



ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО
МЕЖРЕГИОНАЛЬНАЯ РАСПРЕДЕЛИТЕЛЬНАЯ
СЕТЕВАЯ КОМПАНИЯ УРАЛА
620026, Г. ЕКАТЕРИНБУРГ, УЛ. М.-СИБИРЯКА, 140
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AUDIT COMMITTEE

MEETING PROTOCOL #KA – 50 IDGC of Urals (OAO)

Meeting form – in-presentia (VC).

Meeting date: 29 December 2015.

Protocol date: 30 December 2015.

Meeting started at: 15:00 (Moscow time).

Meeting ended at: 16:40 (Moscow time).

Meeting location: 4/1 Ulitsa Belovezhskaya, Moscow, Rosseti's HQ, Room A5-048.

Members who attended the meeting:

Yulia Vitalyevna	Director of Economic Planning and Budgeting Department at Rosseti (PAO), the Chair;
Yascheritsyna	
Sergey Mikhailovich	Director of Production Asset Management Department at Rosseti (PAO);
Kataev	

Members who forwarded their ballots:

Evgeny Rudolfovich	Project director at GK Renova (ZAO).
Villevald	

Members that participated in the meeting: 3/3. A quorum for decision-making on agenda issues is duly constituted.

Invitees who attended the meeting:

Nadezhda Nikolaevna	Project manager at RSM RUS;
Usanova	
Elena Borisovna Sinitsyna	Head of Oversight and Expert Directorate of Oversight and Audit Department at Rosseti (PAO);
Olga Mikhailovna	Chief Accountant at IDGC of Urals (OAO);
Abrosimova	
Aleksandr Alekseevich	Head of Internal Audit and Oversight Department at IDGC of

Ulyanov	Urals (OAO);
Yuri Timofeevich Belozertsev	Acting Deputy General Director for Development and Sales at IDGC of Urals (OAO);
Andrey Evgenyevich Zhuykov	Head of Capital Construction Department at IDGC of Urals (OAO);
Natalya Anatolyevna Soboleva	Head of Economics and Tariff Department at IDGC of Urals (OAO);
Aleksey Vladimirovich Sanin	Head of Legal Department at IDGC of Urals (OAO);
Vladimir Valentinovich Cherepkov	Deputy Head of Sales and Metering Department at IDGC of Urals (OAO).

Secretary:

Dmitry Vyacheslavovich Tikhanov	Head of Corporate Events Section of Corporate Governance Department at IDGC of Urals (OAO).
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Agenda:

1. Examination of essential aspects of the Company's accounting policy and intended changes for 2016.
2. Examination of external auditor's written information with regard to points of concern of the Company's interim 9M 2015 financials prepared under RAS.
3. Review of the Company's interim 9M 2015 financials prepared under RAS.
4. Examination of information prepared by the Company's executives with regard to irregular operations and events as well as building-up of bad debt reserves and contingencies.
5. Examination of an Internal Audit and Oversight Department's report with regard to plan fulfilment and 9M 2015 internal audit results.

Issue 1: Examination of essential aspects of the Company's accounting policy and intended changes for 2016.

Report by: Olga Mikhailovna Abrosimova, Chief Accountant at IDGC of Urals (OAO).

O.M. Abrosimova has presented essential aspects of the Company's accounting policy and intended changes for 2016 to the Committee members.

The speaker has commented on questions posed to her.

Resolution:

To recommend the Company's executive bodies to reconcile concerns related to the Company's 2015 Accounting Policy, revealed by the auditor's written information (auditor report) prepared for the executives following interim audit of 9M 2015 RAS financials, after essential aspects of the Company's accounting policy and intended changes for 2016 are discussed with the executives and external auditor.

Voting results:

“FOR” - 3 (Three) votes: Y.V. Yascheritsyna, S.M. Kataev, E.R. Villevald.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Issue 2: Examination of external auditor’s written information with regard to points of concern of the Company’s interim 9M 2015 financials prepared under RAS.

Report by: Nadezhda Nikolaevna Usanova, Project manager at RSM RUS.

The Committee members have scrutinized auditor’s written information with regard to points of concern of the Company’s interim 9M 2015 RAS financials.

Resolution:

1. After written information (auditor report) prepared by RSM RUS (OOO) (external auditor) for Company’s executives following interim audit of 9M 2015 RAS financials, comments from the auditor and executives were discussed:

- 1.1. To take note of the auditor’s opinion that i) there is no actualization of critical risks related to revenues, expenses, assets and liabilities shown in the 9M 2015 financials; ii) the financials contain measurable contingencies that might consequently increase the risk of hefty accounting misstatements; and iii) statement of adequacy of the reserves in terms of receivables as of 31.12.2015 with regard to the annual accounting statements.

Voting results:

“FOR” - 3 (Three) votes: Y.V. Yascheritsyna, S.M. Kataev, E.R. Villevald.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Issue 3: Review of the Company’s interim 9M 2015 financials prepared under RAS.

Report by: Olga Mikhailovna Abrosimova, Chief Accountant at IDGC of Urals (OAO).

O.M. Abrosimova has presented the Company’s interim 9M 2015 RAS financials. The speaker commented on questions posed to her.

Participants noted that:

1. Incomplete construction has boosted significantly.
2. Receivables structure and quality deteriorated and backfired on net income.
3. Administrative expenses increased while revenues and production costs declined.
4. Decrease of revenues outstripped decrease of expenses (including growth of administrative expenses), thus reducing y-o-y sales margins.

Resolution:

1. After review of the Company’s interim 9M 2015 RAS financials to note that:

- 1.1. Incomplete construction has boosted significantly.
- 1.2. Receivables structure and quality deteriorated and backfired on net income.
- 1.3. Administrative expenses increased while revenues and production costs declined.
- 1.4. Decrease of revenues outstripped decrease of expenses (including growth of administrative expenses), thus reducing y-o-y sales margins.
2. To recommend the Company's executive bodies to take preventive measures against adverse trends stated in clause 1 hereof.
3. To take note of Company's information regarding writing off expenditures on HQ Capital Construction Department and Investment Directorates as the Company's administrative expenses.
4. To entrust Internal Audit and Oversight Department to conduct audits and to present statements regarding:
 - 4.1. Justification of writing-off of RUB 124 mn incomplete construction expenditures as Company's expenses and evaluation whether executives of the Company made efforts to protect economic interests of the Company and its shareholders.
Deadline: 01.03.2016.
 - 4.2. Adequacy and compliance of objectives and functions of divisions, responsible for capital construction and investments, as stated in relevant bylaws on such divisions, with Company's objectives and goals in relation to its investment programs; and evaluation whether expenditures on these divisions are economically feasible.
Deadline: 01.03.2016.
5. The Committee Secretary should keep the Board of Directors informed on key trends regarding changes in Company's financial health as of 9M 2015 based on RAS financials according to Appendix #4 hereof.

Voting results:

"FOR" - 3 (Three) votes: Y.V. Yascheritsyna, S.M. Kataev, E.R. Villevald.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Issue 4: Examination of information prepared by the Company's executives with regard to irregular operations and events as well as building-up of bad debt reserves and contingencies.

Report by: Olga Mikhailovna Abrosimova, Chief Accountant at IDGC of Urals (OAO).

O.M. Abrosimova has presented information prepared by the Company's executives with regard to irregular operations and events as well as building-up of bad debt reserves and contingencies. The speaker commented on questions posed to her.

Resolution:

To take note of information that there were no irregular operations and events as of 9M 2015 as well as to take note of information on the building-up of bad debt reserves and contingencies.

Voting results:

“FOR” - 3 (Three) votes: Y.V. Yascheritsyna, S.M. Kataev, E.R. Villevald.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Issue 5: Examination of an Internal Audit and Oversight Department’s report with regard to plan fulfilment and 9M 2015 internal audit results.

Report by: Aleksandr Alekseevich Ulyanov, Head of Internal Audit and Oversight Department at IDGC of Urals (OAO).

A.A. Ulyanov has presented a 9M 2015 progress report of Internal Audit and Oversight Department. The speaker commented on questions posed to him.

Participants noted that:

Company’s executives failed to fulfil Committee’s instructions with regard to submitting a progress report regarding the implementation of a remedy plan (in terms of incomplete construction) for a scheduled in-presentia Committee meeting (clause 2 of resolution on Issue 4, Protocol #KA-48 dd. 07.10.2015).

Resolution:

1. To approve an Internal Audit and Oversight Department’s report with regard to plan fulfilment and 9M 2015 internal audit results according to Appendix #6 hereof.
2. To draw attention of the Company’s CEO to the fact that Company’s executives failed to fulfil Committee’s instructions to submit a progress report regarding the implementation of a remedy plan (in terms of incomplete construction) for a scheduled in-presentia Committee meeting (clause 2 of resolution on Issue 4, Protocol #KA-48 dd. 07.10.2015).
3. To recommend the CEO to present the progress report regarding the implementation of a remedy plan (in terms of incomplete construction) to the Committee.
Deadline: 20.01.2016.

Voting results:

“FOR” - 3 (Three) votes: Y.V. Yascheritsyna, S.M. Kataev, E.R. Villevald.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Appendices:

Appendix #1 Changes to Company’s 2016 accounting policy.

Appendix #2	Auditor's written information with regard to points of concern of the Company's interim 9M 2015 RAS financials.
Appendix #3	Interim 9M 2015 RAS financials.
Appendix #4	Key trends regarding changes in Company's financial health as of 9M 2015 based on RAS financials.
Appendix #5	Executives' information with regard to irregular operations and events as well as building-up of bad debt reserves and contingencies.
Appendix #6	Internal Audit and Oversight Department's report with regard to plan fulfilment and 9M 2015 internal audit results.
Appendix #7	Ballot of E.R. Villevald.

The Chair

Y.V. Yascheritsyna

The Secretary

D.V. Tikhanov