Charge of provision for impairment of trade and other receivables	733,312	1,841,352
Transport	675,573	607,109
Insurance	179,560	135,875
Consulting, legal and audit services	171,266	82,488
Ecological payments	148,078	209,730
Loss on disposal of other assets	73,036	38,200
Loss / (gain) on disposal of property, plant, equipment	41,774	(95,266)
Charge of provision for inventory obsolescence	12,777	17,549
Other expenses	2,786,426	2,806,956
Total operating expenses	88,943,114	87,680,231

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Employee benefits expenses comprise the following:

	9 months ended 30 September 2017	9 months ended 30 September 2016
Salaries and wages	4,476,614	4,256,093
Social funds contribution	1,360,533	1,285,304
Financial aid to employees and pensioners	210,927	243,934
Non-state pensions and other long-term benefits (Note 13)	(529,405)	63,013
Other expenses	17,604	-
Employee benefits	5,536,273	5,848,344
Average number of personnel for the period	9,104	9,234

Included in social funds contribution are statutory pension contributions of RR 1,071,626 thousand for the 9 months ended 30 September 2017 (for the 9 months ended 30 September 2016: RR 1,046,633 thousand).

Note 20. Finance income

	9 months ended 30 September 2017	9 months ended 30 September 2016
Interest income on bank deposits and current bank account balances	337,623	494,805
Foreign currency exchange gain	152,669	539,062
Effect of discounting of long-term promissory notes received	21,247	30,066
Effect of discounting of long-term payables	18,476	22,493
Interest income on loans	9,280	15,862
Effect of discounting of long-term restructured trade and other receivables	1,413	1,987
Other finance income	40,651	36,637
Total finance income	581,359	1,140,912

Note 21. Finance costs

	9 months ended 30 September 2017	9 months ended 30 September 2016
Interest expense on debt	4,299,826	3,316,808
Foreign currency exchange loss	239,810	462,087
Interest on employee benefit obligations (Note 13)	144,587	147,849
Unwinding of the present value discount - provision for ash dump	71,919	124,019
Effect of discounting of long-term payables	63,299	62,684
Interest expense under finance lease agreements	2,704	2,221
Total finance costs	4,822,145	4,115,668

Note 22. Earnings per share

	9 months ended 30 September 2017	9 months ended 30 September 2016
Weighted average number of ordinary shares issued	105,929,091,433	105,820,611,331
Profit attributable to the shareholders of JSC "OGK-2" (thousands of RR)	7,672,106	2,102,102
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.07	0.02

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

Note 23. Capital commitments

As at 30 September 2017 in the framework of the investment program implementation the Group has capital commitments (including VAT) of RR 10,092,958 thousand (as at 31 December 2016: RR 5,387,513 thousand).

Note 24. Financial instruments and financial risks factors

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

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

(i) Recurring fair value measurements

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

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

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

	Notes	Level 1	Level 2	Level 3	Fair value	Carrying value
30 September 2017						
Financial assets						
Promissory notes	8	-	360,411	-	360,411	323,559
Loan issued	8	-	122,680	-	122,680	127,937
Total financial assets		-	483,091	-	483,091	451,496
Financial liabilities						
Debt	12, 16	-	(58,266,231)	-	(58,266,231)	(59,251,140)
Trade and other payables	15, 17	-	-	(17,543,833)	(17,543,833)	(17,505,125)
Total financial liabilities		-	(58,266,231)	(17,543,833)	(75,810,064)	(76,756,265)
31 December 2016						
Financial assets						
Promissory notes	8	-	347,983	-	347,983	323,529
Loan issued	8	-	109,284	-	109,284	118,550
Total financial assets		-	457,267	-	457,267	442,079
Financial liabilities						
Debt	12, 16	-	(64,752,474)	-	(64,752,474)	(67,050,023)
Trade and other payables	15, 17	-	-	(17,713,451)	(17,713,451)	(17,640,537)
Total financial liabilities		-	(64,752,474)	(17,713,451)	(82,465,925)	(84,690,560)

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

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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 25. Segment information

The Management Board of the Company controls and allocates economic resources of the Group between segments and evaluates segments' operating efficiency. Primary activity of the Group is production of electric and heat power and capacity which covers 98.1% of the Group revenue for the 9 months ended 30 September 2017 (for the 9 months ended 30 September 2016: 99.1%). The Group operates in Russian Federation.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separately due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Kirishskaya GRES, Novocherkasskaya GRES, Stavropolskaya GRES, Ryazanskaya GRES, Troitskaya GRES, Serovskaya GRES (as at 30 September 2017 Krasnoyarskaya GRES-2 and Cherepovetskaya GRES ceased to be reporting segments and are included in the "Other operating segments"). All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management Board uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management Board and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main differences relate to the respective carrying values of the value of property, plant and equipment. The Group does not have inter-segment revenue. The main contractor of the Group is JSC "FSC" which generates 46.1% of the Group revenue for the 9 months ended 30 September 2017 (for the 9 months ended 30 September 2016: 52%).

9 months ended 30 September 2017	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
Revenue	17,246,183	15,062,087	15,231,716	14,225,991	8,739,154
Segment operating profit / (loss)*	2,526,554	3,348,071	(25,512)	(38,950)	1,883,301
9 months ended 30 September 2017	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total operating segments
Revenue	9,719,480	4,861,392	18,604,333		103,690,336
Segment operating profit / (loss)*	3,781,971	921,469	2,655,007		15,051,911
9 months ended 30 September 2016	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
Revenue	16,746,746	14,996,864	11,888,858	11,664,619	9,894,120
Segment operating profit / (loss)*	2,042,011	3,829,232	(612,825)	164,697	1,350,188
9 months ended 30 September 2016	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total operating segments
Revenue	5,105,696	5,326,918	18,545,741		94,169,562
Segment operating profit / (loss)*	201,572	1,086,061	2,458,639		10,519,575

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

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

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	9 months ended 30 September 2017	9 months ended 30 September 2016
Segment operating profit	15,051,911	10,519,575
Adjustments, arising from different accounting policy:		
Retirement benefit obligations adjustment	206,482	(128,732)
Gain on disposal of assets	586,291	(1,683)
Finance lease	814	(4,762)
Provision for impairment of trade and other receivables	5,434	33,439
Depreciation adjustment	15,380	1,023
Other adjustments	(569,683)	(614,017)
Unallocated expenses:	168,246	457,268
Reversal of provision for impairment of trade and other receivables	(1,279,936)	(4,463,530)
Consulting, legal and audit services	(505,858)	(1,532,078)
Rent	(45,736)	(31,301)
Employee benefits	(128,964)	(265,901)
Other corporate expenses	(508,807)	(418,720)
	(90,571)	(2,215,530)
Operating profit (IFRS)	13,978,457	5,927,313

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Stavropolskaya GRES	Ryazanskaya GRES
30 September 2017	5,586,107	21,169,617	38,164,813	3,138,727	14,038,645
	Troitskaya GRES	Serovskaya GRES	Other operating segments		Total assets
30 September 2017	56,308,450	22,685,969	27,280,878		188,373,206

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

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

	30 September 2017	31 December 2016
Total assets for reportable segment	188,373,206	190,468,824
Adjustments, arising from different accounting policy:		
Property, plant and equipment adjustment	8,062,983	8,425,731
Deposits for pensions (Note 13)	7,912,757	8,319,609
Deferred tax	512,515	545,169
Impairment of trade and other receivables	(1,128)	(3,574)
Discounting of long-term trade and other receivables (Note 8)	(3,665)	(4,310)
Provision for inventory obsolescence (Note 9)	(7,669)	(8,852)
Discounting of promissory notes (Note 8)	(39,182)	(27,162)
Other adjustments	(226,468)	(247,715)
Unallocated assets	(84,177)	(147,434)
	18,940,633	17,513,481
Total assets (IFRS)	215,376,822	216,408,036

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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.

General Director

Chief Accountant



S.A. Ananyev

L.V. Klisch

20 November 2017