

Notes to the accounting balance sheet and P&L statement for 2017

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Appendix: notes to tables № 2.1 - №5.13, Appendix # 1 to the accounting balance sheet and P&L statement

1. General information on the Company

1.1.	Full name	Interregional Distribution Grid Company of Centre, Public Joint-Stock Company; TIN/CRR 6901067107/997450001
1.2.	Abbreviated name	IDGC of Centre, PJSC
1.3.	State registration (PSRN, date)	1046900099498 dated from 17.12.2004
1.4.	Principal place of business (legal address)	2nd Yamskaya, 4, Moscow, Russia, 127018
1.5.	Postal address	2nd Yamskaya, 4, Moscow, 127018
1.6.	Information on the authorised capital	The authorised capital of the Company equals to 4 221 794 thousand rubles
1.7.	Information on the participants	Total number of persons, recorded in the register of issuer's shareholders as of end date of the last reporting quarter: 14 273 Total number of nominees: 8
1.8.	The Company's auditor	Full business name: RSM RUS Ltd. Abbreviated business name: RSM RUS Location: 4 Pudovkina street, Moscow 119285, Russia TIN: 7722020834 PSRN: 1027700257540

The main business activities of IDGC of Centre, PJSC are:

- electric power transmission and distribution in 0.4-110 kV power grid;
- new connections to 0.4-110 kV power grid;
- other services.

The main sales markets of the services provided by IDGC of Centre, PJSC and the Company's branches are 11 constituent entities of the Russian Federation, located in Central Federal District of the Russian Federation, in which IDGC of Centre, PJSC operates. These constituent entities include the Belgorod, Bryansk, Voronezh, Kostroma, Kursk, Lipetsk, Orel, Smolensk, Tambov, Tver and Yaroslavl regions.

IDGC of Centre, PJSC renders grid connection services to the following final applicants: individuals (private sector), legal entities (small, medium-sized, large business), territorial co-operating grid companies, budget companies.

Starting from 01 December 2016, on the basis of Order of the Ministry of Energy of Russia of November 17, 2016 № 1214, IDGC of Centre has been selling electricity, performing the functions of an electricity supplier of last resort in the Tver region in the service area of JSC "Transservicenergo". After the expiration of the period of activity limited by the legislation of the Russian Federation within 12 months, the Order of the Ministry of Energy of Russia of November 30, 2017 № 1138 from December 1, 2017, the status of the supplier of last resort in the territory of the Tver region was re-assigned to the Company for a period of 12 months.

Divisions and representative offices of the Company

Item #	Division name	Division location
1.	Division of IDGC of Centre, PJSC – “Belgorodenergo”	42 Preobrazhenskaya St., Belgorod, 308000, the Russian Federation
2.	Division of IDGC of Centre, PJSC – “Bryanskenergo”	35 Sovetskaya St., Bryansk, 241050, the Russian Federation
3.	Division of IDGC of Centre, PJSC – “Voronezhenergo”	2 Arzamasskaya St., Voronezh, 394033, the Russian Federation
4.	Division of IDGC of Centre, PJSC – “Kostromaenergo”	53 Mir Avenue, Kostroma, 156961, the Russian Federation
5.	Division of IDGC of Centre, PJSC – “Kurskenergo”	27 K. Marx St., Kursk, 305029, the Russian Federation
6.	Division of IDGC of Centre, PJSC – “Lipetskenergo”	33 50 let NLMK St., Lipetsk, 398001, the Russian Federation
7.	Division of IDGC of Centre, PJSC – “Orelenergo”	2 Mir Square, Orel, 302030, the Russian Federation
8.	Division of IDGC of Centre, PJSC – “Tambovenergo”	23 Morshanskoe shosse, Tambov, 392680, the Russian Federation
9.	Division of IDGC of Centre, PJSC – “Smolenskenergo”	33 Tenisheva St., Smolensk, 214019, the Russian Federation
10.	Division of IDGC of Centre, PJSC – “Tverenergo”	1 Bebel St., Tver, 170006, the Russian Federation
11.	Division of IDGC of Centre, PJSC – “Yarenergo”	12 Voinov St., Yaroslavl, 150003, the Russian Federation

Average staffing number of IDGC of Centre in 2017 was 29 612 people.

Management bodies of the Company:

- General Meeting of Shareholders
- Board of Directors
- Management Board
- General Director.

The Company’s Board of Directors performs general management of the Company’s activity, except for solution of issues referred to the competence of the General Meeting of Shareholders by the Federal Law “On Joint-Stock Companies” and the Company’s Articles of Association.

Data on the members of the management and control bodies of IDGC of Centre:

The Company’s Board of Directors performs general management of the Company’s activity, except for solution of issues referred to the competence of the General Meeting of Shareholders by the Federal Law “On Joint-Stock Companies” and the Company’s Articles of Association.

Data on the members of the management and control bodies of IDGC of Centre:

#	Full name	Title
1	2	3

**Board of Directors, elected by the Annual General Meeting of Shareholders of 08.06.2017
(Minutes # 01/17 of 09.06.2017)**

#	Full name	Title
1	Yury Nikolayevich Mangarov	Chairperson of the Board of Directors of IDGC of Centre, Deputy Official Secretary of PJSC «Rosseti»
2	Oxana Vladimirovna Shatokhina	Deputy Chairperson of the Board of Directors of IDGC of Centre, Deputy General Director for Economy of PJSC «Rosseti»
3	Tatiana Petrovna Dronova	Member of the Board of Directors of IDGC of Centre, Deputy General Director for Strategy and Development of ZAO "Investment Holding "Energy Alliance"
4	Oleg Yuryevich Isaev	Member of the Board of Directors of IDGC of Centre, Chairman of the Management Board, General Director of IDGC of Centre
5	Alexey Igorevich Pavlov	Member of the Board of Directors of IDGC of Centre, Director of Treasury Department of PJSC «Rosseti»
6	Alexey Viktorovich Rakov	Member of the Board of Directors of IDGC of Centre, Director of Electricity Metering and Interaction with Stakeholders of Electricity Markets Department of PJSC «Rosseti»
7	Maxim Mikhailovich Saukh	Member of the Board of Directors of IDGC of Centre, Head of Corporate Governance Office of Corporate Governance and Interaction with Shareholders and Investors Department of PJSC «Rosseti»
8	Denis Alexandrovich Spirin	Member of the Board of Directors of IDGC of Centre, Director for Corporate Governance of Representative Office of Prosperity Capital Management (Russian Federation) Ltd.
9	Roman Alexeyevich Filkin	Member of the Board of Directors of IDGC of Centre, Director of Representative Office of Prosperity Capital Management (Russian Federation) Ltd., power engineering, machine building
10	Alexander Viktorovich Shevchuk	Member of the Board of Directors of IDGC of Centre, Executive Director of Association of Institutional Investors
11	Pavel Nikolayevich Snikkars	Member of the Board of Directors of IDGC of Centre, Director of Electric Power Industry Development Department of the Ministry of Energy of Russia
Collegial Executive Body – Management Board from 28.05.2015 (Minutes of the Board of Directors # 12/15 of 29.05.2015)		
1	Oleg Yuryevich Isaev	Chairman of the Management Board, General Director of IDGC of Centre
2	Alexander Viktorovich Pilyugin	Deputy Chairman of the Management Board, First Deputy General Director – Chief Engineer of IDGC of Centre
3	Inna Vitalievna Gromova	Member of the Management Board of IDGC of Centre, Deputy General Director for HR Management and Organizational Design of IDGC of Centre
4	Ivan Petrovich Kleymenov	Member of the Management Board, Deputy General Director - Director of the branch of IDGC of Centre and Volga Region - «Nizhnovenergo»
5	Konstantin Alexandrovich Mikhailik	Member of the Management Board, First Deputy General Director of IDGC of Centre
6	Sergey Yuryevich Rumyantsev	Member of the Management Board, Adviser to General Director of IDGC of Centre
7	Lyudmila Alexeevna Sklyarova	Member of the Management Board, Chief Accountant - Head of Financial and Tax Accounting and Reporting Department of IDGC of Centre
Chief Executive Officer – General Director (from 11.12.2012)		
1	Oleg Yuryevich Isaev	Chairman of the Management Board, General Director of IDGC of Centre
Audit Commission, elected by the General Meeting of Shareholders of 08.06.2017 (Minutes # 01/17 of 09.06.2017)		
1	Svetlana Anatolyevna Kim	Chairperson of the Audit Commission of IDGC of Centre, Head of Internal Audit Office of Internal Audit and Control Department of PJSC «Rosseti»
2	Elena Stanislavovna Erandina	Member of the Audit Commission of IDGC of Centre, Chief Expert of Control and Expert Office of Internal Audit and Control Department of PJSC «Rosseti»

#	Full name	Title
3	Sergey Vladimirovich Malyshev	Member of the Audit Commission of IDGC of Centre, Leading Expert of Investment Audit Section of Internal Audit Office of Internal Audit and Control Department of PJSC «Rosseti»
4	Oxana Alexeevna Medvedeva	Member of the Audit Commission of IDGC of Centre, Chief Expert of Control and Expert Office of Internal Audit and Control Department of PJSC «Rosseti»
5	Elena Borisovna Sinitsyna	Member of the Audit Commission of IDGC of Centre, Head of Control and Expert Office of Internal Audit and Control Department of PJSC «Rosseti»

2. General rules of the accounting reporting and short description of the main provisions of the accounting policy

Annual accounting statements of the company are prepared according to requirements of the legislation of the Russian Federation.

The business accounting of property, obligations and economic transactions is done on the basis of natural measuring instruments in money terms by the overall, continuous, documentary and interconnected recognition. Indicators of annual accounting records are resulted proceeding from a principle of importance for a financial standing estimation by all interested users.

The accounting statements data are presented in thousand rubles.

The accounting statements of the Company are prepared in accordance with applicable regulations of the Russian Federation on accounting and reporting, in particular, Federal Law dated 06.12.2011 # 402-FZ «About the business accounting», Provisions on conducting the business accounting and accounting reporting in the Russian Federation, approved by Order of the Ministry of Finance of the Russian Federation from 29.07.1998 # 34n (with amendments and modifications), Provisions on the business accounting, approved by orders of the Ministry of Finance of Russia.

The Company's accounting policy is generated proceeding from assumptions that:

- assets and obligations of the Company exist separately from assets and obligations of proprietors and assets and obligations of other companies (the economic entity assumption);
- the Company will continue the activity in the foreseeable future and it does not have intentions and necessity of liquidation or essential reducing of activity and, hence, the obligations will be repaid when due hereunder (the accounting continuity assumption);
- the accounting policy adopted by the Company is applied in succession from one accounting year to another (assumption of sequence of application of accounting policy);
- facts of economic activities of the Company concern that accounting period in which they took place, irrespective of actual time of receipt or payment of the money funds connected with these facts (assumption of time definiteness of facts of economic activities).
- Accounting means the choice of accounting methods not only based on the conditions of management and the size of the organization, but also on the basis of the ratio of costs of generating information about a specific accounting object and the utility (value) of this information (the assumption of rationality).

Prior period adjustments. The Company made adjustments to the accounting statements for 2017 in terms of comparable data for previous reporting periods:

- aimed at clarifying the balance sheet with structures and transmission devices under the concession agreement:

thous.

Balance sheet line name	Line code	31.12.2016		
		Before adjustment	After adjustment	Amount of adjustment
Fixed assets	1190	1 052 157	1 996 577	944 420
Machinery and equipment, structures and transmission devices under the concession	1157	944 420 (separate line 1157)	944 420 (part of line 1190)	-944 420

agreement				
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Balance sheet line name	Line code	31.12.2015		
		Before adjustment	After adjustment	Amount of adjustment
Fixed assets	1190	721 798	1 212 961	491 163
Machinery and equipment, structures and transmission devices under the concession agreement	1157	491 163 (separate line 1157)	491 163 (part of line 1190)	- 491 163

Fixed Assets. Asset accounting is performed in accordance with RAS 6/01, approved by Order of the Ministry of Finance of Russia from 30.03.2001 # 26n (with amendments and modifications).

Items of fixed assets are accounted for at cost. The initial value of fixed assets acquired for a fee is recognized as the amount of actual expenses for acquisition, construction and manufacturing, with the exception of value added tax and other recoverable taxes (except for cases provided by the legislation of the Russian Federation). Fixed assets are stated at depreciated cost.

Depreciation is calculated with a straight-line method.

Items of fixed assets are not subject to depreciation, consumer properties of which over time do not change (such as land plots, natural resources sites); items of fixed assets, which are preserved and are not used in production, performance of works or provision of services, for administrative needs of the organization or to be given by the organization for payment for temporary possession and use or for temporary use including those used for implementation of the Russian Federation legislation on mobilization training and mobilization.

The terms of useful life of items of fixed assets recognized by the company are included in the explanatory note to the accounting balance sheet and the profit and loss statement in table 5.3.2.

Intangible Assets. Intangible asset accounting is performed in accordance with RAS 14/2007, approved by Order of the Ministry of Finance of Russia from 27.12.2007 # 153n (with amendments and modifications).

Intangible assets are recorded at the actual (historical) value determined at the date of their acceptance to accounting.

Assets are accounted for as intangible assets from the date when it is shown in a condition suitable for use in the manner intended by management.

The actual (historical) cost of intangible assets shall be the amount calculated in terms of money equal to the amount of payment in cash or in another form, or the value of accounts payable, accrued or paid by the Company on acquisition, creation of the asset and providing conditions for use of the asset for intended purposes.

The terms of useful life of intangible assets recognized by the company in 2017:

Intangible Assets Group	Term of useful life (number of years) of items, taken onto the books
Exclusive rights on a trade mark	up to 10 years
Exclusive rights on computer programs, DB	up to 10 years
Other Intangible Assets	up to 10 years
R&D deliverables	5 years

The sum of depreciation charges on intangible assets is determined on the rates calculated proceeding from their original cost and term of useful use (straight-line method).

R&D. Intangible asset accounting is performed in accordance with RAS 14/2007, approved by Order of the Ministry of Finance of Russia from 27.12.2007 # 153n (with amendments and modifications).

Inventories. Accounting of inventories is performed in accordance with RAS 5/01, approved by Order of the Ministry of Finance of Russia from 09.06.2001 # 44n (with amendments and modifications).

Methods of estimation of inventories:

Inventories are valued at cost of purchase. Write-off of inventories in production was carried out at average cost.

Financial investments. Financial investment accounting is performed in accordance with RAS 19/02, approved by Order of the Ministry of Finance of Russia from 10.12.2002 # 126n (with amendments and modifications).

As financial investments the Company recognizes assets which do not have material and physical form and are capable to provide economic benefits (income) in future in form of interest, dividends or increment of their value (in form of difference between selling price (redemption) and purchase value) as the result of their exchange, use at repayments of liabilities, increase of current market value.

Analytical accounting of financial investment is kept in frame of reference of long-term and short-term financial investments.

The financial investments on which the current market value may be determined ordinarily are reflected in the statements for later the reporting year at the current market value by means of adjustment of their appraisal on the previous accounting date. The mentioned adjustment is carried out by the Company quarterly.

The financial investments on which the current market value is not determined are recorded in the accounting at the initial value.

Revenues. The Company divides the revenues into revenues from ordinary activities and other revenues.

Revenues from ordinary activities are the receipts connected with rendering of services, accomplishment of works, from sale of goods and products to third party companies.

All income, which is not connected with realisation of works and services in ordinary activities, is recognized as other income. The revenue is recognized for the business accounting in the sum estimated in money terms, equal size of receipt of money funds and other property and (or) accounts receivable size.

Expenses. Expenses (costs) are recognized in the period in which they occur, regardless of when the actual cash payments and other forms of consumption (the assumption of time definiteness of facts of economic activity).

Costs, depending on the nature of costs and their relationship to the production process, are:

- manufacture of goods, works, services (current) – account 20;
- auxiliary facilities - account 23;
- general production costs - account 25;
- general running costs – account 26;
- selling expenses - account 44;
- costs of acquiring (creating) non-current assets (capital investments) – account 08.

Cash Flow Statement. Cash equivalents and presentation of cash flows in the cash flow statement. In accordance with RAS 23/2011, approved by Order of the Ministry of Finance of Russia from 02.02.2011 # 11n, the Company defines approaches for separating cash equivalents from other financial investments.

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. These include

bills with maturities of three months or less, short-term government securities and bank deposits with a maturity of 3 months or less.

Data on cash and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value (hereinafter – the cash equivalents) are summarized in the statement of cash flows.

When generating a statement of cash flows under «Cash flows from operating activities» payments for wages of employees are recognized at cost, which includes, inter alia, sums subject to deduction from the amount of compensation of employees (for example, the amount of taxes on personal income, payments writs, sums of insurance contributions to state extra-budgetary funds).

Segment Reporting. In accordance with RAS 12/2010, approved by Order of the Ministry of Finance of Russia from 08.11.2010 # 143n (with amendments and modifications).

The information of segments is included in the explanatory note to the accounting balance sheet and the profit and loss statement in table 5.13. and in Appendix #1.

The Company identifies its reporting segments based on the analysis of the organizational and management structure, specificity of activity, as well as an internal reporting system by geographical regions in which the activities are performed.

Segment disclosure is aimed to provide interested users of accounting statements of the Company with information, allowing to evaluate the sectoral specificity of its activities, its economic structure, and financial performance in selected areas of activity.

Changes in accounting policy.

It is not planned to make significant changes in the accounting policy in 2018.

3. Disclosure of essential indicators in the statements

3.1. Information on transactions in foreign currency

In the accounting period transactions in foreign currency were not performed.

3.2. Information on inventories

The information on inventories is included in the notes to the accounting balance sheet and the profit and loss statement in table 5.5.1.

In 2017 inventories were not pledged.

As at 31 December 2017 the reserve under decrease in value of tangible assets in the amount of 192 thous. RUB was created.

3.3. Information on fixed assets

Availability and flow of fixed assets for 2016-2017 are included in the notes to the accounting balance sheet and the profit and loss statement in table 5.3.1.

In the statements the fixed assets are recorded at depreciated cost (original/replacement cost less accumulated depreciation).

Changes of the value of fixed assets resulting from completion, retrofit, renovation and partial liquidation are included in 5.3.3 for 2016-2017.

On the off-balance account of the Company as of 31.12.2017 the leased fixed assets are registered, which are included in the notes to the accounting balance sheet and the profit and loss statement in table 5.3.4 and 5.12.

In accordance with the Company's accounting policy revaluation of fixed assets is not performed.

The Company does not have income yielding investments into tangible assets.

3.4. Concession facilities

In 2015 the Company entered into a concession agreement with the Administration of the Tambov region – a subject of the Russian Federation.

Ownership of facilities of the concession agreement belongs to the concession grantor (the Tambov region – a subject of the Russian Federation).

Concession operator (the Company) will perform activities (operate) using the facility of the concession agreement and the grantor undertakes to provide to the concession operator for a 20-year period ownership and use of the facility of the concession agreement for the performance of the given activities.

Concession operator (the Company) incurred the costs of creating the facility of the concession agreement in the amount of:

- for 2015 - 875 983 thous. RUB;
- for 2016 - 111 611 thous. RUB.

The facilities of the concession agreement were commissioned in the amount of:

- in 2015 - 491 163 thous. RUB.
- in 2016 - 496 431 thous. RUB.

For 2016, 2017 depreciation on the facilities of the concession agreement was accrued in the amount of 92 554 thous. RUB.

In 2016, 2017 the Company received a subsidy from the regional budget for reimbursement of construction of the facilities in the amount of 120 000 thous. RUB.

3.5. Information on intangible assets

Availability and flow of intangible assets for 2016-2017 are included in the notes to the accounting balance sheet and the profit and loss statement in table 5.1.1.

3.6. Information on receivables and payables

The structure of receivables is recorded in the notes to the accounting balance sheet and the profit and loss statement in table 5.6.1.

The structure of payables is recorded in the notes to the accounting balance sheet and the profit and loss statement in table 5.6.5.

As of 31.12.2017 a provision for doubtful debts in the amount of 12 637 731 thous. RUB was created.

Of these the reserve was accrued for the following activities:

- 9 584 300 thous. RUB for electric energy transmission;
- 1 744 639 thous. RUB for electric energy sale;
- 111 333 thous. RUB for grid connection;
- 1 197 459 thous. RUB for other types of activity.

Information on material disagreements is recorded in the notes to the accounting balance sheet and the profit and loss statement in table 5.6.4.

In accordance with paragraph 3.11.19 of the Accounting policy sums of advance made and received are recorded in the statements for a group of articles "Accounts receivable" and "Accounts payable", including the amount of VAT.

In the balance sheet balances of VAT on advances made and received on account 76 "Settlements with various debtors and creditors" are recorded in line 1260 "Other current assets" in terms of VAT on advances received and in line 1550 "Other liabilities" in terms of VAT on advances made, broken down into long-term and short-term liabilities.

3.7. Information on credits and loans

3.7.1. Information on credits and loans is included in the notes to the accounting balance sheet and the profit and loss statement in tables 5.6.7, 5.6.8.

3.7.2. Debt of IDGC of Centre under credits and loans as at 31.12.2017 will be paid back within the following terms:

In the period from 2018 to 2020 the credits and loans in the amount of 41 491 031,37 thous. RUB (taking into account accrued interest) will be mature, including:

in 2018 – 7 491 031,37 thous. RUB (including % - 291 031,37 thous. RUB),

in 2019 – 15 000 000 thous. RUB,

in 2020 – 19 000 000 thous. RUB.

The sum of free limits under acting credit contracts of the Company as at 31.12.2017 was 22 000 000,00 thous. RUB.

3.7.3. The cost of investment assets in 2017 included interest payable to the lender (creditor) in the amount of 236 906 thous. RUB.

3.7.4. Long-term loans include bonded loans in the amount of 15 000 000 thous. RUB, which were placed by the Company in 2015-2016. They will mature: in 2018 – 5 bln RUB, in 2019 – 10 bln RUB.

3.8. Information on financial investments

Financial investments are included in the notes to the accounting balance sheet and the profit and loss statement in tables 5.4.1(1), 5.4.1 (2), 5.4.2, 5.4.3.

IDGC of Centre does not have any encumbered securities and other financial investments.

As at 31.12.2017 a provision for impairment of investments in the amount of 161 775 thous. RUB was created.

3.9. Information on contingencies

3.9.1. Contingencies of the Company are represented as the provision for future expenses, allowance for future holiday payment and allowance for the payment of remuneration for the year, and allowance for litigation.

Sum of contingencies, recognized in the reporting period, is recorded in the notes to the accounting balance sheet and the profit and loss statement in table 5.7.1.

In the course of its operational activities the Company is a party to litigation. For abortive trials where the Company acts as a defendant with a low degree of foreclosure in favour of the Company a valuation allowance for litigation was created.

Estimated date of execution of contingencies for abortive trials is less than 12 months and estimated liabilities for litigation are recorded in the balance sheet of IDGC of Centre as a current liability.

The Company did not recognize provisions for estimated liabilities at the balance sheet date in respect of claims, the probability of resolution of which is assessed, taking into account the availability of positive jurisprudence in favour of IDGC of Centre, as high.

3.9.2. Information on provisions of IDGC of Centre given and received is included in the notes to the accounting balance sheet and the profit and loss statement in table 5.8.

3.10. Information on income

Income for the accounting year is included in the profit and loss statement separately on ordinary activities and under other income with breakdown by kinds and values.

Other income is included in the notes to the accounting balance sheet and the profit and loss statement in table 5.11.

3.11. Information on expenses

Expenses for the accounting year are included in the profit and loss statement separately on ordinary activities and on miscellaneous costs.

Expenses on ordinary activities broken down to elements of costs are included in the notes to the accounting balance sheet and the profit and loss statement in table 2.1.

Other costs are included in the notes to the accounting balance sheet and the profit and loss statement in table 5.11.

As at 31 December 2017 the Company recorded deferred expenses in “Other non-current assets” and “Other current assets” in the amount of 1 085 684 thous. RUB and 170 344 thous. RUB, respectively.

3.12. Information on related parties

In the notes the Company disclosed the information on the related parties.

Related parties are legal and (or) individuals capable of influencing the activities of the Company, or over which the Company is able to influence.

Related parties of the Company shall be persons possessing 20 percent and more of the votes in the supreme governing body of the Company; legal entities that are subsidiaries of the same company, which is a subsidiary of the Company itself; subsidiaries of the Company; members of the Board of Directors (Supervisory Board) of the Company; persons exercising powers of the chief executive officer, members of the collegial executive body of the Company, as well as other persons who, due to a predominant stake in the authorized capital, or in accordance with the contract are able to define decisions taken by the Company.

List of affiliates is available on the Company’s website at:

<https://www.mrsk-1.ru/information/affiliates/2017/>

3.12.1. Settlements on contractual obligations for services provided by affiliates to the Company in 2016:

Item #	Name of the organization - an affiliate	Service type	Total accounts payable (+) / receivable (-) as at 31.12.2015,	Amount of charges, thous. RUB	Maturity value, thous. RUB	Total accounts payable (+) / receivable (-) as at
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			thous. RUB			31.12.2016, thous. RUB
1	PJSC «Rosseti»3	service on the operation and development of the distribution electric grid complex	20 133	404 097	404 097	20 133
2	PJSC «Rosseti»3	technical supervision of electric grid facilities	2 484	49 854	49 854	2 484
3	PJSC «Rosseti»3	parent support agreement services	5 373	-	5 373	-
4	PJSC «Rosseti»3	services in organization of the treasury function in terms of the authorization and/or the execution of large-value payments	-	15 631	15 631	-
5	PJSC «Rosseti»3	Other settlements (dividends)	-	229 030	229 030	-
6	PJSC «IDGC of North-West»1	electric grid facilities lease	4	26	30	-
7	PJSC «IDGC of Centre and Volga Region»1	grid connection services	(36)	36	-	-
8	PJSC «Lenenergo»1	settlements with suppliers and contractors for Fixed Assets	5 299	-	553	4 746
9	PJSC «Lenenergo»1	services for organizing and conducting inter-regional competitions of professional skills	-	2 320	2 320	-
10	PJSC «FGC UES»1	electric energy transmission services	1 848 828	18 805 915	19 488 041	1 166 702
11	PJSC «FGC UES»1	grid connection services	(33 669)	5 044	1 710	(30 335)
12	PJSC «FGC UES»1	lease services	671	12 238	11 955	954

13	PJSC «FGC UES»1	electric energy transmission services under a contract of assignment	230 814	-	230 814	-
14	PJSC «FGC UES»1	electric energy transmission services under a contract of assignment	-	46 554	46 554	-
15	OJSC «ZRETO» 1	purchase of inventories	-	64	64	-
16	JSC «Sanatorium «Energetik» 2	services in lodging and board	-	1 599	1 599	-
17	JSC «Mobile GTES» 1	services under the contract of purchase and sale of power	-	54	16	38
18	JSC Moscow Communication Center of the Electric Power Industry 1	communication services	48	1 034	1 034	48
19	JSC «NTC-POWER FGC UES» 1	research and development	-	9 357	9 357	-
20	JSC «NTC-POWER FGC UES» 1	services for the organization to participate in chess tournament	-	50	50	-
21	LLC «IT Energy» 1	service to maintain reference data	1 122	13 465	13 465	1 122
22	LLC «IT Energy» 1	services for expansion and creation of the electric energy metering system at the retail market	-	2 507	2 278	229
23	JSC «YarEGC» 2	electric energy transmission services	29 614	396 250	390 697	35 167
24	JSC «YarEGC» 2	electric grid facilities lease	-	6 018	5 464	554
25	OJSC «ENIN named after G.M. Krzhizhanovskogo»1	R&D project work performance	-	19 966	19 966	-
26	JSC «FOCL-Conductor Administration»1	services to maintain reference data	-	926	840	86

27	JSC «FOCL-Conductor Administration» ¹	transfer of non-exclusive rights to a computer program under sublicensing agreements	-	127 674	127 674	-
28	JSC «FOCL-Conductor Administration» ¹	purchase of equipment requiring no installation (FOCL)	-	22 649	22 649	-
29	JSC «FOCL-Conductor Administration» ¹	services under the contract of commercial representation of the owner of power facilities	-	30	230	(200)

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3.12.2. Settlements on contractual obligations for services provided by the Company to affiliates in 2016:

Item #	Name of the organization - an affiliate	Service type	Total accounts receivable (+) / payable (-) as at 31.12.2015, thous. RUB	Amount of charges, thous. RUB	Maturity value, thous. RUB	Total accounts receivable (+) / payable (-) as at 31.12.2016, thous. RUB
1	PJSC «Rosseti» ³	provision of workplaces	-	920	920	-
2	PJSC «IDGC of South» ²	emergency and restoration activities in the aftermath of a natural disaster at facilities of IDGC of South	1 778	-	1 778	-
3	PJSC «IDGC of Centre and Volga Region» ²	emergency and restoration activities in the aftermath of a natural disaster at facilities of IDGC of Centre and Volga Region	-	20 887	-	20 887
4	PJSC «IDGC of Centre and Volga Region» ²	other settlements (shares)	1 037	396	756	677
5	PJSC «IDGC of Centre and Volga Region» ²	other settlements (dividends)	-	33	33	-
6	PJSC «Lenenergo» ²	the right to install fiber-optic lines at power facilities	-	553	553	-
7	PJSC «Kubanenergo» ²	work on the technical, operational maintenance and repair of facilities owned by Kubanenergo	23 480	18 091	41 571	-

8	PJSC «FGC UES»2	property lease	146	1 793	1 790	149
9	PJSC «FGC UES»2	service for the use of places on the pole	6	165	163	8
10	PJSC «FGC UES»2	operational maintenance of electric grid equipment	86	1 026	1 026	86
11	PJSC «FGC UES»2	other settlements (compensation for breach of property rights)	(167 010)	-	-	(167 010)
12	PJSC «FGC UES»2	reconstruction of grids	-	-	3 797	(3 797)
13	PJSC «FGC UES»2	other income (interest on the monetary obligation Art.317.1 of the Civil Code of the Russian Federation)	-	3	-	3
14	PJSC «FGC UES»2	other settlements (shares)	1 149	2 803	-	3 952
15	PJSC «FGC UES»2	other settlements (dividends)	-	227	227	-
16	PJSC «FGC UES»2	sale of electric energy under the commission contract with JSC «CFR»	-	33	33	-
17	OJSC «Energy Service Company»1	% on the loan of monetary funds	21 072	-	-	21 072
18	OJSC «Energy Service Company»1	state duty	5	-	-	5
19	OJSC «Energy Service Company»1	service of providing the loan of monetary funds	161 600	-	-	161 600
20	OJSC «Energy Service Company»1	other settlements	100	-	-	100
21	OJSC «Energy Service Company»1	treasury services	216	-	-	216
22	JSC «Sanatorium «Energetik» 1	% accrued on the loan	51	600	600	51
23	JSC «Sanatorium «Energetik» 1	service of providing the loan of monetary funds	5 000	-	-	5 000
24	JSC «Sanatorium «Energetik» 1	other settlements (shares)	15 355	-	-	15 355
25	JSC «Sanatorium «Energetik» 1	dividends on shares	-	194	194	-
26	JSC «YarEGC»1	maintenance of equipment	83	1 343	1 308	118
27	JSC «YarEGC»1	other income (interest on the monetary obligation Art.317.1 of the Civil Code of the Russian Federation)	-	16	-	16
28	JSC «YarEGC»1	non-residential premises rent	73	792	783	82

29	JSC «YarEGC» ¹	grid connection services	(30)	47	17	-
30	OJSC «Nurenergo» ²	contract of assignment	2	-	-	2
31	JSC «Ingushenergo» ²	contract of assignment	157	-	-	157
32	JSC «Ingushenergo» ²	state duty	-	6	-	6
33	JSC «Kalmenergosbyt» ²	contract of assignment	21	-	-	21
34	PJSC «Dagestan Energy Retail Company» ²	contract of assignment	8	-	-	8
35	PJSC «Dagestan Energy Retail Company» ²	sale of electric energy under the commission contract with JSC «CFR»	-	3	3	-
36	JSC «FOCL-Conductor Administration» ²	service of providing temporary limited use of the overhead power line	-	783	3 401	(2 618)
37	JSC «Ekaterinburgenergosbyt»	sale of electric energy under the commission contract with JSC «CFR»	-	1	1	-
38	PJSC «IDGC of North Caucasus»	sale of electric energy under the commission contract with JSC «CFR»	-	1	1	-
39	JSC «APBE»	sale of electric energy under the commission contract with JSC «CFR»	-	1	1	-
40	JSC «Karachaevo-Cherkesskenenergo»	sale of electric energy under the commission contract with JSC «CFR»	-	2	2	-
41	JSC «Kabbalkenergo»	sale of electric energy under the commission contract with JSC «CFR»	-	1	1	-
42	JSC «Chechenenergo»	sale of electric energy under the commission contract with JSC «CFR»	-	1	1	-
43	PJSC «Rosseti» ³	provision of workplaces	-	920	920	-

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3.12.3. Settlements on contractual obligations for services provided by affiliates to the Company in 2017:

Item #	Name of the organization - an affiliate	Service type	Total accounts payable (+) / receivable (-) as at 31.12.2016, thous. RUB	Amount of charges, thous. RUB	Maturity value, thous. RUB	Total accounts payable (+) / receivable (-) as at 31.12.2017, thous. RUB
1	PJSC «Rosseti» ³	service on the operation and development of the distribution electric grid complex	20 133	404 029	404 029	20 133
2	PJSC «Rosseti» ³	technical supervision of electric grid facilities	2 484	49 854	49 854	2 484
3	PJSC «Rosseti» ³	services in organization of the treasury function in terms of the authorization and/or the execution of large-value payments	-	15 631	15 631	-
4	PJSC «Rosseti» ³	other settlements (dividends)	-	937 648	937 648	-
5	PJSC «IDGC of North-West» ¹	electric grid facilities lease	-	26	24	2
6	PJSC «IDGC of Centre and Volga Region» ¹	lease services	-	33	24	9
7	PJSC «IDGC of Centre and Volga Region» ¹	vehicle lease services	-	404	315	89
8	PJSC «IDGC of Centre and Volga Region» ¹	purchase of electric energy under the commission contract with JSC «CFR»	-	2	2	-
9	PJSC «Lenenergo» ¹	settlements with suppliers and contractors for Fixed Assets	4 746	-	553	4 193
10	PJSC «IDGC of Volga» ¹	services for organizing and conducting All-Russian competitions of professional skills	-	2 320	2 320	-
11	PJSC «FGC UES» ¹	electric energy transmission services	1 166 702	19 850 632	20 162 545	854 789
12	PJSC «FGC UES» ¹	grid connection services	(30 335)	5 397	2 142	(27 080)

13	PJSC «FGC UES» ¹	lease services	954	8 074	8 650	378
14	PJSC «FGC UES» ¹	acquisition of construction in progress facilities and land plots	-	16 149	16 149	-
15	JSC «CTZ» ¹	a set of construction control services at facilities of IDGC of Centre	-	4 504	4 085	419
16	OJSC «ZRETO» ¹	services/maintenance/repair of electric grid facilities	-	1 753	-	1 753
17	JSC «Sanatorium «Energetik» ²	services in lodging and board	-	1 338	1 338	-
18	JSC «Sanatorium «Energetik» ²	service for pre-trip, post-trip medical examinations of drivers of vehicles	-	2 091	1 727	364
19	JSC «Mobile GTES» ¹	services under the contract of purchase and sale of power	38	232	252	18
20	JSC «Mobile GTES» ¹	purchase of electric energy under the commission contract with JSC «CFR»	-	1 005	1 005	-
21	JSC «Kabbalkenergo» ¹	purchase of electric energy under the commission contract with JSC «CFR»	-	5	5	-
22	JSC «Ekaterinburgener gosbyt» ¹	purchase of electric energy under the commission contract with JSC «CFR»	-	2	2	-
23	PJSC «IDGC of North Caucasus» ¹	purchase of electric energy under the commission contract with JSC «CFR»	-	4	4	-
24	JSC «Sevkavenergo» ¹	purchase of electric energy under the commission contract with JSC «CFR»	-	9	9	-
25	JSC Moscow Communication Center of the Electric Power Industry ¹	communication services	48	1 048	1 051	45
26	JSC «NTC-POWER FGC UES» ¹	services for the organization to participate in chess tournament	-	90	-	90

27	LLC «IT Energy» ¹	service to maintain reference data	1 122	12 343	13 363	102
28	LLC «IT Energy» ¹	services for expansion and creation of the electric energy metering system at the retail market	229	687	916	-
29	JSC «YarEGC» ²	electric energy transmission services	35 167	455 271	471 154	19 284
30	JSC «YarEGC» ²	electric grid facilities lease	554	5 487	5 584	457
31	OJSC «ENIN named after G.M. Krzhizhanovskogo» ¹	R&D project work performance	-	29 948	29 948	-
32	JSC «FOCL-Conductor Administration» ¹	services to maintain reference data	86	2 017	1 977	126
33	JSC «FOCL-Conductor Administration» ¹	services for the implementation of the electronic operational level log	-	4 151	4 151	-
34	JSC «FOCL-Conductor Administration» ¹	services for provision of communication channels and set-up of VPN	-	26 167	23 396	2 771
35	JSC «FOCL-Conductor Administration» ¹	services under the contract of commercial representation of the owner of power facilities	(200)	150	554	(604)

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3.12.4. Settlements on contractual obligations for services provided by the Company to affiliates in 2017:

Item #	Name of the organization - an affiliate	Service type	Total accounts receivable (+) / payable (-) as at 31.12.2016, thous. RUB	Amount of charges, thous. RUB	Maturity value, thous. RUB	Total accounts receivable (+) / payable (-) as at 31.12.2017, thous. RUB
1	PJSC «Rosseti» ³	provision of workplaces	-	920	920	-

2	PJSC «IDGC of South» ²	emergency and restoration activities in the aftermath of a natural disaster at facilities of IDGC of South	-	15 208	15 208	-
3	PJSC «IDGC of Centre and Volga Region» ²	emergency and restoration activities in the aftermath of a natural disaster at facilities of IDGC of Centre and Volga Region	20 887	9 821	29 707	1 001
4	PJSC «IDGC of Centre and Volga Region» ²	other settlements (shares)	677	755	62	1 370
5	PJSC «IDGC of Centre and Volga Region» ²	other settlements (dividends)	-	47	47	-
6	PJSC «IDGC of Centre and Volga Region» ²	lease services	-	16	-	16
7	PJSC «IDGC of Centre and Volga Region» ²	services for the exercise of powers of the sole executive body	-	39 660	34 252	5 408
8	PJSC «IDGC of Centre and Volga Region» ²	sale of electric energy under the commission contract with JSC «CFR»	-	1	1	-
9	PJSC «Lenenergo» ²	the right to install fiber-optic lines at power facilities	-	553	553	-
10	JSC «LESR» ²	construction and installation works at facilities of Lenenergo to ensure grid connection	-	10 208	10 208	-
11	PJSC «MOESK» ²	emergency restoration work to eliminate consequences of the natural disaster at facilities of MOESK	-	6 326	6 326	-

12	PJSC «Kubanenergo» ²	interest on the use of other people's money	-	3 657	3 657	-
13	PJSC «FGC UES» ²	property lease	149	1 793	1 793	149
14	PJSC «FGC UES» ²	service for the use of places on the pole	8	100	100	8
15	PJSC «FGC UES» ²	operational maintenance of electric grid equipment	86	1 671	1 671	86
16	PJSC «FGC UES» ²	other settlements (compensation for breach of property rights)	(167 010)	-	-	(167 010)
17	PJSC «FGC UES» ²	reconstruction of grids	(3 797)	-	20 749	(24 546)
18	PJSC «FGC UES» ²	granting the possibility of unhindered access to land plots located under poles	-	57 249	13 274	43 975
19	PJSC «FGC UES» ²	other income (interest on the monetary obligation Art.317.1 of the Civil Code of the Russian Federation)	3	-	3	-
20	PJSC «FGC UES» ²	other settlements (shares)	3 952	24	801	3 175
21	PJSC «FGC UES» ²	other settlements (dividends)	-	262	262	-
22	PJSC «FGC UES» ²	sale of electric energy under the commission contract with JSC «CFR»	-	56	56	-
23	OJSC «Energy Service Company» ¹	% on the loan of monetary funds	21 072	-	-	21 072
24	OJSC «Energy Service Company» ¹	state duty	5	-	-	5
25	OJSC «Energy Service Company» ¹	service of providing the loan of monetary funds	161 600	-	-	161 600
26	OJSC «Energy Service Company» ¹	other settlements	100	-	-	100
27	OJSC «Energy Service Company» ¹	treasury services	216	-	-	216

28	JSC «Sanatorium «Energetik» ¹	% accrued on the loan	51	429	480	-
29	JSC «Sanatorium «Energetik» ¹	service of providing the loan of monetary funds	5 000	-	5 000	-
30	JSC «Sanatorium «Energetik» ¹	other settlements (shares)	15 355	-	-	15 355
31	JSC «YarEGC» ¹	maintenance of equipment	118	1 415	1 415	118
32	JSC «YarEGC» ¹	other income (interest on the monetary obligation Art.317.1 of the Civil Code of the Russian Federation)	16	2	-	18
33	JSC «YarEGC» ¹	non-residential premises rent	82	797	801	78
34	JSC «YarEGC» ¹	grid connection services	-	252	253	(1)
35	OJSC «Nurenergo» ²	contract of assignment	2	-	-	2
36	JSC «Ingushenergo» ²	contract of assignment	157	-	-	157
37	JSC «Ingushenergo» ²	state duty	6	-	-	6
38	JSC «Kalmenergosbyt» ²	contract of assignment	21	-	-	21
39	PJSC «Dagestan Energy Retail Company» ²	contract of assignment	8	-	-	8
40	PJSC «Dagestan Energy Retail Company» ²	sale of electric energy under the commission contract with JSC «CFR»	-	13	13	-
41	JSC «FOCL-Conductor Administration» ²	service of providing temporary limited use of the overhead power line	(2 618)	107	-	(2 511)
42	JSC «Mobile GTES» ²	sale of electric energy under the commission contract with JSC «CFR»	-	13	13	-
43	JSC «Ekaterinburgenergosbyt» ²	sale of electric energy under the commission contract with JSC «CFR»	-	5	5	-

44	PJSC «IDGC of North Caucasus» ²	sale of electric energy under the commission contract with JSC «CFR»	-	3	3	-
45	JSC «Karachaevo-Cherkessenergo» ²	sale of electric energy under the commission contract with JSC «CFR»	-	3	3	-
46	JSC «Kabbalkenergo» ²	sale of electric energy under the commission contract with JSC «CFR»	-	3	3	-
47	JSC «Sevkavenergo» ²	sale of electric energy under the commission contract with JSC «CFR»	-	3	3	-
48	OJSC «Pskovenergosbyt» ²	sale of electric energy under the commission contract with JSC «CFR»	-	2	2	-
49	JSC «Chechenenergo» ²	sale of electric energy under the commission contract with JSC «CFR»	-	8	8	-
50	PJSC «FTC» ²	receipt/refund of financial security of applications for participation in procurement procedures	-	261	143	118
51	JSC «NTC-POWER FGC UES» ²	receipt/refund of financial security of applications for participation in procurement procedures	-	272	272	-

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3.12.5. Remuneration (salary, bonuses and other payments) of key management personnel of the Company for 12 months:

Title	Number of employees	Amount*, thous. RUB	Number of employees	Amount*, thous. RUB
IDGC of Centre	2017		2016	
Employees classified as «Top managers»	31	272 115	30	243 618

Members of the Management Board	7	1 097	7	1 070
Members of the Board of Directors	9	22 926	11	7810
Members of the Audit Commission	5	1 010	5	793
Members of Committees under the Board of Directors	27	3 471	25	3055
TOTAL	79	300 619	78	256 346

* the amount is shown, including accrued taxes and mandatory payments to the appropriate budgets and off-budget funds.

3.13. Information on segments

The information on segments is included in the notes to the accounting balance sheet and the profit and loss statement in table 5.13. and Appendix # 1.

For 2017 the Company received the revenue, which amounted to more than 10% of the total revenue of the Company, including:

- from OJSC «Atomenergobyty» in the amount of 21 764 613 thous. RUB, including:
 - revenue from electric energy transmission – 21 748 447 thous. RUB (including VAT- 3 317 560 thous. RUB);
 - revenue from other services – 16 166 thous. RUB (including VAT- 2 466 thous. RUB);
- from OJSC «TNS energo» in the amount of 19 631 794 thous. RUB, including:
 - revenue from electric energy transmission – 19 625 885 thous. RUB (including VAT- 2 993 779,06 thous. RUB);
 - revenue from other services – 5 909 thous. RUB (including VAT- 901,37 thous. RUB).
- from OJSC "Belgorod Retail Company" (branch «Belgorodenergo») in the amount of 9 107 060 thous. RUB, including:
 - revenue from electric energy transmission – 9 106 596 thous. RUB (including VAT- 1 389 142 thous. RUB);
 - revenue from lease – 452 thous. RUB (including VAT - 69 thous. RUB);
 - revenue from other services – 12 thous. RUB (including VAT- 2 thous. RUB).

3.14. Information on calculation of profit tax

Calculation of tax base following the results of 2016 was made on the basis of the tax accounting data. The taxable surplus for the accounting period is 6 704 035 thous. RUB, the profit tax estimated under the rate of 20% is 1 340 807 thous. RUB.

The transition from accounting income to taxable income for 2016-2017 is included in the notes to the accounting balance sheet and the profit and loss statement in table 2.3.

#	Indicator	thous. RUB	
		2016	2017
1.	Profit (loss) before tax	2 509 200	4 577 603
2.	Permanent differences	3 860 965	4 458 050
2.1.	Financial assistance, social benefits and other employees' benefits	1 272 477	1 005 040
2.2.	Revaluation of financial investments	(19 327)	(11 720)
2.3.	Recovery of provision of doubtful debts	165 671	245 377
2.4.	Recovery of provision under contingent liabilities	(28 468)	(66 331)
2.5.	Recovery of provision under depreciation of tangible assets	(4 305)	(3 951)

2.6.	Fixed Assets depreciation	746 013	694 765
2.7.	Profit of previous years	(321 747)	(319 367)
2.8.	Expenses of previous tax periods considered in previous tax periods on the basis of the specified declaration	1 006 110	1 290 112
2.9.	Expenses on charity	7 500	68 200
2.10.	Accounts receivable write-off	192 878	158 744
2.11.	Cultural and sports events	19 757	21 628
2.12.	Payments to the Board of Directors and Audit Commission	11 659	22 641
2.13.	Nonreimbursable VAT	76 461	60 794
2.14.	Deductions and payments to employees of trade-union committee	66 797	70 742
2.15.	Penalties, fines, liquidated damages, payments under settlement agreements	3 311	4 428
2.16.	Reserve on doubtful debts	333 287	1 130 333
2.17.	Reserve under contingent liabilities	31 073	104 009
2.18.	Reserve under write-down of tangible assets	4 352	2 811
2.19.	Reserve under write-down of financial investments	-	-
2.20.	Disposal of assets without income	39 231	48 214
2.21.	Other	258 235	(68 419)
3.	<i>Deductible temporary differences</i>	1 894 064	(846 273)
3.1.	Fixed Assets depreciation (the amount of depreciation for tax accounting is less than the sum of depreciation for business accounting)	151 057	239 915
3.2.	Provision for payment of annual compensation and annual leave	196 430	342 404
3.3.	Contingencies	1 539 405	(1 437 571)
3.4.	Other	7 172	8 979
4.	<i>Taxable temporary differences</i>	2 483 985	1 485 347
4.1.	Fixed Assets depreciation (the amount of depreciation for tax accounting is more than the sum of depreciation for business accounting)	2 152 103	1 245 590
4.2.	Other taxable temporary differences	331 882	239 757
	including interest on debt	306 576	236 906
	Total (sum of line 2 + sum of line 3 - sum of line 4)	3 271 044	2 126 430
	TAX DECLARATION DATA		
5.	Total profit (loss) under line 100 of Sheet 02 of the Tax declaration of current tax period	5 780 244	6 704 033
5.1.	Current profit tax	1 156 049	1 340 807
6.	Total full appreciated profit under the Tax declaration of previous tax periods	(2 176 620)	3 395 571
6.1.	Full appreciated profit tax of previous tax periods	(435 324)	679 114

The amount of the written off deferred tax asset was 135 796 thous. RUB, including:

- (3 354) thous. RUB – at disposal of assets (write-off, liquidation or sale of fixed assets);
- 131 507 thous. RUB – from write off of assessed reserves;
- 7 643 thous. RUB – other.

The amount of written-off deferred tax liabilities was 76 599 thous. RUB, including:

- 65 532 thous. RUB – recalculation of tax liability for previous tax periods for fixed assets;
- 1 527 thous. RUB – at disposal of assets (writing off or selling special clothes; write-off (liquidation) or sale of fixed assets; cancellation of incomplete construction projects);
- 9 540 thous. RUB – adjustment of the accumulated tax liability for previous tax periods for incomplete construction projects due to recovery of expenses for mobilization training and filing of updated income tax returns for previous tax periods.

3.15. Information on participation in joint activity

The Company did not participate in any joint activity.

3.16. Capital

As at 31 December 2017 the authorized capital of the Company is completely paid for and consists of:

Name	Total quantity (pc.)	Nominal value (thous. RUB)
Common stocks	42 217 941 468	4 221 794
Preferred stocks	-	-
Total	42 217 941 468	4 221 794

The base earnings per share reflect a part of profit of the accounting period, which can be potentially distributed among shareholders – owners of common stocks. It is calculated as the relation of base profit for the accounting year to the weighted average quantity of common stocks in circulation within the accounting year. The base profit is equal to net profit of the accounting year. Earnings per share, diluted earnings per share are included in the notes to the accounting balance sheet and the profit and loss statement in table 2.2.

3.17. Cash flow statement

As at 31.12.2017 placement of temporarily free cash in the form of a deposit on the current account in JSC AB ROSSIYA:

							thous. RUB
JSC AB ROSSIYA	deposit	28.12.2017	09.01.2018	12	400 000	7,00%	921
JSC AB ROSSIYA	deposit	29.12.2017	09.01.2018	11	300 000	6,75%	610
JSC AB ROSSIYA	deposit	29.12.2017	09.01.2018	11	150 000	6,75%	305
JSC AB ROSSIYA	deposit	29.12.2017	09.01.2018	11	111 000	6,75%	226

In the Cash Flow Statement, as collapsed, indirect taxes are reflected from buyers and customers, payments to suppliers and contractors and payments to the budget of the Russian Federation or the reimbursement out of it.

VAT is an indirect tax. The collapsed result on VAT in the amount of (169 020) thous. RUB is recorded in line 4129 «Other payments»:

- VAT amount as received from buyers and customers is in the amount of 14 654 262 thous. RUB (line 4110,4210)

- VAT amount as paid to suppliers and contractors and to the budget of the Russian Federation is in the amount of 14 823 282 thous. RUB (line 4120, 4220, 4320).

Taxes are recorded in line 4129 «Other payments».

Information on cash flows from operating, investing and financing activities of each reportable segment is included in Appendix # 1.

3.18. Profit/loss of previous years

In accounting IDGC of Centre for previous reporting periods identified and recorded in 2017 as earnings from previous years the income in the amount of in the amount of 319 367 thous. RUB, including:

- 42 232 thous. RUB – increase in income in previous periods for electricity transmission (of which 5 384 thous. RUB refer to the company PJSC "TNS energo Voronezh"; 9 343 thous. RUB refer to the company JSC "AtomEnergoSbyt"; 2 757 thous. RUB refer to the company PJSC "TNS energo Yaroslavl".

-24 115 thous. RUB – revenues arising from the recording of acts of non-contractual consumption;

- 89 203 thous. RUB – fines, penalties, liquidated damages, state duty (of which the largest is LLC "MonolitService" for the amount of 38 432 thous. RUB);

- 90 122 thous. RUB - record of income of past years on losses of electric energy in grids (of which 85 452 thous. RUB refer to the company PJSC "TNS energo Yaroslavl";

- 73 695 thous. RUB – other income.

In accounting IDGC of Centre for previous reporting periods identified and recorded in 2016 as losses of previous years the costs in the amount of 1 290 112 thous. RUB, including:

- 1 017 324 thous. RUB – increase in costs recorded in accounting of IDGC of Centre under electricity transmission contracts (of which the amount of 45 839 thous. RUB refer to the company JSC "AtomEnergoSbyt", 568 426 thous. RUB refer to the company OJSC "AVTODIZEL" YMZ;

-179 701 thous. RUB – costs for compensation of electric energy losses in grids and technological consumption, services for electric energy transmission of adjacent Territorial Grid Companies (of which the amount of 28 776 thous. RUB refer to the company JSC "Oboronenergo"; 29 029 thous. RUB refer to the company JSC "AtomEnergoSbyt".

- 93 087 thous. RUB – other costs.

3.19. Other information

3.19.1. Information on the received provisions of the company's obligations and payments.

The information on the received provisions of obligations of IDGC of Centre is included in the notes to the accounting balance sheet and the profit and loss statement in table 5.8.

3.19.2. Assessment of the financial position of the Company

Indicator	31.12.2017	31.12.2016
Current liquidity ratio	0,81	1,21
Acid ratio	0,70	1,07
Equity-assets ratio	0,48	0,47

One of the indicators of the company's financial standing is its solvency and liquidity, i.e. its ability to pay back its obligations in due time.

Following the results of 2017, the value of the current liquidity ratio was 0,81. Normative value of the ratio is considered equal to or greater than 1,00.

Acid ratio reflects the company's ability to pay back its current obligations in the shortest period of time. Normal value of the ratio is more than 0,8. Following the results of 2017, this ratio is within normal values and is 0,70.

Liquidity ratios are within the minimum allowable limits, indicating the ability of the company to pay back its current liabilities from current assets in due time.

Equity-assets ratio determines the share of the company's assets financed by equity. The higher the ratio is, the more financially stable and independent from external creditors the enterprise is. The generally accepted standard value for this indicator is 0,5. Following the results of financial and economic activity of IDGC of Centre for 2017 the equity-assets ratio varies within the regulatory limits.

3.20. Policy concerning management of risks

In case of occurrence of one or several of the above mentioned risks IDGC of Centre will take all possible measures on minimisation of negative consequences. Possible events for Company actions are developed for neutralisation of a part of risks when this or that risk occurs. However, it is necessary to note that preliminary development of measures adequate to corresponding events is complicated by uncertainty of development of a situation, and parameters of conducted events will depend in a greater degree on features of the created situation in each specific case. IDGC of Centre cannot warrant that the actions directed on overcoming of arisen negative changes, can lead to the situation correction as the described factors are beyond the Company's control.

Industry risks

In the Company's estimation, now deterioration of the situation in the industry can be connected with:

- **Risks connected with state regulation of tariffs for services rendered**

Transmission of electric energy through distribution grids and also grid connection to electric networks are regulated by the State.

The State realizes the policy of containment of increase of tariffs on product and services of natural monopolies. Increase of tariffs for electricity transmission is limited with a rate, established by the forecast of socio-economic development of the Russian Federation for the relevant year (hereinafter - the Forecast) or specific scenario conditions of the economy of the Russian Federation functioning, approved by the Government of the Russian Federation.

The growth of tariffs for electricity transmission according to the Forecast for the category "other customers" from the second half of 2017 was 3%. In order to minimize "shortfall in income" from the implementation of Federal Law №308 dated 06.11.2013 "On Amendments to the Federal Law "On Electric Power Industry" and Article 81 of the Federal Law "On Joint Stock Companies" (hereinafter – 308-FZ), which provided from 01.07.2017 for termination of contracts for the lease of UNEG facilities connected to such facilities (last mile agreements), tariffs for electricity transmission services for other consumers for 2017 in the Kursk region were approved with excess of 11% (14% from 01.07.2017), in the Lipetsk region - with an increase of 9% (12% from 01.07.2017).

The termination of the "last mile" contracts led to a deterioration in the Company's financial position.

According to the results of the regulation for 2018, single-rate tariffs were approved for the Company's subsidiaries under the Forecast with an increase of no more than 3%, except for a small deviation in the branches "Belgorodenergo" (+3.1%), "Kurskenergo" (+3.2%) and "Tverenergo", for which the growth of the single-rate tariff from the second half of 2018 was +4.5%.

The following measures are applied to minimize the risks:

1. Work with tariffs regulatory authorities of RF subjects, the Ministry of Energy of the Russian Federation to ensure compensation of "shortfall in income" of grid companies, arising from the implementation of Federal Law № 308-FZ, by providing additionally to the Forecast of the Ministry of Economic Development the increase of tariffs for other customers and provision of subsidies from the federal budget.

2. On an ongoing basis, the work is done on the economic justification of costs included in rates, as well as on the inclusion of economically justified costs incurred in excess of recorded in rates and not received income for reasons beyond the Company's control prior periods in tariffs.

3. Regular work on reduction of costs and investment program optimization is conducted.

4. Implementation together PJSC "Rosseti" of activities to amend the existing legislation of the Russian Federation in pricing for natural monopolies to take the interests of distribution grid companies in setting tariffs for electricity at the retail market into account.

• Risks of receiving less income than one is due, connected with payment discipline of retailers or decrease in the level of power consumption

The main buyers of the issuer's services are retail companies, which carry out delivery of electric energy to end customers. The growth of the debt of retail companies to the issuer may be related to the violation of the payment discipline of end customers of electricity to the retail companies and the "misuse" of funds received from end customers, as well as the lengthy settlement of disagreements over the volume of services rendered in court.

The probability of the risk of shortfall in income due to non-payment of retail companies is high.

To reduce the probability of occurrence of risks of shortfall in income due to non-payment of retail companies and minimizing their consequences, the management conducts work on the well-thought credit policy, on management of debt receivable directed to optimization of its amount and collection of debt. The Company also performs active claim-related work on debt collection, implements policy of conclusion of direct contracts with electric power consumers.

The risk of shortage of income in connection with a decrease in electricity consumption is due to changes of electricity consumption in the regions of the Company's service area.

At present this risk probability is estimated as medium.

• Risks connected with shortage of qualified specialists in the industry

At present inflow of qualified production personnel in the industry is reducing. Keeping the current inflow reduction rates the Company may confront with shortage of qualified production personnel in the regions of the service area. This risk is estimated as average within the long-term period with consequences for the Company's activity varying from insignificant up to medium. For the purposes of minimization of this risk probability the Company performs the following measures:

- support of industry secondary special and higher vocational institutions in the regions of the service area, creation and financial support of implementation of programs on training of specialists in the field of the electric power industry with subsequent guaranteed employment of trained specialists;

- execution of programs intended to increase motivation and reduction of volumes of staff turnover, implementation of non-material motivation methods.

Country and regional risks

Country risks

At the moment, the sovereign rating of the Russian Federation in the national currency is at the level «BBB-» (Standard & Poor's) – outlook «Positive», «BBB-» (Fitch) – outlook «Positive», and «Baa2» (Moody's). Financial problems or aggravated perception of risks of investment in the countries with a developing economy lowered the volume of foreign investments into Russia, caused an outflow of foreign capital, and rendered negative influence on the Russian economy. Besides, the Russian economy is especially vulnerable to changes of the world prices for natural gas and oil.

Changes of growth of prices for consumer products in the country remain to be a problem as well. All these events can limit access of the issuer to the capital and render adverse influence on purchasing capacity of consumers of products. The Government of the Russian Federation is

implementing its policy of containment of growth of tariffs for products and services of natural monopolies, this can result in shortage of financing of the Company's investment program.

Furthermore, probability of risks in the medium term connected with change of the legal basis of a set of measures to tackle the problem of cross-subsidization in the electric power industry is estimated as high with consequences for the Company's activity varying from significant to severe. Within the framework of minimization of the foregoing risks the issuer performs work on reduction of internal costs and optimization of the investment program as well as implements its well-thought-out policy in the field of taking out borrowed funds.

Political risks are beyond the control of the Company because of their scale, but within the framework of their minimization the Company conducts active work with superior and regulating organizations in common interests of the industry development.

Regional risks

The Company carries out its activities in the Central Federal District of the Russian Federation being an economically developed region of the country, the centre of financial and political activity. According to the Investment Rating of Regions of Russia 2017, prepared by the "Expert RA" Rating Agency, 6 out of 11 regions, which the issuer's activity is connected with, are referred to the territories with moderate investment risks and various investment potential, five of the regions (Belgorod, Voronezh, Kursk, Lipetsk and Tambov regions) – to the regions with minimal investment risks.

The regional risks in the activity of the Company are mainly as follows:

- disagreement of the authorized state tariff making bodies in part of economically proved costs declared by the Company for inclusion in the tariff;
- reduction of electric power consumption by large industrial enterprises of the regions.

The given circumstances can have essential influence on realization of the large-scale investment program of the Company, and their probability remains high. In order to decrease influence of regional risks on realization of the investment program, the Company interacts with the state bodies and other stakeholders for the purpose of the control and management of the choice of stakeholders concerning their actions in connection with investment projects of the Company. The Company also performs activities on optimization of the investment program financing for the account of reduction of internal costs.

The main political risk of the Company's activity at the regional level is possible change of the government of regions with subsequent change of the then current model of relations. The main consequences for the Company's activity under these risks are: establishing a level of regional tariff lower than the economically grounded level, absence of support on the part of regional authorities for integration of municipal electric grid assets with IDGC of Centre.

At present probability of these risks is estimated as minimal with the consequences for the Company's activity from insignificant up to medium.

Within the framework of minimizing these risks, the Company conducts work on compliance of the long-term programs of development of regions in the service area of the Company's divisions with regional and local authorities as well as interacts with superior organizations on questions of activity in the regions.

Risks, connected with possible military conflicts, introduction of state of emergency and strikes in the country and regions in which the Company is registered as the tax bearer and/or carries out its primary activity. The probability of military conflicts and introduction of state of emergency in the country and in the regions of the service area of the Company is insignificant. In case of occurrence of possible military conflicts, the Company bears risks of its fixed assets destruction.

Risks, connected with geographical features of the country and region, in which the Company is registered as the tax bearer and/or carries out primary activity, including the raised danger of acts of nature, possible interruption of transport communication due to remoteness and/or inaccessibility, etc. Geographic features of the region, in which the Company performs its

activity, suppose risk of natural disasters within the autumn and winter period (AWP). These risks are estimated as high. The Company implements a complex of measures on preparing of the grid for autumn and winter period, each division is certified for readiness to AWP. The Company has received its Certificate of readiness for operation through the autumn-winter maximum of loads in 2017/2018. Constantly activities on reduction of a time period, which is necessary for timely elimination of consequences of natural disasters during autumn and winter periods, are carried out.

The management on a mandatory basis submits to the Board of Directors reports on the preparation for the autumn-winter period, as well as reports on the outcome of the operation through the AWP.

Financial risks

In the course of business, the Company is faced with factors that may lead to a shortage of funds for investment and operations. The most significant financial risk factors are associated with imperfect mechanisms of functioning of the retail electricity market and explained in the section "Industry risks". However, there are a number of risk factors potentially affecting the financial and economic activity as well.

Inflation risks

The negative impact of inflation on the financial and economic activity of the Company may be due to loss of real value of receivables, an increase in interest expense on borrowed capital, an increase in the cost of construction of items of the investment program, cost of materials, outsourced services necessary for operating activities that may have a negative impact on payment for shares of the Company.

Following the results of 2017, the CPI is 102,5%, which is 2,9 percentage points lower than the level of 2016 and it indicates a decline in the risk degree. The increase in inflation can lead to an unplanned increase in operating expenses of the Company.

The rate on bond coupons is fixed for the entire period of circulation of securities and does not depend on the change in inflation.

To reduce the inflation risk the Company conducts a policy aimed at optimizing operating costs in accordance with the Program of performance management and reduction of expenses and conclusion of long-term agreements with suppliers and contractors.

Currency risks

Adverse changes in foreign currency exchange rates against the ruble may affect the operating and investment performance of the Company. Foreign exchange risk does not have any significant effect on the Company due to the fact that settlements are carried out exclusively with counterparties in the currency of the Russian Federation. However, given that the range of goods and equipment purchased by the Company contains imported components, a significant increase in the exchange rate may lead to higher prices for purchased products. In this connection, the Company has a policy aimed at import substitution and signing long-term agreements that do not provide for the growth of prices for purchased products.

Interest rate risks

In the process of carrying out its financial and economic activities, the Company attracts borrowed funds, and therefore is exposed to the risk associated with the possibility of changing interest rates on loans and borrowings.

An increase in interest rates on credit resources may lead to an unplanned increase in debt servicing costs, which affects the Company's financial result, as well as the possibility of new borrowings.

In order to reduce the interest risk, the Company conducts a balanced credit policy aimed at optimizing the structure of the loan portfolio and minimizing debt service costs. Measures are being taken to ensure the diversification of available sources of debt financing. Selection of financial organizations for the provision of services is carried out through open competitive procedures, which makes it possible to attract borrowed funds on the most favourable terms for the Company.

Indicator of the macroeconomic situation in the country, which influences the cost of attracting credit resources, is the key rate of the Central Bank of the Russian Federation. During the reporting quarter, the Bank of Russia twice decided to reduce the key rate, which as at December 31, 2017 reached 7.75% per annum. In these conditions, which testify to the tendency to reduce the cost of credit resources in the borrowed capital market, interest risks are characterized by a low probability of realization.

Liquidity risks

The Company's operations are subject to risks that may result in reduced liquidity and financial stability of the Company. The most important factors are cross-subsidies between consumer groups and a low payment discipline in the retail electricity market.

As a result of the implemented tariff policy by the state aimed at curbing the growth of tariffs for the population, the amount of cross-subsidization increases. The most significant proportion of cross-subsidies accounts for large consumers, with which "last mile" contracts have been signed. Moving large industrial customers to direct contracts with PJSC «FGC UES» contributes to the formation of "shortfall in income" of the Company.

Low payment discipline of contractors of the Company results in creation of a large amount of accounts receivable, including overdue. The main factors that contributed to the low payment discipline were disagreements over the customer contract demand in settlements with retail companies, and misuse of funds for electricity supplied by retail companies, deprived of the status of suppliers of last resort.

As a result of implementation of these risk factors the Company may be unable to meet the financial and other restrictive conditions specified in the loan agreements. In order to minimize this risk factor the Company monitors the capital structure and determines the optimal parameters of borrowing, as well as takes steps to optimize the structure of working capital.

Legal risks

Legal risk management is based on optimization of the process of legal registration of papers and support of the Company's operations. To minimize legal risks any business processes of the Company subject to risks pass obligatory legal examination, continuous monitoring of changes in legislation and judicial practice is carried out.

For the Company (as well as for all joint-stock companies, operating in the territory of the Russian Federation) there is a risk of changes in the legislation (federal laws and subordinate legislation) regulating economic relations.

Legal risks, in particular, connected with ambiguous treatment of norms of the legislation, can lead to incorrect calculation and payment of taxes, resulting in fines from the tax authorities. For their decrease the work is constantly performed on legitimate improvement of methods of calculation of tax base under various taxes and the control over their conformity with the current legislation.

Besides, there are risks connected with change of the laws, incorrect legal official registration of papers and support of activity of the Company. For minimization of such risks, the Company's operations pass obligatory preliminary legal examination.

The Company is subject to risks of the appeal by shareholders of large transactions and related-party transactions (at fulfillment of such transactions without appropriate preliminary approval by the Board of Directors or the General Shareholders Meeting, and also approved with

infringement of the established order). For minimization of the given risks at realization of contractual work, the preliminary legal analysis of concluded transactions for presence of the bases of carrying out of the preliminary corporate procedures stipulated by the current legislation and/or the Articles of Association of the Company is performed without fail. In case of need the corresponding transactions are submitted for consideration by the competent governance bodies of the Company.

For minimization of the risks connected with relations with shareholders (in particular, the risks "Reduction of the level of corporate governance", "Downgrade in the quotation list level, delisting" and "Risk of conflict of interests of shareholders") the Company carries out a set of measures aimed at information interaction with shareholders, investors and all interested parties, as well as full observance of legitimate rights and interests of the latter. The key activities are:

- holding regular meetings of the company's management with shareholders and investors with a view to clarifying the existing issues of current activities;
- comprehensive disclosure of information provided by the legislation, as well as additional information voluntarily disclosed by the Company;
- integrated management of conflicts of interest of members of the Board of Directors and executive bodies;
- monitoring the level of corporate governance by independent experts (under the assignment/confirmation of a corporate governance rating);
- analysis of transactions made by the Company, identifying the need for their approval/coordination by management bodies, establishment of a methodology.

Risks, connected with change of tax laws

Statutory acts regulating tax relations quite often contain indistinct formulations, or operate with the terms which do not have specific legal definition. Also, official explanations of the Tax Code of Ministry of Finance of the Russian Federation and Federal Tax Service of the Russian Federation are not always available in the necessary volume.

The formation of rules and mechanisms of preparation and provision of the tax reporting are in the competence of the tax bodies having the right to make additional tax charges and tax collections charges, to charge the sums of fines, to impose significant penalties resulting in significant increase of tax risks. The Company in full observes the tax laws concerning its activity. In connection with the foregoing, the risk is assessed as insignificant.

In case of amending the operating order and conditions of the taxation, the Company is going to plan the financial and economic activity in view of these changes.

3.21. Information disclosure on the environmental activities of the Company

The costs of environmental protection of IDGC of Centre for 2017 were 39 348.76 thous. RUB, including environmental payments for a negative impact on the environment in 2017 were 3 164 thous. RUB.

In 2017 within the execution of the Program for the implementation of environmental policy, approved by the Board of Directors of IDGC of Centre 30.01.2017 (Minutes #01/17 of 01.02.2017), in order to reduce the negative impact on the environment, as well as the compliance with the requirements of environmental legislation of the Russian Federation IDGC of Centre carried out the following activities:

Based on SanPiN 2.1.7.1322-03 "Hygienic requirements for the placement and disposal of production and consumption waste" in IDGC of Centre's branches specialized containers for waste collection were purchased, the arrangement of sites for temporary storage (stockpiling) of waste and improvement of surrounding area was performed.

Based on SanPiN 2.2.1/2.1.1.1200-03 "Sanitary protection zones and sanitary classification of enterprises, buildings and other facilities" an instrumental control of emissions at the boundary of the sanitary-protection zones was performed.

Pursuant to Federal Law № 7-FZ of 10.01.2002 "On Protection of Environment" instrumental monitoring of compliance with established standards of maximum permissible emissions was performed. Development of design documentation (Maximum Permissible Emission, Wastes Generation and Disposal Limits Book, Allowable Discharge Rate), equipping the HV power lines with special bird anti-collision devices.

To comply with Federal Law № 89-FZ of 24.06.1998 "On the Production and Consumption Waste" in 2017 work was carried out to determine the component composition of the waste and hazard classes, the acquisition of demercurization sets, transfer to specialized waste production organizations for further processing, recycling, disposal, control of soil pollution, purchase of absorbents and environmental converters of petroleum products.

As part of implementation of Federal Law of 21.02.1992 № 2395-1 FZ "Concerning Subsurface Resources" work was carried out to fulfill the license conditions to use subsoil for the extraction of groundwater, the instrumental quality control of extracted groundwater.

In order to implement the decisions of the Stockholm Convention (ratified by Federal Law of 27.06.2011 № 164-FZ) work was carried out to decommission and dispose of equipment containing polychlorinated biphenyls, which are included in the high-risk group for people and the environment of compounds, for which in the past years considerable efforts were made to control both at the national and international level.

3.22. Events after the reporting date

Events after the reporting date are recorded in the accounting (financial) statements.

3.23. Litigation

There are no decisions on litigation, which entered into force in 2018, before signing the Company's accounting statements.

General Director

O.Y. Isaev

Chief Accountant

L.A. Sklyarova

22 February 2018