

Auditing Commission
IDGC of the North-West, PJSC

Approved
by the Auditing Commission
IDGC of the North-West, PJSC
(Minutes No. 4 dated April 28, 2017)

CONCLUSION
OF THE AUDITING COMMISSION

of Public Joint-Stock Company
“Interregional Distribution Grid Company of the North-West”

April 28, 2017.

Generation date

Moscow

Generation place

I. INTRODUCTION

DETAILS OF AUDITING COMMISSION COMPOSITION

Auditing Commission composition elected by decision of the General Meeting of Shareholders	Minutes No. 11 of the annual General Meeting of Shareholders of IDGC of the North-West, PJSC dated 08.06.2016
Chairman and Secretary of the Auditing Commission elected by decision of the Auditing Commission	Minutes No. 1 of the Auditing Commission of IDGC of the North-West, PJSC dated 08.06.2016.
Chairman of the Auditing Commission	M.A. Lelekova
Secretary of the Auditing Commission	O.A. Medvedeva
Members of the Auditing Commission	Ye.A. Kabizskina, A.N. Kirillov, S.V. Malyshev

Audit examination timeframe: In accordance with the Federal Law “On Joint-Stock Companies”, the Articles of Association of IDGC of the North-West, PJSC and the Regulations on the Auditing Commission of Public Joint-Stock Company “Interregional Distribution Grid Company of the North-West”, during the period of 15.03.2017 – 28.04.2017 the Auditing Commission of IDGC of the North-West, PJSC (hereinafter – the “Company”) undertook evaluation of consistency of the data contained in the 2016 annual report and accounting (financial) statements.

Audit examination grounds: decision of the Auditing Commission of the Company (session Minutes No. 3 dated March 13, 2017).

Audit examination objective: carrying out independent evaluation of consistency of data contained in the Company’s 2016 annual report and annual accounting (financial) statements (hereinafter – the “Statements”). “Consistency”, in all material respects, is understood as a degree of the Statements data consistency enabling shareholders to draw correct conclusions on the result of economic activities and financial and property standing of the Company and to take well-substantiated decisions based on such conclusions.

Period reviewed: 01.01.2016 – 31.12.2016.

Object of audit examination: annual accounting (financial) statements, annual report, accounting ledgers, source accounting documents and other documentation on the Company’s financial and economic activities.

The following references were used during conductance of the audit examination (review):

- *Federal Law No. 402-FZ “On Accounting” dated 06.12.11;*
- *Order No. 34n of the Ministry of Finance of the Russian Federation “On approval of the Regulations on Conductance of Accounting and Maintenance of Accounting Statements in the Russian Federation” dated 29.07.1998;*
- *Accounting regulations (standards);*
- *Order No. 66n of the Ministry of Finance of the Russian Federation “On organizations’ accounting statement forms” dated 02.07.2010;*
- *Regulations on disclosure of information by issuers of equity securities approved by the Bank of Russia on 30.12.14, No. 454-P;*
- *Accounting policy confirmed by the order of the Company dated 31.12.2015 No. 761 “On Accounting policy for 2016”;*

- other legislative instruments and in-house organizational and administrative documents of the Company.

COMPANY DETAILS

Full registered name	Public Joint-Stock Company “Interregional Distribution Grid Company of the North-West”
Location	31 ul. Sabornaya, Gatchina, Gatchina district, 188304, Leningrad Region
Postal address	3 Konstitutsii Sq., Lit. A, Saint Petersburg, 196247, Russia
State registration	Registered in the Uniform State Register of Legal Entities by Interregional Inspectorate No. 15 of the Ministry of Taxation of the Russian Federation for Saint Petersburg under No. 1047855175785 on December 23, 2004. Certificate Series 78 No. 005502120
TIN	7802312751
Branches and standalone subdivisions accounted for on a separate balance sheet	Arkhenenergo, Vologdaenergo, Karelnenergo, Kolenergo, Komienergo, Novgorodenergo, Pskovenergo
Sole Executive Body	A.V. Letyagin, General Director, from 29.07.2014 to present day
Chief Accountant	I.G. Zhdanova, Chief Accountant – Head of the Department for Financial and Fiscal Accounting and Reporting from 04.03.2016 to present day

AUDITOR DETAILS

Full registered name of organization	“RSM RUS”, Limited Liability Company
Decision of the annual General Meeting of Shareholders on approval of the Auditor’s candidacy	Minutes No. 11 of the annual General Meeting of Shareholders of IDGC of the North-West, PJSC dated 14.06.2016
Decision of the Board of Directors on approval of the conditions of the contract concluded with the Auditor	Minutes of a Session of the Board of Directors of IDGC of the North-West, PJSC dated 30.09.2016 No. 220/11
Contract for provision of auditor services	Contract for provision of auditor services No. 237/796/16/161a042 dated 21.10.2016
Auditor’s opinion	Auditor’s opinion of accounting statements for 2016 dated 10.03.2017 No. RSM-1601

We planned and carried out the audit examination so that to gain reasonable assuredness of the 2016 Statements containing no material misrepresentations.

The review (audit examination) was planned and carried out on a selective basis and included test-based study of proofs confirming the value of information on the financial and economic activities of the Company and such information disclosure in the Statements, evaluation of accounting principles and methods, the accounting (financial) Statements preparation rules and determination of material assessed values. In the course of the review (audit examination) we determined the materiality level (level of maximum admissible error of the Statements indicators misrepresentation). We understand “materiality” as the capability of information disclosed in the Statements to effect decision-taking by users of such Statements. For us the admissible error level is a criterion to the extent of confirming consistency of the Company’s Statements.

While carrying out the review (audit examination), we considered whether the Company complied with the Russian Federation legislation and local regulatory instruments of the Company. We reviewed a number of financial and economic operations effected by the Company for conformity with the legislation solely to obtain reasonable and sufficient assuredness of the Statements containing no material misrepresentations.

We also selectively carried out reconciliation of indicators of the 2016 Annual Report and accounting (financial) Statements, review of completeness of information disclosure in the Company's Annual Report for conformity to the requirements of the Bank of Russia governing disclosure of information by issuers of issue-grade securities.

In the course of assessment of reliability of accounting statements, the Auditing Commission relied on, in particular, on the opinion of the Auditor of the Company – RSM RUS, LLC dated March 10, 2017.

II. FINAL PART

Book value of the Company's values as of 31.12.2016 was RUB 58,292.339 m, compared to 31.12.2015, book value decreased by 2.2%.

The non-current assets accounted for 73.3% of the property structure, their amount as of 31.12.2016 totaled RUB 42,727.166 m which exceeds the amount of non-current assets as of 31.12.2015 by 0.3%.

As of 31.12.2016, the sum of accounts receivable (Line 1230 of the accounting balance sheet) increased by 12.2% as compared to 31.12.2015, totaled RUB 13,459.391 m. The sum total of accounts receivable contractually accounted for decreased by 5.8% in the reporting year, totaled RUB 15,874.780 m as of 31.12.2016.

Share of overdue debts for reporting year decreased from 76.1% to 73.7% of total amount of accounts receivable accounted under the terms of the contract.

Provision for bad debts as of 31.12.2016 totaled RUB 2,415.389 m, which is 57.4% more than the same indicator as of 31.12.2015. Share of provision for bad debts in the total value of accounts receivable accounted under the terms of the contract increased over the reporting period from 9.1% to 15.3%.

As of 31.12.16, owner capital accounted for 47.5% in the structure of capital and liabilities, the owner capital amount has not changed significantly in the reporting year, and amounted to RUB 27,656.147 m.

Borrowed capital accounted for 52.5% in the amount of capital and liabilities, the borrowed capital amount decreased by 4.3% in the reporting year, and totaled RUB 30,636.192 m as of 31.12.2016.

In the structure of borrowed capital, the specific weight of borrowed funds was 47.5%, accounts payable – 41.5%.

Borrowings for the reporting year decreased by 3.4% and amounted to RUB 14,543.621 m.

Total accounts payable, as compared to 31.12.2015, decreased by 5.8%, as of 31.12.2016 amounted to RUB 12,699.005 m, including short-term accounts payable in the amount of RUB 10,698.628 m. Overdue accounts payable fell by 48.4% in the reporting year, the level of overdue accounts payable as of 31.12.2016 amounted to 17.4% versus 31.7% as of 31.12.2015.

The Company's activities in the reporting year yielded net profit in an amount of RUB 456.889 m (net profit in the previous reporting period was RUB 644.016 m).

The cost of net assets as of 31.12.2016 totaled RUB 27,682.821 m, while the authorized capital of the Company was RUB 9,578.592 m.

The indicators of liquidity, solvency, financial stability are within the recommended limits, which indicates a stable financial condition of the Company.

Indicators of the Company's financial standing and solvency:

Indicator name	Recommended values	2015 actual	2016 actual
Degree of solvency with regard to current liabilities	≤ 6 months	5.5	3.2
Current liquidity ratio	≥ 1	0.92	1.35
Financial independence ratio	0.5-0.8	0.46	0.48
Debt/EBIDTA	≤ 3	2.19	2.20

The Statements were generated in accordance with legislative and normative instruments of the Russian Federation (RAS) and local regulatory instruments of the Company (in all material respects).

The annual report of the Company to be submitted for approval to the annual General Meeting of Shareholders contains the details stipulated by the Regulations on disclosure of information by issuers of equity securities approved by the Bank of Russia on 30.12.2014, No. 454-P.

Composition of the Company's Statements to be confirmed by the Auditing Commission:

Item No.	Statement form title	Date of signing by management	Number of sheets in the document
1	Accounting balance sheet as of December 21, 2016	07.03.2017	3
2	Report on financial results for the period from January 1 to December 31, 2016	07.03.2017	2
3	Statement of changes in equity in 2016	07.03.2017	4
4	Cash flow statement for January-December 2016	07.03.2017	3
5	Explanatory Notes to the Balance Sheets and Profit and Loss Statements for 2016	07.03.2017	69
6	Annual report of IDGC of the North-West, PJSC for 2016	21.04.2017	624

As of the review conductance moment, the Annual Report had been neither approved by decision of the General Meeting of Shareholders nor preliminarily considered by the Board of Directors of the Company.

Based on the results of the audit (examination) of financial and business activities of the Company following the results of 2016, the Audit Commission considers the data contained in the annual report and the annual accounting (financial) statements of the Company reliable in all material respects.

This conclusion of the Auditing Commission shall be considered jointly with all the forms of accounting (financial) statements to be validated and the Explanations on 2016 accounting balance sheet and the financial results report in textual and tabular form that form integrated parts of the Company's 2016 annual report.

Chairman of the Auditing Commission	<i>(signature)</i>	M.A. Lelekova
Members of the Auditing Commission	<i>(signature)</i>	Ye.A. Kabizskina
	<i>(signature)</i>	S.V. Malyshev
	<i>(signature)</i>	A.N. Kirillov
	<i>(signature)</i>	O.A. Medvedeva