

AUDIT COMMITTEE

MINUTES OF THE COMMITTEE MEETING No.KA–63 IDGC of Urals (OAO)

Meeting form – in-presentia (VC).

Meeting conducted on: 26 December 2016.

Minutes prepared on: 27 December 2016.

Meeting started at: 11:00 (Moscow time).

Meeting ended at: 12:25 (Moscow time).

Meeting location: Room A2-017, 4/1 Ulitsa Belovezhskaya, Moscow (Rosseti's HQ).

In-presentia Participants:

Aleksandr Viktorovich Shevchuk	Executive Director of Association of Institutional Investors, Chair of the Committee;
Roman Avgustovich Dmitrik	General Director at RRSK (OOO);
Yulia Vitalyevna Yascheritsyna	Director of Economic Planning and Budgeting Department at Rosseti (PAO).

In-absentia Participants (ballot voting):

Vladimir Vladimirovich Sofyin	Director of Technological Development and Innovations Department at Rosseti (PAO).
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4 out of 4 members have participated in the meeting. A quorum for decision-making on agenda issues is duly constituted.

Invitees:

Elena Borisovna Sinitsyna	Head of Oversight and Expert Directorate of Audit and Oversight Department at Rosseti (PAO), Expert of the Committee;
Natalya Sergeevna Lopatkina	Representative of RSM RUS;
Tatyana Aleksandrovna Vershinina	Representative of RSM RUS
Valentina Mikhailovna Shcherbakova	Deputy General Director for Economics and Finance at IDGC of Urals (OAO);
Olga Mikhailovna Abrosimova	Chief Accountant at IDGC of Urals (OAO);
Ekaterina Aleksandrovna Shishkina	Internal Audit Department Deputy Head at IDGC of Urals (OAO)
Dmitry Vladimirovich Vyalkov	Deputy General Director for Development and Sales at IDGC of Urals (OAO)
Anton Gennadyevich Dyachkov	Deputy General Director for Investments at IDGC of Urals (OAO);

Evgeny Aleksandrovich Smyk

Technological Connection Department Head at IDGC of Urals (OAO).

The Committee Secretary:

Dmitry Vyacheslavovich
Tikhanov

Head of Corporate Events Section of Corporate Governance and Stockholder Relations Department at IDGC of Urals (OAO)

Agenda:

1. Examination of the external auditor's written information regarding key problems of the Company's interim 9M 2016 RAS financial statements and management's information regarding post-audit revisions and adjustments.
2. Scrutiny of the Company's interim 9M 2016 RAS financial statements.
3. Examination of material aspects of the Company's accounting policy of the reported year and amendments to be implemented during 2017.
4. Examination of the 9M 2016 progress report prepared by Internal Audit and Oversight Department.
5. Preliminary examination of the Internal Audit Department's action plan for 2017.
6. Preliminary examination of the Internal Audit Department's budget for 2017.

Agenda item No.1: Examination of the external auditor's written information regarding key problems of the Company's interim 9M 2016 RAS financial statements and management's information regarding post-audit revisions and adjustments.

Report by: Natalya Sergeevna Lopatkina, Representative of RSM RUS.

Resolution:

To take note of the external auditor's written information regarding key problems of the Company's interim 9M 2016 RAS financial statements and management's information regarding post-audit revisions and adjustments.

Voting results:

"FOR" - 4 (Four) votes: Y.V. Yascheritsyna, V.V. Sofyin, A.V. Shevchuk, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.2: Scrutiny of the Company's interim 9M 2016 RAS financial statements.

Report by: Valentina Mikhailovna Shcherbakova, Deputy General Director for Economics and Finance at IDGC of Urals (OAO).

Resolution:

1. The Company's interim 9M 2016 RAS financial statements examined, to underline the following:
 - 1.1. YTD hike in incomplete construction.

- 1.2. Progressing YTD hike in contingencies.
 - 1.3. The costs' rate of growth outperforms the revenues' rate of growth.
 - 1.4. YTD growth of administrative expenses.
2. The Committee Secretary is to inform the Company's Board of Directors on key trends of the 9M 2016 interim RAS indicators, as stated in Appendix No.2 hereof.

Voting results:

"FOR" - 4 (Four) votes: Y.V. Yascheritsyna, V.V. Sofyin, A.V. Shevchuk, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.3: Examination of material aspects of the Company's accounting policy of the reported year and amendments to be implemented during 2017.

Report by: Valentina Mikhailovna Shcherbakova, Deputy General Director for Economics and Finance at IDGC of Urals (OAO).

Resolution:

To take note of the Company's information regarding material aspects of the Company's accounting policy of the reported year and amendments to be implemented during 2017.

Voting results:

"FOR" - 4 (Four) votes: Y.V. Yascheritsyna, V.V. Sofyin, A.V. Shevchuk, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.4: Examination of the 9M 2016 progress report prepared by Internal Audit and Oversight Department.

Report by: Ekaterina Aleksandrovna Shishkina, Internal Audit Department Deputy Head at IDGC of Urals (OAO).

Resolution:

To pass the 9M 2016 progress report prepared by Internal Audit and Oversight Department, as stated in Appendix No.3 hereof.

Voting results:

"FOR" - 4 (Four) votes: Y.V. Yascheritsyna, V.V. Sofyin, A.V. Shevchuk, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.5: Preliminary examination of the Internal Audit Department's action plan for 2017.

Report by: Ekaterina Aleksandrovna Shishkina, Internal Audit Department Deputy Head at IDGC of Urals (OAO).

Resolution:

1. To pass the Internal Audit Department's action plan for 2017, as stated in Appendix No.4 hereof, with energy-saving and energy-efficiency audit activities, scheduled for 3Q 2017, to be included onto it.
2. The Secretary of the Committee is to:
 - 2.1. File the Internal Audit Department's action plan for 2017 with the Board of Directors for preview and amendments/proposals (if any).
 - 2.2. Submit for consideration by the Audit Committee the Internal Audit Department's action plan for 2017, should there be any proposals or comments from the Board of Directors.
Deadline: 20.01.2017
3. With no proposals and comments filed (as stated in clause 2.2.), to recommend the Board of Directors to pass the following resolution:
 - 3.1. To approve the Internal Audit Department's action plan for 2017, as stated in the Appendix hereof.

Voting results:

"FOR" - 4 (Four) votes: Y.V. Yascheritsyna, V.V. Sofyin, A.V. Shevchuk, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.6: Preliminary examination of the Internal Audit Department's budget for 2017.

Report by: Ekaterina Aleksandrovna Shishkina, Internal Audit Department Deputy Head at IDGC of Urals (OAO).

Resolution:

1. To approve the Internal Audit Department's budget for 2017, as stated in Appendix No.5 hereof.
2. To recommend the Board of Directors to pass the following resolution:
 - 2.1. To adopt the Internal Audit Department's budget for 2017, as stated in the Appendix hereof.
3. To recommend the Company's management and Audit Committee to produce joint proposals regarding possible revisions of the adopted Internal Audit Department's budget for 2017, factoring in current crew size and tasks assigned.
Deadline: 1Q 2017.

Voting results:

“FOR” - 4 (Four) votes: Y.V. Yascheritsyna, V.V. Sofyin, A.V. Shevchuk, R.A. Dmitrik.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

PASSED UNANIMOUSLY.

- Appendix No.1 External auditor’s written information regarding key problems of the Company’s interim 9M 2016 RAS financial statements and management’s information regarding post-audit revisions and adjustments.
- Appendix No.2 Company’s interim 9M 2016 RAS financial statements.
- Appendix No.3 Material aspects of the Company’s accounting policy of the reported year and amendments to be implemented during 2017.
- Appendix No.4 9M 2016 progress report prepared by Internal Audit and Oversight Department.
- Appendix No.5 Internal Audit Department’s action plan for 2017.
- Appendix No.6 Internal Audit Department’s budget for 2017.

The Chair

A.V. Shevchuk

The Secretary

D.V. Tikhanov