

AUDIT COMMITTEE

MINUTES OF THE COMMITTEE MEETING No.KA-69 IDGC of Urals (OAO)

Meeting form – in-presentia (VC).

Meeting date: 26 April 2017.

Minutes date: 27 April 2017.

Meeting started at: 16:00 (Moscow time).

Meeting ended at: 16:55 (Moscow time).

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

Attending members:

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

4 out of 4 members have participated in the meeting. A quorum for decision-making on agenda issues is duly constituted.

Invitees:

Anzhelika Aleksandrovna Zadorozhnaya	Head of Oversight and Analysis Directorate of Oversight Department at Rosseti (PAO) – Committee's expert;
Artem Sergeevich Popkov	ICS manager at RSM RUS (OOO);
Konstantin Vladimirovich Belyaev	Partner at RSM RUS (OOO);
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);
Polina Vladimirovna Krivonogova	Head of Internal Audit Department at IDGC of Urals (OAO);
Aleksey Vladimirovich Sanin	Head of Legal Affairs Department at IDGC of Urals (OAO);
Antonina Yuryevna Zmyvalova	Head of Internal Control and Risk Management Section 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)
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Agenda:

1. Examination of management's information on unusual operations and events, formation of bad debt reserves and provisions.
2. Examination of external auditor's written information on key challenges of the FY2016 accounting (financial) statements prepared under RAS and FY2016 consolidated financial statements prepared under IFRS and management's information on post-audit adjustments.
3. Preliminary examination of the FY2016 accounting (financial) statements prepared under RAS and FY2016 consolidated financial statements prepared under IFRS.
4. Evaluation of efficiency of external audit of the Company's FY2016 accounting (financial) statements.
5. Preliminary examination of the external auditor nominee to be engaged in the audit of the Company's FY2017 accounting (financial) statements.
6. Preliminary examination of the fee due to the auditor engaged in the audit of the Company's FY2017 accounting (financial) statements.

Agenda item No.1: Examination of management's information on unusual operations and events, formation of bad debt reserves and provisions.

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

Draft of the Resolution:

To take note of the management's information on 2016 unusual operations and events, formation of bad debt reserves and provisions, as stated by Appendix No.1 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.2: Examination of external auditor's written information on key challenges of the FY2016 accounting (financial) statements prepared under RAS and FY2016 consolidated financial statements prepared under IFRS and management's information on post-audit adjustments.

Report by: Representative of the Company's auditor – RSM RUS (OOO).

Draft of the Resolution:

1. Having examined the written information (auditor report), prepared after the audit of FY2016 accounting statements prepared under RAS and consolidated financial statements prepared under IFRS for the period ended 31 December 2016, to state that there are no significant objections to FY2016 accounting statements.
2. To take note of management's information that no revisions were made after the external audit of the accounting (financial) statements.

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: Preliminary examination of the FY2016 accounting (financial) statements prepared under RAS and FY2016 consolidated financial statements prepared under IFRS.

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

To be noted that:

Analysis of a contract draft with the auditor on the audit of the FY2017 statements and Regulations on the Board of Directors' Audit Committee is required to synchronize preliminary examination of the accounting (financial) statements (annual and quarterly) and its signing and disclosure.

Draft of the Resolution:

1. To recommend the Board of Directors to file the Company's FY2016 annual accounting (financial) statements prepared under RAS with the Annual General Meeting for approval.
2. To take note of the consolidated financial statements for the year ended 31 December 2016.

Voting results:

"FOR" - 3 (Three) votes: Y.V. Yascheritsyna, V.V. Sofyin, A.V. Shevchuk.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 1 (One) vote: R.A. Dmitrik.

PASSED BY THE MAJORITY.

Agenda item No.4: Evaluation of efficiency of external audit of the Company's FY2016 accounting (financial) statements.

Report by: Polina Vladimirovna Krivonogova, Head of Internal Audit Department at IDGC of Urals (OAO).

Draft of the Resolution:

1. To approve the Audit Committee's evaluation of the auditor report prepared by RSM RUS (OOO) with regard to the Company's FY2016 annual accounting (financial) statements prepared under RAS, as stated by Appendix No.2 hereof.
2. To recommend to include the Audit Committee's report on efficiency and quality of external audit to the list of materials, subject to dissemination among entities entitled to participate in the Annual General Meeting of Stockholders, as stated by 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 external auditor nominee to be engaged in the audit of the Company's FY2017 accounting (financial) statements.

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

Draft of the Resolution:

To recommend the Board of Directors to propose the AGM to approve RSM RUS (4 Ulitsa Pudovkina, Moscow, Russia, 119285) as the Company's auditor, acknowledged the winner of the open 1-stage tender without preliminary qualification selection (Minutes of the Purchase Panel meeting dated as of 14.04.2015 No.5/552r).

Voting results:

"FOR" - 2 (Two) votes: Y.V. Yascheritsyna, V.V. Sofyin.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 2 (Two) votes: A.V. Shevchuk, R.A. Dmitrik.

NOT PASSED.

Clause 10.5.3 of the Regulations on the Board of Directors' Audit Committee states that in case of equality of votes, the vote of the Chair shall be decisive.

Agenda item No.6: Preliminary examination of the fee due to the auditor engaged in the audit of the Company's FY2017 accounting (financial) statements.

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

Draft of the Resolution:

To recommend the Board of Directors to determine the price of the contract on auditor services regarding the audit of FY2017 accounting (financial) statements prepared under RAS and consolidated financial statements prepared under IFRS, concluded between the Company and RSM RUS (OOO) at RUB 2,611,251.46, plus VAT.

Voting results:

"FOR" - 2 (Two) votes: Y.V. Yascheritsyna, V.V. Sofyin.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 2 (Two) votes: A.V. Shevchuk, R.A. Dmitrik.

NOT PASSED.

Clause 10.5.3 of the Regulations on the Board of Directors' Audit Committee states that in case of equality of votes, the vote of the Chair shall be decisive.

- Appendix No.1 Management's information on unusual operations and events, formation of bad debt reserves and provisions. Internal Audit's 2016 report on efficiency of the internal control and risk management system.
- Appendix No.2 Audit Committee's evaluation of the auditor report prepared by RSM RUS (OOO) with regard to the Company's FY2016 annual accounting (financial) statements prepared under RAS.
- Appendix No.3 Audit Committee's report on efficiency and quality of external audit to be included into the list of materials, subject to dissemination among entities entitled to participate in the annual general meeting of stockholders.

The Chair

A.V. Shevchuk

The Secretary

D.V. Tikhanov