

JSC OGGK-2
ANNUAL
REPORT

2017

This 2017 annual report (hereinafter referred to as the “Annual Report”) has been prepared using the information available to Joint-Stock Company “Second Wholesale Power Market Generating Company” (hereinafter, OGK-2, or the Company) at the time of its preparation. Some statements included in this Annual Report of the Company are 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. Investors should not fully rely on the estimates and forecasts as they imply a risk of contradiction to reality. 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.

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 if new information becomes available.

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

Table of Contents

1. INFORMATION ABOUT THE COMPANY	5
ADDRESS BY CHAIRMAN OF THE BOARD OF DIRECTORS OF JSC OGC-2, DIRECTOR GENERAL OF GAZPROM ENERGOHOLDING LLC D.V. FEDOROV.....	
	10
ADDRESS BY DIRECTOR GENERAL OF JSC OGC-2 S.A. ANANYEV	11
1.1. Business Model	12
1.2. Key Events	14
1.3. Organizational Structure	16
1.4. Industry Overview	20
1.5. Competitive Overview	29
2. DEVELOPMENT PRIORITIES.....	34
2.1. Company's Mission and Development Priorities	34
2.2. Facility Modernization Prospects for Until 2030	36
2.3. Project Efficiency.....	38
2.4. Key Performance Indicators	39
2.5. Investment Program.....	39
2.6. Innovative Development	41
3. COMPANY PERFORMANCE IN 2017	43
Address by Deputy Director General for Economics and Finance	43
3.1. Operating indicators	44
3.2. Financial results (IFRS).....	51
3.3. Financial results (RAS).....	57
4. SUSTAINABLE DEVELOPMENT	60
4.1. Corporate values	60
4.2. Stakeholders	61
4.3. Human Capital	62
4.4. Social Partnership.....	68
4.5. Environmental Protection.....	70
4.6. Supply Chain.....	74
4.7. Supplier Relations and Anti-Corruption.....	77
5. RISK MANAGEMENT	80
5.1. Corporate Risk Management System	80
5.2. Risk Classification and Assessment.....	82
5.3. Analysis of financial risks.....	94
6. CORPORATE GOVERNANCE.....	96
Address of the Corporate Secretary as Regards the Main Changes in the Company Corporate Governance for 2017 and Plans for the Near Future.....	96

Memorandum of the PJSC Gazprom Intentions in Respect to Controlled Companies: JSC Mosenergo, JSC MIPC, JSC OGC-2, JSC TGC-1.....	97
6.1. Principles of Corporate Governance	98
6.2. OGC-2 Corporate Governance Improvements in 2017 and Plans for 2018.....	100
6.3. Assessment of Compliance with the Corporate Governance Principles	101
6.4. Corporate Governance Structure	103
6.5. Remuneration and Incentives	124
 7. SHAREHOLDER VALUE GENERATION.....	 127
 LIST OF ANNEXES.....	 ОШИБКА! ЗАКЛАДКА НЕ ОПРЕДЕЛЕНА.

1. Information About the Company

OGK-2 is one of Russia's largest power generating companies.

Its installed electric capacity totals 18,998 MW;

Its installed heat capacity totals 4,162 Gcal/h;

It produces 6.0% of the total power produced by Russia's thermal power plants;

OGK-2 Share Trade Dynamics at
MICEX (ticker OGKB)



As at December 31, 2017:

market capitalization of 49.32 billion rubles;

dividend yield (DY) of 2.87%;

P/E – 7.4; EPS – 0.065;

EV / EBITDA – 4.1

Competitive Advantages:

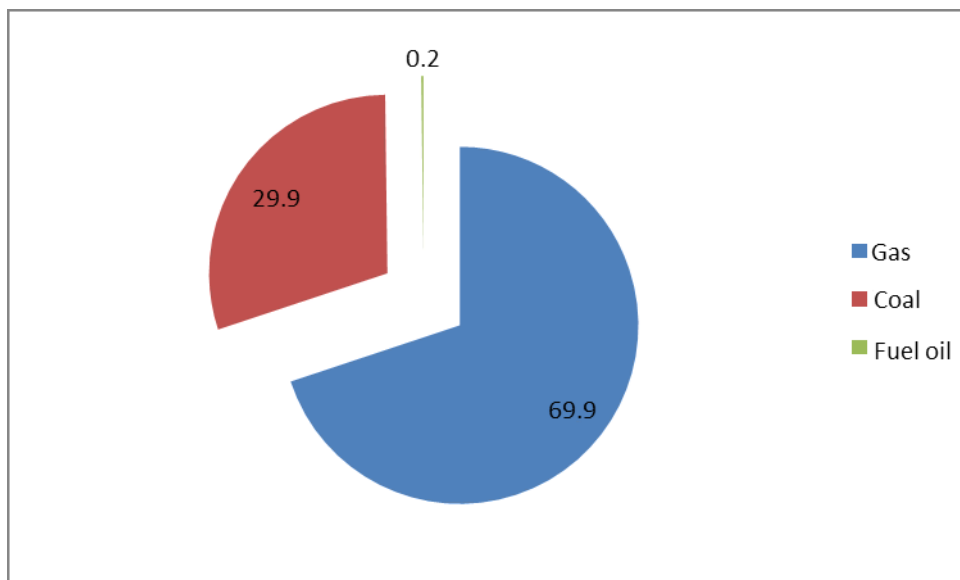
- one of Russia's largest thermal power generating companies;
- boasts a range of generating equipment that features a high degree of relevance (thus ensuring reliable power supply), a wide power control range, and high-speed load setting and resetting, which maximizes the capacity of these power plants and improves adherence to the consumption schedule;
- has a number of power plants that are involved in the wholesale electricity and capacity market as system power and capacity regulators, being able to vary the fuel and energy balance depending on the fuel market situation;
- some of the OGK-2 power plans are the backbone plants in the free-exchange zones;
- power plant operations are becoming ever more efficient;
- diversification of the fuel balance and its optimization depending on the situation in the fuel market.

Development Prospects:

- stable cash flow from the capacity payments for the CSA facilities.
- plans to participate in the modernization program provided a guaranteed return on investment, which will enable more efficient equipment operations, lower fuel consumption, and lesser emissions;

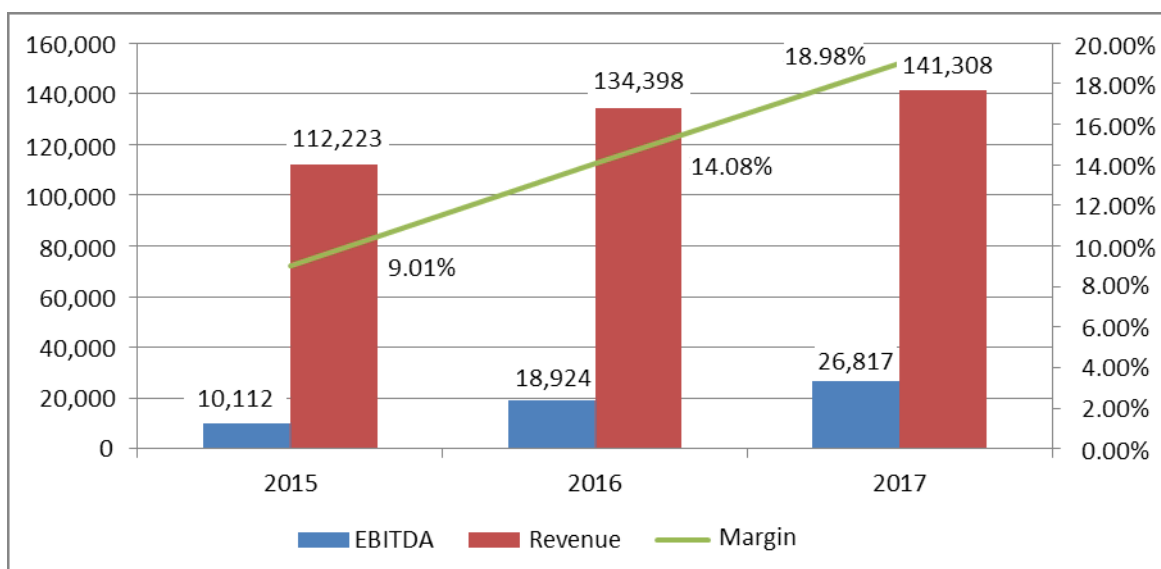
- coast optimization as a part of the Program to Improve Operating Efficiency and Reduce Expenses;
- parametric optimization of the generating equipment.

Fuel balance in 2017, %



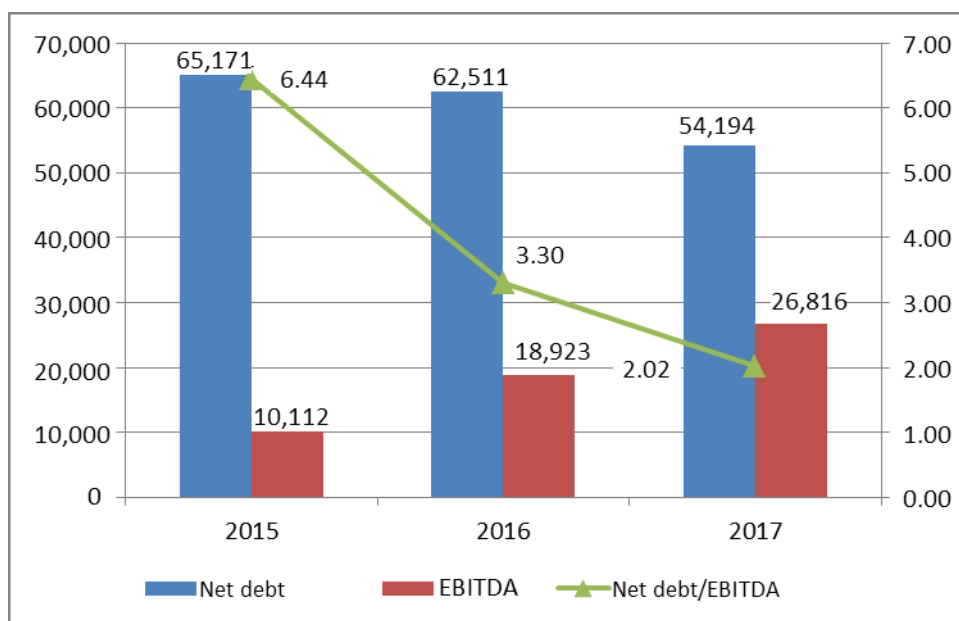
Financial results (IFRS)

	2015	2016	2017	2016 Increase YoY	2017 Increase YoY
EBITDA, million rubles	10,112	18,924	26,817	87.14%	41.71%
Revenue, million rubles	112,233	134,398	141,308	19.75%	5.14%
Return, %	9.01%	14.08%	18.98%	5.07	4.90



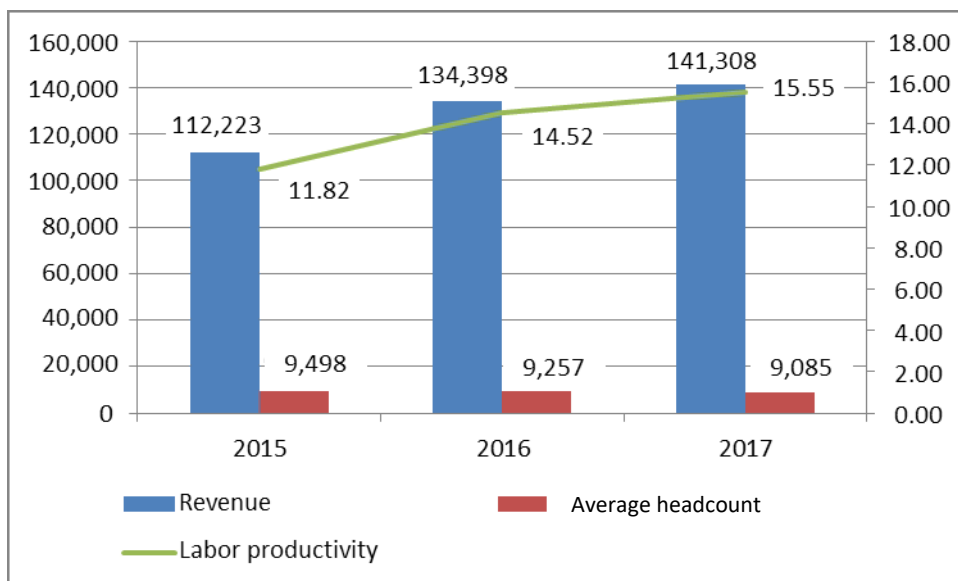
Debt burden (per IFRS)

	2015	2016	2017	2016 Increase YoY	2017 Increase YoY
Net debt, million rubles	65,171	62,511	54,194	19.75%	5.14%
EBITDA, million rubles	10,112	18,924	26,817	87.14%	41.71%
Net debt/EBITDA, times	6.44	3.30	2.02	-3.14	-1.28



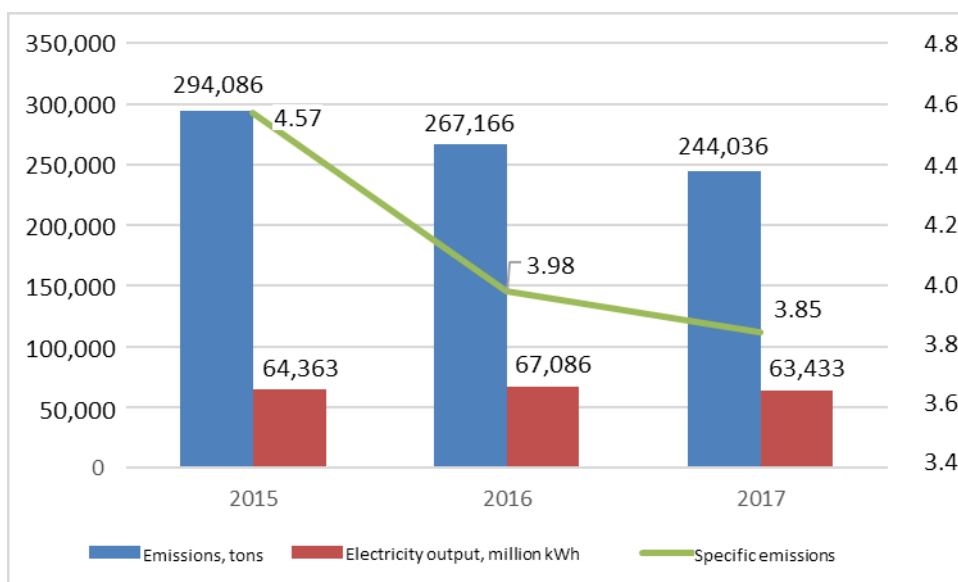
Labor productivity, million rubles/pers.

Name	2015	2016	2017	2016 Increase YoY	2017 Increase YoY
Revenue, million rubles	112,233	134,398	141,308	19.75%	5.14%
Average headcount, pers.	9,498	9,257	9,085	-2.54%	-1.86%
Labor productivity, million rubles/pers.	11.82	14.52	15.55	22.87%	7.13%



Emission of pollutants into the atmosphere

	2015	2016	2017	2016 Increase YoY	2017 Increase YoY
Emissions, tons	294,086	267,166	244,036	-9.15%	-8.66%
Electricity output, million kWh	64,363	67,086	63,433	4.23%	-5.45%
Specific emissions	4.57	3.98	3.85	-0.59	-0.14



What is new in the Report

For the first time, this Report presents an industrial forecast for the period until 2020. See Industry Overview.

For the first time, this Report describes the conditions and prospects of the Program to Modernize Generation Facilities in the Russian Federation, as well as the involvement of OGK-2 in this process. See Development Prospects.

For the first time, data prepared in accordance with the International Financial Reporting Standards (IFRS) are used for financial performance analysis. See Financial Overview.

Address by Chairman of the Board of Directors of JSC OGK-2, Director General of Gazprom Energoholding LLC D.V. Fedorov

Dear shareholders,

2017 marked an important developmental milestone for the power engineering activities of the Gazprom Group. We celebrated the 10th anniversary of Gazprom becoming a part of the electric energy sector. At the past meeting of the Board of Directors of PJSC Gazprom, we noted we had successfully solved the problems outlined in the Electric Energy Strategy approved in 2007. Today, the Gazprom Group is a major electric energy producer in thermal power generation and is the absolute leader in the production and sales of heat.

We have fulfilled virtually all of the investment obligations Gazprom assumed when entering the electric energy sector. The Group has implemented more than 30 construction and modernization projects with a total generating capacity of about 8.6 GW. We are at the completion stage of the final project of this Program, the Groznenskaya TPP which will become a part of JSC OGK-2. This power plant will eliminate the deficit of electric energy and ensure reliable supply of power to the users in the Chechen Republic.

OGK-2 seeks to enhance its production system, optimize the inefficient facilities and unused capacities, and strengthen its position in the market. In 2017, we prepared the old worn-out equipment of the Serovskaya GRES for decommissioning.

A very important focus area for OGK-2 consists in promoting the creation of business clusters in the areas adjacent to our power plants, in expanding our proposals for cooperation with the existing counterparties.

While enhancing its production processes, the Company continues to improve its operation efficiency and reduce costs. The effect of measures taken in this respect totaled 925 million rubles in 2017 in excess of the target. Increasing efficiency by reducing the operating costs is in the interest of all the shareholders and is what makes the Company more competitive.

Gazprom-supported comprehensive measures taken by OGK-2 enabled the Company to reach a sustainable trend of improving its economic performance and strengthening its financial stability. The Company demonstrates a growth of EBITDA while reducing its debt burden.

It is also important that production and economic performance of OGK-2 are enhanced based on the principles of resource efficiency and the environmental impact minimization.

The Company plans to partake in further plant equipment modernization projects shall economic incentives be made at the federal level.

Dear shareholders! I am convinced that further efficient cooperation of the Company shareholders, Board of Directors, and Management will be a booster for the Company progress towards its key strategic goal, which consists in ensuring a stable growth of profit while maintaining a reliable power supply to consumers.

We are looking forward to your support!

**Chairman of the Board of Directors of JSC OGK-2,
Director General of Gazprom Energoholding LLC**

Denis Fedorov

Address by Director General of JSC OGK-2 S.A. Ananyev

Dear shareholders,

In 2017, JSC OGK-2 once again proved itself to be among the best energy companies in Russia, contributing to the economic development of the regions. The Company functions to achieve strategic goals, including better quality of management, better professional competence of our employees, more reliable production, and high operation efficiency of enterprises. These measures are aimed at improving the financial and economic performance in the long term. Without a doubt, all of this is done in the interests of all shareholders.

Today, the Company provides stable and uninterrupted power supply in 11 regions of Russia. The production results we had last year did fully cover domestic, industrial, and infrastructural needs. We are continuing the construction of the Groznenskaya TPP, a much-needed project that will breathe a new life into the power industry of the Chechen Republic. I sincerely believe, it will set the regional power system in motion.

Of course, one of the key challenges the Company management is facing consists in improving its financial performance. Exceptional emphasis has traditionally been made on increasing revenue while also defining the Company's cost-optimization priorities.

As at year-end 2017, the Company revenue per the Russian Accounting Standards totaled 139,613 million rubles, a 4% increase YoY. This figure was affected by the increased revenue from the sale of capacity, including new power units. EBITDA increased by 37% YoY and totaled 22,775 million rubles.

For the entire year, JSC OGK-2 worked in close cooperation with its shareholders and the Board of Directors. The Board of Directors made decisions on the key issues of the Company's current activities, as well as on the strategically important aspects of its development.

Dear shareholders, JSC OGK-2 continues to make its power system more reliable, efficient, and environmentally safe while also aiming at a timely renewal of its production facilities. This will be a solid foundation for the Company's further progressive development.

General Director of JSC OGK-2

Stanislav Ananyev

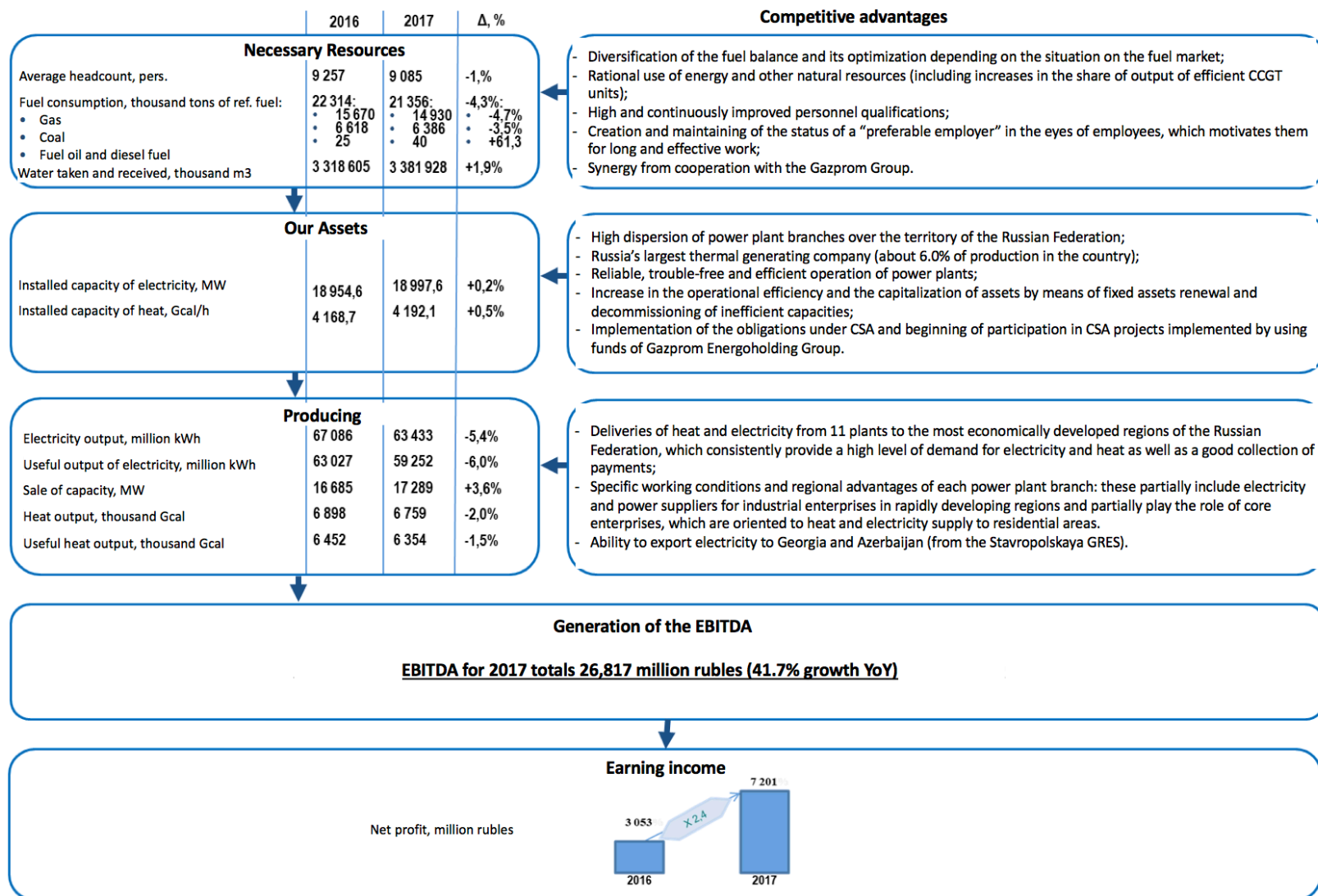
1.1. Business Model

OGK-2 is one of the Russian Federation's largest power generating companies. As at year-end 2017, its production facilities include power plants in various regions of the country with a total electric installed capacity of 18,998 MW and a total heat installed capacity of 4,162 Gcal/h. OGK-2 accounts for >6% of electricity output and about 0.5% of heat output in Russia.

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 the operation of power plants and conducts timely and high-quality repair of power equipment, technical revamping, and reconstruction of power facilities.

OGK-2 has virtually completed the construction and commissioning of new generation facilities under its Capacity Supply Agreements (CSA) and, based on its revenue from the sale of capacity under CSA, begun to pay dividends.

Business Model



1.2. Key Events

	Historical Events
2005	Establishment of JSC OGK-2 as a wholly owned subsidiary of JSC RAO UES of Russia
2006	JSC Serovskaya GRES, JSC Stavropolskaya GRES, JSC Pskovskaya GRES, JSC Troitskaya GRES, and JSC Surgutskaya GRES-1 became branches of JSC OGK-2
2007	Placement of additional share issue (IPO)
2008	Completion of the reorganization of JSC RAO UES of Russia, distribution of shares of JSC OGK-2 among the shareholders of JSC RAO UES of Russia
2010	Establishment of the Adlerskaya TPP branch
2011	Merger of JSC OGK-6 and JSC OGK-2
2015	Establishment of the Groznenskaya TPP branch, launch of a new line of business – offer of infrastructural capacities of power plants for developing small and medium-sized businesses

	2017
May	Rights and obligations under the CSA as applicable to Unit 12 of the Verkhnetagilskaya GRES transferred to JSC Inter RAO – Electrogeneratsiya.
June	From August 1, 2017 the Troitskaya GRES branch became qualified as the Sole Heat Supplier (SHS) in the heat supply zone of the settlement of GRES (Energetikov), Troitsk, Chelyabinsk Region.
July	From July 3, 2017 the Pskovskaya GRES branch became qualified as the SHS in the heat supply zone of the neighborhood of Energetikov, settlement of Dedovichi.
July	OGK-2 exercised its right to delay the start of capacity supply with respect to the CSA 6 (CCGT) and CSA 7 (CCGT) facilities located in Grozny, Chechen Republic, from June 30, 2018 and December 31, 2018 until June 30, 2019 and December 31, 2019, respectively.
November	Russian Federation Government Order No. 2636-p replaced Combined-Cycle Gas Turbines (CCGT) with Gas-Turbine Plants (GTP) as the generating equipment to be used under the Capacity Supply Agreements with respect to the CSA 6 (CCGT) and CSA 7 (CCGT) facilities located in Grozny, Chechen Republic.
June to August	The Executive Office was relocated to Saint-Petersburg

JSC OGK-2 ANNUAL REPORT | 2017

August	Regulation on the Dividend Policy approved by the decision of the Board of Directors of OGK-2 dated August 30, 2017 (Minutes No. 178)
December	New high-pressure steam line commissioned to enable the Kirishskaya GRES branch to supply first reliability category steam to the KINEF oil refinery. What makes the project unique is the length of the high-pressure steam line (> 4 km).

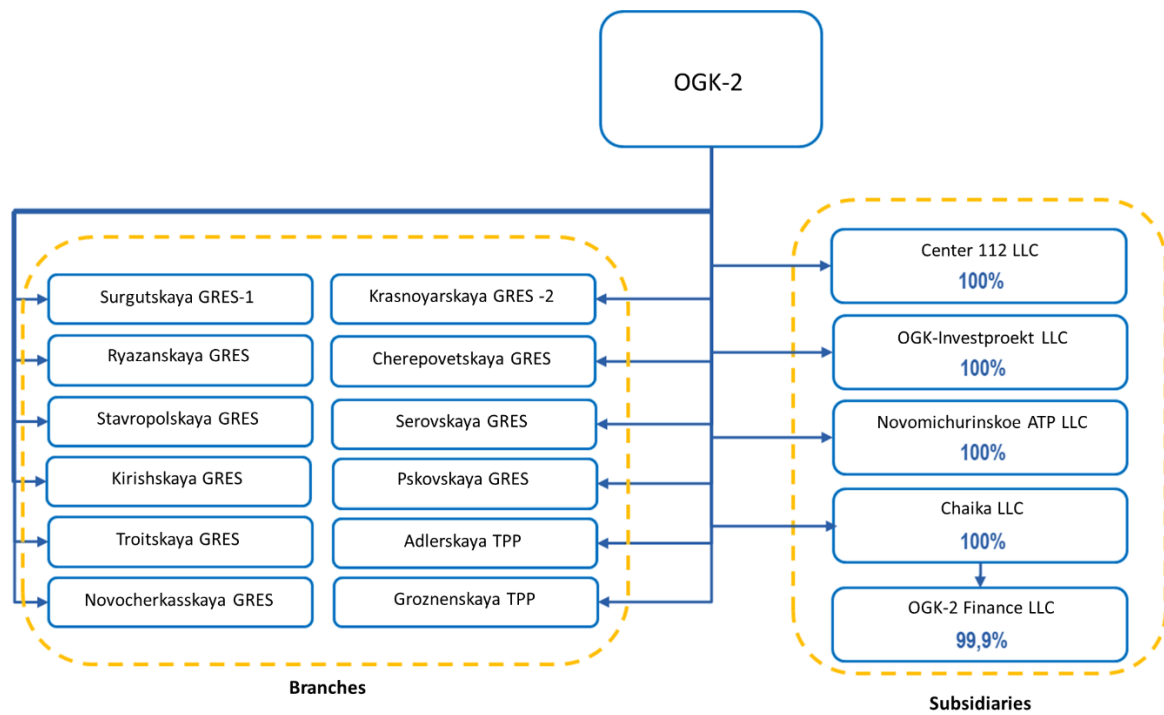
	Events After the Reporting Date
February 2018	Fitch Ratings CIS Ltd. raised the long-term foreign and local currency IDR of OGK-2 to BB+ with a Stable outlook, whereas the local-currency senior unsecured rating was raised from BB to BB+.

	Future Development
2019	Commissioning of a new Groznenskaya TPP (two power units with a total capacity of 360 MW) as part of CSA

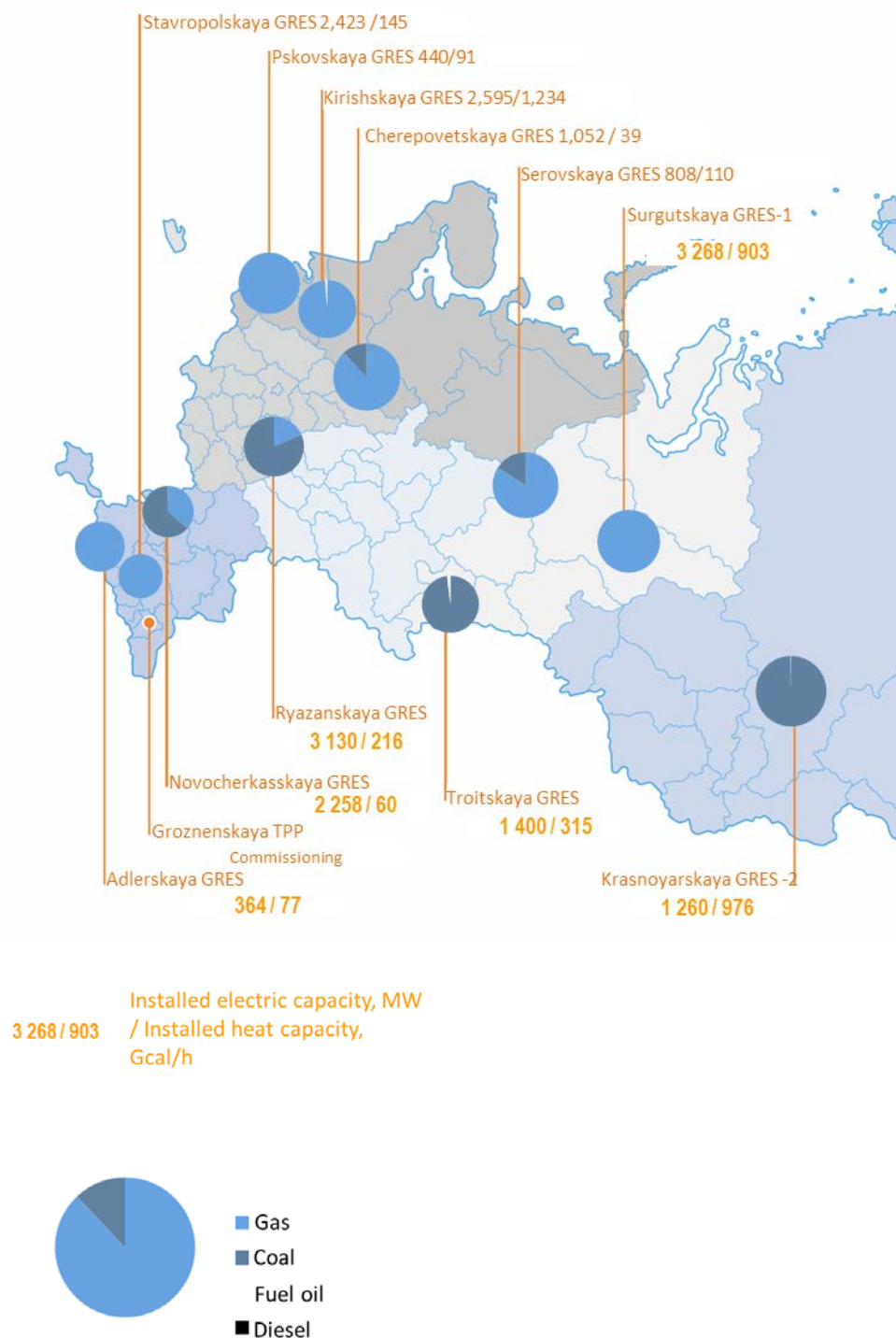
1.3. Organizational Structure

Structure of OGC-2

OGC-2 consists of branches and subsidiaries.



Geographical Footprint¹



¹ The installed electric capacity of all power plants totals 18,997.6 MW. Installed heat capacity totals 4,162.1 Gcal/h. Fuel balance of the Company: Gas accounts for 69.9%, Coal accounts for 29.9%, Fuel oil accounts for 0.2%,

Brief Description of the Power Plants

Installed capacity		Electric energy, million kWh		Heat, thousand Gcal		Efficiency	Fuel	
Electric, MW	Heat, Gcal/h ²	Output	Useful output	Output	Useful output ³	ICLF, %	Main / reserve / starting	Fuel balance, %
Surgutskaya GRES-1 (Surgut, Tyumen Region, the Ural UPS) One of the largest heat power plants in the Russian Federation in terms of installed electric capacity. Provides centralized power supply for an area exceeding 1 million km ² . It is one of the main sources of power of certain regions of Western Siberia and the Urals and heating systems of Surgut.								
3,268.0	903.0	20,262.0	19,228.6	1,734.6	1,720.1	70.8%	Gas / gas / gas	Gas – 100.00%
Ryazanskaya GRES (Novomichurinsk, Ryazan Region, the Central UPS) One of the top-five largest power plants in Russia in terms of installed capacity. One of the main suppliers in the balancing electricity market in the region. It has no seasonal capacity limitations.								
3,130.0	212.5	3,033.6	2,731.1	237.3	148.4	11.1%	Gas, coal / fuel oil / gas, fuel oil	Gas – 18.42% Coal – 81.57% Fuel oil – 0.01%
Kirishskaya GRES (Kirishi, Leningrad Region, the North-Western UPS) Largest thermal power plant of the UPS of North-West. Equipment at Kirishskaya GRES is adapted to the fast load increase in a period of capacity deficit in the system and also fast decrease in periods of system capacity excess.								
2,595.0	1,234.0	3,511.4	3,238.8	2,747.4	2,707.1	15.4%	Gas / fuel oil / gas, fuel oil	Gas – 98.80% Fuel oil – 1.2%
Stavropolskaya GRES (Solnechnodolsk settlement in the Stavropol Territory, the Southern UPS) 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.								
2,423.0	145.0	10,334.3	9,927.9	66.7	52.8	48.7%	Gas / fuel oil / gas, fuel oil	Gas – 99.96% Fuel oil – 0.04%
Novocherkasskaya GRES (Donskoi settlement, Rostov Region, the Southern UPS) It has no seasonal capacity limitations.								
2,258.0	60.0	10,887.2	10,070.8	74.9	53.9	55.3%	Coal / gas / gas, fuel oil	Gas – 36.46% Coal – 63.43% Fuel oil – 0.11%
Troitskaya GRES (Troitsk, Chelyabinsk Region, the Ural UPS)								

² Inclusive of water boils

³ The Annual Report states figures without regard to the allocations for the periods up until 2017.

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.								
1,400.0	315.0	1,677.6	1,379.86	504.2	346.6	13.7%	Coal / no / fuel oil	Coal – 98.18% Fuel oil – 1.82%
Krasnoyarskaya GRES-2 (Zelenogorsk, the Krasnoyarsk Krai, the Siberian UPS) It has seasonal capacity limitations with a range of 4 to 32.4 MW throughout the year.								
1,260.0	976.0	5,202.6	4,701.6	947.7	927.7	47,2%	Coal / no / fuel oil	Coal – 98.18% Fuel oil – 0.19%
Cherepovetskaya GRES (Kadui settlement, Vologda Region, the Central UPS) It has no seasonal capacity limitations.								
1,051.6	39.0	2,814.4	2,639.7	120.2	98.7	30.6%	Coal, gas / gas / gas, fuel oil	Gas – 87.96% Coal – 12.02% Diesel fuel – 0.02%
Serovskaya GRES (Serov, Sverdlovsk Region, the Ural UPS) Located in the energy-deficient Serovo-Bogoslovsky area where iron and steel works are situated. The plant can change the load to ensure coverage of an uneven daily consumption schedule.								
808.0	110.0	2,990.4	2,792.3	85.0	71.4	42.2%	Coal, gas / gas / gas, fuel oil	Gas – 84.01% Coal – 15.96% Diesel fuel – 0.03%
Pskovskaya GRES (Dedovichi settlement, Pskov Region, the North-Western UPS)								
440.0	91.0	775.2	701.4	57.1	41.7	20.1%	Gas / no / gas	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 provided interruptible power supply for the needs of the Sochi Olympics.								
364.0	76.6	1,944.1	1,839.5	184.3	185.9	61.2%	Gas / gas / gas, diesel fuel	Gas – 99.998% Diesel fuel – 0.002%

1.4. Industry Overview

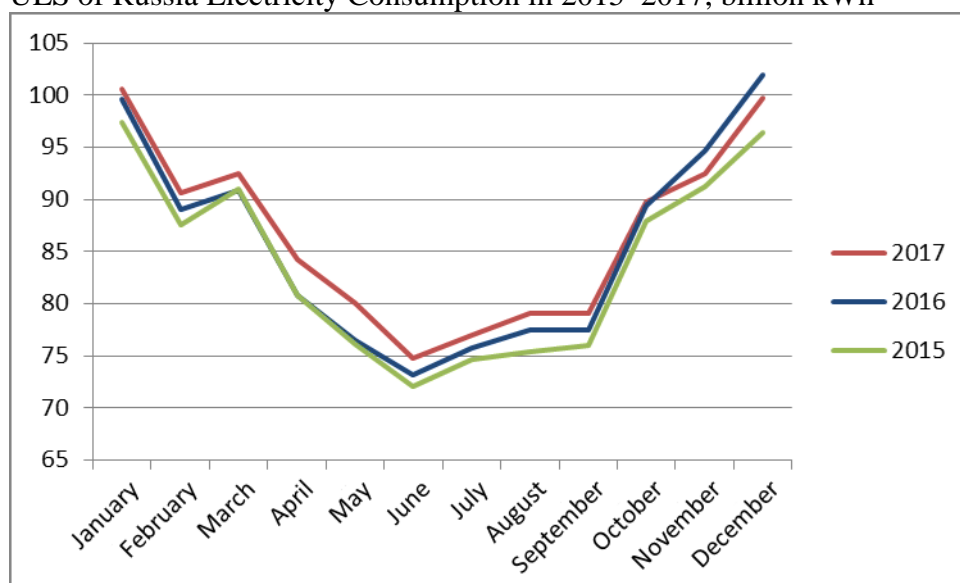
Electricity Generation and Consumption

In 2017, the Russian Federation consumed 1,039.9 billion kWh, a 1.3% increase YoY. What affected this figure was the inclusion of the power systems in the Republic of Crimea and the city of Sevastopol in the UES of Russia. Excluding the Crimean power system, the electricity consumption of the UES of Russia grew by 0.5% as of year-end 2017.

Economic demand was the main factor behind such consumption dynamics. According to Rosstat, the industrial production index increased by 1.0%. In 2017, the highest increase in electricity consumption was noted at metallurgy works, railway transport, and gas trunklines.

The effect of the temperature factor was close to neutral: the average temperature of 2017 was approximately the same as in 2016.

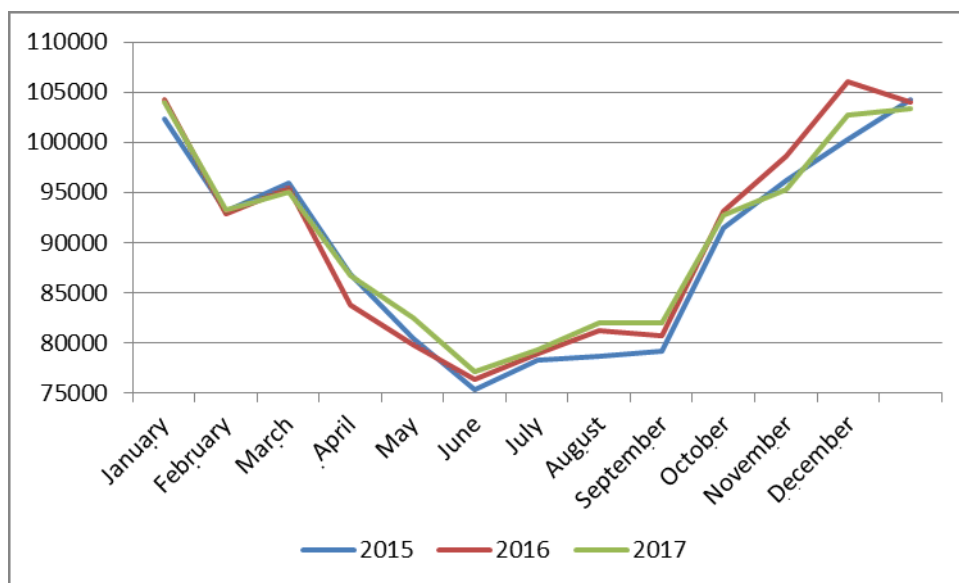
UES of Russia Electricity Consumption in 2015–2017, billion kWh



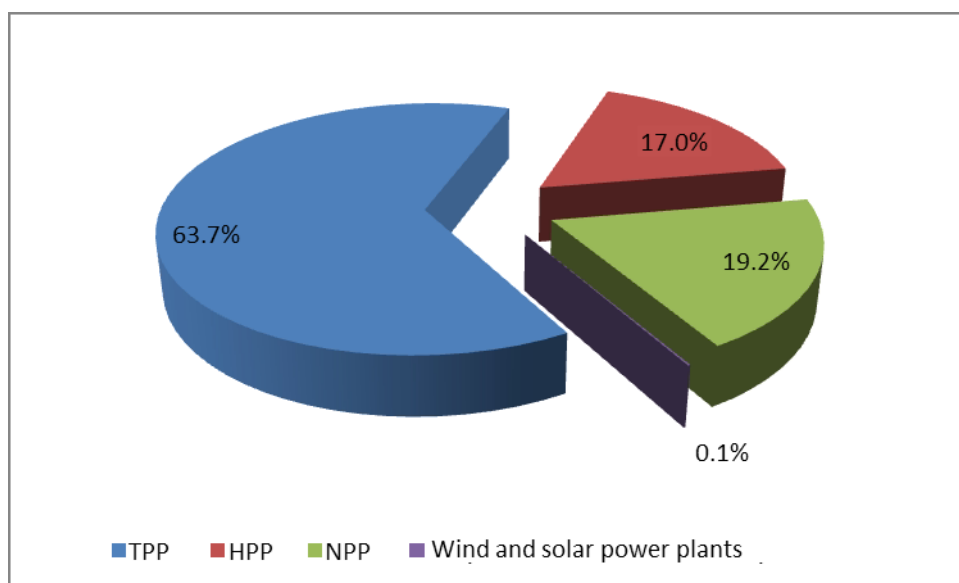
The chart below shows the actual annual consumption of electricity in the UES of Russia, the UPS, and the territorial energy systems in 2017 with a YoY comparison.

The power plants of the UES of Russia produced 1,053.86 billion kWh in 2017, a 0.5% increase YoY.

UES of Russia Electricity Output in 2015–2017, billion kWh



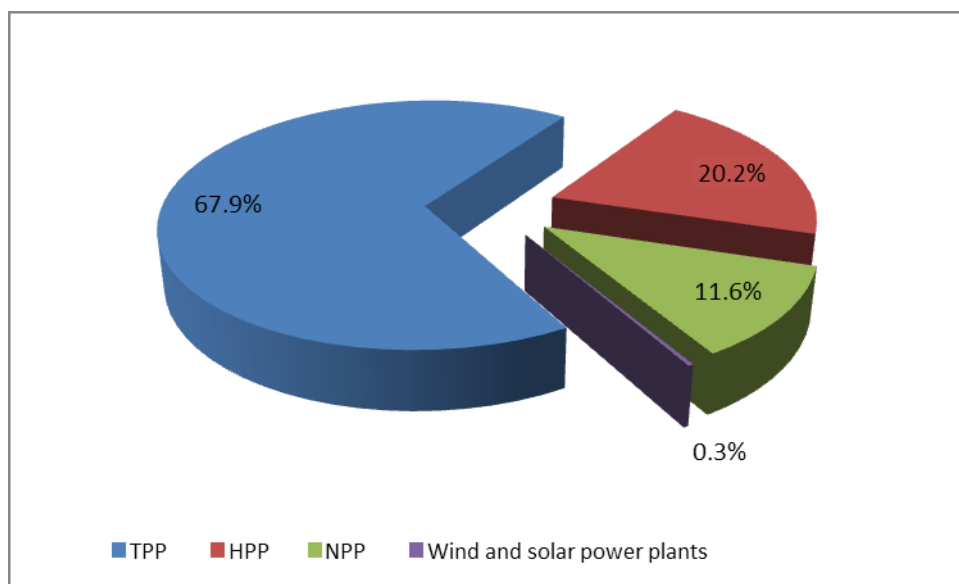
UES of Russia Electricity Output Breakdown by Power Plant Types in 2017, %



Installed Capacity

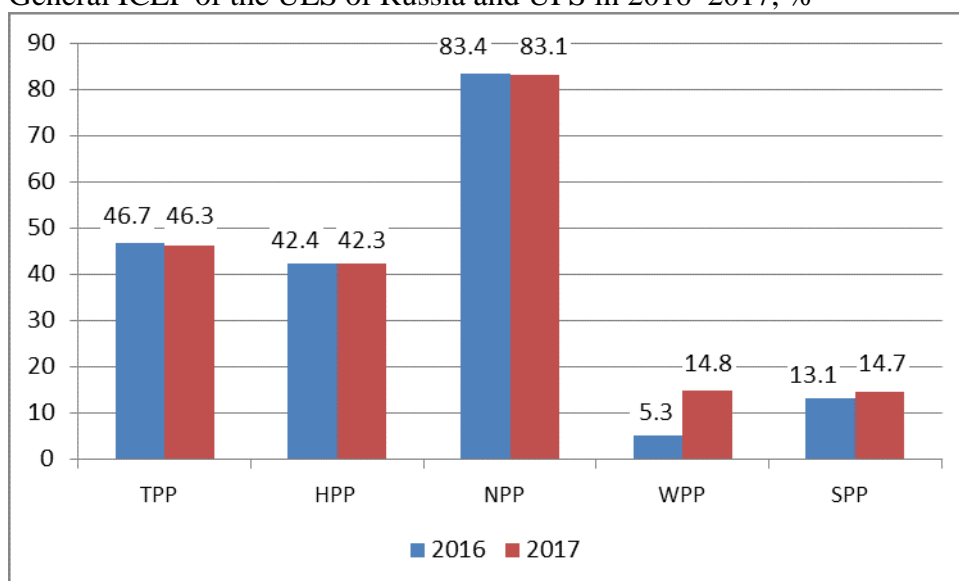
As of year-end 2017, the installed power-plant capacity of the UES of Russia totaled 238,812.2 MW, a 1.5% increase YoY. New generating equipment commissioned had a total installed capacity of 3,607.5 MW.

UES of Russia and United Power Systems: Installed Capacity Breakdown as of December 31, 2017, %



For 50.4% of the calendar time of 2017, the power plants of the UES of Russia used their full installed capacity (this generalization is referred to as the Installed Capacity Load Factor, or ICLF).

General ICLF of the UES of Russia and UPS in 2016–2017, %



Electricity Market Regulation and Structure

The product of the Company branches is mainly sold in the wholesale electricity and capacity market. Besides, the Company supplies electric and thermal energy, heat carriers, and other related products to the retail market where it is purchased by local consumers and industrial enterprises (including public-utility companies). 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 for Electricity and Power (hereinafter, "the wholesale market" or "the OREM") 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 is divided into two price zones: the First Price Zone (Europe and the Urals) and the Second Price Zone (Siberia). 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 of the OGC-2 branches (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.

In order to ensure reliable and uninterrupted supply of electricity, the wholesale market trades generating capacities (hereinafter referred to as the "capacity"). It is a special commodity whereof the purchase provides the wholesale market participants with the right to demand readiness 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 the 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).

Another company involved with the wholesale electricity and capacity market is the System Operator, JSC SO UES.

The sale of electricity and capacity is carried out on the free competitive wholesale market 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 the state rate regulation apply.

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.

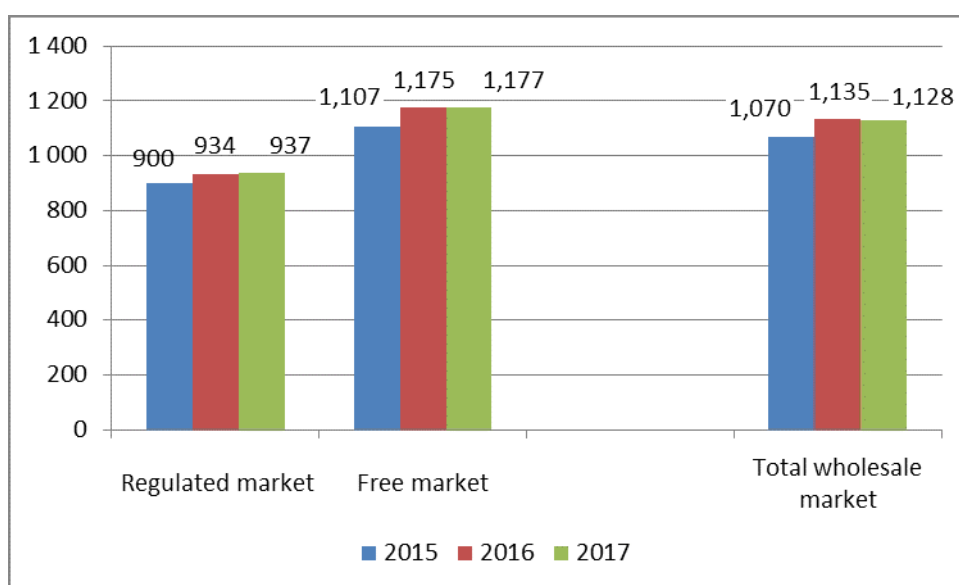
Free pricing:

- **The day-ahead market (DAM):** electricity trade at free (non-regulated) prices set 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 set 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.
- **Free bilateral contracts (FBC):** trade in electricity at free (non-regulated) prices on the basis of free bilateral purchase and sale contracts.

Electricity Prices in the Wholesale Market

In the free electricity market, the equilibrium prices in the areas of the OGC-2 power plants were generally 0.6 p.p. lower in 2017 than in 2016.

Actual OGC-2 Electricity Sale Prices in Wholesale-Market Sectors in 2015–2017, rub/MWh



Capacity Market

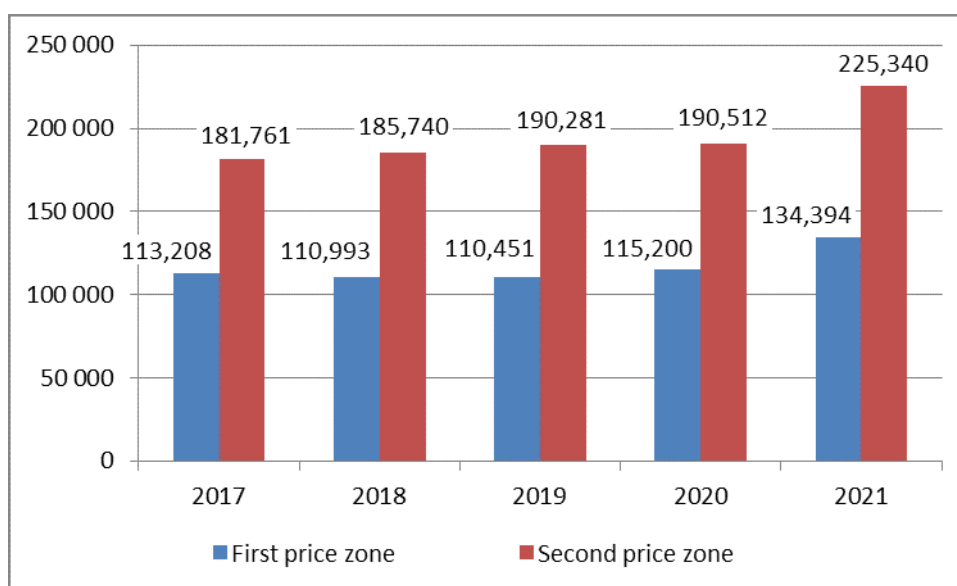
Capacity trading in the wholesale market is implemented with the use of the following mechanisms:

Free Pricing:

Competitive capacity outtake (CCO): capacity traded at free (non-regulated) prices and is set through competitive outtake of bid prices to sell capacity. Capacity purchase and sale contracts are made with respect to the volumes taken out as a result of the competitive capacity outtake.

On the basis of the pricing parameters approved by the Russian Federation Government Order dated October 14, 2015 No. 2048-p, long-term competitive capacity outtake was carried out in 2015 for 2017–2019. In October 2016, long-term competitive capacity outtake took place for a period of until 2020; in September 2017, JSC "SO UES" carried out CCO for 2021.

CCO-Based Capacity Prices for 2017–2021, rub/MW per month



- **Free capacity purchase and sale contracts (FCC)** enable trading of electricity and capacity at free (unregulated) prices under capacity purchase and sale contracts provided that FCC-sold capacity is taken out as a part of CCO. In 2017, OGK-2 had a monthly average FCC volume of 3,029 MW.

Regulated Pricing:

- **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.

OGK-2 CSA facilities from which capacity was supplied in 2017.

Power plant	CSA facilities	End date of the CSA capacity payment period ⁴
GRES-24 ⁵	CCGT-420	May 31, 2020
Ryazanskaya GRES	STU-330	November 30, 2024
Kirishskaya GRES	CCGT-800	November 30, 2021
Adlerskaya TPP	CCGT-180	October 31, 2022
	CCGT-180	December 31, 2022
Cherepovetskaya GRES	CCGT-420	November 30, 2024
Serovskaya GRES	CCGT-420	November 30, 2024
Novochoerkasskaya GRES	STU-330	November 30, 2024
Troitskaya GRES	STU-660	November 30, 2024

⁴ For a number of facilities, OGK-2 exercised its right to delay the commencement date of its capacity supply obligations for up to a year.

⁵ GRES-24 is a part of the Ryazanskaya GRES branch of OGK-2.

- **Purchase and sale contracts for the capacity generated by generating facilities that supply capacity in the forced mode** are concluded by suppliers with regard to the generating facilities listed by the Government of the Russian Federation (on the basis of the proposals made by the Government Commission on Power Engineering Development) or by the generating facilities in respect whereof an authorized body has demanded decommissioning pursuant to the Power Engineering Facility Repair and Decommissioning Rules.

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 the method of economically justified costs with all other costs to be included in the tariff by setting a rate for those costs.

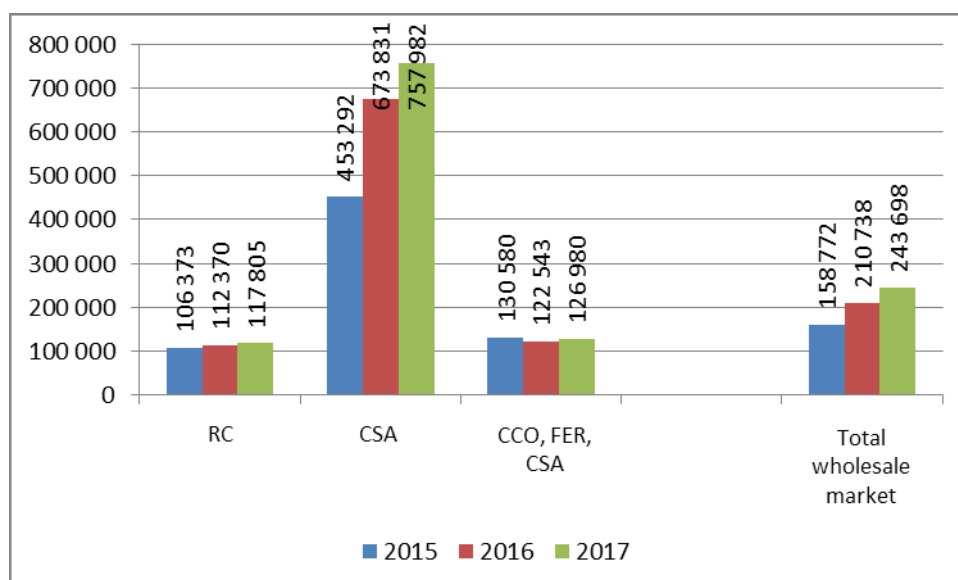
Pursuant to the Russian Federation Government Order dated October 15, 2015 No. 2065-p, Units 1 to 4 of the Novocherkasskaya GRES were operated by the OGC-2 in the forced mode to ensure reliable supply of capacity in 2017. To ensure reliable heat supply, OGC-2 supplied capacity in the forced mode using the turbo-generators No. 5 and 6 of the Serovskaya GRES, as well as Units 1 to 3 of the Cherepovetskaya GRES.

In 2018, OGC-2 supplies capacity in the forced mode from Units 1 to 4 of the Novocherkasskaya GRES to ensure reliable power supply, and from Units 1 to 3 of the Cherepovetskaya GRES to ensure reliable heat supply.

For 2017, prices for the generating facilities that supply capacity in the forced mode were set by the Order of the FAS of Russia dated November 30, 2017 No. 1692/16.

The weighted average capacity price in the wholesale market in the power-plant areas was generally 16% higher in 2017 than in 2016, whereby the RC capacity sale price rose by 5%, and the CSA sale price rose by 12%.

OGC-2 Capacity Price Dynamics in 2015–2017, rub/MW per month



Market for System Reliability Ensuring Services

The Government of the Russian Federation 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.

JSC SO UES is responsible for selecting such electric power industry entities that will provide system reliability services, as well as for coordinating the participants of this market.

In 2017, the following OGC-2 branches provided rated primary frequency regulation services: Stavropolskaya GRES, Surgutskaya GRES-1, Serovskaya GRES, Pskovskaya GRES, and Cherepovetskaya GRES; automated secondary frequency regulation and active capacity exchange services were provided by the Stavropolskaya GRES and the Surgutskaya GRES-1.

In 2017, OGC-2 derived 105.3 million rubles (excluding VAT) in revenue from its participation in the system service market.

Heat Market Regulation

Heat market regulation in Russia is being transitioned to a completely new model. Today, heat and heat carrier tariffs are rated by regulatory bodies using an indexing method.

On July 19, 2017 the Federal Law dated July 27, 2010 No. 190-FZ "On Heat Supply" was amended. Those amendments were aimed at transitioning from complete state regulation of prices (tariffs) in the heat supply sector to contractual prices with consumer price caps. This approach was dubbed "an alternative boiler plant", as the contractual price cap is calculated to equal such consumer tariffs that would cover the cost of constructing and operating an alternative boiler plant outside the centralized heating system.

Ministry of Energy estimates that municipalities should be able to start transitioning to this new heat market model from mid-2018.

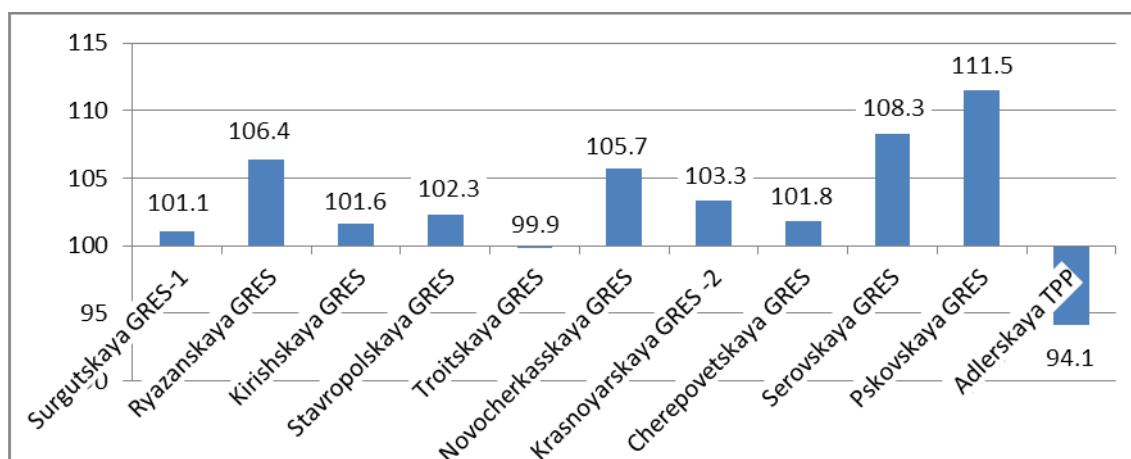
JSC "OGC-2" could possibly use this model in some of the regions of its operation. Shall this model be deemed feasible, the matter will be investigated and discussed beforehand with municipal administrations. Final decision on whether to use the new model will be made provided the Administration of a municipal entity and the Sole Heat Supplier submit a joint request to the Government of the Russian Federation, being also subject to the consent of the region's Head.

Heat Tariffs

OGC-2 mainly supplies heat to industrial users, wholesale resellers, and public utilities.

In 2017, all of the OGC power plants except the Adlerskaya TPP and the Troitskaya GRES had their heat tariffs increased. The increase averaged 1.2% YoY.

2017 Heat Energy Increase YoY, %



Heat Energy Tariffs in 2015–2017, rubles per Gcal (excluding VAT)

	2015	2016	2017	Change 2016-2017
Average for OGC-2	736.8	779.8	789.2	1.2

Industry Forecast for Until 2020⁶

Given the forecast economic development, the country is expected to produce 1,126.2 million kWh of electric energy by 2020 and to consume up to 1,115.0 billion kWh domestically, an increase of 3.5% against 2016. Given the strong correlation of domestic energy consumption and the temperature factor, production and consumption might fluctuate within 0.3 to 0.6 % per year depending on the temperature deviations from multiyear means.

Regulated tariffs of grid operators are expected to increase by 3.0% annually on average in 2018–2020 for all consumers except the population (other), with a 3.0% indexation being implemented every July. To reduce the volume of cross-subsidizing in the grid complex, grid-operator tariffs for the population are expected to be indexed by 5.0% annually in 2018–2020.

Unregulated prices are expected to grow in the wholesale market: by 4.0% in 2018, by 6.9% in 2019, and by 4.0% in 2020. Wholesale electricity prices will mostly be affected in 2018–2020 by the commissioning of Unit 1 (Leningradskaya NPP-2) and Unit 2 (Novovoronezhskaya NPP-2) as well as by the increasing use of renewable energy sources for generation.

The major systemic problems that hinder the development of the electric power industry are:

- suboptimal structure of generating facilities;
- high depreciation of fixed assets coupled with low energy and cost efficiency of the industry;
- cross-subsidizing across different consumer groups;
- lack of competitive heat markets.

Electricity Production Growth Forecast, %

	2018	2019	2020	Change 2020/2016
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⁶ According to the Forecast of the Russian Federation's Socioeconomic Development for 2018 and 2019–2020 as drafted by the Ministry of the Economic Development. http://economy.gov.ru/wps/wcm/connect/2e83e62b-ebc6-4570-9d7b-ae0beba79f63/prognoz2018_2020.pdf?MOD=AJPERES

Supply of electricity, gas, and steam; air conditioning	2.0	1.8	1.8	7.9%
Production of electricity	1.0	0.8	1.0	3.2%

Institutional Changes in the Economy

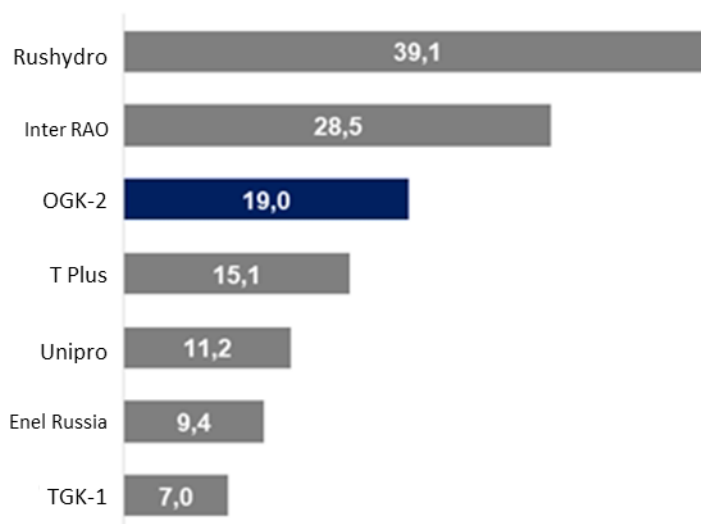
Both the wholesale and the retail electricity and capacity markets are expected to undergo the following significant institutional changes:

- the levelized cost of energy (LCOE) for renewable-source generating facilities should match that of the new thermal power plants;
- wholesale-market electricity consumption should stabilize by 2024 thanks to better energy efficiency, price-sensitive and aggregated consumption mechanism, hence a shift of investment activity towards the modernization of the existing facilities and decommissioning of the excessive ones;
- implementation of more efficient competitive mechanisms in the wholesale and retail electricity and capacity markets coupled with comprehensive measures to reduce cross-subsidizing.

1.5. Competitive Overview

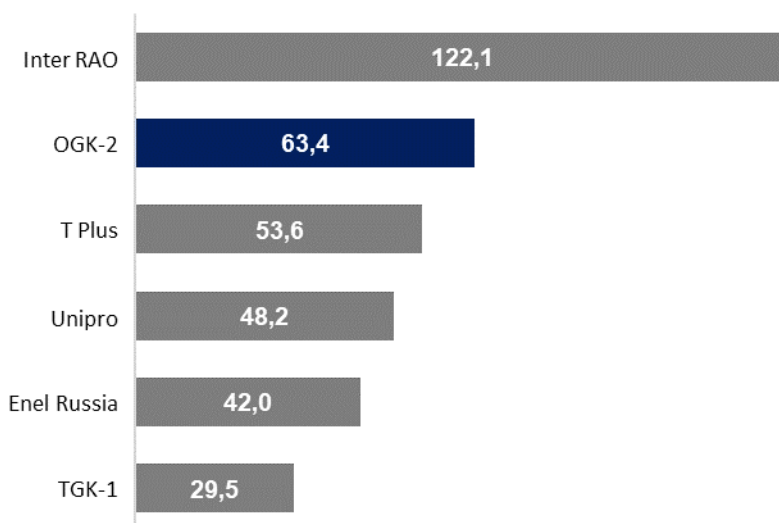
In the electricity and capacity market, OGC-2 mainly competes against companies that own large generating facilities in Russia.

Installed capacity of the major heat generating companies that operate power plants in the regions where OGC-2 is present (data valid as of December 31, 2017, GW) ⁷



⁷ Source: open-source corporate data and OGC-2 data

Electricity output of the major heat generating companies that operate power plants in the regions where OGC-2 is present (data given for 2017, billion kWh) ⁸



Competition in the electric power industry is limited by the price zones where power plants are located. OGC-2 branches mainly have to compete against power plants located in the same zone or in the HVL-connected adjacent regions.

OGK-2 Branch	Major Competitors
Kirishskaya GRES	North-Western CHPP (JSC Inter RAO - Elektrogeneratsiya), Leningradskaya NPP (JSC Concern Rosenergoatom), plants of JSC TGK-1
Pskovskaya GRES	North-Western CHPP (JSC Inter RAO – Elektrogeneratsiya), Leningradskaya NPP (JSC Concern Rosenergoatom), plants of JSC TGK-1
Ryazanskaya GRES	Kashirskaya GRES, Kostromskaya GRES, Cherepetskaya GRES (JSC Inter RAO - Elektrogeneratsiya), Shaturskaya GRES and Smolenskaya GRES (JSC Unipro), Konakovskaya GRES (JSC Enel Russia). Besides, 500 kV grids receive energy from the Novovoronezhskaya/Kalininskaya/Smolenskaya NPPs (JSC Concern Rosenergoatom) as well as from the Volzhskaya HPP (JSC RusHydro)
Cherepovetskaya GRES	Plants connected to the area by 500 kV PL, namely: Kostromskaya GRES (JSC Inter RAO - Elektrogeneratsiya) and Konakovskaya GRES (JSC Enel Russia) as well as Kalininskaya NPP (750 kV PL, basic schedule) (JSC Concern Rosenergoatom)
Novocherkasskaya GRES	Rostovskaya NPP (JSC Concern Rosenergoatom), Nevinnomysskaya GRES (JSC Enel Russia)
Stavropolskaya GRES	Nevinnomysskaya GRES (JSC Enel Russia), Krasnodarskaya CHPP (LUKOIL-Kubanenergo LLC)

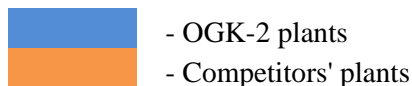
⁸ Source: open-source corporate data and OGC-2 data. By generation facilities in Russia

Adlerskaya TPP	Sochinskaya TPP (Inter RAO - Elektrogeneratsiya), Nevinnomysskaya GRES (JSC Enel Russia), Krasnodarskaya CHPP (LUKOIL-Kubanenergo LLC)
Surgutskaya GRES-1	Nizhnevartovskaya GRES (Inter RAO - Elektrogeneratsiya), Surgutskaya GRES-2 (JSC Unipro) and Nyaganskaya GRES (JSC Forum)
Troitskaya GRES	Reftinskaya GRES (JSC Unipro), Yuzhno-Uralskaya GRES (Inter RAO - Elektrogeneratsiya)
Serovskaya GRES	Bogoslovskaya CHPP (JSC T PLUS) There are two major power plants in the adjacent areas: Yayvinskaya GRES (JSC Unipro) and Nizhneturinskaya GRES (JSC T PLUS)
Krasnoyarskaya GRES-2	Beryozovskaya GRES (JSC Unipro), Sayano-Shushinskaya HPP, Krasnoyarskaya HPP (JSC RusHydro", Boguchanskaya HPP, Belovskaya and Tom-Usinskaya GRES (JSC Kuzbassenergo, Nazarovskaya GRES (JSC Yeniseyskay TGK (TGK-13).

OGK-2 Power Plant Share: Breakdown by Regional Power Systems

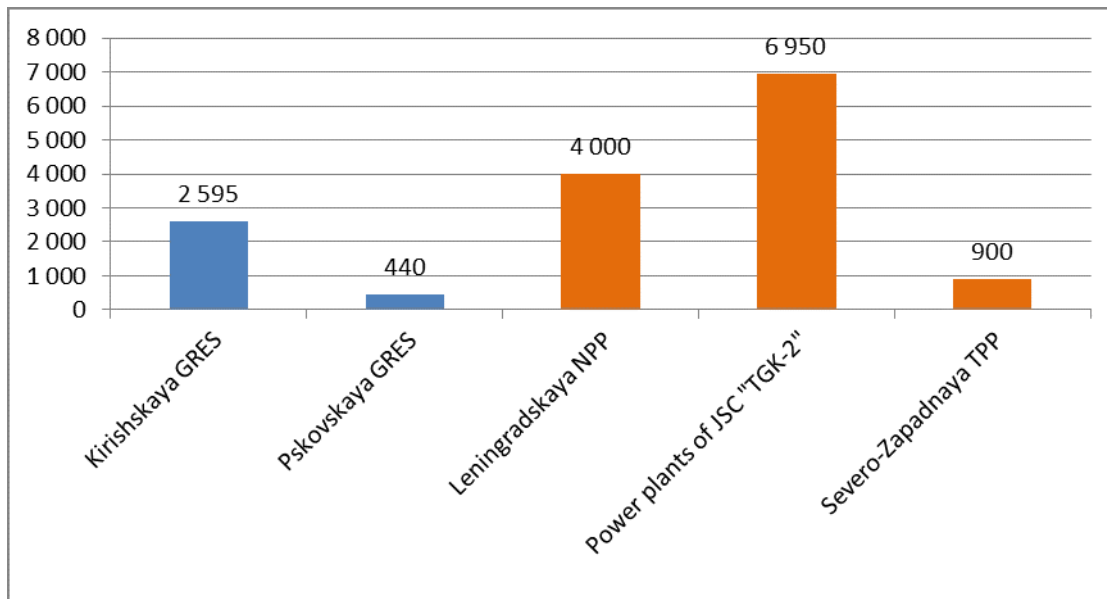
Branches	Sales Regions / United Power System (UPS)	Market Share, %	
		Share in the UPS in terms of electricity, %	Share in the UPS in terms of capacity, %
Kirishskaya GRES	North-Western UPS	3.24	10.87
Pskovskaya GRES		0.72	1.84
Ryazanskaya GRES	Central UPS	1.28	5.90
Cherepovetskaya GRES		1.18	1.98
Novocherkasskaya GRES	Southern UPS	10.89	10.48
Stavropolskaya GRES		10.33	11.25
Adlerskaya TPP		1.94	1.69
Troitskaya GRES	Ural UPS	0.64	2.66
Serovskaya GRES		1.15	1.60
Surgutskaya GRES-1		7.77	6.20
Krasnoyarskaya GRES-2	Siberian UPS	2.57	2.43

Installed Capacity of OGC-2 Plants in Comparison to Major Competitors as of December 31, 2017, ⁹MW

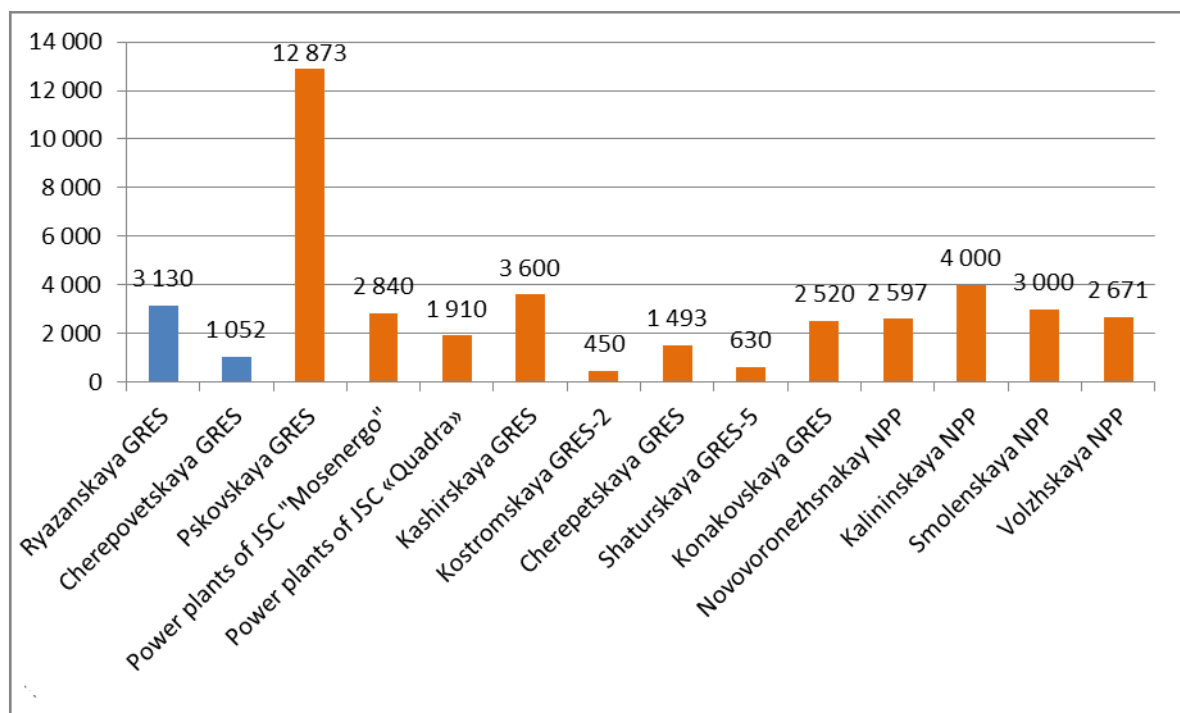


⁹ Source: OGC-2, corporate data

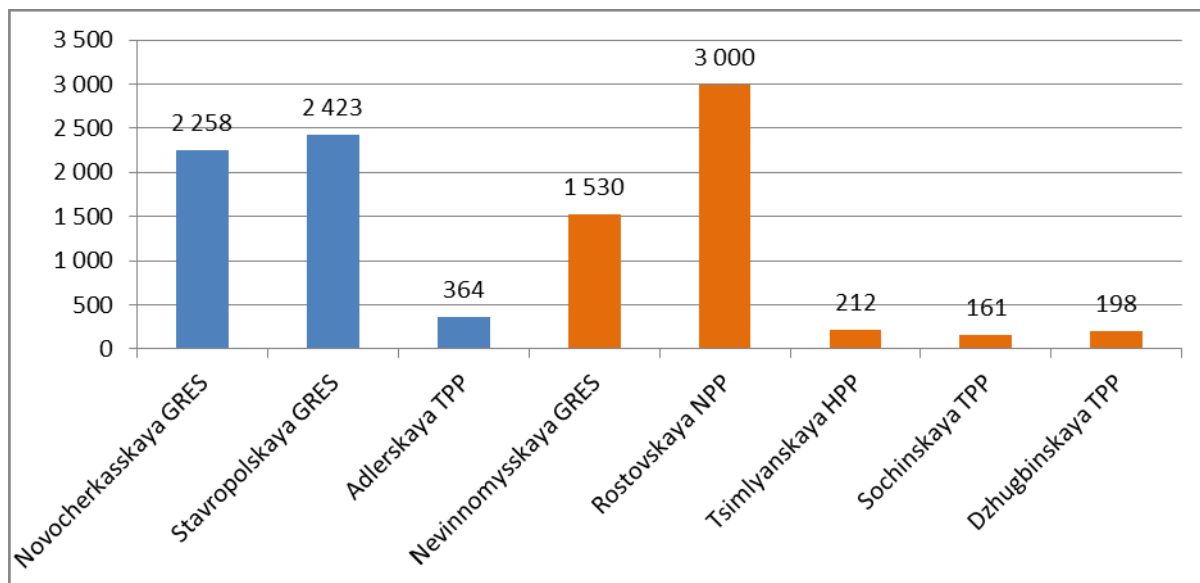
North-Western UPS



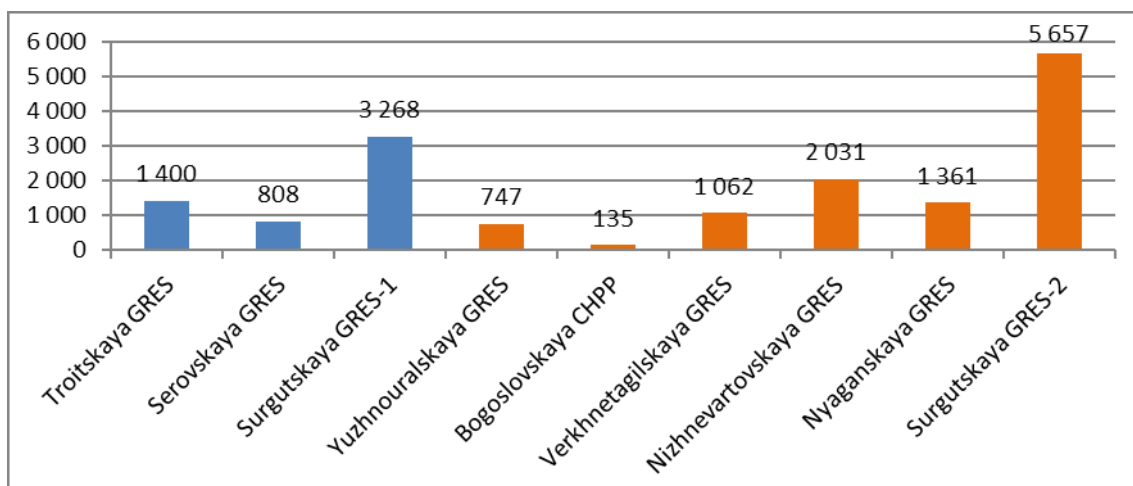
Central UPS



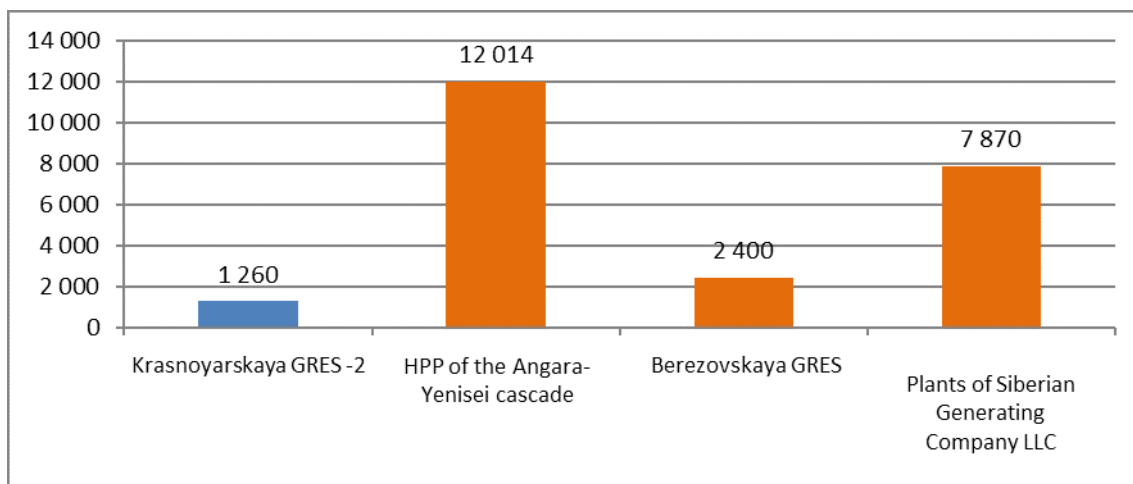
Southern UPS



Ural UPS



Siberian UPS



2. Development Priorities

2.1. Company Mission and Development Priorities

The development priorities of OGC-2 are determined by the need to optimize the Company operations so as to increase its business value. Improving the efficiency of the Company work must be directed at the formation of its economic potential that provides the ability to upgrade the generating capacity of the Company.

OGC-2 Mission

- We see our company as a major heating and electricity business exerting significant economic influence on society.
- 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 to generate 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 look after our shareholders' interests by increasing the Company's profitability and capitalization.
- We are committed to environmental excellence and endeavor to minimize adverse effects on the environment.
- We strive to ensure long-term business growth and build up JSC OGC-2 into a leading energy company.

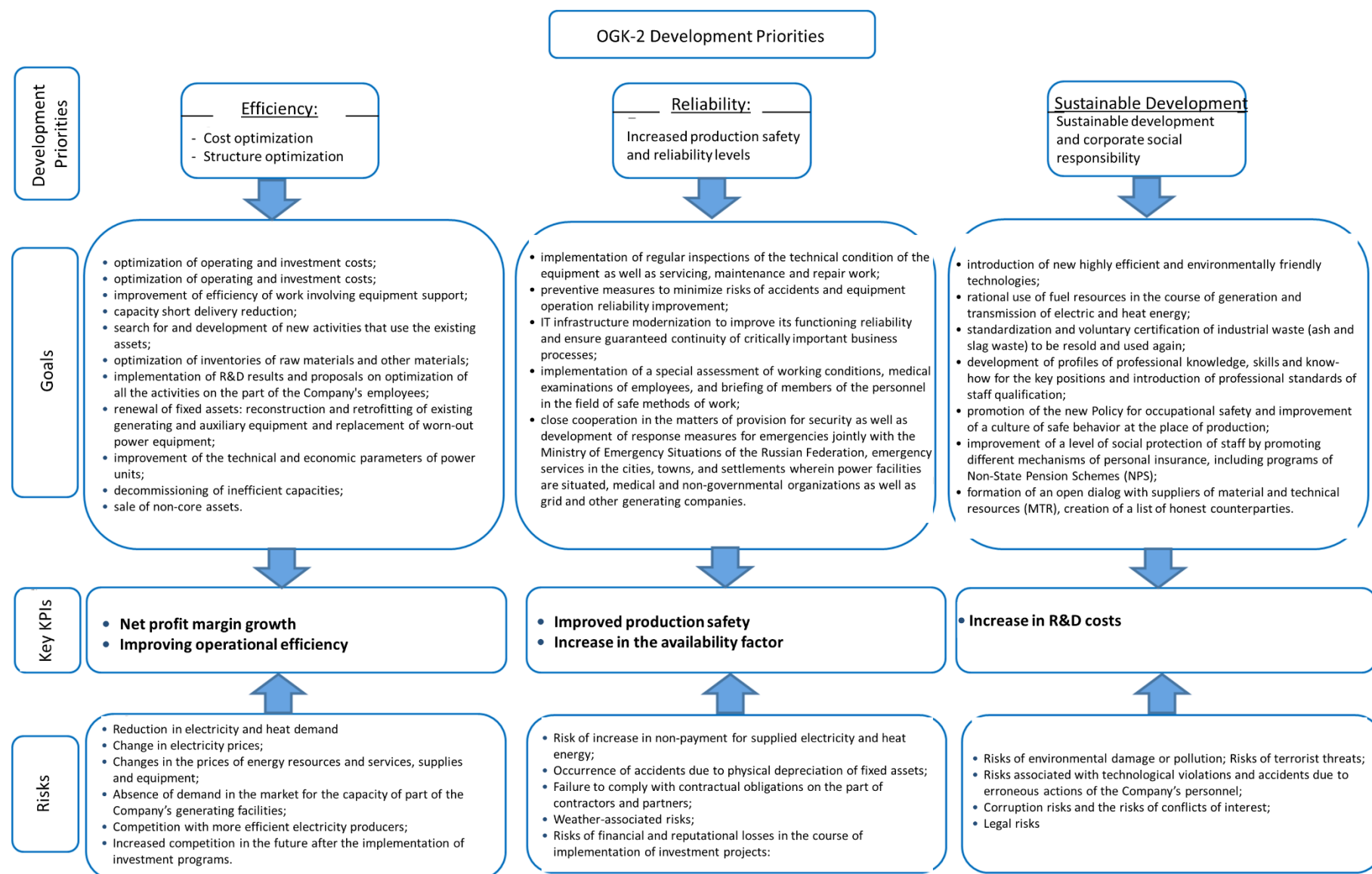
The Company strategic objective consists in optimizing its business, forming a stable positive development trend, and increasing its capitalization.

Given the strategic objectives, the Company's characteristics, the market situation, and the risks, the main development objectives of OGC-2 are formulated with an emphasis of greater profitability, efficiency, and competitiveness. The strategic priorities of the Company development fall into three main areas:

1. Improving the operating efficiency to adapt to the changing market conditions by optimizing the costs and the structure of production facilities.
2. Increased production safety and reliability levels.
3. Sustainable development and corporate social responsibility.

To solve these problems, the Company has a system of Key Performance Indicators (KPI) in place that sets specific targets and motivates the management to achieve them.

The OGC-2 Risk Management System is used as a basis for monitoring the possible negative impacts on the Company development priorities to further adjust its objectives and KPIs.



Changes in the Strategic Development Priorities in the Reporting Year

The main factors that affected the Company development priorities were:

- The completion and commissioning of the main CSA facilities, which resulted in a significant reduction in the construction and capital costs.
- Lesser required fundraising to finance the investment program as a result of reduced investment costs and increased EBITDA, which in its turn was caused by greater revenue from the newly commissioned facilities.
- Search for additional ways to improve the Company's economic efficiency.

As a result, greater emphasis was made on specific controlled costs. Greater priority of the indicators targeted at improving the production efficiency: lower production costs and more efficient procurement. High priority was given to the need for more control over the accounts receivable. Emphasis was made on the problems of selling heat and electricity.

With regard to the sale of heat and electricity, the main areas of the Company's future operations are:

- construction of new power units at the Groznenskaya TPP;
- modernization of the primary generating equipment provided a guaranteed return on investments;
- optimization of fuel balance and equipment parameters to reduce the electricity and heat production costs, thus reducing the cost of the product;
- reduced negative financial impact of payment-related non-compliance on the part of electricity and heat consumers in the wholesale and retail markets.

As a result of these changes, the Company's KPI system was adjusted in 2017. These adjustments are shown in the respective section.

In 2017, the Company's operating efficiency was mainly increased by better profitability, which was ensured by flexible response to the changing electricity market situation, as well as by lowering the production costs, which included maximization of the efficiency of using the opportunities to diversify the fuel balance and to improve the contractual cooperation with coal suppliers.

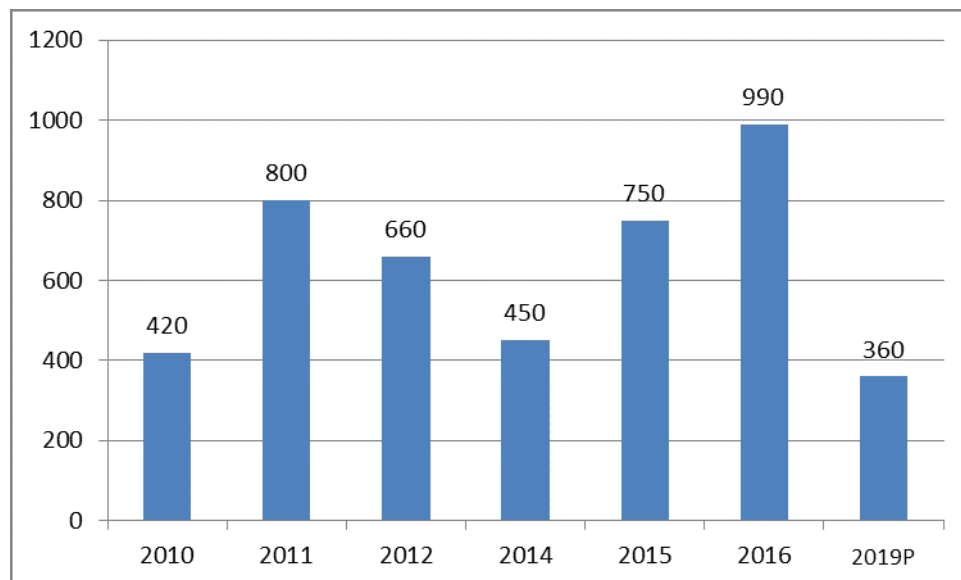
Today, the main external factor to affect the Company's strategic development priorities is the Modernization Program being drafted by the Government of the Russian Federation and targeted at incentivizing the modernization of the country's generating facilities.

2.2. Facility Modernization Prospects for Until 2030

One of the main objectives of reforming Russia's electric power industry in the 2000s consisted in attractive a significant amount of investment to construct new thermal power plants. This was done under the Capacity Supply Agreements (CSA). Since the commencement of this Program in 2010 and up to this day, a total of 30 GW of new capacity has been commissioned in Russia. It is planned to commission 6 GW more by year-end 2020.

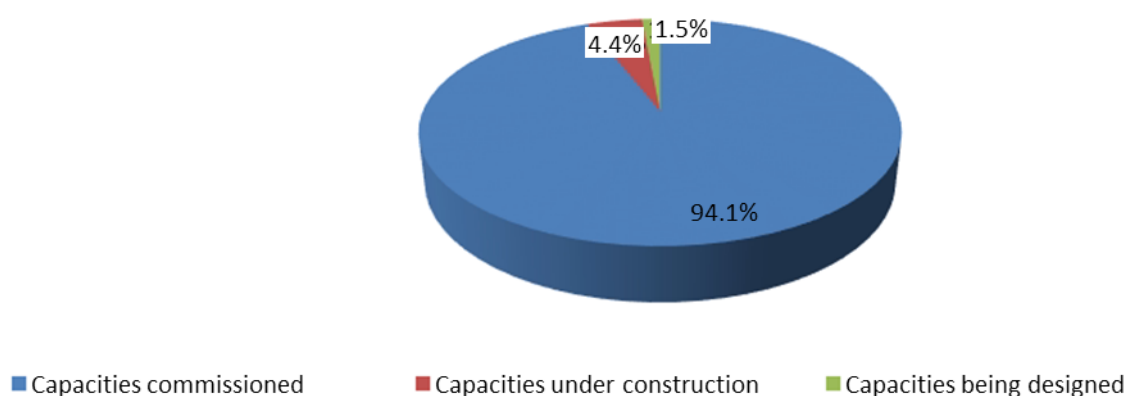
Since 2010, OGC-2 has commissioned 4,070 MW of new capacity under CSA¹⁰. The last facility to be commissioned under the CSA program is the 360-MW Groznenskaya TPP being constructed by the Gazprom Group.

OGC-2 CSA Facility Commissioning, MW



The CSA Program helped upgrade facilities accounting for about 15% of the total installed electric capacity in the country. Fuel efficiency rose by 6% against 2012.

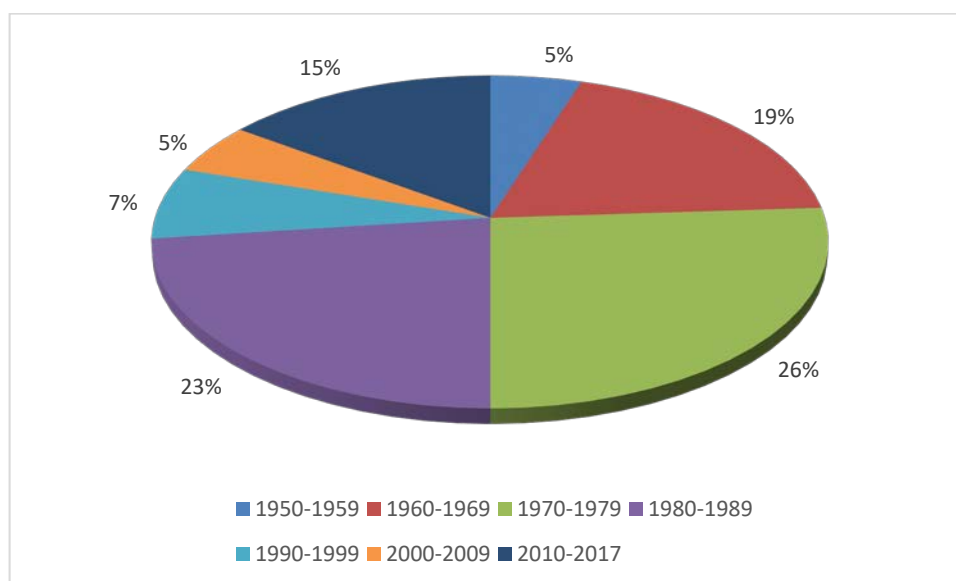
Progress in CSA (TPP) projects as of December 31, 2017



As of today, the CSA Program is coming to an end, but the problem of the ageing power infrastructure in the country persists. The average age of heat facilities in Russia is one of the highest in the world (34 years, cf. 30 years in the US and Japan, 10 to 15 years in Korea and China). More than 30% of Russia's power units are older than 45. About two-thirds of all equipment is registered as having been fully worn-out.

¹⁰ As a part of the Retrofitting and Renovation Program for 2017–2018, title "Cherepovetskaya GRES Territory. Modernization to Increase the Installed Capacity of the CCGT-420 Unit, Station 4" (commissioned in 2014), the Company modernized the gas turbine, the waste heat boiler, and the general unit equipment, which increased the installed capacity of Unit 4 by 30 MW. In May 2018, Unit 4 of the Cherepovetskaya GRES was entered into the actual-parameters register of 450-MW generating equipment.

Generating Facilities of the Russian Federation: Breakdown by Date of Commissioning, %



Pursuant to the General Power Facility Placement Scheme approved by the Government in 2017, existing facilities of a total heat generation capacity of about 130 GW have to be modernized or replaced by 2035. The fleet life of this equipment will have been fully depleted by 2035. This is due to the low commissioning in the 1990s and 2000s.

In November 2017, President of the Russian Federation Vladimir Putin approved the large-scale Electric Power Industry Modernization Program and ordered the preparation of a regulatory framework for its implementation.

Like other Gazprom Energoholding companies, OGC-2 plans to participate in the competitive capacity outtake as a part of this Modernization Program.

2.3. Project Efficiency

The Company has developed and is implementing the OGC-2 Operating Efficiency Improvement Program.

The effect of implementing the Board-of-Directors-approved Program totaled 357.8 million rubles as of year-end 2017. The Program comprised about 100 measures in the main focus areas of the Company. The effect was the greatest in such optimization blocks as

- Improvement of efficiency of electricity and capacity sales;
- Equipment structure optimization;
- Fuel use;
- Improving the efficiency of equipment support work.

Program-Enabled EBITDA Growth, million rubles

	2016		2017		2018
	Planned	Actual	Planned	Actual	Planned
EBITDA Growth Enabled by the Program Activities, million rubles	965.2	1,728.1	293.3	357.8	610.6

A priority for 2018 consists in furthering the Company's Operating Efficiency Improvement Program; one of the main focus areas is defined as improving the efficiency of equipment support, reducing power undersupply, and improving the techno-economic indicators of power unit operations.

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

2.4. Key Performance Indicators

Key Performance Indicators (KPI) are approved by the Company Board of Directors and calculated on the basis of the Company's Business Plan and Investment Program. KPIs reflect the most important indicators of the Company's efficiency and performance in the short term.

The Company's KPI System was approved by the Board of Directors of JSC OGK-2 June 10, 2015 (Board of Directors Meeting Minutes dated June 10, 2015 No. 127) as a part of the OGK-2 Regulation on Remuneration and Motivation of Top Managers.

The KPI System is subject to continuous improvement with new indicators being added as required by the Body's control and governance bodies.

The KPI System includes:

- indicators aimed at improving production safety;
- indicators aimed at improving production quality and reliability;
- indicators aimed at improving the financial and economic performance;
- indicators aimed at improving sales efficiency;
- other indicators.

The KPIs for 2018 were approved by the Board of Directors of JSC OGK-2 March 13, 2018 (Board of Directors Meeting Minutes dated March 13, 2018 No. 189).

2.5. Investment Program

The investment activities of OGK-2 are mainly aimed at increasing the capacity of power plants while also ensuring high reliability, cost-effectiveness, and efficiency in general; other objectives include the replacement of the existing primary generating equipment with new high-performance equipment as well as the completion of new facilities under CSA and implementation of state-of-the-art technologies.

OGK-2 Investment Program Implementation in 2017, million rubles.

	Funds spent				Financing				Fixed assets commissioned			
	Planned	Actual	Δ	%	Planned	Actual	Δ	%	Planned	Actual	Δ	%
CSA	3,345	3,382	37	101	5,080	5,088	8	100	1,197	3,534	2,336	295
Retrofitting and Renovation	4,401	5,889	1,487	134	5,454	5,504	50	101	3,488	4,531	1,042	130
TOTAL	7,746	9,270	1,524	120	10,534	10,592	58	101	4,686	8,064	3,379	172

CSA facilities

In 2017, second start-up facilities were being constructed for the CSA facilities commissioned in preceding years. As of year-end 2017, fixed assets commissioned totaled 3x the planned figures due to the early preparation of documents for commissioning the STU-660 facilities of the Troitskaya GRES, where a decision on the early commissioning of the fixed assets in 2017 ensued.

OGK-2 CSA-Facility Investment Program Implementation in 2017, million rubles.

CSA Facility	Funds spent		Financing		New fixed assets commissioned	
	Planned	Actual	Planned	Actual	Planned	Actual
Novocherkasskaya GRES (STU-330)	45	45	554	554	1,083	1,083
Ryazanskaya GRES (GRES-24)				7		
Serovskaya GRES (CCGT-420)			188	188		
Troitskaya GRES (STU-660)	3,300	3,337	4,338	4,339	115	2,451
TOTAL	3,345	3,382	5,080	5,088	1,198	3,534

The year 2018 shall see the continued construction of the Groznenskaya TPP under the CSA Program. 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. This is why this power plant is not a part of the OGK-2 Investment Program

Retrofitting and Renovation

Below are the most important projects completed in 2017 under the Retrofitting and Reconstruction Program:

Projects	Achieved Benefits
Surgutskaya GRES-1	
Retrofitting of the instrumentation and controls for power units 11 and 14 with the implementation of an APCS	<ul style="list-style-type: none">• greater reliability;• better techno-economic and environmental indicators of the unit's operations thanks to the optimized automated control algorithms,• better communication of data to the unit operator, which helps make optimal control decisions,• better availability and flexibility of the power unit
Ryazanskaya GRES	
Construction of an incoming-coal quality control facility based on a ПБЛН-150 sampling device	<ul style="list-style-type: none">• Enables rapid acceptance and quality check of coal.• More representative coal sampling will improve the complaint management in relation to the incoming solid-fuel quality control; better complaint management is expected to have an economic effect.
Kirishskaya GRES	
Technological supply of 7.0 MPa steam from the CHPP of the Kirishskaya GRES to KINEF LLC	<ul style="list-style-type: none">• providing the KINEF LLC oil refinery with Reliability Category 1 steam of the following properties: pressure of 70 atm., temperature of 450 degrees Celsius, production of 100 t/h.
Retrofitting of CWT-1 and CWT-2 (chemical water treatment) facilities to provide demineralized water for producing 7.0-MPa high-pressure steam	
Novocherkasskaya GRES	
Renovation of the HPS (high-pressure superheaters) of the B Group, Unit 6	<ul style="list-style-type: none">• better inter-repair reliability thanks to the use of state-of-the-art designs and materials

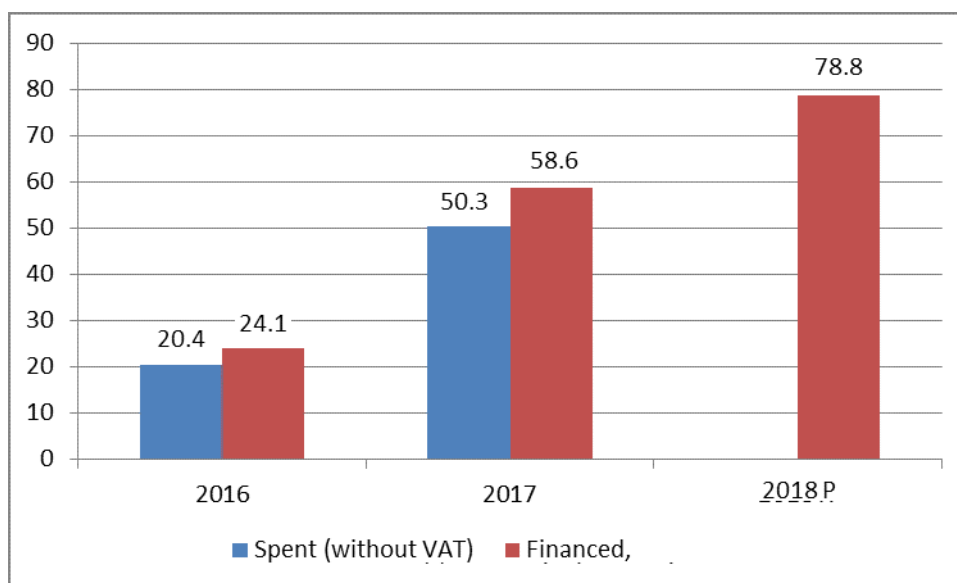
Retrofitting of the automated emergency response system	<ul style="list-style-type: none"> • preservation of dynamic stability in case of short circuits; • creation of an automated backup to prevent damage to the electrical equipment
Krasnoyarskaya GRES-2	
Reconstruction of the CMS of power unit No. 1 with transfer to the automatic process control system	<ul style="list-style-type: none"> • better reliability, higher techno-economic and environmental indicators of the power unit thanks to automated controls • better communication of data to the unit operator, • better availability and flexibility of the power unit
Cherepovetskaya GRES	
Modernization of the CCGT-420 gas-turbine unit	<ul style="list-style-type: none"> • preparedness for recertifying the installed capacity to 450 MW in 2018

2.6. Innovative Development

The electric power industry is a dynamic industry that actively uses state-of-the-art technology. To stay competitive, OGC-2, like other major power companies, is engaged in research and development to make its production activities more efficient as well as to implement innovative equipment.

An important role in this process is played by research and development (R&D). In 2017, R&D and innovation financing totaled 48.2 million rubles, a 2x increase YoY. Financing planned for 2018 totals 81.5 million rubles, a 1.5x increase YoY.

Innovation and R&D, million rubles



Below are the major innovative projects carried out under the R&D Program:

1. Optimization of the desalination system operations at the Ryazanskaya GRES;
2. Experimental testing of Russian-made ultrafiltration membrane components in a wide range of source water quality at the Novocherkasskaya GRES. The 2nd R&D stage is scheduled for 2018.

Innovative R&D Projects Scheduled for 2018:

1. Improving the efficiency of technical water supply to the branches of JSC "OGK-2";

2. Developing technology and equipment to use zero fuel oil for starting the boiler of Plant 10, Troitskaya GRES;
3. Developing technology and equipment to use zero fuel oil for starting the БК3-420-140 boiler, Krasnoyarskaya GRES-2.

3. Company Performance in 2017

Address by Deputy Director General for Economics and Finance

In 2017, efforts aimed at improving the efficiency and optimizing the use of equipment enabled the Company to showcase great financial and economic performance despite producing less electricity at its power plants on top of the country-wide industrial output decline.

Revenues from sales increased by 5.1% YoY¹¹ despite a 5.4% reduction in the electricity output, a growth enabled by a well-thought wholesale-market strategy as well as by commissioning new generation facilities in 2016.

As of year-end 2017, revenues totaled 141.3 billion rubles including the sale of other products. Most of that revenue comes from electricity and capacity sales, which brought 133.4 billion rubles or 94.4 of the Company's total revenue. Operating expenses totaled 125.3 billion rubles in 2017, which is but a slight 0.6% increase YoY.

As of year-end 2017, the Company's operating profit totaled 15.6 billion rubles, whereas EBITDA totaled 26.8 billion rubles, an increase of 41.7%.

The profit of OGC-2 totaled 7,201 million rubles in 2017, which is almost twice as much as in 2016.

The Company implements its Operational Efficiency Improvement Program. The Program 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 2017, the Company commissioned new facilities (STU-660 at the Troitskaya GRES and STU-330 at the Novocherkasskaya GRES) which are based on the latest circulating fluidized bed technology. Commissioning of new units substantially increased the operational flow of the Company.

We expect our wholesale-market strategy, loading the most efficient generating facilities, and optimizing the OGC-2 costs to improve our EBITDA and EBITDA/margin values against 2017.

Deputy Director General for Economics and Finance

S.N. Popovsky

¹¹ Hereinafter, all the data given in the address are IFRS-based data

3.1. Operating Indicators

In 2017, the generating operations of JSC OGC-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.

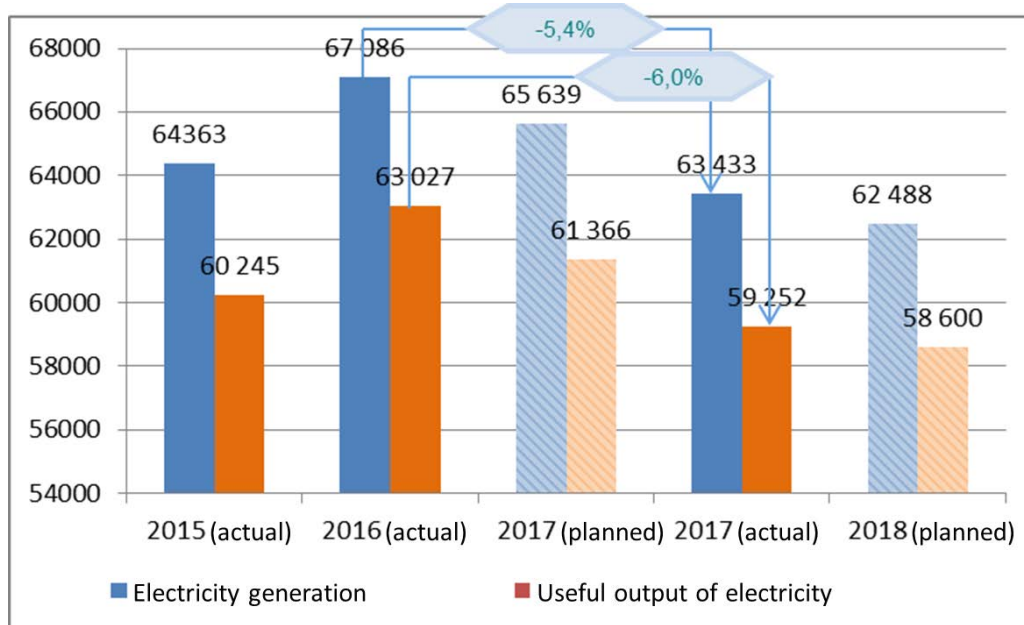
Key operational results for 2015-2017 and expected results for 2018

Indicator	2015 (actual)	2016 (actual)	2017		Change [%]	2018 (estimated)
			planned	actual		
Electricity output, million kWh	64,363	67,086	65,639	63,433	-5.4	62,488
Useful output of electricity, million kWh	60,245	63,027	61,366	59,252	-6.0	58,600
Heat output (output from collectors), thousand Gcal	6,517	6,898	6,715	6,759	-2.0	6,527
Useful output of heat, thousand Gcal ¹²	6,188	6,452	6,409	6,354	-1.5	6,268
SRFC of electricity output, g/kWh	342.7	336.1	334.1	340.3	1.2	330.1
SRFC of heat output, kg/Gcal	152.1	152.5	153.0	156.1	2.4	170.3
ICLF, %	40.8	40.8	39.5%	38.1	-3	38.4
Fuel consumption (thousand tons of reference fuel):	21,739	22,314	21,663	21,356	-4.3	20,578
- Coal	7,537	6,618	7,651	6,386	-3.5	6,037
- Gas	14,176	15,613	13,988	14,930	-4.7	14,518
- Fuel oil	25	27	24	40	61.3	23

Electricity generation

In 2017, the power plants of JSC OGC-2 generated 63,433 million kW/h, a 5.4% decrease YoY. In 2012 – 2017, the share of electricity generated by JSC OGC-2 in the Russian market was stable: 6 – 7% of the total national electricity output.

Generation and useful output of electricity, million kWh



¹² The Annual Report states figures without regard to the allocations for the periods up until 2017.

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

Branch	Electricity output, million kWh				Useful output of electricity, million kWh			
	2015	2016	2017	Change [%]	2015	2016	2017	Change [%]
Surgutskaya GRES-1	20,830	20,412	20,262	-0.7	19,873	19,432	19,229	-1.0
Ryazanskaya GRES	4,370	4,779	3,034	-36.5	4,032	4,404	2,731	-38.0
Kirishskaya GRES	4,407	5,333	3,511	-34.2	4,156	5,050	3,239	-35.9
Stavropolskaya GRES	8,708	9,910	10,334	4.3	8,354	9,520	9,928	4.3
Troitskaya GRES	2,520	2,178	1,678	-23.0	2,151	1,996	1,380	-30.9
Novocherkasskaya GRES	9,156	9,350	10,887	16.4	8,502	8,645	10,071	16.5
Krasnoyarskaya GRES-2	5,930	4,758	5,202	9.3	5,376	4,287	4,702	9.7
Cherepovetskaya GRES	4,187	4,806	2,814	-41.4	3,915	4,528	2,640	-41.7
Serovskaya GRES	1,626	3,158	2,990	-5.3	1,430	2,929	2,792	-4.7
Pskovskaya GRES	615	334	775	132.3	547	277	701	153.4
Adlerskaya TPP	2,016	2,068	1,944	-6.0	1,907	1,959	1,840	-6.1
JSC OGC-2	64,363	67,086	63,433	-5.4	60,245	63,027	59,252	-6.0

Heat output

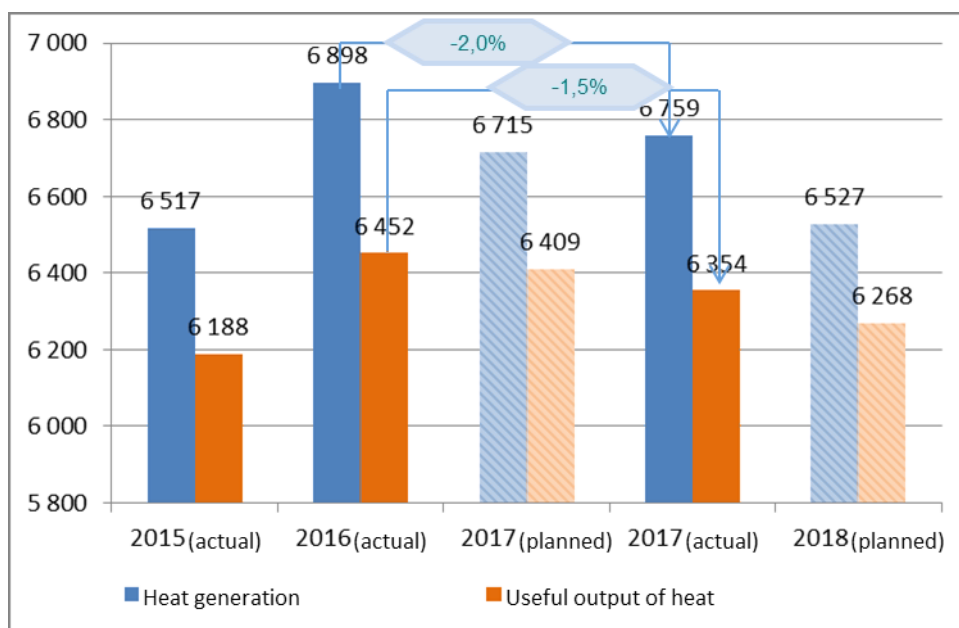
Overall heat energy generation at JSC OGC-2 in 2017 amounted to 6,759 thousand Gcal, which a 2.0% decrease YoY.

Kirishskaya GRES, Surgutskaya GRES-1, and Krasnoyarskaya GRES -2 had the largest share in the heat energy generation volume at JSC OGC-2 in 2017.

For OGC-2, heat generation is seasonal in nature. The bulk of heat production falls in the period from October to March.

Generation and useful output of heat energy, thousand Gcal¹³

¹³ The Annual Report states figures without regard to the allocations for the periods up until 2017.



Distribution of generation and useful output of heat energy by various power plants, thousand Gcal¹⁴

Branch	Heat generation (output from collectors)				Useful output of heat energy			
	2015	2016	2017	Change [%]	2015	2016	2017	Change [%]
Surgutskaya GRES-1	1,557	1,646	1,735	5.4	1,542.4	1,628.6	1,720.1	5.6
Ryazanskaya GRES	213	249	237	-4.7	125.7	147.1	148.4	0.9
Kirishskaya GRES	2,797	2,831	2,747	-3.0	2,765.4	2,797.0	2,707.1	-3.2
Stavropolskaya GRES	73	74	67	-9.3	60.2	59.5	52.8	-11.2
Troitskaya GRES	429	540	504	-6.7	330.7	348.9	346.6	-0.7
Novocherkasskaya GRES	80	79	75	-4.7	57.5	56.5	53.9	-4.6
Krasnoyarskaya GRES-2	963	1,046	948	-9.4	942.6	1,024.1	927.7	-9.4
Cherepovetskaya GRES	104	111	120	8.1	89.9	97.0	98.7	1.8
Serovskaya GRES	85	86	85	-1.5	70.1	72.9	71.4	-2.1
Pskovskaya GRES	56	60	57	-4.7	41.9	45.7	41.7	-8.7
Adlerskaya TPP	161	176	184	4.8	161.6	175.1	185.9	6.2
JSC OGC-2	6,517	6,898	6,759	-2.0	6,187.6	6,452.3	6,354.4	-1.5

Installed capacity load factor

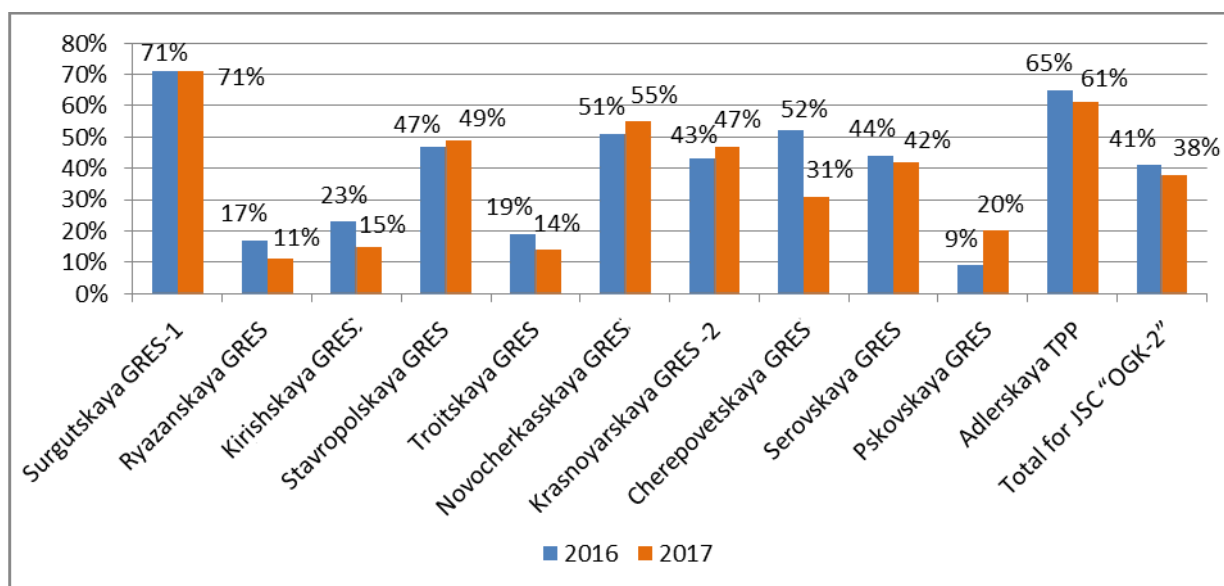
Installed Capacity Load Factor, or ICLF, depends directly on the generation of power plants, which is dependent on the demand for electricity. In 2017, ICLF dropped by 3% YoY.

¹⁴ The Annual Report states figures without regard to the allocations for the periods up until 2017.

The highest ICLF in 2017 was observed at Surgutskaya GRES-1 (71%) and Adlerskaya TPP (61%). The largest increase in ICLF in 2017, as compared to 2016, was registered at Pskovskaya GRES (+11%).

Distribution of ICLF for various power plants, %

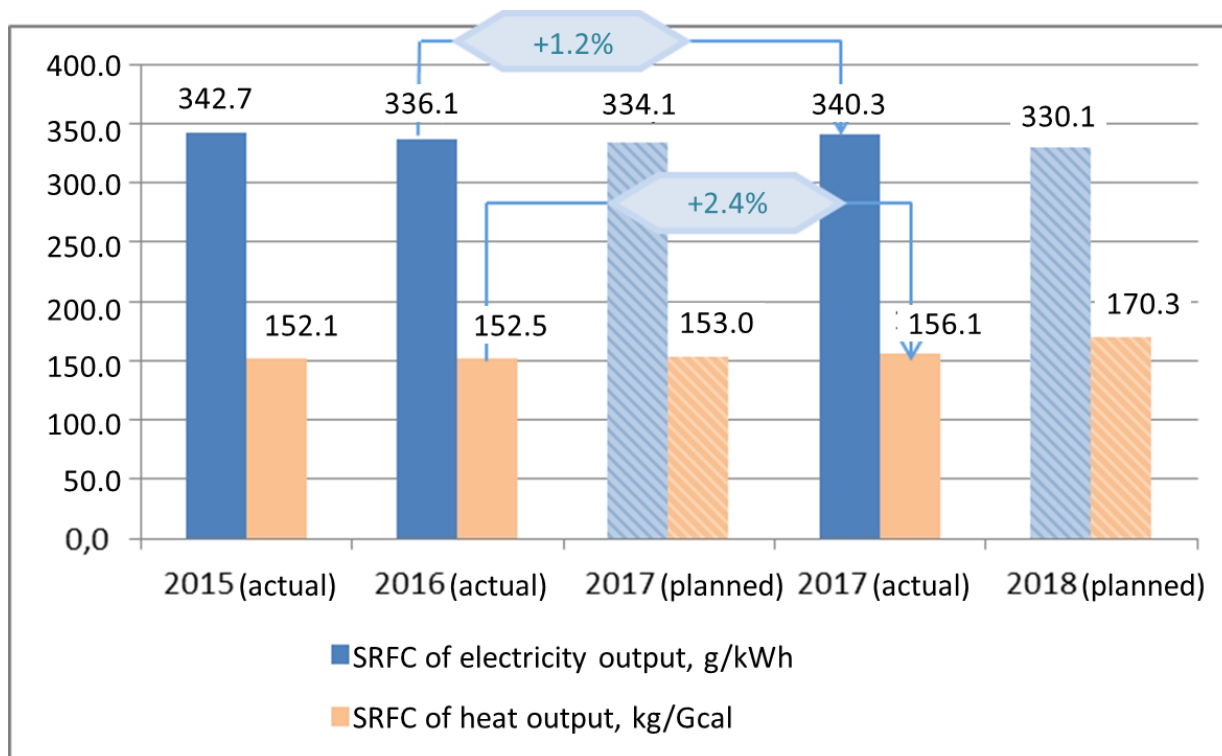
Branch	Installed capacity load factor, %			
	2015	2016	2017	Change [%]
Surgutskaya GRES-1	73%	71%	71%	0%
Ryazanskaya GRES	16%	17%	11%	-6%
Kirishskaya GRES	19%	23%	15%	-8%
Stavropolskaya GRES	41%	47%	49%	2%
Troitskaya GRES	22%	19%	14%	-5%
Novocherkasskaya GRES	55%	51%	55%	4%
Krasnoyarskaya GRES-2	54%	43%	47%	4%
Cherepovetskaya GRES	45%	52%	31%	-21%
Serovskaya GRES	48%	44%	42%	-2%
Pskovskaya GRES	16%	9%	20%	11%
Adlerskaya TPP	64%	65%	61%	-4%
JSC OGC-2	41%	41%	38%	-3%



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 OGC-2 in 2017 rose by 4.2 g/kWh while the specific consumption of equivalent fuel for heat output increased by 3.6 kg/Gcal.



Fuel Balance

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

The fuel structure of JSC OGC-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. Novochoerkasskaya 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, eight power plants of JSC OGC-2 (the 1st and the 2nd stages of Ryazanskaya GRES, Kirishskaya GRES, Stavropolskaya GRES, Novochoerkasskaya 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 OGC-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 2017, the fuel balance of OGC-2 was as follows: 29.90% coal, 69.91% gas, and 0.19% fuel oil. Compared to 2016, the percentage of coal rose by 0.24%, the percentage of fuel oil increased by 0.08%, while that of gas dropped by 0.32%.

In 2017, OGC-2 spent a total of >10.5 million tons of coal, a 0.8 ton or 6.6% decrease YoY. The consumption of gas dropped by 0.6 billion m³ or 4.4% and totaled > 12.8 billion m³ in 2017. A lower gas share in the fuel balance and, as a result, the higher coal share can be explained by the following factors:

- the declining electricity-output share of the gas units of the Kirishskaya GRES, 2nd phase of the Ryazanskaya GRES and GRES-24, CCGT of the Cherepovetskaya GRES;
- lower gas share in the fuel structure of the Novocherkasskaya GRES, 1st-stage units and STU-330 of the Ryazanskaya GRES;
- increase in the coal-based generation at the Krasnoyarskaya GRES-2.

Consumption of fuel oil and diesel fuel totaled > 29.5 thousand tons in 2017, a 11.0 thousand ton or 59.0% increase YoY.

JSC OGC-2 ANNUAL REPORT **2017**

Actual fuel consumption at power plants and in the whole at JSC OGC-2

	Gas						Coal						Fuel oil and diesel fuel					
	2015		2016		2017		2015		2016		2017		2015		2016		2017	
	million m ³	thousand tons of reference fuel	million m ³	thousand tons of reference fuel	million m ³	thousand tons of reference fuel	thousand tons	thousand tons of reference fuel	thousand tons	thousand tons of reference fuel	thousand tons	thousand tons of reference fuel	thousand tons	thousand tons of reference fuel	thousand tons	thousand tons of reference fuel	thousand tons	thousand tons of reference fuel
Surgutskaya GRES-1	5,751	6,663	5,726	6,616	5,632	6,502	-	-	-	-	-	-	-	-	-	-	-	-
Ryazanskaya GRES	554	653	621	731	178	208	1,780	941	1,854	998	1,699	923	0.03	0.04	0.04	0.05	0.07	0.09
Kirishskaya GRES	1,298	1,506	1,536	1,785	1,202	1,393	-	-	-	-	-	-	-	-	-	-	11.58	16.96
Stavropolskaya GRES	2,412	2,818	2,730	3,201	2,888	3,369	-	-	-	-	-	-	0.23	0.31	4.64	6.24	0.89	1.20
Troitskaya GRES	-	-	-	-	-	-	1,835	1,045	1,615	919	1,269	748	13.72	18.54	10.80	14.67	10.15	13.89
Novocherkasskaya GRES	985	1,147	1,190	1,396	1,231	1,432	3,004	2,041	3,012	1,951	3,595	2,492	0.17	0.19	0.23	0.25	3.81	4.28
Krasnoyarskaya GRES-2	-	-	-	-	-	-	4,080	2,266	3,356	1,879	3,626	2,020	3.58	4.85	2.64	3.54	2.85	3.81
Cherepovetskaya GRES	465	539	587	682	529	614	1,093	656	1,048	629	163	84	1.00	1.48	0.02	0.03	0.07	0.10
Serovskaya GRES	102	117	518	603	547	631	1,033	588	427	242	212	120	-	-	0.24	0.37	0.17	0.24
Pskovskaya GRES	182	211	104	121	228	265	-	-	-	-	-	-	-	-	-	-	-	-
Adlerskaya TPP	447	521	458	536	442	515	-	-	-	-	-	-	0.02	0.03	0.002	0.003	0.007	0.01
Total	12,196	14,176	13,470	15,670	12,878	14,930	12,824	7,537	11,314	6,618	10,563	6,386	18.75	25.43	18.61	25.15	29.59	40.58

Repairs

One of the Company key objectives consists in maintaining the good and serviceable condition of its fixed assets while optimizing the repair and maintenance costs of equipment, buildings, and structures.

To ensure the required reliability of power supply, the Company overhauled and/or medium-repaired 18 turbines with a total power of 3,969 MW, as well as 23 boilers with a steam output of 13,300 t/h in 2017; the Company also carried out advanced maintenance. Besides, we completed the overhaul of the 60-MW turbine at the Kirishskaya GRES.

Servicing the New Generation Facilities

Service and technical maintenance of the new, more efficient and sophisticated generation facilities is given the highest priority.

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 part of the 2017 service activities, the Company inspected the gas turbines of the advanced power units: two CCGT-180 at the Adlerskaya TPP, CCGT-420 at the Serovskaya GRES, CCGT-800 at the Kirishskaya GRES—facilities with a total capacity of 1,116 MW; besides, we carried out the technically sophisticated advanced hot-section inspection (aHSI) of CCGT-420 gas turbine, Cherepovetskaya GRES.

Servicing the STU-330 unit of the Novocherkasskaya GRES, equipped with the Russia's one-of-a-kind CFB boiler, and the STU-660 power unit of 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.

3.2. Financial results (IFRS)

In 2017, OGC-2 broke a new record in terms of financial performance. Thanks to the increased revenues and controlled costs, the Company managed to get considerably higher profits compared to the previous year.

Revenue totaled 141,308 million rubles, a +5.1% increase YoY. At the same time, the operating expenses totaled 125,261 million rubles, a virtually zero increase YoY.

Revenue growing ahead of the operating expenses enabled the Company to gain an operating profit of 15,551 million rubles, a 1.7x increase YoY.

As of year-end 2017, EBITDA totaled 26,817 million rubles. Profit for the year totaled 7,201 million rubles, a 2.4x increase YoY.

Key Financial Indicators (IFRS), million rubles; coefficients

	2016 / As at December 31, 2016	2017 / As at December 31, 2017	Change
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Revenue	134,398	141,308	+5.1%
Operating expenses, including	124,529	125,261	+0.6%
variable expenses	80,793	79,475	-1.6%
fixed expenses	34,202	34,521	+0.9%
depreciation	9,534	11,265	+18.2%
EBITDA <i>Profit from operating activities + Depreciation</i>	18,924	26,817	+41.7%
EBITDA margin (<i>EBITDA / Revenue</i>), %	14.1%	19.0%	+4.9 p.p.
Operating cash flow (cash flows from operating activities)	24,266	24,741	+2.0%
Cash flow from operating activities before changes in working capital and payment of profit tax	22,849	30,264	+32.5%
Free cash flow <i>according to the Statement of Cash Flows: Cash flows from operating activities — Acquisition of fixed assets and intangible assets</i>	9,399	14,501	+54.3%
Working capital	8,147	4,685	-42.5%
Net profit (loss)	3,053	7,201	x2.4
Net profit margin <i>Net profit / Revenue</i> , %	2.3%	5.1%	+2.8 p.p.
Equity	114,791	121,013	+5.4%
Net debt	62,511	54,194	-13.3%
Net debt / Equity <i>This is the borrowed funds to equity ratio. The lower it is, the more financially stable is the company.</i>	0.54	0.45	-0.09
EBITDA / Interest paid <i>Interest coverage ratio. The lower it is, the less is the company's debt burden.</i>	2.9	4.7	+1.8
Net debt/EBITDA <i>This ratio shows how many annual profits of the company is needed to cover its net debt.</i>	3.3	2.0	-1.3

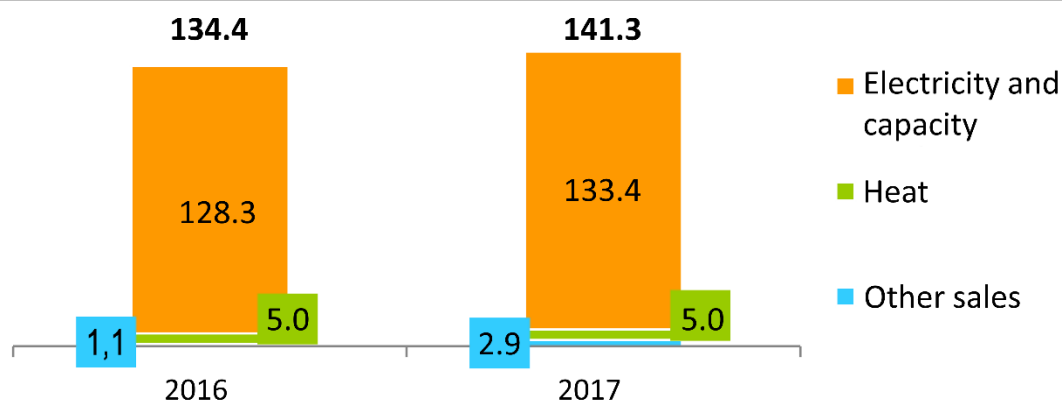
Revenue

Revenue, million rubles

	2016	2017	Change
Electricity and capacity	128,265	133,356	+4.0%
Heat	5,030	5,014	-0.3%
Other sales	1,102	2,939	+166.7%
Total	134,398	141,308	+5.1%

Most of the revenue was gained from the sales of electricity and capacity.

Revenue breakdown, billion rubles



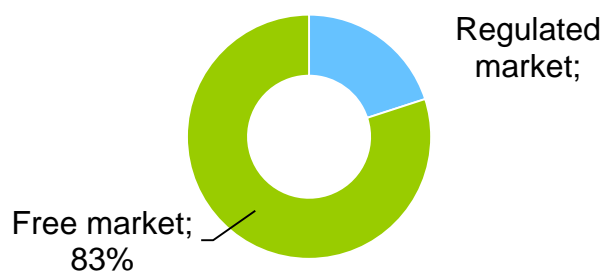
Electricity and capacity sales revenue breakdown for 2017



In 2017, the Company gained a revenue of 127,550 million rubles from the sale of electricity and capacity in the wholesale market. Of that 76,989 million were gained from the sales of electricity and 50,561 million from the sale of capacity.

Most electricity sales are done in the free market.

Wholesale-market electricity sales breakdown for 2017.



The structure of major electricity and capacity purchasers in the wholesale market did not alter significantly. OGC-2 also sells heat and electricity in the retail market. Actual electricity sales under retail contracts totaled 1,494 MWh. Revenue from such sales totaled 5,805 million rubles. In the heat market, the Company mostly sells heat to wholesale resellers as well as urban public utilities located close to the power plants. Heat sales revenue totaled 5,014 million rubles.

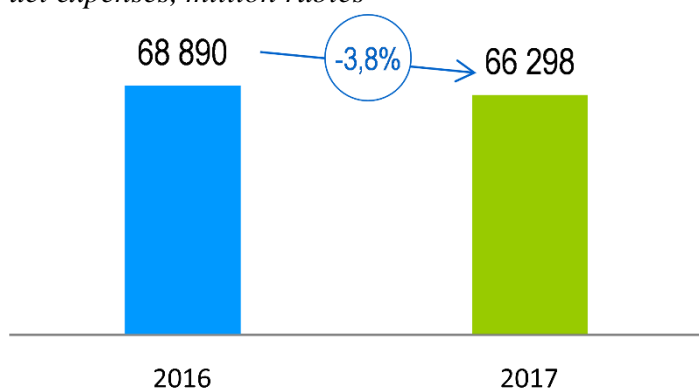
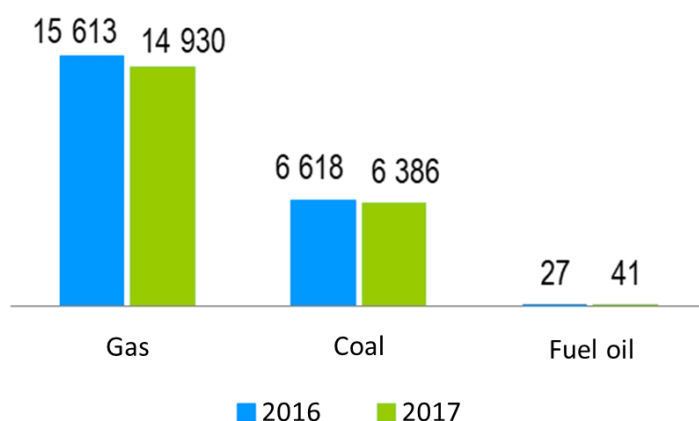
Compared to 2017, the Company gained 4,100 million rubles or 5% less revenue from electricity wholesales.

Operating expenses

*Variable expenses***Variable expenses, million rubles**

	2016	2017	Change
Fuel expenses	68,890	66,298	-3.8%
Purchased electricity/heat/capacity costs	11,645	12,966	+11.3%
Environmental fees	258	211	-18.3%
Total variable expenses	80,793	79,475	-1.6%

The reporting period saw a 1.6% decrease in variable expenses. This was mainly due to a 3.8% reduction of fuel expenses, which in its turn was due to lower output, hence lower fuel consumption.

Fuel expenses, million rubles*Fuel consumption, thousand tons of reference fuel*

The cost of purchasing electricity and capacity rose by 11.3% due to greater amounts purchased in the wholesale market, which was mostly due to lower generation with the same quantities to be supplied.

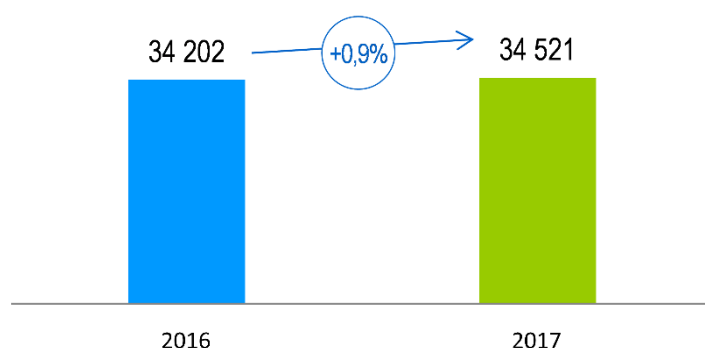
Environmental fees lowered mostly due to the lesser amounts of ash and slag waste removed from the Troitskaya GRES.

*Fixed expenses**Fixed expenses, million rubles*

	2016	2017	Change
Employee Remuneration	8,461	8,135	-3.9%
System Operator Service Costs	2,020	2,049	+1.4%
Taxes other than profit tax	2,866	3,665	+27.9%
Lease payments	2,368	2,613	+10.3%
Other fixed expenses	18,487	18,059	-2.3%
Total fixed expenses	34,202	34,521	+0.9%

Fixed expenses did not change significantly. Changes amounted to less than +1%.

Fixed expenses, million rubles



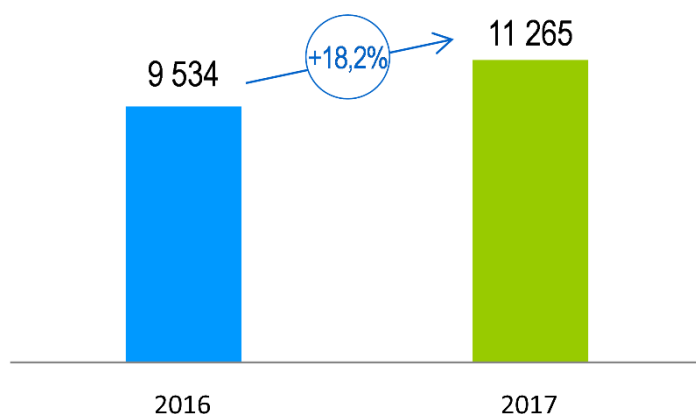
Greater repair and maintenance costs were due to additional repairs at the Novocherkasskaya, Stavropolskaya, and Krasnoyarskaya GRES.

The reduction in other fixed expenses was mostly due to the lower costs of raw materials and other materials at the Adlerskaya TPP, as its gas turbines required less maintenance.

Depreciation

Increase in depreciation costs was due to the commissioning of CSA facilities at the Troitskaya GRES and the Novocherkasskaya GRES.

Depreciation, million rubles



EBITDA and Profit Generation

In 2017, EBITDA increased by 7,893 million rubles YoY mostly due to a 6,910 million ruble or 5.1% growth of revenue coupled with a 983 million ruble or 0.9% reduction in costs (excluding depreciation).

Debt Liabilities

Short-term Liabilities Structure, million rubles

	Currency	Effective interest rate	2016	2017	Change
Short-term portion of long-term borrowings	rubles	7.90% to 11.45%	16,351	1,317	-91.9%
Short-term portion of bonded loans	rubles	11.87%	109	114	+4.6%
Short-term portion of finance lease obligations	rubles	26.52% to 27.29%	-	12	+100.0%
Short-term loans	rubles	10.50%	16,000	-	-100.0%
Total			32,460	1,443	-95.6%

Long-term Liabilities Structure, million rubles

	Currency	Effective interest rate	Maturity on December 31, 2017	2016	2017	Change
Long-term loans	Rubles	7.96% to 10.00%	12.2018-10.2025	10,480	33,759	+222.1%
Long-term credits	Rubles	7.90% to 11.45%	07.2020-12.2020	14,110	14,110	0.0%
Bonded loans	Rubles	11.87%	11.2020	10,000	10,000	0.0%
Lease obligations	Rubles	26.52 to 27.29%	01.2019 -06.2020	-	23	+100%
Total				34,590	57,892	+67.4%

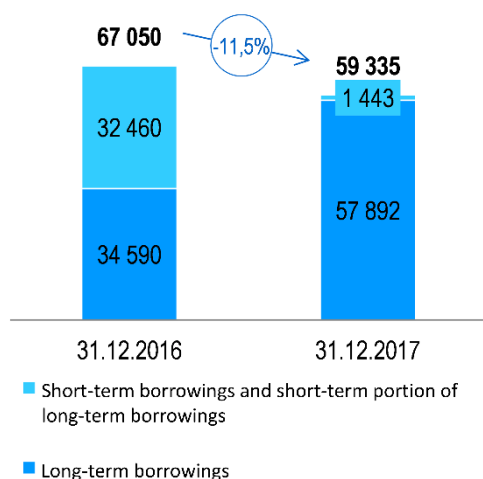
As at December 31, 2017 borrowings totaled 59,335 million rubles, a 11.5% decrease YoY.

Long-term debt totaled 57,892 million rubles as at December 31, 2017.

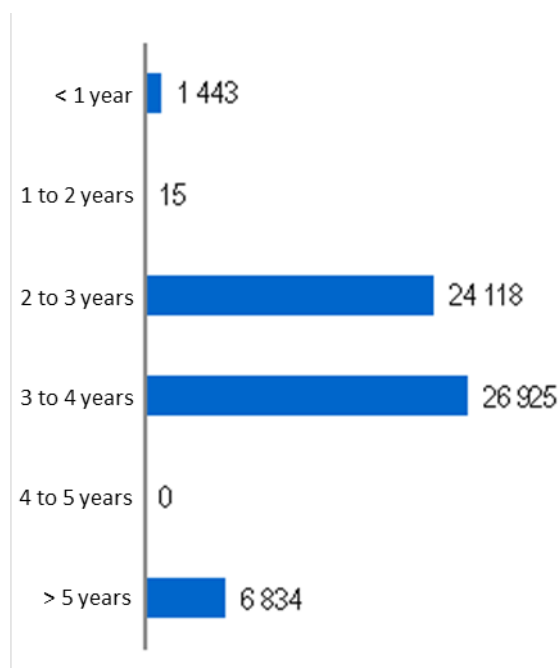
Short-term debt totaled 1,443 million rubles as at December 31, 2017.

Such change in the structure of borrowings was mostly due to the refinancing of PJSC "Gazprom" short-term loans with long-term ones in August 2017.

Structure of Borrowings, million rubles

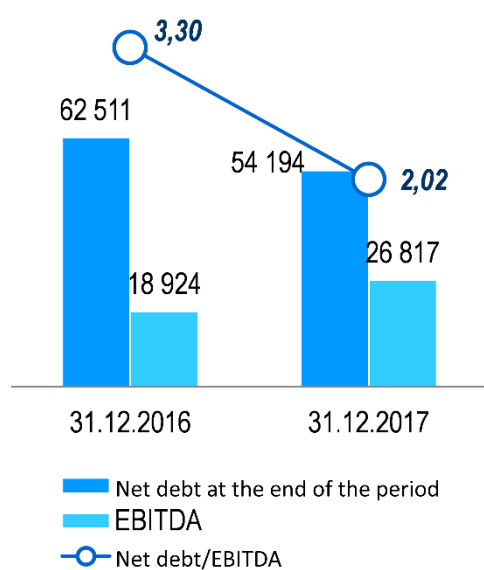


Diversification of Borrowings by Maturity as at December 12, 2017, million rubles



Effective interest rates were at 7.90% to 11.87% in the reporting period. As at December 31, 2017 the Company's net debt totaled 54,194 million rubles.

Net debt, million rubles



3.3. Financial results (RAS)

Key financial results for 2015-2017 and expected results for 2018 million rubles.

Summary of financial results and projections for 2018.¹⁵

¹⁵ According to the 2018 Business Plan.

Indicator	2015	2016	2017	2017 Change YoY, %	2018 (forecast)
Revenues from sales of goods, work, services, including:	112,116	134,285	139,613	+4.0%	137,842
- Electricity sales	77,182	86,073	82,795	-3.8%	77,590
- Capacity sales	29,463	42,193	50,561	+19.8%	53,828
- Heat sales	4,559	5,032	5,015	-0.3%	4,985
- Other incomes from day-to-day activities	911	988	1,243	+25.8%	1,439
Cost of sold goods, products, work and services:	103,944	117,618	118,286	+0.6%	122,810
- Variable costs, including:	73,600	80,627	79,349	-1.6%	75,937
- Fuel costs	62,789	68,894	66,292	-3.8%	65,583
- Purchased electricity (capacity) from the wholesale market	10,699	11,613	12,931	+11.3%	10,212
- Water for technological purposes	112	121	125	+3.3%	142
- Semi-fixed costs:	30,344	36,991	38,937	+5.3%	46,873
- Raw materials and other materials	2,569	3,536	2,663	-24.7%	1,149
- Production work and services	6,168	8,149	8,341	+2.4%	11,530
- Depreciation	3,713	7,030	8,734	+24.2%	9,672
- Payroll expenses and social contributions	6,321	6,886	7,119	+3.4%	8,446
- Private pension provision	76	110	70	-36.4%	76
- Water tax and fees for using water bodies	1,342	1,546	1,874	+21.2%	1,959
- Other expenses	10,154	9,734	10,136	+4.1%	14,041
Gross profit	8,172	16,667	21,327	28.0%	15,033
Administrative expenses	2,198	2,518	2,550	1.3%	4,444
Sales profit (loss)	5,974	14,148	18,777	32.7%	10,589
Profit (loss) before tax	3,904	5,569	9,566	71.8%	9,289
Net profit (loss) for the reporting period	3,002	3,497	6,653	90.2%	7,431
EBITDA	8,484	16,624	22,775	37.0%	23,168
EBITDA margin (%)	7.6%	12.4%	16.3%	3.9 p.p.	16.8%

Financial condition indices

The indices that are used to assess the financial condition of JSC OGC-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	2015	2016	2017
Liquidity indices					
Absolute liquidity ratio	(Cash + Short-term financial investments) / Short-term liabilities	>0.15	0.2	0.09	0.26
Quick assets ratio	(Cash+Short-term financial investments+ Accounts receivable of less than 12 months) / Short-term liabilities	>0.95	0.67	0.43	1.05
Current liquidity ratio	Current assets / Current liabilities	>2	0.99	0.64	1.67
Financial soundness indices					

Equity to total assets ratio	Equity / Total assets	>0.8	0.57	0.57	0.60
Returns indices					
Return on sales (ROS)	(Gross profit / Sales revenue)*100	>15%	5.33%	10.54%	13.45%
Return on equity (ROE)	(Net income / Equity capital)*100	>5%	2.69%	3.08%	5.54%
Return on assets (ROA)	(Net profit/Total assets)*100	>3%	1.54%	1.73%	3.31%
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	16.50%	-6.51%	-10.37%
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	5.76%	27.13%	19.21%
Ratio of accounts receivable to accounts payable	AR at the end of the reporting period / AP at the end of the reporting period	>1	1.48	1.09	0.79

4. Sustainable Development

We combine traditions that span over many generations, but we also pursue evolution to meet the imperatives of the time. We operate equipment that was commissioned decades ago, but we also implement state-of-the-art technology to become stronger. We seek greater efficiency and a rightful place in the market. This is the only way to update our generating facilities and to ensure the best conditions for our team. The main goal is the same for all generations of power engineers: to supply power to consumers reliably and uninterruptedly.

This can only be done on the principles of the Company's responsible attitude towards people, the environment, and the society. Responsibility lays the foundations for our basic corporate values that are intended to ensure the Company sustainable development. In our pursuit of openness and transparency, we openly and honestly exchange information with all stakeholders. More details on this dialogue and the Company sustainable development in the reporting year will be presented in the Gazprom Energoholding Group's Sustainable Development Report for 2016–2017.

4.1. Corporate Values

Corporate Values of the Company:

- Professionalism: profound 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.
- Readiness for a dialogue: open and honest exchange of information, readiness to jointly come up with an optimal solution.
- Succession: 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 corporate values of OGC-2 are outlined in the Code of Conduct approved by the Board of Directors October 2, 2014. Alongside with the Company's Strategic Objectives document and the Corporate Governance Code, the Code of Conduct is fundamental to the sustainable development of OGC-2 and is integral to the Company's corporate culture.

The Code establishes rules of business conduct that match the generally accepted norms of conduct in such aspects as:

- Company-employee relations;
- environmental protection;
- conflicts of interests;
- relatives working together;
- presents;
- use of the Company assets and resources, use of information;
- relations with competitors and counterparties;
- relations with investors;

- relations with the state;
- anti-corruption;
- relations with the controlled legal entities;
- corporate style;
- personal conduct.

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

In 2017, the Committee held 19 meets and discussed 55 matters.

4.2. Stakeholders

OGK-2 adheres to the principles of open and honest information exchange and is ready to cooperate with stakeholders to find the best solution.

Residents of the regions where OGC-2 operates may ask their questions about the environmental impact of the Company's production facilities by request. PR specialists and experts from the relevant units of the Company are there to promptly respond to such requests.

To optimize its cooperation mechanisms, the Company has identified several key stakeholder groups. Below are the main principles of such categorization:

- common stakeholders' interests and expectations from the Company;
- nature of stakeholders' influence on the Company development priorities and their attainment;
- Company's tools for cooperation with stakeholders.

Stakeholders	Information Exchange and Cooperation Topics
Investment community (shareholders and investors)	<ul style="list-style-type: none"> • financial and operational indicators, • investment programs, • Dividend Policy, • increase in shareholder value, • optimization of production and cost reduction, • Company development priorities
Capital providers (creditors and rating agencies)	<ul style="list-style-type: none"> • financial and operational indicators, • investment programs, • debt indicators and debt portfolio structure, • Credit Policy, • Company development priorities
Local communities (local population, civil society organization, and local authorities)	<ul style="list-style-type: none"> • uninterrupted heat and electricity supply, • observance of environmental norms and standards, • energy saving and energy efficiency, • compliance with safety standards and regulations, • creation of jobs and remuneration level, • taxes, • charity, • hosting joint events with public organizations and local authorities, • contribution to the development of the local infrastructure, • business development
Customers (wholesale heat, electricity, and capacity purchasers, including guaranteeing suppliers and major industrial consumers)	<ul style="list-style-type: none"> • uninterrupted heat and electricity supply, • operational indicators, • investment programs, • connection terms and conditions,

Stakeholders	Information Exchange and Cooperation Topics
	<ul style="list-style-type: none"> improving the efficiency, Company development priorities
Government of the Russian Federation, sectoral ministries and agencies, regional executive authorities	<ul style="list-style-type: none"> uninterrupted heat and electricity supply, operational and financial indicators, investment programs, improving the efficiency, Company development priorities
Environmental organizations	<ul style="list-style-type: none"> observance of environmental norms and standards, reduction / increase in all kinds of production-related environmental impact, environmental protection programs and activities, investment programs, energy efficiency improvement, Company development priorities
Suppliers of goods and services	<ul style="list-style-type: none"> creditworthiness, procurement rules and transparency, environmental, technical, and other regulations and standards for supplier selection, investment programs, Company development priorities
Employees and trade unions	<ul style="list-style-type: none"> observance of environmental norms and standards, compliance with safety standards and regulations, creation of jobs and remuneration level, social security and healthcare, opportunities for professional growth and development, corporate culture, business development

4.3. Human Capital

Wherever the Company operates, it can be rightfully ranked among the best employers if not the best one. However, we expect our employees to be engaged in the Company history and improvement. Working "just your business hours" and staying exclusively within the job description is not our cup of tea. We need people that are ready to treat the Company as their personal cause, people that link their personal successes to the Company's future. It is only through joint effort that we can build a company that is interesting and prestigious to work for.

The policy of JSC OGC-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.

Our goal is to have an optimum manpower of engaged staff that have all the necessary professional skills, share our corporate values, and are motivated to adhere to the Company's strategic objectives.

The key principles of the personnel policy of JSC OGC-2 and building relationships among employees within the Company are defined in the Code of Conduct. The Company seeks to ensure transparency and openness in its HR management, to improve its management methods, to create favorable labor conditions, and to give all the employees opportunities for professional development and advancement.

In 2017, the Company carried out an **engagement study** that involved about 7000 employees. As a part of the survey, the employees were offered to evaluate OGC-2 as an employer. The study produced a 50% engagement index. This means the Company is in a neutral position and has

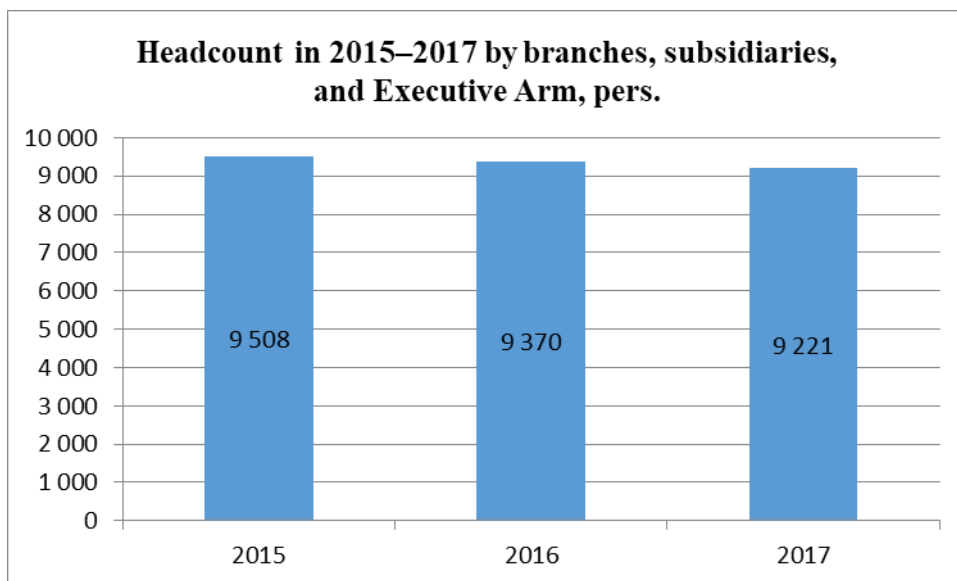
already achieved a significant level of engagement but can still do better. The survey was just a first step that gave impetus to planning the actions for subsequent periods with due account of the progress our employees and managers noted in the survey.

Implementation of the Personnel Management Policy

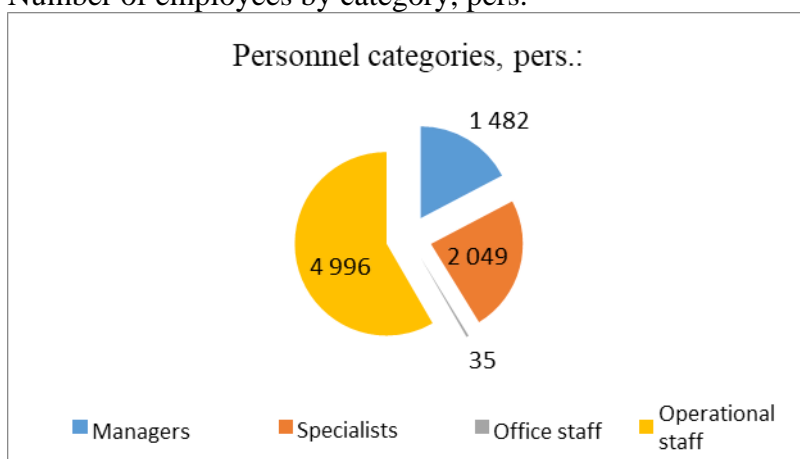
Purpose	Measures taken in 2017	Measures planned for 2018
Examination of knowledge, skills, personal business competences and potential of personnel development	<ul style="list-style-type: none"> Adapting the corporate, management, and personal business competence model for competence interviews Creating interview guidelines Developing additional profiles of professional knowledge, skills and know-how for the Company's 80 key positions Using the Thomas automated potential evaluation system to evaluate the potential of the employees 	<ul style="list-style-type: none"> Introducing the 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"> Assessing employee engagement 	<ul style="list-style-type: none"> Implementing the survey-based engagement improvement plan
Training and professional development of personnel	<ul style="list-style-type: none"> Creating 8 Management and Personal Business Competence Development Programs and submitting them to the in-house coaches Arranging a corporate online-library 	<ul style="list-style-type: none"> Introducing a unified remote training system Carrying out centralized Corporate and Personal Business Competence Programs 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 the KPI-based employee incentivizing and remuneration system
Industrial injury rate minimization	-	<ul style="list-style-type: none"> Dissemination of the project to enhance the culture of safe behavior

Manpower and Its Structure

As of December 31, 2017, the Company's headcount was 9,085 people, a 1.9% decrease YoY. In the reporting period, the number of managers shrank by 2.9%, specialists – by 1.7%, employees – by 2.8%, and workers – by 0.8%.



Number of employees by category, pers.¹⁶



Personnel Remuneration System

JSC OGC-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 incentives, 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 performance-based bonuses, bonuses for various projects, contests, and competitions, additional allowance for high professionalism and qualification level, and one-time rewards for labor-related achievements. The remuneration system can be used to adjust the tariff rates and the salaries on the basis of employees' individual performance.

Average monthly wage at the Company was 60,952 rubles in 2017, a 3% increase YoY. Indexing the minimum monthly tariff rate by 5% since April 1, 2017 and raising the salaries since September 1, 2017 resulted in a real increase in the average wage.

Intangible motivation includes contests and competitions in various fields. These include, for example, contests for the best fire protection condition, contests for the best representative in the

¹⁶ Branch-Specific and Executive Arm Headcount as at December 31, 2017.

field of occupational safety and health, competitions between shifts of operational staff, and others. Workers that prove themselves to be the best and the most caring ones are listed in the talent pools and trained to be in-house coaches; the Company uses rolls of honor; the Company's information environment, including its internal website and professional newspaper, publish stories on the employees' achievements.

Employee Rights and Interests

One of the key policy areas of JSC OGK-2 in the field of human resources is ensuring social security of its employees. 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.

Employee rights and interests are protected by collective agreements that are based on the Labor Code of the Russian Federation and are compliant with the industrial standards. The new revision of the Collective Agreement was drafted by OGK-2 in 2017 in the course of collective bargaining. The proposed changes in the remuneration system are aimed at improving the security of benefits and compensations, non-discrimination of workers during their distribution, as well as at establishing contribution- and performance-based remuneration without reducing personnel costs. In the course of negotiations, it was decided to extend the existing OGK-2 branch-specific Collective Agreements by one year until December 31, 2018. In 2018, representatives of the parties shall continue to cooperate so as to draft a collective agreement for the subsequent period in terms of business cooperation and due attention to the interests of the Employees and the Employer.

To ensure the social security of the employees, the Company uses personal insurance mechanisms:

- voluntary health insurance;
- insurance against accidents and diseases;
- insurance of citizens traveling outside their permanent residence location.

A total of 123 million rubles was allocated to the personal insurance of the Company's employees in 2017.

The Company also provides material support for the insurance protection of its employees in cases they or their loved ones become severely ill and need high-tech medical aid.

OGK-2 uses a non-state pension scheme (NPS) for its employees. This system provides for a decent standard of living in retirement, which improves personnel motivation and contributes to the recruitment and retaining of high-skilled 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 Gaston.

In 2017, the Company allocated more than 78 million rubles to finance its NPS.

The system of NPS for JSC OGK-2 personnel includes programs for corporate and parity financing. Corporate financing comes from the Company's own funds. Parity financing implies joint contributions to individual retirement accounts to be paid by the employee and the employer in equal proportion.

Besides, the Company has a Retiree Dismissal Program. Employees of the retirement age can take advantage of the preferential retirement conditions with three to six additional salaries to be paid depending on the duration of their service.

Introduction of Professional Standards

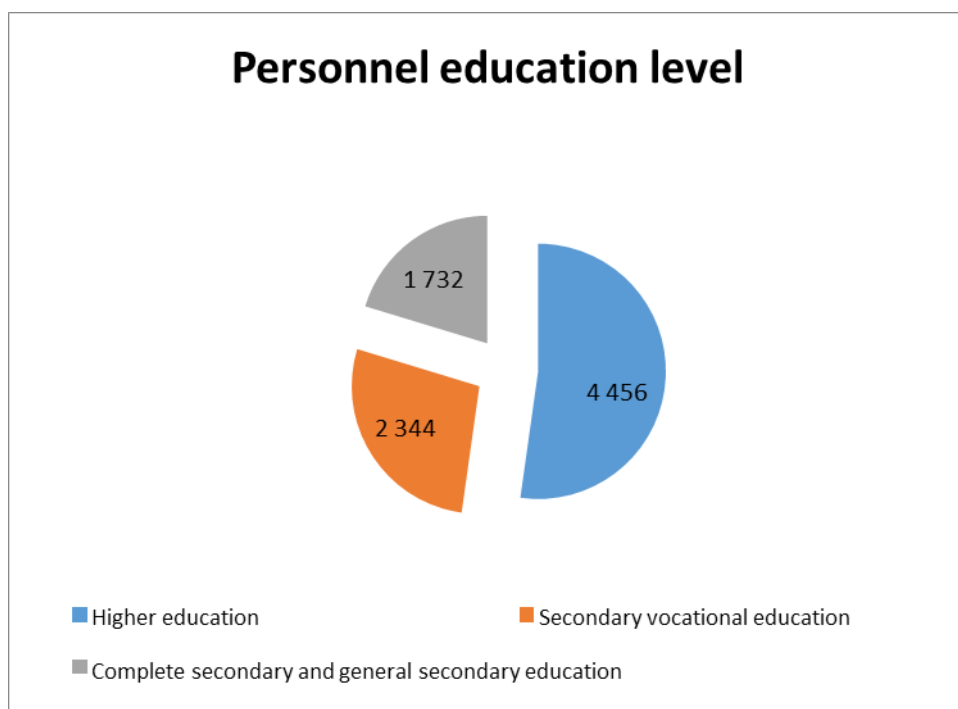
OGK-2 continues to introduce professional standards pursuant to the labor legislation of the Russian Federation. In 2017, the Company took the following measures:

1. approved the Comprehensive Professional Standard Application Plan for JSC "OGK-2" and its subsidiaries for 2017;
2. continued to cooperate 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), and relevant subdivisions of Gazprom Energoholding LLC that specialize in the application of professional standards;
3. formed the List of Professional Standards to be applied by the Company;
4. assessed its personnel for compliance with such professional standards;
5. informed the branches, subsidiaries, and affiliates on changes in the regulatory framework for the development of the national qualifications system;
6. decided to use six professional standards within the Company that are not mandatory under the Russian legislation;
7. drafted the Electrical Equipment Repair Worker professional standard (as a part of the Gazprom Energoholding LLC working group).

Professional and Advanced Training Programs

JSC OGC-2 offers our employees extensive opportunities to unlock their personal potential and achieve career growth.

Personnel Education Level, pers.¹⁷



Training is carried out at specialized accredited training centers in the vicinity of power plants, which are equipped with state-of-the-art machinery and materials and boast all the necessary training equipment, laboratories, and highly qualified teaching staff. These training centers are licensed by the Rostekhnadzor for training in professions that are necessary for the branches of JSC OGC-2.

¹⁷ Branch-Specific and Executive Arm Headcount as at December 31, 2017.

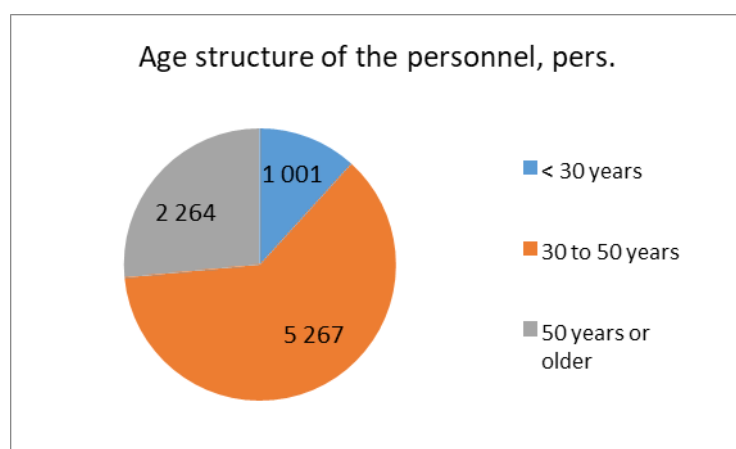
In 2017, 43.6% of the total number of employees of the Company received off-the-job training at specialized training centers, which included 16% of managers, 5.6% of specialists and office staff, and 22% of the operating staff. Total expenditures for these purposes amounted to 34.6 million rubles in 2017.

Besides, in 2017 OGC-2 funded the higher and secondary vocational education in relevant fields for 90 of the Company's employees. 101.1 thousand rubles was spent to that end. In 2017, 15 employees received higher and secondary vocational education for a total expenditure of 233.13 thousand rubles.

Recruitment and development of young talents, professional development

In our opinion, one of the strategic objectives of the Personnel Policy consists in ensuring a professional continuity through generations of our employees.

Personnel Breakdown by Age as of December 31, 2017, pers.¹⁸



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 OGC-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; the Company also arranges conferences and contests for individual functional units.

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.

Although the share of personnel at a retirement age at JSC OGC-2 is small, we make sure that these specialists could provide a worthy replacement. Planning is based on the Regulations on the work with the personnel reserve for promotion to senior and key positions. In 2017, the Company formed an operational reserve consisting of candidates fully ready to take managerial positions, as well as a promising reserve consisting of candidates that needed specific training; both reserves would cover 440 positions.

Occupational Safety

The OGC-2 Occupational Safety Management System is intended to ensure the occupational, life, and health safety of employees while involved in production activities. The existing system is in full compliance with the Russian legislation. The occupational safety obligations of OGC-2 are further reflected in the collective agreements.

¹⁸ Branch-Specific and Executive Arm Headcount as at December 31, 2017.

Occupational safety objectives:

- injury-free operations;
- zero professional disease morbidity;
- continuous improvement of labor conditions.

Key occupational safety activities:

- safety and health risk management;
- work with the personnel in compliance with regulations;
- provision of high-quality and reliable protective equipment;
- planning and financing occupational safety activities;
- provision of regulatory documentation on occupational safety to the employees;
- external and internal occupational safety audit and labor conditions expertise;
- introduction of international occupational health and safety standards.

In 2017, the facilities of OGC-2 were the sites of 5 accidents resulting in 4 minor injuries and 1 severe injury.

4.4. Social Partnership

The social partnership principle is our top priority in business-society cooperation. We actively cooperate with municipal authorities, media, non-profit organizations, and locals to take their interests into account when making decisions.

Staff

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

We actively support employee participation in professional, youth and other national and regional events.

In 2017, 43 of the Company's employees were awarded by the Ministry of Energy of the Russian Federation.

OGK-2 employees joined the Gazprom Energoholding LLC team to take part in TIM Biryusa, a joint event arranged by Russia's largest energy companies and universities. The Gazprom Energoholding LLC team was among top five in terms of total points gained for the educational aspects of the contest (the value aspect, the competence school, and the squad time); they also won the Public Recognition Cup.

Traditions

2017 was the anniversary year for two branches of OGC-2: Adlerskaya TPP, the Company's youngest power plant, celebrated its 5th birthday, whereas Surgutskaya GRES-1 turned 45. Over the course of the year, those branches held anniversary events for their power-plant personnel, children, veterans, and the general public in their respective regions.

All the branches celebrated the Energy Worker Day. Employees, their children, and veterans took part in sports and creativity contests dedicated to this professional holiday. More than 3,000 employees and their children participated in these events.

A special event was organized to support the initiative to award the Dedovichsky District a title of a Partisan Glory Area, as it would be 75 years since sending a food convoy to besieged Leningrad; the event became one of the most memorable events of 2017 for the employees of the Pskovskaya

GRES. For power engineers, it was important not only to overcome the distance, but also to visit these historical sites.

Younger Generation

Professional orientation of pupils for boosting the prestige of the energy worker profession is another important area of social work. To that end, the Company regularly organizes facility tours and other events for children.

OGK-2 power plants traditionally host the Day of Knowledge (translator's note: September 1st is a holiday referred to as the Day of Knowledge in Russia, as it marks the beginning of school term) to congratulate our employees' first-grade kids, give them some presents, and arrange contests for them.

As a part of the BrighterTogether festival, employees of the Cherepovetskaya GRES and the Ryazanskaya GRES conducted classroom lessons at schools in fall 2017; the classes were also titled BrighterTogether. The employees designed those energy saving-themed classes on their own and held such lessons for the first time.

For February 23 (translator's note: Defender of the Fatherland Day in Russia), an employee of the Serovskaya GRES, a veteran of two wars, held a lesson of courage at a sponsored school.

In 2017, the power plants of OGC-2 were visited by more than 1,500 students and pupils on study tours.

In May 2017, the 1st Spring 1945 festival was held on the initiation of the Cherepovetskaya GRES. The parade was partaken by school pupils, veterans, municipal officials, pupils of the local military-patriotic clubs, representatives of the military unit based on the Cherepovetsky District, students of the equestrian club, and public officials. The event was attended by more than 350 people. Head of the branch and Head of the District Administration decided to make this an annual event.

Charity

Whenever financially possible, the Company offers charity support focusing on the regions 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.

10 million rubles was allocated in 2017 for this purpose. This money was allocated to provide emergency treatment for the Company's employees and their children, to support cultural, healthcare, and educational institutions in the cities where the branches are based. Funds are distributed at meetings in presentia of the Charity Committee acting under the relevant Regulations.

Sports

The OGC-2 General Sports Events Plan for 2017 comprised more than 100 competitions at various levels and for various sports, from inter-shop competitions at the branch level to the tournaments arranged by the Ministry of Energy of the Russian Federation.

However, without a doubt the VII Summer Spartakiad of JSC "OGK-2" that took place in April 2017 in Podmoskovye, was the milestone event for our employees.

11 teams comprising more than 300 athletes from OGC-2 branches gathered together to compete. The Novocherkasskaya GRES team won the 1st prize for the 6th time. These athletes were the winners of volleyball and mini-football competitions, won the 2nd prize in track-and-field athletics, and ranked 6th in swimming.

Cooperation with Media and Authorities

In 2017, the Company's PR divisions prepared and distributed more than 260 press releases. Mass media have published about 1,500 stories on the Company and its activities thus far.

District and regional TV channels regularly air stories about all the branches of the Company. The Company issues its corporate newspaper Generatsiya (Generation) to inform its employees on some crucial operational aspects. The newspaper traditionally covers the key matters of employer-employee relations, publishes information for branch employees to exchange their production and management experience, inform the reader on the Company's life, social projects, and activities.

4.5. Environmental Protection

The activities of OGC-2 are directly linked to the use of natural resource and have an environmental impact. This is why the Company does its best to minimize the environmental damage it causes and allocates considerable funding for the activities in this field.

The management of JSC "OGC-2" are aware of their responsibility for the environment, the environmental risks, and the health of people residing in the TPP areas. The OGC-2 Sustainable Development Strategy is based on the principles of environmental safety and parity of economic, social, and environmental values.

Environmental Protection Activities

In 2017, the Serovskaya GRES did a great job reducing its environmental impact. Thanks to using high-tech CCGT-420 equipment as well as to changing the general fuel balance, the power plant managed to considerably improve its environmental performance: air pollutions were reduced 1.5 times, water consumption and ash-and-slag waste generation were halved, discharge into water bodies was reduced 2.5 times.

2017 was declared the Year of Ecology in the Russian Federation. Over the reporting year, the branches did a lot to protect the environment.

Environmental activities of power plants in 2017

Purpose	Measures taken in 2017	Measured planned for 2018
Serovskaya GRES		
Air protection	<ul style="list-style-type: none"> repair of boiler ash collectors; repair of dedusting systems 	<ul style="list-style-type: none"> developing a project for the reclamation of Ash Dump 3; Construction of a modular pumping station equipped with a water intake meter and a fish protection device
Troitskaya GRES		
Air protection	<ul style="list-style-type: none"> construction of desulfurization equipment; installation of electrostatic precipitators on Power Unit 10 to clean flue gas 	<ul style="list-style-type: none"> stocking the Troitsk Reservoir: releasing 1,020,443 carp fingerlings.
Surgutskaya GRES-1		
Air protection	<ul style="list-style-type: none"> implementation of a rapid flue-gas analysis system improves the control over the burning process efficiency, which helps considerably reduce the 	<ul style="list-style-type: none"> implementation of an optical-sensor flue-gas analysis system (O₂, CO) behind the smoke exhausters of Unit 15; Cleaning the sludge tank bowl of

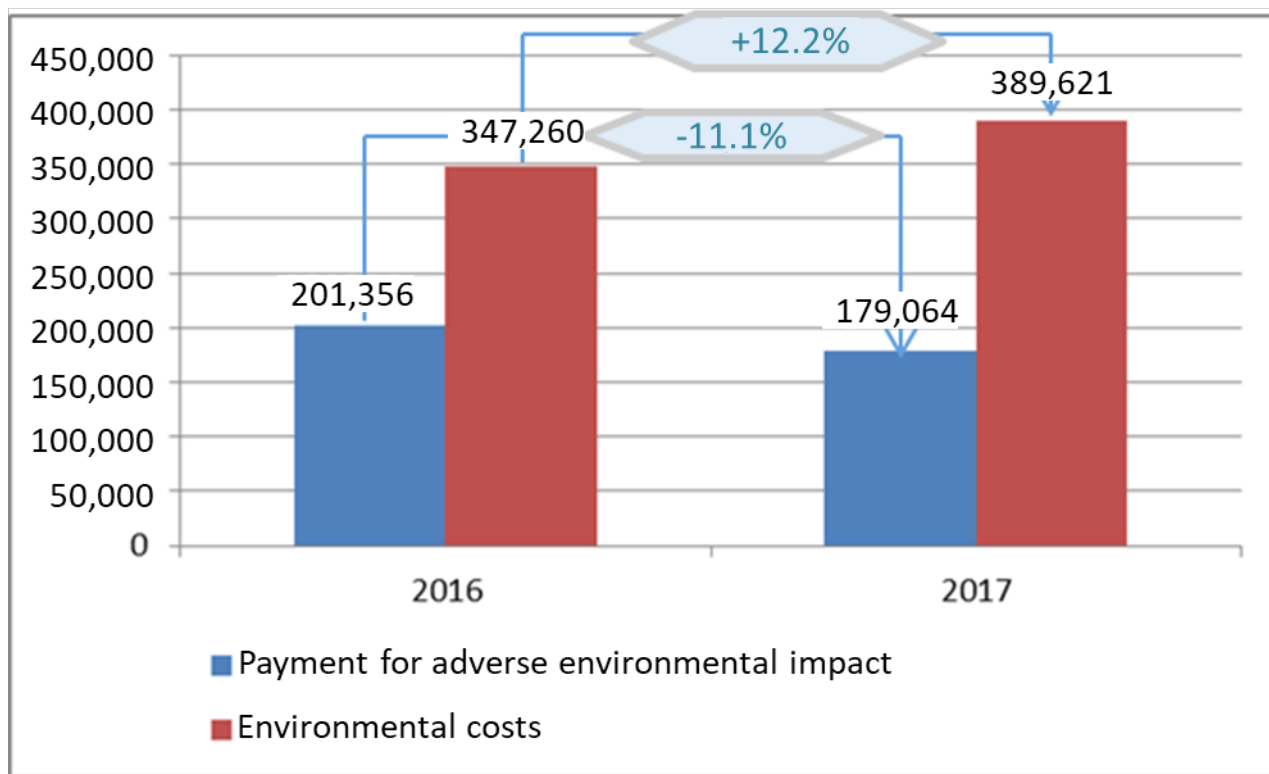
	emission of combustion products	accumulated sludge; restoring the slopes of the sludge tank bowl and replacement of the filtration layer
Ryazanskaya GRES		
Water body protection	<ul style="list-style-type: none"> release of fish to normalize the level of higher aquatic vegetation. Maintaining the dissolved-oxygen levels at the normal levels according to the water quality standards for water bodies used in fishery. 	<ul style="list-style-type: none"> release of fish to normalize the level of higher aquatic vegetation. Maintaining the dissolved-oxygen levels at the normal levels according to the water quality standards for water bodies used in fishery.
Krasnoyarskaya GRES -2		
Water body protection	<ul style="list-style-type: none"> stocking the Krasnoyarsk Reservoir of the Yenisey River basin with 23.6 thousand peled fingerlings to compensate for the damage caused to water biological resources 	<ul style="list-style-type: none"> reconstruction of the ash dump at the Krasnoyarskaya GRES-2; stocking the Krasnoyarsk Reservoir of the Yenisey River basin with peled fingerlings; construction of a dry ash handling system for phases 1 and 2 (Power Units 1 to 8); developing a project to construct local treatment facilities for household wastewater

Costs of and Investments into Environmental Protection

Environmental protection and damage costs in 2016–2017, thousand rubles:

Indicator	2016	2017	Change, %
Maintenance costs of environmental protection	347,260	389,621	12.2%
including:			
water body protection	195,541	216,304	10.6%
air protection	116,956	128,589	9.9%
protection of land resources from production and consumption waste	25,470	32,	28.0%
land reclamation	3,565	2,532	-29.0%
other	5,728	9,584	+65.0
Payment for adverse environmental impact	201,356	179,063	-11.1%
including:			
payments for the emission of pollutants into the air	19,994	20,251	+1.3%
payments for the discharge of pollutants into water bodies	13,598	11,975	-11.9%
amount payable for the placement of waste	167,764	146,837	-12.5%

Maintenance costs of environmental protection and payment for negative environmental impact, thousand rubles.



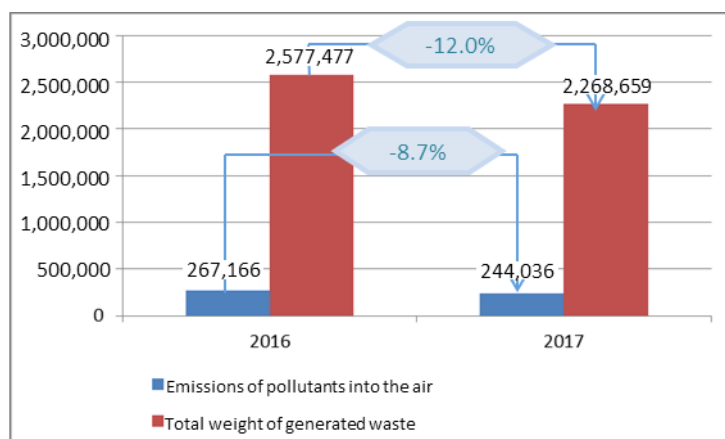
The increase in maintenance (operating) costs in 2017 was mainly due to the increased spending on the protection of water bodies and air.

Fees for the negative environmental impact were lower than in the previous year due to the actual reduction in such impact, which in its turn was due to lower electricity output, hence lesser volumes of burnt fuel as well as changes in the fuel balance and quality.

Fees charged for such negative impact totaled 179,063 thousand rubles, of which 66,044.15 thousand rubles was charged in Russia and 113,018.85 thousand rubles was charged in the Republic of Kazakhstan.

Emission of Pollutants

Emission of pollutants and generation of waste, ton



Gross emissions of pollutants into the air were generally lower in 2017 as the Company produced 5.4% less electricity and had a 1.5% lower useful output of heat. 12.0% less waste was generated for basically the same reasons, as the Company generated less ash-and-slag waste. One more factor that contributed to the reduction in waste generation was that the Company did not repair the outdoor switchgear at the Cherepovetskaya GRES (these repair activities generate vast amounts of wasted transformer oil which belongs to Hazard Class 3). Besides, reduction in ASW generation was also connected with the sale of such waste to third parties for use in various applications.

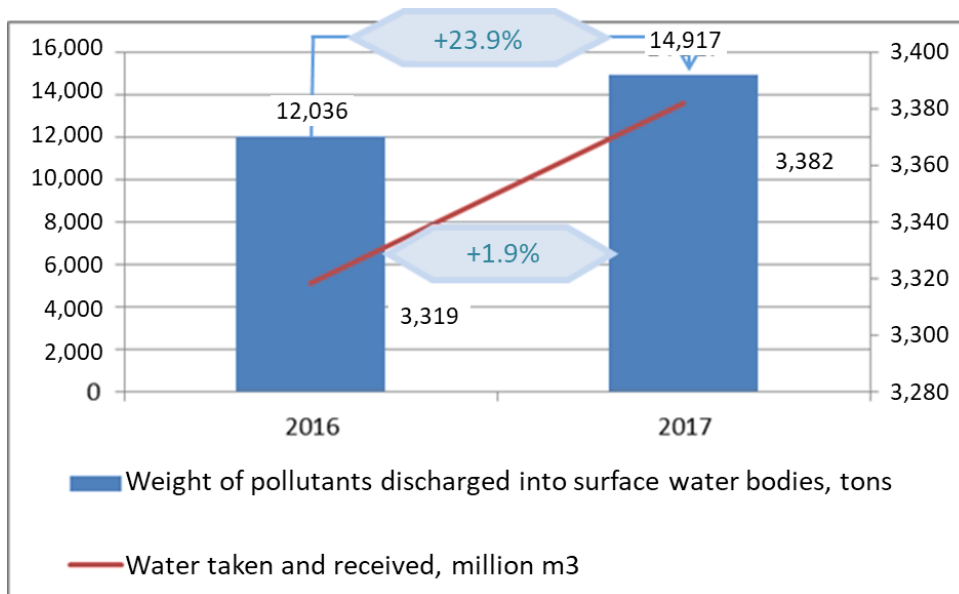
Emission of pollutants and generation of waste, ton

Branch name	Gross emission of harmful substances into the atmosphere			Waste generation		
	2016	2017	Change, %	2016	2017	Change, %
Adlerskaya TPP	1,195	1,154	-3.4%	105	161	53.3%
Kirishskaya GRES	6,264	6,639	6.0%	2,127	3,047	43.3%
Krasnoyarskaya GRES -2	39,779	42,904	7.9%	236,869	251,287	6.1%
Novocherkasskaya GRES	77,157	98,398	27.5%	1,007,070	1,195,424	18.7%
Pskovskaya GRES	245	503	105.3%	288	183	-36.5%
Ryazanskaya GRES	31,192	26,899	-13.8%	210,295	189,843	-9.7%
Serovskaya GRES	11,128	6,638	-40.3%	169,491	82,813	-51.1%
Stavropolskaya GRES	7,145	7,029	-1.6%	837	1,107	32.3%
Surgutskaya GRES-1	15,349	15,520	1.1%	4,683	5,054	7.9%
Troitskaya GRES	42,951	31,083	-27.6%	669,411	484,927	-27.6%
Cherepovetskaya GRES	34,759	7,269	-79.1%	276,301	54,813	-80.2%
OGK-2 total	267,166	244,036	-8.7%	2,577,477	2,268,659	-12.0%

Increase in emissions at the Novocherkasskaya GRES, Krasnoyarskaya GRES-2, Pskovskaya GRES, and Surgutskaya GRES-1 was due to their greater electricity output. Reduction in emissions at the Stavropolskaya GRES in 2017, which actually produced more electricity than in 2016, was due to the reduction in the amount of burned fuel oil.

Water Use

OGK-2 Water Resource Use Details



The 23.9% increase of pollutant discharge into water bodies was due to the discharge of poorly treated wastewaters at the Kirishskaya GRES.

Besides, in 2016 the Moscow-Oka Basin Water Directorate of the Federal Agency for Water Resources recommended to disregard the background pollutions as the effluents of the Ryazanskaya GRES that went to the reservoir would mix with the wastewaters of MP Vodokanal in the common manifold. The total mass of pollutants discharged into the water body did not exceed the approved permissible discharge levels.

Slightly more water was taken in 2016 due to the increase in the electricity output of the Novochoerkasskaya GRES, Krasnoyarskaya GRES-2, Pskovskaya GRES, and Stavropolskaya GRES.

Environmental Indicators of Water Use

Branch name	Weight of pollutants discharged into surface water bodies, tons			Water taken and received, thousand m ³		
	2016	2017	Change, %	2016	2017	Change, %
Adlerskaya TPP	-	-	-	255	231	-9.4%
Kirishskaya GRES	8,327	10,268	23.3%	267,973	192,514	-28.2%
Krasnoyarskaya GRES-2	459	622	35.5%	440,225	489,958	11.3%
Novochoerkasskaya GRES	961	996	3.6%	922,479	1,016,845	10.2%
Pskovskaya GRES	28	29	3.6%	36,859	93,449	153.5%
Ryazanskaya GRES	502	1,563	211.4%	8,360	8,326	-0.4%
Serovskaya GRES	126	63	-50.0%	15,933	8,134	-48.9%
Stavropolskaya GRES	-	-	-	1,435,302	1,509,130	5.1%
Surgutskaya GRES-1	7	7	0.0%	19,796	19,791	0.0%
Troitskaya GRES	1,087	1,171	7.7%	4,937	5,293	7.2%
Cherepovetskaya GRES	539	198	-63.3%	166,486	38,257	-77.0%
OGK-2 total	12,036	14,917	23.9%	3,318,605	3,381,928	1.9%

4.6. Supply Chain¹⁹

Fuel is the key resource purchased by JSC OGC-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, million rubles				Share of Fuel Costs in Variable Costs according to RAS, %		
	2015	2016	2017	Change [%]	2015	2016	2017
Gas	45,099	52,817	50,736	-3.9%	61.3%	65.5%	63.9%
Coal	17,427	15,852	15,256	-3.8%	23.7%	19.7%	19.2%
Fuel oil	228	198	297	50.4%	0.3%	0.2%	0.4%
Diesel fuel	36	27	3	-87.2%	-	-	-
Total	62,789	68,894	66,292	-3.8%	85.3%	85.4%	83.5%

Fuel costs in totaled 66,292 million rubles in 2017, a 3.8% decrease YoY.

¹⁹ Data in the section are presented per RAS.

The cost of gas consumed in 2017 was 3.9% lower due to a 27.6% YoY reduction in electricity output at the Kirishskaya GRES and a 35.2% YoY reduction in electricity output at the Ryazanskaya GRES.

3.8% reduction in the cost of coal consumed was mostly due to the greater consumption of coal at the SDPS GRES-2 in 2017. Krasnoyarskaya GRES-2 purchases coal for a lower price than other branches as it is located close to the source of supply.

Main reasons behind the coal price change:

- railway transport tariff being indexed by 7% since January 1, 2017;
- growing share of higher caloric and, therefore, more expensive coal in the structure of coal burned at the Novocherkasskaya GRES.

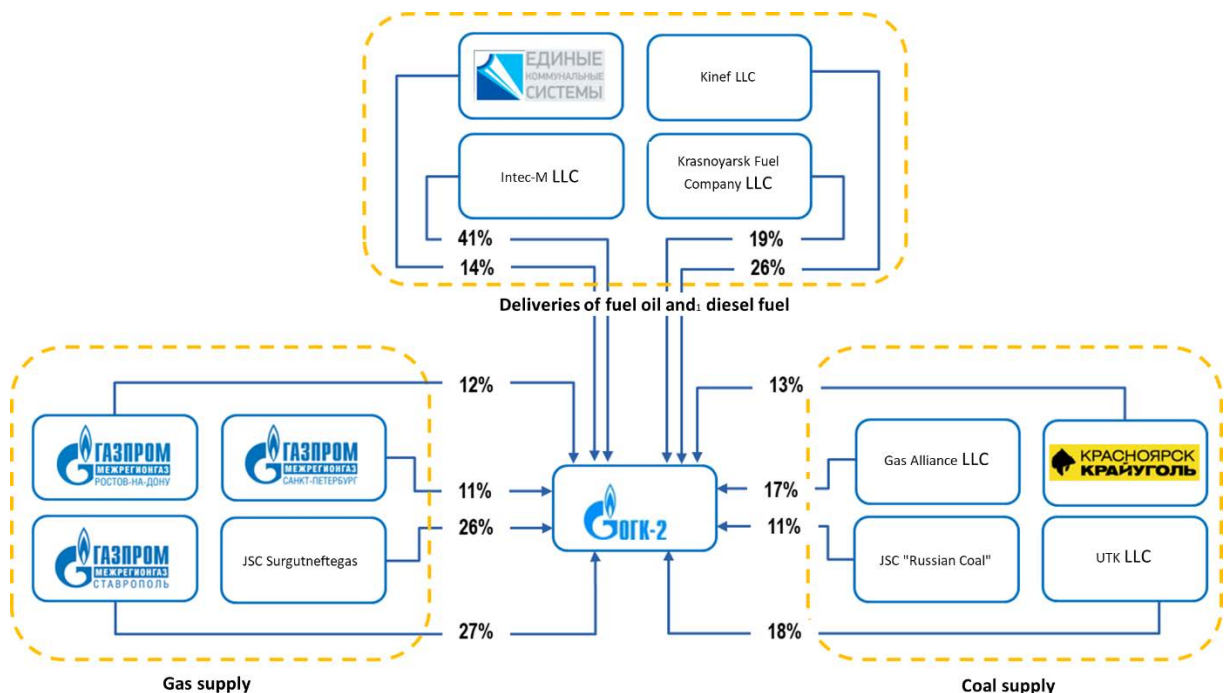
The cost of fuel oil used in 2017 grew by 12.2 primarily due to the increase in the prices of petroleum products in the domestic market of the Russian Federation.

87.2% reduction in diesel costs was mostly due to the lower consumption, with zero diesel fuel being supplied in 2017.

The strategy of JSC OGC-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 OGC-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 OGC-2 receive coal from the Kansk-Achinsk, Moscow, Borodino, Pereyaslovo, Rostov, and Ekibastuz sections mainly under long-term supply contracts.

2017 fuel supply chain diagram and major suppliers



The OGC-2 fuel supply diagram specifies the major suppliers and their share in costs of the gas, coal, fuel oil, and diesel fuel procured by the Company. 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 year.

Dynamics of share distribution among main gas suppliers in 2015–2017:

Supplier	Share in the total value of the gas supply, %		
	2015	2016	2017
OJSC Surgutneftegaz	27%	24%	26%
Gazprom Mezhregiongaz Stavropol LLC	24%	25%	27%
Gazprom Mezhregiongaz St. Petersburg LLC	12%	13%	11%
Gazprom Mezhregiongaz Rostov-on-Don LLC	10%	12%	12%

Factors of changes in share distribution among main gas suppliers in 2017 as compared to 2016:

- The share of OJSC Surgutneftegaz in the total gas procurement value rose by 2% due to the increased gas consumption of the Surgutskaya GRES-1.
- The share of Gazprom Mezhregiongaz Stavropol LLC rose by 3% whereas that of Gazprom mezhregiongaz St. Petersburg dropped by 2% due to the related adjustments in the gas consumption shares of the Stavropolskaya GRES and the Kirishshkaya GRES.

Dynamics of share distribution among main coal suppliers in 2015–2017

Supplier	Share in the total value of the coal supply, %		
	2015	2016	2017
Gas Alliance LLC	0%	5%	17%
Southern Fuel Company (Yuzhnaya Toplivnaya Kompaniya) LLC	0%	3%	18%
OJSC Donugol	18%	18%	6%
JSC Krasnoyarskkraiugol	18%	20%	13%
JSC Russian Coal	2%	2%	11%

Factors of changes in share distribution among main coal suppliers in 2017 as compared to 2016:

- Increase in supply from Gas Alliance LLC and Southern Fuel Company LLC in 2017 was mainly due to entering into new contracts in September 2016; as such, these companies did not supply anything in the first half of 2016.
- 7% reduction in the share of JSC Krasnoyarskkraiugol was due to the coal supply contract with the Ryazanskaya GRES having expired July 1, 2017. From July 1, 2017 the new coal supplier was JSC Russian Coal, which explains the 9% growth in its share.
- The 2017 12% and 4% reduction in the supplies from JSC Donugol and FLASH ENERGY LLC, respectively, was initiated by the counterparties.

Dynamics of share distribution among main fuel oil and diesel fuel suppliers in 2015-2017:

Supplier	Share in the total value of the fuel oil and diesel fuel supply, %		
	2015	2016	2017
JSC EKS Company Group	54%	42%	14%
Krasnoyarsk Fuel Company LLC	4%	14%	19%
Intec-M LLC	14%	32%	41%
KINEF LLC	-	-	26%

Fuel oil is delivered to the power plants of OGC-2 on a competitive basis as a result of requests for proposals for a specific period. This is why the key factor that affected the value distribution

among the key fuel-oil suppliers in 2017 was giving preference to such suppliers that were able to offer the lowest price *ceteris paribus*.

4.7. Supplier Relations and Anti-Corruption

Regardless of a supplier's share in the total supplies structure, relations with them are built on the principles of responsible partnership. We seek to maintain long-term, stable, and mutually beneficial relations with our suppliers. JSC OGC-2 continually 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.

Procurements

The OGC-2 Procurement System is in place to maximize the efficiency of spending the financial resources, to timely and fully meet the demand for goods, work, and services while being staying at such price, quality, and reliability levels that are necessary for safety assurance at hazardous production facilities.

Procurement activities of JSC OGC-2 is based on the Regulations on Procurement of Goods, Work, Services. Basic principles of procurement:

- information openness;
- transparency;
- equality;
- fair competition;
- broad and simple access to procurement for all participants.

In 2017, all procurement that was organized on a competitive basis was implemented electronically on the website of the Trade System GazNeftetorg. ru (www.gazneftetorg.ru). In 2017, competitive procurement had a positive effect equal to 5.0% of the initial (maximum) competitive procurement price (excluding fuel procurement).

In 2017, JSC OGC-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 2017 amounted to 29% 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%.

MTR Inventory Management

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 2017, the economic effect of selling unclaimed MTR and recyclable waste totaled 71.8 million rubles, excluding VAT.

Conflict of Interest Prevention and Settlement Policy

To identify and prevent conflicts of interest, OGC-2:

- analyzes and systematizes 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;¹
- 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 OGC-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.

Activities of the Committee of Conflicts of Interest

The Committee for Conflicts of Interest consists of 6 persons. The Committee is chaired by Igor Podkin, OGC-2 Deputy Director General for Corporate Protection. 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 2017, the Committee held 20 meetings and discussed 50 matters.

Mostly, the issues considered in 2017 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. No conflicts of interest on the part of the Board of Directors or executive bodies were identified.

Anticorruption Policy

JSC OGC-2 implements its anticorruption activities in strict compliance with the applicable laws of the Russian Federation. The Company's 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.

There have been developed standards and procedures to ensure the Company operates on a fair basis; those include procedures adopted to identify and prevent corruption, including the bribery of foreign officials.

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. Pursuant to the corporate procedures, the Company monitors its procurement management, contractual operations, and the incoming inventory.

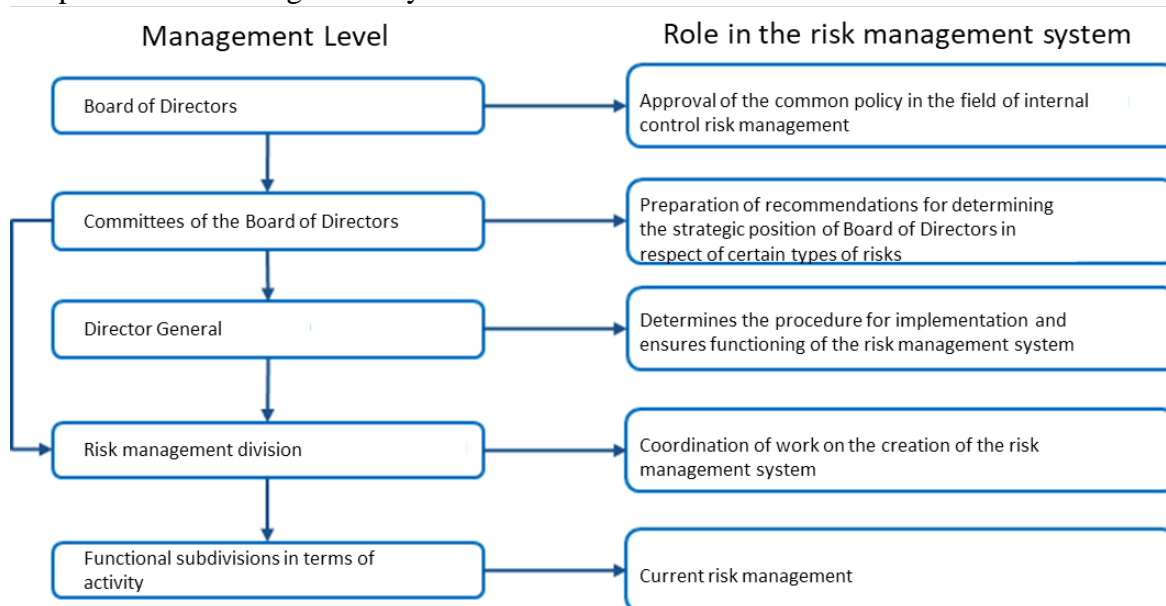
Since 2014, PJSC "Gazprom" has had a hotline in place that covered the issues of combating fraud, corruption, and embezzlement within the Gazprom Group. Hotline-received complaints are carefully checked and analyzed.

5. Risk Management

5.1. Corporate Risk Management System

Risk management at OGC-2 implies the regular identification, assessment, and ranking of risks as well as measures for preventing risks and minimize their possible negative effects. The key goal of the Company's corporate risk management system consists in ensuring a reasonable guarantee of attaining strategic and operational goals. Coordinated participation of all the levels of corporate management in this work is provided for.

Corporate Risk Management System



OGC-2 has internal documents that govern the management of specific risks, including industrial, financial, insurance, and tax risks.

April 27, 2017 the Company approved its Risk Management Policy (Board of Directors Meeting Minutes dated April 28, 2017 No. 171).

Risk management processes under the Risk Management Policy



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);
- 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 its previously developed Integrated Risk Management System (IRMS) on a stage-by-state basis. 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 enabled 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.

Risk management in the first stage of implementation of the IRMS at 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.

5.2. Risk Classification and Assessment

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
1.	<i>Territorial risks</i>					
1.1.	National risks: <ul style="list-style-type: none"> Slowdown or full stop in the development of the Russian economy, as well as political changes that might adversely affect the solvency of the consumers or the demand for OGC-2 products, or limit access to capital, which in its turn might adversely affect the Company' performance, financial position, and market value of shares. 	This risk is virtually unmanageable. The Company implements active measures aimed at reducing costs and improving efficiency in all the areas of its activity, which makes it more competitive, but not invulnerable to the 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. 	Monitoring the situation in the regions of power plant locations. Cooperation with state and other authorities to ensure the security of the Company's facilities. Natural 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 	Training the personnel to handle natural or technogenic emergencies. Close cooperation, including joint exercises, with the participation of representatives of the Federal Fire Service	↔	↔	-	-

²⁰ Changes in the probability and/or significance of risk occurrence in 2017. ↑ stands for an increased probability or a more significant effect of the risk on the Company's activities. ↓ stands for a lower probability or a less significant effect of the risk on the Company's activities. ↔ stands for an unchanged probability / significance over the course of the reporting year.

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
	remoteness and / or inaccessibility.	of the EMERCOM of Russia as well as ambulance and specialized rescue teams. Natural 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.	<i>Risks associated with the work of the sectorial branch of the electricity and capacity market and with heat supply to consumers</i>					
2.1.	Reduction in the demand for electricity and heat energy as a result of the decline in industrial production in Russia, improving its energy efficiency, or implementing other 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.	↔	↔	-	-
2.2.	Changes in the electricity prices in unregulated markets; uncertainty and limitations of heat tariffs.	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.	↔	↔	-	-

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
		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.				
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. Imposition of heat restrictions (only after submitting a series of notices and only in respect of facilities that can be disconnected without violating applicable laws).	↑	↑	-	-
2.5.	Risk of non-outtake of capacity of the Company's generating facilities	Minimization of risks associated with the non-outtake of the claimed capacities by selecting only optimal (competitive) applications for CCA.	↓	↔	-	Optimizing the Company's strategy for using its generating capacities for CCO, as a result of which all of the Company's generating facilities planned for capacity supply have been CCO-selected for until 2021.
3.	<i>Specific production and technical risks</i>					
3.1.	Occurrence of accidents due to physical depreciation of fixed assets.	Timely implementation of repairs and revamping, reconstruction, and upgrade. Implementation of the Investment Program that implies the construction of	↓	↔	-	-

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
		new state-of-the-art facilities and gradual decommissioning of the older ones.				
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.	Weather-associated and seasonal risks	The equipment, organizational and technical solutions in place minimize the weather effects on the reliability of electricity and heat production; however, weather does affect the demand for heat and electricity, which in its turn affects the economic performance of OGC-2. The Company takes into account the seasonal factors when scheduling its maintenance and repair activities to minimize the equipment downtime during high-demand periods.	↔	↔	-	-
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 revamping, reconstruction, and upgrade. Additional training and professional development of the Company's personnel.	↑	↓	-	-

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
3.5.	Increased competition in as companies in the power sector implement their investment programs, 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 revamping, reconstruction, and upgrade. Conclusion of long-term contracts for electricity and heat supply. Optimization of inefficient equipment.	↑	↔	-	-
3.6.	Risks of violating Articles 1 and 52 of the Town Planning Code of the Russian Federation. Functioning as a technical customer/developer without participating in a self-regulatory organization in the field of architectural design, construction, reconstruction, and overhaul of capital construction assets (SRO).	The Company has developed and is adhering to a plan of measures targeted at making OGC-2 a member of such an SRO in the shortest possible time.			The Company received a Rostekhnadzor Order No. CB-6623-p-2 when constructing the pre-heating plant for the Serovskaya GRES.	The Company engaged a contractor fully compliant with the effective legislation in functioning as a customer/developer on a contract basis to construct the pre-heating plant for the Serovskaya GRES. OGC-2 is currently doing the paperwork necessary for becoming an SRO member.
4.	<i>Risks in the field of state regulation</i>					
4.1.	State authorities might adopt decisions to halt the growth of electricity, heat, and heat carrier tariffs, or approve such tariffs that do not cover the costs of electricity, heat, and heat carrier in the Company's operations.	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	Participation in the drafting of regulatory legal acts, project-specific regulatory	↓	↔	July 19, 2017 amendments to the Federal Law "On	For 2018, the Company plans to make tariff

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
	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.	impact assessment; participating in forming the Gazprom Group's consolidated stance on the wholesale regulation changes, the platform for which is provided by the Association "Council of Power Producers".			Heat Supply" were adopted. Those amendments were aimed at transitioning from complete state regulation of prices (tariffs) in the heat supply sector to contractual prices with consumer price caps. Pursuant to Clause 8.2.2. of the Federal Law "On Heat Supply", prices on heat produced and supplied in the form of steam are subject to no regulation and shall be determinable by agreement of the parties; the amendment has been in effect since January 1, 2018.	proposals for heat production (supply) for a 5-year regulation period (2019–2023) for six branches where the first long-term regulation period ends in 2018; the Company also plans to adjust the gross revenue requirements relating to head production (supply) for branches that have long-term heat tariffs.
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 OGC-2 makes every necessary 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.	↔	↔	-	-

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
5.	Risks of implementation of investment projects					
5.1.	<p>Risks of financial and reputational losses in the course of implementation of investment projects:</p> <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 Capacity Supply Agreements;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	<p>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.</p>	↓	↓	-	-

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
	the time construction projects are commissioned).					
6.	Financial risks					
6.1.	<p>Changes in interest rates and complication of borrowings:</p> <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. 	<p>Attraction of mostly intercompany debt financing.</p> <p>When raising new loans and credits, the Company's Management has to rely on its own judgment to decide whether it is fixed or variable rate that will be more beneficial for the Group for the entire settlement period until maturity. As at December 31, 2017, the Group's significant interest-bearing assets and liabilities have a fixed interest rate and are therefore not exposed to the risk of being different from the market rate.</p>	↓	↔	Financial risks analysis is presented below.	
6.2.	<p>Inflation risks:</p> <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. 	<p>Efforts aimed at setting economically justifiable rates for the Company within the limits imposed by the state.</p> <p>Actions aimed at cutting internal costs.</p>	↓	↔		

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
6.3.	Risk of change in exchange rates.	Group-produced electricity and heat is sold in the domestic market of the Russian Federation, with prices being fixed in the currency of the Russian Federation. The Group's financial status, liquidity, and financial sources do not depend significantly on the exchange rate. In this regard, the Group's exposure to risks of changes in foreign-currency exchange rates is limited.	↓	↔		
6.4.	The Company financially supports its employees after termination of employment, at retirement, as well as for anniversaries. This is a defined-benefit program. Risks associated with the pension plan: <ul style="list-style-type: none"> • changes in government bond yields; • inflation risk and the risk of increased salaries; • longevity risks. 	As a part of its Non-State Pension Scheme, the Company pays contributions to the Elektroenergetika Non-State Pension Fund and GAZFOND Non-State Pension Fund, which are accumulated in pension accounts opened under the agreements with both NSPFs. In accordance with the terms of the accounts under the NSPF agreements, as well as pursuant to the agreement-stipulated option for termination and payout of the redemption amount to the depositor, funds in such NSPF accounts do not meet the criteria to be defined as assets under the plan. These funds are recognized as a separate asset of the Group. As at December 31, 2017 its value totaled 498 million rubles.	↔	↓		
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.	↓	↑	-	-

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
		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.				
8.	<i>Social risks</i>					
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 erroneous actions of the Company's personnel.	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).	↓	↔	-	-

No.	Risks	Measures taken to reduce the probability of the risk and/or to mitigate its negative effects	Dynamics ²⁰ in the reporting year		Risks actually realized in the reporting year	Company's measures or plans to mitigate the negative consequences of risks realized in the reporting year
			Risk occurrence probability	Risk significance		
		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.	↔	↔	-	-

5.3. Analysis of Financial Risks

Credit Risk

The Group exposure to credit risk is influenced mainly by specific features of each counterparty. Since there is no independent evaluation of the solvency of the wholesale electricity and capacity buyers or other buyers, the Group evaluates their solvency taking into account their financial situation, reputation, past experience, and the presence of arrears. Existing accounts receivable are subject to continuous monitoring and regular recovery. The Management believes that most buyers whose balance is included in trade receivables are a single group of customers that belong to the same internal wholesale electricity market regulated by JSC "ATS".

The Group Management believes the Group activities do not depend on any specific buyer.

Funds are placed with Russian financial institutions that feature a minimum risk of non-payment as of the account opening date. The Company's Board of Directors has thus approved a list of banks where deposits may be placed, as well as placement rules. Besides, the Group continuously monitors the financial condition, ratings by independent agencies, past experience, and other factors.

The Company can accept bank promissory notes from counterparties as payment for supplied electricity and capacity. Besides, the Group continuously monitors the financial condition of banks, ratings by independent agencies, past experience, and other factors.

As of December 31, 2017 neither the trade receivables nor other accounts receivable were secured by third-party guarantees. Credit risks associated with accounts receivable are systematically checked for the appropriateness of establishing and allowance for the impairment of receivables. Net accounts receivable excluding such allowance are the maximum amount exposed to credit risks. Although the collection of receivables could be influenced by economic factors, the Group's management believes there is no significant risk of bearing losses that would exceed the established allowance for the impairment of receivables.

The amount of such allowance is set by the Group's management on the basis of customer-specific solvency, credit history, and debt recovery, as well as of the analysis of projected future cash flows. The current value of such future cash flows was calculated using discount rates effective as of the incurred date; the weighted-average discount rate based on the effective interest rate amounted to 9.75. The effect of discounting is recognized in financial expenses (financial earnings). The Group Management believes that the discounted accounts receivable minus the accrued allowance can be recovered both in cash and in setoffs.

Liquidity Risk

Reasonable liquidity risk management includes maintaining a certain sufficient level of cash and lending opportunities. To manage the liquidity risk, the Group uses a policy of holding financial assets for each there is an available active market and which are ready for conversion to maintain liquidity.

Capital-Associated Risk

Law of the Russian Federation stipulates the following requirements to the capital of joint-stock companies:

- the share capital of a Company may not be less than 100 thousand rubles;
- if a Company share capital exceeds its net assets, the Company shall adopt a decision to either reduce its share capital to the value of net assets or less, or to liquidate it;

- if the minimum authorized share capital exceeds a Company net assets, such Company is subject to liquidation.

As of December 31, 2017 the Group was in compliance with these requirements. The Group's objectives in relation to capital management consist in ensuring its ability to act continuously to maintain returns on capital for shareholders and acquire benefits for other stakeholders, as well as to maintain an optimal capital structure so as to reduce its value. According to the Company's RAS-based financial statements, the capital managed by the Company amounted to 120,149 million rubles as of December 31, 2017.

Like other companies in the industry, the Company analyzes its capital on the basis of own-to-borrowed funds ratio. This ratio is calculated on the basis of the approved RAS-based financial statements by dividing the total liabilities by 1.4x total capital. In accordance with the Company's internal regulations, this ratio shall not exceed 1. The Company currently adheres to such ratio.

6. Corporate Governance

Address of the Corporate Secretary as Regards the Main Changes in the Company Corporate Governance for 2017 and Plans for the Near Future

Dear shareholders!

The JSC OGC-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.

The Company 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 analyzed for the feasibility of applying them to the Company's corporate governance.

In 2017, 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. One of the most important changes made in 2017 consists in establishing additional criteria for recognizing the independence of directors.

In 2017, the Company also approved the new revisions for a number of internal documents (the Charter, the Regulation on the General Meeting of Shareholders, the Regulation on the Board of Directors, the Regulation on the Audit Committee).

OGC-2 tasks itself to adhere to the common corporate governance standards of the Gazprom Group. 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).

Corporate Secretary
JSC OGC-2

A.M. Gusev

Memorandum of the PJSC Gazprom Intentions in Respect to Controlled Companies: JSC Mosenergo, JSC MIPC, JSC OGK-2, JSC TGK-1.

Electric power industry is strategically important for the Gazprom Group. Over the last 10 years, PJSC Gazprom established Russia's largest vertically-integrated electricity holding to unite assets in the production of electricity, and heat, transmission and sale of heat, as well as in related segments.

Electricity assets were consolidated in a 100% subsidiary, Gazprom Energoholding LLC, which holds the controlling stakes of JSC Mosenergo, JSC TGK-1, and JSC MIPC (Moscow's unified heat supplier). The controlling stake of JSC OGK-2 is held by JSC Tsentrenergoholding, a Gazprom Energoholding LLC subsidiary.

JSC Mosenergo, JSC TGK-1, JSC OGK-2, and JSC MIPC are integral to the business of the Gazprom Group, and the alienation of these assets is out of question.

PJSC Gazprom considers the progressive development of these companies, stable growth of their financial indicators, and maintaining the reliability of power supply to consumers a top priority.

PJSC Gazprom manages these companies under uniform corporate standards, is aware of the importance of improving the corporate governance of the companies it controls, and seeks to ensure the openness and transparency of their activities.

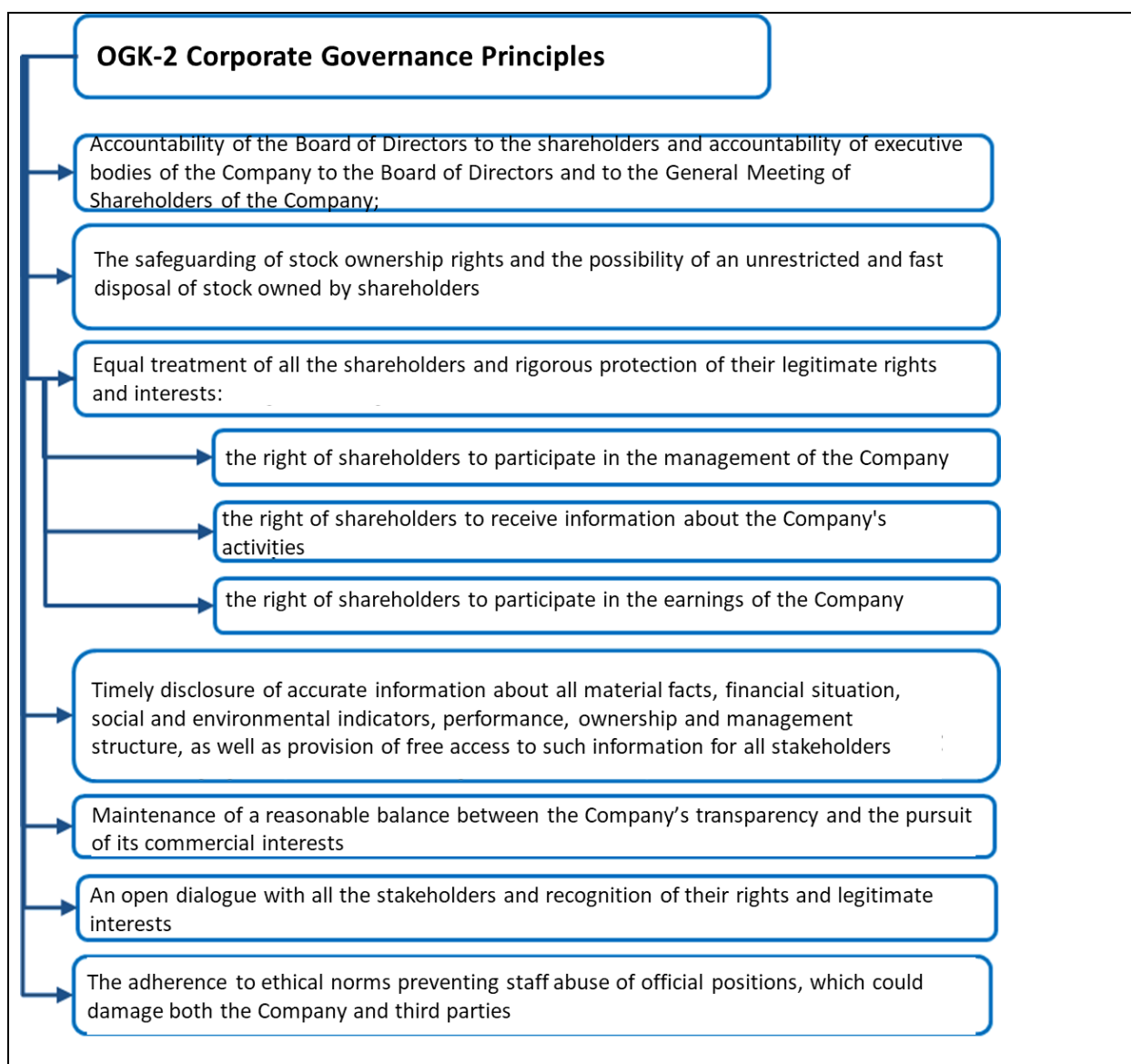
6.1. Principles of Corporate Governance

The corporate governance system of JSC OGC-2 is aimed at improving the Company 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.

The strengths of corporate governance of JSC OGC-2:

- the number of the Board of Directors members is consistent with the scale of the Company's business, with all the members being well aware of the Company's activities thanks to their professional experience and competences gained from the main jobs;
- the competence of the Board of Directors encompasses a large number of issues which are not limited by legislative requirements;
- the Company discloses a considerable scope of information outside what it is legally required to disclose;
- the early time of disclosing reports under IFRS.

The Company's corporate governance system is built along the following principles:



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

- maintenance of a reasonable balance between the Company's transparency and the pursuit of its commercial interests;
- business specifics: a strategically important activity regulated by the state;
- Company's development phase: completing the 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.

Below are the main documents of the Company that regulate corporate governance:

- Articles of Association
<http://www.ogk2.ru/upload/iblock/7d8/7d8896a46568114bb710122ce97bc241.tiff>
- OGC-2 Corporate Governance Code
<http://www.ogk2.ru/upload/iblock/6d9/6d95060717257aaa577f5911e6526f53.RTF>
- Code of Conduct
<http://www.ogk2.ru/upload/iblock/ebb/ebbeb3d42eda300a1c5f441f62bbfc26.pdf>
- Regulation on Information Policy
<http://www.ogk2.ru/upload/iblock/dc3/dc3f342faf29fa7b306e3c0468f3a43a.doc>
- Insider Information Access Regulation
<http://www.ogk2.ru/upload/iblock/24c/24c93fb3e9ddbe49fe0650abd995124e.pdf>
- Regulation on the General Meeting of Shareholders
<http://www.ogk2.ru/upload/iblock/28e/28eefda191af22be33ac169e61d98dbf.docx>
- Regulation on the Board of Directors
<http://www.ogk2.ru/upload/iblock/3c6/3c6ac9b42b4463df5f61a945fff99361.docx>
- Regulation on the Director General
<http://www.ogk2.ru/upload/iblock/9fd/9fd2b057a9feb6cabe5c96b21cfc2590.doc>
- Regulation on the Management Board
<http://www.ogk2.ru/upload/iblock/ea3/ea315e57f066ccbb5bfcd091ea6942f.pdf>
- Regulation on the Procedure for Determining Remunerations and Compensations to the Members of the Board of Directors
<http://www.ogk2.ru/upload/iblock/288/2883bbe2a99a266ec573760862d92efc.doc>
- Regulation on the Audit Committee
<http://www.ogk2.ru/upload/iblock/502/502492b50b02dc9ee262c38582033bfc.docx>
- Regulation on Payment of Remunerations and Compensations to the Members of the Internal Audit Committee
<http://www.ogk2.ru/upload/iblock/349/3497b9da82018b11c1d45f5121f7e128.doc>
- Regulation on the Board of Directors Strategy and Investments Committee
<http://www.ogk2.ru/upload/iblock/90d/90df4a64c5f691eb0af8aca1b792d27a.doc>
- Regulation on the Board of Directors Audit Committee
<http://www.ogk2.ru/upload/iblock/9e2/9e2385fab5559046b73efc6b24c6d61c.pdf>
- Regulation on the Board of Directors Reliability Committee
<http://www.ogk2.ru/upload/iblock/b52/b52d21d90a90af5f2ebd757de599ed17.pdf>
- Regulations on the Board of Directors HR and Remuneration Committee
<http://www.ogk2.ru/upload/iblock/f58/f58498d406484727024bc3c5bf6f83d0.pdf>
- Regulation on the Corporate Secretary
<http://www.ogk2.ru/upload/iblock/f02/f02eb40c57b91f202cef481f1b279a42.pdf>

6.2. OGC-2 Corporate Governance Improvements in 2017 and Plans for 2018.

In 2017, the Company corporate governance was mainly improved in such areas as risk management, internal control procedures, stronger control of the Board of Directors over major transactions, and Dividend Policy. A number of corporate procedures was brought in line with the updated requirements the Moscow Exchange imposes on joint-stock companies allowed to trade.

April 27, 2017 the Company approved its Risk Management Policy (Board of Directors Meeting Minutes dated April 28, 2017 No. 171).

The General Meeting of Shareholders has approved a new revision of the OGC-2 Articles of Association. Among the major changes are:

- The approved procedure for notifying the Board of Directors or the Management Board on intentions to make an interested-party transaction.
- Stronger control of the Board of Directors over the Company's major transactions, attained by extending the competence of the Board of Directors with regard to approving major-transaction conclusions, which must as well contain details on the expected consequences of such major transaction for the Company's activities, as well as a feasibility evaluation in relation thereto.
- The Board of Directors' competence now includes such matter as the approval of general risk management and internal control policies, making decisions on the periodical assessment of the Risk Management and Internal Control System, review of such assessments, retrieval of information on the most significant risks, submission of recommendations on how to manage such risks and to improve risk management activities (if necessary), approval of an acceptable level of risk for the Company, as well as other powers envisaged by the Board-of-Directors-approved Internal Audit Policy of the Company.

A new revision of the Regulation on the General Meeting of Shareholders has been approved, which, among other things:

- has expanded the scope of information to be provided to persons entitled to participation in the General Meeting of Shareholders, while preparing for such a meeting:
 - Board of Directors' opinion on a major transaction;
 - report on the Company's major interested-party transactions made in the reporting year;
- when preparing for a General Meeting of Shareholders, the Board of Directors may decide on which additional information is to be provided to persons entitled to participation in such meetings, including:
 - report on the Audit Committee's evaluation of the external audit efficiency;
 - Board of Directors' stance on all the matters included in the General Meeting of Shareholders' agenda.

A new revision of the Regulation on the Board of Directors of OGC-2 has been approved with the following changes:

- independent members of the Board of Directors are now obliged to notify the Board of Directors on any circumstances which cease their independence;
- an emphasis is made on bona-fide actions in the Board of Directors voting.

A new revision of the Regulation on the Internal Audit Committee of OGC-2 has been approved. Now the Committee, aside from the authenticity of data presented in the Company Annual Report and annual accounting (financial) statements, shall validate the reliability of data presented in the Company's Report on Interested-Party Transactions for the reporting year.

In August 2017, the Board of Directors approved a new revision of the Dividend Policy, yet another important milestone for the Company's corporate governance. The new document is in compliance with the policies the controlling stakeholder has developed for its subsidiaries in the energy sector. The document removes the threshold on the payment of dividends in the amount of 5% to 35% of the profits (per RAS). This might potentially increase the share of profits to be paid as dividends, as well as to tie the calculation of dividends to the IFRS-based profits.

Plans for 2018

For 2018, the Company plans to extend the Board of Directors' competences with respect to determining and supervising the Company strategy, policies, and basic operation principles, including those related to investments and loans, risk and property management, and other activities.

It is planned to make amendments in the constituent and internal documents. The amendments are mostly to bring those documents in line with the changing legislative requirements.

It is proposed to entrust the Board of Directors with supervising the Company's corporate governance, as well as to determine the Board of Directors' key role in the Company's significant corporate events.

6.3. Assessment of Compliance with the Corporate Governance Principles

The Company carries out annual internal assessment of compliance with the corporate governance principles.

This Report presents the results of the assessment of the OGC-2 corporate governance for compliance with the Corporate Governance Code as approved by the Letter of the Bank of Russia in 2014, attachment to the Letter dated February 17, 2016 No. ИИ-06-52/8.

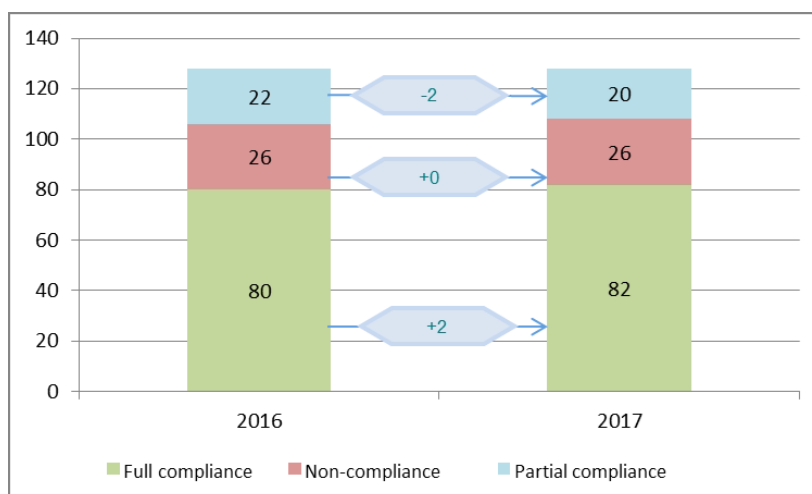
The Company has carried out such assessment on its own in compliance with the Recommendations for Reporting Compliance with the Principles and Recommendations of the Corporate Governance Code.

The comparison was done for the recommendations of the Corporate Governance Code and the provisions of the existing internal corporate documents of JSC OGC-2 as well as the current practice of the Company in the area of corporate governance. Assessment was based on the Code-recommended criteria. Each principle was given one of the possible statuses, Full Compliance, Non-Compliance, or Partial Compliance.

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. Annex 2 contains a detailed report.

Assessment of Corporate Governance 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	Non-compliance	Partial compliance	Full compliance	Non-compliance	Partial compliance
I. Shareholders’ rights and equality of shareholders in the exercise of their rights								
1.1.	6	14	12	-	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	-	2	3	-	2	3
2.4.	4	6	2	2	2	3	2	1
2.5.	3	4	2	2	-	2	2	-
2.6.	4	8	4	2	2	4	2	2
2.7.	4	4	3	1	-	3	1	-
2.8.	6	13	4	2	7	4	2	7
2.9.	2	3	1	2	-	1	2	-
III. Corporate Secretary of the Company								
3.1.	2	3	3	-	-	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	1	1	1	1	1
4.3.	3	6	3	3	-	3	3	-
V. Risk management and internal control system								
5.1.	4	5	3	1	1	4	1	-
5.2.	2	3	2	-	1	2	-	1
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	80	26	22	82	26	20

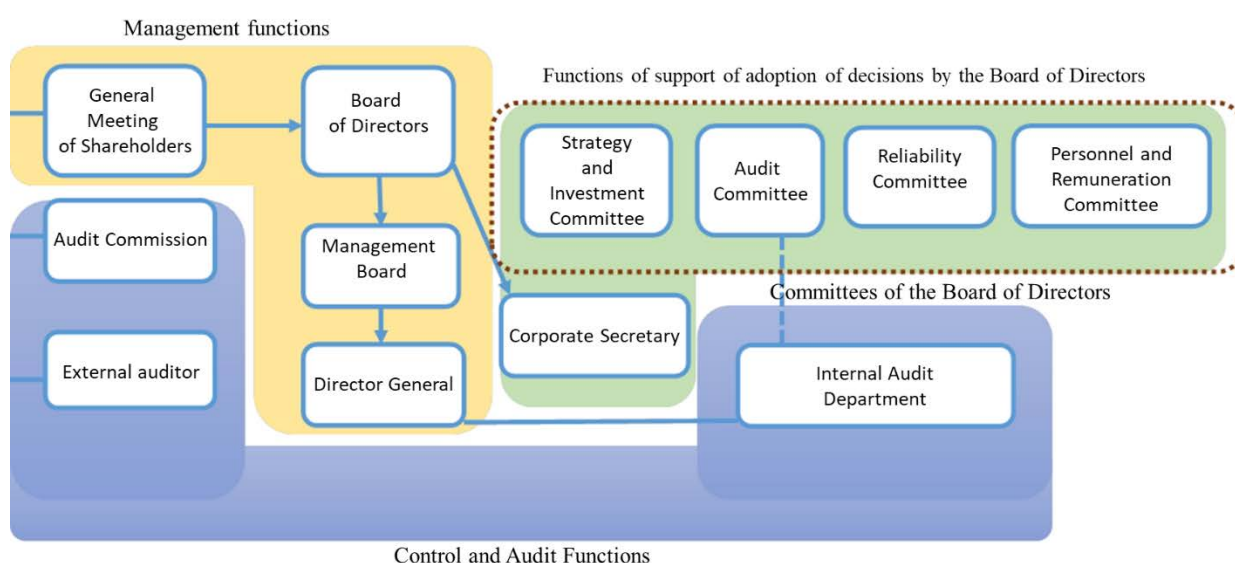


Better compliance with the Code was mainly achieved by making changes and amendments specified in the Corporate Governance Improvement section, as well as by reviewing and recognizing the independence of the current Board of Directors members at a Board of Directors meeting.

6.4. Corporate Governance Structure

The governance bodies of JSC OGC-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, the Director General, 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.

OGK-2 Corporate Governance Structure



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.

On June 2, 2017 the Annual General Meeting of Shareholders adopted the following decisions:

- On approval of the Company's annual report, annual accounting statements, including the Company's income statement for 2016;
- On distribution of profit (including payment (declaration) of dividends) and losses of the Company for the fiscal year 2016;
- On electing the Board of Directors of the Company;
- On electing the Internal Audit Committee of the Company;
- On approval of the Company's auditor;
- On approval of the Company's Articles of Association in a new revision;
- On approval of the Company's internal regulations;
- On payment of remuneration and / or compensation to members of the Board of Directors of the Company;
- On consent to interested-party transactions.

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 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 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. 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.

Composition of the Board of Directors

Over the course of 2017, D.V. Kulikov and A.V. Shevchuk had the status of independent directors pursuant to the Corporate Governance Code.

	Board of Directors acting from December 17, 2016 to June 2, 2017 (elected December 16, 2016 by an extraordinary General Meeting of Shareholders)	Board of Directors acting from June 2, 2017 (elected June 2, 2017 by the General Meeting of Shareholders)
1.	Denis Vladimirovich Fedorov (Chairman)	Denis Vladimirovich Fedorov (Chairman)
2.	Denis Nikolaevich Bashuk	Yuriy Yefimovich Dolin
3.	Denis Viktorovich Kulikov (Independent Director)	Denis Viktorovich Kulikov (Independent Director)
4.	Roman Eduardovich Abdullin	Roman Eduardovich Abdullin
5.	Irina Yurievna Korobkina	Irina Yurievna Korobkina
6.	Aleksandr Viktorovich Shevchuk (independent director)	Aleksandr Viktorovich Shevchuk (independent director)

7.	Aleksandr Vladimirovich Rogov	Aleksandr Vladimirovich Rogov
8.	Yevgeniy Nikolaevich Zemlyanoy	Yevgeniy Nikolaevich Zemlyanoy
9.	Stanislav Anatolevich Ananyev	Stanislav Anatolevich Ananyev
10.	Pavel Olegovich Shatskiy	Pavel Olegovich Shatskiy
11.	Sergey Sergeyevich Fil	Sergey Sergeyevich Fil ²¹

Independent members of the Board of Directors

In 2017, two Directors were independent, which was in line with the Corporate Governance Code:

- June 7, 2017 the Board of Directors recognized D.V. Kulikov as an independent member of the Board of Directors;
- June 27, 2017 the Board of Directors recognized A.V. Shevchuk as an independent member of the Board of Directors;
- November 23, 2017 the Board of Directors recognized A.V. Shevchuk and D.V. Kulikov as independent members of the Board of Directors.

Members of the Board of Directors as of December 31, 2017

Full name	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, PJSC Gazprom Director General of Gazprom Energoholding LLC. Director General of JSC Tsentrenergoholding.
Membership in the Boards of Directors of other companies	Director General of Gazprom Energoholding LLC. Director General of JSC Tsentrenergoholding. A member of the Board of Directors, MOSENERGO, JSC TGK-1, PJSC "INTER RAO UES", JSC Tsentrenergoholding, and Amurskaya TPP LLC. Member and Chairman of the Supervisory Board of the Council of Energy Producers.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	Chairman of the Board of Directors
Job positions, including job positions occupied in other companies, in the last 5 years	2011 to date: Director General of JSC Tsentrenergoholding. 2009 to date: Director General of Gazprom Energoholding LLC. 2007 to date: Head of Office, PJSC Gazprom 2017-2017: Director General of ATES LLC 2013-2017: Member of the Supervisory Board, NP Center for Innovation and Energy Technology.
Ownership (either direct or indirect ownership) of the shares in the Company	Owned ordinary shares in the authorized capital of JSC OGC-2, %: 0.084.
A 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

²¹ As of December 31, 2017 Sergey Sergeyevich Fil is a retired member of the OGC-2 Board of Directors.

Full name	Roman Eduardovich Abdullin
Year of birth:	1975
Education, qualification level	1975
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 Boards of Directors of Gazprom Gas Motor Fuel LLC, JSC MIPC, JSC Gazprom Energoremont.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	Member of the Board of Directors of JSC OGC-2, member of the JSC OGC-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	Owned ordinary shares in the authorized capital of JSC OGC-2, %: 0.007.
A 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

Full name	Stanislav Anatolevich Ananyev
Year of birth:	1971
Education, qualification level	Higher education, graduated from Plekhanov Russian Academy of Economics, Candidate of Economic Sciences.
Current place of employment and job position	Director General, Chairman of the Board, JSC OGC-2; Director General of OGC-Investproekt LLC.
Membership in the Boards of Directors of other companies	Member of the Board of Directors of JSC "Trade System Administrator".
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	Member of the Board of Directors.
Job positions, including job positions occupied in other companies, in the last 5 years	2017 to date: Director General of OGC-Investproekt LLC. 2016 to date: Member of the Board of Directors. Chairman of the Board, Director General of JSC "OGC-2". 2012–2017: Member of the Board of Directors, JSC "Trade System Administrator" 2012–2016: Member of the Board – First Deputy Chairman of the Board,
Ownership (either direct or indirect ownership) of the shares in the Company	Owned ordinary shares in the authorized capital of JSC OGC-2, %: 0.007
A 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

Full name	Yevgeniy Nikolaevich Zemlyanoy
Year of birth:	1985
Education, qualification level	Higher education; graduated from Plekhanov Russian University of Economics.
Current place of employment and job position	Deputy Director General for Economics and Finance, Gazprom Energoholding LLC; Director General of GEKh Finance LLC.

Membership in the Boards of Directors of other companies	Member of the Boards of Directors of JSC MIPC, PJSC Tsentrenergoholding, Novo-Salavatskaya CCGT LLC, JSC Gazprom Energoremont, Mezhtregionenergostroi LLC (Chairman of the Board of Directors), 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 TKG-1 Board of Directors.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	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	2014 to date: Deputy Director General for Economics and Finances, Gazprom Energoholding LLC. 2015-2016: Deputy Director General for Economics and Finance, JSC OGC-2. 2007-2014: PJSC Gazprom, Head of Department, Deputy Head of Office, Head of Electric Energy Sector Development, Department for Development and Marketing in Electric Power Industry
Ownership (either direct or indirect ownership) of the shares in the Company	Owned ordinary shares in the authorized capital of JSC OGC-2, %: 0.007
A 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

Full name	Denis Viktorovich Kulikov
Year of birth:	1975
Education, qualification level	Higher education; graduated from Kutafin Moscow State Law Academy, 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 JSC Tuimazy Ready-Mix Trucks.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	Member of the Board of Directors, recognized an independent director, member of the JSC OGC-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 OGC-2, %: 0,015.
A 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

Full name	Irina Yurievna Korobkina
Year of birth:	1976
Education, qualification level	Higher education; graduated from Kutafin Moscow State Law Academy ; State University of Management.
Current place of employment and job position	Deputy Head of Office, PJSC Gazprom Deputy Director General, JSC Tsentrenergoholding.

Membership in the Boards of Directors of other companies	Chairperson of the Board of Directors, JSC Tsentrenergoholding, JSC Gazprom Energoremont. Member of the Boards of Directors of PJSC MTER, Mezhtregionenergostroi LLC, PPTK LLC, Mezhtregionenergostroi Stockmann 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, TER LLC.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	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. 2009-2017: Deputy Head of Office, PJSC Gazprom.
Ownership (either direct or indirect ownership) of the shares in the Company	Owned ordinary shares in the authorized capital of JSC OGC-2, %: 0.034.
A 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

Full name	Aleksandr Vladimirovich Rogov
Year of birth:	1981
Education, qualification level	Higher education; graduated from the Lomonosov Moscow State University. Candidate of Physical and Mathematical Sciences.
Current place of employment and job position	Chief Specialist, Deputy Head of Department, Head of Department, Deputy Head of Office — Head of Department, PJSC Gazprom.
Membership in the Boards of Directors of other companies	Chairman of the Board of Directors of CJSC TekonGroup, CJSC PK Promcontroller, SITs Teploizolyatsiya LLC, Serbian Generation Novi Sad LLC. A member of the Board of Directors, PJSC Tsentrenergoholding, PJSC MTER, JSC Tecon Engineering, PPTC LLC, Astrakhanskaya TPP LLC, JSC MIPC, ANT-Servis LLC, Gazprom Energoholding Engineering LLC, OJSC "MIPC-Project" TSK Metrologia LLC, TSK Mosenergo LLC.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	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 OGC-2, %: 0.045.
A 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

Full name	Yuriy Yefimovich Dolin
Year of birth:	1949
Education, qualification level	Higher education; graduated from Tashkent Polytechnic Institute.

Current place of employment and job position	Deputy Director General for Capital Construction, Gazprom Energoholding LLC, Director General of GEKH Engineering.
Membership in the Boards of Directors of other companies	Member of the Board of Directors, GEKh Engineering LLC and Mezhhregionstroi LLC. Member of the Business Strategy and Investment Committee of the JSC TGK-1 Board of Directors.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	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 to date: Director General of GEKh Engineering LLC, 2011 to date: Deputy Director General for Capital Construction, Gazprom Energoholding LLC 2012-2017: Director General of OGC-Investproekt LLC, 2015–2016: Director General of GEKh Situation Center LLC, 2015–2015: Director General of Mezhhregionstroi LLC,
Ownership (either direct or indirect ownership) of the shares in the Company	Owned ordinary shares in the authorized capital of JSC OGC-2, %: 0.018
A 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

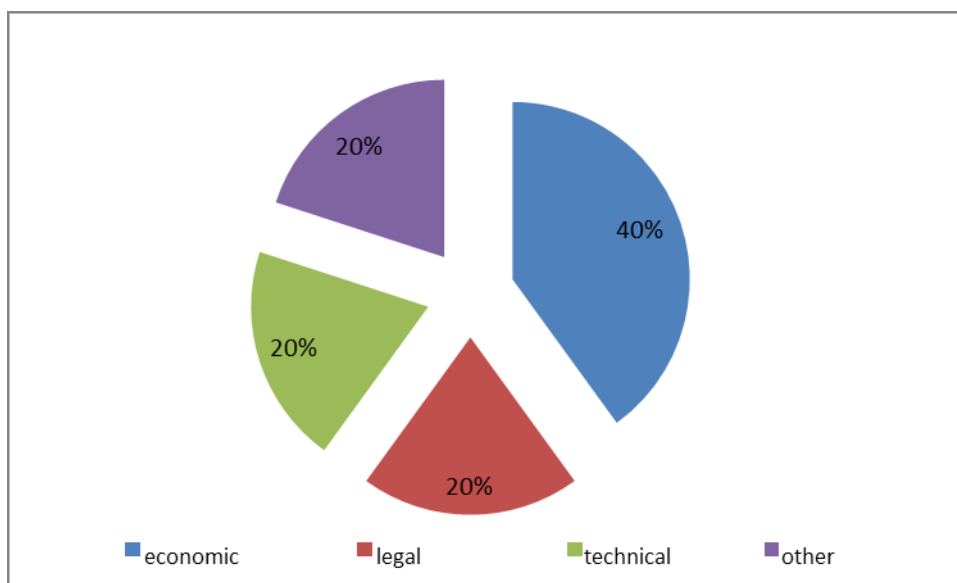
Full name	Pavel Olegovich Shatskiy
Year of birth:	1972
Education, qualification level	Higher education; graduated from the Russian State Agrarian Correspondence University and the State University of Management.
Current place of employment and job position	First Deputy Director General, Gazprom Energoholding LLC.
Membership in the Boards of Directors of other companies	Chairman of the Board of Directors, GEKh Situation Center LLC; Mezhhregionenergoستروي, Stockmann LLC, Amurskaya TPP LLC. Member of the Boards of Directors of JSC Centerenergyholding, JSC Mosenergo, JSC TGK-1, JSC MIPC, JSC Gazprom Energoremont, Spetsavtotrans LLC.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	A member of the Board of Directors, Chairman of the Board of Directors Strategy and Investment Committee, Chairman of the Board of Directors Personnel and Remuneration Committee.
Job positions, including job positions occupied in other companies, in the last 5 years	2008 to date: First Deputy Director General, Gazprom Energoholding LLC.
Ownership (either direct or indirect ownership) of the shares in the Company	Owned ordinary shares of JSC OGC-2, %: 0.034.
A 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

Full Name	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 Tsentra & Privolzhya, PJSC MRSK Tsentra, PJSC MRSK Severo-Zapada, OJSC MRSK Urala.
Membership in / Chairmanship of the Board of Directors / job position of an independent director / member of a Committee of the Board of Directors	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 of JSC OGC-2, %: 0.009.
A 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

As of December 31, 2017 Sergey Fil is a retired member of the Board of Directors of JSC OGC-2.

Board of Directors: Breakdown by Education



Report on the Work of the Board of Directors

In 2017, the Board of Directors of OGC-2 held 20 meetings, of which 2 were held in presentia.

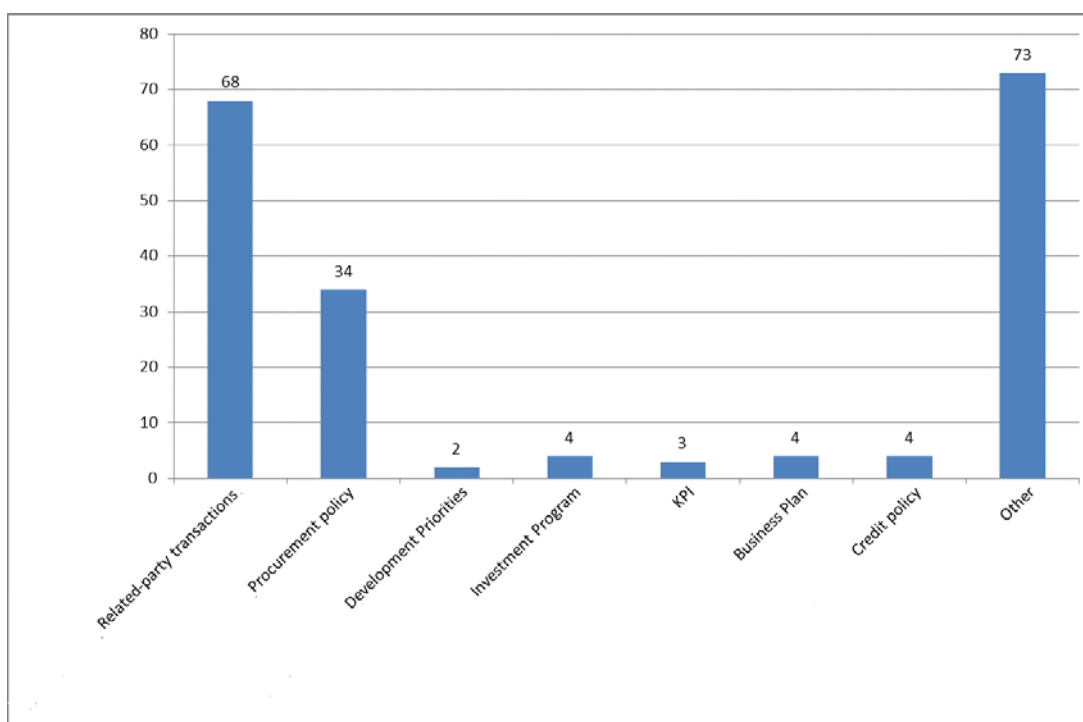
Participation of the Board of Directors members in meetings in 2017.

	Full name of a Board of Directors member	Number of Meetings Attended / Number of Meetings Allowed to Attend
1.	Denis Vladimirovich Fedorov (Chairman)	20/20
2.	Yuriy Yefimovich Dolin	20/20
3.	Irina Yurievna Korobkina	20/20

4.	Denis Viktorovich Kulikov	20/20
5.	Aleksandr Vladimirovich Rogov	20/20
6.	Sergey Sergeyevich Fil	15/20
7.	Pavel Olegovich Shatskiy	20/20
8.	Aleksandr Viktorovich Shevchuk	20/20
9.	Roman Eduardovich Abdullin	19/20
10.	Stanislav Anatolevich Ananyev	20/20
11.	Yevgeniy Nikolaevich Zemlyanoy	20/20

The Board of Directors addressed the matters of the current activity and strategic development of the Company. A total of 192 matters was discussed and reviewed (including sub-matters).

Topical Breakdown of Matters Addressed by the Board of Directors in 2017 (# of matters):



With respect to the priority areas, the Board of Directors in 2017:

- reviewed and made decisions on the OGC-2 Operational Efficiency Improvement Program Implementation Reports for 2016, Q2 2017, and 1st half of 2017;
- monitored the implementation of investment projects within the framework of the implementation of commitments for the commissioning of new facilities in accordance with signed Capacity Supply Agreements. Discussed matters of implementing and adjusting the Investment Program;
- reviewed the results of the Business Plan for 2016 and approved the Business Plan for 2017;
- approved the target values of key performance indicators (KPI), reviewed the KPI adherence for the previous reporting period.

The Board of Directors also discussed the matters of developing and implementing the Credit Policy.

Most of the matters considered were related to the approval of interested-party transactions (68 matters) as well as to the Procurement Policy (34 matters).

In 2017, a major transaction was made with GEKh Engineering LLC to construct the Groznenskaya TPP; other transactions were made within the ordinary course of business.

Other matters were mostly related to such areas as corporate governance, risk management, and Dividend Policy. Decisions thereon are described in the beginning of this section.

Board of Directors Liability Insurance

OGK-2 provides liability insurance for the Board of Directors members. 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 2017 is 3 million rubles and the insurance amount is 600 million rubles.

Conflicts of Interest and Kinship

None of the members of the Board of Directors of JSC OGC-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 OGC-2.

The Committee for Conflicts of Interest did not identify any conflicts of interest in 2017 that would involve any member of the Company's Board of Directors or executive bodies.

Committees of the Board of Directors

The Board of Directors of JSC OGC-2 has four committees: the Strategy and Investment Committee, the Audit Committee, the HR 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. Membership of these Committees is approvable by the Board of Directors.

Strategy and Investment Committee:

- 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;
- Under the by-laws including, for example, Bank of Russia Letter No. 06-52/2463 dated April 10,
- establishes the KPIs to be approved by the Board of Directors;
- monitors the attainment of strategic goals and KPIs approved by the Board of Directors;
- identifies and develops the policy on business planning and budgeting;
- bears responsibility for financial planning and determines lending and dividend policies of the Company;
- Credit policy
- adopts decisions in the field of investment activities;
- arranges the expert assessment of investment projects and programs to be reviewed by the Board of Directors.

Membership of the Board of Directors Strategy and Investment Committee			
acting from December 30, 2016 to June 27, 2017		acting from June 28, 2017 to the present day	
Full name	Position	Full name	Position
Pavel Olegovich Shatskiy (Chairperson)	First Deputy General Director at Gazprom Energoholding LLC	acting from December 30, 2016 to date	First Deputy General Director at Gazprom Energoholding LLC
Yana Nikolayevna Ganzer	Head of the Office of Investments and Construction, 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	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	Yevgeniy Nikolaevich Zemlyanoy	Deputy Director General for Economics and Finances, Gazprom Energoholding LLC
Dmitriy Rufimovich Kiselev	Deputy Director General for Capital Construction, Gazprom Energoholding LLC	Dmitriy Rufimovich Kiselev	Deputy Director for Economy and Finance, Gazprom Energoholding LLC
Sergey Andreevich Kozimirov	Examiner-in-chief, PJSC "Gazprom"	Sergey Andreevich Kozimirov	Examiner-in-chief, PJSC "Gazprom"
Roman Viktorovich Litvinov	Deputy Head of Office, PJSC "Gazprom"	Roman Viktorovich Litvinov	Deputy Head of Office, PJSC "Gazprom"
Aleksandr Vladimirovich Faustov	Deputy Director General for Production — Chief Engineer, JSC OGC-2	Sergey Arturovich Zaytsev	Deputy Director General for Production — Chief Engineer, JSC OGC-2
		Sergey Vadimovich Pokrovsky	Deputy Executive Director of the Professional Investors Association.
Konstantin Vladimirovich Moskvina	Deputy Head of Office — Head of Department, PJSC "Gazprom"	Konstantin Vladimirovich Moskvina	Deputy Head of Office — Head of Department, PJSC "Gazprom"
Sergey Nikolaevich Popovskiy	Deputy Director General for Economics and Finances, JSC "OGK-2"	Sergey Nikolaevich Popovskiy	Deputy Director General for Economics and Finances, JSC "OGK-2"
Aleksandr Valerievich Nakonechny	Executive director of the Professional Investors Association	Aleksandr Valerievich Nakonechny	Executive director of the Professional Investors Association

Currently, the Committee includes one independent director: A.V. Shevchuk.

Report on the Work of the Board of Directors Strategy and Investment Committee in 2017	
Number of Meetings	Most Important Issues Considered and Recommendations Issued to the Board of Directors of the Company
1	<ul style="list-style-type: none"> Reviewed the proposals to modernize the CCGT-420 Unit of Plant 4 at the Cherepovetskaya GRES to increase its capacity to 450 MW in 2017. Discussed the matters of using the assets under construction owned by OGC-2 branches.

Audit Committee:

- 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.

Membership of the Board of Directors Audit Committee			
acting from December 30, 2016 to June 27, 2017		acting from June 28, 2017 to the present day	
Full name	Position	Full name	Position
Aleksandr Viktorovich	Executive director of the Professional Investors Association	Aleksandr Viktorovich	Executive director of the Professional Investors Association

Shevchuk (Chairman)		Shevchuk (Chairman)	
Irina Yurievna Korobkina	Deputy Head of Office, PJSC “Gazprom”	Irina Yurievna Korobkina	Deputy Head of Office, PJSC “Gazprom”
Denis Viktorovich Kulikov	Advisor to Executive Director of the Professional Investors Association	Denis Viktorovich Kulikov	Advisor to Executive Director of the Professional Investors Association
Roman Eduardovich Abdullin	Deputy Head of Office, PJSC “Gazprom”	Roman Eduardovich Abdullin	Deputy Head of Office, PJSC “Gazprom”
Sergey Sergeyevich Fil	Deputy Director General for Corporate and Legal Activities, Gazprom Energoholding LLC	Sergey Sergeyevich Fil ²²	Deputy Director General for Corporate and Legal Activities, Gazprom Energoholding LLC

Currently, the Committee includes two independent directors: A.V. Shevchuk and D.V. Kulikov

Report on the Work of the Board of Directors Audit Committee in 2017	
Number of Meetings	Most Important Issues Considered and Recommendations Issued to the Board of Directors of the Company
1	<p>Assessment of the audit opinion on the financial statements for 2016 submitted by the auditor of JSC OGC-2 (JSC BDO Unicon):</p> <ul style="list-style-type: none"> 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 OGC-2 as at December 31, 2016, the results of its financial and economic activities and cash flow for 2016 in accordance with the Russian Accounting Standards.
1	<ul style="list-style-type: none"> Preliminarily reviewed the OGC-2 Risk Management Policy. Preliminarily reviewed the OGC-2 Internal Audit Department's agenda for 2017.

Reliability committee:

- examines strategic priorities, objectives, and principles of the Company 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.

Membership of the Board of Directors Reliability Committee			
acting from December 30, 2016 to June 27, 2017		acting from June 28, 2017 to the present day	
Full name	Position	Full name	Position
Mikhail Vladimirovich	Director for Production, Gazprom Energoholding LLC.	The decision of the Board of Directors of	Director for Production, Gazprom Energoholding LLC.

²² As of December 31, 2017 Sergey Sergeyevich Fil is a retired member of the OGC-2 Board of Directors.

Fedorov (Chairperson)		JSC OGC-2 (minutes No. 152 dated July 25, 2016) reduced the number of the Reliability Committee to seven (7) people.	
Number of meetings:	Deputy Chief Engineer – Head of the Production Department of JSC OGC-2	Oleg Nikolayevich Ivanov	Deputy Chief Engineer – Head of Office, JSC OGC-2
Andrey Viktorovich Kalashnikov	Deputy Head of Technical Management — Head of the Department of Retrofitting and Renovation, Gazprom Energoholding LLC	Andrey Viktorovich Kalashnikov	Deputy Head of Technical Management — Head of the Department of Retrofitting and Renovation, Gazprom Energoholding LLC
Aleksandr Vladimirovich Faustov ²³	Deputy Director General for Production — Chief Engineer, JSC OGC-2	Sergey Arturovich Zaytsev ²⁴	Deputy Director General for Production — Chief Engineer, JSC OGC-2
		Sergey Faritovich Mukhametov	develops and submits recommendations to the Board of Directors on the issues related to
Sergey Aleksandrovich Petelin	Head of Production Department, Deputy Director for Production, Gazprom Energoholding LLC	Sergey Aleksandrovich Petelin	Head of Production Department, Deputy Director for Production, Gazprom Energoholding LLC
Mikhail Vladimirovich Sorokin	Head of Office, PJSC “Gazprom”	Mikhail Vladimirovich Sorokin	Head of Office, PJSC “Gazprom”

Currently, the Committee includes no independent directors:

Report on the Work of the Board of Directors Reliability Committee in 2017	
Number of Meetings	Most Important Issues Considered and Recommendations Issued to the Board of Directors of the Company
1	<ul style="list-style-type: none"> Reviewed the proposals to modernize the CCGT-420 Unit of Plant 4 at the Cherepovetskaya GRES to increase its capacity to 450 MW in 2017. Discussed the matters of using the assets under construction owned by OGC-2 branches.

HR and Remuneration Committee:

- 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.

Membership of the Board of Directors HR and Remuneration Committee			
acting from December 30, 2016 to June 27, 2017		acting from June 28, 2017 to the present day	
Full name	Position	Full name	Position
Pavel Olegovich Shatskiy (Chairperson)	First Deputy General Director at Gazprom Energoholding LLC	acting from December 30, 2016 to date	(established by the decision of the Board of Directors, Minutes No. 165 dated December 30, 2016)

²³ The decision of JSC OGC-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.

²⁴ The decision of JSC OGC-2 dated July 24, 2017 (minutes No. 177 dated July 26, 2017) introduced changes such as termination of powers of Dmitry Igorevich Kayukov and election of Sergey Arturovich Zaytsev to the Committee.

Sergey Faritovich Mukhametov	Deputy Head of Office — Head of Department, PJSC "Gazprom"	Konstantin Vladimirovich Moskvina	Deputy Head of Office — Head of Department, PJSC "Gazprom"
Sergey Aleksandrovich Petelin	Executive director of the Investors' Rights Protection Association	Sergey Aleksandrovich Petelin	Executive director of the Investors' Rights Protection Association
		Denis Viktorovich Kulikov ²⁵	Advisor to Executive Director of the Professional Investors Association
		Irina Yurievna Korobkina	Deputy Head of Office, PJSC "Gazprom"

Currently, the Committee includes two independent directors: A.V. Shevchuk and D.V. Kulikov

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 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.

Aleksey Mikhailovich Gusev, earlier the Secretary of the Board of Directors, was appointed the Corporate Secretary of OGC-2 by the Board of Directors' decision dated September 30, 2016.

The Company also has a Regulation on the Corporate Secretary, approved by the OGC-2 Board of Directors December 30, 2016; the Regulation sets out the principal functions of the Corporate Secretary.

In their obligations, the Corporate Secretary is assisted by the Corporate and Property Relations Division of the Department for Corporate and Legal Activities, OGC-2.

Full name	Aleksey Mikhailovich Gusev
Year of birth:	1980
Education, qualification level	Higher education, graduated from Udmurt State University.
Current place of employment and job position	2015-to date: Deputy Director for Corporate and Property Affairs — Head of the Corporate Work Department, Gazprom Energoholding LLC.
Job positions, including job positions occupied in other companies, in the last 5 years	2017 to date: Deputy Director for Corporate and Property Affairs — Head of the Corporate Work Department, Gazprom Energoholding LLC. 2015-to date: JSC OGC-2, Corporate Secretary 2015-2017: Head of the Corporate Work Department, Gazprom Energoholding LLC. 2011-2015: Gazprom Energoholding LLC, Deputy Head, Head of the Corporate Decisions and Control Department, Deputy Head of the Corporate Relations Department.

²⁵ Decision of the OGC-2 Board of Directors dated July 24, 2017 (Minutes dated July 25, 2017 No. 177) established a 5-person Committee. The following persons were additionally elected to the Committee: Denis Viktorovich Kulikov, Irina Yurievna Korobkina.

Ownership (either direct or indirect ownership) of the shares in the Company	No owned ordinary shares in the authorized capital of JSC OGC-2.
A 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

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. 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. 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 **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 electable 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 Regulation on the Management Board.

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 Directors General; 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). Pursuant to the Board of Directors' decision dated December 28, 2012 the Management Board consists of 10 persons.

Date of the Board of Directors' resolution	Changes in the Management Board membership in 2017
October 10, 2017	• Dmitry Yevgenyevich Vologzhanin removed from office prematurely.
February 14, 2017	• Konstantin Vladimirovich Moskvina removed from office prematurely. • Aleksandr Vladimirovich Faustov elected to the Management Board.
April 27, 2017	• Aleksandr Vladimirovich Faustov removed from office prematurely.
July 24, 2017	• Sergey Arturovich Zaytsev elected to the Management Board.

Information on the OGC--2 Management Board membership as of December 31, 2017

Full name	Stanislav Anatolevich Ananyev
Year of birth:	1971
Education, qualification level	Higher education, graduated from Plekhanov Russian Academy of Economics, Candidate of Economic Sciences.
Current place of employment and job position	Director General, member of the Board of Directors, Chairman of the Management Board, JSC "OGK-2"
Membership in the Boards of Directors of other companies	
Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board	Chairperson of the Management Board, JSC OGC-2.

Job positions, including job positions occupied in other companies, in the last 5 years	2017 — to date Director General of OGC-Investproekt LLC. 2016 to date: JSC OGC-2, Chairman of the Management Board, Director General, member of the Board of Directors. 2013-2017: 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	0.007% ordinary shares directly owned.
A 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

Full name	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 OGC-2 (Surgutskaya GRES-1).
Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board	Member of the Management Board of JSC OGC-2.
Job positions, including job positions occupied in other companies, in the last 5 years	2013 to date: JSC OGC-2 Director of a branch-2 (Surgutskaya GRES-1), member of the Management Board. 2011-2013: JSC OGC-2 Director of a branch (Pskovskaya GRES). 2007-2011: JSC OGC-6 Deputy Director of the Krasnoyarskaya GRES-2 branch — Chief Engineer
Ownership (either direct or indirect ownership) of the shares in the Company	No owned ordinary shares in the authorized capital of JSC OGC-2.
A 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

Full name	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 OGC-2. Chief accountant, Gazprom Energoholding LLC.
Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board	Member of the Management Board of JSC OGC-2.
Job positions, including job positions occupied in other companies, in the last 5 years	2015 to date: Deputy Chief Accountant, Chief Accountant, Gazprom Energoholding LLC. 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, member of the Management Board, JSC OGC-2.

Ownership (either direct or indirect ownership) of the shares in the Company	No owned ordinary shares in the authorized capital of JSC OGC-2.
A 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

Full name	Sergey Nikolaevich Popovskiy
Year of birth:	1971
Education, qualification level	Higher education, doctoral degree at Rostov State University of Economics (RSUE), Candidate of Economic Sciences.
Current place of employment and job position	Deputy Director General for Economics and Finance of JSC «OGC-2».
Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board	Member of the Management Board of JSC OGC-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 OGC-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 in the Company	No owned ordinary shares in the authorized capital of JSC OGC-2.
A 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

Full name	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 OGC-2 (Krasnoyarskaya GRES-2).
Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board	Member of the Management Board of JSC OGC-2.
Job positions, including job positions occupied in other companies, in the last 5 years	2007 to date: Director of a branch of JSC OGC-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 OGC-2.
A 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

Full name	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 OGC-2.
Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board	Member of the Management Board of JSC OGC-2.
Job positions, including job positions occupied in other companies, in the last 5 years	2015 to date: Deputy Director General for Corporate Protection, member of the Management Board, JSC OGC-2. 2014-2015: Head of the Corporate Protection Department, JSC "OGK-2». 2014-2014: Deputy Director of Branch No. 20, 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 OGC-2.
A 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

Full name	Sergey Arturovich Zaytsev
Year of birth:	1970
Education, qualification level	Higher education, graduated from Moscow Power Engineering Institute (Technical University)
Current place of employment and job position	Deputy Director General for Production — Chief Engineer
Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board	Member of the Management Board of JSC OGC-2.
Job positions, including job positions occupied in other companies, in the last 5 years	2017 to date: Deputy Director General for Production — Chief Engineer, member of the Management Board, JSC OGC-2. 2012-2017.: Director of CHPP-26, a branch of JSC "Mosenergo"
Ownership (either direct or indirect ownership) of the shares in the Company	No owned ordinary shares in the authorized capital of JSC OGC-2.
A 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

Conflicts of Interest and Kinship

None of the members of the Management Board of JSC OGC-2 has family relations with other members of the management bodies and/or bodies that supervise financial and economic activities of the Company.

The Conflict of Interest Committee did not identify any conflicts of interest with the members of the Company's Management Board in 2017.

Internal Audit Committee

The Internal Audit Committee is an elected body of the Company that supervises its financial and economic activities. The 5-person Internal Audit Committee is elected by the General Meeting of

Shareholders for until the next such meeting. In its activities, the Internal Audit Committee is guided by the effective legislation of the Russian Federation, the Company's Articles of Association, the decisions of the General Meeting of Shareholders, the Regulation on the Internal Audit Committee, and other internal documents of the Company.

Members of the Internal Audit Committee			
acting from June 14, 2016 to June 2, 2017		acting from June 3, 2017 to the present day	
Full name	Position	Full name	Position
Margarita Ivanovna Mironova (Chairperson)	First Deputy Head of the Management Board Administration – Head of the Department, PJSC “Gazprom”	Margarita Ivanovna Mironova (Chairperson)	First Deputy Head of the Management Board Administration – Head of the Department, PJSC Gazprom
Yuriy Andreyevich Linovitskiy	Head of the Internal Audit Department, Gazprom Energoholding LLC — Internal Audit Project Denis Anatolievich Korshniakov	Yuriy Andreyevich Linovitskiy	Head of the Internal Audit Department, Gazprom Energoholding LLC — Internal Audit Project Denis Anatolievich Korshniakov
Aleksandr Mikhailovich Yuzifovich	Deputy Head of Office, Gazprom Energoholding LLC	Aleksandr Mikhailovich Yuzifovich	Deputy Head of Office, Gazprom Energoholding LLC
Vadim Kasymovich Bykulov	Deputy Head of Department – Head of Office, PJSC “Gazprom”	Vadim Kasymovich Bykulov	Deputy Head of Department – Head of Office, PJSC Gazprom
Denis Anatolyevich Korshnyakov	Head of the long-term financial investment department, Gazprom Energoholding LLC	Denis Anatolyevich Korshnyakov	Head of the Financial Investment and Investor Relations Department, Gazprom Energoholding LLC

Internal Audit Department

The Internal Audit Department was established in accordance with the Organizational Structure of the OGC-2 Executive Arm as approved by the Board of Directors in 2012.

The Department is functionally subordinate to the Board of Directors and is administratively subordinate to the Director General. As of December 31, 2017 the Department consisted of 3 persons.

The main objective of the Department is to independently and objectively evaluate the reliability and efficiency of systems, processes, and operations in all of the Company's structural subdivisions, branches, and subsidiaries, as well as to improve the same.

The main objectives of the Internal Audit Department (hereinafter, "the IAD") are as follows:

- Business-process audit of the Company and its subsidiaries, identification of internal reserves for improving the efficiency of their financial and economic activities;
- Assisting the Company's executive bodies and employees in developing and monitoring the implementation of procedures and measures to improve the Company's Risk Management and Internal Control System as well as its corporate governance;
- Cooperation with the Company's external auditor as well as with persons that provide advice on internal audit matters;
- Coordinating the internal audit committees and divisions of subsidiaries while participating in their activities;

- Monitoring the progress in plans to address the violations and shortcomings identified by the IAD and the Internal Audit Committee during inspections;
- Cooperation with the Internal Audit Committee and the external auditors of the Company and its subsidiaries;
- Supporting the activities of the Company's Internal Audit Committee;
- Evaluating the efficiency of the Internal Control System, the Risk Management System, and the corporate governance of the Company;
- Executing the directives of the Company's Board of Directors and Board of Directors Audit Committee in all areas of the IAD activities, including the planning, arrangement, and conduct of audits in the Company;
- Audit of the Company's executive-body members' and employees' compliance with law, the Company's internal policies in insider information and anticorruption, as well as with the internal document that regulates the corporate ethics in the Company;
- Maintaining a Quality Management System and an Environmental Management System in accordance with ISO 9001 and ISO 14001.

Accordingly, the Internal Audit Department performs the following principal functions:

- Drafting the Annual IAD Plan and submitting it to the Board of Directors Audit Committee for approval;
- Implementing the Annual IAD Plan as approved by the Company's Board of Directors;
- Carrying out internal audits (hereinafter, "the audits") on the basis of the approved Annual IAD Plan;
- Carrying out other audits and tasks as requested or ordered by the Company's Board of Directors, the Board of Directors Audit Committee, and (or) the Company's sole executive body as might be within the Department's competence, which shall also cover audits on the basis of hotline-received information;
- Evaluating the efficiency of the Internal Control System;
- Evaluating the efficiency of the Risk Management System;
- Evaluating the corporate governance;
- Generalization, systematization, and analysis of audit-identified cases of violations in the financial and economic activities of the Company, its branches, and subsidiaries. Making proposals to the Company's management on measures for violation prevention and post-violation recovery, as well as on disciplinary action against persons responsible and on the redress for material damage caused, if necessary.
- Informing the Board of Directors, the Board of Directors Audit Committee, and the Company's sole executive body on significant risks in the activities of the Company, including any and all identified violations in the financial and economic activities of the Company and its subsidiaries.
- Analyzing the results of external audits, monitoring the drafting and implementation of plans to address audit-identified violations;
- Drafting proposals and recommendations on:
 - improving the efficiency of the IADs of the Company and its subsidiaries;
 - the membership of the Internal Audit Committees of the Company's subsidiaries.
- Getting the Board of Directors Audit Committee's approval of the draft Regulation on IAD, draft IAD Structure, and IAD manpower;
- Analyzing the Company-made agreements, verifying the documentary evidence of their economic feasibility and compliance with the Company's local regulations in the manner prescribed by the latter;

- Cooperating with the Company's other structural subdivisions to draft proposals on improving the efficiency of the Company's Internal Control System, as within the competence of the IAD;
- Cooperating with audit, educational, and other institutions to study the state-of-the-art methods and techniques of control, audit, and auditing activities as well as their practical applications;
- Participating in formulating the tasks for automated and information-control systems to retrieve information on audited facilities, specific business processes, and investment projects;
- Monitoring the progress in plans to address the violations and shortcomings identified by the IAD and the Internal Audit Committee during inspections;
- Timely drafting the Annual IAD Plan Implementation Report and submitting it to the Board of Directors and the Board of Directors Audit Committee pursuant to the Company's local regulations;
- Participating in special (official) investigations of cases of abuse (fraud), damage to the Company and its subsidiaries, or inefficient use of resources.
- Cooperating with the Board of Directors, the Board of Directors Audit Committee, the internal audit committees, the Company's executive bodies and subdivisions, as well as with external auditors and advisors on internal audit matters.
- Other functions necessary for the IAD to perform its tasks

External auditor

The External Auditor is approved by the General Shareholders Meeting of JSC OGC-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 be a member of a self-regulating organization of auditors;
- 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 participant must have the status, reputation, and experience of working with companies whose shares are included in the quotation list of the second level of the Moscow Exchange (since JSC OGC-2 is a public company whose shares are included in the quotation list of the second level of Moscow Exchange).

The contract for auditing services will be entered into by and between JSC OGC-2 and the winner of the public price inquiry after approval of the winner as the auditor of JSC OGC-2 by the Annual General Meeting of Shareholders of the Company.

Joint-Stock Company "BDO Unicon" was approved by the Annual General Meeting of Shareholders of OGC-2 dated June 2, 2017 as the auditor of the Company's RAS- and IFRS-based accounting statements for 2017²⁶.

6.5. Remuneration and Incentives

Procedure for Determining Remunerations for the Members of the Board of Directors

Members of the Board of Directors of OGC-2 can receive remuneration and/or reimbursement of expenses incurred as a part of their job. Remuneration and reimbursement/compensation for the members of the Board of Directors is determined by the Company's Articles of Associations as well as by the Regulation on the Procedure for Determining Remunerations for the Members of the Board of Directors.

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 Federation²⁷. 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 %.

Additional remuneration component is payable to the members of the Board of Directors at the end of the fiscal year provided the Company has received net profits. The total amount of such additional remuneration may not exceed 5 % of the Company's net profit. The decision to pay additional remuneration is subject to adoption by the General Meeting of Shareholders. 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 shall be paid within a month after the General Meeting of Shareholders. Additional remuneration may also be paid by transfer of the Company's shares.

Remuneration paid to the members of the Board of Directors

²⁶ Detailed information on the external auditor JSC "BDO Unicon" is provided in the Annex.

²⁷ Minimum monthly tariff rate of a first category worker is set by the industry-specific tariff agreement in electric energy sector of the Russian Federation; as such, it equaled 7,581 rubles in the first half of 2017, and 7,755 in the second half.

Remuneration of the members of the Board of Directors for 2017

Indicator	2017
Remuneration for involvement with a governance body	43,055
Wage	-
Bonuses	-
Commissions	-
Other types of remuneration	-
Total	43,055

On the basis of the AGMS decision dated June 2, 2017 (Minutes No. 11) additional remuneration in the form of 78,941,511 OGC-2 shares was paid in 2017 to the members of the Board of Directors elected by an Extraordinary General Meeting of Shareholders December 16, 2016. Such additional remuneration was equally distributed between all the members of the Board of Directors.

Transactions with the Company's shares, made by the members of the Board of Directors

Information on the payment of additional remuneration by transfer of ordinary registered uncertified shares of the members of the OGC-2 Board of Directors:

Full name of a Board of Directors member	Transaction date	Shares received
Denis Vladimirovich Fedorov	August 15, 2017	7,176,501
Yevgeniy Nikolaevich Zemlyanoy	August 30, 2017	7,176,501
Pavel Olegovich Shatskiy	August 28, 2017	7,176,501
Sergey Sergeyevich Fil	August 29, 2017	7,176,501
Irina Yurievna Korobkina	August 18, 2017	7,176,501
Aleksandr Vladimirovich Rogov	August 15, 2017	7,176,501
Stanislav Anatolevich Ananyev	August 31, 2017	7,176,501
Aleksandr Viktorovich Shevchuk	August 31, 2017	7,176,501
Denis Viktorovich Kulikov	October 5, 2017	7,176,501
Roman Eduardovich Abdullin	November 16, 2017	7,176,501

Other transactions with OGC-2 shares made by the Board of Directors members in 2017:

Full name of a Board of Directors member	Category, type of shares	Transaction date	Shares sold
Aleksandr Viktorovich Shevchuk	Ordinary registered uncertified shares	April 5, 2017	8,500,000
Denis Viktorovich Kulikov	Ordinary registered uncertified shares	October 5, 2017	3,031,000

None of the members of the Board of Directors of JSC OGC-2 and members of the Board of Directors Committees has received loans (credits) in the reporting year.

Remuneration of Director General and members of the Management Board

The system for remunerating the members of the OGC-2 Management Board (including Director General — Chairman of the Board) is defined in employment contracts as well as in the Regulation on Remuneration and Motivation of Top Managers as approved by the Board of Directors June 10, 2015.

Remuneration of the members of the Management Board (including the Chairman) for 2017

Indicator	2017
Remuneration for involvement with a governance body	-
Wage	56,903
Bonuses	36,725
Commissions	-
Other types of remuneration	4,454
Total	98,082

None of the members of the Management Board of JSC OGK-2 has received loans (credits) in the reporting year.

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 2017, members of the Internal Audit Committee received remunerations in the amount of 1,042.4 thousand rubles.

Remuneration of the External Auditor

The remuneration of the external auditor complies with the applicable provisions of the concluded contract for 2017:

- 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: 4,283,400 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): 2,920,500 rubles (inclusive of VAT).

7. Shareholder Value Generation

OGK-2 participates in the security market, and its shares are traded at Moscow Exchange. OGK-2 adheres to the principles of information transparency and openness in order to build relations with securities market participants, shareholders, and other stakeholders. The Company seeks to regularly and fully inform all the stakeholders about its activities.

The Company discloses information in accordance with the Russian legislation, the Company's Articles of Association, as well as the international corporate governance practices, on the basis of the OGK-2 Regulation on Information Policy as approved by the Company's Board of Directors September 7, 2009 (Minutes dated September 10, 2009 No. 3).

When disclosing information to its shareholders, investors, and other stakeholders, 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.

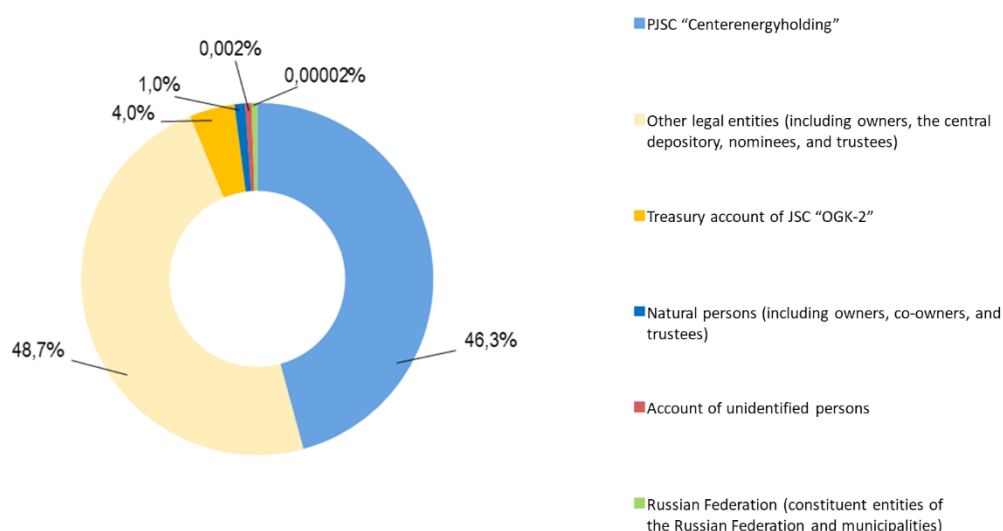
Authorized Capital and Shareholder Structure

The authorized capital of the Company as at December 31, 2017 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 at December 31, 2017, the register of shareholders of JSC OGK-2 contained 306,837 persons, comprising 306,097 natural persons, 720 legal entities, 16 nominal holders, 3 trustees, and 1 unidentified person's account. The Russian Federation, including constituent entities of the Russian Federation and municipalities, owns 0.0000179% of the shares in JSC OGK-2.

PJSC "Tsentrenergoholding" is the only legal entity keeping over 5% of OGK-2 shares on its accounts as of December 31, 2017²⁸ (73.42% share in the authorized capital²⁹). There are no natural persons among the Company's shareholders that would hold more than 5% of OGK-2 shares.

Authorized Capital Structure per the Shareholders Register (as of December 31, 2017)



The total share of beneficial ownership of Gazprom Group companies in JSC OGK-2 is 77.3%. In 2017, 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 (Public Joint-Stock Company Moscow Exchange MICEX-RTS). OGK-2 shares have been traded at the stock exchanges of CJSC "Stock Exchange MICEX" and JSC "RTS" since July 2006. November 6, 2009 the Company's shares were added to the Quotation List A of the First Level of CJSC "Stock Exchange MICEX". May 28, 2013 the Company's shares were moved from the Quotation List A of the First Level to the Quotation List B of the List of Securities Admitted to Trading on Moscow Exchange. June 9, 2014 the Company's shares were added to the Second Level due to a reform in the listings.

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 4.62%, as well as in the calculation base of the index of wide market shares (MICEX BMI) with the share

²⁸ Under control of Gazprom Energoholding LLC (99.591%, direct control) and PJSC «Gazprom» (indirect control).

²⁹ The share of JSC "Tsentrenergoholding" in the authorized capital of JSC "OGK-2" as registered in its name in the Company's Shareholder Register, equaled 46.3% of the Company's authorized capital at December 31, 2017 according to the information from JSC "DRAGA" (the Company's Registrar). The remaining shares of JSC "Tsentrenergoholding" (27.1% of the Company's authorized capital) is registered in the name of the nominal holder.

weight of 0.11%, and shares in the companies of the second echelon (MICEX SC) with the share weight of 4.09%

No.	Registered Issues of Shares in JSC OGC-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

Dynamics of quotations of ordinary shares of JSC OGC-2 as well as MICEX and MICEX Electrical Energy indices for 2017.



In 2017, the market price per share in JSC OGC-2, according to Bloomberg, dropped by 10.7% from RUB 0.5004 (closure price as of December 30, 2016) to RUB 0.4466 (closure price as of December 29, 2017).

Over the year, the MICEX index dropped by 5.5% from 2,231.72 points as of December 30, 2016 to 2,109 points as of December 29, 2017. The MICEX-Energy index dropped by 8.5% from 1,984.16 points as of December 30, 2016 to 1,816.30 points as of December 29, 2017.

In 2017, the OGC-2 share price trend was in line with the general dynamics of electric power industry and the Russian stock market.

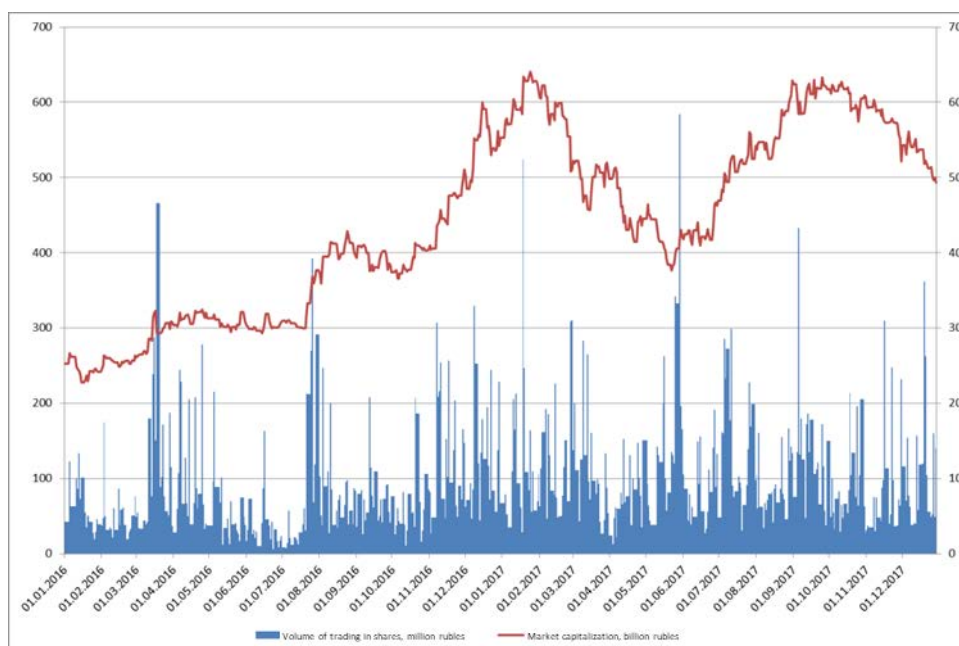
The stock market in Russia and developing countries was under pressure due to the increased attractiveness of debt instruments, which was the result of the U.S. FRS key rate being raised by a total of 75 BP over 2017 (25 BP in March, 25 BP in June and 25 BP in December) as well as due to the market participants expecting further increase in the key rate in 2018.

Another factor that negatively affected the market was the expansion of the effective anti-Russian sanctions on the part of the U.S. Its effect was compounded by the expected further tightening of sanctions.

The effect of negative factors was partially mitigated by the rise in oil prices. By the year-end 2017, the price of Brent increased by 18% in dollar terms to \$66.9 per barrel, which is the highest price since late 2014. This was mostly due to the OPEC countries agreeing to extend their oil extraction restrictions for until the end 2018. The growing geopolitical tension in the Middle East was also a booster for oil prices.

Investors are still interested in Russia's electric power industry as most companies have completed their CSA Investment Programs and have secured cash flow from new capacities for the next few years. However, this factor had already boosted the share prices in the industry in 2016 and did not have such a strong effect in 2017. Investors are so far cautious about the Russian Government-initiated Program for modernization of electricity generation assets, as they fear the risk of inefficient investments. However, they might become more interested in the electric power industry when more information on the program becomes available.

Capitalization and trading volume of the shares in 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 Global Depository Receipts (GDR) Program for OGK-2 shares was started in October 2007. The program is open to Regulation S and 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 depository 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 depository 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 JSC “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.)	126,922	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 2017 decreased and amounted to 136,848 shares (or 0.013% of the authorized capital) as of December 31, 2017. 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.

Bonds

As at December 31, 2017 OGC-2 has two bonded loans in circulation:

Loan	Date of placement	Maturity date	Yield
B1P1R	November 24, 2015	November 17, 2020	7.10%
B1P2R	November 18, 2015	November 17, 2020	6.36%

Credit ratings

February 2, 2018 Fitch Ratings raised:

- the long-term local- and foreign-currency IDR ratings of OGC-2 from BB to BB+ with a Stable outlook;
- the senior unsecured local-currency rating from BB to BB+

Date	Type of rating	Rating value	Rating institution	Link to the rating guideline
February 2, 2018	<ul style="list-style-type: none"> • long-term foreign- and local-currency IDR ratings of the Issuer; • senior unsecured local-currency rating 	BB+, Stable outlook	«Fitch Ratings CIS Ltd.»*	https://www.fitchratings.com/site/pr/10019058

Dividends

The Dividend Policy of OGC-2 (approved by the Board of Directors August 30, 2017, Minutes No. 178 dated August 30, 2017) has been developed in compliance with the applicable laws of the Russian Federation, the Corporate Governance Code recommended for use by Central Bank of the Russian Federation, as well as by the Company's Articles of Association and internal documents. The Dividend Policy sets out the principles used by the Board of Directors of JSC OGC-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 OGC-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 OGC-2 submits its recommendations concerning the amount to be paid to the General Meeting of Shareholders of the Company. Dividends are payable after the General Meeting of Shareholders adopts a relevant decision.

In August 2017, the Board of Directors of OGC-2 approved a new revision of the Regulation on the Dividend Policy. It removes the threshold on the payment of dividends in the amount of 5% to 35% of the profits (per RAS). This might potentially increase the share of profits to be paid as dividends, as well as to tie the calculation of dividends to the IFRS-based profits.

In compliance with the Dividend Policy of JSC OGC-2, the size 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 size of dividends:

- transparency of the mechanism for defining the size 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 decide to pay (declare) dividends on shares and pay them subject to restrictions per Article 43 of the Federal Law "On Joint-Stock Companies".

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 about 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 OGC-2

For the 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
2016	June 2, 2017	874,173.7	0.00825304739908

Information on the payment of accrued dividends for the period:

Indicator	2012	2013	2014	2015	2016
Dividends per ordinary share, rub.	During the specified period, the Issuer made no decision to pay dividends.	During the specified period, the Issuer made no decision to pay dividends.	0.0081	0.0057	0.0083
Dividends accrued, thousand rubles			860,561.7	600,345.6	874,173.7
Share of net profit allocated for dividend payment, % ^{30*}			14.99	20.00	25.00
Dividends paid, thousand rubles			857,302.6	597,688.9	870,187.4

³⁰ Share of declared dividends in the net profit for the reporting year, %

Annexes

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 2017, which is posted on the official website of the Company (www.ogk2.ru).

Information on Major Transactions and Related Party Transactions of JSC “OGK-2” in 2017

Information on major transactions is provided in full in the electronic version of the Annual Report of JSC “OGK-2” for 2017, which is posted on the official website of the Company (www.ogk2.ru).

Information on Related Party Transactions of JSC “OGK-2” in 2017

Information on related-party transactions is provided in full in the electronic version of the Annual Report of JSC “OGK-2” for 2017, which is posted on the official website of the Company (www.ogk2.ru).

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 2017, which is posted on the official website of the Company (www.ogk2.ru).

1. Additional statistics

Data on power plants

Power plants information as of 31 December, 2017

Power plant	Installed electric capacity, MW	Installed electric capacity (including hot water boilers), Gcal/h	Location	Main fuel / reserve fuel / starting fuel
Surgutskaya GRES-1	3,268	903	Ural UPS	Gas /gas/gas
Ryazanskaya GRES	3,130	212.5	Central UPS	Gas, coal / fuel oil / gas, fuel oil
Kirishskaya GRES	2,595	1,234	North-Western UPS	Gas / fuel oil / gas, fuel oil

Stavropolskaya GRES	2,423	145	Southern UPS	Gas / fuel oil / gas, fuel oil
Novocherkasskaya GRES	2,258	60	Southern UPS	Coal / gas / gas, fuel oil
Troitskaya GRES	1,400	315	Ural UPS	Coal / none / fuel oil
Krasnoyarskaya GRES-2	1,260	976	Siberian UPS	Coal / none / fuel oil
Cherepovetskaya GRES	1,051.6	39	Central UPS	Coal, gas / gas/ gas, fuel oil
Serovskaya GRES	808	110	Ural UPS	Coal, gas / gas / gas, fuel oil
Pskovskaya GRES	440	91	North-Western UPS	Gas / none / gas
Adlerskaya TPP	364	76.59	Southern UPS	Gas / gas / gas
Total:	18,997.6	4,162.09		

Surgutskaya GRES-1

Surgutskaya GRES-1 is located in Surgut, the Tyumen Region, and is included in the Ural UPS. Surgutskaya GRES-1 is among the largest power plants in Russia by installed electric capacity.

Key indicators	2017
Electricity output, mln kWh	20,262.026
Net electricity supply, mln kWh	19,228.634
Heat supply, thous. Gcal	1,734.642
Net heat supply, thous. Gcal	1,720.055
Capacity factor, %	70.8

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	100.0	206 mln cub. m	5,425 mln cub. m
Coal	-	-	-
Fuel oil	-	-	-
Diesel fuel	-	-	-

Ryazanskaya GRES

Ryazanskaya GRES is located in Novomichurinsk, the Ryazan Region. Ryazanskaya GRES is among five largest Russian power plants by installed capacity.

Key indicators	2017
Electricity output, mln kWh	3,033.606
Net electricity supply, mln kWh	2,731.147
Heat supply, thous. Gcal	237.344
Net heat supply, thous. Gcal	148.402
Capacity factor, %	11.1

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	18.42	2.6 mln cub. m	175.6 mln cub. m
Coal	81.57	76.9 thous. tn	1,622 thous. tn
Fuel oil	0.01	0.003 thous. tn	0.071 thous. tn
Diesel fuel	-	-	-

Kirishskaya GRES

Kirishskaya GRES is located in Kirishi, the Leningrad Region.

Key indicators	2017
Electricity output, mln kWh	3,511.361
Net electricity supply, mln kWh	3,238.810
Heat supply, thous. Gcal	2,747.363
Net heat supply, thous. Gcal	2,707.101
Capacity factor, %	15.4

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	98.80	344 mln cub. m	858 mln cub. m
Coal	-	-	-
Fuel oil	1.20	3.31 thous. tnf	8.27 thous. tnf
Diesel fuel	-	-	-

Stavropolskaya GRES

Stavropolskaya GRES is located in Solnechnodolsk, the Stavropol Territory.

Key indicators	2017
Electricity output, mln kWh	10,334.266
Net electricity supply, mln kWh	9,927.903
Heat supply, thous. Gcal	66.680
Net heat supply, thous. Gcal	52.826
Capacity factor, %	48.7

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	99.96	9.9 mln cub. m	2,878 mln cub. m
Coal	-	-	-
Fuel oil	0.04	0.003 thous. tnf	0.89 thous. tnf
Diesel fuel	-	-	-

Novocherkasskaya GRES

Novocherkasskaya GRES is located in Novocherkassk, the Rostov Region.

Key indicators	2017
Electricity output, mln kWh	10,887.211
Net electricity supply, mln kWh	10,070.792
Heat supply, thous. Gcal	74.907
Net heat supply, thous. Gcal	53.942
Capacity factor, %	55.3

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	36.46	5.6 mln cub. m	1,225 mln cub. m
Coal	63.43	10.7 thous. tnf	3,584 thous. tnf
Fuel oil	0.11	0.013 thous. tnf	3.79 thous. tnf
Diesel fuel	-	-	-

Troitskaya GRES

Troitskaya GRES is located in Troitsk, the Chelyabinsk Region.

Key indicators	2017
Electricity output, mln kWh	1,677.627
Net electricity supply, mln kWh	1,379.773
Heat supply, thous. Gcal	504.152
Net heat supply, thous. Gcal	346.602
Capacity factor, %	13.7

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	-	-	-
Coal	98.18	156 thous. tnf	1,113 thous. tnf
Fuel oil	1.82	1.127 thous. tnf	9.02 thous. tnf
Diesel fuel	-	-	-

Krasnoyarskaya GRES-2

Krasnoyarskaya GRES-2 is located in Zelenogorsk, the Krasnoyarsk Territory.

Key indicators	2017
Electricity output, mln kWh	5,202.640
Net electricity supply, mln kWh	4,701.557
Heat supply, thous. Gcal	947.710
Net heat supply, thous. Gcal	927.736
Capacity factor, %	47.2

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	-	-	-
Coal	99.81	289 thous. tnf	3,337 thous. tnf
Fuel oil	0.19	0.229 thous. tnf	2.62 thous. tnf
Diesel fuel	-	-	-

Cherepovetskaya GRES

Cherepovetskaya GRES is located in Kaduy, the Vologda Region.

Key indicators	2017
Electricity output, mln kWh	2,814.432
Net electricity supply, mln kWh	2,639.700
Heat supply, thous. Gcal	120.239
Net heat supply, thous. Gcal	98.724
Capacity factor, %	30.6

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	87.9635	22.3 mln cub. m	507.1 mln cub. m
Coal	12.016	30.9 thous. tnf	131.7 thous. tnf
Fuel oil	0.0149	0.004 thous. tnf	0.066 thous. tnf

Serovskaya GRES

Serovskaya GRES is located in Serov, the Sverdlovsk Region.

Key indicators	2017
Electricity output, mln kWh	2,990.441
Net electricity supply, mln kWh	2,792.276
Heat supply, thous. Gcal	85.003
Net heat supply, thous. Gcal	71.355
Capacity factor, %	42.2

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	84.01	6.7 mln cub. m	540.6 mln cub. m
Coal	15.96	22.5 thous. tnf	189.5 thous. tnf
Fuel oil	0.03	0.005 thous. tnf	0.164 thous. tnf

Pskovskaya GRES

Pskovskaya GRES is located in Dedovichi, the Pskov Region (North-Western UPS).

Key indicators	2017
Electricity output, mln kWh	775.191
Net electricity supply, mln kWh	701.403
Heat supply, thous. Gcal	57.094
Net heat supply, thous. Gcal	41.696
Capacity factor, %	20.1

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	100	9.73 mln cub. m	218.6 mln cub. m
Coal	-	-	-
Fuel oil	-	-	-
Diesel fuel	-	-	-

Adlerskaya TPP

Adlerskaya TPP is an advanced combined cycle power plant comprising two autonomous power units CCGT-180. It is located in Sochi, the Krasnodar Territory.

Key indicators	2017
Electricity output, mln kWh	1,944.085
Net electricity supply, mln kWh	1,839.537
Heat supply, thous. Gcal	184.281
Net heat supply, thous. Gcal	185.938
Capacity factor, %	61.2

Fuel mix and fuel consumption in 2017			
Fuel type	Fuel mix, %	Fuel consumption for heat generation	Fuel consumption for electricity generation
Gas	99.998	20.3 mln cub. m	422.1 mln cub. m
Coal	-	-	-
Fuel oil	-	-	-
Diesel fuel	0.002	0.0003 thous. tnf	0.0068 thous. tnf

Electricity and heat prices and sales volumes

Electric power tariff rates set for 2015–2017, RUB/MWh.

Branch	2015		2016		2017		Change 2017/2016, %	
	01.01.15- 30.06.15	01.07.15- 31.12.15	01.01.16- 30.06.16	01.07.16- 31.12.16	01.01.17- 30.06.17	01.07.17- 31.12.17	01.01.- 30.06.	01.07.- 31.12.
Surgutskaya GRES-1	672.07	720.10	720.1	732.43	732.43	745.21	1.7	1.7
Ryazanskaya GRES	1,207.27	1,207.27	-	-	-	-	-	-
Ryazanskaya GRES net of CSA/HB	-	-	1,207.27	1,280.28	1,280.28	1,317.73	6.0	2.9
Ryazanskaya GRES STU-330 CSA	-	-	-	-	1,153.88	1,156.67	-	-
GRES-24 CCGT-420 CSA	1,143.10	1,145.08	1,145.08	1,223.74	1,223.74	1,243.21	6.9	1.6
Kirishskaya GRES CCGT-800 CSA	791.84	791.84	791.84	795.42	795.42	812.46	0.5	2.1
Kirishskaya GRES/CHPP-19 net of CSA/HB	1,157.33	1,157.57	1,154.61	1,154.61	1,154.61	1,179.33	0.0	2.1
Stavropolskaya GRES	1,212.77	1,213.51	1,213.51	1,253.01	1,253.01	1,273.11	3.3	1.6
Troitskaya GRES	769.90	771.78	-	-	-	-	-	-
Troitskaya GRES (unit 10) CSA	-	-	-	-	827.02	827.02	-	-
Troitskaya GRES net of CSA/HB (units 4, 5)	-	-	771.78	793.92	-	-	-	-
Troitskaya GRES net of CSA/HB (Unit 8, TG 1 - 3)	-	-	771.78	793.92	793.92	825.32	2.9	4.0
Novocherkasskaya GRES	1,039.37	1,039.37	-	-	-	-	-	-
Novocherkasskaya GRES net of CSA/HB (unit 1)	-	-	1,144.07	1,206.10	1,206.10	1,242.48	5.4	3.0
Novocherkasskaya GRES net of CSA/HB (unit 2)	-	-	1,144.07	1,206.10	1,206.10	1,242.48	5.4	3.0
Novocherkasskaya GRES net of CSA/HB (unit 3)	-	-	1,144.07	1,206.10	1,206.10	1,242.48	5.4	3.0
Novocherkasskaya GRES net of CSA/HB (unit 4)	-	-	1,144.07	1,206.10	1,206.10	1,242.48	5.4	3.0
Novocherkasskaya GRES net of CSA/HB (TG 5, 6)	-	-	1,026.45	1,026.45	1,026.45	1,059.72	0.0	3.2
Novocherkasskaya GRES STU-300 CSA refusal	947.24	947.24	947.24	1,013.58	1,013.58	1,046.32	7.0	3.2
Novocherkasskaya GRES STU-330 CSA	-	-	-	-	957.05	957.37	-	-
Krasnoyarskaya GRES- 2	415.37	415.37	415.37	437.26	437.26	454.92	5.3	4.0
Cherepovetskaya GRES BP (unit 1, 2, 3)	-	-	1,044.11	1,334.60	1,334.60	1,366.24	27.8	2.4
Cherepovetskaya GRES CCGT-420 CSA	-	-	868.25	868.25	868.25	880.93	0.0	1.5
Serovskaya GRES (unit 1) CSA	-	-	-	-	772.67	802.72	-	-

Branch	2015		2016		2017		Change 2017/2016, %	
	01.01.15- 30.06.15	01.07.15- 31.12.15	01.01.16- 30.06.16	01.07.16- 31.12.16	01.01.17- 30.06.17	01.07.17- 31.12.17	01.01.- 30.06.	01.07.- 31.12.
Serovskaya GRES (TG-5, 6, 7, 8)	1,101.06	1,132.89	-	-	-	-	-	-
Serovskaya GRES (TG-5, 6)	-	-	1,132.89	1,226.89	1,226.89	1,275.20	8.3	3.9
Serovskaya GRES (TG-7, 8)	-	-	1,101.06	1,236.49	1,236.49	1,295.18	12.3	4.7
Pskovskaya GRES	1,127.35	1,140.63	1,140.63	1,208.57	1,208.57	1,251.86	6.0	3.6
Adlerskaya TPP CCGT-180 (1) CSA	1,048.94	1,054.12	1,021.96	1,021.96	1,021.96	1,040.80	0.0	1.8
Adlerskaya TPP CCGT-180 (2) CSA	1,048.93	1,053.01	1,021.43	1,021.43	1,021.43	1,040.34	0.0	1.9

Heat tariffs in 2015–2017, RUB/Gcal

Branch	2015	2016	2017	Change 2017/2016, %
Surgutskaya GRES-1	387.6	391.2	395.4	1.1
Ryazanskaya GRES	1,187.2	1,323.1	1,407.7	6.4
Stavropolskaya GRES	1,161.4	1,199.6	1,227.8	2.3
Novocherkasskaya GRES	1,370.5	1,468.3	1,551.5	5.7
Kirishskaya GRES	881.4	910.5	925.3	1.6
Troitskaya GRES	694.6	743.5	742.5	-0.1
Krasnoyarskaya GRES-2	502.4	497.3	513.8	3.3
Cherepovetskaya GRES	994.9	1,047.8	1,066.8	1.8
Serovskaya GRES	766.6	837.1	906.1	8.2
Pskovskaya GRES	1,182.9	1,261.6	1,407.1	11.5
Adlerskaya TPP	2,043.7	2,912.4	2,741.3	-5.9
Total OGC-2	736.8	779.8	789.2	1.2

Actual electric power sales prices by wholesale market sector in 2015–2017, RUB/MWh

	Regulated market			Free market			Total wholesale market		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total OGC-2	900	934	937	1,107	1,175	1,177	1,070	1,135	1,128

Capacity price trends in 2015–2017, RUB/MW per month

	RC			CSA			CCO, FER, CDM			Total wholesale market		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total OGC-2	106,373	112,370	117,805	453,292	673,831	757,982	130,580	122,543	126,980	158,772	210,738	243,698

Electric power sales volume by sector in 2015–2017, mln kWh

	Regulated market	Free market	Total wholesale market
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	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total OGC-2	12,160	11,985	13,823	55,997	59,463	54,405	68,157	71,448	68,228

Electric power sales on the wholesale market in 2015–2017, mln kWh

	Total electric power sales			
	2015	2016	2017	Change 2016/ 2017, %
Total OGC-2	68,161	71,450	68,228	-5

Electric power purchase in 2016–2017, mln kWh

	Total	
	2016	2017
Total OGC-2	9,792	10,463

Revenue from electric power sales in 2015–2017, mln RUB net of VAT

	Regulated market			Free market			Total wholesale market		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total OGC-2	10,950	11,194	12,955	61,966	69,896	64,034	72,916	81,090	76,989

Capacity sales by capacity market sector in 2015–2017, MW per month

	RC			CSA			CCO, FER, CDM			Total wholesale market		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total OGC-2	4,467	4,104	4,343	1,686	2,745	3,261	9,311	9,836	9,686	15,464	16,685	17,289

Capacity purchase in 2016–2017 (MW)

	Total	
	2016	2017
Total OGC-2	128	110

Revenue from capacity sales in 2015–2017, mln RUB net of VAT

	RC			CSA			CCO, FER, CDM			Total wholesale market		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total OGC-2	5,702	5,534	6,139	9,171	22,196	29,663	14,590	14,464	14,758	29,463	42,194	50,561

Investment programme, maintenance and repair

Commissioning at the wholesale power and capacity market, MW (capacity growth under CSA)

Electric power plant	Equipment	Commissioned / Certified		Planned for commissioning	
		2016	2017	2018	2019
OGK-2					
Troitskaya GRES	Boiler HG-2100/25.4-YM HBC Steam turbine CLN-660-24.2/566/566 HTC Generator QFSN-660-2	660 MW			
Novocherkasskaya GRES	Boiler CFB Alstom Steam turbine K-330-23.5 KhTZ Generator TGV-330-2MUZ	324 MW	6 MW (recertification)		
Serovskaya GRES	Heat recovery boiler EMA-018-KU TKZ Steam turbine SST5-3000 Siemens GTU SGT5-4000F Siemens Generator SGen5-2000H	420 MW		30 MW (upgrade under the re-equipment and renovation programme)	
Groznenskaya TPP	Unit No. 6, 7 (2xGTU-180) Grozny, the Chechen Republic. Gas turbine plant construction on the basis of two gas-turbine units (GTU) Siemens SGT-2000E, open cycle, without heating cogeneration				173.4 (No.1) MW 173.4 (No.2) MW
Cherepovetskaya GRES	Heat recovery boiler EMA-029-KU Ep270/316/46-12.5/3.06/0.46-560/560/237 Steam turbine SST5-3000 Siemens GTU SGT5-4000F(4) Siemens			30 MW (upgrade under the re-equipment and renovation programme)	

Investment projects financing under CSA (mln RUB, incl. VAT)

	Expected project cost	Financed			Planned financing through 2019
		Before 31.12.2015	2016	2017	
CSA of OGC-2	135,305.53	114,110.91	12,898.10	4,661.62	5,899.71
plus capitalised interest	0.00	4,043.72	1,621.05	426.47	0.00
Unit No.1 (STU-660). Premises of Troitskaya GRES	63,255.32	46,062.99	7,424.68	3,912.95	5,854.69
<i>plus capitalised interest</i>		1,862.42	1,030.88	426.47	
Unit No.2 (STU-330). Premises of Novocherkasskaya GRES	37,483.87	32,165.45	3,590.04	553.83	44.54
<i>plus capitalised interest</i>		1,321.06	540.03		
Unit No.5 (STU-330).Premises of Ryazanskaya GRES	6,810.63	6,176.80	534.11	0.00	0.00
<i>plus capitalised interest</i>		217.52			
Unit No.2 (CCGT-420). Premises of Serovskaya GRES, Unit 9	23,579.27	21,841.74	1,338.33	188.04	0.47
<i>plus capitalised interest</i>		545.09	50.14		
Unit No.3 (CCGT-420). Premises of Serovskaya GRES, Unit 10		3,695.10	10.94	0.00	0.00
<i>plus capitalised interest</i>		97.64			

Unit No.3 (CCGT-420). Premises of Ryazanskaya GRES (GRES-24)	4,176.44	4,168.84	0.00	6.81	0.00
<i>plus capitalised interest</i>		<i>0.00</i>			

Disposal of inefficient generating and heating equipment (electric and heating)

	Equipment	Withdrawn from operation		Planned for withdrawal	
		2016	2017	2018	2019
OGK-2					
Troitskaya GRES	Unit No.4 Non-circulation boiler unit Pp 950/255 (PK-39) Steam turbine K-300-240 Generator TGV-300 Unit No.5 Non-circulation boiler unit Pp 950/255 (PK-39) Steam turbine K-300-240 Generator TGV-300	556 MW			
Troitskaya GRES	TG-1, 2, 3 Steam turbine T-85-90-2.5 – 3 pcs. PK-14-2 – 6 pcs.			255 MW	
Serovskaya GRES	TG-5, 6, 7, 8 Steam turbine K-100-90M Steam turbine K-100-90 – 3 pcs. Generator TV 2-100-2 – 4 pcs. Boiler E-230-10-510 KGT (PK-14-2) Boiler E-230-10-510 KGT (PK-14P) Boiler E-230-10-510 KGT (PK-14)			388 MW	

Innovations, research and development

Branch	2016		2017		2018
	Used, net of VAT (thous. RUB)	Financed, incl. VAT (thous. RUB)	Used, net of VAT (thous. RUB)	Financed, incl. VAT (thous. RUB)	Financing, incl. VAT (projection) (thous. RUB)
Surgutskaya GRES-1	0	0	0	0	0
Ryazanskaya GRES	3,700.0	4,366.0	9,905.0	11,195.0	1,920.0
Kirishskaya GRES	4,932.2	6,415.0	0	0	2,651.0
Stavropolskaya GRES	1,635.9	1,930.3	0	0	2,729.6
Troitskaya GRES	0	0	0	0	5,000.0
Novocherkasskaya GRES	0	0	25,504.2	29,823.3	26,471.4
Krasnoyarskaya GRES-2	5,428.8	6,264.6	9,634.9	11,369.2	22,350.0
Cherepovetskaya GRES	2,554.7	3,020.0	5,225.0	6,165.5	4,280.0
Serovskaya GRES	0	0	0	0	4,475.0
Pskovskaya GRES	0	0	0	0	0

Adlerskaya TPP	2,117.0	2,117.0	0	0	0
Executive office	0	0	0	0	9,000.0
TOTAL	20,368.6	24,112.9	50,269.1	58,553.0	78,877.0

Operational results

Trends of electric power production in 2015–2017, mln kWh

Indicator, branch	2015	2016	2017	Change 2016/2017, %
Net electricity supply (mln kWh)				
Surgutskaya GRES-1	19,873	19,432	19,229	-1.0
Ryazanskaya GRES	4,032	4,404	2,731	-38.0
Kirishskaya GRES	4,156	5,050	3,239	-35.9
Stavropolskaya GRES	8,354	9,520	9,928	4.3
Troitskaya GRES	2,151	1,996	1,380	-30.9
Novocherkasskaya GRES	8,502	8,645	10,071	16.5
Krasnoyarskaya GRES-2	5,376	4,287	4,702	9.7
Cherepovetskaya GRES	3,915	4,528	2,640	-41.7
Serovskaya GRES	1,430	2,929	2,792	-4.7
Pskovskaya GRES	547	277	701	153.4
Adlerskaya TPP	1,907	1,959	1,840	-6.1
OGK-2	60,245	63,027	59,252	-6.0
Electricity output (mln kWh)				
Surgutskaya GRES-1	20,830	20,412	20,262	-0.7
Ryazanskaya GRES	4,370	4,779	3,034	-36.5
Kirishskaya GRES	4,407	5,333	3,511	-34.2
Stavropolskaya GRES	8,708	9,910	10,334	4.3
Troitskaya GRES	2,520	2,178	1,678	-23.0
Novocherkasskaya GRES	9,156	9,350	10,887	16.4
Krasnoyarskaya GRES-2	5,930	4,758	5,202	9.3
Cherepovetskaya GRES	4,187	4,806	2,814	-41.4
Serovskaya GRES	1,626	3,158	2,990	-5.3
Pskovskaya GRES	615	334	775	132.3
Adlerskaya TPP	2,016	2,068	1,944	-6.0
OGK-2	64,363	67,086	63,433	-5.4

Heat supply³¹

Indicator, branch	2015	2016	2017	Change 2016/2017, %
Net heat supply (thous. Gcal)				
Surgutskaya GRES-1	1,542.4	1,628.6	1,720.1	5.6
Ryazanskaya GRES	145.7	155.2	148.4	-4.4
Kirishskaya GRES	2,765.4	2,797.0	2,707.1	-3.2
Stavropolskaya GRES	60.2	59.5	52.8	-11.2
Troitskaya GRES	339.6	348.9	346.6	-0.7
Novocherkasskaya GRES	57.5	56.5	53.9	-4.6
Krasnoyarskaya GRES-2	942.6	1,000.8	927.7	-7.3
Cherepovetskaya GRES	89.9	97.0	98.7	1.8
Serovskaya GRES	70.1	72.9	71.4	-2.1
Pskovskaya GRES	41.9	45.7	41.7	-8.7

³¹ The annual report indicates these volumes net of recalculation for the periods before 2017.

Adlerskaya TPP	160.2	175.6	183.8	4.7
OGK-2	6,215.6	6,437.8	6,352.3	-1.3
<i>Heat output from collectors (thous. Gcal)</i>				
Surgutskaya GRES-1	1,556.8	1,645.8	1,734.6	5.4
Ryazanskaya GRES	212.6	249.0	237.3	-4.7
Kirishskaya GRES	2,797.0	2,831.1	2,747.4	-3.0
Stavropolskaya GRES	73.4	73.5	66.7	-9.3
Troitskaya GRES	429.1	540.1	504.2	-6.7
Novocherkasskaya GRES	80.0	78.6	74.9	-4.7
Krasnoyarskaya GRES-2	963.0	1046.1	947.7	-9.4
Cherepovetskaya GRES	103.7	111.3	120.2	8.1
Serovskaya GRES	85.5	86.3	85.0	-1.5
Pskovskaya GRES	55.9	59.9	57.1	-4.7
Adlerskaya TPP	160.5	175.8	184.3	4.8
OGK-2	6,517.2	6,897.5	6,759.4	-2.0

Capacity factor

Indicator, branch	2015	2016	2017	Change 2016/2017, %
<i>Capacity factor, %</i>				
Surgutskaya GRES-1	73%	71%	71%	0%
Ryazanskaya GRES	16%	17%	11%	-6%
Kirishskaya GRES	19%	23%	15%	-8%
Stavropolskaya GRES	41%	47%	49%	2%
Troitskaya GRES	22%	19%	14%	-5%
Novocherkasskaya GRES	55%	51%	55%	4%
Krasnoyarskaya GRES-2	54%	43%	47%	4%
Cherepovetskaya GRES	45%	52%	31%	-21%
Serovskaya GRES	48%	44%	42%	-2%
Pskovskaya GRES	16%	9%	20%	11%
Adlerskaya TPP	64%	65%	61%	-4%
OGK-2	41%	41%	38%	-3%

Fuel mix breakdown, %

Branch	2015			2016			2017		
	Coal	Gas	Fuel oil	Coal	Gas	Fuel oil	Coal	Gas	Fuel oil
Total OGC-2	33.50	66.38	0.12	29.66	70.23	0.11	29.90	69.91	0.19
Surgutskaya GRES-1	0.00	100.00	0.00	0.00	100.00	0.00	0	100	0
Ryazanskaya GRES	59.03	40.97	0.00	57.724	42.273	0.003	81.57	18.42	0.01
Kirishskaya GRES	0.00	100.00	0.00	0.00	100.00	0.00	0	98.80	1.20
Stavropolskaya GRES	0.00	99.99	0.01	0.00	99.81	0.19	0	99.96	0.04
Troitskaya GRES	98.13	0.00	1.87	98.43	0.00	1.57	98.18	0	1.82
Novocherkasskaya GRES	60.18	39.82	0.00	58.28	41.71	0.01	63.43	34.46	0.11
Krasnoyarskaya GRES-2	99.79	0.00	0.21	99.81	0.00	0.19	99.81	0	0.19
Cherepovetskaya GRES	54.80	45.07	0.13	47.996	52.002	0.002	12.0216	87.9635	0.0149
Serovskaya GRES	83.35	16.65	0.00	28.66	71.30	0.04	15.96	84.01	0.03
Pskovskaya GRES	0.00	100.00	0.00	0.00	100.00	0.00	0	100	0
Adlerskaya TPP	0.00	99.99	0.01	0.00	99.999	0.001	0	99.998	0.002

Fuel consumption for production in natural units in 2015–2017

Fuel type	2015, thous. tons, mln cub. m	2016, thous. tons, mln cub. m	2017, thous. tons, mln cub. m	Change 2016/2017, %
<i>Coal</i>				
Total OGC-2	12,824	11,314	10,563	-6.6
Surgutskaya GRES-1	0	0	0	0
Ryazanskaya GRES	1,780	1,854	1,699	-8.4
Kirishskaya GRES	0	0	0	0
Stavropolskaya GRES	0	0	0	0
Troitskaya GRES	1,835	1,615	1,269	-21.5
Novocherkasskaya GRES	3,004	3012	3,595	19.4
Krasnoyarskaya GRES-2	4,080	3,356	3,626	8.0
Cherepovetskaya GRES	1,093	1,048	163	-84.5
Serovskaya GRES	1,033	427	212	-50.4
Pskovskaya GRES	0	0	0	0
Adlerskaya TPP	0	0	0	0
<i>Gas</i>				
Total OGC-2	12,196	13,470	12,878	-4.4
Surgutskaya GRES-1	5,751	5,726	5,632	-1.6
Ryazanskaya GRES	554	621	178	-71.3
Kirishskaya GRES	1,298	1,536	1,202	-21.7
Stavropolskaya GRES	2,412	2,730	2,888	5.8
Troitskaya GRES	0	0	0	0
Novocherkasskaya GRES	985	1,190	1,231	3.4
Krasnoyarskaya GRES-2	0	0	0	0
Cherepovetskaya GRES	465	587	529	-9.8
Serovskaya GRES	102	518	547	5.7
Pskovskaya GRES	182	104	228	118.9
Adlerskaya TPP	447	458	442	-3.4
<i>Fuel oil</i>				
Total OGC-2	18.75	18.61	29.59	59.0
Surgutskaya GRES-1	0	0	0	0
Ryazanskaya GRES	0.03	0.04	0.07	100.0
Kirishskaya GRES	0	0	11.58	-
Stavropolskaya GRES	0.23	4.64	0.89	-80.8
Troitskaya GRES	13.72	10.80	10.15	-6.0
Novocherkasskaya GRES	0.17	0.23	3.81	1,569.4
Krasnoyarskaya GRES-2	3.58	2.64	2.85	7.7
Cherepovetskaya GRES	1.00	0.02	0.07	306.0
Serovskaya GRES	0	0.24	0.17	-30.7
Pskovskaya GRES	0	0	0	0
Adlerskaya TPP	0.02	0.002	0.007	250.5

Fuel equivalent consumption in 2015–2017

Fuel type, branch	2015, thous. t.o.e.	2016, thous. t.o.e.	2017, thous. t.o.e.	Change 2016/2017, %
<i>Coal</i>				
Total OGC-2	7,537	6,618	6,386	-3.5
Surgutskaya GRES-1	0	0	0	0
Ryazanskaya GRES	941	998	923	-7.5

Kirishskaya GRES	0	0	0	0
Stavropolskaya GRES	0	0	0	0
Troitskaya GRES	1,045	919	748	-18.7
Novocherkasskaya GRES	2,041	1,951	2,492	27.7
Krasnoyarskaya GRES-2	2,266	1,879	2,020	7.5
Cherepovetskaya GRES	656	629	84	-86.7
Serovskaya GRES	588	242	120	-50.5
Pskovskaya GRES	0	0	0	0
Adlerskaya TPP	0	0	0	0
<i>Gas</i>				
Total OGC-2	14,176	15,670	14,930	-4.7
Surgutskaya GRES-1	6,663	6,616	6,502	-1.7
Ryazanskaya GRES	653	731	208	-71.5
Kirishskaya GRES	1,506	1,785	1,393	-21.9
Stavropolskaya GRES	2,818	3,201	3,369	5.3
Troitskaya GRES	0	0	0	0
Novocherkasskaya GRES	1,147	1,396	1,432	2.6
Krasnoyarskaya GRES-2	0	0	0	0
Cherepovetskaya GRES	539	682	614	-9.9
Serovskaya GRES	117	603	631	4.7
Pskovskaya GRES	211	121	265	118.1
Adlerskaya TPP	521	536	515	-4.0
<i>Fuel oil + diesel</i>				
Total OGC-2	25.43	25.15	40.58	61.3
Surgutskaya GRES-1	0	0	0	0
Ryazanskaya GRES	0.04	0.05	0.09	98.3
Kirishskaya GRES	0	0	16.96	-
Stavropolskaya GRES	0.31	6.24	1.20	-80.8
Troitskaya GRES	18.54	14.67	13.89	-5.3
Novocherkasskaya GRES	0.19	0.25	4.28	1,584.2
Krasnoyarskaya GRES-2	4.85	3.54	3.81	7.7
Cherepovetskaya GRES	1.48	0.03	0.10	309.8
Serovskaya GRES	0	0.37	0.24	-36.4
Pskovskaya GRES	0	0	0	0
Adlerskaya TPP	0.03	0.003	0.01	250.5

Sustainable development

Dry ash, ash and slag waste dispatched and supplied to other entities, tons

Branch of OGC-2	Dry ash transferred to other entities, tons	Ash and slag waste transferred to other entities from ash disposal areas, tons
Novocherkasskaya GRES	74,382	3,000
Ryazanskaya GRES	54,373	196,675
Total OGC-2	128,755	199,675

Atmospheric pollutant emissions

Branch	Gross atmospheric pollutant emissions, tons		Change, %
	2016	2017	
Adlerskaya TPP	1,194.911	1,154.05	-3.42

Kirishskaya GRES	6,264.453	6,639.288	5.98
Krasnoyarskaya GRES-2	39,778.68	42,903.96	7.86
Novocherkasskaya GRES	77,156.75	98,397.64	27.53
Pskovskaya GRES	245.67	503.4	104.91
Ryazanskaya GRES	31,191.85	26,899.39	-13.76
Serovskaya GRES	11,128.52	6,638.08	-40.35
Stavropolskaya GRES	7,145.17	7,028.64	-1.63
Surgutskaya GRES-1	15,349.22	15,519.49	1.11
Troitskaya GRES	42,950.8	31,083.47	-27.63
Cherepovetskaya GRES	34,759.63	7,268.63	-79.09
OGK-2	267,165.638	244,036.025	-8.7

Waste generation

Branch	Waste generation, tons		Change, %
	2016	2017	
Adlerskaya TPP	105.031	160.671	52.97484
Kirishskaya GRES	2,126.62	3,046.94	43.27618
Krasnoyarskaya GRES-2	236,868.692	251,286.918	6.087012
Novocherkasskaya GRES	1,007,069.712	1,195,423.85	18.70319
Pskovskaya GRES	287.945	183.303	-36.341
Ryazanskaya GRES	210,294.78	189,842.587	-9.72549
Serovskaya GRES	169,491.61	82,812.561	-51.1406
Stavropolskaya GRES	837.074	1,106.563	32.19417
Surgutskaya GRES-1	4,683.143	5,053.746	7.913553
Troitskaya GRES	669,411.172	484,927.235	-27.5591
Cherepovetskaya GRES	276,301.35	54,812.85	-80.1619
OGK-2	2,577,477.029	2,268,659.021	-11.9814

Water intake and production, thous. cub. m

	2016	2017
Adlerskaya TPP	255.49	230.73
Kirishskaya GRES	267,972.55	192,514.47
Krasnoyarskaya GRES-2	440,224.69	489,958.29

Novocherkasskaya GRES	922,478.68	1,016,844.86
Pskovskaya GRES	36,859.01	93,449.2
Ryazanskaya GRES	8,360.48	8,325.6
Serovskaya GRES	15,933.05	8,134.2
Stavropolskaya GRES	1,435,302.18	1,509,129.62
Surgutskaya GRES-1	19,796.45	19,790.64
Troitskaya GRES	4,937.05	5,293.3
Cherepovetskaya GRES	166,485.79	38,257.01
OGK-2	3,318,605.42	3,381,927.920

Pollutants dumped to surface water bodies, tons

	2016	2017
Adlerskaya TPP	0.00	0.00
Kirishskaya GRES	8,326.75	10,267.67
Krasnoyarskaya GRES-2	459.22	622.45
Novocherkasskaya GRES	961.38	995.69
Pskovskaya GRES	27.55	29.42
Ryazanskaya GRES	501.69	1,563.22
Serovskaya GRES	126.37	62.49
Stavropolskaya GRES	0.00	0.00
Surgutskaya GRES-1	6.72	6.60
Troitskaya GRES	1,087.49	1,171.20
Cherepovetskaya GRES	539.14	198.21
OGK-2	12,036.30	14,916.95

Staffing in 2015–2017 by branch and the executive office, persons

Branch	2015	2016	2017	Change, 2016/2017, %
Surgutskaya GRES-1	920	915	931	2%
Ryazanskaya GRES	1,125	1,117	1,123	1%
Kirishskaya GRES	813	826	809	-2%
Stavropolskaya GRES	799	791	799	1%
Troitskaya GRES	1,250	1,065	1,022	-4%
Novocherkasskaya GRES	1,218	1,192	1,192	0%
Krasnoyarskaya GRES-2	874	882	888	1%
Cherepovetskaya GRES	592	582	557	-4%
Serovskaya GRES	511	496	463	-7%
Pskovskaya GRES	336	306	303	-1%
Adlerskaya TPP	218	219	202	-8%
Groznenskaya TPP	-	-	-	
Executive office	301	292	273	-7%
TOTAL	8,957	8,683	8,562	-1%

2. The Company's accounting statements for 2017 under the RAS



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Moscow, 117587, Russia

Translation from the Russian original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC "OGK-2"

Opinion

We have audited the consolidated financial statements of JSC "OGK-2" (the Company) (OGRN 1052600002180, Bld. 1, Letter A, 66 Peterburgskoe Shosse, St. Petersburg, 196140) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements for the year ended 31 December 2017, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of allowance for doubtful debts

We paid special attention to the issue of determining the allowance for doubtful debts because the appraisal process is complex and requires the management to make significant judgments.

Our audit procedures for management's assessment of impairment of accounts receivable included a review of the analysis of the probability of debt repayment by management, taking into account the assessment of the counterparty's solvency and the deterioration occurring at the reporting date, subsequent payment after the balance sheet date, availability of security for payment and its quality and other factors, considered by the management, as well as analysis of the receivables turnover, results of which were used, including for verify the analysis of the probability of debt repayment conducted by management, and review of reasonableness of information on impairment of accounts receivable disclosed in Note 10 to the consolidated financial statements.

As a result of the conducted procedures, we did not find any significant inconsistencies.

Assessment of impairment of property, plant and equipment

At each reporting date Group assesses whether there is any indication of impairment of property, plant and equipment. This annual impairment test was significant to our audit because the impairment test procedure is a complex process that involves management's use of significant judgments and is based on assumptions that are influenced by projected future market and economic conditions that are inherently are indeterminate.

Our audit procedures included, but not be limited to, the involvement of an valuation expert to assist us in assessing the assumptions and methodology used by the Group. We also focused our audit procedures on the adequacy of the Group's disclosure of assumptions to which the results of the impairment test are the most sensitive and have the most significant effect on the determination of the recoverable amount of property, plant and equipment. In the course of our audit, we also received and verified the existence of plans for the completion and further use of the objects of unfinished capital investments (planning and survey works and equipment for installation) that were not moving for a long period; studied the results of the stock take procedures of objects of incomplete capital investments; have checked the accuracy of writing off on the financial result the value of objects for which there are no plans exist for completion and further use of such objects.

The results of the impairment test are presented in Note 6 in the consolidated financial statements.

As a result of the conducted procedures, we did not find any significant inconsistencies.

Other Information

General Director (management) is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

General Director (management) is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Translation from the Russian original

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Translation from the Russian original

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The translation is true and correct.

The engagement partner on the audit resulting in this independent auditor's report is



A.B. Ballakin

Audit company:

BDO Union Aktsionernoe Obshchestvo

Main State Registration Number: 1037739271701

11/1, 125 Varshavskoye Shosse, Moscow, 117587, Russia

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association)

Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: 11603059593

5 March 2018

OGK-2 Group

Consolidated Statement of Financial Position as at 31 December 2017

(in thousands of Russian Rubles unless noted otherwise)



	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	184,267,282	184,799,186
Intangible assets	7	718,174	932,533
Deferred income tax assets	13	357,168	188,778
Other non-current assets	8	908,728	923,859
Total non-current assets		186,251,352	186,844,356
Current assets			
Cash and cash equivalents	9	5,140,826	4,538,884
Trade and other receivables	10	13,472,830	15,628,777
Inventories	11	11,129,570	9,277,515
Income tax prepayments		65,106	118,705
Total current assets		29,808,432	29,563,881
TOTAL ASSETS		216,059,784	216,408,236
EQUITY AND LIABILITIES			
Equity			
Share capital	12		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,821,383)	(3,961,865)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		56,398,279	50,317,063
Equity attributable to the shareholders of JSC "OGK-2"		121,012,598	114,790,900
Total equity		121,012,598	114,790,900
Non-current liabilities			
Deferred income tax liabilities	13	12,192,821	10,303,385
Non-current debt	14	57,891,843	34,590,389
Retirement benefit obligations	15	1,820,404	2,207,546
Restoration provision	16	1,075,463	955,964
Other long-term liabilities	17	561,975	3,865,670
Total non-current liabilities		73,542,506	51,922,954
Current liabilities			
Current debt and current portion of non-current debt	18	1,443,237	32,459,634
Trade and other payables	19	18,404,720	14,842,616
Other taxes payable	20	1,577,399	2,235,599
Restoration provision	16	79,324	358,333
Total current liabilities		21,504,680	49,894,182
Total liabilities		95,047,186	101,817,136
TOTAL EQUITY AND LIABILITIES		216,059,784	216,408,236

General Director

Chief Accountant

S.A. Ananyev

L.V. Klesh



The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 50

OGK-2 Group
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017
(in thousands of Russian Roubles unless noted otherwise)



	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Revenues	21	141,307,552	134,397,876
Operating expenses	22	(125,261,209)	(124,528,569)
Other operating expenses		(494,989)	(480,082)
Operating profit		15,551,354	9,389,245
Finance income	23	731,604	1,472,498
Finance costs	24	(6,135,244)	(5,894,702)
Profit before income tax		10,147,714	4,967,041
Income tax charge	13	(2,946,853)	(1,914,452)
Profit for the year		7,200,861	3,052,589
Other comprehensive loss:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of retirement benefit obligation, net of tax	13,15	(145,879)	(118,619)
Total comprehensive income for the year		7,054,982	2,933,970
Profit / (loss) for the year attributable to:			
Shareholders of JSC "OGK-2"		7,200,861	3,169,470
Non-controlling interest		-	(116,881)
		7,200,861	3,052,589
Total comprehensive income / (loss) for the year attributable to:			
Shareholders of JSC "OGK-2"		7,054,982	3,050,851
Non-controlling interest		-	(116,881)
		7,054,982	2,933,970
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)			
	25	0.07	0.03

General Director

Chief Accountant



The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 50

OGK-2 Group

Consolidated Statement of Cash Flows for the year ended 31 December 2017

(in thousands of Russian Roubles unless noted otherwise)



	Notes	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		10,147,714	4,967,041
Adjustments to reconcile profit before income tax to net cash provided by operations:			
Depreciation of property, plant and equipment	22	11,046,585	9,302,768
Amortisation of intangible assets	22	218,837	231,702
Reversal of property, plant and equipment impairment	6, 22	(851,829)	(335,930)
Change of provision for impairment of trade and other receivables	22	3,597,008	3,123,145
Change of provision for inventory obsolescence	22	204,028	7,730
Finance income	23	(731,604)	(1,472,498)
Finance costs	24	6,135,244	5,894,702
Non-state pensions and other long-term benefits	22	(500,909)	78,700
Loss on disposal of assets, net	22	963,742	1,013,010
Other non-cash items		35,311	38,290
Operating cash flows before working capital changes and income tax paid		30,264,127	22,848,660
Working capital changes:			
Increase in trade and other receivables		(2,561,577)	(2,906,073)
(Increase) / decrease in inventories		(1,399,235)	1,036,502
Increase in trade and other payables		355,229	614,049
(Decrease) / increase in taxes payable, other than income tax		(854,896)	1,484,052
Decrease in retirement benefit obligations		(94,044)	(150,813)
Income tax (paid) / returned		(1,169,193)	1,339,393
Net cash generated from operating activities		24,740,611	24,266,770
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(10,081,417)	(14,813,215)
Proceeds from sale of property, plant and equipment		19,899	50,512
Purchase of intangible assets		(157,783)	(53,193)
Repayment of loans issued		-	100,000
Interest received		431,792	651,581
Net cash used in investing activities		(9,787,509)	(14,064,335)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings	18	-	16,000,000
Proceeds from long-term borrowings	14	45,710,000	6,510,000
Repayment of short-term borrowings	18	(32,100,000)	(28,310,572)
Repayment of long-term borrowings	14	(21,369,500)	(87,674)
Interest paid	18	(5,688,980)	(6,576,146)
Payments under finance lease	18	(5,235)	(35,677)
Dividend paid to shareholders of JSC "OGK-2"		(869,438)	(596,790)
Net cash used in financing activities		(14,323,153)	(13,096,859)
Net increase/ (decrease) in cash and cash equivalents		629,949	(2,895,424)
Effect of exchange rate changes on cash and cash equivalents		(27,707)	(110,261)
Cash and cash equivalents at the beginning of the year	9	4,538,684	7,544,369
Cash and cash equivalents at the end of the year	9	5,140,800	4,538,684

General Director

Chief Accountant



The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 50

OGK-2 Group

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

(in thousands of Russian Roubles unless noted otherwise)



	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Equity attributable to the shareholders of JSC "OGK-2"	Non-controlling interest	Total equity
At 1 January 2016	40,057,009	(4,150,598)	28,378,693	48,832,446	113,117,550	2,083,512	115,201,062
Profit / (loss) for the 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	60,317,063	114,790,900	-	114,790,900
At 1 January 2017	40,057,009	(3,961,865)	28,378,693	60,317,063	114,790,900	-	114,790,900
Profit / for the year	-	-	-	7,200,861	7,200,861	-	7,200,861
Remeasurements of retirement benefit obligations, net of tax	-	-	-	(145,879)	(145,879)	-	(145,879)
Total comprehensive income for the year	-	-	-	7,054,982	7,054,982	-	7,054,982
Dividends (Note 12)	-	-	-	(874,173)	(874,173)	-	(874,173)
Payment of remuneration (Note 12)	-	134,904	-	(99,593)	35,311	-	35,311
Other transactions	-	5,578	-	-	5,578	-	5,578
At 31 December 2017	40,057,009	(3,821,383)	28,378,693	58,596,279	121,012,598	-	121,012,598

General Director

Chief Accountant



The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 50

3. The Company's accounting statements for 2017 under the RAS

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Independent Auditor's Report

Attention: shareholders of PJSC OGK-2

Opinion

We have carried out an audit of the accounting (financial) statements of PJSC OGK-2 (the Company) (Principal State Registration Number (OGRN) 1052600002180; 66 Peterburgskoye Shosse, Building 1A, Saint Petersburg, 196140), covering the balance sheet as of 31 December 2017, profit and loss statement for 2017, annexes to the balance sheet and the profit and loss statement, including the 2017 report on changes in capital and the 2017 cash flow statement, notes to the balance sheet and the profit and loss statement for 2017.

It is our opinion that the annexed accounting (financial) statements accurately reflect in all material respects the financial position of PJSC OGK-2 as of 31 December, 2017, its financial performance and the cash flows for 2017 in accordance with the requirements to the accounting (financial) statements of the Russian Federation.

Basis of audit opinion

We have conducted the audit in accordance with the International Standards on Auditing (ISA). Our responsibility under these standards is described in the section "Responsibility of the Auditor for the audit of the accounting (financial) statements" of this report. We are independent of the Company in accordance with the ethic requirements applicable to our audit of the accounting (financial) statements in Russia and we have fulfilled other ethic duties following these requirements. We believe that we have received sufficient and proper audit evidence to serve as a basis for our opinion.

Key audit aspects

Key auditing aspects are the issues which, in our professional opinion, were of major importance for our audit of accounting (financial) statements for the current period. These issues were considered in the general context of the present audit of accounting (financial) statements and when formulating our opinion on these statements, and we do not express any separate opinion on these matters.

Appraisal of in-progress capital investments idle for a long time

Appraisal of in-progress capital investments (design and survey works and equipment to be installed) idle for a long time requires the use of material assumptions in drafting the plans for completion and further operation of such facilities. The appraisal procedure is complicated and based on the

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assumptions influenced by forecasts of the future market and economic conditions which are uncertain by nature.

During our audit we obtained and verified the availability of the plans for completion and further operation of such facilities. We studied the inventory results for the in-progress capital investment facilities and audited the correctness of allocation to the financial results regarding the facilities without plans for completion and further operation.

Based on the findings of our audit procedures, we did not reveal any material inconsistencies.

Appraisal of doubtful debt provision

We particularly focused on the doubtful debt provisions, as the procedures involved are complicated and relies heavily on the management's judgement.

Our audit procedures towards the management's assessment of the receivables impairment included verification of the management's recoverability analysis considering the counteragents' solvency appraisal and its deterioration as of the reporting date, further payments after the reporting date, availability of payment security and its quality and other factors considered by the management, as well as analysis of the accounts receivable turnover, the results of which are, inter alia, used to verify the management's recoverability analysis.

Based on the findings of our audit procedures, we did not reveal any material inconsistencies.

Other data

The CEO (the management) bears the responsibility for other information. Other information includes the data from the annual report, but does not include the accounting (financial) statements and our audit report about it. We assume that the annual report will be presented to us after the date of this audit report.

Our opinion on the accounting (financial) statements does not cover other information; therefore we are not making any conclusion to ensure any certainty with regards to this information.

As we have conducted the audit of the accounting (financial) statements, our duty is to familiarize ourselves with abovementioned other information, when it is presented to us, and to consider whether there are material contradictions between other information and the accounting (financial) statements or our knowledge obtained during the audit, and whether other information contains any other considerable distortions.

If upon studying the annual report we arrive at the conclusion that it contains considerable distortions, we will have to inform the persons responsible for the corporate governance.

Responsibility of the management and the persons in charge of the corporate governance for the accounting (financial) statements

The CEO (the management) bears the responsibility for preparation and fair presentation of the relevant accounting (financial) statements in accordance with the accounting (financial) standards effective in the Russian Federation, as well as the responsibility for the system of internal audit that the management considers necessary to prepare accounting (financial) statements without significant distortions due to unethical practices or mistakes.

When preparing accounting (financial) statements, the management bears responsibility for the evaluation of the Company's capability to ensure business continuity of its activities, for disclosure of information relevant to business continuity when necessary, and for reporting on the basis of the business continuity assumption, with the exception of the cases when the management intends to liquidate the Company or has no other feasible alternative but the liquidation or dissolution.

The persons responsible for the corporate governance bear the responsibility for control over the preparation of the accounting (financial) statements of the Company.

Responsibility of the Auditor for the audit of the accounting (financial) statements

Our goal is to obtain reasonable assurance that the accounting (financial) statements do not contain any material distortions due to unethical practices or mistakes and to issue the audit report that contains our opinion. Reasonable assurance is understood as a high level of assurance, but is not a guarantee that the audit conducted in accordance with the International Standards on Auditing always detects material distortions if any exist. Distortions can be a result of fraud or error. They are considered material, if it is reasonable to suppose that they can influence, individually or taken together, the economic decisions of users made on the basis of the accounting (financial) statements.

Within the framework of the present audit conducted in accordance with the International Standards on Auditing we apply professional judgment and adhere to professional scepticism throughout the period of the audit. Moreover, we perform the following:

- a) detect and estimate the risks of material distortion of the accounting (financial) statements due to unethical practices or mistakes; elaborate and conduct auditing procedures in order to counteract these risks; receive audit evidence that is sufficient and proper to be a basis for expression of our opinion. The risk of failure to detect material distortions due to fraud is higher than the risk of failure to detect material distortions due to a mistake, as fraud can involve conspiracy, forgery, intended omission, distorted fact presentation or actions in circumvention of the internal audit system;
- b) get an understanding of the internal audit system relevant for the audit, in order to elaborate audit procedures corresponding to the context, but not to express an opinion on the efficiency of the Company's system of internal control;
- c) evaluate the appropriateness of the accounting policies in effect, the soundness of accounting estimates and relevant information disclosure prepared by the management;
- d) make a conclusion whether the management's assumption of the continuity of activity is justified and, on the basis of the evidence received, a conclusion whether there is considerable uncertainty due to events or conditions that can raise serious doubts about the Company's ability to ensure business continuity. If we come to a conclusion that such significant uncertainty exists, we are to draw attention to the relevant information disclosure in the accounting (financial) statements in our audit report, or, if such disclosure is not properly made, to modify our opinion. Our conclusions are based on the audit evidence received before the date of the audit report. However, future events or conditions may result in the Company's loss of ability to ensure its business continuity;
- e) evaluate presentation of the accounting (financial) statements in general, their structure and content, including information disclosure, and assess whether these accounting (financial) statements accurately describe the underlying operations and events.

We carry out communication with the persons responsible for the corporate governance, informing them among other issues about the planned audit scope and schedule, as well as material observations based on the audit findings, including significant drawbacks in the internal control system, as revealed during the audit.

We also provide the persons responsible for the corporate governance with the statement on how we fulfilled all relevant ethical demands towards independence and informed them on all interactions and other issues that can be reasonably considered as having an influence on the auditor's independence, and in relevant cases — about the due precautionary measures.

Among the issues that we communicated to the persons responsible for the corporate governance we focus on the most significant ones for the audit of the accounting (financial) statements for the current period and, therefore, are essential for the audit. We describe those issues in our report, except those cases, when their public disclosure is prohibited by law or regulation, or when, on exceedingly rare occasions, we come to the conclusion that certain information is not to be included in our report, as it can be reasonably expected that negative consequences of such information disclosure exceed the public benefit.

Head of the audit assignment on the basis of which the independent audit report was issued

A.B.Balyakin

Audit organisation:

Joint-stock company BDO Unicon

OGRN 1037739271701

125 Varshavskoye Shosse, Building No. 1, Section No. 11, Moscow, 117587, Russian Federation

Member of the self-regulatory organisation of auditors "Russian Union of Auditors" (Association),
Principal Number of Registration Entry 11603059593

20 February, 2018

Balance Sheet as of 31 December, 2017

		Codes
	OKUD form	0710001
	Date (day, month, year)	31/12/2017
Organisation: PJSC OGC-2	OKPO code	76851389
Tax ID	INN	2607018122
Type of economic activity: Generation of electric power by thermal power plants, including activities to ensure functional ability of power plants	OKVED code	35.11.1
Form of incorporation / ownership type: public joint-stock company / privately owned	OKOPF / OKFS code	1 22 47/16
Measurement unit: thousand Roubles	OKEI code	384
Location (address): Solnechnodolsk settlement, Izobilnensky District, the Stavropol Territory, 356126, Russian Federation		

Note	Indicator	Line code	As of 31.12.2017	As of 31.12.2016	As of 31.12.2015
	ASSETS				
	I. NON-CURRENT ASSETS				
table 1.1	Intangible assets, including:	1110	434,922	512,794	594,063
	intellectual property rights	1111	386,131	464,003	545,272
	other	1119	48,791	48,791	48,791
table 1.2, 1.3	Research and development results	1120	54,935	19,582	687
table 2.1, p.3	Fixed assets, including:	1150	157,893,868	159,580,634	150,462,508
	Permanent facilities, including:	1151	137,559,711	138,527,307	77,848,355
	land plots and natural resources sites	1152	244,862	244,875	244,845
	plant and equipment	1153	137,117,711	138,089,453	77,377,622
table 2.2, p. 4	Capital investments in progress	1154	20,334,157	21,053,327	72,614,153
table 3.1, p. 5	Investments, including:	1170	6,163,785	6,592,773	4,418,924
	investments in subsidiaries	1171	6,163,342	6,154,969	3,370,580
	investments in other entities	1173	443	4	-
	long-term loans to entities (over 12 months)	1174	-	437,800	1,048,344
	Deferred tax assets	1180	1,363,423	2,580,651	361,648
p. 6	Other non-current assets, including:	1190	2,175,955	1,041,226	1,933,364
	input VAT	1192	-	-	3,985
	Total, Section I	1100	168,086,888	170,327,660	157,771,194

	II. CURRENT ASSETS				
table 4.1	Inventories, including:	1210	11,260,088	9,551,602	11,419,757
	raw materials and other similar assets	1211	11,260,088	9,551,602	11,416,040
	construction-in-progress expenses	1213	-	-	3,717
	shipped goods	1215	-	-	-
	Input VAT	1220	15,130	26,070	61,589
table 5.1	Receivables, including:	1230	15,493,538	17,286,767	18,490,054
	Accounts receivable (long-term), including:	1231	502,361	506,242	603,308
	trade accounts receivable	1232	5,561	6,906	7,568
	advance payments made	1233	17,019	16,120	-
p. 8	other accounts receivable	1234	479,781	483,216	595,740
	Accounts receivable (short-term), including:	1235	14,991,177	16,780,525	17,886,746
	trade accounts receivable	1236	10,768,641	10,617,597	9,803,429
	advance payments made	1238	2,617,678	3,143,410	2,378,092
p. 8	other accounts receivable	1239	1,604,858	3,019,518	5,705,225
table 3.1, p. 9	Financial investments (excluding cash and equivalents), including:	1240	1,500	7,269	8,432
	short-term loans (under 12 months)	1241	1,500	7,269	8,432
p. 12	Cash and cash equivalents, including:	1250	5,118,911	4,415,161	7,500,933
	settlement accounts	1252	4,245,154	3,867,373	5,013,979
	foreign currency accounts	1253	63	-	-
	other cash and cash equivalents	1259	873,694	547,788	2,486,954
	Other current assets	1260	11,576	8,511	10,045
	Total, Section II	1200	31,900,743	21,295,380	37,490,810
	BALANCE	1600	199,987,631	201,623,040	195,262,004
	LIABILITIES				
	III. CAPITAL AND RESERVES				
p. 10	Authorised capital (share capital, authorised fund, contributions of partners)	1310	40,057,009	40,057,009	40,057,009
p. 10	Treasury shares	1320	(7,589,088)	(7,723,992)	(7,912,725)
	Revaluation of non-current assets	1340	209,404	209,515	210,206
p. 10	Additional capital (without revaluation)	1350	60,094,783	60,094,783	60,094,783
p. 10	Reserve capital	1360	1,515,574	1,340,739	1,190,653
	Retained earnings (uncovered loss)	1370	25,861,338	20,257,080	17,510,127
	Total, Section III	1300	120,149,020	114,235,134	111,150,053
	IV. LONG-TERM LIABILITIES				
p. 11	Borrowings, including:	1410	48,710,000	24,110,000	37,339,908
	bank loans repayable after 12 months after the balance sheet date	1411	14,110,000	14,110,000	11,239,908
	other loans repayable after 12 months after the balance sheet date	1412	34,600,000	10,000,000	26,100,000
	Deferred tax liabilities	1420	9,662,530	9,206,255	3,861,698
table 7	Estimated liabilities	1430	1,075,463	955,964	1,051,656
table 5.3	Other liabilities	1450	670,911	4,038,486	3,908,276
	Total, Section IV	1400	60,118,904	38,310,705	46,161,538
	V. SHORT-TERM LIABILITIES				
p. 11	Borrowings, including:	1510	135,225	32,225,249	24,589,877
	loans repayable within 12 months after the balance sheet date	1512	-	16,000	-
	current portion of long-term loans and borrowings	1513	135,225	16,225,249	24,589,877
table 5.3	Accounts payable, including:	1520	18,960,982	16,905,747	12,511,139
	trade accounts payable	1521	10,221,611	9,153,247	10,990,936
	payables to employees	1522	271,825	281,343	261,476
	payables to the state non-budgetary funds	1523	147,477	151,475	121,881
	taxes and levies	1524	1,182,108	1,872,058	422,862
	other creditors, including:	1525	7,182,059	4,441,460	710,661

	advance payments received	1527	54,229	180,057	13,605
p. 15	other settlements	1528	7,073,830	4,261,403	697,056
	dividends payable	1529	9,902	6,164	3,323
	Deferred income	1530	7,331	7,691	8,051
table 7	Estimated liabilities	1540	616,169	938,514	841,346
	Total, Section V	1500	19,719,707	49,077,201	37,950,413
	BALANCE	1700	199,987,631	201,623,040	195,262,004

Head – S.A.Ananyev

Chief accountant – L.V.Klisch

19 February, 2018

Profit and loss statement

2017

		Codes
	OKUD form	0710002
	Date (day, month, year)	31/12/2017
Organisation: PJSC OGC-2	OKPO code	76851389
Tax ID	INN	2607018122
Type of economic activity: Generation of electric power by thermal power plants, including activities to ensure functional ability of power plants	OKVED code	35.11.1
Form of incorporation / ownership type: public joint-stock company / privately owned	OKOPF / OKFS code	1 22 47/16
Measurement unit: thousand Roubles	OKEI code	384

Note	Indicator	Line code	In the reporting period	In the corresponding period of the previous year
	Revenue	2110	139,613,447	134,284,652
	sales of electric power and capacity	2111	133,355,500	128,265,233
	other	2118	6,257,947	6,019,419
table 6	Cost of sales	2120	(118,286,134)	(117,617,927)
	sales of electric power and capacity	2121	(112,657,173)	(112,197,229)
	other	2128	(5,628,961)	(5,420,698)
	Gross Profit	2100	21,327,313	16,666,725
p. 16	Management expenses	2220	(2,549,984)	(2,518,353)
	Sales profit	2200	18,777,329	14,148,372
	Income from investments into other companies	2310	-	541
	Interest receivable	2320	438,349	666,386
	Interest payable	2330	(4,772,743)	(4,578,533)
p. 17	Other income	2340	4,468,508	2,774,498
p. 17	Other expenses	2350	(9,345,649)	(7,442,326)
	Profit before tax	2300	9,565,794	5,568,938

p. 14	Income tax, including:	2405	(1,217,341)	1,053,928
	current profit tax	2410	(1,212,154)	-
	tax on the profit of previous years	2411	(5,187)	1,053,928
	including: from line 2405			
	permanent tax liabilities (assets)	2421	1,004,051	1,224,615
	change in deferred tax liabilities	2430	(474,756)	(5,611,334)
	change in deferred tax assets	2450	(1,217,228)	2,219,003
	Other	2460	(3,314)	266,159
	Net profit	2400	6,653,155	3,496,694
	Total financial result for the period	2500	6,653,155	3,496,694
	Basic earnings per share (in Russian Roubles)	2900	0.0628	0.0330

Head – S.A.Ananyev

Chief accountant – L.V.Klisch

19 February, 2018

Report on changes in capital

2017

		Codes
	OKUD form	0710003
	Date (day, month, year)	31/12/2017
Organisation: PJSC OGC-2	OKPO code	76851389
Tax ID	INN	2607018122
Type of economic activity: Generation of electric power by thermal power plants, including activities to ensure functional ability of power plants	OKVED code	35.11.1
Form of incorporation / ownership type: public joint-stock company / privately owned	OKOPF / OKFS code	1 22 47/16
Measurement unit: thousand Roubles	OKEI code	384

1. Capital movement

Indicator	Line code	Authorised capital	Treasury shares	Added capital	Capital reserves	Retained earnings (unrecovered loss)	Total
Capital as of 31 December 2015	3100	40,057,009	(7,912,725)	60,304,989	1,190,653	17,510,127	111,150,053
In 2016							
Capital increase – total, including:	3210	-	188,733	-	-	3,496,694	3,685,427
Net profit	3211	X	X	X	X	3,496,694	3,496,694
Other	3219	-	188,733	-	-	-	188,733

Capital reduction – total, including:	3220		-	-	-	(600,346)	(600,346)
Dividend	3227	X	X	X	X	(600,346)	(600,346)
Changes in added capital	3230	X	X	(691)	X	691	-
Changes in capital reserves	3240	X	X	X	150,086	(150,086)	-
Capital as of 31 December 2016	3200	40,057,009	(7,723,992)	60,304,298	1,340,739	20,257,080	114,235,134
In 2017							
Capital increase – total, including:	3310	-	134,904	-	-	6,653,155	6,788,059
Net profit	3311	X	X	X	X	6,653,155	6,653,155
Other	3319	-	134,904	-	-	-	134,904
Capital reduction – total, including:	3320	-	-	-	-	(874,173)	(874,173)
Dividend	3327	X	X	X	X	(874,173)	(874,173)
Changes in added capital	3330	X	X	(111)	X	111	-
Changes in capital reserves	3340	X	X	X	174,835	(174,835)	-
Capital as of 31 December 2017	3300	40,057,009	(7,589,088)	60,304,187	1,515,574	25,861,338	120,149,020

2. Adjustments due to the changes in accounting policy and correction of errors

Indicator	Line code	As of 31 December, 2015	Capital changes in 2016		As of 31 December, 2016
			Due to net profit (loss)	Due to other factors	
Capital – total before adjustment	3400	111,150,053	3,496,694	(411,613)	114,235,134
after adjustment	3500	111,150,053	3,496,694	(411,613)	114,235,134
including:					
Retained earnings (unrecovered loss) before adjustment	3401	17,510,127	3,496,694	(749,741)	20,257,080
after adjustment	3501	17,510,127	3,496,694	(749,741)	20,257,080
Added capital before adjustment	3402	60,304,989	-	(691)	60,304,298
after adjustment	3502	60,304,989	-	(691)	60,304,298
Capital reserves before adjustment	3403	1,190,653	-	150,086	1,340,739
after adjustment	3503	1,190,653	-	150,086	1,340,739
Treasury shares before adjustment	3404	(7,912,725)	-	188,733	(7,723,992)

after adjustment	3504	(7,912,725)	-	188,733	(7,723,992)
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3. Net assets

Indicator		As of 31.12.2017	As of 31.12.2016	As of 31.12.2015
Net assets	3600	120,156,351	114,242,825	111,158,104

Head – S.A.Ananyev

Chief accountant – L.V.Klisch

19 February, 2018

Cash flow statement

2017

		Codes
	OKUD form	0710004
	Date (day, month, year)	31/12/2017
Organisation: PJSC OGC-2	OKPO code	76851389
Tax ID	INN	2607018122
Type of economic activity: Generation of electric power by thermal power plants, including activities to ensure functional ability of power plants	OKVED code	35.11.1
Form of incorporation / ownership type: public joint-stock company / privately owned	OKOPF / OKFS code	1 22 47/16
Measurement unit: thousand Roubles	OKEI code	384

Indicator	Line code	In the reporting period	In the corresponding period of the previous year
Cash flows from current transactions			
Total proceeds, including:	4110	141,458,070	139,840,121
from sales of goods, products, works and services	4111	139,059,783	131,457,488
other proceeds	4119	2,398,287	8,382,633
Total payments, including:	4120	(122,782,250)	(118,583,915)
to suppliers (contractors) for raw and other materials, goods and services	4121	(101,635,288)	(100,236,588)
remuneration of labour	4122	(5,154,605)	(4,901,270)
interest under debt obligations	4123	(4,263,663)	(4,098,421)
corporate profits tax	4124	(1,194,945)	(6,547)
other payments	4129	(10,533,749)	(9,341,089)
Net current cash flows	4100	18,675,820	21,256,206
Cash flows from investment activities			
Total proceeds, including:	4210	462,649	724,370
from sales of non-current assets (except financial investments)	4211	2,723	49,540
from repayment of loans, sales of debt securities (rights of cash claims to other persons)	4213	437,800	610,544

dividends, interest on debt financial investments and similar proceeds from equity participation in other companies	4214	17,602	35,602
other proceeds	4219	4,524	28,684
Total payments, including:	4220	(10,025,637)	(18,716,626)
due to purchase, creation, upgrade, renovation and preparation for use of non-current assets	4221	(8,151,560)	(14,531,883)
interest on debt obligations included in the investment asset value	4224	(431,644)	(1,639,646)
other payments	4229	(1,442,433)	(2,545,097)
Net investment cash flows	4200	(9,562,988)	(17,992,256)
Cash flows from financial activities			
Total proceeds, including:	4310	45,710,000	22,510,000
credits and loans receipt	4311	45,710,000	22,510,000
issue of bonds, promissory notes and other debt securities etc.	4314	-	-
other proceeds	4319	-	-
Total payments, including:	4320	(54,091,375)	(28,749,461)
payment of dividends and other payments for allocation of profits to owners (participants)	4322	(869,438)	(596,790)
redemption (buy-back) of promissory notes and other debt securities, credit and loan repayment	4323	(53,210,000)	(28,110,572)
other payments	4329	(11,937)	(42,099)
Net financial activities cash flows	4300	(8,381,375)	(6,239,461)
Net cash flows in the reporting period	4400	731,457	(2,975,511)
Cash and cash equivalents at the beginning of the reporting period	4450	4,415,161	7,500,933
Cash and cash equivalents at the end of the reporting period	4500	5,118,911	4,415,161
Impact of foreign currency exchange rate changes	4490	(27,707)	(110,261)

Head – S.A.Ananyev

Chief accountant – L.V.Klish

19 February, 2018

4. Auditor information

Full company name	Joint-stock company BDO Unicon
Short company name	JSC BDO Unicon
Location	125 Varshavskoye Shosse, Building No. 1, Section No. 11, Moscow, 117587, Russian Federation
Tax ID	7716021332
OGRN code	1037739271701
Phone	(495) 797-5665
Fax	(495) 797-5660
E-mail	reception@bdo.ru
Web site	www.bdo.ru
Membership of the auditor in self-regulatory auditor organisations	Self-regulatory organisation of auditors “Russian Union of Auditors” (Association), Principal Number of Registration Entry 11603059593

5. Registrar information

Full company name	Joint Stock Company Specialized Registrar - Holder of Gas Industry Shareholder Registers
Short company name	JSC DRAGA

Location	71/32, Novocheremushkinskaia Street, Moscow, 117420, Russian Federation
Mailing address	71/32, Novocheremushkinskaia Street, Moscow, 117420, Russian Federation
Phone	(495) 719-40-44, fax: (495) 719-45-85, (495) 719-81-66
E-mail	info@draga.ru
Web site	www.draga.ru

6. Contacts

Company details

Full company name	Public Joint-Stock Company Second Wholesale Power Market Generating Company
Short company name	PJSC OGC-2
Legal address	Solnechnodolsk settlement, Izobilnensky District, the Stavropol Territory, 356126, Russian Federation
Mailing address	66 Peterburgskoye Shosse, Building 1A, Saint Petersburg, 196140
Phone	(812) 646-13-64
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
Tax ID (INN)	2607018122
Primary state registration number (OGRN code)	1052600002180
Industrial enterprise classification code (KPP)	997650001, 260701001
Codes:	OKVED 35.11.1, OKPO 76851389
Transaction account	No. 40702810750010004720
Bank	Central branch of JSB RUSSIA
BIC	044525220
Correspondent account	No. 30101 8104 5250 000220
General Director	Analyev Stanislav Anatolyevich
Chief Accountant	Klisch Larisa Vladimirovna

Contacts for Shareholders and Investors

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