



ITEM № 1  
ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING  
(FINANCIAL) STATEMENTS OF THE COMPANY FOR 2019

**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 2019)**

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 2019 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 24.04.2020, 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 2019 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 2019, the Audit Commission expresses its opinion on the reliability of the data, contained in the Company’s Annual Report for 2019, the Accounting (financial) statements of the Company for 2019, the Report on the related-party transactions concluded in 2019, in all material respects.

The Annual Report of the Company for 2019, including the Report on the related-party transactions concluded in 2019, was previously approved by the Board of Directors of the Company 28.04.2020 (Minutes No. 20.20) in accordance with the recommendations regarding the Audit Committee 03.04.2020 (Minutes No. 05.20) and the Strategy Committee 30.03.2020 (Minutes No. 05/20).

The text of the Annual Report for 2019 (including the Report on the related-party transactions concluded in 2019) can be found on the Company’s website at: <https://www.mrsk-1.ru/about/management/controls/stockholders/material/gosa2020/>

**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 2019 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, PJSC for 12 months of 2019 have the following indicators:

RUB mln	for 2019	for 2018	Deviation	
			absolute	relative
<b>Revenue</b>	<b>94 506</b>	<b>93 874</b>	<b>632</b>	<b>0.67%</b>
from electric energy transmission services	90 887	90 015	872	0.97%
from grid connection services	1542	1 864	-322	-17.27%
from electric energy sale	521	530	-9	-1.70%
from other activity	1556	1 465	91	6.21%
<b>Cost price</b>	<b>84 508</b>	<b>83 937</b>	<b>571</b>	<b>0.68%</b>
cost price of electric energy transmission	82 813	82 280	533	0.65%
cost price of grid connection	354	329	25	7.60%
cost price of electric energy sale	451	466	-15	-3.22%
cost price of other sales	890	862	28	3.25%
<b>Administrative costs</b>	<b>19</b>	<b>19</b>	<b>0</b>	<b>0.00%</b>
<b>Management costs</b>	<b>2 336</b>	<b>2 191</b>	<b>145</b>	<b>6.62%</b>
<b>Sales profit</b>	<b>7 643</b>	<b>7 727</b>	<b>-84</b>	<b>-1.09%</b>
<b>Other income</b>	<b>3 725</b>	<b>3 577</b>	<b>148</b>	<b>4.14%</b>
<b>Other expenses</b>	<b>10 193</b>	<b>9 096</b>	<b>1 097</b>	<b>12.06%</b>
<b>Current profit tax</b>	<b>1554</b>	<b>1 316</b>	<b>238</b>	<b>18.09%</b>
<b>Change of deferred tax liabilities</b>	<b>128</b>	<b>98</b>	<b>30</b>	<b>30.61%</b>
<b>Change of deferred tax assets</b>	<b>544</b>	<b>260</b>	<b>284</b>	<b>109.23%</b>
<b>Other</b>	<b>79</b>	<b>155</b>	<b>-76</b>	<b>-49.03%</b>
<b>Net profit</b>	<b>215</b>	<b>1 405</b>	<b>-1190</b>	<b>-84.77%</b>



**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 December 2019, as well as the results of its financial and economic activities and cash flow for 2019 in accordance with the Russian Federation accounting (financial) statements preparation rules.

The Audit Committee at the meeting on 20.03.2020 reviewed the auditor's report on the annual accounting (financial) statements of IDGC of Centre, PJSC for 2019 and recommended that the Board of Directors of IDGC of Centre submit for approval by the Annual General Meeting of Shareholders the annual accounting (financial) statements for 2019, and also include an assessment of the auditor's report on the annual financial (accounting) statements for 2019, 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 2019, in all material respects.

The annual accounting (financial) statements of the Company for 2019 were preliminarily approved by the Board of Directors of the Company 28.04.2020 (Minutes No. 20.20) in accordance with the recommendations of the Audit Committee 28.02.2020 (Minutes No. 02/20).

The annual accounting (financial) statements for 2019 are available on the Company's website at: <https://www.mrsk-1.ru/about/management/controls/stockholders/material/gosa2020/>



**Draft resolution on item № 1**

1. To approve the Annual Report of the Company for 2019.
2. To approve the annual accounting (financial) statements of the Company for 2019.



## Annual Report of IDGC of Centre, PJSC for 2019



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

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

«28» April 2020 Moscow No. 20/20

**SEE APPENDIX 1**

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

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

Participants of the voting: **A.V. Varvarin, A.V. Golovtsov, V.Y. Zarkhin, A.I. Kazakov, A.V. Logatkin, I.V. Makovskiy, A.I. Pavlov, L.A. Romanovskaya, M.M. Saukh, D.A. Chevkin, A.V. Shevchuk**.

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

The quorum is **present**.

Date of the minutes: **28.04.2020**.

**Item 7. On the prior approval of the Company's Annual Report for 2019.**

**Decision:**

Tentatively to approve the Company's Annual Report for 2019 and to recommend that the Annual General Meeting of Shareholders of the Company approve the Annual Report in accordance with Appendix # 7 to this decision of the Board of Directors of the Company.

**Voting results:**

- |                                    |               |
|------------------------------------|---------------|
| 1. Alexander Viktorovich Varvarin  | - «FOR»       |
| 2. Alexander Viktorovich Golovtsov | - «ABSTAINED» |
| 3. Vitaly Yuryevich Zarkhin        | - «FOR»       |
| 4. Alexander Ivanovich Kazakov     | - «FOR»       |
| 5. Andrey Vyacheslavovich Logatkin | - «FOR»       |
| 6. Igor Vladimirovich Makovskiy    | - «FOR»       |
| 7. Alexey Igorevich Pavlov         | - «FOR»       |
| 8. Larisa Anatolievna Romanovskaya | - «FOR»       |
| 9. Maxim Mikhailovich Saukh        | - «FOR»       |
| 10. Dmitry Alexandrovich Chevkin   | - «FOR»       |
| 11. Alexander Viktorovich Shevchuk | - «FOR»       |

**Total:**

«FOR»	- «10»
«AGAINST»	- «0»
«ABSTAINED»	- «1»

**Decision is taken.**

A dissenting opinion was received on this item from a member of the Board of Directors of the Company, A.V. Golovtsov (Appendix # 11).

**Appendices:**

1. The Company's Annual Report for 2019 (Appendix # 7).
2. The dissenting opinion of the member of the Board of Directors of the Company, A.V. Golovtsov, on the agenda item of the Board of Directors of the Company (Appendix # 11).

**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  
28.04.2020.

S.V. Lapinskaya

### Report on the Company's related-party transactions concluded in 2019

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.	29.05.2019: Bryanskenergo, Kostromaenergo, Orelenergo, Smolenskenergo, Tverenergo, Yarenergo;  03.06.2019: Belgorodenergo, Kurskenergo	24.05.2019	Board of Directors of IDGC of Centre, PJSC (Minutes dated 27.05.2019 №19/19)	<p>Concluded interrelated party agreements for the design, installation and commissioning of the electricity metering system with automated data collection for the needs of IDGC of Centre, PJSC (branches of Belgorodenergo, Bryanskenergo, Kostromaenergo, Kurskenergo, Orelenergo, Smolenskenergo, Tverenergo and Yarenergo) under the following essential conditions.</p> <p><b>Parties of the Agreement:</b> IDGC of Centre, PJSC (branches of IDGC of Centre, PJSC: Belgorodenergo, Bryanskenergo, Kostromaenergo, Kurskenergo, Orelenergo, Smolenskenergo, Tverenergo and Yarenergo) – «Customer»; Collective Participant, including JSC «FOCL-Conductor Administration» and Expert-PROEKT LLC – «Contractor».</p> <p><b>Subject of the Agreement:</b> The Contractor undertakes, within the established period of time on instruction of the Customer, to carry out design, installation and commissioning of the electricity metering system with automated data collection.</p> <p><b>Price of the Agreement:</b> The maximum cost of the works is 694 734 995 RUB 55 kopecks, including VAT of 115 789 165 RUB 93 kopecks, including broken down by the branches:</p> <ul style="list-style-type: none"> <li>• «Belgorodenergo» 165 023 506 RUB 43 kopecks, including VAT of 27 503 917 RUB 74 kopecks;</li> <li>• «Bryanskenergo» 88 887 170 RUB 27 kopecks, including VAT of 14 814 528 RUB 38 kopecks;</li> <li>• «Kostromaenergo» 107 028 055 RUB 58 kopecks, including VAT of 17 838 009 RUB 26 kopecks;</li> <li>• «Kurskenergo» 68 481 930 RUB 36 kopecks, including VAT of 11 413 655 RUB 06 kopecks;</li> <li>• «Orelenergo» 41 536 351 RUB 84 kopecks, including VAT of 6 922 725 RUB 31 kopecks;</li> <li>• «Smolenskenergo» 25 859 038 RUB 42 kopecks, including VAT of 4 309 839 RUB 74 kopecks;</li> <li>• «Tverenergo» 59 603 101 RUB 63 kopecks, including VAT of 9 933 850 RUB 27 kopecks;</li> <li>• «Yarenergo» 138 315 841 RUB 02 kopecks, including VAT of 23 052 640 RUB 17 kopecks.</li> </ul> <p><b>Turnaround time:</b> the beginning of the execution of the works – from the moment of signing the agreement, the completion of the works under the Agreements concluded on the basis of Minutes on the results of the open tender dated 05.04.2019 № 0357-IA-18-7 – until 30.11.2019, Minutes dated 05.04.2019 № 0360-IA-18-7 - in accordance with the requirements of the Terms of Reference. The deadlines for the implementation of specific stages of the works are determined by the Work Schedule and agreed by the parties to the Agreement.</p> <p><b>Duration of the Agreement:</b> the agreement enters into force from the date of its signing and is valid until the parties fulfill their obligations (including warranty).</p>	PJSC Rosseti – controlling entity of the Company, at the same time, is the controlling entity of a legal entity that is a party to the transaction (JSC «FOCL-Conductor Administration»)
2.	18.10.2019	17.10.2019	Board of Directors of IDGC of Centre, PJSC (Minutes dated 17.10.2019 № 34/19)	<p>Cash loan agreement №7700/00193/19, concluded on the following material conditions.</p> <p><b>Parties of the Agreement:</b> IDGC of Centre, PJSC – «Lender», JSC «Sanatorium "Energetik"» – «Borrower».</p> <p><b>Subject of the Agreement:</b> The Lender transfers to the Borrower the funds in the amount of 1 535 444 000,00 (One billion five hundred thirty five million four hundred forty four thousand) rubles, and the Borrower agrees to repay the loan amount received with interest as stipulated by the Agreement.</p> <p>For using the loan, the Borrower pays the Lender interest in the amount of 8% (eight percent) per annum. The calculation and accounting of interest for the use of each tranche is carried out separately.</p> <p><b>Price of the Agreement:</b> 1 928 854 199,67 RUB (including interest).</p> <p><b>Duration of the Agreement:</b> This Agreement shall be deemed concluded from the date of transfer by the Lender to the Borrower of the first tranche amount.</p> <p>The Borrower agrees to repay the loan amount with interest until 31.12.2022.</p>	<ol style="list-style-type: none"> <li>1) IDGC of Centre, PJSC, whose controlled entity JSC «Sanatorium "Energetik"» is a party to the transaction;</li> <li>2) Controlling entity of the Company – PJSC Rosseti, whose controlled entity (indirectly through IDGC of Centre, PJSC) is a party to the transaction;</li> <li>3) L.A. Sklyarova – a member of the Management Board of the Company, whose son, V.S. Sklyarov, holds the position of a member of the Board of Directors of JSC «Sanatorium "Energetik"».</li> </ol>

Information on related party transactions, the amount of which was 2% or more of the book value of assets - they were not completed in the reporting period.

## Annual accounting (financial) statements of IDGC of Centre, PJSC for 2019



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

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

**SEE APPENDIX 2**

«28» April 2020                      Moscow                      No. 20/20

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

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

Participants of the voting: **A.V. Varvarin, A.V. Golovtsov, V.Y. Zarkhin, A.I. Kazakov, A.V. Logatkin, I.V. Makovskiy, A.I. Pavlov, L.A. Romanovskaya, M.M. Saukh, D.A. Chevkin, A.V. Shevchuk.**

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

The quorum is **present.**

Date of the minutes: **28.04.2020.**

**Item 8. On consideration of the annual accounting (financial) statements of the Company for 2019.**

**Decision:**

Tentatively to approve and submit the annual accounting (financial) statements of the Company for 2019 for approval by the Annual General Meeting of Shareholders of the Company in accordance with Appendix # 8 to this decision of the Board of Directors.

**Voting results:**

- |                                    |         |
|------------------------------------|---------|
| 1. Alexander Viktorovich Varvarin  | - «FOR» |
| 2. Alexander Viktorovich Golovtsov | - «FOR» |
| 3. Vitaly Yuryevich Zarkhin        | - «FOR» |
| 4. Alexander Ivanovich Kazakov     | - «FOR» |
| 5. Andrey Vyacheslavovich Logatkin | - «FOR» |
| 6. Igor Vladimirovich Makovskiy    | - «FOR» |
| 7. Alexey Igorevich Pavlov         | - «FOR» |
| 8. Larisa Anatolievna Romanovskaya | - «FOR» |
| 9. Maxim Mikhailovich Saukh        | - «FOR» |
| 10. Dmitry Alexandrovich Chevkin   | - «FOR» |
| 11. Alexander Viktorovich Shevchuk | - «FOR» |

**Total:**

«FOR»	- «11»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

**Decision is taken.**

**Appendix:** The annual accounting (financial) statements of the Company for 2019 (Appendix # 8).

**Minutes signed by:**

Chairperson of the Board of Directors

A.I. Kazakov

Corporate Secretary

S.V. Lapinskaya

**Extract is correct:**

Corporate Secretary

S.V. Lapinskaya

of IDGC of Centre, PJSC

28.04.2020.



## Conclusion of the Audit Commission on the results of the audit of the financial and economic activities of IDGC of Centre, PJSC for 2019

The Audit Commission  
of IDGC of Centre, PJSC

Approved by  
the Audit Commission  
of IDGC of Centre, PJSC  
(Minutes dated «14» April 2020 #3)

### REPORT OF THE AUDIT COMMISSION

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

«14» April 2020  
*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 30.05.2019 № 01/19
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 05.06.2019
Chairperson of the Audit Commission	S.V. Kiryukhin
Secretary of the Audit Commission	M.A. Lelekova
Members of the Audit Commission	S.A. Kim, E.A. Kabizskina, A.N. Kirillov

**Term of the audit performance:** In accordance with the decision of the Audit Commission of IDGC of Centre, PJSC (Minutes No. 2 dated 20.03.2020), the audit of the financial and economic activities of IDGC of Centre, PJSC for 2019 is carried out from 23.03.2020 to 14.04.2020.

**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 No. 2 dated 20.03.2020).

**Purpose of the audit:** The expression of an independent opinion on the reliability of data contained in the Annual Report for 2019, the Company's accounting (financial) statements for 2019, the Report on the related-party transactions concluded in 2019 (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 01.01.2019 to 31.12.2019.

**Audited entity:** The Annual Report and Accounting (financial) statements for 2019, the Report on the related-party transactions concluded in 2019, 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. 618-TSA dated 29.12.2018 (subject to changes by Order No. 358-TSA dated 08.08.2019);
- other legislative and internal local regulations of the Company.

**INFORMATION ON THE COMPANY**

<b>Full company name</b>	<b>Interregional Distribution Grid Company of Centre, Public Joint Stock Company</b>
Registered office	119017 Moscow, Malaya Ordynka St., 15
Postal address	119017 Moscow, Malaya Ordynka St., 15
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	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**

<b>Full company name</b>	<b>Ernst &amp; Young LLC</b>
Resolution of the Annual General Meeting of Shareholders to approve the auditor nomination	Minutes of the General Meeting of Shareholders of IDGC of Centre, PJSC dated 30.05.2019 № 01/19
Decision of the Board of Directors on determining the amount of payment for the services of an external auditor for the audit of accounting (financial) statements	Extract from Minutes of the Board of Directors of IDGC of Centre, PJSC dated 31.07.2019 № 26/19
Agreement for provision of compulsory audit of statements of IDGC of Centre, PJSC for 2019	№ 7700/00148/19 dated 06.08.2019
<b>Auditor's Report</b>	<b>Independent Auditor's Report dated 25.02.2020.</b>

The Audit was planned and conducted by us in such a manner as to be reasonably assured that the Statements for 2019 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.

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 2019, 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 25.02.2020 about the reliable view of the financial position, financial results and cash flow in the accounting (financial) statements for 2019, 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 for quarters 1-3 of 2019, carried out on the basis of contract № 7700/00067/18/BDO-3204-0067-18 dated 05.02.2018, in which there are no indications of signs of inaccuracy in reporting on the implementation of the investment program for the indicated periods.

## II. FINAL PART

The totality of the methods of keeping the accounting by the Company that make up the Accounting Policy for 2019 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 2019 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 2019 amounted to 124 263,247 million rubles and, as compared as of 31 December 2018, increased by 1,4%.

Non-current assets occupy 86% of the property structure, their value as of 31 December 2019 amounted to 107 319,840 million rubles, which is 2% more than the size of non-current assets as of 31 December 2018. The growth of non-current assets was significantly affected by the growth of long-term financial investments in connection with the provision by the Company of a loan to a subsidiary JSC "Sanatorium Energetic" in the amount of 1 533,444 million rubles, the issue of which was carried out in accordance with the requirements of Federal Law of 26 December 1995 No. 208-FZ "On Joint-Stock Companies".

It should be noted that in the sources of formation of the non-current assets, the borrowed capital occupies 47%, which significantly affects the initial value of the non-current assets.

The share of current assets accounts for 14% of all assets, their value as of 31 December 2019 was 16 943,407 million rubles, of which accounts receivable make up the largest share (77%). The volume of current assets, in comparison with their value as of 31 December 2018, increased insignificantly (0,1%). The value of current assets was mainly influenced by the growth at the reporting date of cash and cash equivalents by 229,643 million rubles and accounts receivable in the amount of 187,818 million rubles, with a decrease in stocks by 405,024 million rubles.

The total amount of accounts receivable recorded under the terms of contracts for 2019 decreased by 0,4% and as of 31 December 2019 was 25 294,587 million rubles, of which 67% of the debt is overdue accounts receivable, 48% - the debt is recognized by the Company as doubtful for collection and a reserve for doubtful debts was created. The growth of overdue accounts receivable for the reporting year amounted to 5%, the share of the allowance for doubtful debts in the total amount of accounts receivable recorded under the terms of the contract, compared with the same indicator as of 31 December 2018, decreased from 49% to 48%.

In the structure of capital and liabilities, as of 31 December 2019, equity holds 46% and is 56 927,566 million rubles. The equity for the reporting year decreased by 3%, mainly due to the payment of interim dividends in accordance with the decision of the shareholders (EGM Minutes of 31.12.2019 № 02/19).

Debt capital accounts for 54% of the capital structure and liabilities. The amount of borrowed capital for the reporting year increased by 5% and, as of 31 December 2019, amounted to 67 335,681 million rubles. In the structure of borrowed capital, as of 31 December 2019, the largest specific weight is taken by borrowed funds (64%) and accounts payable (18%). The borrowed funds, for the reporting year, increased by 7%, mainly due to the growth of the loan portfolio, accounts payable decreased by 7%, mainly due to the reduction of debts to agents for settlements with counterparties of the Company. Despite the decrease in accounts payable, the share of overdue debts in the total amount of accounts payable at the end of the reporting year, compared to the same indicator as of 31 December 2018, increased from 6% to 9%.

The result of the Company's activity in the reporting year was the net profit of 214,681 million rubles (the net profit in the previous reporting period was 1 405,372 million rubles). The financial result was mainly affected by the negative balance of other income and expenses (-3 371,642 million rubles), which is due to the creation in the reporting year of estimated reserves for legal claims.

The cost of net assets as of 31 December 2019 is 56 948,795 million rubles and exceeds the authorized capital of the Company. The decrease in the value of the net assets for the reporting year compared with 31 December 2018 is 3%.

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 2019 have not been revealed.

In 2019, the Company did not bring to the attention of the Board of Directors and the Audit Commission of the Company the information provided for in paragraph 4 of Article 82 of Federal Law dated 26.12.1995 No. 208-FZ "On Joint-Stock Companies" regarding the information contained in notifications received by the Company from persons related to making transactions by the Company, on the occurrence of circumstances by virtue of which they may be recognized as related to making transactions by the Company.

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 2019, the Audit Commission expresses its opinion on the reliability of the data contained in the Annual Report for 2019, the Company's accounting (financial) Statements for 2019, the Report on the related-party transactions concluded in 2019, in all material respects.



ITEM № 1 «ON APPROVAL OF THE ANNUAL REPORT, THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF THE COMPANY FOR 2019»

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 2019	25.02.2020	2
2.	Profit and loss statement for January-December 2019	25.02.2020	1
3.	Statement of changes in equity for 2019	25.02.2020	3
4.	Statement of cash flow for January-December 2019	25.02.2020	2
5.	Notes to the accounting balance sheet and P&L statement for 2019 with appendices	25.02.2019	93
6.	Annual report of Interregional Distribution Grid Company of Centre, Public Joint Stock Company for 2019	08.04.2020	446
7.	Report on the related-party transactions concluded in 2019	no data	4

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 by IDGC of Centre, PJSC in 2019.

Chairperson of the Audit Commission  
Members of the Audit Commission

S.V. Kiryukhin  
M.A. Lelekova  
E.A. Kabizskina  
A.N. Kirillov  
S.A. Kim

## Independent auditor's report

Independent auditor's report  
on the accounting (financial) statements of  
*Interregional Distribution Grid Company of  
Centre,*  
*Public Joint-Stock Company*  
for 2019  
February 2020

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 2019, profit and loss statement for 2019 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 2019 and its financial performance and its cash flows for 2019 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
<p><b>Recognition and assessment of revenue from electricity transmission services</b></p> <p>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 10 and 16 of the Notes to the statement of financial position and the profit and loss statement.</p>	<p>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.</p>

Key audit matter	How our audit addressed the key audit matter
<b>Impairment of account receivables</b>	
<p>Impairment of account receivables is one of the most significant matter for our audit due to significant balance of the Company's account receivables as at 31 December 2019, 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 paragraphs 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>
<b>Recognition, measurement and disclosure of provisions and contingent liabilities</b>	
<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 of the balance of settlements with counterparties disputed in the course of litigation or in the process of pre-trial settlement.</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, analysis of disclosure of contingent and estimated liabilities in the Notes to the statement of financial position and the profit and loss statement.</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.

**Other information included in the Annual Report**

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.



**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 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 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, 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**  
**25 February 2020**

**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: 119017, Moscow, Malaya Ordynka St., 15.**

**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 "Auditing Association Sodruzhestvo" (NP AAC). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.**

## 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



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

**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)

28 February 2020 Moscow No. 02/20

**Form of the meeting:** joint presence.  
**Time of the meeting:** 10 hours 00 minutes – 11 hours 55 minutes.  
**Place of the meeting:** Moscow, Malaya Ordynka St., 15, floor 1, room 104.  
**Video conference:** 12-017 at the address: Moscow, Bolshuchitskaya str. 4 (PJSC «Rosseti»)  
**Total number of members of the Audit Committee:** 3 persons.  
**Participants of the meeting:** A.V. Varvarin, A.V. Shevchuk, M.M. Saukh.  
**The written opinion of the following members was taken into account while defining the results:** none.  
**Members who neither participated nor provided questionnaires:** none.  
**The quorum is present.**  
**Date of the minutes:** 28.02.2020.  
The Expert conclusion of the expert of the Audit Committee of the Board of Directors of IDGC of Centre, PJSC T.V. Zaitseva was taken into account at drawing up of the minutes.

**Item 3. 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 2019, prepared under RAS, and information of the Company's management on material adjustments made as a result of the external audit of the statements**

**Speaker / co-speaker –** Tajana Leonidovna Okolotina / Lyudmila Alexeevna Sidyayeva.  
**In discussing the report the questions and comments were received from** A.V. Varvarin, A.V. Golovtsov, A.V. Shevchuk.  
In the process of discussion T.L. Okolotina brought information that the errors identified during the audit of the financial statements will be similar both with the established low level of materiality and with a high level of materiality.  
**After the discussion the members of the Committee proceeded to vote.**

**Decision taken at the meeting:**  
1. To take into consideration the Management and governance letter (auditor's report) to the management and the Audit Committee of the Board of Directors of IDGC of Centre, PJSC based on the results of the audit of accounting (financial) statements prepared under RAS for 2019 and the information of the Company's management on the absence of adjustments based on the audit results of the statements.

2. To recommend that the auditor of the Company - Ernst & Young LLC - submit to the Audit Committee's members a detailed calculation of the planned materiality for the audit of the financial statements for 2019, including information on the indicator selected as the basis for its determination.

**Voting result under the decision draft, announced at the meeting:**

Alexander Viktorovich Varvarin - «FOR»  
Maxim Mikhailovich Saukh - «FOR»  
Alexander Viktorovich Shevchuk - «AGAINST»

**Total:**  
«FOR» - «2»  
«AGAINST» - «0»  
«ABSTAINED» - «0»

**Decision is taken.**  
A dissenting opinion was received on this item from a member of the Audit Committee of the Board of Directors of the Company, A.V. Shevchuk (Appendix # 6).

**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 S.V. Lapinskaya  
28.02.2020



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

**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)

20 March 2020 Moscow No. 04/20

**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 T.V. Zaitseva was taken into account at drawing up of the minutes.  
**Date of the minutes:** 20.03.2020.

**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 2019, 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 2019, to note the absence of significant remarks with the external auditor affecting the reliability of the statements.

**Voting results:**  
Alexander Viktorovich Varvarin - «FOR»  
Maxim Mikhailovich Saukh - «FOR»  
Alexander Viktorovich Shevchuk - «ABSTAINED»

**Total:**  
«FOR» - «2»  
«AGAINST» - «0»  
«ABSTAINED» - «1»

**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 S.V. Lapinskaya  
20.03.2020



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



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

**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)

20 March 2020 Moscow No. 04/20

**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. Saulh, 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 T.V. Zaitseva was taken into account at drawing up of the minutes.

**Date of the minutes:** 20.03.2020.

**Item 3. On evaluation of the effectiveness of the external audit process of the Company's accounting (financial) statements for 2019.**

**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 2019, in compliance with the terms and conditions of the contract and the requirements of the legislation of the Russian Federation.

2. To recommend that the Board of Directors of the Company 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.

**Voting results:**

Alexander Viktorovich Varvarin - «FOR»  
Maxim Mikhailovich Saulh - «FOR»  
Alexander Viktorovich Shevchuk - «ABSTAINED»

**Total:**

«FOR»	- «2»
«AGAINST»	- «0»
«ABSTAINED»	- «1»

**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 S.V. Lapinskaya  
20.03.2020

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 2019, 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 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 31.05.2019 # 01/19), the Company's Board of Directors (Minutes dated 31.07.2019 # 26/19), the Company entered into Agreement dated 6 August 2019 7700/00148/19/I&C-2019-00272 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 Self-regulated organization of auditors "Auditing Association Sodruzhestvo" (NP AAC). (Main registration number 12006020327).

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.

However, the Company, following the results of the procurement procedures, concluded Agreement dated 27.12.2018 № 7700/00546/18 for the provision of services for 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 (Appendix 1 to the Agreement), the work was completed in 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 informs in the Management and Governance Letter as follows:

- From 1 January 2019 to the date of the preparation of this report, EY did not enter into any relationship other than the one indicated above, which, in the opinion of EY, can reasonably be considered as influencing independence and objectivity.
- Ernst & Young LLC confirms the disclosure of information on the total amount of remuneration that was put up by EY and the companies included in the EY network for payment for the provision of services during the reporting period and analyzed in the relevant categories.
- The total cost of audit and non-audit services that were provided by EY and the companies within the EY Group to the Company and its components for the period reflected in the accounting (financial) statements amounted to 5 631 282 RUB (including VAT) and 17 741 085 RUB (including VAT), respectively.
- Ernst & Young LLC believes that they have taken effective measures to minimize the main threats to our independence that arise during our non-audit services.

Ernst & Young LLC confirms that, according to professional judgment, the EY company is independent, the objectivity of the company is not in doubt, and the company follows the standards of professional ethics established by the Audit Council (the Code of Professional Ethics of Auditors, the Rules for Independence of Auditors and Auditing Organizations).

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 30.09.2019 (20 sheets).
- 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 31.12.2019 (17 sheets).
- the Auditor's Report on the accounting (financial) statements of the Company for 2019 (8 sheets).

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 (hereinafter - RAS) (Minutes dated 18.12.2019 # 19/19, Minutes dated 25.02.2020 # 02/20).

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