

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

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Approved  
by the Auditing Commission of  
IDGC of North-West PJSC  
(minutes No. 3 dated April 13, 2021)

**OPINION  
OF THE AUDITING COMMISSION**

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

for 2020

April 13, 2021

Moscow

## I. INTRODUCTION

**DETAILS OF AUDITING COMMISSION COMPOSITION**

The Auditing Commission composition was elected by decision of the General Meeting of Shareholders	Decision of the annual General Meeting of Shareholders of IDGC of North-West PJSC dated 29.05.2020 (Minutes No. 16 dated 29.05.2020)
Chairman and Secretary of the Auditing Commission elected by decision of the Auditing Commission	Minutes of the Auditing Commission of IDGC of North-West PJSC dated 14.12.2020 No. 2 and dated 05.06.2020 No. 1
Chairman of the Auditing Commission	Kabizskina Yelena Alexandrovna
Secretary of the Auditing Commission	Kim Svetlana Anatolyevna
Members of the Auditing Commission	Kirillov Artem Nikolaevich Barmina Ekaterina Alexandrovna

**Audit examination timeframe:** In accordance with the work schedule of the Audit Commission (minutes of the meeting of the Auditing Commission of IDGC of North-West PJSC dated December 14, 2020 No. 2), the audit of the financial and economic activities of IDGC of North-West PJSC for 2020 is carried out from January to May of 2021.

**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, decision of the Auditing Commission of IDGC of North-West (minutes of the meeting No. 2 dated 14.12.2020).

**Audit examination objective:** Confirmation of consistency of data contained in the 2020 Annual Report, accounting (financial) statements of IDGC of North-West PJSC for 2020, report on the related-party transactions concluded in 2020 (hereinafter referred to as the Reporting).

“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 IDGC of North-West PJSC and to take well-substantiated decisions based on such conclusions.

In accordance with Federal Law No. 208-FZ dd. December 26, 1995 “On Joint Stock Companies”, Charter of IDGC of North-West PJSC, the responsibility for organization, condition and reliability of accounting in IDGC of North-West PJSC, timely submission of accounting (financial) reporting lies with the executive body of IDGC of the North-West PJSC.

**Period audited:** from 01.01.2020 to 31.12.2020.

**Audit examination object:** Annual Report and Accounting (Financial) Statements for 2020, Report on Related Party Transactions concluded in 2020, decisions of management bodies, local regulatory acts and organizational and administrative documents of IDGC of North-West PJSC, programs and plans, accounting ledgers, source accounting documents and other documentation on financial and economic activities of IDGC of North-West PJSC.

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

- Federal Law No 402-FZ “On Accounting” 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 standards (federal, industry-related);
- 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 2020 for accounting purposes approved by the Order of the Company dated 31.12.2019 No. 805 (as amended by orders dd. 18.06.2020 No. 337, dd. 24.09.2020 No. 545);
- other legislative instruments and internal organizational and administrative documents of IDGC of North-West PJSC.

## COMPANY DETAILS

Full registered name	Interregional Distribution Grid Company of North-West Public Joint Stock Company (hereinafter – the Company)
Abbreviated name	- IDGC of North-West PJSC (hereinafter – the Company)
Location (registered address)	Russia, Saint Petersburg
Postal address	3 Konstitutsii Sq., Lit. A, Room 16N, 196247 Saint

	Petersburg, Russia
State registration (PSRN [Primary State Registration Number], date)	1047855175785 dd. 23.12.2004
TIN	7802312751
Branches and standalone subdivisions	Arkhangelsk Branch, Vologda branch, Karelian branch, Murmansk branch, branch in the Komi Republic, Novgorod branch, Pskov branch.
Executive body (full name, position, date of taking office (all in the reporting period and events after the reporting date))	A.Yu. Pidnik – General Director since 11.10.2018 to the present
Chief accountant (full name, office, date of accession to office)	I.G. Zhdanova – Chief Accountant - Head of the Department for Financial and Fiscal Accounting and Reporting from 04.03.2016 to present day
Average number of employees of the Company for 2020	14,107.6 persons.
Principal shareholders	Rosseti PJSC / 55.38%
The main areas of activities:	Transmission of electrical energy, distribution of electrical energy, activities to ensure the operability of electric power networks, services for technological connection to distribution networks

IDGC of North-West PJSC is a subsidiary of Rosseti PJSC, which as of 31.12.2020 owns 55.38% of the Company's shares.

Types of the Company's activities are set forth in the Charter. The main types of activities of the company are the electricity transmission, electricity distribution, activities to ensure the operability of electric power networks, services for technological connection to distribution networks of the Company.

Clause 2.8 of the Charter stipulates that the Company is entitled to establish branches not being legal entities with the authorities to act on behalf of the Company and on the basis of the provisions approved by the Company. As of December 31, 2020, the Company manages seven regional branches:

- Arkhangelsk Branch (163000, Russian Federation, Arkhangelsk, Svoboda st., 3);
- Vologda Branch (160000, Russian Federation, Vologda, Prechistenskaya nab., 68);

- Karelian Branch (185035, Russian Federation, Republic of Karelia, Petrozavodsk, Kirov st., 45);
- Murmansk Branch (184355, Russian Federation, Murmansk region, Kola district, Murmashi, Kirova str., 2);
- Branch in the Republic of Komi (167000, Russian Federation, Komi Republic, Syktyvkar, Internatsionalnaya str., 94).
- Novgorod Branch (173003, Russian Federation, Veliky Novgorod, Bolshaya Sankt-Peterburgskaya str., 3);
- Pskov Branch, 180000, Russian Federation, Pskov, Sovetskaya str., 47-L).

Management bodies of IDGC of North-West PJSC are:

- General Meeting of Shareholders
- the Board of Directors of the Company
- Management Board of the Company
- General Director of the Company

The supreme governing body of the Company is the General Meeting of Shareholders. The most important decisions related to the activities of the Company are made by the General Meeting of Shareholders within the scope of its competence as established by the law of the Russian Federation and the Charter of the Company.

The Board of Directors, which is elected by the general meeting of shareholders, adopts decisions on determining the development strategy of the Company and controls the activities of its executive bodies in accordance with the Charter of the Company.

Day-to-day operations of the Company are managed by the sole executive body – General Director of the Company.

Supervision of the Company's financial and economic activity is performed by the Auditing Commission of the Company.

The current members of the Board of Directors of IDGC of North-West PJSC, were elected on May 29, 2020 by the annual general meeting of shareholders (minutes of June 01, 2020, No. 16), including (positions are indicated at the time of election):

<b>item No</b>	<b>Full name</b>	<b>Position held at the time of election</b>
1.	Konstantin Aleksandrovich Mikhailik (Chairman of the Board of Directors)	Deputy General Director for Investment Activities of Rosseti PJSC
2.	Mikhail Aleksandrovich Bychko	Director of the Capital Construction Department of Rosseti PJSC
3.	Aleksandr Viktorovich Golovtsov	Doesn't work at present
4.	Yury Vladimirovich Goncharov	Chief Advisor to Rosseti PJSC
5.	Aleksandr Yuryevich Korneyev	Director of the Department for Technological Connection and Infrastructure Development,

		Rosseti PJSC
6.	Dmitry Dmitrievich Mikheev	Director of the Service Implementation Department of Rosseti PJSC
7.	Andrey Vladimirovich Morozov	Legal Director, Association of Professional Investors
8.	Yuliya Gennadyevna Obrezkova	Deputy Director of the Strategy Department of Rosseti PJSC
9.	Irina Aleksandrovna Shagina	Director of the Tariff Policy Department of Rosseti PJSC
10.	Oleg Romanovich Fedorov	Member of the Board of Directors of IDGC of North-West PJSC
11.	Artem Yurevich Pidnik	General Director of IDGC of North-West PJSC

### AUDITOR DETAILS

Full registered name of organization	Ernst & Young Limited Liability Company
Abbreviated name of the organization	Ernst & Young LLC
Decision of the annual General Meeting of Shareholders on approval of the Auditor's candidacy	Decision of the annual General Meeting of Shareholders of IDGC of North-West PJSC dated 29.05.2020 (Minutes No. 16 dated 29.05.2020)
Location	196247, Russia, Saint Petersburg, Konstitutsii sq., 3 Lit. 16H
State Registration Number	1027739707203
A member of	Member of the self-regulatory organization of auditors 'Sodruzhestvo' Association (SRO AAS) main registration record number (ORNZ) 12006020327.
Contract for provision of auditor services	Audit Agreement: No. 439/559/20 dd. 20.08.2020
Auditor's Report	The auditor's report of the independent auditor on the accounting (financial) statements of Interregional Distribution Grid Company of North-West Public Joint-Stock Company for 2020 (signed on 01.03.2021).

## II. ANALYTICAL PART

While carrying out the audit examination), we considered whether the Company complied with the Russian Federation legislation and local regulatory instruments of the Company.

In assessing the accuracy of the accounting (financial) statements for 2020, the Auditing Commission relied on the opinion of the auditor of the Company, expressed in

the auditor's report of Ernst & Young LLC dated 01.03.2021 on the accurate, in all material respects, disclosure of the financial position and financial performance in the accounting (financial) reporting for 2020.

According to the Company's auditor Ernst & Young LLC, *“the accompanying accounting (financial) statements accurately disclose, in all material respects, the financial position of the Company as of December 31, 2020, as well as its financial performance and cash flows for 2020 in accordance with the rules preparation of accounting (financial) statements established in the Russian Federation”*.

The Auditing Commission selectively inspected a number of financial and business operations performed by the Company for accurate and timely record of accounting events in accounting and (financial) statements for 2020, the reliability and completeness of information disclosure in the annual report for 2020, in the report on related party transactions concluded in 2020.

The totality of accounting methods used by the Company that constitute the accounting policy of IDGC of North-West PJSC for 2020 accounting purposes, approved by order No. 805 dated December 31, 2019 (as amended by orders No. 337 dated June 18, 2020, No. 545 dated September 24, 2020 ), in the reporting year generally complied with the legislation of the Russian Federation on accounting and federal standards.

The inventory-taking of assets and liabilities of the Company based on the results of 2020 was carried out in accordance with the requirements of the legislation of the Russian Federation.

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).

Book value of the Company's assets, as of 31.12.2020 was RUB 54,377.15 mln and decreased by 0.4%, as compared to 31.12.2019.

The non-current assets accounted for 87% of the property structure, their amount as of 31.12.14 making RUB 47,126.11 mln which exceeds the amount of non-current assets as of 31.12.2019 by 1%.

Current assets, as of December 31, 2020, account for 13% of all assets or RUB 7,251.04 mln, of which the largest share is outstanding debt (64%). The volume of current assets as compared to their value as of December 31, 2019, increased by 4%. The amount of current assets was mainly affected by the increase as of the reporting date in the balance of cash and cash equivalents by RUB 591.39 mln.

The total amount of receivables accounted for under the terms of the contracts for 2020 decreased by 13% and, as of December 31, 2020, amounted to RUB 12,002.09 mln, of which 73% of the debt is overdue receivables, 61% of which are recognized. The company is doubtful and created a reserve for doubtful debts. Overdue accounts receivable for the reporting year decreased by 16%, the reserve for doubtful debts, in

comparison with its value as of December 31, 2019, decreased by 16%.

In the structure of capital and liabilities, as of December 31, 2020, equity capital accounts for 43% and amounts to RUB 23,313.45 mln. Equity capital for the reporting year decreased by 6%, which is mainly due to the loss based on the results of activities in the reporting period.

The borrowed capital accounts for 57% in the amount of capital and liabilities. In the reporting year, the amount of borrowed capital increased by 4% and amounted to RUB 31,063.70 mln, as of 31.12.2020. In the borrowed capital structure, the largest share falls to the borrowed funds (50%) and short-term accounts payable (26%), as of 31.12.2020. Short-term payables decreased by 10%, mainly due to a decrease in debts to suppliers and contractors. Overdue debt at the end of the reporting year increased by 7% as compared to the same indicator as of December 31, 2019.

The Company's activities in the reporting year yielded loss in an amount of RUB 1371.16 mln (net profit in the previous reporting period was RUB 576.96 mln).

The cost of net assets as of 31.12.2020 was RUB 23,350.19 mln hence exceeding the chartered capital of the Company. The decrease in the value of net assets for the reporting year was 6%.

The financial standing and solvency indicators of the Company are below the recommended values, which indicates low liquidity and a lack of own circulating assets.

The Auditing Commission selectively inspected the reliability and completeness of disclosure of information in the Annual Report of the Company for 2020, for compliance with the requirements of the Regulation on Disclosure of Information by Issuers of Equity Securities, approved by the Bank of Russia on December 30, 2014 No. 454-P.

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 30.12.14, No. 454-P.

At the time of issue of this Opinion, the Annual Report of the Company for 2020 submitted for approval by the annual General Meeting of Shareholders has not been approved by the Board of Directors of the Company.

The Auditing Commission selectively verified the reliability of information disclosure in the report on related party transactions concluded in 2020, for compliance with the requirements of the Federal Law on Joint-Stock Companies No. 208-FZ dd. 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

At the time of issue of this Opinion, the report on the related party transactions



concluded in 2020 has not been approved by the Board of Directors of the Company.

No facts of misrepresentation of the information contained in the report on interested-party transactions concluded by the Company in 2020 were revealed.

### III. FINAL PART

In accordance with Article 88 of the Federal Law dd. December 26, 1995 No. 208-FZ “On Joint Stock Companies” based on the results of audit of the 2020 financial and economic activities of the Company, the Auditing Commission expresses its opinion on the reliability of the data in all material respects contained in the Annual Report of the Company for 2020 and in the annual accounting (financial) statements of the Company for 2020.

No facts of misrepresentation of the information contained in the report on interested-party transactions concluded in 2020 were revealed.

Composition of the Company’s Statements to be confirmed by the Revision Commission:

<b>Item No.</b>	<b>Statement form title</b>	<b>Date of signature by management</b>	<b>Number of sheets in the document</b>
1	Balance Sheet as of December 31, 2020	01.03.2021	3
2	Profit and Loss Statement for the period from January to December 2020	01.03.2021	2
3	Equity Change Statement for January–December 2020	01.03.2021	3
4	Cash flow statement for January-December 2020	01.03.2021	3
5	Notes to the balance sheet and the profit and loss statement of IDGC of North-West PJSC for 2020 in text and tabular form	01.03.2021	71
6	Annual report of IDGC of North-West PJSC for 2020 (with attachments, including a report on related party transactions concluded in 2020)	-	412

This opinion of the Auditing Commission shall be considered jointly with all the forms of Accounting (Financial) Statements to be validated and the Explanations on 2020 balance sheet and the profit and loss statement, with 2020 Annual Report, with Report on Related Party Transactions concluded in 2020.

Chairman of the Auditing  
Commission

*signature*

Ye.A. Kabizskina

Members of the Auditing  
Commission

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<i>signature</i>	S.A. Kim,
_____	_____
<i>signature</i>	A.N. Kirillov
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<i>signature</i>	Ye.A. Barmina
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