



OGK-2 GROUP

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

**30 June 2020
Saint-Petersburg**

Translation from the Russian original

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Translation from the Russian original

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of PJSC “OGK-2”

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC “OGK-2” (OGRN 1052600002180, Solnechnodolsk Village, Izobilnensky District, Stavropol Region, 356126) and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020 and interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2020 (interim financial information). Managing Director of PJSC “OGK-2” is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Translation from the Russian original

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

The translation is true and correct.

The engagement partner on the review



A.B. Baliakin

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Main State Registration Number: 1037739271701

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Member of the Self-regulatory organization of auditors Association "Sodruzhestvo"

Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: 12006020340

07 August 2020

OGK-2 Group
Condensed Interim Consolidated Statement of Financial Position (unaudited)
as at 30 June 2020
(in millions of Russian Roubles)



	Notes	30 June 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	157,979	162,476
Intangible assets		497	442
Investments in associates		20,393	20,000
Accounts receivable and prepayments	7	490	563
Deferred tax assets	15	475	466
Other non-current assets		537	507
Total non-current assets		180,371	184,454
Current assets			
Inventories	8	14,456	13,486
Accounts receivable and prepayments	7	11,836	12,459
Income tax receivable		2,562	9
Cash and cash equivalents	9	19	92
Financial assets	10	8,741	9,722
		37,614	35,768
Assets held for sale	11	750	5,681
Total current assets		38,364	41,449
TOTAL ASSETS		218,735	225,903
EQUITY AND LIABILITIES			
Equity			
Share capital	12	40,057	40,057
Share premium	12	26,846	26,846
Retained earnings and other reserves		74,653	70,423
Equity attributable to the shareholders of JSC "OGK-2"		141,556	137,326
Non-controlling interest		11	15
Total equity		141,567	137,341
Non-current liabilities			
Borrowings	13	26,284	33,246
Employee benefit liabilities		2,174	2,047
Accounts payable and other liabilities	14	734	1,613
Lease liabilities		478	597
Provisions		1,265	1,171
Deferred income tax liabilities	15	12,290	12,668
Total non-current liabilities		43,225	51,342
Current liabilities			
Borrowings	13	8,893	19,385
Accounts payable and other liabilities	14	21,902	15,205
Current income tax payable		-	141
Other taxes payable	16	2,955	2,304
Lease liabilities		193	185
Total current liabilities		33,943	37,220
Total liabilities		77,168	88,562
TOTAL EQUITY AND LIABILITIES		218,735	225,903

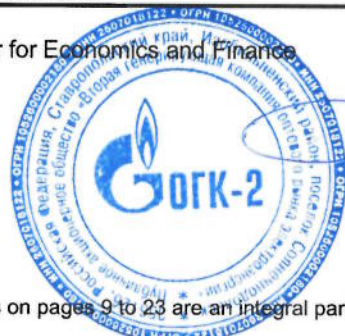
Deputy managing Director for Economics and Finance

N.Y. Osin

Chief Accountant

L.V. Klishch

7 August 2020



The accompanying notes on pages 9 to 23 are an integral part of these condensed interim consolidated financial statements.

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
Revenues	17	25,978	31,765	60,328	69,303
Operating expenses	18	(22,522)	(26,789)	(46,358)	(55,534)
(Impairment loss) / reversal of impairment loss on financial assets		(313)	61	(239)	(169)
Operating profit		3,143	5,037	13,731	13,600
Finance income	19	165	341	446	568
Finance costs	19	(685)	(950)	(1,697)	(1,909)
Share of profit of associates		268	-	393	-
Profit before income tax		2,891	4,428	12,873	12,259
Income tax charge	15	(535)	(1,041)	(2,580)	(2,610)
Profit for the period		2,356	3,387	10,293	9,649
Other comprehensive loss:					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Remeasurements of defined benefit pension plans, net of tax		(54)	(151)	(54)	(151)
Total comprehensive income for the period		2,302	3,236	10,239	9,498
Profit / (loss) for the period attributable to:					
Shareholders of JSC «OGK-2»		2,358	3,387	10,297	9,649
Non-controlling interest		(2)	-	(4)	-
Total comprehensive income / (expense) for the period attributable to:					
Shareholders of JSC «OGK-2»		2,304	3,236	10,243	9,498
Non-controlling interest		(2)	-	(4)	-
Earnings per ordinary share attributable to the shareholders of JSC «OGK-2» – basic and diluted (in Russian Roubles)					
	20	0.02	0.03	0.09	0.09

Deputy managing Director for Economics and Finance

Chief Accountant




N.Y. Osin

L.V. Klishch

7 August 2020

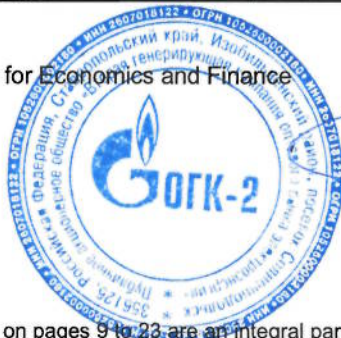
OGK-2 Group
Condensed Interim Consolidated Statement of Cash Flows (unaudited)
for the six months ended 30 June 2020
(in millions of Russian Roubles)



	Notes	Six months ended 30 June 2020	Six months ended 30 June 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		12,873	12,259
Adjustments to reconcile profit before income tax:			
Depreciation and amortisation	18	6,791	6,652
Impairment loss on financial assets		239	169
Share of profit of associates		(393)	-
(Gain) / loss on disposal of property, plant and equipment, other non-current assets and assets held for sale	18	(3,711)	103
Non-state pensions and other long-term benefits		64	88
Finance income	19	(446)	(568)
Finance costs	19	1,697	1,909
Other non-cash items		7	106
Operating cash flows before working capital changes		17,121	20,718
Working capital changes:			
Change in accounts receivable and prepayments		(52)	817
Change in inventories		(1,069)	(1,857)
Change in accounts payable and other liabilities		(405)	1,318
Change in other taxes payable		651	(189)
Change in employee benefit liabilities		(55)	(42)
Working capital changes		(930)	47
Income tax paid		(5,653)	(3,382)
Interest paid		(1,357)	(1,533)
Net cash from operating activities		9,181	15,850
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment, intangible assets and other non-current assets		(2,747)	(3,428)
Proceeds from sale of property, plant and equipment and other non-current assets		9,692	6
Proceeds from loans issued		1,115	-
Capitalized interest paid		-	(326)
Interest received		206	425
Dividends received		9	-
Business acquisition of subsidiaries, net of cash acquired		-	(64)
Net cash from / (used in) investing activities		8,275	(3,387)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(17,410)	-
Payment of lease liabilities		(119)	(83)
Net cash used in financing activities		(17,529)	(83)
Effect of exchange rate changes on cash and cash equivalents		-	(100)
Net (decrease) / increase in cash and cash equivalents		(73)	12,280
Cash and cash equivalents at the beginning of the period	9	92	6,578
Cash and cash equivalents at the end of the period	9	19	18,858

Deputy managing Director for Economics and Finance

Chief Accountant



N.Y. Osin

L.V. Klishch

7 August 2020

OGK-2 Group
Condensed Interim Consolidated Statement of Changes in Equity (unaudited)
for the six months ended 30 June 2020
(in millions of Russian Roubles)



Equity attributable to the shareholders of JSC "OGK-2"

	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
At 1 January 2019	40,057	(3,707)	28,379	62,587	127,316	-	127,316
Profit for the period	-	-	-	9,649	9,649	-	9,649
Other comprehensive income:							
Remeasurements of defined benefit pension plans, net of tax	-	-	-	(151)	(151)	-	(151)
<i>Total comprehensive income for the period</i>	-	-	-	9,498	9,498	-	9,498
Transactions with shareholders recognized directly in equity:							
Dividends (Note 12)	-	-	-	(3,901)	(3,901)	-	(3,901)
Acquisition of businesses under common control	-	-	-	(16)	(16)	12	(4)
At 30 June 2019	40,057	(3,707)	28,379	68,168	132,897	12	132,909
At 1 January 2020	40,057	-	26,846	70,423	137,326	15	137,341
Profit for the period	-	-	-	10,297	10,297	(4)	10,293
Other comprehensive income:							
Remeasurements of defined benefit pension plans, net of tax	-	-	-	(54)	(54)	-	(54)
<i>Total comprehensive income for the period</i>	-	-	-	10,243	10,243	(4)	10,239
Transactions with shareholders recognized directly in equity:							
Dividends (Note 12)	-	-	-	(6,013)	(6,013)	-	(6,013)
At 30 June 2020	40,057	-	26,846	74,653	141,556	11	141,567

Deputy managing Director for Economics and Finance

N.Y. Osin

Chief Accountant

L.V. Klishch

7 August 2020





Note 1. General Information

1.1. Organisation and operations

Public Joint Stock Company "The Second Generating Company of the Wholesale Electric Power Market" (JSC "OGK-2", or the "Company") was registered on 9 March 2005 and operates in Russian Federation.

The primary activities of the Company are generation and sale of electric and heat power. The Company consists of the following power stations (plants): Troitskaya GRES, Stavropolskaya GRES, Pskovskaya GRES, Serovskaya GRES, Surgutskaya GRES-1, Kirishskaya GRES, Ryazanskaya GRES, Novochebasskaya GRES, Krasnoyarskaya GRES-2, Cherepovetskaya GRES, Groznenskaya TES, Adlerskaya TES.

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

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

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

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

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

At the date of the condensed interim consolidated financial statements the Russian Federation owns (both directly and indirectly) over 50% in PJSC "GAZPROM", which holds 100% of LLC Gazprom energoholding (immediate parent company). LLC Gazprom energoholding owns 99.59% of PJSC Centerenergoholding as at 30 June 2020 (as at 31 December 2019: 99.59%). PJSC Centerenergoholding owns 73.42% of the Company's shares as at 30 June 2020 (as at 31 December 2019: 73.42%). Thus, PJSC "GAZPROM" is the parent company of the Group and the Russian Federation is the ultimate controlling party of the Group.

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

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

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

1.3. Operating environment in the Russian Federation

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

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



The coronavirus pandemic (COVID-19), which occurred in the first quarter of 2020, has had a significant negative impact on the world economy. Restrictive measures taken to curb the spread of coronavirus infection have reduced the economic activity of electricity market participants. The scale and duration of these events remain uncertain and may affect the Group's financial position and results of operations.

The Group's management believes that it is taking all necessary measures to support the sustainability and development of the Group's business in the current environment. In the process of spreading the pandemic, the company took prompt preventive measures to prevent the spread of coronavirus infection at the Group's facilities, because of which it was possible to exclude the impact of the spread of the virus on the stability of the group's technological and functional processes. Currently, the Group's management is taking measures to optimize fixed costs and reallocate expenses for the company's investment program.

At present, it is not possible to reliably estimate the duration and extent of the impact of the pandemic on the Group's financial position and results of operations in subsequent reporting periods. The future economic situation in the Russian Federation depends on external factors and measures taken by the Government of the Russian Federation. Its impact on the Group's operations may differ from management's current expectations.

1.4. Seasonality

Demand for electricity and heat produced and sold by the Group is influenced by the relative severity of the weather and the season of the year. Revenues from heating are concentrated within the months of October to March. A similar, though less severe, concentration of electricity sales occurs within the same period. The seasonality of electricity and heat production has a corresponding impact on the usage of fuel and purchases of electricity. This seasonality does not impact on the revenue or cost recognition policies of the Group.

Note 2. Basis of presentation

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

Note 3. Summary of significant accounting policies and accounting estimates

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

3.1. Application of interpretations and amendments to IFRS's

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

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

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

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

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 that introduce Interest Rate Benchmark Reform.

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

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

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

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

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

Note 4. Segment information

The Board of Directors and Managing Director (hereafter referred to as the "Management") is the Chief operating decision-maker, which reviews the Group's internal management report in order to assess performance of the Group and allocate resources. Primary activity of the Group is production of electric and heat power and capacity which covers 98.7% and 98.9% of the Group revenue for the three and six months ended 30 June 2020 (98.6% and 98.7% for the three and six months ended 30 June 2019). The Group operates in Russian Federation.

The technology of electricity and heat production does not allow segregation of electricity and heat segments. The Company's branches are managed separately due to significant decentralization and distances between them, as a result the Group discloses seven reporting segments: Surgutskaya GRES-1, Kirishskaya GRES, Novochoerkasskaya GRES, Troitskaya GRES, Ryazanskaya GRES, Serovskaya GRES, Cherepovetskaya GRES. All reporting segments are located on the territory of Russian Federation. In the process of evaluation of segments, results and allocation of economic resources of the Group the Management uses financial information provided below prepared in accordance with RAR. The differences between the above-mentioned financial indicators analyzed by the Management and IFRS financial information are caused by different approaches applied in IFRS and RAR. The main differences relate to the respective carrying values of the value of property, plant and equipment. The Group does not have inter-segment revenue.

4.1 Financial results of segments

The segment information for the three and six months ended 30 June 2020 and 30 June 2019 is as follows:

Six months ended 30 June 2020	Surgutskaya GRES-1	Kirishskaya GRES	Novochoerkasskaya GRES	Troitskaya GRES		
Revenue	10,551	8,401	8,276	6,368		
Segment operating profit*	1,705	2,867	426	2,371		
Six months ended 30 June 2020	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments	
Revenue	5,107	4,006	3,510	14,109	60,328	
Segment operating profit*	1,994	1,179	1,053	1,088	12,683	
Six months ended 30 June 2019	Surgutskaya GRES-1	Kirishskaya GRES	Novochoerkasskaya GRES	Troitskaya GRES		
Revenue	11,696	11,898	9,770	6,835		
Segment operating profit*	2,114	3,253	1,368	2,308		
Six months ended 30 June 2019	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments	
Revenue	5,302	4,716	3,788	15,298	69,303	
Segment operating profit*	1,864	1,213	1,336	1,701	15,157	

Three months ended 30 June 2020	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Troitskaya GRES	
Revenue	5,040	3,599	3,459	2,928	
Segment operating profit/ (loss)*	792	1,126	(111)	989	
Three months ended 30 June 2020	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
Revenue	2,382	1,743	1,576	5,251	25,978
Segment operating profit*	787	522	551	562	5,218
Three months ended 30 June 2019	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Troitskaya GRES	
Revenue	5,934	5,344	4,504	3,018	
Segment operating profit/(loss)*	998	1,349	429	802	
Three months ended 30 June 2019	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total operating segments
Revenue	2,460	2,223	1,715	6,567	31,765
Segment operating profit*	794	402	517	246	5,537

* Segment operating profit represents segment operating profit under RAR.

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

Segment's assets are disclosed below:

	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Troitskaya GRES	
30 June 2020	5,793	21,003	35,122	51,490	
	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total assets
30 June 2020	12,981	17,946	19,741	11,901	175,977
	Surgutskaya GRES-1	Kirishskaya GRES	Novocherkasskaya GRES	Troitskaya GRES	
31 December 2019	5,978	20,516	35,500	53,611	
	Ryazanskaya GRES	Cherepovetskaya GRES	Serovskaya GRES	Other operating segments	Total assets
31 December 2019	13,372	6,232	20,337	26,550	182,096

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

Management of the Group does not review the information in respect of operating segment's liabilities in order to make a decision about allocation of resources, because of centralisation of significant part of payment transactions.

4.2 Core customers

The revenue presented within segments includes the customer (JSC "FSC") with the revenue exceeding 10% of the Group's revenue for the three and six months ended 30 June 2020 and amounting to RR 7,764 million and 20,444 million (for the three and six months ended 30 June 2019 the revenue of the customer (JSC "FSC") exceeded 10% of the Group's revenue and amounted to RR 13,503 and 29,054 million respectively).

Note 5. Related Parties

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

Transactions with related parties have been made mostly on the same terms and conditions as similar operations with the parties external to the Group. Prices for natural gas and capacity are based on tariffs

set by FAS and also based on competitive take-off on the wholesale electricity (capacity) market. Loans and borrowings are received at market rates. Bank deposits are invested at market rates.

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

a) GAZPROM Group and its associates

Significant transactions with Gazprom Group for the six months ended 30 June 2020 and significant balances with these organizations as at 30 June 2020 are presented below:

Revenues

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Electricity and capacity	697	878	1,754	2,048
Heating	-	1	2	3
Other	43	219	87	416
Total	740	1,098	1,843	2,467

Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Fuel	5,162	7,785	14,129	17,722
Rent	1,100	1,092	2,345	2,282
Repairs and maintenance	674	733	1,300	1,326
Transport	193	179	387	422
Exchange rate differences	(185)	(18)	167	(215)
Other operating expenses	680	382	927	516
Total operating expenses	7,624	10,153	19,255	22,053

Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Finance income				
Interest income on loans	157	1	346	2
Total finance income	157	1	346	2
Finance costs				
Interest expense on debt	462	489	952	971
Total finance costs	462	489	952	971

Balances

	30 June 2020	31 December 2019
Short-term financial assets	8,741	9,722
Short-term accounts receivable and prepayments, gross	2,210	1,837
Total assets	10,951	11,559
Non-current borrowings	26,284	28,246
Current borrowings	2,116	186
Long-term accounts payable and other liabilities	694	1,296
Short-term accounts payable and other liabilities	10,613	9,522
Long-term lease liabilities	144	229
Short-term lease liabilities	182	170
Total liabilities	40,033	39,649

Purchase of non-current and current assets

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Acquisition of property, plant and equipment	179	1,048	829	1,219
including capitalized borrowing costs from related parties	-	64	-	128
Purchases of materials	487	228	591	326
Total	666	1,276	1,420	1,545

The Group has not entered into transactions with PJSC "Centerenergyholding" for the three and six months ended 30 June 2020 and 30 June 2019.

b) State-controlled entities

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

Significant transactions with the state-controlled entities for the six months ended 30 June 2020 and significant balances with these organizations as at 30 June 2020 are presented below:

Revenues

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Electricity and capacity	6,440	6,559	13,722	14,513
Heating	154	174	489	556
Other	112	92	225	207
Total	6,706	6,825	14,436	15,276

Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Electricity market administration fees (Note 18)	568	546	1,142	1,096
Security and fire safety	109	103	224	206
Purchased electricity and capacity	12	26	37	205
Other operating expenses	134	164	230	359
Total operating expenses	823	839	1,633	1,866

Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Finance income				
Interest income on bank deposits and current bank account balances	-	243	-	357
Total finance income	-	243	-	357
Finance costs				
Interest expense on debt	-	262	185	519
Effect of discounting of financial instruments	-	-	100	-
Total finance costs	-	262	285	519

Balances

	30 June 2020	31 December 2019
Long-term accounts receivable and prepayments, gross	321	72
Allowance for expected credit losses of long-term trade receivables	(150)	(14)
Short-term accounts receivable and prepayments, gross	11,576	12,330
Allowance for expected credit losses of short-term accounts receivable	(8,670)	(8,568)
Total assets	3,077	3,820
Short-term accounts payable and other liabilities	409	948
Long-term lease liabilities	310	341
Current borrowings	-	17,423
Total liabilities	719	18,712

Purchase of non-current and current assets

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Acquisition of property, plant and equipment	1	80	1	336
including capitalized borrowing costs from related parties	-	79	-	158
Purchases of materials	6	564	26	589
Total	7	644	27	925

Other transactions

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Impairment loss on financial assets	303	255	238	571
Repayment of borrowings (excluding interest)	-	-	17,410	-

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

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

Revenue and operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Sales of electricity and capacity	7,764	13,503	20,444	29,054
Purchases of electricity and capacity	1,572	2,211	3,506	4,861

Balances

	30 June 2020	31 December 2019
Short-term accounts receivable and prepayments, gross	1,133	1,812
Allowance for expected credit losses of short-term accounts receivable	(14)	(17)
Short-term accounts payable and other liabilities	219	451

c) Other related parties

Transactions with other related parties represent transactions with the non-state pension funds ("NPF"). For the 6 months ended 30 June 2020 the Group made contributions of RR 24 million to JSC "NPF "Otкрыtie" (for the 6 months ended 30 June 2019: RR 19 million).

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d) Key management remuneration

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

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Board remuneration	4	44	4	46

The remuneration of the management company LLC Gazprom Energoholding was RR 34 million and RR 67 million for the three and six months ended 30 June 2020 (for the three and six months ended 30 June 2019: RR 39 million and RR 73 million).

e) Capital commitments

	30 June 2020	31 December 2019
GAZPROM Group and its associates	10,332	10,021
Other state-controlled entities	5	6
Total	10,337	10,027

Note 6. Property, plant and equipment

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

	Right-of-use assets	Production buildings	Constructions	Energy machinery and equipment	Other machinery and equipment	Other	Construction in progress	Total
Cost								
As at 1 January 2019	1,249	61,392	37,902	108,825	52,487	3,573	14,113	279,541
Additions	147	6	14	-	40	41	1,937	2,185
Disposals	-	(19)	(161)	(402)	(624)	(13)	(5)	(1,224)
Transfer	-	3,607	2,419	1,036	5,054	64	(12,180)	-
As at 30 June 2019	1,396	64,986	40,174	109,459	56,957	3,665	3,865	280,502
As at 1 January 2020	2,329	60,214	39,226	106,205	56,925	3,692	5,066	273,657
Additions	-	-	58	9	31	73	2,071	2,242
Disposals	-	(3)	(14)	(4)	(178)	(3)	(13)	(215)
Reclassification	(40)	(1,603)	1,831	(26)	(272)	110	-	-
Changes in terms of lease agreements	24	-	-	-	-	-	-	24
Transfer	-	77	13	1,103	745	107	(2,045)	-
As at 30 June 2020	2,313	58,685	41,114	107,287	57,251	3,979	5,079	275,708
Accumulated depreciation and impairment								
As at 1 January 2019	(9)	(24,478)	(16,280)	(38,729)	(20,286)	(1,965)	(91)	(101,838)
Charge for the period	(105)	(705)	(716)	(2,761)	(2,090)	(204)	-	(6,581)
Disposals	-	11	54	372	559	12	-	1,008
As at 30 June 2019	(114)	(25,172)	(16,942)	(41,118)	(21,817)	(2,157)	(91)	(107,411)
As at 1 January 2020	(230)	(23,438)	(16,938)	(44,390)	(23,477)	(2,158)	(550)	(111,181)
Charge for the period	(188)	(683)	(742)	(2,894)	(1,997)	(183)	-	(6,687)
Disposals	-	1	13	4	118	3	-	139
Reclassification	15	293	(478)	9	188	(88)	61	-
As at 30 June 2020	(403)	(23,827)	(18,145)	(47,271)	(25,168)	(2,426)	(489)	(117,729)
Net book value								
As at 1 January 2019	1,240	36,914	21,622	70,096	32,201	1,608	14,022	177,703
As at 30 June 2019	1,282	39,814	23,232	68,341	35,140	1,508	3,774	173,091
As at 1 January 2020	2,099	36,776	22,288	61,815	33,448	1,534	4,516	162,476
As at 30 June 2020	1,910	34,858	22,969	60,016	32,083	1,553	4,590	157,979

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

Property, plant and equipment of the Group are not pledged as securities.

Total cash outflow for leases for the six months ended 30 June 2020 is RR 2,585 million, including interest paid on lease liabilities - RR 47 million, repayment of lease liabilities - RR 119 million, variable lease payments - RR 2,188 million, short-term lease - RR 231 million (for the six months ended 30 June 2019: total cash outflow for leases - RR 509 million, including interest paid on lease liabilities - RR 54 million, repayment of lease liabilities - RR 83 million, variable lease payments - RR 367 million, short-term lease - RR 5 million).

Note 7. Accounts receivable and prepayments

	30 June 2020	31 December 2019
Short-term accounts receivable		
Trade receivables	8,745	10,506
Other receivables	257	265
Promissory notes	1	2
Total financial accounts receivable	9,003	10,773
Advances to suppliers and prepaid expenses	1,932	1,621
Input VAT	769	47
Prepaid other taxes, except for income tax	132	18
Total non-financial accounts receivable	2,833	1,686
Total short-term accounts receivable and prepayments	11,836	12,459
Long-term accounts receivable		
Trade receivables	138	4
Promissory notes	296	283
Other receivables	30	51
Total financial accounts receivable	464	338
Advances to suppliers and prepaid expenses	22	92
Input VAT	4	133
Total non-financial accounts receivable	26	225
Total long-term accounts receivable and prepayments	490	563

Trade receivables are presented net of allowance for expected credit losses of RR 10,983 million and RR 10,746 million as at 30 June 2020 as at 31 December 2019, respectively.

Other receivables are presented net of allowance for expected credit losses of RR 6,789 million and RR 6,801 million as at 30 June 2020 as at 31 December 2019, respectively.

Note 8. Inventories

	30 June 2020	31 December 2019
Spare parts	7,070	6,478
Fuel supplies	5,302	5,363
Materials and supplies	2,084	1,645
Total	14,456	13,486

Inventories are presented net of allowance for obsolescence of RR 231 million as at 30 June 2020 (as at 31 December 2019: RR 233 million).

The Group does not have pledged inventories as at 30 June 2020 and as at 31 December 2019.

Note 9. Cash and cash equivalents

	Currency	30 June 2020	31 December 2019
Current bank accounts	RR	19	48
Deposits with maturity of three months or less	RR	-	44
Total		19	92

Note 10. Financial assets

	30 June 2020	31 December 2019
Loans issued	8,436	9,408
Equity securities at fair value through profit or loss	305	314
Total short-term financial assets	8,741	9,722

Note 11. Assets held for sale

On 1 March 2020, the property of Krasnoyarskaya GRES-2 was sold for RR 8,863 million (excluding VAT). The remaining assets are planned to be sold by the end of the year.

	30 June 2020	31 December 2019
Property, plant and equipment	207	5,261
Inventories	543	420
Total	750	5,681

Note 12. Equity**Share capital and share premium**

As at 30 June 2020 and as at 31 December 2019 total number of issued ordinary registered shares is 110,441,160,870 shares with nominal value of one share of RR 0.3627. All issued ordinary shares are fully paid.

As at 30 June 2020 and 31 December 2019 the number of authorised for issue but not issued ordinary registered shares is 58,886,766,090 shares.

Share premium in the amount of RR 26,846 million represents the excess of cash received from the issue of share capital over its par value in the amount of RR 28,379 million and a negative result from the subsequent sale of treasury shares repurchased from shareholders in the amount of RR 1,533 million.

Dividends

On 24 June 2020, the Annual General Meeting of Shareholders of the Company made a decision to pay dividends based on the results of operations for 2019. The amount of dividends declared was RR 0.0544445744 per share, the total amount of dividends amounted to RR 6,013 million.

On 11 June 2019, the Annual General Meeting of Shareholders of the Company made a decision to pay dividends based on the results of operations for 2018. The amount of dividends declared was RR 0.036784587 per share, the total amount of dividends amounted to RR 3,901 million.

Note 13. Borrowings

	30 June 2020	31 December 2019
Short-term borrowings		
Current portion of bonds	6,777	1,776
Current portion of other loans	2,104	186
Current portion of long-term bank loans	12	9,117
Bank loans	-	8,306
Total short-term borrowings	8,893	19,385
Long-term borrowings		
Bank loans	19,450	19,450
Other loans	6,834	8,796
Bonds	-	5,000
Total long-term borrowings	26,284	33,246

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

	Currency	Effective interest rate as at 30 June 2020	Due	30 June 2020	31 December 2019
Bank loans					
Bank GPB (JSC)	RR	4.50%	2022	19,462	19,450
Sberbank	RR	-	-	-	17,423
Bonds					
Bond loan 001P-03R	RR	7.12%	2021	5,081	5,080
Bond loan 001P-01R	RR	7.11%	2020	1,151	1,151
Bond loan 001P-02R	RR	7.11%	2020	545	545
Other loans					
MOSENERGO	RR	6.50%	2021 - 2025	8,938	8,982
Total				35,177	52,631

The Group is subject to certain covenants related to its loans and borrowings. The Group was in compliance with covenants at 30 June 2020 and at 31 December 2019.

Note 14. Accounts payable and other liabilities

	30 June 2020	31 December 2019
Short-term accounts payable		
Trade payables	9,111	9,308
Accounts payable for acquisition of property, plant and equipment	690	811
Other payables	10,166	4,258
Total financial accounts payable	19,967	14,377
Contract liabilities from contracts with customers	1,153	15
Other payables	782	813
Total non-financial accounts payable	1,935	828
Total short-term accounts payable and other liabilities	21,902	15,205
Long-term accounts payable		
Trade payables	694	1,296
Accounts payable for acquisition of property, plant and equipment	34	311
Other payables	6	6
Total financial accounts payable	734	1,613
Total long-term accounts payable and other liabilities	734	1,613

Note 15. Income tax**Income tax charge components**

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Current income tax charge	(231)	(789)	(2,905)	(2,427)
Refund of income tax for prior periods	-	(66)	(54)	25
Deferred income tax expense	(304)	(186)	379	(208)
Total income tax charge	(535)	(1,041)	(2,580)	(2,610)

The tax effect of taxable and deductible temporary differences for the six months ended 30 June 2020 and for the six months ended 30 June 2019 is presented in the table below:

Six months ended 30 June 2020	1 January	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	30 June
Property, plant and equipment	(13,045)	(58)	-	(13,103)
Assets held for sale	(407)	441	-	34
Trade receivables and prepayments	(93)	(33)	-	(126)
Unused tax losses	611	(13)	-	598
Provisions	234	19	-	253
Inventory	191	26	-	217
Employee benefit liabilities	183	3	7	193
Lease liabilities	158	(22)	-	136
Trade and other payables	77	36	-	113
Other	(111)	(19)	-	(130)
Total	(12,202)	380	7	(11,815)

Six months ended 30 June 2019	1 January	Movement for the period recognized in profit and loss	Movement for the period recognized in other comprehensive income	Effect of the acquisition of subsidiaries	Effect of the initial application of new standards	30 June
Property, plant and equipment	(13,544)	(97)	-	-	(199)	(13,840)
Trade receivables and prepayments	(129)	(34)	-	-	-	(163)
Unused tax losses	485	49	-	6	-	540
Trade and other payables	208	(131)	-	1	-	78
Provision	206	9	-	-	-	215
Employee benefit liabilities	141	4	19	-	-	164
Inventory	105	6	-	-	-	111
Lease liabilities	5	(17)	-	-	199	187
Other	(110)	3	-	-	-	(107)
Total	(12,633)	(208)	19	7	-	(12,815)

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

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

	30 June 2020	31 December 2019
Deferred income tax assets	475	466
Deferred income tax liabilities	(12,290)	(12,668)
Deferred income tax liabilities, net	(11,815)	(12,202)

Note 16. Other taxes payable

	30 June 2020	31 December 2019
Value added tax	2,309	1,614
Social funds contribution	323	321
Property tax	245	268
Personal income tax	58	75
Environment pollution payment	9	16
Other taxes	11	10
Total	2,955	2,304

Note 17. Revenues

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Electricity and capacity	24,618	30,336	56,829	65,561
Heating	1,029	979	2,838	2,820
Other	331	450	661	922
Total	25,978	31,765	60,328	69,303

Note 18. Operating expenses

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Fuel	10,105	13,593	24,825	29,594
Amortisation and depreciation	3,403	3,329	6,791	6,652
Employee benefits	2,377	2,353	4,788	4,644
Purchased electricity and capacity	1,594	2,261	3,574	5,202
Rent	1,398	1,095	2,652	2,285
Repairs and maintenance	802	859	1,497	1,508
Taxes other than income tax	560	754	1,278	1,481
Electricity market administration fees	568	546	1,142	1,096
Other materials and supplies	559	665	997	1,083
Transport	197	218	424	496
Security and fire safety	175	149	356	298
Exchange rate differences	(186)	(20)	169	(171)
Cleaning and maintenance of territories	77	65	144	127
Consulting, legal and audit services	71	104	142	193
Insurance, except for VHI	59	53	117	107
Gain / (loss) on disposal of property, plant, equipment, other non-current assets and assets held for sale	59	98	(3,711)	103
Other operating expenses	704	667	1,173	836
Total operating expenses	22,522	26,789	46,358	55,534

Rent expense for the three and six months ended 30 June 2020 includes expense relating to variable rental payments in the amount of RR 1,099 million and of RR 2,344 million and expense relating to short-term leases in the amount of RR 299 million and RR 308 million (for the three and six months ended 30 June 2019: variable rental payments in the amount of RR 1,092 million and RR 2,282 million and short-term leases in the amount of RR 3 million).

Note 19. Finance income and costs

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Finance income				
Interest income on loans issued	157	1	346	2
Effect of discounting of financial instruments	-	6	33	12
Interest income on bank deposits and current bank account balances	-	334	2	554
Other	8	-	65	-
Total finance income	165	341	446	568
Finance costs				
Interest expense on debt	578	1,008	1,370	2,007
Effect of discounting of financial instruments	33	28	180	77
Interest on employee benefit liabilities	33	35	64	69
Interest expense on lease liabilities	23	27	47	54
Unwinding of the present value discount – provision for ash dump	18	22	36	44
Less capitalized interest on loans and borrowings related to qualifying assets	-	(170)	-	(342)
Total net finance costs	685	950	1,697	1,909

Note 20. Basic and diluted earnings per share attributable to the shareholders of JSC "OGK-2"

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Outstanding shares (thousands of pcs)	110,441,161	110,441,161	110,441,161	110,441,161
Treasury shares (thousands of pcs)	-	(4,373,964)	-	(4,373,964)
Weighted average number of ordinary shares issued (thousands of pcs)	110,441,161	106,067,197	110,441,161	106,067,197
Profit attributable to the shareholders of JSC "OGK-2" (in millions of RR)	2,358	3,387	10,297	9,649
Earnings per ordinary share attributable to the shareholders of JSC "OGK-2" – basic and diluted (in RR)	0.02	0.03	0.09	0.09

There are no financial instruments with dilutive effect.

Note 21. Capital commitments

As at 30 June 2020 the Group has unrecognized contractual capital commitments (including VAT) in the amount of RR 16,225 million (as at 31 December 2019: RR 15,178 million).

Note 22. Fair value of financial instruments

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

Financial instruments in Level 1

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

Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using various valuation techniques, primarily based on market or income approach, such as discounted cash flows valuation method. These valuation techniques maximise the use of observable market data where it is

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available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Financial instruments in Level 3

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

There was no change in the fair value measurement methods attributed to Level 2 and Level 3, there were no transfers between levels for the six months ended 30 June 2020 (31 December 2019: there was no change, there were no transfers).

As at 30 June 2020 and 31 December 2019 the Group had the following assets that are measured at fair value:

	Notes	Level 1	Level 2	Level 3	Total
30 June 2020					
Financial assets at fair value					
Equity securities measured at fair value through profit or loss	10	305	-	-	305
Total financial assets		305	-	-	305
31 December 2019					
Financial assets at fair value					
Equity securities measured at fair value through profit or loss	10	314	-	-	314
Total financial assets		314	-	-	314

The estimated fair value of financial assets and liabilities not carried at fair value in the condensed interim consolidated statement of financial position approximates to their carrying amounts as at 30 June 2020 and 31 December 2019.

Note 23. Events after the reporting date

In July 2020, the Group issued Russian bonds in the amount of RR 5,000 million with a maturity date in July 2026 (coupon rate 5.75%, put option after 3 years).

Deputy managing Director for Economics and Finance

N.Y. Osin

Chief Accountant

L.V. Klishch

7 August 2020

