

Audit report
on the accounting statement for 2016 year.

To shareholders of PJSC “MOESK”

Audited entity:

Public Joint Stock Company "Moscow United Electric Grid Company" (abbreviated name of PJSC MOESK)

Location: Russia, 115114, Moscow, 2nd Paveletsky passage str., house 3, building1;
The main state registration number is 105774655811.

Auditor:

Limited Liability Company RSM RUS.

Location: 119285, Moscow, Pudovkina str. 4;

Phone: (495) 363-28-48; fax: (495) 981-41-21;

The main state registration number is 1027700257540;

Limited Liability Company “RSM RUS” is a member of the Self-Regulating Organization of Auditors Association “Commonwealth” (certificate of membership No. 6938, ORNZ 11306030308), location: 119192, Moscow, Michurinsky Prospekt, huse 21. Building 4 ..

We have audited the accompanying accounting statement of PJSC “MOESK”, which includes the accounting balance sheet as of on December 31, 2016 year, the statement of financial results, the statement of changes in equity and the cash flows for the year 2016 to the accounting balance sheet and the statement about financial results.

Responsibility of the audited entity for the accounting statement

The management of PJSC “MOESK” is responsible for the preparation and reliability of this accounting statement in accordance with the Russian rules for the preparation of the accounting statement and the internal control system with necessary to compile an accounting report that does not contain significant miss-statements due to fraud or errors.

RSM RUS LLC is a member of the RSM network and carries out activities as RSM: RSM is a trademark used by members of the RSM network. All members of the RSM network are independent accounting and consulting firms, each of which carried out independent activities. The network itself does not form a separate legal entity in any jurisdiction.

Auditor’s main Responsibility.

Our responsibility is to express an opinion of the accuracy on the accounting statements based to our audit. We conducted the audit in accordance with the federal standards of auditing. These standards require compliance with applicable ethical work standards, as well as planning and auditing in such a way, as to obtain sufficient confidence that the accounting statements are free from significant mistakes.

The audit includes conducting audit procedures and aimed to obtain audit evidence, confirming the numerical indicators in the accounting statement of the disclosures information therein. The choice of audit procedures is the subject of our judgment, which is based on the assessment of the risk of significant miss-statements due to fraud or error. In the process of assessing this risk,

we reviewed the internal control system that ensures the compilation and reliability of the accounting statement, in order to select the appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

The audit also included an assessment of the proper nature of the accounting policies used and the reasonableness of the estimated indicators obtained by the management of the audited entity, as well as of an assessment of the presentation of the accounting statement in general.

We believe that the audit evidence obtained during the audit provides a reasonable basis for our opinion on the reliability of the accounting statement.

Opinion

In our opinion, the accounting statement reflects reliably in all material respects of the financial position of PJSC MOESK as of on December 31, 2016 year, the results of its financial and economic activities and cash flows for 2016 year in accordance with the Russian rules for the preparation of the accounting statement.

Chairman of the Board

The auditor's qualification certificate No. 05-000015 was issued on the basis of the decision of the self-regulating organization of auditors of the Non-Profit Partnership Russian Collegium of Auditors dated November 15, 2011, № 24 for an unlimited period.

ORNZ in the Register of Auditors and Audit Organizations - 21706004215

N.A. Danzer

Head of audit

The auditor's qualification certificate No. 05-000030 was issued on the basis of the decision of the self-regulating organization of auditors of the Non-Profit Partnership Russian Collegium of Auditors dated November 30, № 25 for an unlimited period.

ORNZ in the Register of Auditors and Audit Organizations - 21706004441

N.N. Usanova

2.1. Cost of goods sold, labor and services by cost element

| Index | | For 2016 yr. | For 2015 yr. |
|--------------------------------------------------------------------------------|------|--------------|--------------|
| Denomination | | | |
| 1 | 2 | 3 | 4 |
| Production expenses | 6510 | 128999 | 112954127 |
| Including material costs | 6511 | 17510279 | 15021431 |
| wages and salaries | 6512 | 12923579 | 12907729 |
| deductions for social needs | 6513 | 3488409 | 3413984 |
| depreciation | 6514 | 24304730 | 23806108 |
| other costs | 6515 | 65772494 | 57804875 |
| For reference: Stock and supplies change (increment [+], decrease (-)): | 6520 | . | (262920) |
| Including the incomplete production | 6521 | | (262920) |
| finished products | 6522 | | |
| purchased goods | 6523 | | |
| goods shipped | 6524 | | |
| auxiliary raw materials | 6525 | | |
| Total cost of sales (goods, works, services) | 6500 | 123999504 | 113217047 |
| Including: | | | |
| net cost of goods sold | 6530 | | |
| management services on the side | 6540 | | |
| Commercial costs | 6550 | - | - |
| including: | | | |
| material costs | 6551 | | |
| wages and salaries | 6552 | | |
| deductions for social needs | 6553 | | |
| depreciation | 6554 | | |
| other costs | 6555 | | |
| Management costs | 6560 | 414081 | 431125 |
| including | | | |
| material costs | 6561 | | |
| wages and salaries | 6562 | 10253 | 30259 |
| deductions for social needs | 6563 | 2962 | |
| depreciation | 6564 | | |
| other expenses | 6565 | 400866 | 400866 |

For reference:

- expenses for electric grid rent
- taxes and fees (including land rent)
- insurance contributions
- expenses for the services of infrastructure organizations ("ATS" Ltd, "CFR" Ltd)
- the cost of purchased electricity for compensation of losses, taking into account the estimated reserves.
- expenses on payment for services of organizations that carry out regulated activities, taking into account estimated reserves

| | |
|-----------|----------|
| 1111328 | 1104433 |
| 2753319 | 2357764 |
| 3488409 | 3413984 |
| .15300928 | 13170899 |
| 3378657 | 3394657 |

General Manager _____ V.E. Ivanov

Chief Accountant _____ V.V. Vitinskii

"_17_" febr 2017

2.2. Profit attributable to one share, diluted earnings per share

| Index | | Over | Over |
|----------------------------------------------------------------------------------------------|-------|----------------|----------------|
| Item | Code | 2016 | 2015 |
| 1 | 2 | 3 | 4 |
| Net profit (uncovered loss) for the accounting period | 6610 | 6 079 465 | 9 246 45 |
| Preferred shares dividends ³ | 6611 | | |
| Basic profit (loss) for the accounting year | 6612 | 6 079 465 | 9 246 545 |
| Weighted average number of ordinary shares outstanding during the accounting year | 6613 | 48 707 091 574 | 48 707 091 574 |
| Basic earnings (losses) per share | 6620 | 0.000125 | 0.000190 |
| Market value weighted average of one common share | 6621 | | |
| Possible increment in profit and weighted average number of common shares outstanding | 6630 | X | X |
| As a result of the conversion of preferred shares into common shares | 6631 | X | X |
| possible increment in profit | 66311 | | |
| additional number of shares | 66312 | | |
| As a result of the conversion of loan notes into common shares | 6632 | X | X |
| possible increment in profit | 66321 | | |
| additional number of shares | 66322 | | |
| As a result of the implementation of share purchase agreements at the below-market price | 6633 | X | X |
| contract price | 66331 | | |
| possible increment in profit | 66332 | | |
| additional number of shares | 66333 | | |
| Diluted earnings per share | 6640 | 0.0000 | 0.0000 |
| adjusted amount of base profit | 6641 | | |
| adjusted amount of weighted average number of common shares outstanding | 6642 | | |

Manager _____
(signature)

(full name)

P.A. Sinutin

Head Accountant _____
(signature)

V.V. Vitinskiy
(full name)

17 February, 2017 year.

2.3. Taxable profits

| Index | | Over | Over |
|----------------------------------------------------------------------------------|-------|-------------|-------------|
| Item | Code | 2016 | 2015 |
| 1 | 2 | 3 | 4 |
| Profit (loss) before tax | 6710 | 7 218 468 | 13 360 886 |
| including taxable profit as the rate of: 20% | 67101 | | 13 360 886 |
| other rates | 67102 | 7 218 468 | |
| not taxable | 67103 | | |
| Permanent differences | 6711 | | |
| For reference: permanent differences corresponding with temporary differences | 67111 | | |
| Temporary exempt differences adjustment | 6712 | (8 349 162) | (4 211 093) |
| Temporary taxable differences adjustment | 6713 | 2 698 926 | 186 367 |
| Income tax amount | 6714 | 1 568 232 | 9 336 160 |
| Profit tax expense (income) | 6720 | 3 609 805 | 2 872 721 |
| Provisional profits tax expense (income) | 6721 | 1 312 634 | 2 672 177 |
| Ongoing tax liability (asset) | 6722 | 2 123 540 | 1 642 708 |
| For reference: adjustment of deferred taxes attributed to profits and losses | 67221 | | |
| Expenses (revenue) for deferred taxes | 6723 | (1 027 460) | (804 946) |
| including | | | |
| deferred tax assets adjustment | 67231 | 490 784 | 37 273 |
| deferred tax liability adjustment | 67232 | (1 518 244) | (842 219) |
| Current income tax | 6724 | (2 408 714) | (3 509 939) |
| Amounts of profit taxes adjustment for the past tax period | 6725 | 2 297 171 | 200 544 |
| Other tax payments and penalties from profits | 6730 | | |
| including on the substantive sides | 6731 | | |
| Profit (loss) from ordinary activities | 6740 | 6 079 465 | 9 246 545 |

Chief Executive Officer

(signature) P.A.Sinutin
(printed name)

Chief Accounting Officer

(signature) V.V.Vitinsky
(printed name)

”17” February 2017

**Statement of changes in owners' equity
for 2016**

Organization PJSC "Moscow United Electric Grid Company"
 Taxpayer identification number _____
 Industry Electric energy transmission and technological connection to distribution
 system _____
 Legal form of organization / form of ownership Public joint-stock company / Private
 ownership _____
 Unit of measurement: RUB, in thousands

Form of OKUD _____
 Date (day, month, year) _____
 of OKPO _____
 TIN _____
 of OKVED _____
 of OKOPF/OKFS _____
 of OKEI _____

| | | |
|------------|----|------|
| Codes | | |
| 0710003 | | |
| 31 | 12 | 2016 |
| 75273098 | | |
| 5036065113 | | |
| | | |
| 35,12 | | |
| 47/16 | | |
| 384 | | |

3.1. Net appropriations

| Line item | Code | Authorized share capital | Capital (before amendments record) | Treasury shares | Additional capital | Capital reserves | Retained profit (outstanding loss) | Total |
|---------------------------------------------------|------|--------------------------|------------------------------------|-----------------|--------------------|------------------|------------------------------------|-------------|
| Capital value 2014 year ended December 31, (1) | 3100 | 24 353 546 | - | - | 68 764 459 | 1 217 678 | 89 451 254 | 183 786 937 |
| Over 2015 (2) Capital increase – total: | 3210 | - | - | - | - | - | 9 256 892 | 9 256 892 |
| including: net profit | 3211 | x | x | x | x | x | 9 246 545 | 9 246 545 |
| revaluation of assets | 3212 | x | x | x | | x | | |
| revenue directly assigned to capital increase | 3213 | x | x | x | | x | 10 347 | 10 347 |
| subsequent offering | 3214 | | | | | x | x | - |
| share denomination increase | 3215 | | | x | x | x | | x |
| re-organization of a legal entity | 3216 | | | | | | | |
| Capital decumulation – total: | 3220 | - | - | - | - | - | (2 055 439) | (2 055 439) |
| including: dilution | 3221 | x | x | x | x | x | | - |
| revaluation of assets | 3222 | x | x | x | | x | | - |
| revenue directly assigned to capital decumulation | 3223 | x | x | x | | x | | - |
| share denomination decumulation | 3224 | | | | x | x | | - |
| number of shares decumulation | 3225 | | | | x | x | | - |
| re-organization of a legal entity | 3226 | | | | | | | - |
| dividends | 3227 | x | x | x | x | x | (2 055 439) | (2 055 439) |
| Additional capital adjustment | 3230 | x | x | x | (68 925) | x | (68 925) | x |
| Capital reserves adjustment | 3240 | x | x | x | x | | | x |
| Capital value 2015 year ended December 31, (2) | 3200 | 24 353 546 | - | - | 68 695 534 | 1 217 678 | 96 721 632 | 190 988 390 |
| Over 2016 (3) Capital increase – total: | 3310 | - | - | - | - | - | 6 093 816 | 6 093 816 |
| including: net profit | 3311 | x | x | x | x | x | 6 079 465 | 6 079 465 |
| revaluation of assets | 3312 | x | x | x | | x | | - |
| revenue directly assigned to capital increase | 3313 | x | x | x | | x | 14 351 | 14 351 |
| subsequent offering | 3314 | | | | | x | x | - |
| share denomination increase | 3315 | | | x | x | x | | x |

| | | | | | | | | |
|---------------------------------------------------|------|------------|---|---|------------|-----------|-------------|-------------|
| re-organization of a legal entity | 3316 | | | | | | | - |
| Capital decumulation – total: | 3320 | - | - | - | - | - | (6 317 310) | (6 317 310) |
| Capital decumulation – total: | 3321 | x | x | x | | x | | - |
| revaluation of assets | 3322 | x | x | x | | x | | - |
| revenue directly assigned to capital decumulation | 3323 | x | x | x | | x | | - |
| share denomination decumulation | 3324 | | | x | x | x | | - |
| number of shares decumulation | 3325 | | | | x | x | | - |
| re-organization of a legal entity | 3326 | | | | | | | - |
| dividends | 3327 | x | x | x | x | x | (6 317 310) | (6 317 310) |
| Additional capital adjustment | 3330 | x | x | x | (15 148) | x | 15 148 | x |
| Capital reserves adjustment | 3340 | x | x | x | x | | | x |
| Capital value 2016 year ended December 31 (3) | 3300 | 24 353 546 | - | - | 68 680 386 | 1 217 678 | 96 513 286 | 190 764 896 |

3.2. Adjustments due to the changes in accounting policies and error correction

| Line item | Code | 2014 year ended December 31 | Shift in capital over 2015 | | 2015 year ended December 31 |
|------------------------------------------------------------------------|--------|--------------------------------|------------------------------------|---------------------------------------|--------------------------------|
| | | | as the cost of net profit | as the cost of other factors | |
| Capital – total: | | | | | |
| before adjustments | 3400 | 183 786 937 | 7 201 453 | - | 190 988 390 |
| adjustments due to: | | | | | |
| accounting policies changes | 3410 | - | - | - | - |
| error correction | 3420 | - | - | - | - |
| after adjustments | 3500 | 183 786 937 | 7 201 453 | - | 190 988 390 |
| including: | | | | | |
| retained profit (outstanding loss): | | | | | |
| before adjustments | 3401 | 89 451 254 | 7 201 453 | 68 925 | 96 721 632 |
| adjustments due to: | | | | | |
| accounting policies changes | 3411 | | | | - |
| error correction | 3421 | | | | - |
| after adjustments | 3501 | 89 451 254 | 7 201 453 | (68 925) | 96 721 632 |
| other capital articles subjected to adjustments (under articles) | | | | | |
| before adjustments | 3402 | 94 335 683 | - | (68 925) | 94 626 758 |
| Authorized share capital | 34021 | 24 353 546 | | | 24 353 546 |
| Capital (before adjustment record) | 340211 | - | | | - |
| Treasury shares | 34022 | - | | | - |
| Additional capital | 34023 | 68 764 459 | | (68 925) | 68 695 534 |
| Capital reserves | 34024 | 1 217 678 | | - | 1 217 678 |
| adjustments due to: | | | | | |
| accounting policies changes | 3412 | | | | - |
| error correction | 3422 | | | | - |
| after adjustments | 3502 | 94 335 683 | - | (68 925) | 94 266 758 |

3.3. Net assets

| Line item | Code | 2016 year ended December 31 | 2015 year ended December 31 | 2014 year ended December 31 |
|------------|------|--------------------------------|--------------------------------|--------------------------------|
| Net assets | 3600 | 190 764 896 | 190 988 390 | 183 786 937 |

Chief Executive Officer _____
(signature)

P.A.Sinutin
(printed name)

Chief Accounting Officer _____
(signature)

V.V.Vitinsky
(printed name)

"17" February 2017

Public joint-stock company «Moscow United Electric Grid Company»

3.4. Calculation of the valuation of the joint-stock company net assets

| Line item | Balance sheet line code | 2016 year ended December 31 (8) | 2015 year ended December 31 (7) | 2014 year ended December 31 (6) |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------|---------------------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| I. Assets | | | | |
| 1. Intangible assets | 1110 | 1 657 487 | 1 398 232 | 977 865 |
| 2. Research and development results | 1120 | 568 846 | 475 940 | 227 744 |
| 3. Intangible development assets | 1130 | - | - | - |
| 4. Tangible development assets | 1140 | - | - | - |
| 5. Fixed assets | 1150 | 298 295 315 | 288 331 539 | 275 494 411 |
| 6. Income yielding investments into tangible assets | 1160 | - | - | - |
| 7. Current and non-current financial assets | 1170 + 1240 | 4 063 146 | 4 445 455 | 5 374 444 |
| 8. Other non-current assets | 1180 + 1190 | 2 723 581 | 2 451 862 | 4 535 517 |
| 9. Supplies | 1210 | 2 700 489 | 2 444 762 | 2 429 390 |
| 10. Value added tax on acquired assets | 1220 | 73 764 | 258 475 | 132 439 |
| 11. Receivables ³ | 1230 | 25 702 350 | 27 219 274 | 26 672 617 |
| 12. Financial resources and their equivalents | 1250 | 589 631 | 200 271 | 4 181 775 |
| 13. Other current assets ¹ | 1260 | 5 234 994 | 5 523 780 | 6 010 078 |
| 14. Total eligible assets (1 – 13 points score) | | 341 609 603 | 332 749 590 | 326 036 280 |
| II. Liabilities | | | | |
| 15. Non-current borrowed funds | 1410 | 66 314 284 | 65 367 880 | 52 121 317 |
| 16. Deferred tax liabilities | 1420 | 7 475 762 | 6 552 342 | 5 710 124 |
| 17. Provisions | 1430 + 1540 | 2 689 621 | 2 021 238 | 2 423 840 |
| 18. Other non-current liabilities | 1450 | 6 577 125 | 9 283 941 | 8 226 560 |
| 19. Current borrowed funds | 1510 | 16 726 908 | 8 046 151 | 21 286 004 |
| 20. Accounts due to customers ⁴ | 1520 | 50 889 745 | 50 315 164 | 51 383 344 |
| 21. Other current liabilities ⁵ | 1550 | 171 262 | 174 484 | 1 098 154 |
| 22. Total eligible liabilities (15 – 21 points score) | | 150 844 707 | 141 761 200 | 142 249 343 |
| 23. Value of the joint-stock company net assets (total eligible assets (page 14) minus total eligible liabilities (page 22)) | | 190 764 896 | 190 988 390 | 183 786 937 |

Chief Executive Officer _____
(signature)

P.A.Sinutin _____
(printed name)

Chief Accounting Officer _____
(signature)

V.V.Vitinsky _____
(printed name)

”17” February 2017 _____

**Statement of Cash Flows
for 2016**

Organization PJSC "Moscow United Electric Grid Company"
 Taxpayer identification number _____
 Industry Electric energy transmission and technological connection to distribution system
 Legal form of organization / form of ownership Public joint-stock company / Private ownership
 Unit of measurement: RUB, in thousands

Form of OKUD _____
 Date (day, month, year) _____
 of OKPO _____
 TIN _____
 of OKVED _____
 of OKOPF/OKFS _____
 of OKEI _____

| Codes | | |
|------------|----|------|
| 0710004 | | |
| 31 | 12 | 2016 |
| 75273098 | | |
| 5036065113 | | |
| | | |
| 35,12 | | |
| 47/17 | | |
| 384 | | |

| Line item | Code | Over 2016 | Over 2015 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------|--------------|
| 1 | 2 | 3 | 4 |
| Cash flows from operating activities | | 141 208 590 | 126 360 000 |
| Additions – total | 4110 | | |
| including: | | 139 237 081 | 124 273 040 |
| from the sale of products, goods, works and services | 4111 | | |
| <i>incl. the sale of products, goods, works and services to the parent, subsidiary and associated companies</i> | 411101 | 27 647 | 117 042 |
| rental payments, license payments, royalty, payments of fees and other similar payments | 4112 | 60 483 | 104 415 |
| <i>incl. rental charges, license payments, royalty, payment of fees and other similar payments from the parent, subsidiary and associated companies</i> | 411201 | | 1 801 |
| financial investments resale | 4113 | | |
| <i>incl. financial investments resale to the parent, subsidiary and associated companies</i> | 411301 | | |
| other additions | 4119 | 1 911 046 | 1 982 545 |
| <i>incl. other additions from the parent, subsidiary and associated companies</i> | 411901 | 10 | |
| Payments – total | 4120 | (113 743 683) | (98 967 725) |
| including: | | (79 595 738) | (70 382 436) |
| payments to suppliers (contractors) for raw materials, supplies, works, services | 4121 | | |
| <i>incl. the payments to suppliers (contractors) for raw materials, supplies, works, services of the parent, subsidiary and associated companies</i> | 412101 | (2 087 874) | (2 950 629) |
| in respect of employee compensation | 4122 | (12 627 029) | (12 778 858) |
| interest on debt obligations | 4123 | (5 627 029) | (4 826 638) |
| <i>incl. the interest on debt obligations to the parent, subsidiary and associated companies</i> | 412301 | | |
| corporation tax | 4124 | (2 718 622) | (2 082 145) |
| other payments | 4129 | (13 039 539) | (8 897 648) |
| <i>incl. other payments to the parent, subsidiary and associated companies</i> | 412901 | | |
| Balance of cash flow from operating activities | 4100 | 27 464 907 | (27 392 275) |
| Cash flows from investing activities | | | 1 055 052 |
| Additions – total | 4210 | | |
| including: | | 6 367 | 9 705 |
| from the sale of non-current assets (except financial investments) | 4211 | | |
| <i>incl. from the sale of non-current assets (except financial investments) to the parent, subsidiary and associated companies</i> | 421101 | | 8 726 |
| from the sale of other entities shares (units of interest) | 4212 | | |
| <i>incl. from the sale of other entities shares (units of interest) to the parent, subsidiary and associated companies</i> | 421201 | | |
| from the repayment of granted loans, the sale of debt securities (rights of claim on financial assets to other persons) | 4213 | 212 660 | 987 929 |
| <i>incl. from the repayment of granted loans, the sale of debt securities (rights of claim on financial assets to other persons) of the parent, subsidiary and associated companies</i> | 421301 | 212 660 | 437 929 |
| dividends, interest on debt financial investments and similar additions from | 4214 | | 57 418 |
| <i>incl. dividends, interest on debt financial</i> | 421401 | | 1 851 |

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------|--------------|
| <i>investments and similar additions from the parent, subsidiary and associated companies</i> | | | |
| other additions | 4219 | | |
| <i>incl. other additions from the parent, subsidiary and associated companies</i> | 421901 | | |
| Payments – total | 4220 | (30 503 857) | (30 099 600) |
| including: | | (28 382 615) | (27 570 382) |
| the ones associated with acquisition, creation, modernization, reconstruction and preparation for the use of non-current assets | 4221 | | |
| <i>incl. the payments to the parent, subsidiary and associated companies associated with acquisition, creation, modernization, reconstruction and preparation for the use of non-current assets</i> | 422101 | (701 267) | (1 024 450) |
| Associated with the acquisition of shares of other entities (units of interest) | 4222 | | (120 000) |
| <i>incl. the payments to the parent, subsidiary and associated companies associated with the acquisition of shares of other entities (units of interest)</i> | 422201 | | |
| associated with the acquisition of debt securities (rights of claim on financial assets to other persons), granting of loans to other persons | 4223 | | |
| <i>incl. the payments to the parent, subsidiary and associated companies associated with the acquisition of debt securities (rights of claim on financial assets to other persons), granting of loans to other persons</i> | 422301 | | |
| interest on debt obligations included in the value of investment asset | 4224 | (2 121 042) | (2 409 218) |
| <i>incl. the payments associated with the interest on debt obligations included in the value of investment asset to the parent, subsidiary and associated companies</i> | 422401 | | |
| other payments | 4229 | | |
| <i>incl. other payments to the parent, subsidiary and associated companies</i> | 422901 | | |
| Balance of cash flow from investing activities | 4200 | (30 284 830) | (29 044 548) |
| Cash flows from financing activities | | 59 878 522 | 20 476 563 |
| Additions – total | 4310 | | |
| including: | | 41 878 522 | 13 476 563 |
| borrowing | 4311 | | |
| <i>incl. borrowing from the parent, subsidiary and associated companies</i> | 431101 | | |
| owners (shareholders) deposits of cash | 4312 | | |
| <i>incl. owners (shareholders) deposits of cash of the parent, subsidiary and associated companies</i> | 431201 | | |
| from the issue of shares, increase of percentage holding | 4313 | | |
| <i>incl. from the issue of shares, increase of percentage holding of the parent, subsidiary and associated companies</i> | 431301 | | |
| from the issue of bonds, drafts and other debt securities | 4314 | 18 000 000 | 7 000 000 |
| <i>incl. from the issue of bonds, drafts and other debt securities, etc. from the parent, subsidiary and associated companies</i> | 431401 | | |
| other additions | 4319 | | |
| <i>incl. other additions from the parent, subsidiary and associated companies</i> | 431901 | | |
| Payments – total | 4320 | (56 669 239) | (22 805 794) |
| including: | | | |
| to the owners (shareholders) due to the repurchase of their company shares (units of interest) or their cessation of membership | 4321 | | |
| <i>incl. to the owners (shareholders) due to the repurchase of their company shares (units of interest) or their cessation of membership of the parent, subsidiary and associated companies</i> | 432101 | | |
| service and other payments on the appropriation of profit on the account of the owners (shareholders) | 4322 | (6 317 310) | (2 046 156) |
| <i>incl. on the service and other payments on the appropriation of profit on the account of the</i> | 432201 | (3 215 805) | (1 046 315) |

| | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------------|--------------|
| <i>owners (shareholders) of the parent, subsidiary and associated companies</i> | | | |
| subsequent to the payment (protection) of bills other debt securities, repayment of loans | 4323 | (50 332 118) | (20 739 853) |
| <i>incl. those subsequent to the payment (protection) of bills other debt securities, repayment of loans to the parent, subsidiary and associated companies</i> | 432301 | | |
| other payments | 4329 | (19 811) | (19 785) |
| <i>incl. other payments to the parent, subsidiary and associated companies</i> | 432901 | | |
| Balances of the cash flows from financial activities | 4300 | 3 209 283 | (2 329 231) |
| Balances of the cash flows for the financial period | 4400 | 389 360 | (3 981 504) |
| Opening cash and cash-equivalent item balance | 4450 | 200 271 | 4 181 775 |
| Closing cash and cash-equivalent item balance | 4500 | 589 631 | 200 271 |
| Effect of exchange rate changes against ruble | 4490 | | |

Chief Executive Officer _____ P.A.Sinutin Chief Accounting Officer _____ V.V.Vitinsky
 (signature) (printed name) (signature) (printed name)

"17" February 2017

5.1.1. Existence and flow of the intangible assets

| Index | Item | Code | Period | At the beginning of year | | | | Changes for the period | | | | | | As of the end of the period | | | | | |
|-------|----------------------------------------------------------------------------|-------|---------------|-----------------------------------|-------------------------------------|------------------------|----------------------------------|------------------------|--------------------------------------------|-----------------------------------------|------------------------|-------------------------------------|--------------------------|--------------------------------------------|-----------------------------------------|--------------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| | | | | Initial/curren market value | Accumul ated deprecia tion | Impair ment loss | Depreci ated book value | Increase d | Initial/ curren t market value | Accu mulate d depre ciation | Impair ment loss | Accumul ated deprecia tion | Impair ment losses | Revaluation | | Initial/ curren t market value | Accum ulated deprec iation | Imp airm ent loss es | Depreci ated book value |
| | | | | | | | | | | | | | | Initial/ curren t market value | Accu mulate d depre ciation | | | | |
| 1 | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| | Intangible assets - total | 5100 | over 2016 (1) | 903 474 | (33 582) | - | 869 892 | 213 226 | - | - | - | (91 725) | - | - | - | 1 116 700 | (125 307) | - | 991 393 |
| | | 5110 | over 2015 (2) | 110 364 | (17 940) | - | 92 424 | 793 110 | - | - | - | (15 642) | - | - | - | 903 474 | (33 582) | - | 869 892 |
| | Intellectual property items (exclusive rights of intellectual property) | 5101 | over 2016 (1) | 903 474 | (33 582) | - | 869 892 | 213 226 | - | - | - | (91 725) | - | - | - | 1 116 700 | (125 307) | - | 991 393 |
| | | 5111 | over 2015 (2) | 110 364 | (17 940) | - | 92 424 | 793 110 | - | - | - | (15 642) | - | - | - | 903 474 | (33 582) | - | 869 892 |
| | including: | | | | | | | | | | | | | | | | | | |
| | of the patent holder of the invention, design, invention, utility model | 51011 | over 2016 (1) | 16 719 | (5 482) | - | 11 237 | 8 001 | | | | (974) | | | | 24 720 | (6 456) | - | 18 264 |
| | | 51111 | over 2015 (2) | | | | - | 16 719 | | | | (5 482) | | | | 16 719 | (5 482) | - | 11 237 |
| | of the right holder of the computer software, databases | 51012 | over 2016 (1) | 776 391 | (10 004) | - | 766 387 | 205 225 | | | | (90 595) | | | | 981 616 | (100 599) | - | 881 017 |
| | | 51112 | over 2015 (2) | | | | - | 776 391 | | | | (10 004) | | | | 776 391 | (10 004) | - | 766 387 |
| | of the right holder of the integrated circuit topography | 51013 | over 2016 (1) | - | - | - | - | - | | | | | | | | - | - | - | - |
| | | 51113 | over 2015 (2) | | | | - | - | | | | | | | | - | - | - | - |
| | of the owner of a trademark, service mark, protected designation of origin | 51014 | over 2016 (1) | 110 364 | (18 096) | - | 92 268 | | | | | (156) | | | | 110 364 | (18 252) | - | 92 112 |
| | | 51114 | over 2015 (2) | 110 364 | (17 940) | | 92 424 | | | | | (156) | | | | 110 364 | (18 096) | - | 92 268 |
| | Goodwill | 5102 | over 2016 (1) | - | - | - | - | - | | | | | | | | - | - | - | - |
| | | 5112 | over 2015 (2) | | | | - | | | | | | | | | - | - | - | - |
| | | 5103 | over 2016 (1) | - | - | - | - | - | | | | | | | | - | - | - | - |
| | Other | 5113 | over 2015 (2) | | | | - | | | | | | | | | - | - | - | - |

(1) – the accounting year is specified

(2) – the previous year is specified

5.2. Results of research, developments and technological work and intangible assets
5.2.1. Existence and flow of the R&D results

| Line item | Code | Period | Changes for the period | | | | | | At the end of the period | | |
|-------------------------------------------------------------------------|------|---------------|--------------------------|---------------------------------------|-----------|---------------|------------------------------------------------------|---------------|---------------------------------------|----------|--|
| | | | At the beginning of year | | increased | decreased | | initial value | part of the cost expensed as incurred | | |
| | | | initial value | part of the cost expensed as incurred | | initial value | part of the cost expensed as incurred for the period | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | |
| R&D – total | | | | | | | | | | | |
| | 5140 | over 2016 (1) | - | - | 286 081 | - | - | (34 791) | 286 081 | (34 791) | |
| | 5150 | over 2015 (2) | - | - | - | - | - | - | - | - | |
| of which: | | | | | | | | | | | |
| The costs of R&D the results of which are used for the production needs | 5141 | over 2016 (1) | - | - | | | | | | | |
| | 5151 | over 2015 (2) | | | | | | | | | |
| Patentable results of the completed R&D | 5142 | over 2016 (1) | - | - | | | | | | | |
| | 5152 | over 2015 (2) | | | | | | | | | |
| The costs of R&D handed using own resources | 5143 | over 2016 (1) | - | - | | | | | | | |
| | 5153 | over 2015 (2) | | | | | | | | | |
| The costs of R&D handed using external companies | 5144 | over 2016 (1) | - | - | 286 081 | | | (34 791) | 286 081 | (34 791) | |
| | 5154 | over 2015 (2) | | | | | | | | | |

(1) – the accounting year is specified
(2) – the previous year is specified

5.2.2. Incomplete and unexecuted R&D and incomplete operations on IA acquisition

| Line item | Code | Period | At the beginning of year | Changes for the period | | | At the end of the period |
|------------------------------------------------------------------------------|--------------|--------------------------------|--------------------------|------------------------|------------------------------------------------|---------------------------------------|--------------------------|
| | | | | costs for the period | absorbed costs as not giving a positive result | accepted for discounting as IA or R&D | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Costs of the pending research and development works – total | 5160 5170 | over 2016 (1) over 2015 (2) | 475 940 227 744 | 135 698 264 915 | - - | (294 082) (16 719) | 317 556 475 940 |
| including: | | | | | | | |
| Research activities | 5161 5171 | over 2016 (1) over 2015 (2) | - - | | | | - - |
| Development activities | 5162 5172 | over 2016 (1) over 2015 (2) | - - | | | | - - |
| Technological activities | 5163 5173 | over 2016 (1) over 2015 (2) | 248 196 - | 135 689 264 915 | | (294 082) (16 719) | 89 812 248 196 |
| Other | 5164 5174 | over 2016 (1) over 2015 (2) | 227 744 227 744 | | | | 227 744 227 744 |
| Incomplete operations on acquisition of intangible assets – total | 5180 5190 | over 2016 (1) over 2015 (2) | 523 340 885 441 | 342 979 419 290 | - - | (205 225) (776 391) | 666 094 528 340 |
| including: | | | | | | | |
| from the patent holder on the invention, design invention, utility model | 5181 5191 | over 2016 (1) over 2015 (2) | - - | | | | - - |
| from the right holder of the computer software, databases | 5182 5192 | over 2016 (1) over 2015 (2) | 37 163 - | 342 979 419 290 | | (205 225) (382 127) | 174 917 37 163 |
| from the right holder of the integrated circuit topography | 5183 5193 | over 2016 (1) over 2015 (2) | - - | | | | - - |
| from the owner of a trademark, service mark, protected designation of origin | 5184 5194 | over 2016 (1) over 2015 (2) | - - | | | | - - |
| Other | 5185 5195 | over 2016 (1) over 2015 (2) | 491 177 885 441 | | | (394 264) | 491 177 491 177 |

(1) – the accounting year is specified

(2) – the previous year is specified

5.3. Fixed assets

5.3.1. Existence and flow of the fixed assets

| Item | Code | Period | At the beginning of year | | | | Changes for the period | | | | | | | | As of the end of the period | | | |
|-----------------------------------------------------------------------------------|-------|-----------|--------------------------|--------------------------|------------------------|------------|------------------------------------------------|---------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|-----------------------------|------------------------|--|--|
| | | | initial value | accumulated depreciation | depreciated book value | increased | accumulated depreciated on on admitted objects | initial value | accumulated depreciation | Revaluation | | initial value | accumulated depreciation | initial value | accumulated depreciation | depreciated book value | | |
| | | | | | | | | | | initial value | accumulated depreciation | | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | | | |
| Fixed assets (excluding income yielding investments into tangible assets) – total | 5200 | over 2016 | 413 338 543 | (154 036 110) | 259 302 433 | 30 528 245 | - | (805 963) | 305 263 | (24 185 209) | - | - | 443 060 825 | (177 916 056) | 265 144 769 | | | |
| | 5210 | over 2015 | 378 362 625 | (130 681 294) | 247 681 331 | 35 701 167 | - | (725 249) | 442 026 | (23 796 842) | - | - | 413 338 543 | (154 036 110) | 259 302 433 | | | |
| including: | | | | | | | | | | | | | | | | | | |
| Depreciable fixed assets – total | 5201 | over 2016 | 413 245 766 | (154 036 110) | 259 209 656 | 30 527 282 | - | (805 963) | 305 263 | (24 185 209) | - | - | 442 967 085 | (177 916 056) | 265 051 029 | | | |
| | 5211 | over 2015 | 378 269 046 | (130 681 294) | 247 587 752 | 35 700 945 | - | (724 225) | 442 026 | (23 796 842) | - | - | 413 245 766 | (154 036 110) | 259 209 656 | | | |
| including: | | | | | | | | | | | | | | | | | | |
| industrial buildings | 52011 | over 2016 | 24 279 482 | (4 555 922) | 19 723 560 | 1 068 924 | | (1 750) | 954 | (791 382) | | | 25 346 656 | (5 346 350) | 20 000 306 | | | |
| | 52111 | over 2015 | 22 649 135 | (3 801 789) | 18 847 346 | 1 651 492 | | (21 145) | 1 454 | (755 587) | | | 24 279 482 | (4 555 922) | 19 723 560 | | | |
| Facilities, except ETL | 52012 | over 2016 | 6 635 135 | (1 348 463) | 5 286 672 | 1 808 735 | | (2 070) | 742 | (322 258) | | | 8 441 800 | (1 669 979) | 6 771 821 | | | |
| | 52112 | over 2015 | 5 449 128 | (1 091 413) | 4 357 715 | 1 191 880 | | (5 873) | 1 534 | (258 584) | | | 6 635 135 | (1 348 463) | 5 286 672 | | | |
| power transmission lines and equipment | 52013 | over 2016 | 167 746 241 | (34 360 714) | 133 385 527 | 18 283 762 | | (696 663) | 219 127 | (8 867 702) | | | 185 333 340 | (43 009 289) | 142 324 051 | | | |
| | 52113 | over 2015 | 148 475 261 | (26 109 744) | 122 365 517 | 19 622 702 | | (351 722) | 128 884 | (8 379 854) | | | 167 746 241 | (34 360 714) | 133 385 527 | | | |
| machinery and equipment for power generation, substations, equipment for power | 52014 | over 2016 | 208 525 885 | (111 603 256) | 96 922 629 | 8 737 733 | | (91 103) | 71 845 | (13 606 672) | | | 217 172 515 | (125 138 083) | 92 034 432 | | | |
| | 52114 | over 2015 | 197 153 282 | (97 966 334) | 99 186 948 | 11 627 581 | | (254 978) | 285 055 | (13 921 977) | | | 208 525 885 | (111 603 256) | 96 922 629 | | | |
| production and organizational stock | 52015 | over 2016 | 223 386 | (170 390) | 52 996 | 26 310 | | (611) | 611 | (16 180) | | | 249 085 | (185 959) | 63 126 | | | |
| | 52115 | over 2015 | 220 632 | (170 936) | 49 696 | 25 679 | | (22 925) | 19 665 | (19 119) | | | 223 386 | (170 390) | 52 996 | | | |
| other | 52016 | over 2016 | 5 835 637 | (1 997 365) | 3 838 272 | 601 818 | | (13 766) | 11 984 | (581 015) | | | 6 423 689 | (2 566 396) | 3 857 293 | | | |
| | 52116 | over 2015 | 4 321 608 | (1 541 078) | 2 780 530 | 1 581 611 | | (67 582) | 5 434 | (461 721) | | | 5 835 637 | (1 997 365) | 3 838 272 | | | |

| Line item | Code | Period | At the beginning of year | | | Changes for the period | | | | | As of the end of the period | | | | |
|----------------------------------------------------------------------------------|-------|-----------|--------------------------|--------------------------|------------------------|------------------------|--------------------------------------------------|---------------|--------------------------|---------------|-----------------------------|---------------|--------------------------|------------------------|--------|
| | | | Initial value | accumulated depreciation | depreciated book value | increased | accumulated depreciation on the admitted objects | Initial value | accumulated depreciation | Initial value | accumulated depreciation | Initial value | accumulated depreciation | depreciated book value | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Objects with unlimited useful life, not depreciable | 5202 | over 2016 | 92 777 | - | 92 777 | 963 | - | - | - | - | - | - | 93 740 | - | 93 740 |
| | 5212 | over 2015 | 93 579 | - | 93 579 | 222 | - | (1 024) | - | - | - | - | 92 777 | - | 92 777 |
| including: | | | | | | | | | | | | | | | |
| plots of land | 52021 | over 2016 | 92 777 | - | 92 777 | 963 | | | | | | | 93 740 | - | 93 740 |
| | 52121 | over 2015 | 93 579 | - | 93 579 | 222 | | (1 024) | | | | | 92 777 | - | 92 777 |
| objects of nature management | 52022 | over 2016 | - | - | - | | | | | | | | - | - | - |
| | 52122 | over 2015 | | | | | | | | | | | - | - | - |
| Capital investments for fundamental improvement of lands | 5203 | over 2016 | - | - | - | | | | | | | | - | - | - |
| | 5213 | over 2015 | | | | | | | | | | | - | - | - |
| Accounted for as part of income yielding investments into tangible assets | 5220 | over 2016 | - | - | - | | | | | | | | - | - | - |
| | 5230 | over 2015 | - | - | - | | | | | | | | - | - | - |
| including: | | | | | | | | | | | | | | | |
| property subject to lease | 5221 | over 2016 | - | - | - | | | | | | | | - | - | - |
| | 5231 | over 2015 | | | | | | | | | | | - | - | - |
| property provided under lease agreement | 5222 | over 2016 | - | - | - | | | | | | | | - | - | - |
| | 5232 | over 2015 | | | | | | | | | | | - | - | - |

(1) – the accounting year is specified

(2) – the previous year is specified

5.3.2. Useful lives and depreciation methods

| Line item | Code | Specified useful life (in months) | Depreciation methods |
|-------------------------------------------------------------------------------------------|------|-----------------------------------|----------------------|
| 1 | 2 | 3 | 4 |
| Industrial buildings | 7001 | 374 | straight-line method |
| Facilities, except ETL | 7002 | 286 | straight-line method |
| Power transmission lines and equipment | 7003 | 273 | straight-line method |
| Machinery and equipment for power generation, substations, equipment for power conversion | 7004 | 180 | straight-line method |
| Production and organizational stock | 7005 | 52 | straight-line method |
| Other | 7006 | 78 | straight-line method |

5.3.3. Change in value of fixed assets as a result of further construction, equipping, reconstruction and partial dismantlement

| Line item | Code | Over 2016 | Over 2015 |
|----------------------------------------------------------------------------------------------------------|------|-----------|------------|
| 1 | 2 | 3 | 4 |
| Increase in value of fixed assets as a result of further construction, equipping, reconstruction – total | 5260 | 8 041 334 | 12 061 250 |
| including: | | | |
| industrial buildings | 5261 | 458 401 | 1 041 074 |
| facilities, except ETL | 5262 | 16 605 | 249 531 |
| power transmission lines and equipment | 5263 | 6 651 343 | 5 156 603 |
| machinery and equipment for power generation, substations, equipment for power conversion | 5264 | 914 889 | 3 067 086 |
| production and organizational stock | 5265 | | |
| other | 5266 | 96 | 2 546 956 |
| Decrease in value of fixed assets as a result of partial dismantlement – total | 5270 | (148 140) | (95 791) |
| including: | | | |
| industrial buildings | 5271 | | (19 209) |
| facilities, except ETL | 5272 | | - |
| power transmission lines and equipment | 5273 | (140 217) | (68 538) |
| machinery and equipment for power generation, substations, equipment for power conversion | 5274 | (7 923) | (8 044) |
| production and organizational stock | 5275 | | |
| other | 5276 | | |

5.3.4. Other use of fixed assets

| Line item | Code | 2016 year ended December 31 (1) | 2015 year ended December 31 (2) | 2014 year ended December 31 (3) |
|------------------------------------------------------------------------------------------------------------------|------|------------------------------------|------------------------------------|------------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Fixed assets on the balance sheet subject to lease | 5280 | | | |
| Fixed assets off the balance sheet subject to lease | 5281 | | | |
| Fixed assets on the balance sheet subject to capital lease | 5282 | | | |
| Fixed assets off the balance sheet subject to capital lease | 5283 | 22 641 855 | 21 771 298 | 17 789 284 |
| items of immovable property accepted for use and actually used, being in the state registration process | 5284 | 11 113 016 | 9 953 973 | 8 151 661 |
| Fixed assets transferred to conservation | 5285 | | | |
| Other use of fixed assets (charge, etc.) | 5286 | | | |

5.3.5. In-progress capital investments

| Line item | Code | Period | At the beginning of year | Changes for the period | | | As of the end of the period |
|---------------------------------------------------------------------------------------------------------------|-------|---------------|--------------------------|------------------------|-------------|---------------------------|-----------------------------|
| | | | | period costs | written off | fixed assets or the value | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Unfinished construction and incomplete operations on acquisition, modernization, etc. of fixed assets – total | 5240 | over 2016 (1) | 28 280 384 | 35 828 121 | (2 020 474) | (29 656 345) | 32 431 686 |
| including: | 5250 | over 2015 (2) | 27 129 666 | 38 084 217 | (2 475 501) | (34 457 998) | 28 280 384 |
| Production | 5241 | over 2016 (1) | 28 280 384 | 35 828 121 | (2 020 474) | (29 656 345) | 32 431 686 |
| | 5251 | over 2015 (2) | 27 129 666 | 35 084 217 | (2 475 501) | (34 457 998) | 28 280 384 |
| construction in-progress | 52411 | over 2016 (1) | 27 576 817 | 30 473 320 | | (27 941 142) | 30 108 995 |
| | 52511 | over 2015 (2) | 25 366 506 | 33 442 853 | | (31 232 542) | 27 578 817 |
| acquisition of fixed assets | 52412 | over 2016 (1) | - | 1 715 203 | | (1 715 203) | - |
| | 52512 | over 2015 (2) | | 3 225 456 | | (3 225 456) | - |
| equipment to be installed | 52413 | over 2016 (1) | 703 567 | 3 639 598 | (2 020 474) | | 2 322 691 |
| | 52513 | over 2015 (2) | 1 763 160 | 1 415 908 | (2 475 501) | | 703 567 |
| other | 52414 | over 2016 (1) | - | | | | - |
| | 52514 | over 2015 (2) | | | | | - |
| Non-production | 5242 | over 2016 (1) | - | - | - | - | - |
| | 5252 | over 2015 (2) | - | - | - | - | - |
| construction in-progress | 52421 | over 2016 (1) | - | | | | - |
| | 52521 | over 2015 (2) | | | | | - |
| acquisition of fixed assets | 52422 | over 2016 (1) | - | | | | - |
| | 52522 | over 2015 (2) | | | | | - |
| equipment to be installed | 52423 | over 2016 (1) | | | | | |
| | 52523 | over 2015 (2) | | | | | |
| other | 52424 | over 2016 (1) | - | | | | - |
| | 52524 | over 2015 (2) | | | | | - |

| | | | | | | | | | | | | |
|-----------------------------------------------------------------------------------|--------|------------------|-----------|-----------|---------|--|-----------|--|--|-----------|-----------|-----------|
| including: | | | | | | | | | | | | |
| debt securities (debentures, notes) | 530331 | over 2016 (1) | - | - | | | | | | - | - | |
| | 531331 | over 2015 (2) | | | | | | | | - | - | |
| Other | 53034 | over 2016 (1) | - | - | | | | | | - | - | |
| | 53134 | over 2015 (2) | | | | | | | | - | - | |
| Financial fixed asset without current market value – total | 5303 | over 2016 (1) | 4 577 845 | (132 390) | | | (227 715) | | | (154 594) | 4 350 130 | (286 984) |
| | 5313 | over 2015 (2) | 4 895 774 | (71 330) | 120 000 | | (437 929) | | | (61 060) | 4 577 845 | (132 390) |

| Line item | Code | Period | At the beginning of year | | | | Changes for the period | | | | As of the end of the period | |
|------------------------------------------------------------------------|--------|---------------|--------------------------|------------------------|-----------|--------------------|------------------------|-----------------------------------------------------------------------|------------------------------------------|---------------|-----------------------------|--|
| | | | initial value | accumulated correction | increased | decreased (repaid) | | accrual of interest (incl. bringing the initial value to the nominal) | current market value (impairment losses) | initial value | accumulated correction | |
| | | | | | | initial value | accumulated correction | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Financial receivables with current market value – total | 5306 | over 2016 (1) | - | - | - | - | - | - | - | - | - | |
| | 5316 | over 2015 (2) | - | - | - | - | - | - | - | - | - | |
| Contributions to the equity (joint) capital of other companies – total | 53071 | over 2016 (1) | - | - | - | - | - | - | - | - | - | |
| | 53171 | over 2015 (2) | - | - | - | - | - | - | - | - | - | |
| Federal and municipal securities | 53072 | over 2016 (1) | - | - | - | - | - | - | - | - | - | |
| | 53172 | over 2015 (2) | - | - | - | - | - | - | - | - | - | |
| Securities of other companies – total | 53073 | over 2016 (1) | - | - | - | - | - | - | - | - | - | |
| | 53173 | over 2015 (2) | - | - | - | - | - | - | - | - | - | |
| including: | | | | | | | | | | | | |
| debt securities (debentures, notes) | 530731 | over 2016 (1) | - | - | - | - | - | - | - | - | - | |
| | 531731 | over 2015 (2) | - | - | - | - | - | - | - | - | - | |
| other | 53074 | over 2016 (1) | - | - | - | - | - | - | - | - | - | |
| | 53174 | over 2015 (2) | - | - | - | - | - | - | - | - | - | |
| Financial receivables without current market value – total | 5307 | over 2016 (1) | 468 747 | (468 747) | - | - | - | - | - | 468 474 | (468 747) | |
| | 5317 | over 2015 (2) | 1 018 747 | (468 747) | - | (550 000) | - | - | (154 594) | 468 747 | (468 747) | |
| Financial assets – total | 5300 | over 2016 (1) | 5 046 592 | (601 137) | - | (227 715) | - | - | (154 594) | 4 818 877 | (755 731) | |
| | 5310 | over 2015 (2) | 5 914 521 | (540 077) | 120 000 | (987 929) | - | - | (61 060) | 5 046 592 | (601 137) | |

5.4.2. Correction of assessment of financial assets

| Index | | At the beginning of year | Changes for the period | | | As of the end of the period |
|----------------------------------------------------------------------------------------|-------|--------------------------|------------------------|----------|---------------------------------------------------|-----------------------------|
| Name | Code | | Increase | Decrease | Replacement due to withdrawal of financial assets | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Financial fixed assets | 7100 | (132 390) | (156 276) | 1 682 | - | (286 984) |
| Difference between the current market value of financial assets and the previous value | 7110 | - | - | - | - | - |
| <i>including:</i> | | | | | | |
| Contributions to the equity (joint) capital of other companies – total | 7111 | - | - | - | - | - |
| <i>including:</i> | | | | | | |
| subsidiary business companies | 71111 | | | | | - |
| dependent business companies | 71112 | | | | | - |
| other | 71113 | | | | | - |
| Federal and municipal securities | 7112 | | | | | - |
| Securities of other companies – total | 7113 | | | | | - |
| <i>including:</i> | | | | | | |
| debt securities (debentures, notes) | 71131 | | | | | - |
| Other | 7114 | | | | | - |
| Difference between the current value of debt securities and their initial value | 7120 | - | - | - | - | - |
| <i>including:</i> | | | | | | |
| Securities of other companies – total | 7121 | | | | | - |
| <i>including:</i> | | | | | | |
| debt securities (debentures, notes) | 71211 | | | | | - |
| Other | 7122 | | | | | - |
| Provision for impairment of financial assets without a market value | 7130 | (132 390) | (156 276) | 1 682 | - | (286 984) |
| <i>including:</i> | | | | | | |
| Contributions to the equity (joint) capital of other companies – total | 7131 | (132 390) | (156 276) | 1 682 | - | (286 984) |
| <i>including:</i> | | | | | | |
| subsidiary business companies | 71311 | (132 390) | (156 276) | 1 682 | | (286 984) |
| dependent business companies | 71312 | | | | | - |
| other | 71313 | | | | | - |
| Federal and municipal securities | 7132 | | | | | - |
| Securities of other companies – total | 7133 | | | | | - |
| <i>including:</i> | | | | | | |
| debt securities (debentures, notes) | 71331 | | | | | - |
| Loans granted | 7134 | | | | | - |
| Certificates of deposit | 7135 | | | | | - |
| Other | 7136 | | | | | - |

| Index | | At the beginning of year | Changes for the period | | | As of the end of the period |
|-------------------------------------------------------------------------------------------------------------------------|-------|--------------------------|------------------------|----------|---------------------------------------------------|-----------------------------|
| Name | Code | | Increase | Decrease | Replacement due to withdrawal of financial assets | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Financial receivables | 7200 | (468 747) | - | - | - | (468 747) |
| Difference between the current market value of financial assets and the previous value according which it was estimated | 7210 | - | - | - | - | - |
| <i>including:</i> | | | | | | |
| Contributions to the equity (joint) capital of other companies – total | 7211 | - | - | - | - | - |
| <i>including:</i> | | | | | | |
| subsidiary business companies | 72111 | | | | | - |
| dependent business companies | 72112 | | | | | - |
| other | 72113 | | | | | - |
| Securities of other companies – total | 7212 | | | | | - |
| <i>including:</i> | | | | | | |
| debt securities (debentures, notes) | 72121 | | | | | - |
| Other | 7213 | | | | | - |
| Difference between the current value of debt securities and their initial value | 7220 | - | - | - | - | - |
| <i>including:</i> | | | | | | |
| Securities of other companies – total | 7221 | | | | | - |
| <i>including:</i> | | | | | | |
| debt securities (debentures, notes) | 72211 | | | | | - |
| Other | 7222 | | | | | - |
| Provision for impairment of financial assets without a market value | 7230 | (468 747) | - | - | - | (468 747) |
| <i>including:</i> | | | | | | |
| Contributions to the equity (joint) capital of other companies – total | 7231 | - | - | - | - | - |
| <i>including:</i> | | | | | | |
| subsidiary business companies | 72311 | | | | | - |
| dependent business companies | 72312 | | | | | - |
| other | 72313 | | | | | - |
| Federal and municipal securities | 7232 | | | | | - |
| Securities of other companies – total | 7233 | (468 747) | | | | (468 747) |
| <i>including:</i> | | | | | | |
| debt securities (debentures, notes) | 72331 | (468 747) | | | | (468 747) |
| Loans granted | 7234 | | | | | - |
| Certificates of deposit | 7235 | | | | | - |
| Other | 7236 | | | | | - |

5.4.3. Other use of financial assets

| Line item | Code | 2016 year ended December 31 (1) | 2015 year ended December 31 (2) | 2014 year ended December 31 (3) |
|---------------------------------------------------------------------|------|------------------------------------|------------------------------------|------------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Pledged financial assets | 5320 | | | |
| including: | | | | |
| debentures | 5321 | | | |
| notes | 5322 | | | |
| stocks | 5323 | | | |
| Financial assets transferred to third parties (except sale) – total | 5325 | | | |
| including: | | | | |
| debentures | 5326 | | | |
| notes | 5327 | | | |
| stocks | 5328 | | | |
| Other use of financial assets | 5329 | | | |

5.5.2. Pledged inventory

| Line item | Code | 2016 year ended December 31 (1) | 2015 year ended December 31 (2) | 2014 year ended December (3) |
|-----------------------------------------------------|-------|------------------------------------|------------------------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| The inventory not paid as of reporting date – total | 5440 | - | - | - |
| including: | 5441 | | | |
| stock & raw material | | | | |
| in-process inventory | 5442 | | | |
| goods delivered | 5443 | | | |
| finished products and goods | 54441 | | | |
| other supplies and costs | 54442 | | | |
| Stocks in pledge under the contract – total | 5445 | - | - | - |
| including: | 5446 | | | |
| stock & raw material | | | | |
| goods delivered | 5447 | | | |
| finished products and goods | 5448 | | | |
| other supplies and costs | 5449 | | | |

| Line item | Code | Period | At the beginning of year | | Changes for the period | | | | | | | As of the end of the period | | |
|-------------------------------------------------------|-------|---------------|-----------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------|------------------|---------------|------------------------------------------------------|------------------------------|--------------------|----------------------------------------------|---------------------------------------|---------------------------------------|
| | | | amount of reserves for doubtful debts under the terms of the contract | amount of reserves for doubtful debts | additions as a result of accounting transactions (amount of transaction debt) | interest payable, penalties and other accruals | reserves accrual | payment | allocation of account of previously accrued reserves | allocation on profit or loss | allowance recovery | transfer from short-term into long-term debt | amount of reserves for doubtful debts | amount of reserves for doubtful debts |
| | | | | | | | | | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| non-interest-bearing note | 55161 | over 2016 (1) | - | - | | | | | | | | | | |
| | 55361 | over 2015 (2) | | | | | | | | | | | | |
| overpay for taxation and revenue | 55162 | over 2016 (1) | - | - | 3 414 264 | | | (945 722) | | | | | 2 468 542 | |
| | 55362 | over 2015 (2) | | | | | | | | | | | | |
| asset sales | 55163 | over 2016 (1) | - | - | | | | | | | | | | |
| | 55363 | over 2015 (2) | | | | | | | | | | | | |
| other | 55164 | over 2016 (1) | 5 308 678 | (1 156 641) | 3 725 254 | | (2 402 105) | (3 921 902) | (291 237) | (8 204) | 442 915 | | 4 812 589 | (2 824 594) |
| | 55364 | over 2015 (2) | 6 143 510 | (1 865 794) | 527 105 | | (365 133) | (293 288) | (1 068 649) | | 5 637 | | 5 308 678 | (1 156 641) |
| Of the total amount of short-term receivables: | 5517 | over 2016 (1) | 829 801 | - | 10 563 | 3 828 | - | (92 049) | - | - | - | - | 752 143 | - |
| | 5537 | over 2015 (2) | 846 130 | - | 398 256 | - | - | (414 565) | - | - | - | - | 829 801 | - |
| debts of subsidiary companies | 55171 | over 2016 (1) | 829 801 | - | 10 563 | 3 828 | - | (92 049) | - | - | - | - | 752 143 | - |
| | 55371 | over 2015 (2) | 846 130 | - | 398 256 | - | - | (414 565) | - | - | - | - | 829 801 | - |
| debts of associated companies | 55172 | over 2016 (1) | - | - | | | | | | | | | - | - |
| | 55372 | over 2015 (2) | | | | | | | | | | | - | - |
| Total | 5500 | over 2016 (1) | 33 564 283 | (6 345 009) | 190 884 786 | - | (3 130 674) | (189 905 246) | (343 125) | (8 263) | 642 473 | - | 34 192 435 | (8 490 085) |
| | 5520 | over 2015 (2) | 44 088 180 | (17 395 563) | 154 101 306 | - | (2 545 998) | (152 224 987) | (12 379 414) | (802) | 1 217 138 | - | 33 564 283 | (6 945 009) |

5.6.2. Provision for doubtful debts

| Index | | At the beginning of year | Changes for the period | | As of the end of the period |
|-----------------------------------------------------------------------------------------------|-------------|--------------------------|------------------------|---------------------|-----------------------------|
| Item | Code | | reserve provision | provision write off | |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Accounts receivables | 7310 | 235 089 | 725 417 | (112 225) | 848 281 |
| including: | | | | | |
| <i>on electric power transmission</i> | 7311 | 94 780 | 461 348 | (3 902) | 552 226 |
| <i>on integration</i> | 7312 | 128 360 | 230 433 | (105 078) | 253 715 |
| <i>on the organization and development of UES in Russia in the part of distribution power</i> | 7313 | | | | - |
| <i>on energy and power reselling</i> | 7314 | | | | - |
| <i>on rental revenue</i> | 7315 | | | | - |
| <i>other</i> | 7316 | 11 949 | 33 636 | (3 245) | 42 340 |
| Advanced paid | 7330 | 5 243 013 | 89 438 | (191 868) | 5 140 583 |
| Other receivables | 7320 | 1 156 641 | 2 402 105 | (734 152) | 2 824 594 |
| Total | 7300 | 6 634 743 | 3 216 960 | (1 038 245) | 8 813 458 |

5.6.3. Overdue receivables

| Line item | Code | 2016 year ended December 31 (1) | | 2015 year ended December 31 (2) | | 2014 year ended December 31 (3) | |
|----------------------------------------------------------------------------------------|-------|-----------------------------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------------------------|
| | | accounted for under the terms of the contract | carrying value less provision for doubtful debts | accounted for under the terms of the contract | carrying value less provision for doubtful debts | accounted for under the terms of the contract | carrying value less provision for doubtful debts |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Total | 5540 | 8 197 674 | 5 616 437 | 5 890 637 | 5 366 673 | 7 084 832 | 4 787 396 |
| including: Accounts receivables, including: | 5541 | 5 473 330 | 5 142 314 | 3 244 512 | 3 021 372 | 2 344 945 | 1 993 997 |
| on electric power transmission | 55411 | 4 676 897 | 4 586 019 | 1 564 025 | 1 469 245 | 1 109 244 | 931 167 |
| on integration | 55412 | 796 433 | 556 295 | 1 680 487 | 1 552 127 | 1 191 075 | 1 062 830 |
| on the organization and development of UES in Russia in the part of distribution power | 55413 | | | | | | |
| on energy and power reselling | 55414 | | | | | | |
| on rental revenue | 55415 | | | | | | |
| other | 55416 | | | | | 44 626 | |
| Other receivables | 5542 | 2 724 344 | 474 123 | 2 646 125 | 2 345 201 | 4 739 887 | 2 793 399 |

5.6.5. Existence and flow of accounts payable

| Line item | Code | Period | Opening balance | Changes for the period | | | | | | Closing balance | |
|-------------------------------------------|-------|---------------|-----------------|------------------------|-----------------------------------------------------------------------------------------------|-------------|-----------------------------------------------|-----------|-----------|-----------------|---|
| | | | | additions | as a result of business transactions (the amount of debt under the transaction, transactions) | 6 | accrued interest, penalties and other charges | 7 | payment | | 8 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Long-term accounts payable – total | 5551 | over 2016 (1) | 9 283 941 | 2 997 393 | - | (4 949 123) | - | (755 086) | 6 577 125 | | |
| | 5571 | over 2015 (2) | 8 226 560 | 3 313 843 | - | (2 256 462) | - | - | 9 283 941 | | |
| including: | | | | | | | | | | | |
| suppliers and contractors account payable | 5552 | over 2016 (1) | - | - | - | - | - | - | - | | |
| | 5572 | over 2015 (2) | - | - | - | - | - | - | - | | |
| including: | | | | | | | | | | | |
| construction | 55521 | over 2016 (1) | - | | | | | | - | | |
| | 55721 | over 2015 (2) | | | | | | | - | | |
| other | 55522 | over 2016 (1) | - | | | | | | - | | |
| | 55722 | over 2015 (2) | | | | | | | - | | |
| Other accounts payable | 5553 | over 2016 (1) | 9 283 941 | 2 997 393 | | (4 949 123) | | (755 086) | 6 577 125 | | |
| | 5573 | over 2015 (2) | 8 226 560 | 3 313 843 | | (2 256 462) | | | 9 283 941 | | |
| Of total amount of long-term debt | 5554 | over 2016 (1) | - | - | - | - | - | - | - | | |
| | 5574 | over 2015 (2) | - | - | - | - | - | - | - | | |
| debts to subsidiary companies | 55541 | over 2016 (1) | - | | | | | | - | | |
| | 55741 | over 2015 (2) | | | | | | | - | | |
| debts to associated companies | 55542 | over 2016 (1) | - | | | | | | - | | |
| | 55742 | over 2015 (2) | | | | | | | - | | |

| Line item | Code | Period | Opening balance | Changes for the period | | | | | | Closing balance | |
|----------------------------------------------------------------------------------------|-------|---------------|-----------------|-----------------------------------------------------------------------------------------------|---------|---------------|-----------|---------|------------|-----------------|--------------------------------------------|
| | | | | additions | | | | | | | transfer from long-term to short-term debt |
| | | | | as a result of business transactions (the amount of debt under the transaction, transactions) | 5 | 6 | 7 | 8 | 9 | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Short-term accounts payable – total | 5560 | over 2016 (1) | 50 315 164 | 186 887 225 | 385 744 | (186 993 172) | (460 302) | 755 086 | 50 889 745 | | |
| | 5580 | over 2015 (2) | 51 383 344 | 177 065 301 | 759 | (177 280 006) | (854 234) | - | 50 315 164 | | |
| including: | | | | | | | | | | | |
| Trade accounts payable | 5561 | over 2016 (1) | 19 436 926 | 128 657 914 | 3 172 | (127 433 840) | (14 095) | - | 20 650 077 | | |
| | 5581 | over 2015 (2) | 18 378 124 | 118 565 320 | 500 | (117 490 498) | (16 520) | - | 19 436 926 | | |
| including: | | | | | | | | | | | |
| construction | 55611 | over 2016 (1) | 12 227 331 | 31 532 715 | 3 162 | (33 695 857) | (10 502) | | 10 056 849 | | |
| | 55811 | over 2015 (2) | 10 403 205 | 34 531 428 | 489 | (32 693 159) | (14 632) | | 12 227 331 | | |
| other | 55612 | over 2016 (1) | 7 209 595 | 97 125 199 | 10 | (93 737 983) | (3 593) | | 10 593 228 | | |
| | 55812 | over 2015 (2) | 7 974 919 | 84 033 892 | 11 | (84 797 339) | (1 888) | | 7 209 595 | | |
| Advances received | 5562 | over 2016 (1) | 27 281 823 | 33 581 470 | - | (33 441 416) | (445 215) | 755 086 | 27 731 748 | | |
| | 5582 | over 2015 (2) | 31 488 915 | 28 791 317 | - | (32 160 695) | (837 714) | - | 27 281 823 | | |
| including: | | | | | | | | | | | |
| on electric power transmission | 55621 | over 2016 (1) | 7 329 | 28 200 342 | | (25 935 408) | | | 2 272 263 | | |
| | 55821 | over 2015 (2) | 7 657 | 20 730 725 | | (20 731 053) | | | 7 329 | | |
| on integration | 55622 | over 2016 (1) | 26 845 682 | 4 380 673 | | (6 540 928) | (445 208) | 755 086 | 24 995 305 | | |
| | 55822 | over 2015 (2) | 31 124 570 | 7 174 072 | | (11 429 642) | (23 318) | | 26 845 682 | | |
| on the organization and development of UES in Russia in the part of distribution power | 55623 | over 2016 (1) | - | | | | | | - | | |
| | 55823 | over 2015 (2) | | | | | | | - | | |
| on energy and power reselling | 55624 | over 2016 (1) | - | | | | | | - | | |
| | 55824 | over 2015 (2) | | | | | | | - | | |

| Line item | Code | Period | Opening balance | Changes for the period | | | | | Closing balance | |
|---------------------------------------------------|-------|---------------|-----------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------|---------------|------------------------------|---|-----------------|--------------------------------------------|
| | | | | additions | | | | | | transfer from long-term to short-term debt |
| | | | | as a result of business transactions (the amount of debt under the transaction, transactions) | accrued interest, penalties and other charges | payment | allocation on profit or loss | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| on participation in other organizations | 55625 | over 2016 (1) | - | | | | | | | - |
| | 55825 | over 2015 (2) | | | | | | | | - |
| on rental services | 55626 | over 2016 (1) | - | | | | | | | - |
| | 55826 | over 2015 (2) | | | | | | | | - |
| on other issues | 55627 | over 2016 (1) | 428 812 | 1 000 455 | | (965 080) | (7) | | | 464 180 |
| | 55826 | over 2015 (2) | 356 688 | 886 520 | | | (814 396) | | | 428 812 |
| Debts to partners (founders) for income payment | 5563 | over 2016 (1) | - | | | | | | | - |
| | 5583 | over 2015 (2) | - | | | | | | | - |
| Bills payable | 5564 | over 2016 (1) | - | | | | | | | - |
| | 5584 | over 2015 (2) | - | | | | | | | - |
| Debt to State non-budgetary funds | 5565 | over 2016 (1) | 210 427 | 3 739 651 | 121 | (3 737 718) | | | | 212 481 |
| | 5585 | over 2015 (2) | 159 694 | 3 361 723 | 124 | (3 311 114) | | | | 210 427 |
| Settlements in respect of taxes and levies | 5566 | over 2016 (1) | 1 400 441 | 4 268 560 | 31 | (3 966 918) | | | | 1 702 114 |
| | 5586 | over 2015 (2) | 1 235 813 | 10 073 163 | 135 | (3 908 670) | | | | 1 400 441 |
| Debt to corporate staff | 5567 | over 2016 (1) | 69 | 14 329 033 | | (14 329 102) | | | | - |
| | 5587 | over 2015 (2) | 46 | 12 459 815 | | (12 459 792) | | | | 69 |
| Other accounts payable | 5568 | over 2016 (1) | 1 985 478 | 2 310 597 | 382 420 | (4 084 178) | (992) | | | 593 325 |
| | 5588 | over 2015 (2) | 120 752 | 3 813 963 | | (1 949 237) | | | | 1 985 478 |
| Of the total amount of the short-term debt | 5569 | over 2016 (1) | 788 983 | 2 986 041 | - | (2 859 233) | - | | | 915 791 |
| | 5589 | over 2015 (2) | 1 042 792 | 3 306 083 | - | (3 559 892) | - | | | 788 983 |
| debt to subsidiary companies | 55691 | over 2016 (1) | 788 983 | 2 986 041 | | (2 859 233) | | | | 915 791 |
| | 55891 | over 2015 (2) | 1 042 792 | 3 306 083 | | (3 559 892) | | | | 788 983 |
| debt to associated companies | 55692 | over 2016 (1) | - | | | | | | | - |
| | 55892 | over 2015 (2) | | | | | | | | - |
| Total | 5550 | over 2016 (1) | 59 599 105 | 189 884 618 | 385 744 | (191 942 395) | (460 302) | | | 57 466 870 |
| | 5570 | over 2015 (2) | 59 609 904 | 180 379 144 | 759 | (179 536 468) | (854 234) | | | 59 599 105 |

5.6.6. Overdue accounts payable

| Line item | Code | 2016 year ended December 31 (1) | 2015 year ended December 31 (2) | 2014 year ended December 31 (3) |
|--------------------------------------------|-------|---------------------------------|---------------------------------|---------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Total | 5590 | 18 190 367 | 15 582 803 | 7 994 478 |
| including: Trade accounts payable | 5591 | 5 517 129 | 6 284 996 | 2 054 090 |
| incl.: | | | | |
| construction | 55911 | 2 861 429 | 5 259 165 | 1 087 038 |
| other issues | 55912 | 2 655 700 | 1 025 831 | 967 052 |
| Debt to State non-budgetary funds | 5592 | | | |
| Debts to partners (founders) for income | 5593 | | | |
| Settlements in respect of taxes and levies | 5594 | | | |
| Debt to corporate staff | 5595 | | | |
| Other accounts payable | 5596 | 12 673 238 | 9 297 809 | 5 940 388 |

5.6.7. Loans and credit lines

| Line item | Code | Period | At the beginning of year | Changes for the period | | | | | At the end of the period |
|----------------------------------|-------|---------------|--------------------------|------------------------|------------------|---------------------|-----------------------|----------------------------------------------|--------------------------|
| | | | | additions | interest accrual | principal repayment | repayment of interest | transfer from long-term into short-term debt | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Long-term borrowed funds | 7410 | over 2016 (1) | 65 367 880 | 69 379 304 | - | (45 536 329) | - | (22 896 571) | 66 314 284 |
| | 7430 | over 2015 (2) | 52 121 317 | 20 746 563 | - | - | - | (7 500 000) | 65 367 880 |
| including: | | | | | | | | | |
| Credits | 7411 | over 2016 (1) | 53 367 880 | 51 379 304 | | (38 536 329) | | (17 896 571) | 48 314 284 |
| | 7431 | over 2015 (2) | 42 121 317 | 13 746 563 | | | | (2 500 000) | 53 367 880 |
| Loans | 7412 | over 2016 (1) | 12 000 000 | 18 000 000 | | (7 000 000) | | (5 000 000) | 18 000 000 |
| | 7432 | over 2015 (2) | 10 000 000 | 7 000 000 | | | | (5 000 000) | 12 000 000 |
| Short-term borrowed funds | 7420 | over 2016 (1) | 8 046 151 | 50 850 227 | 7 828 827 | (65 146 798) | (7 748 070) | 22 896 571 | 16 726 908 |
| | 7440 | over 2015 (2) | 21 286 004 | 6 733 137 | 7 196 004 | (27 433 137) | (7 235 857) | 7 500 000 | 8 046 151 |
| including: | | | | | | | | | |
| Credits | 7421 | over 2016 (1) | 2 531 297 | 50 850 227 | | (60 146 798) | | 17 865 274 | 11 100 000 |
| | 7441 | over 2015 (2) | 10 731 297 | 6 733 137 | | (17 433 137) | | 2 500 000 | 2 531 297 |
| <i>Credit interest</i> | 74211 | over 2016 (1) | 58 719 | | 5 865 739 | | (5 886 750) | 31 297 | 89 005 |
| | 74411 | over 2015 (2) | 43 018 | | 4 940 918 | | (4 925 217) | | 58 719 |
| Loans | 7422 | over 2016 (1) | 5 456 135 | | 1 963 088 | (5 000 000) | (1 881 320) | 5 000 000 | 5 537 903 |
| | 7442 | over 2015 (2) | 10 511 689 | | 2 255 086 | (10 000 000) | (2 310 640) | 5 000 000 | 5 456 135 |

5.6.8. Expenses for loan and credit lines

| Index | | For long-term loan and credit lines | For short-term loan and credit lines |
|-------------------------------------------------|------|-------------------------------------|--------------------------------------|
| Item | Code | | |
| 1 | 2 | 3 | 4 |
| Expenses for credits – total: | 7510 | 4 565 673 | 1 300 066 |
| other expenses as incurred | 7511 | 3 332 339 | 648 877 |
| included in amount of assets | 7512 | 1 233 334 | 351 189 |
| Expenses for loans – total: | 7520 | 1 490 415 | 472 673 |
| other expenses as incurred | 7521 | 1 083 079 | 343 490 |
| included in amount of assets | 7522 | 407 336 | 129 183 |
| Of the total expenses for loan and credit lines | 7530 | 6 056 088 | 1 772 739 |
| interest accrued | 7531 | 4 415 418 | 1 292 367 |
| other expenses | 7532 | 1 640 670 | 480 372 |

5.7. Contingent assets and liabilities

5.7.1. Estimated liabilities

| Index | | Opening balance | Recognized | Repaid | Written off as surplus amount | Closing balance |
|-------------------------------------------------------------------------------------------|------|-----------------|------------|-------------|-------------------------------|-----------------|
| Item | Code | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Estimated liabilities – total: | 5700 | 2 021 238 | 3 784 396 | (3 043 409) | (72 604) | 2 689 621 |
| including: | | | | | | |
| Payment of upcoming vacation | 5701 | 589 949 | 1 075 088 | (1 075 321) | (18 518) | 571 198 |
| Payment of remuneration year-end | 5702 | 1 310 758 | 1 505 692 | (1 267 090) | (43 661) | 1 505 699 |
| On repairs of fixed assets | 5703 | | | | | - |
| Work in connection with the seasonal nature of production | 5704 | | | | | - |
| product warranty liabilities and reclamation | 5705 | | | | | - |
| liquidation liabilities | 5706 | | | | | - |
| legal proceedings not completed as of reporting date | 5707 | 120 531 | 1 203 616 | (700 998) | (10 425) | 612 724 |
| claims of tax authorities on the results of tax inspection unsettled as of reporting date | 5708 | | | | | - |
| other estimated liabilities | 5709 | | | | | - |
| Of the total amount of contingent liabilities: | | | | | | |
| Formed by the expenses of ordinary activities | 5710 | | | | | |
| Formed by other expenses | 5720 | | | | | |
| Included in the asset value | 5730 | | | | | |

5.7.2. Deferred taxes

| Name | Code | Deductible temporary differences | Deferred tax assets | Taxable temporary differences | Deferred tax liabilities |
|--------------------------------------------------------------|------|----------------------------------|---------------------|-------------------------------|--------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Balance at the beginning of the reporting year | 7700 | | 2,115,621 | | 6,552,342 |
| Income | 7710 | | 412,097 | | |
| Expense | 7720 | | | | 1,518,244 |
| Result of changes in tax rates | 7730 | X | (192,057) | X | (594,824) |
| Result of correction of errors of previous years | 7740 | | | | |
| Permanent differences in the value of assets and liabilities | 7750 | | | | |
| Write-off that does not produce tax consequences | 7760 | | | | |
| Balance at the end of the reporting period | 7800 | | 2,335,661 | | 7,475,762 |

5.8. Securities

| Indicator | | As at 31 | As at 31 | As at 31 |
|-------------------------------------------------|-------|----------------------|----------------------|----------------------|
| Name | Code | December 2016 (1) | December 2015 (2) | December 2014 (3) |
| 1 | 2 | 3 | 4 | 5 |
| Received - total | 5800 | 2,946,969 | 2,347,935 | 2,271,306 |
| including: | 5801 | | | |
| promissory notes | | | | |
| property in pledge | 5802 | - | - | - |
| therefrom: | 58021 | | | |
| items of fixed assets | | | | |
| security papers and other financial investments | 58022 | | | |
| other | 58023 | | | |
| other received | 5803 | 2,946,969 | 2,347,935 | 2,271,306 |
| Issued under own obligations - total | 5810 | - | - | - |
| including: | 5811 | | | |
| promissory notes | | | | |
| pledged property | 5812 | - | - | - |
| therefrom: | 58121 | | | |
| items of fixed assets | | | | |
| security papers and other financial investments | 58122 | | | |
| other | 58123 | | | |
| other issued | 5813 | | | |

5.9. State aid

| Indicator name | Code | During 2016 (1) | | | | During 2015 (2) | | | |
|---------------------------------------------------------------------------------------------------------------------------|------|---------------------------------|--------------------------|--------------------------|---------------------------|---------------------------------|--------------------------|--------------------------|---------------------------|
| 1 | 2 | 3 | | | | 4 | | | |
| Received budget funds - total | 5900 | - | | | | - | | | |
| including: | | | | | | | | | |
| for current expenses | 5901 | | | | | | | | |
| compensation for Chernobyl victims | 5902 | | | | | | | | |
| for performance of tasks on mobilization training | 5903 | | | | | | | | |
| for elimination of interterritorial cross-subsidization | 5904 | | | | | | | | |
| for investments in non-current assets | 5905 | | | | | | | | |
| for other purposes | 5906 | | | | | | | | |
| Indicator name | Code | As at the beginning of the year | Received during the year | Returned during the year | As at the end of the year | As at the beginning of the year | Received during the year | Returned during the year | As at the end of the year |
| Budgetary loans - total | 5910 | - | - | - | - | - | - | - | - |
| including: | | | | | | | | | |
| financing preventive measures to reduce occupational injuries and diseases | 5911 | | | | - | | | | - |
| financing of in-depth medical examinations of workers engaged in works with harmful and (or) dangerous production factors | 5912 | | | | - | | | | - |
| others | 5913 | | | | - | | | | - |

5.10. Public aid for which granting conditions have not been met

| Index | | For year 2016 (1) | | For year 2015 (2) | |
|----------------------------------------------------------------------------------------------------------------------------------|------|-------------------|----------|-------------------|-------------------|
| Denomination | Code | For refund | refunded | For refund | Actually returned |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Received budgetary funds for which the conditions for granting them were not met | 7910 | - | - | - | - |
| <i>including:</i> | | | | | |
| <i>for current expenses</i> | 7911 | | | | |
| <i>compensation for Chernobyl victims</i> | 7912 | | | | |
| <i>for performance of tasks on mobilization training</i> | 7913 | | | | |
| <i>for elimination of interterritorial cross-subsidization</i> | 7914 | | | | |
| <i>others</i> | 7915 | | | | |
| Received budgetary loans for which the conditions for granting them were not met | 7920 | - | - | - | - |
| <i>including:</i> | | | | | |
| <i>financing preventive measures to reduce occupational injuries and diseases</i> | 7921 | | | | |
| <i>financing of in-depth medical examinations of workers engaged in works with harmful and (or) dangerous production factors</i> | 7922 | | | | |
| <i>others</i> | 7825 | | | | |
| | | | | | |

5.11. Other income and expenses

| Index | | For year 2016 (1) | For year 2015 (2) |
|---------------------------------------------------------------------------------------------------------------------------------------|-------|-------------------|-------------------|
| Denomination | Code | | |
| 1 | 2 | | |
| Other income by total | 8000 | 7 201 979 | 7 258 184 |
| including: | | | |
| From the sale of fixed assets, except from apartments | 8001 | 2 239 | 8 433 |
| From the sale of apartments | 8002 | | |
| From the sale of inventories | 8003 | 1 835 | 70 499 |
| From the currency sale | 8004 | | |
| From the sale of intangible assets | 8005 | | |
| From securities sale | 8006 | | |
| From the sale of other assets | 8007 | 41 386 | 63 812 |
| From common activity | 8008 | | |
| Profit in 2015 revealed in the reporting period | 8009 | (41 398) | 900 138 |
| Profit in 2014 revealed in the reporting period | 8010 | (422 76a) | (653 948) |
| Profit in 2013 revealed in the reporting period | 8011 | (118 163) | 103 921 |
| Profit before 01.01.2013 revealed in the reporting period | 8012 | (51 091) | |
| Penalties, fines and forfeits recognized or for which the court's (arbitration court's) decision on their recovery have been received | 807 3 | 730 844 | 169 840 |
| Accounts payable for which the statute of limitations has expired (more than three years) | 8014 | 460 302 | 41 126 |
| Exchange differences | 8015 | 252 | 206 |
| Property that was in surplus based on the inventory results | 8016 | 871 900 | 1 296 489 |
| FOC received assets, other than FA and intangible assets | 8017 | 106 590 | 116 407 |
| Income from FOC received FA defined in a predefined order | 8018 | 3 873 095 | 2 707 552 |
| The value of material assets remaining from writing-off of assets that are not suitable for restoration and further use | 8019 | 67 744 | 98 220 |
| Revaluation of financial investments at current market value | 8020 | | |
| Income from reduction (write-off) of the provision for doubtful debts | 8021 | 519 979 | 1 275 958 |
| Income from reduction (write-off) of provision for estimated liabilities | 8022 | 72 604 | 276 091 |
| Income from reduction (write-off) of provision for impairment of inventories | 8023 | 3 160 | 1 185 |

| | | | |
|----------------------------------------------------------------------------------------|------|---------|---------|
| Income from agreements of assignment of right of claim | 8024 | | |
| Revenues from identified non-contractual electricity consumption | 8025 | 670 378 | 336 398 |
| Insurance payments receivable | 8026 | 258 257 | 389 219 |
| Incomes related to participation in Capital Management of other organizations | 8027 | | |
| Recovery of previously written-off receivables | 8028 | | |
| Discount on promissory notes | 8029 | | |
| Reimbursement for rate difference (budget financing) | 8030 | | |
| Income from reduction (write-off) of provision for impairment of financial investments | 8631 | 1 682 | 2 801 |
| Reevaluation of the fixed assets | 8032 | | |
| income from revaluation of previously discounted items from fixed assets | 8033 | | |
| Income from the repayment of bills of exchange | 8034 | | |
| Other | 8035 | 153 118 | 53 833 |

| Index | | | |
|-------------------------------------------------------|------|-------------------|-------------------|
| Denomination | Code | For year 2016 (1) | For year 2015 (2) |
| 1 | 2 | | |
| Total other expenses | 8100 | (10 051 059) | (5 685 957) |
| Including: | | | |
| From the sale of fixed assets, except from apartments | 8101 | | (1 024) |
| From the sale of apartments | 8102 | | |
| From the sale of inventories | 8103 | (847) | (69 108) |
| From the currency sale | 8104 | | |
| From the sale of intangible assets | 8105 | | |
| From securities sale | 8106 | | |
| From the sale of other assets | 8107 | (43 079) | (63 789) |
| Other taxes | 8108 | (4 382) | (2 536) |
| Expenses for bank services | 8109 | (1 912) | (2 612) |
| Expenses for financial investment maintenance | 8110 | | |
| Provisions for doubtful debts | 8111 | (3 130 674) | (1 607 258) |
| Provisions for impairment investments | 8112 | (156 276) | (63 861) |
| Provisions for cost decreasing of the fixed assets | 8113 | (4 263) | (5 322) |
| Provisions for discontinued operations | 8114 | | |
| Provisions for assessment liabilities | 8115 | (1 203 616) | (326 731) |
| Asset retirement without income | 8116 | (36 974) | (19 399) |
| VAT on donated property | 8117 | (179) | (9 343) |
| Loss in 2016 revealed in the reporting period | 8118 | (1 324 658) | (509 888) |
| Loss in 2015 revealed in the reporting period | 8119 | (61 574) | (5 480) |
| Loss in 2014 revealed in the reporting period | 8120 | 109 305 | (121 673) |

| | | | |
|--------------------------------------------------------------|------|-------------|-----------|
| Loss before 01.01.2014 revealed in the reporting period | 8121 | (170 398) | (59 681) |
| Penalties, fines and forfeits recognized or for which the | 8122 | (385 480) | (485 583) |
| State fees on economic contracts | 8123 | (38 638) | (66 310) |
| Revaluation of financial investments at the current market | 8124 | | |
| Discount on promissory notes | 8125 | | |
| Expenses for agreements of assignment of right of claim | 8126 | | |
| Non-refundable VAT | 8127 | (294 262) | (160 242) |
| Expenses on identified non-contractual electricity | 8128 | | |
| Contributions to associations and foundations | 8129 | | |
| Accounts receivable for which the statute of limitations has | 8130 | (8 263) | (99 016) |
| Rate differences | 8131 | (55) | (1) |
| Court expenses | 8132 | (478) | (4 194) |
| Theft, shortages | 8133 | | |
| Enforcement costs | 8134 | | |
| Repayment of the costs for worker's apartments | 8135 | (55 952) | (59 505) |
| Other financial assistance and other payments to employees | 8136 | (632 402) | (663 458) |
| Financial assistance for pensioners (including lump sum | 8137 | (42 543) | (49 875) |
| Expenses for sports activities | 8138 | (15 093) | (10 997) |
| Expenses for cultural activities | 8139 | (20 535) | (25 349) |
| Expenses for charity | 8140 | (158 395) | (114 398) |
| Promissory notes value | 8141 | | |
| Expenses on interest for long-term bonds | 8142 | | |
| Residual value of the written-off fixed assets | 8143 | (498 948) | (271 364) |
| The markdown of the fixed assets | 8144 | | |
| Others | 8145 | (1 870 488) | (807 960) |

5.12. Information on the existence of valuables recorded on off-balance accounts

| Index | Code | As of 31 st of March 2016 (1) | As of 31 st of December 2015 (2) | As of 31 st of December 2014 (3) |
|----------------------------------------------------------------------------------|-------|------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| 1 | 2 | 3 | 4 | 5 |
| Арендованные основные средства | 8200 | 22 641 855 | 19 448 346 | 17 789 284 |
| Rented fixed assets | 82001 | 2 322 952 | 2 322 952 | 2 322 952 |
| Including: leasing | 8201 | | | |
| Inventories received for storage | 8202 | | | |
| Materials received for processing | 8203 | | | |
| Stock received as commission | 8204 | | | |
| Equipment received for assembling | 8205 | 1 439 694 | 999 456 | 650 119 |
| The written-off debt of insolvent debtors | 8206 | | | |
| Deterioration of items for external improvement and other similar items | 8207 | 2 029 | 2 001 | 502 |
| Strict reporting forms | 8208 | | | |
| Property in Federal ownership | 8209 | | | |
| Non-material assets received for usage | 8210 | | | |
| Property transferred to the statutory capital as a payment for purchasing shares | | | | |

5.13. Information on reported sections

| | Code | Denomination of the reported section Moscow | Denomination of the reported section Moscow region | Denomination of the reported section | Denomination of the reported section | Denomination of the reported section | Other sections | Total |
|------------------------------------------------|------|---------------------------------------------|----------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------|-------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Income from the external customers | 8310 | 72 163 972 | 67 696 243 | | | | | 139 860 215 |
| Income from sales between the sections | 8320 | | | | | | | - |
| Total income of the section | 8300 | 72 163 972 | 67 696 243 | - | - | - | - | 139 860 215 |
| <i>including</i> | | | | | | | | |
| Income from handover | 8301 | 65 031 540 | 63 610 850 | | | | | 128 642 390 |
| Income from technical connection | 8302 | 6 430 687 | 3 581 047 | | | | | 10 011 734 |
| <i>Other income</i> | 8303 | 701 745 | 504 346 | | | | | 1 206 091 |
| Interest to receive | 8330 | 237 726 | 90 977 | | | | | 328 703 |
| Interest to be paid | 8340 | (3 010 718) | (2 697 067) | | | | | (5 707 785) |
| Income tax expense | 8350 | (1 576 916) | (831 798) | | | | | (2 408 714) |
| Income (loss) of the section | 8360 | 7 991 794 | (1 912 329) | | | | | 6 079 465 |
| Assets of the section | 8370 | 238 149 244 | 103 460 359 | | | | | 341 609 603 |
| <i>including non-current assets</i> | 8371 | 205 780 202 | 101 528 173 | | | | | 307 308 375 |
| Section liabilities | 8380 | 139 626 939 | 11 217 768 | | | | | 150 844 707 |
| Depreciation of assets and non-material assets | 8390 | 13 127 621 | 11 177 109 | | | | | 24 304 730 |

Moscow United Electric Grid Company
JSK

Textual explanations to the balance sheet and financial results for 2016

These textual explanations are an integral part of the annual accounting (financial) statement of the Public Joint Stock Company "Moscow United Electric Grid Company" (hereinafter "the company") for 2016, prepared in accordance with the current legislation of the Russian Federation

All amounts are presented in thousands of rubles, unless otherwise is indicated. Negative indicators are shown in parentheses.

1. General information

Full name: Public Joint Stock Company "Moscow United Electric Grid Company".

Abbreviated name: PJSC "MOESK", PJSC "Moscow United Electric Grid Company".

Company address: 115114, Russian Federation, Moscow, 2nd Paveletsky passage, 3, building 2.

Date and state registration number: April 1, 2005 number 105774655811.

The Company was created as a result of the reorganization of the MOSENERGO in the form of segregation based on the decision of the Annual General Meeting of the shareholders of MOSENERGO (Minutes X 1 from June 29, 2004).

The main activities of the Company are:

- rendering services on delivery and distribution of electric energy in the Moscow city and Moscow region
- connection of the new consumers to the electric grid and increasing the capacities of the existing consumers,
- other activities.

By the decision of the Annual General Meeting of the shareholders of the Company from June 6, 2016 (Minutes No. 18 from 09.06.2016), "RSM RUS" JSC was approved as an Auditor.

The Management Board of the Company includes:

| Num. | Name, First name | The occupied position in the Management Board | Place of work | Position as of 31.12.2016 |
|------|---------------------------------|-----------------------------------------------|------------------------------------------------------|--------------------------------------------------------------|
| 1. | Budargin Oleg Mihailovici | Chairperson of the Management Board | Public Corporation "Rosseti" | General Manager, member of the Management Board, Chairperson |
| 2. | Gavrilenko Anatoly Anatolievich | Deputy Chairperson of the Management Board | Closed JSC "Lider" (pension fund management company) | General Manager, member of the Management Board |

| № | Name, First name | The occupied position in the Management Board | Place of work as of 31.12.2016. | Position as of 31.12.2016 |
|----------|---------------------------------|------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 3. | Grishenko Sergey Valentinovici | Member of the Management Board | Gazprombank "(Joint Stock Company) | Deputy Head of the Direct Investments Department |
| 4. | Demin Andrei Alexandrovich | Member of the Management Board | Public Company "Rosseti" | Member of the Executive Board |
| 5. | Isaev Oleg Yurievich | Member of the Management Board | Public Company "Interregional Distribution Grid Company Center" | Director General, member of the Board of Directors, Chairman of the Executive Board |
| 6. | Kravcenko Veaceslav Mihailovich | Member of the Management Board | Ministry of Energy of the Russian Federation | Deputy Minister of Energy of the Russian Federation |

| | | | | |
|-----|------------------------------|--------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| 7. | Lebedev Sergei Yurievich | Member of the Management Board | Public Company "Rosseti" | Director of the Department of Strategic Development |
| 8. | Livinskii Pvel Anatolievich | | Moscow Department of Fuel and Energy | Head of department |
| 9. | Rakov Alexei Victorovich | Member of the Management Board | Public Company "Rosseti" | Director of the Department of electricity metering and interaction with the subjects of electricity markets |
| 10. | Nikitin Sergei Alexandrovich | Member of the Management Board | Closed JSC "Lider" (pension fund management company) | Deputy Director General - Head of Corporate Control Department |
| 11. | Nujdov Alexei Victorovich | Member of the Management Board | Closed JSC "Lider" (pension fund management company) | Deputy Director General for Investments and Interaction with Government Agencies |
| 12. | Siniutin Piotr Alexeevich | Member of the Management Board | Public Company "MOESK" | Director General, Chairman of the Executive Board |
| 13. | Logovinskii Evgeni Ilich | Member of the Management Board | Non-Governmental pension fund | Vice President - Chief Financial Officer |

The board consists of:

| № | Name, First name | Work place | Position as of 31.12.016 |
|----------|------------------------------|------------------------|----------------------------------------------------------|
| 1. | Siniutin Piotr Alexeevich | Public Company "MOESK" | General Manager, Chairman of the Executive Board |
| 2. | Budiko Mark Leonidovich | Public Company "MOESK" | Deputy Head of Logistics, Material and technical support |
| 3. | Voinov Roman Vladimirovich | Public Company "MOESK" | Head of Moscow cable networks Branch |
| 4. | Filin Alexandr Valentinovich | Public Company "MOESK" | First Deputy General Manager |

| № | Name, First name | Work place | Position as of 31.12.016 |
|-----|------------------------------------|---------------------------|---------------------------------------------------------------------------------------------|
| | | | for Corporate Protection and Corruption Prevention |
| 5. | Inozemtsev Alexander Valerevich | Public Company “MOESK” | First Deputy General Manager for Financial and Economic Activities and Corporate Governance |
| 6. | Ivanov Vsevolod Evgenevich | Public Company “MOESK” | First Deputy General Manager - Chief Engineer |
| 7. | Vologin Andrey Viktorovich | Public Company “MOESK” | Director of East Electric Grids Branch |
| 8. | Pyatigor Alexander Mikhailovich | Public Company “MOESK” | Deputy General Manager for Technological Connection and Service Development |
| 9. | Starostin Alexei Sergeevich | Public Company “MOESK” | Deputy General Manager for Corporate Management and Property Relations |
| 10. | Saltykov Sergey Vladimirovich | Public Company “MOESK” | Deputy General Manager for Transport and Power Recording |

Audit Commission is comprised of:

| № | Name, First name | Position in the Audit Commission | Work place | Position as of 31.12.016 |
|----------|-------------------------------|-----------------------------------------|-------------------------------|-----------------------------------------------------------------------------------|
| | Kim Svetlana Anatolievna | Chairman of the Audit Commission | Public Company "Rosseti" | Head of the Audit Office of the Control and Audit Department |
| 2. | Shmahav Igor Vladimirovich | Member of the Audit Commission | Public Company "Kubanienergo" | Deputy General Manager for Controlling |
| 3. | Kirillov Artem Nikolaevich | Member of the Audit Commission | Public Company "Rosseti" | Deputy Head of the Audit Office of the Control and Audit Department |
| 4. | Kabziskina Elena Alexandrovna | Member of the Audit Commission | Public Company "Rosseti" | Deputy Head of the Audit Office of the Control and Audit Department |
| 5. | Yerandnna Elena Stanislavovna | Member of the Audit Commission | Public Company "Rosseti" | Chief Expert of the Control and Expert Office of the Control and Audit Department |

As of December 31, 2016 the Company has the following branches in its structure:

1. South Electric Grids.
2. East Electric Grids.
3. North Electric Grids.
4. West Electric Grids.
5. Moscow Cable Networks.

- 6. Energouchet.
- 7. New Moscow.
- 8. Moscow High-Voltage Networks.

Information on branch organizations of the Company is presented in the following table:

| Name | Residence, registration place | Activity field | Share of participation of the |
|-------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| ОАО «Москабельсетьмонтаж» (ОАО «МКСМ») | 115088, Moscow, Yuzhnoportovaya str., 17, bld. 3 | Construction and installation works (including works on installation of external engineering networks and equipment, laying of cable power lines of 1-10, 20, 35, 110, 220 and 500 kV; preparation of the construction site and excavation works; erection of load- bearing and enclosing structures; installation of internal engineering networks; works on protection of structures and equipment; commissioning works). | 100% |

| | | | |
|---------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| JSC Plant for Repair of Electrical Equipment (JSC Plant RETO) | Moscow, Starokashirskoye highway, 4a | Installation, adjustment and repair of power facilities, electric power, heat power equipment and power installations of consumers; works on capital and current repair of power electrical equipment in power networks, at CHPP, GRES and other facilities. | 100% |
| JSC Moskabelenergoemont (JSC MKER) | 111539, Moscow, Reutovskaya, 7B | Installation, adjustment and repair of power facilities, electric power, heat power equipment and power installations of consumers. | 100% |
| JSC Energocenter | 142117, Moscow Region, Podolsk, Kirova str., 65 | Investment activities; provision of services of connection to electric grids; development of electric grids and other electric grid facilities including design, engineering surveys, construction, reconstruction, technical re-equipment, installation and commissioning; | 100% / o |

2. Principal provisions of accounting policy

In the reporting period, the Company had an financial and tax accounting policy approved by the order of the General Director No. 1758 of 31.12.2015. In 2016, changes of the accounting policy of the Company for financial accounting purposes were made by orders of PJSC MOESK No. 1098 of 12.09.2016, No. 1113 of 20.09.2016, №1257 of 21.10.2016, No. 1559 of 28.12.2016. No changes of the accounting policy of the Company for tax accounting purposes were made.

2.1. Regulatory framework

The Company's financial report is formed based on the rules of financial and tax accounting and reporting that are in force in the Russian Federation, in particular:

1. Federal Law No. 402-FZ of 06.12.2011 "About Accounting";
2. Regulation on financial accounting and reporting in the Russian Federation, approved by order of the Ministry of Finance of Russia No. 34n of 29.07.1998;
3. Regulation on financial accounting No. 1/2008 "Accounting policy of the enterprise", approved by order of the Ministry of Finance of Russia No. 106n of 06.10.2008;
4. Regulation on financial accounting No. 2/2008 "Accounting for construction contracts", approved by order of the Ministry of Finance of Russia No. 116n of 24.10.2008;
5. Regulation on financial accounting No. 3/2006 "Accounting for assets and liabilities whose value is denominated in foreign currency", approved by order of the Ministry of Finance of Russia No.154n of 27.11.2006;
6. Regulation on financial accounting No. 4/99 "Financial reporting of the organization", approved by order of the Ministry of Finance of Russia No. 43n of 06.07.1999;
7. Regulation on financial accounting No. 5/01 "Stock accounting", approved by order of the Ministry of Finance of Russia No. 44n of 09.06.2001;
8. Regulation on financial accounting No. 6/01 "Accounting for fixed assets", approved by order of the Ministry of Finance of the Russian Federation No. 26n of 30.03.2001;
9. Regulation on financial accounting No. 7/98 "Events after the reporting date", approved by order of the Ministry of Finance of the Russian Federation No. 56n of 25.11.1998;
10. Regulation on financial accounting No. 8/10 "Estimated liabilities, contingent liabilities and contingent assets", approved by order of the Ministry of Finance of the Russian Federation No. 167n of 13.12.2010;;

11. Regulation on financial accounting No. 9/99 "Incomes of the organization", approved by order of the Ministry of Finance of Russia No. 32n of 06.05.1999;
12. Regulation on financial accounting No. 10/99 "Expenses of the organization", approved by order of the Ministry of Finance of the Russian Federation No. 33n of 06.05.1999;
13. Regulation on financial accounting No. 11/2008 "Information on related parties", approved by order of the Ministry of Finance of Russia No. 48n of 29.04.2008;
14. Regulation on financial accounting No. 12/2010 "Information on segments", approved by order of the Ministry of Finance of Russia No. 143n of 08.11.2010;
15. Regulation on financial accounting No. 13/2000 "Accounting for state aid", approved by order of the Ministry of Finance of the Russian Federation No. 92n of 16.10.2000;
16. Regulation on financial accounting No. 14/2007 "Accounting for intangible assets", approved by order of the Ministry of Finance of the Russian Federation No. 153n of 27.12.2007;
17. Regulation on financial accounting No. 15/2008 "Accounting for expenses on loans and credits", approved by order of the Ministry of Finance of Russia No. 107n of 16.10.2008;
18. Regulation on financial accounting No. 16/02 "Information on discontinued operations", approved by order of the Ministry of Finance of Russia No. 66n of 02.07.2002;
19. Regulation on financial accounting No. 17/02 "Accounting for expenses for research, development and technological works", approved by order of the Ministry of Finance of Russia No. 115n of 19.11.2002;
20. Regulation on financial accounting No. 18/02 "Accounting for income tax payments", approved by order of the Ministry of Finance of Russia No. 114n of 19.11.2002;
21. Regulation on financial accounting No. 19/02 "Accounting for financial investments", approved by order of the Ministry of Finance of the Russian Federation No. 126n of 10.12.2002;
22. Regulation on financial accounting No. 20/03 "Information on participation in joint activities", approved by order of the Ministry of Finance of Russia No. 105n of 24.11.2003;
23. Regulation on financial accounting No. 21/2008 "Changes in estimated values", approved by order of the Ministry of Finance of Russia No. 106n of 06.10.2008;
24. Regulation on financial accounting No. 22/2010 "Correction of errors in financial accounting and reporting", approved by order of the Ministry of Finance of Russia No. 63n of 28.06.2010;
25. Regulation on financial accounting No. 23/11 "Statement of cash flows", approved by order of the Ministry of Finance of the Russian Federation No. 11n of 02.02.2011;
26. Regulation on financial accounting No. 24/11 "Accounting for costs of development of natural resources", approved by order of the Ministry of Finance of Russia No. 125n of 06.10.2011;
27. Regulation on financial accounting of long-term investments, approved by letter of the Ministry of Finance of the Russian Federation No. 160 of 30.12.1993;
28. Order No. 66n of 02.07.2010 "On the forms of financial reporting of organizations";
29. Other current Russian rules (standards) of financial accounting;
30. Tax, labor, land and other regulations of the Russian Federation.

2.2. Intangible assets

Intangible assets are accepted for accounting at their original cost. The original cost of intangible assets is determined as the amount calculated in monetary terms equal to the amount of payment in monetary and other form or the amount of accounts payable, paid or accrued by the organization upon acquisition or creation of an asset and provision of conditions for using the asset for intended purposes.

Depreciation of intangible assets with a certain term of useful life is made in a linear way, based on the term of useful life of intangible assets. The term of useful life is specified by the commission of the Company, which is created by an order of the General Manager of the Company.

Depreciation charges on intangible assets are reflected in the

accounting for the reporting period to which they relate and are charged regardless of the results of the Company's activities in the reporting period.

The terms of useful life of intangible assets for depreciation purposes:

| Intangible assets | Terms of useful life, months |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Trade mark | 102 |
| Patent for the Device for Restriction of Transient Recovery Voltages in Circuits with Current-Limiting Reactions | 120 |
| Patent for the Simulation Device for Determining the Installation Locations of Reactive Power Compensation Equipment in General Purpose Electrical Networks | 120 |
| Automated management system for corporate finance and contracts PJSC MOESK | 120 |
| Automated system of visual management reporting for the financial and economic block of PJSC MOESK | 120 |
| Automated management system for financial and economic activities of PJSC MOESK | 120 |
| Patent No. 155569 dated 18.09.2015 for utility model "Device for automatic voltage regulation of a transformer" | 120 |
| Patent No. 154190 dated 21.07.2015 for utility model "Device for charging of public electric transport" | 120 |
| Certificate of state registration of the computer program № 2015613699 dated 18.09.2015 "Program for calculating the settings of devices for automatic voltage regulation of electrical network transformers" | 120 |
| Patent No. 155427 dated 11.09.2015 for utility model "Device for charging of public electric transport" | 120 |
| Software complex for technological control of charging stations | 98 |
| Patent No. 130459 for utility model "Charging station for electric transport" | 101 |
| Automated management system for investment activities of PJSC MOESK in the field of capital construction | 120 |

| | |
|-------------------------------------------------------------------------------------------------------|-----|
| Patent No. 2574819 dated 14.01.2016 for the invention "Automatic voltage reduction limitation system" | 216 |
| Patent No. 165635 for utility model "Automatic reclosing device for aerial cable transmission line". | 108 |
| Automated system of economic evaluation of an application for contract works of PJSC MOESK | 120 |

Change of the original cost of an intangible asset, at which it is accepted for accounting, is allowed in cases of revaluation and depreciation of intangible assets.

The original cost of intangible assets received under contracts providing for the performance of obligations (payment) by non-monetary assets is determined based on the value of the assets transferred or to be transferred. If it is not possible to determine the value of assets transferred or to be transferred under such contracts, the cost of the intangible assets received is established based on the price at which similar intangible assets are acquired in comparable circumstances.

2.3. Fixed assets

Items of fixed assets are accepted for accounting at their original cost. The original cost of fixed assets purchased for a fee is treated as the amount of actual costs of acquisition, construction and manufacturing, excluding value added tax and other reimbursable taxes (except for cases provided for by the legislation of the Russian Federation). The fixed assets are recorded in the reporting at their residual value.

The Company revalues the fixed assets not more often than once a year (at the end of the reporting year) at current (replacement) cost in respect of the following groups of fixed assets: "Power Machines and Equipment".

The revaluation of the group of homogeneous items of fixed assets "Power Machines and Equipment" is made in accordance with the procedure established by the legislation of the Russian Federation at the end of the reporting year, based on the relevant administrative document of the Director General of the Company, if, based on the results of conducted assessment, the cumulative deviation from the original cost is more than 10 percent. Revaluation of items of the fixed assets of the Company is carried out by independent appraisers.

The amount of write-down of an item of the fixed assets due to revaluation is classified in the financial results as other expenses. The amount of write-down of an item of the fixed assets, implemented within the limits of write-up carried out in previous reporting periods and allocated to the additional capital of the organization, is reflected as reduction of the additional capital.

The amount of write-up of an item of the fixed assets due to revaluation is allocated to the additional capital of the organization. The amount of write-up of the item of the fixed assets equal to the amount of its write-down performed in previous reporting periods and allocated in the financial results to other expenses is included into the financial results as other incomes.

In case of retirement of an item of the fixed assets, the amount of its write-up is transferred from the additional capital of the organization to the unallocated income of the organization.

Fixed assets with a value of no more than 40 000 rubles per unit are reflected in financial accounting and reporting as part of inventory stocks.

Change of the original cost of the fixed assets, at which they are accepted for accounting, is allowed in cases of further construction, further equipping, reconstruction, modernization, partial liquidation and revaluation of items of the fixed assets.

Depreciation on items of the fixed assets is made in a linear way. The terms of useful life of fixed assets used to calculate depreciation are as follows:

| Groups of fixed assets | Terms of useful life, months |
|---------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Production buildings | 374 |
| Constructions, except for power transmission lines | 286 |
| Power transmission lines and their accessories | 273 |
| Machinery and equipment for electricity production, substations, equipment for electricity conversion | 180 |
| Production and organizational stock | 52 |
| Others | 78 |
| Groups of fixed assets | Terms of useful life, months |
| Production buildings | 374 |

The fixed assets, the rights to which are subject to state registration in accordance with the legislation of the Russian Federation, and for which capital investments are completed, the relevant primary accounting documents for delivery acceptance are processed, the documents are submitted for state registration and which are actually in operation, are accepted for accounting as fixed assets with allocation to a separate sub-account for the account of fixed assets. For such items, depreciation is charged per standard procedure from the first day of the month following the month of the commissioning of the item.

The property received by the Company under contracts that provide for performance of obligations (payment) by non-monetary assets (in particular under barter agreements) is valued based on the cost of the values transferred or to be transferred to the Company. The cost of the values transferred or to be transferred to the Company is determined based on the price at which the Company usually determines the cost of similar values in comparable circumstances.

If it is not possible to determine the cost of values transferred or to be transferred, the cost of the fixed assets received by the organization under contracts that provide for performance of obligations (payment) by non-monetary assets is determined based on the cost at which similar items of fixed assets are acquired in comparable circumstances.

The cost of fixed assets received in exchange for retiring property under the agreements on compensation for losses is determined based on the actual costs of the item construction of the transferring party specified in the delivery and acceptance certificate for the property.

During assessment of the property, its actual cost is formed with account for the costs incurred by the Company for bringing the property to a state suitable for use (for examinations, consultations, payment for services of agents and other intermediaries, delivery, installation and test launches, registration of transactions, payment of fees, etc.).

2.4. Inventory stocks

The inventory stocks are accepted for accounting at actual self-cost, which is treated as the amount of actual acquisition costs, excluding value added tax and other reimbursable taxes (except for cases provided for by the legislation of the Russian Federation). The following assets are accepted as inventory stocks:

- used as raw materials, materials, etc. in the production of products intended for sale (performance of works, provision of services);
- intended for sale;
- used for management needs of the Company.

Valuation of inventory stocks in case of their release to production and other retirement is carried out at the average cost.

Contract prices are accepted as accounting prices.

The nomenclature number is adopted as the unit of inventory stocks.

Transportation and procurement costs of delivery to the Company's warehouse are included in the actual self-cost of materials.

At the end of the reporting year, inventory stocks are reflected in the balance sheet at a cost determined based on the above stock valuation methods.

Inventories that are morally obsolete, completely or partially lost their original quality, are reflected in the balance sheet at the end of the reporting year, less provision for write-off of tangible assets. This reserve is formed at the expense of the Company's financial results for the amount of the actual self-cost of illiquid (nonstandard and slow-moving) inventory stocks. The net realizable value of illiquid inventory stocks is considered to be zero.

2.5. Long-term and short-term financial investments

The unit of accounting for financial investments, based on the nature, procedure for acquisition and use, is a contract, a state registration code, a series or another homogeneous set of financial investments.

All costs directly related to the acquisition of assets as financial investments, regardless of their amount, are included in the original cost of financial investments.

On retirement of financial investments, for which the current market value cannot be determined, their cost is determined as follows:

- contributions to the authorized capital of other organizations (except for shares of joint-stock companies), loans provided to other organizations, deposits in credit institutions, accounts receivable obtained based on the assignment of claim are valued at the original cost of each retiring unit of financial investments;
- security papers (shares and bonds) are valued on retirement at the average original cost.

On retirement of assets accepted for accounting as financial investments, for which the current market value can be determined, their cost is determined based on the latest valuation.

Adjustment of the estimate of financial investments, for which the current market value cannot be determined, is made annually, as of the end of the reporting year.

Adjustment of investments, for which the current market value can be determined, is made at the end of each reporting quarter.

The Company forms a provision for impairment of financial investments, for which the market value cannot be determined, in case of a sustained significant reduction in the amount of economic benefits that the Company expects to receive from these financial investments under the normal conditions of its operations as determined at the end of the reporting year.

Interest (coupon yield, discount) on security papers is accrued for each reporting period in accordance with the contract conditions and written off to other incomes (expenses).

2.6. Accounts receivable

Accounts receivable from buyers and customers are determined on the basis of prices established by agreements between the Company and buyers and customers.

The Company creates provisions for doubtful debts in case of recognition of receivables as doubtful with allocation of the amounts of the provisions to financial results.

Doubtful receivables are treated as receivables that are not repaid or most likely will not be repaid within the terms established by the contract and are not secured by appropriate guarantees. The amount of the provision is determined separately for each doubtful debt, depending on the financial condition (solvency) of the debtor and the estimated probability of whole or partial repayment of the debt.

2.7. Recognition of incomes

Revenue is accepted for accounting in the amount, calculated in monetary terms, equal to the amount of receipt of monetary funds and other assets and (or) the amount of accounts receivable. If the amount of receipts covers only part of the revenue, the revenue received for accounting is determined as the amount of receipts and accounts receivable (with regard to the part which is not covered by receipts).

Revenue is recognized in accounting when the following conditions are met:

- The Company has the right to receive this receipts, which results from a specific contract or is confirmed in another appropriate way;
- the amount of the revenue can be determined;
- there is a certainty that a specific operation will result in an increase of economic benefits;

- the right of ownership (possession, use and disposal) for products (goods) passed from the Company to the buyer or the work was accepted by the customer (the service has been provided);

- costs that are incurred or will be incurred in connection with this operation can be determined.

Revenue from the sale of goods, provision of services is reflected in the statement of financial results less the value added tax. Incomes from ordinary activities include:

- income from electricity transmission;
- income from the provision of services for connection of capacity;
- income from leasing of property;
- income from the provision of industrial services.

2.8. Recognition of expenses

Expenses are accepted for accounting in the amount, calculated in monetary terms, equal to the amount of payment in monetary form.

Expenses from ordinary activities include the expenses related with manufacture and sale of products, acquisition and sale of goods, the expenses related with performance of works, provision of services, implementation of which is related with the usual activities of the Company. Expenses from ordinary activities are divided into:

- expenses from electricity transmission;
- expenses from the provision of services for connection of capacity;
- expenses from leasing of property;
- expenses from the provision of industrial services.

2.9. Accounting for expenses on loans and credits

Loans and credits are monetary funds (credit, loan) received from the lender (creditor) in the amount and on conditions stipulated by the contract, which the borrower undertakes to return in full after a certain period of time and pay interest, unless otherwise provided by law or the loan agreement.

Calculations for loans and credits reflect information on the status of settlements of the lender and the borrower on the part of the borrower. Herewith, calculations for interest payment are recorded separately from calculations for the principal amount of the debt.

Interest on loan obligations arising when the Company attracts funds in order to create its own investment asset is included in the value of this asset.

An item is recognized as an investment asset when the following criteria are met:

- preparation of the item for intended use requires a long period of time and significant expenses for acquisition, construction and (or) manufacture;
- the item is specified by the Company's investment program;
- in the current period, the work necessary to prepare an investment asset for intended use was started and continues to be performed.

In particular, creation of an investment asset may be related with:

- implementation of capital construction in the form of new construction, as well as reconstruction, expansion and technical re-equipment (including further construction, further equipping, modernization, etc.) of the existing non-productive assets. These works (except for new construction) lead to a change in the nature of objects, for which they are carried out, and the expenses incurred in doing so are not the period expenses by their content;

- acquisition of buildings, structures, equipment, vehicles and other individual items of fixed assets (or parts thereof);

- acquisition and creation of intangible assets (patents, software products, R&D, etc.).

The Company makes the reclassification (translation) of long-term debt into short-term debt at each reporting date. Reclassification of the debt on the received borrowed funds (both for the principal debt and for the corresponding amounts of accrued interest) is made in the following order:

- short-term debt is transferred to long-term debt, if an agreement is concluded on the prolongation of the short-term loan agreement in such a way that the maturity of the loan will be more than 12 months from the reporting date;

- long-term debt is transferred to short-term debt when under the conditions of the credit (loan) agreement less than 12 months left to the repayment of the debt.

- under long-term credit (loan) agreements, repayable in installments, the debt on the due installment of the

credit (loan) agreement is transferred to the current portion of long-term borrowed funds, when under the conditions of the credit (loan) agreement less than 12 months left to the repayment of this installment of debt.

2.10. 2.10. Cash and cash equivalents, accounting for cash flows

Cash and cash equivalents

In order to prepare the statement of cash flows, the Company includes cash equivalents in cash, which are treated as short-term highly liquid financial investments that can easily be converted into a known amount of cash and are subject to an insignificant risk of changes in value.

In particular, the Company considers as cash equivalents deposits in credit institutions, that are redeemed on demand and/or have a maturity of three months or less, as well as highly liquid bank promissory notes with a maturity of up to three months.

Reflecting of cash flows on a net basis

Cash flows are reflected in the statement of cash flows on a net basis in cases when they characterize not so much the activities of the Company as the activities of its counterparties, and (or) when the receipts from some persons determine appropriate payments to other persons. In particular, the Company reflects on a net basis the indirect taxes within receipts from buyers and customers, payments to suppliers and contractors and payments to the budget system of the Russian Federation or reimbursement from it. Also, cash flows are reflected in the statement of cash flows on a net basis in cases when they are characterized by rapid turnover, large amounts and short terms of return.

Accounting for exchange rate difference on assets and liabilities, value of which is expressed in foreign currency

Exchange rate difference is reflected in financial accounting and reporting in the reporting period in which the underlying payment obligations were settled or for which the financial reporting is made.

Exchange rate difference is to be recorded in the Company's financial results as other incomes or other expenses, with the exception of the exchange rate difference related with the formation of the Company's authorized capital, which is subject to attribution to additional capital.

The exchange rate of the Central Bank of the Russian Federation for the US dollar to the ruble as of December 31, 2016 amounts to: 60,6569 rubles (December 31, 2015: 72,8827 rubles, December 31, 2014: 56,2584 rubles).

2.11. State subsidies

Funds of targeted financing is treated as funds (in the form of cash or (and) non-cash resources) intended for implementation of targeted activities, received from other organizations and individuals, as well as state aid, including in the form of subsidies (hereinafter — "budgetary funds").

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Budgetary funds, including non-cash resources, are accepted for accounting in the presence of the following conditions:

- there is a certainty that these funds will be received.

This evidence may be in the form of an approved budgetary list, notification of budgetary allocations, limits of budgetary obligations, delivery and acceptance certificates for the resources and other relevant documents;

- there is a certainty that the conditions for the provision of these funds by the Company will be met. This evidence may be in the form of agreements concluded by the Company, adopted and publicly announced decisions, feasibility studies, approved design estimates, etc.

2.12. Methods for classifying assets and liabilities

Assets and liabilities are classified in financial reporting as short-term, if their term of circulation/settlement does not exceed 12 months from the day after the reporting date; other assets and liabilities are reported as long-term.

Expenses incurred in the reporting period but related to the next reporting periods are reflected in the balance sheet in accordance with the asset recognition terms established by regulatory legal acts on financial accounting and are subject to writing off in accordance with the procedure established for writing off the value of

assets of this type.

These expenses are allocated in financial accounting to account 97 "Expenses of future periods", and if they are of a long-term nature, they are included in balance line "Other non-current assets" except for the part that is subject to settlement within 12 months after the reporting date. This short-term part, as well as expenses of an initially short-term nature, are included in balance line "Other current assets".

If no methods of accounting are established in regulatory legal acts for a specific issue, then when forming the accounting policy, the organization develops an appropriate method, based on the provisions for accounting, as well as International Financial Reporting Standards.

2.13. Methods of property valuation

Valuation of property and liabilities is made for the purpose of their reflection in financial accounting and reporting in monetary terms.

Property acquired for a fee is valued by summation of actually incurred expenses for its purchase; property received free of charge is valued based on the market value as of the date of posting; property produced in the organization itself is valued based on the cost of its manufacture.

2.14. Uncertainty of estimates

Key assumptions regarding future events and other sources of estimation uncertainty as of the reporting date, which may require significant adjustments to the carrying amount of assets and liabilities during the next financial year, are presented below:

- provision for doubtful debts;
- provision for write-off of inventory stocks;
- terms of useful life of intangible assets;

- provisions formed in connection with the consequences of contingent facts of economic activity.

The Company recognizes in financial accounting and reporting the estimated liabilities, which are reflected in the account for provisions for future expenses (account 96). When recognizing an estimated liability, depending on its nature, the value of the estimated liability is allocated to expenses of ordinary activities or other expenses, or is included in the cost of an asset.

Provisions for estimated liabilities include the following future expenses:

- provision for future expenses on vacation payments to employees;
- provision for future expenses on payment of remuneration based on annual performance results, monthly and quarterly remuneration;
- other provisions for future expenses.

The provision for future expenses on vacation payments to employees is formed individually for each employee. When forming the provision, the following indicators are taken into account: the actual wages of employees and other payments for the accounting period stipulated by the wage system and taken into account when calculating the average wage in accordance with Article 139 of the Labor Code of the Russian Federation, the total number of unused vacation calendar days at the reporting date, and accrued amounts of insurance premiums. The provision is accrued on a monthly basis.

Accumulated, but not used at the end of the month amount of the provision is recorded as a carry-over of the provision for future expenses.

The provision for future expenses of vacation payments to employees as of the reporting date is adjusted based on the actual number of days of unused vacation. When the accumulated amount of the provision is exceeded, a recovery is made. If the accumulated provision is insufficient, a one-time additional accrual of the provision for the forthcoming vacation payment is made. The results are documented by an inventory report of the provision balance.

The provision for future expenses on payment of remuneration based on annual performance results, for the fourth quarter, for December of the reporting period is determined as the amount of remuneration, the right to receive which employees of the organization acquire for the reporting period. The amount of the provision comprises all amounts of insurance premiums and contributions to social insurance from accidents calculated from the amount of deductions to the provision.

3. Intangible assets

Intangible assets of the Company as of December 31, 2016 include the Company's trade mark, patents and rights to developments and discoveries.

Information on availability and movement of intangible assets in the reporting period is presented in Table No. 5.1.1, and on unfinished acquisitions in Table 5.2.2 of the Explanations to the Balance Sheet.

In 2016, the Company incurred expenses for acquisition (creation) of intangible assets (new technologies, patent rights, licenses for the use of inventions, industrial designs, utility models, etc.) for a total amount of 342,979 thousand rubles. (2015: 419,290 thousand rubles).

4. Results of research and development (R&D)

Information on availability and movement of R&D results of the Company in the reporting period is presented in Table 5.2.1, and on expenses for unfinished and unregistered research, development and technological works in the Table and 5.2.2 of the Explanations to the Balance Sheet.

In 2016, the Company incurred expenses for uncompleted and unregistered research, development and technological works for a total amount of 135,698 thousand rubles. (2015: 264,915 thousand rubles).

5. Fixed assets

Information on availability and movement of fixed assets and corresponding accumulated depreciation is presented in Table No. 5.3.1 of the Explanations to the Balance Sheet.

The fixed assets of group "Machinery and equipment" are accounted for at revalued cost; in 2016 revaluation of fixed assets was not carried out.

As of December 31, 2016, the carrying amount of fully depreciated fixed assets excluding depreciation amounted to 47,263,787 thousand rubles. (December 31, 2015: 39,720,896 thousand rubles, December 31, 2014: 30,585,475 thousand rubles).

The expenses on credits and loans in the amount of 2,121,042 thousand rubles (2015: 2,409,218 thousand rubles) were capitalized during the reporting period. The capitalization rate is 0.84% (2015: 0.81%) and represents the weighted average annual rate for all no-purpose loans used to create investment assets.

The fixed assets include items whose consumer properties do not change over time, i.e. not subject to depreciation. Information on the carrying amount of items of this kind as of December 31 is presented in the table:

| Items of fixed assets | 2016 | 2015 | 2014 |
|------------------------------|---------------|---------------|---------------|
| Land plots | 93 740 | 92 777 | 93 579 |
| Housing facilities | 64 | 64 | 64 |
| Total | 93 804 | 92 841 | 93 643 |

The Company owns twenty-nine land plots with a total area of 52.12 hectares (December 31, 2015: 56.49 ha, December 31, 2014: 46.47 ha).

Information on changes of the cost of fixed assets at which they are accepted for accounting (further construction, further equipping, reconstruction, partial liquidation and revaluation of items of fixed assets) is presented in Table 5.3.3 of the Explanations to the Balance Sheet.

Information on real estate objects that are taken into operation and actually used, or are in the process of state registration as of the reporting date is presented in Table No. 5.3.4 of the Explanations to the Balance Sheet.

Information on availability and movement of unfinished construction objects and unfinished transactions on acquisition, modernization, etc. of fixed assets is presented in Table 5.3.5 of the Explanations to the Balance Sheet.

6. Financial investments

Information on availability and movement of financial investments in the reporting period is presented

in Table 5.4.1 of the Explanations to the Balance Sheet.

Investments to the authorized capital of other companies

As of December 31, 2016, the Company has shares in the authorized capital of following companies:

| Company name | Share in the authorized capital | Balance as of December 31, 2016 | Balance as of December 31, 2015 | Balance as of December 31, 2014 |
|--------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| MKER | 100% | 466 739 | 466 739 | 398 211 |
| Energocenter | 100% | 1 171 000 | 1 171 000 | 1 051 000 |
| RETO | 100% | 661 955 | 661 955 | 659 154 |
| MKSM | 100% | 1 793 454 | 1 793 454 | 1 793 454 |
| Total | | 4 093 148 | 4 093 148 | 3 901 819 |

As of December 31, 2016, the Company identified signs of impairment of financial investments and in 2016 made an additional accrual of the provision in the amount of 156,276 rubles, as well as made recovery of the provision in the amount of 1,682 thousand rubles, having identified signs of increase of the estimated value of financial investments (in 2015: an additional accrual of the provision in the amount of 63,861 thousand rubles, and recovery of the provision in the amount of 2,801 thousand rubles). The value of investments to the authorized capital of subsidiary companies as of the reporting date is reflected in the balance sheet at the original cost less the accrued provisions. Information on movement of provision for financial investments to the authorized capital of other companies is presented in Table 5.4.1 of the Explanations to the Balance Sheet.

Debt financial investments

As of December 31, 2016 debt instruments, the current market value of which can not be determined, include:

| Borrower | Amount due for repayment within 12 months after the reporting date | Amount due for repayment within the period exceeding 12 months after the reporting date | Maturity |
|--------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------|------------|
| JSC Energocenter | - | 256 981 | 2024 |
| JSC Energo-finance | 468 747 | - | 12.12.2014 |
| Minus provision | (468 747) | - | |
| Total | - | 256 981 | |

The rights of claims under bonds of the subsidiary company JSC Energocenter were transferred to the Company in 2012 by assignment of the right of claim of third-party creditors. Provisions for bonds of borrowers are not received. The Company intends to hold debt financial investments until redemption.

7. Inventories

Information on availability and movement of inventories and the provision for write-off in the reporting period is presented in Table 5.5.1 of the Explanations to the Balance Sheet. There are no pledged inventories.

8. Accounts receivable

Information on availability and movement of accounts receivable and the provision for doubtful debts in the reporting period is presented in Table 5.6.1 of the Explanations to the Balance Sheet. Turnovers include accounts receivable, formed and redeemed in one reporting period.

9. Cash assets and equivalents thereof

As of December 31, 2016, cash assets included:

| | 2016 | 2015 | 2014 |
|--------------------------------------------------|----------------|----------------|------------------|
| Cash in rubles on hand and at bank accounts | 589 630 | 200 269 | 4 179 053 |
| Other (monetary documents) | 1 | 2 | 2722 |
| Total cash assets and equivalents thereof | 589 631 | 200 271 | 4 181 775 |

As of December 31, 2016, the Company has opportunity to attract the following additional cash assets:

open to the Company, but unused limits under concluded credit agreements and overdraft agreements as of the reporting date, for a total amount of 47,585,716 thousand rubles, including:

- cash assets in the amount of 6,000,000 thousand rubles, which can be received by the Company on terms of overdraft;
- cash assets in the amount of 41,585,716 thousand rubles of credits that are not fully received as of the reporting date under the concluded credit agreements.

As of December 31, 2016, the Company did not have any unreachable amounts of cash.

10. Other assets

As of December 31, other assets included:

| | 2016 | | 2015 | | 2014 | |
|----------------------------------------------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | Non-current | Current | Non-current | Current | Non-current | Current |
| Expenses for acquisition of non-exclusive rights and licenses (see Note 4) | 354 281 | 78 529 | 274 614 | 23 869 | 102 590 | 43 205 |
| Other (SAP software, consulting services and bank services) | 33 639 | | 61 627 | - | 72 064 | 5 082 |
| Total | 387 920 | 78 529 | 336 241 | 23 869 | 174 654 | 48 287 |

11. Authorized, additional and reserve capital

Information on movement of authorized, additional and reserve capital in the reporting period is presented in Table 3.1 of the Explanations to the Balance Sheet.

The authorized capital consists of 48,707,091,574 (forty-eight billion seven hundred and seven million ninety-one thousand five hundred and seventy-four) ordinary shares with a face value of 0.50 rubles. The amount

of the authorized capital is 24,353,545,787

(Twenty-four billion three hundred fifty-three million five hundred forty-five thousand seven hundred and eighty-seven) rubles.

As of December 31, 2016, all issued shares were fully paid for and in circulation. The repayment of own shares or other changes in the capital structure did not happen in 2016.

In 2016, dividends for 2015 on ordinary shares were declared in the amount of 6,317,310 thousand rubles or 0.1297 rubles per one ordinary share.

The Company has formed a reserve capital intended to cover losses, which, although not specifically identified, may occur in the economic circulation. The reserve capital was formed at the expense of the Company's net profit.

12. Loans and credits

In 2016, the Company attracted 120,229,531 thousand rubles, including:

- under credit lines - 102 229 531 thousand rubles;
- under bonded loans - 18 000 000 thousand rubles.

During 2016, liabilities on credits were repaid in the amount of 110,683,127 thousand rubles.

As at 31 December, borrowed funds included:

| | 2016 | | 2015 | | 2014 | |
|------------------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| | Long-term borrowed funds | Short-term borrowed funds | Long-term borrowed funds | Short-term borrowed funds | Long-term borrowed funds | Short-term borrowed funds |
| Bank credits | 48 314 284 | 11 118 527 | 53 367 880 | 2 502 866 | 42 121 317 | 10 710 728 |
| Other loans | 18 000 000 | 5 150 687 | 12 000 000 | 5 164 164 | 10 000 000 | 10 202 523 |
| Current portion of long-term liabilities | 0 | 457 694 | 0 | 379 121 | - | 372 753 |
| Total borrowed funds | 66 314 284 | 16 726 908 | 65 367 880 | 8 046 151 | 52 121 317 | 21 286 004 |

In 2016, the amount of expenses on loans and credits included in other expenses and in the value of investment assets amounted to 5,707,785 thousand rubles and 2,121,042 thousand rubles respectively (in 2015: 4,786,786 thousand rubles and 2,409,218 thousand rubles respectively).

The carrying amount of all credits and loans granted is expressed in Russian rubles. The Company did not provide collateral for the credits and loans received.

Long-term borrowed funds

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As of December 31, 2016, long-term borrowed funds had the following structure:

| No. | Name | Contract number | As of 31.12.2016 | As of 31.12.2015 | As of 31.12.2014 | Redemption date |
|-----|------------------------------------|-------------------------------|---------------------|---------------------|---------------------|--------------------|
| | Bank credits: | | | | | |
| 1 | Creditor 1 | 5681 | 15 518 015 | 19 417 888 | 12 621 317 | 26.12.2018 |
| 2 | Creditor 1 | 5680 | 10 000 000 | 10 000 000 | 10 000 000 | 26.09.2018 |
| 3 | Creditor 2 | KS-725350/2013/00 043 | 9 703 991 | 10 000 000 | 10 000 000 | 28.11.2018 |
| 4 | Creditor 2 | KS-TsV- 725350/2014/00 149 | 5 000 000 | 4 867 992 | - | 26.12.2019 |
| 5 | Creditor 2 | KS-TsV- 725350/2014/00 150 | 3 296 009 | 2 082 000 | - | 26.12.2019 |
| 6 | Creditor 3 | 01BN8L | - | 5 000 000 | 5 000 000 | 31.07.2017 |
| 7 | Creditor 3 | 01BN9L | - | 2 000 000 | 2 000 000 | 31.07.2017 |
| 8 | Creditor 1 | 5449 | - | - | 2 500 000 | 18.08.2016 |
| 9 | Creditor 1 | 5900 | 1 009 619 | - | - | 17.06.2026 |
| 10 | Creditor 1 | 5907 | 3 786 650 | - | - | 13.09.2026 |
| | Total bank credits: | | 48 314 284 | 53 367 880 | 42 121 317 | |
| | Bonded loans: | | | | | |
| 11 | Loan | No. 3 | - | - | 5 000 000 | 10.02.2016 |
| 12 | Loan | No. 4 | - | 5 000 000 | 5 000 000 | 21.09.2017 |
| 13 | Loan | No. 7 | - | 7 000 000 | | 02.05.2018 |
| 14 | Loan | No. 8 | 8 000 000 | - | - | 25.04.2019 |
| 15 | Loan | No. 5 | 5 000 000 | - | - | 04.06.2019 |
| 16 | Loan | No. 6 | 5 000 000 | - | - | 23.07.2020 |
| | Total bonded loans: | | 18 000 000 | 12 000 000 | 10 000 000 | |
| | Total | | 66 314 284 | 65 367 880 | 52 121 317 | |

In 2016, the annual interest rate for long-term credits and loans was from 8.00% to 10.30% (in 2015: from 8.00% to 11.50%).

The schedule of payments on long-term borrowed funds as of December 31, 2016 is as follows:

| | Amount, thousand rubles |
|------------|-------------------------|
| 2016 | - |
| 2017 | - |
| 2018 | 32,314,284 |
| 2019 | 29,000,000 |
| 2020 | 5,000,000 |
| After 2020 | - |

Short-term borrowed funds

As of December 31, 2016, short-term borrowed funds had the following structure:

| No. | Name | Contract number | As of 31.12.2016 | As of 31.12.2015 | As of 31.12.2014 | Redemption date |
|-----|----------------------------|-----------------|-------------------|------------------|-------------------|-----------------|
| | Bank credits: | | | | | |
| 1 | Creditor 1 | 5461 | | - | 3 200 000 | 16.09.2015 |
| 2 | Creditor 1 | 5460 | | - | 3 000 000 | 16.09.2015 |
| 3 | Creditor 1 | 5681 | | - | 2 000 000 | 25.03.2015 |
| 4 | Creditor 1 | 5462 | | - | 1 500 000 | 16.09.2015 |
| 5 | Creditor 1 | 5681 | | - | 1 000 000 | 28.03.2015 |
| 6 | Creditor 1 | 5449 | | 2 500 000 | - | 18.08.2016 |
| 7 | Creditor 1 | 5681 | 4 100 000 | | | 28.03.2015 |
| 8 | Creditor 3 | 01BN8L | 5 000 000 | | | 31.07.2017 |
| 9 | Creditor 3 | 01BN9L | 2 000 000 | | | 31.07.2017 |
| 10 | Credit interest rate | | 89 005 | 90 016 | 74 315 | |
| | Total bank credits: | | 11 189 005 | 2 590 016 | 10 774 315 | |
| | Bonded loans: | | | | | |
| 11 | Loan | No. 1 | | - | 5 000 000 | 18.09.2015 |
| 12 | Loan | No. 2 | | - | 5 000 000 | 26.10.2015 |
| 13 | Loan | No. 3 | | 5 000 000 | | 10.02.2016 |
| 14 | Loan | No. 4 | 5 000 000 | - | - | 21.09.2017 |
| 15 | Coupon income | | 537 903 | 456 135 | 511 689 | |
| | Total bonded loans | | 5 537 903 | 5 456 135 | 10 511 689 | |
| | Total | | 16 726 908 | 8 046 151 | 21 286 004 | |

In 2016, the annual interest rate for short-term credits and loans was from 9.16% to 9.85% (in 2015: from 8.54% to 9.16%).

13. Estimated liabilities

Information on availability and movement of estimated liabilities in the reporting period is presented in Table 5.7.1 of the Explanations to the Balance Sheet. All provisions have a short-term nature.

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Legal claims

As of December 31, 2016, the Company created a provision in the amount of 612,724 thousand rubles for covering losses that the Company may incur in connection with legal claims, including from the large blocks of judicial disputes:

A provision was created in the amount for legal claims relating to the Company's debts to JSC Oboronenergo on payment for rendered services on transmission of electric power for certain periods of 2012, 2014, 2015 (a contract for supply points in disputed periods was not concluded). The amount of expected losses in case of unfavorable outcome of court cases is 554,726 thousand rubles.

The provision covers judicial disputes, decisions on which were made not in favor of PJSC MOESK by the first instance court, are considered by the court of appeal or were confirmed by judicial acts of the court of appeal and have entered into legal force. It is expected that judicial acts on these claims can be brought to execution.

Provisions for future vacation payments to employees

A provision was created for future expenses on payment by the Company of employee vacations unused as of December 31, 2016. It is expected that the balance of the provision as of December 31, 2016 will be used in the first half of 2016. Management believes that the actual expense on vacation payment will not exceed the amount of the provision reflected in the reporting as of December 31, 2016.

14. Accounts payable

Information on availability and movement of accounts payable in the reporting period is presented in Table 5.6.5 of the Explanations to the Balance Sheet. Turnovers include accounts payable, formed and redeemed in one reporting period.

Indebtedness to state extra-budgetary funds

Indebtedness to state extra-budgetary funds as of December 31 had the following structure:

| | 2016 | 2015 | 2014 |
|---------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Insurance contributions - total | 212 481 | 210 427 | 159 694 |
| including: | | | |
| - Social insurance fund | - | - | - |
| - Pension fund | 158 797 | 154 185 | 144 674 |
| - Compulsory medical insurance fund | 53 684 | 56 242 | 15 020 |
| - Compulsory social insurance fund (compulsory insurance against accidents at work and occupational diseases) | - | - | - |
| Others | - | - | - |
| Total indebtedness to state extra-budgetary funds | 212 481 | 210 427 | 159 694 |

Indebtedness on taxes and duties

Indebtedness on taxes and duties as of December 31 includes:

| | 2016 | 2015 | 2014 |
|-----------------------------------------------|------------------|------------------|------------------|
| Income tax | - | | 870,049 |
| Value-added tax | 1,136,176 | 948,260 | - |
| Property tax | 550,458 | 439,634 | 353,288 |
| Transport tax | 11,729 | 10,548 | 8,897 |
| Land tax | 3,751 | 1,993 | 3,579 |
| Others | - | 6 | - |
| Total indebtedness on taxes and duties | 1,702,114 | 1,400,441 | 1,235,813 |

As of December 31, 2016, 2015 and 2014, the Company did not have overdue obligations on taxes and duties.

15. Other liabilities

Other liabilities as of December 31 included the following items:

| Type of liabilities | 2016 | | 2015 | | 2014 | |
|----------------------------------------------|------------------|----------------|------------------|----------------|------------------|------------------|
| | Long-term | Short-term | Long-term | Short-term | Long-term | Short-term |
| Accounts payable on technological connection | 6,577,125 | - | 9,283,941 | - | 8,226,560 | - |
| VAT for advances made | - | 171,262 | - | 174,484 | - | 1,098,154 |
| Total | 6,577,125 | 171,262 | 9,283,941 | 174,484 | 8,226,560 | 1,098,154 |

16. Disclosure of information on incomes and expenses

Information on incomes from sale of goods, works and services (net of VAT and similar mandatory payments) and on expenses from ordinary activities, as well as management expenses, is set out in the Statement of Financial Results for 2016 and in Table 2.1 of the Explanations to the Balance Sheet.

17. Other incomes and expenses

Information on other incomes and expenses is set out in Table 5.11 of the Explanations to the Balance Sheet.

18. Uncertainty of estimates

Information on changes of estimates is set out in Table 5.7.1 of the Explanations to the Balance Sheet.

19. Calculation of income tax

| | | 2016 | 2015 |
|-----|----------------------------------------------------|------------------|------------------|
| 1 | Income (loss) before tax according to accounting | 7 218 468 | 13 360 886 |
| 2 | Contingent expenses for income tax | 1 312 634 | 2 672 177 |
| 3 | Permanent tax liabilities/assets: | | |
| 3.1 | Depreciation of fixed assets | 886 076 | 1 008 077 |
| 3.2 | Payments to employees sporting and cultural events | 151 282 | 175 559 |
| 3.3 | Provision for depreciation of security papers | 28 418 | 12 772 |
| 3.4 | Provision for judicial cases | 218 870 | 65 346 |
| 3.5 | Historical loss | 177 133 | 52 845 |

| | | | |
|------|---------------------------------------------------------------|--------------------|------------------|
| 3.6 | Insurance expenses for non-state pension funds | 2 106 | 23 337 |
| 3.7 | Expenses for enacting single window | | 52 584 |
| 3.8 | Recovery of the provision for impairment of tangible assets | (575) | (237) |
| 3.9 | Recovery of the estimated provision for judicial cases | (1 896) | (37 944) |
| 3.10 | Other expenses | 662 126 | 290 369 |
| | Total permanent tax liabilities/assets: | 2 123 540 | 1 642 708 |
| 4 | Increase/(decrease) of deferred tax assets: | | |
| 4.1 | Provision for doubtful debts | 474 738 | 82 900 |
| 4.2 | Provision for remuneration of labor | 32 469 | (8 628) |
| 4.3 | Expenses for concluding land lease agreements | (16 438) | (37 668) |
| 4.4 | Other expenses | 15 | 669 |
| | Total increase/(decrease) of deferred tax assets | 490 784 | 37 273 |
| 5 | (Increase)/decrease of deferred tax liabilities: | | |
| 5.1 | Fixed assets depreciation bonus depreciation capitalization % | (1 495 616) | (781 611) |
| 5.2 | R&D | (19 763) | (52 983) |
| 5.3 | Other expenses | (2 865) | (7 625) |
| | Total increase/(decrease) of deferred tax liabilities | (1 518 244) | (842 219) |
| 6 | Income tax expenses | 2 408 714 | 3 509 939 |

Deferred tax assets and liabilities are shown in the balance sheet in detailed form. Information on movement is reflected in Table 5.7.2 of the Explanations to the Balance Sheet.

20. Income per share

Basic income (loss) per 1 share is:

| No. | Name | 2016 | 2015 |
|-----|--------------------------------------------------------------------------------------------------------|------------|------------|
| 1. | Income for the reporting period | 6 079 465 | 9 246 545 |
| 2. | Weighted average number of ordinary shares in circulation during the reporting period, thousand pieces | 48 707 092 | 48 707 092 |
| 3. | Basic income per share, rubles | 0,1248 | 0,1898 |

The Company does not have potential dilutive shares; accordingly, diluted income per share equals basic income per share. Information on income per one share is presented in Table 2.2 of the Explanations to the Balance Sheet.

21. Related parties

In the process of carrying out its financial and economic activities, the Company conducts transactions with companies that are related parties.

Related party transactions primarily comprise the following transactions:

- purchase and sale of goods, works, services;
- purchase and sale of fixed assets and other assets;
- lease of property and provision of property for rent.

For the purposes of this financial reporting in accordance with PBU 11/2008 "Information on related parties", the following related parties were identified:

- members of the Company's Board of Directors (Section 1 of the text explanations);
- members of the Company's Executive Board (Section 1 of the text explanations);
- the sole executive body of the Company;
- PJSC Rosseti (owns 50.90% of the Company's ordinary shares);
- JSC Energocenter (100% of the shares belong to the Company);
- JSC Moskabelsetmontazh (100% of shares belong to the Company);
- JSC Plant for Repair of Electrical Equipment (100% of shares belong to the Company);
- JSC Moskabelenergoremont (100% of shares belong to the Company);
- persons belonging to the group of persons of PJSC Rosseti (other related parties).

The full list of affiliated persons of the Company is available in the Internet at the following address:
http://www.moesk.ru/invest_news/raskritie/aff_lica/

During the reporting period, the Company carried out economic operations:

- with subsidiary companies, related to production activities (purchase of goods, works, services);
- with the controlling organization PJSC Rosseti, related to provision of services to the Company on organization of functioning and on development of the power grid complex and on implementation of technical supervision at power grid facilities;
- with other related parties on matters related to the Company's business.

The cost indicators, conditions, terms and form of payment for unfinished operations as of December 31:

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The cost indicators, conditions, terms and form of payment for unfinished operations as of December 31:

| | 2016 | 2015 | 2014 | Form of payment |
|-------------------------------------------------------------------|-----------|-----------|-----------|-----------------|
| Accounts receivable and advances made | | | | |
| PJSC Rosseti | 4 673 | | 29 882 | non-cash |
| JSC Plant for Repair of Electrical Equipment | 96 587 | 91 190 | 97 314 | non-cash |
| JSC Moskabelsetmontazh | 1 182 | 11 136 | 21 | non-cash |
| JSC Energocenter | 588 419 | 657 392 | 673 846 | non-cash |
| JSC Moskabelenergoremont | 65 955 | 70 083 | 74 949 | non-cash |
| PJSC Federal Grid Company of Unified Energy System (PJSC FGC UES) | 47 578 | 46 557 | 41 174 | non-cash |
| | | | | |
| | | | | |
| Accounts payable | | | | |
| PJSC Rosseti | 65 505 | 52 457 | 21 269 | non-cash |
| JSC Plant for Repair of Electrical Equipment | 81 071 | 133 162 | 120 656 | non-cash |
| JSC Moskabelsetmontazh | 436 924 | 381 326 | 182 402 | non-cash |
| JSC Energocenter | 48 871 | 78 595 | 448 346 | non-cash |
| JSC Moskabelenergoremont | 348 925 | 195 900 | 291 387 | non-cash |
| PJSC Federal Grid Company of Unified Energy System | 3 342 970 | 1 043 592 | 1 423 662 | non-cash |

| | | | | |
|----------------------------------------------------------------------------------------------------------------|--------|---------|-----|----------|
| PJSC STC FGC UES | | 144 701 | | non-cash |
| Branch of JSC Engineering and Construction Management Center of Unified Energy System (ECMC UES) - ECMC Center | | 197 | | non-cash |
| | | | | |
| Advances received | | | | |
| - JSC Energocenter | | | 698 | non-cash |
| - JSC Moskabelsetmontazh | 14 517 | 109 100 | 0 | non-cash |
| PJSC Federal Test Center (FTC) (Rosseti) | 426 | | | non-cash |

Types and amount of transactions with related parties, including significant cash flows between the Company and its related parties:

| | 2016 | 2015 |
|--------------------------------------------------|------------|------------|
| Sale of products, works, services | | |
| - subsidiary business entities | 5 551 | 7 417 |
| - other related parties | 7 223 | 92 922 |
| | | |
| Purchase of products, works, services | | |
| - subsidiary business entities | 2 040 917 | 2 608 088 |
| - other related parties (including PJSC FGC UES) | 16 924 063 | 18 295 219 |
| | | |
| Lease of property of related parties | | |
| - subsidiary business entities | 517 403 | 25 626 |

Remuneration of members of the Board of Directors and members of Committees of the Company

In 2016, the total amount of remuneration accrued to members of the Board of Directors of the Company and members of the Committees of the Company amounted to:

- for participation in the meetings of the Board of Directors of the Company - 8,028 thousand rubles (2015: 9,044 thousand rubles);
- for participation in the Committees under the Board of Directors of the Company - 1,578 thousand rubles (2015: 3,414 thousand rubles); - for the indicator of the Company's net profit according to the annual financial reporting for 2015 approved by the annual General Meeting of Shareholders of the Company - 0 thousand rubles (for 2015: 17,084 thousand rubles);
- for market capitalization - 0 thousand rubles. (2015: 0 thousand rubles).

From June 24, 2015, the amount and procedure for payment of remunerations and compensations to members of the Board of Directors is established by the Regulation on payment of remunerations and compensations to members of the Board of Directors approved by the annual General Meeting of Shareholders of the Company on June 24, 2015 (Minutes No. 17 of June 29, 2015).

From February 26, 2016, the amount and procedure for the payment of remunerations and compensations to members of the Committees of the Board of Directors is established by the Regulation on payment of remunerations and compensations to members of the Committees of the Board of Directors approved by the Board of Directors of the Company on February 26, 2016 (Minutes No. 276 of February 26, 2016).

Remuneration of members of the Revision Commission of the Company

In 2016, the total amount of remuneration accrued to the members of the Company's Revision Commission for conducting inspections of the Company's financial and economic activities amounted to 647 thousand rubles (2015: 717 thousand rubles).

From June 24, 2015, the amount and procedure for payment of remunerations and compensations to members of the Revision Commission is established by the Regulation on payment of remunerations and compensations to members of the Revision Commission approved by the annual General Meeting of Shareholders of the Company on June 24, 2015 (Minutes No. 17 of June 29, 2015).

Remuneration of key executive staff

Accruals to key executive staff of the Company for 2016 amounted to 535,918 thousand rubles (2015: 541,361 thousand rubles).

22. Contingent liabilities and contingent assets

Factors affecting the financial condition of the Company

Business environment

In Russia, economic reforms are continuing, as well as development of legal, tax and administrative infrastructure that would meet the requirements of market economy. Stability of Russian economy will largely depend on the progress of these reforms, as well as on effectiveness of measures taken by the Government in the sphere of economy, financial and monetary policy.

At the end of 2016, inflation reached its historic low, having fallen over a year and a half from 17% to 5.5%. Slowdown of inflation is also expected in 2017 with a target of 4%.

As analysts say, the risks of the ruble collapse, which existed in 2015 and in the first half of 2016 due to volatility in oil prices, have somewhat decreased due to the agreements of the petroleum-producing countries on production cut, which gives reason to hope that the ruble exchange rate will be more or less stable in 2017.

In 2017, the Ministry of Economic Development expects the transition to sustainable GDP growth — from 0.3% in the first quarter to 1.7% in the fourth quarter.

According to the Ministry of Finance of Russia, in 2016 outflow of capital decreased, reaching the lowest level for the past 5 years — below \$20 billion.

These factors led to an increase in the availability of capital in 2016, a decrease in the cost of capital, which had a positive effect on the financial position of the Company.

At the same time, the policy of limiting the growth rates of infrastructure companies' tariffs, implemented by the Government of the Russian Federation, requires the Company to implement measures to increase its efficiency and reduce costs, as well as implement a balanced investment policy.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Interpretation of this legislation by the Company's management in relation to the operations and activities of the Company's organizations may be challenged by the relevant regional or federal authorities. Recent events in the Russian Federation indicate that the tax authorities can take a more assertive position when interpreting legislation and verifying tax calculations. As a consequence, tax authorities may file claims on those transactions and accounting methods for which they did not make claims before. As a result, significant additional taxes, penalties and fines may be assessed. It is not possible to determine the amounts of possible, but not presented claims, as well as assess the likelihood of unfavorable outcome. Tax inspections can cover three calendar years of activity, immediately preceding the year of verification. Under certain conditions, earlier periods may be subjected to verification.

In the management's opinion, as of December 31, 2016, the relevant provisions of the legislation were interpreted correctly, and the likelihood of maintaining the Company's position in regard to tax, currency and customs legislation is high.

From January 1, 2012, transfer pricing legislation is in force, according to which the principles for determining market prices have been changed, the lists of persons that can be recognized as interdependent, and the lists of transactions that are controlled, have been expanded. Since law enforcement practice under the new rules has not yet developed and some provisions of the new law contain contradictions, they cannot be called

quite definite. In order to eliminate the significant impact of risks, related to transfer pricing, on accounting (financial) reporting, the Company has developed pricing methods for all types of controlled transactions, as well as standards for the preparation of reporting documents.

Existing and potential claims against the Company

The Company participates in court proceedings arising in the course of conducting financial and economic activities. As of December 31, 2016, a provision was made for possible risks related to the unfavorable outcome of court proceedings for the Company in the amount of 612,724 thousand rubles (Text Note 13).

Guarantees issued and received

As of December 31, 2016, the Company did not issue collaterals to third parties on its own liabilities or liabilities of other organizations.

As of December 31, 2016, the Company received bank guarantees for a total amount of 2,946,969 thousand rubles as security for fulfillment by suppliers of their obligations to the Company. Bank guarantees are mainly received in respect of suppliers engaged in capital construction.

23. Information on risks of economic activity

Potentially significant risks of economic activity to which the Company is exposed

In the course of economic activity, the Company is subject to the influence of sectoral, legal and other internal and external factors (essential conditions, events, circumstances, actions). In this regard, there are various risks that can significantly affect the financial position and financial performance of the Company.

The Company is subject to sectoral, country and regional, financial, legal, reputational risks, as well as risks specific exclusively for the Company.

Risk management mechanism

The Company's leadership controls the management of the above-listed risks in order to minimize possible adverse consequences for the financial position and financial performance of the Company.

The Board of Directors of the Company approved a new version of the Risk Management Policy (Minutes of the Board of Directors No. 287 of April 30, 2016).

The Risk Management Policy defines:

- risk management objectives;
- principles of functioning of the risk management system;
- common approaches to identifying, assessing and managing risks;
- main functions and responsibilities of participants of the risk management system;
- procedure for assessing the effectiveness of the risk management system.

1. Sectoral risks

1.1. Risks of tariff regulation

The main services provided by the Company — transmission of electricity through distribution networks and technological connection of consumers to electric grids — are state regulated activities. Thus, the Company can bear regulatory risks related to constraining by the authorities of the planned rates of increase of electricity transmission tariffs, adjustment of the required gross proceeds due to deviation

of actual regulatory parameters from those approved, possible changes of the legislation in the field of tariff regulation. The use of RAB-regulation methods lowers the level of regulatory risks, reducing the influence of subjective factors on the adoption of tariff decisions, but does not exclude these risks completely.

In order to minimize the risks of tariff regulation, the Company implements the following measures:

- Interaction with the regulatory authorities of Moscow and Moscow Region concerning providing of substantiating materials that confirm the level of economically justified expenditures;
- Preparation of proposals on modification of draft regulatory documents of the authorities regarding the revision of tariffs for electricity transmission;
- Planning of financial and economic activities of the Company with account for decisions on tariffs and balances;
- Interaction with regulatory authorities and the Ministry of Energy of Russia for coordination of the Company's long-term investment program.

1.2. Risk of reduced demand for services

Reduction in volume of electricity consumption by end-users of services, as well as a decrease in demand for technological connections, occurs due to existence of economic cycles. This risk can adversely affect the company's revenue. Taking into account, on the one hand, the measures taken by the state to stabilize the

economic situation and, on the other hand, the actual slowdown in the growth rates of energy consumption in Moscow and Moscow Region, this risk is assessed as significant.

In order to reduce the consequences of this risk and achieve the planned financial result, the Company intensifies measures to reduce operating expenses. The decrease in the growth rates of productive supply is partially offset by a decrease in the cost of purchasing electricity to compensate for losses of regional grid companies and by a reduction in the cost of providing services to PJSC FGC UES (in regards to the cost of losses), the local grid operator of Moscow and Moscow Region. Moreover, the Company implements the following activities in order to maintain demand for technological connection services:

- simplification of the procedure of technological connection, including project "three steps for 2 visits";
- reduction of terms of execution of technological connection contracts;
- implementation of a program on removing power limitations from loaded power centers.

1.3. Operational risks

This category of risks is related to aging of equipment and the deterioration of the Company's fixed assets, violation of operating conditions and critical changes in the parameters of operation of electric grid equipment, which can lead to emergencies, and ultimately, in addition to direct damage from the failure of power grid facilities, to a decrease in the reliability of power supply. Failure to ensure the reliability parameters established by the regulator may lead to a decrease in the amount of the required gross proceeds in the next regulatory period.

To reduce the level of these risks, the Company implements the following activities: property insurance, modernization and new construction of power grid facilities, improving the policy of repairs and maintenance of equipment, introduction of modern methods for diagnosing the state of equipment, constant monitoring of the actual values of reliability indicators of power supply, set by regulators. In addition, organizational arrangements are being made in order to reduce the average time of power restoration.

1.4. Price risks

This category of risks is related to a possible change of prices for raw materials, services, equipment and other material and technical resources used by the Company in its activities and their impact on the Company's operations and fulfillment of obligations under securities. In particular, the most significant factors of this risk include the possible growth of the decontrolled purchase price of losses, as well as the growth of expenses for provision of services to the local grid operator.

The Company's actions to reduce these risks include:

- Implementation of program on energy saving and improvement of energy efficiency of PJSC MOESK, including organizational and technical activities for reducing and preventing losses;
- Interaction with the regulatory authorities concerning inclusion in the Company's required gross proceeds in the process of tariff regulation of the economically justified price for purchase of losses, with attachment of documents on the actual price in the previous reporting periods;
- Interaction with regulatory authorities concerning formation of balance indicators (productive supply and capacity) for PJSC MOESK and the local grid operator of the 2nd level in the process of adoption of tariff and balance decisions;
- Consolidation of the local grid operator to reduce expenses and improve the quality and reliability of power supply;
- Creation of a competitive environment in the field of procurement of works and services;
- Centralization of procurement with the aim of economy through scale effect;
- Elimination of cross-purchase;
- Optimization of expenses for repair and operational needs and capital construction.

2. Financial risks

The Company is exposed to market risk, credit risk and liquidity risk.

2.1. Market risk

Market risk is the risk that the Company may have adverse consequences if certain market parameters would change. Market parameters include the following types of risk: interest rate risk, the risk of changes in foreign exchange rates, the risk of changes in commodity prices and price indices, and other price risks, for example, the risk of changes in the prices of equity instruments.

Interest rate risk. As part of the financial activities, the Company attracts borrowed funds. Herewith, there is the possibility of an increase of interest rates for individual credits due to the

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presence in the contracts of the bank's rights to increase the rate unilaterally, as well as the possibility of an increase of interest rates for planned credits.

Given a certain stabilization of the financial market, there is a growth of free liquidity and, as a consequence, a decrease of interest rates for borrowed resources. In this regard, interest risks are assessed by the Company as moderate.

In order to reduce interest risks, the Company resorts to the following measures:

- Optimization of the credit portfolio in terms of urgency and cost;
- Implementation of business planning with account for possible changes of interest rates;
- Use of various instruments of attraction, both on the open market through placement of own bonds, and within the framework of long-term agreements with credit institutions with an open borrowing limit and a fixed cap on the maximum interest rate on the credit;
- Selection of financial organizations for provision of services through open competitive procedures, which allows to attract borrowed funds under conditions which are most favorable for PJSC MOESK.

Currency risk. The Company renders services, sells products, purchases goods and attracts significant borrowed funds mainly in Russian rubles. Accordingly, the management believes that the Company is not exposed to currency risk.

Inflation risks. The negative impact of inflation on financial and economic activities of the Company may be related to losses in the actual cost of accounts receivable, an increase of interest payable, an increase of self-cost, a decrease of the actual cost of funds under the investment program. The Company carries out business planning with account for the expected growth of prices for products, works and services.

In case of acceleration of the inflation rate, the Company plans to conduct additional measures to reduce expenses. Moreover, the actual level of inflation is taken into account during the adjustment of the required gross proceeds in the process of adoption of tariff and balance decisions by the regulatory authorities, which partially compensates for the impact of the risk in question on the financial and economic activities of the Company.

2.2. Credit risk

Credit risk is the risk that the Company would incur financial losses due to that counterparties would not fulfill their obligations on the borrowed funds granted to them (including in the form of buying bonds, promissory notes, granting deferral and payment by installments for goods sold, works performed or services rendered). The Company is exposed to credit risk related to its operating activities (primarily with respect to trade receivables) and financial activities, including deposits placed in banks and financial institutions.

Trade receivables. The possible causes of the risk include the insolvency of counterparties, deliberate failure to pay the cost of identified consumption by consumers, unsettled relations with regard to procedure of formation of productive supply.

In order to reduce this risk, negotiations are held with sales companies and measures are taken for formation of veridical productive supply.

The Company implements the program on installation of electricity metering devices in the retail market and transfers these devices to a status of calculating devices. Overdue accounts receivable, including receivables for technological connection services, are collected through appeal to the judicial authorities. Regular measures are being taken to detect non-contractual and unaccountable electricity consumption.

Impairment losses. The need to account for impairment is assessed at each reporting date on an individual basis for large customers or assets. Information on doubtful (including overdue) accounts receivable is given in Table 5.6.1 and 5.6.3 of the Explanations to the Balance Sheet. The Company does not have property pledged to it as collateral for the debt due to it.

Granted loans and cash assets. Management of credit risk related to balances of accounts placed in banks and financial institutions is carried out in accordance with the Company's policy.

2.3. Liquidity risk

Liquidity risk is related to the Company's ability to timely and fully repay the financial liabilities existing at the reporting date: accounts payable to suppliers and contractors, indebtedness to lenders on received credits and loans.

In financial and economic activities, the Company relies both on its own sources and on short-term and long-term sources of debt financing. The Company manages the liquidity risk by choosing optimal ratio between own and borrowed capital.

The liquidity risk management process is regulated by the Regulation on credit policy approved by the Board of Directors of the Company, which determines the procedure for assessing the financial stability and creditworthiness of the Company. The Regulation is a tool for calculating the marginal value of the debt position of the Company and assessing the possibility of attracting credits and loans within the framework of business planning.

For the purposes of controlling the dynamics of accounts receivable and payable, the Company developed the Regulation on dealing with receivables and payables; the Company has regulatory documents of operational nature that determine the competence of the company's divisions, responsible managers and specialists in the sphere of dealing with debt, and regulate their activities.

This approach allows the Company to maintain the necessary level of liquidity and financing resources in a way that minimizes borrowing costs, and optimize the structure of debt and time of its redemption. At present, the Company believes that it has sufficient access to financing sources, and has both used and unused credit resources — free credit limits that can satisfy the expected needs in borrowed funds.

3. Country and regional risks

The Company carries out its core business in the Central Federal District of Russia, which is characterized by risks related to the political and economic situation in the country as a whole.

The stability of the Russian economy largely depends on the course of economic reforms, development of legal, tax, administrative infrastructure, as well as effectiveness of the measures taken by the Government of the Russian Federation in the sphere of finance and monetary policy.

At present, the political situation in the country is relatively stable, none the less the Russian economy is affected by fluctuations in the global economy.

Despite the stabilization measures taken by the Government of the Russian Federation to ensure liquidity and refinancing of foreign loans of Russian banks and companies, there remains uncertainty regarding the possibility of access to capital sources, as well as the cost of capital for the Company and its counterparties, which may affect the financial position, the results of operations and economic prospects of the Company. Instability in the capital markets can lead to significant deterioration of liquidity in the banking sector and much tighter credit conditions in Russia.

In general, the Company cannot produce any significant impact on the economic situation in the country. However, in the event of a negative impact of changes in the situation in the country or in the region of the Russian Federation where the Company carries out its activities, the Company will take all measures to reduce the negative effects on the financial position and performance of the Company.

The likelihood of military conflicts, the introduction of a state of emergency and strikes in the country and in the region where the Company undertakes its activities is assessed as insufficient to consider these risks as circumstances capable to significantly affect the activities of the Company. To prevent strikes, the Company creates favorable working conditions and fulfills all its obligations to employees. To minimize the risk of terrorist acts, the Company took additional measures to ensure security at the enterprise.

Risks related to the geographical features of the region where the Company carries out its activities, including the increased risk of natural disasters, possible termination of transport communication due to remoteness and inaccessibility, are assessed as insignificant.

4. *Legal risks*

4.1. *Risks of corporate governance*

In terms of corporate governance, the Company is subject to risks from claims filed by shareholders with respect to major and interested party transactions (in case performance of these transactions in violation of established corporate procedures). To minimize such risks, the Company conducts in a mandatory manner a preliminary legal analysis of the transactions being concluded for the existence of grounds for conducting preliminary corporate procedures provided for by the current legislation and/or the Charter of JSC MOESK.

To minimize risks in the field of relations with shareholders, the register of shareholders is maintained by a professional registrar. It should also be noted that the Company systematically implements activities with the aim of informational interaction with shareholders and takes measures on ensuring the legitimate rights and interests of the latter.

4.2. *Changes in tax legislation*

In order to minimize the risk of incorrect calculation and/or payment of taxes due to different interpretations of the legislation, the Company works on an ongoing basis to improve the calculation of the tax base in strict accordance with the current legislation of the Russian Federation.

In case of introducing of changes to the current procedure and conditions of taxation, the Company intends to plan its financial and economic activities with account for these changes.

4.3. *Risks of antimonopoly regulation*

The Company's activity is of a natural monopoly nature and is subject to antimonopoly regulation. Recognition of the Company as violating the antimonopoly legislation may result in fines, including turnover ones which are calculated from the company's revenue. The risks of antimonopoly regulation are mostly characteristic for the activity in the field of technological connections of electrical installations of consumers to electrical networks of the Company. Appeal of consumers to the territorial offices of the FAS with subsequent initiation by the antimonopoly authorities of cases on violation by the issuer of legislation in the field of technological connections may be caused by violation of consumer rights, in particular, failure to comply with the statutory deadlines for connection to electric grids, and by a number of other factors.

To reduce the impact of factors leading to implementation of the risks of antimonopoly regulation, the Company improves the business processes of technological connection, simplifying its internal procedures and shortening their terms, introduces new forms of customer service, in particular, related to interactive methods of providing services, which reduces the influence of errors and abuse of personnel. The company also conducts regular assessment of customer satisfaction, and develops corrective actions based on the results of the assessment.

In the event that the FAS orders to impose fines on cases on violation of existing legislation, the Company will challenge their legality in court. In addition, the Company strives to set up a stable and constructive level of interaction with the FAS Russia, its territorial bodies in Moscow and Moscow Region, in order to promptly consider and respond to the appeals of the antimonopoly service.

24. Information on segments

When forming information on segments in the Company's financial reporting, the information on the operating segments is regarded as primary, while the following information is regarded as secondary - by geographical segments. The procedure and rules for presenting information on segments of financial reporting are defined by PBU 12/2010 "Information on segments".

The Company's activities cover two main segments: Moscow and Moscow Region. The Company receives revenue from the following types of services for both segments:

- Revenue from services on transmission and distribution of electric power;

- Revenue from technological connection services,
- Revenue from other activities.

Indicators of reporting segments subject to disclosure are given in the assessment, in which they are submitted to the Company's management for decision-making (according to the data of management accounting).

Separate accounting is maintained based on the data of the Company's financial, operational, and statistical accounting, in accordance with the methodology of separate accounting for incomes, expenses and financial results by type of activity and by geographic location of segments.

(1) By type of activity

Accounting for expenses is organized by cost centers. A cost center in the managerial accounting system is treated as the structural division of the executive body of the Company (branch).

Distribution of general production and general economic expenses by type of activity is made by expense items.

Distribution of other incomes and expenses by type of activity

For distribution of incomes and expenses under 91 balance sheet account by type of activity the following mechanism is accepted:

- Other incomes and expenses under 91 balance sheet account are attributed to type of activity "Transmission and distribution of electric power" except for the accrual and recovery of provisions for doubtful accounts receivable on technological connection.
- Accrual and recovery of provisions for contracts on technological connection are attributed to other incomes and expenses under 91 balance sheet account on type of activity "Technological connection".
- The interest payable on credits is attributed to type of activity "Transmission and distribution of electrical power".

In accordance with the Decree of the Government of the Russian Federation No. 1178 of December 29, 2011 (rev. dd. October 24, 2013) "On pricing in the field of regulated prices (tariffs) in the electric power industry" (Section 30 of the Decree), the required gross proceeds include non-operating expenses, including expenses on formation of provisions for doubtful debts. Herewith, a provision for doubtful debts can include accounts receivable that arose in the course of performance of the respective regulated type of activity. Repayment of doubtful debts, for redemption of which a provision was made included in the regulated price (tariff) in the previous regulatory period, is recognized as income and excluded from the required gross proceeds in the next regulatory period, with account for payment of corporate income tax.

Distribution of income tax

Distribution of the current income tax by types of activity is made at the level of the Company according to the data of financial reporting.

Income tax for type of activity "Technological connections to the grid" is calculated on the basis of income before taxation of this type of activity and the rate of income tax.

Income tax for type of activity "Industrial and non-industrial services" is calculated on the basis of income before taxation of this type of activity and the rate of income tax.

Income tax for type of activity "Transmission and distribution of electric power" is calculated as the difference between the income tax for all types of activity and the income tax for types of activity "Technological connections to the grid" and "Industrial and non-industrial services".

(2) By geographic location

Distribution on a territorial basis is carried out at the second stage, after distribution of incomes, expenses and financial result by type of activity.

Incomes for all types of activities are attributed on a territorial basis to the constituent entities of the Russian Federation by direct attribution of incomes to the constituent entity in which territory the services were provided.

The Company's expenses for type of activity "Transmission and distribution of electric power" are attributed on a territorial basis to the constituent entities of the Russian Federation;

- Expenses of the Company's branches located in the territory of one constituent entity of the Russian Federation are attributed based on territorial belonging of the branch to the constituent entity of the Russian Federation;
- Expenses of the Company's branches located in the territory of more than one constituent entity of the Russian Federation are attributed in proportion to natural indicator "Amount of the capital equipment on the balance sheet of the branches in conventional units" for the reporting period, with the exception of items of expenditure that are distributed by territorial belonging between the constituent entities of the Russian Federation on the basis of primary documents;

Expenses for type of activity "Technological connections to the network" are distributed based on territorial belonging among the subjects "Technological connections to the network";

- Expenses of the Company's branches located in the territory of one constituent entity of the Russian Federation are attributed based on territorial belonging of the branch to the constituent entity of the Russian Federation;
- Expenses of the Company's branches located in the territory of more than one subject of the Russian Federation are attributed in proportion to the income from technological connections by the constituent entities of the Russian Federation for the reporting period, with the exception of items of expenditure that are distributed by territorial belonging between the constituent entities of the Russian Federation on the basis of primary documents;

- Expenses of the executive body are attributed in proportion to the income from technological connections by the constituent entities of the Russian Federation for the reporting period, with the exception of expenses listed under "Drawing up act on technological connection with participants of the "boiler".

Incomes and expenses of the executive body under 91 balance sheet account are distributed by territorial belonging between the constituent entities of the Russian Federation in proportion to natural indicator "Amount of the capital equipment on the balance sheet of the branches in conventional units", with the exception of items of expenditure that are distributed by territorial belonging between the constituent entities of the Russian Federation on the basis of primary documents;

The interest payable in the current quarter is distributed by territorial belonging between the constituent entities of the Russian Federation in proportion to the share of credits, attracted to finance the investment program by regions at the end of the previous quarter; if these credits were not attracted in the specified period, then the interest payable is distributed according to the statistical indicator for the previous period.

The amount of income tax payable to the budget of a constituent entity of the Russian Federation is determined on the basis of the share of income calculated from the totality of the indicators of the separate divisions located in the territory of this constituent entity of the Russian Federation.

The share of income attributable to the responsible units is determined as the average arithmetic value of the

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specific weight of the average number of employees and the specific weight of the average residual value of depreciable property for the constituent entities of the Russian Federation, respectively, in the average number of employees and the average residual value of depreciable property.

Information on segments is presented in Table 5.13 of the Explanations to the Balance Sheet.

25. Values recorded on off-balance accounts

Off-balance accounts are intended to summarize information on the availability and movement of valuables temporarily in use or disposal of the Company (leased fixed assets, tangible assets accepted for custody, processing, etc.), conditional rights and obligations, as well as to control certain economic operations.

The off-balance accounts of the Company, primarily, contain the property received under conditions of financial lease. According to the terms of the financial lease agreement, the leased property is listed on the balance sheet by the lessor, and off the balance sheet by the lessee, who is the Company.

Information on the values recorded on off-balance accounts is set out in Table 5.12. of the Explanations to the Balance Sheet.

26. Statement of cash flows

Information on cash flows is provided in the Statement of Cash Flows for the annual balance sheet for 2016.

27. Events after the reporting date

The event after the reporting date is treated as the fact of economic activity that affected or can affect the financial condition, cash flows or financial performance of the Company and that occurred after the reporting date and the before date of signing of the financial reporting for the reporting year.

The date of signing of the financial reporting is the date specified in the financial reporting provided to the addresses defined by the legislation of the Russian Federation, when it is signed in accordance with the established procedure.

After the reporting date, there were no other significant events that would require adjustments in the financial reporting or notes thereto in accordance with PBU 7/98 "Events after the reporting date".

Events after the reporting date that require special explanations, are given below:

- 11.01.2017. The Company received credit funds under General Agreement No. 5900 on the opening of a revolving framework credit line with differentiated interest rates of June 17, 2016 with PJSC Sberbank for 1,500.000 million rubles.

- The Company received credit funds under the overdraft agreement No. 2655 of October 23, 2015 with PJSC Sberbank:

| Date of attraction | Amount of attraction, mln. rubles |
|--------------------|-----------------------------------|
| 12.01.2017 | 324 76 |
| 13.01.2017 | 1 048 015 |
| 25.01.2017 | 567 946 |
| 30.01.2017 | 85 734 |
| 31.01.2017 | 159 499 |

- The Company received credit funds under the overdraft agreement No. 00.02-2-2/08/006/15 of September 17, 2015 with AB RUSSIA:

| Date of attraction | Amount of attraction, mln. rubles |
|--------------------|-----------------------------------|
| 13.01.2017 | 250 422 |
| 16.01.2017 | 213 762 |
| 31.01.2017 | 169 108 |
| 01.02.2017 | 1 326 821 |

- The Company received credit funds under the overdraft agreement No. 2655 of October 23, 2015 with PJSC Sberbank:

| Date of attraction | Amount of attraction, mln. rubles |
|--------------------|-----------------------------------|
| 12.01.2017 | 324 76 |
| 13.01.2017 | 1 048 015 |
| 25.01.2017 | 567 946 |
| 30.01.2017 | 85 734 |
| 31.01.2017 | 159 499 |

- The Company received credit funds under the overdraft agreement No. 00.02-2-2/08/006/15 of September 17, 2015 with AB RUSSIA:

| Date of attraction | Amount of attraction, mln. rubles |
|--------------------|-----------------------------------|
| 13.01.2017 | 250 422 |
| 16.01.2017 | 213 762 |
| 31.01.2017 | 169 108 |
| 01.02.2017 | 1 326 821 |

- The Company performed repayment under the overdraft agreement No. 2655 of October 23, 2015 with PJSC Sberbank:

| Repayment date | Amount of repayment of principal debt, mln. rubles |
|----------------|----------------------------------------------------|
| 16.01.2017 | 161.354 |
| 17.01.2017 | 31.556 |
| 18.01.2017 | 1,145.711 |
| 19.01.2017 | 34.154 |
| 26.01.2017 | 238.756 |
| 27.01.2017 | 88.244 |
| 01.02.2017 | 24.205 |

The Company performed repayment under the overdraft agreement No. 00.02-2-2/08/006/15 of September 17, 2015 with AB RUSSIA:

Also, on 06.02.2017 the Company performed repayment of tranche under agreement No. 5681 of October 23, 2015 with PJSC Sberbank in the amount of 4,100.0 million rubles.

28. Activity continuity

The financial reporting of the Company is prepared on the assumption of activity continuity.

The Company will continue its operations within 12 months after the reporting date and it has no intentions and the need of liquidation or significant reduction of its activity and, therefore, the obligations will be redeemed in accordance with the established procedure.

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|
| Director General | /Signature/ | P.A. Sinyutin |
| Chief Accountant | /Signature/ | V.V. Vitinsky |
| <p>// Seal: PUBLIC JOINT STOCK COMPANY MOSCOW UNITED ELECTRIC GRID COMPANY, 115114, Russian Federation, Moscow, 2nd Paveletsky Passage, 3, building 2, OKPO 75273098, OGRN 1057746555811, INN 5036065113, KPP 997450001, *1*.</p> | | |

