

**The Audit Commission
of IDGC of Centre, PJSC**

Approved by
the Audit Commission
of IDGC of Centre, PJSC
(Minutes dated «22» April 2016 #5)

**REPORT
OF THE AUDIT COMMISSION**

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

«22» April 2016
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 decision of the General Meeting of Shareholders	Minutes of the General Meeting of Shareholders of IDGC of Centre, PJSC dated 26.06.2015 № 01/15
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 15.07.2015.
Chairperson of the Audit Commission	S.A. Kim
Secretary of the Audit Commission	S.V. Malyshev
Members of the Audit Commission	O.A. Medvedeva, T.I. Zaitseva, S.I. Ochikov

Term of the audit performance: In accordance with the Federal Law “On Joint Stock Companies”, the Articles of Association of IDGC of Centre, PJSC and Regulations on the Audit Commission of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company in the period from 29.03.2015 to 07.05.2015 the Audit Commission of IDGC of Centre, PJSC (hereinafter referred to as the Company) assessed the reliability of the data contained in the Company’s annual report and accounting (financial) statements for 2015.

Reason for the audit: the decision of the Audit Commission of the Company (Minutes of the meeting dated 28 March 2016 # 4).

Purpose of the audit: independent assessment of the reliability of data contained in the annual report, annual accounting (financial) statements of the Company for 2015 (hereinafter referred to as the Statements). The reliability in all material respects means the degree of accuracy of the data in the Statements, which allows shareholders to draw correct conclusions about the results of operations, financial and property status of the Company and make justified decisions based on these conclusions.

Audited period: from 01.01.2015 to 31.12.2015.

Audited entity: annual accounting (financial) statements, annual report, ledgers, primary accounting documents and other documentation of the Company’s financial and economic activities.

The audit was performed in accordance with the following:

- *Federal Law No. 402-FZ of 06.12.2011 “On Business Accounting”;*
- *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;*
- *other legislative and internal local regulations of the Company.*

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, Oreleenergo, Smolenskenergo, Tambovenergo, Tverenergo, Yarenergo
Chief Executive Officer	Oleg Y. Isaev, General Director from 02.04.2013 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	"RSM RUS" Ltd.
Decision of the General Meeting of Shareholders to approve the auditor nomination	Minutes of the General Meeting of Shareholders of IDGC of Centre, JSC dated 26.06.2015 # 01/15
Decision of the Board of Directors to approve terms and conditions of the agreement with the auditor	Minutes of the Board of Directors of the company dated 31.08.2015 # 17/15
Agreement to provide auditing services	Agreement for the provision of mandatory annual audit of statements № 15a083 dated 04 September 2015.
Auditor's Report	Auditor's Report on the accounting statements for 2015 dated 01.03.2016 №RSM-13554

The Audit was planned and conducted by us in such a manner as to be reasonably assured that the Statements for 2015 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 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. 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 selectively conducted reconciliation of the Annual Report and accounting (financial) statements for 2015, checked the completeness of the disclosure in the Company's annual report on compliance with the Bank of Russia on information disclosure by issuers of securities.

During the audit the Audit Commission also relied on the Auditor's Report of "RSM RUS" Ltd. dated 01 March 2016.

II. FINAL PART

The carrying value of the Company's assets as of 31.12.2015 amounted to 117 869,114 mln RUB, compared to 31.12.2014, the carrying value of assets increased by 6%.

Non-current assets occupy 83% of the assets, their value as of 31.12.2015 amounted to 97 585,59 mln RUB, which is 6% larger than non-current assets as of 31.12.2014.

As of 31.12.2015 the total amount of receivables (line 1230 of the balance sheet), compared with 31.12.2014, increased by 6% and amounted to 17 748,969 mln RUB. The total amount of receivables, covered under the terms of the agreement, for the reporting year increased by 9% and as of 31.12.2015 amounted to 29 679,413 mln RUB.

The share of overdue debt for the reporting year increased from 67% to 69% of the total receivables, accounted under the terms of the agreement.

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The amount of provision for doubtful debts, as of 31.12.2015, amounted to 11 937 mln RUB, which is 14% more than the same indicator as of 31.12.2014. The share of provision for doubtful debts in the total amount of accounts receivable, accounted under the terms of the agreement, during 2014-2015 is maintained at 39-40%, the major share in the value of provision for doubtful debts (70%) is debt of retail companies that lost their status of a supplier of last resort in respect of which the bankruptcy procedure was introduced.

Own capital in the capital structure and liabilities as of 31.12.2015, takes 48%, the value of equity for the reporting year increased by 0.4% and amounted to about 56 312,959 mln RUB.

The share of borrowed capital accounts for 52% in the structure of equity and liabilities, the value of borrowed capital for the reporting year rose by 12% and as of 31.12.2015 totalled 61 556,155 mln RUB. It should be noted there is steadily growing share of borrowed capital in the Company's structure of equity and liabilities.

The structure of the borrowed capital has the largest share of borrowed funds (68%) and accounts payable (16%).

Borrowings increased by 13% for the reporting year and amounted to 42 131,505 mln RUB. Extension of the loan portfolio has a negative impact on the financial performance of the Company, due to increased costs to service the debt, which in the reporting year, compared with 2014, increased by 1.7 times.

Total accounts payable, compared with 31.12.2014, increased by 10%, as of 31.12.2015 totalled 10 171,399 mln RUB, including short-term payables of 9 790,711 mln RUB. At the same time, overdue payables increased for the reporting year by 67%, the level of overdue payables as of 31.12.2015 was 32% against 21% as of 31.12.2014, in this connection, the Company bears the risk of claims for failure to fulfill obligations under the terms of concluded contracts.

The result of the Company's activities during the reporting year was the net profit of 909 mln RUB. (the net profit in the previous reporting period amounted to 3 325,939 mln RUB).

The net asset value on 31.12.2015 was 56 313 mln RUB with the size of the authorized capital of the Company of 4 222 mln RUB.

Indicators of liquidity, solvency, financial stability are in the boundaries of the recommended values, which indicates a sustainable financial condition of the Company.

Indicators of financial condition and solvency of the Company:

Name	Recommended values	2014 actual	2015 actual
Degree of solvency for current obligations	<6 months	2,8	2,0
Current liquidity ratio	>1	0,96	1,54
Equity to Total Assets	0,5-0,8	0,50	0,48
Debt/EBITDA	3-4	2,4	2,8

The set of methods of the Company's accounting making the Accounting Policy, approved by order of the Company dated 30.12.2013 №565-TSA "On approval of the Regulation on the Accounting Policy of IDGC of Centre for 2014" in the reporting year was in accordance with legislation of the Russian Federation on accounting, federal standards.

The Statements were prepared in accordance with the laws and regulations of the Russian Federation (Russian Accounting Standards) and the local regulations of the Company in all material respects.

The Company's annual report to be submitted for approval to the Annual General Meeting of Shareholders shall contain the information required by Regulation on information disclosure by issuers of securities approved by the Bank of Russia 30.12.2014 N 454-P.

The Company's Statements approved by the Audit Commission:

Item #	Name of the statement form	Date signature of the management	Number of sheets in the document
1	Accounting balance sheet ended December 31, 2015	01.03.2016	2
2	Profit and loss statement for January-December 2015	01.03.2016	1
3	Statement of changes in equity for 2015	01.03.2016	3
4	Statement of cash flow for January-December 2015	01.03.2016	2
5	Explanatory note to the accounting balance sheet and P&L statement for 2015	01.03.2016	30

Item #	Name of the statement form	Date of signature by the management	Number of sheets in the document
6	Annual report of IDGC of Centre, PJSC for 2015	04.04.2016	430

At the time of the audit the Annual Report by the General Meeting of Shareholders has not been approved and not previously considered by the Board of Directors of the Company.

According to the results of the audit of the Company's financial and economic activities for 2015 the Audit Commission expresses opinion on the reliability of the data contained in the annual report and annual accounting (financial) statements of the Company in all material aspects.

This Report of the Audit Committee should be considered together with all the approved forms of the accounting (financial) Statements and Explanatory Note to the accounting balance sheet and P&L statement for 2015 in a text and table form, which are an integral part of the Company's Annual Report for 2015.

Chairperson
of the Audit Commission

S.A. Kim

Members of the Audit Commission

S.I. Ochikov

S.V. Malyshev

T.I. Zaitseva

O.A. Medvedeva