

**Auditing Commission of  
IDGC of North-West, PJSC**

---

Approved  
by the Auditing Commission of  
IDGC of North-West, PJSC  
(Minutes No. 3 dated April 30, 2019)

**CONCLUSION  
OF THE AUDITING COMMISSION**

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

April 30, 2019  
*Generation date:*

Moscow  
*Generation place:*

## I. INTRODUCTION

### DETAILS OF THE AUDITING COMMISSION COMPOSITION

The Auditing Commission composition is elected by decision of the General Meeting of Shareholders	Decision of the annual General Meeting of Shareholders of IDGC of North-West, PJSC dated 07.06.2018 (Minutes No. 13 dated 13.06.2018)
Chairperson and Secretary of the Auditing Commission elected by decision of the Auditing Commission	Minutes No. 1 of the meeting of the Auditing Commission of IDGC of North-West, PJSC dated 09.06.2018.
Chairwoman of the Auditing Commission	M.A. Lelekova
Secretary of the Auditing Commission	A.N. Kirillov
Members of the Auditing Commission	S.A. Kim, E.A. Kabizskina, E.S. Erandina

**Audit examination timeframe:** In accordance with the decision made by the Auditing Commission of IDGC of North-West, PJSC dated 06.03.2019 (Minutes No. 2), audit examination of financial and economic activity of IDGC of North-West, PJSC for 2018 is carried out from 07.03.2019 to 13.06.2019, evaluation of consistency of the accounting data contained in the 2018 Annual Report, Accounting (Financial) Statements for 2018 and the Report on Interested-Party Transactions concluded in 2018 was carried out in the period from 07.03.2019 to 30.04.2019.

**Audit examination grounds:** Federal Law on Joint-Stock Companies No. 208-FZ dated 26.12.1995, Articles of Association of IDGC of North-West, PJSC, Regulations on the Auditing Commission of IDGC of North-West, PJSC (hereinafter referred to as the Company), decision of the Auditing Commission of the Company (Minutes of the meeting No. 2 dated 06.03.2019).

**Object of audit examination:** expression of an independent opinion on the consistency of the data contained in the Annual Report for 2018, the Accounting (Financial) Statements of the Company for 2018 and the Report on Interested-Party Transactions concluded in 2018 (hereinafter referred to as 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. In accordance with the Civil Code of the Russian Federation, the Federal Law on Joint-Stock Companies No. 208-FZ dated 26.12.1995 and the Articles of Association of IDGC of North-West, PJSC, the sole executive body of the Company is liable for the preparation and consistency of the Statements submitted.

**Period reviewed:** from 01.01.2018 to 31.12.2018.

**Audit examination object:** Annual Report and Accounting (Financial) Statements for 2018, Report on Interested-Party Transactions concluded in 2018, decisions of management bodies, management statements of the Company, 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 on Accounting No. 402-FZ dated 06.12.11;
- Federal Law on Joint-Stock Companies No. 208-FZ dated 26.12.1995;
- Civil Code of the Russian Federation;
- 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;
- Instruction of the Bank of Russia “On the Setting of Limit Values for the Amount of Transactions Concluded by Joint-Stock Companies and Limited Liability Companies, where Such Transactions Can Be Recognized as Interested-Party Transactions”, dated 31.03.2017 No. 4335-U;
- Accounting policy of IDGC of North-West, PJSC for 2018 for accounting purposes, approved by the Order of the Company No. 898 dated 28.12.2017, taking into account changes introduced by the Order No. 690 dated 12.10.2018;
- 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 North-West
Location	Saint Petersburg, Russia
Postal address	3 Konstitutsii Sq., Lit. A, Room 16N, 196247 Saint Petersburg, 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	Arkhenergo, Vologdaenergo, Karelnenergo, Kolenergo, Komienenergo, Novgorodenergo, Pskovenergo
Sole Executive Body	A.V. Letyagin - General Director from 29.07.2014 to 10.10.2018. Artem Yurevich Pidnik – General Director from 11.10.2018 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 name of organization	Limited Liability Company “Ernst and Young”
Decision of the annual General Meeting of Shareholders on approval of the Auditor’s candidacy	Minutes No. 13 of the annual General Meeting of Shareholders of IDGC of North-West, PJSC dated 13.06.2018
Decision of the Board of Directors on approval of the conditions of the contract concluded with the Auditor	Minutes of the Meeting of the Board of Directors of IDGC of North-West, PJSC dated 21.08.2018 No. 294/7.
Contract for provision of auditor services	No. 345/515/18 dated 21.08.2018.
Audit Report	Audit Report of the independent auditor on Accounting Statements of the Public Joint-Stock Company “Interregional Distribution Grid Company of North-West” for 2018 dated 20.02.2019

We planned and carried out the audit examination so that to gain reasonable assuredness of the 2018 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 and information disclosure in the Statements on interested-party transactions concluded in the reporting year, on the financial and economic activities of the Company, 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.

In the course of the review (audit examination), we selectively carried out reconciliation of the data of the accounting ledgers, source accounting records, Accounting (Financial) Statements, the Annual Report, the Report on Interested-Party Transactions concluded in the reporting year. We checked the procedure for arranging and performing the Company’s activities aimed at ensuring the safety of assets, as well as the results of the inventory of property and liabilities of the Company. Based on the Accounting (Financial) Statements of the Company, we conducted an analysis of the Company’s financial standing and position.

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, the compliance of the Statements with the content of transactions and events so that their reliable representation was ensured. 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 checked the completeness of information disclosure as follows:

- in the Annual Report of the Company for compliance with the requirements of the Regulations on Disclosure of Information by the Issuers of Securities approved by the Bank of Russia No. 454-P dated 30.12.2014;
- in the Accounting (Financial) Statements for compliance with Federal Law on Accounting No. 402-FZ dated 06.12.2011 and accounting standards;
- in the Report on Interested-Party Transactions concluded in the reporting year for compliance with the requirements of the Federal Law on Joint-Stock Companies No. 208-FZ dated 26.12.1995, Instruction of the Bank of Russia “On the Setting of Limit Values for the Amount of Transactions Concluded by Joint-Stock Companies and Limited Liability Companies, where Such Transactions Can Be Recognized as Interested-Party Transactions”, dated March 31, 2017 No. 4335-U.

When this conclusion was issued, the Annual Report submitted for approval by the annual General Meeting of Shareholders was not preliminarily approved by the Board of Directors of the Company, the Report on Interested-Party Transactions concluded in 2018 was not approved by the Board of Directors of the Company either.

While assessing consistency of the Statements, the Auditing Commission relied, *inter alia*, on the conclusion about reliable reflection of the financial position, financial results and cash flow in the accounting (financial) statements for 2018 of the auditor of Ernst and Young, LLC dated 20.02.2019 on , on the conclusions of MECOM, LLC compiled following the results of technological and price audit of reports on the implementation of the investment program of the Company executed on the basis of the contract No. 20/24/2018 dated 17.01.2018.

## **II. FINAL PART**

In the reporting year, the totality of methods used by the Company to carry out accounting and constituting the Accounting Policy for 2018 conformed to the legislation of the Russian Federation on accounting and the federal standards.

Inventory of the property and liabilities of the Company was carried out in accordance with the requirements of the legislation; the inventory results were reflected in the accounting (financial) statements of the Company.

Accounting (Financial) Statements for 2018 were prepared in accordance with the rules for the formation of accounting statements established in the Russian Federation in all material respects.

Book value of the Company's assets, as of 31.12.2018 was RUB 56,417.500 mln and increased by 5%, as compared to 31.12.2017.

The non-current assets accounted for 84% of the property structure, their amount as of 31.12.2018 making RUB 47,561.031 mln, which exceeds the amount of non-current assets as of 31.12.2017 by 6%. The growth of assets and construction in progress and the increase in the value of fixed assets due to the commissioning of capital construction and modernization facilities had a significant impact on the growth of assets.

As of 31.12.2017, the share of current assets accounts for 16% of all assets or RUB 8,856.469 mln, of which accounts receivable account for the largest share (78%). The volume of current assets decreased by 3%, as compared to their value as of 31.12.2017, which is mainly due to a 4% decrease in the accounts receivable. In 2018, the total amount of receivables recorded under the terms of contracts increased by 8% and, as of December 31, 2017, amounted to RUB 15,666.151 mln, of which 73% of the debt is overdue receivables, 56% of the receivables were recognized by the Company as doubtful and a reserve for doubtful receivables has been created. The growth of overdue receivables for the reporting year amounted to 7%, the provision for doubtful receivables, compared with its value as of December 31, 2017, increased by 20%.

As of 31.12.2018, the owner capital is 46% being RUB 25,703.951 mln in the amount of capital and liabilities. In the reporting year, the owner capital increased by 2% due to a decrease in uncovered loss due to the net profit of the reporting year.

The borrowed capital accounts for 54% in the amount of capital and liabilities. In the reporting year, the amount of borrowed capital decreased by 6% and amounted to RUB 30,713.549 million, as of 31.12.2018. In the borrowed capital structure, the largest share falls to the borrowed funds (51%) and short-term accounts payable (33%), as of 31.12.2018. The structure of borrowed capital shows changes in the growth of loans and borrowings, while maintaining the value of accounts payable. Among other things, attention was drawn to a 2-fold increase in the value of estimated liabilities, due to an increase in estimated liabilities for the payment of remuneration for the year and court proceedings that were not completed at the reporting date.

In the reporting year, the Company's activities resulted in a net profit of 599.356 million rubles (a loss in the previous reporting period amounted to 2,441.462 million rubles).

The cost of net assets as of 31.12.2017 was RUB 25,728.585 mln and exceeds the chartered capital of the Company as of 31.12.2018. In the reporting year, the value of net assets increased by 2%.

The solvency ratio of current liabilities and the debt/EBITDA ratio are within recommended values. Indicators of current liquidity and security of working capital are below the recommended values, which indicate a lack of working capital to repay short-term liabilities at the end of the reporting period.

No facts of violating the legal acts of the Russian Federation in the course of implementation of financial and economic activities that could significantly affect the

Statements of the Company were identified.

No facts of misrepresentation of the information contained in the report on interested-party transactions concluded in 2018 were revealed.

The Annual Report of the Company submitted for approval by the annual General Meeting of Shareholders contains information provided by the Regulations on Disclosure of Information by the Issuers of Securities No. 454-P dated 30.12.2014 and approved by the Central Bank of the Russian Federation.

Following the results of the evaluation of the consistency of the Company's Statements for 2018, the Auditing Commission expresses its opinion on the consistency of the data contained in the Annual Report for 2018, the Accounting (Financial) Statements of the Company for 2018 and the Report on Interested-Party Transactions concluded in 2018 in all material respects.

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

Item No.	Statement form title	Date of signature by management	Number of sheets in the document
1.	Balance Sheet as of December 31, 2018	20.02.2019	3
2.	Profit and Loss Statement for the period from January 1 to December 31, 2018	20.02.2019	1
3.	Statement of Changes in Equity in 2018	20.02.2019	3
4.	Cash Flow Statement for 2018	20.02.2019	2
5.	Explanatory Notes to the accounting (financial) statements for 2018 with appendices	20.02.2019	70
6.	Annual report of IDGC of North-West, PJSC for 2018	undated	558
7.	Report on Interested-Party Transactions concluded in 2018.	undated	9

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 2018 balance sheet and the profit and loss statement in textual and tabular form that form integrated parts of the Company's 2018 annual report, as well as the Report on Interested-Party Transactions concluded in 2018.

Chairwoman of the Auditing  
Commission

/Signature/

M.A. Lelekova

Members of the Auditing  
Commission

/Signature/

A.N. Kirillov

/Signature/

S.A. Kim

/Signature/

E.A. Kabizskina

/Signature/

E.S. Erandina

