

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

Approved
by the Auditing Commission of
IDGC of the North-West, PJSC
(Minutes No. 4 dated April 23, 2018)

**CONCLUSION
OF THE AUDITING COMMISSION**

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

April 23, 2018
Generation date:

Moscow
Generation place:

I. INTRODUCTION

DETAILS OF AUDITING COMMISSION COMPOSITION

Auditing Commission composition elected by decision of the General Meeting of Shareholders	Decision of the annual General Meeting of Shareholders of IDGC of the North-West, PJSC dated 13.06.2017 (Minutes No. 12 dated 16.06.17)
Chairperson 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 14.06.2017.
Chairwoman of the Auditing Commission	M.A. Lelekova
Secretary of the Auditing Commission	S.V. Malyshev
Members of the Auditing Commission	S.A. Kim, A.N. Kirillov, O.A. Medvedeva

Audit examination timeframe: In accordance with the decision made by the Auditing Commission of IDGC of the North-West, PJSC dated 16.03.2018 (Minutes No. 3), audit examination of financial and economic

activity of IDGC of the North-West, PJSC for 2017 is carried out from 16.03.2018 to 06.06.2018, evaluation of consistency of the accounting data contained in the 2017 Annual Report, Accounting (Financial) Statements for 2017 and the Report on Interested-Party Transactions concluded in 2017 was carried out in the period from 16.03.2018 to 23.04.2018.

Audit examination grounds: Federal Law on Joint-Stock Companies No. 208-FZ dated 26.12.1995, Articles of Association of IDGC of the North-West, PJSC, Regulations on the Auditing Commission of IDGC of the North-West, PJSC (hereinafter referred to as the Company), decision of the Auditing Commission of the Company (Minutes of the meeting No. 3 dated 16.03.2018).

Object of audit examination: expression of an independent opinion on the consistency of the data contained in the Annual Report for 2017, the Accounting (Financial) Statements of the Company for 2017 and the Report on Interested-Party Transactions concluded in 2017 (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 the North-West, PJSC, the sole executive body of the Company is liable for the preparation and consistency of the Statements submitted.

Period reviewed: from 01.01.2017 to 31.12.2017.

Audit examination object: Annual Report and Accounting (Financial) Statements for 2017, Report on Interested-Party Transactions concluded in 2017, 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 March 31, 2017 No. 4335-U;
- Accounting policy of IDGC of North-West, PJSC for 2017 for accounting purposes approved by the Order of the Company No. 842 dated 30.12.2016;
- 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	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	Arkhenenergo, Vologdaenergo, Karelenenergo, Kolenergo, Komienenergo, 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	Limited Liability Company RSM RUS
Decision of the annual General Meeting of Shareholders on approval of the Auditor's candidacy	Minutes No. 12 of the annual General Meeting of Shareholders of IDGC of the North-West, PJSC dated 16.06.2017
Decision of the Board of Directors on approval of the conditions of the contract concluded with the Auditor	Minutes of a Meeting of the Board of Directors of IDGC of the North-West, PJSC dated 22.09.2017 No. 254/9.
Contract for provision of auditor services	No. 171a062 dated 05.10.2017.
Audit Report	Audit Report No. RSM-1339 compiled by the independent auditor on 21.02.2018.

We planned and carried out the audit examination so that to gain reasonable assuredness of the 2017 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 also 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 2017 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 of the auditor of RSM RUS, LLC No. RSM-1339 dated 21.02.2018, 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. 387/1397/17 dated 26.09.2017.

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 2017 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 2017 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 31.12.2017 was RUB 53,951.107 mln and decreased by 7%, as compared to 31.12.2016.

The non-current assets accounted for 83% of the property structure, their amount as of 31.12.2017 making RUB 44,798.746 mln, which exceeds the amount of non-current assets as of 31.12.2016 by 4.8%.

As of 31.12.2017, the share of current assets accounts for 17% of all assets or RUB 9,152.361 mln, of which accounts receivable account for the largest share (78%). The volume of current assets decreased by 41%, as compared to their value as of 31.12.2016, which is mainly due to a 3-times increase in the provision for doubtful debts.

As of 31.12.2017, the owner capital is 47% being RUB 25,103.512 mln in the amount of capital and liabilities. In the reporting year, the owner capital for decreased by 9%.

The borrowed capital accounts for 53% in the amount of capital and liabilities. In the reporting year, the amount of borrowed capital decreased by 6% and amounted to RUB 28,847.595 million, as of 31.12.2017. In the borrowed capital structure, the largest share falls to the borrowed funds (50%) and short-term accounts payable (36%), as of 31.12.2017. In the reporting year, the borrowed fund decreased by 2%, while short-term accounts payable - by 3%.

The Company's activities in the reporting year yielded loss in an amount of RUB 2,441.462 mln (net profit in the previous reporting period was RUB 456.889 mln). The uncovered loss was RUB 2,046.393 mln, as of 31.12.2017.

The cost of net assets as of 31.12.2017 was RUB 25,127.347 mln hence exceeding the chartered capital of the Company as of the date above. In the reporting year, the value of net assets decreased by 9%.

The indicators of the financial standing of the Company are below the values recommended, which indicates insufficient liquidity and unstable financial standing of the Company.

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 2017 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 2017, the Auditing Commission expresses its opinion on the consistency of the data contained in the Annual Report for 2017, the Accounting (Financial) Statements of the Company for 2017 and the Report on Interested-Party Transactions concluded in 2017 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, 2017	19.02.2018	3
2.	Profit and Loss Statement for the period from January 1 to December 31, 2017	19.02.2018	2
3.	Statement of Changes in Equity in 2017	19.02.2018	3
4.	Cash Flow Statement for 2017	19.02.2018	3
5.	Explanatory Notes to the accounting (financial) statements for 2017 with appendices	19.02.2018	70
6.	Annual report of IDGC of the North-West, PJSC for 2017	undated	584
7.	Report on Interested-Party Transactions concluded in 2017.	undated	4

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 2017 balance sheet and the profit and loss statement in textual and tabular form that form integrated parts of the Company's 2017 annual report, as well as the Report on Interested-Party Transactions concluded in 2017.

Chairwoman of the Auditing Commission

/Signature/

M.A. Lelekova

Members of the Auditing Commission

/Signature/

S.A. Kim

/Signature/

A.N. Kirillov

/Signature/

S.V. Malyshev

/Signature/

O.A. Medvedeva

Bound and numbered,

seven

(7) **SHEETS**

/Signature/ S.V. Malyshev

(signature)

(Full name)