



# TIME OF RESULTS

Annual report 2018

# JSC OGK-2

## Annual report 2018

### **Limitation of liability concerning statements containing forecasts for future events**

This 2018 annual report (hereinafter referred to as the "Annual Report") has been prepared using information available to Joint Stock Company "Second Wholesale Power Market Generating Company" (hereinafter, OGK-2, or the Company) at the moment of its preparation. The OGK-2 branches are also referred to as: Adlerskaya TPP, Groznenskaya TPP, Kirishskaya GRES, Krasnoyarskaya GRES, Novocherkasskaya GRES, Pskovskaya GRES, Ryazanskaya GRES, Serovskaya GRES, Stavropolskaya GRES, Surgutskaya GRES-1, Troitskaya GRES, Cherepovetskaya GRES. Some statements included in this Annual Report of the Company are statements including forecasts for future events.

Words such as "plans", "will be", "expected", "will take place", "estimates", "will total", "will occur", and the like are forecasting by nature. Investors should not fully rely on the estimates and forecasts as they to imply a possible 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 set forth in 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 resulting from any subsequent events or availability of new information.

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

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## Address by Chairman of the Board of Directors of JSC OGC-2, Director General of Gazprom Energoholding LLC



### Dear shareholders,

In June 2018, the Board of Directors of PJSC Gazprom approved the Electric Power Industry Strategy for 2018–2027. The Strategy sets forth the key goal for the industry, which is to keep the profits growing stably while reliably providing power to consumers. To accomplish this, the Group's companies will continue to pursue their comprehensive efforts, which include further modernization of equipment coupled with the decommissioning of inefficient capacities.

2018 saw record-breaking financial indicators from JSC OGC-2. The Company's net profit exceeded 11 billion rubles, which is a 67% increase YoY. This was mostly attributable to the attained reduction in operating costs, which was partly thanks to improving the operational efficiency by optimizing the "older" capacities. 23.4% of power was generated in 2018 by the units commissioned under Capacity Supply Agreements, an increase from 16.4% of 2017.

It is JSC OGC-2 that shall meet the investment obligations of Group Gazprom Energoholding under the CSA Program. The construction of the first unit at the Program's last facility, Groznenskaya TPP, was completed in 2018. The power plant will be fully launched in 2019 as the second unit is commissioned. When constructing the station, emphasis was made on implementing process systems and kits from Russian manufacturers. Those include relay protection and automation systems, dry fan cooling towers, flue-gas stacks with emission monitoring systems, gas preparation and chemical water treatment facilities, various electrotechnical elements of power distribution packages, etc. Involvement of, and support from, Russian manufacturers helped reduce the costs of investment projects as well as the operating costs.

Groznenskaya TPP will cover the power deficit in the Chechen Republic and significantly reduce the power deficit at maximum load to stabilize the operations in the South East part of the Southern United Power System (UPS).

The Company seeks to further modernize its equipment and to improving its operational efficiency.

Fitch and RAEX ranked the Company as one of Russia's major electric power companies, which confirmed its favorable standings as of 2018.

The Company continues to take every effort to reduce environmental impact. Prioritizing the use of state-of-the-art equipment helped JSC OGC-2 considerably improve its environmental performance.

Dear shareholders!

Gazprom Energoholding Group seeks sustainable and efficient development of JSC OGC-2 in the interests of all shareholders. I am sure that the managers' and the Board of Directors' joint shareholder-supported efforts will further contribute to the Company's success and rising margin of profits.

**Denis Fedorov**

## Address by the Managing Director of JSC OGC-2

### Dear shareholders,

We are glad to present the Company's 2018 Annual Report.

The Company's managers seek to turn the entire staff's efforts into an ever more impactful factor of production performance and further development.

The Company's last year was marked by significant progress in the attainment of all strategic goals. What the Company has always sought are highly reliable power-plant operations, search for, and furtherance of, new points of growth, better capitalization and profitability. The steps the Company takes are to improve its investment attractiveness and to ensure long-term sustainable growth.

Decent results are already at hand, but it does not stop there. What was achieved over the reporting year now enables us to implement new promising projects that will define the Company's future and help consolidate its ranking as one of Russia's major power-generating companies.

Systematic development and better corporate governance, as well as constructive feedback from shareholders have always been in the focus of the Company.

We are currently taking every effort to further develop and implement digital technologies. Pursuant to the digitalization plans, the Company trains its staff to improve the power plant performance and reliability, to enhance the occupational safety, and to get higher-quality repair scheduling and procedures in place.

Most of all, the managers seek to reinforce the attained financial and operating performance, to pursue the Company's technological furtherance, and to make it even more attractive for investors.

**Artyom Semikolenov**



**23.4% of power was generated in 2018 by the units commissioned under Capacity Supply Agreements, an increase from 16.4% of 2017.**

\*In accordance with Russian accounting standards

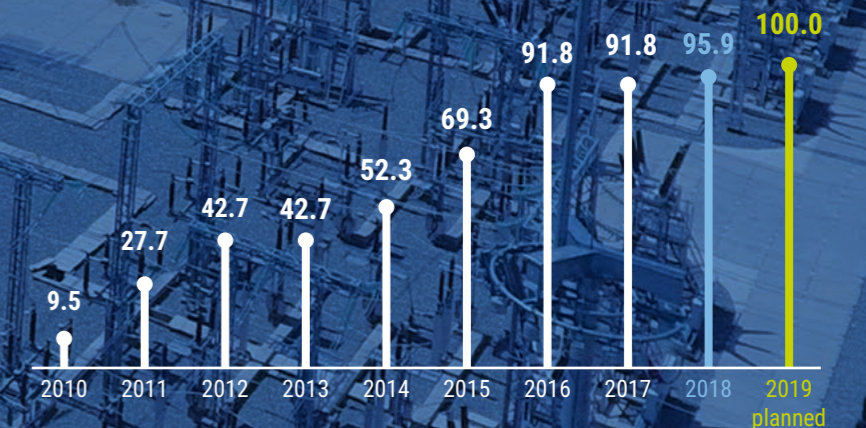
# BREAKING THE RECORDS



... Groznenskaya TPP

**4,220 MW**  
of new capacities  
commissioned since  
2010 under the CSA

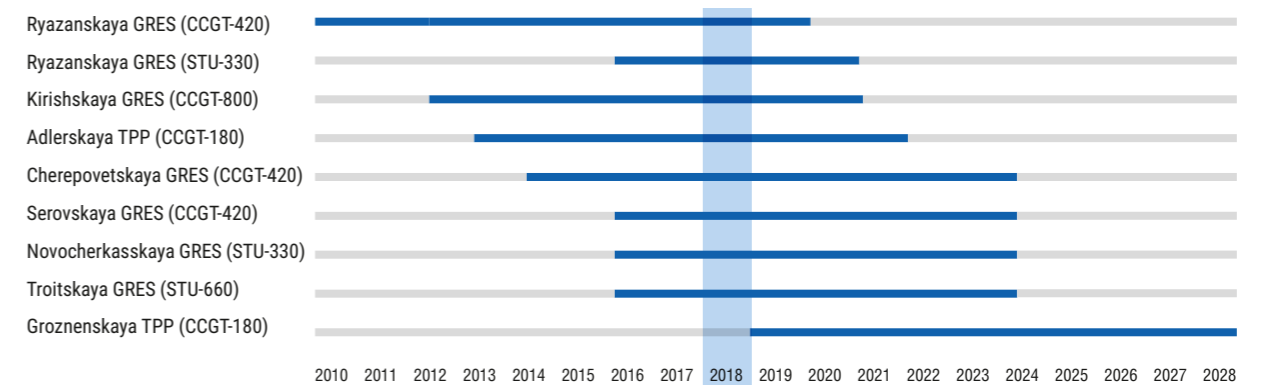
CSA program completion,  
cumulative total, %



**Thanks to the CSA, it was possible to increase the level of safety and reliability of production, which is one of the main priorities of the Company's development.**

Since 2010, the Company has commissioned 4,220 MW in new capacities under its New Facilities Construction and Commissioning Programs as part of the Capacity Supply Agreements ("the CSA"). The last facility to be commissioned under the CSA program is the 180-MW second unit at Groznenskaya TPP being constructed by the Gazprom Group; the unit is to be commissioned in 2019.

Period of capacity supply under CSA to newly constructed and modernized facilities

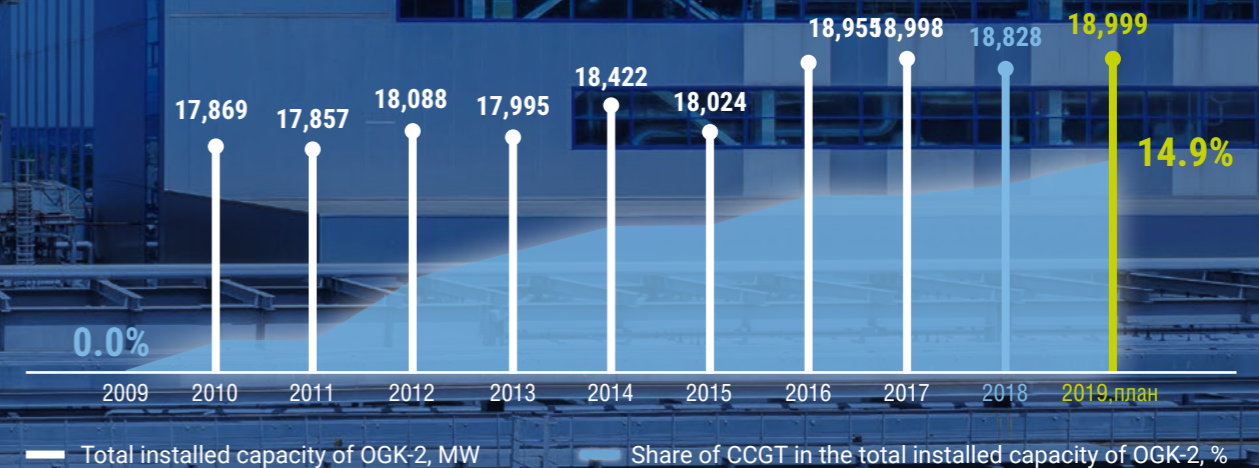


# NEW TECHNOLOGIES FOR NEW OPPORTUNITIES

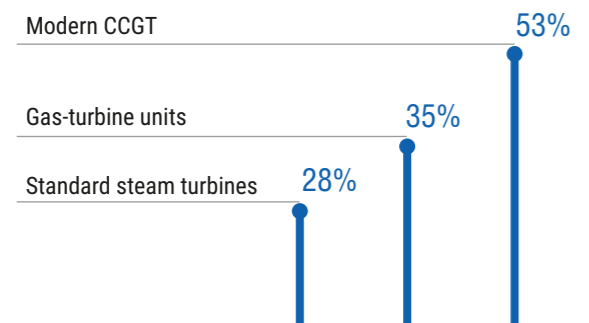


••• Adlerskaya TPP

Share of CCGT in the total installed capacity of OGK-2



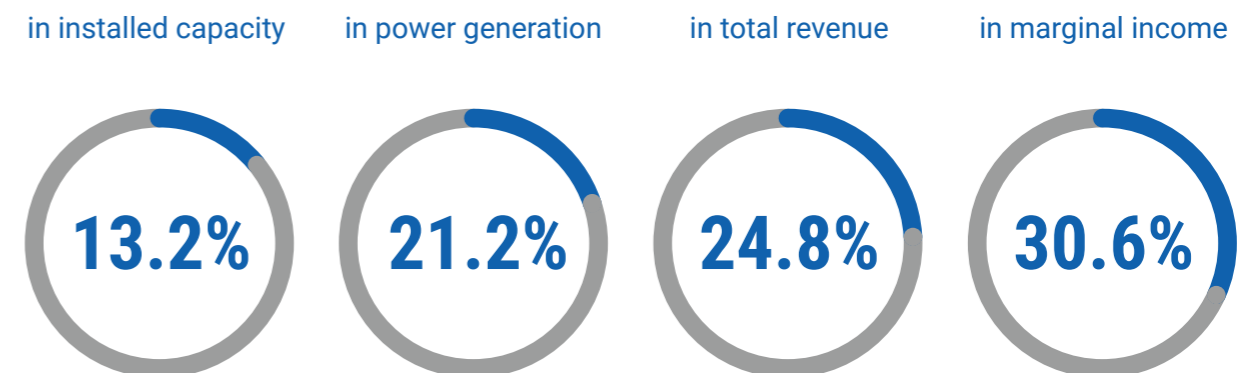
## Efficiency



**As a part of the CSA program, 6 combined-cycle gas-turbine units (CCGTs) have been installed.**

CCGTs allow for the reduction of fuel consumption per unit of electricity output by 35%, from 360 tons of reference fuel in standard steam turbines to 235 trf, which consequently reduces the harmful atmospheric emissions.

## Share of new CCGT



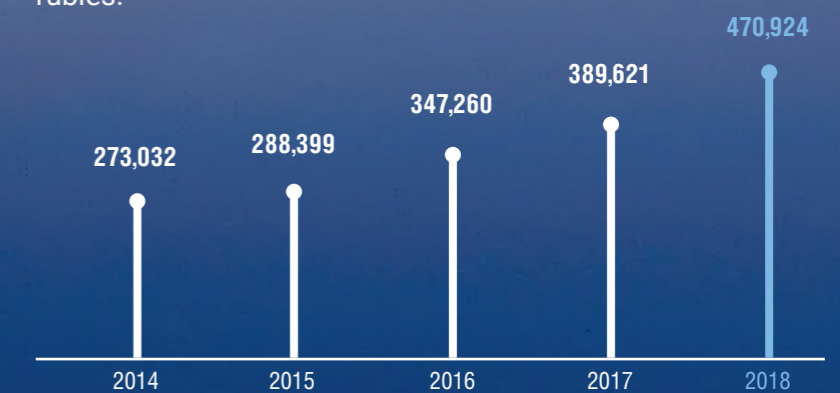
# PRIORITIZING SUSTAINABLE DEVELOPMENT



••• Krasnoyarskaya GRES-2

**24%**  
reduction of  
fees for negative  
environmental  
impact

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



**The OGK-2 Sustainable Development Strategy is based on the principles of environmental safety and parity of economic, social, and environmental values.**

The activities of OGK-2 are directly linked to the use of natural resources and have an environmental impact. The Company does its best to minimize the environmental damage and allocates considerable funding for the activities in this field.

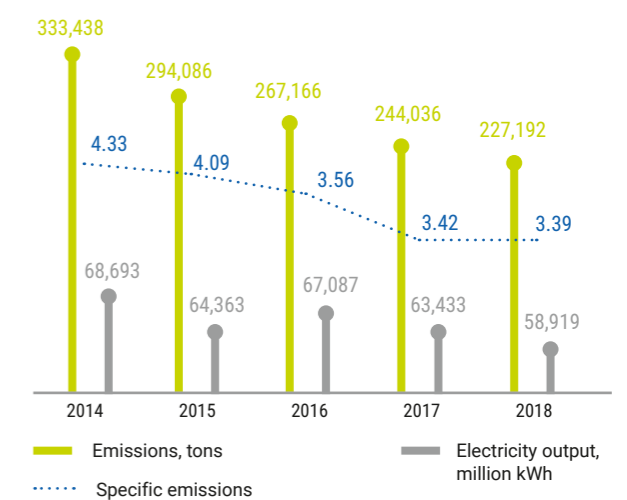
In 2018, gross atmospheric emissions dropped by

**6.9%**

while total waste generation dropped by

**20.3%**

Emission of pollutants into the atmosphere



# CARING FOR PEOPLE AND SOCIAL PARTNERSHIP



••• Roman Vanyukov, electrician of the electrical shop of Novocherkasskaya GRES

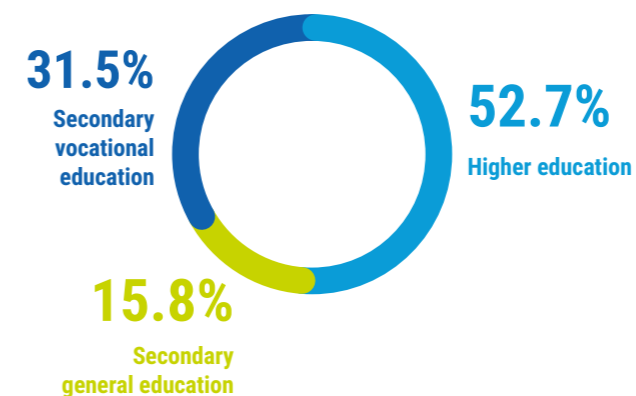
The study produced a **54%** engagement index. The Company is carrying out an engagement study that involves about 7,000 employees.

Our main objective to create an organizationally efficient company, featuring a transparent corporate governance system, which provides possibilities for a maximum employee potential realization.

The Company has **25** professional standards

Trade unions unite about **78%** of the employees of the Company

Personnel Education Level, pers.



**36.5** mln rubles total training, retraining, and advanced training costs of the Company



# 1

## INFORMATION ABOUT THE COMPANY

**18,828** MW  
Installed electric capacity totals

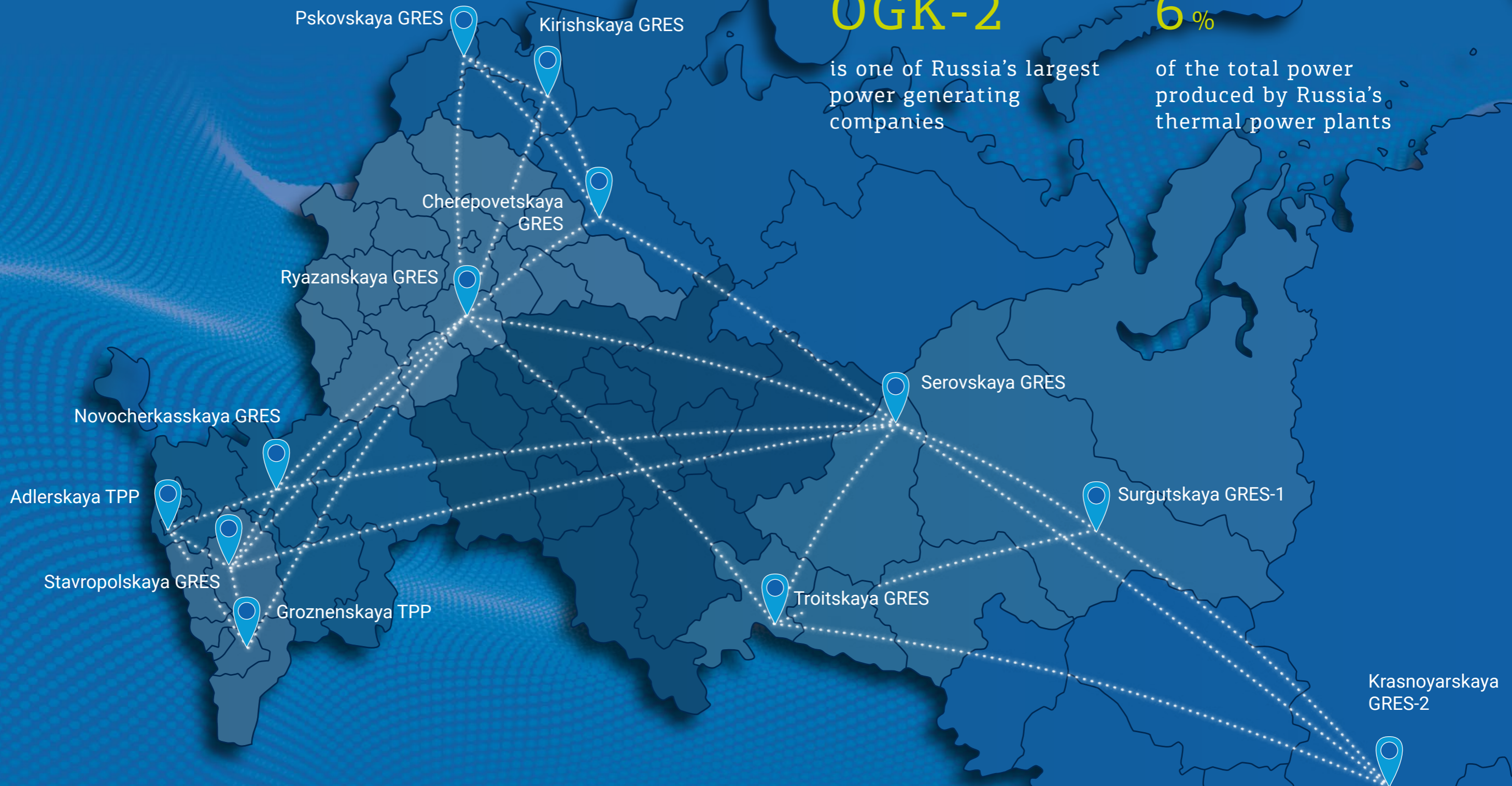
**3,934** Gcal/h  
Installed heat capacity totals

**OGK-2**

is one of Russia's largest power generating companies

**6%**

of the total power produced by Russia's thermal power plants



# 1.1. Key Events

**18,828 MW**  
Installed electric capacity totals

**3,934 Gcal/h**  
Installed heat capacity totals

**6%**  
of the total power produced by Russia's thermal power plants

## Competitive Advantages:



There is room for power plant efficiency enhancements.



Some of the OGK-2 power plants are the backbone plants in the free-exchange zones.



One of Russia's largest thermal power generating companies.



Ability to diversify the fuel balance and optimize it to better suit the fuel market situation.

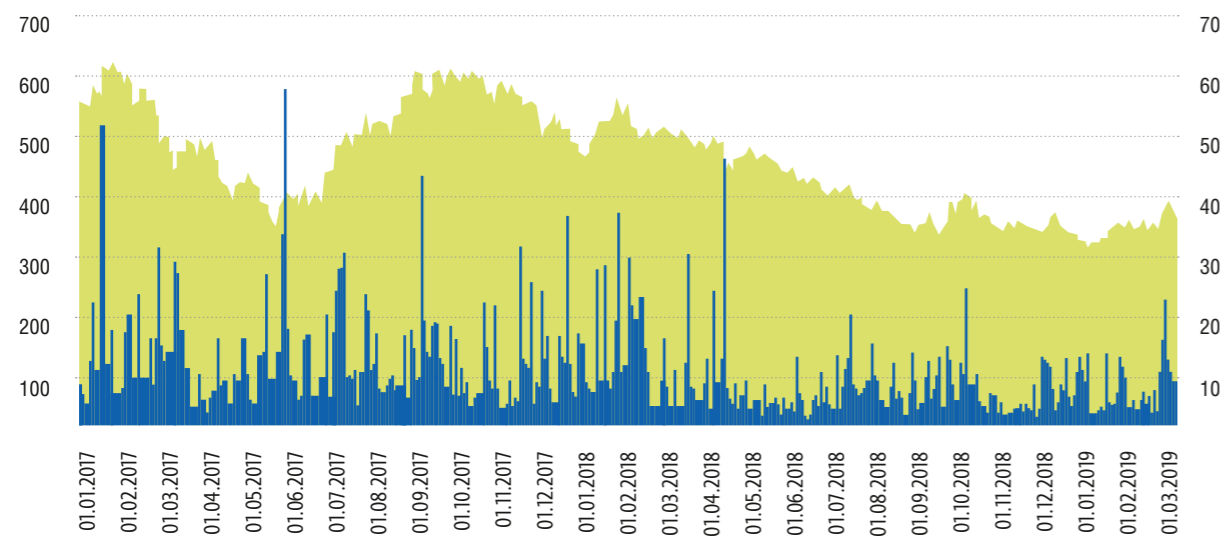


Has a range of generating equipment that features a high degree of relevance (thus ensuring reliable power supply), a wide power control range, and high-speed load setting and resetting, which maximizes the capacity of these power plants and improves adherence to the consumption schedule.



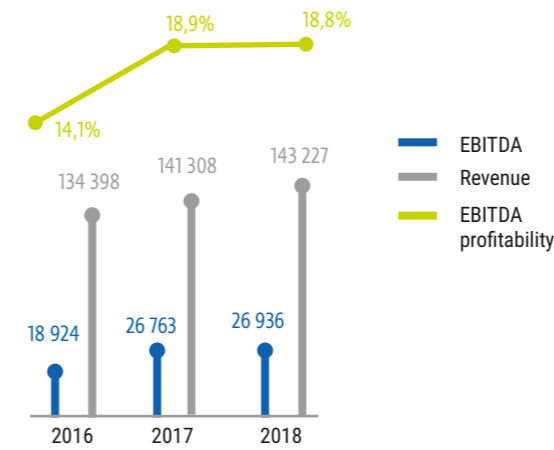
The power plant equipment enables the Company to provide reliability services. Besides, the Company operates power plants running on different fuels.

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

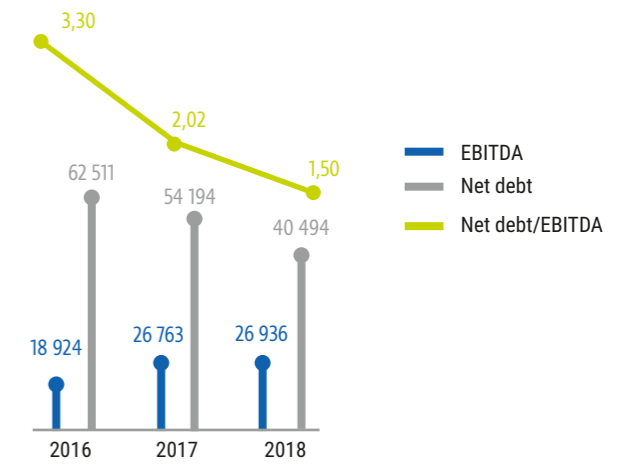


As at December 31, 2018:  
market capitalization of 43.83 billion rubles;  
dividend yield (DY) of 3.8%;  
P/E – 4.2; EPS – 0.08;  
EV / EBITDA – 2.8

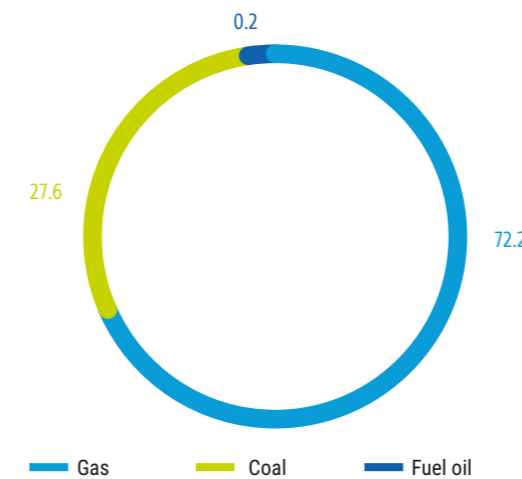
## Financial results (IFRS), million rubles



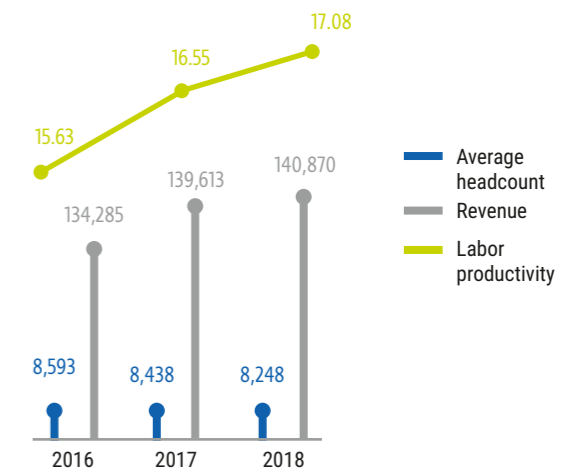
## Debt burden (under IFRS), million rubles



## Fuel balance in 2018, %



## Labor productivity per RAS, million rubles/pers.



## Development Prospects:

- the Company has stable revenue from its Capacity Supply Agreements (CSA).
- the Company continually upgrades its equipment and makes its electricity generation ever more reliable and efficient, which is partly due to participation in the National Modernization Program approved by the Government of the Russian Federation on March 3, 2019.
- the Company is expanding its geographical footprint under the program to construct and commission new facilities in the Chechen Republic, with the Groznenskaya TPP Unit 2 to be commissioned in July 2019.
- coast optimization as a part of the Program to Improve Operating Efficiency and Reduce Expenses;
- parametric optimization of the generating equipment.

## 1.2. Business Model

OGK-2 is one of the Russian Federation's largest power generating companies. At the end of 2018, its industrial facilities included power plants in different regions of the country with the total electrical installed capacity of 18,828 MW and the total heat installed capacity of 3,934 Gcal/h. JSC OGK-2 supplies over 6% of the electricity output and about 0.5% of the thermal energy output in Russia.

### NECESSARY RESOURCES

Indicator	2017	2018	Δ, %
Average headcount. pers.	8,438	8,248	-2.3%
Fuel consumption. thousand tons of ref. fuel:	21,357:	19,517:	-8.6%:
Gas	14,930	14,099	-5.6%
Coal	6,386	5,381	-15.7%
Fuel oil and diesel fuel	40	36	-11.4%
Water taken and received. thousand m <sup>3</sup>	3,382	3,245	-4.1%

### OUR ASSETS

Indicator	2017	2018	Δ, %
Installed capacity of electricity, MW	18,998	18,828	-1.8%
Installed capacity of heat, Gcal/h	4,192	3,934	-6.2%

### COMPETITIVE ADVANTAGES

- High dispersion of power plant branches over the territory of the Russian Federation;
- Russia's largest heat-generating company (about 6.0% of production in the country);
- Reliable, trouble-free and efficient operation of power plants;
- Increase in the operational efficiency and the capitalization of assets by means of fixed assets renewal and decommissioning of inefficient capacities;
- Implementation of the obligations under CSA and beginning of participation in CSA projects implemented by using funds of Gazprom Energoholding Group.

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

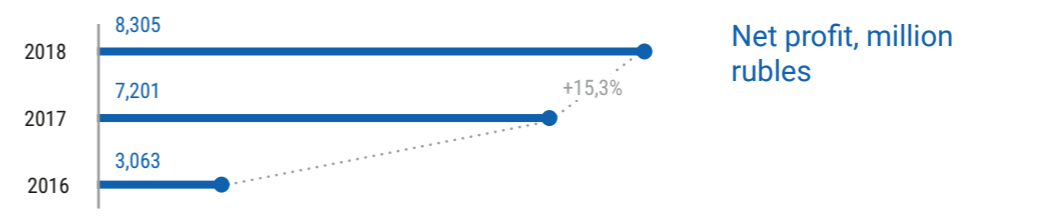
The main activity of JSC OGK-2 is the production and sale of electric energy and capacity with the supply thereof to the wholesale market as well as the production of thermal energy and its sale to end users. In this framework, JSC OGK-2 provides for operation of power plants and conducts timely and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

OGK-2's progress in constructing and commissioning new generating facilities under the CSA is now 95.9%; this effort has contributed to greater dividend payments.

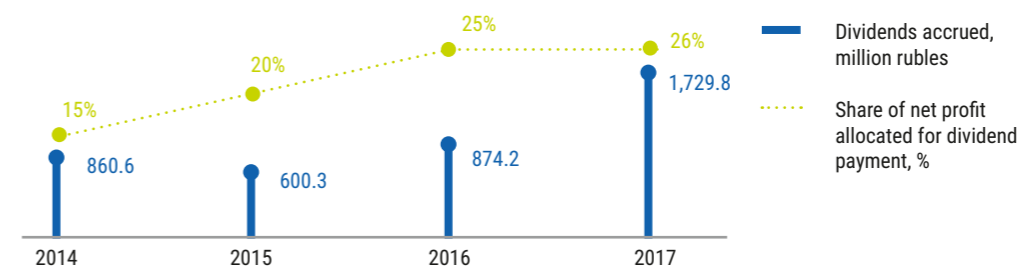
### PRODUCING

Indicator	2017	2018	Δ. %
Electricity output, million kWh	63,433	58,919	-7.1%
Useful output of electricity, million kWh	59,252	54,950	-7.3%
Sale of capacity, MW	17,289	16,847	-2.6%
Heat output, thousand Gcal	6,759	7,007	+3.7%
Useful heat output, thousand Gcal	6,354	6,702	+5.5%

### EARNING INCOME



### WE PAY DIVIDENDS

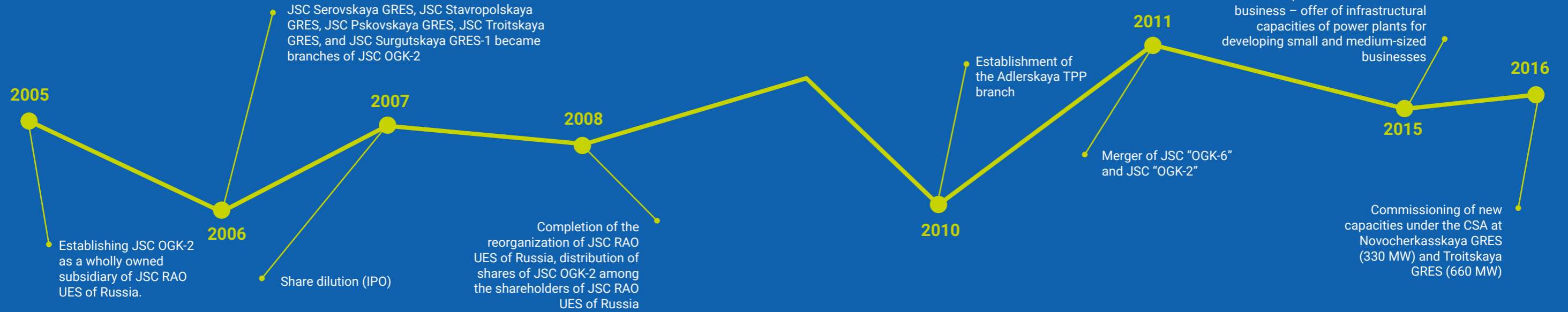


### COMPETITIVE ADVANTAGES

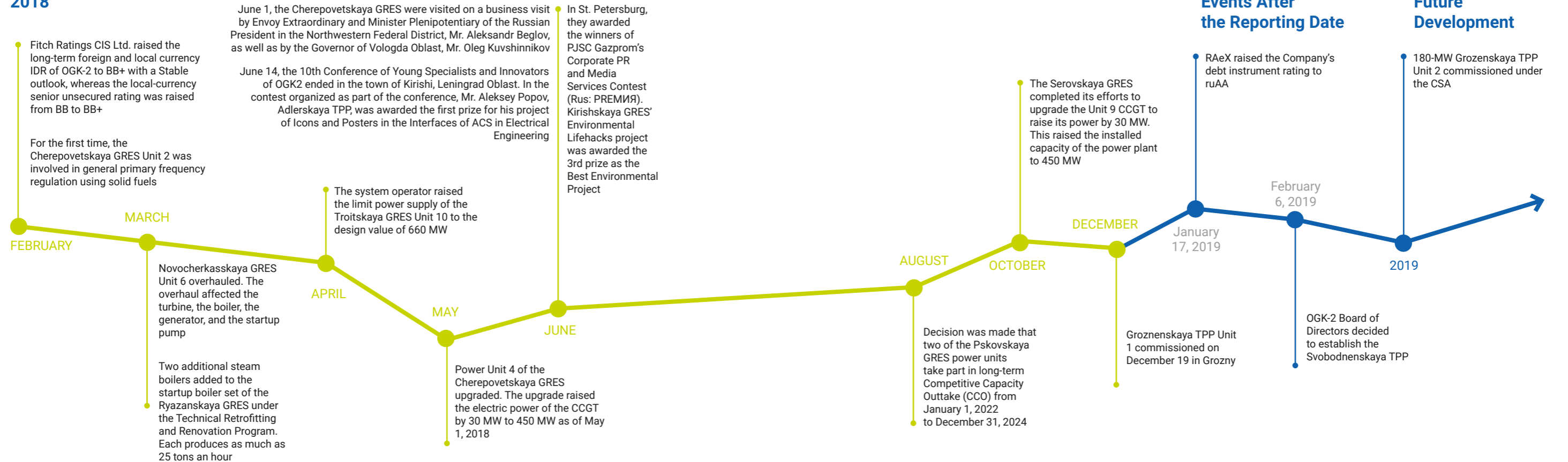
- Deliveries of heat and electricity from 11 plants to the most economically developed regions of the Russian Federation, which consistently provide a high level of demand for electricity and heat as well as a good collection of payments;
- Specific working conditions and regional advantages of each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

# 1.3. Key Events

## Historical Events



## 2018



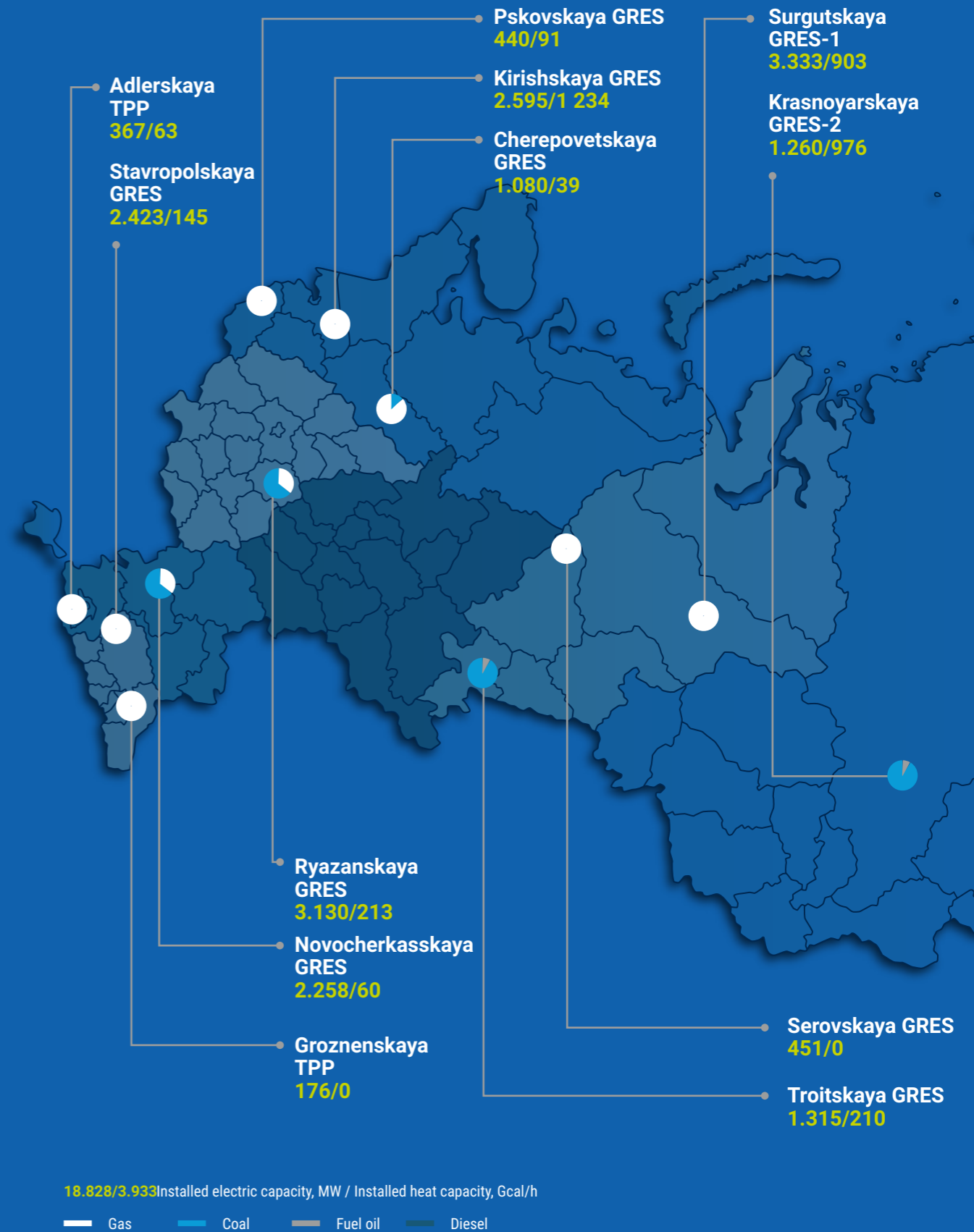
# 1.4. Organizational Structure

## Structure of OGK-2

OGK-2 consists of branches and subsidiaries.



## Geographical Footprint

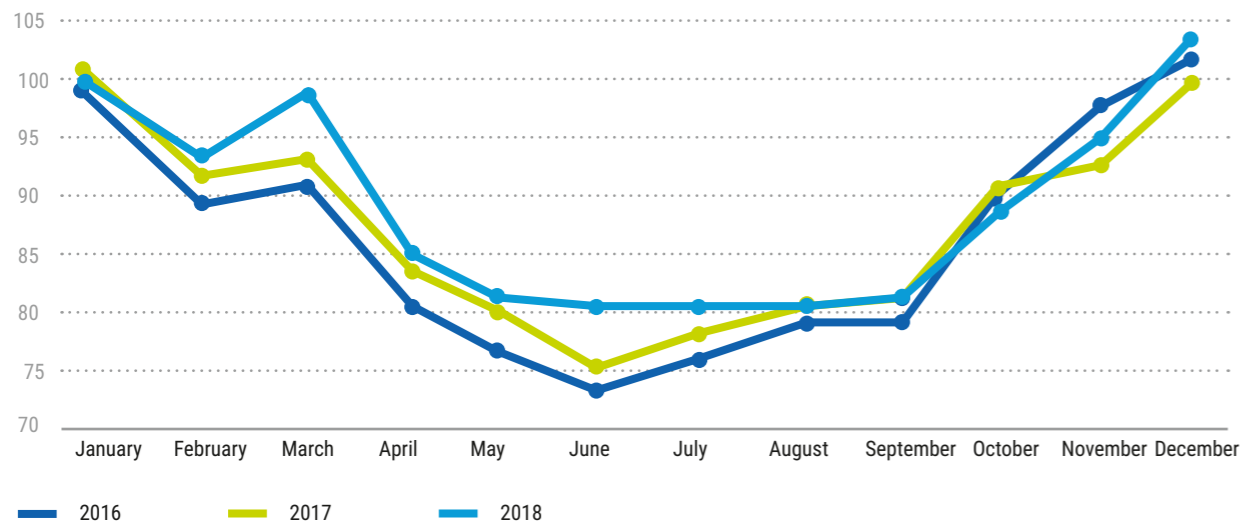


## 1.5. Industry Overview

### Electricity Generation and Consumption

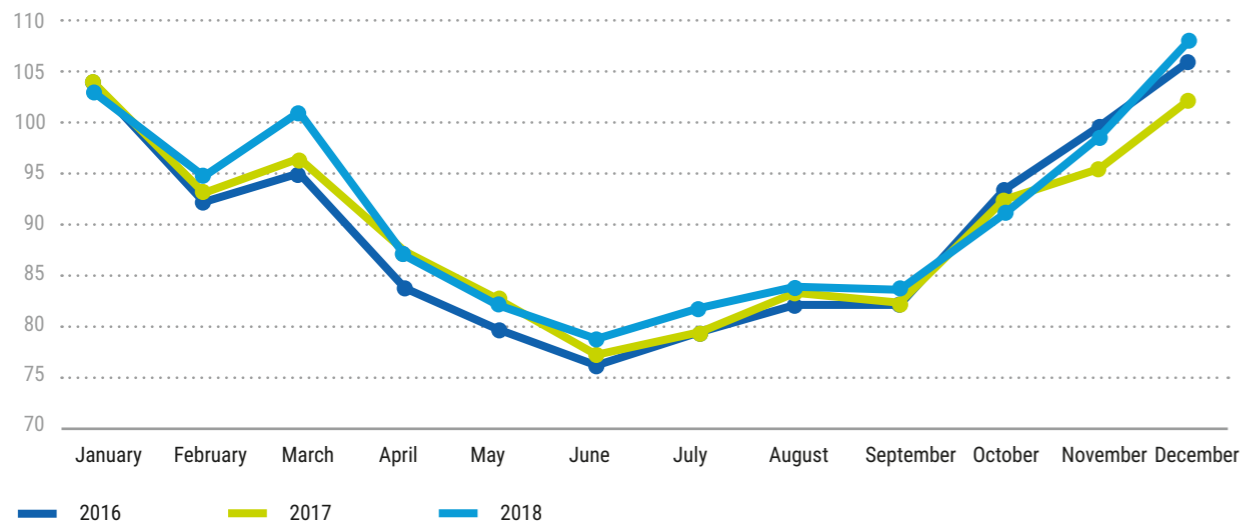
In 2018, the Russian Federation consumed 1,055.6 billion kWh, a 1.5% increase YoY. The consumption was mainly affected by the 2.9% increase in the industrial production index, as well as a 0.6°C drop in the annual average temperature as compared to 2017, which changed the total consumption by 5.0 billion kWh. The highest increase in electricity consumption was noted at steel- and woodworks, as well as gas and railway transport infrastructures.

UES of Russia Electricity Consumption in 2016–2018, billion kWh

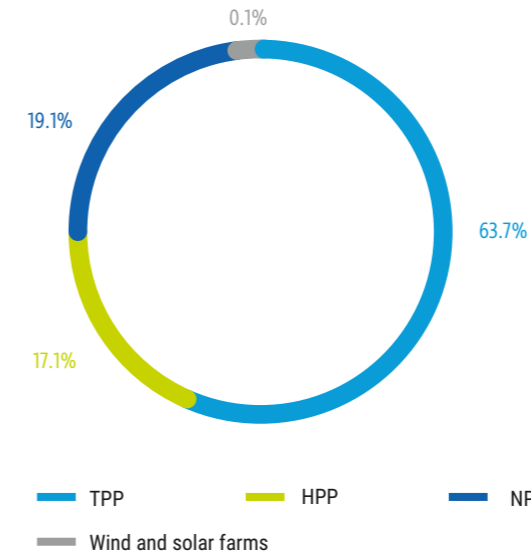


The power plants of the UES of Russia produced 1,070.9 billion kWh in 2018, a 1.6% increase YoY.

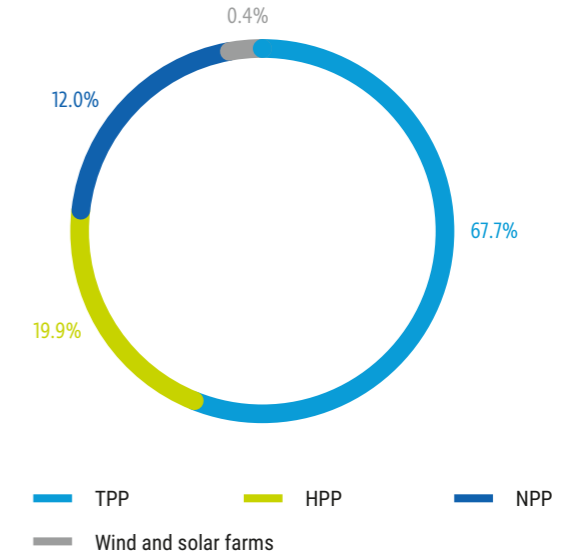
UES of Russia Electricity Output in 2016–2018, billion kWh



UES of Russia Electricity Output Breakdown by Power Plant Types in 2018, %



Installed capacity breakdown as of December 31, 2018, %

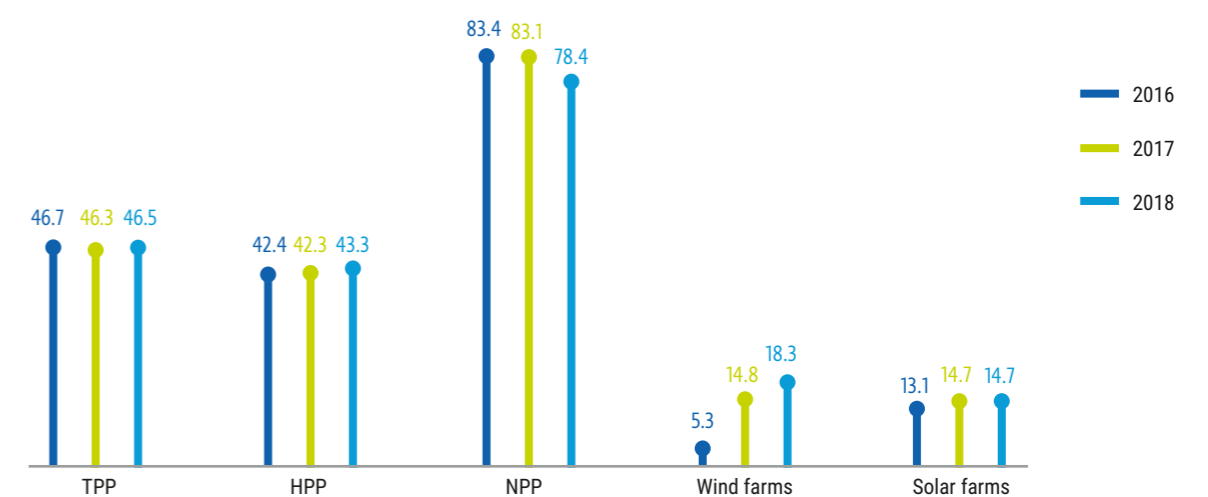


### Installed capacity

As of year-end 2018, the installed power-plant capacity of the UES of Russia totaled 243,243.2 MW, a 1.4% increase YoY. The increase was mainly attained by commissioning new generating equipment for a total of 4,792.1 MW (including 22 thermal plants), as well as uprating the existing equipment by 294.8 MW. Decommissioned capacities totaled 1,950.4 MW.

The number of hours of use of the installed capacity of power plants in UES of Russia in 2018 amounted to 4,411 hours, or 50.36% of calendar time (referred to as the installed capacity load factor, or ICLF)

General ICLF of the UES of Russia and UPS in 2016–2018, %



## Electricity Market Regulation and Structure

The product of the Company's 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

### Wholesale Electricity and Capacity Market

The Wholesale Electricity and Capacity Market ("the wholesale market") is the sphere of circulation of electrical energy within the framework of the Unified Energy System of Russia, which involves large producers and large buyers of electricity classified as the wholesale-market actors.

The wholesale electricity and capacity market operates in regions combined into multiple price zones: Price Zone 1 (Europe and the Urals) and Price Zone 2 (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. All OGK-2 power plants belong to the former except the Krasnoyarskaya GRES-2, which belongs to the second price zone.

In order to ensure reliable and uninterrupted supply of electricity, the wholesale market trades generating capacities, which is a special commodity, purchasing which entitles the wholesale market participants to demand preparedness of the generating equipment for the production of electric energy of the established quality in amounts such participants may need, with due consideration of the necessary backup.

## Electricity Market

Electricity trading in the wholesale market is implemented by means of the following mechanisms:

### Free pricing:

- **The day-ahead market (DAM):** electricity trade at free (non-regulated) prices determined through the competitive selection of bid prices from wholesale-market participants as submitted twenty-four hours before the commencement of the relevant supply.
- **Balancing Market (BM):** electricity trade at free (non-regulated) prices determined through competitive selection of bids of suppliers and participants with regulated consumption carried out at least one hour prior to electricity supply for the purposes of forming a balanced electricity output and consumption mode. Free Bilateral Contracts (FBC): trade in electricity at free (non-regulated) prices on the basis

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.

The functioning of the wholesale market commercial infrastructure is ensured by the Non-Profit Partnership Market Council for Arrangement of the Effective System of Electricity and Capacity Retail and Wholesale Trade ("the NP Market Council"), established in accordance with Federal Law No. 35-FZ dated March 26, 2003 On 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").

Electricity and capacity sales in the wholesale market use both regulated prices (tariffs) and non-regulated prices.

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.

### Regulated pricing:

- **Regulated Contracts (RC):** the trade of electricity at regulated prices (rates) on the basis of regulated electricity and capacity purchase and sale contracts.



The wholesale-market infrastructural operators include Joint Stock Company System Operator of the Unified Energy System (JSC SO UES) and the Public Joint Stock Company Federal Grid Company of the Unified Energy System (PJSC FGC UES).

## Electricity Prices in the Wholesale Market

In general, OGK-2's nonregulated DAM prices rose by 2.2 p.p. in 2018 compared to 2017.

## Capacity Market

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

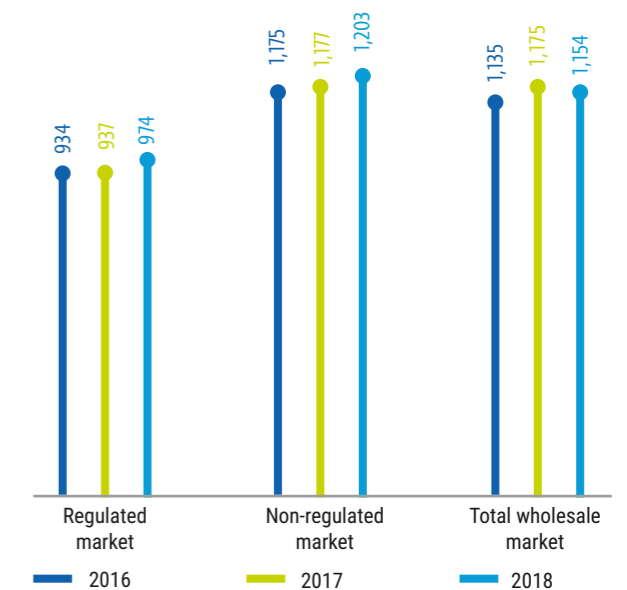
### Free pricing:

**Competitive capacity outage (CCO):** capacity traded at free (non-regulated) prices and is determined through competitive outage 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 outage.

Based on the price parameters approved by the Government of the Russian Federation in October 2015, long-term competitive capacity outage for 2017 to 2019 was carried out in December 2015. CCO for until 2020 was carried out in October 2016; CCO for until 2021 was carried out in September 2017.

To properly consider the planned procedure for raising funds to upgrade thermal power plant facilities, the Russian Government moved the deadline for CCO for until 2022 from September 15, 2018 to December 15, 2018; the new deadline was approved in September 2018. In December 2018, the deadline was further moved to May 1, 2019. In January 2019, the Russian Government defined a new CCO procedure: since 2019, CCO will be carried out for six-year periods rather than four years. The CCO deadline is 45 days after publishing the list of selected projects to upgrade the generating facilities of thermal power plants.

Actual OGK-2 Electricity Sale Prices in Wholesale-Market Sectors in 2016–2018, rub/MWh



- Free capacity purchase and sale contracts (FCC) enable capacity trading at free (unregulated) prices under capacity purchase and sale contracts provided that FCC-sold capacity is taken out as a part of CCO. In 2018, OGK-2018 had a monthly average FCC volume of 3,002 MW.
- 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.

CCO-Based Capacity Prices for 2017–2021, rub/MW per month, no indexing



CSA capacity supply periods for newly constructed/upgraded or commissioned facilities, given the actual onset of capacity supply

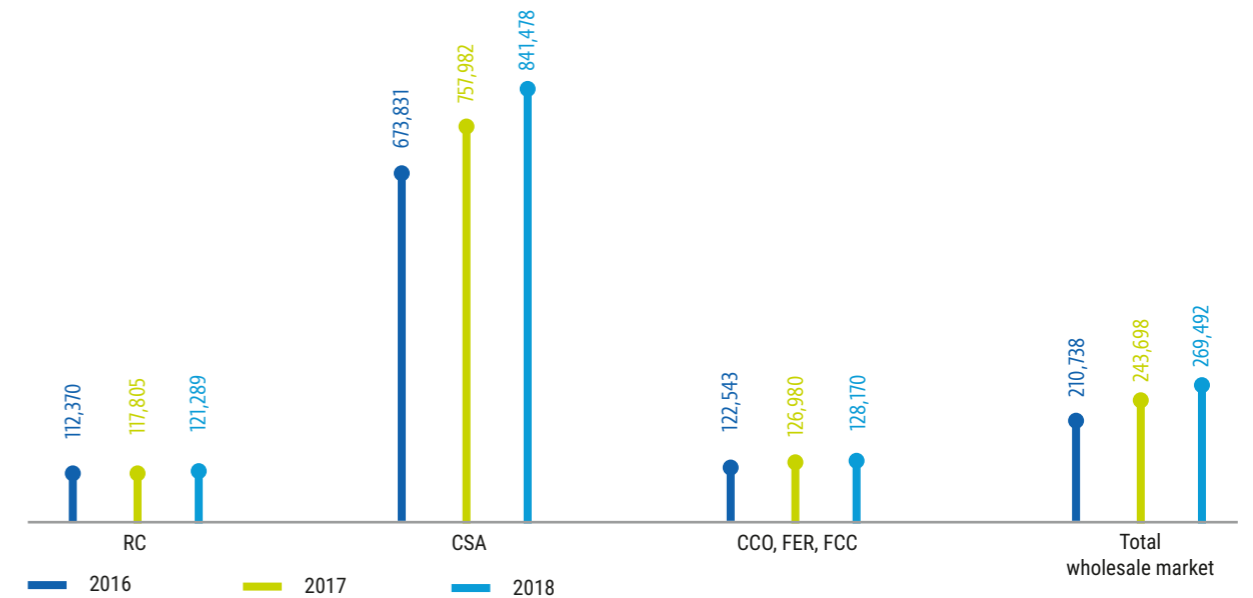
Branch	Unit	Years																		
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Ryazanskaya GRES	CCGT-420																			
Ryazanskaya GRES	STU-330																			
Kirishskaya GRES	CCGT-800																			
Adlerskaya TPP	CCGT-180																			
Cherepovetskaya GRES	CCGT-420																			
Serovskaya GRES	CCGT-420																			
Novocherkasskaya GRES	STU-330																			
Troitskaya GRES	STU-660																			
Groznenskaya TPP	CCGT-180																			

Regulated pricing:

- Forced capacity supply agreements are made with suppliers that were not selected under CCO procedures provided that these facilities must be kept running.

The forced-capacity pricing is provided by the FAS of Russia. The procedure for determining prices for "forced generators" implies that part of costs is defined by using a method of economically justified costs with all other costs to be included in the tariff by setting a rate for those costs.

OGK-2 Capacity Price Dynamics in 2016–2018, rub/MW per month



In 2018, the weighted average price of OGK-2's capacity supplied in the wholesale market rose by 10.6% YoY: the RC tariffs rose by 3.0% due to annual indexing; the CSA pricing rose by 11.0% due to CSA price increase for some facilities, as starting from the 7th year, the CSA capacity price is summed with the total costs of the generating facility incurred after the capacity supply agreement expires, see Clause 11 of the Government Decree No. 238 dated April 13, 2010.

Market for System Reliability Ensuring Services

Government of the Russian Federation defines the types of services that ensure system reliability, the service rules and pricing mechanisms, as well as the procedure for the selection of service providers. JSC SO UES is responsible for selecting the actors and

coordinating the efforts of the system service market participants.

In 2018, rated primary frequency regulation services were provided by the Stavropolskaya GRES, the Surgutskaya GRES, the Serovskaya GRES, and the Cherepovetskaya GRES; automated secondary frequency regulation and active capacity exchange services were provided by the Stavropolskaya GRES and the Surgutskaya GRES-1.

In 2018, OGK-2 derived 83 million rubles (excluding VAT) in revenue from its participation in the system service market.



In 2018, OGK-2 supplied 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. In 2019, forced capacity supply also involves the above-mentioned power units of the Novocherkasskaya and Cherepovetskaya GRES.



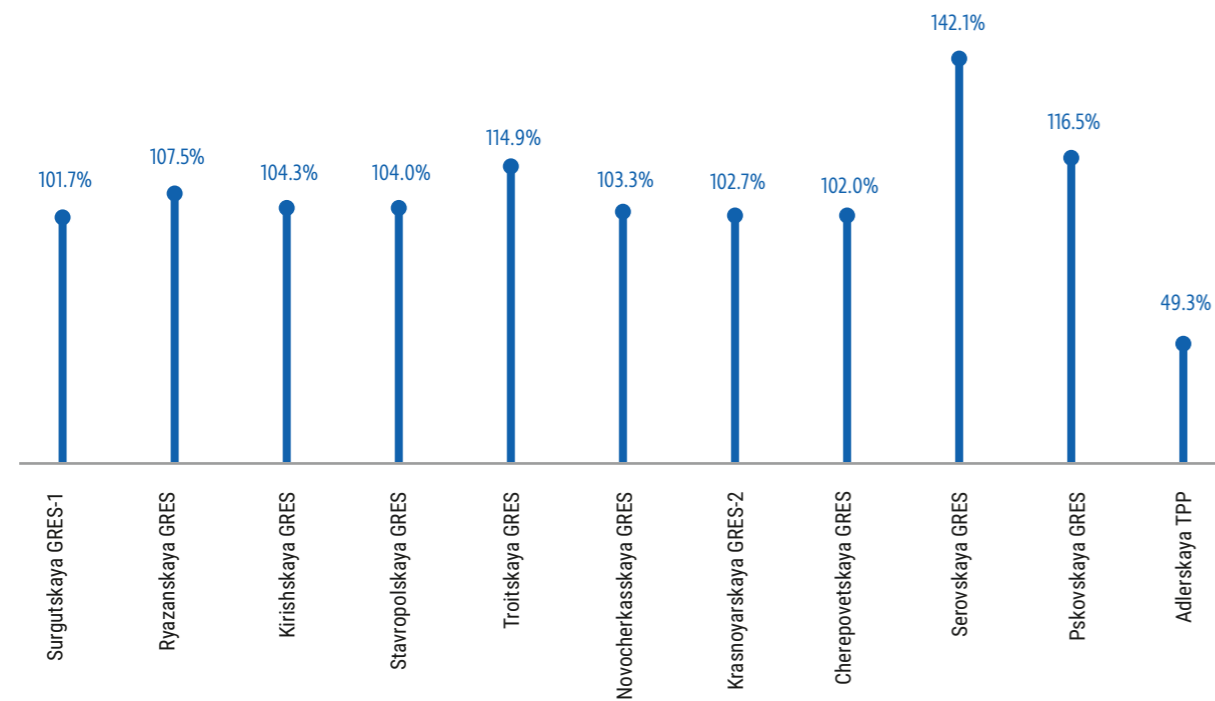
## Heat Tariffs

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

Thermal energy tariffs for 2018 were set in the context of indexing the tariffs for public utilities in the Russian regions where the Company's branches are present. Exceptions are the Pskovskaya GRES, which had its heat generation and supply tariffs increased by 115.9%

since June 7, 2018; the Troitskaya GRES (a 165.6% rise in tariffs for consumers in the GRES village); and the Serovskaya GRES (a 176.1% increase). For the Adlerskaya TPP, tariffs dropped in 2018 thanks to a pentuple reduction in rates for heat transmission over the third-party networks operated by STE. The OGK-2 average tariff drop YoY was 1.6%.

### 2018 Heat Energy Increase YoY, %



### Heat Tariffs in 2016–2018, rubles per Gcal (excluding VAT)



## Industry Forecast for Until 2024<sup>1</sup>

### Forecast of the Ministry of Economic Development

Given the forecast economic development, the country is expected to produce 1,129.0 billion kWh of electric energy in 2021 and to consume up to 1,118.1 billion kWh domestically, an increase of 3.1% against 2017. Given the strong correlation of domestic energy demand 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 2019–2020 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.

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

- high depreciation of fixed assets;
- cross-subsidizing across different consumer groups;
- no competitive heat market.

### Dynamics of Electricity Generation per the Forecast of Socioeconomic Development of the Russian Federation until 2024 or for the period until 2024

Indicator name	2019	2020	2021	2022	2023	2024	Change 2024 against 2017, %
Supply of electricity, gas, and steam; air conditioning	1.0	1.9	2.3	2.4	2.4	2.5	15.0
Production of electricity	0.9	0.7	1.0	0.9	1.0	1.1	6.3

### UES Development Roadmap for 2018–2024

The UES Development Roadmap for 2018–2024 (“the DR”) was approved by the Ministry of Energy Order No. 121 dated February 28, 2018. The DR predicts 1,110.4 billion kWh of electricity to be produced in 2021, whereas the consumption should total 1,099.8

billion kWh as of year-end 2021, which is 60 billion kWh more than in 2017; the annual average growth is 1.4%. Somewhat higher growth rates are expected for 2019–2020, as the Western and Central Power Districts of the Republic of Sakha (Yakutia) joined the UES of Russia in early 2019.

### DR Forecast of Electricity generation dynamics, billion kWh

Year	2019	2020	2021	2022	2023	2024
Production of electricity	1,082.2	1,100.1	1,110.4	1,120.1	1,129.9	1,141.2

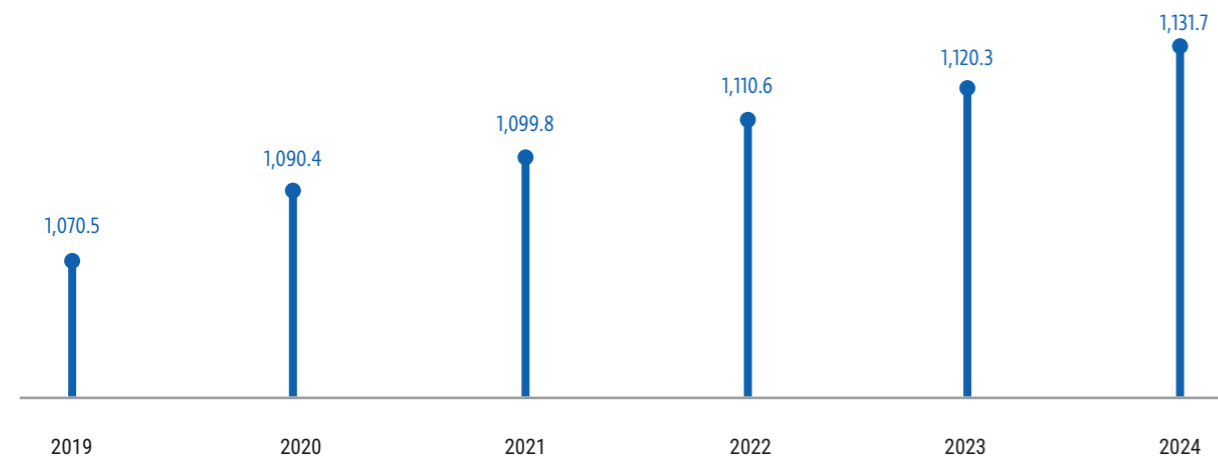
<sup>1</sup> According to the Forecast of Socioeconomic Development of the Russian Federation for Until 2024 by the Ministry of Economic Development: <http://economy.gov.ru/wps/wcm/connect/60223a2f-38c5-4685-96f4-6c6476ea3593/prognoz24svod.pdf?MOD=AJPERES&CACHEID=60223a2f-38c5-4685-96f4-6c6476ea3593>, also according to the Ministry of Energy Order No. 121 dated February 28, 2018 On the Approval of the UES Development Roadmap for 2018–2024 <https://minenergo.gov.ru/node/11323>

For 2018-2024 1,667.5 billion for the generating facilities of power plants; 636.8 million rubles for grid facilities rated at 220 kV or more.

The wholesale market is expected to see an 11% rise in non-regulated prices in 2019 due to commissioning

the Leningradskaya NPP-2 Unit 1, the Novovoronezhskaya NPP-2 Unit 2, the second stage of the Zaramagskiye HPP, and a number of RES facilities under CSA of a total installed capacity of 867 MW. In 2020 and 2021, the price increase will be on part with general inflation: 3.0% and 3.9%, respectively.

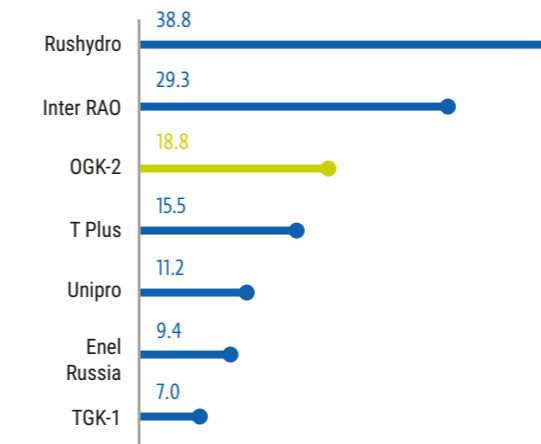
Electricity Demand in the UES of Russia until 2024 or for the period until 2024, billion kWh



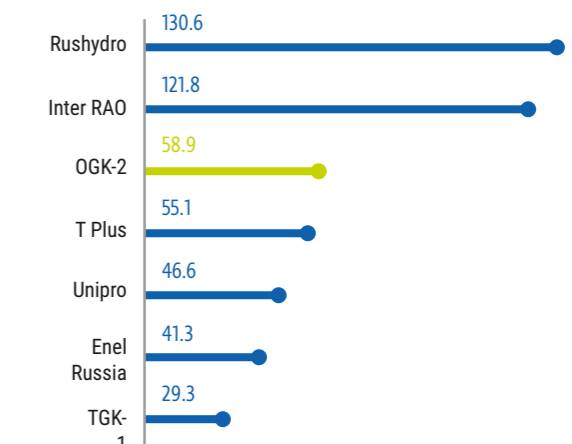
## 1.6. Competitive Overview

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

Installed capacity of the major generating companies that operate power plants in the regions where OGK-2 is present (data valid as of December 31, 2018, GW) <sup>1,2</sup>



Electricity output of the major generating companies that operate power plants in the regions where OGK-2 is present (data given for 2018, billion kWh) <sup>3,4</sup>



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

### ••• Kirishskaya GRES



<sup>1</sup> Source: open-source corporate data and OGK-2 data. By generation facilities in Russia  
<sup>2</sup> Gazprom Energoholding Group owns the controlling interest in JSC TGK-1 and OGK-2  
<sup>3</sup> Source: open-source corporate data and OGK-2 data. By generation facilities in Russia  
<sup>4</sup> Gazprom Energoholding Group owns the controlling interest in JSC TGK-1 and OGK-2.

**Basic Competitive Advantages and Electricity Demand Projections: Breakdown by Regions**

Sales region	OGK-2 Branch	Major Competitors	Competitive advantages	Electricity demand projection based on the UES Development Roadmap for Until 2024.
North-Western UPS	Kirishskaya GRES	Severo-Zapadnaya CHPP (JSC Inter RAO – Elektrogeneratsiya), Leningradskaya NPP (JSC Concern Rosenergoatom), plants of JSC TGK-1	<ul style="list-style-type: none"> <li>Primary frequency and capacity regulator in the Northwestern UPS (in winter, the total regulation capacity of the power plants is below the regulation range of the Kirishskaya GRES; as such, the former does not meet the regulation needs of the central UPS section)</li> </ul>	No major changes expected for the Northwestern UPS competition
	Pskovskaya GRES	Severo-Zapadnaya CHPP (JSC Inter RAO – Elektrogeneratsiya), Leningradskaya NPP (JSC Concern Rosenergoatom), plants of JSC TGK-1	<ul style="list-style-type: none"> <li>electricity generation depends on demand, especially in Belarus and the Baltic States</li> </ul>	
Central UPS	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), and the Srednyaya Volga and Ural UPS	<ul style="list-style-type: none"> <li>one of the top-five largest power plants in Russia in terms of installed capacity.</li> <li>one of the main suppliers in the balancing electricity market in the region;</li> <li>uses 2 types of fuel: brown coal for the 1st stage and mainly natural gas for the 2nd stage</li> </ul>	No major changes expected for the Central UPS competition
	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)	<ul style="list-style-type: none"> <li>can use both coal and gas to generate electricity, which enables varying the fuel energy balance for better reliability;</li> <li>efficient combined-cycle equipment of the newly commissioned unit (CCGT-420) that features low fuel consumption</li> </ul>	

Sales region	OGK-2 Branch	Major Competitors	Competitive advantages	Electricity demand projection based on the UES Development Roadmap for Until 2024.
Southern UPS	Novocherkasskaya GRES	Rostovskaya NPP (JSC Concern Rosenergoatom), Nevinnomysskaya GRES (JSC Enel Russia)	<ul style="list-style-type: none"> <li>is the backbone facility of the Kuban free-exchange zone (FEZ), as its output covers &gt;15% of the electricity consumed in the Southern UPS;</li> <li>partial participation in the balancing market;</li> <li>uses 2 types of fuel: coal and natural gas. More competitive when coal-fired. When gas-fired, fuel costs are above the market price indicators</li> </ul>	The Southern UPS is expected to see increased demand for electricity, mainly contributed to by a number of major investment projects, which includes innovative high-tech steelworks
	Stavropol'skaya GRES	Nevinnomysskaya GRES (JSC Enel Russia), Krasnodarskaya CHPP (LUKOIL-Kubanenergo LLC)	<ul style="list-style-type: none"> <li>a key player in maintaining the system reliability of the Southern UPS;</li> <li>a wide power control range, and high-speed loading and unloading, which ensures that the power plant is in the best capacity to adhere to the consumption schedule</li> </ul>	
	Adlerskaya TPP	Sochinskaya TPP (Inter RAO – Elektrogeneratsiya), Nevinnomysskaya GRES (JSC Enel Russia), Krasnodarskaya CHPP (LUKOIL-Kubanenergo LLC)	<ul style="list-style-type: none"> <li>reliably provides electricity and heat to sports and touristic venues in Sochi. The Adlerskaya TPP is part of the government-approved Program for Construction of Sports Venues and Sochi's Development as an Alpine Resort;</li> <li>cutting-edge gas-turbine generators for outstanding efficiency;</li> <li>a wide power control range, and high-speed loading and unloading, which ensures that the power plant is in the best capacity to adhere to the consumption schedule</li> </ul>	
	Groznen'skaya TPP	North-Caucasus HPP of JSC Rushydro: Dagestan Branch, Kabardino-Bakaria Branch, Karachay-Cherkess Branch, and North Ossetian Branch	<ul style="list-style-type: none"> <li>largest power plant in the region, highly efficient thanks to cutting-edge gas-turbine equipment;</li> <li>the gas turbines of the Groznen'skaya TPP are highly maneuverable and may cover peak loads when the local HPP lack water</li> </ul>	

Sales region	OGK-2 Branch	Major Competitors	Competitive advantages	Electricity demand projection based on the UES Development Roadmap for Until 2024.
Ural UPS	Surgutskaya GRES-1	Nizhneartovskaya GRES (Inter RAO – Elektrogeneratsiya), Surgutskaya GRES-2 (JSC Unipro) and Nyaganskaya GRES (JSC Forum)	<ul style="list-style-type: none"> <li>uses petroleum gas of the Priobskoye deposit as the main and backup fuel;</li> <li>mainly supplies electricity to the oil and gas companies in Tyumen Oblast</li> </ul>	No major changes expected for the Ural UPS competition. However, competition might be boosted in the context of selecting upgrade projects under competitive capacity outtake (CCOUP)
	Troitskaya GRES	Reftinskaya GRES (JSC Unipro), Yuzhno-Uralskaya GRES (Inter RAO – Elektrogeneratsiya), Kurganskaya CHPP (JSC Fortum)	<ul style="list-style-type: none"> <li>uses coal to diversify the fuel balance in Price Zone 1 and to enhance the system reliability shall gas supplies be cut.</li> </ul>	
	Serovskaya GRES	Bogoslovskaya CHPP (Bogoslovsk Aluminum Smelter, OK RUSAL). There are two major power plants in the adjacent areas: Yayvinskaya GRES (JSC Unipro) and Nizhneturinskaya GRES	<ul style="list-style-type: none"> <li>located in the Serovo-Bogoslovsk Area, which contains energy-intensive steel, aluminum, and ferroalloys production facilities;</li> <li>efficient combined-cycle equipment that features low fuel consumption was commissioned in 2015</li> </ul>	
Siberian UPS	Krasnoyarskaya GRES -2	Beryozovskaya GRES (JSC Unipro), Sayano-Shushinskaya HPP, Boguchanskaya HPP (JSC RusHydro), Krasnoyarskaya HPP (JSC EuroSibEnergo), Belovskaya and Tom-Usinskaya GRES (JSC Kuzbassenergo, Nazarovskaya GRES (Siberian Generating Company LLC)	<ul style="list-style-type: none"> <li>load is seasonal, as it depends on such factors as water level in reservoirs, or air temperature. While the Sayano-Shushenskaya HPP was closed for repairs, the Krasnoyarskaya GRES-2 nearly hit its load limits</li> </ul>	the Siberian UPS is projected to see increased demand for electricity, mainly due to a number of major investment projects: commissioning the Taishet Aluminum Smelter and raising the aluminum output of the Boguchany Aluminum Smelter

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

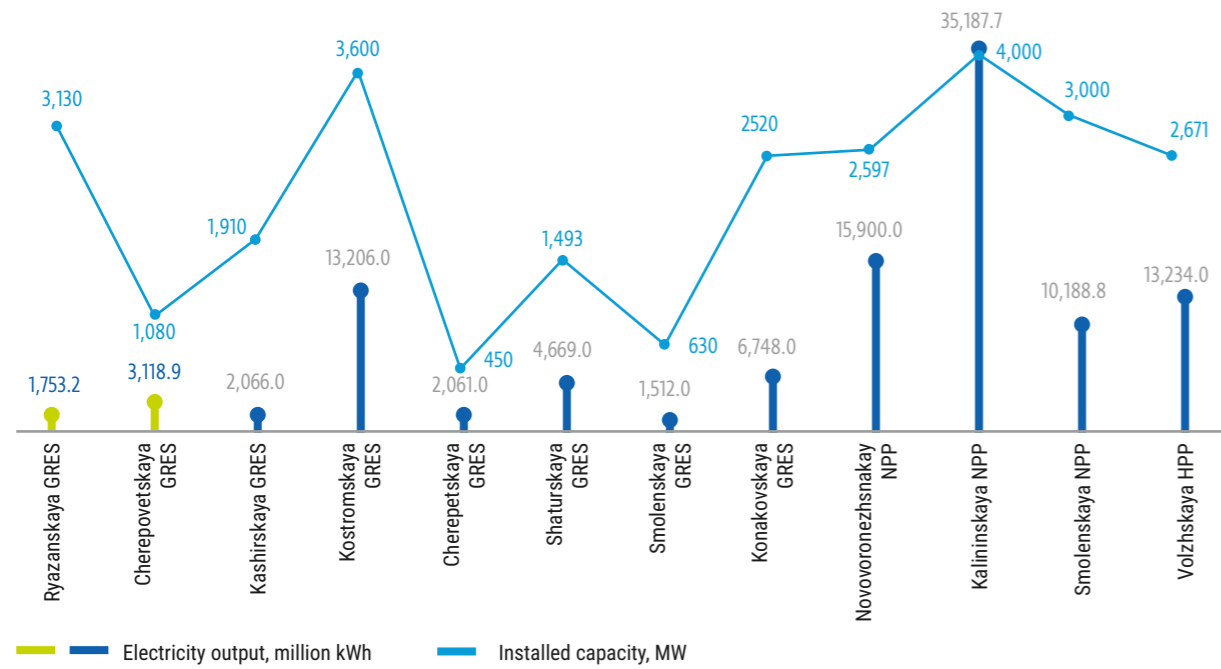
Branches	Sales Regions/ United Power System (UPS)	Market Share, % <sup>1</sup>				Comments on Changes in Market Share
		Share in the UPS in terms of electricity, %		Share in the UPS in terms of capacity, %		
		2017	2018	2017	2018	
Kirishskaya GRES	North-Western UPS	3.24	3.88	10.87	10.41	Increased share in electricity output is attributable to the initiatives of the System Operator to adjust the fuel balance in the Northwestern UPS, which involved the equipment in the procedure to optimize the active generating equipment.
Pskovskaya GRES		0.72	0.13	1.84	1.79	Lower share in electricity output is attributable to the System Operator's initiatives taken to adjust the fuel balance in the North-Western UPS.
Ryazanskaya GRES	Central UPS	1.28	0.76	5.90	5.97	Lower share in electricity output is attributable to the System Operator's initiatives taken to adjust the fuel balance in the Central UPS. Increased share of installed capacity is attributable to decommissioning some facilities in the Central UPS.
Cherepovetskaya GRES		1.18	1.35	1.98	2.04	Increased share of installed capacity is attributable to decommissioning some facilities in the Central UPS, as well as to raising the CCGT capacity to 450 MW.
Novocherkasskaya GRES	Southern UPS	10.89	9.25	10.48	9.56	Decrease in the electricity output is due to the current balance situation in the Southern UPS. Lower share of installed capacity is attributable to the Central UPS commissioning 1.9 GW of effective installed capacity, including the Rostovskaya NPP, JSC Concern Rosenergoatom.
Stavropolskaya GRES		10.33	8.30	11.25	10.29	Decrease in the electricity output is due to the current balance situation in the Southern UPS. Lower share of installed capacity is attributable to commissioning 1.9 GW of effective installed capacity, including the Rostovskaya NPP, JSC Concern Rosenergoatom.
Groznenskaya TPP		-	-	-	-	Wholesale-market electric and capacity supply scheduled to begin in 2019.
Adlerskaya TPP		1.94	2.36	1.69	1.56	Increased share in electricity output is attributable to raising the equipment loads upon the System Operator's initiatives taken to adjust the fuel balance in the North-Western UPS.
Troitskaya GRES	Ural UPS	0.64	0.54	2.66	2.41	Somewhat lower share in the electricity output of the Ural UPS due to the fuel balance situation.
Serovskaya GRES		1.15	1.07	1.60	0.79	Lower share of installed capacity due to decommissioning Units 5 to 8 from January 1, 2018 onwards.
Surgutskaya GRES-1		7.77	7.07	6.20	6.12	Drop in the electricity output is due to the current balance situation in the Ural UPS.
Krasnoyarskaya GRES -2	Siberian UPS	2.57	2.14	2.43	2.43	Lower share in the electricity output is attributable to changes in fuel balance in the Siberian UPS, namely increased HPP output.

<sup>1</sup> Based on SO UES data.

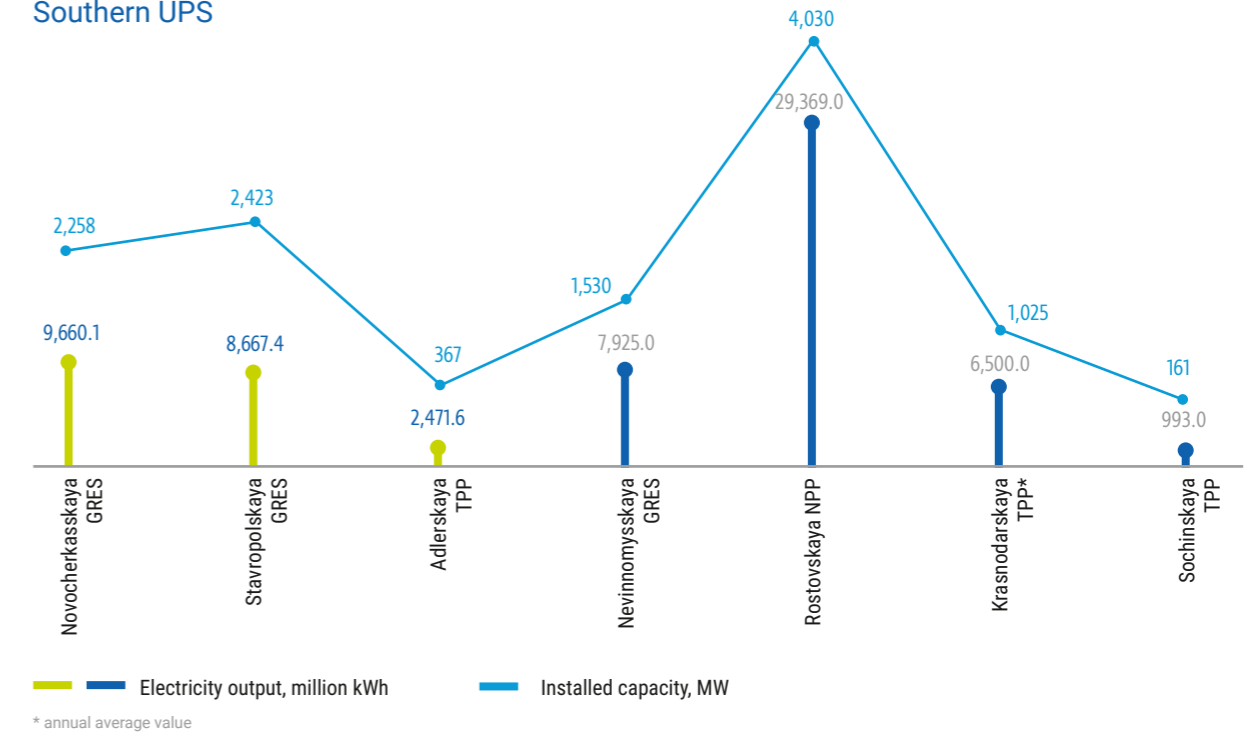
### Installed Capacity and Electricity Output of OGK-2 Plants in Comparison to Major Competitors as of December 31, 2018<sup>1</sup>

OGK-2 plants Competitors' plants

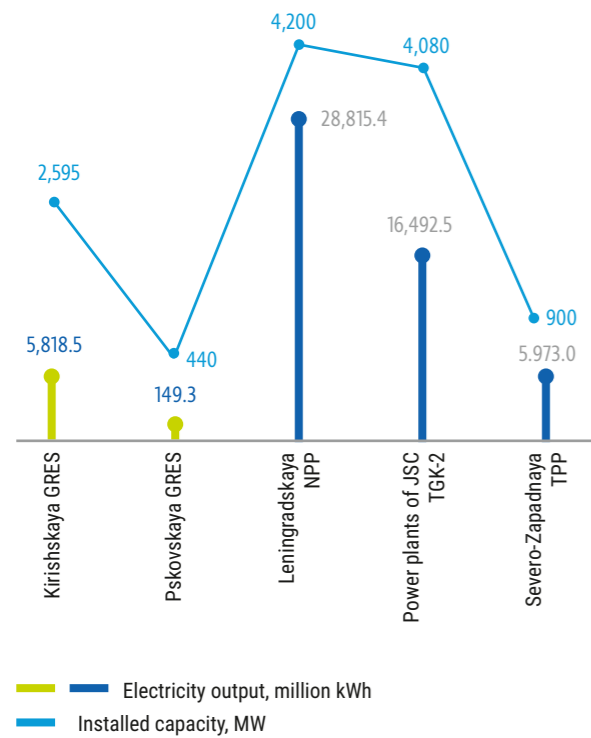
#### Central UPS



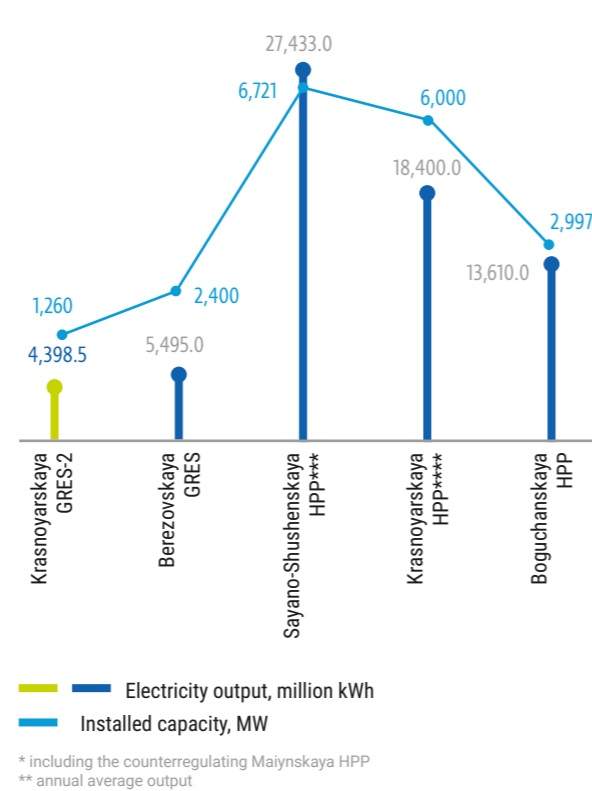
#### Southern UPS



#### North-Western UPS

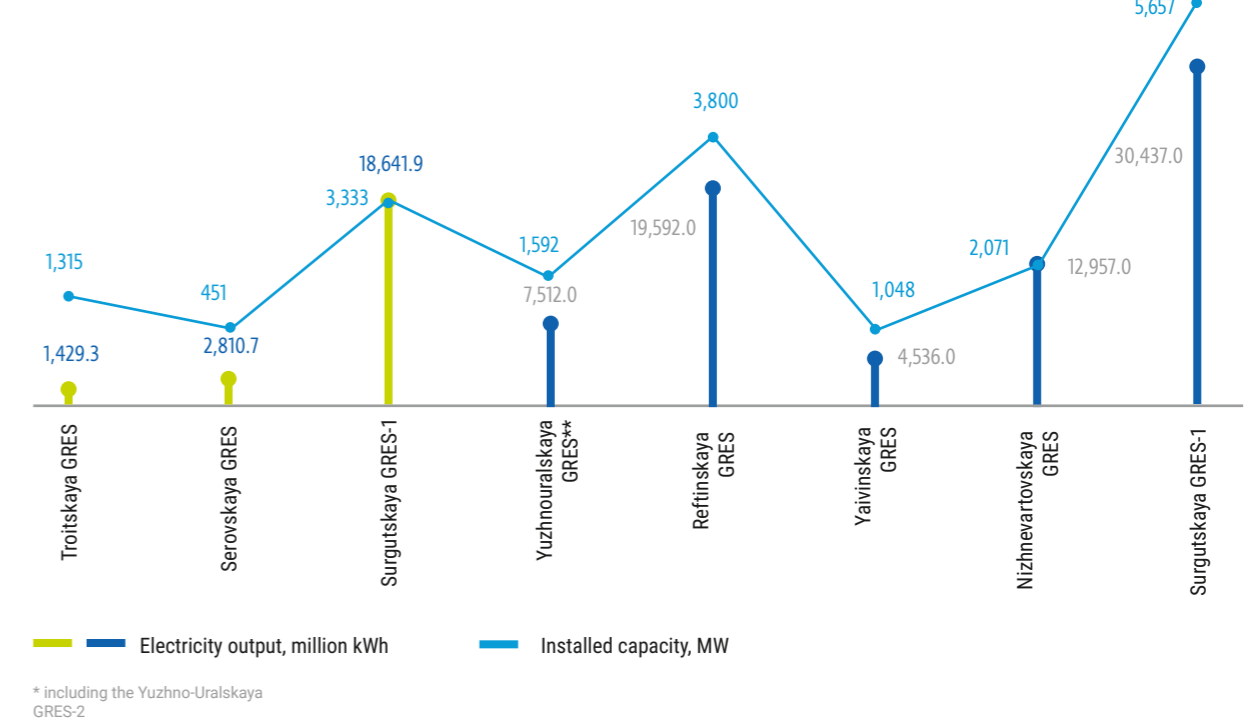


#### Siberian UPS



\* including the counterregulating Maiynskaya HPP  
\*\* annual average output

#### Ural UPS



\* including the Yuzhno-Uralskaya GRES-2

<sup>1</sup>Source: OGC-2, corporate data

# 2

## DEVELOPMENT PRIORITIES

**4,220** MW  
commissioned  
since 2010

**679** mln rubles  
Effect from  
implementation  
of the Operating Efficiency  
Improvement Program



## 2.1. Company's Mission and Development Priorities

Today, OGK-2 prioritizes its efficiency and performance to make its businesses more valuable and enhance its economic potential to give room for upgrading the generating facilities.



### OGK-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 for the generation of energy for households, businesses and the country.
- We provide for the professional and creative development of our personnel 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 "OGK-2" into a leading energy company.

The Company's strategic goal is to have stably growing profits while remaining a reliable energy supplier.

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



Optimizing the structure of production capacities.



Safer and more reliable production.



Optimization of costs and increase in efficiency in order to adapt to changing market conditions.

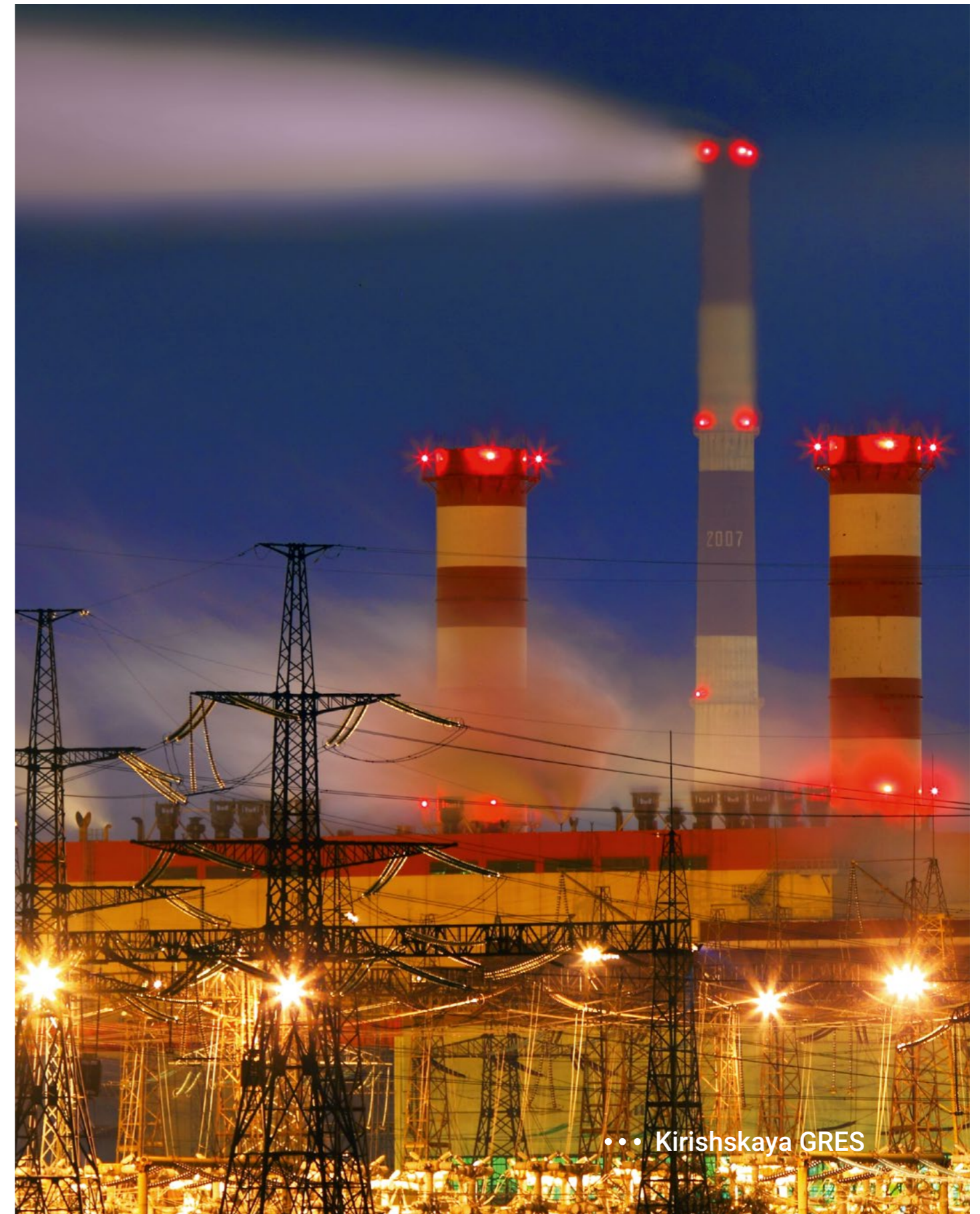


Sustainable development and corporate social responsibility.

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.

basis for monitoring the possible negative impacts on the Company's development priorities to further adjust its objectives and KPIs.

The OGK-2 Risk Management System is used as a



• • • Kirishskaya GRES

## Development Priorities

### Efficiency:

Cost optimization, structural optimization

### Reliability:

Safer and more reliable production

### Sustainable Development:

Sustainable development and corporate social responsibility

#### Objectives

- fuel efficiency and facility load optimization;
- optimization of operating and investment costs;
- more efficient equipment maintenance;
- curbing undersupply of capacity;
- search for and development of new activities that use the existing assets;
- optimization of inventories of raw and consumable materials;
- implementation of R&D results and proposals to optimize the activities of the Company's employees;
- upgrade of fixed assets: retrofitting and renovation of existing generating and auxiliary equipment; replacement of worn-out power equipment;
- improvement of the technical and economic parameters of power units;
- decommissioning of inefficient facilities;
- sale of non-core assets.

- regular inspections of equipment condition as well as servicing, maintenance, and repair work;
- preventive measures to minimize risks of accidents and improve equipment reliability;
- IT infrastructure upgrade to improve its functional reliability and guarantee the continuity of critical business processes;
- special evaluation of work conditions, employee health examinations, briefings on occupational safety;
- close cooperation in the matters of provision for security as well as development of response measures for emergencies jointly with the Ministry of Emergency Situations of the Russian Federation, emergency services in the cities, towns, and settlements wherein power facilities are situated, medical and non-governmental organizations as well as grid and other generating companies.

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

KPI	Strategic	<ul style="list-style-type: none"> <li>• Net profit objective;</li> <li>• EBITDA profitability</li> </ul>
	Operational	<ul style="list-style-type: none"> <li>• Specific controlled costs;</li> <li>• Quick ratio;</li> <li>• Marginal profit;</li> <li>• Implementation of the annual comprehensive procurement program (effectiveness of procedures);</li> <li>• Inventory management</li> </ul>
	Project-based	<ul style="list-style-type: none"> <li>• Fulfillment of the basic criteria under the Operational Efficiency Improvement Program;</li> <li>• Compiling and valuating an investment project for competitive outtake</li> </ul>

Strategic	<ul style="list-style-type: none"> <li>• Deviation of underpayment for capacity from the Business Plan values</li> </ul>
Operational	<ul style="list-style-type: none"> <li>• Production reliability (availability factor);</li> <li>• Repair program completion;</li> <li>• Investment program efficiency;</li> <li>• Debt-to-profit ratio;</li> <li>• Payment for the supplied energy</li> <li>• Fuel reserves accounting;</li> <li>• Lower sole-supplier procurement;</li> <li>• Running the program to redesign power-plant layouts and circuitry</li> </ul>

Strategic	<ul style="list-style-type: none"> <li>• Occupational safety (Injury rates)</li> </ul>
Operational	<ul style="list-style-type: none"> <li>• No occurrence of civil liability;</li> <li>• No cases of violation of the established regime and zero injuries;</li> <li>• Total penalties and fines imposed by inspection authorities;</li> <li>• Compliance with the reporting deadlines;</li> <li>• Absence of operational errors in statements and reporting</li> </ul>

#### Risks

- Lower demand for heat and electricity;
- Changes in electricity prices;
- Changes in the prices of energy carriers and services, materials, and equipment;
- Zero demand in the market for the capacity of some of the Company's generating facilities;
- Competition against more efficient electricity producers;
- Greater competition in the future after investment programs are complete.

- Risk of increase in non-payment for supplied electricity and heat energy;
- Occurrence of accidents due to physical depreciation of fixed assets;
- Failure to comply with contractual obligations on the part of contractors and partners;
- Weather-associated risks;
- Risks of financial and reputational losses in the course of implementation of investment projects:

- Risks of environmental damage or pollution;
- Risks of terrorist threats;
- Risks associated with technological violations and accidents due to erroneous actions of the Company's personnel;
- Corruption risks and the risks of conflicts of interest;
- Legal risks



## Changes in the Strategic Development Priorities in the Reporting Year

The main factors that affected the Company's 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 for financing 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. The Company now gives higher priority to performance and efficiency, i.e. to lowering the 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.

As a result of these changes, the Company's KPI system was adjusted in 2018; the adjustments are described in the corresponding clause.

The primary foci of the Company's efficiency improvements in 2018 were:

- optimization of inefficient equipment;
- improving the net profits by flexible response to changes in the electricity market situation;
- reducing the production costs by a variety of actions, including efficient use of opportunities to diversify the fuel balance and to improve the agreements with coal suppliers.

Today, the main external factor to directly affect the Company's strategic development priorities is the TPP Generating Facility Upgrade Program targeted at incentivizing the upgrades of the country's generating facilities.



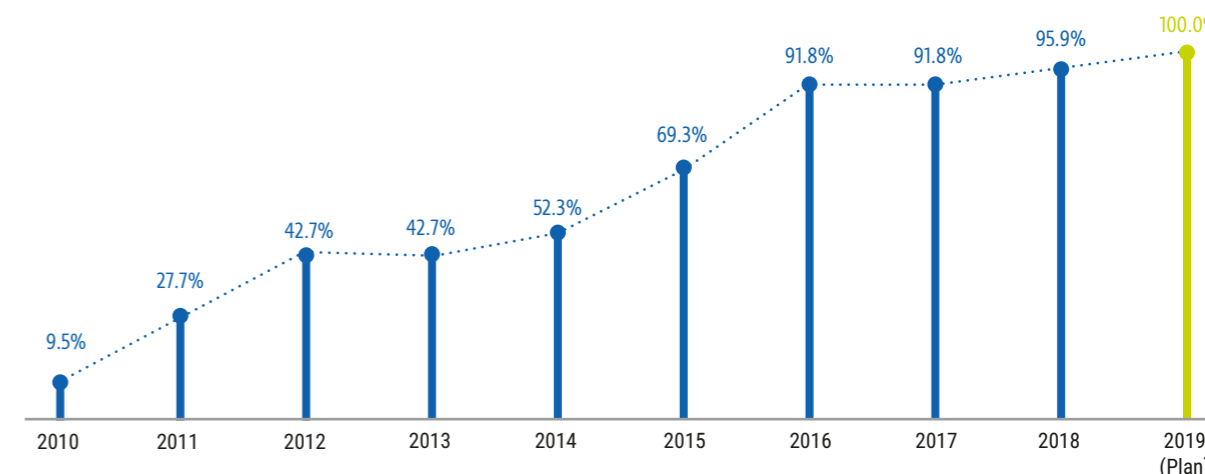
With regard to the sale of heat and electricity, the main areas of the Company's future operations are:

- modernization of the primary generating equipment, which shall make use of guaranteed return on investments;
- optimization of the fuel balance and equipment parameters the reduction of electricity and heat production costs;
- Reduction in the negative financial impact of payment-related non-compliance on the part of electricity and heat consumers in the wholesale and retail markets.

## 2.2. Facility Modernization Prospects for 2022 to 2031

One of the main objectives of reforming Russia's electric power industry in the 2000s consisted in raising significant funds to construct new generating facilities and upgrade the existing ones. This was mainly attained by means of Capacity Supply Agreements (CSA). Since the CSA program started in 2010, OGK-2 commissioned 4,220 MW of new capacities under the CSA. The last facility to be commissioned under the CSA program is the 180-MW second unit at Groznenskaya TPP being constructed by the Gazprom Group.

CSA program completion, cumulative total, %



January 25, 2019 the Government of the Russian Federation approved the Ministry of Energy's TPP Upgrade Program. This project is expected to upgrade generating facilities for a total of 39 GW, which is about 16% of the UES installed capacity.

The project is expected to be completed in 2031. The investors will have access to a long-term market, as it is planned to conclude 16-year capacity supply agreements. The Ministry of Energy expects the upgrade program to raise 1.9 trillion rubles in private investment over 10 years. The first competitive outtakes took place on April 1 and 2, 2019, for a total 11 GW; the capacity supply is scheduled to begin in 2022 to 2024.

## 2.3. Project Efficiency

The Company has completed its Operational Efficiency Improvement Program for 2018 and defined the fundamental principles of such programs for 2019 onwards.

The Program seeks to fully utilize the Company's capacities in the core businesses and covers the following:

- Improving the operational and investment efficiency;
- Organizational and structural actions to improve business efficiency;
- Technological independence.

The effect of implementing the Board-of-Directors-approved Program totaled 679.3 million rubles as of year-end 2018.

Program-Enabled EBITDA Growth, million rubles

Indicator (name)	2017		2018		2019
	Planned	Actual	Planned	Actual	Planned
EBITDA Growth Enabled by the Program Activities, million rubles	293.3	357.8	611.3	679.3	238.9

In order to control implementation of the Operating Efficiency Improvement Program, JSC OGK-2 has developed a system of action monitoring and introduced incentives and motivation mechanisms. Best practices are replicated.

One priority for 2019 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.

## 2.4. Key Performance Indicators

The OGK-2 KPI system is in place to attain the Company's strategic goals and to help the management and the staff focus on the key indicators to improve managerial performance and give the Company an objective system for incentivizing the top managers.

Business Plan and Investment Program, which shall specify the target range and the multipliers. KPIs reflect the most important indicators of the Company's efficiency and performance in the short term. The Board of Directors approved the methods for calculating, and the list of, KPI for 2018 in March 2018; the KPI targets for 2018 were approved in May 2018.

Key Performance Indicators (KPI) are approved by the Company's Board of Directors for the reporting year and are calculated on the basis of the Company's

The KPI System is subject to continuous improvement with new indicators being added as required by the Company's control and governance bodies. The KPI Matrix for 2018 contains 7 quarterly and 24 yearly indicators designed to improve the Company's performance in terms of:

 production safety and performance;	 financial and economic indicators;
 investment;	 procurements;
 sales;	 economic security.

The indicators are decomposed on the basis of top management KPI. The indicators are cascaded to middle managers in such way as to boost the performance of the Company's units, as well as individual performance.

List of key performance indicators and responsibility matrix for 2018

Annual KPI	Business, the managers of which are responsible for the KPIs
<b>Strategic</b>	
Net profit target;	All
Industrial safety (the occurrence of fatal accidents and accidents resulting in absenteeism);	All
Deviation of underpayment for capacity from the Business Plan values;	All
EBITDA profitability	All
<b>Operational</b>	
<ul style="list-style-type: none"> <li>Production reliability (availability factor);</li> <li>Repair program completion;</li> <li>Investment program efficiency;</li> </ul>	Production
<ul style="list-style-type: none"> <li>Debt-to-earnings ratio before interest, taxes, depreciation and amortization;</li> <li>Specific controlled costs;</li> <li>Quick ratio;</li> </ul>	Economics and finance
<ul style="list-style-type: none"> <li>Marginal profit;</li> <li>Payment for supplied energy;</li> <li>Fuel reserves accounting;</li> </ul>	Energy markets
<ul style="list-style-type: none"> <li>Implementation of the annual comprehensive procurement program (effectiveness of bidding procedures);</li> <li>Inventory management;</li> <li>Lower sole-supplier procurement;</li> </ul>	Procurement
<ul style="list-style-type: none"> <li>Absence of instances of occurrence of civil liability for the damage caused to private individuals and legal entities as well as to the state as a result of commission of an illegal intervention in the secured facilities of the Company branches;</li> <li>Zero non-compliance with the regime and zero failures to timely detect facts and preconditions of material damage;</li> </ul>	Corporate veil
<ul style="list-style-type: none"> <li>Total penalties and fines imposed by inspection authorities, including tax inspectorates;</li> <li>Compliance with the reporting deadlines;</li> <li>Absence of operational errors in accounting and tax reporting.</li> </ul>	Accounting
<b>Project-based</b>	
Fulfillment of the basic criteria under the Operational Efficiency Improvement Program as approved by the Board of Directors;	All
Compiling and valuating an investment project to upgrade the generating equipment for competitive uptake;	Production
Running the program to redesign power-plant heating networks;	Production, Energy Markets, Development
Proportion of R&D costs in the revenue	Development
<b>Quarterly KPIs</b>	
<ul style="list-style-type: none"> <li>Repair program completion;</li> <li>Production reliability (availability factor);</li> </ul>	Production
Debt-to-earnings ratio before interest, taxes, depreciation and amortization;	Economics and finance
Marginal profit from the sales of electric power;	Energy markets
Implementation of the annual comprehensive procurement program (effectiveness of bidding procedures);	Procurement
Absence of instances of occurrence of civil liability for the damage caused to private individuals and legal entities as well as to the state as a result of commission of an illegal intervention in the secured facilities of the Company branches;	Corporate veil
Total penalties and fines imposed by inspection authorities, including tax inspectorates.	Accounting

<sup>1</sup> Development is the responsibility of the Director for Regional Development, who does not belong in top management

## 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.

Actual capital investments totaled 6,661.5 million rubles in 2018, a 21.0% increase YoY.

Below are the most important projects completed in 2018 under the Retrofitting and Reconstruction Program:

Projects	Achieved Benefits
<b>Serovskaya GRES</b>	
Modernization of the CCGT-420 gas-turbine unit	<ul style="list-style-type: none"> <li>preparedness for recertifying the installed capacity to 451 MW</li> </ul>
<b>Cherepovetskaya GRES</b>	
Modernization of the CCGT-420 gas-turbine unit	<ul style="list-style-type: none"> <li>the UES System Operator registered the available capacity increase to 450 MW on May 1, 2018</li> </ul>
<b>Krasnoyarskaya GRES -2</b>	
Retrofitting of Power Unit 2: APCS implemented	<ul style="list-style-type: none"> <li>automated electricity generation process control to ensure the preset quality and amounts;</li> <li>better efficiency, reliability, and longevity of the equipment, including improved environmental performance;</li> <li>better availability and flexibility of the power unit;</li> <li>enforcement of compliance with information security requirements;</li> <li>improved occupational conditions for the operating personnel</li> </ul>
<b>Novocherkasskaya GRES</b>	
Coal quality control system installed	<ul style="list-style-type: none"> <li>rapid coal quality testing;</li> <li>more efficient claim processing upon solid fuel quality control on delivery; greater economic effect</li> </ul>
<b>Surgutskaya GRES-1</b>	
Retrofitting of the instrumentation and controls for power unit 7 with the implementation of an APCS	<ul style="list-style-type: none"> <li>automated electricity generation process control to ensure the preset quality and amounts;</li> <li>better efficiency, reliability, and longevity of the equipment, including improved environmental performance;</li> <li>better availability and flexibility of the power unit;</li> <li>enforcement of compliance with information security requirements;</li> <li>improved occupational conditions for the operating personnel</li> </ul>

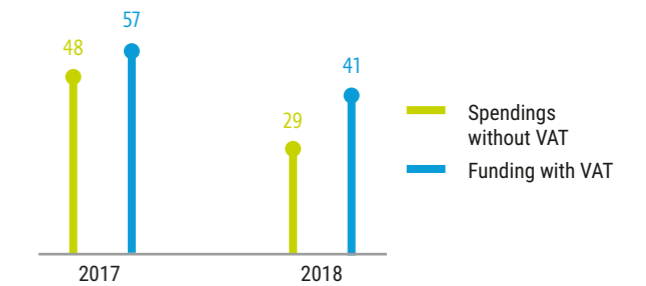
## 2.6. Innovative Development



The electric power industry is a dynamic industry that actively uses state-of-the-art technology. To stay competitive, OGK-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 design (R&D). In 2018, R&D and innovation financing totaled 41.3 million rubles.

Innovation and R&D, million rubles



## 2.7. Information Technology

In 2018, OGK-2's power plants carried out a number of projects to implement automated commercial electricity metering systems, systems to exchange process data with the System Operator, local alert systems, and telecom systems. These projects considerably improved the Company's functional reliability. The data storage implementation project has transformed the existing computing infrastructure into a high-tech hardware platform that improves the fault-tolerance of services and efficiently solves the current and future problems using the available resources; the project uses cutting-edge IT and the best IT practices.

In 2018, the following was done as part of advancing the Generating Company's Corporate Geoinformation System (GCGIS):

- implementing a module for registering damaged boiler heating surfaces, which helps collect data while monitoring the condition of such boilers for further use in repair programs;
- developing the design solutions to forecast the condition-adjusted cost of ownership of the core equipment. A methodological decision-making database has been compiled that contains data on actions that help improve cost-effectiveness and operating reliability of the equipment;
- successfully completed project for continuous vibration testing of auxiliary rotating equipment, which enables a transition from scheduled preventive repairs to condition-based repairs so as to optimize the operating costs.



During 2019, the Company plans to continue upgrading its local IT systems as well as to establish a fault- and disaster-tolerance data center.

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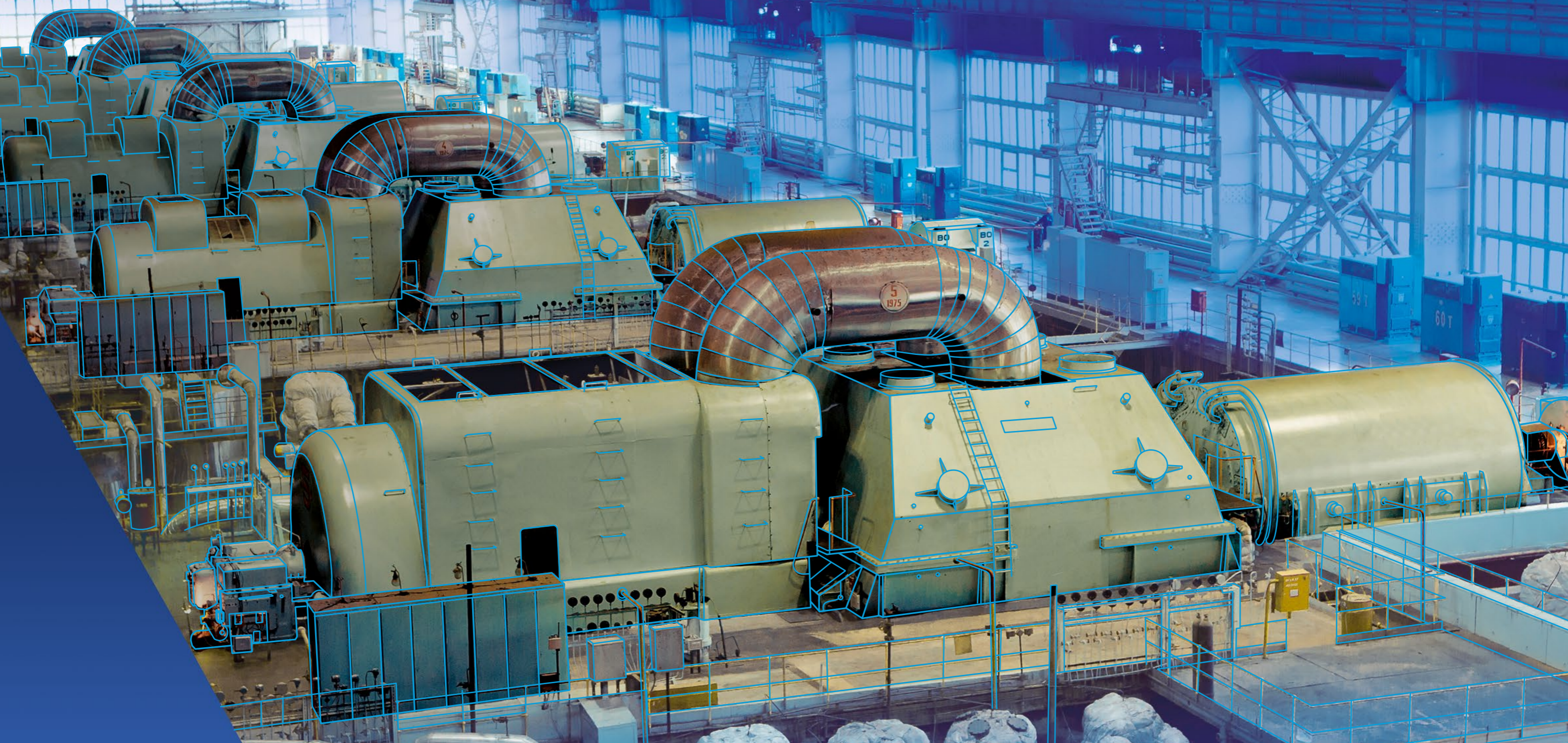
# COMPANY'S PERFORMANCE

58,919 mln kWh

Electricity output in 2018

143,227 bln rubles

Revenue in 2018



## 3.1. Operating indicators



In 2018, the generating operations of JSC "OGK-2" were not subject to any major disruptions, which ensured a stable operation of power plant equipment during the year and a reliable supply of heat and electricity to consumers.

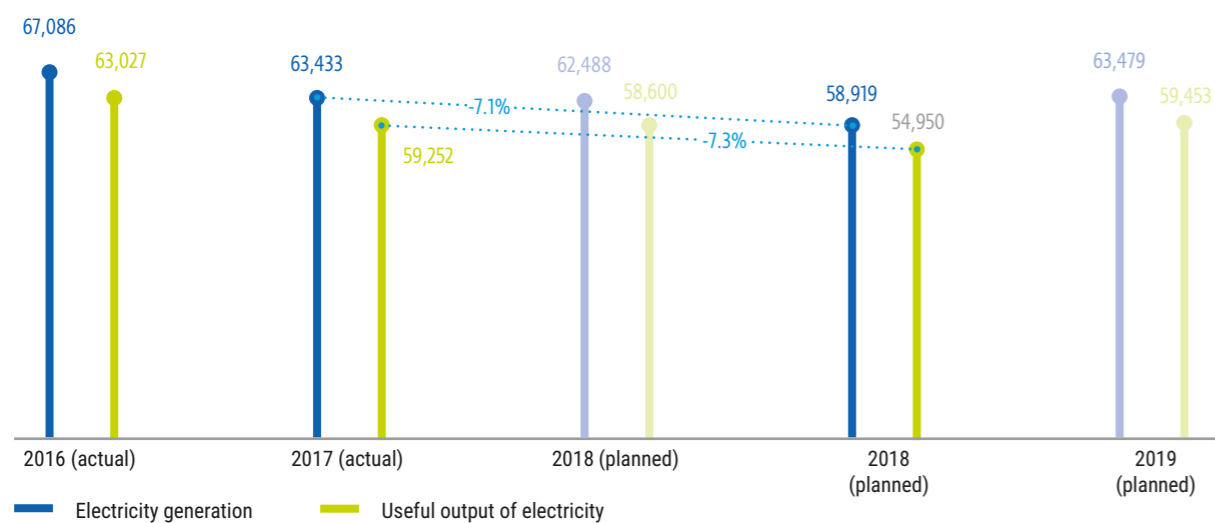
### Key operational results for 2016-2018 and expected results for 2019

Indicator	2016 (actual)	2017 (actual)	2018		2017 vs.2018,%	2019 (planned)
			planned	actual		
Electricity output, million kWh	67,086.4	63,432.9	62,487.8	58,919.4	-7.1	63,479.0
Useful output of electricity, million kWh	63,027.0	59,251.5	58,600.1	54,949.5	-7.3	59,453.0
Heat output (output from collectors), thousand Gcal	6,897.5	6,759.4	6,527.0	7,007.2	3.7	6,460.3
Useful heat output to consumers, thousand Gcal	6,452.4	6,354.4	6,267.8	6,702.1	5.5	6,030.1
SRFC of electricity output, g/kWh	336.1	340.3	330.1	331.6	-8.7	330.3
SRFC of heat output, kg/Gcal	152.5	156.1	170.3	152.9	-3.2	165.9
ICLF, %	40.8	38.1	38.4	36.2	-1.6	38.4
Fuel consumption (thousand tons of reference fuel):	22,313.9	21,356.0	20,577.7	19,524.1	-8.6	20,882.5
- Coal	6,618.5	6,386.4	6,036.8	5,381.4	-15.7	6,077.1
- Gas	15,670.3	14,929.9	14,518.2	14,099.1	-5.6	14,788.4
- Fuel oil	25.2	40.6	22.7	35.9	-11.4	16.6

### Electricity generation

In 2018, OGK-2 generated 58,919 million kWh of electricity, a 7.1% decrease YoY; the Company's share in the Russian electricity market remained stable at 6% to 7% of the total national electricity output in 2012–2018.

#### Generation and useful output of electricity, million kWh<sup>1</sup>



<sup>1</sup>For the distribution of generation and useful output of electricity by various power plants, see Annex 1.

### Heat output

Overall heat energy generation at JSC OGK-2 in 2018 amounted to 7,007 thousand Gcal, which is a 3.7% increase YoY.

Kirishskaya GRES, Surgutskaya GRES-1, and Krasnoyarskaya GRES -2 had the largest share in the heat energy generation volume at JSC OGK-2 in 2018.

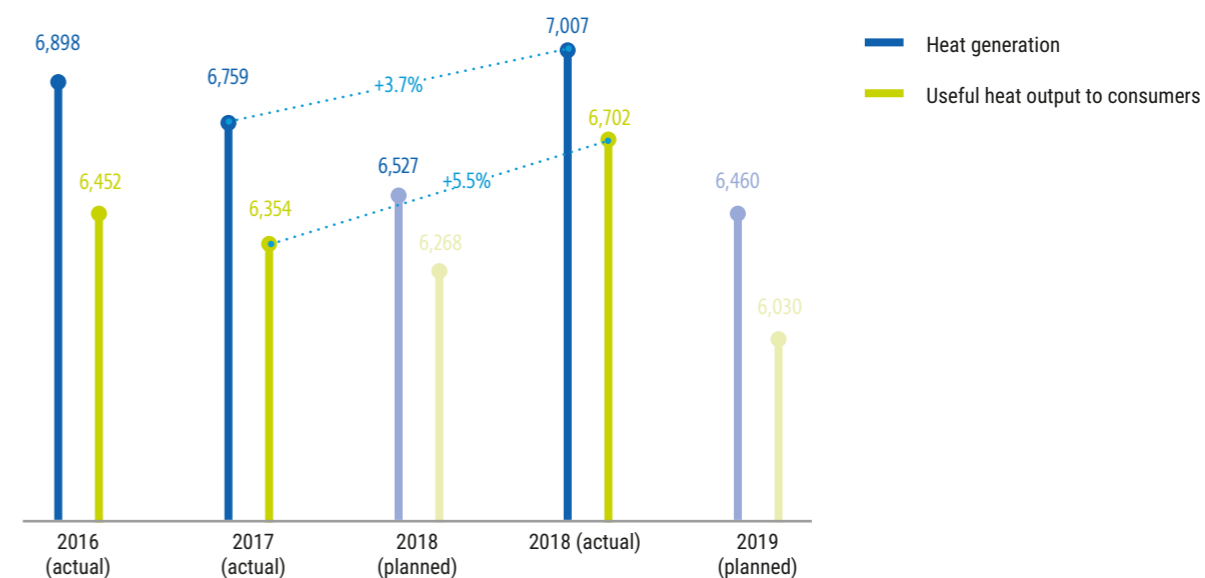
For OGK-2, heat generation is seasonal in nature. The bulk of heat production falls in the period from October to April.

### 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 2018, ICLF dropped by 1% YoY.

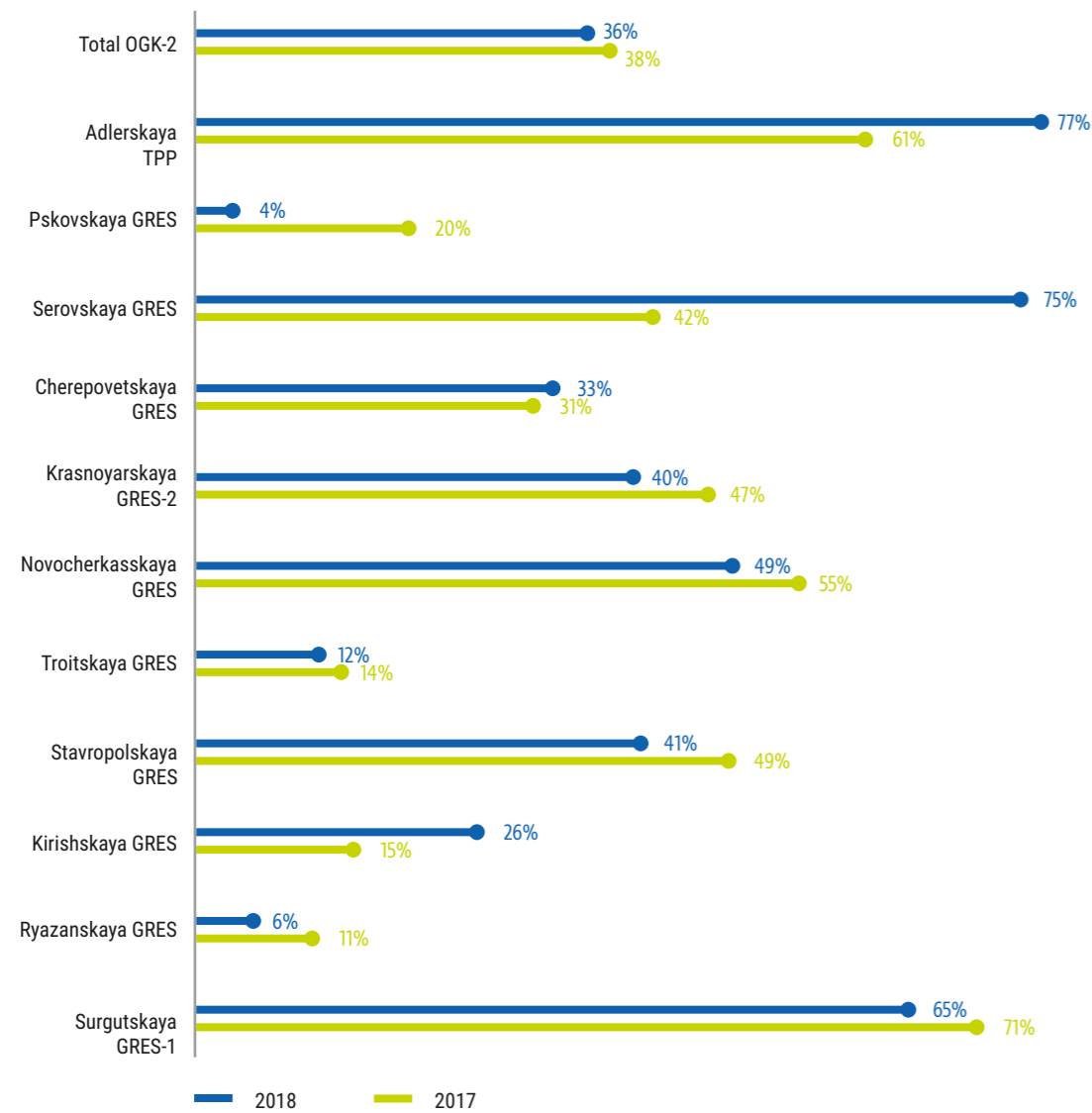
The highest ICLF in 2018 was observed at the Adlerskaya GRES (77%) and Serovskaya GRES (75%). The largest increase in ICLF in 2018, as compared to 2017, was registered at the Serovskaya GRES (+33%).

#### Generation and useful output of heat energy, thousand Gcal<sup>1</sup>



<sup>1</sup>For distribution of generation and useful output of heat energy by various power plants, see Annex 1

OGK-2 ICLF dynamics in 2017 and 2018, %



Specific Fuel Consumption

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

In general, the specific reference fuel consumption (SRFC) for electricity generation at JSC OGK-2 rose by 8.7 g/kWh in 2018 as compared to 2017, while the specific consumption of reference fuel for heat output dropped by 3.2 kg/Gcal.

Factors contributing to the lower electricity-related SRFC:

- higher contribution from the high-performance CCGT equipment at the Kirishskaya GRES, Adlerskaya TPP, Serovskaya GRES, and Cherepovetskaya GRES;
- lower contribution from the coal-fired facilities of the Krasnoyarskaya GRES-2, Novocherkasskaya GRES, Troitskaya GRES, and 1st stage of the Ryazanskaya GRES, where the SRFC is above average;
- decommissioning the inefficient coal-fired facilities of the Serovskaya GRES.

Fuel Balance

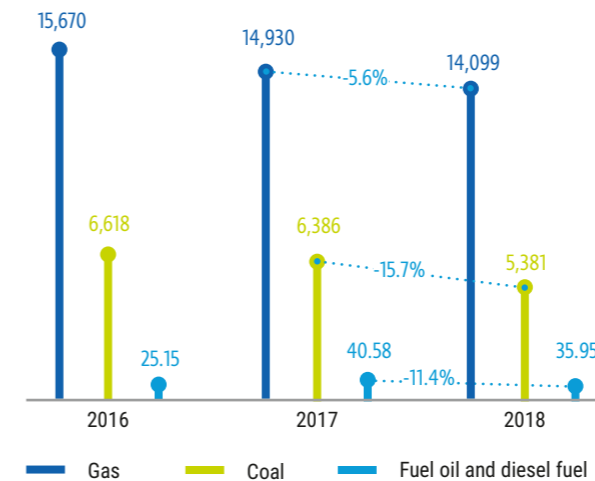
The technological process of heat and electricity generation leads to the use of different fuels as the main raw material by JSC "OGK-2". The fuel balance of JSC OGK-2 uses coal on a par with gas as the main fuel. Starting, reserve, and emergency fuels are fuel oil and diesel fuel.

The fuel structure of JSC OGK-2 is dominated by gas. In particular, gas is used as the main fuel at Surgutskaya GRES-1, the 2nd and the 3rd stages of Ryazanskaya GRES, Stavropolskaya GRES, Kirishskaya GRES, Pskovskaya GRES, and Adlerskaya TPP as well as the CCGT-450 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. The Novocherkasskaya GRES and the first stage of the Cherepovetskaya GRES can use both gas and coal as the main fuel to produce heat and electricity, which allows for adjusting the fuel balance in case of fluctuations in prices for these fuels.

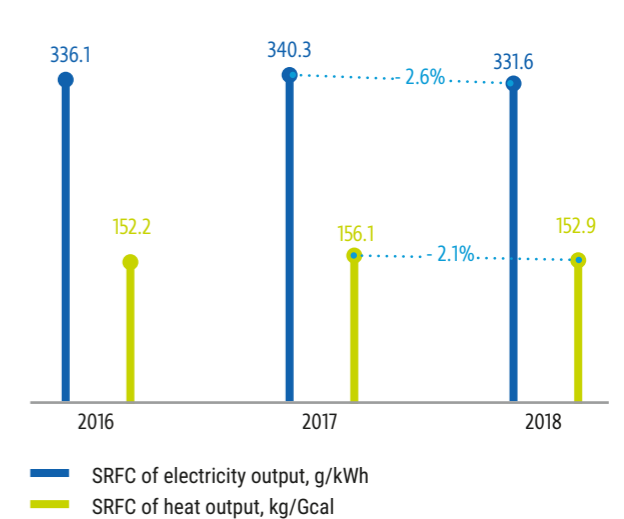
At the same time, five power plants of JSC "OGK-2" (the 1st and the 2nd stages of the Ryazanskaya GRES, the Novocherkasskaya GRES, the Troitskaya GRES, the Krasnoyarskaya GRES-2, and the Cherepovetskaya GRES) can also use fuel oil as starting fuel while three stations (the Ryazanskaya GRES, the Stavropolskaya GRES, and the Kirishskaya GRES) also use fuel oil as reserve fuel. CCGT-450 at the Cherepovetskaya GRES and CCGT-450 at the Serovskaya GRES and the Adlerskaya TPP can use diesel fuel in small amounts in case of emergency.

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

Dynamics of actual fuel consumption for 2018, thousand trf



Electricity-related SRFC in 2016–2018.



In 2018, the Company's fuel balance was as follows: coal accounted for 27.6% of the total fuel consumption, gas for 72.2%, and fuel oil for 0.2%. In 2017, fuel consumption dropped by 2.3%, gas consumption rose by 2.3%, oil fuel consumption didn't change.

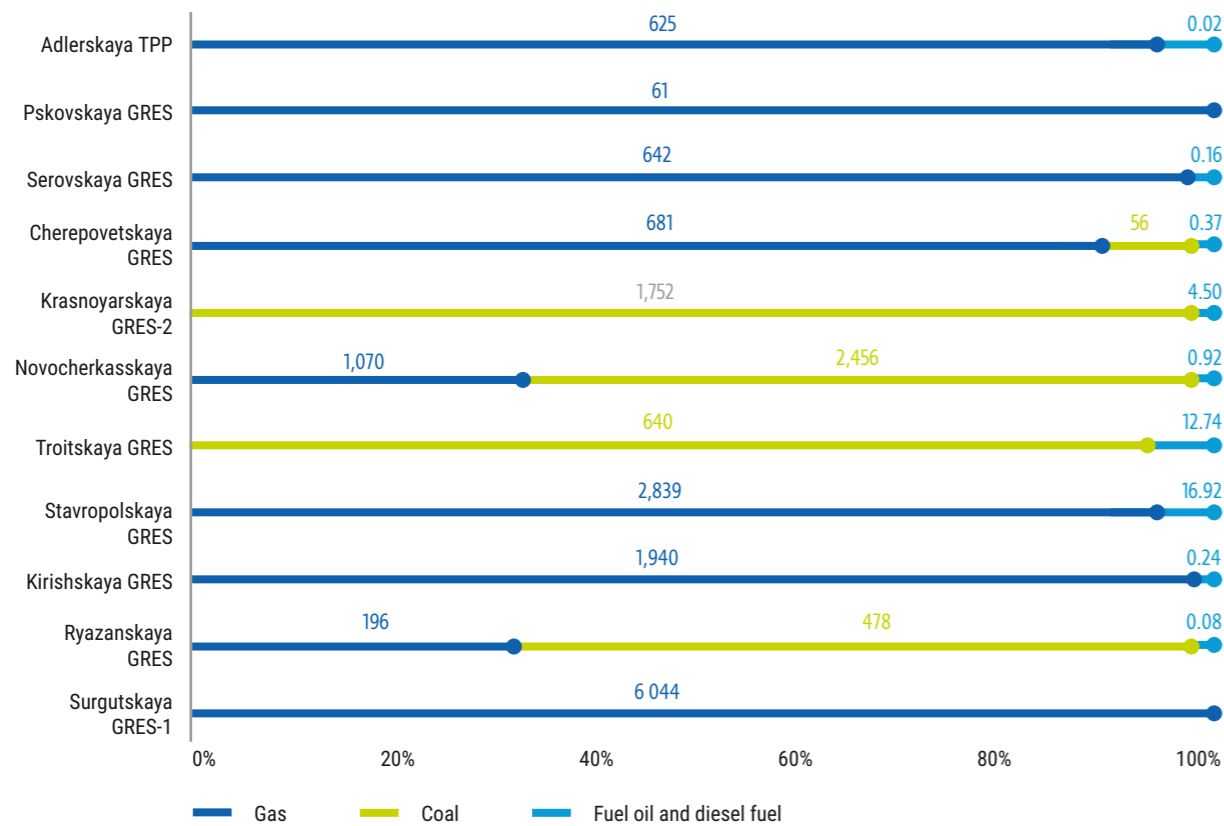
In 2018, gas consumption totaled 8.7 billion tons, which is a 1.9 million t or 17.6% drop YoY; gas consumption dropped by 0.7 million m3 or 5.4% to 12.2 million m3. A higher gas share in the fuel balance and the resultant lower coal share can be explained by the following factors:

- higher contribution from the gas-fired facilities of the Kirishskaya GRES, Adlerskaya TPP, and Cherepovetskaya GRES

- lower contribution from the coal-fired generating facilities of the Krasnoyarskaya GRES, Novocherkasskaya GRES, Troitskaya GRES, and Ryazanskaya GRES;
- decommissioning the coal-fired generating facilities at the Serovskaya GRES;
- higher contribution of heat from the gas-fired facilities of the Surgutskaya GRES-1, Kirishskaya GRES, and the oil fuel-fired boilers of the Ryazanskaya GRES;
- lower contribution from the coal-fired facilities of the Troitskaya GRES and Ryazanskaya GRES.

Fuel oil and diesel consumption totaled 26.6 thousand tons in 2018.

OGK-2 actual fuel consumption and breakdown for 2018, thousand trf



Repairs

The Company seeks to maintain the good and serviceable condition of its fixed assets while optimizing the repair and maintenance costs.

To ensure the required reliability of power supply, the Company overhauled and/or medium-repaired 18 turbines with a total power of 4,499 MW, as well as 26 boilers with a steam output of 14,440 t/h in 2018; the Company also carried out advanced maintenance. The following overhauls began in 2017 and completed in the reporting year:

- extended current repairs of the 260-MW Plant 4 unit, Ryazanskaya GRES;
- overhaul of the 60-MW turbine, Plant 2T, Kirishskaya GRES;
- overhaul of the 290-MW Plant 6 unit, Novocherkasskaya GRES.

Servicing the New Generation Facilities

The most efficient and sophisticated new generating facilities are focused upon in operation and maintenance alike.

The Company designed and implemented a series of measures aimed at timely service maintenance and adoption of preventive measures to reduce the risks of accidents and to enhance the equipment reliability.

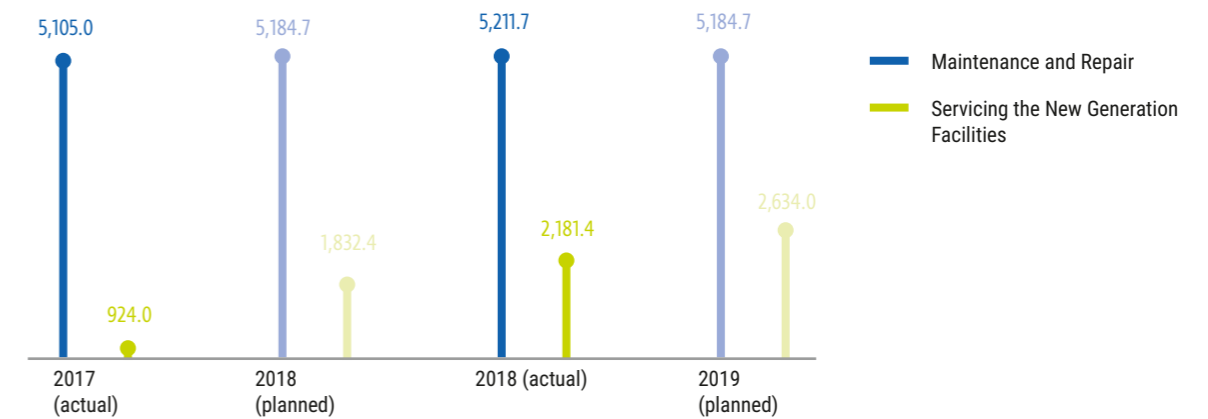
To provide reliable power supply as well as to ensure accident-free and cost-effective operation, the Company inspected the gas turbines of the advanced power units: two CCGT-180 at the Adlerskaya TPP, CCGT-450 at the Cherepovetskaya GRES; besides, we carried out the technically sophisticated advanced hot-section inspection (aHSI) of the CCGT-420 gas turbine, Serovskaya GRES.

Specialized organizations were involved in servicing the STU-300 at the Novocherkasskaya GRES, which operates Russia's only circulating fluidized bed (CFB) boiler, and the STU-660 at the Troitskaya GRES, which extensively uses imported tech.

As part of the CCGT-450 aHSI at the Serovskaya GRES, the gas turbine was upgraded and successfully tested to recertify the installed capacity at 450 MW.

Besides, unscheduled repairs were carried out at the GTP 21 and 22 of the Adlerskaya TPP to eliminate the identified defects.

Dynamics of, and plans for, repairs and maintenance of new generating facilities, million rubles



Goals for 2019

The basic strategic objectives for service laid out for 2019 are to keep the basic and auxiliary new generating facilities intact and reliable; to inspect the CCGT-800, Kirishskaya GRES, CCGT-450, Cherepovetskaya GRES, CCGT-450, Serovskaya GRES, and the two CCGT-180, Adlerskaya TPP, on a scheduled basis; to timely service the steam-turbine units (STU) of the new generating units: the 660-MW Unit 10, Troitskaya GRES, the 330-MW Units 9, Novocherkasskaya GRES, and 2, Ryazanskaya GRES.

The 2018 rise in the actual costs of servicing the new generating facilities as compared to 2017 was due to the CSA program, the newly commissioned facilities, as well as uniform allocation of regular major costs of servicing the CCGT units to expenditure accounts in program to the STU equivalent operating hours (EOH).

## 3.2. Financial results (IFRS)



Thanks to the increased revenues and controlled costs, the Company managed to considerably increase its profits in 2018 as compared to the preceding year.

EBITDA totaled 26,936 million rubles in 2018; the profits amounted to 8,305 million rubles, a 15.3% increase YoY.

### Key Financial Indicators (IFRS), million rubles; coefficients

Indicator	2017 / As at December 31, 2017	2018 / as at December 31, 2018	Change [%]
Revenue	141,308	143,227	1.4%
Operating expenses, including depreciation	122,213	127,505	4.3%
Losses due to the impairment of financial assets	11,265	12,970	15.1%
EBITDA	3,597	1,756	(51.2)%
Profit from operating activities + Depreciation	26,763	26,936	0.6%
EBITDA margin (EBITDA / Revenue), %	18.9%	18.8%	(0.5)%
Operating cash flow (cash flows from operating activities)	24,741	30,940	25.1%
Cash flow from operating activities before changes in working capital and payment of profit tax	30,210	32,886	8.9%
Free cash flow according to the Statement of Cash Flows: Cash flows from operating activities – Acquisition of fixed assets and intangible assets	14,501	21,895	51.0%
Net working capital	8,304	7,756	(6.6)%
Net profit (loss)	7,201	8,305	15.3%
Net profit margin Net profit / Revenue, %	5.1%	5.8%	13.7%
Equity	121,013	127,316	5.2%
Net debt	54,194	40,494	(25.2)%
Net debt / Equity This is the borrowed funds to equity ratio. The lower it is, the more financially stable is the company.	0.45	0.32	(28.8)%
EBITDA / Interest paid Interest coverage ratio. The lower it is, the less is the company's debt burden.	4.7	6.3	34.0%
Net debt/EBITDA This ratio shows how many annual profits of the company is needed to cover its net debt.	2.0	1.5	(25.0)%
ROE (net profit/equity) This coefficient shows how efficiently the Company uses its equity.	5.95%	6.52%	9.6%

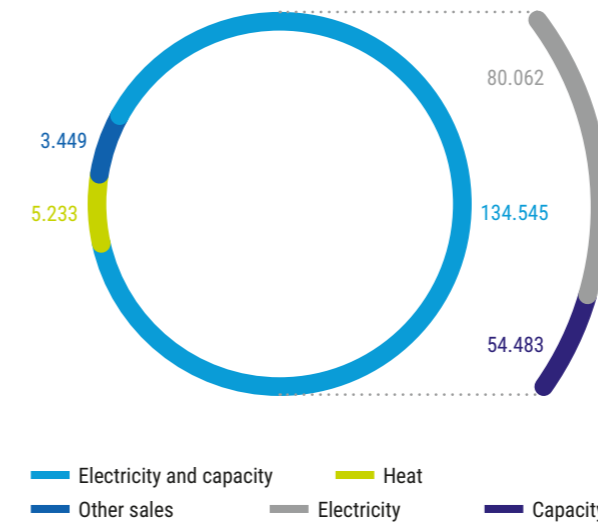
### Revenue

#### Revenue, million rubles

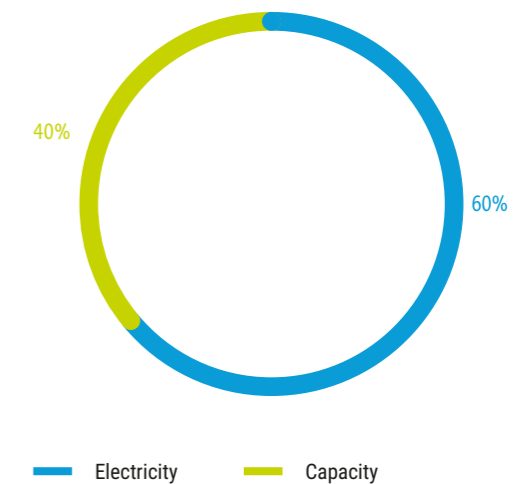
Indicator	2017	2018	Change [%]
Electricity and capacity	133,355	134,545	0.9%
Heat	5,014	5,233	4.4%
Other sales	2,939	3,449	17.4%
<b>Total</b>	<b>141,308</b>	<b>143,227</b>	<b>1.4%</b>

Most of the revenue (93.9%) was gained from the sales of electricity and capacity.

### Revenue breakdown, million rubles



### Electricity and capacity sales revenue breakdown for 2018

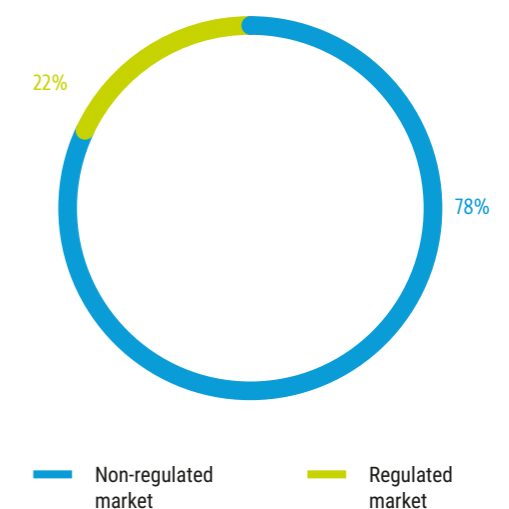


The Company's revenues from the wholesale of electricity and capacity totaled 127,563 million rubles in 2018, of which 73,080 million rubles came from electricity sales, and 54,483 million rubles came from capacity sales.

Most electricity sales are done in the free market.

The structure of major electricity and capacity purchasers in the wholesale market did not alter significantly. OGK-2 also sells heat and electricity in the retail market. Actual electricity sales under various agreements totaled 1,637.5 MWh. Revenues from the retail electricity market totaled 6,982 million rubles. Heat was mainly sold to wholesale resellers and public utilities in the cities in the power plant vicinity. Heat sales revenue totaled 5,233 million rubles

### Wholesale-market electricity sales breakdown for 2018



### Operating expenses

#### Variable expenses<sup>1</sup>, million rubles

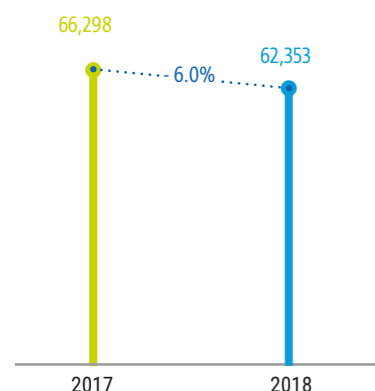
Indicator	2017	2018	Change [%]
Fuel expenses	66,298	62,353	(6.0)%
Purchased electricity/heat/capacity costs	12,966	12,943	(0.2)%
Environmental fees	211	192	(8.9)%
<b>Total variable expenses</b>	<b>79,475</b>	<b>75,488</b>	<b>(5.0)%</b>

The reporting period saw a 5.0% drop in variable expenses. This was mainly due to a 6.0% reduction of fuel expenses, which in its turn was due to lower output, hence lower fuel consumption (13% less consumed coal and 4% less gas).

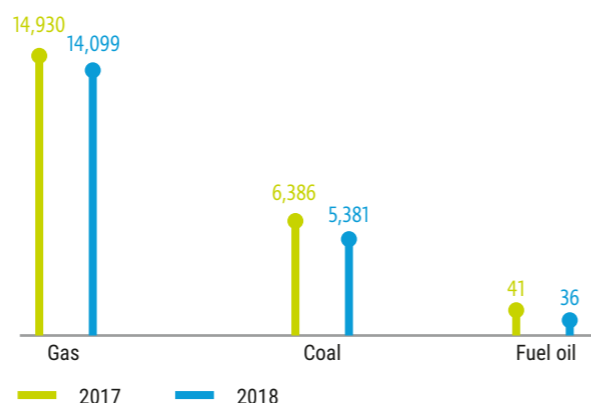
<sup>1</sup>Distribution of variables and fixed costs is based on the managerial reporting data.



### Fuel expenses, million rubles



### Fuel consumption (thousand tons of reference fuel):



The costs of purchased electricity and capacity did not change significantly. Lower environmental costs were mainly due to lower output.

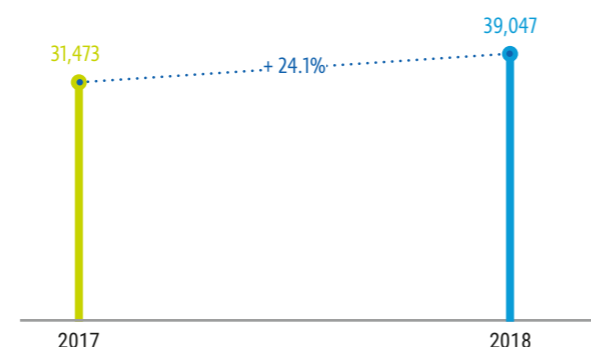
### Fixed expenses<sup>1</sup>, million rubles.

Indicator	2017	2018	Change [%]
Employee Remuneration	8,135	8,824	8.5%
Repair and maintenance costs	4,057	4,305	6.1%
System Operator Service Costs	2,049	2,048	(0.1%)
Taxes other than profit tax	3,665	4,249	(15.9%)
Lease payments	2,613	2,354	(9.9%)
Other fixed expenses	10,953	17,267	57.6%
<b>Total fixed expenses</b>	<b>31,473</b>	<b>39,047</b>	<b>24.1%</b>

Fixed costs rose by 24.1%. Below are the main contributing factors:

- higher remuneration costs was mainly due to recognizing the retirement benefits as income in 2017;
- higher repair and maintenance costs were mainly due to new facilities commissioned under the CSA;
- higher taxation (except the income tax) was mainly due to higher property taxes, which in their turn were due to legislative changes and commissioning the 1st startup system at the Troitskaya GRES
- sundry fixed costs rose due to recognizing the impairment of fixed assets at the year-end 2018.

### Fixed expenses, million rubles

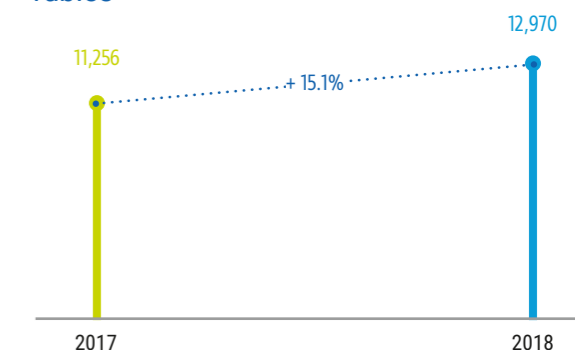


<sup>1</sup>Distribution of variables and fixed costs is based on the managerial reporting data.

### Depreciation

15% higher depreciation costs were due to higher value of the fixed assets, which was contributed by commissioning new fixed assets at the Troitskaya and Cherepovetskaya GRES in 2018.

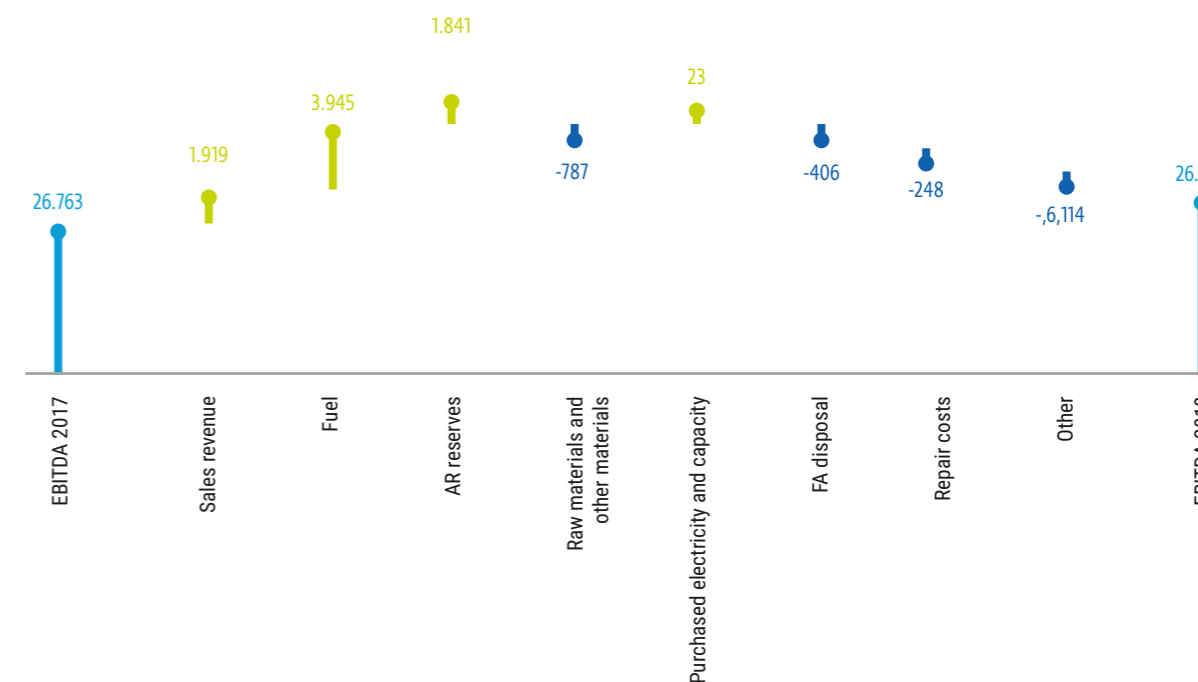
### Depreciation, million rubles



### EBITDA and Profit Generation

In 2018, EBITDA rose by 174 million rubles, or 0.6% YoY, which was contributed to various factors:

### EBITDA factor analysis, million rubles



### Debt Liabilities

#### Short-term Liabilities Structure, million rubles

Indicator	Currency	Effective interest rate as at December 31, 2018	2017	2018	Change [%]
Short-term portion of long-term borrowings	rubles	7.10% to 8.83%	1,317	8,507	546%
Short-term portion of bonded loans	rubles	7.11% to 7.12%	114	89	(22)%
Short-term portion of finance lease obligations	rubles	26.52% to 27.29%	12	15	25%
<b>Total</b>			<b>1,443</b>	<b>8,611</b>	<b>497%</b>

Long-term Liabilities Structure, million rubles

Indicator	Currency	Effective interest rate	Maturity on December 31, 2017	2017	2018	Change [%]
Long-term loans	rubles	8.00% to 8.83%	2021 to 2025	33,759	22,659	(33)%
Long-term credits	rubles	7.10%	2020	14,110	9,110	(35)%
Bonded loans	rubles	7.11% to 7.12%	2020 to 2021	10,000	6,683	(33)%
Lease obligations	rubles	26.52% to 27.29%	2020	23	8	(65)%
<b>Total</b>				<b>57,892</b>	<b>38,460</b>	<b>(34)%</b>

As at December 31, 2018 borrowings totaled 47,071 million rubles, a 20.7% drop YoY.

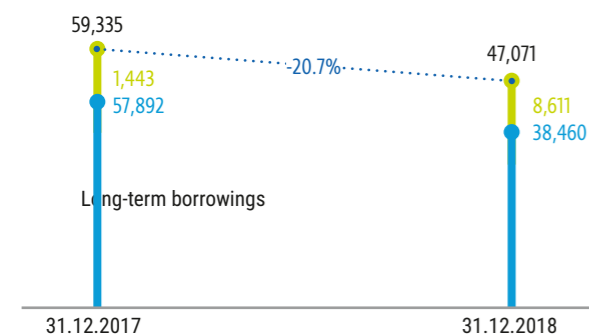
Such change in the structure of borrowings was mostly due to the refinancing of loans and bond loans.

Long-term debt totaled 38,460 million rubles as at December 31, 2018.

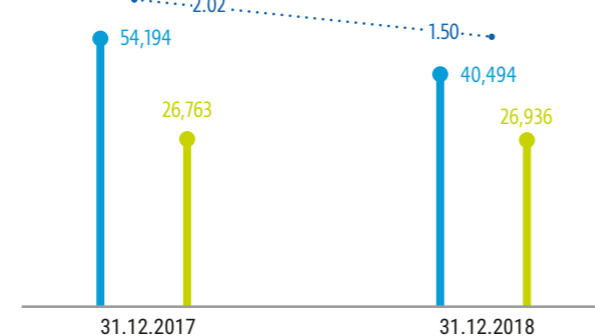
Effective interest rates were at 7.10% to 8.83% in the reporting period. As at December 31, 2018 the Company's net debt totaled 40,494 million rubles.

Short-term debt totaled 8,611 million rubles as at December 31, 2018.

Structure of Borrowings, million rubles



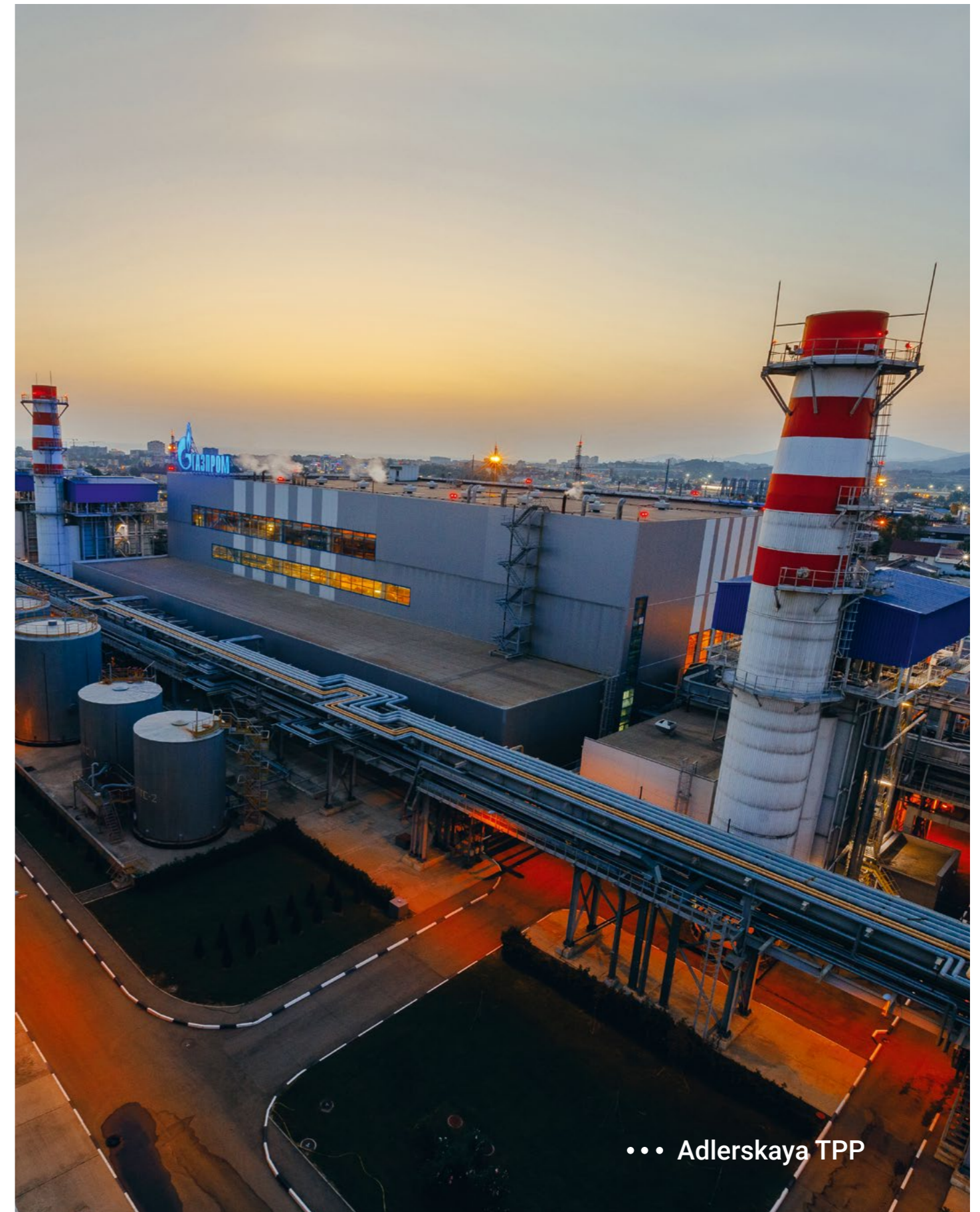
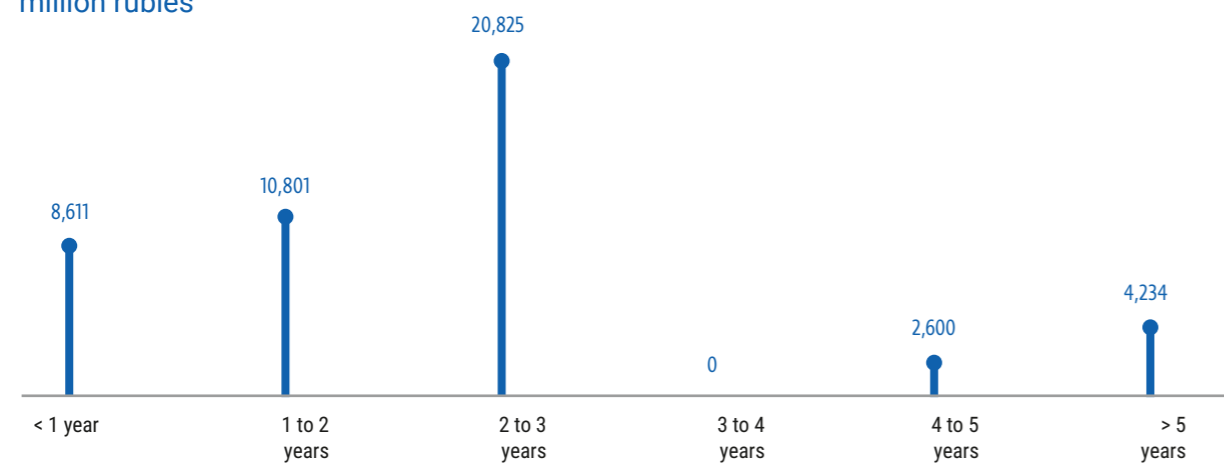
Net debt, million rubles



Legend:  
■ Long-term borrowings  
■ Short-term borrowings and short-term portion of long-term borrowings

Legend:  
■ EBITDA for 12 months  
■ Net debt at the end of the period  
⋯ Net debt/EBITDA

Diversification of Borrowings by Maturity as at December 12, 2018, million rubles



... Adlerskaya TPP

### 3.3. Financial results (RAS)



Key financial results for 2016–2018 and expected results for 2019, million rubles.

#### Summary of financial results and projections for 2019<sup>1</sup>

Indicator	2016	2017	2018	2018 Change YoY, %	2019 (forecast)
Revenues from sales of goods, work, services, including:	134,285	139,613	140,870	0.9%	138,070
- Electricity sales	86,073	82,795	80,062	(3.3%)	74,731
- Capacity sales	42,193	50,561	54,483	7.8%	57,255
- Heat sales	5,032	5,015	5,203	3.8%	4,962
- Other incomes from day-to-day activities	987	1,243	1,121	(9.8%)	1,122
Cost of sold goods, products, work and services:	117,618	118,286	117,098	(1.0%)	118,524
• Variable costs, including:	80,626	79,348	75,380	(5.0%)	76,281
- Fuel costs	68,894	66,292	62,353	(5.9%)	68,736
- Purchased electricity (capacity) from the wholesale market	11,613	12,931	12,907	(0.2%)	7,400
- Water for technological purposes	121	125	120	(4.0%)	144
• Semi-fixed costs, including:	36,991	38,937	41,718	7.1%	42,243
- Raw materials and other materials	3,535	2,663	3,490	31.1%	3,316
- Productional work and services	8,148	8,340	8,723	4.6%	6,825
- Depreciation	7,030	8,734	9,717	11.3%	10,232
- Payroll expenses and social contributions	6,886	7,118	7,387	3.8%	7,514
- Private pension provision	110	70	63	(10.2%)	69
- Water tax and fees for using water bodies	1,546	1,874	2,033	8.5%	2,353
- Other expenses	9,734	10,136	10,304	1.7%	11,935
Gross profit	16,667	21,327	23,772	11.5%	19,546
Administrative expenses	2,518	2,550	3,046	19.5%	4,565
Sales profit (loss)	14,148	18,777	20,725	10.4%	14,981
Profit (loss) before tax	5,569	9,566	14,312	49.6%	11,083
Net profit (loss) for the reporting period	3,497	6,653	11,148	67.6%	8,423
EBITDA*	16,624	22,775	27,605	21.2%	24,490
EBITDA profitability, %	12.4%	16.3%	19.6%	20.1%	17.7%

\* EBITDA means earnings before interest, taxes, depreciation, and amortization

<sup>1</sup>According to the 2019 Business Plan.

#### Financial condition indices

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

Indicator	Formula for calculating indices	Recommended Values	2016	2017	2018
<b>Liquidity indices</b>					
Absolute liquidity ratio	(Cash + Short-term financial investments) / Short-term liabilities	>0.15	0.09	0.26	0.35
Quick assets ratio	(Cash+Short-term financial investments+ Accounts receivable of less than 12 months) / Short-term liabilities	>0.95	0.43	1.05	0.88
Current liquidity ratio	Current assets / Current liabilities	>1	0.64	1.67	1.39
<b>Financial soundness indices</b>					
Equity to total assets ratio	Equity / Total assets	>0.8	0.57	0.60	0.64
<b>Returns indices</b>					
Return on sales (ROS),%	(Profit from sales/ Revenue from sales) *100	>15%	10.54	13.45	14.71
Return on equity (ROE),%	(Net income / Equity equity)*100	>5%	3.08	5.54	8.60
Return on assets (ROA),%	(Net profit/Total assets) *100	>3%	1.73	3.31	5.54
<b>Indices of business activity</b>					
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	-	(6.51)	(10.37)	(8.34)
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	-	27.1	19.21	-6.11
Ratio of accounts receivable to accounts payable	AR at the end of the reporting period / AP at the end of the reporting period	>1	1.09	0.76	0.62

# 4

## SUSTAINABLE DEVELOPMENT

8,416 people

Headcount in 2018 by branches and executive arm

54 %

Engagement index

24 %

Reduction of fees for negative environmental impact

## 4.1. Corporate values

### Corporate values of the Company:



**Professionalism:** deep knowledge of one's specialty, timely and quality accomplishment of tasks, constant perfection of professional knowledge and skills.



**Initiative:** activity and independence of personnel in the production process optimization.



**Economy:** responsible and careful approach to the use of the Company's assets, to own work time, and work time of other personnel.



**Mutual respect:** team spirit in work, trust, benevolence, and cooperation in achieving goals.



**Openness for a dialogue:** open and honest exchange of information, readiness to jointly come up with an optimal solution.



**Continuity:** respect for labor and experience of older generations, communication of beginners with labor veterans, professional training and tutorship.



**Image:** use of techniques and strategies aimed at creating a positive opinion of the Company.

The corporate values of OGK-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 OGK-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;
- intra-family cooperation;
- presents;
- use of the Company's 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 "OGK-2". The Company's personnel may contact the Committee by e-mail or by using the hot line.



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's sustainable development. In our pursuit of openness and transparency, we openly and honestly exchange information with all stakeholders.

## 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.

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

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



Residents of the regions where OGK-2 operates may as 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.



... Surgutskaya GRES-1

Stakeholders	Information Exchange and Cooperation Topics
<b>Investment community</b> (shareholders and investors)	<ul style="list-style-type: none"> <li>financial and operational indicators,</li> <li>investment programs,</li> <li>Dividend Policy,</li> <li>increase in shareholder value,</li> <li>optimization of production and cost reduction,</li> <li>Company's development priorities</li> </ul>
<b>Capital providers</b> (creditors and rating agencies)	<ul style="list-style-type: none"> <li>financial and operational indicators,</li> <li>investment programs,</li> <li>debt indicators and debt portfolio structure,</li> <li>Credit Policy,</li> <li>Company's development priorities</li> </ul>
<b>Local communities</b> (local population, civil society organization, and local authorities)	<ul style="list-style-type: none"> <li>uninterrupted heat and electricity supply,</li> <li>observance of environmental norms and standards,</li> <li>energy saving and energy efficiency,</li> <li>compliance with safety standards and regulations,</li> <li>creation of jobs and remuneration level,</li> <li>taxes,</li> <li>charity,</li> <li>hosting joint events with public organizations and local authorities,</li> <li>contribution to the development of the local infrastructure,</li> <li>business development</li> </ul>
<b>Customers</b> (wholesale heat, electricity, and capacity purchasers, including guaranteeing suppliers and major industrial consumers)	<ul style="list-style-type: none"> <li>uninterrupted heat and electricity supply,</li> <li>operational indicators,</li> <li>investment programs,</li> <li>connection terms and conditions,</li> <li>improving the efficiency,</li> <li>Company's development priorities</li> </ul>
<b>Government of the Russian Federation, sectoral ministries and agencies, regional executive authorities</b>	<ul style="list-style-type: none"> <li>uninterrupted heat and electricity supply,</li> <li>operational and financial indicators,</li> <li>investment programs,</li> <li>improving the efficiency,</li> <li>Company's development priorities</li> </ul>
<b>Environmental organizations</b>	<ul style="list-style-type: none"> <li>observance of environmental norms and standards,</li> <li>reduction / increase in all kinds of production-related environmental impact,</li> <li>environmental protection programs and activities,</li> <li>investment programs,</li> <li>energy efficiency improvement,</li> <li>Company's development priorities</li> </ul>
<b>Suppliers of goods and services</b>	<ul style="list-style-type: none"> <li>creditworthiness,</li> <li>procurement rules and transparency,</li> <li>environmental, technical, and other regulations and standards for supplier selection,</li> <li>investment programs,</li> <li>Company's development priorities</li> </ul>
<b>Employees and trade unions</b>	<ul style="list-style-type: none"> <li>observance of environmental norms and standards,</li> <li>compliance with safety standards and regulations,</li> <li>creation of jobs and remuneration level,</li> <li>social security and healthcare,</li> <li>opportunities for professional growth and development,</li> <li>corporate culture,</li> <li>business development</li> </ul>

## 4.3. Approaches to Sustainable Development Management

The Company's approaches to sustainable development processes and their management are based on the principles set forth in the UN Declaration on Environment and Development.

The Company focuses on compliance with environmental laws, improving occupational and environmental safety, and gradual effective reduction of negative industrial environmental footprint.

### OGK-2 Activities and UN Sustainable Development Goals

September 25, 2015 the UN Headquarters in New York saw world leaders, including Heads of State and Government, approve the Post-2015 Development

Agenda titled Transforming Our World: the 2030 Agenda for Sustainable Development. The agenda contains 17 goals and 169 targets.



OGK-2 focuses on the UN Sustainable Development Goals in its business.

UN goal	Associated clauses of the Report	UN goal	Associated clauses of the Report
	<b>HR and Social Partnership</b>		<b>Innovative Development</b>
	<b>Human Capital</b>		<b>Company's Performance</b>
	<b>Company's Performance</b>		<b>Environmental Protection</b>
	<b>Human Capital</b>		<b>Environmental Protection</b>

## Corporate Reporting and ESG Factors<sup>1</sup>

The today's financial statements are no exclusive source of information for investors. This is why companies must disclose more nonfinancial data for better transparency and investment attractiveness. Requirements to disclose nonfinancial data in the reports are set forth in disclosure standards. Disclosing how climate risks would affect the Company's business is one of the focal points for investors.

### Possible climate impacts on OGK-2 business

Type	Climate risks	Potential financial impacts
Transitional risks	<b>Process risks</b>	
	<ul style="list-style-type: none"> <li>Substituting the products and services with greener counterparts</li> <li>Costs of transition to greener technologies</li> </ul>	<ul style="list-style-type: none"> <li>Write-off and premature disposal of assets</li> <li>R&amp;D costs of new and alternative technologies</li> <li>Capital investments in technological advancement</li> </ul>
Transitional risks	<b>Market risks</b>	
	<ul style="list-style-type: none"> <li>Changing consumer behavior</li> <li>More expensive raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Lower demand for goods and services due to changing consumer preferences</li> <li>Higher production costs due to stricter requirements and expensive raw materials</li> </ul>
Type	Climate opportunities	Potential financial impacts
Resource efficiency	<ul style="list-style-type: none"> <li>Use of more efficient modes of transport</li> <li>Use of more efficient processes</li> <li>Greener construction</li> </ul>	<ul style="list-style-type: none"> <li>Lower operating costs due to higher efficiency and lower costs</li> <li>Higher production capacity and revenue</li> <li>Higher value of fixed assets</li> </ul>
	<ul style="list-style-type: none"> <li>Use of greener energy sources</li> <li>Use of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>Lower operating costs</li> <li>Capital availability due to investors' interest in greener industries</li> <li>Reputational gains</li> </ul>
Energy sources		

<sup>1</sup>Environmental, social, and governance (ESG) factors are the three primary factors of evaluating the sustainability and ethical impact of investments in a company or business.

## 4.4. Environmental Protection



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

### Environmental Protection Activities



Over the course of the reporting year, the Company's branches took considerable environmental effort to protect the air; clean the wastewaters; protect the environment against noise, vibration, and sundry impacts; protect and reclaim land, surface- and groundwaters; and enable safe waste disposal.

### Environmental activities of power plants in 2018

OGK-2 Branch	Actions
Krasnoyarskaya GRES -2	<ul style="list-style-type: none"> <li>Overhaul of boiler ash traps and exhaust units of fuel feeders;</li> <li>Reduction of contaminated wastewater discharge;</li> <li>Land reclamation;</li> <li>stocking the Krasnoyarsk Reservoir of the Yenisey River basin with starlet fingerlings (18,640 specimens)</li> </ul>
Novocherkasskaya GRES	<ul style="list-style-type: none"> <li>Development and landscaping of sanitation zones; protection of the aquatic buffers of canals;</li> <li>Metrological certification and maintenance of the SIRENA cooling water metering system to reduce water losses;</li> <li>Reducing the use of water for industrial needs</li> </ul>
Pskovskaya GRES	<ul style="list-style-type: none"> <li>stocking the reservoir of the Shelon river, Dedovichsky District, with pike-perch fingerlings</li> </ul>
Ryazanskaya GRES	<ul style="list-style-type: none"> <li>Monitoring aquatic biological resources of the Novomichurinsk reservoir at the Pronya river</li> </ul>
Serovskaya GRES	<ul style="list-style-type: none"> <li>Decommissioning the coal-fired generating facilities and full transition to natural gas as the primary fuel reduced the environmental burden;</li> <li>developing a project for the reclamation of the gold dump</li> </ul>
Surgutskaya GRES-1	<ul style="list-style-type: none"> <li>Sludge dump site was cleaned and can now be used for more than 10 years ahead without causing an overspill of sludge waters, which effectively prevents any negative impact on the Surgutskoye reservoir, the Ob river</li> </ul>
Troitskaya GRES	<ul style="list-style-type: none"> <li>Actions taken to protect the air from ash-dump dust;</li> <li>Construction of flue gas desulphurization works</li> </ul>

Employees of all branches are traditionally among those who participate in volunteer community services to clean and landscape not only the power-plant areas, but other locations as well. In 2018, more than 1,500 employees took part in environmental campaigns; they landscaped the local areas, eliminated unauthorized dumpsites, helped clean reservoirs and adjacent areas, as well as decorate and landscape streets in villages and towns.

In 2018, as part of the annual federal social campaign Green Spring, O GK-2 planted fifty holly maples along Yuri Gagarin avenue in St. Petersburg, which not only contributed to the city's landscapes and environment, but also helped raise the corporate culture and give the staff a sense of environmental and social responsibility.

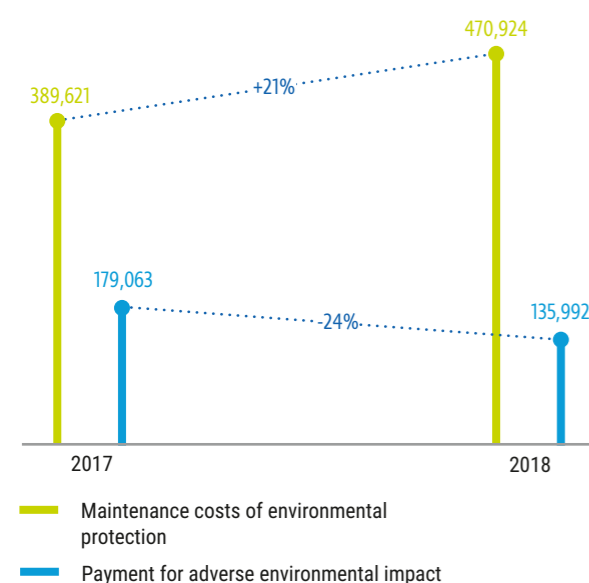
### Costs of and Investments into Environmental Protection

Maintenance costs of environmental protection and payment for negative environmental impact in 2017–2018, thousand rubles:

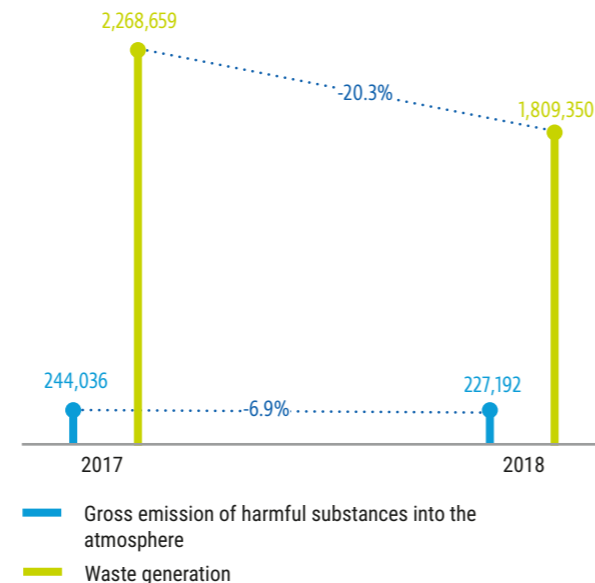
Indicator	2017	2018	Change, %
Maintenance costs of environmental protection	389,621	470,924	+21%
including:			
water body protection	216,304	242,633	+12%
air protection	128,589	138,915	+8%
protection of land resources from production and consumption waste	32,613	38,787	+18%
land reclamation	3,565	36,489	+923%
Payment for adverse environmental impact	179,063	135,992	-24%
including:			
payments for the emission of pollutants into the atmosphere	20,251	18,050	-11%
payments for the discharge of pollutants into water bodies	11,975	9,010	-25%
amount payable for the placement of waste	146,837	108,933	-25%

The table data can be also presented as a chart.

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



Emission of pollutants and generation of waste, tons



Actual adverse environmental impact dropped YoY due to a 7.1% reduction in electricity generation. Such lower impact was also a consequence of changed fuel balance: coal firing dropped from 10,563.1 to 8,700.6 thousand tones, a reduction of 21.4%; gas firing dropped from 12,878.3 to 12,180.8 million m<sup>3</sup>, a reduction of 5.4%; and fuel oil consumption dropped from 29.6 to 26.5 thousand tons, a reduction of 10.5%.

Fees charged for such negative impact totaled 135,992 thousand rubles, of which 47,954 thousand rubles was charged in Russia and 88,038 thousand rubles was charged in the Republic of Kazakhstan.

### Emission of pollutants and generation of waste

Gross emissions of pollutants into the air were generally lower in 2018 as the Company produced 6.9% less electricity and decommissioned the coal-fired facilities of the Serovskaya GRES.

### Greenhouse gas emissions in CO<sup>2</sup> equivalent

Indicator	2015	2016	2017	2018	2017 vs 2018, %
Greenhouse gas emissions in CO <sup>2</sup> equivalent tons	45,337,481	44,563,111	41,514,954	38,195,458	-8.0%
CO <sup>2</sup> equivalent emissions per unit of generation, CO <sup>2</sup> tons/million kWh	630	593	582	569	-2.2%

20.3% less waste was generated for basically the same reasons, as the Company generated 18% less ash-and-slag waste. Reduction in ASW generation was also connected with the sale of such waste to third parties for use in various applications. O GK-2 Order No. 178 dated May 14, 2018 sets forth the disposal of waste, burying which is prohibited from 2019 onwards.



... Surgutskaya GRES-1



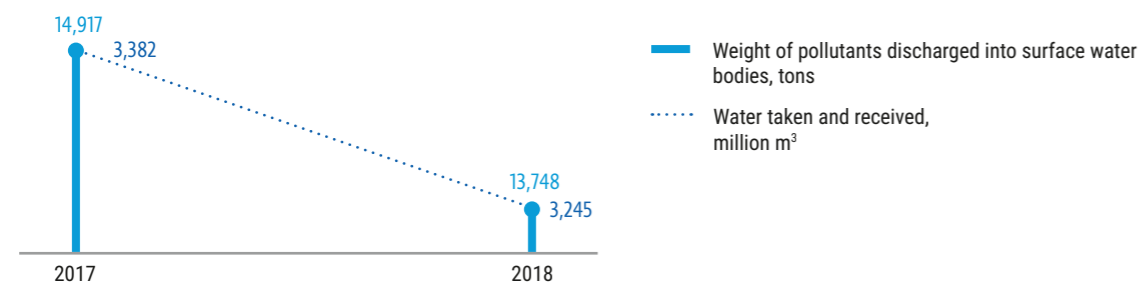
### Emission of pollutants and generation of waste, tons

Branch name	Gross emission of harmful substances into the atmosphere, tons			Waste generation, tons		
	2017	2018	Change, %	2017	2018	Change, %
Adlerskaya TPP	1,154	1,420	23.0%	161	116	-28.1%
Kirishskaya GRES	6,639	5,729	-13.7%	3,047	3,310	8.6%
Krasnoyarskaya GRES -2	42,904	41,358	-3.6%	251,287	228,563	-9.0%
Novocherkasskaya GRES	98,398	109,275	11.1%	1,195,424	1,053,686	-11.9%
Pskovskaya GRES	503	78	-84.5%	183	145	-21.1%
Ryazanskaya GRES	26,899	13,984	-48.0%	189,843	115,040	-39.4%
Serovskaya GRES	6,638	507	-92.4%	82,813	514	-99.4%
Stavropolskaya GRES	7,029	6,517	-7.3%	1,107	733	-33.7%
Surgutskaya GRES-1	15,520	15,747	1.5%	5,054	5,398	6.8%
Troitskaya GRES	31,083	25,156	-19.1%	484,927	364,977	-24.7%
Cherepovetskaya GRES	7,269	7,420	2.1%	54,813	36,868	-32.7%
<b>OGK-2 total</b>	<b>244,036</b>	<b>227,192</b>	<b>-6.9%</b>	<b>2,268,659</b>	<b>1,809,350</b>	<b>-20.3%</b>

### Water Use

The 7.8% drop pollutant discharge into water bodies and the 4.0% drop in water intake were due to lower electricity output.

#### OGK-2 Water Resource Use Details



## 4.5. 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's 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 Company's HR Management Policy is based on principles that contribute to the Company's socio-economic development and help harmonize the interests of employees, shareholders, consumers, and the State to enable the Company to spearhead the market and pursue its mission.

The goal is to create an efficiently run company with a transparent corporate governance system that enables each employee to unlock their potential.

The key principles of the HR policy of JSC OGK-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.

The Company regularly surveys [employee engagement](#). Such surveys identify factors that positively affect employee engagement, and help quickly respond to whatever causes trouble. In 2018, the engagement survey involved 7 thousand employees. The engagement rate was estimated at 54%. This means the Company is in a neutral position and has already achieved a significant level of engagement, but can still do better. Survey results were analyzed to plan action to improve the corporate aspects the respondents found lackluster.

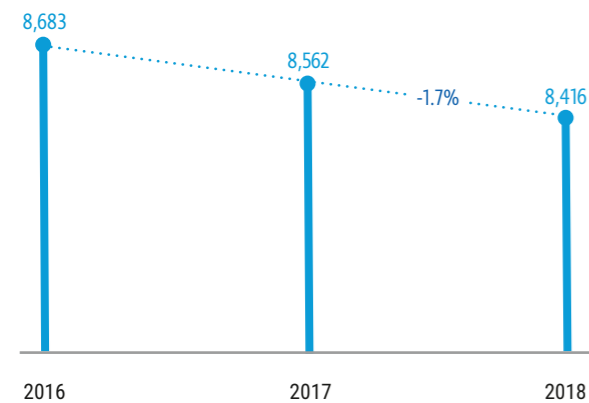
#### Implementation of the Personnel Management Policy

Purpose	Measures taken in 2018	Measured planned for 2019
Headhunting	<ul style="list-style-type: none"> <li>Major Groznenskaya TPP headhunting project;</li> <li>Automation and optimization of HR management processes by implementing a single information platform</li> </ul>	<ul style="list-style-type: none"> <li>Development and implementation of a personnel adaptation system</li> <li>Continued effort to automate and optimize HR management processes by implementing a single information platform</li> </ul>
Training and Development	<ul style="list-style-type: none"> <li>OGK-2 participated in launching the corporate program Gazprom Energoholding LLC Chief Engineer School;</li> <li>In-house coaching began</li> </ul>	<ul style="list-style-type: none"> <li>OGK-2 Training Center established;</li> <li>Enhanced approaches to HR pooling and development for branch-specific top manager jobs</li> </ul>
Remuneration and incentives	<ul style="list-style-type: none"> <li>Revised terms and conditions of:                             <ul style="list-style-type: none"> <li>monthly and quarterly bonuses for branch staff;</li> <li>quarterly and annual bonuses for branch heads</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Enhanced branch staff incentives;</li> <li>Enhanced nonstate pension funding at OGK-2</li> </ul>
Performance management	<ul style="list-style-type: none"> <li>Participation in developing the Key Performance Indicators for the Company Group</li> </ul>	<ul style="list-style-type: none"> <li>Pursuit of plants to develop the KPI system</li> </ul>
Organizational development	<ul style="list-style-type: none"> <li>Optimization efforts tailored to real industrial needs</li> </ul>	<ul style="list-style-type: none"> <li>Optimized organizational and HR management efforts;</li> <li>Standardization of organizational units and jobs</li> </ul>

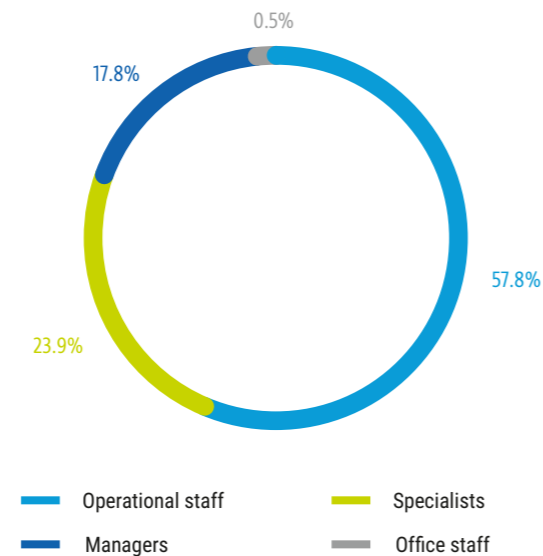
## Employee Headcount and Structure

As of December 31, 2018, the Company's headcount (the Executive Arm and the branches) was 8,416 people, a 1.7% decrease YoY.

Headcount in 2016–2017 by branches and Executive Arm, pers.



Number of employees by category, pers<sup>1</sup>

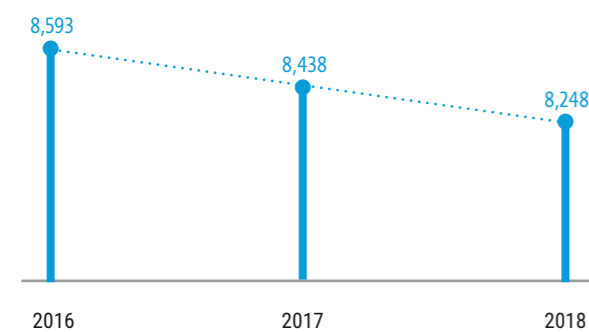


The main causes behind the 2018 changes in the Company's headcount were:

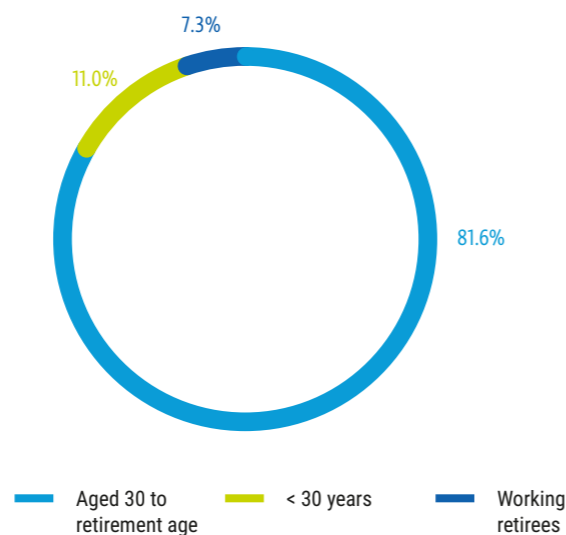
- staffing the Groznenskaya TPP as Power Unit 1 was commissioned December 19, 2018;

- Serovskaya GRES downsizing begun in Q4 2017 and continued in Q1 2018 due to decommissioning the older facilities;
- optimizing the headcount of the Pskovskaya GRES in Q1-2 2018.

Average headcount, %



Age structure of the personnel, %



<sup>1</sup>Branch-Specific and Executive Arm Headcount as at December 31, 2018.

## Personnel Remuneration System

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

## 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 78% of the employees of the Company and participate in matters that affect professional, social, and labor rights and interests of the Company's personnel.

Drafting and implementation of collective agreements is an important part of Employer-Trade Union cooperation. In 2018, active cooperation with trade unions resulted in Agreements to Extend the Effective Collective Agreements of OGK-2 Branches for until December 31, 2020.

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.

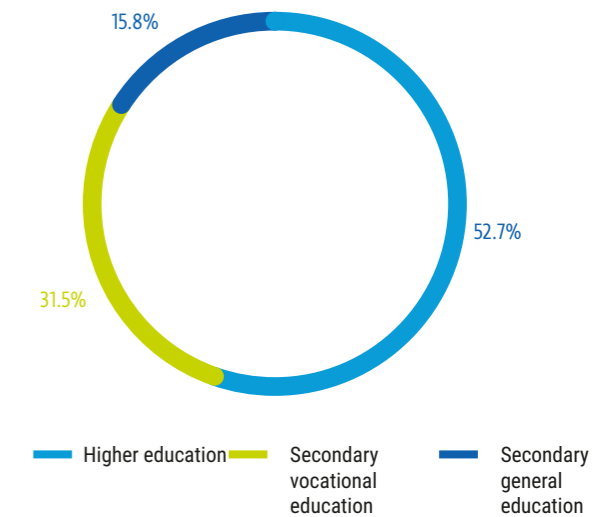
OGK-2 uses a non-state pension scheme (NPS) for its employees. This system provides for a decent standard of living in retirement, which improves personnel motivation and contributes to the recruitment and retaining of high-skilled personnel. To implement the pension programs, the Company carried out cooperation with such non-state pension funds as JSC LUKOIL-GARANT (JSC NPF elektroenergetiki prior to August 2018) and GAZ-FOND throughout 2018.

The total amount of funds directed to the financing of personal and pension insurance programs amounted to more than 199 mln rubles in 2018.

## Implementation of Professional Standards

OGK-2 continues to introduce professional standards pursuant to the labor legislation of the Russian Federation.

## Personnel education level, pers.<sup>1</sup>



In 2018, the Company took part in developing professional standards for Combined-Cycle Gas Turbine Repair Workers of Thermal Power Plants, and Workers of Boiler and Dust Preparation Facilities at Thermal Power Plants. As of year-end 2018, OGK-2 had 9 mandatory and 16 non-mandatory professional standards in place.

## Professional and Advanced Training Programs

OGK-2 gives its employees ample opportunities to unlock their potential and further their career; to that end, the Company provides multiple training and advancement programs, and cooperates with educational institutions and technical centers.

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.

In 2018, 24% of the managers, specialists, and officers, as well as 40% of blue-collar workers underwent specialist training. Training, retraining, and advanced training costs totaled over 36.5 million rubles.

118 of the Company's employees took higher and vocational education courses in the Company's core businesses over the course of 2018.

## 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 while also optimizing the staff breakdown by age.

The Company pays special attention to professional development and career growth of young specialists. To identify, promote, and support the most talented and proactive employees, the Company holds unit- and Company-wide conferences and contests. In 2018, OGK-2 held 10th Contest of Young Specialists and Innovators.

In 2018, OGK-2 was actively involved in developing the corporate modular management training program titled Chief Engineer School, carried out by Gazprom Energoholding LLC; 12 of the Company's employees attended the program.

## Occupational Health and Safety

The OGK-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 OGK-2 are further reflected in the collective agreements.

### Industrial accidents in 2017 and 2018, persons

Indicator	2017	2018
Industrial accidents, persons	5	3
including:		
– severe	1	0
– fatal	0	0

### 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 2018, three accidents occurred at OGK-2's facilities, all being classified as minor.

## 4.6. Social Partnership



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

### Traditions

2018 was a milestone year for two branches of OGK-2: Pskovskaya GRES turned 25 years old, Ryazanskaya GRES turned 45. Anniversary celebrations were held in all of the regions of operation.

### Generation Energy

Vocational guidance for schoolchildren is important for promoting power engineering as a profession. To that end, the Company regularly organizes facility tours and sundry events for children. September 1st (translator's note: the first school day in Russia) tours for power plant employees' first-graders are a tradition observed by all of the Company's branches.

### Employee Health and Sports

The Company's Sports Plan for 2018 covered over a hundred competitions in different sports. The 2018 OGK-2 Spartakiade took place near Moscow in July and was the landmark event for the Company's staff.

110 employees took part in the Ready for Labor and Defense movement in 2018. 48, 17, and 11 of them received a golden, silver, or bronze GTO badge, respectively.

### Charity

The Company acts as a charity and a sponsor in twelve regions of operation, including St. Petersburg. In 2018 alone, 6.8 million rubles were spent on charity to support cultural institutions, sports venues for children, and various regional development efforts. Funds are distributed at meetings in presentia/in absentia of the Charity Committee acting under the relevant Regulations.

### Cooperation with Media and Authorities

Over the course of 2018, the Company's activities were covered in federal and regional media; news stories dwelt upon the financial indicators; various industrial, environmental, and social topics; social and sports life of the collective. The Company's PR services cooperate with news agencies, digital and printed media, public organizations, and authorities alike. In-house communication is enabled by the Company's website as well as via corporate pages in social and corporate media, which cover the most important aspects of the Company's activities, the collective achievements, the corporate projects and social events.



<sup>1</sup>Branch-Specific and Executive Arm Headcount as at December 31, 2018

## 4.7. Supply Chain<sup>1</sup>

Fuel is the key resource purchased by JSC OGK-2 to generate electricity and heat. Fuel costs totaled 62,353 million rubles in 2018, a 5.9% decrease YoY. 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, %		
	2016	2017	2018	Change [%]	2016	2017	2018
Gas	52,817	50,736	48,845	-3.7%	65.5%	62.4%	63.0%
Coal	15,852	15,256	13,198	-13.5%	19.7%	18.8%	17.0%
Fuel oil	198	297	305	2.6%	0.2%	0.4%	0.4%
Diesel fuel	27	3	5	42.2%	-	-	-
<b>Total</b>	<b>68,894</b>	<b>66,292</b>	<b>62,353</b>	<b>-5.9%</b>	<b>85.4%</b>	<b>81.5%</b>	<b>80.4%</b>



### Gas costs dropped by 3.7% in 2018 against 2017.

This was attributable to:

- lower gas production and consumption at Surgutskaya GRES-1 due to lower load on the part of the system operator;
- the existing fuel balance helped reduce non-marginal production at the Stavropolskaya and Novocherkasskaya GRES, Southern UPS; and at the Pskovskaya GRES, North-Western UPS. Changes in the fuel structure of the Novocherkasskaya GRES (more coal, less gas) attributed to the reduction in gas costs, too;
- increased production at the new, high-performance CCGT at the Kirishskaya, Adlerskaya, Serovskaya, and Cherepovetskaya GRES, as well as gas price indexation from July 1, 2018 led to higher gas costs as compared to 2017; however, that increase was less significant than the total decrease at the above-listed branches.



### Coal use dropped by 13.5% due to:

- reduction in the production at the old, non-marginal coal-fired units of the Ryazanskaya and Cherepovetskaya GRES;
- decommissioning of the coal-fired generation facilities at the Serovskaya GRES;
- lower output at the Krasnoyarskaya GRES-2 due to the specific fuel balance of the Siberian UPS;
- this decrease was less significant than the rise in the coal prices as well as the increase in coal use due to the rising production at STU-660, Troitskaya GRES.



Fuel oil costs rose by 2.6% in 2018. This was due to fuel oil burning at Stavropolskaya GRES, which in its turn was due to a temporary gas outage during the gas delivery point repairs.



A 42.2% increase in the diesel fuel costs was due to burning diesel fuel as part of the tests carried out after the Serovskaya GRES CCGT was modernized.

<sup>1</sup>Data in the section are presented per RAS.

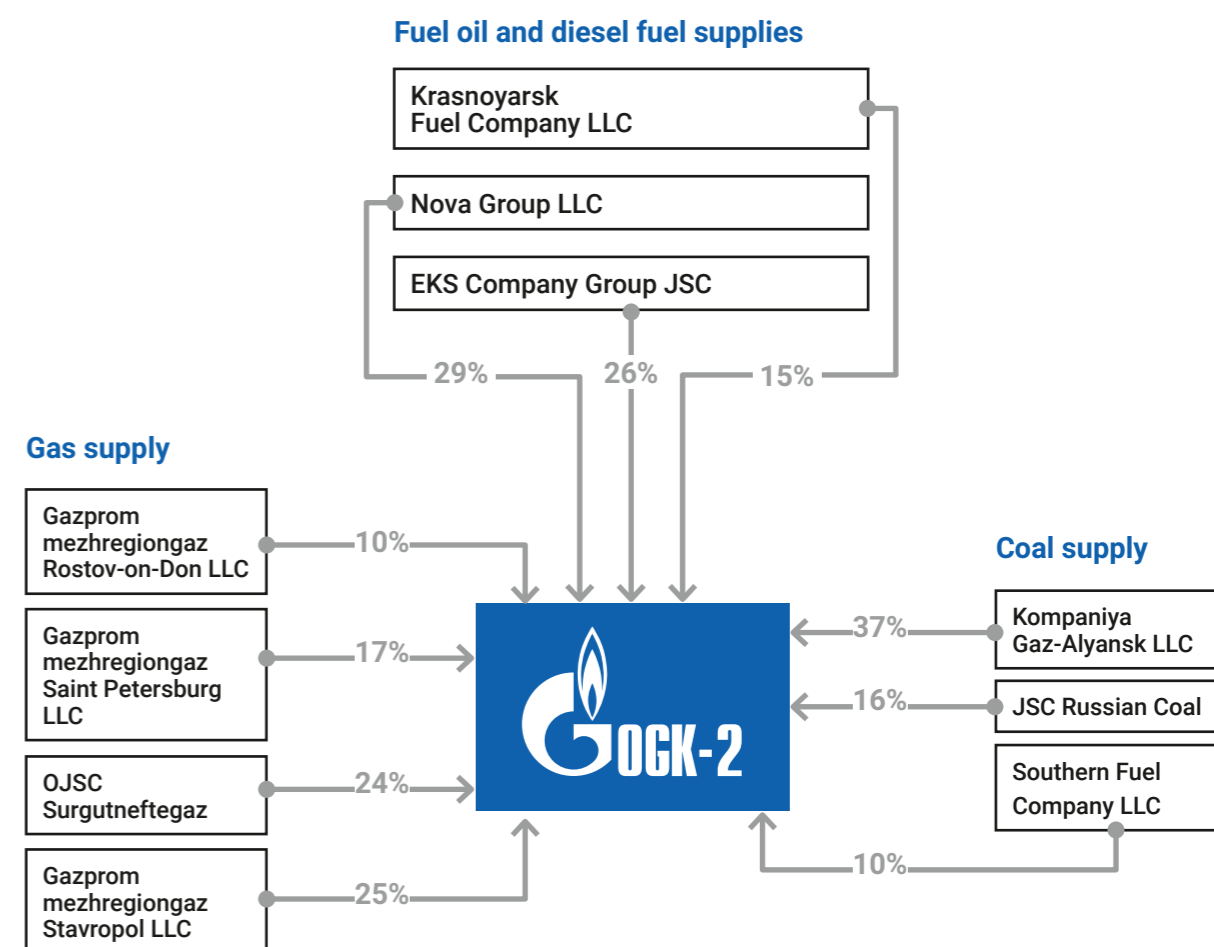
The strategy of JSC OGK-2 in the field of fuel supply is aimed at optimizing the fuel balance in order to minimize the costs of the Company. It provides for the maximum possible substitution of expensive fuels with other fuels, for the fuel purchases through competitive procedures, and for conclusion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

The capacities of the Company spread across 12 Russian regions. In this regard, JSC OGK-2 is actively cooperating with regional coal suppliers and optimizes fuel costs through the use of gas and various kinds of coal by its power plants. Various branches of

JSC OGK-2 receive coal from the Kansk-Achinsk, Moscow, Borodino, Pereyaslovo, Rostov, and Ekibastuz mines mainly under long-term supply contracts.

The OGK-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.

### 2018 fuel supply chain diagram and major suppliers



## Dynamics of contribution from the major gas suppliers in 2016–2018

Supplier	Share in the total value of the gas supply, %		
	2016	2017	2018
Gazprom Mezhrefiongaz St. Petersburg LLC	13%	11%	17%
Gazprom Mezhrefiongaz Rostov-on-Don LLC	12%	12%	10%
OJSC "Surgutneftegaz"	24%	26%	24%
Gazprom Mezhrefiongaz Stavropol LLC	25%	27%	25%

Factors of changes in contribution from the major gas suppliers in 2018 as compared to 2017:

- Gazprom Mezhrefiongaz Rostov-on-Don LLC, Gazprom Mezhrefiongaz Stavropol LLC, and JSC Surgutneftegaz all experienced a 2% drop of each company's shares in the total cost of gas supplies, which was due to gas consumption drops at the Novocherkasskaya GRES, Stavropolskaya GRES, and Surgutskaya GRES-1, respectively.
- The 6% increase in the share of LLC "Gazprom Mezhrefiongaz Saint Petersburg" was due to a 5% increase in the share of gas consumption by the Kirishskaya GRES in the Company's total gas consumption.

## Dynamics of contribution from the major coal suppliers in 2016–2018

Supplier	Share in the total value of the coal supply, %		
	2016	2017	2018
JSC Russian Coal	2%	11%	16%
Kompaniya Gaz-Alyans LLC	5%	17%	37%
Yuzhnaya Toplivnaya Kompaniya LLC	3%	18%	10%

Factors of changes in contribution from the major coal suppliers in 2018 as compared to 2017:

- JSC Russian Coal's and Kompaniya Gaz-Alyans LLC's 5% and 20% increase in the share of coal supplies was due to supplying coal to the Ryazanskaya GRES and to the Novocherkasskaya GRES, respectively.
- The 8% drop in UTK LLC's share was due to a drop in the supplies to the Novocherkasskaya GRES, initiated by the supplier.

## Dynamics of contribution from the major fuel oil and diesel fuel suppliers in 2016–2018

Supplier	Share in the total value of the fuel oil and diesel fuel supply, %		
	2016	2017	2018
Nova Group LLC	0%	0%	29%
Krasnoyarsk Fuel Company LLC	10%	17%	15%
JSC EKS Company Group	31%	13%	26%

OGK-2's power plants purchase fuel oil on a competitive basis, to which end they refer to requests for proposals for the relevant period. Consequently, a key factor of changes in the contribution from the major fuel oil suppliers in 2018 was the preference for suppliers who had offered the lowest price, all other supply conditions being equal.

## 4.8. Relations with Suppliers

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 OGK-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 OGK-2 procurement system seeks to: (i) efficiently use financial resources; (ii) timely and fully meet the demand for goods, works, and services with due consideration of safety at hazardous facilities; (iii) reduce the Company's costs and enhance the procurement procedures and efficiency.

Regulations on Procurement of Goods, Works, and Services is the main document that defines the Company's procurement policy. The document defines a single methodological basis for efficient competitive procurements.

The Company's procurement system covers:

1. Monitoring the market of logistical resources to expand the competitive environment and to make decisions on procurement.
2. Enhancing the uniform standard database used in the resource provision system.
3. Arranging the drafting, coordination, and approval of projects under the Annual Comprehensive Procurement Program (the ACP) in accordance with the corporate requirements.
4. Arranging an expert assessment system for drafting expert opinions for the Procurement Committee.
5. Arranging all the procurements in accordance with the Company's ACP.
6. Drafting, coordinating, and monitoring all the contracts for goods, services, and works.
7. Drafting consolidated reports on procurement for the attention of the Company's management.
8. Reducing the unproductive diversion of capital into stocks.
9. Optimization of warehouse residues by measures

including the sale of unused logistical resources and recyclable waste.

#### Basic principles of procurement:

- information openness;
- transparency;
- equality;
- fair competition;
- broad and simple access to procurement for all participants;
- driving the competition between the potential suppliers;
- balancing the procurement costs against their associated expected economic benefits.

In 2018, competitive procurement used the electronic platform available at «ГазНефтеТорг.ру» ([www.gazneft-torg.ru](http://www.gazneft-torg.ru)). In 2018, competitive procurement had a positive effect equal to 4.4% of the initial (maximum) competitive procurement price (excluding fuel procurement).

In 2018, OGK-2 complied with the requirements of the 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 2018 amounted to 19% of the total annual volume of agreements signed by OGK-2 counting all procurements, whereas the law-required minimum was 15%.

In 2018, the economic effect of selling unclaimed MTR and recyclable waste totaled 134 million rubles, excluding VAT.

# 5

## RISK MANAGEMENT

The key goal of the Company's corporate Risk Management System consists in **ensuring a reasonable guarantee of attaining strategic and operational goals**



## 5.1. Corporate Risk Management System

Risk management at OGK-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 (RMS) 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.

OGK-2's Board of Directors approved (Minutes No. 171 dated April 27, 2017) the Risk Management Policy that defines the goals, objectives, and components of the risk management system, as well as its principles and participants.

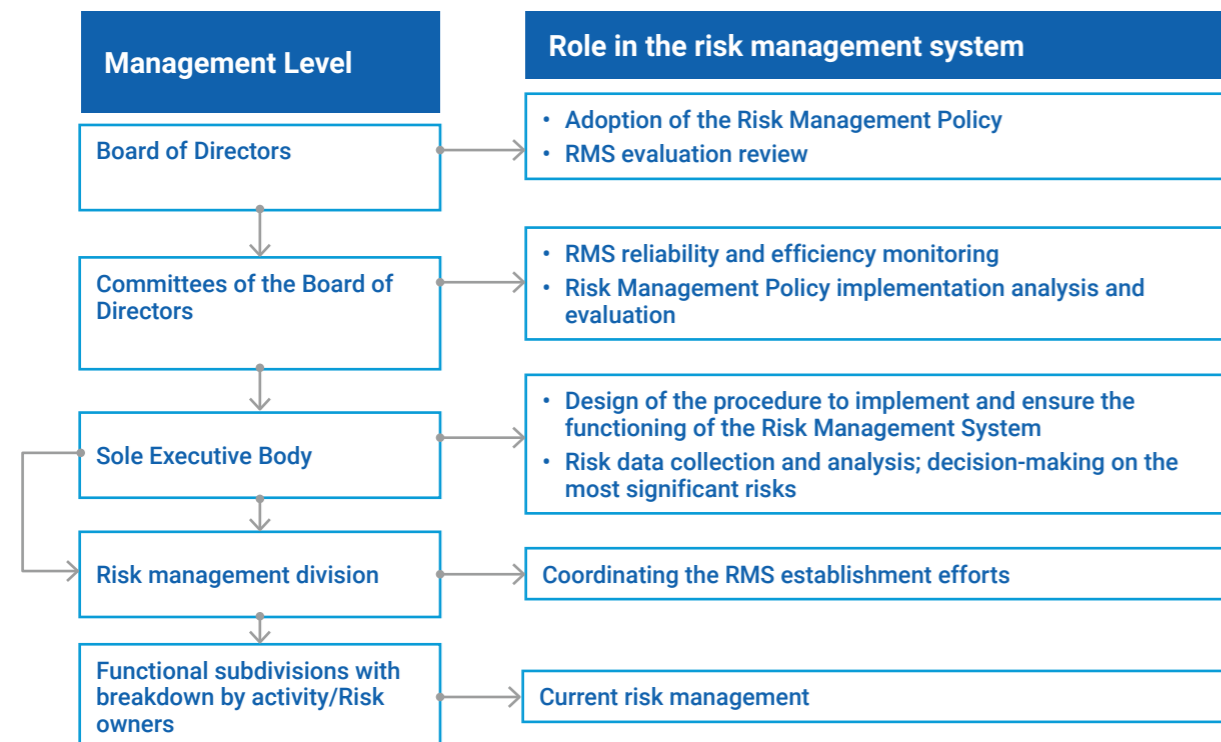
The RMS is tasked to:

- Reasonably ensure the attainment of goals and objectives, problem solving, sustainability and performance improvements.
- Reduce the occurrence of unforeseen events that may affect the attainment of goals and objectives, as well as more efficient resource use.

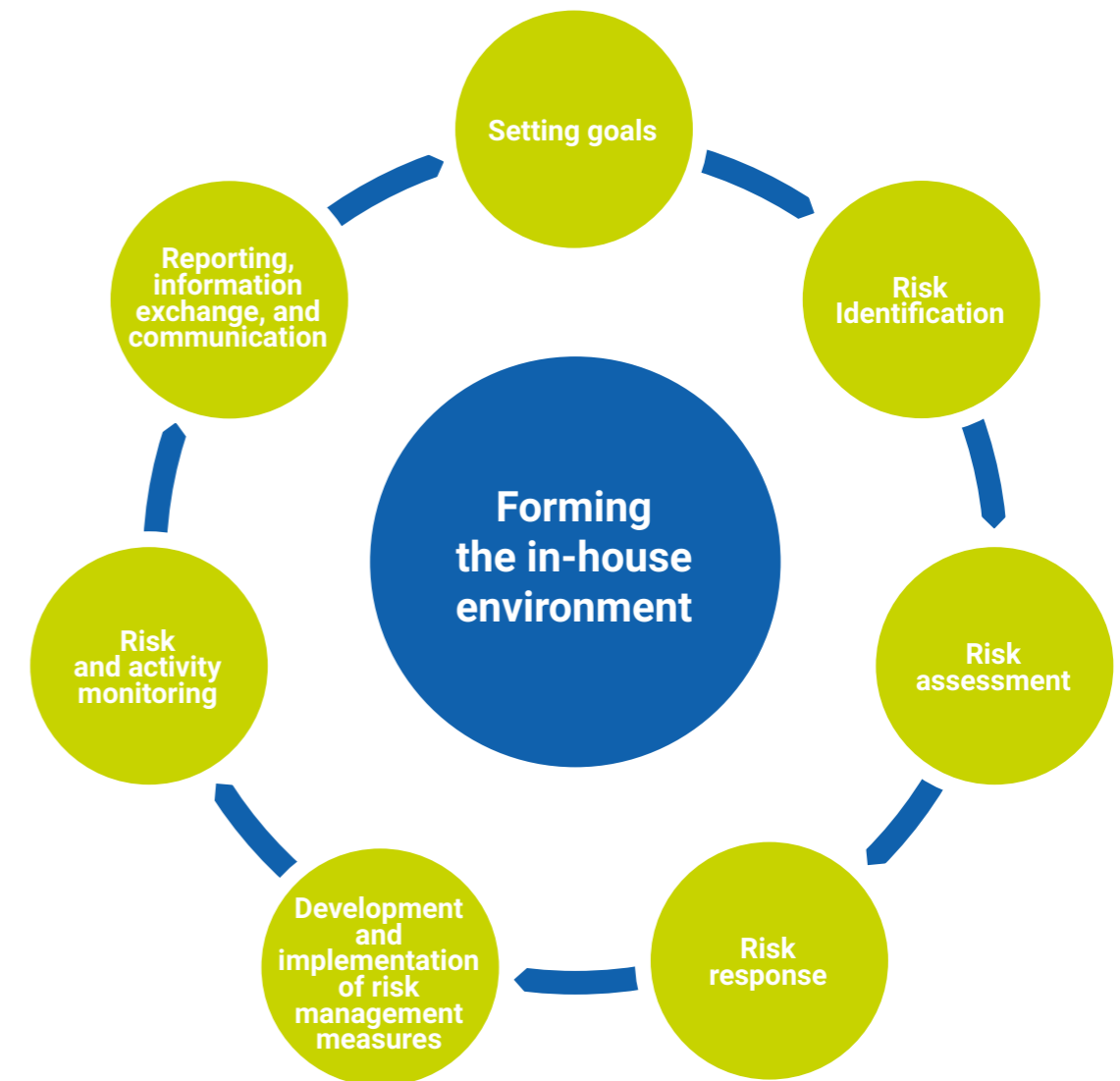
- Enhance the decision-making processes relating to risk response and efficient use and allocation of resources for risk management.
- Inform the Company's and its subsidiaries' management and staff on risks for better decision-making.
- Improve the quality of corporate governance to reinforce the investors' and other stakeholders' confidence.
- Safeguard the assets and ensure that financial, managerial, and sundry reports are complete and true.
- Enforce compliance with the laws of the Russian Federation as well as with the Company's and its subsidiaries' in-house documentation.

The RMS is based on the following principles: systematicity, conformity to goals, reasonable confidence, adaptability, resource support, continuity, collegiality, responsibility, assessment of results, structuredness, a unified regulatory environment, and economic viability.

### RMS Structure



### Risk management processes under the Risk Management Policy of OGK-2



Based on the Order No. 258 dated June 27, 2018, the Company has a subdivision responsible for a uniform Risk Management Policy; the subdivision provides methodological support for the Risk Management

Policy and cooperates with the Company's structural units. The Company's structural units identify and evaluate the risks, draft and implement risk management measures, monitor the risks and the measures.

The following measures were taken in 2018 under the Risk Management System:

- drafting and approval of the OGK-2 Regulations on the Risk Management System;
- drafting and approval of the OGK-2 Regulations for the Risk Management System Participants;
- drafting and approval of the OGK-2 Regulations for the Credit Risk Management System Participants;
- drafting and approval of the OGK-2 Temporary Classification of Risks;
- approval of the OGK-2 Risk Register listing the risk owners.
- updating the Company's risk passports;

- preparing and submitting to PJSC Gazprom the draft Regulations on Risk Management applicable to the liquidity risk, the interest risk, operational and currency risks;

- creating a single web-based platform to inform on the Company's current risk measures.

The Risk Management System Development Plan for 2019 sets forth activities in the following areas of focus:

- Development of standards and guidelines;
- Organizational structure enhancements;
- Risk management automation;
- Enhancement of management procedures

Risk map: risk occurrence probability assessment and importance of risk impact on the Company's operations at the end of 2018\*



\*The importance of risk groups has been calculated as an arithmetic mean value for the scaled risks include in the group  $X_m = (X_1 + X_2 + \dots + X_n) / n$ , where  $X_m$  is the importance of the group of risks (the risk scale mean value),  $X_1 \dots X_n$  – the relative scale of each risk, included in the group,  $n$  – the number of risks included in the group. The following scale is applied (in points): 1-4 Insignificant, 5-7 – Significant, 8-10 – Critical.

## 5.2. OGK-2 Risks and Their Importance

Risk type	Risk description	Risk importance	Risk level management
<b>1. Industrial risks</b>			
1.1. Risk of electricity sales revenue drop	Reduced power supply	significant	Supplier diversification Accumulation of fuel (coal) reserves. Fuel market monitoring. Decommissioning the economically unviable facilities. Optimizing the wholesale-market strategies.
1.2. Fuel supply risks	Significant increase in fuel prices. Fuel inflation rates far exceed the forecasts.	significant	Supplier diversification. Fuel market monitoring.
<b>2. Strategic risks</b>			
2.1. Risk of lower performance	Incorrect efficiency assessment of business solutions. Less efficient measures under the Company's production programs. More unprofitable non-core businesses	significant	Plan-factor analysis of the last year's largest implemented Performance projects. Periodic advanced training courses in Performance Management and Valuation of Enterprises. Approval of the costs of Performance projects under production programs. Establishing a special fund for staff bonuses. Maximizing the cost-effectiveness of equipment use in unprofitable non-core businesses.
2.2. Risk of non-fulfillment of production programs	Shortage of repair capacity. Failure to comply with the deadlines. Failure to commission equipment in time. Insufficient funding for scheduled maintenance of new generation facilities.	significant	Service contracts shall set forth liability for failure to comply with the deadlines or for lackluster works resulting in defects. Contractors shall provide documentation on their staff and engineers (qualification certificates and summary of previous experience in similar projects). Workforce mobilization scheduling. Scheduling the supply of equipment and materials, as well as construction and installation works. Preparing individual measures and general programs of technical actions specific to equipment units or buildings and structures (BS), making use of technological roadmaps.
<b>3. Production and process risks</b>			
3.1. Risk of failure to comply with commissioning deadlines relating to retrofitting and renovation	Risk of accidents, shutdowns, power plant equipment decommissioning; risk of full or partial loss of property; environmental and social damage	critical	The Contract includes penalties for failure to observe the schedule.



Risk type	Risk description	Risk importance	Risk level management
3.2. Industrial injury risks	Violation of the occupational health and safety standards on the part of employees.	significant	Briefing employees on the necessity of personal protective equipment (PPE). Testing the staff for correct use of PPE. Monitoring the availability of PPE to the staff. Timely provision of PPE to the staff.
3.3. Risk of violation of civil defense (CD) and emergency prevention laws	Failure to comply with the requirements pertaining to CD, emergency prevention and response, protection of population and areas against emergencies.	significant	Timely actions pertaining to CD, emergency prevention and response. Timely and sufficient funding of CD and emergency prevention actions. Monitoring the compliance with CD- and emergency-related requirements.
3.4. Risk of appreciation of capital construction projects	Overstatement of the costs of works and services as calculated on the labor-cost basis when stating the initial (maximum) procurement prices	significant	Better analysis into the market situation applicably to the procured item(s). Collecting data from more sources to determine the initial (maximum) prices. Use of bidding to procure works and services. Advanced training on pricing for the staff of subdivisions initiating the procurement of works and services.
3.5. Risk of reduced equipment availability/risk of equipment failure	Damage to equipment surfaces (pipes and boilers) due to prolonged use or downtime-related corrosion. Lower reliability and worsened technical and economic indicators of equipment; emergency repairs and associated losses in the capacity market; extra repair costs.	significant	Reducing the metal condition diagnosis intervals. Compliance with the maintenance and repair schedules. Increasing the scope of maintenance and repairs. Replacement of defective parts. Timely and high-quality equipment preservation in accordance with the RC. Procurement of an air-filtering device (AFD) to preserve turbines with dried air.
3.6. Risk of obsolescence/failure of material and technical resources	Improper storage of the MTR inventory, causing it to lose its consumer properties. Extra costs of purchasing new MTR. Failure to comply with the production program schedule/Improper BS conditions (roof leaks, poor heat- and water insulation of windows, etc.).	insignificant	Tighter control over the MTR storage quality on the part of the branch-specific resource management. Tighter control over scheduling the maintenance and repairs for proper BS maintenance. Tighter control over the quality of equipment and energy-carrier networks, the repairs of warehouse BS on the part of the branch engineering. MTR insurance against force majeure.
3.7. Failure to comply with the commissioning deadlines	Additional operating expenses may be incurred due to untimely commissioning of the startup heating boiler for the power unit	insignificant	Contractor's assistance for the timely issuance of working documents and for coordinating the technical solutions.

Risk type	Risk description	Risk importance	Risk level management
<b>4. Legal risks</b>			
4.1. Risks of changes in the Wholesale Market rules	Making amendments to the rules of the Wholesale Electricity and Capacity Market. Regulatory amendments to the regulatory acts affecting the Company's activities	critical	Drafting and submission of the Company's messages on industry-affecting risks. Advanced training for the staff. Regular monitoring and discussion of changes in the regulatory acts.
4.2. Adverse amendments to, and violations of, law	Supervisory inspections resulting in process shutdowns until made compliant with the legal requirements. Emergencies damaging the equipment and threatening the life and health of employees and third parties.	significant	Monitoring legislative changes applicable to electric power, environment, etc. Making investments in measures to ensure process compliance with law. Arranging timely equipment repairs. Setting up backup funds to address commented issues
4.3. Legal risks	Rejection of claims and demands filed by the Company with courts against third parties (debt recovery, compensation, protection of property rights). Inability to timely file a claim with a court of general jurisdiction against natural persons in arrears for heat supply.	significant	Partaking in training workshops, roundtables, and forums. Self-training and self-education Meetings on changes in law and jurisprudence. Increasing the manpower of branch-level legal departments.
4.4. Risks of non-licensing	Changes in the licensing requirements applicable to the Company's core business; or license expiry	insignificant	Proper analysis of the requirements to documentation and changes in the licensing requirements. Proper drafting of documents in accordance with the licensing bodies' requirements. Monitoring the license expiry dates and licensing requirements. Timely payment of state duties.

Risk type	Risk description	Risk importance	Risk level management
<b>5. Financial risks</b>			
5.1. Risk of rise in accounts receivable	Increase in the accounts receivable for heat and heat carriers under wholesale-market contracts	critical	Monitoring the wholesale-market counterparties. Monitoring the timely settlement on the part of counterparties as at the payment check date. Contracts shall specify when payments are due and how settlements be made. Explaining to consumers why payments shall be made and what kind of liability may ensue for delayed payment in accordance with the current legislation.
5.2. Currency risk	Risk of adverse changes in the fair value of foreign currency denominated liabilities due to changes in exchange rates; risk of changes in foreign currency denominated costs due to exchange rates	significant	Monitoring the exchange rates; if necessary: – creating a foreign-currency liquidity cushion to fulfill the Company's obligations tied to the exchange rate; – making hedging transactions using derivative financial instruments under the existing agreements on urgent transactions in financial markets (RISDA). Quarterly evaluation of the Company's currency risk; reporting the Company's exposure to currency risks to the Company's management and other users. In case of high exposure, making appropriate amendments to contractual terms, including any currency clauses and changes in the terms and conditions of payment. Optimizing the currency structure of the Company's deposit/placement portfolio
5.3. Tariff risk of unfavorable tariff and balance decisions on the regulator's part	Insufficient increase in the tariffs for heat (regulated business) in case the limit increase is not attained when approving (adjusting) the tariffs for the next regulatory period. Insufficient increase in the electricity tariffs under regulated contracts and "forced generators" (approved to match the increase stipulated in the Socio-Economic Development Forecast).	significant	Development of branch-specific risk-leveling tariff strategies. Monitoring the legislative initiatives; drafting the Company's messages and opinions shall the any risk of adverse impact be identified.
5.4. Interest risk	Risks of changes in interest income or expenses due to interest rate volatility	insignificant	Hedging (interest swap)
5.5. Liquidity Risk	Inability to fulfill obligations in full and in time	insignificant	Keeping a payment calendar and maintaining a liquidity cushion
5.6. Tax risks	Risk of extra income tax or property tax	insignificant	Contracting the services to support on-site tax audit

Risk type	Risk description	Risk importance	Risk level management
<b>6. Environmental risks</b>			
6.1. Environmental risks	Failure to comply with the emission standards when seeking a comprehensive environmental permit.	insignificant	Scheduled actions applicable to boilers; other constructive measures. Regular monitoring of emission and discharge of pollutants into air and water.
<b>7. Risks of supporting processes</b>			
7.1. IT system failure risk	IT system failures relating to PC workstations, their software, and e-signature keys	significant	Backup autonomous laptops with long battery life; high-speed WLAN with internet access in case office-based IT systems and software fail.
7.2. Compromised integrity, access to, and confidentiality of, data	Unauthorized access (UA), i.e. access to, or actions upon, data in violation of the access rights using standard tools provided by computers or automated systems. Unauthorized grant of access to protected data to persons not entitled to such access	insignificant	Technical measures to protect IT infrastructure. Organizational measures, including staff training
<b>8. Social risks</b>			
8.1. Risks of technological violations and accidents due to personnel errors	Personnel errors in operating basic and auxiliary equipment, resulting in equipment shutdown or damage	significant	High-quality job-specific training before admission to independent work. Optimizing the work/rest schedule. Optimized workplace equipment. Emergency handling training and accident briefings.
8.2. Risk of loss of assets due to terrorist attacks	Unlawful interference at a generation facility	significant	Arranging and maintaining necessary protective measures: setting up and maintaining a security system; using security services; limiting access to facilities.
8.3. Business reputation risks	Degradation of the Company's image	significant	Holding policy meetings to discuss the need to coordinate information materials Drafting a regulation on the coordination and presentation of information in mass media
8.4. HR risks	Reliance on, and retirement of, key employees. Reduced influx of new personnel	insignificant	Implementing a monitoring system to report possible retirement of key employees. Forming and developing human reserves by means of a comprehensive program. Forming an internal expert network; mapping the key skills and knowledge of the human reserves. Arranging a repeated engagement survey. Joint programs in cooperation with educational institutions. Staff training and retraining. Taking action to involve the youth. Analyzing and creating non-lackluster labor conditions and wages. Monitoring the staff breakdown by age and qualifications; analysis of staffing and turnover.
8.5. Corruption risk	Abuse or any other unlawful use of the job-related opportunities by a natural person	insignificant	Taking comprehensive action to prevent and reveal corruption.

# 6

## CORPORATE GOVERNANCE

**2** independent directors  
in the Board of Directors

**168** matters  
was discussed by the Board of  
Directors in 2018 (the Board of  
Directors held 19 meetings)

Over **80** %  
percentage of recommendations  
of the Corporate Governance  
Code fulfilled by the Company



## PJSC Gazprom Memorandum of Intent

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 OGK-2 is aimed at improving the Company's performance, raising its reputation, and increasing its capitalization. Corporate governance is an important factor in building a relationship of trust with all the stakeholders who are equally influenced by the Company and who also affect the Company.



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

- ownership structure: one controlling shareholder, JSC Tsentrenergoholding, a part of the Gazprom Group;
- Company's development phase: implementation of

a comprehensive program for building generation facilities under agreements on the provision of power (PDM);

- listing on the Moscow Exchange in the second-level quotation list.



Strengths of OGK-2 corporate governance:

- the competence of the Board of Directors encompasses a large number of issues which are not limited by legislative requirements;
- the headcount of the Board of Directors corresponds to scale of the business; members of the Board of Directors are well aware of the Company's operations as many members of the current Board of Directors have been the Board members for many years;
- disclosure of a huge amount of additional information in addition to the information required by law;
- early IFRS and RAS report disclosure.

OGK-2's Corporate Governance System is based on laws<sup>1</sup> and also standards set forth by the Company's internal corporate regulations and posted on its official website: <http://www.ogk2.ru/rus/si/docs/>.

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

- Company's Articles of Association <https://www.ogk2.ru/rus/si/docs/>
- OGK-2 Corporate Governance Code <http://www.ogk2.ru/upload/iblock/6d9/6d95060717257aaa577f5911e6526f53.RTF>
- Code of Conduct <https://www.ogk2.ru/upload/iblock/ebb/ebbeb3d-42eda300a1c5f441f62bbfc26.pdf>
- Information Policy Regulations <http://www.ogk2.ru/upload/iblock/dc3/dc3f342faf-29fa7b306e3c0468f3a43a.doc>
- Insider Information Access Regulation <http://www.ogk2.ru/upload/iblock/24c/24c93fb3e9ddb49fe0650abd995124e.pdf>
- Regulations on the General Meeting of Shareholders <https://www.ogk2.ru/upload/iblock/67a/67a66a-074f4235ee4d6ac6b14485f8765.pdf>
- Regulations on the Board of Directors <https://www.ogk2.ru/upload/iblock/13a/13ab99ac609a11a872b-cb97b56417257.pdf>
- Regulations on the Director General <https://www.ogk2.ru/upload/iblock/640/64048ab11985a565c-5577089953072ca.pdf>
- Regulations on the procedure for determining remunerations and compensations to members of the Board of Directors <http://www.ogk2.ru/upload/iblock/288/2883bbe-2a99a266ec573760862d92efc.doc>
- Regulations on the Internal Audit Commission <http://www.ogk2.ru/upload/iblock/502/502492b50b02dc9ee262c38582033bfc.docx>
- Regulation on Payment of Remunerations and Compensations to the Members of the Internal Audit Commission <http://www.ogk2.ru/upload/iblock/349/3497b-9da82018b11c1d45f5121f7e128.doc>
- Regulation on the Board of Directors Strategy and Investments Committee <http://www.ogk2.ru/upload/iblock/90d/90d-f4a64c5f691eb0af8aca1b792d27a.doc>
- Regulation on the Board of Directors Audit Committee <http://www.ogk2.ru/upload/iblock/9e2/9e2385fab-5559046b73efc6b24c6d61c.pdf>
- Regulations on the Board of Directors Reliability Committee <http://www.ogk2.ru/upload/iblock/b52/b52d-21d90a90af5f2ebd757de599ed17.pdf>
- Regulations on the Board of Directors Personnel and Remuneration Committee <http://www.ogk2.ru/upload/iblock/f58/f58498d-406484727024bc3c5bf6f83d0.pdf>
- Regulations on the Corporate Secretary <http://www.ogk2.ru/upload/iblock/f02/f02eb-40c57b91f202cef481f1b279a42.pdf>

<sup>1</sup> Federal Law No. 208-FZ dated December 26, 1995 On Joint Stock Companies; Regulations on General Meetings of Shareholders approved by the Bank of Russia No. 660-P dated November 16, 2018; Decree of the Russian Government No. 1214 dated December 31, 2010 (rev. September 5, 2011) On Enhanced Procedure for Management of Open Joint Stock Companies With Stock Owned by the Russian Federation or Federal State Unitary Enterprises; Regulations on Disclosure of Information by Issuers of Securities as approved by the Bank of Russia No. 454-P dated December 30, 2014; Letter of the Central Bank of the Russian Federation No. 06-52/2463 dated April 10, 2014 On the Corporate Governance Code.

## 6.2. OGK-2 Corporate Governance Improvements in 2018 and Plans for 2019

June 26, 2018 the Annual General Meeting of Shareholders (AGMS) adopted a resolution to transfer the powers of the Sole Executive Body (SEB) to the managing organization, Gazprom Energoholding LLC, as well as to approve a new revision of the Articles of Association, which effectively retires the collegial executive body, the Management Board.

In 2018, optimizing the Company's governance bodies was the most important matter of corporate governance. In particular, the Board of Directors is expected to exert greater control over the Company's activities. Besides, amendments were made in 2018 to the internal regulations to adjust them to effective laws. Notably, the OGK-2 Board of Directors resolved to review the Corporate Secretary's reports starting from 2018; such report was reviewed in 2018, and the Corporate Secretary was praised for their work, see Minutes No. 201 dated September 3, 2018.

### Plans for 2019

For 2019, the Company plans to extend the Board of Directors' competences with respect to determining and supervising the Company's strategy, policies, and basic operation principles, including those related to investments and loans, risk and property management, and other activities.

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.

Emphasis will be made on reinforcing the Board of Directors Committees, which is expected to positively affect the corporate governance system in general.

It is planned to make amendments to the internal documents, mainly to bring them in line with the effective law.

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

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

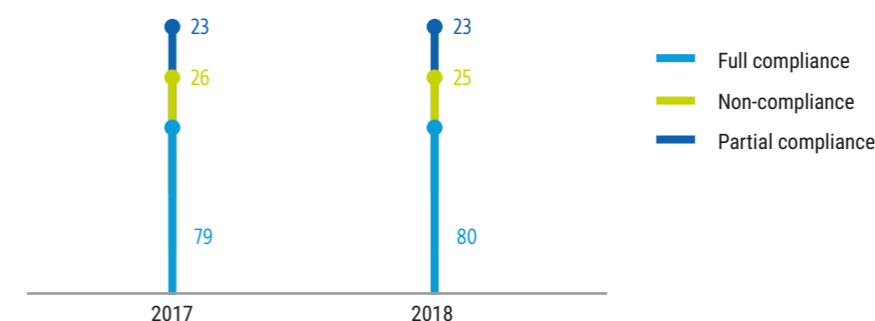
This Report presents the results of the assessment of the OGK-2 corporate governance for compliance with the Corporate Governance Code as approved by the Letter of the Bank of Russia in 2014, attachment to the Letter dated February 17, 2016 No. ИИ-06-52/8.

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 OGK-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.

### Compliance with the Code of Conduct in 2017–2018



### Assessment of Corporate Governance Compliance with the Principles of the Corporate Governance Code

Subsection	Number of Principles Recommended by the Code	Number of Criteria for Assessment of Compliance with the Principle	Status of Compliance with the Criteria					
			2017*			2018		
			Full compliance	Non-compliance	Partial compliance	Full compliance	Non-compliance	Partial compliance
<b>I. Shareholders' rights and equality of shareholders in the exercise of their rights</b>								
1.1.	6	14	11	-	3	11	-	2
1.2.	4	5	3	1	1	3	1	1
1.3.	2	2	2	-	-	2	-	-
1.4.	1	1	1	-	-	1	-	-
<b>II. Board of Directors of the Company</b>								
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	3	2	1	3	2	1
2.5.	3	4	2	2	-	2	2	-
2.6.	4	8	3	2	3	3	2	3
2.7.	4	4	2	1	1	2	1	1
2.8.	6	13	4	2	7	4	2	7
2.9.	2	3	1	2	-	1	2	-
<b>III. Corporate Secretary of the Company</b>								
3.1.	2	3	3	-	-	3	-	-
<b>IV. System of remuneration of the members of Board of Directors, executive bodies, and other key managers of the Company</b>								
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	-
<b>V. Risk management and internal control system</b>								
5.1.	4	5	4	1	-	4	1	-
5.2.	2	3	2	-	1	2	-	1
<b>VI. Disclosure of information about the Company, the information policy of the Company</b>								
6.1.	2	5	3	2	-	4	1	-
6.2.	3	7	7	-	-	7	-	-
6.3.	2	3	3	-	-	3	-	-
<b>VII. Major corporate actions</b>								
7.1.	3	5	4	1	-	4	1	-
7.2.	2	4	3	1	-	3	1	-
<b>Total</b>	<b>79</b>	<b>128</b>	<b>79</b>	<b>26</b>	<b>23</b>	<b>80</b>	<b>25</b>	<b>23</b>

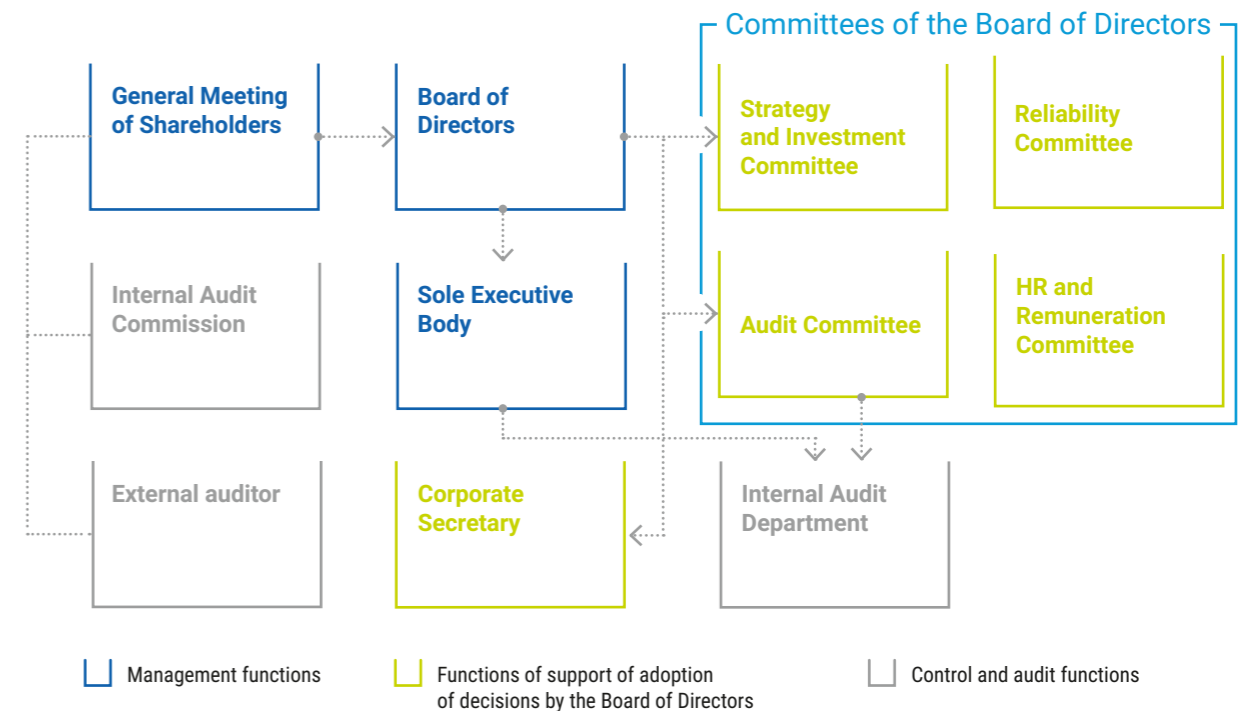
\*2017 data updated

Changes described in the Information Policy section helped boost compliance with the Corporate Governance Code.

## 6.4. Corporate Governance Structure

The Company's corporate governance bodies are the General Meeting of Shareholders, the Board of Directors, and the Sole Executive Body (the managing organization). The Board of Directors and the Sole Executive Body 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 Company's supreme governance body. 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 its competence. The Board of Directors, the Sole Executive Body, and the Internal Audit Commission are accountable to the General Shareholders Meeting.

### Annual General Meeting of Shareholders:

Minutes Number and Date	Items on the Agenda
Minutes No. 12 dated June 26, 2018	<ol style="list-style-type: none"> <li>On approval of the Company's annual report, annual accounting (financial) statements, including the Company's income statement for 2017.</li> <li>On distribution of profit (including payment (declaration) of dividends) and losses of the Company for the fiscal year of 2017.</li> <li>On electing the Board of Directors of the Company.</li> <li>On electing the Internal Audit Commission of the Company.</li> <li>On approval of the Company's auditor.</li> <li>On approval of the Company's Articles of Association in a new revision.</li> <li>On approval of the Company's internal regulations.</li> <li>On Transfer of Sole Executive Body's Powers to the Managing Organization.</li> <li>On payment of remuneration and / or compensation to members of the Board of Directors of the Company.</li> <li>On consent to related-party transactions.</li> </ol>

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 General Shareholders Meeting may decide to terminate the powers of all members of the Board of Directors before their terms expire. Persons elected to the Board of Directors may be re-elected any number of times. Candidates for the Board of Directors may be nominated by shareholders who own at least 2% of the voting shares in the Company, or by the Board of Directors if the number of shareholders' nominees is insufficient.

### Composition of the Board of Directors

	Board of Directors acting from June 02, 2017 to June 25, 2018 (appointed on June 2, 2017 at the OGK-2 Annual General Meeting of Shareholders (Minutes No. 11 dated June 2, 2016))	Current Members of the Board of Directors acting since June 26, 2018 (appointed on June 26, 2018 at the OGK-2 Annual General Meeting of Shareholders of (Minutes No. 12 dated June 26, 2018))
1.	Denis Vladimirovich Fedorov (Chairman)	Denis Vladimirovich Fedorov (Chairman)
2.	Yuriy Yefimovich Dolin	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 Anatolievich Ananyev	Andrey Dmitriyev
10.	Pavel Olegovich Shatskiy	Pavel Olegovich Shatskiy
11.	Sergey Sergeyevich Fil <sup>1</sup>	Albert Bikmurzin

### Independent members of the Board of Directors

In 2018, two Directors were independent, which was in line with the Corporate Governance Code:

- July 4, 2018 the Board of Directors recognized A.V. Shevchuk and D.V. Kulikov as independent directors, see Minutes No. 199 dated July 4, 2018.

<sup>1</sup> Sergey Sergeyevich Fil, appointed by the OGK-2 General Meeting of Shareholders on June 2, 2017 to the Board of Directors, had been retired as of January 1, 2018.

## Members of the Board of Directors as of December 31, 2018



### Denis Vladimirovich Fedorov

Year of birth: 1978

**Education, qualification level:** Higher education, graduated from the Bauman MSTU, majoring in Engineering and Economics; completed the postgraduate program of the Moscow Power Engineering Institute (Technical University); Candidate of Economic Sciences in 2 majors: Economics and Industrial Heat Power Engineering

**Current place of employment and job position:**

Deputy 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:** Chairman of the Board of Directors of PJSC Gazprom Energobit Tyumen, JSC MIPC, Gazprom Energoholding Engineering LLC.

**A member of the Boards of Directors:** JSC MOSENERGO, JSC TGK-1, JSC INTER RAO, JSC Tsentrenergoholding, and Amurskaya TPP LLC. Member of the Council, Moscow Chamber of Commerce. 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, JSC OGK-2

**Job positions, including job positions occupied in other companies, in the last 5 years:**

- 2013: member of the Management Board, CJSC Kaunas Thermal Power Plant
- 2013: Chairman of the Management Board, CJSC Kauna elektrine
- 2013: Chairman of the Management Board, CJSC Fortis Energy
- 2013: member of the Board of Directors, JSC Rosseti (OAO Rosseti prior to 2015; OAO Holding MRSK prior to 2013)
- 2013: member of the Management Board, Nadezhda Foundation for Education, Science, and Technology
- 2013 to 2015: member of the Board of Directors, PJSC FGC UES (JSC FGC UES prior to 2015)
- 2013 to 2017: member of the Board of Directors, Teplosbyt LLC
- 2013 to 2017: member the Supervisory Board, TSJET
- 2013 to 2018: Member and Chairman of the Supervisory Board of the Council of Energy Producers
- 2013 to date: Head of Office, PJSC Gazprom (OAO Gazprom prior to 2015)
- 2013 to date: member of the Board of Directors, JSC Mosenergo (OAO Mosenergo prior to 2015)
- 2013 to date: member of the Board of Directors, JSC TGK-1 (OAO TGK-1 prior to 2016)

- 2013 to date: member of the Board of Directors, JSC OGK-2 (OAO OGK-1 prior to 2016)
- 2013 to date: Director General of Gazprom Energoholding LLC
- 2013 to date: Director General, member of the Board of Directors, JSC Tsentrenergoholding (OAO Tsentrenergoholding prior to 2015)
- 2013 to date: Chairman of the Board of Directors, JSC Tyumen Power Supply Company (OAO Tyumen Power Supply Company prior to 2016)
- 2013 to date: member of the Board of Directors of JSC Inter RAO (OAO Inter RAO prior to 2015)
- 2013 to date: Chairman and Member of the Board of Directors, JSC MIPC (OAO MIPC prior to 2015)
- 2014 to 2015: Chairman of the Board of Directors, PJSC Gazprom Energoremont (CJSC MRES prior to 2015)
- 2014 to 2015: member of the Board of Directors, PJSC Gazprom Armenia
- 2015 to 2016: Member of the Board of Directors; GEKh Situation Center LLC (TIN 7729462119, GEKh Engineering LLC prior to 2016)
- 2015 to date: Chairman of the Board of Directors, GEKh Engineering LLC (TIN 7729722060, Tsentrenergoinvest LLC prior to 2015)
- 2016 to date: Member of the Council, Moscow Chamber of Commerce
- 2017: Director General of ATES LLC
- 2017 to date: member of the Board of Directors. Amurskaya TPP LLC

**Ownership (either direct or indirect ownership) of the shares in the Company:** Owned ordinary shares of OGK-2, %: 0.090.

**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



## Roman Eduardovich Abdullin

Year of birth: 1975

Education, qualification level:

Higher, graduated from Gubkin Oil and Gas RSU

Current place of employment and job position:

Deputy Head of Office, PJSC Gazprom

Membership in the Boards of Directors of other companies:

Member of the Boards of Directors, Gazprom Gas Motor Fuel LLC, PJSC Gazprom Energoremont, JSC MIPC

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, JSC OGK-2, member of the OGK-2 Board of Directors Audit Committee.

Job positions, including job positions occupied in other companies, in the last 5 years:

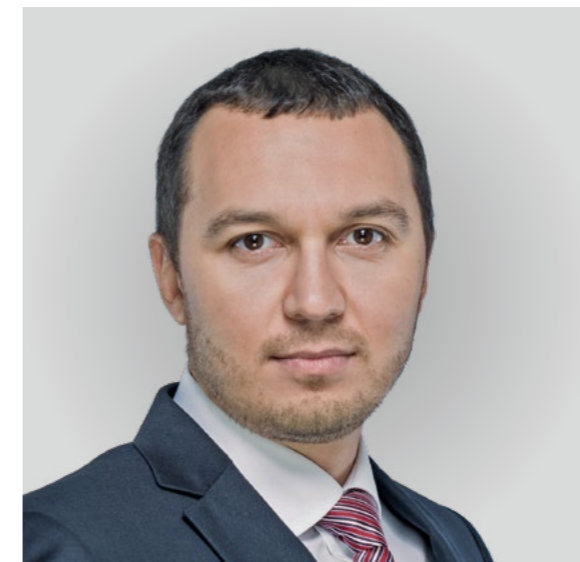
- 2013 to 2014: Head of the Planning and Economy Office, Department of Finance and Economy, PJSC Gazprom
- 2015: Head of Office, PJSC Gazprom

- 2015 to date: Deputy Head of Department, PJSC Gazprom
- 2016 to date: member of the Board of Directors, PJSC Gazprom Energoremont
- 2016 to date: member of the Board of Directors, Gazprom Gas Motor Fuel LLC
- 2016 to date: member of the Board of Directors, JSC OGK-2
- 2017 to date: member of the Board of Directors; JSC MIPC

Ownership (either direct or indirect ownership) of the shares

in the Company: Owned ordinary shares of OGK-2, %: 0.013.

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



## Albert Fyaritovich Bikmurzin

Year of birth: 1977

education, qualification level: Higher education, graduated from the Moscow University of Consumer Cooperatives as a lawyer majoring in Jurisprudence Private Institution of Higher Education Institute of Economics and Energy as economist and manager

Current place of employment and job position:

Deputy Director General, Director for Corporate and Property Matters, Gazprom Energoholding LLC. Director General of MIPC-Finance LLC. Director General of MRES Stockman LLC. Director General of MTER Holding LLC.

Membership in the Boards of Directors of other companies:

Chairman of the Board of Directors, Spetsavtotrans LLC.

Member of the Boards of Directors: MTER St. Petersburg LLC, JSC MIPC, TER LLC, ANT-Service LLC, MRES LLC, GEKh Engineering LLC, JSC Tsentrenergoholding, PJSC Gazprom Energoremont, Member of the Supervisory Board, Angrensor Trading LLP

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, OGK-2

job positions, including job positions occupied in other companies, in the last 5 years:

- 2013 to 2014: member of the Board of Directors, JSC MIPC
- 2013 to 2018: part-time professor of the Department of Power Engineering Law, Kutafin University (MSAL)
- 2013 to date: Deputy Head for Corporate and Legal Matters; Director for Corporate and Property Matters; Deputy Director General, Director for Corporate and Property Matters, Gazprom Energoholding LLC
- 2014 to 2018: General Director of JSC Spektrum (CJSC Spektrum prior to 2017)
- 2015 to 2016: member of the Board of Directors, JSC MIPC (OAO MIPC prior to 2015)
- 2015 to 2018: member of the Board of Directors, JSC TEKON Engineering (OGRN 1037722013120)
- 2015 to date: member of the Board of Directors, MTER St. Petersburg LLC.
- 2015 to date: Director General of MIPC-Finance LLC
- 2016 to 2018: member of the Board of Directors, Teploset St. Petersburg LLC

- 2016 to date: Chairman and member of the Board of Directors, Spetsavtotrans LLC
- 2016 to date: member of the Board of Directors, JSC MIPC
- 2016 to date: Director General of MRES Stockman LLC
- 2016 to date: member of the Board of Directors, TER LLC
- 2016 to date: Director General of MTER Holding LLC
- 2016 to date: member of the Board of Directors, ANT-Service LLC
- 2017 to 2018: member of the Board of Directors, JSC MTER
- 2017 to 2018: member of the Board of Directors, JSC Teploset St. Petersburg
- 2017 to 2018: member of the Board of Directors, JSC TEKON Engineering (OGRN 1047796891185)
- 2017 to date: member of the Supervisory Board, Angrensor Trading LLP
- 2018 to date: member of the Board of Directors, MRES LLC
- 2018 to date: member of the Board of Directors, GEKh Engineering LLC (TIN 7729722060)
- 2018 to date: member of the Board of Directors of JSC OGK-2
- 2018 to date: member of the Board of Directors JSC Tsentrenergoholding;
- 2018 to date: member of the Board of Directors, PJSC Gazprom Energoremont

Ownership (either direct or indirect ownership) of the shares in the Company: Owned ordinary shares of OGK-2, %: 0.00002.

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





## 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 Finances, Gazprom Energoholding LLC.  
Director General of GEKh Finance LLC.

Membership in the Boards of Directors of other companies: Chairman of the Board of Directors, MRES LLC.

Member of the Boards of Directors: JSC MIPC, JSC Tsentrenergoholding, PJSC Gazprom Energoremont, GEKh Engineering 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, member of the Board of Directors Strategy and Investment Committee, member of the Board of Directors Audit Committee, OGK-2.

Job positions, including job positions occupied in other companies, in the last 5 years:

- 2013 to 2014: Head of the Electric Power Industry Marketing Department, Deputy Head of Office – Head of the Electric Power Development Department, Office of Electric Power Industry Development and Marketing, PJSC Gazprom (OAO Gazprom prior to 2015)
- 2013 to 2014: member of the Internal Audit Commission, JSC TGK-1 (OAO TGK-1 prior to 2016)
- 2013 to 2014: member of the Internal Audit Commission, JSC OGK-2 (OAO OGK-2 prior to 2015)
- 2013 to 2014: member of the Board of Directors, JSC MTER (OAO MTER prior to 2014)
- 2013 to 2014: member of the Board of Directors, JSC KhTK (OAO KhTK prior to 2015)
- 2013 to 2014: member of the Board of Directors, JSC Teploset St. Petersburg (OAO Teploset St. Petersburg prior to 2016)
- 2013 to 2016: member of the Internal Audit Commission, JSC Mosenergo (OAO Mosenergo prior to 2015)
- 2013 to 2016: member of the Board of Directors, TSK Mosenergo LLC

- 2013 to date: member of the Board of Directors, JSC Tsentrenergoholding (JSC Tsentrenergoholding prior to 2015)
- 2013 to date: Chairman and member of the Board of Directors, MRES LLC
- 2013 to date: member of the Board of Directors, JSC MIPC (OAO MIPC prior to 2015)
- 2014 to 2017: member of the Board of Directors, CJSC PC Promcontroller
- 2014 to date: member of the Board of Directors, NSPGU LLC
- 2014 to date: Deputy Director General for Economics and Finances, Gazprom Energoholding LLC
- 2014 to date: Chairman of the Board of Directors, PJSC Gazprom Energoremont (CJSC MRES prior to 2015)
- 2015 to 2016: member of the Board of Directors, GEKh Situation Center LLC (TIN 7729462119, GEKh Engineering LLC prior to 2016)
- 2015 to 2016: Deputy Director General for Economics and Finance, member of the Management Board, JSC OGK-2 (OAO OGK-2 prior to 2015)
- 2015 to date: member of the Board of Directors, GEKh Engineering LLC (TIN 7729722060, Tsentrenergoinvest prior to 2015)
- 2016 to date: member of the Board of Directors, JSC OGK-2
- 2017 to date: Director General of GEKh Finance LLC

Ownership (either direct or indirect ownership) of the shares in the Company: Owned ordinary shares of OGK-2, %: 0.013.  
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



## 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 Executive Director of the Professional Investors Association.

Membership in the Boards of Directors of other companies: Member of the Board of Directors, JSC TZA.

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, member of the Board of Directors Audit Committee and Personnel and Remuneration Committee, OGK-2.

Job positions, including job positions occupied in other companies, in the last 5 years:

- 2013: member of the Board of Directors, JSC MRSK Tsentra
- 2013 to 2014: member of the Board of Directors, JSC VEROPHARM
- 2013 to 2014: member of the Board of Directors, JSC MRSK Severo-Zapada
- 2013 to 2015: member of the Board of Directors, JSC OGK-2 (OAO OGK-2 prior to 2015)
- 2013 to 2015: Executive Director of the Professional Investors Association

- 2013 to 2014: member of the Board of Directors, JSC MRSK Tsentra & Privolzhya
- 2014 to 2015: member of the Board of Directors, JSC MRSK of Tsentra (OAO MRSK of Tsentra prior to 2015)
- 2014 to 2016: member of the Board of Directors, JSC MRSK of Volga (OAO MRSK Volgi prior to 2015)
- 2014 to 2016: member of the Board of Directors, JSC NEFAZ (OAO NEFAZ prior to 2016)
- 2015 to date: Advisor to Executive Director of the Professional Investors Association
- 2016 to date: JSC TZA (OAO TZA prior to 2016) Member of the Board of Directors
- 2016 to date: Member of the Board of Directors, JSC OGK-2
- 2017: OAO MRSK Urala Member of the Board of Directors

Ownership (either direct or indirect ownership) of the shares in the Company: Owned ordinary shares of OGK-2, %: 0.008.  
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



## Irina Yurievna Korobkina

**Year of birth:** 1976

**Education, qualification level:** Higher education; graduated from Kutafin Moscow State Law Academy and 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:** Chairman of the Board of Directors, JSC Tsentrenergoholding, PJSC Gazprom Energoremont”.

**Member of the Boards of Directors:** MRES LLC, PPTK LLC, MRES Stockman LLC, CJSC TekonGroup, JSC MIPC, GEKh Engineering LLC, JSC MIPC-Project, TER-Service LLC, TER LLC, ANT-Service 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, member of the Board of Directors Audit Committee and Personnel and Remuneration Committee, OGK-2.

**Job positions, including job positions occupied in other companies, in the last 5 years:**

- 2013 to 2015: member of the Board of Directors, JSC MTER (OAO MTER prior to 2014)
- 2013 to 2017: Corporate Secretary of JSC Tsentrenergoholding (OAO Tsentrenergoholding prior to 2015)
- 2013 to date: member of the Board of Directors of PPTK LLC
- 2013 to date: member of the Board of Directors, MRES LLC
- 2013 to DATE: member of the Board of Directors, JSC OGK-2 (OAO OGK-2 prior to 2015)
- 2013 to date: member and Chairman of the Board of Directors, JSC Tsentrenergoholding (OAO Tsentrenergoholding prior to 2015)
- 2013 to date: Deputy Head of Department, Head of Department, Deputy Head of Office, PJSC Gazprom (OAO Gazprom prior to 2015)
- 2014 to date: member of the Board of Directors, MRES Stockman LLC
- 2014 to date: member of the Board of Directors, JSC MIPC (OAO MIPC prior to 2015)

- 2014 to date: member of the Board of Directors, JSC TekonGroup
- 2015 to 2016: member of the Board of Directors, JSC Mosenergo
- 2015 to 2016: member of the Board of Directors, GEKh Situation Center LLC (TIN 7729462119, GEKh Engineering LLC prior to 2016)
- 2015 to 2018: member of the Board of Directors, Serbian Generation LLC, Novi Sad
- 2015 to date: Chairman of the Board of Directors, PJSC Gazprom Energoremont (CJSC MRES prior to 2015)
- 2015 to date: member of the Board of Directors, GEKh Engineering LLC (TIN 7729722060, Tsentrenergoinvest prior to 2015)
- 2016 to date: member of the Board of Directors, TER-Service LLC
- 2016 to date: member of the Board of Directors, JSC MIPC-Project (OAO MIPC-Project prior to 2016)
- 2016: member of the Board of Directors, TGK-Service LLC
- 2016: member of the Board of Directors, ANT-Service LLC
- 2016 to 2017: member of the Board of Directors, TER-Moscow LLC
- 2016 to 2018: member of the Board of Directors, JSC TGK-1 (JSC TGK-1 prior to 2016)
- 2016 to 2018: member of the Board of Directors, JSC MTER
- 2017 to date: member of the Board of Directors, TER LLC
- 2017 to date: Deputy Director General, JSC Tsentrenergoholding
- 2018 -to date: member of the Board of Directors, ANT-Service LLC

**Ownership (either direct or indirect ownership) of the shares in the Company:** Owned ordinary shares of OGK-2, %: 0.040.

**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



## Aleksandr Vladimirovich Rogov

**Year of birth:** 1981

**Education, qualification level:** Higher education, graduated from Lomonosov Moscow State University, Candidate of Physical and Mathematical Sciences.

**Current place of employment and job position:** Deputy Head of Office – Head of Division, PJSC Gazprom  
Deputy Managing Director and Director for Strategy, JSC MIPC.

**Membership in the Boards of Directors of other companies:** Chairman of the Boards of Directors: CJSC TekonGroup, SITs Teploizolyatsiya LLC, Astrakhanskaya TPP LLC, Serbian Generation LLC Novi Sad.

**Member of the Boards of Directors:** JSC Tsentrenergoholding, JSC TEKON-Engineering, (TIN 7722284869), PPTK LLC, JSC MIPC, ANT-Service LLC, JSC MIPC-Project, TSK Metrologiya LLC, TSK Mosenergo LLC, JSC TEKON-Engineering (TIN 7722531204)

**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, member of the Board of Directors Strategy and Investment Committee, member of the Board of Directors Personnel and Remuneration Committee, OGK-2.

**Job positions, including job positions occupied in other companies, in the last 5 years:**

- 2013 to 2015: member of the Board of Directors, CJSC Mezhtregionenergostroy
- 2013 to 2017: Chairman of the Board of Directors, CJSC PC Promcontroller
- 2013 to date: Deputy Head of Office – Head of Department, PJSC Gazprom (OAO Gazprom prior to 2015)
- 2013 to date: member of the Board of Directors of PPTK LLC
- 2013 to date: Chairman of the Board of Directors, CJSC TekonGroup
- 2013 to date: member of the Board of Directors of JSC MIPC (OAO MIPC prior to 2015)
- 2013 to date: Chairman of the Board of Directors, SITs Teploizolyatsiya LLC

- 2013 to date: member of the Board of Directors, JSC OGK-2 (OAO OGK-2 prior to 2015)
- 2013 to date: member of the Board of Directors, JSC TEKON-Engineering (TIN 7722284869)
- 2013 to date: member of the Board of Directors, JSC Tsentrenergoholding (JSC Tsentrenergoholding prior to 2015)
- 2014 to 2018: member and Chairman of the Board of Directors, JSC MTER (OAO MTER prior to 2014)
- 2010 to date: Chairman of the Board of Directors, Astrakhanskaya TPP LLC
- 2015 to 2016: member of the Board of Directors, GEKh Situation Center LLC (GEKh Engineering LLC prior to 2016)
- 2015 to date: Deputy Managing Director, Director for Strategy, JSC MIPC (OAO MIPC prior to 2015)
- 2015 to date: member of the Board of Directors, ANT – Service LLC
- 2015 to date: member of the Board of Directors, Serbian Generation LLC, Novi Sad, Chairman of the Board of Directors
- 2015 to date: member of the Board of Directors, JSC MIPC-Project
- 2016 to date: member of the Board of Directors, TSK Metrologiya LLC
- 2016 to date: member of the Board of Directors, TSK Mosenergo LLC
- 2017 to date: member of the Board of Directors, JSC TEKON-Engineering (TIN 7722531204)

**Ownership (either direct or indirect ownership) of the shares in the Company:** Owned ordinary shares of OGK-2, %: 0.037.

**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



## 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 LLC.

**Membership in the Boards of Directors of other companies:**

Chairman of the Board of Directors, NSCCGT LLC, MEP LLC, Serbian Generation LLC, Novi Sad.

Member of the Boards of Directors: GEKh Engineering LLC, MRES Stockman LLC, Amurskaya TPP LLC, and MRES 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, OGK-2, member of the Board of Directors Strategy and Investments Committee.

**Job positions, including job positions occupied in other companies, in the last 5 years:**

- 2013 to 2017: Director General, Chairman of the Board of Directors, OGK-Investproekt LLC
- 2013 to date: Deputy Director General for Capital Construction, Gazprom Energoholding LLC
- 2014 to 2016: member of the Board of Directors, JSC OGK-2
- 2014 to date: Chairman of the Board of Directors, NSPGU LLC
- 2014 to date: member of the Board of Directors, MRES Stockman LLC

- 2015: Deputy Director General for Construction, member of the Management Board, JSC OGK-2
- 2015 to 2016: Director General, member of the Board of Directors, GEKh Situation Center LLC (TIN 7729462119, GEKh Engineering LLC prior to 2016)
- 2015 to 2016: member of the Board of Directors, JSC Mosenergo
- 2015 to date: Director General, member of the Board of Directors, GEKh Engineering LLC (TIN 7729722060, Tsentrenergoinvest prior to 2015)
- 2016 to date: member of the Board of Directors, JSC MRES
- 2017 to date: member of the Board of Directors, Amurskaya TPP LLC
- 2017 to date: Chairman of the Board of Directors, MEP LLC
- 2017 to date: Chairman of the Board of Directors, Serbian Generation LLC, Novi Sad
- 2017 to date: member of the Board of Directors, JSC OGK-2

**Ownership (either direct or indirect ownership) of the shares in the Company:** Owned ordinary shares of OGK-2, %: 0.024.

**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



## 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 of Gazprom Energoholding LLC.

**Membership in the Boards of Directors of other companies:**

Chairman of the Board of Directors, GEKh Situation Center LLC; MRES Stockmann LLC, Amurskaya TPP LLC, Spetsavtotrans LLC.

Member of the Boards of Directors of JSC Tsentrenergoholding, JSC "Mosenergo", JSC "TGK-1", JSC MIPC, JSC "Gazprom Energoremont".

Member 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:** 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, OGK-2.

**Job positions, including job positions occupied in other companies, in the last 5 years:**

- 2013: member of the Board of Directors, JSC RAO Eastern Energy Systems
- 2013 to 2014: Chairman of the Board of Directors, Spetsavtotrans LLC
- 2013 to 2014: Chairman of the Board of Directors, Teploenergoremont LLC
- 2013 to 2014: member of the Board of Directors, JSC Rosseti
- (OAO Rosseti prior to 2015; OAO Holding MRSK prior to 2013)
- 2013 to 2015: Chairman of the Board of Directors, CJSC Mezregion-Energostroy
- 2013 to 2017: member of the Board of Directors, Teplosbyt LLC

- 2013 to date: First Deputy General Director of Gazprom Energoholding LLC
  - 2013 to date: member of the Board of Directors, JSC Tsentrenergoholding (JSC Tsentrenergoholding prior to 2015)
  - 2013 to date: member of the Board of Directors of JSC MIPC (OAO MIPC prior to 2015)
  - 2013 to date: member of the Board of Directors, JSC OGK-2 (OAO OGK-2 prior to 2015)
  - 2014 to date: Chairman of the Board of Directors, MRES Stockman LLC
  - 2014 to date: Chairman of the Board of Directors, PJSC Gazprom Energoremont (CJSC MRES prior to 2015)
  - 2015 to 2016: member of the Board of Directors, GEKh Engineering LLC (TIN 2016, Tsentrenergoinvest prior to 7729722060)
  - 2015 to date: Chairman of the Board of Directors, GEKh Situation Center LLC
  - (TIN 7729462119, GEKh Engineering LLC prior to 2016)
  - 2015 to date: member of the Board of Directors, JSC Mosenergo
  - 2016 to date: member of the Board of Directors, JSC TGK-1 (OAO TGK-1 prior to 2016);
  - 2017 to date: Chairman of the Board of Directors, Amurskaya TPP LLC
  - 2017 to date: Chairman of the Board of Directors, Spetsavtotrans LLC.
  - 2014 to date: Member the Supervisory Board of the Council of Energy Producers
- Ownership (either direct or indirect ownership) of the shares in the Company:** Owned ordinary shares of OGK-2, %: 0.040.

**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



## 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: JSC MRSK Tsentra & Privolzhya, JSC MRSK Tsentra, JSC MRSK Severo-Zapada, JSC MRSK Urala, JSC Detsky Mir.

**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, OGK-2.

**Job positions, including job positions occupied in other companies, in the last 5 years:**

- 2013 to 2014: member of the Board of Directors, JSC MRSK Tsentra
- 2013 to 2014: member of the Board of Directors, JSC UAZ
- 2013 to 2016: member of the Board of Directors, JSC MOSTOTREST (OAO MOSTOTREST prior to 2015)
- 2013 to 2016: member of the Board of Directors, JSC MRSK Yuga (OAO MRSK Yuga prior to 2015)
- 2013 to 2018: Chairman of the Internal Audit Commission, JSC Rostelecom (OAO Rostelecom prior to 2015)

- 2013 to date: Chairman of the Internal Audit Commission, JSC ROSNANO
- 2013 to date: (Deputy) Executive Director, Professional Investors Association
- 2014 to date: member of the Board of Directors, JSC MRSK Tsentra & Privolzhya (OAO MRSK Tsentra & Privolzhya prior to 2015)
- 2015 to date: member of the Board of Directors, JSC MRSK Tsentra (OAO MRSK Tsentra prior to 2015)
- 2015 to date: member of the Board of Directors, JSC OGK-2
- 2016 to date: member of the Board of Directors, JSC MRSK Severo-Zapada
- 2016 to date: member of the Board of Directors, MRSK Urala
- 2017: member of the Board of Directors, JSC TGK-1; 2018 to date: member of the Board of Directors, JSC Detsky Mir

Ownership (either direct or indirect ownership) of the shares in the Company: Owned ordinary shares of OGK-2, %: 0.01.

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



## Andrey Igorevich Dmitriyev

Year of birth: 1974

Education, qualification level:

Higher education, graduated from the Volga Academy of Water Transport.

Current place of employment and job position:

Deputy Head of Department, PJSC Gazprom

**Membership in the Boards of Directors of other companies:**

Chairman of the Board of Directors, CJSC Khim-sorbent, JSC Metaklay.

Member of the Board of Directors, PJSC Gazprom neft, JSC TGK-1.

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 OGK-2 Board of Directors.

**Job positions, including job positions occupied in other companies, in the last 5 years:**

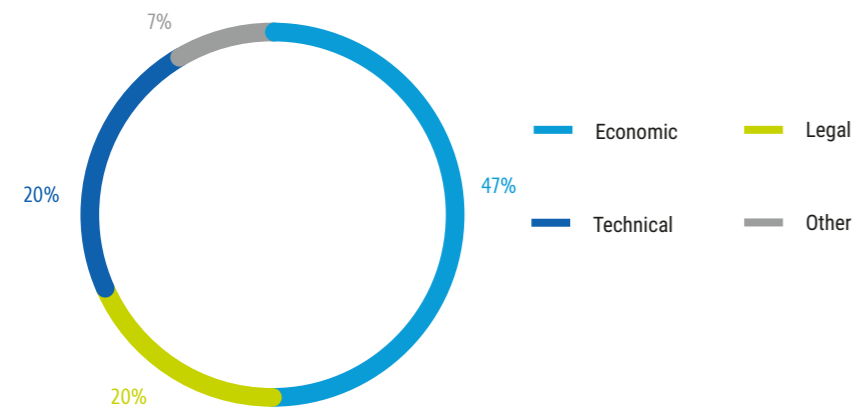
- 2013 to 2016: Director General of Gazprom Gazenergoset LLC (AO Gazprom Gazenergoset prior to 2017, OAO Gazprom Gazenergoset prior to 2015)
- 2013 to 2018: member of the Board of Directors, Gazprom Gazenergoset LLC (AO Gazprom Gazenergoset prior to 2017, OAO Gazprom Gazenergoset prior to 2015)

- 2016 to date: Deputy Head of Office, PJSC Gazprom
- 2017 to date: Chairman of the Board of Directors, CJSC Khim-sorbent
- 2018 to date: member of the Board of Directors of JSC OGK-2
- 2018 to date: Chairman of the Board of Directors, JSC Metaklay
- 2018 to date: member of the Board of Directors, PJSC Gazprom Neft
- 2018 to date: member of the Board of Directors, JSC TGK-1

Ownership (either direct or indirect ownership) of the shares in the Company: Owned ordinary shares of OGK-2, %: none.

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

### Board of Directors: Breakdown by Education<sup>1</sup>



### Report on the Board of Directors' performance

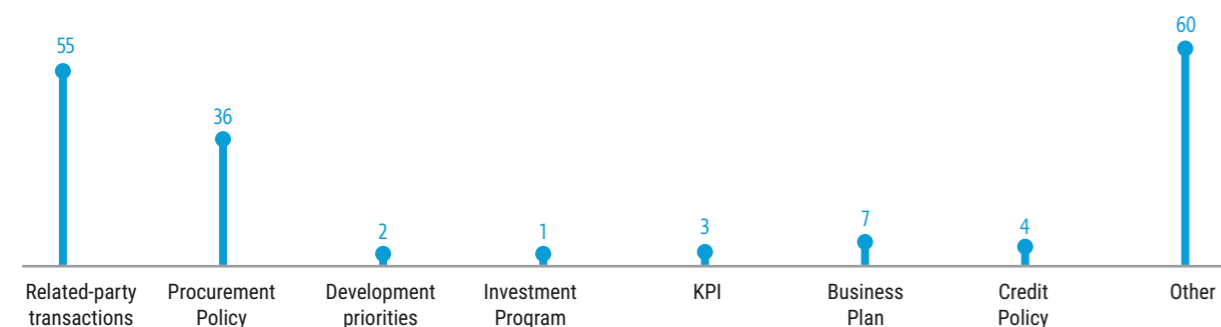
In 2018, the Board of Directors of JSC OGK-2 held 19 meetings, 1 in presentia.

### Participation of Board of Directors Members in meetings of the Board of Directors and Board of Directors Committees in 2018

No	Full name of a Board of Directors member	Number of Meetings Attended / Number of Meetings Allowed to Attend
1.	Denis Vladimirovich Fedorov (Chairman)	19/19
2.	Yuriy Yefimovich Dolin	18/19
3.	Irina Yurievna Korobkina	19/19
4.	Denis Viktorovich Kulikov	18/19
5.	Aleksandr Vladimirovich Rogov	19/19
6.	Albert Fyaritovich Bikmurzin <sup>2</sup>	9/19
7.	Pavel Olegovich Shatskiy	19/19
8.	Aleksandr Viktorovich Shevchuk	19/19
9.	Roman Eduardovich Abdullin	19/19
10.	Andrey Igorevich Dmitriyev <sup>3</sup>	9/19
11.	Yevgeniy Nikolaevich Zemlyanoy	19/19
12.	Stanislav Anatolyevich Ananyev <sup>4</sup>	10/19

The Board of Directors addressed the most important issues of the current activity and strategic development of the Company. In total, 168 matters were considered (including sub-matters).

### Topical Breakdown of Matters Addressed by the Board of Directors in 2018 (# of matters)



The Company's most significant matters discussed by the Board of Directors in 2018 were:

1. implementation of investment projects within the framework of commissioning new facilities under the signed Capacity Supply Agreements;
2. Directors' status—recognizing Mr. Kulikov and Mr. Shevchuk as independent directors;
3. Approval and the review of business plan performance results;
4. Determination of priority directions of development of the Company;
5. accomplishment of KPI targets.

The list of matters within the competence of the Company's Board of Directors is determined by applicable requirements of federal laws, regulations, and local regulatory acts. Breakdown of the issues considered by the Board of Directors of the Company in 2016 by various reasons for consideration (number of issues):

### Board of Directors Liability Insurance

JSC OGK-2 insures liability of directors as members of the Company's governance bodies. Insurance is to compensate any potential damage as a result of unwanted actions (omission) of insured persons while performing their functions. The insurance premium under the agreement signed in 2018 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 OGK-2 and members of the Board of Directors Committees has family relations with other members of the management bodies and/or bodies that supervise financial and economic activities of OGK-2.

The Company issued no loans for the members of the OGK-2 Board of Directors and members of the Board of Directors Committees.

The Committee for Conflicts of Interest did not identify any conflicts of interest in 2018 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 OGK-2 has four committees: the Strategy and Investment Committee, the Audit Committee, the Personnel and Remuneration Committee, and the Reliability Committee. These committees are advisory bodies and ensure effective implementation of the functions of the Board of Directors of the Company in the field of general management of the Company. 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;
- adjusts the adopted development strategy;
- establishes key performance indicators (KPIs) for the approval by the Board of Directors of the Company;
- monitors the implementation of strategic objectives and key performance indicators (KPIs) approved by the Board of Directors of the Company;
- identifies and develops the policy on business planning and budgeting;
- bears responsibility for financial planning and determines lending and dividend policies of the Company;
- considers debt financing issues, including issuance of bonds and other debt securities;
- adopts decisions in the field of investment activities;
- arranges the expert assessment of investment projects and programs to be reviewed by the Board of Directors.

<sup>1</sup>Taking into account second higher education and academic degrees

<sup>2</sup>Mr. Bikmurzin appointed a member of the Board of Directors by the AGMS Resolution dated June 26, 2018, Minutes No. 12

<sup>3</sup>Mr. Dmitriyev appointed a member of the Board of Directors by the AGMS Resolution dated June 26, 2018, Minutes No. 12

<sup>4</sup>The members not re-appointed to the Board of Directors by the AGMS Resolution dated June 26, 2018, Minutes No. 12

Strategy and Investment Committee			
acting from July 28, 2017 to December 26, 2018 (established by the decision of the Board of Directors, Minutes dated June 27, 2017 No. 175)		acting from December 27, 2018 to date (established by the decision of the Board of Directors, Minutes dated July 30, 2018 No. 200)	
Full name	Position	Full name	Position
Pavel Olegovich Shatskiy (Chairman)	First Deputy Director General of Gazprom Energoholding LLC	Pavel Olegovich Shatskiy (Chairman)	First Deputy Director General of Gazprom Energoholding LLC
Yana Nikolayevna Ganzer	Head of the Office of Investments and Construction, Gazprom Energoholding LLC	Andrey Dmitriyev	Deputy Head of Office, PJSC Gazprom
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 for Economy and Finance, Gazprom Energoholding LLC	Dmitriy Rufimovich Kiselev	Deputy Director for Economy and Finance, Gazprom Energoholding LLC
Sergey Andreevich Kozimirov	Chief Expert, PJSC Gazprom	Sergey Andreevich Kozimirov	Chief Expert, PJSC Gazprom
Roman Viktorovich Litvinov	Deputy Head of Office, PJSC Gazprom	Roman Viktorovich Litvinov	Deputy Head of Office, PJSC Gazprom
Oleg Nikolayevich Ivanov	Deputy Chief Engineer – Head of Process Organization Office, JSC OGK-2	Sergey Vadimovich Pokrovsky	Deputy Executive Director of the Professional Investors Association
Aleksandr Vladimirovich Rogov	Deputy Head of Office – Head of Department, PJSC Gazprom	Aleksandr Vladimirovich Rogov	Deputy Head of Office – Head of Department, PJSC Gazprom
Sergey Nikolaevich Popovskiy	Deputy Director General for Economics and Finance, OGK-2	Sergey Nikolaevich Popovskiy	Deputy Managing Director for Economics and Finance, OGK-2
Aleksandr Viktorovich Shevchuk	Executive director of the Professional Investors Association	Aleksandr Viktorovich Shevchuk	Executive director of the Professional Investors Association

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

Report on the Board of Directors Strategy and Investment Committee's activities in 2018	
Number of Meetings	Most important matters and recommendations to the Board of Directors
1	Adjusting the Company's Investment Program for 2018

**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 June 28, 2017 to July 3, 2018 (established by the decision of the Board of Directors, Minutes No. 175 dated June 27, 2017)		acting from July 4, 2018 to date (established by the decision of the Board of Directors, Minutes No. 199 dated July 4, 2018)	
Full name	Position	Full name	Position
Aleksandr Viktorovich Shevchuk (Chairman)	Executive director of the Professional Investors Association	Aleksandr Viktorovich Shevchuk (Chairman)	Executive director of the Professional Investors Association
Irina Yurievna Korobkina	Deputy Head of Office, PJSC Gazprom	Irina Yurievna Korobkina	Deputy Head of Office, PJSC Gazprom
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 <sup>1</sup>	-	Yevgeniy Nikolaevich Zemlyanoy	Deputy Director General for Economics and Finances, 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 2018	
Number of Meetings	Most important matters and recommendations to the Board of Directors
1	<ul style="list-style-type: none"> <li>• Preliminarily reviewed the OGK-2018 Internal Audit Department's agenda for 2018.</li> <li>• Considered proposals on reporting the internal audit matters to the Company's Board of Directors, including the reporting deadlines and forms.</li> </ul>
1	<p>Assessment of the audit opinion on the accounting statements for 2018 submitted by the auditor of JSC OGK-2 (JSC BDO Unicon):</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• contains our opinion in all the material respects of financial position of JSC OGK-2 as at December 31, 2018, the results of its financial and economic activities and cash flow for 2018 in accordance with the Russian Accounting Standards.</li> </ul>

<sup>1</sup> Sergey Sergeyevich Fil, appointed by the OGK-2 General Meeting of Shareholders on June 2, 2017 to the Board of Directors, had been retired as of January 1, 2018.  
<sup>2</sup> OGK-2 Board of Directors established a 5-person Committee, see Minutes No. 199 dated July 4, 2018. The Committee had changes in membership: it now includes Yevgeniy Nikolayevich Zemlyanoy.

**Reliability Committee:**

- examines strategic priorities, objectives, and principles of the Company's development in terms of compliance with overall reliability principles;
- examines retrofitting and renovation programs and capacity repair plans; analyzes their performance;
- prepares proposals to the Board of Directors Personnel and Remuneration Committee regarding assessment of management activities in terms of overall reliability;
- assesses the completeness and adequacy of activities as a result of accidents and major technological violations;
- reviews and approves the technical policy of the Company and the annual report on its implementation prepared by the Director General of the Company;
- assesses activities of the technical services of the Company in terms of ensuring the reliability of operation of the network and generating equipment, buildings, and other facilities of the technological infrastructure.

**Membership of the Board of Directors Reliability Committee**

acting from June 28, 2017 to July 26, 2018 (established by the decision of the Board of Directors, Minutes No. 175 dated June 27, 2017)		acting from July 27, 2018 to date (established by the decision of the Board of Directors, Minutes No. 200 dated July 30, 2018)	
Full name	Position	Full name	Position
Mikhail Vladimirovich Fedorov (Chairman)	Director for Production, Gazprom Energoholding LLC.	Mikhail Vladimirovich Fedorov (Chairman)	Director for Production, Gazprom Energoholding LLC.
Oleg Nikolayevich Ivanov	Deputy Chief Engineer – Head of Office, JSC OGK-2	Oleg Nikolayevich Ivanov	Deputy Chief Engineer – Head of Technical Services Office, JSC OGK-2
Andrey Viktorovich Kalashnikov	Deputy Head of Technical Management – Head of the Department of Retrofitting and Renovation, Gazprom Energoholding LLC	Andrey Viktorovich Kalashnikov	Head of Process Office, Deputy Director for Production, Gazprom Energoholding LLC
Dmitry Igorevich Kayukov	Deputy Head of Office – Head of Operation and Production Management Department, JSC OGK-2	Sergey Arturovich Zaytsev	Deputy Director General for Production – Chief Engineer, JCS OGK-2
Sergey Faritovich Mukhametov	Deputy Head of Technical Management – Head of the Department of Maintenance Activities, Gazprom Energoholding LLC	Sergey Faritovich Mukhametov	Deputy Head of Technical Management – Head of the Department of Maintenance Activities, Gazprom Energoholding LLC
Sergey Aleksandrovich Petelin	Head of Production Department, 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 Reliability Committee in 2018**

Number of Meetings	Most important matters and recommendations to the Board of Directors
1	The Committee discussed a number of matters, including: <ul style="list-style-type: none"> <li>report on the repair program in Q2 as well as Q1–Q2, 2018</li> <li>report on the investment program in Q2 as well as Q1–Q2, 2018</li> <li>analysis of accidents and economic damage in Q2 as well as Q1–Q2, 2018</li> <li>performance against KPI targets in Q2 2018;</li> <li>industrial accidents in Q2 2018;</li> <li>R&amp;D program in Q1–Q2 2018;</li> <li>preparations for the heating season 2018–2019</li> </ul>
1	The Committee discussed R&D plans for 2018 as well as R&D projects for 2019 to 2021.
1	The Committee considered the following matters: <ul style="list-style-type: none"> <li>Implementation of repair and investment programs. Accident analysis.</li> </ul>

**Personnel 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 Personnel and Remuneration Committee**

acting from June 28, 2017 to July 26, 2018 (established by the decision of the Board of Directors, Minutes No. 175 dated June 27, 2017)		acting from July 27, 2018 to date (established by the decision of the Board of Directors, Minutes No. 200 dated July 30, 2018)	
Full name	Position	Full name	Position
Pavel Olegovich Shatskiy (Chairman)	First Deputy Director General of Gazprom Energoholding LLC	Pavel Olegovich Shatskiy (Chairman)	First Deputy Director General of Gazprom Energoholding LLC
Aleksandr Vladimirovich Rogov	Deputy Head of Office – Head of Department, PJSC Gazprom	Andrey Igorevich Dmitriyev	Deputy Head of Office, PJSC Gazprom
Aleksandr Viktorovich Shevchuk	Executive director of the Professional Investors Association	Aleksandr Viktorovich Shevchuk	Executive director of the Professional Investors Association
-	-	Denis Viktorovich Kulikov	Advisor to Executive Director of the Professional Investors Association
-	-	Irina Yurievna Korobkina	Deputy Head of Office, PJSC Gazprom
-	-	Aleksandr Vladimirovich Rogov	Deputy Head of Office – Head of Division, PJSC Gazprom

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

**Report of the Personnel and Remuneration Committee for 2018**

Number of Meetings	Most important matters and recommendations to the Board of Directors
1	The Committee discussed a number of matters, including: <ul style="list-style-type: none"> <li>approving the Personnel and Remuneration Committee's plans for 2018 to 2019;</li> <li>annual evaluation of the Company's Corporate Secretary and their work.</li> </ul>

<sup>1</sup>OGK-2 Board of Directors established a 6-person Committee, see Minutes No. 200 dated July 30, 2018. Andrey Igorevich Dmitriyev was appointed a Committee member.

## 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 was appointed the Corporate Secretary of OGK-2 by the Board of Directors'

resolution dated September 30, 2016. Minutes No. 154. To date, Aleksey Mikhailovich Gusev is the Deputy Director for Corporate and Property Matters, Head of the Corporate Office, Gazprom Energoholding LLC; he is also the Corporate Secretary of JSC Mosenergo, and Secretary of the Board of Directors, JSC MIPC. The Corporate Secretary does not own, directly or indirectly, any of the Company's shares, nor does he have any conflict of interest, including any conflict of interest due to involvement with the Company's competitors and their governance. The Company also has the Corporate Secretary Regulations approved by the JSC OGK-2 Board of Directors (Minutes No. 165 dated December 30, 2016), setting forth the main functions of the Corporate Secretary.

Apart from the Corporate Secretary, functions of the Company's Corporate Secretary are also performed by the Department for Corporate and Property Relations under the Office for Corporate and Legal Matters.

## Transfer of the Management Board's Functions to the Sole Executive Body.

By the OGK-2 AGMS Resolution dated June 26, 2018 the powers of the Sole Executive Body (SEB) were transferred to the managing organization, Gazprom Energoholding LLC (197198 St. Petersburg, 16 Dobrolyubov ave., Bld. 2, Lit. A, office 11, TIN 7703323030, PSRN 1037739465004).

Transfer of the SEB powers to the managing organization will reinforce the control over the compliance with the Gazprom Group's corporate governance standards while better monitoring the implementation of strate-

gic and operational decisions in the management of power engineering assets.

The managing organization shall have rights and responsibilities to govern the Company under the law of the Russian Federation, the Company's Articles of Associations, and the agreement made with the Company. The managing organization shall be responsible for handling the Company's current businesses except matters referred to the General Meeting of Shareholders or to the Board of Directors.

## The Management Board

The Management Board was a collegial executive body managing the Company's current businesses until June 26, 2018, when the Board of Directors decided to terminate the Management Board's powers, see Minutes No. 195 dated May 22, 2018. Pursuant to the revised Articles of Association approved by the Annual

General Meeting of Shareholders on June 26, 2018 and registered with the Interdistrict Inspectorate No. 11 of the Federal Tax Service in Stavropol Krai on August 16, 2018, the Company no longer has a collegial executive body.

## OGK-2 Management Board members and their details (data applicable to the Management Board acting from January 1 to June 26, 2018, and are valid for the latter date).

# Stanislav Anatolievich Ananyev

Year of birth: 1971

Education, qualification level:

Higher education, graduated from Plekhanov Russian University of Economics, Candidate of Economic Sciences.

Employer and Job:

Director General, Chairman of the Management Board, OGK-2.

Membership in the Boards of Directors of other companies:

Member of the Board of Directors, JSC Trade System Administrator

Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board:

Chairman of the Management Board, OGK-2.

Job positions, including job positions occupied in other companies, in the last 5 years :

2013 to 2016: Member of the Management Board – First Deputy Chairman of the Management Board of JSC Trade System Administrator.

2013 to 2017: Joint Stock Company Trade System Administrator, member of the Board of Directors.

2016 to date: Director General of OGK-2.

2017 to date: Director General of OGK-Investproekt 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

# Oleg Vladimirovich Vergeyichik

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)

Employer and Job:

Director of Surgutskaya GRES-1, an OGK-2 branch.

Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board:

Member of the Board, OGK-2

Job positions, including job positions occupied in other companies, in the last 5 years:

2013: Director of Pskovskaya GRES, an OGK-2 branch.

2013 to date: Director of Surgutskaya GRES-1, an OGK-2 branch

Ownership (either direct or indirect ownership) of the shares in the Company: No owned OGK-2 ordinary shares

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



## Larisa Vladimirovna Klishch

Year of birth: 1975

Education, qualification level:

Higher education; graduated from Krasnoyarsk State Technical University and Krasnoyarsk State University.

Employer and Job: Chief Accountant of OGK-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 Board, OGK-2

Job positions, including job positions occupied in other companies, in the last 5 years:

2013 to date: Head of the Department of Tax Accounting, Deputy Chief Accountant for Tax Accounting, Deputy Chief Accountant, First Deputy Chief Accountant, Chief Accountant, OGK-2.

2015 to date: Deputy Chief Accountant, Chief Accountant, Gazprom Energoholding LLC.

Ownership (either direct or indirect ownership) of the shares in the Company: No owned ordinary OGK-2 shares.

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

## Sergey Nikolaevich Popovskiy

Year of birth: 1971

Education, qualification level:

Higher, graduated from the RSEU, Candidate of Economic Sciences

Employer and Job:

Deputy Director General for Economics and Finance, OGK-2.

Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board:

Member of the Board, OGK-2

Job positions, including job positions occupied in other companies, in the last 5 years:

2013 to 2014: Director General of Energopromsbyt LLC.  
2013 to 2015: Chairman of the Board of Directors, JSC TGK-14.

2016 to date: Deputy Managing Director for Economics and Finance, OGK-2

Ownership (either direct or indirect ownership) of the shares in the Company:

No owned ordinary OGK-2 shares.

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

## Aleksandr Ivanovich Lyspak

Year of birth: 1960

Education, qualification level:

Higher education, graduated from the Krasnoyarsk Polytechnic Institute, majoring in Heat Engineering.

Employer and Job :

Director of Krasnoyarskaya GRES-2, an OGK-2 branch.

Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board:

Member of the Board, OGK-2

Job positions, including job positions occupied in other

companies, in the last 5 years:

2013 to date: Director of Krasnoyarskaya GRES-2, an OGK-2 branch.

Ownership (either direct or indirect ownership) of the shares in the Company:

No owned ordinary OGK-2 shares.

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

## Igor Yurievich Podkin

Year of birth: 1973

Education, qualification level:

Higher education: graduated from the Krasnoyarsk Higher Command School of Radioelectronics for Air Defense, Moscow University of the MIA of Russia, and Higher Business School of the Lomonosov MSU. Holds an MBA degree.

Employer and Job:

Deputy Director General for Corporate Veil, OGK-2.

Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board:

Member of the Board, OGK-2

Job positions, including job positions occupied in other companies, in the last 5 years:

2014: Deputy Director of Branch No. 20, JSC MIPC.  
2014 to 2015: Head of the Corporate Veil Office, OGK-2.  
2015 to date: Deputy Director General for Corporate Veil, OGK-2.

Ownership (either direct or indirect ownership) of the shares in the Company:

No owned ordinary OGK-2 shares.

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

## Sergey Arturovich Zaytsev

Year of birth: 1970

Education, qualification level:

Higher education, graduated from Moscow Power Engineering Institute (Technical University)

Employer and Job:

Deputy Director General for Production — Chief Engineer, OGK-2.

Membership in the Management Board / Chairmanship of the Management Board / Deputy Chairmanship of the Management Board:

Member of the Board, OGK-2

Job positions, including job positions occupied in other companies, in the last 5 years:

2013 to 2017: Director of JSC Mosenergo branch, CHPP-26, JSC Mosenergo

Ownership (either direct or indirect ownership) of the shares in the Company:

No owned ordinary OGK-2 shares.

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 OGK-2 has family relations with other members of the management bodies and/or bodies that supervise financial and economic activities of the Company.

None of the members of the Management Board of JSC OGK-2 received loans (credits) from the Company.

The Conflict of Interest Committee did not identify any conflicts of interest with the members of the Company's Management Board in 2018.

## Internal Audit Commission

Internal Audit Commission is a collegial body and is elected by the General Meeting of Shareholders to exercise control over financial and economic activities of the Company. The Internal Audit Commission is a collegial body composed of five members. The procedure for operation of the Internal Audit Commission is regulated by the applicable provisions of the Articles of Association of the Company and the Regulation on the Internal Audit Commission.

Members of the Internal Audit Commission			
acting from June 03, 2017 to June 26, 2018 (established by the resolution of the Annual General Meeting of Shareholders, Minutes No. 11 dated June 2, 2017)		acting from June 27, 2018 to the present day (established by the resolution of the Annual General Meeting of Shareholders, Minutes No. 12 dated June 26, 2018)	
Full name	Position	Full name	Position
Margarita Ivanovna Mironova (Chairman)	First Deputy Head of the Management Board Administration – Head of the Department, PJSC Gazprom	Margarita Ivanovna Mironova (Chairman)	First Deputy Head of the Management Board Administration – Head of the Department, PJSC Gazprom
Yuriy Andreyevich Linovitskiy	Head of the Internal Auditing Department of Gazprom Energoholding, LLC under the Internal Audit Project of Gazprom Personnel LLC.	Yuriy Andreyevich Linovitskiy	Head of the Internal Auditing Department of Gazprom Energoholding, LLC under the Internal Audit Project of Gazprom Personnel LLC.
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 Financial Investment and Investor Relations 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 OGK-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, 2018, the Department consisted of 3 persons.

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

- internal audits and sundry audits to improve the performance of the Internal Control System;
- generalization and analysis of actual breaches in the Company's financial and economic activities to handle the aftermath of, and prevent such breaches;
- evaluating the Internal Control System, the Risk Management System, and the corporate governance of the Company to improve their efficiency;
- Drafting proposals to improve the performance of the Internal Control System



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.

## External auditor

The External Auditor is approved by the General Shareholders Meeting of JSC OGK-2 on an annual basis. The auditor is responsible for auditing financial and business performance of the Company according to the legal regulations of the Russian Federation under a relevant agreement signed with the auditor.

The election of independent audit firms has a competitive basis. Participants must meet the following requirements:

- the participant must be a commercial organization that provides audit and audit-related services;
- the participant must be a member of a self-regulating organization of auditors;
- the participant must have an auditor's liability insurance policy;
- the participant must have employees who have been certified to conduct an audit in accordance with the requirements of the applicable laws of the Russian Federation;
- the participant must not be in liquidation or bankruptcy;
- the participant must not have a resolution on suspension of activity issued in respect of the participant according to the procedure established by the applicable provisions of the Administrative Code of the Russian Federation as of the date of filing the application to participate in the request for proposals;
- the participant must not be listed in the register of unfair suppliers;
- the participant must have experience in providing services in the last three years in the field of the audit of accounting (financial) statements of power generating companies compiled in accordance with applicable RAS and IFRS requirements;
- the specialists proposed by the participant to participate in the audit of the IFRS consolidated financial statements must possess internationally recognized qualification (ACCA, ACA, CPA, WP, or CA diplomas);
- the 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 OGK-2 is a public company whose shares are included in the quotation list of the second level of Moscow Exchange).

The election of independent audit firms for 2018 was done through an open request for proposals. The contract for auditing services will be entered into by and between JSC OGK-2 and the winner of the public price inquiry after approval of the winner as the auditor of JSC OGK-2 by the Annual General Meeting of Shareholders of the Company.

The Annual General Meeting of Shareholders, which was held on June 26, 2018 (Minutes No. 12 dated June 26, 2016) appointed Joint Stock Company BDO Unicon the auditor of the financial statements of JSC OGK-2 under RAS and IFRS for 2018<sup>1</sup>.

### Auditor's remuneration for 2018, thousand rubles

Subject matter of contract	Value of services rendered in 2018, VAT included	Value of services paid in 2018, VAT included
Audit services to audit the accounting statements compiled in accordance with the RAS, and the financial statements in accordance with the IFRS, for 2017.	4,334	7,204
Audit services to audit the interim consolidated financial statements (IFRS) for Q1 and Q2 2018, the accounting statements (RAS) for 2018, and the financial statements (IFRS) for 2018.	3,932	3,932
<b>TOTAL</b>	<b>8,266</b>	<b>11,136</b>

<sup>1</sup>Detailed information on the external auditor JSC BDO Unicon is provided in the Annex.

## 6.5. Remuneration and Incentives

### Procedure for Estimating the Remuneration for the Members of the Board of Directors

Members of the Board of Directors of OGK-2 can receive remuneration and/or reimbursement of expenses incurred as a part of their job. Remuneration and compensations for the members of the Company's Board of Directors are set forth in the Articles of Association as well as in the Regulations on the Procedure for Determining Remunerations for the Members of the Board of Directors, as adopted by the Annual General Meeting of Shareholders, Minutes No. 8 dated June 11, 2015).

In accordance with the Regulations, the remuneration of members of the Board of Directors consists of the main and additional components. The main remuneration is paid for participation in each meeting of the Board of Directors in an amount equivalent to four minimum monthly tariff rates of a first category worker set by the industry-specific tariff agreement in electric energy sector of the Russian Federation. 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 minimum monthly tariff rate of the first category established by the branch tariff agreement amounted to 7,194 rubles in the first half of 2016 and to 7,432 rubles in the second half of 2016. The additional remuneration component is paid to the members of the Board of Directors based on the results of the fiscal year in case of receipt of net profit by the Company. The total amount of the additional remuneration element as a result of the Company's activities may not exceed 5 % of the net profit of the Company. The decision to pay additional remuneration to the members of the Board of Directors is adopted by the General Meeting of Shareholders of the Company. The additional remuneration component will not be paid to the members of the Board of Directors who participated in less than half the meetings held by the Board of Directors (from the date of appointment until the date of termination of powers). The additional remuneration component will be paid within one month after the date of the relevant General Meeting of Shareholders of the Company.

### Remuneration of the members of the Board of Directors for 2018

Remuneration Elements	thousand rubles
thousand rubles Main remuneration component (for participation in meetings)	2,889
Additional remuneration (as shares in the Company)	24,510
<b>Total</b>	<b>27,399</b>

### Directors' Transactions Involving the Company's Shares in 2018

- receipt of shares in JSC OGK-2 by members of the Company's Board of Directors (ordinary registered uncertificated shares, GRN 1-02-65105-D dated April 19, 2007) as additional remuneration according to the decision of the annual General Meeting of Shareholders of JSC OGK-2 dated June 26, 2018 (Minutes No. 12 dated June 26, 2018):

Full name of a Board of Directors member	Transaction date	Number of received shares
Denis Vladimirovich Fedorov	August 14, 2018	6,694,957
Denis Viktorovich Kulikov	September 19, 2018	6,694,957
Yevgeniy Nikolaevich Zemlyanoy	August 31, 2018	6,694,957
Roman Eduardovich Abdullin	September 11, 2018	6,694,957
Irina Yurievna Korobkina	August 15, 2018	6,694,957
Aleksandr Vladimirovich Rogov	August 14, 2018	6,694,957
Yuriy Yefimovich Dolin	September 6, 2018	6,694,957
Stanislav Anatolievich Ananyev	August 22, 2018	6,694,957
Pavel Olegovich Shatskiy	August 29, 2018	6,694,957
Aleksandr Viktorovich Shevchuk	August 22, 2018	6,694,957

<sup>1</sup>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 7,772 rubles in the first half of 2018, and 7,935 in the second half.

<sup>2</sup>The amount paid based on the results of the fiscal year 2017.

Full name of a Board of Directors member	Transaction date	Number of received shares
Denis Viktorovich Kulikov	April 4, 2018	14,300,000*
Aleksandr Vladimirovich Rogov	January 16, 2018	2,700,000*
	January 17, 2018	9,100,000*
	December 10, 2018	3,800,000*
Aleksandr Viktorovich Shevchuk	April 25, 2018	3,588,000*

\* Deal type: sale of shares

### Remuneration of the members of the Management Board

The payment system for the members of the Management Board of OGK-2 is determined by applicable provisions of employment contracts as well as the Regulations On Remuneration and Motivation of Top Managers approved by the Board of Directors on June 10, 2015 (Minutes No. 127 dated June 10, 2015). These Regulations establish a system of bonuses based on the results of the key performance indicators (KPIs) for the reporting periods (quarter and year). Quarterly and annual KPIs, their values, method of calculation, and the procedure for calculating the amount of the premium must be approved by the Board of Directors.

The amount of the quarterly bonus constitutes up to 50% of the salary subject to compliance with established KPI values. The amount of the annual bonus constitutes up to six salaries subject to compliance with established KPI values. In addition, the Regulations on remuneration and motivation of top managers provide for the following one-off bonus payment types:

- bonuses for the performance of a particular indicator established by the Board of Directors (special bonuses);
- bonuses for the performance of critical tasks;
- bonuses in the event of awarding senior management with government, industry, and corporate awards.

### Remuneration of the members of the Management Board (including the Chairman) for 2018

Remuneration Elements	thousand rubles
Remuneration for involvement with a governance body	2,883
Salary	26,374
Bonuses	23,513
Commissions	0
Other types of remuneration	11,571
<b>Total</b>	<b>64,341</b>

### Remuneration of the Director General<sup>2</sup>

Remuneration of the Director General of JSC OGK-2 is determined in compliance with the concluded employment contract and applicable provisions of the Regulations On Remuneration and Motivation of Top Managers approved by the Board of Directors of JSC OGK-2 on June 10, 2015 (Minutes No. 127 dated June 10, 2015). The Director General's remuneration

includes a base salary and a performance bonus based on the performance of quarterly and annual key performance indicators (KPIs) established by the Board of Directors of the Company and in the event of performance of critical objectives of the Board of Directors and awarding the Director General with state and industry awards.

### Remuneration for the Managing Organization

Remuneration for the managing organization is defined in the Agreement to Transfer the Powers of the Company's Sole Executive Body to the Managing Organization; in 2018, it totaled 39,530,205 rubles per quarter, VAT included.

<sup>1</sup>The Management Board was a collegial executive body managing the Company's current businesses until June 26, 2018, when the Board of Directors decided to terminate the Management Board's powers, see Minutes No. 195. Pursuant to the revised Articles of Association approved by the Annual General Meeting of Shareholders on June 26, 2018 and registered with the Interdistrict Inspectorate No. 11 of the Federal Tax Service in Stavropol Krai on August 16, 2018, the Company no longer has a collegial executive body.

<sup>2</sup>Prior to July 4, 2018 S.A. Ananyev acted as the Sole Executive Body, the Director General. By the OGK-2 AGMS Resolution dated June 26, 2018 the powers of the Sole Executive Body (SEB) were transferred to the managing organization, Gazprom energoholding LLC (197198 St. Petersburg, 16 Dobrolyubov ave., Bld. 2, Lit. A, office 11, TIN 7703323030, PSRN 1037739465004).

## Compensations, thousand rubles

Name of the governance body	2018
Board of Directors	14
Managing organization	0
Management Board	0

## Remuneration of the Members of the Internal Audit Commission

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 Commission, the members of the Internal Audit Commission 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 Commission 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. Chairman of the Internal Audit Commission will be paid remuneration in the amount of 150%. In 2018, members of the Internal Audit Commission received remunerations in the amount of 930 thousand rubles.



••• Surgutskaya GRES-1

## 6.6. Conflict of Interest Prevention and Settlement Policy

OGK-2 has the following measures in place to identify and prevent conflicts of interest:

- 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;<sup>1</sup>
- a Committee for Conflicts of Interest established in its current membership by Order No. 272 dated June 27, 2018 pursuant to the Regulations on the Committee for Conflicts of Interest as approved by

Order No. 1307 dated December 3, 2014. 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 OGK-2, as approved by the Order No. 926 dated September 22, 2014;

- to prevent any conflict of interest, every candidate seeking employment with the Company, the Company's employees and their close relatives are thoroughly checked in accordance with the effective law on personal data protection.

### Committee for Conflicts of Interest

The Committee for Conflicts of Interest consists of 5 persons. The Committee is chaired by Igor Yurievich Podkin, OGK-2 Deputy Director General for Corporate Veil. 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 2018, the Committee held 16 meetings and discussed 39 matters.

Mostly, the matters considered in 2018 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 counterparties or refusal to disclose such information. No conflicts of interest on the part of the Board of Directors or executive bodies were identified.

## 6.7. Anticorruption Policy

OGK-2 implements measures to curb corruption in strict compliance with the applicable laws of the Russian Federation, in particular:

- Federal Law No. 273-FZ dated December 25, 2008 On Combating Corruption;
- Decree of the President of the Russian Federation No. 309 dated April 4, 2013 On the Implementation of Individual Provisions of the Federal Law On Combating Corruption;
- order of the Chairman of the Government of the Russian Federation No. VP-P13-9308 dated December 28, 2011;
- 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.

# 7 SHAREHOLDER VALUE GENERATION

**BB+**

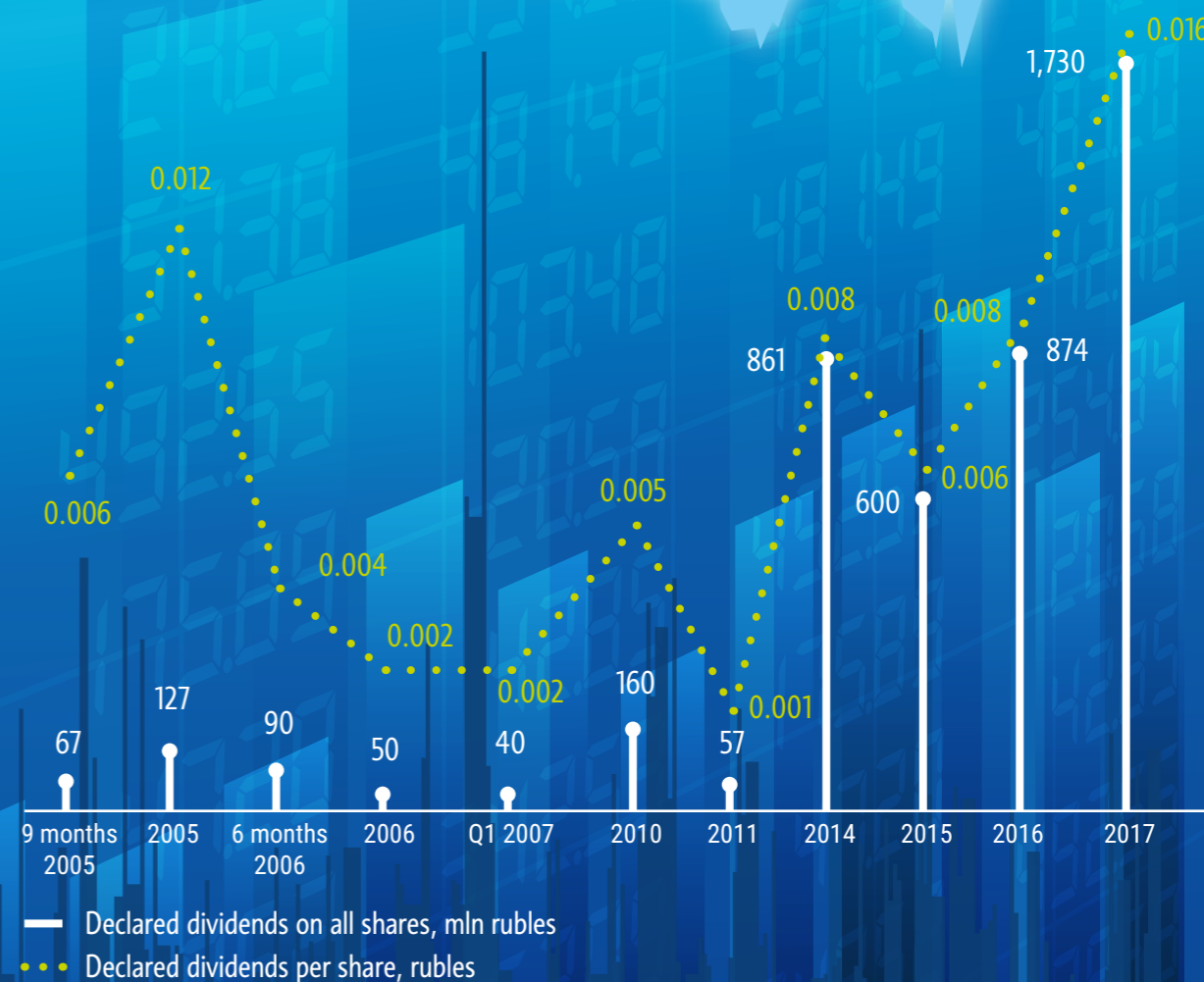
Stable outlook

Rating of OGK-2  
by Fitch Ratings

**34.83** bln rubles  
market capitalization for  
December 31, 2018

**3.8** %  
Dividend yield

## Dividend history



## Shareholder Value Generation

As a participant of the securities market whose securities are listed on the Russian trading floors (Public Joint Stock Company Moscow Stock Exchange) that recognizes the need to build relationship with securities market participants, shareholders, and other stakeholders, OGK-2 is committed to the principle of information transparency and openness. To this end, the Company regularly and fully informs all the stakeholders about its activities.

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 3, 2009 No. 3).

When disclosing information to its shareholders, investors, and other stakeholders, OGK-2 is guided by the following principles:



Regularity and Efficiency



Completeness and reliability of disclosed information



Accessibility of Information



Maintenance of a reasonable balance between the Company's transparency and serving its commercial interests

### Authorized Capital and Shareholder Structure

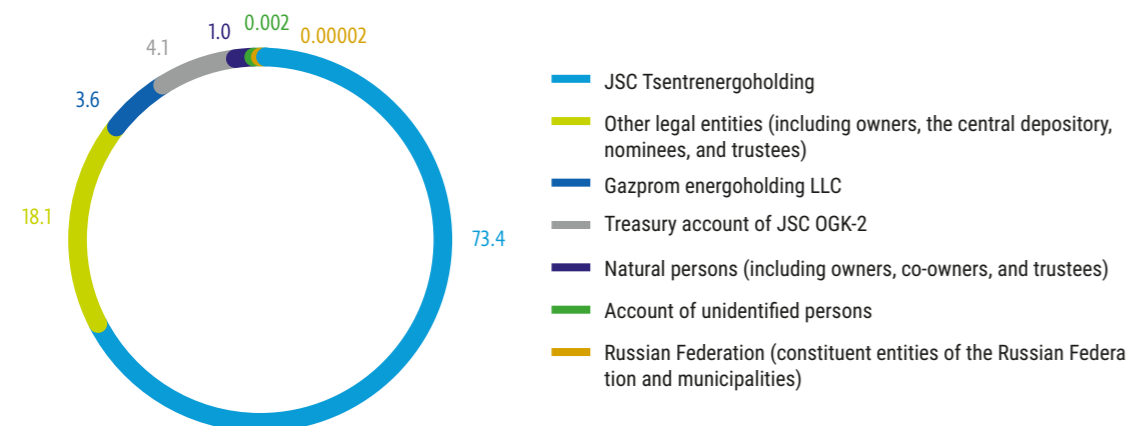
The authorized capital of the Company as at December 31, 2018 amounted to 40,057,009,047.549 rubles divided into 110,441,160,870 ordinary registered shares with a par value of 0.3627 ruble each. The Company did not issue preferred shares.

As at December 31, 2018, the register of shareholders of JSC OGK-2 contained 307,147 persons, comprising 306,398 natural persons, 729 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 0.000018% of the shares in OGK-2.

JSC Tsentrenergoholding is the only legal entity keeping over 5% of OGK-2 shares on its accounts as of December 31, 2018 (73.42% share in the authorized capital). 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, 2018)



<sup>1</sup>Controlled by Gazprom Energoholding LLC (99.591%, direct control) and PJSC Gazprom (indirect control).

<sup>2</sup>The share of JSC Tsentrenergoholding in the authorized capital of 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, 2018 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.

The total share of beneficial ownership of Gazprom Group companies in JSC OGK-2 is 80.3%. In 2018, 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

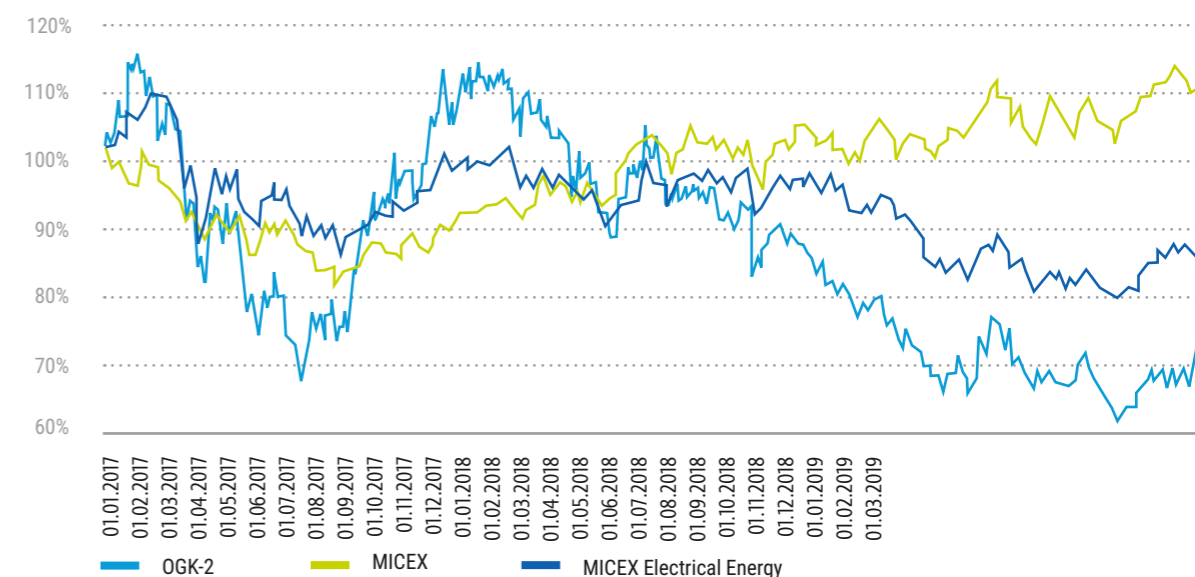
Shares in JSC OGK-2 are traded on the main trading floor of the Russian stock market (Public Joint Stock Company Moscow Exchange MICEX-RTS). OGK-2 shares have been traded since July 2006 at the stock exchanges of CJSC MICEX Stock Exchange and JSC

RTS. November 6, 2009 the Company's shares were included in the first-level A quotation list at MICEX. On May 28, 2013 the Company's shares were transferred from 1st Level Quotation List A to Quotation List B. June 6, 2014, the Company's shares were moved to the second level due to a listing reform.

The shares in JSC OGK-2 were included in the calculation base of the branch index of shares in energy companies MICEX PWR (RTSeu: the currency value) with the share weight of 3.74%, as well as in the calculation base of the index of wide market shares (MICEX BMI) with the share weight of 0.09%, and shares in the companies of small and medium capitalization (MCXSM) with a share weight of 1.42%

No.	Registered Issues of Shares OGK-2	Issue Registration Date	State identification number	Number of Ordinary Shares per Issue	Par Value, rubles
1.	Main issue	May 11, 2005	1-01-65105-D	10,769,803,935	1.0
2.	First issue	March 21, 2006	1-01-65105-D-001D	14,547,265,563	1.0
3.	Second issue	August 31, 2006	1-01-65105-D-002D	44,857,010	1.0
4.	Third issue	August 31, 2006	1-01-65105-D-003D	88,257,396	1.0
5.	Forth issue	August 31, 2006	1-01-65105-D-004D	621,543,725	1.0
6.	Fifth issue	August 31, 2006	1-01-65105-D-005D	409,168,128	1.0
7.	Sixth issue	August 31, 2006	1-01-65105-D-006D	61	1.0
8.	Main issue (after conversion)	April 19, 2007	1-02-65105D	26,480,895,818	0.3627
9.	First issue	August 7, 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
<b>The total number of outstanding shares</b>				<b>110,441,160,870</b>	<b>0.3627</b>

### Dynamics of quotations of ordinary shares of JSC OGK-2 as well as MICEX and MICEX Electrical Energy indices for 2017-2018.



In 2017, the market price per share in JSC OGK-2, according to Bloomberg, dropped by 29.09% from RUB 0.4466 (closure price as of December 29, 2017) to RUB 0.3167 (closure price as of December 29, 2018).

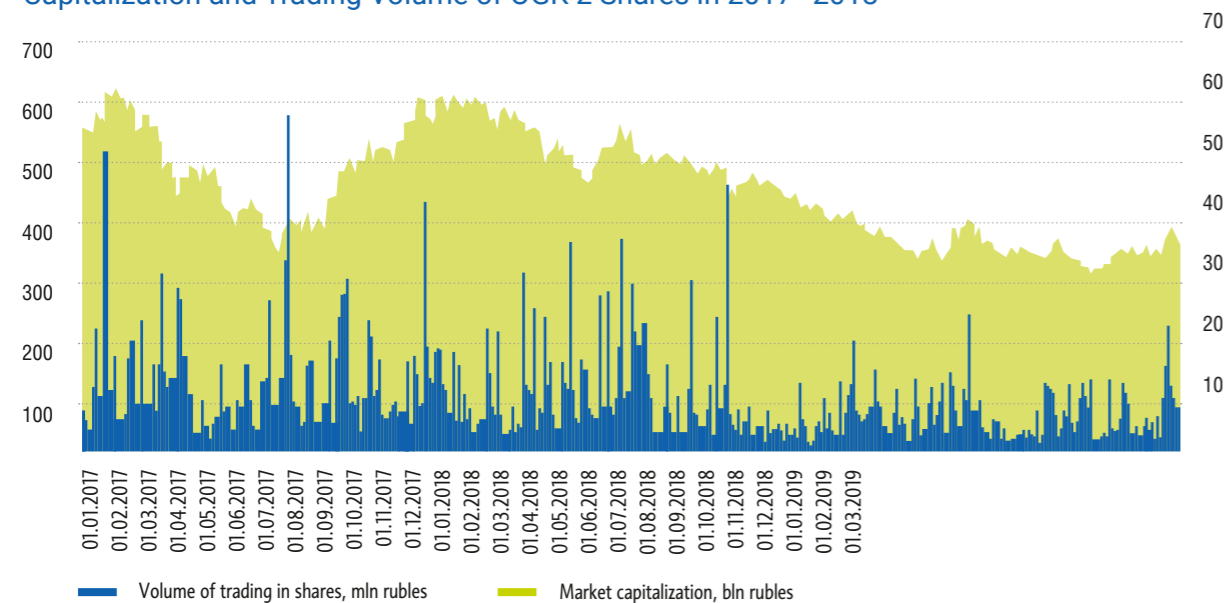
Over the year, the MICEX index dropped by 12.30% from 2,109.74 points as of December 29, 2017 to 2,369 points as of December 29, 2018. The MICEX-Energy index dropped by 11.42% from 1,816.30 points as of December 29, 2017 to 1,608.85 points as of December 29, 2018.

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

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.

The Company's free-float coefficient calculated by the MICEX-approved method (Minutes No. 12 dated March 16, 2018) is 23%.

### Capitalization and Trading Volume of OGK-2 Shares in 2017–2018



### Depository Receipts

Part of the OGK-2 shares is traded outside the Russian Federation in compliance with the applicable foreign laws on securities of foreign issuers that certify their rights in respect of such shares.

The program for global depository receipts (GDRs) for the shares of JSC OGK-2 was launched in October 2007. This program was opened under the Regulation S and the Rule 144A. Each depository receipt certifies

the right against 100 ordinary registered shares in the Company. Opening the program was initiated in order to ensure the rights of holders of 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.

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 2018 dropped to 132,969 shares as at December 31, 2018 (0.012% of the authorized capital). 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, 2018 OGK-2 had three bonded loans in circulation:

Loan	Date of placement	Maturity date	Coupon Rate	Yield
1P-3R	April 2, 2018	March 31, 2023*	6.95%	6.95%
B1P1R	November 18, 2015	November 17, 2020	6.95%	6,95% to 11,50%
B1P2R	November 18, 2015	November 17, 2020	6.95%	6,95% to 11,50%

\*Expected maturity date Clause 9.5.1 of the Terms and Conditions of OGK-2 Stock Exchange Bond Issuance enumerates the cases when early repayment of bonds is possible upon the holder's request.

### Credit ratings <sup>1</sup>

February 2, 2018 Fitch Ratings raised:

- the long-term local- and foreign-currency IDR ratings of OGK-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"> <li>long-term foreign- and local-currency IDR ratings of the Issuer;</li> <li>senior unsecured local-currency rating</li> </ul>	BB+, Stable outlook	Fitch Ratings CIS Ltd.*	<a href="https://www.fitchratings.com/site/pr/10019058">https://www.fitchratings.com/site/pr/10019058</a>

## Dividends

The Dividend Policy of OGK-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 OGK-2 when drafting recommendations to the General Meeting of Shareholders of the Company for decision-making on profit distribution options, including dividend payments.

The Articles of Association of OGK-2 specify that the Company may adopt decisions (declare) the payment of dividends on outstanding shares, unless otherwise provided for in Federal Law "On Joint Stock Companies", in the first quarter, six months, or nine months of the fiscal year and/or based on the performance in the financial year.

In order to make decisions about payment of dividends, the Board of Directors of OGK-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 compliance with the Dividend Policy of JSC OGK-2, the amount of dividends is calculated based on the Company's net profit as reflected in the annual financial statements produced in accordance with the requirements of the applicable laws of the Russian Federation. The following principles are observed when calculating the amount of dividends:

- transparency of the mechanism for defining the amount of dividend payment;
- balance between short-term (immediate income) and long-term (Company development) shareholder interests;
- focus on increasing the Company's investment appeal and market capitalization.



In August 2017, the Board of Directors of OGK-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.

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.

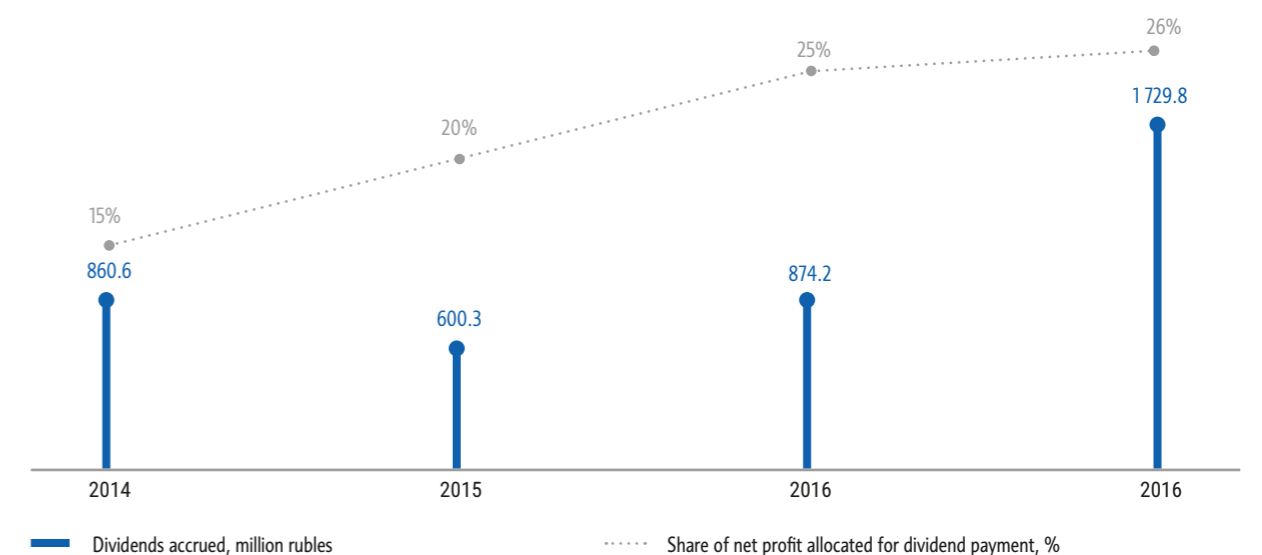
In compliance with the Articles of Association of the Company, the person/entity that has not received the declared dividends in connection with the fact that the Company or the Registrar does not have accurate and appropriate information about addresses or bank details or in connection with a delay 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 OGK-2

For the period	AGMS resolution adoption date	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
2017	February 26, 2018	1,729,820	0.016319020075

## Information on the payment of accrued dividends for 2013–2017:

Indicator	2013	2014	2015	2016	2017
Dividends per ordinary share, rub.	During the specified period, the Issuer made no decision to pay dividends.				
Dividends accrued, thousand rubles	860,561.7	600,345.6	874,173.7	1,729,820	
Share of net profit allocated for dividend payment, % <sup>1*</sup>	14.99	20.00	25.00	26.00	
Dividends paid, thousand rubles	857,302.6	597,688.9	870,187.4	1,724,412.86	



<sup>1</sup>Share of declared dividends in the net profit for the reporting year, %



## Auditor's details

Full brand name	Joint Stock Company BDO Unicon
Abbreviated brand name	JSC BDO Unicon
Location	117587 Moscow, 125 Varshavskoye Shosse, Bld. 1, Section 11
TIN	7716021332
OGRN	1037739271701
Phone:	(495) 797-5665
Fax	(495) 797-5660
Email address	reception@bdo.ru
Website	<a href="http://www.bdo.ru">www.bdo.ru</a>
Auditor's membership in self-regulated auditor organizations	Russian Union of Auditors (Association), ORNZ 11603059593

## Registrar's details

Full brand name	Joint Stock Company Specialized Registrar, Holder of Gas Industry Shareholder Registers
Abbreviated brand name	JSC DRAGA
Location	Russian Federation, 117420 Moscow, 71/32 Novocherkassushkinskaya ul.
Postal address	Russian Federation, 117420 Moscow, 71/32 Novocherkassushkinskaya ul.
Phone:	(495) 719-40-44, fax: (495) 719-45-85, (495) 719-81-66
E-mail	info@draga.ru
Website	<a href="http://www.draga.ru">www.draga.ru</a>

## Contact details

## Company's details

Full brand name	Public Joint Stock Company Second Generating Company of the Wholesale Electricity Market
Abbreviated brand name	JSC OGC-2
Legal address	356126 Russian Federation, Stavropol Krai, Izobilnensky District, Solnechnodolsk
Postal address	196140 St. Petersburg, 66 Petersburgskoye Shosse, Bld. 1, Lit. A
Phone:	(812) 646-13-64
E-mail	office@ogk2.ru
	09.03.2005
State registration date	March 9, 2005
State registration authority	Inspectorate of the FTS of Russia in the Izobilnensky District, Stavropol Krai
TIN	2607018122
OGRN	1052600002180
KPP	997650001, 260701001
codes:	OKVED 35.11.1, OKPO 76851389
Settlement account	No.40702810750010004720
Bank	Central Branch of Rossiya Bank
BIC	044525220
Correspondent account	No. 30101 810 4 5250 000220
Managing Director	Artyom Viktorovich Semikolenov
Chief Accountant	Larisa Vladimirovna Klishch

## Contact persons for shareholders and investors

**Yelena Yegorova**

(Deputy Head of Office – Head of Department of Corporate and Property Relations, Office for Corporate and Legal Work)

Phone/Fax: (812) 646-13-64, e-mail: EgorovaEN@ogk2.ru

**Natalya Grizel** (Head of Projects, Department of Corporate and Property Relations, Office for Corporate and Legal Work):

Phone/Fax: (812) 646-13-64, e-mail: Grizel.Natalya@ogk2.ru

## Contacts for Media

**Alevtina Tolstykh** (Head of the PR and Authorities Department)

Phone: (812) 646-13-64, email: Tolai@ogk.ru

**Vadim Tikhonov** (Press Secretary)

Phone: (812) 646-13-97, email: Tikhonov.Vadim@ogk.ru

# 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 J JSC "OGK-2" for 2018, which is posted on the official website of the Company ([www.ogk2.ru](http://www.ogk2.ru)).

## INFORMATION ON MAJOR TRANSACTIONS AND RELATED PARTY TRANSACTIONS OF JSC "OGK-2" IN 2018

Information on major transactions is provided in full in the electronic version of the Annual Report of JSC "OGK-2" for 2018, which is posted on the official website of the Company ([www.ogk2.ru](http://www.ogk2.ru)).

## INFORMATION ON RELATED PARTY TRANSACTIONS OF JSC "OGK-2" IN 2018

Information on related-party transactions is provided in full in the electronic version of the Annual Report of JSC "OGK-2" for 2018, which is posted on the official website of the Company ([www.ogk2.ru](http://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 2018, which is posted on the official website of the Company ([www.ogk2.ru](http://www.ogk2.ru)).

## 1. Additional Statistical Data

### Information about the stations

#### Information about the stations as of 31.12.2018

Station	Stated Electric Power, MWth	Stated Heat Power (including water heating units), Gcal/hr	Geographical Location	Main / Backup fuel / startup fuel
Surgutskaya GRES-1	3,333	903	Ural UPS	Gas / gas / -
Ryazanskaya GRES	3,130	212.5	Center UPS	Gas, coal / / gas, fuel oil
Kirishskaya GRES	2,595	1,234	Northwest UPS	Gas / fuel oil / -
Stavropolskaya GRES	2,423	145	South UPS	Gas / Fuel Oil / -
Novocherkasskaya GRES	2,258	60	South UPS	Coal / gas / gas, fuel oil
Troitskaya GRES	1,315	210	Ural UPS	Coal / - / Fuel oil
Krasnoyarskaya GRES-2	1,260	976	Siberia UPS	Coal / - / fuel oil
Cherepovetskaya GRES	1,080	39	Center UPS	Gas / Coal / fuel oil
Serovskaya GRES	451	0	Ural UPS	Gas / - / -
Pskovskaya GRES	440	91	Northwest UPS	Gas / gas / -
Adlerskaya TPP	367	62.98	South UPS	Gas / gas / -
Total:	18,652	3,933.48		
<b>Bcero:</b>	<b>18 828</b>	<b>3 933,48</b>		

#### Surgutskaya GRES-

Surgutskaya GRES-1 is situated in the city of Surgut of the Tyumen Region and is a member of Ural UPS. Surgutskaya GRES-1 is one of the biggest power stations according to the stated index of electrical power on the territory of Russian Federation.

Key Indicators	2018
Electricity output, ml. kWh	18,641.880
Net electricity supply, ml. kWh	17,570.051
Heat supply, th. Gcal	1,866.014
Productive heat supply for customers, th. Gcal	1,848.057
CUF, %	64.9

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	100.00	218,652 ml. m3	5,030.886 ml. m3
Coal	-	-	-
Fuel Oil	-	-	-
Gasoil	-	-	-

**Ryazanskaya GRES**

Ryazanskaya GRES is situated in the city of Novomichurinsk of the Ryazan Region. Ryazanskaya GRES is the member of top five biggest Russian power stations according to the stated power level.

Key Indicators	2018
Electricity output, ml. kWh	1,753.225
Net electricity supply, ml. kWh	1,525.831
Heat supply, th. Gcal	239.249
Productive heat supply for customers, th. Gcal	142.168
CUF, %	6.4

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	29.03	6,468 ml. m3	160,626 ml. m3
Coal	70.96	70,982 th.tnt	843,204 th.tnt
Fuel Oil	0.01	0,001 th.tnt	0,067 th.tnt
Gasoil	-	-	-

**Kirishskaya GRES**

Kirishskaya GRES is situated in the city of Kirishi of the Leningrad Region.

Key Indicators	2018
Electricity output, ml. kWh	5,818.543
Net electricity supply, ml. kWh	5,524.077
Heat supply, th. Gcal	2,919.140
Productive heat supply for customers, th. Gcal	2,889.241
CUF, %	25.6

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	99.99	361,154 ml. m3	1,314,647 ml. m3
Coal	-	-	-
Fuel Oil	0.01	0,042 th.tnt	0,132 th.tnt
Gasoil	-	-	-

**Stavropolskaya GRES**

Stavropolskaya GRES is situated in the settlement of Solnechnodolsk of the Stavropol Territory.

Key Indicators	2018
Electricity output, ml. kWh	8,667.414
Net electricity supply, ml. kWh	8,301.129
Heat supply, th. Gcal	67.137
Productive heat supply for customers, th. Gcal	53.249
CUF, %	40.8

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	99.41	9,905 ml. m3	2,424,994 ml. m3
Coal	-	-	-
Fuel Oil	0.59	0,030 th.tnt	12.397 th.tnt
Gasoil	-	-	-

**Novocherkasskaya GRES**

Novocherkasskaya GRES is situated in the city of Novocherkassk of the Rostov Region.

Key Indicators	2018
Electricity output, ml. kWh	9,660.080
Net electricity supply, ml. kWh	8,917.700
Heat supply, th. Gcal	79.493
Productive heat supply for customers, th. Gcal	54.645
CUF, %	48.8

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	30.34	4,301 ml. m3	916,773 ml. m3
Coal	69.63	13,935 th.tnt	3,450.851 th.tnt
Fuel Oil	0.03	0,004 th.tnt	0.827 th.tnt
Gasoil	-	-	-

**Troitskaya GRES**

Troitskaya GRES is situated in the city of Troitsk of the Chelyabinsk Region.

Key Indicators	2018
Electricity output, ml. kWh	1, 429.332
Net electricity supply, ml. kWh	1, 130.029
Heat supply, th. Gcal	351.372
Productive heat supply for customers, th. Gcal	305.710
CUF, %	12.1

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	-	-	-
Coal	98.05	110, 434 th.tnt	948, 787 th.tnt
Fuel Oil	1.95	0.993 th.tnt	8, 273 th.tnt
Gasoil	-	-	-

**Krasnoyarskaya GRES-2**

Krasnoyarskaya GRES-2 is situated in the city of Zelenogorsk of the Krasnoyarsk Region

Key Indicators	2018
Electricity output, ml. kWh	4, 398.455
Net electricity supply, ml. kWh	3, 938.755
Heat supply, th. Gcal	1, 049.915
Productive heat supply for customers, th. Gcal	1, 027.740
CUF, %	39.8

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	-	-	-
Coal	99.74	310, 601 th.tnt	2, 842, 192 th.tnt
Fuel Oil	0.26	0, 392 th.tnt	3, 002 th.tnt
Gasoil	-	-	-

**Cherepovetskaya GRES**

Cherepovetskaya GRES is situated in the settlement of Kaduy of the Vologda Region.

Key Indicators	2018
Electricity output, ml. kWh	3, 118.903
Net electricity supply, ml. kWh	2, 936.682
Productive heat supply for customers, th. Gcal	122.961
Customers productive heat supply, th. Gcal	97.174
CUF, %	33.2

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	92.33	23, 596 ml. m <sup>3</sup>	564, 725 ml. m <sup>3</sup>
Coal	7.62	29, 356 th.tnt	80, 216 th.tnt
Fuel Oil	0.04	0, 077 th.tnt	0.218 th.tnt
Gasoil	0.01	-	0.061 th.tnt

**Serovskaya GRES**

Serovskaya GRES is situated in the city of Serov of the Sverdlovsk Region.

Key Indicators	2018
Electricity output, ml. kWh	2, 810.713
Net electricity supply, ml. kWh	2, 653.772
Heat supply, th. Gcal	78.827
Productive heat supply for customers, th. Gcal	69.021
CUF, %	75.5

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	99.976	28, 102 ml. m <sup>3</sup>	525, 628 ml. m <sup>3</sup>
Coal	-	-	-
Fuel Oil	0.017	0.033 th.tnt	-
Gasoil	0.007	-	0.073 th.tnt

**Pskovskaya GRES**

Pskovskaya GRES is situated in the settlement of Dedovichi of the Pskov Region (Northwest UPS).

Key Indicators	2018
Electricity output, ml. kWh	149,256
Net electricity supply, ml. kWh	102,747
Heat supply, th. Gcal	59,712
Productive heat supply for customers, th. Gcal	39,872
CUF, %	3.9

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	100	9,859 ml. m3	43,133 ml. m3
Coal	-	-	-
Fuel Oil	-	-	-
Gasoil	-	-	-

**Adlerskaya TPP**

Adlerskaya TPP is the contemporary combined heat and power plant that consists of two nuclear reactors PGU-180. It is situated in the city of Sochi of the Krasnodar Region.

Key Indicators	2018
Electricity output, ml. kWh	2,471.639
Net electricity supply, ml. kWh	2,348.766
Heat supply, th. Gcal	173,366
Productive heat supply for customers, th. Gcal	175,196
CUF, %	77.0

Fuel balance and fuel consumption in 2018			
Type of fuel	Fuel Balance, %	Fuel consumption for the heat production	Fuel consumption for the electricity production
Gas	99,997	18,611 ml. m3	518,723 ml.m3
Coal	-	-	-
Fuel Oil	-	-	-
Gasoil	0.003	0.0005 th.tnt	0.012 th.tnt

**Groznenskaya TPP**

Groznenskaya TPP is the twelfth branch of OGK-2, situated in the city of Grozny of the Chechen Republic. It consists of two gas turbines produced by Siemens: GTU-1 (stated electric power is 176 MWth) and GTU-2 (stated target power of 173.4 MWth). Since 2.01.2019 the supply of electric energy and power to the wholesale market using GTU-1 began. Planned date for the start of supplying electric energy and power in relation to GTU-2 is 8.01.2019

**Production results**

Electricity Output dynamics 2016-2018 ml.kWh.

Indicators, branch	2016	2017	2018	Change
<b>Net electricity supply (ml. kWh)</b>				
Surgutskaya GRES-1	19,432	19,229	17,570	-8.6
Ryazanskaya GRES	4,404	2,731	1,526	-44.1
Kirishskaya GRES	5,050	3,239	5,524	70.6
Stavropolskaya GRES	9,520	9,928	8,301	-16.4
Troitskaya GRES	1,996	1,380	1,130	-18.1
Novocherkasskaya GRES	8,645	10,071	8,918	-11.4
Krasnoyarsk GRES-2	4,287	4,702	3,939	-16.2
Cherepovetskaya GRES	4,528	2,640	2,937	11.3
Serovskaya GRES	2,929	2,792	2,654	-5.0
Pskovskaya GRES	277	701	103	-85.4
Adlerskaya TPP	1,959	1,840	2,349	27.7
<b>OGK-2</b>	<b>63,027</b>	<b>59,252</b>	<b>54,950</b>	<b>-7.3</b>
<b>Electricity output, ml. kWh</b>				
Surgutskaya GRES-1	20,412	20,262	18,642	-8.0
Ryazanskaya GRES	4,779	3,034	1,753	-42.2
Kirishskaya GRES	5,333	3,511	5,819	65.7
Stavropolskaya GRES	9,910	10,334	8,667	-16.1
Troitskaya GRES	2,178	1,678	1,429	-14.8
Novocherkasskaya GRES	9,350	10,887	9,660	-11.3
Krasnoyarsk GRES-2	4,758	5,202	4,398	-15.5
Cherepovetskaya GRES	4,806	2,814	3,119	10.8
Serovskaya GRES	3,158	2,990	2,811	-6.0
Pskovskaya GRES	334	775	149	-80.7
Adlerskaya TPP	2,068	1,944	2,472	27.1
<b>OGK-2</b>	<b>67,086</b>	<b>63,433</b>	<b>58,919</b>	<b>-7.1</b>

## Heat Supply

Indicators, branch	2016	2017	2018	Change 2018/2017,%
<b>Net Heat Supply (th.Gcal)</b>				
Surgutskaya GRES-1	1,628.6	1,720.1	1,848.1	7.4
Ryazanskaya GRES	155.2	148.4	142.2	-4.2
Kirishskaya GRES	2,797.0	2,707.1	2,889.2	6.7
Stavropolskaya GRES	59.5	52.8	53.2	0.8
Troitskaya GRES	348.9	346.6	305.7	-11.8
Novocherkasskaya GRES	56.5	53.9	54.7	2.4
Krasnoyarsk GRES-2	1,000.8	927.7	1,027.7	10.8
Cherepovetskaya GRES	97.0	98.7	97.2	-1.6
Serovskaya GRES	72.9	71.4	69.0	-3.3
Pskovskaya GRES	45.7	41.7	39.9	-4.4
Adlerskaya TPP	175.6	183.8	175.2	-5.9
<b>OGK-2</b>	<b>6,437.8</b>	<b>6,352.3</b>	<b>6,702.1</b>	<b>5.5</b>
<b>Collectors Heat Supply (th.Gcal)</b>				
Surgutskaya GRES-1	1,645.8	1,734.6	1,866.0	7.6
Ryazanskaya GRES	249.0	237.3	239.2	0.8
Kirishskaya GRES	2,831.1	2,747.4	2,919.1	6.3
Stavropolskaya GRES	73.5	66.7	67.1	0.7
Troitskaya GRES	540.1	504.2	351.4	-30.3
Novocherkasskaya GRES	78.6	74.9	79.5	6.1
Krasnoyarsk GRES-2	1,046.1	947.7	1,049.9	10.8
Cherepovetskaya GRES	111.3	120.2	123.0	2.3
Serovskaya GRES	86.3	85.0	78.8	-7.3
Pskovskaya GRES	59.9	57.1	59.7	4.6
Adlerskaya TPP	175.8	184.3	173.4	-5.9
<b>OGK-2</b>	<b>6,897.5</b>	<b>6,759.4</b>	<b>7,007.2</b>	<b>3.7</b>

## Plant Capacity Factor

Indicators, branch	2016	2017	2018	Change 2018/2017,%
<b>CUF, %</b>				
Surgutskaya GRES-1	71.1	70.8	64.9	-5.9
Ryazanskaya GRES	17.4	11.1	6.4	-4.7
Kirishskaya GRES	23.4	15.4	25.6	10.2
Stavropolskaya GRES	46.7	48.7	40.8	-7.9
Troitskaya GRES	19.0	13.7	12.1	-1.6
Novocherkasskaya GRES	50.8	55.3	48.8	-6.5
Krasnoyarsk GRES-2	43.2	47.2	39.8	-7.4
Cherepovetskaya GRES	52.0	30.6	33.2	2.6
Serovskaya GRES	44.5	42.2	75.5	33.3
Pskovskaya GRES	8.6	20.1	3.9	-16.2
Adlerskaya TPP	65.4	61.2	77.0	15.8
<b>OGK-2</b>	<b>40.8</b>	<b>38.1</b>	<b>36.2</b>	<b>-1.6</b>

## Specific Fuel Equivalent Consumption (SFEC) for electricity and heat supply

Indicator	2016	2017	2018	Change 2018/2017,%
<b>SFEC for electricity supply (g/kWh)</b>	<b>336.1</b>	<b>340.3</b>	<b>331.6</b>	<b>-2.6</b>
Surgutskaya GRES-1	328.5	324.3	326.1	0.6
Ryazanskaya GRES	380.6	396.0	394.2	-0.5
Kirishskaya GRES	271.0	308.7	274.6	-11.1
Stavropolskaya GRES	333.0	335.9	339.9	1.2
Troitskaya GRES	442.2	475.1	472.0	-0.6
Novocherkasskaya GRES	382.7	386.8	392.1	1.4
Krasnoyarsk GRES-2	394.8	393.3	398.4	1.3
Cherepovetskaya GRES	283.2	246.3	233.7	-5.1
Serovskaya GRES	278.9	258.2	229.7	-11.0
Pskovskaya GRES	350.3	349.9	360.0	2.9
Adlerskaya TPP	261.8	266.3	256.3	-3.8
<b>SFEC for heat supply (kg/GCal)</b>	<b>152.5</b>	<b>156.1</b>	<b>152.9</b>	<b>-2.1</b>
Surgutskaya GRES-1	135.5	137.1	134.6	-1.8
Ryazanskaya GRES	185.1	188.8	187.3	-0.8
Kirishskaya GRES	145.1	146.6	143.2	-2.3
Stavropolskaya GRES	172.1	172.7	172.6	-0.1
Troitskaya GRES	167.2	167.8	172.6	2.8
Novocherkasskaya GRES	185.8	185.6	185.7	0.0
Krasnoyarsk GRES-2	171.9	171.6	164.9	-3.9
Cherepovetskaya GRES	200.7	348.5	345.5	-0.9
Serovskaya GRES	205.5	239.9	270.8	12.9
Pskovskaya GRES	208.4	197.8	191.3	-3.3
Adlerskaya TPP	125.4	128.3	124.9	-2.7

## Structure of the fuel balance, %

Branch	2016			2017			2018		
	Coal	Gas	Fuel Oil + Gasoil	Coal	Gas	Fuel Oil + Gasoil	Coal	Gas	Fuel Oil + Gasoil
Total OGC-2	29.66	70.23	0.11	29.90	69.91	0.19	27,574	72,242	0.183
Surgutskaya GRES-1	0.00	100.00	0.00	0.00	100	0.00	000	100	0.00
Ryazanskaya GRES	57,724	42,273	0.003	81.57	18.42	0.01	70.96	29.03	0.01
Kirishskaya GRES	0.00	100.00	0.00	0.00	98.80	1.20	0.00	99.99	0.01
Stavropolskaya GRES	0.00	99.81	0.19	0.00	99.96	0.04	0.00	99.41	0.59
Troitskaya GRES	98.43	0.00	1.57	98.18	0.00	1.82	98.05	0.00	1.95
Novocherkasskaya GRES	58.28	41.71	0.01	63.43	36.46	0.11	69.63	30.34	0.03
Krasnoyarsk GRES-2	99.81	0.00	0.19	99.81	0	0.19	99.74	0.00	0.26
Cherepovetskaya GRES	47,996	52,002	0.002	12.02	87,9635	0.0149	7.62	92.33	0.05
Serovskaya GRES	28.66	71.30	0.04	15.96	84.01	0.03	0.00	99.98	0.02
Pskovskaya GRES	0.00	100.00	0.00	0.00	100	0.00	0.00	100	0.00
Adlerskaya TPP	0.00	99,999	0.001	0.00	99,998	0.002	0.00	99,997	0.003

## Fuel Consumption in physical units in 2016-2018.

Fuel Type	2016, th.t., ml.m3	2017, th.t., ml.m3	2018, th.t., ml.m3	Change 2018/2017, %
<b>Coal</b>				
<b>Total O GK-2</b>	<b>11, 313.8</b>	<b>10, 563.1</b>	<b>8, 700.6</b>	<b>-17.6</b>
Surgutskaya GRES-1				
Ryazanskaya GRES	1, 854.4	1, 698.8	914.2	-46.2
Kirishskaya GRES				
Stavropolskaya GRES				
Troitskaya GRES	1, 615.5	1, 268.8	1, 059.2	-16.5
Novocherkasskaya GRES	3, 011.9	3, 595.2	3, 464.8	-3.6
Krasnoyarsk GRES-2	3, 356.1	3, 625.8	3, 152.8	-13.0
Cherepovetskaya GRES	1, 048.5	162.5	109.6	-32.6
Serovskaya GRES	427.5	212.0		-100.0
Pskovskaya GRES				
Adlerskaya TPP				
<b>Gas</b>				
<b>Total O GK-2</b>	<b>13, 469.7</b>	<b>12, 878.3</b>	<b>12, 180.8</b>	<b>-5.4</b>
Surgutskaya GRES-1	5, 726.1	5, 631.7	5, 249.5	-6.8
Ryazanskaya GRES	620.7	178.2	167.1	-6.2
Kirishskaya GRES	1, 535.7	1, 202.0	1, 675.8	39.4
Stavropolskaya GRES	2, 729.6	2, 887.9	2, 434.9	-15.7
Troitskaya GRES				
Novocherkasskaya GRES	1, 190.3	1, 231.0	921.1	-25.2
Krasnoyarsk GRES-2				
Cherepovetskaya GRES	586.9	529.5	588.3	11.1
Serovskaya GRES	518.0	547.3	553.7	1.2
Pskovskaya GRES	104.3	228.3	53.0	-76.8
Adlerskaya TPP	458.1	442.5	537.3	21.4
<b>Fuel Oil + Gasoil</b>				
<b>Total O GK-2</b>	<b>18.61</b>	<b>29.59</b>	<b>26.49</b>	<b>-10.0</b>
Surgutskaya GRES-1				
Ryazanskaya GRES	0.04	0.07	0.07	-7.8
Kirishskaya GRES		11.58	0.17	-98.5
Stavropolskaya GRES	4.64	0.89	12.43	1, 296.6
Troitskaya GRES	10.80	10.15	9.27	-8.7
Novocherkasskaya GRES	0.23	3.81	0.83	-78.2
Krasnoyarsk GRES-2	2.64	2.85	3.39	19.2
Cherepovetskaya GRES	0.02	0.07	0.36	404.1
Serovskaya GRES	0.24	0.17	0.11	-37.1
Pskovskaya GRES				
Adlerskaya TPP	0.002	0.007	0.012	70.6

## Consumption of reference fuel in 2016-2018.

Fuel Type, Branch	2016, th.trf	2017, th.trf	2018, th.trf	Change 2018/2017%
<b>Coal</b>				
<b>Total O GK-2</b>	<b>6, 618.5</b>	<b>6, 386.4</b>	<b>5, 381.5</b>	<b>-15.7</b>
Surgutskaya GRES-1				
Ryazanskaya GRES	997.8	922.9	478.0	-48.2
Kirishskaya GRES				
Stavropolskaya GRES				
Troitskaya GRES	919.2	747.6	640.1	-14.4
Novocherkasskaya GRES	1, 950.8	2, 491.6	2, 455.7	-1.4
Krasnoyarsk GRES-2	1, 879.3	2, 020.4	1, 751.5	-13.3
Cherepovetskaya GRES	629.1	83.9	56.2	-33.0
Serovskaya GRES	242.2	119.9		-100.0
Pskovskaya GRES				
Adlerskaya TPP				
<b>Gas</b>				
<b>Total O GK-2</b>	<b>15, 670.3</b>	<b>14, 929.9</b>	<b>14, 099.1</b>	<b>-5.6</b>
Surgutskaya GRES-1	6, 615.5	6, 501.6	6, 043.7	-7.0
Ryazanskaya GRES	730.7	208.4	195.5	-6.2
Kirishskaya GRES	1, 784.8	1, 393.1	1, 940.2	39.3
Stavropolskaya GRES	3, 201.1	3, 369.4	2, 839.0	-15.7
Troitskaya GRES				
Novocherkasskaya GRES	1, 396.0	1, 432.1	1, 070.1	-25.3
Krasnoyarsk GRES-2				
Cherepovetskaya GRES	681.7	614.0	681.4	11.0
Serovskaya GRES	602.6	631.2	642.3	1.7
Pskovskaya GRES	121.5	265.0	61.4	-76.8
Adlerskaya TPP	536.3	515.1	625.4	21.4
<b>Fuel Oil + Gasoil</b>				
<b>Total O GK-2</b>	<b>25.15</b>	<b>40.58</b>	<b>35.95</b>	<b>-11.4</b>
Surgutskaya GRES-1				
Ryazanskaya GRES	0.05	0.09	0.08	-7.6
Kirishskaya GRES		16.96	0.24	-98.6
Stavropolskaya GRES	6.24	1.20	16.92	1, 308.6
Troitskaya GRES	14.67	13.89	12.74	-8.3
Novocherkasskaya GRES	0.25	4.28	0.92	-78.6
Krasnoyarsk GRES-2	3.54	3.81	4.50	17.9
Cherepovetskaya GRES	0.03	0.10	0.37	251.9
Serovskaya GRES	0.37	0.24	0.16	-33.6
Pskovskaya GRES				
Adlerskaya TPP	0.003	0.01	0.02	70.6

## 2. Financial Statements of OGK-2 Group for 2018 According to IFRS



Tel: +7 495 797 56 65  
Fax: +7 495 797 56 60  
reception@bdo.ru  
www.bdo.ru

BDO Unicon AO  
Suite 50, Office 1, 3<sup>rd</sup> Floor, Section 11,  
Block 1, Bldg. 125, Warshavskoe Shosse,  
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. Peterburg, 196140) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 2018, 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 for determining the allowance for doubtful debts because of the complex appraisal process and management requirements for making significant assumptions.

Our audit procedures for management estimates in respect of accounts receivable impairment have included:

- review of application the "expected credit losses" model in relation to Group accounts receivable;
- review of aggregation the trade receivables based on the general credit risk characteristics, type of debt and terms of delay;
- review of calculation the expected rates of losses for accounts receivables based on historical data.

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 analyzing the assumptions applied by the Group in analyzing the cash flows 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.

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.



## Translation from the Russian original

**Other Information**

Managing Director of the Company (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**

Managing Director of the Company 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.

Signed by:



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

A.B. Baliakin

Audit company:

BDO Unicon Aktsionernoe Obshchestvo

Main State Registration Number: 1037739271701

Suite 50, Office I, 3rd Floor, Section 11, Block 1, Bldg. 125, Warshavskoye 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

6 March 2019

**OGK-2 Group**  
**Consolidated Statement of Financial Position as at 31 December 2018**  
(in thousands of Russian Rubles unless noted otherwise)



	Notes	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	176,494,377	184,267,282
Intangible assets	7	615,685	718,174
Deferred income tax assets	14	353,948	357,168
Other non-current assets	8	975,615	908,728
<b>Total non-current assets</b>		<b>178,439,625</b>	<b>186,251,352</b>
<b>Current assets</b>			
Cash and cash equivalents	9	6,577,568	5,140,926
Trade and other receivables	10	13,354,095	13,472,830
Inventories	11	12,004,239	11,129,570
Income tax prepayments		5,893	65,106
Other current assets	12	3,000,000	-
<b>Total current assets</b>		<b>34,941,795</b>	<b>29,808,432</b>
<b>TOTAL ASSETS</b>		<b>213,381,420</b>	<b>216,059,784</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13		
Ordinary shares		40,057,009	40,057,009
Treasury shares		(3,706,973)	(3,821,383)
Share premium		28,378,693	28,378,693
Retained earnings and other reserves		62,586,843	56,398,279
<b>Equity attributable to the shareholders of JSC "OGK-2"</b>		<b>127,315,572</b>	<b>121,012,598</b>
<b>Total equity</b>		<b>127,315,572</b>	<b>121,012,598</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	14	12,987,413	12,192,821
Non-current debt	15	38,460,157	57,891,843
Retirement benefit obligations	16	1,599,543	1,820,404
Restoration provision	17	959,157	1,075,463
Other long-term liabilities	18	4,874,049	561,975
<b>Total non-current liabilities</b>		<b>58,880,319</b>	<b>73,542,506</b>
<b>Current liabilities</b>			
Current debt and current portion of non-current debt	19	8,611,170	1,443,237
Trade and other payables	20	15,467,251	18,404,720
Other taxes payable	21	2,907,214	1,577,399
Restoration provision	17	72,280	79,324
Income tax payable		127,614	-
<b>Total current liabilities</b>		<b>27,185,529</b>	<b>21,504,680</b>
<b>Total liabilities</b>		<b>86,065,848</b>	<b>95,047,186</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>213,381,420</b>	<b>216,059,784</b>

Managing Director

Chief Accountant



A.V. Semikolenov

L.V. Klishch

6 March 2019

The consolidated statement financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 12 to 52

**OGK-2 Group**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2018**  
(in thousands of Russian Roubles unless noted otherwise)



	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Revenues	22	143,227,002	141,307,552
Operating expenses	23	(127,505,233)	(122,213,244)
Impairment loss on financial assets		(1,755,758)	(3,597,008)
<b>Operating profit</b>		<b>13,966,011</b>	<b>15,497,300</b>
Finance income	24	694,635	592,987
Finance costs	25	(4,268,260)	(5,942,573)
<b>Profit before income tax</b>		<b>10,392,386</b>	<b>10,147,714</b>
Income tax charge	14	(2,087,561)	(2,946,853)
<b>Profit for the year</b>		<b>8,304,825</b>	<b>7,200,861</b>
<b>Other comprehensive income / (loss):</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of retirement benefit obligation, net of tax	14,16	130,536	(145,879)
<b>Total comprehensive income for the year</b>		<b>8,435,361</b>	<b>7,054,982</b>
<b>Profit for the year attributable to:</b>			
Shareholders of JSC "OGK-2"		8,304,825	7,200,861
		<b>8,304,825</b>	<b>7,200,861</b>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders of JSC "OGK-2"		8,435,361	7,054,982
		<b>8,435,361</b>	<b>7,054,982</b>
<b>Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in Russian Roubles)</b>			
	26	0.08	0.07

Managing Director  
Chief Accountant



A.V. Semikolenov  
L.V. Klishch  
6 March 2019

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 12 to 52

**OGK-2 Group**  
**Consolidated Statement of Cash Flows for the year ended 31 December 2018**  
(in thousands of Russian Roubles unless noted otherwise)



	Notes	Year ended 31 December 2018	Year ended 31 December 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Profit before income tax</b>		<b>10,392,386</b>	<b>10,147,714</b>
Adjustments to reconcile profit before income tax:			
Depreciation and amortisation of property, plant, equipment and intangible assets	23	12,970,321	11,265,422
Charge / (reversal) of property, plant and equipment impairment	6, 23	3,976,534	(851,829)
Impairment loss on financial assets		1,755,758	3,597,008
(Reversal) / charge of provision for inventory obsolescence	23	(23,992)	204,028
Finance income	24	(694,635)	(592,987)
Finance costs	25	4,268,260	5,942,573
Non-state pensions and other long-term benefits	23	(86,302)	(500,909)
Loss on disposal of assets, net	23	1,071,632	963,742
Other non-cash items		(743,940)	35,377
<b>Operating cash flows before working capital changes and income tax paid</b>		<b>32,886,022</b>	<b>30,210,139</b>
Working capital changes:			
Increase in trade and other receivables		(2,280,398)	(2,561,577)
Increase in inventories		(658,675)	(1,399,235)
Increase in trade and other payables		801,370	409,431
Increase / (decrease) in taxes payable, other than income tax		1,329,815	(654,910)
Decrease in retirement benefit obligations		(129,434)	(94,044)
Income tax paid		(1,008,371)	(1,169,193)
<b>Net cash generated from operating activities</b>		<b>30,940,329</b>	<b>24,740,611</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(8,885,026)	(10,081,417)
Proceeds from sale of property, plant and equipment		46,387	19,899
Purchase of intangible assets		(160,710)	(157,783)
Increase in deposits		(3,000,000)	-
Proceeds from loans issued		78,200	-
Interest received		484,648	431,792
<b>Net cash used in investing activities</b>		<b>(11,456,501)</b>	<b>(9,787,509)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings	19	8,300,000	-
Proceeds from long-term borrowings	15	14,110,000	45,710,000
Repayment of short-term borrowings	19	(1,061,907)	(32,100,000)
Repayment of long-term borrowings	15	(33,526,899)	(21,369,500)
Interest paid	19	(4,256,592)	(5,688,980)
Payments under finance lease	19	(11,651)	(5,235)
Dividend paid to shareholders of JSC "OGK-2"		(1,722,189)	(669,438)
<b>Net cash used in financing activities</b>		<b>(18,169,238)</b>	<b>(14,323,153)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,314,590</b>	<b>629,949</b>
Effect of exchange rate changes on cash and cash equivalents		122,052	(27,707)
<b>Cash and cash equivalents at the beginning of the year</b>	9	<b>5,140,926</b>	<b>4,538,684</b>
<b>Cash and cash equivalents at the end of the year</b>	9	<b>6,577,568</b>	<b>5,140,926</b>

Managing Director  
Chief Accountant



A.V. Semikolenov  
L.V. Klishch  
6 March 2019

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 12 to 52

**OGK-2 Group**  
**Consolidated Statement of Changes in Equity for the year ended 31 December 2018**  
(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"	Total equity
<b>At 1 January 2017</b>	<b>40,057,009</b>	<b>(3,961,865)</b>	<b>28,378,693</b>	<b>50,317,063</b>	<b>114,790,900</b>	<b>114,790,900</b>
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)
<i>Total comprehensive income for the year</i>	-	-	-	<i>7,054,982</i>	<i>7,054,982</i>	<i>7,054,982</i>
Dividends (Note 13)	-	-	-	(874,173)	(874,173)	(874,173)
Payment of remuneration (Note 13)	-	134,904	-	(99,593)	35,311	35,311
Other transactions	-	5,578	-	-	5,578	5,578
<b>At 31 December 2017</b>	<b>40,057,009</b>	<b>(3,821,383)</b>	<b>28,378,693</b>	<b>56,398,279</b>	<b>121,012,698</b>	<b>121,012,698</b>
The effect of applying new standards (Note 3)	-	-	-	(430,269)	(430,269)	(430,269)
<b>At 1 January 2018</b>	<b>40,057,009</b>	<b>(3,821,383)</b>	<b>28,378,693</b>	<b>55,968,010</b>	<b>120,582,329</b>	<b>120,582,329</b>
Profit for the year	-	-	-	8,304,825	8,304,825	8,304,825
Remeasurements of retirement benefit obligations, net of tax	-	-	-	130,536	130,536	130,536
<i>Total comprehensive income for the year</i>	-	-	-	<i>8,435,361</i>	<i>8,435,361</i>	<i>8,435,361</i>
Dividends (Note 13)	-	-	-	(1,729,820)	(1,729,820)	(1,729,820)
Restoration of unclaimed dividends	-	-	-	3,192	3,192	3,192
Payment of remuneration (Note 13)	-	114,410	-	(89,900)	24,510	24,510
<b>At 31 December 2018</b>	<b>40,057,009</b>	<b>(3,706,973)</b>	<b>28,378,693</b>	<b>62,686,843</b>	<b>127,315,572</b>	<b>127,315,572</b>

Managing Director

A.V. Semikolenov

Chief Accountant

L.V. Klishch

6 March 2019



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 12 to 52