

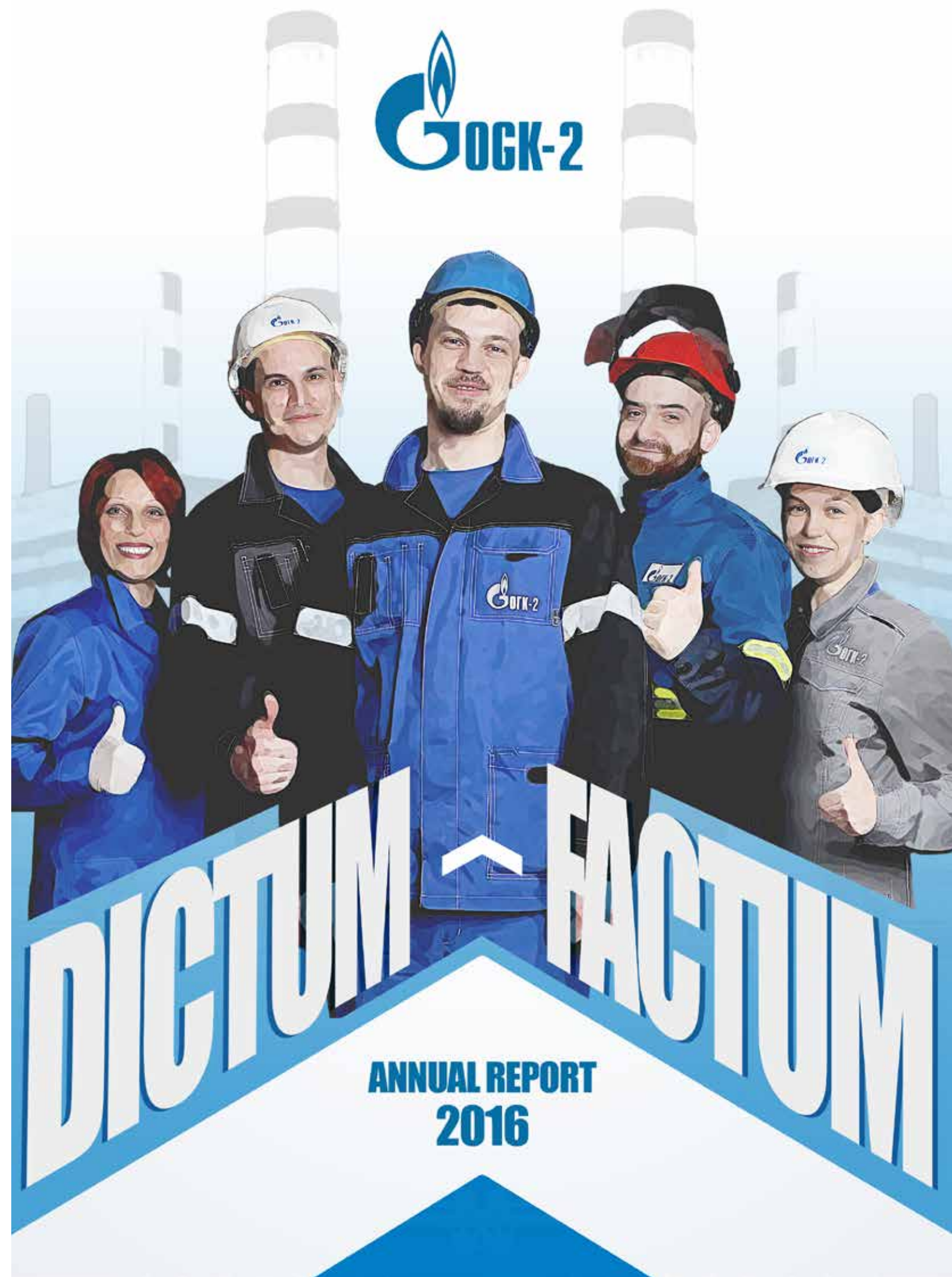


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JSC "OGK-2"

Dictum – Factum

Annual Report 2016



2016

JSC “OGK-2”

Annual Report

Preliminary approved
by the Board of Directors of PJSC “OGK-2”
(Minutes No.171 dated April 28, 2017)

Completion of CSA Program

Commissioned in 2016

Construction of STU-660 power unit on Troitskaya GRES – 660 MW



Construction of STU-330 power unit on Novocherkasskaya GRES – 330 MW



Completion of major investment costs for the implementation of CSA investment projects



Receiving payments for all capacities built according to CSA Program

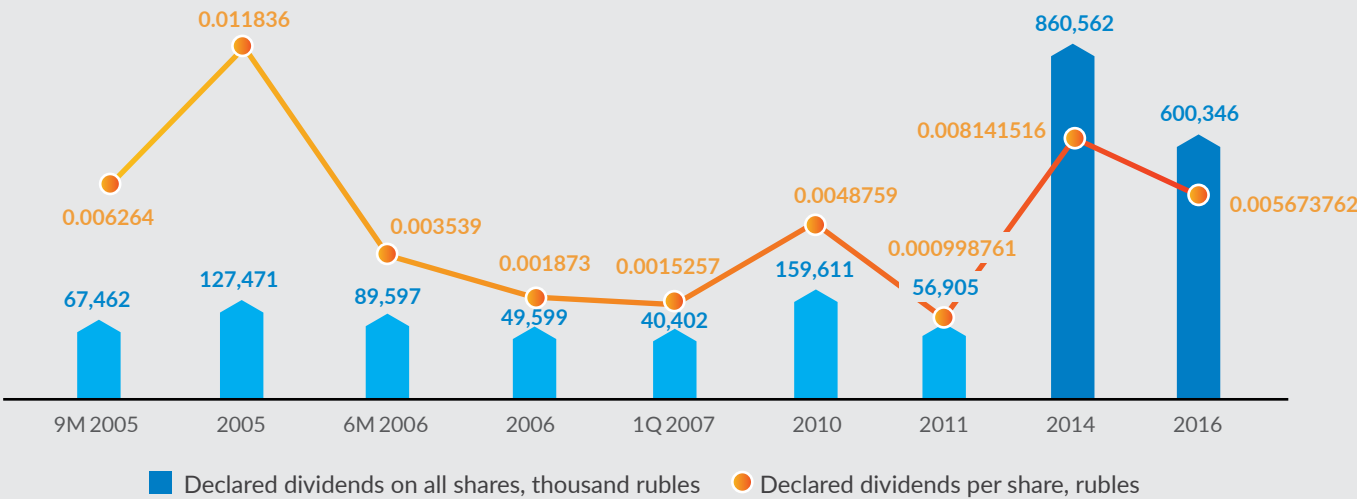


Repayment of borrowing and debt reduction



Dividend payment

Dividend History



Key Performance Indicators

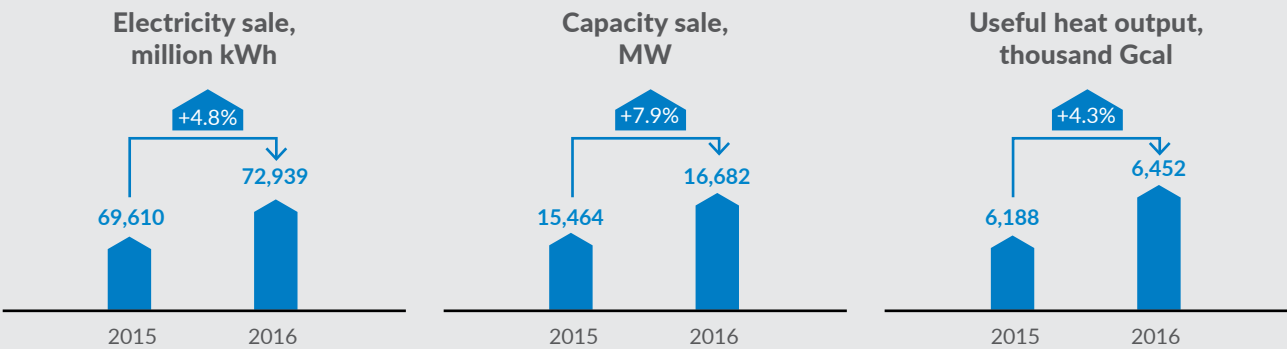
Installed capacity of electricity

18,954.6 MW

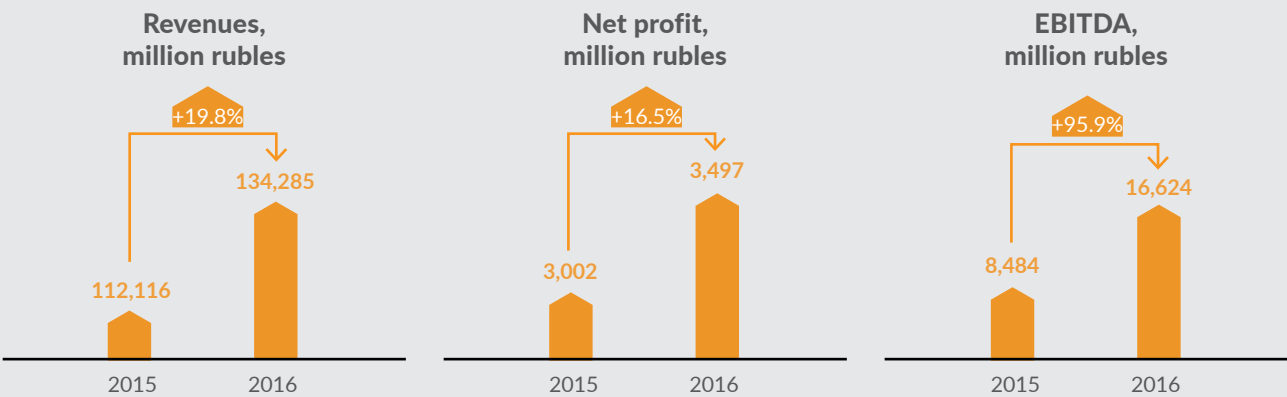
Installed capacity of heat

4,168.7 Gcal/h

Operational Indicators



Financial Indicators



Sustainable Development Indicators

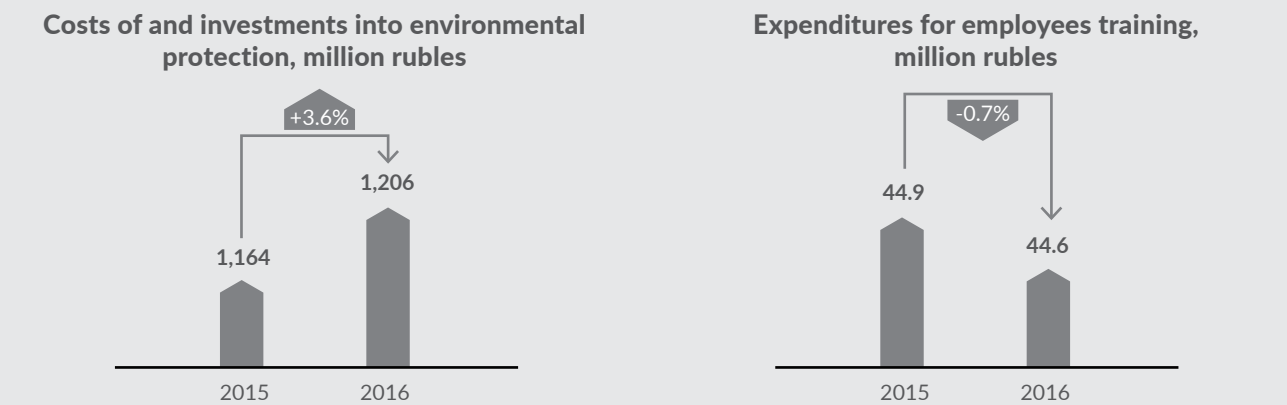


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Limitation of Liability Concerning Statements Containing Forecasts for Future Events

This 2016 annual report (hereinafter referred to as the “Annual Report”) has been prepared using information available to Joint-Stock Company “Second Wholesale Power Market Generating Company” (hereinafter, JSC “OGK-2” , OGK-2, or the Company) at the moment of its preparation. Some statements included in this Annual Report of the Company are statements including forecasts for future events.

Words such as “plans”, “will be”, “expected”, “will take place”, “estimates”, “will total”, “will occur”, and the like are forecasting by nature and imply risk that supposed events and actions may not take place. For this reason, the Company warns that the actual results or course of any events may significantly differ from forecast statements included in this annual report at the moment of its preparation.

Investors should not fully rely on the estimates and forecasts of the Company’s governing bodies as they are one of many outcomes of events and the Company’s actual performance results in the future may differ from the forecast results for many reasons.

Except as otherwise established by the applicable laws, the Company does not undertake to revise or confirm any expectations and estimates or publish updates and changes of forecast statements of the annual report as a result of any subsequent events or availability of new information.

Information about the Company’s management staff is provided pursuant to Federal Law No. 152-FZ “On Personal Data” dated July 27, 2006.



D. V. Fedorov

Chairman of the Board
of Directors of JSC "OGK-2"

ADDRESS BY CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY

Dear Shareholders,

In 2016, Gazprom continued the dynamic development of its electric power-related activities. Multi-year work aimed at improving performance efficiency and renovating production facilities of the Group's companies permitted to demonstrate considerable improvement of the financial and economic indicators of all our companies of the sector: JSC "OGK-2", JSC "Mosenergo", JSC "MIPC", and JSC "TGK-1". With their total electricity output growing by 6.1% and heat output rising by 6.4%, the total revenues under the Russian accounting standards increased by 17.7% and net profits by 65%.

In 2016, the compulsory investment program was mostly completed under capacity supply agreements (CSA), which laid a foundation for the development of a new Russian generation. The Troitskaya and Novocherkasskaya GRES of JSC "OGK-2" launched two state-of-the-art coal power units with the total capacity of about 1 GW. The "Gazprom Energoholding" Science and Engineering Board consisting of the leading researchers in the industry determined their innovative nature.

The complexity of these projects impacted the length of start-up works, which required more time than initially estimated. In 2017, the current power units of the Novocherkasskaya and Troitskaya GRES will make a more important contribution to the financial and economic performance results of "OGK-2".

However, multiple unique engineering solutions were implemented and unique experience was gained in the course of their construction. As a result, the Company both received modern equipment and acquired fundamentally new competences having no match in Russia. The Gazprom Group now possesses huge experience in creating, modernizing, adjusting, and operating a wide range of modern power equipment.

Along with new production facilities, we received a new quality of our human capital.

Power units under CSA projects have been driving the economic development of JSC "OGK-2". In 2016, new equipment produced 20% of the Company's total electricity. Contributions of these units to the total EBITDA exceed 90%. They make it possible to reduce fuel consumption (by 7 g/kWh for the last year alone) and improve environmental indicators (emissions of pollutants into the air shrank by 9% and waste generation decreased by 14%).

We correct our plans in order to ensure proper financial results based on all the factors. For instance, an important achievement was a change in the structure of the investment program in early 2016 when, after evaluating the electricity consumption growth forecast in Ural and a potential of the payback period of building a new CCGT-420 power unit at the Serovskaya GRES, it was decided that obligations under CSA should be transferred to another energy company.

In this case, implementation of the latest CSA project of the Gazprom Group and JSC "OGK-2", i.e. construction of the Groznenskaya TPP, was launched so as to avoid increases in the Company's debt burden.

Its reduction is becoming the main objective of JSC "OGK-2": a period of huge investments is over; the Company must ensure a stable cash flow. Cost optimization needs to be continued for this purpose by taking into account the equipment functioning reliability.

Dear shareholders! The Gazprom Group keeps on supporting measures aimed at further increasing profitability and the share value of the Group's power companies. For this reason, the strategic goals of JSC "OGK-2" remain the same and are shaped by the need to improve performance efficiency and creation of conditions for increasing dividend payment.



S.A. Ananyev

General Director
of JSC "OGK-2"

ADDRESS BY DIRECTOR GENERAL OF THE COMPANY

Dear Shareholders,

In 2016, the performance results proved again that the Company follows a good development direction. JSC "OGK-2" continued its advance in several main development areas. Firstly, this includes implementation of a program under capacity supply agreements (CSA) to ensure a stable cash flow. Secondly, fuel supply and fuel consumption are areas where a considerable potential of efficiency improvement continued to be realized. Thirdly, development of an optimal structure of industrial facilities permitted to prepare for the utilization level growth. Fourthly, cost optimization made it possible to obtain the maximum effect from operation in the market.

In 2016, the Company increased the electricity output by 4.2% to reach 67.1 billion kWh. Whereas the Company's market tactics consisted in minimizing the utilization level in the previous years to reduce the output by non-margin units, at present, as a result of measures taken, we have managed to achieve all the goals of the System Operator without a clear negative effect. As a result of this and given the fact of receiving full funds under the CSA program, the Company recorded the net profit growth by 16.5% to reach 3.5 billion rubles.

Without a doubt, the main events of 2016 included the actual completion of construction of new power units under an obligatory investment program. Capacities of unit No. 2 of the Ryazanskaya GRES and CCGT-420 of the Serovskaya GRES began to be supplied to the market in January, capacities of unit No. 9 of the Novocherkasskaya GRES – in June, and capacities of unit No. 10 of the Troitskaya GRES – in July.

In 2016, the output share of new units got close to 20%. This is the output of energy with high technical, economic, and environmental characteristics. For instance, in the first year of operation of CCGT-420

at the Serovskaya GRES, the output at the power plant almost doubled. The specific consumption of the conditional fuel at the new unit was 231 g/kWh, which is 2.2 times lower than that at the old phase of the power plant working on coal. The amount of pollutants emitted into the atmosphere declined by 3.4 times.

The Company successfully implemented the Operational Efficiency Improvement Program for 2016 approved by the Board of Directors. It included over 800 efficiency improvement measures in the main areas of operations. The best effect was obtained from blocs of measures "Improvement of the efficiency of electricity and capacity sales", "Equipment optimization", "Fuel use", and "Improvement of the efficiency of equipment support works". The anticipated effect on EBITDA from its implementation put in the 2016 business plan was estimated at 965.2 million rubles; however, as a result, it exceeded expectations by 91.9% totaling 1 billion 851.7 million rubles.

In 2017, JSC "OGK-2" continues improving the operational efficiency. The key areas to be emphasized in choosing measures to be taken include actions aimed at improving the efficiency of equipment support works, minimizing short supplies of capacity and improvement of the technical and economic indicators of operation of power units. In particular, in the course of repairs, efforts are concentrated on control of the equipment condition, introduction of modern technology with a high efficiency rate.

By presenting this annual report, I would like to emphasize that the key goals of the Company's management staff include ensuring a quality condition of the main industrial assets at optimal costs, which will make it possible to bear the burden and ensure a good financial result.

I am confident that support of our shareholders will continue contributing the Company's dynamic development.

1. INFORMATION ON THE COMPANY AND ITS POSITION IN THE INDUSTRY

1.1. Business Model

JSC “OGK-2” is one of the largest power generation companies of the Russian Federation. At the end of 2016, its industrial facilities included power plants in different regions of the country with the total electrical installed capacity of 18,954.6 MW and the total heat installed capacity of 4,168.7 Gcal/h. JSC “OGK-2” supplies over 6% of the electricity output and about 0.5% of the thermal energy output in Russia.

In 2016, JSC “OGK-2” practically completed construction and commissioning of new generating facilities as part of obligations under capacity supply agreements (CSA) and, as a result of considerably reducing the burden of investment costs, began paying dividends. At present, JSC “OGK-2” keeps on participating in investments projects under CSA implemented at the expense of the Gazprom Energoholding Group.

The main activity of JSC “OGK-2” is the production and sale of electric energy and capacity with the supply thereof to the wholesale market as well as the production of thermal energy and its sale to end users. In this framework, JSC “OGK-2” provides for operation of power plants and conducts timely and quality repair of power equipment, technical revamping, and reconstruction of power facilities.



Business Model

Necessary Resources

	2015	2016	Δ, %
Headcount, people	8,957	8,683	-3.1%
Fuel consumption, thousand t.o.e.	23,349	21,739	-8.6%
Gas	14,176	15,670	+10.5%
Coal	7,537	6,618	-12.2%
Fuel, oil and diesel oil	25	25	-
Water consumption, thousand m³	3,271,674	3,306,694	+1.1%

Our Assets

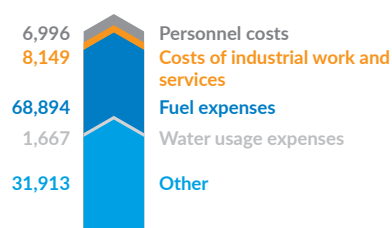
	2015	2016	Δ, %
Installed capacity of electricity, MW	18,023.6	18,954.6	+5.2%
Installed capacity of heat, Gcal/h	4,336.2	4,168.7	-3.9
Fuel rate on electricity, g/kWh	342.7	336.1	-1.9%
Fuel rate on heat, kg/Gcal	152.1	152.5	+0.3%
Installed capacity load factor, %	40.8%	40.8%	-

Producing

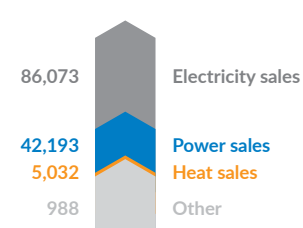
	2015	2016	Δ, %
Electricity output, million kWh	64,363	67,086	+4.2%
Heat output, thousand Gcal	6,517	6,898	+5.8%
Electricity sale, million kWh	69,610	72,939	+4.8%
Sale of capacity, MW	15,464	16,682	+7.9%
Useful heat output, thousand Gcal	6,188	6,452	+4.3%

Generating EBITDA

COST STRUCTURE FOR 2016, MILLION RUBLES



REVENUE STRUCTURE FOR 2016, MILLION RUBLES



EBITDA FOR 2016 AMOUNTS TO 16,624 MILLION RUBLES (95.9% GROWTH AS COMPARED TO 2015)

Earning Income

NET PROFIT, MILLION RUBLES



Competitive Advantages

- Diversification of the fuel balance and its optimization depending on the situation on the fuel market;
- Rational use of energy and other natural resources (including increases in the share of output of efficient CCGT units);
- High and continuously improved personnel qualifications;
- Creation and maintaining of the status of a "preferable employer" in the eyes of employees, which motivates them for long and effective work;
- Synergy from cooperation with the Gazprom Group.

- High dispersion of power plant branches over the territory of the Russian Federation;
- Russia's largest thermal generating company (about 6.4% of production in the country);
- Reliable, trouble-free and efficient operation of power plants;
- Increase in the operational efficiency and the capitalization of assets by means of fixed assets renewal and decommissioning of inefficient capacities;
- Implementation of the obligations under CSA and beginning of participation in CSA projects implemented by using funds of Gazprom Energoholding Group.

- Deliveries of heat and electricity from 11 plants to the most economically developed regions of the Russian Federation, which consistently provide a high level of demand for electricity and heat as well as a good collection of payments;
- Specific working conditions and regional advantages of each power plant branch: these partially include electricity and power suppliers for industrial enterprises in rapidly developing regions and partially play the role of core enterprises, which are oriented to heat and electricity supply to residential areas;
- The ability to export electricity to Georgia and Azerbaijan (via Stavropolskaya GRES) and to the power system of Belarus and the Baltic States (via Pskovskaya GRES).

Investing for the Future

INVESTMENTS AND OTHER PURPOSES TARGETED AT SUPPORT OF ACTIVITIES, MILLION RUBLES



Saving

RESERVE FUND FORMATION, MILLION RUBLES

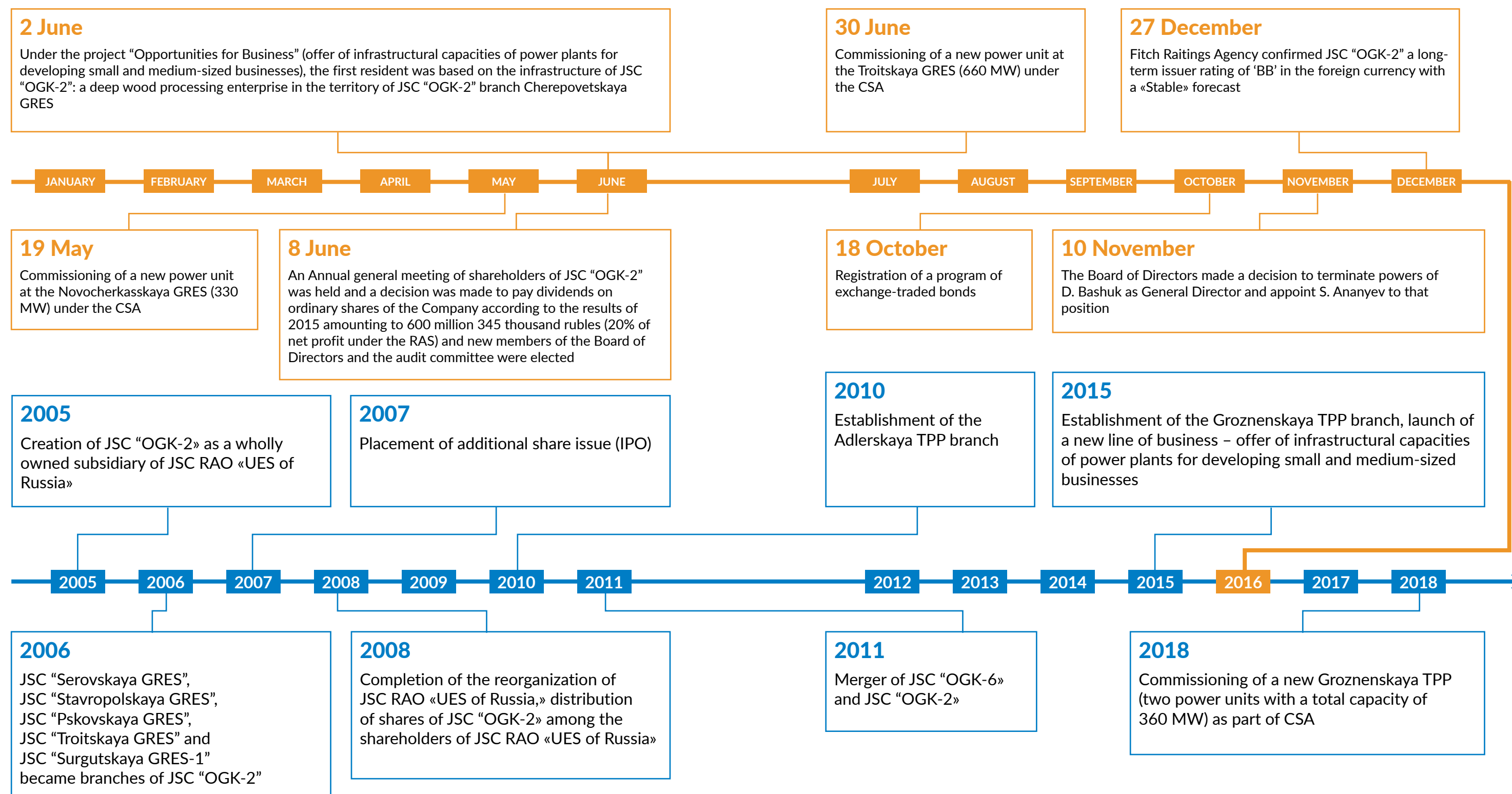


Paying dividends

DIVIDEND PAYMENT ON ORDINARY SHARES, MILLION RUBLES



1.2. Brief History of the Company. Main Events in 2016 and Early 2017. Priorities and Prospects of the Company's Development

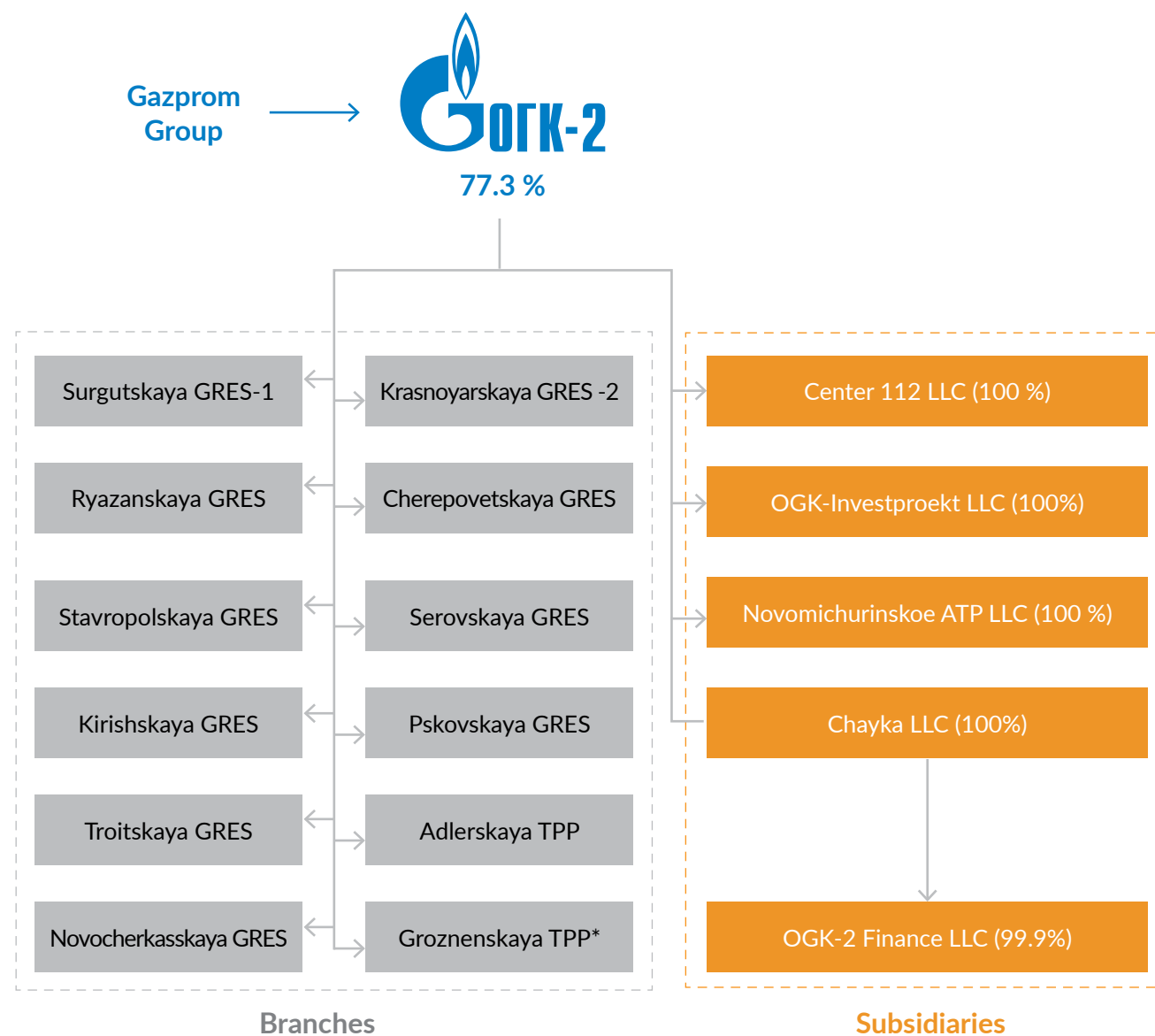


1.3. Organizational Structure and Assets

Corporate and Organizational Structure

JSC "OGK-2" belongs to Gazprom Group with a total share of beneficial ownership of the Group companies of 77.3%. The organizational structure of

JSC "OGK-2" comprises 12 branches, each of which corresponds to the power plant of the same name, in addition to the Executive Office.



* Groznenskaya TPP branch was created by the relevant decision of the Board of Directors; the Company's Articles of Association were amended accordingly (Minutes No. 122 dated March 23, 2015)

Geography of Business Activities



Brief Description of the Power Plants¹



Surgutskaya GRES-1 (Surgut, Tyumen Region, the Ural UPS)

Surgutskaya GRES-1 is one of the largest heat power plants in the Russian Federation in terms of installed electric capacity. It supplies centralized electricity to a territory of

more than 1 million sq. km. It is one of the main sources of electricity supply to certain areas of Western Siberia and Ural and heat supply in Surgut.

Installed capacity

Electric, MW	3,268.0
Heat, Gcal/h	903.0

Electricity, million kWh

Output	20,412.0
Useful output	19,432.0

Heat, thousand Gcal

Output	1,646.0
Useful output	1,628.6

Efficiency

ICLF, %	71.1 %
SRFC, g/kWh	328.5

Fuel

Main fuel / reserve fuel / starting fuel	Gas / no / gas
Fuel balance, %	Gas – 100.00 %



Ryazanskaya GRES (Novomichurinsk, Ryazan Region, the Central UPS)

Ryazanskaya GRES is among top five largest power plants in Russia in terms of installed capacity. It is one of the main suppliers on

the balancing market for electricity in the area. It has no seasonal capacity limitations.

Installed capacity

Electric, MW	3,130.0
Heat, Gcal/h	212.5

Electricity, million kWh

Output	4,779.0
Useful output	4,404.0

Heat, thousand Gcal

Output	249.0
Useful output	147.1

Efficiency

ICLF, %	17.4 %
SRFC, g/kWh	380.6

Fuel

Main fuel / reserve fuel / starting fuel	Gas, coal / fuel oil / gas, fuel oil
Fuel balance, %	Gas – 42.273 %, Coal – 57.724 %, Fuel oil – 0.003 %

¹ Inclusive of water boilers.



Kirishskaya GRES (Kirishi, Leningrad Region, the North-Western UPS)

Largest thermal power plant of the UPS of North-West. Equipment at Kirishskaya GRES was adapted to the fast load increase in a period of capacity deficit in the system and also fast decrease in periods of system

excess of capacity. It is the main frequency and capacity regulator in the central part of the united power grid, ensures its reliable work.

Installed capacity

Electric, MW	2,595.0
Heat, Gcal/h	1,234.0

Electricity, million kWh

Output	5,333.0
Useful output	5,050.0

Heat, thousand Gcal

Output	2,831.0
Useful output	2,797.0

Efficiency

ICLF, %	23.4 %
SRFC, g/kWh	271.0

Fuel

Main fuel / reserve fuel / starting fuel	Gas / fuel oil / gas, fuel oil
Fuel balance, %	Gas – 100.00 %



Stavropolskaya GRES (Solnechnodolsk settlement in the Stavropol Territory, the Southern UPS)

Stavropolskaya GRES is a highly flexible plant, which plays a key role in ensuring the reliability of the Southern UPS. The advantages of the plant include optimal technical and economic performance, a wide power control range, and the high-speed setting and resetting load, which

ensures that the power plant has the maximum capacity needed to adhere to the consumption schedule.

The power plant utilization rate ensures the technical capacity of export electricity supplies to Georgia and Azerbaijan.

Installed capacity

Electric, MW	2,415.0
Heat, Gcal/h	145.0

Electricity, million kWh

Output	9,910.0
Useful output	9,520.0

Heat, thousand Gcal

Output	73.5
Useful output	59.5

Efficiency

ICLF, %	46.7 %
SRFC, g/kWh	333.0

Fuel

Main fuel / reserve fuel / starting fuel	Gas / fuel oil / gas, fuel oil
Fuel balance, %	Gas – 99.98 %, Fuel oil – 0.02 %



Novochoerkasskaya GRES (Donskoi settlement, Rostov Region, the Southern UPS)

It has no seasonal capacity limitations.

Installed capacity

Electric, MW	2,229.0
Heat, Gcal/h	60.0

Electricity, million kWh

Output	9,350.0
Useful output	8,645.0

Heat, thousand Gcal

Output	78.6
Useful output	56.5

Efficiency

ICLF, %	56.5 %
SRFC, g/kWh	382.7

Fuel

Main fuel / reserve fuel / starting fuel	Coal / gas / gas, fuel oil
Fuel balance, %	Gas – 41.71 %, Coal – 58.28 %, Fuel oil – 0.01 %



Troitskaya GRES (Troitsk, Chelyabinsk Region, the Ural UPS)

It is one of the most powerful basic suppliers of electricity in the Southern Urals. It has a good location in the zone of power exchange Yekaterinburg-Chelyabinsk-Magnitogorsk characterized by a stable growth of consumption and

high volatility due to network limitations and also in the line of direct supplies to Northern Kazakhstan. It is part of the UPS of Ural with an electricity growth rate of about 4% annually.

Installed capacity

Electric, MW	1,400.0
Heat, Gcal/h	315.0

Electricity, million kWh

Output	2,178.0
Useful output	1,996.0

Heat, thousand Gcal

Output	540.1
Useful output	348.9

Efficiency

ICLF, %	19.0 %
SRFC, g/kWh	442.2

Fuel

Main fuel / reserve fuel / starting fuel	Coal / no / fuel oil
Fuel balance, %	Coal – 98.40 %, Fuel oil – 1.60 %



Krasnoyarskaya GRES -2 (Zelenogorsk, Krasnoyarsk Krai, the Siberian UPS)

It has seasonal capacity limitations with a range of 4 to 32.4 MW throughout the year.

Installed capacity

Electric, MW	1,258.0
Heat, Gcal/h	976.0

Electricity, million kWh

Output	4,758.0
Useful output	4,287.0

Heat, thousand Gcal

Output	1,046.0
Useful output	1,024.1

Efficiency

ICLF, %	43.2 %
SRFC, g/kWh	394.8

Fuel

Main fuel / reserve fuel / starting fuel	Coal / no / fuel oil
Fuel balance, %	Coal – 99.80 %, Fuel oil – 0.20 %



Cherepovetskaya GRES (Kadui settlement, Vologda Region, the Central UPS)

It has no seasonal capacity limitations.

Installed capacity

Electric, MW	1,051.6
Heat, Gcal/h	39.0

Electricity, million kWh

Output	4,806.0
Useful output	4,528.0

Heat, thousand Gcal

Output	111.3
Useful output	97.0

Efficiency

ICLF, %	52.0 %
SRFC, g/kWh	283.2

Fuel

Main fuel / reserve fuel / starting fuel	Coal, gas / gas / gas, fuel oil, diesel fuel
Fuel balance, %	Gas – 71.30 %, Coal – 28.66 %, Diesel fuel – 0.04 %



Serovskaya GRES (Serov, Sverdlovsk Region, the Ural UPS)

Serovskaya GRES is located in the energy-deficient Serovo-Bogoslovsky area where iron and steel works are situated. It can change the load to ensure coverage of an uneven daily consumption schedule.

Installed capacity

Electric, MW	808.0
Heat, Gcal/h	110.0

Electricity, million kWh

Output	3,158.0
Useful output	2,929.0

Heat, thousand Gcal

Output	86.3
Useful output	72.9

Efficiency

ICLF, %	44.5 %
SRFC, g/kWh	278.9

Fuel

Main fuel / reserve fuel / starting fuel	Coal, gas / gas / gas, fuel oil, diesel fuel
Fuel balance, %	Gas – 71.30%, Coal – 28.66 %, Diesel fuel – 0.04 %



Pskovskaya GRES (Dedovichi settlement, Pskov region, the North-Western UPS)

Installed capacity

Electric, MW	440.0
Heat, Gcal/h	84.0

Electricity, million kWh

Output	333.6
Useful output	277.0

Heat, thousand Gcal

Output	59.9
Useful output	45.7

Efficiency

ICLF, %	8.6 %
SRFC, g/kWh	350.3

Fuel

Main fuel / reserve fuel / starting fuel	Gas / no / gas
Fuel balance, %	Gas – 100.00 %



Adlerskaya TPP (Sochi, the Southern UPS)

A new state-of-the-art steam gas power plant consisting of two autonomous power units CCGT -180. It ensured

uninterruptible power supply for the needs of the Sochi Olympics.

Installed capacity

Electric, MW	360.0
Heat, Gcal/h	90.2

Electricity, million kWh

Output	2,068.0
Useful output	1,959.0

Heat, thousand Gcal

Output	175.8
Useful output	175.1

Efficiency

ICLF, %	65.4 %
SRFC, g/kWh	261.8

Fuel

Main fuel / reserve fuel / starting fuel	Gas / no / gas, diesel fuel
Fuel balance, %	Gas – 99.999 %, Diesel fuel – 0.001 %

1.4. Company’s Position in Electricity, Capacity, and Heat Markets

The main market for the sale of products generated by power plants of JSC “OGK-2” is the wholesale electricity and capacity market (hereinafter referred to as the “OREM”). In addition, the Company supplies electricity and heat, heat-transfer agents, and other related products to the retail market to local

consumers, industrial companies, including housing and communal services structures. Retail electricity markets are the sphere of circulation of electrical energy outside the wholesale market with the participation of electricity consumers.

Wholesale Electricity and Capacity Market

The wholesale market of electricity and capacity is the sphere of circulation of electrical energy within the framework of the Unified Energy System of Russia within the boundaries of a single economic space of the Russian Federation with the participation of large producers and large buyers of electricity that have received the status of wholesale market subjects and that acts on the basis of the rules of the wholesale market.

The wholesale market for electricity and power is divided into two price zones: first price zone –

Europe and the Urals zone, second price zone – Siberia zone. Territories of the Russian Federation wherein the operation of a competitive market is not possible for one reason or another are regarded as non-pricing zones. Eleven branches of JSC “OGK-2” (namely: Surgutskaya GRES-1, Ryazanskaya GRES, Stavropolskaya GRES, Novocherkasskaya GRES, Kirishskaya GRES, Troitskaya GRES, Cherepovetskaya GRES, Serovskaya GRES, Pskovskaya GRES, Adlerskaya TPP, and Groznenskaya TPP) operate in the First Pricing Zone while Krasnoyarskaya GRES-2 operates in the Second Pricing Zone.

Competitive position of JSC “OGK-2” in electricity and capacity markets

	Sales Regions / United Power System (UPS)	Market Share, %		Major Competitors
		Share in the UPS in terms of electricity	Share in the UPS in terms of capacity	
Kirishskaya GRES	North-Western UPS	4.97	11.00	• Leningradskaya Nuclear Power Plant (JSC «Concern Rosenergoatom»);
Pskovskaya GRES		0.31	1.90	• Power plants of JSC «TGC-1»; • North-West CHPP (JSC «INTER RAO - Electrogeneratsiya»)
Ryazanskaya GRES	Central UPS	2.00	5.90	• Power plants of JSC «Mosenergo»; • Power plants of JSC «Quadra»;
Cherepovetskaya GRES		2.03	2.00	• Kashirskaya GRES (JSC «INTER RAO - Electrogeneratsiya»); • Kostromskaya GRES (JSC «INTER RAO - Electrogeneratsiya»); • Cherepetskaya GRES (JSC «INTER RAO - Electrogeneratsiya»); • Shaturskaya GRES-5 (Unipro JSC);

	Sales Regions / United Power System (UPS)	Market Share, %		Major Competitors
		Share in the UPS in terms of electricity	Share in the UPS in terms of capacity	
				<ul style="list-style-type: none"> Smolenskaya GRES (Unipro JSC); Konakovskaya GRES (JSC «Enel Russia»); Novovoronezhskaya Nuclear Power Plant (JSC «Concern Rosenergoatom»); Kalininskaya Nuclear Power Plant (JSC «Concern - Rosenergoatom»); Smolenskaya Nuclear Power Plant (JSC «Concern - Rosenergoatom»); Volzhsкая HPP (OJSC «RusHydro»)
Novocherkasskaya GRES	Southern UPS	9.79	10.80	<ul style="list-style-type: none"> Nevinnomysskaya GRES (JSC “Enel Russia”);
Stavropolskaya GRES		10.29	11.70	<ul style="list-style-type: none"> Rostovskaya Nuclear Power Plant (OJSC «Concern - Rosenergoatom»); Tsimlyanskaya HPP (OJSC Lukoil)
Adlerskaya TPP		2.14	1.70	<ul style="list-style-type: none"> Sochinskaya TPP (JSC «INTER RAO - Electrogeneratsiya»); Dzhubginskaya TPP (JSC «INTER RAO - Electrogeneratsiya»)
Troitskaya GRES	Ural UPS	0.90	2.70	<ul style="list-style-type: none"> South Ural GRES (JSC «INTER RAO - Electrogeneratsiya»)
Serovskaya GRES		1.22	1.60	<ul style="list-style-type: none"> Bogoslovskaya CHPP (JSC “T PLUS”); Verkhnetagilskaya GRES (JSC «INTER RAO - Electrogeneratsiya»)
Surgutskaya GRES-1		7.90	6.40	<ul style="list-style-type: none"> Nizhnevartovskskaya GRES (JSC «INTER RAO - Electrogeneratsiya» and CJSC «Nizhnevartovskaya GRES»); Nyaganskaya GRES (OJSC «Fortum»); Surgutskaya GRES-2 (Unipro JSC)
Krasnoyarskaya GRES -2	Siberian UPS	2.30	2.40	<ul style="list-style-type: none"> Angara-Yenisei Cascade HPP (JSC «Irkutskenergo» and JSC «RusHydro»); Berezovskaya GRES (Unipro JSC); Plants of the group of companies of Siberian Generating Company LLC

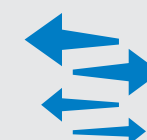
The wholesale electricity and capacity market operates in accordance with Federal Law No. 35-FZ «On the Electric Power Industry» dated March 26, 2003 and Decree No. 1172 of the Government of the Russian Federation «On the Approval of the Rules of the Wholesale Electricity and Capacity Market and on Amendments to Certain Acts of the Government of

the Russian Federation on the Issues of Operation of the Wholesale Electricity and Capacity Market” dated December 27, 2010.

In order to ensure reliable and uninterrupted supply of electricity, the wholesale market trades generating capacities (hereinafter referred to as the “capacity”),

which is a special commodity whereof the purchase provides the wholesale market participants with the right to demand preparedness of the generating equipment for the production of electric energy of

the established quality in the quantity that is required for the purposes of compliance with the needs of this participant in electricity with due consideration of the necessary reserve.



The functioning of the wholesale market commercial infrastructure is ensured by Association “Non-Profit Partnership Market Council for Arrangement of the Effective System of Electricity and Capacity Retail and Wholesale Trade” (hereinafter referred to as Association “NP Market Council”), established in accordance with Federal Law of the Russian Federation “On the Electric Power Industry”.

Responsibility for the arrangement of purchases and sales of electricity in the wholesale market (trade system of the wholesale market) is borne by Joint-Stock Company “Trade System Administrator of the Wholesale Electricity Market” (OJSC “ATS”).

A system of settlements between the WEM players is provided by Joint-Stock Company “Center of Financial Settlements” (JSC “CFS”).

Since 2011, the country has had a competitive wholesale market, where the sale of electricity and capacity is carried out on the basis of free non-regulated prices, except for the amounts of electricity

and capacity designated for supply to the population and to their equivalent consumers, for which state rate regulation remains in force.

Electricity Market

Electricity trading in the wholesale market is implemented with the use of the following mechanisms:

Regulated pricing:

- **Regulated contracts (RC):** the trade of electricity (capacity) at regulated prices (rates) on the basis of regulated electricity and capacity purchase and sale contracts. RCs are concluded only in relation to the amounts of electricity and capacity designated for supply to the population and to their equivalent consumers, as well as to guaranteeing suppliers operating in the territory of the Republics of the North Caucasus, and the Tyva Republic.

Free pricing:

- **The day-ahead market (DAM):** electricity trade at free (non-regulated) prices determined through

the competitive selection of bid prices from contractors submitted twenty-four hours before the commencement of the relevant supply.

- **The balancing market (BM):** electricity trade at free (non-regulated) prices determined through competitive selection of bids of suppliers and participants with regulated consumption carried out at least one hour prior to electricity supply for the purposes of forming a balanced electricity output and consumption mode.
- **Free bilateral contracts (FBC):** trade in electricity at free (non-regulated) prices on the basis of free bilateral purchase and sale contracts.

In 2016, sales of electricity by JSC “OGK-2” in the wholesale market totaled 71,450 million kWh, a 5%

increase year-on-year. Sales of electricity generated by the company in 2016 rose by 5% as well to reach 61,659 million kWh. Both indicators of sales rose as a result of an increasing output of electricity generated by the Company's plants in 2016.

Electricity volumes purchased by JSC "OGK-2" in the wholesale market went up by 6% in 2016 as compared to 2015. This can be explained by a higher electricity output by the Company's power plants and, as a result, higher electricity consumption for its own needs as well as higher purchases to maintain regulated agreements.

Capacity Market

Capacity trading in the wholesale market is implemented with the use of the following mechanisms:

Free pricing:

- **Competitive capacity outtake (CCO):** capacity traded at free (non-regulated) prices and is deter-

In 2016, revenues from sales of electricity under RC rose by 2% as a result of a higher average annual tariff by 4% and decreases in electricity sales by 1% under RC.

In 2016, revenues from electricity sales in the DAM rose by 15% as compared to 2015. This can be explained by the fact that in 2016 electricity sales went up by 7% in the DAM year on year and the average annual selling price increased by 6.7%.

mined through competitive outtake of bid prices to sell capacity. Market participants price bids for the sale of capacity to participate in the CCO.



Russian Federation Government Decree No. 893 dated August 27, 2015 introduced amendments to the Rules of the Electricity and Capacity Wholesale Market, which introduced a new procedure for long-term CCO: based on an "elastic demand" model implying selection according to price zones and not free exchange zones. The new model provides for the dependence of capacity volume to be selected on the basis of the CCO results on the current price. The first long-term CCO results for 2016 were made in November 2015. Introduction of a new CCO model led to significant decreases in the capacity price in 2016: the price in the first price zone was 112,624 rubles/MW a month, in the second price zone – 189,191 rubles/MW a month.

Regulated formation of prices:

- **Capacity supply agreements (CSA)** are concluded by suppliers in respect of generation plants that are included in the List of Generating Facilities for CSA approved by the Government of the Russian Federation, Decree dated August 11, 2010 No. 1334-r. On the one hand, CSAs guarantee the obligations of suppliers to fulfill the approved

investment program, and on the other hand, they guarantee the payment of capacity of new (renovated) generating facilities. The term for supplying capacity under a CSA is 10 years. The CSA capacity price is determined in the agreement based on the parameters approved by the Government of the Russian Federation.



In 2016, JSC "OGK-2" supplied capacity using the following CSA facilities: Ryazanskaya GRES (CCGT -420 and STU-330), Kirishskaya GRES (CCGT -800), Adlerskaya HPP (CCGT-180), Cherepovetskaya GRES (CCGT-420), Serovskaya GRES (CCGT-420), Novocherkasskaya GRES (STU -330), Troitskaya GRES (STU -660).

- **Contracts for purchase and sale of capacity produced by using generating facilities supplying capacity in a forced regime (FER)** are concluded by suppliers, whose capacity was selected according to the capacity competitive selection results, in case of a need to maintain those facilities in a workable condition and that received a "forced generator" status. Prices for capacity produced at generating

facilities that supply capacity in the forced mode are determined by the FAS of the Russian Federation. The procedure for determining prices for "forced generators" implies that part of costs is defined by using a method of economically justified costs with all other costs to be included in the tariff by setting a rate for those costs.



In 2016, the branches of JSC "OGK-2" – Serovskaya GRES (tg. No. 5, 6), Novocherkasskaya GRES (units No. 1-4), Cherepovetskaya GRES (units No. 1-3) supplied capacity in a forced mode.

In 2016, 16,682 MW was sold representing a 8% increase as compared to 2015. This was a result of the beginning of capacity sales by new CSA facilities:

- since January 2016: by Ryazanskaya GRES, unit No. 2, facility No. 5 (STU-330), and Serovskaya GRES, unit No. 9, facility No. 2 (CCGT-420);

- since June 2016: by Novocherkasskaya GRES, unit No. 9, facility No. 2 (STU-330);
- since July 2016: by Troitskaya GRES, unit No. 10, facility No. 1 (STU-660).

In 2016, revenues from capacity sales rose by 43%.

Heat Market

The main activity of the branches of JSC "OGK-2" in the heat market is heat supply to industrial enterprises, wholesale purchasers who are reseller and housing and communal services structures.

In accordance with the applicable laws of the Russian Federation, heat energy sales are a fully regulated activity. JSC "OGK-2" sells heat energy at the tariffs approved by regional regulatory bodies for groups of consumers in accordance with the applicable provisions of Federal Law of the Russian Federation No. 190-FZ "On Heat Supply" dated July 27, 2010, the Rules for regulation of prices (tariffs) in the field of heat supply approved by Decree of the Government of the Russian Federation No. 1075 "On the Formation of Prices in the Field of Heat Supply" dated October 22, 2012, the Guidelines for

calculation of regulated prices (tariffs) in the field of heat supply approved by Order of the FAS of Russia No. 760-e dated July 13, 2013, as well as Chapter 25 of the Tax Code of the Russian Federation.

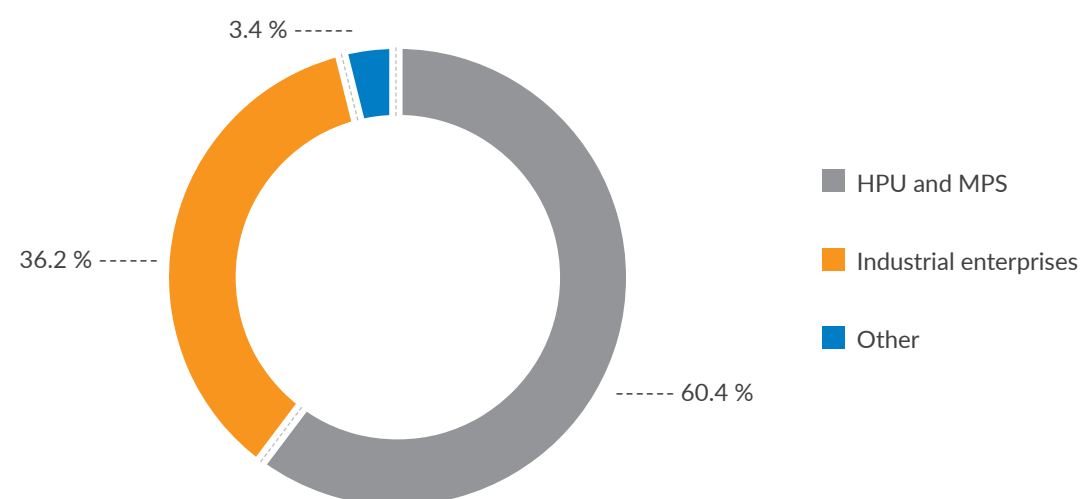
Thermal energy is sold by JSC "OGK-2" using three types of agreements:

- an agreement for supply of heat energy in hot water for a closed system of hot water supply (hot water supply for heating support);
- an agreement for supply of heat energy in hot water for an open system of hot water supply;
- heat power supply in the form of steam for enterprise process needs.

Competitive position of JSC “OGK-2” power plants in regional heat markets

	Heat Supply Zone	Market Share, %	Major Competitors
Surgutskaya GRES-1	Surgut, Tyumen region	44 %	JSC "UNIPRO" (Surgutskaya GRES-2); boilers of Surgut
Ryazanskaya GRES	Novomichurinsk, Ryazan region	100 %	–
Cherepovetskaya GRES	Kadui settlement, Vologda region	70 %	–
Stavropolskaya GRES	Solnechnodolsk settlement, Stavropol Territory	100 %	–
Adlerskaya TPP	Blinovo residential district, Imereti lowland, Krasnodar territory	100 %	–
Kirishskaya GRES	Kirishi, Leningrad region	100 %	–
Pskovskaya GRES	Energetikov residential district, Dedovichi settlement, Pskov region	100 %	–
Troitskaya GRES	Troitsk, Chelyabinsk region	86 %	–
Serovskaya GRES	Energetikov and Pristantsionny settlements, Sverdlovsk region	100 %	–
Novocherkasskaya GRES	Donskoy settlement, Novocherkassk, Rostov region	100 %	–
Krasnoyarskaya GRES -2	Zelenogorsk, Krasnoyarsk territory	93 %	–

Structure of useful heat output by consumer types



The net supply of heat energy to consumers in 2016 totaled 6,452.3 thousand Gcal of hot water and steam, 335.5 thousand Gcal lower than in 2014 and 264.7 thousand Gcal higher than in 2015. Higher

heat supplies in 2016 are due to colder weather conditions in the areas where JSC “OGK-2” branches operate.

Heat tariffs, rubles per Gcal (excluding VAT)

	2014	2015	2016
Surgutskaya GRES-1	387.9	387.6	391.2
Ryazanskaya GRES	952.1	1,187.2	1,323.1
Kirishskaya GRES	843.8	881.4	910.5
Stavropolskaya GRES	1,113.9	1,161.4	1,199.6
Troitskaya GRES	621.2	694.6	743.5
Novocherkasskaya GRES	1,343.3	1,370.5	1,468.3
Krasnoyarskaya GRES-2	497.8	502.4	497.3
Cherepovetskaya GRES	881.6	994.9	1,047.8
Serovskaya GRES	716.6	766.6	837.1
Pskovskaya GRES	1,138.2	1,182.9	1,261.6
Adlerskaya TPP	865.4	2,043.7	2,912.4
Total	682.2	736.8	779.8

Revenues from the sale of heat energy, million rubles (excluding VAT)

	2014	2015	2016
Surgutskaya GRES-1	636.0	597.9	637.1
Ryazanskaya GRES	142.2	149.2	194.6
Kirishskaya GRES	2,618.0	2,437.0	2,546.7
Stavropolskaya GRES	66.2	69.9	71.4
Troitskaya GRES	222.7	229.7	259.4
Novocherkasskaya GRES	80.1	78.8	83.0
Krasnoyarskaya GRES -2	494.0	473.5	509.3
Cherepovetskaya GRES	92.4	89.5	101.6
Serovskaya GRES	57.7	53.7	61.0
Pskovskaya GRES	52.8	49.6	57.6
Adlerskaya TPP	168.5	330.3	509.9
Total	4,630.5	4,559.1	5,031.7

Market for System Reliability Ensuring Services

Decree of the Government No. 117 dated March 3, 2010 defines the types of services that ensure system reliability, the rules for their provision and mechanisms for the formation of prices as well as the procedure for the selection of subjects of the electric power industry and electricity consumers that provide such services.

Functions in the field of selection of subjects of the electric power industry that provide system reliability ensuring services, conclusion of agreements with such subjects and payment for services, and coordination of

system services market participants have been assigned to Joint-Stock Company «System Operator of the Unified Energy System» (JSC «SO UES»)

On behalf of JSC “OGK-2”, system reliability ensuring services in 2016 were provided by Stavropolskaya GRES, Surgutskaya GRES-1 and Pskovskaya GRES. JSC “OGK-2” revenues earned in the market for system services in 2016 totaled 83,920.49 thousand rubles (excluding VAT).



2. DEVELOPMENT PRIORITIES

The strategic goal of JSC “OGK-2” is determined by the need to improve the effectiveness of the Company’s work in order to enhance its business value. Improving the efficiency of the Company’s work must be directed at the formation of its economic potential that provides the ability to upgrade the generating capacity of the Company.

2.1. JSC “OGK-2” Mission and Development Priorities



Mission of JSC “OGK-2”

The business of JSC “OGK-2” consists in generating energy, which enhances the life of today’s and future generations. We implement innovative solutions to ensure efficient use of resources and energy supplies to the Russian regions.

- We strive to ensure long-term business growth and build up JSC “OGK-2” into a leading energy company.
- We look after our shareholders’ interests by increasing the Company’s profitability and capitalization.
- We act as a reliable partner in the energy markets and strive to establish long-term, mutually beneficial cooperation.
- We use R&D results to implement new technologies for the generation of energy for households, businesses and the country.
- We provide for the professional and creative development of our people integrating our efforts with talent to ensure the company’s leadership in the market.
- We are committed to environmental excellence and endeavor to minimize adverse effects on the environment.
- We see our company as a major heating and electricity business exerting significant economic influence on society.

Given the current market situation as well as the current stage of active construction of new generating capacity in the short term, the objectives of JSC “OGK-2” are set to focusing on increasing the

profitability, efficiency, and competitiveness of the Company. Strategic objectives of JSC “OGK-2” are allocated to four main areas:



1. OPTIMIZATION OF COSTS AND INCREASE IN EFFICIENCY IN ORDER TO ADAPT TO CHANGING MARKET CONDITIONS:

- fuel efficiency and optimum capacity utilization;
- optimization of operating and investment costs;
- improvement of efficiency of work involving equipment support;
- capacity short delivery reduction;
- search for and development of new activities that use the existing assets;
- optimization of inventories of raw and consumable materials;
- implementation of R&D results and proposals on optimization of all the activities on the part of the Company’s employees.



2. INCREASED PRODUCTION SAFETY AND RELIABILITY LEVELS:

- implementation of regular inspections of the technical condition of the equipment as well as servicing, maintenance and repair work;
- preventive measures to minimize risks of accidents and equipment operation reliability improvement;
- IT infrastructure modernization to improve its functioning reliability and ensure guaranteed continuity of critically important business processes;
- implementation of a special assessment of working conditions, medical examinations of employees, and briefing of members of the personnel in the field of safe methods of work;
- close cooperation in the matters of provision for security as well as development of response measures for emergencies jointly with the Ministry of Emergency Situations of the Russian Federation, emergency services in the cities, towns, and settlements wherein power facilities are situated, medical and non-governmental organizations as well as grid and other generating companies.



3. CONSTRUCTION OF AN OPTIMAL STRUCTURE OF PRODUCTION CAPACITIES:

- renewal of fixed assets: reconstruction and upgrade of existing generating and auxiliary equipment and replacement of worn-out power equipment;
- improvement of the technical and economic parameters of power units;
- decommissioning of inefficient capacities;
- sale of non-core assets.



4. STABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

- introduction of new highly efficient and environmentally friendly technologies;
- rational use of fuel resources in the course of generation and transmission of electric and heat energy;
- standardization and voluntary certification of industrial waste (ash and slag waste) to be resold and used again;
- development of profiles of professional knowledge, skills and know-how for the key positions and introduction of professional standards of staff qualification;
- promotion of the new Policy for occupational safety and improvement of a culture of safe behavior at the place of production;
- improvement of a level of social protection of staff by promoting different mechanisms of personal insurance, including programs of Non-State Pension Schemes (NPS);
- formation of an open dialogue with suppliers of material and technical resources (MTR), creation of a list of honest counterparties.

Key Performance Indicators (KPI)

A key tool for improving the efficiency, the motivation, and the control of achieving both short- and long-term strategic objectives of the Company is a system of key performance indicators (KPI). It helps focus the members of the personnel of the Company on the terms that are crucial for successful operation and development of the Company and serves as a strong incentive to achieve the Company's strategic goals. The KPI system has been developed on the basis of the system of establishing and decomposition of objectives according to the SMART principle:

- Specific - specific for the subdivision / employee;
- Measurable - measureable, quantifiable;
- Achievable - achievable, realistic;
- Relevant - relevant, topical, and important;
- Time-based - with a deadline established for the objective.

The scheduled KPI values that are expressed quantitatively and qualitatively (with an indication of the target limits and multipliers) are approved annually by the Board of Directors of JSC "OGK-2". They then form the basis for the updated system of material incentives for top managers of the Company.

The target KPI indicators for 2016 were approved by the Company's Board of Directors in October 2016 (Minutes No. 156 of the Board of Directors meeting dated October 06, 2016).

The KPI system for 2016 paid special attention to indicators in the current strategic objectives of the Company:

- indicators aimed at improving production safety - 2;
- production indicators - 4;
- sales activity indicators - 4
- economic indicators - 5;
- procurement performance - 2;
- safety indicators - 2;
- accounting evaluation indicators - 3
- indicators of project implementation outside CSA - 1.

Every year, the Company's KPI system is formed by the indicators that are based on the strategic objectives of the Company, its current business plans, and operational objectives. In accordance with the above, KPIs are divided into three groups of indicators (strategic, operational, and project) and are included in the framework of responsibility of the heads of various functional subdivisions with different weights.

As compared to 2015, in 2016 the annual and quarterly operating KPI did not include the indicator "Reformation of a block for investing activities and implementation of control points of priority CSA" as a result of completing construction of new facilities within the CSA compulsory program. It was replaced with the indicator "Deviation from deadlines of implementation of other projects outside CSA".

Furthermore, in 2016 the weight of the quarterly operating indicator "Deviation from the repair cost plan" increased by 20% in the senior management KPI as a result of the falling weight of the indicator "Production reliability (reliability coefficient)". At the same time, the weights of the strategic indicators "Production safety" and "Power supply capacity (power short delivery ratio)" were increased in the KPI sets of the senior management and the general director: by 3.4% both. The latter was done by reducing the weight of the strategic indicator "Improvement of operating activities (EBITDA-margin)" by 3.4% in the KPI set of the senior management and by 6.7% in the KPI set of the General Director.

The use of the KPI system increases the employees' performance and provides the Company with an objective basis for the regular bonus system. The regular bonus system of the Company is absolutely understandable for employees and management and is dynamic, flexible, and allows for quick adjustments when changing objectives without the need to change the bonus mechanism. Evaluation of the effectiveness and the efficiency of activity of employees (the evaluation of KPI performance) is implemented in the annual and quarterly breakdown.

The KPI system covers the executives of the Company starting with the Director General and

the members of the Management Board and to the lower levels of management: performance evaluation and rewarding of managers and employees of the functional blocks of the Executive Office as well as certain categories of senior officials of the branches on the basis of the KPI of the Company's top managers. KPIs of other employees are focused on the implementation of objectives of structural subdivisions and individual goals and objectives.

The Company regularly monitors the KPI achievement, analyses the number and quality of indicators, achievability target values and efficiency of activities of managers and personnel.

On the basis of the evaluation of achievement of the set target indicator values, the Director General performs an analysis of the effectiveness of the current operating and design activities, which serves as the basis for management decisions.

Reports on achievement of quarterly and annual KPI of senior managers are submitted by the Company's General Director for consideration to the Company's Board of Directors. Approval of a report on KPI achievement by the Board of Directors entitles senior managers to a quarterly and annual bonus for achievement of planned (target) KPI indicators.



ANNUAL KPI	Management of the scope of activities that is responsible for the KPI	Weight of the indicator in the set of top-level management	Weight of the indicator in the set of the Director General
STRATEGIC			
Net margin;	All	Zeroing	Zeroing
Industrial safety (the coefficient of frequency of fatal accidents, the frequency rate of accidents with loss of working hours);	All	15%	30%
Ability to supply the necessary capacity (the factor of capacity short supply);	All	15%	30%
Increase of the operational efficiency (the EBITDA margin).	All	10%	20%
OPERATIONAL			
Production reliability (availability factor);	Production	Zeroing	10 % * (average percentage of implementation of the zeroing annual operating performance of Deputy General Directors in the areas)
Deviation from the repair operations costs plan;		20%	
Deviation from the deadlines for implementation of other projects outside CSA;		20%	
The ratio of debt and earnings before interest expense, taxes, depreciation, and amortization;	Economics and finance	Zeroing	
Specific controlled costs;		30%	
The weighted average effective interest rate for new debt financing;		10%	
Marginal income from the sales of electric power;	Energy markets	Zeroing	
The level of payment for the supplied energy;		20%	
Compliance with fuel stocks;		20%	
Implementation of the annual comprehensive procurement program (effectiveness of implementation of procedures);	Competitive procurement management	Zeroing	
Inventory management;		40%	
Absence of instances of occurrence of civil liability for the damage caused to private individuals and legal entities as well as to the state as a result of commission of an illegal intervention in the secured facilities of the Company branches;	Corporate veil	Zeroing	
Absence of cases of non-compliance with the established regimes as well as failure to adopt the necessary measures for the timely detection of facts and prerequisites for material damage;		40%	
Amount of penalties and fines imposed by the supervision authorities, including the tax inspectorate;	Accounting	Zeroing	
Compliance with the reporting deadlines;		20%	
Absence of operational errors in accounting and tax reporting.		20%	
PROJECT-BASED			
Performance of the basic features of the Operational Efficiency Improvement Program approved by a decision of the Board of Directors in respect of the activity.	All	20%	10%
TOTAL BASED ON ANNUAL KPIS	100%	100%	100%

QUARTERLY KPI

OPERATIONAL			
Deviation from the repair operations costs plan;	Production	50%	100% * (average percentage of implementation of the quarterly operating performance of Deputy General Directors in the areas)
Production reliability (availability factor);		50%	
The ratio of debt and earnings before interest expense, taxes, depreciation, and amortization;	Economics and finance	100%	
Marginal income from the sales of electric power;	Energy markets	100%	
Implementation of the annual comprehensive procurement program (effectiveness of implementation of procedures);	Competitive procurement management	100%	
Absence of instances of occurrence of civil liability for the damage caused to private individuals and legal entities as well as to the state as a result of commission of an illegal intervention in the secured facilities of the Company branches;	Corporate veil	100%	
Amount of penalties and fines imposed by the supervision authorities, including the tax inspectorate.	Accounting	100%	
TOTAL BASED ON QUARTERLY KPIS	100%	100%	100%

2.2. Investment Program and Its Execution

In the course of implementing investment projects involving construction of generation facilities, as part of performing obligations under Capacity Supply Agreements (CSA), in 2016 JSC "OGK-2" launched power unit No. 10 of the Troitskaya GRES

(Launch complex No. 1) and power unit No. 9 of the Novochoerkasskaya GRES (Launch complex No. 1) in the wholesale market for electricity and power (WMEP).



In early 2016, the structure of implemented investment projects under CSA was changed – according to Decree No. 132-r dated February 02, 2016 of the Government of the Russian Federation: construction of unit No. 10 (420 MW) of the Serovskaya GRES of JSC "OGK-2" was replaced with construction of unit No. 12 (420 MW) of the Verkhnetagilskaya GRES of JSC "Inter RAO – Elektrogeneratsia".

Investment projects in the framework of CSA completed in 2016

Date	Facility	Increase in Capacity, MW	Comment
06/30/16	Power unit No. 10 of the Troitskaya GRES	660 MW	Construction of the 1st launch complex was completed and the facility was commissioned. On June 06, 2016, Permit No. 74-RU74312000-71-2016 to put the facility into operation was issued by the Troitsk Administration of the Chelyabinsk Region. On June 30, 2016, Report No. 29-28/289-8-2016 was obtained stating that the built capital construction facility meets the requirements of technical regulations and design documentation (ROC). On July 01, 2016, power unit No. 10 of the Troitskaya GRES was included in the Register of actual parameters of generating equipment of the wholesale market players.
05/19/16	Power unit No. 9 of the Novochoerkasskaya GRES	330 MW	Construction of the 1st launch complex was completed and the facility was commissioned. On May 18, 2016, Permit No. 93-15 of the North-Caucasian Office of Rostekhnadzor was issued to allow operation of the power installation "Construction of power unit No. 9 using SCC technologies of the 1st launch complex" as well as Report No. 28-249-25 dated May 19, 2016 stating that the built capital construction facility meets the requirements of technical regulations and design documentation (ROC). KS-14 was signed on May 19, 2016. On June 01, 2016, power unit No. 9 of the Novochoerkasskaya GRES was included in the Register of actual parameters of generating equipment of the wholesale market players.

In 2017-2018, the Company plans to complete work and put into operation Launch Complex No. 2 of the Troitskaya GRES, Launch Complex No. 2 of the Novochoerkasskaya GRES, and also participate in investment projects under CSA implemented at the expense of the Gazprom Energoholding Group. In

particular, one of such projects includes construction of the Groznenskaya TPP where GEKH Engineering LLC, a subsidiary of Gazprom Energoholding LLC, acts as the Investor and the Customer.



Since November 2015, priority investment projects (CSA projects) of JSC "OGK-2" have been implemented by GEKH Engineering LLC pursuant to Agreement No. 22-01/15-1135 dated December 07, 2015 between JSC "OGK-2" and GEKH Engineering LLC for services of managing investments and capital construction and in accordance with general power of attorney No. D2101-15-380 dated November 03, 2015.

Progress of Investment Projects under CSA

Entering the wholesale electricity and capacity market, which took place in 2015-2016, and planned for 2017-2018, MW (capacity increase under CSA)

Power station	Equipment	Commissioned		Planned to be commissioned	
		2015	2016	2017	2018
Troitskaya GRES	STU-660	-	660.0	-	-
Serovskaya GRES ²	CCGT-420	420.0	-	-	-
Novochoerkasskaya GRES	STU-330	-	330.0	-	-
Ryazanskaya GRES	CCGT-330	60.0	-	-	-
Groznenskaya TPP	2 * CCGT-180	-	-	-	360.0 ³

Financing of investment projects implemented under CSA in the reporting year, including VAT

Project	As of December 31, 2016 excluding capitalizing interest		Financing, million rubles		
	Anticipated project value, million rubles	Financed as of December 31, 2016, million rubles	2015 (actual)	2016 (actual)	2017 (plan)
COMMISSIONED BEFORE 2016					
Facility No. 2 (CCGT -420) Serovskaya GRES	23,579.3	23,180.1	5,145.3	1,372.2	398.6
Facility No. 5 (STU-330) Ryazanskaya GRES	6,810.6	6,710.9	1,601.0	534.1	-
COMMISSIONED IN 2016					
Facility No. 1 (STU-660) Troitskaya GRES	59,614.7	53,487.7	8,406.9	7,424.7	6,099.1
Facility No. 2 (STU-330) Novochoerkasskaya GRES	37,483.9	35,755.5	6,989.0	3,590.0	1,449.4

² Construction of power unit No. 10 at the Serovskaya GRES (420 MW) was suspended by Decree of the Government of the Russian Federation No. 132-r dated February 02, 2016. The project has been transferred to Verkhnetagilskaya GRES (power unit No. 12).

³ The facility is financed by the Gazprom Energoholding Group.

Project	As of December 31, 2016 excluding capitalizing interest		Financing, million rubles		
	Anticipated project value, million rubles	Financed as of December 31, 2016, million rubles	2015 (actual)	2016 (actual)	2017 (plan)
TRANSFERRED TO VERKHNETAGILSKAYA GRES OF JSC «INTER RAO - ELECTROGENERATSIYA»					
Facility No. 3 (CCGT -420) Serovskaya GRES	3,706.0	3,706.0	162.0	10.9	-
FINANCED BY THE GAZPROM ENERGOHOLDING GROUP					
Facility No. 6, 7 (2 CCGT-180) Groznskaya TPP	26,780.0	1,049.9	446.4	238.2	14,192.3
Total	157,974.5	123,890.1	22,750.6	13,170.2	22,139.4

Brief Description of the Investment Projects Whereunder New Facilities Were Commissioned in 2016

1. TROITSKAYA GRES. CONSTRUCTION OF STU-660 POWER UNITS (STATIONS NO. 10, 11)

The Project includes construction of:

- Launch Complex No. 1 in the volume of power unit No. 10 of the Troitskaya GRES with single installed electrical power of 660 MW;
- Launch Complex No. 2, including facilities technologically associated with Launch Complex No. 1, but not impacting its safe and accident-free operation, and also the infrastructure of power unit No. 11 of the Troitskaya GRES.

At present, construction of power unit No. 10 of the Troitskaya GRES (in the volume of Launch Complex No. 1) has been completed; work is carried out at the facilities of Launch Complex No.2, including work relating to the administration building (AB), the desulfuration system. The second launch complex is scheduled to be put into operation in Q4 2017.

Since July 01, 2016, power unit No. 10 has been a capacity market entity certified by JSC «SO EES» with the following parameters:

Installed electric capacity (MW)	660
Available capacity, MW	633.022
Lower range limit, MW	395
Load gathering rate, MW/min	6.7
Load dropping rate, MW/min	6.6

Power unit No. 10 at Troitskaya GRES



2. NOVOCHERKASSKAYA GRES. CONSTRUCTION OF THE POWER UNIT NO. 9 (330 MW) WITH THE USE OF THE CFB TECHNOLOGY

The project envisaged the construction of buildings and structures on the existing territory, which provide for the implementation of the technological process, inclusive enlarging the main building, enlarging the coal warehouse, as well as building additional technological infrastructure for the plant, including construction of cooling towers and new fuel feed tunnels.

At present, construction of power unit No. 9 of the Novocherkasskaya GRES as part of Launch Complex No. 1 has been completed, the facility has been put into operation, work is carried out at Launch Complex No. 2 including (in particular) beautification work, in-site motor roads construction, retrofitting and necessary improvement of the facility.

The branch of JSC “FSK EES” – MES Yuga has signed a certificate on the implementation of the first

phase of the technical conditions for technological connection of electricity-generating facilities of the Novocherkasskaya GRES branch of JSC “OGK-2” to electrical power networks. For the testing purposes, the programs for remarking the power unit, testing the power unit in a mode of marking with an effect of underfrequency inslanding system on the load of electrical own needs, testing readiness of participation in the total primary frequency regulation have been developed and approved by JSC “SO EES” of the IDO of the South and the Rostov RDO.

After completion of the work at the second launch complex, and after retrofitting the facility and guarantee tests, the facility is planned to go through a final acceptance procedure and the project final completion is scheduled before June 30, 2017.

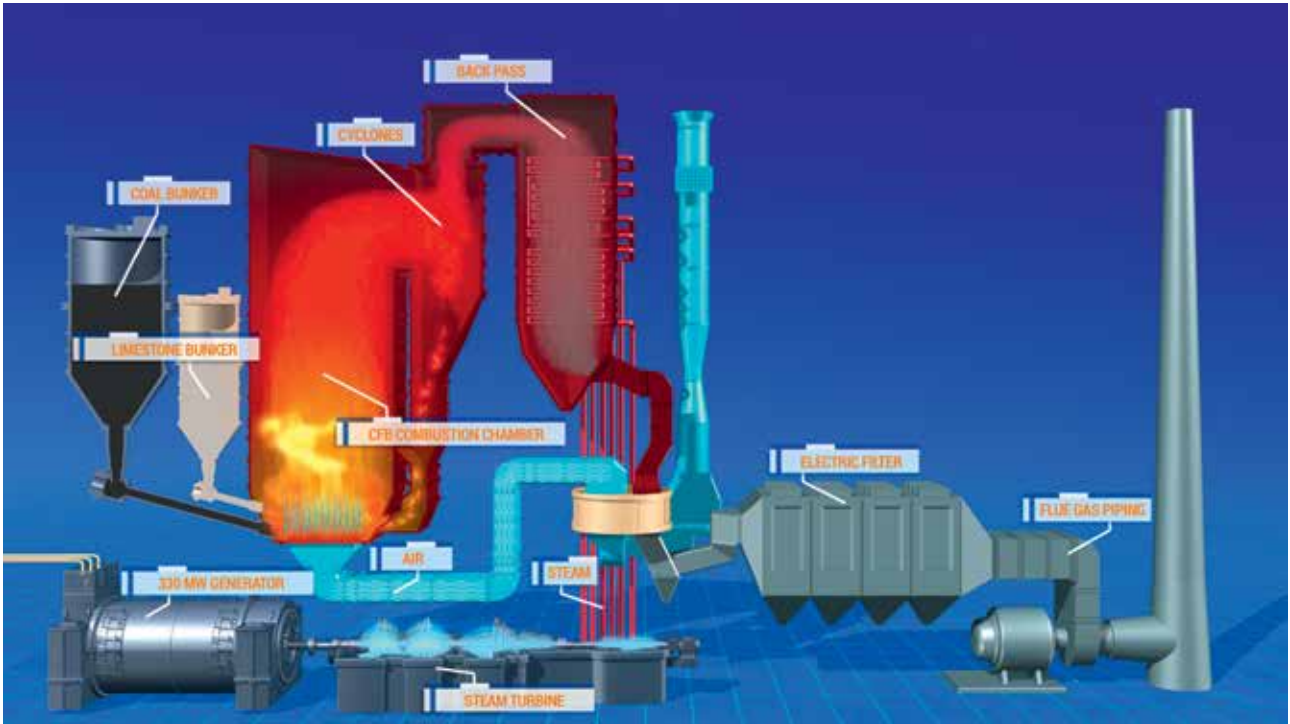
Since June 01, 2016, power unit No. 2 has been a capacity market entity certified by JSC “SO EES” with the following parameters:

Installed electric capacity (MW)	324.0
Available capacity, MW	299.072
Lower range limit, MW	194.0
Load gathering rate, MW/min	2.9
Load dropping rate, MW/min	3.0



The schematic operation diagram of a boiler with a circulating fluidized bed: the bed material is put in suspension (the so-called «fluidized bed») by blowing air through the bed material lying on the grate (air distributor). At high air speeds the bed expands and some particles of the bed along with the unburned fuel particles are carried away from the bed by the departing gas. The largest particles of those carried away are separated by a cyclone and returned to the fluidized bed resulting in the most complete fuel consumption possible. The velocity of the air is approximately 5 m/s. Fuel is burned at a base temperature of 850–900 °C, as opposed to 1,600 °C in standard coal-dust boilers, which allows for a sharp reduction in NOx emissions.

The schematic operation diagram of a boiler with a circulating fluidized bed



Novocherkasskaya GRES



Brief Description of Investment Projects Whereunder the Commissioning of New Facilities is Scheduled for 2017–2018

1. SEROVSKAYA GRES. CONSTRUCTION OF THE POWER UNIT NO. 10 (CCGT-420)

Decree of the Government of the Russian Federation No. 132-r dated February 02, 2016 introduced changes to the list of generating facilities that will be used to supply power under power supply agreements. Facility No. 3 (CCGT-420) of the Serovskaya GRES was replaced with unit No. 12 of the Verkhnetagilskaya GRES; the commissioning schedule remained the same: November 01, 2017. Implementation of project “Facility No. 3 (CCGT -420)”. Serovskaya GRES was suspended.

2. GROZNENSKAYA TPP. CONSTRUCTION OF POWER UNITS NO. 6, 7 (2*CCGT-180)

The construction of Groznenskaya TPP is provided for by Decree No. 1485-r of the Government of the Russian Federation «On Approval of the Strategy of Socio-Economic Development of the North Caucasus Federal District until 2025» dated September 06, 2010 and Decree of the Ministry of Industry and Energy of the Chechen Republic No. 94-p «On Approval of the Capacity Development Program and Scheme for the Power Sector of the Chechen Republic for 2015-2019» dated October 28, 2014.

Decree of the Government of the Russian Federation No. 238-r dated February 16, 2015 introduced Groznenskaya TPP into the list of generating facilities that will be used to supply capacities under Capacity Supply Agreements concluded with JSC “OGK-2”. According to this decree, the Company plans to put into operation the Groznenskaya TPP consisting of two gas turbine plants (GTP) with a total capacity of 360.0 MW by the end of 2018 with the power supply commencement date of June 30, 2018 and December 31, 2018, respectively.

The functions of the Investor and the Ordering Customer of construction of the Groznenskaya TPP have been entrusted to LLC GEH Engineering, which is a subsidiary of Gazprom Energoholding LLC. JSC “OGK-2” has been selected as the operating organization of Groznenskaya TPP due to the Company’s vast experience in the field of operation of gas-fired plants in the Southern UPS (Stavropolskaya GRES and Adlerskaya TPP) and because the Company is a wholesale market entity (the holder of CSA).

The project provides for construction of the GTP on a cleared territory of former TPP-3 based on two gas turbine plants (1st phase of construction) and then the TPP extension by installing steam recovery boilers and steam turbine plants (2nd phase of construction).

The design calls for the installation of gas turbines in the gas turbine building. Construction is expected to be implemented in stages starting with the release of startup complexes, each of which will be composed of one gas turbine unit.

The total capacity of the new power plant from two GTP must reach 360.0 MW. The first power unit with the capacity of 173.4 MW shall be commissioned by 06/30/18; the second, by 12/31/18.

Implementation of the project will provide electric power to consumers of the Chechen Republic, reduce the energy shortage in the region, expand the product sales market while ensuring the profitability from its implementation in terms of the coverage of increasing electrical loads.

Project technical and economic indicators

Number of hours of installed capacity use, hours	7,900
Installed electric capacity (MW)	360.0
Production of electricity, million kWh	2,844
Consumption for own needs, million kWh	85
Annual electricity output, million kWh	2,759
Specific consumption of the equivalent fuel for supplied electricity output, g/kWh	346

Overall view of the Groznensky TPP construction



Prospective view of Groznenskaya TPP



In January 2017, JSC “SO EES” agreed to amend the agency agreement implying modification of the generating equipment type: CCGT replacement with GTP (letter No. B31-II-3-19-138 dated January 11, 2017).

Earlier (as of December 31, 2016), approval report No. 1726-15/GTE-10329/02 dated December 18, 2015 was received from FAA “Glavosekperitiza Rossii” (No. in the Register 00-1-4-4584-15), the construction and architecture department of the Grozny Town Council issued Permit No. 20-RU20301000-093-2015 dated December 29, 2015 to build the Groznenskaya TPP capital construction facility. At present, due to changes in the generating equipment type, a package of documents is prepared to be sent for new expert evaluation and obtaining a new construction permit for updated parameters of the facility.

The following work has been completed on the site for the time being:

- construction of overnight facilities No. 1, 2, 3 and a canteen for 340 people of the temporary construction camp;
- installation of the foundation and construction of temporary roads in the temporary construction camp;
- installation of an enclosure of the site of administration buildings;
- installation of reinforced concrete slabs on the site of administration buildings;
- installation of outer water supply and sewage systems in the temporary construction camp;
- installation and start-up work at OSG-10 kW;
- installation of cable lines from PTS 1, 2, 3 and OSG-10 kW;
- installation of external HVL-10 kW for power supply to the TPP construction site;
- installation of cable routes of alarm systems from the temporary construction camp buildings, CP No. 2, 3, 4 of the canteen for 60 seats to checkpoint No. 1.

2.3. Retrofitting and Renovation of the Existing Facilities and R&D



One of the key strategic objectives of JSC “OGK-2” in 2016 and the coming years is the renewal of its fixed assets, which not only involves the construction of new facilities as part of completion of the CSA Program but also calls for retrofitting and renovation of existing generating and auxiliary equipment. In 2016, the Company continued its active operations in this area.

In 2016, the actual use of capital investments under the projects of retrofitting and renovation totaled 5,494,603.3 thousand rubles (5.5% more than in 2015), financing – 4,684,691.2 thousand rubles

(21.6% lower than in 2015). An amount of 4.5 billion rubles, VAT included, is planned for financing retrofitting and renovation of industrial facilities in 2017.

Implementation and financing of the program for retrofitting and renovation of the existing production capacity, thousand rubles

	2015	2016
	Financed, with VAT	Financed, with VAT
Surgutskaya GRES-1	795,551.5	1,018,779.8
Ryazanskaya GRES	269,557.7	418,370.1
Kirishskaya GRES	487,232.3	566,970.6
Stavropolskaya GRES	247,373.6	112,795.2
Troitskaya GRES	1,015,564.7	333,837.4
Novocherkasskaya GRES	368,192.7	577,555.4
Krasnoyarskaya GRES -2	514,351.2	483,879.1
Cherepovetskaya GRES	2,111,531.1	97,947.0
Serovskaya GRES	29,962.6	561,394.0
Pskovskaya GRES	15,647.9	29,299.0
Adlerskaya TPP	48,892.2	7,823.0
Executive arm	71,194.6	476,040.6
Total	5,975,052.1	4,684,691.2

The most significant projects completed in 2016 as part of the Retrofitting and Renovation Program include the following:

SURGUTSKAYA GRES-1

Retrofitting the feeding and de-aeration plant No. 9 of the power unit with the replacement of the feeding pump

- lower energy use (by excluding exchanges in the feed circuit);
- higher reliability of work by optimizing the combination of impeller blades and guide blades, increasing the life of the pump between overhauls;
- elimination of possible fines due to the limitation on maintenance of the electric load according to the performance and operations schedule.

Retrofitting the gas supply system at power units No. 1, 8

- improvement of environmental friendliness of boiler equipment by reducing nitrogen oxide emissions;
- improvement of boiler No. 1 efficiency by installing a high-speed fume analysis system (FAS) with optical sensors behind smoke exhausters.

Retrofitting boiler units with installation of masonry from ceramic fiber cardboard with replacement of pipes of the furnace heating surfaces (units 3, 8, 9, 12).

- reduction in heat loss with masonry surfaces, improvement of reliability and longer equipment life between overhauls;
- reduction in specific fuel consumption for electricity generation.

RYAZANSKAYA GRES

Construction of a defrosting device with infrared heating elements "Infrasib"

- significant minimization of expenses associated with costs of defrosting wagons with coal in winter;
- higher wagon unloading speed.

KIRISHSKAYA GRES

Ball cleaning system of the condenser of the turbine at power unit No. 6

- improvement of efficiency by reducing resistance of the circulation water supply system, increasing the vacuum in the condenser of the turbine in keeping the cooling surface of the condenser clean via ball cleaning.

STAVROPOLSKAYA GRES

Retrofitting the local area network (LAN) and the communication hub

- improvement of efficiency of managing the technological process of the plant's operation, improvement of reliability and safety of production by warning the staff in case of accidents and emergencies.

KITSO power supply system modernization

- improvement of reliability of the KITSO equipment operation as a result of power reservation by installing uninterruptible power supply units.

TROITSKAYA GRES

Reconstruction of the fire alarm system of the plant's facilities

- protection against fire, compliance with the fire safety legislative requirements.

Reconstruction of a defrosting device of wagon dumber No. 4

- significant minimization of expenses associated with costs of defrosting wagons with coal in winter;
- higher wagon unloading speed.

NOVOCHERKASSKAYA GRES

Reconstruction of the CEP of unit No. 5

- efficiency improvement as a result of reducing the use of electricity for own needs and circulation water use, increase in the pump performance coefficient.

Retrofitting TG-1

- ensuring the best turbine performance;
- ensuring trouble-free and economical operation for extended periods of time.

KRASNOYARSKAYA GRES -2

Modernization of main ejectors (units 1, 2, 4, 6, 7)

- performance efficiency by increasing the vacuum in the condenser of the turbine.

Reconstruction of the CMS of power unit No. 1 with transfer to the automatic process control system

- ensuring a possibility of automated management of the technological process of the electricity output with pre-determined quantity and quality;
- improvement of efficiency, reliability, and longevity of equipment as a result of reducing the intensity of accidental fluctuations of the technological process parameters.

CHEREPOVETSKAYA GRES

Installation of a metering station of waste water through outlet No. 2

- efficiency improvement by organizing instrumental metering of the volume of released waste water.

Renovation of the scheme of oxygen metering in released gas

- boiler performance improvement.

SEROVSKAYA GRES

Retrofitting the dry ventilation cooler at power unit No. 9

- ensuring reliable and trouble-free operation of the equipment.

PSKOVSKAYA GRES

Installation of electrical boilers for HWS

- efficiency improvement by reducing gas consumption per boiler.

ADLERSKAYA TPP

Installation of metal sites for convenient maintenance of the Adlerskaya TPP

- ensuring safe work of personnel.

Innovation and R&D

The electric power industry is a technologically complex and rapidly growing industry. In order to maintain its competitiveness, JSC "OGK-2", as well as other large electricity companies, needs to constantly improve the efficiency of production and to commission innovative equipment. An important role in this process is played by research and development (R&D). In 2016, the following innovative projects of branches were performed under the R&D program:

- Ryazanskaya GRES: "Improvement of the modes of operation of the desalination system equipment". As part of R&D, measures were developed permitting to optimize the costs of chemical reagents used in technological processes of feeding water preparation.
- Kirishskaya GRES: "Use of ion exchange resins of different manufacturers in chemical water treatment systems". As part of R&D, a possibility of using ion exchange materials of alternative manufacturers was researched, permitting to reduce operating expenses.
- Kirishskaya GRES: "Research into a strain and stress condition of heavy loaded basic parts of turbines, taking into account degradation of properties of metal at long operation so as to prevent their fragile destruction with preparation of recommendations for repair of bodies of the HPC, LPC, SV and RV of turbines No. 1T-6T of the TPP". This research permits to define localization of sites most dangerous in terms of fragile destructions, correct requirements for conditions of launching turbines and come up with repair technology, taking into account the actual condition of metal. As a result, the required level of reliability of turbines becomes possible for a long time period.
- Kirishskaya GRES: "Research into methods of improving modes of neutral points of the 6 kW united network "KiGRES-KINEF". An improved mathematic model was developed and is used to determine the conditions of protection and trial of algorithms of detecting damages.
- Adlerskaya TPP: "Research work aimed at conducting thermal and chemical tests of recovery

boilers and adjustment of the water and chemical regime". R&D resulted in development of the water and chemical regime (WCR) using a new amino containing reagent VTIAMIN, optimization of the volume and regularity of the WCR chemical control.

- Krasnoyarskaya GRES-2: "Evaluation of a possibility of using residual-free ignition (mechanic activation of coal and use of plasma jets) on boiler equipment of the Krasnoyarskaya GRES-2, taking into account specifics of work of boiler units, fuel preparation systems, grades of used solid fuel and its burning conditions". A possibility of organizing a residual-free ignition system with minimum technological and structural changes of the boiler unit was studied.
- Krasnoyarskaya GRES-2: "Development of technology and equipment for organizing residual-free ignition of the boiler: station No. 9B BKZ-420-140". At the first phase of R&D, an experimental burner with a control system and a heating system was developed and installed. The second phase implying the trial burner testing is scheduled for 2017.
- Stavropolskaya GRES: "Research into the effect of rigidity of the link of the stator core with an interim frame of turbine generator TGV-300 for the vibration condition of the generator with research and design monitoring of the generator at power unit No. 3". R&S results permitted to determine the dependence of the vibration level of the stator core on the condition of the suspension system and rigidity of the link of the frame with the generator stator core. Efficiency of the used experimental technology of toughening the stator suspension system was determined.
- Cherepovetskaya GRES: "Creation of a pilot system of cleaning exhausters of units No. 1, 2, 3 in action". The first phase of work was completed. The trial system technical project was developed at the first phase of R&D. The second phase implying the system installation and testing is scheduled for 2017.

2.4. Optimization of Costs and Efficiency Increase

In 2016, JSC "OGK-2» actively continued to improve the efficiency and to optimize all the activities of the Company. Main areas of activity were fuel supply, fuel usage, maintenance of production facilities, and distribution of loading equipment, repair, sales as well

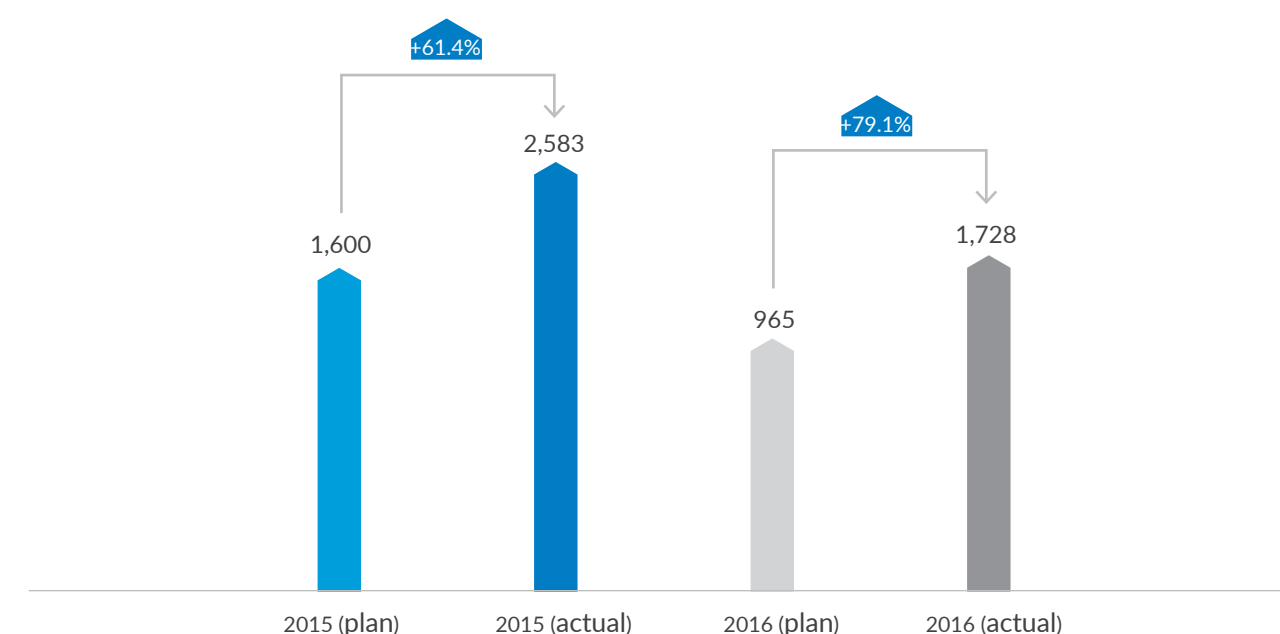
as financial and economic activities. The Company also encouraged its employees at all levels to seek innovations in the field of optimization of production activities and began to actively implement their innovative solutions.

Optimization of Costs and Increase in Efficiency

The Board of Directors of JSC "OGK-2" adopted the Operational Efficiency Improvement Program of JSC "OGK-2" for 2016 (Minutes No. 146 dated 04/18/16). The expected effect of the implementation of this Program on the Company's

EBITDA for 2016 at the time of its adoption was estimated at 965.2 million rubles. However, the result exceeded these expectations by more than 79.1% and was 1,728.0 million rubles.

Dynamics of the effect of implementing the Operating Efficiency Improvement Program on EBITDA at JSC "OGK-2", million rubles



In 2016, the Program encompassed over 800 measures aimed at improving efficiency of the Company’s key lines of business. The best effect was obtained from measures such as “Improvement of efficiency of electricity and capacity sales”, “Equipment structure optimization”, “Fuel use”, “Improvement of efficiency of equipment support works”.

In 2017, JSC “OGK-2” plans to keep on developing and expanding the Operating Efficiency Improvement Program. The key areas an emphasis will be placed on in choosing measures to be taken include:

- improving efficiency of equipment support work;
- power short delivery reduction;
- improvement of the technical and economic parameters of power units;

In order to control implementation of the Operating Efficiency Improvement Program, JSC “OGK-2” developed a system of control over measures aimed at efficiency improvement, introduced mechanisms of incentives and motivation. Best practices are promoted.

Infrastructure Opportunities for Power Plants for the Development of Small and Medium-sized Businesses as Well as for the Deployment of New Energy-intensive Industries

In 2016, JSC “OGK-2” continued promoting its new area of activities under the project “Opportunities for business” launched in 2015. Throughout 2016, JSC “OGK-2” power plants kept on presenting its technological and infrastructural capacities as platforms for developing small and medium-sized businesses. In summer 2016, it signed an agreement for installing the first resident in the territory of the Cherepovetskaya GRES: added-value wood processing. The new enterprise plans to start producing high quality wood linear articles in March 2017. This project implementation will increase supplies of electricity and heat at the Cherepovetskaya GRES and will make it possible to better realize the power plant’s potential for the benefits of the local economy.

To a large extent, this result was achieved thanks to the active participation of employees of all the structural subdivisions of the Company, including operating personnel of power plants, in the field of determining ways to optimize their work. In addition to the competition of professional skills and competitions of young professionals and innovators, which are traditionally held by JSC “OGK-2”, the new Regulation on Awarding the Participants of the Efficiency Project was introduced at the end of 2014, which provided for awarding the employees who suggested ideas to improve existing production and management processes in the Company. This has allowed creating a specialized database of Efficiency project proposals in the form of a bank of optimization ideas and innovations.

During the year, employees of JSC “OGK-2” filed a total of 4,520 proposals that permitted the Company to save money. 536 of them were introduced in 2016; the others will be used in the near future. Best proposals received are planned to be implemented in the future.

Power plants of JSC “OGK-2” feature a well-developed energy and logistic infrastructure. In this regard, the Company sees great potential in providing interested business structures with complex offers: area, production and storage facilities for accommodation of different types of industries, railway tracks with crane facilities, connectivity to power grids of various voltage classes, receipt of heat in the form of steam and hot water, process and chemically treated water, and other types of resources.

The Company hopes that this line of business will be an additional factor ensuring profitability of power plants.

Optimization of Inventories of Raw and Consumable Materials

Production stocks are the least liquid short-term assets. A large amount of raw materials and supplies not used in production are “frozen” funds that could be involved in the Company’s business activities. Optimization of the amount of warehouse stocks pursues a goal of increasing turnover of assets and reducing costs of maintaining storage facilities.

Sales of unclaimed MTR and recyclable waste are one of the ways of optimizing storage facilities that JSC “OGK-2” uses the most actively. In 2016,

the economic effect of selling unclaimed MTR and recyclable waste totaled 92.7 thousand rubles, excluding VAT.

In order to reduce the Company’s costs of maintaining warehouse facilities, an extensive program for optimization of the space of warehouses of the Company was implemented in 2016, which resulted in the release of warehouse space in the amount of 18.2 thousand sq. m.

2.5. Production Reliability Increase

Repairs and Maintenance of New Generating Capacities

A key focus of JSC “OGK-2” is the maintenance of fixed assets in good operating condition, their preparation for the possibility of a load and the provision of reliable and uninterrupted electricity supply to consumers at optimum labor and material costs for repairs and maintenance.

In 2016, the Company performed overhaul and

average repairs of 21 turbines with a total capacity of 5,013 MW and 32 boilers with the steam-generating capacity of 16,590 tons per hour as well as comprehensive current repairs. Besides, overhaul of boiler No. 4T at the Kirishskaya GRES, which started in 2015, was completed in March 2016; its steam output reaches 420 tons per hour.

Implemented and estimated costs for maintenance and repairs (excluding payroll expenses, social contributions, and service expenses of the new generation), million rubles.

	2014 (actual)	2015 (actual)	2016		2017 (plan)
			plan	actual	
Surgutskaya GRES-1	653.1	649.5	1,293.6	1,221.4	1,067.0
Ryazanskaya GRES	501.6	539.7	697.1	826.3	599.0
Kirishskaya GRES	361.1	373.8	513.4	469.9	495.3
Stavropolskaya GRES	302.5	405.0	504.6	517.2	589.7
Troitskaya GRES	518.6	507.5	393.6	349.6	440.0
Novocherkasskaya GRES	531.3	702.2	863.4	919.2	715.0
Krasnoyarskaya GRES -2	427.1	482.3	574.3	516.4	584.0
Cherepovetskaya GRES	243.6	262.1	357.7	261.9	258.0
Serovskaya GRES	77.1	77.8	79.4	72.7	60.0
Pskovskaya GRES	102.6	72.4	44.0	42.2	49.4

	2014 (actual)	2015 (actual)	2016		2017 (plan)
			plan	actual	
Adlerskaya TPP	105.2	19.6	17.2	7.9	-
Reserve of the Head Office	-	-	146.4	-	327.2
Total	3,823.8	4,091.7	5,484.7	5,204.7	5,184.6

In 2016, one of the key challenges was organization of service and maintenance of new generation facilities in a timely manner, which were the most efficient and technically complex yet.

In order to achieve these goals, the Company designed and implemented a series of organizational and technical measures aimed at timely provision of service maintenance and adoption of preventive measures to reduce the risks of occurrence of emergencies and to enhance reliability of the equipment.

As a result of the implementation of objectives and the provision for required criteria for security of energy supply and trouble-free and efficient operation of the equipment, the following operations were implemented as part of the service maintenance in 2016:

- small inspections of gas turbines of modern power units CCGT-420 with a total capacity of 840 MW of the Cherepovetskaya GRES and Serovskaya GRES;
- technically sophisticated inspections of the hot sections of gas turbines at Kirishskaya GRES, Adlerskaya TPP with the total capacity of 630 MW;
- organization of the service maintenance of power units STU-330 at the Novocherkasskaya GRES and STU-660 at the Troitskaya GRES commissioned in 2016.

The service maintenance of equipment of power units STU-330 at the Novocherkasskaya GRES and

STU-660 at the Troitskaya GRES was ordered to specialized organizations, which ensured a uniform set of measures and work for technical examination, detection and elimination of defects, failures and faults, planning and performance of technical maintenance and repairs of equipment based on the technical condition with supplies of necessary parts.

In addition, auxiliary equipment of the new-generation power units was maintained in a good operating condition.

The main strategic goals for the service maintenance in 2017 were to maintain reliable and trouble-free operation of main and auxiliary equipment of the new generation and entering into long-term contracts for service maintenance of an equipment of the new generation. Scheduled for 2017:

- inspection of the hot section of the gas turbine CCGT-420 of the Cherepovetskaya GRES;
- small inspections of CCGT-420 at the Serovskaya GRES and CCGT-180 at the Adlerskaya TPP;
- bringing into operation gas turbine GTD-110 of power unit No. 7 of CCGT-420 at the Ryazanskaya GRES upon plant repairs and organization of their subsequent service maintenance;
- ensuring timely service maintenance of equipment of steam power plants (SPP) of the new generation power units: No. 10 at the Troitskaya GRES (660 MW), No. 9 at the Novocherkasskaya GRES (330 MW), and No. 2 at the Ryazanskaya GRES (330 MW).

Implemented and planned costs of the service maintenance of the new generation, million rubles

	2014 (actual)	2015 (actual)	2016		2017 (plan)
			plan	actual	
Kirishskaya GRES	85.3	30.8	1,343.9	431.6	228.2
Adlerskaya TPP	166.3	1,018.0	1,224.6	1,301.0	265.1
Cherepovetskaya GRES	-	32.8	78.8	104.1	2,148.4
Serovskaya GRES	-	-	78.8	28.4	67.9
Novocherkasskaya GRES	-	-	80.0	29.8	150.0
Troitskaya GRES	-	-	100.0	44.9	127.4
Ryazanskaya GRES	-	-	-	-	100.0
Total	251.6	1,081.6	2,906.0	1,939.8	3,087.0

In 2016, the actual costs of service maintenance of CCGT-800 at the Kirishskaya GRES were much lower than estimated as a result of changing an approach

to keeping records of expensive parts (gas turbine blades) and also even distribution of repair costs for the future periods.

Improving Reliability of Operation of the IT Infrastructure

Another key area of development of JSC “OGK-2” in 2016 was the increase of reliability of functioning of the IT infrastructure in order to ensure a guaranteed continuity of critical business processes of the Company that provide for generation and sale of electricity. For this purpose, an active phase of the IT infrastructure modernization began in 2016. Apart from reliability improvement, unification and simplicity of subsequent support became the main priorities in modernizing the IT infrastructure. In 2016, as a result of the work carried out, the number of failures in operation of the IT infrastructure and

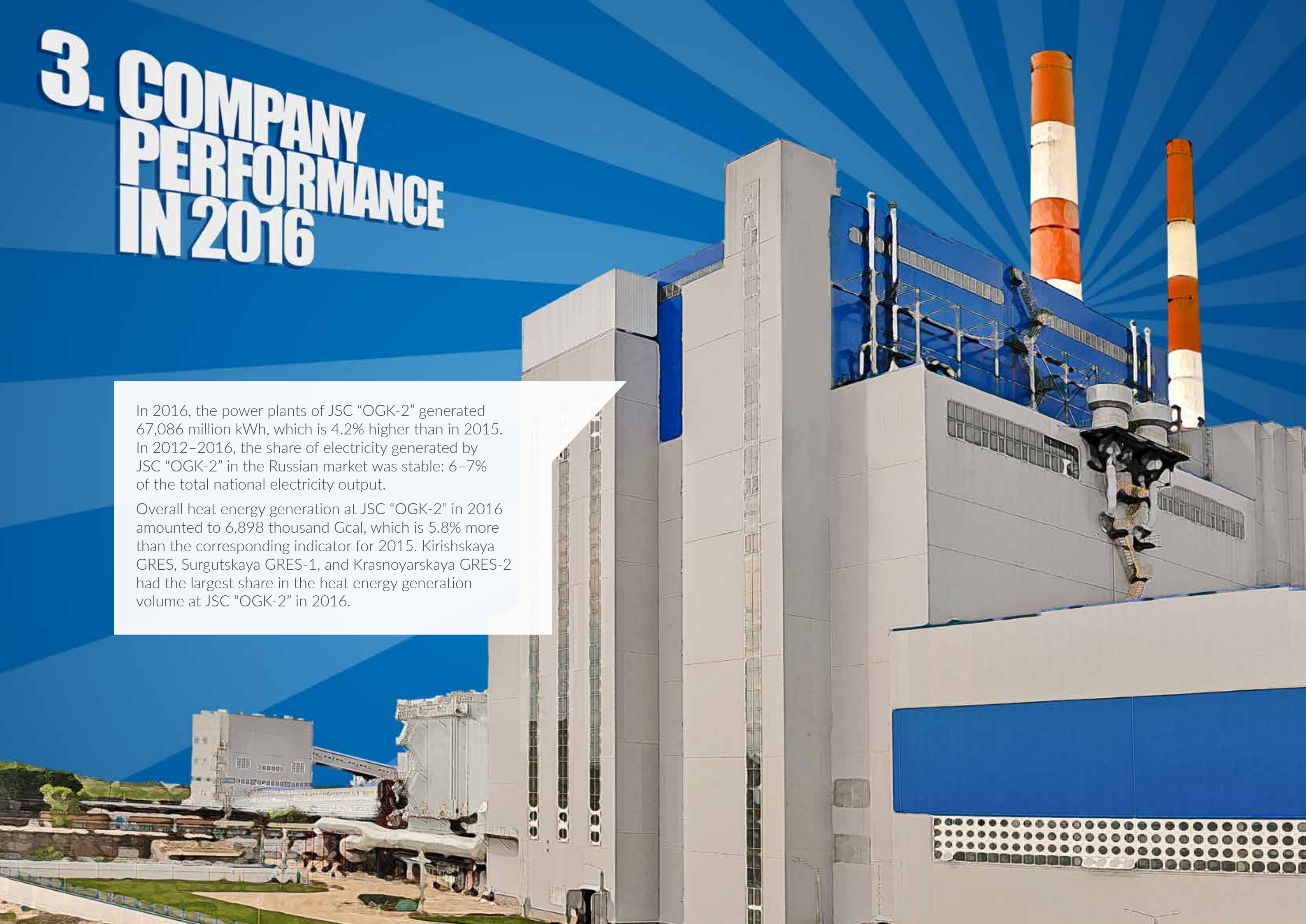
mass incidents relevant to them reduced, which had a good impact on performance of the Company's production subdivisions.

In 2017, improvement of the IT system reliability is planned to be continued under investment projects. The main emphasis will be placed on modernization of systems ensuring continuity of the Company's production processes and efficient work in the market (AMIS for ECA, TIES ASOS, ST&C, other systems of communications, information transfer, etc.).

3. COMPANY PERFORMANCE IN 2016

In 2016, the power plants of JSC “OGK-2” generated 67,086 million kWh, which is 4.2% higher than in 2015. In 2012–2016, the share of electricity generated by JSC “OGK-2” in the Russian market was stable: 6–7% of the total national electricity output.

Overall heat energy generation at JSC “OGK-2” in 2016 amounted to 6,898 thousand Gcal, which is 5.8% more than the corresponding indicator for 2015. Kirishskaya GRES, Surgutskaya GRES-1, and Krasnoyarskaya GRES-2 had the largest share in the heat energy generation volume at JSC “OGK-2” in 2016.





S. N. Popovskiy

Deputy Director General
for Economics and Finance

ADDRESS BY DEPUTY DIRECTOR GENERAL FOR ECONOMICS AND FINANCE

Dear Shareholders,

Industrial production has been slowing down in Russia since 2014. Despite the overall market conditions, however, the Company was able to obtain good financial and economic results. Thus, an increase in revenues from sales of products amounted to 19.8% as compared to the same period of 2015. This was achieved by choosing a weighted strategy of operation in the wholesale market for electricity and utilization of the most efficient generating facilities.

Total revenue in 2016, which took the sale of other products into account, totaled 134.3 bln rubles. The major share in the total revenue will be occupied by sale of electricity and capacities - 128.3 bln rubles (95.5% of the total revenues of the Company). The cost of generation and sales of the product with due consideration of administrative costs for 2016 amounted to 120.1 bln rubles.

In 2016, the Company received profit from sales of major products in the amount of 14.1 bln rubles. The level of profitability of sales of JSC "OGK-2" was 10.54%.

The Company's net profit totaled 3,496.7 million rubles according to the results of 2016, which is 16.5% higher than in 2015.

EBITDA in 2016 was at the level of 16,624.2 million rubles with EBITDA/margin being 12.4%.

The Company is implementing an Operational Efficiency Improvement Program, which includes activities aimed at optimizing key business processes (such as fuel usage, fuel supply, maintenance, marketing activities etc.).

In all these areas, specialized programs that are filled with specific activities are developed with control over their accomplishment and monitoring of the obtained effect.

In 2016, the Company's activities were characterized by completion of construction of CSA units: commissioning of STU-660 at the Troitskaya GRES and STU-330 at the Novocherkasskaya GRES based on the CCS technology. Commissioning of new units substantially increased the operational flow of the Company.

Total revenue in 2017, which took the sale of other products into account, totaled 131.8 bln. rubles. The sale of electricity and capacities will account for the major share in the total revenue of 120.8 bln. rubles (91.7% of the Company's total revenue). In 2017, the full net cost, including administrative expenses, is estimated at 121.5 billion rubles.

As compared to 2016, in 2017 JSC "OGK-2" will improve EBITDA to reach the level of 18,944 million rubles and EBITDA/margin to 14.4% by using a strategy of operation in the wholesale electricity market, utilizing the most efficient generating facilities, and improving cost efficiency.

3.1. Operational Indicators

In 2016, the generating operations of JSC "OGK-2" were not subject to any major disruptions, which ensured a stable operation of power plant equipment during the year and a reliable supply of heat and electricity to consumers.

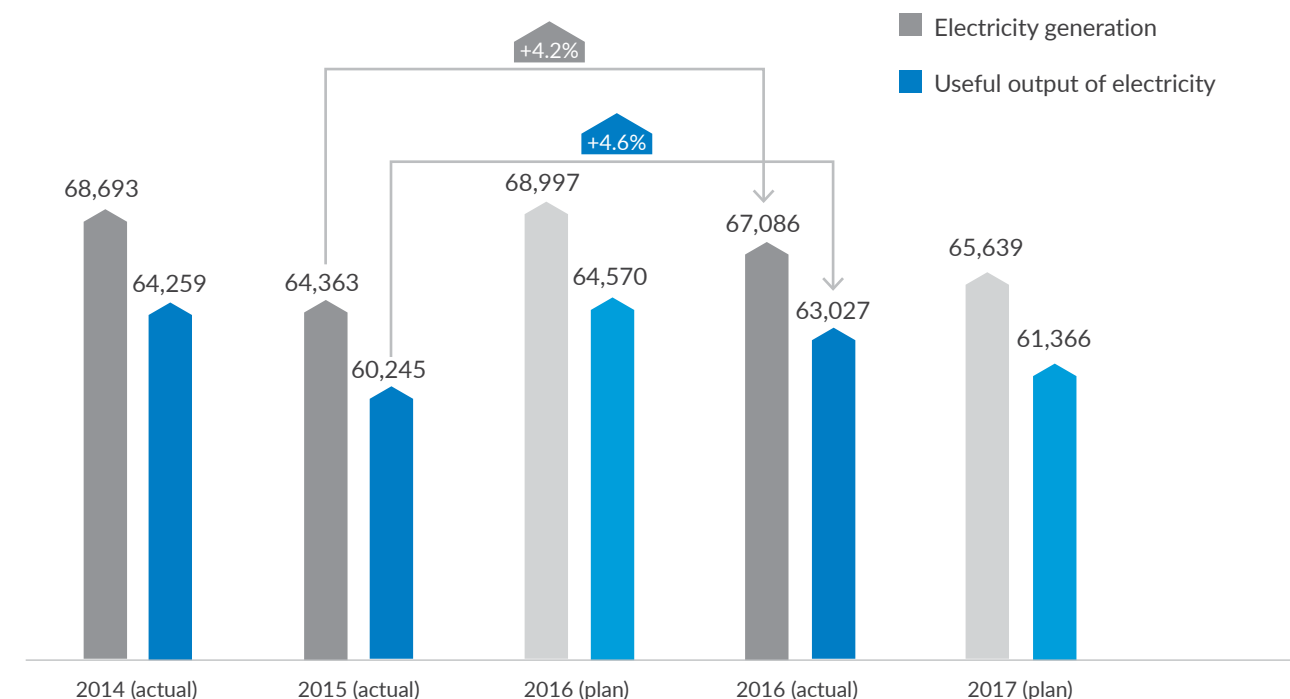
Key operational results for 2014-2016 and expected results for 2017

	2014 (actual)	2015 (actual)	2016		Change [%]	2017 (plan) ⁴
			plan	actual		
Electricity output, million kWh	68,693	64,363	68,997	67,086	4.2 %	65,639
Useful output of electricity, million kWh	64,259	60,245	64,570	63,027	4.6 %	61,366
Heat output (output from collectors), thousand Gcal	7,085	6,517	6,760	6,898	5.8 %	6,715
Useful output of heat, thousand Gcal	6,772	6,188	6,443	6,452	4.3 %	6,409
SRFC of electricity output, g/kWh	344.6	342.7	335.3	336.1	-1.9 %	334.1
SRFC of heat output, g/kWh	151.5	152.1	152.5	152.5	0.3 %	153.0
ICLF, %	43.5 %	40.8 %	41.2 %	40.8 %	-	39.5 %
Fuel consumption, thousand tons of equivalent fuel, including:	23,349	21,739	22,807	22,314	2.6 %	21,663
- coal	8,124	7,537	8,560	6,618	-12.2 %	7,651
- gas	15,156	14,176	14,206	15,670	10.5 %	13,988
- fuel oil	69	25	42	25	-1.1 %	24

Electricity Output

In 2016, the power plants of JSC "OGK-2" generated 67,086 million kWh, which is 4.2 % higher than in 2015. In 2012–2016, the share of electricity generated by JSC "OGK-2" in the Russian market was stable: 6–7 % of the total national electricity output.

Generation and useful output of electricity, million kWh



Distribution of generation and useful output of electricity by various power plants, million kWh

	Electricity output				Useful output of electricity			
	2014	2015	2016	Change [%]	2014	2015	2016	Change [%]
Surgutskaya GRES-1	21,615	20,829	20,412	-2.0 %	20,513	19,873	19,432	-2.2 %
Ryazanskaya GRES	6,324	4,370	4,779	9.4 %	5,918	4,032	4,404	9.2 %
Kirishskaya GRES	5,795	4,406	5,333	21.0 %	5,510	4,156	5,050	21.5 %
Stavropolskaya GRES	8,496	8,708	9,910	13.8 %	8,155	8,355	9,520	14.0 %
Troitskaya GRES	3,185	2,520	2,178	-13.5 %	2,747	2,151	1,996	-7.2 %
Novocherkasskaya GRES	10,797	9,156	9,350	2.1 %	10,065	8,502	8,645	1.7 %
Krasnoyarskaya GRES -2	4,346	5,930	4,758	-19.8 %	3,899	5,377	4,287	-20.3 %
Cherepovetskaya GRES	3,088	4,187	4,806	14.8 %	2,831	3,915	4,528	15.7 %
Serovskaya GRES	1,827	1,626	3,158	94.2 %	1,611	1,430	2,929	104.8 %
Pskovskaya GRES	993	615	334	-45.7 %	908	547	277	-49.4 %
Adlerskaya TPP	2,227	2,016	2,068	2.6 %	2,102	1,907	1,959	2.7 %
Total	68,693	64,363	67,086	4.2 %	64,259	60,245	63,027	4.6 %

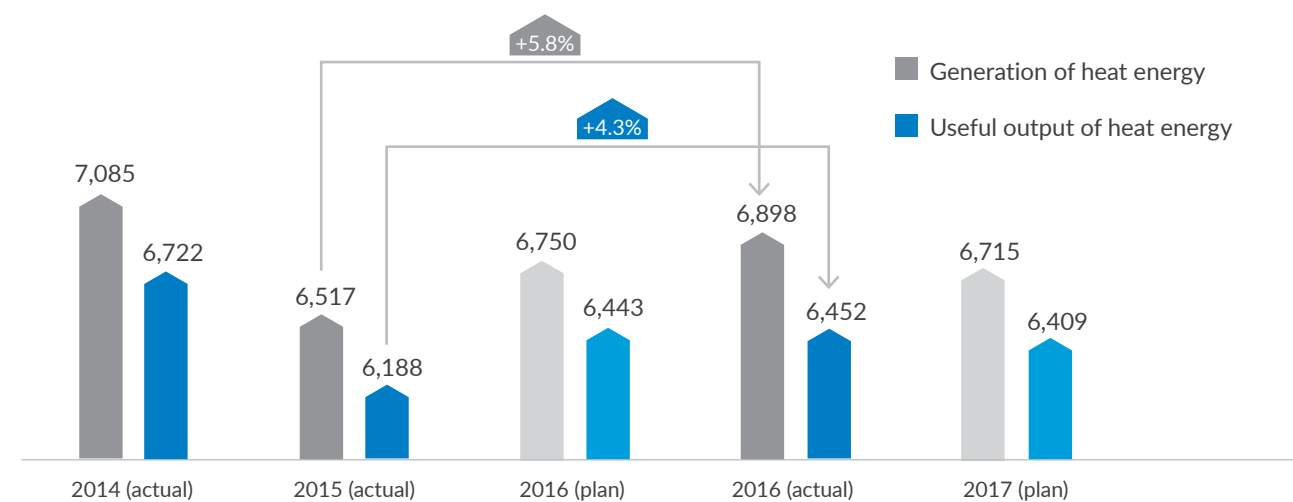
⁴ According to the business-plan.

Heat Output

Overall heat energy generation at JSC "OGK-2" in 2016 amounted to 6,898 thousand Gcal, which is 5.8 % more than the corresponding indicator for 2015.

Kirishskaya GRES, Surgutskaya GRES-1, and Krasnoyarskaya GRES -2 had the largest share in the heat energy generation volume at JSC "OGK-2" in 2016.

Generation and useful output of heat energy, thousand Gcal



Distribution of generation and useful output of heat energy by various power plants, thousand Gcal

	Heat generation (output from collectors)				Useful output of heat energy			
	2014	2015	2016	Change [%]	2014	2015	2016	Change [%]
Surgutskaya GRES-1	1,656	1,557	1,646	5.7 %	1,639	1,542	1,629	5.6 %
Ryazanskaya GRES	217	213	249	16.9 %	149	126	147	16.7 %
Kirishskaya GRES	3,143	2,797	2,831	1.2 %	3,103	2,765	2,797	1.2 %
Stavropolskaya GRES	74	73	74	1.4 %	59	60	59	-1.7 %
Troitskaya GRES	452	429	540	25.9 %	359	331	349	5.4 %
Novochoerkasskaya GRES	82	80	79	-1.3 %	60	57	56	-1.8 %
Krasnoyarskaya GRES -2	1,014	963	1,046	8.6 %	996	943	1,024	8.6 %
Cherepovetskaya GRES	115	104	111	6.7 %	105	90	97	7.8 %
Serovskaya GRES	95	85	86	1.2 %	81	70	73	4.3 %
Pskovskaya GRES	62	56	60	7.1 %	46	42	46	9.5 %
Adlerskaya TPP	175	160	176	10.0 %	175	162	175	8.0 %
Total	7,085	6,517	6,898	5.8 %	6,772	6,188	6,452	4.3 %

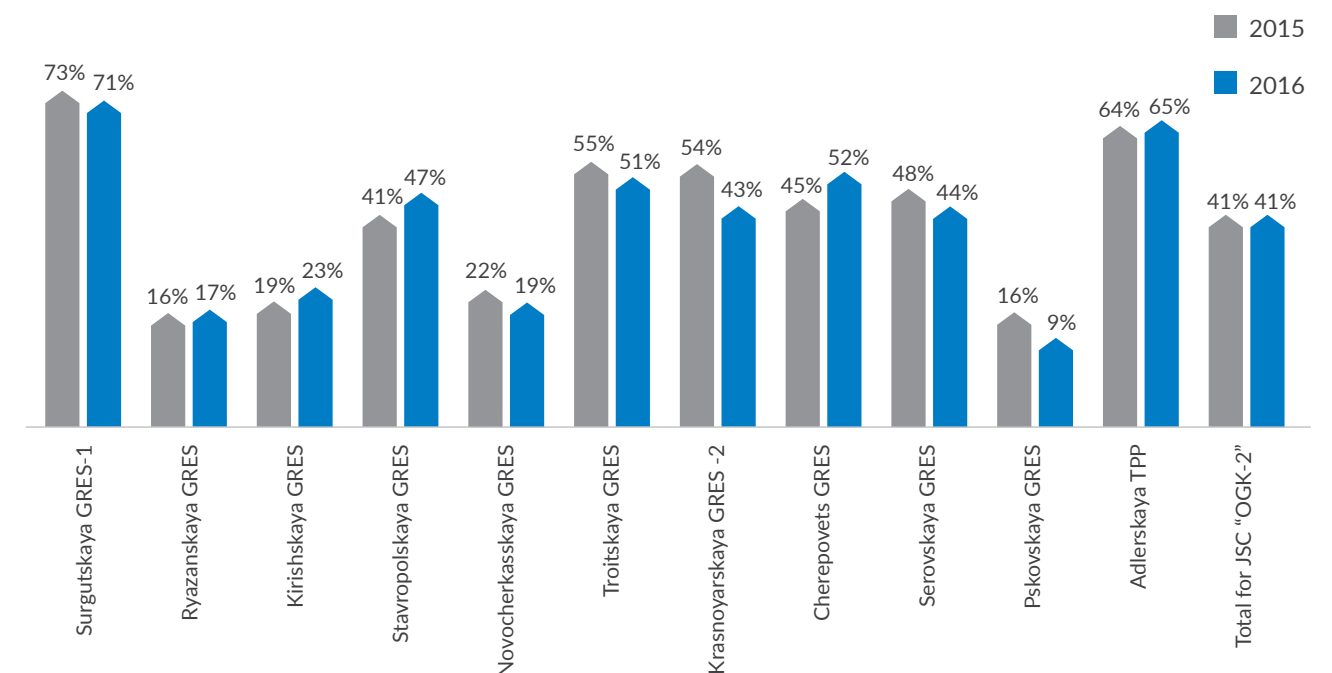
Installed Capacity Load Factor

The ICLF depends directly on the generation of power plants, which is dependent on the demand for electricity. In 2016, the ICLF remained at the level of 2015.

The highest ICLF in 2016 was observed at Surgutskaya GRES-1 (71 %) and Adlerskaya TPP (65 %). The largest increase in ICLF in 2016, as compared to 2015, was registered at Cherepovetskaya GRES (+7 %).

Distribution of ICLF for various power plants, %

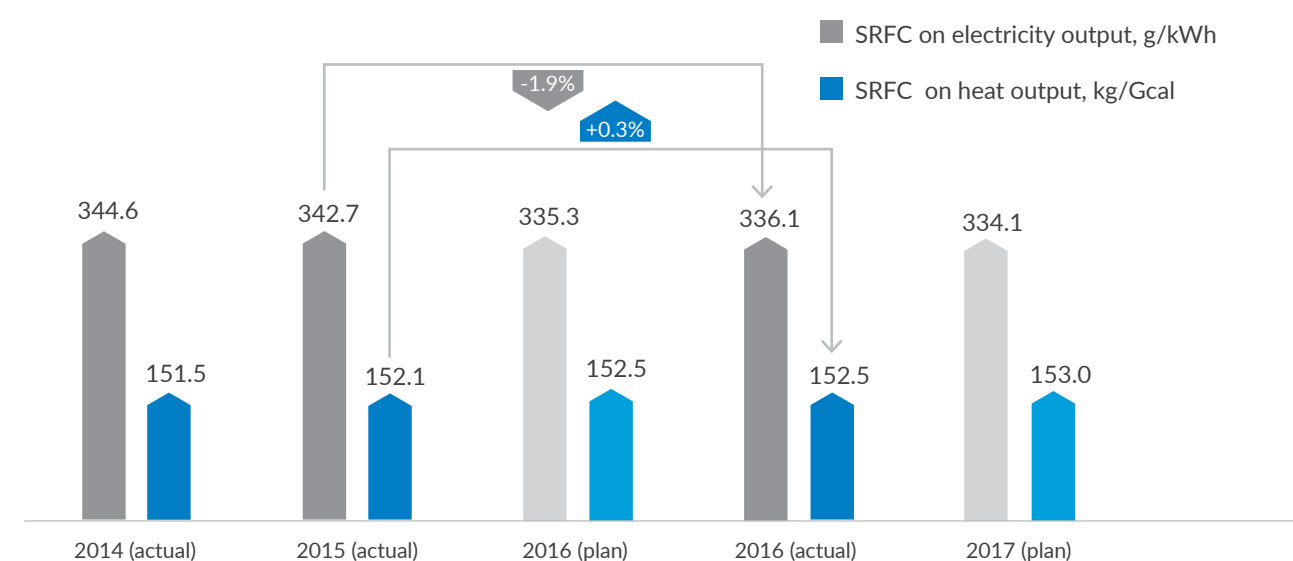
	Installed capacity load factor, %			
	2014	2015	2016	Change [%]
Surgutskaya GRES-1	76 %	73 %	71 %	-2 %
Ryazanskaya GRES	24 %	16 %	17 %	1 %
Kirishskaya GRES	25 %	19 %	23 %	4 %
Stavropolskaya GRES	40 %	41 %	47 %	5 %
Troitskaya GRES	23 %	22 %	19 %	-3 %
Novochoerkasskaya GRES	65 %	55 %	51 %	-4 %
Krasnoyarskaya GRES -2	40 %	54 %	43 %	-11 %
Cherepovetskaya GRES	50 %	45 %	52 %	7 %
Serovskaya GRES	39 %	48 %	44 %	-3 %
Pskovskaya GRES	26 %	16 %	9 %	-7 %
Adlerskaya TPP	72 %	64 %	65 %	1 %
Total for JSC "OGK-2"	43 %	41 %	41 %	-



Specific Fuel Consumption

Conversion of natural fuel to conventional fuel allows for the implementation of total quantitative accounting of various types of fuel (solid, liquid, and gas) as well as for comparing the effectiveness of different types of fuel and the efficiency of various generating capacities.

In general, the specific reference fuel consumption (SRFC) for electricity generation at JSC "OGK-2" in 2016 decreased by 6.6 g/kWh (or 1.9 %) while the specific consumption of equivalent fuel for heat output increased by 0.4 kg/Gcal (or 0.3 %).



SRFC distribution on electricity and heat output for various power plants

	SRFC of electricity output, g/kWh				SRFC of heat output, kg/Gcal			
	2014	2015	2016	Change [%]	2014	2015	2016	Change [%]
Surgutskaya GRES-1	321.8	324.7	328.5	1.2%	138.6	139.4	135.5	-2.8%
Ryazanskaya GRES	365.9	384.4	380.6	-1.0%	181.9	181.4	185.1	2.0%
Kirishskaya GRES	265.3	265.1	271.0	2.2%	142.5	142.8	145.1	1.6%
Stavropolskaya GRES	333.8	332.9	333.0	-	172.7	172.3	172.1	-0.1%
Troitskaya GRES	462.6	450.7	442.2	-1.9%	167.8	168.1	167.2	-0.5%
Novocherkasskaya GRES	367.9	370.9	382.7	3.2%	185.8	184.9	185.8	0.5%
Krasnoyarskaya GRES -2	389.9	389.0	394.8	1.5%	174.5	173.6	171.9	-1.0%
Cherepovetskaya GRES	386.7	298.8	283.2	-5.2%	191.2	194.6	200.7	3.1%
Serovskaya GRES	488.9	472.9	278.9	-41.0%	193.6	198.0	205.5	3.8%
Pskovskaya GRES	342.5	348.6	350.3	0.5%	170.4	206.7	208.4	0.8%
Adlerskaya TPP	255.8	261.7	261.8	-	142.6	130.4	125.4	-3.8%
Total for JSC "OGK-2"	344.6	342.7	336.1	-1.9%	151.5	152.1	152.5	0.3%

Fuel Balance

The technological process of heat and electricity generation leads to the use of different fuels as the main raw material by JSC "OGK-2". The fuel balance of JSC "OGK-2" uses coal on a par with gas as the main fuel. Starting, reserve, and emergency fuel are fuel oil and diesel fuel.

The fuel structure of JSC "OGK-2" is dominated by gas. In particular, gas is used as the main fuel at Surgutskaya GRES-1, the 2nd and the 3rd stages of Ryazanskaya GRES, Stavropolskaya GRES, Kirishskaya GRES, Pskovskaya GRES, and Adlerskaya TPP as well as the CCGT-420 power units at Cherepovetskaya GRES and at Serovskaya GRES. Coal is the main fuel for the first stage of Ryazanskaya GRES, Troitskaya GRES, and Krasnoyarskaya GRES-2. Novocherkasskaya GRES, Cherepovetskaya GRES, and Serovskaya GRES can use both gas and coal as the main fuel to produce heat and electricity, which allows for adjusting its fuel balance in case of fluctuations in prices for these fuels.

At the same time, seven power plants of JSC "OGK-2" (the 1st and the 2nd stages of Ryazanskaya GRES, Kirishskaya GRES, Novocherkasskaya GRES, Serovskaya GRES, Troitskaya GRES, Krasnoyarskaya GRES-2, and Cherepovetskaya GRES) can also use fuel oil as starting fuel while three stations (Ryazanskaya GRES, Stavropolskaya GRES, and Kirishskaya GRES) also use fuel oil as reserve fuel. CCGT-420 at Cherepovetskaya GRES and CCGT-420 at Serovskaya GRES, and Adlerskaya TPP can use diesel fuel in small amounts in emergencies.

The strategy of JSC "OGK-2" in the field of fuel supply is aimed at optimizing the fuel balance in order to minimize the costs of the Company. It provides for the maximum possible substitution of expensive fuels with cheaper fuels, for the fuel purchases through competitive procedures, and for conclusion of long-term contracts for the supply of fuel.

In 2016, the fuel balance of JSC "OGK-2" had the following structure: coal – 29.66%, gas – 70.23%, fuel oil – 0.11%. As compared to 2015, the share of coal decreased by 5%; the share of gas increased by 5%; and the share of fuel oil remained the same.

In general, in 2016 JSC "OGK-2" consumed over 11 million tons of coal, which is 1.4 million tons or 11% lower than in 2015. In 2016, gas consumption increased by 1.3 billion cubic meters or 10% and totaled 13 billion cubic meters. A higher gas share in the fuel balance and, as a result, the lower coal share can be explained by the following factors:

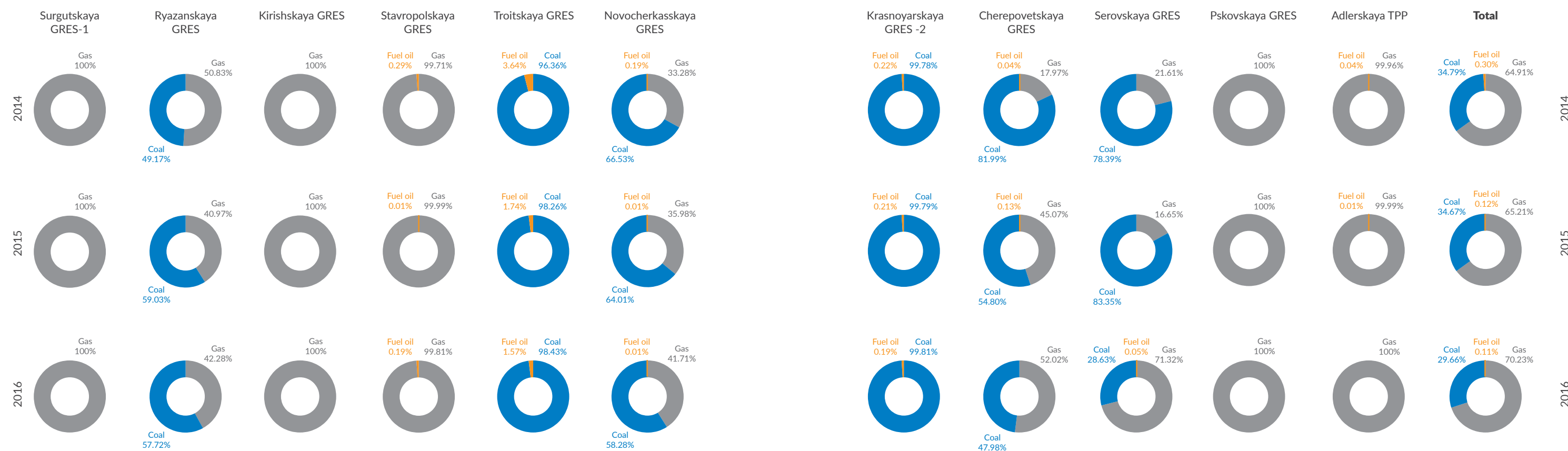
- increases in the output of economic CCGT units by branches of the Kirishskaya GRES, Cherepovetskaya GRES, Serovskaya GRES, and Adlerskaya TPP;
- increases in the output of the Surgutskaya GRES-1, the second phase of the Ryazanskaya GRES, TPP and CPP of parts of the Kirishskaya GRES;
- lower output of coal equipment of the Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Serovskaya GRES, Troitskaya GRES, and Ryazanskaya GRES;
- higher consumption of light and kindling gas at the Novocherkasskaya GRES.

Consumption of fuel oil and diesel fuel in 2016 amounted to 19 thousand tons, which is the same level as in 2015.

Actual fuel consumption at power plants and in the whole at JSC “OGK-2”

	Gas						Coal						Fuel oil and diesel fuel					
	2014		2015		2016		2014		2015		2016		2014		2015		2016	
	million m³	thousand t.o.e.	million m³	thousand t.o.e.	million m³	thousand t.o.e.	thousand tons	thousand t.o.e.	thousand tons	thousand t.o.e.	thousand tons	thousand t.o.e.	thousand tons	thousand t.o.e.	thousand tons	thousand t.o.e.	thousand tons	thousand t.o.e.
Surgutskaya GRES-1	5,927	6,859	5,751	6,663	5,726	6,615	-	-	-	-	-	-	-	-	-	-	-	-
Ryazanskaya GRES	962	1,124	554	653	621	731	2,084	1,087	1,780	941	1,854	998	0.1	0.1	-	-	-	0.1
Kirishskaya GRES	1,658	1,915	1,298	1,506	1,536	1,785	-	-	-	-	-	-	-	-	-	-	-	-
Stavropolskaya GRES	2,362	2,748	2,412	2,818	2,730	3,201	-	-	-	-	-	-	5.9	7.9	0.2	0.3	4.6	6.2
Troitskaya GRES	-	-	-	-	-	-	2,308	1,315	1,835	1,045	1,615	919	35.6	49.7	13.7	18.5	10.8	14.7
Novocherkasskaya GRES	1,070	1,243	985	1,147	1,190	1,396	3,735	2,486	3,004	2,041	3,103	1,951	6.5	7.1	0.2	0.2	0.2	0.3
Krasnoyarskaya GRES -2	-	-	-	-	-	-	3,032	1,703	4,080	2,266	3,356	1,879	2.7	3.7	3.6	4.9	2.6	3.5
Cherepovetskaya GRES	170	195	465	539	587	682	1,328	892	1,093	656	1,049	629	0.4	0.4	1.0	1.5	-	-
Serovskaya GRES	155	177	102	118	518	603	1,130	641	1,033	588	427	242	-	-	-	-	0.2	0.4
Pskovskaya GRES	284	329	182	211	104	121	-	-	-	-	-	-	-	-	-	-	-	-
Adlerskaya TPP	486	566	447	521	458	536	-	-	-	-	-	-	0.1	0.2	-	-	-	-
Total	13,074	15,156	12,196	14,176	13,470	15,670	13,617	8,124	12,825	7,537	11,404	6,618	51.3	69.1	18.8	25.4	18.6	25.2

Fuel balance structure at power plants and in the whole at JSC “OGK-2”



3.2. Financial and Economic Results

Key financial and economic events that occurred in the company in 2016 and at the beginning of 2017

10/18/16	Registration of the program of exchange-traded bonds 4-65105-D-002P-02E.
12/27/16	Fitch Ratings CIS Ltd. reinforced the following ratings of the Company: <ul style="list-style-type: none"> long-term foreign and local currency IDR at BB level with the "stable" outlook; short-term foreign and local currency IDR at B level with the "stable" outlook; national long-term "AA-(rus)" rating with the "stable" outlook.
02/07/17	Cancellation by Fitch Ratings CIS Ltd. of the sovereign long-term rating assigned at a level of "AA-(rus)".

Key Financial and Economic Indicators

Key financial results for 2014-2016 and expected results for 2017, million rubles

	2014 (actual)	2015 (actual)	2016		Change [%]	2017 (plan) ⁵
			plan ⁶	actual		
REVENUES FROM SALES OF GOODS, WORK, SERVICES	116,004	112,116	127,810	134,285	19.8%	131,754
Electricity sales	81,981	77,182	78,515	86,073	11.5%	77,806
Capacity sales	28,356	29,463	43,183	42,193	43.2%	47,755
Heat sales	4,631	4,559	5,097	5,032	10.4%	5,178
Other incomes from day-to-day activities	1,036	911	1,015	988	8.4%	1,015
COST OF SOLD GOODS, PRODUCTS, WORK AND SERVICES:	103,518	103,944	115,916	117,618	13.2%	117,193
Variable costs, including	76,772	73,600	77,684	80,627	9.5%	76,799
Fuel costs	65,404	62,789	69,829	68,894	9.7%	66,350
Purchased electricity (capacity) from the wholesale market	11,255	10,699	7,722	11,613	8.5%	8,089
Water for technological purposes	113	112	133	121	7.9%	124
Semi-fixed costs	26,745	30,344	38,232	36,991	21.9%	40,394
Raw materials and other materials	1,739	2,569	4,421	3,536	37.6%	2,802
Productional work and services	5,887	6,168	8,873	8,149	32.1%	10,411
Depreciation	3,507	3,713	6,162	7,030	89.3%	9,672
Payroll expenses and social contributions	6,137	6,321	6,852	6,886	8.9%	8,112

⁵ According to the 2017 business plan.

⁶ According to the 2016 business plan.

	2014 (actual)	2015 (actual)	2016		Change [%]	2017 (plan) ⁵
			plan ⁶	actual		
Private pension provision	81	76	70	110	44.7%	73
Payment for using water bodies.	1,209	1,342	1,484	1,546	15.2%	1,778
Other expenses	8,186	10,154	10,370	9,734	-4.1%	7,546
GROSS PROFIT	12,487	8,172	11,894	16,667	104.0%	14,561
MANAGEMENT EXPENSES	2,124	2,198	2,839	2,518	14.6%	4,325
SALES PROFIT (LOSS)	10,362	5,974	9,055	14,148	136.8%	10,236
PROFIT (LOSS) BEFORE TAX	7,479	3,904	1,847	5,569	42.6%	2,958
NET PROFIT (LOSS) FOR THE REPORTING PERIOD	5,737	3,002	1,459	3,497	16.5%	2,366
EBITDA	11,818	8,484	14,288	16,624	95.9%	18,944
EBITDA PROFITABILITY (%)	10.2%	7.6%	11.2%	12.4%	63.6%	14.4%

Revenue

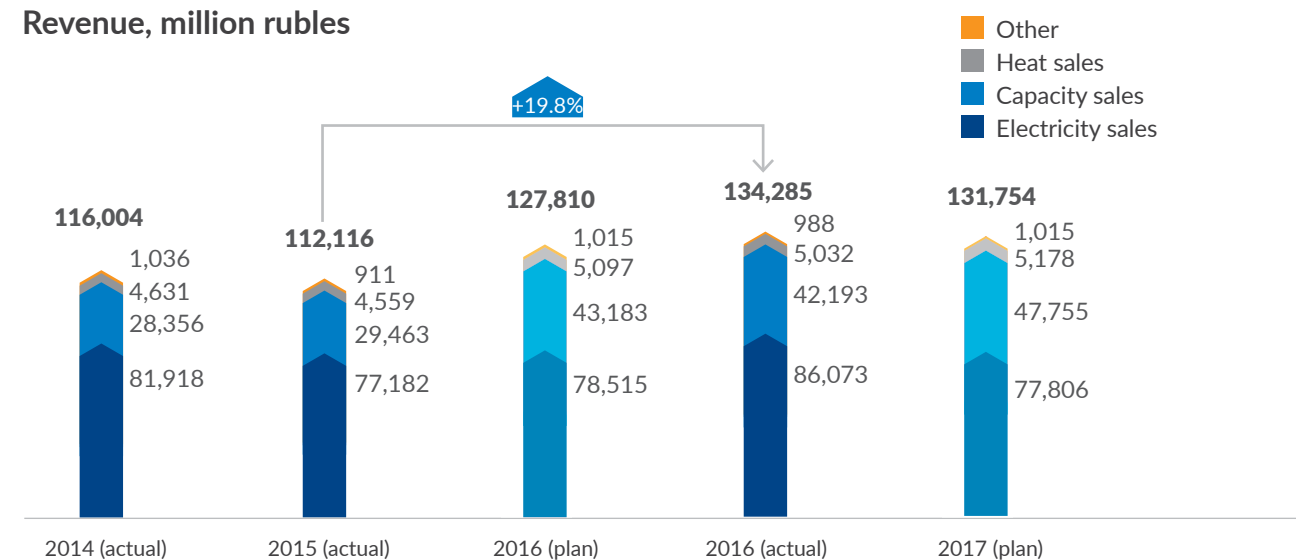
Revenue from sales of goods, work, and services for 12 months of 2016 amounted to 134,285 million rubles, which constitutes an increase of 19.8% as compared to the same period in 2015. The main reason was the increase of 11.5% in revenue from electricity sales, due to an increase in electricity sales.

Revenues from the sale of capacity increased by 43.2%, which was primarily due to an increase in sales as a result of the commissioning of the new PSU-660 power unit at the Troitskaya GRES and the new PSU-330 power unit at Novocherkasskaya GRES in the framework of the CSA Program.

Revenues from sales of heat energy rose by 10.4% as a result of increased tariffs despite lowering sales of heat energy.

Other income from operating activities, including revenue from the sale of chemically treated water, fee for non-return of condensate, revenue from the lease of property, revenue from participation in the market of system and other services, amounted to 988 million rubles. They declined by 8.4% as compared to the indicator for 2015.

Revenue, million rubles



Net Cost

The net cost of sales in 2016 amounted to 117,618 million rubles, which is 13.2% higher than the relevant value for 2015.

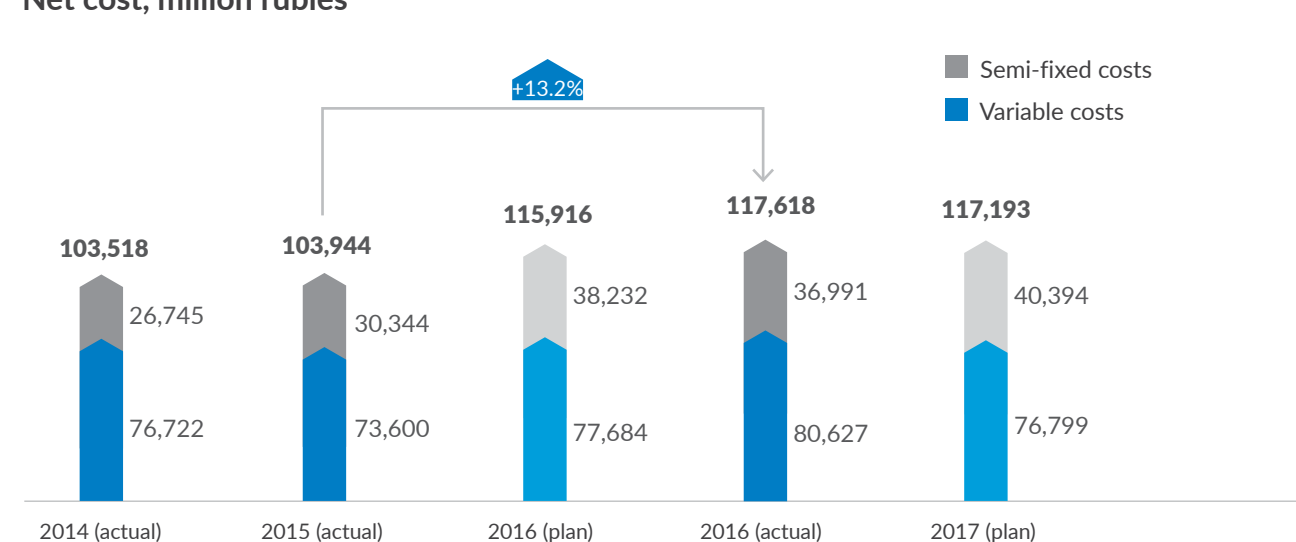
Variable expenses including costs of fuel, purchased electricity (power) from the wholesale market and water for technological purposes rose by 9.5% as compared to 2015. Fuel costs grew by 9.7% as a result of the higher output and higher gas share (more expensive fuel) in the Company's fuel balance structure.

The cost of electricity (capacity) purchased at the wholesale market rose by 8.5% in 2016 and reached 11,613 million rubles.

Semi-fixed costs amounted to 36,991 million rubles and grew by 21.9% year-on-year due to the commissioning of the new power unit in the framework of the CSA Program – PSU-660 at the Troitskaya GRES and PSU-330 of the Novocherkasskaya GRES, and also the increase of servicing costs at Adlerskaya TPP.

As compared to 2015, the increase in administrative expenses amounted to 14.6% due to lease expenses and the increase in tariffs for the provision of transportation services.

Net cost, million rubles



Profit

Profit from sales of JSC "OGK-2" in 2016 amounted to 14,148 million rubles, which is 136.8% above the relevant value for 2015.

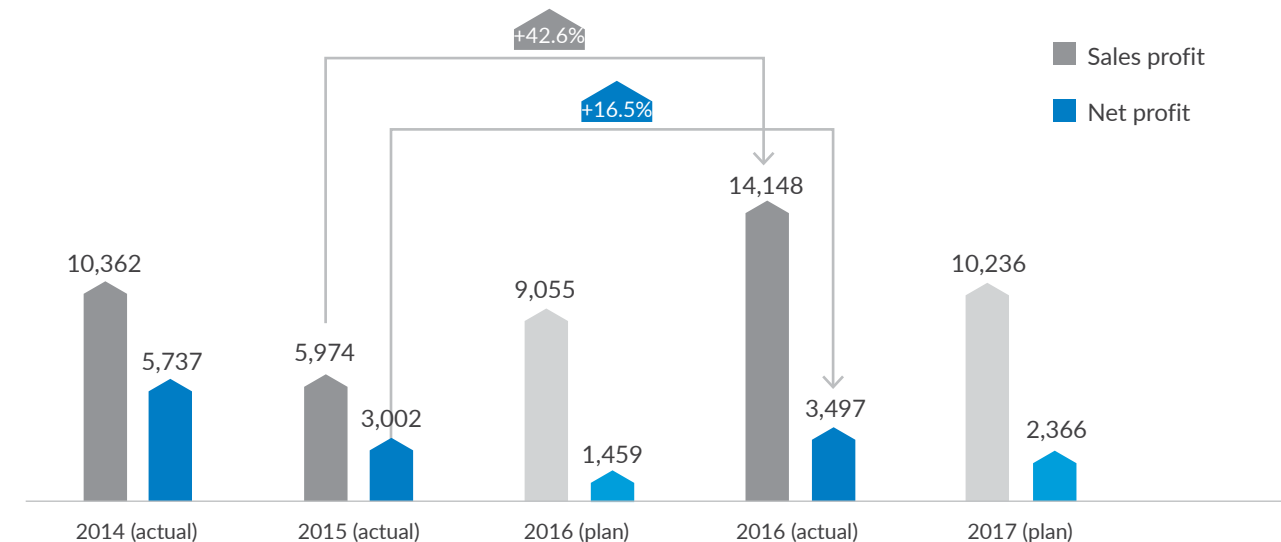
Distribution of income from sales for various power plants, million rubles

	2014	2015	2016	Change [%]
Surgutskaya GRES-1	5,644	3,684	1,938	-47.4%
Ryazanskaya GRES	738	125	1,625	1,201.4%
Kirishskaya GRES	4,080	4,629	4,470	-3.4%
Stavropolskaya GRES	1,217	467	487	4.3%
Novocherkasskaya GRES	330	-1,091	-1,299	19.1%
Troitskaya GRES	-1,862	-2,555	1,736	-167.9%
Krasnoyarskaya GRES -2	797	2,060	1,588	-22.9%
Cherepovetskaya GRES	-106	-242	1,830	-855.5%
Serovskaya GRES	-261	-551	1,861	-437.4%
Pskovskaya GRES	-165	-92	6	-106.9%
Adlerskaya TPP	-49	-459	-94	-79.6%
Total	10,362	5,974	14,148	136.8%

Net Profit

According to the results of 2016, JSC "OGK-2" net profits totaled 3,497 million rubles and grew by 16.5% as compared to 2015.

Operating profit and net profit, million rubles

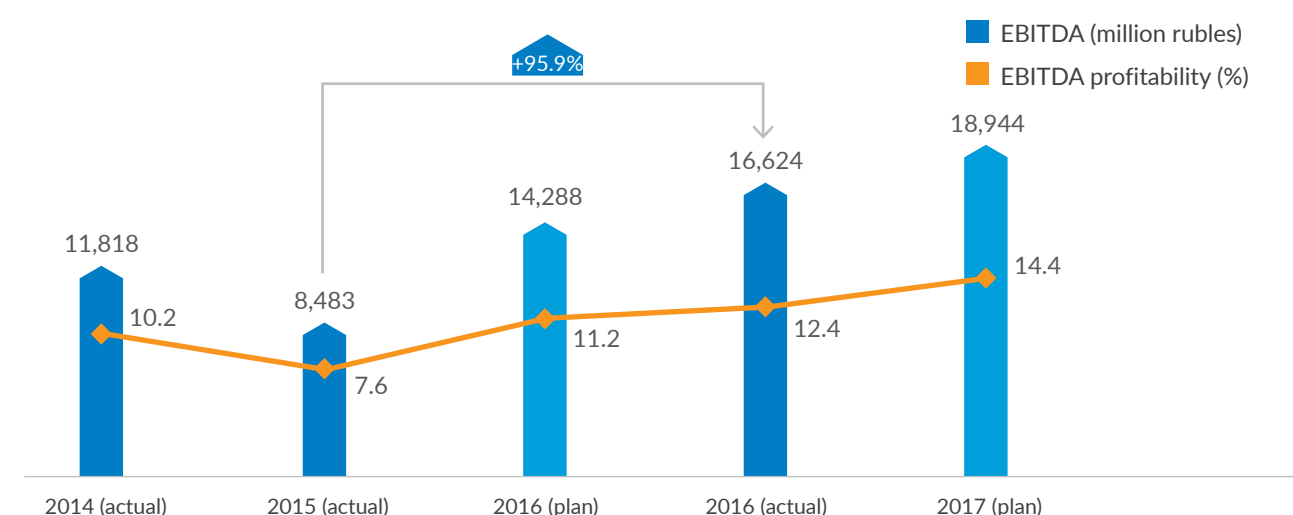


EBITDA and EBITDA Margin in Terms of Revenue

In 2016, the EBITDA increased by 95.9% as compared to the result of 2015 and amounted to 16,624 million rubles.

In 2016, profitability of EBITDA for revenue amounted to 12.4%, a 63.6% increase year-on-year.

However, despite net profit decline to 2,366 million rubles anticipated in 2017, EBITDA is expected to rise by 13.9% to 18,944 million rubles. In 2017, profitability of EBITDA for revenue is expected at the level of 14.4%.



Balance structure

Indicator	2014		2015		2016		Change [%]
	million rubles	balance share, %	million rubles	balance share, %	million rubles	balance share, %	
ASSETS							
Non-current assets	135,369	78.1%	157,771	80.8%	170,328	84.5%	8.0%
Fixed assets	53,075		77,848		138,527		77.9%
Construction in progress	71,014		72,614		21,053		-71.0%
Long-term financial investments	2,198		4,419		6,593		49.2%
Other	9,082		2,890		4,155		43.8%
Current assets:	38,017	21.9%	37,491	19.2%	31,295	15.5%	-16.5%
Inventories	7,634		11,420		9,552		-16.4%
Long-term accounts receivable	50		603		506		-16.1%
Short-term accounts receivable	15,821		17,887		16,781		-6.2%
Short-term investments	1,408		8		7		-13.8%

Indicator	2014		2015		2016		Change [%]
	million rubles	balance share, %	million rubles	balance share, %	million rubles	balance share, %	
Cash	13,055		7,501		4,415		-41.1%
Other	49		72		34		-51.7%
Total	173,386	100.0%	195,262	100.0%	201,623	100.0%	3.3%
LIABILITIES							
Capital and reserves	108,820	62.8%	111,150	56.9%	114,235	56.7%	2.8%
Long-term liabilities	45,491		46,162		38,311		-17.0%
Loans and credits	40,571	26.2%	37,340	23.6%	24,110	19.0%	-35.4%
Other	4,920		8,822		14,201		61.0%
Short-term liabilities	19,075		37,950		49,077		29.3%
Loans and credits	6,503	11.0%	24,590	19.4%	32,225	24.3%	31.1%
Loans Payable	11,829		12,511		15,906		27.1%
Other	743		849		946		11.4%
Total	173,386	100.0%	195,262	100.00%	201,623	100.00%	3.3%

Assets

In 2016, fixed assets of the Company increased by 77.9% to 138,527 million rubles as compared to 2015, which is mainly due to the commissioning of facilities under CSA:

- CSA facility "Facility No. 2 (STU-330). Territory of the Novocherkasskaya GRES, construction of a coal power unit";
- CSA facility "Facility No. 1 (STU-660). Territory of the Troitskaya GRES, construction of a coal power unit".

Capital construction in progress declined for a similar reason.

The increase in long-term investments to 6,593 mln. rubles, as compared to 2015, was caused by the acquisition of a 45% stake in OGK-Investproekt LLC in 2016.

The decrease in cash to 4,415 million rubles or by 41.1% mainly occurred due to the utilization of funds for operating and investment activities.

Liabilities

The increase in short-term loans from 24,590 million rubles to 32,225 million rubles was due to new loans received and transfer of long-term debts to short-term debts based on maturity. The repayment of loans and credits made a compensating impact.

Credit Portfolio

Credit portfolio structure, million rubles

	At 31.12.2014	At 31.12.2015	At 31.12.2016	Change [%]
Long-term credits and loans	40,571	37,340	24,110	-35%
Short-term credits and loans	6,503	24,590	32,225	31%

The main reasons for changing the credit portfolios over a period from December 31, 2015 to December 31, 2016 include reclassification of long-term liabilities into short-term ones and repayment of loans to PJSC “Gazprom” in 2016.

Financial condition indices

The indices that are used to assess the financial condition of JSC “OGK-2” are the following financial indices, which are calculated on the basis of financial statements in accordance with the applicable RAS requirements:

	Formula for calculating indices	Recommended Values	2014	2015	2016
LIQUIDITY INDICES					
Absolute liquidity ratio	(Cash + Short-term financial investments) / Short-term liabilities	>0.15	0.76	0.20	0.09
Quick assets ratio	(Cash+Short-term financial investments + Accounts receivable of less than 12 months) / Short-term liabilities	>0.95	1.65	0.67	0.44
Current liquidity ratio	Current assets / Current liabilities	>2	2.07	1.01	0.65
FINANCIAL SOUNDNESS INDICES					
Equity to total assets ratio	Equity / Total assets	>0.8	0.63	0.57	0.57
RETURNS INDICES					
Return on sales (ROS)	(Gross profit / Sales revenue)*100	>15%	8.93%	5.33%	10.54%
Return on equity (ROE)	(Net income / Equity capital) * 100	>5%	5.27%	2.70%	3.06%
Return on assets (ROA)	(Net profit / Total assets) * 100	>3%	3.50%	1.63%	1.76%
INDICES OF BUSINESS ACTIVITY					
Dynamics of accounts receivable (AR)	(AR at the end of the reporting period - AR at the end of the reference period) / AR at the end of the reference period	<-10	-14.46%	16.50%	-6.51%
Dynamics of accounts payable (AP)	(AP at the end of the reporting period - AP at the end of the reference period) / AP at the end of the reference period	<-10	33.54%	5.76%	27.01%
Ratio of accounts receivable to accounts payable	AR at the end of the reporting period / AP at the end of the reporting period	>1	1.27	1.13	0.87



4. SUSTAINABLE DEVELOPMENT

4.1. Human Capital

The policy of JSC “OGK-2” in the field of personnel management is designed in accordance with its main objective, namely the formation and the maintenance of a stable status of a “preferred employer” that attracts committed and highly efficient people.

We are aware that the compliance with labor law requirements and competitive remuneration are the necessary but not sufficient conditions for retaining highly skilled professionals and recruiting new talents. For this reason, we strongly focus on creating safe and comfortable working conditions and providing our employees with opportunities for skill improvement and professional development as well as to holding skills contests for employees, sports, recreational and other events and programs. The Company also cares for social security of our employees. All this combined provides an incentive for long and efficient employment experience in

JSC “OGK-2” and makes our employees aware of their value to the Company and of the importance of their contribution to the overall success. The key principles of the personnel policy of JSC “OGK-2” and building relationships among employees within the Company are defined in the Human Resources Management Policy and the Code of Conduct (approved by the Board of Directors of JSC “OGK-2”: Minutes No. 109 dated October 2, 2014).



Corporate values of the Company are as follows:

- Professionalism: deep knowledge of one's specialty, timely and quality accomplishment of tasks, constant perfection of professional knowledge and skills;
- Initiative: activity and independence of personnel in the production process optimization;
- Economy: responsible and careful approach to the use of the Company's assets, to own work time, and work time of other personnel;
- Mutual respect: team spirit in work, trust, benevolence, and cooperation in achieving goals;
- Openness for a dialogue: open and honest

exchange of information, readiness to jointly come up with an optimal solution;

- Continuity: respect for labor and experience of older generations, communication of beginners with labor veterans, professional training and tutorship;
- Image: use of techniques and strategies aimed at creating a positive opinion of the Company.

The Committee for Corporate Ethics is responsible for ensuring compliance with the requirements and provisions of the Code of Conduct of JSC “OGK-2”. The Company's personnel may contact the Committee by e-mail or by using the “hot line”.

Implementation of the personnel management policy

Purpose	Measures taken in 2016	Measures planned to be taken in 2017
Examination of knowledge, skills, personal business competences and potential of personnel development	<ul style="list-style-type: none"> • forming a model of corporate managerial and personal business competences; • preparing a corporate standard of holding an interview according to competences, using modern tools for evaluating the personnel's potential; • developing profiles of professional knowledge, skills and knowhow for the Company's 60 key positions. 	<ul style="list-style-type: none"> • introducing a process of personnel planning (including a mobile operating reserve) and a potential evaluation system at the Company.
Development of a corporate and business culture	<ul style="list-style-type: none"> • diagnosing the specifics of the Company's corporate culture. 	<ul style="list-style-type: none"> • continuing implementation of the project of forming a good culture through creation of a system of information and regular evaluations of a level of involvement, forming a good environment for self-education and development.
Training and professional development of personnel	<ul style="list-style-type: none"> • organizing a corporate library; • holding an HR-Day in-house conference for training and development. 	<ul style="list-style-type: none"> • introducing a unified remote training system (URTS); • implementing centralized programs for development of corporate and personal business competences “GROWTH Energy” (basic program and separate program for a personnel reserve); • introducing a coaching tool for professional training of the Company's managers; • developing an in-house training program “Energizers!”, forming a team of in-house coaches for organizing efficient training.
Incentive programs for personnel	-	<ul style="list-style-type: none"> • improving a system of labor remuneration and incentives to personnel according to the key performance indicators (KPI); • updating the Efficiency program, including incentive programs for Company's performance improvement proposals made by personnel.

Purpose	Measures taken in 2016	Measures planned to be taken in 2017
Industrial injury rate minimization	-	<ul style="list-style-type: none"> • extending the project for improvement of a safe behavior culture to all the subdivisions of the Company.

In 2016, introduction of professional standards pursuant to the Russian Federation Labor Code was one of the key events at JSC “OGK-2”. Gazprom Energoholding LLC set up a working group responsible for application of professional standards, developed and approved a standard list of professional standards as well as a list of professions of workers and positions of employees of Gazprom Energoholding LLC, its subsidiaries and affiliates, for which these standards became binding on July 01, 2016⁷. The following measures were taken at the level of JSC “OGK-2” in 2016:

- 7 professional standards applicable at the Company were emphasized from the standard list;
- the Company's full-time jobs and professions were analyzed to detect a possibility and obligation of applying professional standards;
- 278 employees of JSC “OGK-2” subject to 7 professional standards to be applied at the Company were identified;
- the Company's by-laws were amended as regards application of professional standards for personnel qualification;
- personnel were evaluated to find out their

compliance with applicable professional standards and necessary plans of personnel qualification improvement were developed;

- gradual introduction of professional standards from the standard list not emphasized as obligatory at the Company was planned;
- permanent monitoring of approval of new professional standards was introduced;
- cooperation was organized with the Ministry of Labor of the Russian Federation, Ministry of Energy of the Russian Federation, Ministry of Education of the Russian Federation, Russian National Inter-Industry Association of Employers of Energy Suppliers (RaPe Union), a relevant subdivision of Gazprom Energoholding LLC as regards application of professional standards.



At the beginning of 2016, JSC “OGK-2” adopted a new policy in the field of occupational safety and health (order No. 123 dated February 10, 2016).

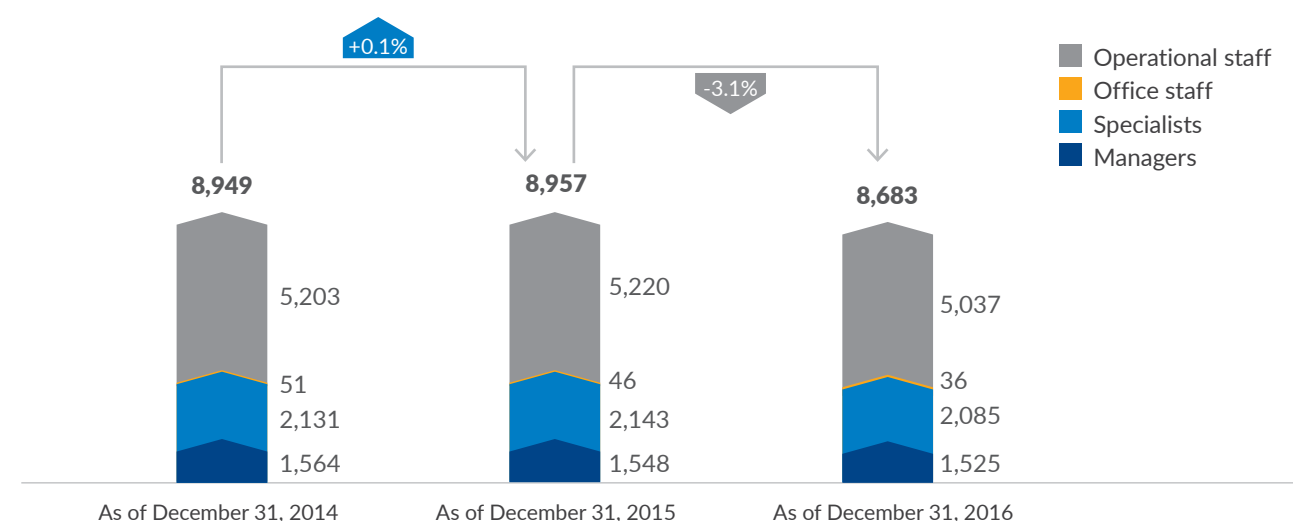
Personnel Number and Structure

As of December 31, 2016, the Company's headcount was 8,683 people, a 3.1% decrease as compared to 2015. In the reporting period, the number of managers

shrank by 1.5%, specialists – by 2.7%, employees – by 21.7%, and workers – by 3.5%.

⁷ Measures were implemented according to the Comprehensive plan of measures aimed at applying professional standards at PJSC “Gazprom”, its subsidiaries, organizations, and branches for 2016 (approved by S. F. Khomiakov, Deputy Chairman of the PJSC “Gazprom” Management Board on April 12, 2016, RD 07-5).

Number of staff by various categories, persons



Staff Remuneration and Incentive System

JSC "OGK-2" has developed a complex remuneration system based on competitive wages, remuneration for the result, and a social component. The remuneration system of the Company, which includes both tangible and intangible forms of motivation, is closely linked to key performance indicators (KPIs) and is continually improved in accordance with the current and strategic objectives of the Company.

Tangible incentives include monthly, quarterly, and annual bonuses as well as bonuses for participation in various projects and for implementation of particularly significant (important) objectives of the Company. In 2016, the average monthly income of the Company's personnel was RUB 60,851, which is 6% higher than in 2015. Salary indexation by 6.5% was the main reason for income increases.

Intangible motivation includes competitions in various fields. These include, for example, contests for the best fire protection condition, contests for the best representative in the field of occupational safety and health, competitions between shifts of operational staff, and others. In particular, in 2016 Yulia Serova, a laboratory assistant of the Kirishskay GRES, ranked third in the Russian National Professional Craft Contest "Best Chemical Laboratory Assistant 2016", and Anton Artamonov, an engineer of the thermal automatics and measurements workshop of the Serovskaya GRES, was recognized to be the best labor protection agent in the Sverdlovsk regional organization of the nongovernmental association "Russian National Power Trade Union".

Protection of the Interests and Rights of Employees and Social Security

One of the key policy areas of JSC "OGK-2" in the field of human resources is ensuring social security of its employees. The Company actively cooperates with trade unions in the course of development and implementation of its social programs. Trade unions unite about 76% of the employees of the

Company and participate in matters that affect professional, social, and labor rights and interests of the Company's personnel.

One of the important results of the Company's cooperation with trade unions is the development and the implementation of collective bargaining

agreements, which cover 100% of employees of the branches of the Company. Collective bargaining agreements are entered into on the basis of the Labor Code of the Russian Federation and comply with the highest industry standards.

In accordance with collective bargaining agreements, employees of branches of the Company are provided with the following social benefits:

- additional paid holiday on the Day of Knowledge, in the case of the child's birth, in case of the wedding of the employee and the employee's children, in case of death of a close relative or a family member of an employee;
- financial assistance to the annual leave, the birth of a child, in case of registration of marriage, in connection with burial of an employee or a deceased close relative or family member of an employee, in case of recruitment with the armed forces, in case of retirement, and in case of emergencies;
- benefits to employees who are on a maternity leave;
- compensation for the attendance of municipal preschools by employee's children (for certain categories of employees of the Company);
- remuneration to employees in connection with their professional holiday;
- employee benefits in cases of death at work or determination of disability;
- remuneration to employees in connection with anniversary dates of the employee and in case of rewarding with industry awards, awards of the Company, and awards of the branch;
- partial payment for recreation and leisure costs.

The Company uses various mechanisms of personal insurance of personnel:

- voluntary medical insurance according to the VMI Programs (offers wide possibilities for receiving quality medical assistance by personnel);
- insurance against accidents and diseases (provides for payment of insurance indemnity in the event of any harm to the life and health due to an accident at work);
- insurance of expenses of citizens travelling outside their permanent place of residence (aimed at ensuring social security of the Company's personnel in case of their departure, among other places, for a business trip to any country, including the Russian Federation and CIS countries).

The position (category) of a worker is taken into account in determining insurance terms.

JSC "OGK-2" also has a successful non-state pension scheme (NPS) for the Company's personnel ensuring a decent level of life of the Company's personnel upon retirement and efficient solutions to personnel problems associated with recruitment, retaining, and motivation of the personnel. The basic non-state pension funds are JSC "Non-state pension fund of the electric power industry" (JSC "NPF of the electric power industry") and NPF "Gazfond".

The system of NPS for JSC "OGK-2" personnel includes programs for corporate and parity financing. Under the corporate financing program, the Company uses its own funds to organize additional pension provision for its personnel. The parity financing program implies joint participation of an employee and the employer in equal proportion in financing this employee's individual pension account.

Moreover, the Company implements a program for dismissing personnel at a pension age, under which personnel becoming pensioners may profit from preferential terms of retiring and receive a compensation ranging from three to six salaries, depending on their length of service.

Professional and Advanced Training Programs

JSC "OGK-2" offers our employees extensive opportunities to unlock their personal potential and achieve career growth. Our key focus areas:

- induction program for new recruits and mentoring scheme and training in the workplace;
- building a unified management system and a

personnel appraisal system;

- maintaining a talent pool and transparent principles of talent promotion;
- holding corporate skills and innovative projects contests, including the ideas contest in the framework of the "Efficiency" project;
- maintaining a further vocational education framework and training.

JSC "OGK-2" pays much attention to education and training of its employees. The share of the Company's employees who have higher education over the years (including 2014-2016) remains stable at approximately 50%. Training of the personnel of JSC "OGK-2" is held by specialized accredited training centers that are located in the immediate vicinity of power plants and are equipped with modern material and technical base, all the necessary training equipment, laboratories, and highly

qualified teaching personnel. These training centers are licensed by the Rostekhnadzor for training in professions that are necessary for the branches of JSC "OGK-2".

In 2016, 45% of the total number of employees of the Company received off-the-job training at specialized training centers, which included 70% of managers, 36% of specialists and office staff, and 41% of the operating staff. Total expenditures for these purposes amounted to 44,581.6 thousand rubles in 2016.

In addition, JSC "OGK-2" funded higher and secondary vocational education for specialties in demand at the Company in the form of evening and extramural courses for 27 employees of the Company (5 specialists and employees and 22 workers) in 2016. For this purpose, funds in the amount of 1.0 million rubles were allocated in 2016.

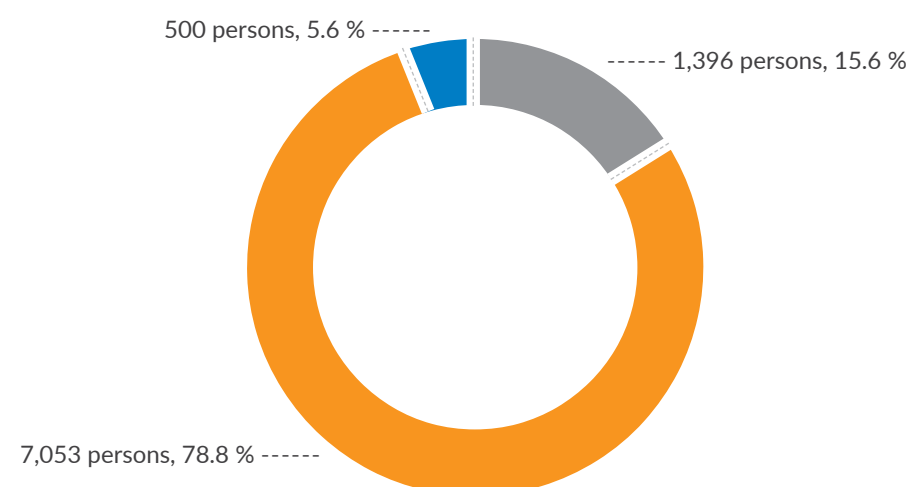
Recruitment and Development of Young Talent, Professional Development

One of the strategic objectives of JSC "OGK-2" in the field of personnel management policies is the maintenance of an optimal age structure of

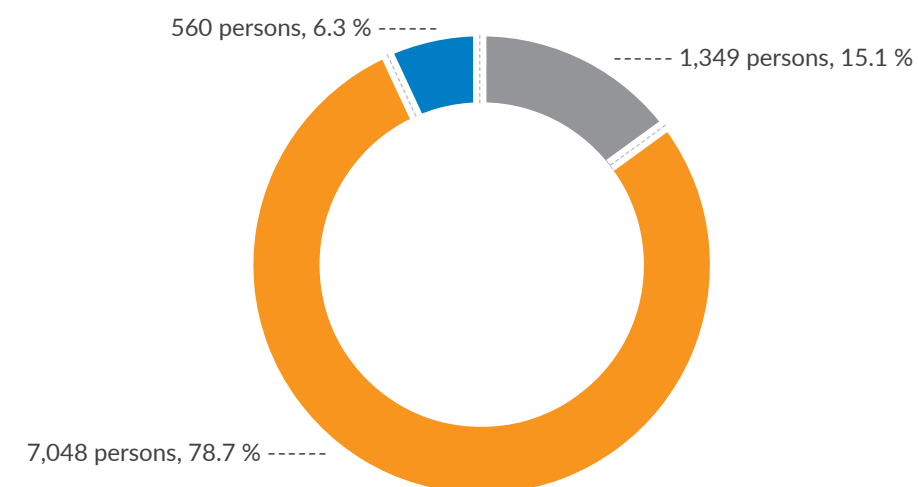
members of the personnel of the Company and provision of professional continuity of generations among our employees.

Age structure of the personnel, persons

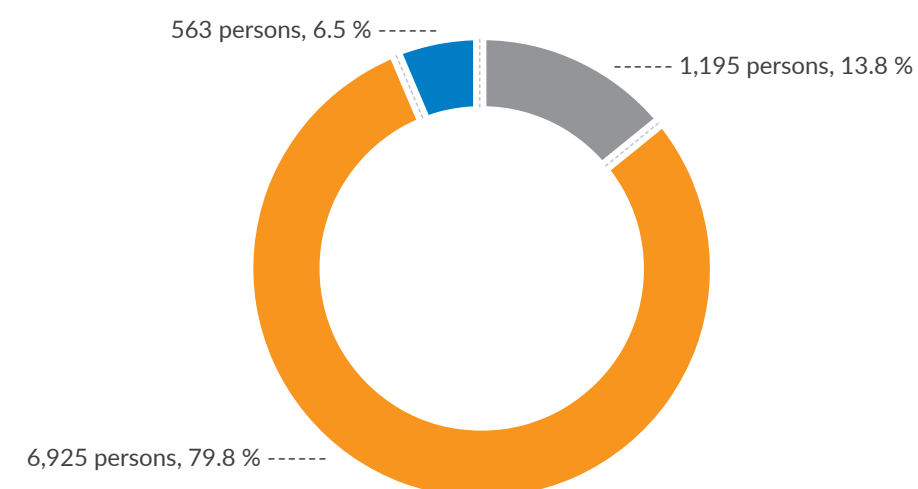
2014



2015



2016



■ Below 30 years old ■ Above 30 years old to retirement age ■ Working pensioners

The Company pays special attention to professional development and career growth of young specialists. In order to encourage and to support the most talented and enterprising of them, JSC "OGK-2" traditionally holds Contest of young specialists and innovators, which is open to employees of all the departments and all the levels through a multi-stage selection scheme.

These contests have become a platform for young specialists of the Company to implement their own potential as well as contributed to the creation of conditions for encouraging their creative initiative.

In 2016, the best semi-finalists of the Contest of young specialists and innovators of JSC "OGK-2" became the winners of the final of the contest of the same name held by Gazprom Energoholding LLC. Dmitry Kutashevsky and Mikhail Shmelev from the Krasnoyarskaya GRES-2 presented their work "Introduction of a vacuum plant for actuation of raw coal bunkers in case of suspensions of boiler units into a long reserve" and won the first place. Aleksey Pulinovskiy from the Stavropolskaya GRES ranked second with his topic "Optimization of circulation water use of 300 MW power units".

Specialists of JSC “OGK-2” were also prize winners of the international contest of scientific, research and technical, and innovation achievements aimed at developing the fuel and energy industry and extracting industries. The contest was held in May 2016 under the auspices of the Ministry of Energy. A diploma of the first prize winner was awarded to corporate authors Sergey Domnichenov and Grigory

Komartsov (Kirishskaya GRES) for their work “System of automatic forecasting of power CCGT-800”. An expected effect from their achievement: about 10 million rubles a year. The second award of the contest was given to Dmitry Donodin and Sergey Kryndushkin (Ryazanskaya GRES) for their work “KSP-2 device modernization” with an expected effect of up to 1 million rubles.

Succession Planning

Although the share of personnel at a retirement age at JSC “OGK-2” is small, we make sure that these specialists could provide a worthy replacement. This work is built on the basis of the Regulations on the work with the personnel reserve for promotion to senior and key positions approved by order of JSC “OGK-2” No. 420 dated May 15, 2014.

At each level of the reserve, the following are distinguished:

- operational reserve: employees who possess the necessary practical experience, successfully completed targeted and practical training, and

who are ready for the successful implementation of management activities at the planned management level;

- promising reserve: workers who possess the necessary practical experience but who need targeted and practical training for the successful implementation of management activities at the planned management level.

In 2016, a reserve for 579 job positions, which were included in the personnel reserve of administrations and the personnel reserve of branches, was created.

4.2. Social Partnership

The social partnership principle is our top priority in interaction with external audiences. In order to implement it, we regularly hold various events aimed at confirming the status of a national enterprise and

an attractive employer. The purpose of this work is to hold a dialogue with all the participants in the public process for eliminating risks that may arise in the public field.

Regional Development

In the regions where JSC “OGK-2” branches operate, they are major enterprises having a significant impact on the social situation. The reputation of power engineers permits to form a positive perception of the Company’s activities as an entity focused on the country’s stable development.

For this purpose, several measures were implemented in 2016. A delegation of the Krasnoyarskaya GRES-2 participated in the Krasnoyarsky Economic Forum business program “Russia: strategy 2030” and in the

7th Siberian Energy Forum. The plant’s specialists took part in round-table meetings to discuss topics such as ecology, operation in the electricity market, quality of training of specialists for the energy industry. The plant’s exhibition presented a good logistic infrastructure, raw materials for fabrication of construction products, supply of electrical and heat energy.

In July 2016, the infrastructure capacities of the Troitskaya GRES were presented in Yekaterinburg

at the main industrial exhibition of Russia “INNOPROM-2016” among 600 major international and Russian manufacturers at the stand of the Chelyabinsk Region. And in September JSC “OGK-2” and the Chelyabinsk Region signed an agreement for joint actions aimed at the plant’s industrial potential development.

Environmental Protection

One of the main audiences is the Company’s staff, in cooperation with whom the Company’s values can be communicated to an external community.

In its social activities, the Company pays special attention to the environmental aspect of the power plants’ operations. Unconventional methods are used to raise interest. Thus, in 2016, there was a very successful 3rd creative contest “Energy Devourer” at the Kirishskaya GRES aimed at promoting resource saving and organized among urban schools. The plant’s personnel held 3 “Ecoboom” events and provided over 2 tons of waste paper for recycling.

Employees of the Pskovskaya GRES are traditionally among those who participate in volunteer clean-up in the village of Dedovichi. In 2016, about 100 people took part in environmental events. The plant’s workers planted trees, cleaned unauthorized dumps, put in order areas around monuments.

Staff

Assistance in creative development of the staff, a possibility of their self-realization outside work is another area of work with the staff.

For instance, the Happy People team of the Krasnoyarskaya GRES-2 came through to the final of the regional league “Club for the Lightheaded and Quickwitted on the Yenisei” and the plant’s Energy hockey team won the cup of Zelenogorsk and became the winner of the city championship of 2015–2016.

In 2016, the Krasnoyarskaya GRES-2 celebrated its 55th anniversary. This event was celebrated and marked by bright and interesting events. A commemorative plaque to Fedor Baran, the first

The Ryazanskaya GRES hosted the “Investor Day” event aimed at presenting the company’s technological capacities of meeting the needs of a new business. The purpose of this project was to increase supplies of heat and electricity and earn revenues from property lease or sales.

Replenishment of fish stocks in the reservation reservoir on the Shelon River, the water of which is used in the power plant’s technological process, was a high-profile event in 2016. 1.5 thousand pike perch spawns were released in November.

The Ryazanskaya GRES power personnel willingly participate in the local annual campaign “Clean bank of the Pron”. In 2016, about 100 people cleaned the bank of the Novomichurinskoe water reservoir. On the eve of summer vacations, the Ryazanskaya GRES personnel organized several excursions for junior pupils to remind again about the important aspects of the nature treatment by humans (rules of behavior in a wood and near water bodies, etc.).

A team of young specialists of the Surgutskaya GRES-1 took an active part in the Clean City volunteer clean-up and an event aimed at planting trees and shrubs in the city.

director, was installed at the plant’s administration building. The GRES-2 youth and veterans started an alley of power engineers by planting young oak, linden, and nut trees. The plant’s trade union organized a sports family holiday. The youth union held a bike ride and a car adventure game. A new book titled “Energy of reliability, energy of development” was published.

As part of work aimed at improving the prestige of the power engineer profession at the Cherepovetskaya GRES, an Honors Board was made by the company and solemnly opened.

The Pskovskaya GRES organizes excursions in cooperation with the plant’s trade union, which have

become quite popular. In 2016, the energy sector workers visited Karelia and Saint Petersburg (Pushkin – Gatchina). The plant’s staff attended events of the Pushkin celebration (Pushkinskie Gory), “Iron Town” (Izorskaya stronghold), plays of the Pskov Drama Theater.

The Troitskaya GRES staff takes an active part in the city’s cultural and sports events: Day of the Energy Workers Village, Day of Knowledge, Victory Day, “Farewell to Winter”, “Ski Track of Russia”, “Autumn starts”, Olympics of Labor Collectives, and the like.

The primary organization of the Power Trade Union, the ProGRES youth organization of the Serovskaya GRES, and staff representatives participated in the city’s cultural and sports events: Trade Union Activist Day, Youth Day, Martial Brotherhood military patriotic

game, Race of Nations, Ski Track of Russia, Victory Day, environmental volunteering clean-up, and others.

The ProGRES youth organization participates in the city’s programs of the working youth, regularly organizes and holds its charity campaigns and events at schools, kindergartens, and social institutions located near the energy workers village. For the professional orientation purposes, excursions to the plant’s subdivisions were organized for the senior classes of school No. 13 and the Serovskaya sanatory boarding school.

The team of the Surgutskaya GRES-1 “ProGRES” participated in the four phases of the city’s championship of intellectual games for the City’s Head Cup. It took part in the intellectual game “Energy of Thought” on the eve of the Energy Worker Day.

young specialists was held at the Zelenogorsk Museum and Exhibition Center and an exhibition titled “They were the first” dedicated to the plant’s veterans was opened.

The Pskovskaya GRES energy workers making part of the Brigade-60 search squad took an active part in the Memory Shift Team 2016 event. Veterans and workers of the plant participated in events dedicated to the 75th anniversary of the Partisan Area creation. The 2016 summer sports race became the largest mass event.

Hundreds of workers of the Ryazanskaya GRES took part in a solemn procession and meeting dedicated to the Victory Day. Patriotic upbringing of the younger generation and merited honors to the Great Patriotic War veterans were the main purposes and goals of a meeting of 5 to 7 year pupils with veterans and former workers of the Ryazanskaya GRES. The Light a Candle campaign on the square of Novomichurinsk near the monument dedicated to the Memory and Sorrow Day on June 22 gathered over 250 people.

Veterans

Councils of the plants’ veterans actively promote the energy industry and maintain the Company’s image in the external environment.

The Kirishskaya GRES put in order a collective grave in the village of Pcheva and the Front Defense Area memorial in Kirishi. A solemn meeting was held at the collective grave on May 6. Veterans born before 1945 received commemorative medals “Children of War” made by JSC “OGK-2”.

On May 9, the Kirishskaya GRES workers walked in a column with city residents to the eternal flame. At the meeting, young energy workers held an event titled “Smoke and fire of the Great Patriotic War”: after a moment of silence black and orange balls were released into the sky.

Five meetings were held for the Krasnoyarskaya GRES-2 veterans dedicated to memorable dates and a meeting with the plant’s managers was organized on the Elderly Day. A meeting of veterans with the plant’s

Younger Generation

Professional orientation of pupils for boosting the prestige of the energy worker profession is

contests are regularly held.

For students of relevant and general education institutions of Surgut, the Company held excursions to the plant’s subdivisions (for pupils – 7 excursions, for students of the Surgut Polytechnic College – 3 excursions). An Open Day was organized for students of the Ivanovo State Energy University so as to attract young specialists to the Surgutskaya GRES-1.

105 people visited the Kirishskaya GRES during excursions, found out about the history and principle of work of the North-West largest thermal power plant. 25 students of universities and specialized high schools completed on-the-job training at the Kirishskaya GRES. Tenth-graders of 7 Kirishi-based schools participated in the contest “Energy in details” held by the Kirishskaya GRES. Students got the gist of details of sophisticated energy topics and submitted their presentations to a jury. Winners received merited diplomas and awards.

In 2016, 14 students of Kirishi were offered an extra opportunity to good engineering education from the Kirishskaya GRES. From among 40 participants, they successfully completed testing and could attend, for several months at no charge, training courses for USE in Physics and mathematics, the key subjects for a technical profession. All the participants in the project successfully passed the USE and were admitted to prestigious universities of Saint Petersburg.

Under the Future of Energy project, the Krasnoyarskaya GRES-2 held brain rings, quests, and relay races for the city’s school students: events “From the Torch to MegaWatt”, “My Friend

Current”, “Battle of Environments”. Apart from PR campaigns, 300 urban children visited the exhibition “Let the Light Shine” and found out about the energy worker profession as part of events organized by the Krasnoyarskaya GRES-2 museum staff.

Professional orientation of pupils for boosting the prestige of the energy worker profession is a separate area of the Company’s social work. The Pskovskaya GRES organizes excursions for school students, multidisciplinary college and students of the Pskov University. Six students of the Dedovichi multidisciplinary college, Pskov State University completed on-the-job training at the branch. Contests of pictures were held as part of the Occupational Safety Year.

Children of the Ryazanskaya GRES energy workers took an active part in the contest of pictures “Ryazanskaya GRES – safe labor territory”. At the lessons on careful treatment and energy efficiency, children found out how a huge power plant correctly and reasonably consumes electricity; excursions dedicated to energy efficiency were organized as well involving over 150 children from the district and the region. Such events are a bright benchmark for selecting a profession. In total, about 400 students visited the power plant in 2016.

Every year, about 100 students complete on-the-job training at the Ryazanskaya GRES. In 2016, energy workers were joined by young specialists of the Novomichurinsk Multidisciplinary College, where a new specialty “Power plants, networks and systems” was launched 5 years ago at the plant’s initiative.

Charity

Whenever financially possible, the Company offers charity support focusing on the cities and towns where it operates. Priority financing is provided for aid in the following areas:

- aid to diseased children;
- aid to the disabled and veterans;

- aid to orphanages and child care centers;
- aid to educational and research institutions;
- aid to sports organizations.

In 2016, an amount of 9 million rubles was spent on those purposes. Half that amount was used

to support cultural, healthcare, and educational institutions in the cities and towns where the branches operate. The other half was spent on urgent medical treatment of the Company's staff and

Sports

The Company organizes sports work aimed at its staff harmonious development: its branches hold Olympics, which are qualifying tournaments for the Olympics of JSC “OGK-2” held every two years according to the principle of summer and winter games.

In 2016, the Surgutskaya GRES-1 hosted the annual Olympics between the plant's subdivisions. 303 people participated in the competitions. The Olympics included competitions in ski race, swimming, track-and-field athletics, kettlebell lifting, chess, Russian draughts, mini soccer, table tennis, and volleyball. Work of the ski center of family rest is organized in winter for the staff with skates and skis being provided.

The Pskovskaya GRES workers are active participants in the Christmas tennis tournament in the settlement of Dedovichi attended by the strongest athletes of the region's districts. However, energy workers always occupy winning positions.

Public and Media Relations

In 2016, the Public and Media Relations Department of JSC “OGK-2” prepared and distributed 213 press releases. The total number of publications in the media about the Company's activities exceeds 1,300. Cooperation with the media is carried out in the three main areas:

- entering into and performance of fee-based agreements for publications in the media;
- free publication in the media and on websites of materials the media is interested in by using relevant newsworthy opportunities, illustrations, relevant text;
- informal communication with journalists

their children. Funds are distributed at meetings in presentia of the charity committee acting under the relevant Regulations.

The Popular Rowing competition raises huge interest (on concepts). The tradition of such competitions was initiated by the trade union of the Pskov GRES. It is held under the auspices of the sports committee of the Dedovichi District.

Awards are brought from competitions of different levels (including Russian ones) of trainees of A. Sidorkevich. The chairman of the trade union of the Pskovskaya GRES and the academic rowing coach has been promoting this sport in the village of Dedovichi for over 20 years and has trained an entire generation of CMS in academic rowing.

Athletes of the Ryazanskaya GRES participate in both in-house Olympics held by the Company and PJSC “Gazprom” and in municipal and regional competitions. ANO “Childhood Club”, a sports club, works and develops under the financial auspices of the Company (Novomichurinsk) and is attended by about 350 children.

contributing to their adequate perception of the Company.

The power plants most actively cooperating with the media and operating in the news information field are the Serovskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Kirishskaya GRES.

Television programs about the life of the Cherepovetskaya GRES and the Ryazanskaya GRES are regularly broadcast by the district and regional TV channels. On a free of charge basis throughout the year: publications in regional newspapers, on websites, radio and television programs on local TV channels.

In order to inform the staff about the Company's life, enable the management to receive feedbacks, and form an adequate understanding of ongoing events, the branches publish large-circulation newspapers. “Generation”, a corporate newspaper, is published to cover the employer's interaction with its staff, provide a platform for exchanging industrial and managerial experience, supply information for the staff professional growth.

Each branch carries out information work in the regional media. The pages of publications cover environmental and industrial topics, public and sports life of the teams. Enterprises are positioned as attractive employers and responsible participants in the socio-economic process considerably contributing to development of areas they operate in.

Positive interaction with the staff, promotion of the prestige of the energy worker profession, formation

of a positive image of the Company cannot go unnoticed by the inhabitants. Representatives of many branches are elected to municipalities. For instance, four workers of the Krasnoyarskaya GRES-2, two workers of the Ryazanskaya GRES, and seven workers of the Cherepovetskaya GRES are deputies to the local representation bodies. A council of deputies of the settlement of Dedovichi continues to actively work under management of Nikolay Chikhachev, a worker of the Pskovskaya GRES. One third of members of the Council work at the plant as well.

All of the above measures and areas of activities, apart from obvious results such as the staff health recovery and creation of a friendly atmosphere, make it possible to position the Company as an attractive employer enabling its personnel to develop both professionally and personally.

4.3. Environmental Protection

As one of the largest heat-generating companies, JSC “OGK-2” fully understands its environmental responsibility towards present and future generations and views environmental sustainability and measures minimizing the environmental impacts of its power plants as its top priority.

The environmental policy conducted by JSC “OGK-2” is developed in accordance with the applicable environmental laws and regulations of the Russian Federation and approved by the Director General of the Company.

For a number of areas, the Company implements measures that are aimed at reducing the negative impact of production facilities of the Company on a regular basis:

- construction and commissioning of highly efficient combined cycle power units with reduced amounts of specific emissions of air pollutants (nitrogen oxides, carbon dioxide, particulate matter, sulfur dioxide, and greenhouse gases);

- renovation and upgrading of equipment with the use of environmentally friendly materials as well as construction of current process water supply systems in order to reduce chemical and thermal pollution of water bodies;
- renovation of heating systems with new thermal insulating materials, which allows for reducing heat losses by more than twice, in order to reduce thermal pollution of the environment and to provide for the rational use of energy resources;
- construction of new and reconstruction of existing water treatment facilities in order to avoid ingress of contaminated wastewater into surface waters;
- provision for safe management of production waste and reduction in the amount of waste from the combustion of solid fuels;
- installation of fish protection structures at water intakes in order to prevent damage to wildlife.

Environmental Activities Implemented by Power Plants in 2016

In 2016, a large scale of environmental activities was performed by the branches of JSC “OGK-2”, which curbed the discharge of polluted wastewater and emissions of pollutants into the air and reduced consumption of water from surface sources for production needs. Furthermore, an extensive program for environmental protection measures for 2017 was developed and began to be implemented as of the report date.

Environmental activities implemented by power plants of JSC “OGK-2” in 2016 and planned for 2017

Purpose	Measures taken in 2016	Measures planned to be taken in 2017
ADLERSKAYA TPP		
Reduction of emissions of pollutants and greenhouse into the atmosphere	<ul style="list-style-type: none">disabling the anti-icing system of the GTP at the ambient temperature of over 6 OC and lack of precipitations.	
KIRISHSKAYA GRES		
Curbing the use of water for operational needs	<ul style="list-style-type: none">using recycling water supply by supplying part of heated water from the outlet channel to the inlet channel;	
	(recycling component – 49.6 mln m³)	(planned recycling water supply – 31.6 mln m³)
KRASNOYARSKAYA GRES -2		
Reduction of emissions of pollutants into the atmosphere	<ul style="list-style-type: none">overhaul of internal cyclone elements of the battery of the dust collector of boiler No. 9A, No. 9B;current repair of internal cyclone elements of the battery cyclone ash collectors 4A, 4B;overhaul of aspiration fuel supply systems I-AU-1B, I-AU-3A, I-AU-3B, I-AU-4A, B, II-AU-1A, II-AU-1B, II-AU-4A, II-AU-4B;repairs of the dry ash release scheme;installation of an ash dump irrigation system to eliminate dusting of dried areas.	-
Reduction of emissions of pollutants	<ul style="list-style-type: none">maintenance of oily waste equipment of treatment facilities;	<ul style="list-style-type: none">repairing equipment of treatment facilities;developing the design and cost estimate documentation for construction of local treatment facilities of domestic wastewater.
Conservation of fish stocks	-	<ul style="list-style-type: none">releasing young water biological resources into the water reservoir on the Kan River.
Curbing the use of water for operational needs	<ul style="list-style-type: none">re-using wastewater of the outlet channel (41,674.98 thousand m³), including heating of the outlet channel in winter (40,615.86 thousand m³);re-using wastewater of the outlet channel for preparing feed water to boilers No. 1-8 (173,198 thousand m³);reuse of wastewater for makeup (852.54 thousand m³).	<ul style="list-style-type: none">using recycling water supply in winter by supplying part of heated water from the outlet channel to the inlet channel.

Purpose	Measures taken in 2016	Measures planned to be taken in 2017
Protection and rehabilitation of land	<ul style="list-style-type: none">implementing the 2nd phase of the biological phase of the land plot recultivation previously occupied by the solid waste landfill;cleaning the water protection zone of the enterprise.	<ul style="list-style-type: none">recultivating the land plot previously occupied by the solid waste landfill;developing the design and cost estimate documentation for reconstructing the ash dump with installation of a buffer container.
Use of dry ash as an additive for concrete	<ul style="list-style-type: none">conducting certification tests of flue ash and obtaining a certificate of conformity of flue ash to the requirements of GOST 25818-91.	-
NOVOCHERKASSKAYA GRES		
Reduction of emissions of pollutants into the atmosphere	<ul style="list-style-type: none">conducting tests of ash collecting and gas installations of power units No. 1-7.	-
Rational use of water resources	<ul style="list-style-type: none">conducting metrological certification and performing technical maintenance of the measuring system of consumption of cooling water at power units of the power plant SIRENA.	<ul style="list-style-type: none">cleaning the inlet channel from sedimentation;installing a device metering water use of the siphon outfall;monitoring a water body according to the program for laboratory control of natural water;conducting metrological validation and technical maintenance of devices installed on on-shore pumping stations No. 1 and No. 2 of the water measuring system of cooling water SIRENA.
Curbing the use of water for operational needs	<ul style="list-style-type: none">using recycling water supply in winter by supplying part of heated water from the outlet channel to the inlet one using siphon outfall.	
	(recycling component – 233.6 mln m³)	(planned recycling water – 128.7 mln m³)
Land protection and rehabilitation	-	<ul style="list-style-type: none">development and landscaping of the territory and sanitary and protection zone.
PSKOVSKAYA GRES		
Reduction of emissions of pollutants	<ul style="list-style-type: none">replacement of filter elements at local wastewater treatment fastening;cleaning of tailing pond of the rainwater sewer.	-
Curbing the use of water for operational needs	<ul style="list-style-type: none">dealing with cooling water usage lower than the regime map.	<ul style="list-style-type: none">commissioning two electrical water heating boilers KEV-4000/6 (their use in the GAC mode from May to September will permit to practically fully exclude technical water usage for technical needs).
Conservation of fish stocks	-	<ul style="list-style-type: none">stocking the water reservoir on the Shelon with fish.
RYAZANSKAYA GRES		
Conservation of fish stocks	<ul style="list-style-type: none">bio ameliorative work (stocking with fish) of the water reservoir;monitoring water biological resources of the Novomichurinsk reservoir on the basis of stocking results.	

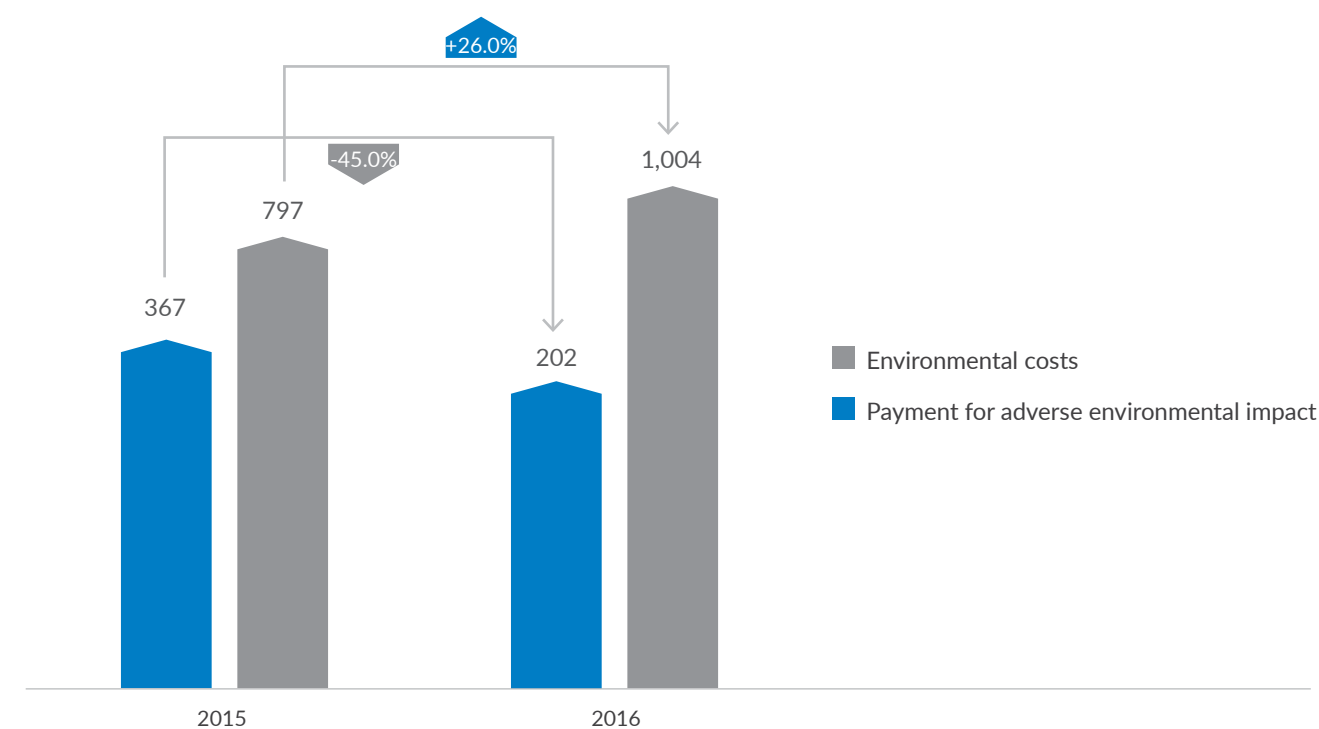
Purpose	Measures taken in 2016	Measures planned to be taken in 2017
SEROVSKAYA GRES		
Curbing bottom ash emissions	<ul style="list-style-type: none"> repairs of dust extraction installations at boilers No. 5, 6, and 10. 	<ul style="list-style-type: none"> repair of dust extraction systems and dust exhausting plants.
Land protection and rehabilitation	-	<ul style="list-style-type: none"> repairs of ash and slag pipes and complex of facilities of ash dump No. 3.
STAVROPOLSKAYA GRES		
Curbing the use of water for operational needs	<ul style="list-style-type: none"> tie-in of TSEN-4B recirculation pipeline (minimizing the use of water resources by 1,620 thousand m³); restoration of the working capacity of the mechanism of the turn of blades of the TSEN of units No. 1-8 (curbing the use of water resources by 9,843 thousand m³). 	-
SURGUTSKAYA GRES-1		
Reduction of emissions of pollutants and greenhouse into the atmosphere	<ul style="list-style-type: none"> retrofitting the gas supply system in units No. 1, 8. 	-
Land protection and rehabilitation	-	<ul style="list-style-type: none"> cleaning the cup of the drilling waste disposal site from accumulated slag with replacement of a filtering layer and restoration of side slopes.
TROITSKAYA GRES		
Land protection and rehabilitation	<ul style="list-style-type: none"> equipment of new unit No. 10 (STU-660) with a system of dry ash and slag removal with subsequent storage in silages to be sold to consumers. 	-
Environmental measures on the ash dump in the territory of the Republic of Kazakhstan	<ul style="list-style-type: none"> technical recultivation of section 2 (phase 1: layer thickness 20 cm on an area of 138.4 ha, phase 2: layer thickness 30 cm on an area of 200 ha); sowing multiyear grass of section 2, taking into account the surface area of the dam and on the side slopes of dams of section 2 (on an area of 204.06 ha); planting of trees and shrubs on dams of section 2 (on a section 4.15 km long); cooling of dams of section 2 with the soil volume of 90,724 t. 	<ul style="list-style-type: none"> technical recultivation of section 2 (phase 1: layer thickness 20 cm and phase 2: layer thickness 30 cm); sowing multiyear grass of section 2, taking into account the surface area of the dam and on the side slopes of dams of section 2; planting trees and shrubs on dams of section 2; cooling dams of section 2; repair of dams of section No. 3 of the ash dump; repair of a system of hydraulic ash removal with replacement of the ash pipe section; cleaning scoops of sludge on BNS-1 and BNS-2; de-installation of releases (siphons-bypass pipes) from emergency scoop BNS-1; dust control on ash beaches of section 3 by sowing grass; zoning the ash dump area.

Purpose	Measures taken in 2016	Measures planned to be taken in 2017
CHEREPOVETSKAYA GRES		
Reduction of emissions of pollutants	<ul style="list-style-type: none"> repair of dust extraction systems and dust exhausting plants. 	-
Curbing the use of water for operational needs	<ul style="list-style-type: none"> using recycling water supply in winter by supplying part of heated water from the outlet channel to the inlet channel; 	(planned recycling water supply – 74.0 mln m ³)
	(recycling component – 92.0 mln m ³)	

Costs of and Investments into Environmental Protection

Costs of and investments into environmental protection, million rubles

	2015	2016	Change [%]
Payments for environmental impacts, total	367	202	-45.0%
payments for the emission of pollutants into the atmosphere	42	20	-52.1%
payments for the discharge of pollutants into water bodies	18	14	-23.4%
amount payable for the placement of waste	307	168	-45.4%
The cost of environmental protection, total	797	1,004	26.0%
Maintenance (operating) costs of environmental protection	288	347	20.4%
payment for environmental protection services	479	614	28.1%
costs of development and approval of authorization documents	5	27	422.8%
Costs of implementation of environmental control and monitoring	25	16	-38.2%



Considerable reduction in payments for an adverse environmental impact as compared to 2015 was mainly caused by changes in the procedure for its calculation after Decree No. 913 of the Government of the Russian Federation “On rates of payment for an adverse environmental impact and additional coefficients”⁸ dated September 13, 2016 came into effect. In addition, the amount of payment for an adverse environmental impact in 2016 was affected by relocation of part of ash and slag waste (160 thousand tons) of the Troitskaya GRES from the territory of the Republic of Kazakhstan to the territory of the Russian Federation⁹.

Increase in the current (operational) environmental costs in 2016 was mainly due to the increase in

amounts allocated to wastewater treatment and air protection.

Payment for environmental protection services in 2016 increased by 28.1% as compared to 2015 due to the implementation of reclamation activities at Troitskaya TPP ash dump in the Republic of Kazakhstan.

Higher costs of development and approval of permissions is associated with development of an expensive project of liquidating an ash dump in the Republic of Kazakhstan.

The main reason for curbing costs of industrial environmental control and monitoring is saving on auctions.

Emission of Pollutants

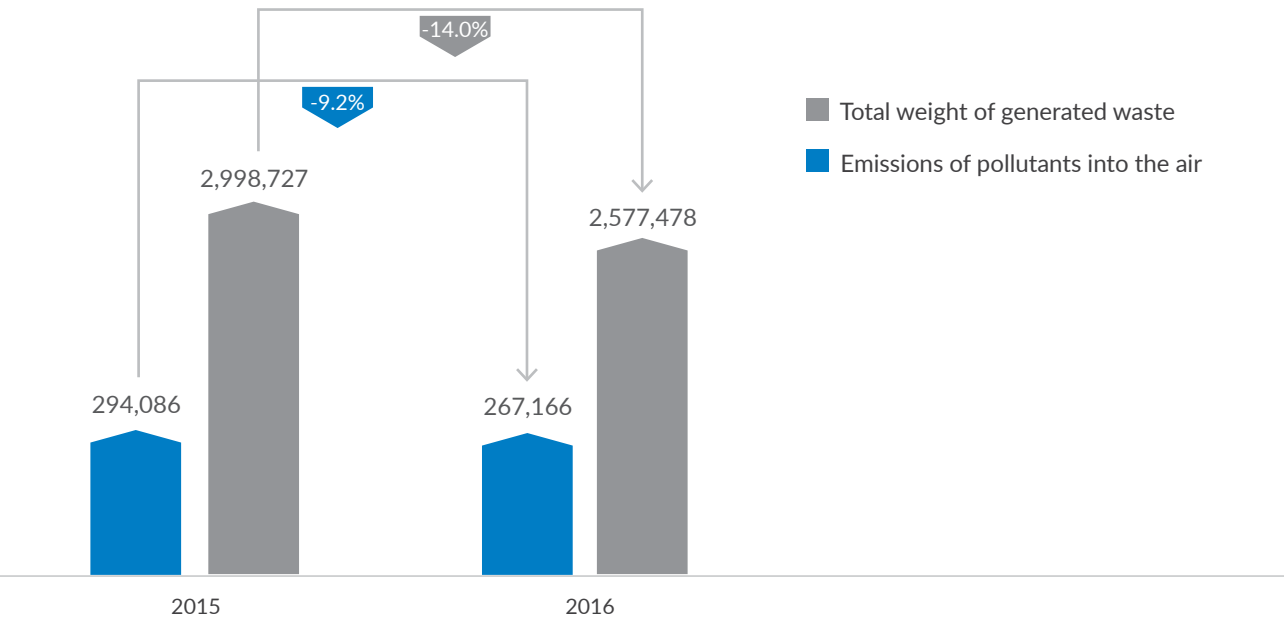
Airborne pollutants pose a danger to the environment and to humans if their concentration exceeds natural and regulated values. Therefore, JSC “OGK-2” controls the amount of air emissions on a continuous basis and implements the necessary reduction measures. Company’s power plants have organized regular monitoring of the quantity and the quality of emissions using its own accredited laboratories for environmental protection. These data are used both for internal control and approval of management decisions based on their analysis and for the transfer thereof to specialized supervisory and regulatory authorities in the field of the use of nature’s resources and environmental protection. This type of control is implemented both directly at the sources of emissions and at specially selected points of urban development in the area of influence of the power plant. All kinds of emissions of pollutant by power plants of JSC “OGK-2” are limited to the norms of maximum permissible emissions (MPE), which are established by special permits for stationary sources of pollution on the basis of applicable provisions of paragraph 1 of Article 14 of Federal Law No. 96-FZ “On Air Protection” dated May 4, 1999.

In the course of its production and administrative activities the Company also generates production and consumption waste. For each of its branches, the Company has developed projects of waste-generating standards (WGS) and limits (permissions) for their placement, which were then approved by state supervision agencies. These documents stipulate the used waste treatment methods and disposal sites. Every type of industrial waste is collected into specially designed containers or into specially designated areas for temporary storage of waste. Export of municipal solid waste (MSW) for treatment, recycling or disposal at landfills is implemented by third-party organizations that have a license to work in this area in accordance with applicable environmental requirements.

The extent of the negative impact on the environment exerted by JSC “OGK-2” as a result of their production activities depends largely on the volume of electricity generation, heat supply, and on the balance of the burned fuel.

Emissions of pollutants, tons

	Gross emission of harmful substances into the atmosphere			Total weight of waste generated		
	2015	2016	Change [%]	2015	2016	Change [%]
Adlerskaya TPP	1,167	1,195	2.4%	178	105	-41.0%
Kirishskaya GRES	5,170	6,264	21.2%	1,812	2,127	17.4%
Krasnoyarskaya GRES -2	47,987	39,779	-17.1%	294,220	236,869	-19.5%
Novocherkasskaya GRES	72,009	77,157	7.1%	1,033,346	1,007,070	-2.5%
Pskovskaya GRES	410	246	-40.0%	233	288	23.6%
Ryazanskaya GRES	27,253	31,192	14.5%	223,198	210,295	-5.8%
Serovskaya GRES	27,226	11,128	-59.1%	410,341	169,492	-58.7%
Stavropolskaya GRES	6,517	7,145	9.6%	835	837	0.2%
Surgutskaya GRES-1	16,428	15,349	-6.6%	4,184	4,683	11.9%
Troitskaya GRES	41,610	42,951	3.2%	748,709	669,411	-10.6%
Cherepovetskaya GRES	48,309	34,760	-28.0%	281,671	276,301	-1.9%
Total	294,086	267,166	-9.2%	2,998,727	2,577,478	-14.0%




In 2016, emissions of pollutants by JSC “OGK-2” into the air shrank by 9.2% and waste generation – by 14% as compared to 2015, despite increases in electricity and heat output. This was achieved as a result of changing the fuel balance: reduction in the quantities of burned coal and increase in the quantities of burned gas.

In particular, at the Serovskaya GRES and the Cherepovetskaya GRES, where electricity and heat supplies increased, emissions of pollutants into the air reduced by 59% and 28%, respectively, due to a falling share of coal in their fuel balances as a result of increasing supplies of electricity by facilities working on gas. At the Cherepovetskaya GRES, the share of high-ash Intin coal in the total fuel balance decreased.

8 Payment rates according to Decree No. 913 of the Government of the Russian Federation (RF GD No. 913) have been allowed to be applied to payment calculation since January 01, 2016. RF GD No. 913 has no multiplying coefficients taking into account environmental factors (range K = 1 – 1.9 depends on the region), the coefficient for the Far North areas (K=2) and the coefficient of emissions into the air for cities (K=1.2).

9 Cost of placing 1 t of ash and slag waste taking into account coefficients in 2016 in the territory of the Russian Federation – 11.52 RUB/t, in the territory of the Republic of Kazakhstan – 279.97 RUB/t (at an exchange rate of 5 tenge for 1 ruble).

The best part of capacities of JSC “OGK-2” is coal-fired; in this regard, the issue of deployment of ash waste is particularly relevant to the Company. In order to reduce the number of placed ash waste and, thus, to save the usable capacity of existing ash dumps by the branches that are coal-fired, measures are being taken for the shipment of ash and dry ash waste for recycling. For example, 107.7 thousand tons of dry ash and 136.1 thousand tons of slag waste were shipped to consumers in 2016.



At the coal power plants Krasnoyarskaya GRES-2 and Troitskaya GRES, waste generation declined due to the falling output of electricity and, as a result, reduction in burned coal. At power plants using gas as the main fuel (Adlerskaya TPP, Kirishskaya GRES, Pskovskaya GRES, Stavropolskaya GRES, Surgutskaya GRES-1), waste generation does not directly depend on electricity and heat supplies and, to a larger degree, is defined by the number of performed repairs, generation of fuel waste upon cleaning reservoirs, etc.

Water Usage

Generation of thermal and electric energy is accompanied by the use of large amounts of water in the process cycle and by discharge of wastewater, which contains various pollutants.

When using the water resources, JSC “OGK-2” is guided by applicable requirements of the applicable Russian and international laws and seeks to minimize the environmental impact of the activities of the generation capacity of the Company.

The source of process water for power plants, with the exception of Adlerskaya TPP, is surface water bodies. Water from water utility networks is used for the production needs of Adlerskaya TPP and for domestic needs.

Level of total intake from surface water sources in the context of various power plants, thousand m³

	2015	2016	Change [%]
Adlerskaya TPP ¹⁰	240	255	6.3%
Kirishskaya GRES	183,380	265,350	44.7%
Krasnoyarskaya GRES -2	528,461	436,074	-17.5%
Novocherkasskaya GRES	860,561	921,456	7.1%
Pskovskaya GRES	88,398	36,827	-58.3%
Ryazanskaya GRES	7,071	7,071	-
Serovskaya GRES	69,349	15,855	-77.1%
Stavropolskaya GRES	1,303,035	1,434,933	10.1%
Surgutskaya GRES-1	20,717	19,130	-7.7%
Troitskaya GRES	4,550	4,074	-10.5%
Cherepovetskaya GRES	205,912	165,669	-19.5%
Total	3,271,674	3,306,694	1.1%

10 Water is collected from water supply networks.

The total volume of water taken and received (from surface and underground water sources, from public utility water supply systems and other water supply systems) reached 3,318.6 million m³, a 1% increase on the last-year indicator. Overwhelming quantities of water was taken from surface water bodies: 3,306.4 million m³.

The main usage of water is the cooling of process equipment. Increase in the intake water volume occurred at the Adlerskaya TPP, Kirishskaya GRES, Novocherkasskaya GRES and Stavropolskaya GRES, which increased electricity generation as compared to the previous year.

The essential difference in the intake water volumes between the branches of the Company is due to the types of technical water supply systems: Kirishskaya GRES, Krasnoyarskaya GRES-2, Novocherkasskaya GRES, Pskovskaya GRES, Stavropolskaya GRES, and Cherepovetskaya GRES use a direct-flow system; Troitskaya GRES, Ryazanskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, and Adlerskaya TPP use a reverse-flow system.

4.4. Supply Chain

Fuel is the key resource purchased by JSC “OGK-2” to generate electricity and heat. According to data from RAS statements, fuel costs also dominate our variable cost structure.

Type of fuel	Cost of fuel consumed, rubles				Share of fuel costs in variable costs according to RAS, %		
	2014	2015	2016	Change [%]	2014	2015	2016
Gas	47,216	45,099	52,817	17.1%	61.5%	61.3%	55.9%
Coal	17,695	17,427	15,852	-9.0%	23.0%	23.7%	21.6%
Fuel oil	490	228	198	-13.2%	0.6%	0.3%	0.3%
Diesel fuel	4	36	27	-24.4%	-	-	-
Total	65,404	62,789	68,894	9.7%	85.2%	85.3%	77.9%

The strategy of JSC “OGK-2” in the field of fuel supply is aimed at optimizing the fuel balance in order to minimize the costs of the Company. It provides for the maximum possible substitution of expensive fuels with other fuels, for the fuel purchases through competitive procedures, and for conclusion of long-term contracts for the supply of fuel.

The capacities of the Company spread across 12 Russian regions. In this regard, JSC “OGK-2” is actively cooperating with regional coal suppliers and optimizes fuel costs through the use of gas and various kinds of coal by its power plants. Various branches of JSC “OGK-2” receive coal from the Kansk-Achinsk, Moscow, Borodino, Pereyaslovo, Rostov, and Ekibastuz sections mainly under long-term supply contracts.



Fuel costs in 2016 amounted to 68,894 million rubles, which is 9.7% below the relevant value for 2015.

The cost of gas used in 2016 increased by 17.1% as compared to 2015 due to:

- output growth at gas plants with old equipment (Stavropolskaya GRES, Surgutskaya GRES-1, and the condensation part of the Kirishskaya GRES);
- a higher share of gas in the structure of the fuel balance on old equipment of the Novocherkasskaya GRES and growing output of the 2nd phase of the Ryazanskaya GRES;
- growing output at facilities commissioned as part of CSA project implementation before 2016 (CCGT-800 of the Kirishskaya GRES, 2 units CCGT-180 of the Adlerskaya TPP, CCGT-420 of the Cherepovetskaya GRES);
- commissioning of CCGT-420 of the Serovskaya GRES on 01.01.2016.

At the same time, the gas price has not been indexed since 01.07.2015.

Reduction of used coal by 9.0% is caused by the declining output at the Krasnoyarskaya GRES-2, the 1st phase of the Ryazanskaya GRES, and old equipment of the Serovskaya GRES, a falling coal share in the fuel balance structure of the Novocherkasskaya GRES, and also shut down of units No. 4, 5 of the Troitskaya GRES on June 01, 2016.

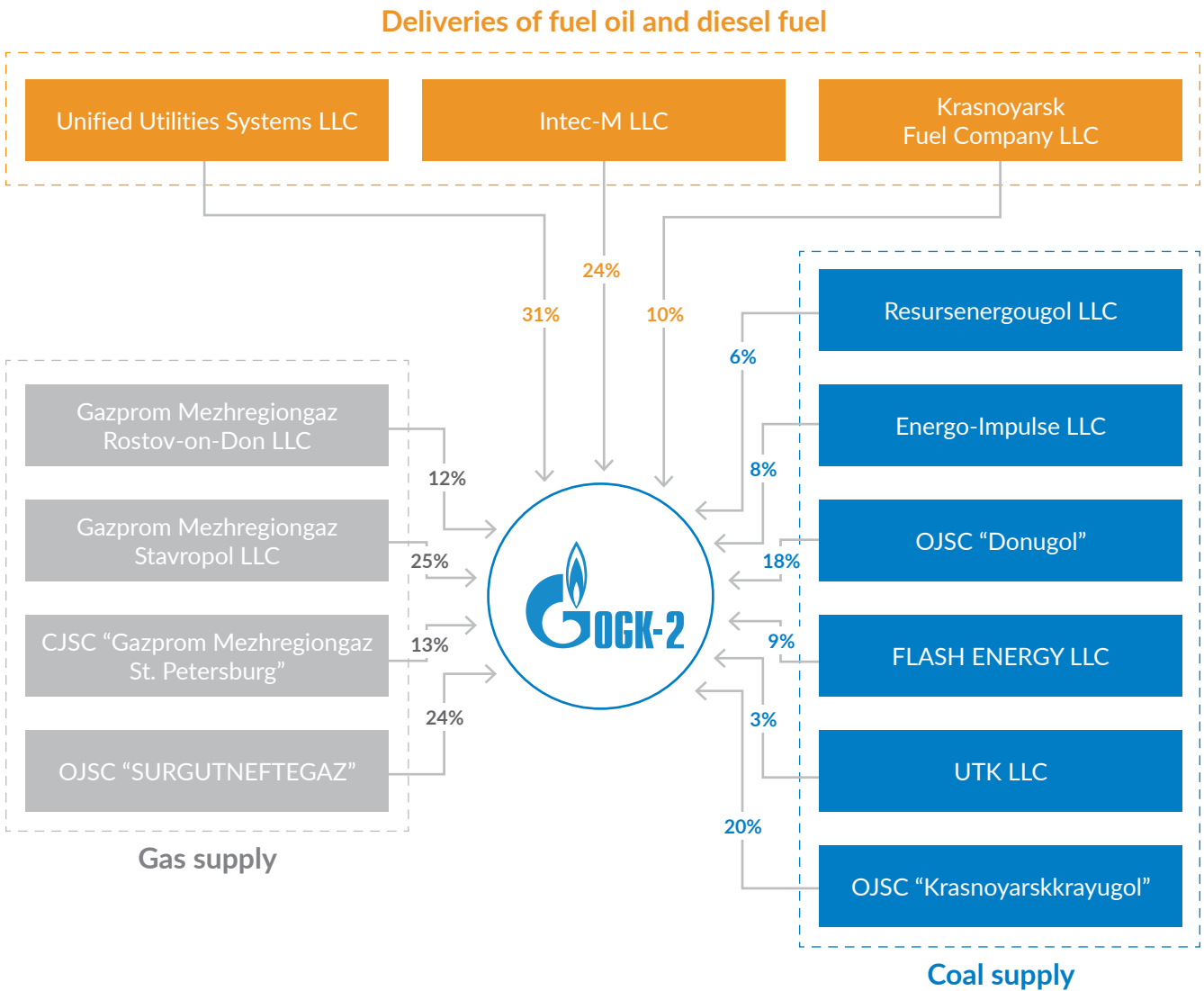
The main reasons for the increase in the price of coal write-offs:

- growing tariffs of railway transportation (indexed by 9% since 01.01.2016);
- growing share of higher caloric and, therefore, more expensive coal in the structure of coal burned at the Ryazanskaya GRES;
- growing coal supply price for the Krasnoyarskaya GRES-2.

The cost of fuel oil used in 2016 fell by 13.2% primarily due to reduction in prices of petroleum products in the domestic market of the Russian Federation.

Decrease in the use of diesel fuel by 24.4% is caused by both falling consumption and prices.

Scheme of the fuel supply chain in 2016 specifying the most important suppliers



The fuel supply chain layout of JSC “OGK-2” demonstrates the major suppliers and relevant shares in the costs of the Company as regards the purchase of main types of raw materials used (gas, coal, fuel oil, and diesel fuel). In the course of selection of the

major suppliers, the Company was guided by the principle of materiality: the layout reflects suppliers that account for more than 10% of the total cost of the supply of the relevant raw material for the last three years.

Dynamics of share distribution among main gas suppliers in 2014-2016

Supplier	Share in the total value of the gas supply, %		
	2014	2015	2016
OJSC “SURGUTNEFTEGAZ”	24%	27%	24%
Gazprom Mezhregiongaz Stavropol LLC	22%	24%	25%
CJSC “Gazprom Mezhregiongaz St. Petersburg”	14%	12%	13%
Gazprom Mezhregiongaz Rostov-on-Don LLC	10%	10%	12%

Factors of changes in share distribution among main gas suppliers in 2016 as compared to 2015:

- Reduction in the share of OJSC “Surgutneftegas” by 3% was due to the reduction in the share of gas consumption by Surgutskaya GRES-1 in the total gas

consumption in the Company by 4%.

- Increase in the share of Gazprom Mezhdregiongaz Rostov-on-Don LLC by 2% was due to the increase in the share of gas consumption by Novocherkasskaya GRES in the total gas consumption in the Company by 1%.

Dynamics of share distribution among main coal suppliers in 2014-2016

Supplier	Share in the total value of the coal supply, %		
	2014	2015	2016
Resursenergougol LLC	7%	10%	6%
Energo-Impulse LLC	13%	9%	8%
UTK LLC	12%	-	3%
OJSC “Donugol”	11%	18%	18%
OJSC “Krasnoyarskkrayugol”	17%	18%	20%
FLASH ENERGY LLC	10%	10%	9%

Factors of changes in share distribution among main coal suppliers in 2016 as compared to 2015:

- Reduction in the shares of Resursenergougol LLC and Energo-Impuls LLC in the total cost of coal supplies by 4% and 2%, respectively, is caused by declining electricity output at the Troitskaya GRES and coal generation at the Serovskaya GRES and, as a consequence, falling demand for coal.

- Supplies of UTK LLC resumed after entering into a new agreement in September 2016.
- Increase in the share of OJSC “Krasnoyarskkrayugol” by 2% was caused by growing coal use at the Ryazanskaya GRES, the share of which in the total volume rose by 1%.
- Decrease in the share of FLASH ENERGY LLC by 1% was caused by falling supplies at the supplier’s initiative.

Dynamics of share distribution among main fuel oil suppliers in 2014-2016

Supplier	Share in the total value of the fuel oil and diesel fuel supply, %		
	2014	2015	2016
CJSC “Gazprom Salavat Neftekhim”	31%	-	-
Unified Utilities Systems LLC	37%	54%	31%
Krasnoyarsk Fuel Company LLC	-	4%	10%
Intec-M LLC	8%	14%	24%
Regionneftet Reid LLC	16%	12%	-
PPTC LLC	16%	12%	-

Deliveries of fuel oil at the power plants of JSC “OGK-2” are implemented on a competitive

basis as a result of requests for proposals for the relevant period. Consequently, a key factor in

changing the distribution of shares among main fuel oil suppliers in 2016 as compared to 2015 is the preference for suppliers who have offered

the lowest price, all other supply conditions being equal.

4.5. Procurement Policy and Relations with Suppliers, Anticorruption Policy and Conflict of Interest Settlement

Procurement Policy and Relations with Suppliers

The Company performs its procurement activities in compliance with the applicable provisions of the Constitution of the Russian Federation, the Civil Code of the Russian Federation, Federal Law of the Russian Federation No. 223-FZ “On Procurement of Goods, Work, and Services by Certain Kinds of Legal Entities” dated July 18, 2011, well as other federal laws and regulations of the Russian Federation and generally accepted world practices in the field of procurement. Procurement activities of JSC “OGK-2” is based on the Regulations on Procurement of Goods, Work, Services of JSC “OGK-2”, which were developed to fully meet the Company’s demand for goods, work, services, and improve procurement efficiency in a timely manner. In order to improve the existing procurement procedures, in 2016 the Board of Directors of JSC “OGK-2” made necessary decisions to amend the Regulations on procurement of goods, work, and services at JSC “OGK-2”.

With the purpose of following a principle of information openness in the process of organizing procurement, procurement information is placed in the Unified Procurement Information System (www.zakupki.gov.ru) and on the Company’s official website (www.ogk2.ru).

In 2016, all procurement that was organized on a competitive basis was implemented electronically on the website of the Trade System “GazNeftetorg.ru” (www.gazneftetorg.ru). According to the results of

organizing competitive procurement procedures, in 2016 a positive effect of 4.6% of the initial (maximum) price of competitive procurement (including Fuel procurement) and 10.7% of the initial (maximum) price of competitive procurement (excluding Fuel procurement) was achieved.

In 2016, JSC “OGK-2” complied with the requirements of Government Decree of the Russian Federation No. 1352 dated December 11, 2014 for the annual volume of agreements signed according to the results of procurement involving only small and medium-sized businesses. The scope of agreements concluded for such procurement in 2016 amounted to 14.2% of the total annual volume of agreements signed by JSC “OGK-2” according to the results of all procurement with the established regulated level of 10%.

The Company builds its relationships with all the suppliers on the principles of responsible partnership regardless of their share in the structure of supply and strives to maintain long-term, stable, and mutually beneficial relations with its suppliers. Therefore, JSC “OGK-2” constantly acts to improve the stability of supply and the transparency of formation of prices. The Company selects suppliers and contractors primarily on a competitive basis and is committed to working with partners that have an impeccable reputation, comply with the applicable laws and the rules of corporate and business ethics.

Anticorruption Policy

JSC “OGK-2” implements its anticorruption activities in strict compliance with the applicable laws of the Russian Federation. Company employees are

guided by applicable provisions of Federal Law No. 273-FZ “On Combating Corruption” dated December 25, 2008, Decree of the President of the

Russian Federation No. 309 “On Measures Aimed at Implementing Certain Provisions of Federal Law “On Combating Corruption” dated April 2, 2013, the Order of the Chairman of the Government of the Russian Federation No. VP-P13-9308 dated December 28, 2011, as well as by applicable provisions of departmental and local regulatory acts. Systematically, the Company implements planned measures in order to ensure compliance with the

corporate interests of the Company and to minimize the risks of causing economic damage. The Company has developed and implements a set of measures aimed at detecting, suppressing, and preventing corruption offenses and at minimizing the adverse effects from them. No criminal charges were brought in 2016 against the Company’s personnel for corruption offences and fraud.

Conflict of Interest Prevention and Settlement Policy

Within the scope of the measures that are aimed at detecting and preventing conflicts of interest, JSC “OGK-2”:

- implements organization and analysis of information about the chain of owners of its counterparties, including beneficial owners (including ultimate beneficiaries) and mandatorily requests supporting documents, which are then used to perform security checks of the authenticity of provided information;
- has established a Committee for conflicts of interest, whose work is organized in accordance

with the applicable provisions of Regulation “On the Committee for Conflicts of Interest”, Rules of the “Procedure for Interaction with Contractors for Obtaining Information about the Chain of Owners, including Beneficiary Owners (including Ultimate Beneficiaries) and / or the Members of Executive Bodies of Counterparties of JSC “OGK-2”;

- scrutinizes potential candidates when hiring as well as employees of the Company and their close relatives in strict compliance with the applicable laws on personal data protection in order to identify conflicts of interest.

Work of the Committee for Conflicts of Interests of JSC “OGK-2” in 2016

Committee for Conflicts of Interests of JSC “OGK-2” is attended by 6 members. The chairman of the Committee is JSC “OGK-2” Deputy General Director for Corporate Protection Igor Yurievich Podkin. The Committee’s meetings are held as requests are received for consideration. The main objectives of the Committee are as follows:

- adoption of decisions on transactions in case of incomplete disclosure of information about the chain of owners of a counterparty or in case of refusal to disclose such information;
- adoption of decisions on the settlement of

conflicts of interest should they arise;

- development of tactics and technique for identification, prevention, and settlement of conflicts of interest.

In 2016, the Committee held 26 meetings, during which 65 issues were considered. Mostly, the considered issues were associated with the adoption of decisions on the Company’s transactions in cases of incomplete disclosure of information about the chain of owners of contractors of a counterparty or refusal to disclose such information.

5. RISK MANAGEMENT

Risk management at JSC “OGK-2” assumes implementation of regular measures for identification, analysis and ranking of risks as well as for their prevention and minimization of potential adverse effects. The key goal of the Company’s corporate risk management system is an impact on risks to ensure a reasonable guarantee of achieving strategic and operational goals. Coordinated participation of all the levels of corporate management in this work is provided for.



5.1. Risk Management Methodology

Risk Classification, Occurrence Probability Assessment, and Importance of Risk Impact of the Company's Operations

Risks		Measures regularly taken to reduce likely realization of risk and / or mitigate negative consequences in case of risk realization
1 TERRITORIAL RISKS		
1.1	National risks: <ul style="list-style-type: none">changes (decrease) in world prices for natural gas and oil and, consequently, slowing or stopping of the development of the Russian economy, which could adversely affect the Company's operations, its financial position, long-term market value of shares, as well as restrict the Company's access to capital and reduce the solvency of customers of the Company's products.	This risk is weakly managed. The Company implements active measures aimed at reducing costs and improving efficiency in all the areas of its activity, which allows for a significant reduction in the level of vulnerability of the Company to negative economic and political changes in the country.
1.2	Regional risks: <ul style="list-style-type: none">destabilization of the situation in one or more areas of functioning of power plants of the Company due to military conflicts, introduction of the state of emergency, or occurrence of strikes.	Continuous monitoring of the situation in the regions of power plants of the Company, implementation of systematic measures directed at the assessment of the effects of external influences and approval of decisions on the basis of long-term forecasting and financial modeling tools. Interaction with public and other authorities in order to overcome the negative changes of the situation both in the Russian Federation as a whole and in the regions. Maintenance of the current level of diversification of the business that allows for preserving the stability of the Company as a whole in case of negative changes in one of the regions of its activities.
1.3	Geographic risks: <ul style="list-style-type: none">natural disasters;interruption of transport communication due to remoteness and / or inaccessibility.	Training of the personnel of the Company in correct actions in the event of occurrence of both natural and anthropogenic emergencies. Close cooperation, including joint exercises, with the participation of representatives of the Federal Fire Service of the EMERCOM of Russia as well as ambulance and specialized rescue teams. Maintenance of the current level of diversification of the business that allows for preserving the stability of the Company as a whole in case of negative changes in one of the regions of its activities.
2 RISKS ASSOCIATED WITH THE WORK OF THE SECTORIAL BRANCH OF THE ELECTRICITY AND CAPACITY MARKET AND WITH HEAT SUPPLY TO CONSUMERS		
2.1	Reduction in the demand for electricity and heat energy as a result of the decline in production in Russia in connection with the economic crisis and the implementation of energy-saving measures.	Development of programs for shutting down part of facilities with the lowest economic parameters (if there are technical possibilities to cover existing demand with economically efficient generating facilities). Implementation of programs aimed at improving operational efficiency. Conclusion of long-term contracts for electricity and heat supply.

Dynamics ¹¹ in the reporting year		Risks actually realized in the reporting year	Measures taken by the Company in 2016 to mitigate negative consequences from realized risks
Risk occurrence probability	Risk significance		
		-	-
		-	-
		-	-
		-	-

11 The direction of changes in the probability of occurrence and / or the importance of the implementation of each of the considered risks during 2016 characterizes the shift of points that indicate the location of each of the risks considered in the risk map, which occurred in 2016. «↓» refers to the probability of the growth of the risk or the growth of the significance of the impact of the risk on the Company's activities. «↑» refers to the reduction in the probability of the risk or the decrease in the importance of its impact on the Company's activities. «↔» refers to the preservation of the probability of the risk or the continued significance of its impact on the Company's activities during the reporting year.






Risks	Measures regularly taken to reduce likely realization of risk and / or mitigate negative consequences in case of risk realization
2.2 Changing electricity prices at the unregulated market and simultaneous uncertainty and limitations of tariffs for heat energy due to the dependence on the decisions adopted by state bodies of tariff regulation.	Conclusion of long-term contracts for electricity and heat supply. Active work within the framework of the Association of NP "Market Council", and JSC "ATS".
2.3 Changes in the prices of energy resources and services (including repairs) as well as supplies and equipment.	Operational measures to optimize the fuel balance structure. Implementation of programs aimed at reducing production costs and at fuel economy (including commissioning of CCGTs). Conclusion of medium-term agreements with suppliers at fixed prices specified in business plans. Creation of reserves of reserve fuels (coal and fuel oil) at power plants in order to enable above-plan consumption of fuel and exclusion of instantaneous large purchases. Optimization of costs for maintenance and capital construction. Implementation of competitive tenders for the selection of suppliers of goods and providers of services with a limited maximum price at the level of the prices specified in the business plan.
2.4 Risk of increase in non-payment for supplied electricity and heat energy.	Work of the Committee of payments at the wholesale market for electricity and capacity, preparation of proposals on improvement of the payment discipline at the wholesale market for electricity and capacity. Debt collection in court. The introduction of heat restrictions (only available in the retail market and implemented only after a series of notices and only in respect of facilities that can be disconnected without violating applicable laws).
2.5 Absence of demand in the market for the capacity of part of the Company's generating facilities.	Minimization of the non-demanded volume of the capacity by offering the generating facility in the market in different ways (mechanisms) of sales and also submission of optimal (competitive) requests to the CSA.
3 SPECIFIC PRODUCTION AND TECHNICAL RISKS	
3.1 Occurrence of accidents due to physical depreciation of fixed assets.	Timely implementation of repairs and revamping, reconstruction, and upgrade. Implementation of an investment program that includes the construction of new facilities on the sites of existing power plants. Gradual decommissioning of the old capacity.
3.2 Failure to comply with contractual obligations by contractors and partners in terms of delivery deadlines and quality of raw materials and components and provision of services.	Improvement of the preliminary risk analysis system for counterparties. Monitoring the performance of counterparties.
3.3 Risks related to weather factors and changes in seasonal water availability.	This risk is weakly managed. However, it is considered in the course of planning and adoption of strategic decisions.
3.4 Competition with more effective electricity producers, including producers that use innovative technologies in the liberalized market.	Implementation of programs aimed at improving operational efficiency. Timely implementation of repairs and retrofitting, renovation, and upgrade. Additional training and professional development of the Company's personnel.

Dynamics in the reporting year		Risks actually realized in the reporting year	Measures taken by the Company in 2016 to mitigate negative consequences from realized risks
Risk occurrence probability	Risk significance		
↑	↔	—	—
↔	↔	—	—
↔	↔	—	—
↓	↔	—	Use of the optimal strategy of participation of the Company's generating facilities in the CSA, as a result of which all the capacities of the Company were taken off according to the CSA results by 2020.
↓	↔	—	—
↓	↔	—	—
↔	↔	—	—
↑	↓	—	—

Risks	Measures regularly taken to reduce likely realization of risk and / or mitigate negative consequences in case of risk realization
3.5 Increased competition in the future, after the implementation of investment programs by all the companies in the power sector, including the risk of extension of electricity distribution networks, which will result in availability of the "locked" capacities of the Siberia's power system to a wider range of customers of the first price zone.	Implementation of programs aimed at improving operational efficiency. Timely implementation of repairs and retrofitting, renovation, and upgrade. Conclusion of long-term contracts for electricity and heat supply.
4 RISKS IN THE FIELD OF STATE REGULATION	
4.1 Decisions adopted by public authorities as regards freezing or limiting the rate of growth of tariffs for electricity and heat or approving the tariffs that do not correlate to the costs borne by the Company.	Active interaction with the FAS of Russia, regional energy commissions, and committees of the fuel and energy in the regions and cities in which the working generation capacity of the Company are located in order to establish economically justified tariffs.
4.2 Changing the regulatory legal acts that regulate activities of entities of the electrical power sector, including the rules of the wholesale market for electricity and capacity and regulatory acts in the field of heat supply as well as the rules of provision of public services.	Participation in the drafting of regulatory legal acts, regulatory impact assessment on the projects, formation of a consolidated position of generating companies on the amendment of rules of the wholesale market at the site of NP "Council of Power Producers" and bringing this position to the developer of the draft regulatory act.
4.3 Risks related to the impossibility of extending the Company's license for carrying out a certain type of activity or for using facilities, which have limited transferability (including natural resources).	Upon expiry of the licenses or in the event of changes in the licensing requirements JSC "OGK-2" makes every possible effort to renew them or obtain new licenses and also takes necessary actions to bring its activities into compliance with the new licensing requirements.
4.4 Risks of changes in the Russian Federation laws, in particular changes in tax and civil laws.	Timely familiarization with adopted changes in tax and legislative sphere and adjustment of the current procedures and operations of the Company.
5 RISKS OF IMPLEMENTATION OF INVESTMENT PROJECTS	
5.1 Risks of financial and reputational losses in the course of implementation of investment projects: <ul style="list-style-type: none"> inability to raise additional funds that are necessary for the implementation of the investment program in full; postponement of projects and the use of sanctions in respect of the Company within the framework of CCO and CSA; unplanned increases in costs and deterioration of the approved parameters of investment projects, including growing prices of equipment and materials in the construction process; non-compliance of implemented projects with standards and requirements of regulating organizations, including non-conformity of the quality to the developed design documentation; great dependence of the economic parameters of projects on the external environment factors (existence of the network infrastructure, sales markets by the time construction projects are commissioned). 	Search and analysis of the sources of financing of the investment program. Improvement of organization and control procedures for work performed by all the investment project participants. Establishment of harsh penalties in provisions of contracts concluded with suppliers and contractors in respect of undue performance of work as a whole and of individual steps, which impact the term of implementation of the project. Careful study of the used technical solutions at the design stage. Maintaining a list of unfair designers, suppliers, and contractors and participation in selection of subcontractors. Replacement of imported equipment with the equipment made in Russia. Development and implementation of property and financial risks insurance programs in the course of implementation of major investment projects, which ensures the optimal balance between the cost of risk management and the acceptable damage. Raising the investment attractiveness of the Company. Development of a corporate system of project management to systemize data on existing and designed projects.

Dynamics in the reporting year		Risks actually realized in the reporting year	Measures taken by the Company in 2016 to mitigate negative consequences from realized risks
Risk occurrence probability	Risk significance		
↑	↔	—	—
↑	↓	—	—
↑	↔	Decree of the Government of the Russian Federation No. 893 dated August 27, 2015 amended the Rules on the wholesale power and capacity market and introduced a new procedure for long-term CSA according to an "elastic demand" model. In November 2015, the results of the first long-term CCT for 2016 were summarized. Introduction of a new CSA model led to considerable decline of the power price in 2016.	The use of an optimal strategy of participation of the Company's generating facilities in the CSA, as a result of which all the Company's capacities were taken off according to the CSA results by 2020.
↔	↔	—	—
↔	↔	—	—
↓	↓	Delayed commissioning of four CSA projects: Troitskaya, Serovskaya, Ryazanskaya, and Novocherkasskaya GRES. The Decree of the Government of the Russian Federation No. 238-r dated February 16, 2015 introduced Groznenskaya TPP into the list of generating facilities that will be used to supply capacities under CSA entered into with JSC "OGK-2".	Obtaining postponement for writing off penalties for late commissioning – by May 1, 2017, performance of obligations to commission facilities under draft CSA by the specified date. Development and use of possibilities of SPV financing and borrowing through the Gazprom Group – transfer, in November 2015, of implementation of priority investment projects, including construction of the Groznenskaya TPP, GEKH Engineering LLC. Creation and introduction of the system of monitoring and control of the time and values of new construction projects based on SAP ICS P GC.

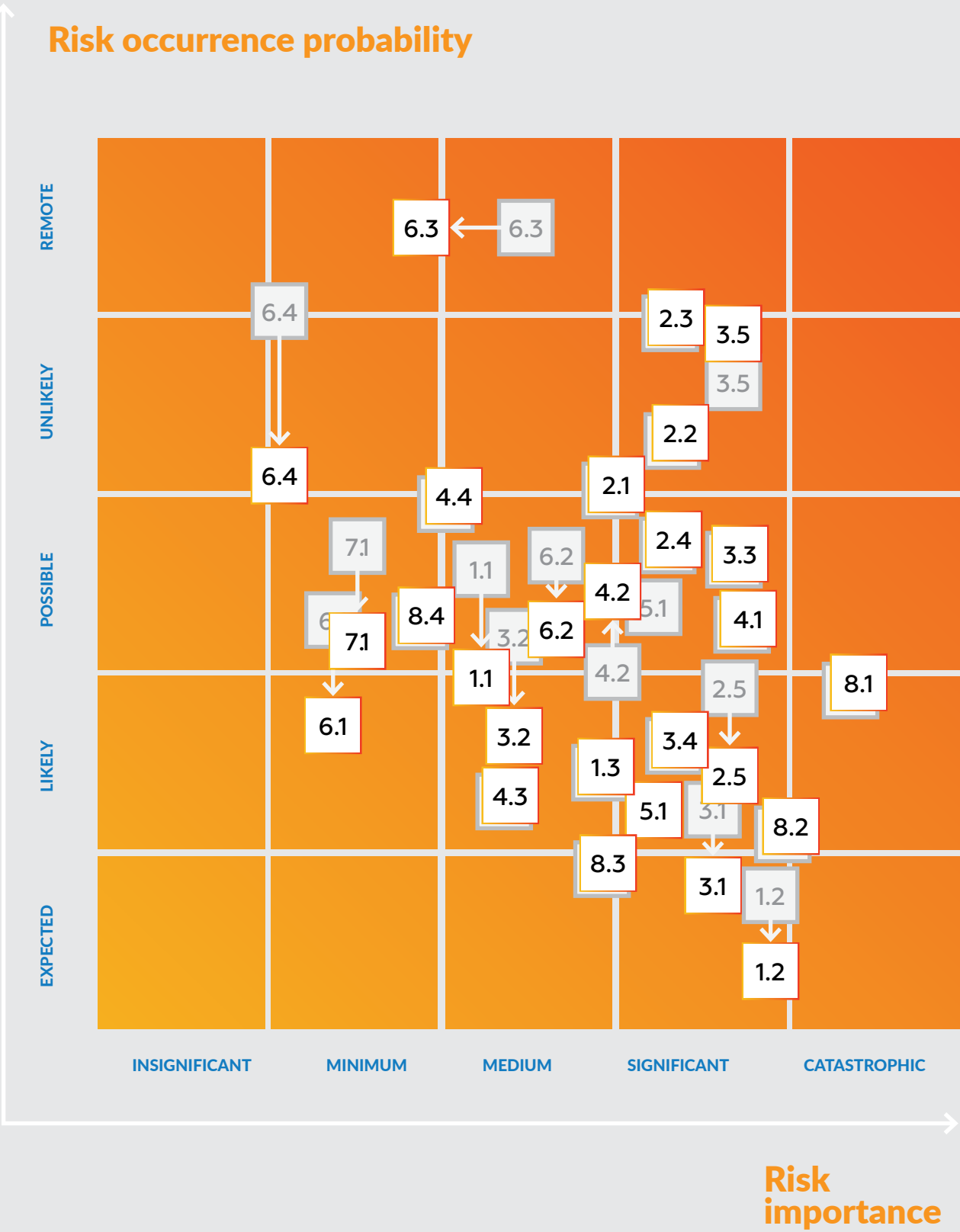
Risks	Measures regularly taken to reduce likely realization of risk and / or mitigate negative consequences in case of risk realization
6 RISKS ASSOCIATED WITH THE OPERATION OF FINANCIAL MARKETS	
6.1 Changes in interest rates and complication of borrowings: <ul style="list-style-type: none"> • higher costs of financing investment expenses with the purpose of developing a business and strengthen the market position; • higher costs of covering gaps between electricity supply and its payment by counterparties. 	Attraction of mostly intercompany debt financing. Attraction of external funding mainly without the possibility of unilateral changes in interest rates.
6.2 Inflation: <ul style="list-style-type: none"> • risk of losses related to a decrease in the real value of accounts receivable in the event of a considerable deferral or delay in payment; • risk of an increase in payable interest; • increases in the net cost of purchased goods and services (including fuel, the market price of which is not regulated by the state) and, as a result, increases in costs, falling profits and profitability of the Company's activities. 	Efforts aimed at setting economically justifiable rates for the Company within the limits imposed by the state. Actions aimed at cutting internal costs.
6.3 Risk of change in exchange rates.	Maintenance of open currency positions at the lowest level possible. Minimization of dependence of foreign currency exchange fluctuations by selling products and making most procurement of necessary resources in the domestic market in the currency of the Russian Federation. Carrying out operations so that the Company's assets and liabilities were mainly denominated in the currency of the Russian Federation.
6.4 Risk of flight of the foreign speculative capital in the event of instability in the political and economic spheres as well as in case of market downturns or economic slowdown.	This risk is weakly governed. However, the Company performs active measures aimed at increasing the shareholder value of the Company and the stability of its stock price.
7 ENVIRONMENTAL RISKS	
7.1 Risks of environmental damage or pollution followed by civil liability and the need to take measures to eliminate the damage.	Monitoring the activities for the purpose of ensuring compliance with the requirements of the applicable Russian and international environmental standards. Training of members of the personnel of the Company in correct actions to be taken in the event of emergency that can result in harm to the environment at the locations of generation facilities, including joint exercises with the participation of representatives of the Federal Fire Service of the EMERCOM of Russia as well as ambulance and specialized rescue teams. Renovation and retrofitting the assets and implementation of changes in production processes in order to reduce the environmental impact during normal operation. Insurance coverage for environmental liability.

Dynamics in the reporting year		Risks actually realized in the reporting year	Measures taken by the Company in 2016 to mitigate negative consequences from realized risks
Risk occurrence probability	Risk significance		
		—	—
		According to the Federal State Statistics Service, the inflation level in 2016 was 5.4%, having considerably declined as compared to previous periods (2005 – 10.9%, 2006 – 9.0%, 2007 – 11.9%, 2008 – 13.3%, 2009 – 8.8%, 2010 – 8.8%, 2011 – 6.1%, 2012 – 6.6%, 2013 – 6.5%, 2014 – 11.4%, 2015 – 12.9%)	—
		—	Changes in procurement plans – rejection of procurement of imported goods in foreign currencies and procurement in the domestic market.
		—	—
		—	Commencement of standardization and voluntary certification of ash and slag waste of the Troitskaya GRES to resell and reuse them and search for sales markets. Relocation of part of ash and slag waste of the Troitskaya GRES from the territory of the Republic of Kazakhstan to the territory of the Russian Federation and commencement of development of a project for liquidation of the ash dump in the territory of the Republic of Kazakhstan.

Risks		Measures regularly taken to reduce likely realization of risk and / or mitigate negative consequences in case of risk realization
8 SOCIAL RISKS		
8.1	Risks of a terrorist threat in the Company's generating facilities.	Implementation of anti-terrorist measures in compliance with the applicable laws of the Russian Federation. Insurance of property and personnel.
8.2	Risks associated with technological violations and accidents due to human-caused errors.	Insurance of commercial property, civil liability of owners of hazardous production facilities and hydraulic structures, vehicles etc. Careful personnel recruitment with due consideration of the required qualifications. Briefing, training, and improvement of skills of the Company's personnel (including special training with the use of simulators). Monitoring the compliance with occupational safety requirements and the production discipline.
8.3	Corruption risks and the risks of conflicts of interest.	Internal control of the absence of conflicts of interest in the course of procurement, contracting, and recruitment of the Company's personnel. Implementation of the Code of Conduct Appointment and operation of the Corporate Ethics Committee.
8.4	Legal risks: <ul style="list-style-type: none">filing claims against the Company with courts (collection of funds, seizure of property, and challenging of property rights);rejection of claims and demands filed by the Company with courts (debt recovery, compensation, protection of property rights).	Creation of provisions of contracts that agree with the best interests of the Company. Implementation of pre-trial settlement of disputes. Implementation of measures aimed at minimizing the negative impact on the Company in the event of litigation and in the course of enforcement of judicial acts.

Dynamics in the reporting year		Risks actually realized in the reporting year	Measures taken by the Company in 2016 to mitigate negative consequences from realized risks
Risk occurrence probability	Risk significance		
↑	↔	—	—
↓	↔	—	—
↓	↔	—	—
↔	↔	—	—

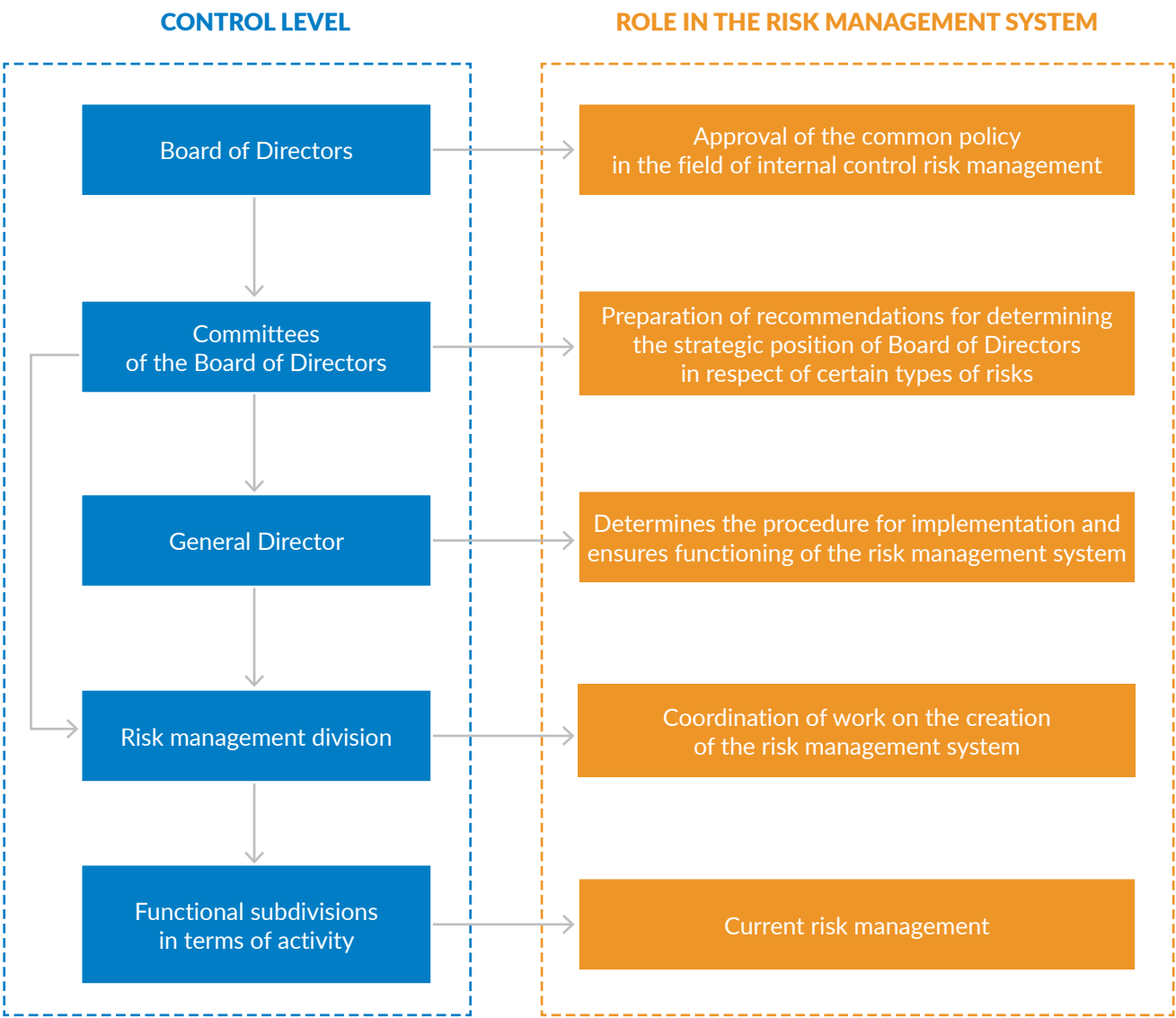
Risk map: risk occurrence probability assessment and importance of risk impact on the Company's operations at the end of 2016



5.2. Corporate Risk Management System

Risk management at JSC "OGK-2" assumes implementation of regular measures for identification, analysis and ranking of risks as well as for their prevention and minimization of potential adverse effects. The key goal of the Company's corporate risk management system is an impact on risks to ensure a reasonable guarantee of achieving strategic and operational goals. Coordinated participation of all the levels of corporate management in this work is provided for.

Corporate Risk Management System



At present, JSC “OGK-2” has local regulatory documents regulating organization of managing certain types of risks, including industrial, financial, insurance, and tax risks.

Current risk management is at the level of individual functional subdivisions:

- structural subdivisions responsible for risk management regularly identify new risks within their areas of responsibility and monitor the situation on the previously identified risks, estimate the probability of each risk and the possible impact in the case of recognition of the occurrence thereof as unacceptably high;
- selection of the most appropriate basic risk management strategies and their timely correction depending on changes in the situation and the general policy of the Company (risk aversion, risk reduction, risk allocation, risk acceptance);

- immediate response to newly identified risks and to the approach of indicators of previously identified risks to the levels specified as limit (unacceptably high) by the competent authorities or the management of the Company.

JSC “OGK-2” implements a stage-based introduction of the previously developed Integrated Risk Management System (IRMS). At the first stage of implementation of the IRMS, a risk optimization mechanism was established by means of the insurance outsourcing (transfer of certain risks to insurance companies for a fee). This has allowed the Company to ensure the optimum security and stability of the Company from internal and external risks associated with the main activity of JSC “OGK-2” under the existing conditions. The Company has implemented measures in the following areas:

Risk management in the first stage of implementation of the IRMS at JSC “OGK-2”	
Types of risks	Implemented measures
Economic and social risks associated with production and business activities of the Company	<ul style="list-style-type: none">• Annually: development and implementation of insurance programs for the protection against all the types of risks taken by insurance companies for insurance.• On an ongoing basis: measures aimed at improving the “quality / cost” indicator of insurance protection programs.
Other social risks	<ul style="list-style-type: none">• Development and implementation of programs of private pension provision and personal insurance for employees of the Company.
Risks that arise in the course of implementation of large investment projects	<ul style="list-style-type: none">• Development and implementation of programs of insurance of property and financial risks aimed at achieving an optimal balance between the cost of risk management and the acceptable damage as well as at minimizing the amount of financial resources to be allocated to elimination of the impact of risk events.



6. CORPORATE GOVERNANCE

The strengths of corporate governance of JSC “OGK-2”:

- the competence of the Board of Directors encompasses a large number of issues which are not limited by legislative requirements;
- the size of the Board of Directors corresponds to that of the business; members of the Board of Directors are well aware of the Company’s operations as many members of the current Board of Directors have been the Board members for many years;
- disclosure of a huge amount of additional information in addition to the information required by law;
- the early time of disclosing reports under the IFRS.



ADDRESS OF CORPORATE SECRETARY AS REGARDS THE MAIN CHANGES IN THE COMPANY'S CORPORATE GOVERNANCE FOR 2016 AND PLANS FOR THE NEAR FUTURE

A.M. Gusev

Corporate Secretary
JSC "OGK-2"

Dear Shareholders,

The JSC "OGK-2" management is aware that transparency of the functioning and quality of corporate governance is one of the key factors of investment appeal, efficiency of managerial decisions made and the Company's work in general, helps maintain the trust of the investment community, shareholders and partners.

JSC "OGK-2" constantly implements the measures aimed at the development, the improvement, and the harmonization of its corporate governance system with the requirements of the applicable laws of the Russian Federation, the listing requirements of the Moscow Stock Exchange. Best Russian and global practices are regularly analyzed to find out their feasibility and rationality when applied in the Company's corporate governance practices.

In 2016, the main area of improvement of the Company's corporate governance was bringing corporate governance procedures in line with the updated requirements of the Moscow Stock Exchange for joint-stock companies, whose securities are admitted to organized trades. In 2016, the most importance changes included:

- increasing the number of independent directors of the Board of Directors and the Audit Committee;
- appointing an independent director to the position of the Audit Committee Chairman;
- assigning a function of evaluation of efficiency of the internal control and risk management system to the internal audit unit as part of internal audit;

- including regular evaluation of the risk and internal control management systems in the competences of the Board of Directors;
- appointing a corporate secretary.

Furthermore, in 2016 the Company approved new versions of several internal documents (Company's Articles of Association, Regulations on the General Meeting of Shareholders, Regulations on the Board of Directors, Regulations on the Management Board, Regulations on the Audit Committee, Regulations on the Board of Directors Audit Committee, Regulations on the Board of Directors Reliability Committee, Regulations on the Board of Directors HR and Remuneration Committee, Regulations on the Corporate Secretary).

In the future, the Company plans to keep on gradually improving efficiency and transparency of the corporate governance system functioning as a key benchmark in correction of internal corporate documents and improvement of the existing corporate practices relying on recommendations of the Corporate Governance Code (recommended to be used by the Bank of Russia Board of Directors, approved on March 21, 2014). Also, JSC "OGK-2" tends to unify and maintain uniform standards of corporate governance that correspond to the relevant practices of the Gazprom Group.

6.1. Principles of Corporate Governance

The corporate governance system of JSC "OGK-2" is aimed at improving the Company's performance, raising its reputation, and increasing its capitalization. Corporate governance is an important factor in building a relationship of trust with all the stakeholders who are equally influenced by the Company and who also affect the Company; therefore, the corporate governance system is based on the following principles:

- accountability of the Board of Directors to the shareholders and accountability of executive bodies of the Company to the Board of Directors and to the General Meeting of Shareholders of the Company;
- protection of stock ownership rights and the possibility of an unrestricted and fast disposal of stock owned by shareholders;
- equal treatment of all the shareholders and rigorous protection of their legitimate rights and interests:
 - the right of shareholders to participate in the management of the Company;
 - the right of shareholders to receive information about the Company's activities;
 - the right of shareholders to participate in the earnings of the Company;
- timely disclosure of accurate information about all material facts, financial situation, social and environmental indicators, performance, ownership and management structure, as well as

provision of free access to such information for all stakeholders;

- maintenance of a reasonable balance between the Company's transparency and the pursuit of its commercial interests;
- an open dialogue with all the stakeholders and recognition of their rights and legitimate interests;
- the adherence to ethical norms preventing staff abuse of official positions, which could damage both the Company and third parties.

The Company's corporate governance specifics are determined by the following key factors:

- ownership structure: one controlling shareholder – JSC "Centerenergyholding" (a part of the Gazprom Group);
- business specifics: a strategically important activity regulated by the state;
- Company's development phase: implementation of a comprehensive program for building generation facilities under capacity provision agreements;
- listing on the Moscow Stock Exchange in the second level quotation list.



The strengths of corporate governance of JSC "OGK-2":

- the competence of the Board of Directors encompasses a large number of issues which are not limited by legislative requirements;
- the size of the Board of Directors corresponds to that of the business; members of the Board of Directors are well aware of the Company's

operations as many members of the current Board of Directors have been the Board members for many years;

- disclosure of a huge amount of additional information in addition to the information required by law;
- the early time of disclosing reports under the IFRS.

The JSC "OGK-2" corporate governance system is based on laws¹² and also standards set forth by the Company's internal corporate regulations and posted on its official website: <http://www.ogk2.ru/rus/si/docs/>:

Company's Articles of Association

The Articles of Association are a constituent document of the Company. Articles of Association include information on the legal status of the Company and on the types of activity implemented by the Company as well as on the authorized capital and shareholders' rights. They contain a description of the Company's bodies as well as their responsibilities and operation procedures. A revised version of the Articles of Association of JSC "OGK-2", which was approved by the General Meeting of Shareholders of JSC "OGK-2" on 06/08/16, entered into force on 07/11/16 (Minutes dated 06/14/2016 No. 9).

JSC "OGK-2" Corporate Governance Code

The Corporate Governance Code was approved by the Board of Directors on September 26, 2006 (Minutes No. 43/43 dated September 26, 2006). The objectives of the Corporate Governance Code are the improvement and the systematization of the corporate management at JSC "OGK-2", ensuring of a greater transparency of the Company's management, and the confirmation of the permanent readiness of the Company to follow the standards of good corporate governance.

Information Policy Regulations

Information Policy Regulations were approved by the Board of Directors on September 7, 2009 (Minutes No. 3 dated September 10, 2009). They determine the scope of the information disclosed by the Company as well as the frequency, the timing, and the procedure for such disclosure.

Insider Information Access Regulations

Insider Information Access Regulations were approved by the decision of the Board of Directors dated December 16, 2011 (Minutes No. 35 dated December 19, 2011). These Regulations are aimed at preventing the use of information that is not publicly available for the benefit of individuals. The control over the use of insider information is implemented by a separate structural subdivision of the Company. The list of insider information was approved by the Board of Directors of JSC "OGK-2" in July 2012 (Minutes No. 51 dated July 30, 2012).

Regulations on the General Meeting of Shareholders

Regulations on the General Meeting of Shareholders were approved by the Annual General Meeting of Shareholders of JSC "OGK-2" on June 08, 2016 (Minutes No. 9 dated June 14, 2016). They determine the types, forms, terms, and procedure for holding the General Meeting of Shareholders, the procedure for the introduction of proposals for the inclusion of items into the agenda of the Annual General Meeting of Shareholders and for the nomination of candidates to the Company bodies, and the procedure for holding General Meetings of Shareholders of the Company as well as specify the functions of the working bodies of the General Meeting of Shareholders of the Company, etc.

Regulations on the Board of Directors

Regulations on the Board of Directors were approved by the Annual General Meeting of Shareholders of JSC "OGK-2" on June 08, 2016 (Minutes No. 9 dated June 14, 2016). They determine the procedure for holding meetings of the Board of Directors and the decision procedures as well as the rights, duties, and responsibilities of the members of the Board of Directors and specify the functions of the Chairman, the Deputy Chairman, and the Secretary of the Board of Directors and Board Committees.

¹² Federal Law of the Russian Federation dated December 26, 1995 and registered under No. 208-FZ «On Joint-Stock Companies»; the Order of the Federal Financial Markets Service of the Russian Federation dated February 2, 2012 and registered under No. 12-46 / pz-n «On Approval of the Regulations on Disclosure of Information by Issuers of Securities»; Regulations on Disclosure of Information by Issuers of Securities (registered by Central Bank, dated December 30, 2014 ; the new Corporate Governance Code (Letter of the Central Bank of the Russian Federation dated April 10, 2014 and registered under No. 06-52/2463).

Regulations on the Director General

Regulations on the Director General were approved by the Annual General Meeting of Shareholders of JSC “OGK-2” on June 08, 2016 (Minutes No. 8 dated June 11, 2015). They determine the rights, the duties, and the responsibilities, as well as the procedure for monitoring the activities, of the Director General.

Regulations on the Management Board

Regulations on the Management Board were approved by the Annual General Meeting of Shareholders of JSC “OGK-2” on June 08, 2016 (Minutes No. 9 dated June 14, 2016). They determine the rights and the obligations of the members of the Management Board of the Company as well as the procedure for convening and conduction of meetings of the Management Board and the decision-making procedure.

Regulations on the procedure for determining remunerations and compensations to members of the Board of Directors

Regulations on the procedure for determining remunerations and compensations to members of the Board of Directors of JSC “OGK-2” were approved by the decision of the Annual General Meeting of Shareholders of JSC “OGK-2” on June 11, 2015 (Minutes No. 8 dated June 11, 2015). They determine the procedure for payment of remunerations and compensations to members of the Board of Directors.

Regulations on the Internal Audit Committee

Regulations on the Internal Audit Committee were approved by the Annual General Meeting of Shareholders of JSC “OGK-2” on June 08, 2016 (Minutes No. 9 dated June 14, 2016). They determine the objectives of the Internal Audit Committee as well as its rights and responsibilities and establish the review implementation procedure.

Regulations on payment of remunerations and compensations to members of the Internal Audit Committee

Regulations on payment of remunerations and compensations to members of the Internal Audit Committee were approved by the decision of the Annual General Meeting of Shareholders of JSC “OGK-2” on June 11, 2015 (Minutes No. 8 dated June 11, 2015). They establish the size, the form, and the timing of payment of remuneration and compensation to members of the Internal Audit Committee as well as specialists (experts) contracted by the Internal Audit Committee.

Regulations on the Board of Directors Strategy and Investment Committee

Regulations on the Board of Directors Strategy and Investment Committee were approved by a decision of the Board of Directors dated February 18, 2011 (Minutes No. 12 dated February 21, 2011) with changes (Minutes No. 154 dated September 30, 2016). They determine the goals and the objectives as well as the competence of the Board of Directors Strategy and Investment Committee and the procedure for its formation and the rights and the duties of the members of the Committee and its Chairman and the procedure for holding meetings.

Regulations on the Board of Directors Audit Committee

Regulations on the Board of Directors Audit Committee were approved by a decision of the Board of Directors dated September 30, 2016 (Minutes No. 154 dated September 30, 2016). They determine the goals and the objectives as well as the competence of the Board of Directors Audit Committee and the procedure for its formation and the rights and the duties of the members of the Committee and its Chairman and the procedure for holding meetings.

Regulations on the Board of Directors Reliability Committee

Regulations on the Board of Directors Reliability Committee were approved by a decision of the Board

of Directors dated December 30, 2015 (Minutes No. 140 dated January 11, 2016 as amended on September 30, 2016 (Minutes No. 154 dated September 30, 2016). They determine the goals and the objectives as well as the competence of the Board of Directors Reliability Committee and the procedure for its formation and the rights and the duties of the members of the Committee and its Chairman and the procedure for holding meetings.

Regulations on the Board of Directors Personnel and Remuneration Committee

Regulations on the Board of Directors Personnel and Remuneration Committee were approved by a decision of the Board of Directors dated September 30, 2016 (Minutes No. 154 dated September 30, 2016). They determine the goals and the objectives as well as the competence of the Board of Directors Personnel and Remuneration Committee and the procedure for its formation and the rights and the duties of the members of the Committee and its Chairman and the procedure for holding meetings.

6.2. Methodology for Assessing Compliance with the Corporate Governance Principles Established in the Corporate Governance Code

In 2014, the Bank of Russia approved and recommended the Corporate Governance Code for use by joint stock companies whose securities are admitted to organized trading.

This report presents the results of assessment of compliance of the corporate governance level of JSC “OGK-2” with the principles of the Corporate Governance Code. The Company performed evaluation on its own according to the Recommendations on making a report on compliance with the principles and recommendations of the Corporate Governance Code (appendix to Bank of Russia letter No. IN-06-52/8 dated February 17, 2016).

The comparison was done for the recommendations of the Corporate Governance

Code and the provisions of the existing internal corporate documents of JSC “OGK-2” as well as the current practice of the Company in the area of corporate governance. Evaluation was carried out according to the criteria recommended in the Bank of Russia letter dated February 17, 2016. The status (Compliant, Non-Compliant, Partly Compliant) was assigned according to the recommendations of that letter as well.

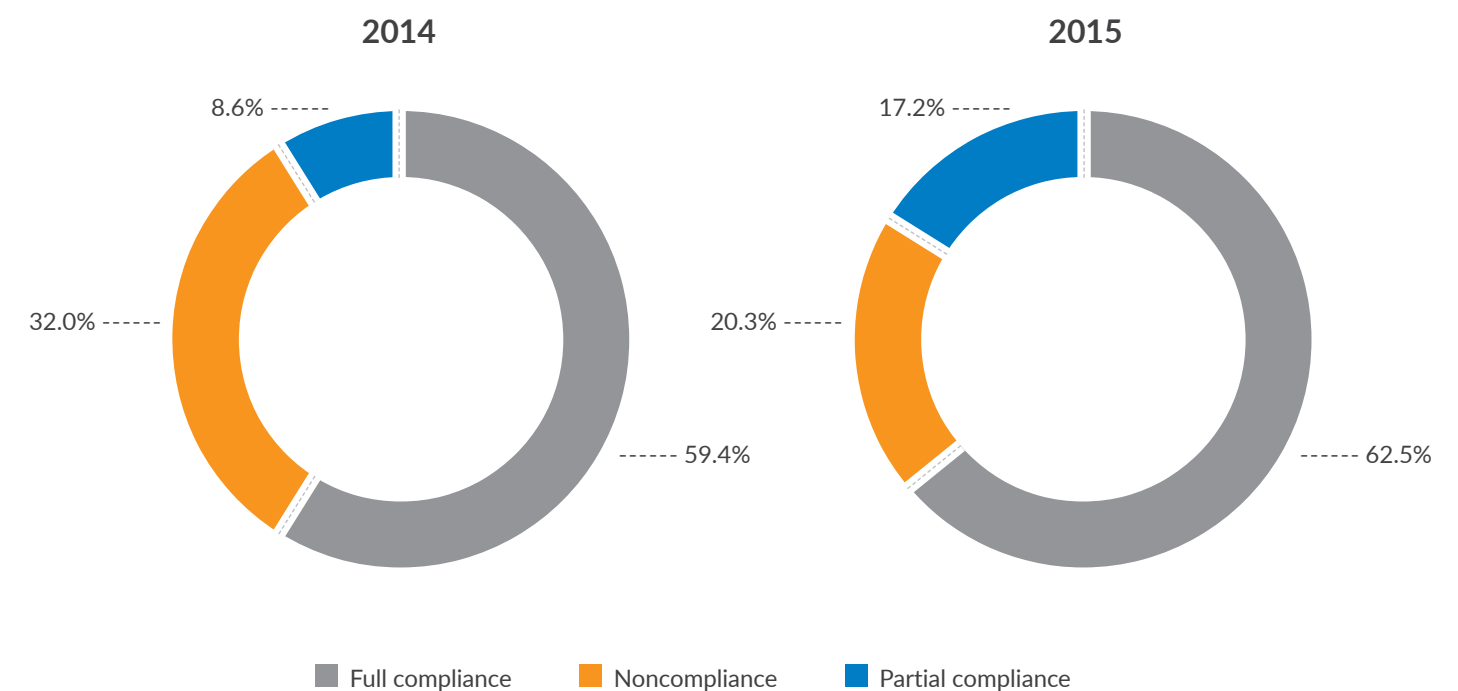
The report contains the comments of the Company with respect to the principles of the Corporate Governance Code, which, in the opinion of the Company, are not complied with or only partially complied with.

6.3. Assessment of Corporate Governance Compliance with the Principles of the Corporate Governance Code

Compliance with the principles of the Corporate Governance Code

Subsection	Number of the principles recommended by the code	Number of criteria for assessment of compliance with the principle	Status of compliance with the criteria					
			2016			2017		
			Full compliance	Noncompliance	Partial compliance	Full compliance	Noncompliance	Partial compliance
I. Shareholders' rights and equality of shareholders in the exercise of their rights								
1.1.	6	14	11	1	2	12	-	2
1.2.	4	5	3	1	1	3	1	1
1.3.	2	2	2	-	-	2	-	-
1.4.	1	1	1	-	-	1	-	-
II. Board of Directors of the Company								
2.1.	7	12	9	1	2	9	1	2
2.2.	2	3	2	1	-	2	1	-
2.3.	4	5	1	4	-	-	2	3
2.4.	4	6	2	4	-	2	2	2
2.5.	3	4	1	3	-	2	2	-
2.6.	4	8	3	5	-	4	2	2
2.7.	4	4	4	-	-	3	1	-
2.8.	6	13	3	4	6	4	2	7
2.9.	2	3	1	2	-	1	2	-
III. Corporate Secretary of the Company								
3.1.	2	3	1	2	-	3	-	-
IV. System of remuneration of the members of Board of Directors, executive bodies, and other key managers of the Company								
4.1.	4	4	3	1	-	3	1	-
4.2.	3	3	1	2	-	1	1	1
4.3.	3	6	3	3	-	3	3	-
V. Risk management and internal control system								
5.1.	4	5	3	2	-	3	1	1
5.2.	2	3	2	1	-	2	-	1

Subsection	Number of the principles recommended by the code	Number of criteria for assessment of compliance with the principle	Status of compliance with the criteria					
			2016			2017		
			Full compliance	Noncompliance	Partial compliance	Full compliance	Noncompliance	Partial compliance
VI. Disclosure of information about the Company, the information policy of the Company								
6.1.	2	5	3	2	-	3	2	-
6.2.	3	7	7	-	-	7	-	-
6.3.	2	3	3	-	-	3	-	-
VII. Major corporate actions								
7.1.	3	5	4	1	-	4	1	-
7.2.	2	4	3	1	-	3	1	-
Total	79	128	76	41	11	80	26	22

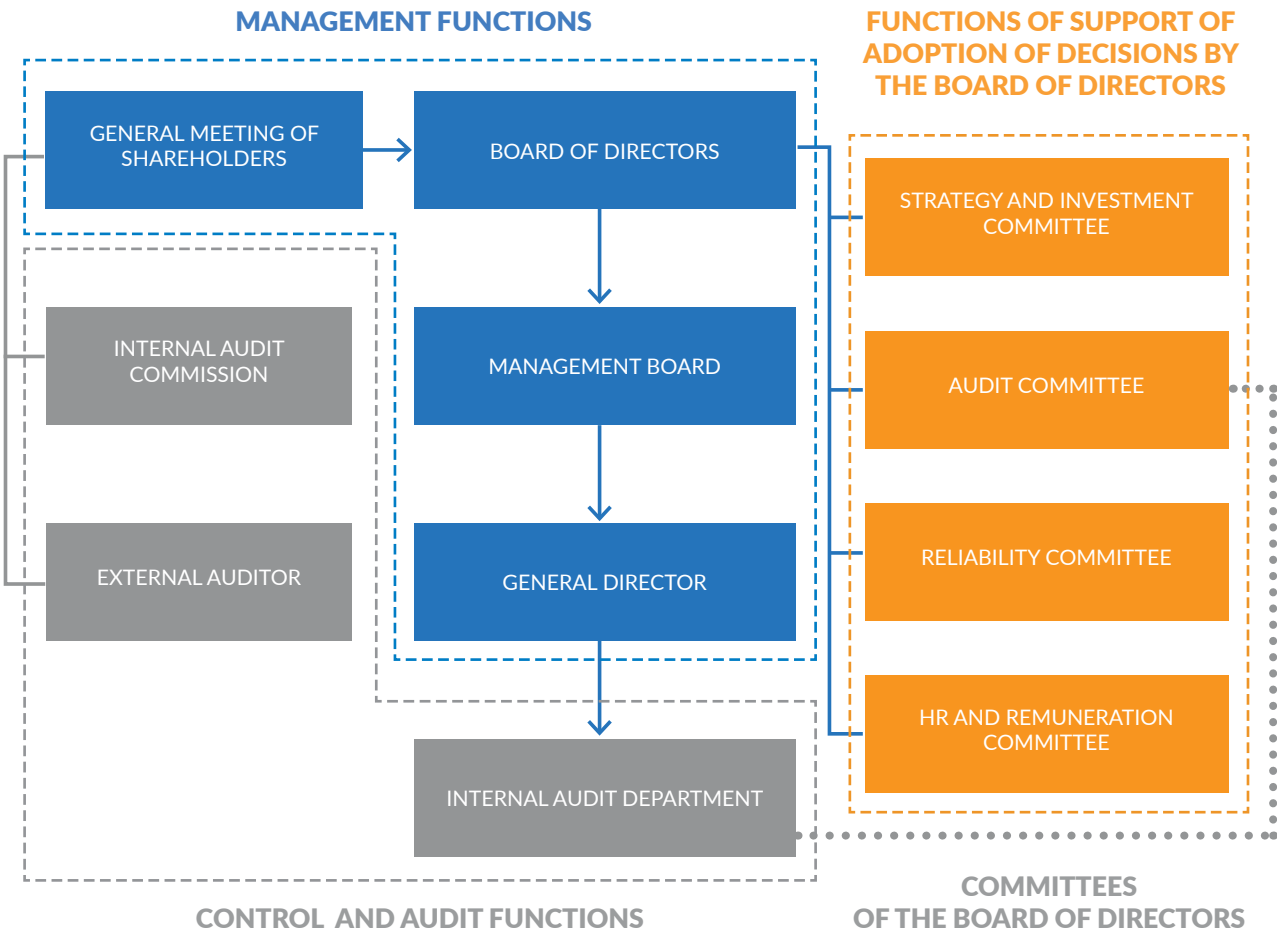


6.4. Corporate Governance Structure

Corporate governance bodies of JSC “OGK-2” are the General Meeting of Shareholders, the Board of Directors, the Management Board, and the Director General. The Management Board and Director General are the executive bodies of the Company.

The Board of Directors and the Management Board manage the Company in strict compliance with the principles of strict protection of shareholders’ and investors’ rights as well as transparency and disclosure of information.

Corporate governance structural layout of JSC “OGK-2”



The Company’s General Meeting of Shareholders

The Company's General Meeting of Shareholders is the supreme governance body in the Company. It enables shareholders to obtain information on the Company's activities, its performance and plans, and exercise their rights to participate in the management of the Company. The General Shareholders Meeting makes decisions on the most important matters related to the Company's operations within the

competence of the General Shareholders Meeting. The Board of Directors, all executive bodies of the Company and the Internal Audit Commission are accountable to the General Shareholders Meeting.

The competence and procedures for convening, preparing, holding and summarizing the results of the General Shareholders Meeting in the Company are compliant with the laws of the Russian Federation¹³

and are set out in internal regulations of the Company, i.e. its Articles of Association and the Regulations on the General Shareholders Meeting. The extraordinary General Shareholders Meeting may be convened by the Company's Board of Directors at its own discretion, or as requested by the Audit Commission, the auditor, or shareholders

(shareholder) who own at least 10% of the voting shares in the Company as of the date of such request. Items to the agenda of the extraordinary General Shareholders Meetings are introduced by the initiator of the Meeting. The existing procedure ensures equal treatment of all shareholders in our companies.

Annual General Meeting of Shareholders

Minutes number and date	Items on the agenda
Minutes No. 9 dated June 14, 2016	<ol style="list-style-type: none">1. On approval of the Company's annual report, annual accounting statements, including the Company's income statement for 2015.2. On distribution of profit (including payment (declaration) of dividends) and losses of the Company for the fiscal year 2015.3. On election of member of the Board of Directors of JSC “OGK-2”.4. On election of members of the JSC “OGK-2” Internal Audit Committee.5. On approval of an auditor of JSC “OGK-2”.6. On approval of the revised Articles of Association of the Company.7. On approval of internal documents governing activities of the JSC “OGK-2” bodies: revised Regulations on the General Meeting of Shareholders of JSC “OGK-2”, revised Regulations on the Board of Directors of JSC “OGK-2”; revised Regulations on the Management Board of JSC “OGK-2”; revised Regulations on the Internal Audit Committee of JSC “OGK-2”.8. On payment of remuneration and / or compensation to members of the Board of Directors of the Company.9. On approval of a related-party transaction.

Extraordinary General Meeting of Shareholders

Minutes number and date	Items on the agenda
Minutes No. 10 dated December 16, 2016	<ol style="list-style-type: none">1. On early termination of powers of members of the JSC “OGK-2” Board of Directors.2. On election of member of the Board of Directors of JSC “OGK-2”.3. On a major transaction approval.

The Board of Directors

The Board of Directors provides the overall governance of the Company, makes decisions on

significant matters, oversees the implementation of decisions taken by the General Shareholders

13 Federal Law No. 208-FZ “On Joint Stock Companies” dated December 26, 1995 (amended dated July 21, 2014).

Meeting, and monitors the protection of rights and legitimate interests of the Company according to the statutory requirements. The competence of and the procedures for the Board of Directors are governed by internal regulations (Articles of Association and Regulations on the Board of Directors). The Board of Director is a collective governance body elected by the General Shareholders Meeting for a term until the next annual General Shareholders Meeting. The General Shareholders Meeting may decide to terminate the powers of all members of the Board of Directors before their terms expire. Persons elected to the Board of Directors may be re-elected any number of times. Candidates for the Board of Directors may be nominated by shareholders who own at least 2% of the voting shares in the Company, or by the Board of Directors if the number of shareholders' nominees is insufficient.

JSC “OGK-2” insures liability of directors as members of the Company’s governing bodies. Insurance is to compensate any potential damage as a result of unwanted actions (omission) of insured persons while performing their functions. The insurance premium under the agreement signed in 2016 is 3 million rubles and the insurance amount is 600 million rubles.

In 2016, JSC “OGK-2” changed members of the Board of Directors of the Company: two independents director were introduced into the Board of Directors in accordance with the applicable provisions of the Corporate Governance Code recommended by the Bank of Russia for use by joint-stock companies (information letter No. 06-52/2463 dated April 10, 2014). This change in the membership in the Board of Directors was ahead-of-schedule.

	The Board of Directors acting in the period from June 11, 2015 until June 8, 2016 (appointed on June 11, 2015 at the Annual General Meeting of Shareholders of JSC “OGK-2” (Minutes No. 8 dated June 11, 2015))	The Board of Directors acting in the period from June 9, 2016 until December 16, 2016 (appointed on June 8, 2016 at the Annual General Meeting of Shareholders of JSC “OGK-2” (Minutes No. 9 dated June 14, 2016))	Current members of the Board of Directors acting since December 17, 2016 (appointed on December 16, 2016 at the Extraordinary General Meeting of Shareholders of JSC “OGK-2” (Minutes No. 10 dated December 16, 2016))
1.	Denis Vladimirovich Fedorov (Chairman)	Denis Vladimirovich Fedorov (Chairman)	Denis Vladimirovich Fedorov (Chairman)
2.	Denis Nikolaevich Bashuk	Denis Nikolaevich Bashuk	Denis Nikolaevich Bashuk
3.	Sergey Viktorovich Yezhov	Denis Viktorovich Kulikov (independent director)	Denis Viktorovich Kulikov (independent director)
4.	Aleksandr Sergeyevich Ivannikov	Roman Eduardovich Abdullin	Roman Eduardovich Abdullin
5.	Irina Yurievna Korobkina	Irina Yurievna Korobkina	Irina Yurievna Korobkina
6.	Aleksandr Viktorovich Shevchuk (independent director)	Aleksandr Viktorovich Shevchuk (independent director)	Aleksandr Viktorovich Shevchuk (independent director)
7.	Aleksandr Vladimirovich Rogov	Aleksandr Vladimirovich Rogov	Aleksandr Vladimirovich Rogov
8.	Sergey Sergeyevich Fil	Sergey Sergeyevich Fil	Sergey Sergeyevich Fil
9.	Yuriy Yefimovich Dolin	Yuriy Yefimovich Dolin	Yevgeniy Nikolaevich Zemlyanoy
10.	Karen Vilgelmovich Karapetyan	Karen Vilgelmovich Karapetyan	Stanislav Anatolevich Ananyev
11.	Pavel Olegovich Shatskiy	Pavel Olegovich Shatskiy	Pavel Olegovich Shatskiy

List of transactions involving the Company’s shares performed by members of the Board of Directors in 2016:

- receipt of shares in JSC “OGK-2” by members of the Company’s Board of Directors (ordinary registered uncertificated shares, GRN 1-02-65105-D dated April 19, 2007) as additional
- remuneration according to the decision of the annual General Meeting of Shareholders of JSC “OGK-2” dated June 08, 2016 (Minutes No. 9 dated June 14, 2016):

Full name of the member of the Board of Directors of the company	Transaction date	Number of received shares
Denis Vladimirovich Fedorov	August 29, 2016	10,040,105
Denis Nikolaevich Bashuk	August 24, 2016	10,040,105
Pavel Olegovich Shatskiy	September 12, 2016	10,040,105
Sergey Sergeyevich Fil	September 15, 2016	10,040,105
Irina Yurievna Korobkina	August 25, 2016	10,040,105
Aleksandr Vladimirovich Rogov	August 29, 2016	10,040,105
Yuriy Yefimovich Dolin	August 25, 2016	10,040,105
Sergey Viktorovich Yezhov	September 08, 2016	10,040,105
Aleksandr Sergeyevich Ivannikov	August 25, 2016	10,040,105
Karen Vilgelmovich Karapetyan	October 26, 2016	10,040,105
Aleksandr Viktorovich Shevchuk	August 29, 2016	10,040,105

Detailed Information About the Members of the Current Board of Directors of JSC “OGK-2” as of December 31, 2016

Denis Vladimirovich Fedorov

YEAR OF BIRTH
1978

EDUCATION, QUALIFICATION LEVEL
Higher education, graduated from the MSTU named after N. E. Bauman, specialty: “Economist-manager”, and completed postgraduate course of the Moscow Power Engineering Institute (Technical University); Candidate of Economic Sciences in 2 specialties: economics and industrial heat power engineering.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Head of Office of PJSC “Gazprom”.
Director General of Gazprom Energoholding LLC.
Director General of JSC “Centerenergyholding”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES
Chairperson of the Board of Directors of JSC “Tyumen Power Supply Company”, JSC MIPC, GEKH Engineering LLC.
Member of the Board of Directors, JSC «Mosenergo», JSC “TGK-1”, PJSC “INTER RAO UES”, Heat Distribution Company LLC, and JSC “Centerenergyholding”.
Member the Supervisory Board of the Council of Energy Producers.
Member of the Supervisory Board, of NP “Center for Innovation and Energy Technology”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»
Chairman of the Board of Directors.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2007 to date: Head of Office of PJSC “Gazprom”.
2009 to date: Director General of Gazprom Energoholding LLC.
2011 to date: Director General of PJSC “Centerenergyholding”.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
Owned ordinary shares in the authorized capital of JSC “OGK-2”, %: 0.077.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF COMPETITORS OF THE COMPANY)
No

Roman Eduardovich Abdullin

YEAR OF BIRTH
1975

EDUCATION, QUALIFICATION LEVEL
Higher, graduated from Gubkin Oil and Gas RSU.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Deputy Head of Office, PJSC “Gazprom”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES
Member of the Board of Directors of Gazprom Gas Motor Fuel LLC.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»
Member of the Board of Directors of JSC “OGK-2”, member of the JSC “OGK-2” Board of Directors’ Audit Committee.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2015 to date: Deputy Head of Office, PJSC “Gazprom”.
2008-2015: Head of Office, PJSC “Gazprom”.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

Stanislav Anatolievich Ananyev

YEAR OF BIRTH
1971

EDUCATION, QUALIFICATION LEVEL
Higher, graduated from the G. V. Plekhanov Russian Economic Academy, Candidate of Economic Sciences.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Director General, Chairman of the Management Board, JSC “OGK-2”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES
Member of the Board of Directors of JSC “Trade System Administrator”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»
Member of the Board of Directors.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2016 to date: Chairman of the Board, Director General of JSC “OGK-2”.

2013 to date: Member of the Board of Directors of JSC “Trade System Administrator”.

2012-2016: Member of the Management Board – First Deputy Chairman of the Management Board of JSC “Trade System Administrator”.

2010-2012: Deputy Director General, Sberbank Capital LLC.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Denis Nikolaevich Bashuk

YEAR OF BIRTH

1971

EDUCATION, QUALIFICATION LEVEL

Higher education; graduated from Irkutsk Polytechnic Institute and Irkutsk State Economic Academy.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION

Managing Director of JSC “MIPC”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES

Member of the Board of Directors of JSC “MIPC”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC “OGK-2”

Member of the Board of Directors.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2016 to date: JSC “MIPC” Managing Director, Member of the Board of Directors.

2012-2016: Director General, Chairman of the Management Board, JSC “OGK-2”.

2009-2012: Gazprom Energoholding LLC, Head of Production Department, Production Director.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

Owned ordinary shares in the authorized capital of JSC “OGK-2”, %: 0.027.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Yevgeniy Nikolaevich Zemlyanoy

YEAR OF BIRTH

1985

EDUCATION, QUALIFICATION LEVEL

Higher education; graduated from the Russian University of Economics named after G. V. Plekhanov.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION

Deputy Director General for Economics and Finances, Gazprom Energoholding LLC.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES

Member of the Boards of Directors of JSC “MIPC”, PJSC “Centerenergyholding”, Novo-Salavatskaya CCGT LLC, JSC “Gazprom Energoremont”, Mezhhregionenergostroy LLC, TSK Mosenergo LLC, CJSC PC “Promkontroller”, GEKH Engineering LLC.

MEMBER OF THE STRATEGY AND INVESTMENT COMMITTEE OF THE JSC “MOSENERGO” BOARD OF DIRECTORS

Member of the Business Strategy and Investment Committee of the JSC “TGK-1” Board of Directors.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»

Member of the Board of Directors of the Company, a member of the Board of Directors Strategy and Investments Committee.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2015-2016: Deputy Director General for Economics and Finance, JSC “OGK-2”.

2014 to date: Deputy Director General for Economics and Finances, Gazprom Energoholding LLC.

2007-2014: PJSC “Gazprom”, Head of Department.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Denis Viktorovich Kulikov

YEAR OF BIRTH

1975

EDUCATION, QUALIFICATION LEVEL

Higher education; graduated from the Moscow State Law Academy named after O. Ye. Kutafin, Lawyer.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION

Advisor to the Executive Director, the Professional Investors Association.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES

Member of the Board of Directors of OJSC “Tuymazinsky zavodavtobetonovozov”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»

Member of the Board of Directors, recognized an independent director, member of the JSC “OGK-2” Board of Directors Audit Committee.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2014 to date: Advisor to Executive Director, Professional Investors Association.

2006-2014: Executive director, Investors’ Rights Protection Association.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

Owned ordinary shares in the authorized capital of JSC “OGK-2”, %: 0.011.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Irina Yurievna Korobkina

YEAR OF BIRTH

1976

EDUCATION, QUALIFICATION LEVEL

Higher education; graduated from the Moscow State Law Academy named after O. Ye. Kutafin;

State university of management.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION

Deputy Head of Office, PJSC “Gazprom”.

Corporate Secretary, PJSC “Centerenergyholding”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES

Chairperson of the Management Board, PJSC “Centerenergyholding”, JSC “Gazprom Energoremont”.

Member of the Boards of Directors of PJSC “MTER”, Mezhrefionenergostroy LLC, PPTK LLC, Mezhrefionenergostroy Stockman LLC, CJSC “TekonGroup”, JSC “MIPC”, GEKH Engineering LLC, Serbian Generation Novi Sad LLC, TER-Moscow LLC, JSC “MIPC-Project”, TER-Service LLC, JSC “TGK-1”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»

Member of the Board of Directors of the Company, a member of the Board of Directors Audit Committee.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2008 to date: PJSC “Gazprom”, Deputy Head of the Department, Head of Division, Deputy Head of Office.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

Owned ordinary shares in the authorized capital of JSC “OGK-2”, %: 0.027.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Aleksandr Vladimirovich Rogov

YEAR OF BIRTH

1981

EDUCATION, QUALIFICATION LEVEL

Higher education; graduated from the Moscow State University named after M.V. Lomonosov. Candidate of Physical and Mathematical Sciences.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION

Deputy Head of Office – Head of Division, PJSC “Gazprom”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES

Chairman of the Board of Directors of CJSC “TekonGroup”, CJSC PK “Promcontroller”, TslS Teploizolyatsiya LLC, Serbian Generation Novi Sad LLC.

A member of the Board of Directors, PJSC “Centerenergyholding”, PJSC “MTER”, JSC “Tecon Engineering”, PPTC LLC, Astrakhan TPP LLC, JSC “MIPC”, ANT-Servis LLC, GEKH Engineering LLC, OJSC “MIPC-Project”, TSK Metrologia LLC, TSK Mosenergo LLC.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»

Member of the Board of Directors, a member of the Board of Directors Strategy and Investment Committee, a member of Board of Directors Personnel and Remuneration Committee.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2007 to date: Chief Specialist, Deputy Head of the Division, Head of the Division – Deputy Head of Office – Head of Department, PJSC “Gazprom”.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

Owned ordinary shares in the authorized capital of JSC “OGK-2”, %: 0.038.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Sergey Sergeyevich Fil

YEAR OF BIRTH

1980

EDUCATION, QUALIFICATION LEVEL

Higher education; graduated from the Moscow Academy of Humanities and from Private Educational Institution of Higher Education “Economic and Energy Institute”.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION

Deputy Director General for Corporate and Legal Activities, Gazprom Energoholding LLC.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES

Chairman of the Board of Directors of PPTC LLC.

Member of the Boards of Directors of PJSC “Centerenergyholding”, PJSC “Murmanskaya TPP”, NSPGU LLC, GEKH Engineering LLC, JSC “MIPC”, MRES LLC, JSC “Teploset of Saint Petersburg”, JSC “Gazprom Energoremont”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»

Member of the Board of Directors of the Company, a member of the Board of Directors Audit Committee.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2009 to date: Head of Corporate and Property Relations, Director of Corporate and Legal Activities, Deputy Director General for Corporate and Legal Activities, Gazprom Energoholding LLC.

2014-2016: Director General, MTER Holding LLC.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

Owned ordinary shares in the authorized capital of JSC “OGK-2”, %: 0.028.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Pavel Olegovich Shatskiy

YEAR OF BIRTH

1972

EDUCATION, QUALIFICATION LEVEL

Higher education; graduated from the Russian State Agrarian Correspondence University and the State University of Management.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION

First Deputy Director General, Gazprom Energoholding LLC.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES

Chairperson of the Board of Directors of GEKH Situation Center LLC, Mezhtregionenergostroy Stockman LLC.

Member of the Boards of Directors of JSC “Centerenergyholding”, JSC “Mosenergo”, JSC “TGK-1”, JSC “MIPC”, JSC “Gazprom Energoremont”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»

Member of the Board of Directors, Chairman of the Board of Directors Strategy and Investment Committee, member of the Board of Directors Personnel and Remuneration Committee.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2009 to date: First Deputy Director General, Gazprom Energoholding LLC.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

Owned ordinary shares in the authorized capital of JSC “OGK-2”, %: 0.027.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Aleksandr Viktorovich Shevchuk

YEAR OF BIRTH

1983

EDUCATION, QUALIFICATION LEVEL

Higher education; graduated from the Finance Academy under the Government of the Russian Federation.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION

Executive director of the Professional Investors Association.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES

Member of the Boards of Directors of PJSC “MRSK Yuga”, PJSC “MRSK Tsentra & Privolzhya”, PJSC “MRSK Tsentra”, PJSC “MRSK Severo-Zapada”, OJSC “MRSK Urala”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF JSC «OGK-2»

Member of the Board of Directors, Independent Director, a member of the Board of Directors Strategy and Investments Committee, Chairman of the Board of Directors Audit Committee, a member of the Board of Directors Personnel and Remuneration Committee.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS

2014 to date: Executive director, the Professional Investors Association.

2013 to date: Chairman of the Audit Committee, PJSC “Rostelecom”.

2013 to date: Chairman of the Audit Committee, JSC “RUSNANO”.

2004-2014: Deputy executive director, the Investors’ Rights Protection Association.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY

Owned ordinary shares in the authorized capital of JSC “OGK-2”, %: 0.010.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)

No

Report on the Work of the Board of Directors of JSC “OGK-2” in 2016

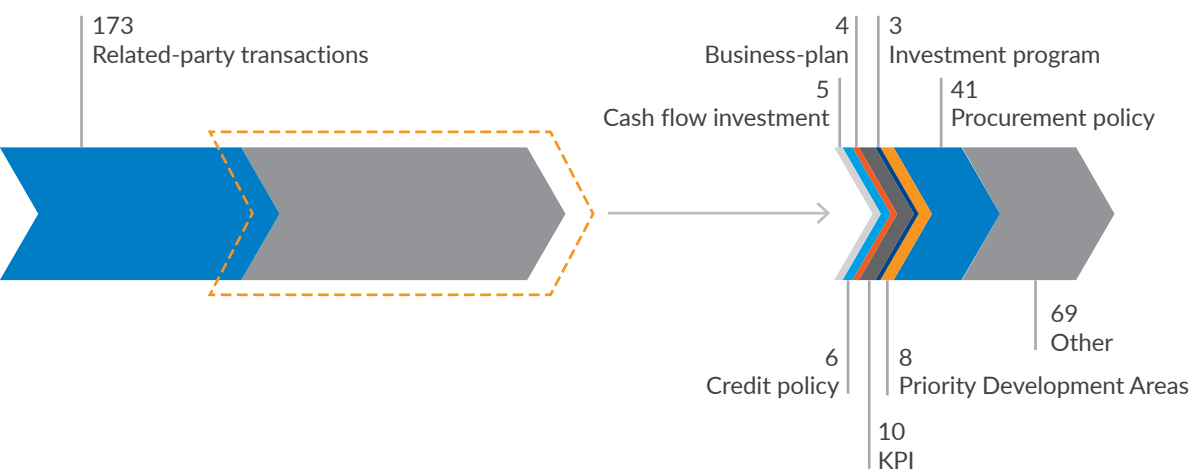
In 2016, the Board of Directors of JSC “OGK-2” held 25 meetings, 1 in the form of personal attendance.

Participation of Board of Directors members in meetings of the Board of Directors of the Company and Board of Directors Committees in 2016

	Full name of the member of the Board of Directors of the Company	Number of meetings attended / number of meetings allowed to attend
1.	Denis Vladimirovich Fedorov (Chairman)	25/25
2.	Denis Nikolaevich Bashuk	25/25
3.	Yuriy Yefimovich Dolin (until December 16, 2016)	23/23
4.	Sergey Viktorovich Yezhov (until June 08,2016)	8/8
5.	Aleksandr Sergeyevich Ivannikov (until June 08,2016)	6/8
6.	Karen Vilgelmovich Karapetyan (until December 16, 2016)	20/23
7.	Irina Yurievna Korobkina	25/25
8.	Denis Viktorovich Kulikov (since June 08,2016)	17/17
9.	Aleksandr Vladimirovich Rogov	25/25
10.	Sergey Sergeyevich Fil	25/25
11.	Pavel Olegovich Shatskiy	25/25
12.	Aleksandr Viktorovich Shevchuk (since 08/06/2016)	25/25
13.	Roman Eduardovich Abdullin (since 08/06/2016)	17/17
14.	Stanislav Anatolievich Ananyev (since December 16, 2016)	2/2
15.	Yevgeniy Nikolaevich Zemlyanoy (since December 16, 2016)	2/2

The Board of Directors addressed the most important issues of the current activity and strategic development of the Company. In total, 319 issues were considered (including sub-issues).

Breakdown of the issues considered by the Board of Directors of the Company in 2016 by various subjects (the number of issues):



Most of the issues constituted “the approval of related-party transactions” (173 issues) and “definition of the procurement policy” (41 issues). The other issues that were equally important (105 issues), on which the Board of Directors also made decisions, include the following:

- issues pertinent to the Company’s priority areas of development (8);
- issues relating to the approval and the implementation of the investment program (3 issues);
- issues of the establishment and the implementation of KPI targets (10 issues);
- issues related to the approval, adjustment, and review of the results of the business plan (4 issues);
- issues on the development and the implementation of the credit policy (6 issues);
- issues related to the approval of the plan and on the reports on the cash flows of investment entities (5 issues);

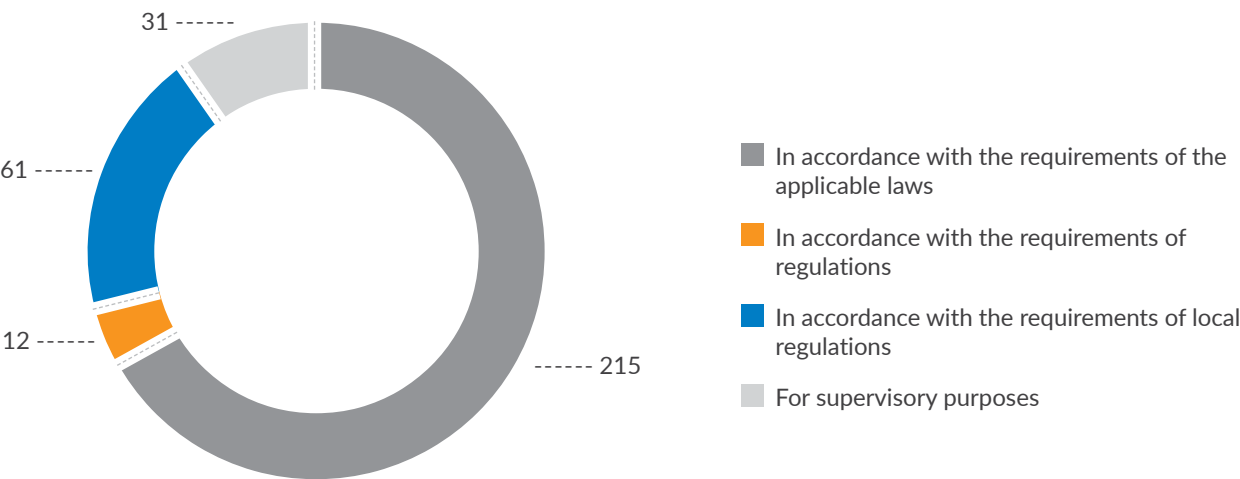
At the same time, the most significant issues for the Company that were considered by the meetings

of the Board of Directors of JSC “OGK-2” for 2016 include the following (issues are ranked according to the degree of their importance):

1. implementation of investment projects within the framework of the implementation of commitments for the commissioning of new facilities in accordance with signed CSA;
2. determination of the status of members of the Company’s Board of Directors: recognition of member of the JSC “OGK-2” Board of Directors D. V. Kulikov to be independent;
3. approval and the review of business plan performance results;
4. determination of priority directions of development of the Company;
5. accomplishment of target values of key performance indicators (KPIs);
6. JSC “OGK-2” Corporate Governance Code

The list of matters within the competence of the Board of Directors of JSC “OGK-2” is determined by applicable requirements of federal laws, regulations, and local regulatory acts.

Breakdown of the issues considered by the Board of Directors of the Company in 2016 by various reasons for consideration (number of issues):



In particular, 215 issues were considered by the Board of Directors of JSC “OGK-2” in 2016 in compliance with the provisions of the applicable federal laws. For example, they included issues related to entering into related-party transactions (173 issues), direction of recommendations for the General Meeting of Shareholders (7 issues), determining priority development trends (8 issues), approval of internal documents of the Company (3 issues) as well as other issues.

Under the by-laws including, for example, Bank of Russia Letter No. 06-52/2463 dated April 10,

2014 “On the Corporate Governance Code”, 12 issues were considered in 2016. Most of them were relevant to the Company’s financial and economic activities, including matters associated with approval and adjustment of the business plan in general and budgets of separate investment projects.

In compliance with the requirements of local regulations that were specially introduced by the Company in order to determine the competence of the management bodies on certain issues, the Board of Directors of the Company considered 61 issues in 2016.

Committees of the Board of Directors

The Board of Directors of JSC “OGK-2” has four committees: the Strategy and Investment Committee, the Audit Committee, the Personnel and Remuneration Committee, and the Reliability Committee. These committees are advisory bodies and ensure effective implementation of the functions of the Board of Directors of the Company in the field of general management of the Company.

Strategy and Investment Committee¹⁴:

- determines the overall strategic priorities, objectives, and principles of development of the Company;
- assesses the effectiveness of activities the Company in the medium- and long-term;
- analyzes the implementation of adopted programs and strategic development projects;
- adjusts the adopted development strategy;
- establishes key performance indicators (KPIs) for the approval by the Board of Directors of the Company;
- monitors the implementation of strategic objectives and key performance indicators (KPIs) approved by the Board of Directors of the Company;
- identifies and develops the policy on business planning and budgeting;
- bears responsibility for financial planning and determines lending and dividend policies of the Company;
- considers debt financing issues, including issuance of bonds and other debt securities;
- adopts decisions in the field of investment activities;
- arranges due diligence of investment projects and programs submitted for consideration of the Board of Directors of the Company.

Members of the Board of Directors Strategy and Investment Committee

acting from August 7, 2015 to July 24, 2016 (established by the decision of the Board of Directors, Minutes No. 131 dated August 10, 2015)	
Full name	Job position
Pavel Olegovich Shatskiy (Chairperson)	First Deputy General Director at Gazprom Energoholding LLC
Yana Nikolayevna Ganzer	Head of the Office of Investments and Construction, Gazprom Energoholding LLC
Yuriy Yefimovich Dolin	Deputy Director General for Capital Construction, Gazprom Energoholding LLC
Yevgeniy Nikolaevich Zemlyanoy	Deputy Director General for Economics and Finances, Gazprom Energoholding LLC
Dmitriy Rufimovich Kiselev	Deputy Director for Economy and Finance, Gazprom Energoholding LLC
Roman Viktorovich Litvinov	Deputy Head of Office, PJSC “Gazprom”
Konstantin Vladimirovich Moskvina	Deputy Director General for Production - Chief Engineer of JSC “OGK-2”
Aleksandr Valerievich Nakonechny	Economics Director, JSC “OGK-2”
Roman Viktorovich Panyushkin	Deputy Head of Department, PJSC “Gazprom”
Aleksandr Vladimirovich Rogov	Deputy Head of the Office – Head of the Department, PJSC “Gazprom”
Aleksandr Viktorovich Shevchuk	Executive director of the Professional Investors Association

acting from July 25, 2016 to December 29, 2016 (established by the decision of the Board of Directors, Minutes No. 152 dated July 25, 2016)	
Full name	Job position
Pavel Olegovich Shatskiy (Chairperson)	First Deputy General Director at Gazprom Energoholding LLC
Yana Nikolayevna Ganzer	Head of the Office of Investments and Construction, Gazprom Energoholding LLC
Yuriy Yefimovich Dolin	Deputy Director General for Capital Construction, Gazprom Energoholding LLC
Yevgeniy Nikolaevich Zemlyanoy	Deputy Director General for Economics and Finances, Gazprom Energoholding LLC
Dmitriy Rufimovich Kiselev	Deputy Director for Economy and Finance, Gazprom Energoholding LLC
Sergey Andreevich Kozimirov	Examiner-in-chief, PJSC “Gazprom”
Roman Viktorovich Litvinov	Deputy Head of Office, PJSC “Gazprom”

14 The Committee was formed on November 28, 2006 by the Board of Directors of JSC «OGK-2» (Minutes No. 49/49 dated December 4, 2006).

acting from July 25, 2016 to December 29, 2016 (established by the decision of the Board of Directors, Minutes No. 152 dated July 25, 2016)	
Full name	Job position
Konstantin Vladimirovich Moskvina	Deputy Director General for Production - Chief Engineer of JSC “OGK-2”
Aleksandr Vladimirovich Rogov	Deputy Head of the Office – Head of the Department, PJSC “Gazprom”
Aleksandr Valerievich Nakonechny	Economics Director, JSC “OGK-2”
Aleksandr Viktorovich Shevchuk	Executive director of the Professional Investors Association

acting from December 30, 2016 to date (established by the decision of the Board of Directors, Minutes No. 165 dated December 30, 2016)	
Full name	Job position
Pavel Olegovich Shatskiy (Chairperson)	First Deputy General Director at Gazprom Energoholding LLC
Yana Nikolayevna Ganzer	Head of the Office of Investments and Construction, Gazprom Energoholding LLC
Yuriy Yefimovich Dolin	Deputy Director General for Capital Construction, Gazprom Energoholding LLC
Yevgeniy Nikolaevich Zemlyanoy	Deputy Director General for Economics and Finances, Gazprom Energoholding LLC
Dmitriy Rufimovich Kiselev	Deputy Director for Economy and Finance, Gazprom Energoholding LLC
Sergey Andreevich Kozimirov	Examiner-in-chief, PJSC “Gazprom”
Roman Viktorovich Litvinov	Deputy Head of Office, PJSC “Gazprom”
Aleksandr Vladimirovich Faustov ¹⁵	Deputy Director General for Production - Chief Engineer of JSC “OGK-2”
Aleksandr Vladimirovich Rogov	Deputy Head of the Office – Head of the Department, PJSC “Gazprom”
Aleksandr Valerievich Nakonechny	Economics Director, JSC “OGK-2”
Aleksandr Viktorovich Shevchuk	Executive director of the Professional Investors Association

15 The decision of JSC “OGK-2” dated February 14, 2017 (minutes No. 166 dated February 15, 2017) introduced changes such as termination of powers of Management Board member Konstantin Vladimirovich Moskvina and election of Aleksandr Vladimirovich Faustov to the Committee.

Audit committee¹⁶:

- develops and submits recommendations to the Board of Directors in the area of audit and internal control;
- performs assessment and selection of candidates for auditors of the Company;
- assesses the auditor’s report;
- assesses the effectiveness of the internal control procedures and prepares proposals for their improvement.

Members of the Board of Directors Audit Committee

acting from August 7, 2015 to July 24, 2016 (established by the decision of the Board of Directors, Minutes No. 131 dated August 10, 2015)		acting from July 25, 2016 to September 29, 2016 (established by the decision of the Board of Directors, Minutes No. 152 dated July 25, 2016)	
Full name	Job position	Full name	Job position
Irina Yurievna Korobkina (Chairperson)	Deputy Head of Office, PJSC “Gazprom”	Irina Yurievna Korobkina (Chairperson)	Deputy Head of Office, PJSC “Gazprom”
Aleksandr Vladimirovich Rogov	Deputy Head of the Office – Head of the Department, PJSC “Gazprom”	Aleksandr Viktorovich Shevchuk	Executive director of the Professional Investors Association
Sergey Sergeyevich Fil	Deputy Director General for Corporate and Legal Activities, Gazprom Energoholding LLC	Sergey Sergeyevich Fil	Deputy Director General for Corporate and Legal Activities, Gazprom Energoholding LLC
acting from September 30, 2016 to December 29, 2016 (established by the decision of the Board of Directors, Minutes No. 154 dated September 30, 2015) ¹⁷		acting from December 30, 2016 to date (established by the decision of the Board of Directors, Minutes No. 165 dated December 30, 2016)	
Full name	Job position	Full name	Job position
Aleksandr Viktorovich Shevchuk (Chairman)	Executive director of the Professional Investors Association	Aleksandr Viktorovich Shevchuk (Chairman)	Executive director of the Professional Investors Association
Irina Yurievna Korobkina	Deputy Head of Office, PJSC “Gazprom”	Irina Yurievna Korobkina	Deputy Head of Office, PJSC “Gazprom”
Sergey Sergeyevich Fil	Deputy Director General for Corporate and Legal Activities, Gazprom Energoholding LLC	Sergey Sergeyevich Fil	Deputy Director General for Corporate and Legal Activities, Gazprom Energoholding LLC
Denis Viktorovich Kulikov	Advisor to Executive Director of the Professional Investors Association	Denis Viktorovich Kulikov	Advisor to the Executive Director of the Professional Investors Association
Roman Eduardovich Abdullin	Deputy Head of Department, PJSC “Gazprom”	Roman Eduardovich Abdullin	Deputy Head of Department, PJSC “Gazprom”

16 The Committee was established on November 28, 2006 by the Board of Directors of JSC «OGK-2» (Minutes No. 49/49 dated December 4, 2006).
17 The decision of the Board of Directors of JSC “OGK-2” (Minutes No. 154 dated September 30, 2016) increased the number of the Audit Committee to five (5) people.

Report on the work of the Audit Committee in 2016

Number of meetings: 1

Most important issues considered and recommendations issued to the Board of Directors of the Company:

Assessment of the audit opinion on the financial statements for 2015 submitted by the auditor of JSC “OGK-2” (JSC “BDO Unicon”):

- drawn up in accordance with the Federal Auditing

Rules (Standards) approved by Decree of the Government of the Russian Federation No. 696 “On Approval of the Federal Auditing Rules (Standards)” dated September 23, 2002;

- contains our opinion in all the material respects of financial position of JSC “OGK-2” as of December 31, 2015, the results of its financial and economic activities and cash flow for 2015 in accordance with the Russian Accounting Standards.

Reliability committee¹⁸:

- examines strategic priorities, objectives, and principles of the Company’s development in terms of compliance with overall reliability principles;
 - examines retrofitting and renovation programs and capacity repair plans; analyzes their performance;
 - prepares proposals to the Board of Directors Personnel and Remuneration Committee regarding assessment of management activities in terms of overall reliability;
 - assesses the completeness and adequacy of
- activities as a result of accidents and major technological violations;
- reviews and approves the technical policy of the Company and the annual report on its implementation prepared by the Director General of the Company;
 - assesses activities of the technical services of the Company in terms of ensuring the reliability of operation of the network and generating equipment, buildings, and other facilities of the technological infrastructure.

Members of the Board of Directors Reliability Committee

acting from August 7, 2015 to July 24, 2016 (established by the decision of the Board of Directors, Minutes No. 131 dated August 10, 2015)	
Full name	Job position
Mikhail Vladimirovich Fedorov (Chairperson)	Director for Production, Gazprom Energoholding LLC
Anatoliy Vladimirovich Volkov	Deputy Chief Engineer – Head of the Production Department of JSC “OGK-2”
Andrey Viktorovich Kalashnikov	Deputy Head of Technical Management - Head of the Department of Retrofitting and Renovation, Gazprom Energoholding LLC
Konstantin Vladimirovich Moskvina	Deputy Director General for Production - Chief Engineer of JSC “OGK-2”
Sergey Faritovich Mukhametov	Deputy Head of Technical Management - Head of the Department of Maintenance Activities, Gazprom Energoholding LLC
Sergey Aleksandrovich Petelin ¹⁹	Head of Production Department, Production Deputy Director, Gazprom Energoholding LLC

18 The Committee was formed on November 30, 2005 by the Board of Directors of JSC «OGK-2» (Minutes No. 15/15 dated December 05, 2005).

19 Appointed to the Board of Directors Reliability Committee on December 30, 2015 by the decision of the Board of Directors of JSC «OGK-2» (Minutes No. 140 dated February 11, 2016).

acting from August 7, 2015 to July 24, 2016 (established by the decision of the Board of Directors, Minutes No. 131 dated August 10, 2015)	
Full name	Job position
Sergey Valerievich Radchenko	Head of Department of Technical Inspection and Auditing of the Production Department, Gazprom Energoholding LLC
Mikhail Vladimirovich Sorokin	Head of Office, PJSC “Gazprom”

acting from July 25, 2016 to December 29, 2016 (established by the decision of the Board of Directors, Minutes No. 152 dated July 25, 2016) ²⁰	
Full name	Job position
Mikhail Vladimirovich Fedorov (Chairperson)	Director for Production, Gazprom Energoholding LLC
Anatoliy Vladimirovich Volkov	Deputy Chief Engineer – Head of the Production Department of JSC “OGK-2”
Andrey Viktorovich Kalashnikov	Deputy Head of Technical Management - Head of the Department of Retrofitting and Renovation, Gazprom Energoholding LLC
Konstantin Vladimirovich Moskvina	Deputy Director General for Production - Chief Engineer of JSC “OGK-2”
Sergey Faritovich Mukhametov	Deputy Head of Technical Management - Head of the Department of Maintenance Activities, Gazprom Energoholding LLC
Sergey Aleksandrovich Petelin	Head of Production Department, Production Deputy Director, Gazprom Energoholding LLC
Mikhail Vladimirovich Sorokin	Head of Office, PJSC “Gazprom”

acting from December 30, 2016 to date (established by the decision of the Board of Directors, Minutes No. 165 dated December 30, 2016)	
Full name	Job position
Mikhail Vladimirovich Fedorov (Chairperson)	Director for Production, Gazprom Energoholding LLC
Anatoliy Vladimirovich Volkov	Deputy Chief Engineer – Head of the Production Department of JSC “OGK-2”
Andrey Viktorovich Kalashnikov	Deputy Head of Technical Management - Head of the Department of Retrofitting and Renovation, Gazprom Energoholding LLC
Konstantin Vladimirovich Moskvina	Deputy Director General for Production - Chief Engineer of JSC “OGK-2”
Sergey Faritovich Mukhametov	Deputy Head of Technical Management - Head of the Department of Maintenance Activities, Gazprom Energoholding LLC
Sergey Aleksandrovich Petelin	Head of Production Department, Production Deputy Director, Gazprom Energoholding LLC
Mikhail Vladimirovich Sorokin	Head of Office, PJSC “Gazprom”

20 The decision of the Board of Directors of JSC “OGK-2” (minutes No. 152 dated July 25, 2016) reduced the number of the Reliability Committee to seven (7) people.

Report on the work of the Reliability Committee in 2016

Number of meetings: 7

- Most important issues considered and recommendations issued to the Board of Directors of the Company:
- guidelines for the establishment and application of target (planned) values of KPIs for 2016 for bonus purposes;
 - results of the program for retrofitting and renovation and repair programs for 2015-2016 and plans for 2017 were considered;
 - plans under the 2017 R&D program were considered.

HR and Remuneration Committee²¹:

- develops and submits recommendations to the Board of Directors on the issues related to
- personnel matters, remunerations to employees, and social policy of the Company.

Members of the HR and Remuneration Committee

acting from August 7, 2015 to July 24, 2016 (established by the decision of the Board of Directors, Minutes No. 131 dated August 10, 2015)	
Full name	Job position
Pavel Olegovich Shatskiy (Chairperson)	First Deputy General Director at Gazprom Energoholding LLC
Aleksandr Vladimirovich Rogov	Deputy Head of the Office – Head of the Department, PJSC “Gazprom”
Aleksandr Viktorovich Shevchuk	Executive director of the Investors’ Rights Protection Association
acting from July 25, 2016 to December 29, 2016 (established by the decision of the Board of Directors, Minutes No. 152 dated July 25, 2016) ²²	
Full name	Job position
Pavel Olegovich Shatskiy (Chairperson)	First Deputy General Director at Gazprom Energoholding LLC
Aleksandr Vladimirovich Rogov	Deputy Head of the Office – Head of the Department, PJSC “Gazprom”
Aleksandr Viktorovich Shevchuk	Executive director of the Investors’ Rights Protection Association
acting from December 30, 2016 to date (established by the decision of the Board of Directors, Minutes No. 165 dated December 30, 2016)	
Full name	Job position
Pavel Olegovich Shatskiy (Chairperson)	First Deputy General Director at Gazprom Energoholding LLC
Aleksandr Vladimirovich Rogov	Deputy Head of the Office – Head of the Department, PJSC “Gazprom”
Aleksandr Viktorovich Shevchuk	Executive director of the Investors’ Rights Protection Association

21 The Committee was formed on August 30, 2007 by the Board of Directors of JSC «OGK-2» (Minutes No. 79/79 dated August 08, 2007).

22 A decision of the JSC “OGK-2” Board of Directors (minutes No. 152 dated July 25, 2016) reduced the number of members of the reliability committee to seven (7) people.

None of the members of the Board of Directors of JSC “OGK-2” and members of the Board of Directors Committees has family relations with other members of the management bodies and / or bodies that supervise financial and economic activities of the Company.

The Management Board

The Management Board is a collective executive body that manages day-to-day operations in the Company. The Management Board reports to the General Shareholders Meeting and the Board of Directors of the Company. Members of the Management Board are elected and appointed by the Board of Directors. The Management Board is responsible for the implementation of the corporate goals, strategies and policies of the Company. The General Director acts as the Chairman of the Company’s Management Board. Activities of the Management Board are governed by the Articles of Association and the Regulations on the Management Board.

None of the members of the Board of Directors of JSC “OGK-2” and members of the Board of Directors Committees has received loans (credits).

The Management Board develops prospective plans for key business lines of the Company and submits them to the Board of Directors for consideration; considers, develops, and submits recommendations on specific matters within the competence of the Board of Directors of the Company; examines reports by Deputy General Directors; makes decisions on transactions whose value exceeds 5% of the book value of the company’s assets (except for transactions falling within the Board of Directors’ competence). In accordance with the Resolution of the Board of Directors of JSC “OGK-2” dated December 28, 2012 (Minutes No. 63 dated December 29, 2012), number of members of the Management Board of the Company constitutes 10 people.

Date of approval of the resolution by the Board of Directors	Minutes number and date	Changes in the membership in the Management Board of JSC “OGK-2” in 2016
12.08.2016	Minutes No. 153 dated August 15, 2016	• powers of the Management Board member Vladimir Grigorievich Likyanov are terminated earlier as of the date of this decision.
10.11.2016	Minutes No. 160 dated November 10, 2016	• Aleksandr Ivanovich Lyspak was elected a member of the Management Board on this decision date; • early termination, on November 10, 2016, of powers of JSC “OGK-2” General Director Denis Nikolaevich Bashuk; • election, on November 21, 2016, of JSC “OGK-2” General Director Stanislav Anatolievich Ananyev.
15.12.2016	Minutes No. 163 dated December 15, 2016	• early termination, on December 15, 2016, of powers of Management Board member Andrey Olegovich Beletsky; • early termination, on December 16, 2016, of powers of Management Board member Yevgeniy Nikolaevich Zemlyanoy; • election, on December 19, 2016, of Sergey Nikolaevich Popovskiy a member of the Management Board.

Members of the Management Board of JSC “OGK-2” and information about them as of December 31, 2016

Stanislav Anatolievich Ananyev

YEAR OF BIRTH
1971

EDUCATION, QUALIFICATION LEVEL
Higher, graduated from G. V. Plekhanov Russian Economic Academy, Candidate of Economic Sciences.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Director General, Chairman of the Management Board, JSC “OGK-2”.

MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER COMPANIES
Member of the Board of Directors of JSC “Trade System Administrator”.

MEMBERSHIP IN THE MANAGEMENT BOARD OF JSC «OGK-2»
Chairperson of the Management Board, JSC “OGK-2”.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2016 to date: JSC “OGK-2”, Management Board Chairman, General Director.
2013 to date: JSC “Trade System Administrator”, member of the Board of Directors.
2012-2016: JSC “Trade System Administrator”, member of the Management Board – First Deputy Chairman of the Management Board.
2010-2012: Deputy Director General, Sberbank Capital LLC.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

Oleg Vladimirovich Vergeychik

YEAR OF BIRTH
1970

EDUCATION, QUALIFICATION LEVEL
Higher education; graduated from the Krasnoyarsk State Technical University.

SPECIALIZED TRAININGS AND CERTIFICATES (FOR EXAMPLE, MBA)
Graduated from the Academy of National Economy under the Government of the Russian Federation (Master of Business Administration).

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Director of a branch of JSC “OGK-2” (Surgutskaya GRES-1).

MEMBERSHIP IN THE MANAGEMENT BOARD OF JSC «OGK-2»
Member of the Management Board of JSC “OGK-2”.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2007-2011: Branch Deputy Director - Chief Engineer, PJSC “OGK-6” (Krasnoyarskaya GRES-2).
2011-2013: Branch Director, JSC “OGK-2” (Pskovskaya GRES).
2013 to date: Branch Director, JSC “OGK-2” (Surgutskaya GRES-1).

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

Dmitry Yevgenievich Vologzhanin

YEAR OF BIRTH
1975

EDUCATION, QUALIFICATION LEVEL
Higher education; graduated from the Ryazan State Radio Engineering Academy as a systems engineer and an economist.

SPECIALIZED TRAININGS AND CERTIFICATES (FOR EXAMPLE, MBA)
Graduated from the Academy of National Economy under the Government of the Russian Federation (Master of Business Administration).

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Deputy Director General for Energy Markets, JSC “OGK-2”.

MEMBERSHIP IN THE MANAGEMENT BOARD OF JSC «OGK-2»
Member of the Management Board of JSC “OGK-2”.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2015 to date: Deputy Director General for Energy Markets, JSC “OGK-2”.
2011-2015: INTER-RAO - Upravlenie Electrogeneratsiyey LLC.
2010-2011: Deputy Director for Services Vending, JSC “MOESK”.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

Larisa Vladimirovna Klishch

YEAR OF BIRTH
1975

EDUCATION, QUALIFICATION LEVEL
Higher education; graduated from Krasnoyarsk State Technical University and Krasnoyarsk State University.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Chief Accountant, JSC “OGK-2”.
Chief accountant, Gazprom Energoholding LLC.

MEMBERSHIP IN THE MANAGEMENT BOARD OF JSC «OGK-2»
Member of the Management Board of JSC “OGK-2”.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2005 to date: Head of the Department of tax accounting, Deputy Chief Accountant for tax accounting, Deputy Chief Accountant, First Deputy Chief Accountant, Chief Accountant, JSC “OGK-2”.
2015 to date: Deputy Chief Accountant, Chief Accountant, Gazprom Energoholding LLC.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

Sergey Nikolaevich Popovskiy

YEAR OF BIRTH
1971

EDUCATION, QUALIFICATION LEVEL
Higher, graduated from the RSEU, Candidate of Economic Sciences.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Deputy Director General for Economics and Finance of JSC «OGK-2».

MEMBERSHIP IN THE MANAGEMENT BOARD OF JSC «OGK-2»
Member of the Management Board of JSC “OGK-2”.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2016 to date: Deputy Director General for Economics and Finance, JSC “OGK-2”, Member of the Board.
2012-2015: OJSC “TGK-14”, Chairman of the Board of Directors.
2012-2014: Energopromsbyt LLC, General Director.
2010-2012: Non-profit partnership “Council of the market for organization of the efficient system of wholesale and retail trade in electricity and capacity”, member of the Management Board, Deputy Chairman of the Management Board.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES OF THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

Aleksandr Ivanovich Lyspak

YEAR OF BIRTH
1960

EDUCATION, QUALIFICATION LEVEL
Higher, graduated from the Krasnoyarsk Polytechnic Institute, engineer – energy worker.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Branch Director of JSC “OGK-2” (Krasnoyarskaya GRES-2).

MEMBERSHIP IN THE MANAGEMENT BOARD OF JSC «OGK-2»
Member of the Management Board of JSC “OGK-2”.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2007 to date: Branch Director of JSC “OGK-2” (Krasnoyarskaya GRES-2).

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

Igor Yurievich Podkin

YEAR OF BIRTH
1973

EDUCATION, QUALIFICATION LEVEL
Higher education; graduated from the Krasnoyarsk Higher Command School of Radio Electronics of Air Defense and from the Moscow University of the Ministry of Internal Affairs of the Russian Federation.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Deputy Director General for Corporate Protection, JSC “OGK-2”.

MEMBERSHIP IN THE MANAGEMENT BOARD OF JSC «OGK-2»
Member of the Management Board of JSC “OGK-2”.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2015 to date: Deputy Director General for Corporate Protection, JSC “OGK-2”.
2014-2015: Head of the Corporate Protection Department, JSC “OGK-2”.

2014-2014: Deputy Director of Branch No. 20 of JSC “MIPC”.
1996-2014: Law enforcement agencies.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

Konstantin Vladimirovich Moskvina²³

YEAR OF BIRTH
1961

EDUCATION, QUALIFICATION LEVEL
Higher education; graduated from Tomsk Polytechnic Institute.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
Deputy Director General for Production - Chief Engineer of JSC “OGK-2”.

MEMBERSHIP IN THE MANAGEMENT BOARD OF JSC «OGK-2»
Member of the Management Board of JSC “OGK-2”.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2005-2011: Head of Production Subdivision, Head of the Production and Labour Protection Department, Head of the Department for Operation and Production safety, Deputy General Director for Technical Policy, JSC “OGK-3”.
2012-2012: Branch Director of JSC “OGK-2” (Surgutskaya GRES-1).
2013-2017: Deputy Director General for Production - Chief Engineer of JSC “OGK-2”.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
Owns 0.000001% of the ordinary shares in JSC “OGK-2”.

CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

²³ Early termination of powers on the date of electing A. V. Faustov to the Management Board according to the decision of the Board of Directors (Minutes No. 166 dated February 15, 2017).

None of the members of the Management Board of JSC “OGK-2” has family relations with other members of the management bodies and / or bodies that supervise financial and economic activities of the Company.

The Director General

The Director General is the sole executive body of the Company, manages the current activity, and is entitled to act on behalf of the Company without a power of attorney. The Director General of the Company heads the Management Board and is a member of the Board of Directors of the Company.

None of the members of the Management Board of JSC “OGK-2” has received loans (credits).

He / she is appointed by the Board of Directors of the Company and reports to the Board of Directors and to the General Meeting of Shareholders. The Director General of the Company is responsible for the implementation of objectives, strategies, and policies of the Company.

Internal Audit Committee

Internal Audit Committee of JSC “OGK-2” is a collegial body and is elected by the General Meeting of Shareholders to exercise control over financial and economic activities of the Company. The Internal Audit Committee is a collegial body composed of five

members. The procedure for operation of the Internal Audit Committee is regulated by the applicable provisions of the Articles of Association of the Company and the Regulation on the Internal Audit Committee.

Members of the Internal Audit Committee

acting from June 11, 2015 to June 08, 2016 (established by the decision of the Annual General Meeting of shareholders of the Company, Minutes No. 8 dated June 11, 2015)	
Full name	Job position
Nikolay Nikolaevich Gerasimets (Chairperson)	Deputy Head of the Department, PJSC “Gazprom”
Yuriy Andreyevich Linovitskiy	Head of the Internal Audit Department of Gazprom Energoholding LLC – “Internal Audit” project of Gazprom Personnel LLC
Aleksandr Mikhailovich Yuzifovich	Deputy Head of Office, Gazprom Energoholding LLC
Svetlana Aleksandrovna Dashcheshchak	Chief Economist of the Internal Audit Division of the Management Board Administration, PJSC “Gazprom”
Yuliya Nikolayevna Antonovskaya	Chief Economist of the Internal Audit Department of the Management Board Administration, PJSC “Gazprom”

acting from June 08, 2016 to date (established by the decision of the Annual General Meeting of shareholders of the Company, Minutes No. 9 dated June 14, 2016)	
Full name	Job position
Margarita Ivanovna Mironova (chairman)	First Deputy Head of the Management Board Administration – Head of the Department of PJSC “Gazprom”
Yuriy Andreyevich Linovitskiy	Head of the Internal Auditing Department of Gazprom Energoholding LLC – “Internal Audit” project of Gazprom Personnel LLC
Aleksandr Mikhailovich Yuzifovich	Deputy Head of Office, Gazprom Energoholding LLC
Vadim Kasymovich Bykulov	Deputy Head of the Department – Head of the Department of PJSC “Gazprom”
Denis Anatolievich Korshniakov	Head of the long-term financial investment department of Gazprom Energoholding LLC

The External Auditor

The External Auditor is approved by the General Shareholders Meeting of JSC “OGK-2” on an annual basis. The auditor is responsible for auditing financial and business performance of the Company according to the legal regulations of the Russian Federation under a relevant agreement signed with the auditor.

The election of independent audit firms is implemented through an open request for proposals. In order to participate in the public price inquiry, participants must comply with the following requirements:

- the participant must be a commercial organization that provides audit and audit-related services;
- the participant must be a member of a self-regulating organization of auditors;
- the participant must have an auditor’s liability insurance policy;
- the participant must have employees who have been certified to conduct an audit in accordance with the requirements of the applicable laws of the Russian Federation;
- the participant must not be in liquidation or bankruptcy;
- the participant must not have a resolution on suspension of activity issued in respect of the participant according to the procedure established by the applicable provisions of the Administrative Code of the Russian Federation as of the date of filing the application to participate in the request for proposals;
- the participant must not be listed in the register of unfair suppliers;
- the participant must have experience in providing services in the last three years in the field of the audit of accounting (financial) statements of power generating companies compiled in accordance with applicable RAS and IFRS requirements;
- the specialists proposed by the participant to

participate in the audit of the IFRS consolidated financial statements must possess internationally recognized qualification (ACCA, ACA, CPA, WP, or CA diplomas).

The Committee for summing up the results of the public price inquiry of JSC “OGK-2” (hereinafter referred to as the “Committee”) makes an evaluation and comparison of submitted applications to participate in an open request for proposals. At the stage of consideration of applications, the Committee considers applications in terms of their compliance with the applicable requirements of the documentation for the request for proposals. The winner of the public price inquiry will be the audit organization whose application, in the opinion of the Committee, complies with the applicable requirements of the documentation as much as possible. If the results of comparison of all the applications demonstrate equal compliance of applications with the requirements of the documentation, the Committee may approve a decision on determining the best application as the one that contains the lowest price from the prices proposed by participants. According to the results of assessment and comparison, a report that summarizes the results of the public price inquiry is issued.

The contract for auditing services will be entered into by and between JSC “OGK-2” and the winner of the public price inquiry after approval of the winner as the auditor of JSC “OGK-2” by the Annual General Meeting of Shareholders of the Company.

The Annual General Meeting of Shareholders of JSC “OGK-2”, which was held on June 08, 2016 (Minutes No. 9 dated June 14, 2016) appointed JSC “BDO Unicon”²⁴ the auditor of the financial statements of JSC “OGK-2” under RAS and IFRS for 2016.

The Corporate Secretary

The Corporate Secretary ensures the operation of mechanisms put in place for shareholders to

exercise their rights and protect their interests, including compliance with the procedure for holding

24 Detailed information on the external auditor JSC «BDO Unicon» is provided in the Annex.

the General Shareholders Meeting; performs the functions of the Secretary of the General Meeting and the Board of Directors; makes arrangements for activities of governance and control bodies and interaction between the Company’s Board of Directors and its management; ensures storage, disclosure and provision of information about the Company; takes measures to maintain corporate traditions and settle disputes and conflicts; and monitors that the company’s interests are observed, including in relations with the Regulator and government authorities.

Under the decision of the Board of Directors dated September 30, 2016 (minutes No. 154 dated September 30, 2016), Aleksey Mikhaylovich Gusev was appointed to the position of the

Aleksey Mikhaylovich Gusev

YEAR OF BIRTH
1980

EDUCATION, QUALIFICATION LEVEL
Higher, Udmurt State University.

CURRENT PLACE OF EMPLOYMENT AND JOB POSITION
JSC “OGK-2”, Corporate Secretary.
Gazprom Energoholding LLC, Head of the Corporate Division.

JOB POSITIONS, INCLUDING JOB POSITIONS OCCUPIED IN OTHER COMPANIES, IN THE LAST 5 YEARS
2015-to date: JSC “OGK-2”, Corporate Secretary.
2015-to date: Gazprom Energoholding LLC, Head of the Corporate Division.

Corporate Secretary of JSC “OGK-2”, who worked as the secretary of the Board of Directors and the Committees of the Company’s Board of Directors (minutes No. 9 of the Board of Directors dated November 15, 2010).

The Company also has the Corporate Secretary Regulations approved by the JSC “OGK-2” Board of Directors on September 30, 2016 (Minutes No. 154 dated September 30, 2016), setting forth the main functions of the Corporate Secretary.

Apart from the Corporate Secretary, functions of the Company’s Corporate Secretary are also performed by the Department of corporate and property relations of the Division of Corporate and Legal Work at JSC “OGK-2”.

2011-2015: Gazprom Energoholding LLC, Deputy Head, Head of the Corporate Relations and Control Department, Deputy Head of the Corporate Relations Division.

OWNERSHIP (EITHER DIRECT OR INDIRECT OWNERSHIP) OF THE SHARES IN THE COMPANY
No owned ordinary shares in the authorized capital of JSC “OGK-2”.

A CONFLICT OF INTEREST (INCLUDING THOSE CONFLICTS OF INTEREST THAT ARE RELATED TO THE PARTICIPATION OF THESE PERSONS IN THE MANAGEMENT BODIES OF THE COMPETITORS OF THE COMPANY)
No

6.5. Remuneration and Motivation

Remuneration of Members of the Board of Directors

Members of the Board of Directors of JSC “OGK-2” may be paid remuneration and / or reimbursement for expenses related to the performance of their

functions. The amount of remuneration and compensation to members of the Board of Directors of JSC “OGK-2” is determined by the applicable

provisions of the Articles of Association of the Company and the Regulation “On the Procedure for Determining the Amount of Remuneration and Compensations to Members of the Board of Directors” (approved by the decision of the Annual General Meeting of Shareholders: Minutes No. 8 dated June 11, 2015).

In accordance with the Regulations, the remuneration of members of the Board of Directors consists of the main and additional components. The main remuneration is paid for participation in each meeting of the Board of Directors in an amount equivalent to four minimum monthly tariff rates of a first category worker set by the industry-specific tariff agreement in electric energy sector of the Russian Federation²⁵. The main remuneration component for each meeting that is paid to the Chairman of the Board of Directors, the Deputy Chairman, or any other person performing the functions of the Chairman of the Board of Directors will be increased by 50 %.

The additional remuneration component is paid to the members of the Board of Directors based on the results of the fiscal year in case of receipt of net profit by the Company. The total amount of the additional remuneration element as a result of the Company’s activities may not exceed 5 % of the net profit of the Company. The decision to pay additional remuneration to the members of the Board of Directors is adopted by the General Meeting of Shareholders of the Company. The additional remuneration component will not be paid to the members of the Board of Directors who participated in less than half the meetings held by the Board of Directors (from the date of appointment until the date of termination of powers). The additional remuneration component will be paid within one month after the date of the relevant General Meeting of Shareholders of the Company. Additional remuneration component may also be paid with the use of the shares of the Company at their fair value.

Information about the remuneration to members of the Board of Directors for 2016

Remuneration Elements	thousand rubles
Main remuneration component (for participation in meetings)	134
Additional part of remuneration (as shares in the Company) ²⁶	40,602
Total	40,736

Remuneration of the Members of the Management Board

The payment system for the members of the Management Board of JSC “OGK-2” is determined by applicable provisions of employment contracts as well as the Regulations “On Remuneration and Motivation of Top Managers” approved by the Board of Directors on June 10, 2015 (Minutes No. 127 dated June 10, 2015). These Regulations establish a system of bonuses based on the results of the key performance indicators (KPIs) for the reporting periods (quarter and year). Quarterly and annual KPIs, their values, method of calculation, and the procedure for calculating the amount of the premium must be approved by the Board of Directors.

The amount of the quarterly bonus constitutes up to 50% of the salary subject to compliance with established KPI values. The amount of the annual bonus constitutes up to six salaries subject to compliance with established KPI values. In addition, the Regulations on remuneration and motivation of top managers provide for the following one-off bonus payment types:

- bonuses for the performance of a particular indicator established by the Board of Directors (special bonuses);
- bonuses for the performance of critical tasks;
- bonuses in the event of awarding senior management with government, industry, and corporate awards.

25 The minimum monthly tariff rate of the first category established by the Branch Tariff Agreement amounted to 7,194 rubles in the first half of 2016 and to 7,432 rubles in the second half of 2016.

26 The amount paid based on the results of the fiscal year 2015.

Information about remuneration of the members of the Management Board (including the Chairman) for 2016

Remuneration Elements	thousand rubles
Salary	25,381
Uplift	20,342
Bonuses	25,828
Payments upon termination of the employment contract	10,160
Pension and health insurance	4,674
Other payments	28,507
Total	114,892

Remuneration of the Director General of the Company

Remuneration of the Director General of JSC “OGK-2” is determined in compliance with the concluded employment contract and applicable provisions of the Regulations “On Remuneration and Motivation of Top Managers” approved by the Board of Directors of JSC “OGK-2” on June 10, 2015 (Minutes No. 127 dated June 10, 2015). The Director

General's remuneration includes a base salary and a performance bonus based on the performance of quarterly and annual key performance indicators (KPIs) established by the Board of Directors of the Company and in the event of performance of critical objectives of the Board of Directors and awarding the Director General with state and industry awards.

Remuneration of the Members of the Internal Audit Committee

In compliance with the applicable provisions of the Articles of Association of the Company and the Regulations “On the Payment of Remuneration and Compensation to Members of the Internal Audit Committee”, the members of the Internal Audit Committee of JSC “OGK-2” are paid remuneration and / or compensation for the expenses related to the performance of their functions.

Members of the Internal Audit Committee receive a one-off payment for their participation in the

inspection of the Company's financial and business activities. The amount paid equals twenty-five minimum monthly wages of a first grade worker; the amount of minimum monthly wages is established by an industry-wide tariff agreement of the power sector of the Russian Federation for the period of inspection. Chairperson of the Internal Audit Committee will be paid remuneration in the amount of 150%. In 2016, members of the Internal Audit Committee received remunerations in the amount of 861 thousand rubles.

The Remuneration of the External Auditor

The remuneration of the external auditor complies with the applicable provisions of the concluded contract for 2016:

- for the services of audit of financial statements of JSC “OGK-2” for 2016 compiled in compliance with the applicable laws of the Russian Federation: 4,566,600 rubles (inclusive of VAT);
- for the services of audit of financial statements of the OGK-2 Group for 2016 compiled in compliance with International Financial Reporting Standards (IFRS): 3,044,400 rubles (inclusive of VAT).

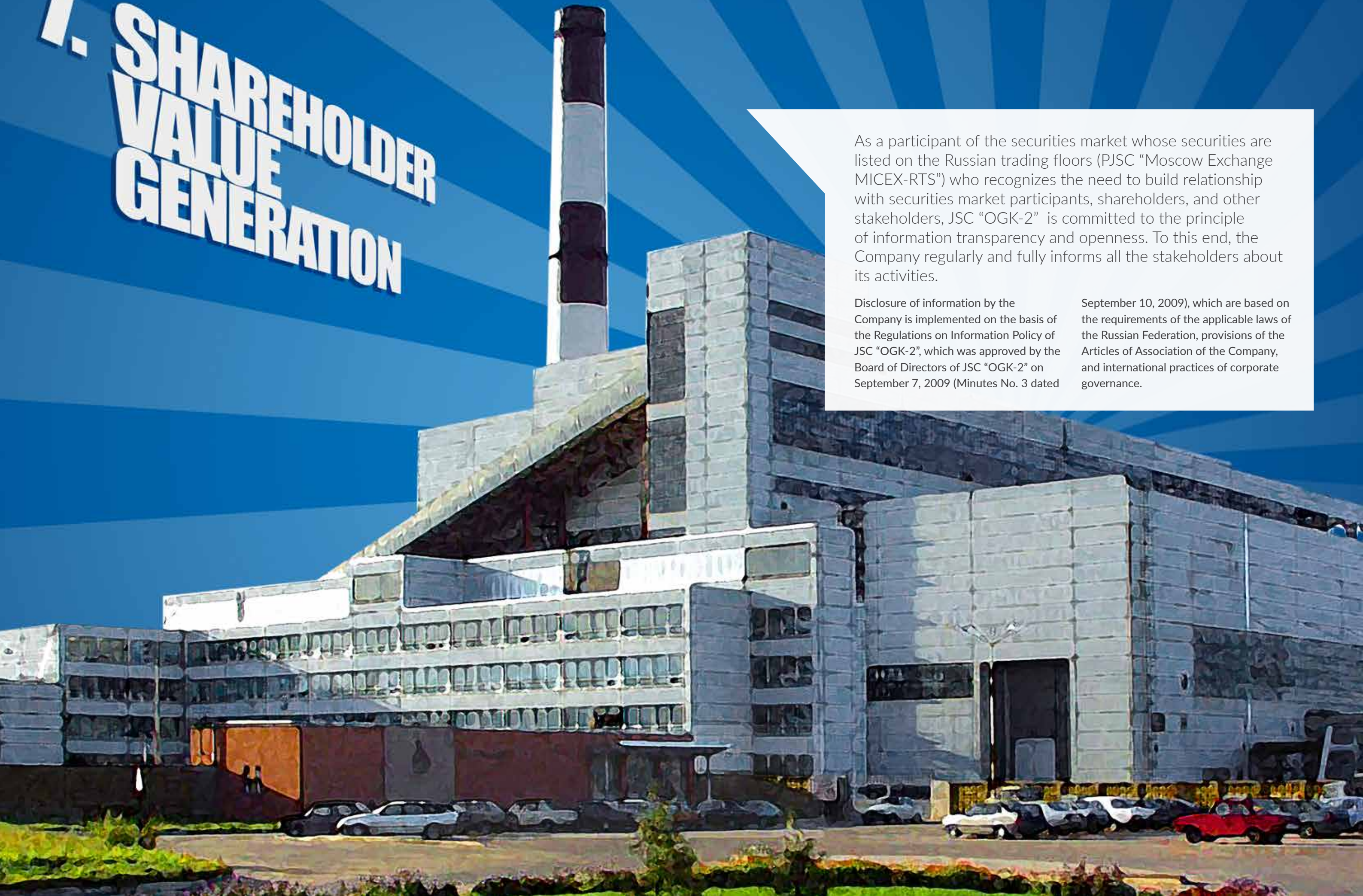


7. SHAREHOLDER VALUE GENERATION

As a participant of the securities market whose securities are listed on the Russian trading floors (PJSC “Moscow Exchange MICEX-RTS”) who recognizes the need to build relationship with securities market participants, shareholders, and other stakeholders, JSC “OGK-2” is committed to the principle of information transparency and openness. To this end, the Company regularly and fully informs all the stakeholders about its activities.

Disclosure of information by the Company is implemented on the basis of the Regulations on Information Policy of JSC “OGK-2”, which was approved by the Board of Directors of JSC “OGK-2” on September 7, 2009 (Minutes No. 3 dated

September 10, 2009), which are based on the requirements of the applicable laws of the Russian Federation, provisions of the Articles of Association of the Company, and international practices of corporate governance.



When disclosing information to its shareholders and investors, JSC “OGK-2” is guided by the following principles:

Regularity and efficiency

The Company provides its shareholders, their representatives, potential investors, and other stakeholders with information on its activities on a regular basis through the use of information resources available to the Company.

The Company informs its shareholders and their representatives, creditors, potential investors, and other stakeholders about the most important events and facts that affect the operations of the Company and that affect their interests in the shortest possible time with due consideration of the understanding that the information disclosed is valuable to its recipients only subject to timely disclosure.

Accessibility of information

The Company uses distribution channels when disclosing information on its activities, providing free

and easy access for shareholders, creditors, potential investors and other stakeholders.

Completeness and reliability of disclosed information

The Company provides all its stakeholders with information corresponding to facts, without avoiding the disclosure of negative information about itself,

to the extent that makes it possible to obtain a more complete understanding of the Company and its performance.

Maintenance of a reasonable balance between the Company’s transparency and serving its commercial interests

The information policy of the Company is based on the maximum implementation of the rights of shareholders and investors to receive information about the Company’s activities. In this case, the mandatory conditions are the protection of

information that constitutes a commercial, a state, or another secret protected by applicable provisions of the applicable laws, and the respect for the rules of distribution and use of insider information established by the Company’s by-laws.

Authorized capital and shareholder structure

The authorized capital of the Company as of December 31, 2016 amounted to 40,057,009,047.549 rubles divided into 110,441,160.870 ordinary registered shares with a par value of 0.3627 ruble each. The Company did not issue preferred shares.

As of December 31, 2016, the register of shareholders of JSC “OGK-2” contained 307,294 persons, comprising 306,754 natural persons, 694 legal entities, 17 nominal holders, and 3 trustees. The Russian Federation, including constituent entities of the Russian Federation and municipalities, owns

0.0000179% of the shares in JSC “OGK-2”.

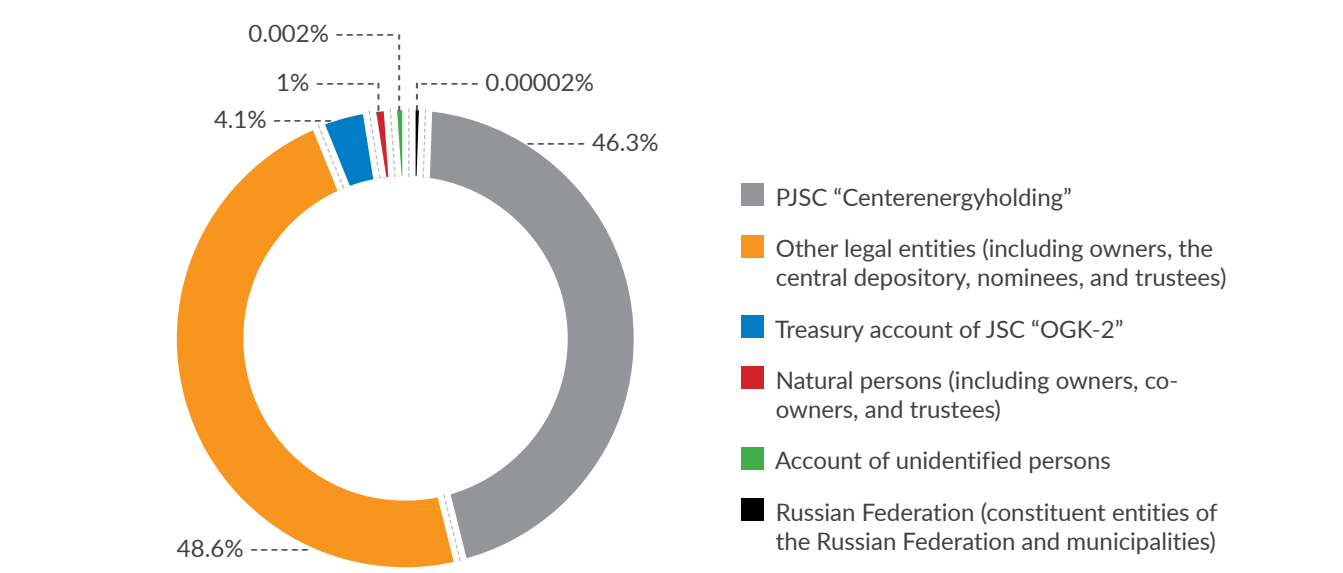
PJSC “Centerenergyholding”²⁷ is the only legal entity keeping over 5% of the shares in JSC “OGK-2” on

its accounts as of December 31, 2016 (46.279% share in the authorized capital). There are no natural persons among the Company’ shareholders who own more than 5% shares in JSC “OGK-2”.

Authorized Capital Structure

The total share of beneficial ownership of Gazprom Group companies in JSC “OGK-2” is 77.3%. In 2016, no changes in the amount of the authorized capital

and the structure of major shareholders who have the right to dispose of no less than 5% of the votes of JSC “OGK-2” occurred.



Shares

Shares in JSC “OGK-2” are traded on the main trading floor of the Russian stock market (PJSC Moscow Exchange MICEX-RTS). The shares in JSC “OGK-2” have been traded since July 2006 at the stock exchanges of CJSC “MICEX Stock Exchange” and OJSC “RTS”. On November 6, 2009, the Company’s shares were included in the quotation list «A» of the First Level of CJSC “MICEX Stock Exchange”. On May 28, 2013, the Company’s shares were transferred from the section “Quotation list ‘A’ of the First Level” in the section “Quotation List ‘B’ of the List of Securities Admitted to Trading on Moscow Exchange. On June

9, 2014, in connection with the listing reform, the Company’s shares were included in the Second Level.

The shares in JSC “OGK-2” were included in the calculation base of the branch index of shares in energy companies MICEX PWR (RTSeu: the currency value) with the share weight of 3.51%, as well as in the calculation base of the index of wide market shares (MICEX BMI) with the share weight of 0.09%, and shares in the companies of the second echelon (MICEX SC) with the share weight of 4.29%

27 Under control of Gazprom Energoholding LLC (99.591%, direct control) and PJSC «Gazprom» (indirect control).

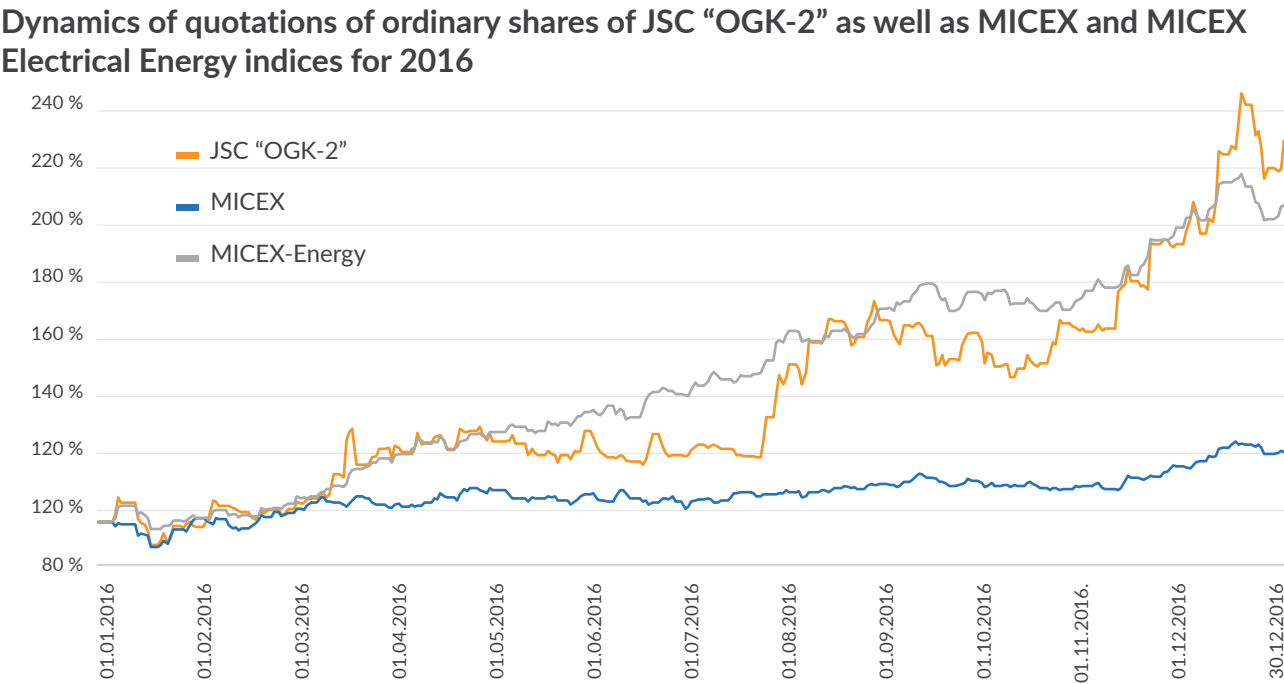
	Registered issues of shares in JSC “OGK-2”	Issue registration date	State identification number	Number of ordinary shares per issue	Par value, rubles
1.	Main issue	May 11, 2005	1-01-65105-D	10,769,803,935	1.0
2.	First issue	March 21, 2006	1-01-65105-D-001D	14,547,265,563	1.0
3.	Second issue	August 31, 2006	1-01-65105-D-002D	44,857,010	1.0
4.	Third issue	August 31, 2006	1-01-65105-D-003D	88,257,396	1.0
5.	Forth issue	August 31, 2006	1-01-65105-D-004D	621,543,725	1.0
6.	Fifth issue	August 31, 2006	1-01-65105-D-005D	409,168,128	1.0
7.	Sixth issue	August 31, 2006	1-01-65105-D-006D	61	1.0
8.	Main issue (after conversion)	April 19, 2007	1-02-65105D	26,480,895,818	0.3627
9.	First issue	August 07, 2007	1-02-65105-D-001D	6,252,026,095	0.3627
10.	Second issue	April 1, 2008	1-02-65105-D-002D	1,452,433	0.3627
11.	Third issue	April 1, 2008	1-02-65105-D-003D	194,036	0.3627
12.	Forth issue	August 25, 2011	1-02-65105-D-004D	26,593,358,578	0.3627
13.	Fifth issue	August 30, 2012	1-02-65105-D-005D	51,113,233,910	0.3627
The total number of outstanding shares				110,441,160,870	0.3627

In 2016, the market price per share in JSC “OGK-2”, according to Bloomberg, rose by 124.4% from RUB 0.223 (closure price as of December 30, 2015) to RUB 0.5004 (closure price as of December 30, 2016).

At the same time, the MICEX index for the year rose by 26.8% from 1,761.36 points as of December 30,

2015 to 2,232.72 points as of December 30, 2016. The MICEX-Energy index for 2016 rose by 110.1% from 944.51 as of December 30, 2015 to 1,984.16 points as of December 30, 2016.

The growth of prices of shares in JSC “OGK-2” corresponds to the overall dynamics of both the



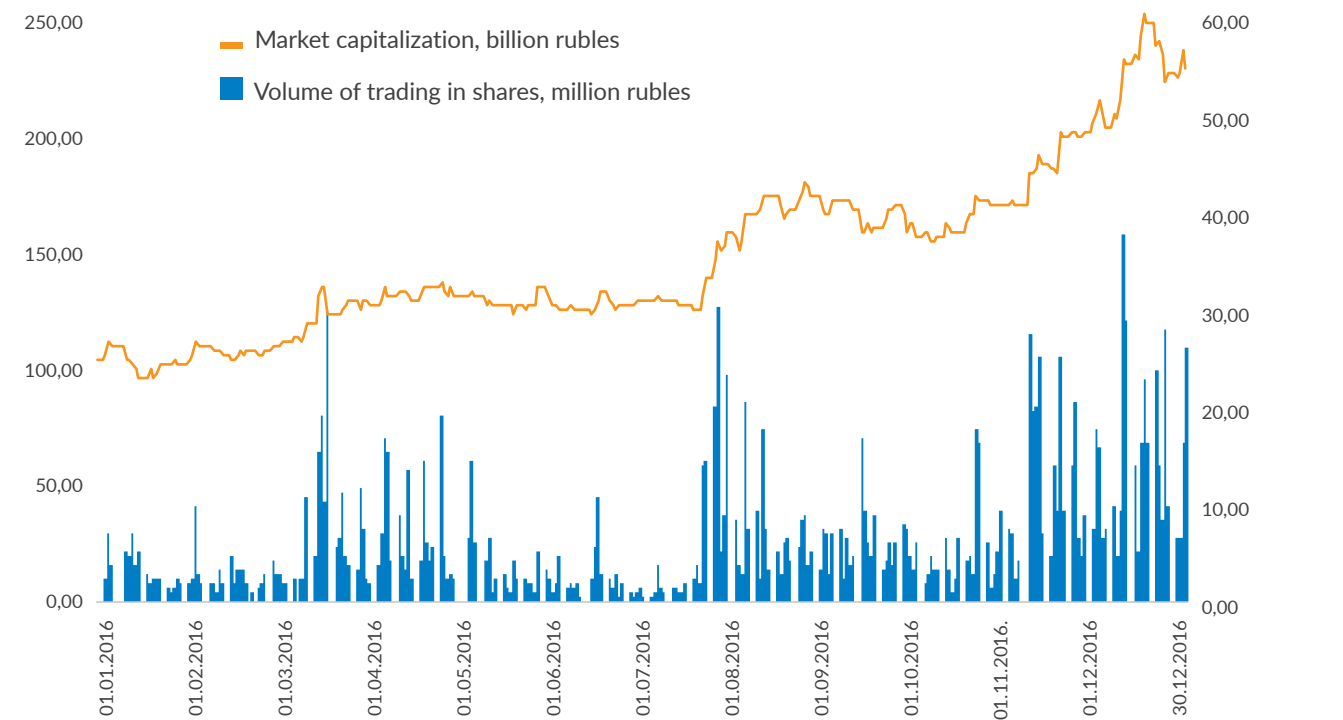
electricity sector in particular and the Russian stock market as a whole. Russian stock assets strengthened their positions, in many ways due to the ruble strengthening, which is represented by the ruble growth of share prices. Speculative capital of both foreign and Russian investors, for the most part, left the Russian market earlier in 2014. Therefore, the role of long-term investors who expect the market to recover increased in 2015.

The attractiveness of the power sector has increased due to the fact that most of the companies therein

have completed or are completing the compulsory investment program. This, in particular, had a good effect on the price of shares in JSC “OGK-2”, which completed all the main CSA projects in the reporting year.

An additional factor that supported the assets of the electricity sector in 2016 was a marked decline in volatility in the capacity market: the competitive capacity outage (CCO) was held for a four-year period (2017-2019).

Capitalization and trading volume of shares of JSC “OGK-2”



Depository Receipts

Part of the shares in JSC “OGK-2” is traded outside the Russian Federation in compliance with the applicable foreign laws on securities of foreign issuers that certify their rights in respect of such shares.

The program for global depository receipts (GDRs) for the shares of JSC “OGK-2” was launched in October 2007. This program was opened under the Regulation S and the Rule 144A. Each depository receipt certifies the right against 100 ordinary registered shares in the Company. Opening the program was initiated in order

to ensure the rights of holders of depositary receipts of RAO “UES of Russia” who received securities of spun-off companies in proportion to their share in the holding company after its liquidation. The depositary bank of JSC “OGK-2” is Deutsche Bank Trust Company Americas.

On October 04, 2007, unconditional exchange trading on the main market of The London Stock Exchange under the symbol OGK2 began. Until November 1, 2011 (the date of reorganization of JSC “OGK-2” in the form of an acquisition of PJSC “OGK-6”), the Company’s GDRs were included in the Official List of the UK Listing Authority.

Information about obtaining the permission of the Federal Committee for the admission of shares of this category (type) to circulation outside the Russian Federation: Order No. 07-1737/pz-n of the Federal Commission for Securities Market of the Russian Federation dated August 7, 2007

	According to the Regulation S	According to the Rule 144A
Number of GDRs (pcs.)	128,272	9,926
Type of GDRs	sponsored	
CUSIP number	670848100	670848100
ISIN	US 6708482095	US 6708481006
Share of the GDRs in the authorized capital (%)	0.017	
GDR ratio (the number of ordinary shares that correspond to 1 GDR)	100	

The total volume of the GDR program for 2016 decreased and amounted to 138,198 shares (or 0.013% of the authorized capital) as of December 31, 2016. The number of GDRs decreased during the reporting period primarily due to the general decline of interest of foreign investors in Russia’s power generation assets and, as a consequence, to the low

liquidity of the GDR of the Company. In addition, concerns of Western investors who withdrew their money capitals from the Russian Federation in 2014 as a result of the unstable geopolitical situation, which also has an adverse impact both on the Russian stock market as a whole and on individual securities, remain.

Dividends

The dividend policy of JSC “OGK-2” (approved by the Board of Directors on December 24, 2010: Minutes No. 10 dated December 27, 2010) has been developed in compliance with the applicable laws of the Russian Federation, the Code of Corporate Conduct recommended for use by the Russian Federal Securities Committee, as well as applicable provisions of the Articles of Association and the Company’s by-laws. The dividend policy sets out the principles used by the Board of Directors of JSC “OGK-2” when drafting recommendations to the General Meeting of Shareholders of the Company for decision-making on profit distribution options,

including dividend payments.

The Articles of Association of JSC “OGK-2” specify that the Company may adopt decisions (declare) the payment of dividends on outstanding shares, unless otherwise provided for in Federal Law “On Joint-Stock Companies”, in the first quarter, six months, or nine months of the fiscal year and / or based on the performance in the financial year.

In order to make decisions about payment of dividends, the Board of Directors of JSC “OGK-2” submits its recommendations concerning the amount

to be paid to the General Meeting of Shareholders of the Company. The dividends are paid after the relevant decision has been made by the General Meeting of Shareholders.

In compliance with the Dividend Policy of JSC “OGK-2”, the amount of dividends is calculated based on the Company’s net profit as reflected in the annual financial statements produced in accordance with the requirements of the applicable laws of the Russian Federation. The following principles are observed when calculating the amount of dividends:

- transparency of the mechanism for defining the amount of dividend payment;
- balance between short-term (immediate income) and long-term (Company development) shareholder interests;
- focus on increasing the Company’s investment appeal and market capitalization.

The Company may allocate from 5% to 35% of its net profit under Russian Accounting Standards (RAS) to the payment of dividends provided that the reserve fund (5% of the share capital) have been completely formed. Also, up to 95% but no less than 35% of the net profit is reserved for the Company’s investment purposes.

A decision to pay dividends, amount of dividends, time and procedure of their payment on shares of each category is made by the General Meeting of Shareholders of the Company. The amount of

dividends may not be higher than that recommended by the Company’s Board of Directors.

The term of payment of dividends to the nominal holder and to the trustee that is a professional participant of the securities market who have been registered in the register of shareholders must not exceed 10 business days; the term of payment of dividends to other persons / entities registered in the register of shareholders of the Company must not exceed 25 business days from the date on which persons entitled to receive dividends are determined. The date on which the persons entitled to receive dividends are determined in compliance with the decision on payment (declaration) of dividends must be neither earlier than 10 days from the date of adoption of the relevant decision nor later than 20 days from the date of adoption of such decision.

In compliance with the Articles of Association of the Company, the person / entity that has not received the declared dividends in connection with the fact that the Company or the Registrar does not have accurate and appropriate information anout addresses or bank details or in connection with a delay of the creditor will have the right to demand payment of such dividends (unclaimed dividends) within three years from the date of adoption of the relevant decision on their payment. Upon expiration of such period, declared and unclaimed dividends will be reversed in the retained earnings of the Company and the obligation for their payment will be terminated.

Information about the dividend history of JSC “OGK-2”

Period	Date of adoption of the Decision (Annual General Shareholders’ Meeting)	Declared dividends on all shares, thousand rubles	Declared dividends per share, rubles
9 months 2005	December 23, 2005	67,462	0.006264
2005	April 21, 2006	127,471	0.011836
6 months 2006	September 25, 2006	89,597	0.003539
2006	June 22, 2007	49,599	0.001873
Q1 2007	June 22, 2007	40,402	0.0015257
2010	June 21, 2011	159,611	0.0048759
2011	June 22, 2012	56,905	0.000998761
2014	June 11, 2015	860,562	0.00814151591815
2015	June 8, 2016	600,346	0.00567376233395

LIST OF ANNEXES

1. Report on Compliance with Principles and Recommendations of the Code of Corporate Conduct

The Report on compliance with applicable principles and recommendations of the Code of Corporate Conduct in its entirety is provided in the electronic version of the Annual Report of JSC “OGK-2” for 2016, which is posted on the official website of the Company (www.ogk2.ru).

2. Information on Major Transactions and Related-Party Transactions of JSC “OGK-2” in 2016

Information on major transactions and related-party transactions is provided in full in the electronic version of the Annual Report of JSC “OGK-2” for 2016, which is posted on the official website of the Company (www.ogk2.ru).

3. Characteristics of Core Equipment of JSC “OGK-2”

Characteristics of the core equipment of JSC “OGK-2” is provided in full in the electronic version of the Annual Report of JSC “OGK-2” for 2016, which is posted on the official website of the Company (www.ogk2.ru).

4. Financial Statements of JSC “OGK-2” for 2016 According to RAS



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125 Varshavskoye Shosse,
Building No. 1, Section No. 11,
Moscow, Russian Federation 117587

AUDIT REPORT

Attention: Shareholders of Joint-Stock Company “The Second Wholesale Power Market Generating Company”

Audited entity

Joint-Stock Company “The Second Wholesale Power Market Generating Company”

Registered by the Inspectorate of the Federal Taxation Service of the Russian Federation in Izobilnensky District of Stavropol Territory. Certificate of registration in the Unified State Register of Legal Entities of the Russian Federation dated March 9, 2005 under the Principal State Registration Number 1052600002180.

Location address: Solnechnodolsk settlement, Izobilnensky District, Stavropol Krai, Russian Federation 356126

Auditor

Joint-Stock Company “BDO Unicon” (JSC “BDO Unicon”)

Registered by Inspectorate No. 26 of the Ministry of Taxation of the Russian Federation in the Southern Administrative District of the City of Moscow under Principal State Registration Number 1037739271701.

Address: 125 Varshavskoye Shosse Street, Building No. 1, Section No. 11, Moscow, Russian Federation 117587.

JSC “BDO Unicon” is a member of the Professional Auditor Association Self-Regulating Auditor Organization “Russian Union of Auditors” (Association); principal registration number of the record in the State Register of Auditors and Audit Organizations: 11603059593.

The senior partner Andrey Borisovich Balyakin is authorized to sign this auditor’s report in accordance with Power of Attorney No. 3-01/2016-BDO dated January 1, 2016.

We have audited the accompanying financial (accounting) statements of JSC "OGK-2" for 2016, as follows:

- Balance Sheet as of December 31, 2016;
- Report on financial results for 2016;
- Annexes to the Balance Sheet and to the Report on financial results, including:
 - Statement of Changes in Equity for 2016;
 - Statement of Cash Flows for 2016;
 - Explanatory note to the Balance Sheet and the Report on Financial Results for 2016.

Responsibility of the audited entity for accounting (financial) statements

The management of JSC "OGK-2" is responsible for the preparation and accuracy of the accounting statement in compliance with the requirements of the applicable laws of the Russian Federation for compiling accounting statements and also for the system of internal control required to prepare accounting statements that are free of material misstatement due to fraud or error.

JSC "BDO Unicon", a company incorporated under the laws of the Russian Federation, is a member of the network of independent companies BDO International. BDO is the trademark of the BDO network and each BDO network member company.

Responsibility of the Auditor

Our responsibility is to express an opinion on the accuracy of the accounting statement based on our audit. We conducted the audit in accordance with the federal auditing standards. These standards require compliance with the applicable ethical requirements as well as the planning and implementation of the audit to obtain reasonable assurance that the accounting statement is free of material misstatement.

The audit involved the performance of audit procedures aimed at obtaining audit evidence supporting the amounts in the accounting statement and the information disclosed therein. The selection of the audit procedures is a matter of our judgment, which is based on an assessment of the risk of material misstatement, whether due to fraud or error. In the process of assessing this risk, we reviewed the internal control system, which ensures the preparation and accuracy of the accounting (financial) statement, in order to select the appropriate audit procedure, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

The audit also included an assessment of the appropriateness of the accounting policies used and the validity of the estimates obtained by the management of the audited entity as well as an evaluation of the overall presentation of the accounting statement.

We believe that the audit evidence obtained during the audit provides sufficient grounds to express an opinion on the accuracy of the accounting statement.

Opinion

It is our opinion that the accounting statement accurately reflects in all material respects the financial position of JSC "OGK-2" as of December 31, 2016, its financial and business performance and the cash flows for 2016 in accordance with the requirements of the applicable laws of the Russian Federation for preparing accounting (financial) statements.

JSC "BDO Unicon"

Senior partner

February 20, 2017

Total: 72 stitched sheets.



Andrey Borisovich Balyakin



Balance Sheet as of December 31, 2016

	Codes
Form of OKUD	0710001
Date (day, month, year)	31/12/2016
Organization: JSC “OGK-2” Taxpayer identification number:	according to OKPO code 76851389 INN 2607018122
Type of economic activity: Generation of electric power by thermal power plants, including ensuring workability of power plants	according to OKVED 35.11.1
Legal form / ownership type:	
Public Joint-Stock Company / privately owned	according to OKOPF / OKFS 1 22 47/16
Measurement Unit: thousand rubles	according to OKEI 384
Location (address): Solnechnodolsk settlement, Izobilnensky District, Stavropol Krai, Russian Federation 356126	

Comments	Item	Code lines	At December 31, 2016	At December 31, 2015	At December 31, 2014
ASSETS					
I. NON-CURRENT ASSETS					
1.1	Intangible assets, including:	1110	512,794	594,063	675,332
	intellectual property rights	1111	464,003	545,272	626,541
	Other	1119	48,791	48,791	48,791
1.2, 1.3	Research and development results	1120	19,582	687	-
2.1	Fixed assets, including:	1150	159,580,634	150,462,508	124,089,486
	Permanent facilities, including:	1151	138,527,307	77,848,355	53,075,105
	land plots and environmental facilities	1152	244,875	244,845	67,738
	Plant and equipment	1153	138,089,453	77,377,622	52,808,712
2.2	Capital investments in progress	1154	21,053,327	72,614,153	71,014,381
3.1	Investments, including:	1170	6,592,773	4,418,924	2,197,946
	Investments in subsidiaries	1171	6,154,969	3,370,580	24,713
	Investments in other entities	1173	4	-	530,000
	Long-term loans to entities	1174	437,800	1,048,344	1,048,344
	Deferred tax assets	1180	2,580,651	361,648	124,593
	Other non-current assets, including:	1190	1,041,226	1,933,364	8,281,659
	Input VAT	1192	-	3,985	4,237
Total, Section I		1100	170,327,660	157,771,194	135,369,016
II. CURRENT ASSETS					
4.1	Inventories, including:	1210	9,551,602	11,419,757	7,633,739
	raw materials and other similar assets	1211	9,551,602	11,416,040	7,630,241
	construction-in-progress expenses	1213	-	3,717	3,495
	shipped goods	1215	-	-	3
	Input VAT	1220	26,070	61,589	46,120
5.1	Receivables, including:	1230	17,286,767	18,490,054	15,870,935
	Accounts receivable (long-term), including:	1231	506,242	603,308	49,503
	buyers and customers	1232	6,906	7,568	8,749

Comments	Item	Code lines	At December 31, 2016	At December 31, 2015	At December 31, 2014
	advance payments made	1233	16,120	-	-
	other accounts receivable	1234	483,216	595,740	40,754
	Accounts receivable (short-term), including:	1235	16,780,525	17,886,746	15,821,432
	buyers and customers	1236	10,617,597	9,803,429	9,013,756
	advance payments made	1238	3,143,410	2,378,092	5,486,455
	other accounts receivable	1239	3,019,518	5,705,225	1,321,221
3.1	Financial investments (excluding cash and equivalents), including:	1240	7,269	8,432	1,407,618
	Short-term loans	1241	7,269	8,432	808,749
	Cash and cash equivalents, including:	1250	4,415,161	7,500,933	13,055,162
	Settlement accounts	1252	3,867,373	5,013,979	13,055,136
	other cash and cash equivalents	1259	547,788	2,486,954	26
	Other current assets	1260	8,511	10,045	3,165
Total, Section II		1200	31,295,380	37,490,810	38,016,739
BALANCE		1600	201,623,040	195,262,004	173,385,755
LIABILITIES					
III. CAPITAL AND RESERVES					
	Authorized capital (share capital, authorized fund, contributions of partners)	1310	40,057,009	40,057,009	40,057,009
	Treasury shares	1320	(7,723,992)	(7,912,725)	(8,101,458)
	Revaluation of non-current assets	1340	209,515	210,206	210,264
	Additional capital (without revaluation)	1350	60,094,783	60,094,783	60,094,783
	Reserve capital	1360	1,340,739	1,190,653	903,799
	Retained earnings (uncovered loss)	1370	20,257,080	17,510,127	15,655,173
Total, Section III		1300	114,235,134	111,150,053	108,819,570
IV. LONG-TERM LIABILITIES					
	Borrowings, including:	1410	24,110,000	37,339,908	40,570,664
	bank loans repayable after 12 months after the balance sheet date	1411	14,110,000	11,239,908	2,870,664
	loans repayable after 12 months after the balance sheet date	1412	10,000,000	26,100,000	37,700,000
	Deferred tax liabilities	1420	9,206,255	3,861,698	2,827,128
7	Estimated Liabilities	1430	955,964	1,051,656	1,445,484
5.3	Other liabilities	1450	4,038,486	3,908,276	648,029
Total, Section IV		1400	38,310,705	46,161,538	45,491,305
V. SHORT-TERM LIABILITIES					
	Borrowings, including:	1510	32,225,249	24,589,877	6,502,643
	loans repayable within 12 months after the balance sheet date	1512	16,000,000	-	-
	current portion of long-term loans	1513	16,225,249	24,589,877	6,502,643
5.3	Accounts payable, including:	1520	15,905,747	12,511,139	11,829,346

Comments	Item	Code lines	At December 31, 2016	At December 31, 2015	At December 31, 2014
	trade payables	1521	9,153,247	10,990,936	10,312,664
	payables to employees	1522	281,343	261,476	326,517
	to the state extra-budgetary funds	1523	151,475	121,881	131,756
	taxes and levies	1524	1,872,058	422,862	561,183
	other creditors, including:	1525	4,441,460	710,661	496,631
	advance payments received	1527	180,057	13,605	234,416
	other settlements	1528	4,261,403	697,056	262,215
	payable to participants (founders) in terms of income distribution	1529	6,164	3,323	595
	Deferred income	1530	7,691	8,051	8,753
7	Estimated Liabilities	1540	938,514	841,346	734,138
	Total, Section V	1500	49,077,201	37,950,413	19,074,880
	BALANCE SHEET	1700	201,623,040	195,262,004	173,385,755

Head
Chief Accountant
February 20, 2017

S. A. Ananyev
L. V. Klishch

Report on Financial Results
2016

Codes		
	Form of OKUD	0710002
	Date (day, month, year)	31/12/2016
Organization: JSC “OGK-2”	according to OKPO code	76851389
Taxpayer identification number:	INN	2607018122
Type of economic activity: Generation of electric power by thermal power plants, including ensuring the workability of power plants	according to OKVED	35.11.1
Legal form / ownership type:		
Public Joint-Stock Company / privately owned	according to OKOPF / OKFS	1 22 47/16
Measurement Unit: thousand rubles	according to OKEI	384

Comments	Indicator description	Code lines	For the reporting period	For the corresponding period of the previous year
	Revenue	2110	134,284,652	112,115,666
	sale of electric power and capacity	2111	128,265,233	106,645,252
	other	2118	6,019,419	5,470,414
	Cost of sales	2120	(117,617,927)	(103,944,075)
	sale of electric power and capacity	2121	(112,197,229)	(99,251,512)
	other	2128	(5,420,698)	(4,692,563)
	Gross Profit	2100	16,666,725	8,171,591
16	Management expenses	2220	(2,518,353)	(2,197,802)
	Sales profit	2200	14,148,372	5,973,789
	Interest from investments into other companies	2310	541	948
	Interest receivable	2320	666,386	996,866
	Interest payable	2330	(4,578,533)	(1,757,958)
17	Other income	2340	2,774,498	4,905,361
17	Other expenses	2350	(7,442,326)	(6,214,686)
	Profit before tax	2300	5,568,938	3,904,320
14	Income tax, including:	2405	1,053,928	(104,952)
	current profit tax	2410	-	(155,869)
	tax on profit of previous years	2411	1,053,928	50,917
	including p. 2405			
	permanent tax liabilities (assets)	2421	1,224,615	123,653
	change in deferred tax liabilities	2430	(5,611,334)	(1,036,620)
	change in deferred tax assets	2450	2,219,003	237,055
	Other	2460	266,159	1,926
	Net profit	2400	3,496,694	3,001,729
	TOTAL FINANCIAL RESULT FOR THE PERIOD	2500	3,496,694	3,001,729
	BASIC EARNINGS PER SHARE (IN RUSSIAN RUBLES)	2900	0.0330	0.0284

Head
Chief Accountant
February 20, 2017

S. A. Ananyev
L. V. Klishch

5. Financial Statements of OGK-2 Group for 2016 According to IFRS

Company’s Financial Statements for 2016 According to RAS

The consolidated statements of the OGK-2 Group have been prepared under the international financial reporting standards (IFRS). They include the consolidated results of JSC “OGK-2” and its subsidiaries jointly forming the OGK-2 Group. These statements were confirmed by an auditor's report issued on March 06, 2017 by JSC “BDO Unicon”, an official auditor of the OGK-2 Group.

Revenue

Over the 12 months of 2016, the Group's revenue under the IFRS totaled 134 billion 398 million rubles, increasing by 19.7% or 22 billion 165 million rubles year on year. This indicator dynamics is mainly caused by higher outputs of electricity, growing prices of the DAM and commencement of supplies to the WMEP of capacity of the CSA projects (CCGT-420 of the Serovskaya GRES, STU-330, Novocherkasskaya GRES, STU-660 of the Troitskaya GRES, and STU-330 of the Ryazanskaya GRES).

Operating expenses

Operating expenses under the IFRS totaled 124 billion 529 million rubles representing 14.7% increase in comparison with 12 months of 2015. In 2016, variable expenses grew by 9.2% and fixed expenses – by 20.7%. The main reason for growth of variable expenses is an increase in the costs of fuel procurement by 9.7%, which, in its turn, is caused by higher outputs of electricity and fuel price increases. In addition, increase in the costs of purchased electricity and capacity by 8.5% due to higher scopes of purchase to secure sales agreements had an impact as well.

The key components of the fixed expenses in 2016 included: accrual of a provision for accounts receivable (this expense item grew by 156%), costs of raw materials and materials for maintenance service of the CSA facilities (37% increase), and also expenses associated with shut down of fixed assets.

Profit and EBITDA

Operating profit under the IFRS in 2016 rose by 139.6% year on year to reach 9 billion 389 million rubles. EBITDA reached 18 billion 923 million rubles, an 87.2% increase year on year. Profit rose by 17.6% to reach 3 billion 053 million rubles.

A tangible factor limiting profit growth in 2016 was an increase in financial expenses, particularly interest on borrowings. Capitalization of part of the interest stopped as CSA facilities financed from borrowings were commissioned.

Debt portfolio

The OGK-2 Group started the year 2016 with a considerable debt burden (72 billion 715 million rubles as of December 31, 2015) due to the need to make extra borrowings to complete the obligatory investment program under CSA. As of December 31, 2016, the Group's debt portfolio reduced by 7.8% down to 67 billion 50 million rubles. The Group plans to keep on reducing the debt burden in the future.



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125 Varshavskoye Shosse,
Building No. 1, Section No. 11,
Moscow, Russian Federation 117587

AUDIT REPORT

Attention: Shareholders and the Board of Directors of Joint-Stock Company “The Second Wholesale Power Market Generating Company” (JSC “OGK-2”)

Audited entity

Joint-Stock Company “The Second Wholesale Power Market Generating Company”

Registered by the Inspectorate of the Federal Taxation Service of the Russian Federation in Izobilnensky district of Stavropol Territory. Certificate of registration in the Unified State Register of Legal Entities of the Russian Federation dated March 9, 2005 under the Primary State Registration Number 1052600002180.

Location address: Solnechnodolsk settlement, Izobilnensky District, Stavropol Krai, Russian Federation 356126.

Auditor

Joint-Stock Company “BDO Unicon” (JSC “BDO Unicon”)

Registered by Inspectorate No. 26 of the Ministry of Taxation of the Russian Federation in the Southern Administrative District of the City of Moscow under Principal State Registration Number 1037739271701.

Address: 125 Varshavskoye Shosse Street, Building No. 1, Section No. 11, Moscow, Russian Federation 117587.

JSC “BDO Unicon” is a member of the Professional Auditor Association Self-Regulating Auditor Organization “Russian Union of Auditors” (Association); principal registration number of the record in the State Register of Auditors and Audit Organizations: 11603059593.

The senior partner Andrey Borisovich Balyakin is authorized to sign this auditor's report on the basis of Power of Attorney No. 3-01/2016-BDO dated January 1, 2016.

We have audited the accompanying consolidated financial statements of JSC “OGK-2” and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of equity, and the consolidated statement of cash flow for the year 2016 as well as the explanatory notes of the consolidated financial statements for 2016, which consist of a brief summary of significant accounting policies and other explanatory information.

Responsibility of the audited entity for consolidated financial statements

The management of JSC “OGK-2” is responsible for the preparation and the accuracy of accounting statements in compliance with the applicable requirements of the International Financial Reporting Standards and with the applicable laws of the Russian Federation on compiling accounting statements and also for the system of internal control required to prepare consolidated financial (accounting) statements that are free of material misstatement due to fraud or error.

Responsibility of the Auditor

Our responsibility is to express an opinion on the accuracy of the consolidated financial statements based on our audit. We conducted the audit in accordance with federal auditing standards. These standards require compliance with applicable ethical requirements as well as the planning and implementation of the audit to obtain reasonable assurance that consolidated statements are free of material misstatement.

The audit involved the performance of audit procedures aimed at obtaining audit evidence supporting the amounts in the financial statements and the information disclosed therein. The selection of the audit procedures is a matter of our judgment, which is based on an assessment of the risk of material misstatement, whether due to fraud or error. In the process of assessing this risk, we reviewed the internal control system, which ensures the preparation and accuracy of the consolidated financial statements, in order to select the appropriate audit procedure but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

The audit also included an assessment of the appropriateness of the accounting policies used and the validity of the estimates obtained by the management of the audited entity as well as an evaluation of the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained during the audit provides sufficient grounds to express an opinion on the accuracy of the consolidated financial statements.

Opinion

It is our opinion that the consolidated financial statements accurately reflect in all material respects the financial position of JSC “OGK-2” and its subsidiaries as of December 31, 2016, its financial and business performance and the cash flows for 2016 in accordance with the requirements of the applicable laws of the Russian Federation for preparing consolidated financial statements.

JSC “BDO Unicon”

Senior partner

A. B. Balyakin

March 6, 2017

Total: 58 stitched sheets.



OGK-2 Group
Consolidated Statements of Financial Position as of December 31, 2016
(in thousand rubles unless otherwise specified)



	Notes	As of December 31, 2016	As of December 31, 2015
ASSETS			
Non-current assets			
Fixed assets	6	184,799,186	178,397,832
Intangible assets	7	932,533	1,104,608
Deferred income tax assets	13	188,778	-
Other noncurrent assets	8	923,858	978,332
Total non-current assets		186,844,355	180,480,772
Current assets			
Cash and cash equivalent	9	4,538,684	7,544,369
Trade and other receivables	10	15,628,777	15,958,468
Inventories	11	9,277,515	10,943,670
Prepaid income tax		118,705	449,766
Total current assets		29,563,681	34,896,273
TOTAL ASSETS		216,408,036	215,377,045
EQUITY AND LIABILITIES			
Capital			
Authorized capital	12		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,961,865)	(4,150,598)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		50,317,063	48,832,446
Shareholders' equity of JSC "OGK-2"		114,790,900	113,117,550
Non-controlling interest		-	2,083,512
Total Equity		114,790,900	115,201,062
Long-term liabilities			
Deferred income tax liabilities	13	10,303,385	7,163,893
Long-term borrowings	14	34,590,389	36,574,060
Pension liabilities	15	2,207,546	1,991,052
Contingency reserve	16	955,964	1,051,656
Other long-term liabilities	17	3,865,670	3,744,299
Total long-term liabilities		51,922,954	50,524,960
Short-term liabilities			
Short-term borrowings and short-term part of long-term borrowings	18	32,459,634	36,141,251
Trade and other payables	19	14,642,616	12,239,538
Other tax payables	20	2,235,599	794,989
Contingency reserve	16	356,333	475,245
Total current liabilities		49,694,182	49,651,023
Total liabilities		101,617,136	100,175,983
TOTAL EQUITY AND LIABILITIES		216,408,036	215,377,045

General Director
Chief Accountant
March 6, 2017

S. A. Ananyev
L. V. Klishch



OGK-2 Group
Consolidated Profit and Loss Statement for the Year Ended December 31, 2016
(in thousand rubles unless otherwise specified)

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	21	134,397,876	112,233,374
Operating expenses	22	(124,528,569)	(108,532,856)
Other operating expenses / income		(480,062)	217,972
Profit from operating activities		9,389,245	3,918,490
Financial income	23	1,472,498	2,632,692
Financial expenses	24	(5,894,702)	(3,169,258)
Profit before tax		4,967,041	3,381,924
Profit tax expenses	13	(1,914,452)	(785,301)
Profit for the year		3,052,589	2,596,623
Payable to:			
Shareholders of JSC "OGK-2"		3,169,470	3,351,859
Non-controlling interest		(116,881)	(755,236)
Profit per ordinary share payable to the shareholders of JSC "OGK-2": base and diluted (in Russian rubles)	25	0.03	0.03

General Director
Chief Accountant
March 6, 2017

S. A. Ananyev
L. V. Klishch

OGK-2 Group
Consolidated statement of comprehensive income for the year ended December 31, 2016
(in thousand rubles unless otherwise specified)



	Year ended December 31, 2016	Year ended December 31, 2015
Profit for the year	3,052,589	2,596,623
Items that will not be subsequently transferred to profit or loss:		
Revaluation of pension obligations (net of the profit tax)	(118,619)	(296,207)
Total comprehensive income for the year	2,933,970	2,300,416
Payable to:		
Shareholders of JSC "OGK-2"	3,050,851	3,055,652
Non-controlling interest	(116,881)	(755,236)

General Director
Chief Accountant
March 6, 2017

S. A. Ananyev
L. V. Klishch

OGK-2 Group
Consolidated cash flow statement for the year ended December 31, 2016
(in thousand rubles unless otherwise specified)



	Notes	Year ended December 31, 2016	Year ended December 31, 2015
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax		4,967,041	3,381,924
Adjustments to profit before tax:			
Depreciation of fixed assets	22	9,302,768	5,896,701
Depreciation of intangible assets	22	231,702	296,732
(Reversal) / accrual of fixed assets impairment provision	6,22	(335,930)	419,800
Accrual of trade and other receivables impairment provision	22	3,123,145	1,220,111
Accrual / Reversal of inventories impairment provision	22	7,730	(19,925)
Financial income	23	(1,472,498)	(2,632,692)
Financial expenses	24	5,894,702	3,169,258
Private pension provision	22	78,700	109,279
Loss on assets retirement, net	22	1,013,010	259,021
Other non-cash transactions		38,290	133,812
Cash flow from operating activities before change in working capital and payment of profit tax		22,848,660	12,234,021
Change in working capital:			
Increase / decrease in trade and other receivables		(2,906,073)	792,295
Increase / decrease in inventories		1,036,502	(3,801,879)
Increase in trade and other payables		614,049	842,424
Increase / decrease in taxes payable other the profit tax		1,484,052	(21,495)
Decrease in pension liabilities		(150,813)	(135,221)
Income tax returned from the budget / (paid to the budget)		1,339,393	(510,493)
Net cash flow from operating activities		24,265,770	9,399,652
CASH FLOW FROM INVESTING ACTIVITIES:			
Fixed asset acquisition		(14,813,215)	(26,798,735)
Proceeds from the sales of fixed assets		50,512	9,225
Acquisitions of intangible assets		(53,193)	(20,077)
Proceeds from repayment of loans		100,000	-
Interest received		651,561	1,000,728
Increase in other long-term assets		-	(105,999)
Total cash used in investing activities		(14,064,335)	(25,914,858)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		16,000,000	2,950,000
Proceeds from long-term borrowings		6,510,000	21,239,908
Repayment of short-term borrowings		(28,310,572)	(6,950,722)
Repayment of long-term borrowings		(87,674)	(651,513)
Interest paid		(6,576,146)	(4,871,593)
Financial lease repayment		(35,677)	(76,077)
Dividends paid to shareholders of JSC "OGK-2"		(596,790)	(856,073)
Advances paid under financial lease		-	(386)
Total (cash for financial activities) / cash flow from financing activities		(13,096,859)	10,783,544
Net decrease in cash and cash equivalents		(2,895,424)	(5,731,662)
Impact of foreign currency exchange rate changes on cash and cash equivalents		(110,261)	-
Cash and cash equivalents at the beginning of the year	9	7,544,369	13,276,031
Cash and cash equivalents at the end of the year	9	4,538,684	7,544,369

General Director
Chief Accountant
March 6, 2017

S. A. Ananyev
L. V. Klishch

OGK-2 Group
Consolidated statement of changes in equity for the year ended 31 December 2016
(in thousands of rubles)



	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 2015	40,057,009	(4,339,331)	28,378,693	47,506,962	111,603,333	4,945,624	116,548,957
Profit / (loss) for the year	-	-	-	3,351,859	3,351,859	(755,236)	2,596,623
Remeasurements of retirement benefit obligations, net of tax	-	-	-	(296,207)	(296,207)	-	(296,207)
Total comprehensive income / (expense) for the year	-	-	-	3,055,652	3,055,652	(755,236)	2,300,416
Dividends (Note 12)	-	-	-	(860,562)	(860,562)	-	(860,562)
Acquisition of businesses under common control (Note 12)	-	-	-	(708,991)	(708,991)	(2,106,876)	(2,815,867)
Payment of remuneration (Note 12)	-	188,733	-	(161,198)	27,535	-	27,535
Other transactions	-	-	-	583	583	-	583
At 31 December 2015	40,057,009	(4,150,598)	28,378,693	48,832,446	113,117,550	2,083,512	115,201,062
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 year	-	-	-	3,169,470	3,169,470	(116,881)	3,052,589
Remeasurements of retirement benefit obligations, net of tax	-	-	-	(118,619)	(118,619)	-	(118,619)
Total comprehensive income / (expense) for the year	-	-	-	3,050,851	3,050,851	(116,881)	2,933,970
Dividends (Note 12)	-	-	-	(600,346)	(600,346)	-	(600,346)
Acquisition of businesses under common control (Note 12)	-	-	-	(817,757)	(817,757)	(1,966,631)	(2,784,388)
Payment of remuneration (Note 12)	-	188,733	-	(148,131)	40,602	-	40,602
At 31 December 2016	40,057,009	(3,961,865)	28,378,693	50,317,063	114,790,900	-	114,790,900

General Director
Chief Accountant
March 6, 2017

S. A. Ananyev
L. V. Klishch

6. Information on the Auditor

Full corporate name	Joint-Stock Company "BDO Unicon"
Abbreviated corporate name	JSC "BDO Unicon"
Location	125 Varshavskoye Shosse Street, Building No. 1, Section No. 11, Moscow, Russian Federation, 117587.
Taxpayer Identification Number (INN):	7716021332
Primary State Registration Number (OGRN code):	1037739271701
Phone number	(495) 797-5665
Fax	(495) 797-5660
E-mail	reception@bdo.ru
Website	www.bdo.ru
Data on the auditor's membership in self-regulating organizations of auditors	Professional Auditor Association Self-Regulating Auditor Organization "Audit Chamber of Russia" (ACR) (3/9 Syromyatnichesky Lane, Moscow, Russian Federation, 105120)

7. Information on the Registrar

Full corporate name	Joint Stock Company "Specialized Registrar - Holder of Gas Industry Shareholder Register"
Full corporate name	JSC "DRAGa"
Location	71/32, Novocheremushkinskaia Street, Moscow, Russian Federation, 117420
Mailing address	71/32, Novocheremushkinskaia Street, Moscow, Russian Federation, 117420
Phone number	(495) 719-40-44; fax number: (495) 719-45-85, (495) 719-81-66
E-mail	info@draga.ru
Website	www.draga.ru

8. Contacts

Company Details

Full corporate name	Public Joint-Stock Company "Second Wholesale Power Market Generating Company"
Full corporate name	JSC "OGK-2"
Legal address	Solnechnodolsk settlement, Izobilnensky District, Stavropol Krai, Russian Federation, 356126
Mailing address	101 Vernadskogo Prospekt, Building 3, Moscow, Russian Federation, 119526
Phone number	(495) 428-42-24
Fax	(495) 428-42-23
E-mail	office@ogk2.ru
Date of state registration	09.03.2005
Authority of state registration	Inspectorate of the Federal Tax Service of Russia for Izobilnensky District of the Stavropol Territory
Taxpayer identification number (INN)	2607018122
Primary state registration number (OGRN)	1052600002180
Industrial enterprise classification code (KPP)	997450001, 260701001
Codes	OKVED 40.10.11; 40.10.41, OKPO 76851389
Current bank account	No. 40702810750010004720
Bank	Central branch of JSB "RUSSIA"
BIC	044525220
Correspondent account	☐ 30101 810 4 5250 000220
General Director	Stanislav Anatolevich Ananyev
Chief Accountant	Larisa Vladimirovna Klishch

Contacts for Shareholders and Investors

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