

ITEM № 1

ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018



ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Explanatory information on the item (in part of the approval of the Annual Report, including the report on related-party transactions concluded by the Company in 2018)

In accordance with Federal Law of 26.12.1995 № 208-FZ "On Joint-Stock Companies", the issue of approval of the annual report should be included in the agenda of the Annual General Meeting of Shareholders of the Company.

The Annual Report is the most important public document, annually considered by the Annual General Meeting of Shareholders and allowing to evaluate the results of the Company's activities for the year.

The main purpose of drafting the Annual Report is to inform shareholders, investors and other stakeholders about all significant aspects of the Company's activities and proper disclosure of information.

The Annual Report of IDGC of Centre for 2018 was developed in accordance with the requirements of the current legislation of the Russian Federation (including the Regulation on the disclosure of information by issuers of equity securities approved by the Bank of Russia 30.12.2014 № 454-P), the recommendations of the Corporate Governance Code (Letter of the Bank of Russia dated 10.04.2014 № 06-52/2463), Letter of the Bank of Russia dated 17.02.2016 № IN-06-52/8 "On disclosure in the annual report of a public joint-stock company of a report on compliance with the principles and recommendations of the Corporate Governance Code", Letter of the Bank of Russia dated 11.12.2017 № IN-06-28/57 "On recommendations for disclosing in the annual report of a public joint-stock company information on remuneration of members of the board of directors (supervisory board), members of executive bodies and other key executives of the public joint stock company", as well as intracorporate standards of the Company and contains information about IDGC of Centre and the results of its activities over the past year and prospects for its further development.

The structure of the Annual Report is supplemented with information that meets the requirements of shareholders, in accordance with recognized international and Russian corporate practices, in particular:

- on the main program documents of the Company (strategy, innovation and investment development programs, a program for reducing electric energy losses, etc.);
- on the system of key performance indicators;
- on risk management, internal control and internal audit systems, as well as regulatory support for their operation.

The text of the Annual Report, approved by the Board of Directors of the Company 24.04.2019, includes the Report on compliance with the principles and recommendations of the Corporate Governance Code.

In accordance with Federal Law of 26.12.1995 № 208-FZ "On Joint-Stock Companies", when preparing for holding an annual general meeting of shareholders of a public company, persons entitled to participate in the annual general meeting of shareholders should be provided with the Report on the Company's related-party transactions concluded in the reporting year.

The specified report was signed by General Director of the Company, the reliability of the data contained in it is confirmed by the Audit Commission of the Company.

The related-party transactions concluded by the Company in 2018 are approved by the Board of Directors of the Company. Transactions (interrelated transactions), the value of which was 2 or more percent of the book value of the Company's assets, were not closed in the reporting year.

Information on the conclusion of the Audit Commission

Based on the results of the evaluation of the reliability of the Company's Statements for 2018, the Audit Commission expresses its opinion on the reliability of the data, contained in the Company's Annual Report for 2018, the Accounting (financial) statements of the Company for 2018, the Report on the related-party transactions concluded in 2018, in all material respects.

The Annual Report of the Company for 2018, including the Report on the related-party transactions concluded in 2018, was previously approved by the Board of Directors of the Company 26.04.2019 (Minutes No. 16/19) in accordance with the recommendations regarding the Audit Committee 03.04.2019 (Minutes No. 07/19) and the Strategy and Development Committee 19.04.2019 (Minutes No. 07/19).

The text of the Annual Report for 2018 (including the Report on the related-party transactions concluded in 2018) can be found on the Company's website at: <https://www.mrsk-1.ru/about/management/controls/stockholders/material/gosa2019/>

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Explanatory information on the item (in part of the approval of the annual accounting (financial) statements)

In accordance with Federal Law of 26.12.1995 № 208-FZ "On Joint-Stock Companies", the agenda of the Annual General Meeting of Shareholders of the Company should include the issue of approval of the annual accounting (financial) statements.

The annual accounting (financial) statements for the year 2018 proposed for approval by the shareholders' meeting were compiled in accordance with Federal Law "On Business Accounting" dated 06.12.2011 № 402-FZ and the Regulation on Business Accounting and Accounting Reporting in the Russian Federation (Order of the Ministry of Finance of the Russian Federation of 29.07.1998 № 34-n) and the Accounting Regulations.

The annual accounting (financial) statements include:

- Form No. 1 "Statement of Financial Position"
- Form No. 2 "Statement of Financial Results"
- Form No. 3 "Statement of Changes in Equity"
- Form No. 4 "Cash Flow Statement"
- Explanations
- Auditor's Report

The RAS accounting statements of IDGC of Centre for 12 months of 2018 have the following indicators:

| RUB mln | for 2018 | for 2017 | Deviation | |
|--|---------------|---------------|---------------|-----------------|
| | | | absolute | relative |
| Revenue | 93 874 | 91 060 | 2 814 | 3,09% |
| from electric energy transmission services | 90 015 | 87 623 | 2 392 | 2,73% |
| from grid connection services | 1 864 | 1 591 | 273 | 17,16% |
| from electric energy sale | 530 | 548 | -18 | -3,28% |
| from other activity | 1 465 | 1 298 | 167 | 12,87% |
| Cost price | 83 936 | 79 023 | 4 913 | 6,22% |
| cost price of electric energy transmission | 82 279 | 77 619 | 4 660 | 6,00% |
| cost price of grid connection | 329 | 325 | 4 | 1,23% |
| cost price of electric energy sale | 466 | 277 | 189 | 68,23% |
| cost price of other sales | 862 | 802 | 60 | 7,48% |
| Administrative costs | 19 | 20 | 1 | 5,00% |
| Management costs | 2 191 | 2 173 | -18 | -0,83% |
| Sales profit | 7 727 | 9 844 | -2 117 | -21,51% |
| Other income | 3 577 | 4 727 | -1 150 | -24,33% |
| Other expenses | 9 096 | 9 993 | -897 | -8,98% |
| Current tax on profit | 1 316 | 1 341 | -25 | -1,86% |
| Change of deferred tax liabilities | 98 | -297 | 395 | -133,00% |
| Change of deferred tax assets | 260 | -169 | 429 | -253,85% |
| Other | 155 | -740 | 895 | -120,95% |
| Net profit | 1 405 | 2 031 | -626 | -30,82% |

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Information on the results of an independent audit

In the opinion of the independent auditor Ernst & Young LLC, the accounting (financial) statements present fairly, in all material respects, the financial position of IDGC of Centre, PJSC as at 31.12.2018, the results of its financial and economic activities and cash flow for 2018 in accordance with the Russian Federation accounting (financial) statements preparation rules.

The Audit Committee at the meeting on 22.03.2019 reviewed the auditor's report on the annual accounting (financial) statements of IDGC of Centre, PJSC for 2018 and recommended to the Board of Directors of IDGC of Centre to submit for approval by the Annual General Meeting of Shareholders the annual accounting (financial) statements for 2018, and also to include an assessment of the auditor's report on the annual financial (accounting) statements for 2018, prepared by the Audit Committee, into the information (materials) to be submitted for review to persons entitled to participate in the Annual General Meeting of Shareholders of the Company.

Information on the conclusion of the Audit Commission

Based on the audit performed, taking into account the opinion of the external auditor of the Company, the Audit Commission has sufficient grounds to confirm the reliability of the data contained in the annual accounting (financial) statements of the Company for 2018, in all material respects.

The annual accounting (financial) statements of the Company for 2018 were preliminarily approved by the Board of Directors of the Company 26.04.2019 (Minutes No. 16/19) in accordance with the recommendations of the Audit Committee 26.02.2019 (Minutes No. 04/19).

The annual accounting (financial) statements for 2018 are available on the Company's website at: <https://www.mrsk-1.ru/about/management/controls/stockholders/material/gosa2019/>

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Draft resolution on item № 1

1. To approve the Annual Report of the Company for 2018.
2. To approve the annual accounting (financial) statements of the Company for 2018.

Annual Report of IDGC of Centre, PJSC for 2018



Interregional Distribution Grid Company of Centre,
Public Joint-Stock Company
2nd Yamskaya, 4, Moscow, Russia, 127018
Tel.: +7 (495) 747-92-92, Fax: +7 (495) 747-92-95,
Power Engineers' Direct Line: 8-800-50-50-115,
Trust Line: +7 (495) 747-92-99,
e-mail: posta@mnsk-1.ru, www.mnsk-1.ru

SEE APPENDIX 1

EXTRACT FROM MINUTES of meeting of the Board of Directors of IDGC of Centre, PJSC (in the form of absent voting)

«26» April 2019

Moscow

No. 16/19

Form of the meeting: **absent voting.**

Total number of members of the Board of Directors: **11 people.**

Participants of the voting: **D.B. Akopyan, A.V. Varvarin, O.Y. Isaev, A.I. Kazakov, A.I. Pavlov, A.V. Rakov, L.A. Romanovskaya, M.M. Saukh, D.A. Spirin, R.A. Filkin, A.V. Shevchuk.**

Members who did not provide questionnaires: **none.**

The quorum is **present.**

Date of the minutes: **26.04.2019.**

Item 9. On the prior approval of the Company's Annual Report for 2018.

Decision:

Tentatively to approve the Company's Annual Report for 2018 and to recommend to the Annual General Meeting of Shareholders of the Company to approve the Annual Report in accordance with **Appendix # 9** to this decision of the Board of Directors of the Company.

Decision is taken.

Appendices:

1. The Annual Report of the Company for 2018 (Appendix # 9).

Minutes signed by:

Chairperson of the Board of Directors

A.I. Kazakov

Corporate Secretary

S.V. Lapinskaya

Extract is correct:

Corporate Secretary
of IDGC of Centre, PJSC
26.04.2019.

S.V. Lapinskaya

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Report on the Company's related-party transactions concluded in 2018

| Item # | Date of transaction | Date of approval (receiving consent to transaction) | Body of the company which made the decision on providing consent to transaction | Subject of the transaction and its essential conditions | Information about the person (persons) related to the transaction, the relation grounds |
|--------|---|---|---|---|--|
| 1 | Agreement of 09.02.2018 № 7700/00083/18 | 26.01.2018 | Board of Directors of IDGC of Centre, PJSC (Minutes of 26.01.2018 № 02/18) | <p>The Agreement for provision of services for the organization of the operation and development of the electric grid complex.</p> <p>Parties to the Agreement: IDGC of Centre, PJSC – «Customer»; PJSC ROSSETI – «Contractor».</p> <p>Subject of the Agreement: The Contractor undertakes to provide the Customer with the service of organizing the operation and development of the electric grid complex in accordance with the terms and conditions of the Agreement, and the Customer undertakes to accept and pay for the service in accordance with the terms and conditions of the Agreement.</p> <p>Price of the Agreement: 858 114 667,94 rubles including VAT, calculated in accordance with the legislation of the Russian Federation.</p> <p>Turnaround time: from 01.01.2018 to 31.12.2020.</p> <p>Duration of the Agreement: The Agreement enters into force from the date of signing the agreement and is valid until 31 December 2020, and in terms of settlements until the Parties fulfill their obligations in full.</p> <p>The Agreement covers the legal relations of the Parties arising from 01.01.2018.</p> | PJSC ROSSETI – the controlling entity of the Company that is also a party to the transaction |
| 2 | Agreement of 12.02.2018 № 7700/00085/18 | 26.01.2018 | Board of Directors of IDGC of Centre, PJSC (Minutes of 26.01.2018 № 02/18) | <p>The Agreement for provision of technical supervision services.</p> <p>Parties to the Agreement: IDGC of Centre, PJSC – «Customer»; PJSC ROSSETI – «Contractor».</p> <p>Subject of the Agreement: The Customer instructs, and the Contractor undertakes to perform technical supervision at the Customer's electric grid facilities, including new construction, reconstruction and technical re-equipment, and the Customer undertakes to accept and pay for these services. In order to create the necessary conditions for the activities of the Contractor's personnel directly providing services at the Customer's Facilities, the Customer provides the Contractor, on a reimbursable basis, for the entire term of the Contract, working places (rooms) provided with furniture, computer and organizational equipment, office equipment, communication facilities, landline and Internet services, stationery.</p> <p>Price of the Agreement: The cost of the Contractor's services is 149 561 460 rubles, including VAT 18%; The cost of the Customer's services is 2 760 694 rubles 50 kopecks, including VAT 18%.</p> <p>Turnaround time: from 01.01.2018 to 31.12.2020.</p> <p>Duration of the Agreement: The Agreement enters into force from the moment of its signing by both Parties and is valid until the Parties terminate their obligations based on the Agreement, the terms of this Agreement apply to the relations of the Parties arisen from 01.01.2018.</p> <p>If 30 (thirty) calendar days prior to the expiration date of the provision of services under the Agreement, neither Party notified the other party of the termination of the Agreement, the term of the provision of services under the Agreement is extended for 1 (one) calendar year, without limiting the number of such extensions.</p> | PJSC ROSSETI – the controlling entity of the Company that is also a party to the transaction |

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

| Item # | Date of transaction | Date of approval (receiving consent to transaction) | Body of the company which made the decision on providing consent to transaction | Subject of the transaction and its essential conditions | Information about the person (persons) related to the transaction, the relation grounds |
|--------|---|---|---|---|---|
| 3 | Agreement of 14.05.2018 № 7700/00165/18 | 28.04.2018 | Board of Directors of IDGC of Centre, PJSC (Minutes of 28.04.2018 № 15/18) | <p>The Agreement for provision of services for mandatory energy audit.</p> <p>Parties to the Agreement: IEC Energoefficiency technologies, JSC – «Contractor»; IDGC of Centre, PJSC – «Customer».</p> <p>Subject of the Agreement: The Contractor undertakes, on the instructions of the Customer, to provide services for mandatory energy audit of electrical grids, buildings and structures of IDGC of Centre, PJSC, according to the Terms of Reference, and the Customer undertakes to accept these services and pay for them.</p> <p>Price of the Agreement: 187 815 834,29 rubles, including VAT 18%.</p> <p>Turnaround time: terms of the provision of services under the Agreement - from the moment of signing of the Agreement by both Parties until 24.11.2018.</p> <p>Duration of the Agreement: The Agreement shall enter into force from the moment of its signing by both Parties and shall be valid until 24.11.2018, subject to full compliance by the parties with the obligations under the Agreement</p> | PJSC ROSSETI – the controlling entity of IDGC of Centre, PJSC, since the other controlled entity of PJSC ROSSETI (indirectly - through IDGC of Centre and Volga Region, PJSC) – IEC Energoefficiency technologies, JSC, is a party to the transaction with IDGC of Centre, PJSC |
| 4 | Agreement of 28.08.2018 № 7700/00293/18 | 10.08.2018 | Board of Directors of IDGC of Centre, PJSC (Minutes of 10.08.2018 №27/18) | <p>The Agreement of supply, performance of works within the implementation of 10 kV commercial metering points at the balance participation boundary with set-up of remote data collection</p> <p>Parties to the Agreement: JSC «FOCL-Conductor Administration» – «Contractor»; IDGC of Centre, PJSC – «Customer».</p> <p>Subject of the Agreement: The Customer instructs, and the Contractor undertakes in accordance with the Terms of Reference, which is an integral part of the Agreement (Appendix #1 to the Agreement):</p> <ul style="list-style-type: none"> - on the basis of an Amendment (s) concluded by the Parties for the supply of the Equipment to transfer the Equipment to the ownership of the Customer in accordance with the provisions of Article 6 of the Agreement; and/or - on the basis of an Amendment (s) concluded by the Parties for the supply of the Equipment with set-up of remote data collection, to transfer the Equipment to the ownership of the Customer in accordance with the provisions of Article 6 of the Agreement, as well as perform work on the set-up of data output from the Equipment to the upper level of the information and computing complex of the Customer's top level in accordance with the requirements of Appendix #1 to the Agreement; and/or - on the basis of an Amendment (s) concluded by the Parties for the supply of the Equipment and the implementation of a set of works on the implementation of 10 kV commercial metering points on the balance participation boundary with set-up of remote data collection, to transfer the Equipment to the ownership of the Customer in accordance with the provisions of Article 6 of the Agreement, and also to perform design, installation, commissioning of the Equipment on the Customer's infrastructure, work on the set-up of data output from the Equipment to the upper level of the information and computing complex of the of the Customer's top level in accordance with the requirements of Appendix #1 to the Agreement. <p>The Agreement determines the main terms of cooperation of the Parties in the performance of the obligations established by para.2.1. of the Agreement and is recognized by the Parties as a framework agreement, as defined in Article 429.1. of the Civil Code of the Russian Federation.</p> <p>Price of the Agreement: 542 522 000 rubles, including all taxes and fees payable under the laws of the Russian Federation.</p> <p>Turnaround time: the work is carried out in accordance with the Terms of Reference, as well as the Schedule of the relevant Amendment.</p> <p>Duration of the Agreement: The Agreement enters into force from the moment of conclusion and is valid until 01.01.2022.</p> | The controlling entity of the Company - PJSC ROSSETI, at the same time, is the controlling entity of a legal entity that is a party to the transaction (JSC «FOCL-Conductor Administration») |

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

| Item # | Date of transaction | Date of approval (receiving consent to transaction) | Body of the company which made the decision on providing consent to transaction | Subject of the transaction and its essential conditions | Information about the person (persons) related to the transaction, the relation grounds |
|--------|---|---|---|--|--|
| 5 | Agreement of 19.09.2018 № 7700/00309/18 | 05.09.2018 | Board of Directors of IDGC of Centre, PJSC (Minutes of 05.09.2018 №30/18) | <p>The Sublicense Agreement for granting of non-exclusive rights to upgrade and technical support of software to protect against information leaks</p> <p>Parties to the Agreement: JSC «FOCL-Conductor Administration» – «Licensee»; IDGC of Centre, PJSC – «Sublicensee».</p> <p>Subject of the Agreement: The Licensee grants the Sublicensee the non-exclusive rights to update and provide technical support of software for protection against information leaks for the needs of IDGC of Centre, PJSC (branches "Belgorodenergo", "Bryanskenergo", "Voronezhenergo", "Kostromaenergo", "Kurskenergo", "Lipetskenergo", "Orelenergo", "Smolenskenergo", "Tambovenergo", "Tverenergo" and "Yarenergo"), hereinafter referred to as «the Software», within the limits stipulated by the Agreement and for the duration of the Agreement, and the Sublicensee for granting these non-exclusive rights shall pay the fee to the Licensee.</p> <p>The name of individual parts of the Software, the number of users (installations, workplaces) for the Software, the period of the non-exclusive rights transfer, the territory of use, the amount of fee are determined by the Parties in the Specification (Appendix #1 to the Agreement).</p> <p>Price of the Agreement: 164 918 000 rubles, not subject to value added tax</p> <p>Term of use of the Software: The Licensee grants the Sublicensee the right to use licenses for the update and technical support of the software to protect against information leakage for a period from 01.08.2018 to 31.07.2021.</p> <p>Duration of the Agreement: The Agreement shall enter into force upon signature by both Parties and shall remain in force until the Parties fulfill their obligations under the Agreement in full. The Agreement covers the relations of the Parties arisen from 01.08.2018.</p> | The controlling entity of the Company - PJSC ROSSETI, at the same time, is the controlling entity of a legal entity that is a party to the transaction (JSC «FOCL-Conductor Administration») |

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Annual accounting (financial) statements of IDGC of Centre, PJSC for 2018



Interregional Distribution Grid Company of Centre,
Public Joint-Stock Company
2nd Yamskaya, 4, Moscow, Russia, 127018
Tel.: +7 (495) 747-92-92, Fax: +7 (495) 747-92-95,
Power Engineers' Direct Line: 8-800-50-50-115,
Trust Line: +7 (495) 747-92-99,
e-mail: posta@mrsk-1.ru, www.mrsk-1.ru

SEE APPENDIX 2

EXTRACT FROM MINUTES
of meeting of the Board of Directors of IDGC of Centre, PJSC
(in the form of absent voting)

«26» April 2019

Moscow

No. 16/19

Form of the meeting: **absent voting**.

Total number of members of the Board of Directors: **11 people**.

Participants of the voting: **D.B. Akopyan, A.V. Varvarin, O.Y. Isaev, A.I. Kazakov, A.I. Pavlov, A.V. Rakov, L.A. Romanovskaya, M.M. Saukh, D.A. Spirin, R.A. Filkin, A.V. Shevchuk**.

Members who did not provide questionnaires: **none**.

The quorum is **present**.

Date of the minutes: **26.04.2019**.

Item 10. On consideration of the annual accounting (financial) statements of the Company for 2018.

Decision:

Tentatively to approve and submit the annual accounting (financial) statements of the Company for 2018 for approval by the Annual General Meeting of Shareholders of the Company in accordance with **Appendix # 10** to this decision of the Board of Directors of the Company.

Decision is taken.

Appendices:

1. The annual accounting (financial) statements of the Company for 2018 (Appendix # 10).

Minutes signed by:

Chairperson of the Board of Directors

A.I. Kazakov

Corporate Secretary

S.V. Lapinskaya

Extract is correct:

Corporate Secretary
of IDGC of Centre, PJSC
26.04.2019.

S.V. Lapinskaya

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Conclusion of the Audit Commission on the results of the audit of the financial and economic activities of IDGC of Centre, PJSC for 2018

The Audit Commission
of IDGC of Centre, PJSC

Approved by
the Audit Commission
of IDGC of Centre, PJSC
(Minutes dated «12» April 2019 #6)

REPORT OF THE AUDIT COMMISSION

of Interregional Distribution Grid Company of Centre,
Public Joint Stock Company

«12» April 2019
Date of preparation

Moscow
Place of preparation

I. INTRODUCTION INFORMATION ON THE MEMBERS OF THE AUDIT COMMISSION

| Members of the Audit Commission were elected by the resolution of the General Meeting of Shareholders | Minutes of the General Meeting of Shareholders of IDGC of Centre, PJSC dated 09.06.2018 № 01/17 |
|---|---|
| Chairperson, Secretary of the Audit Commission were elected by the decision of the Audit Commission | Minutes No. 1 of the meeting of the Audit Commission of IDGC of Centre, PJSC dated 04.06.2018, Minutes No. 5 dated 28.03.2019 |
| Chairperson of the Audit Commission | M.A. Lelekova |
| Secretary of the Audit Commission | E.A. Kabizskina |
| Members of the Audit Commission | S.A. Kim, S.V. Malyshev, O.A. Medvedeva. |

Term of the audit performance: In accordance with the decision of the Audit Commission of IDGC of Centre, PJSC (Minutes No. 3 dated 17.12.2018, Minutes No. 5 dated 28.03.2019), the audit of the financial and economic activities of IDGC of Centre, PJSC for 2018 is carried out from 17.12.2018 to 26.04.2019, the assessment of the reliability of the data, contained in the Annual Report for 2018, the Accounting (financial) statements for 2018 and the Report on the related-party transactions concluded in 2018, was conducted in the period from 01.03.2019 to 12.04.2019.

Reason for the audit: Federal Law No. 208-FZ of 26.12.1995 "On Joint Stock Companies", the Articles of Association of IDGC of Centre, PJSC, the Regulation on the Audit Commission of IDGC of Centre, PJSC (hereinafter referred to as the Company), the decision of the Audit Commission of the Company (Minutes of the meeting of 17.12.2018 No. 3).

Purpose of the audit: The expression of an independent opinion on the reliability of data contained in the Annual Report for 2018, the Company's accounting (financial) statements for 2018, the Report on the related-party transactions concluded in 2018 (hereinafter referred to as the Statements). Reliability in all material respects means the accuracy of the Statements data, which allows shareholders to draw the right conclusions about the results of economic activities, financial and property status of the Company and take informed decisions based on these conclusions. In accordance with the Civil Code of the Russian Federation, Federal Law No. 208-FZ of 26.12.1995 "On Joint Stock Companies", the Articles of Association of IDGC of Centre, PJSC, the sole executive body of the Company bears responsibility for the preparation and reliable presentation of the Statements.

Audited period: from 01.01.2018 to 31.12.2018.

Audited entity: The Annual Report and Accounting (financial) statements for 2018, the Report on the related-party transactions concluded in 2018, resolutions of management bodies, management accounts of the Company, ledgers, primary accounting documents and other documentation of financial and economic activities of the Company.

The audit was performed in accordance with the following:

- Federal Law No. 402-FZ of 06.12.2011 "On Business Accounting";
- Federal Law No. 208-FZ of 26.12.1995 "On Joint Stock Companies";
- the Civil Code of the Russian Federation;
- Order of the Ministry of Finance of the Russian Federation No.34n of 29.07.1998 "On the Adoption of the Regulations on Business Accounting in the Russian Federation";
- Regulations (standards) on accounting;
- Order of the Ministry of Finance of the Russian Federation N 66n of 02.07.2010 "On the Forms of Financial Statements of Organisations";
- Regulation on information disclosure by issuers of securities approved by the Bank of Russia dated 30.12.2014 N 454-P;
- Instruction of the Bank of Russia "On the establishment of limit values for the size of transactions of joint-stock companies and limited liability companies, in excess of which such transactions can be recognized as related-party transactions" dated 31.03.2018 No. 4335-U;
- Accounting Policy of IDGC of Centre, PJSC for 2018 for accounting purposes, approved by the Company's Order No. 493-CA dated 29.12.2017;
- other legislative and internal local regulations of the Company.

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

INFORMATION ON THE COMPANY

| Full company name | Interregional Distribution Grid Company of Centre, Public Joint Stock Company |
|---|--|
| Registered office | 127018, Moscow, Russia, 2nd Yamskaya, 4 |
| Postal address | 127018, Moscow, Russia, 2nd Yamskaya, 4 |
| State registration | Entered in the Unified State Register of Legal Entities of the Interdistrict Inspectorate of the Ministry of Taxes and Levies of the RF #1 in the Tver region numbered 1046900099498 December 17, 2004. Certificate series 69 #000939402 |
| Taxpayer Identification Number (TIN) | 6901067107 |
| Branches and subdivisions with separate balance | Belgorodenergo, Bryanskenergo, Voronezhenergo, Kostromaenergo, Kurskenergo, Lipetskenergo, Orelenergo, Smolenskenergo, Tambovenergo, Tverenergo, Yarenergo |
| Chief Executive Officer | Oleg Y. Isaev, General Director from 02.04.2013 to 18.09.2018 Igor V. Makovskiy from 19.09.2018 until now |
| Chief Accountant | Lyudmila A. Sklyarova, Chief Accountant – Head of Financial and Tax Accounting and Reporting Department from 19.04.2013 until now |

INFORMATION ON THE AUDITOR

| Full company name | Ernst & Young LLC |
|--|---|
| Resolution of the General Meeting of Shareholders to approve the auditor nomination | Minutes of the General Meeting of Shareholders of IDGC of Centre, PJSC dated 31.05.2018 № 01/18 |
| Decision of the Board of Directors to approve terms and conditions of the agreement with the auditor | Minutes of the Board of Directors of IDGC of Centre, PJSC dated 15.06.2018 № 07/18 |
| Agreement to provide auditing services | № 7700/00196/18 dated 10.07.2018 |
| Auditor's Report | Independent Auditor's Report dated 20.02.2019 |

The Audit was planned and conducted by us in such a manner as to be reasonably assured that the Statements for 2018 do not contain any material falsifications.

The Audit was planned and conducted on a sample basis and included a study through the testing of the evidence, which supports the meaning and the disclosure of the information in the Statements on the financial and economic activities of the Company, an assessment of its accounting principles and methods, the rules for the preparation of the Statements, and the identification of any essential imputations. During the course of the Audit, the materiality level was determined (the level of the aggregate tolerated error in the Statements). The materiality in our understanding is the property of the information disclosed in the Statements to influence the decisions taken by the users of these Statements. The level of the tolerated error for us is the criterion as regards to the assurance of the reliability of the Statements of the Company.

During the audit, we selectively reconciled the data of the ledgers, the primary accounting records, the Accounting (financial) statements, the Annual Report, the Report on the related-party transactions concluded in the reporting year. We checked the procedure for organizing and implementing the work of the Company aimed at ensuring the safety of assets, the results of the inventory of property and liabilities of the Company. Based on the Company's Accounting (financial) statements, we conducted an analysis of the financial position and financial condition of the Company.

During the course of the Audit, we reviewed the observance by the Company of the legislation of the Russian Federation and internal local regulations of the Company, the compliance of the Statements with the content of operations and events so that their reliable representation is ensured. We checked the compliance of a number of financial and economic transactions concluded by the Company with the legislation solely to obtain a reasonable and sufficient level of assurance that the Statements do not contain any material falsifications.

We also randomly checked the completeness of information disclosure:

- in the Company's Annual Report for compliance with the requirements of the Regulation on Disclosure of Information by Issuers of Equity Securities approved by the Bank of Russia 30.12.2014 N 454-P;
- in the Accounting (financial) statements for compliance with Federal Law No. 402-FZ dated 06.12.2011 "On Accounting" and accounting standards;
- in the Report on the related-party transactions concluded in the reporting year for compliance with the requirements of Federal Law No. 208-FZ of 26.12.1995 "On Joint Stock Companies", Instruction of the Bank of Russia "On setting limit values for transactions of joint-stock companies and limited companies liability, upon exceeding of which such transactions can be recognized as related-party transactions" of 31.03.2018 № 4335-U.

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

At the time of issue of this conclusion, the Annual Report submitted for approval by the Annual General Meeting of Shareholders has not previously been approved by the Board of Directors of the Company, the Report on the related-party transactions concluded in 2018, has not been approved by the Board of Directors of the Company.

During the audit of the reliability of the Statements the Audit Commission also relied on the Auditor's Report of Ernst & Young LLC dated 20.02.2019 about the reliable view of the financial position, financial results and cash flow in the accounting (financial) statements for 2018, on the conclusions of JSC BDO "Unicon", prepared on the basis of the results of technological and price audit of reports on the implementation of the Company's investment program carried out on the basis of contract № 7700/00067/18/BDO-3204-0067-18 dated 05.02.2018.

II. FINAL PART

The totality of the methods of keeping the accounting by the Company that make up the Accounting Policy for 2018 in the reporting year were in accordance with the legislation of the Russian Federation on accounting, federal standards.

Inventory of property and liabilities of the Company was carried out in accordance with the requirements of the legislation, the results of the inventory were recognized in the Company's accounting (financial) statements.

The accounting (financial) statements for 2018 were prepared in accordance with the rules for drawing up accounting statements established in the Russian Federation in all material respects.

The book value of the Company's assets as of 31 December 2018 amounted to 122 536,105 million rubles and, as compared as of 31 December 2017, increased by 2%.

Non-current assets occupy 86% of the property structure, their value as of 31 December 2018 amounted to 105 616,662 million rubles, which is 2% more than the size of non-current assets as of 31 December 2017, the growth of the non-current assets was significantly influenced by the commissioning of fixed assets for the reporting year, the growth of other non-current assets and the growth in the volume of advances issued for capital construction.

The share of current assets accounts for 14% of all assets, their value as of 31 December 2018 was 16 919,443 million rubles, of which accounts receivable make up the largest share (76%). The volume of current assets, in comparison with their value as of 31 December 2017, increased by 3%, the value of the current assets was significantly influenced by the growth of accounts receivable in the amount of 511,404 million rubles and the growth of reserves in the amount of 605,506 million rubles, while reducing, on the reporting date, the cash balance and cash equivalents by 572,436 million rubles.

In the structure of capital and liabilities, as of 31 December 2018, equity holds 48% and is 58 430,938 million rubles. Own capital for the year increased by 1%, mainly due to the growth of retained earnings.

Debt capital accounts for 52% of the capital structure and liabilities. The amount of borrowed capital for the reporting year increased by 4% and, as of 31 December 2018, amounted to 64 105,167 million rubles. In the structure of borrowed capital, as of 31 December 2018, the largest share is borrowed funds (63%) and accounts payable (22%). The borrowed funds, for the reporting year, decreased by 3%, accounts payable increased by 33%.

The result of the Company's activity in the reporting year was the net profit of 1 405,372 million rubles (the net profit in the previous reporting period was 2 031,389 million rubles).

The cost of net assets as of 31 December 2018 is 58 450,699 million rubles and, as of 31 December 2018, exceeds the authorized capital of the Company. The increase in the value of the net assets for the reporting year compared with 31 December 2017 is 0,9%.

Indicators of the financial condition and solvency of the Company are below the recommended values, except for the degree of solvency on current liabilities and the debt to EBITDA ratio, which indicates a lack of working capital to repay short-term liabilities at the end of the reporting period.

Facts of violation of the legal acts of the Russian Federation in the implementation of financial and economic activities that could significantly affect the Company's Statements have not been identified.

Facts of distortion of the information contained in the Report on the related-party transactions concluded in 2018 have not been revealed.

The Annual Report of the Company submitted for approval by the Annual General Meeting of Shareholders contains information provided for in the Regulation on Disclosure of Information by Issuers of Equity Securities approved by the Central Bank of the Russian Federation of 30.12.2014 № 454-P.

Based on the results of the evaluation of the reliability of the Company's Statements for 2018, the Audit Commission expresses its opinion on the reliability of the data contained in the Annual Report for 2018, the Company's accounting (financial) Statements for 2018, the Report on the related-party transactions concluded in 2018, in all material respects.

The Company's Statements confirmed by the Audit Commission:

| Item # | Name of the statement form | Date of signature by the management | Number of sheets in the document |
|--------|---|-------------------------------------|----------------------------------|
| 1. | Accounting balance sheet ended 31 December 2018 | 20.02.2019 | 2 |
| 2. | Profit and loss statement for January-December 2018 | 20.02.2019 | 1 |
| 3. | Statement of changes in equity for 2018 | 20.02.2019 | 4 |
| 4. | Statement of cash flow for January-December 2018 | 20.02.2019 | 2 |
| 5. | Notes to the accounting balance sheet and P&L statement for 2018 with appendices | 20.02.2019 | 91 |
| 6. | Annual report of Interregional Distribution Grid Company of Centre, Public Joint Stock Company for 2018 | no data | 444 |
| 7. | Report on the related-party transactions concluded in 2018 | no data | 7 |

This Report of the Audit Commission should be considered together with all the approved forms of the accounting (financial) Statements and the Notes to the accounting balance sheet and P&L statement for 2018 in a text and table form, the Report on the related-party transactions concluded in 2018.

Chairperson of the Audit Commission
Members of the Audit Commission

M.A. Lelekova
S.A. Kim
E.A. Kabizskina
S.V. Malyshev

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

INDEPENDENT AUDITOR'S REPORT

**Independent auditor's report
on the accounting (financial) statements of
Interregional Distribution Grid Company of Centre,
Public Joint-Stock Company**

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To the Shareholders and Board of Directors of Interregional Distribution Grid Company of Centre, Public Joint Stock Company

Opinion

We have audited the accounting (financial) statements of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company (the Company), which comprise the statement of financial position as at 31 December 2018, profit and loss statement for 2018 and appendices thereto.

In our opinion, the accompanying accounting (financial) statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for 2018 in accordance with the rules on preparation of accounting (financial) statements established in the Russian Federation.

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 accounting (financial) statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the accounting (financial) statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 accounting (financial) statements of the current period. These matters were addressed in the context of our audit of the accounting (financial) statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the accounting (financial) statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accounting (financial) statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying accounting (financial) statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Recognition and assessment of revenue from electricity transmission services | |
| Recognition and assessment of revenue from electricity transmission services was one of the most significant matters of our audit in connection with certain specific features of the electricity market functioning mechanisms, which cause the existence of disagreements between power grids, power sales and other companies regarding the volumes and cost of transmitted electricity. The amount of revenue disputed by the counterparties is significant for the Company's accounting (financial) statements. The Company's management's assessment of the probability of resolving disputes in its favour is largely subjective. Revenue is recognized when, subject to assumptions, differences are resolved in favour of the Company. Information on revenue from electricity transmission services is disclosed in paragraph 13 of the Notes to the statement of financial position and the profit and loss statement. | We reviewed the applied accounting policy with respect to the recognition of revenue from electricity transmission services, assessed the internal control system for the reflection of this revenue, checked the correctness of determining the respective amounts of revenue based on the electricity transmission agreements concluded, on a selective basis received confirmations of receivables balances from counterparties, analyzed the results of legal proceedings regarding the disputed amounts of services rendered, if any, and assessed the existing procedures for confirming the amount of electricity transmitted. |

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Impairment of account receivables | |
| <p>Impairment of account receivables is one of the most significant matter for our audit due to significant balance of account receivables as at 31 December 2018, as well as due to the fact that management's assessment of recoverability of account receivables is based on assumptions, in particular, on the forecasted ability of the Company's customers to pay.</p> <p>Information on impairment of accounts receivable is disclosed in paragraph 10 of the Notes to the statement of financial position and the profit and loss statement.</p> | <p>We analyzed the adequacy of the Company's accounting policy with respect to impairment of account receivables, as well as the procedures for confirming the appropriateness of estimates made by the Company's management, including analysis of history of settlements, ageing and overdue receivables and customers' ability to pay.</p> <p>We performed audit procedures with respect to the information used by the Company to determine the impairment of accounts receivable, the aging structure of accounts receivable, tested the applicable levels of account receivables impairment allowances based on the management's estimates.</p> |
| Recognition, measurement and disclosure of provisions and contingent liabilities | |
| <p>Recognition, measurement and disclosure of provisions and contingent liabilities in respect of litigations and claims of counterparties (including territorial electric grid companies and energy supply companies) were matters of most significance in our audit because they require a lot of management judgments in respect of significant amounts in dispute in the course of litigations and claim settlements.</p> <p>Information on provisions and contingent liabilities is disclosed in paragraph 13 of the Notes to the statement of financial position and the profit and loss statement.</p> | <p>The audit procedures included review of court rulings made by courts of different levels, review of adequacy of management judgments and documents confirming the assessment of possibility of outflow of economic resources following dispute resolutions, conformity of the prepared documentation with the existing contracts and compliance with the law.</p> |

Other information

The accounting (financial) statements of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company for 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 22 February 2018.

The accounting (financial) statements of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company for 2016 were audited by another auditor who expressed an unmodified opinion on those statements 21 February 2017.

Other information included in the Annual Report of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company

Other information consists of the information included in the Annual Report of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company other than the accounting (financial) statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company is expected to be made available to us after the date of this auditor's report.

Our opinion on the accounting (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 accounting (financial) statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounting (financial) statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the management and the Audit Committee of the Board of Directors for the accounting (financial) statements

The management is responsible for the preparation and fair presentation of the accounting (financial) statements in accordance with the rules on preparation of accounting (financial) statements established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of accounting (financial) statements that are free from material misstatement, whether due to fraud or error.

In preparing the accounting (financial) statements, the management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of Board of Directors are responsible for overseeing the Company's financial reporting process.

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Auditor's responsibilities for the audit of the accounting (financial) statements

Our objectives are to obtain reasonable assurance about whether the accounting (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 accounting (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 accounting (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 Company's internal control system;
- 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 Company'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 accounting (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 Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the accounting (financial) statements, including the disclosures, and whether the accounting (financial) statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Board of Directors of the Company 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 the Audit Committee of the Board of Directors of the Company 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.

From the matters communicated with the Audit Committee of the Board of Directors of the Company, we determine those matters that were of most significance in the audit of the accounting (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 partner in charge of the audit resulting in this independent auditor's report is, - T.L. Okolotina

T.L. Okolotina
Partner
Ernst & Young LLC
20 February 2019

Data on the audited entity
Company name: Interregional Distribution Grid Company of Centre, Public Joint-Stock Company
Entered in the Unified State Register of Legal Entities December 17, 2004 with the state registration numbered 1046900099498.
Registered office: 127018, Moscow, Russia, 2nd Yamskaya, 4.

Data on the auditor
Company name: Ernst & Young LLC
Entered in the Unified State Register of Legal Entities December 05, 2002 with the state registration numbered 1027739707203.
Registered office: Sadovnicheskaya nab. 77, bld. 1, 115035 Moscow, Russia.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Evaluation by the Company's Audit Committee of the Auditor's Report, which confirms the reliability of the annual accounting (financial) statements of IDGC of Centre, PJSC prepared in accordance with RAS and IFRS



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EXTRACT FROM MINUTES
of the meeting of the Audit Committee
of the Board of Directors of IDGC of Centre, PJSC
(in the form of joint presence)

26 February 2019

Moscow

No. 04/19

Form of the meeting: joint presence.

Time of the meeting: 10 hours 00 minutes – 11 hours 25 minutes.

Place of the meeting: Moscow, 2nd Yamskaya, 4, Floor 5, Room 507.

Video conference A5-048 at the address: Moscow, Belovezhskaya str. 4 (PJSC «Rosseti»)

Participants of the meeting: A.V. Varvarin, M.M. Saukh (Video conference), A.V. Shevchuk.

Members who neither participated nor provided questionnaires: none.

The quorum is present.

Date of the minutes: 26.02.2019.

The Expert conclusion of the expert of the Audit Committee of the Board of Directors of IDGC of Centre, PJSC E.B. Sinitsyna was taken into account at drawing up of the minutes.

Item 1. On consideration of the Management and governance letter, presented by the external auditor on the main problems of the accounting (financial) statements of the Company for 2018, prepared under RAS, and information of the Company's management on material adjustments made as a result of the external audit of the statements.

Decision taken at the meeting:

To take into consideration the Management and governance letter (auditor's report) of the auditor Ernst & Young LLC to the management of IDGC of Centre, PJSC on the main problems of the accounting (financial) statements for 2018, prepared in accordance with RAS, and the information of the Company's management on the absence of adjustments based on the audit results of the statements.

Decision is taken.

Minutes signed by:

Chairperson of the Audit Committee

A.V. Varvarin

Secretary of the Audit Committee

S.V. Lapinskaya

Extract is correct:

Secretary of the Audit Committee
26.02.2019.

S.V. Lapinskaya



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EXTRACT FROM MINUTES
of the meeting of the Audit Committee
of the Board of Directors of IDGC of Centre, PJSC
(in the form of absent voting)

22 March 2019

Moscow

No. 06/19

Form of the meeting: absent voting.

Total number of members of the Audit Committee: 3 persons.

Participants of the voting: A.V. Varvarin, M.M. Saukh, A.V. Shevchuk.

Members who did not provide questionnaires: none.

The quorum is present.

The Expert conclusion of the expert of the Audit Committee of the Board of Directors of IDGC of Centre, PJSC E.B. Sinitsyna was taken into account at drawing up of the minutes.

Date of the minutes: 22.03.2019.

Item 1. On consideration of the Management and governance letter, presented by the external auditor on the main problems of the financial statements of the Company for 2018, prepared under IFRS, and the Company's management information about material adjustments made on the results of the external audit of the statements.

Decision:

Based on the results of the consideration of the Management and governance letter (auditor's report) of the auditor Ernst & Young LLC to the management and the Audit Committee of the Board of Directors of IDGC of Centre, PJSC on the main problems of accounting and reporting on the results of audits of the consolidated financial statements prepared in accordance with IFRS, for 2018, to note the absence of significant remarks with the external auditor affecting the reliability of the statements.

Decision is taken.

Minutes signed by:

Chairperson of the Audit Committee

A.V. Varvarin

Secretary of the Audit Committee

S.V. Lapinskaya

Extract is correct:

Secretary of the Audit Committee
22.03.2019.

S.V. Lapinskaya

ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2018»

Conclusion of the Audit Committee of IDGC of Centre, PJSC on the level of efficiency and quality of the external audit process



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EXTRACT FROM MINUTES
of the meeting of the Audit Committee
of the Board of Directors of IDGC of Centre, PJSC
(in the form of absent voting)

22 March 2019

Moscow

No. 06/19

Form of the meeting: absent voting.

Total number of members of the Audit Committee: 3 persons.

Participants of the voting: A.V. Varvarin, M.M. Saukh, A.V. Shevchuk.

Members who did not provide questionnaires: none.

The quorum is present.

The Expert conclusion of the expert of the Audit Committee of the Board of Directors of IDGC of Centre, PJSC E.B. Sinitsyna was taken into account at drawing up of the minutes.

Date of the minutes: 22.03.2019.

Item 3. On evaluation of the effectiveness of the external audit process of the Company's accounting (financial) statements for 2018.

Decision:

1. To recognize the Auditor's report and procedures, conducted by Ernst & Young LLC during the audit of the Company's accounting (financial) statements, prepared under RAS, for 2018, in compliance with the terms and conditions of the contract and the requirements of the legislation of the Russian Federation.

2. To recommend to the Board of Directors of the Company to include the Conclusion of the Audit Committee of the Board of Directors of IDGC of Centre, PJSC on the level of efficiency and quality of the external audit process in the list of materials provided to persons entitled to participate in the Annual General Meeting of Shareholders of the Company, in accordance with Appendix # 1 to this decision of the Audit Committee.

Decision is taken.

Appendix: The Conclusion of the Audit Committee of the Board of Directors of IDGC of Centre, PJSC on the level of efficiency and quality of the external audit process (Appendix # 1).

Minutes signed by:

Chairperson of the Audit Committee

A.V. Varvarin

Secretary of the Audit Committee

S.V. Lapinskaya

Extract is correct:

Secretary of the Audit Committee

22.03.2019.

S.V. Lapinskaya

In accordance with paragraphs 294.2 and 294.3 of the Code of Corporate Governance, approved on 21.03.2014 by the Board of Directors of the Bank of Russia, the Audit Committee of the Board of Directors of IDGC of Centre, PJSC (hereinafter - the Company) evaluated the effectiveness of the process of external audit of accounting (financial) statements of the Company for 2018, prepared under RAS, and assessed the Auditor's report, issued by the results of this audit.

Following the results of the public competitive negotiations without prequalification of bidders for the right to sign the agreement to render services for audit of accounting (financial) statements, prepared in accordance with RAS, audit of consolidated financial statements prepared in accordance with IFRS, which is valid for the period of 2018-2019, Ernst & Young LLC was recognized as the winner (Minutes of the meeting of the Procurement Commission dated 16.04.2018 # 13/595r).

On the basis of the decisions of the Annual General Meeting of Shareholders (Minutes dated 31.05.2018 # 01/18), the Company's Board of Directors (Minutes dated 05.07.2018 # 22/18) the Company entered into Agreement dated 10.07.2018 № 7700/00196/18/ECU-2018-00113 with Ernst & Young LLC (hereinafter - the External Auditor).

Registered office of the External Auditor: Sadovnicheskaya nab. 77, bld. 1, 115035 Moscow, Russia.

Ernst & Young LLC is a member of the Self-Regulating Organization of Auditors and Audit Organizations "Russian Union of Auditors" (Certificate of membership No. 11603050648).

Independence and objectivity of the External Auditor was confirmed with the following information provided by Ernst & Young LLC:

- Ernst & Young LLC has implemented standards of activity, according to which this company aims to be an independent auditor and to have a reputation as an independent auditor;

- in accordance with the regulations of ethics and independence of Ernst & Young LLC, all partners and employees of Ernst & Young LLC annually confirm compliance with these regulations, including the absence of prohibited financial investments in their investment portfolio.

In addition, it should be noted that the independence of the external auditor was confirmed by the absence with Ernst & Young LLC of an extended period of services for external audit of the Company. Ernst & Young LLC carried out an audit of accounting (financial) statements of the Company for 2014.

Ernst & Young LLC did not provide other services to the Company. At the same time, the Company, following the results of the procurement procedures for the right to conclude a contract for the provision of services for a comprehensive analysis of the financial and economic activities of the subsidiaries and affiliates of PJSC ROSSETI and for the preparation of the consolidated report, concluded agreement dated 12.27.2018 № 7700/00546/18 for carrying out a comprehensive analysis of the financial and economic activities of IDGC of Centre, PJSC with a collective participant consisting of the leader of the collective participant Ernst & Young LLC - assessment and consulting services and a member of the collective participant RSM RUS LLC. According to the schedule, the work completion is scheduled for 2019. Considering the above, in confirmation of the absence of a conflict of interest during the audit of the accounting (financial) statements and comprehensive examination of IDGC of Centre, PJSC, the External Auditor prepared and submitted to the Audit Committee of the Board of Directors of IDGC of Centre, PJSC a letter of assurance about independence based on the following:

- there is no conflict of interest with the independent auditor of financial statements and ongoing services for a comprehensive examination. In the event of a threat, the independent auditor, in the manner prescribed by the auditing standards, code of ethics, and independence rules, will implement measures aimed at reducing risks to an acceptable level. If it is impossible to settle these risks (if any), the independent auditor will inform the management bodies of the audited entity, including the Audit Committee;
- the External Auditor has taken effective measures to minimize the main threats to independence arising during the provision of non-audit services;
- that EY remains independent, objectivity is beyond doubt, and EY complies with the standards of professional ethics established by the Code of Professional Ethics of Auditors in Russia.

As part of the audit of the accounting (financial) statements prepared in accordance with RAS, the External Auditor prepared and submitted the following documents:

- the Management and Governance Letter (the Report) to the Company based on the results of the interim audit of accounting (financial) statements prepared in accordance with Russian Accounting Standards for the 9 months ended 30.09.2018.
- the Management and Governance Letter (the Report) to the Company based on the results of the audit of accounting (financial) statements prepared in accordance with Russian Accounting Standards for the year ended 31.12.2018.
- the Auditor's Report on the accounting (financial) statements of the Company for 2018.

The Audit Committee of the Board of Directors of the Company at its meetings reviewed the above documents prepared by Ernst & Young LLC, discussed with the External Auditor and the Company's management the main problems of the accounting (financial) statements of the Company prepared in accordance with Russian Accounting Standards (Minutes dated 21.12.2018 # 14/18, Minutes dated 26.02.2019 # 04/19).

The content of the Management and Governance Letter (the Report), prepared by Ernst & Young LLC, meets the requirements of Federal Law "On Auditing" No. 307-FZ, International Standards on Auditing (ISAs) 260 (revised) "Communication with those charged with governance" and 265 "Communicating deficiencies in internal control to those charged with governance and management".

The procedures performed by Ernst & Young LLC in the course of the external audit of accounting (financial) statements of the Company for 2018 under RAS correspond to the terms and conditions of the concluded agreement and the requirements of Federal Law "On Auditing Activities" dated 30.12.2008 № 307-FZ.

The Auditor's Report was compiled in accordance with the International Standards on Auditing (ISAs), enacted in the territory of the Russian Federation by Orders of the Ministry of Finance of the Russian Federation No. 192n of 24.10.2016 and No. 207n of 09.11.2016.

Chairperson of the Audit Committee

A.V. Varvarin