

MINUTES

of the meeting of the Committee for Audit
of the Board of Directors of IDGC of Centre
(in the form of joint presence)

August 26, 2013

Moscow

No. 12/13

Form of the meeting: joint presence.

Time of the meeting: 16 hours 00 minutes – 18 hours 10 minutes.

Total number of members of the Committee for Audit: 5 persons.

Participants of the voting: O.V. Shatokhina, M.M. Saukh, R.A. Filkin, A.V. Shevchuk.

The written opinion (questionnaire) of the following members was taken into account while defining the results: S.A. Demin.

Members who neither participated nor provided questionnaires: none.

The quorum is present.

Absence of objections concerning the materials and draft decisions from I.V. Shmakova, an expert of the Committee for Audit of the Board of Directors of the Company, was taken into account while drawing up the minutes.

Date of the minutes: 28.08.2013.

This meeting of the Committee for Audit was audiotaped (hereinafter – the Committee), which is stored in the materials to the meeting of the Committee.

The meeting of the Committee for Audit was chaired by Chairperson of the Committee for Audit Oxana Vladimirovna Shatokhina.

At the beginning of the meeting Chairperson of the Committee for Audit, O.V. Shatokhina, informed the audience about the presence of a quorum for the meeting of the Committee, opened the meeting and announced the agenda for the meeting.

AGENDA:

1. On the draft of the accounting (financial) statements of the Company, prepared in accordance with IFRS, for 6 months 2013.
2. On the draft of the accounting (financial) statements of the Company, prepared in accordance with RAS, for 6 months 2013.
3. Consideration of the information of IDGC of Centre «On the results of performance of the functions of a supplier of last resort by the Company’s branches in 2Q 2013».
4. Consideration of the information of IDGC of Centre «On the implementation by the Company for 1H 2013 of the Action Plan to improve the reliability of power supply to consumers and management of financial and economic activity of IDGC of Centre as a result of control and audit activities in 2012».
5. Consideration of the information of IDGC of Centre «On the results of evaluation of the effectiveness of the Company’s internal control system».
6. Consideration of the report «On the key risks of the Company for 1H 2013».

7. Consideration of the information «On the status of the implementation of the documents for the improvement and development of internal control, audit and risk management of the Company in 1H 2013».

8. Consideration of the report of the Internal Audit and Risk Management Department of IDGC of Centre «On execution of the Work Plan in 2Q 2013».

9. On approval of the adjusted Work Plan of the Committee for Audit of the Board of Directors of the Company for 2013-2014 corporate year.

Item 1: On the draft of the accounting (financial) statements of the Company, prepared in accordance with IFRS, for 6 months 2013.

Decision:

1. To note the following main trends in the changes in the financial position of the Company as at 30.06.2013, compared with the beginning of the current year:

1.1. A significant decrease in profit for the six months of 2013 in the amount of 606.73 mln. rubles compared with the profit generated for the six months of 2012 in the amount of 3,465.98 mln. rubles. The main reason is the creation of provisions for doubtful debts.

1.2. The grand total of the final statement of the financial position of the Company increased slightly – by 533.81 mln. rubles (1%) and accounted for 90,104.87 mln. rubles as at 30.06.2013. At the same time it notes as follows:

- an increase in cash and cash equivalents by 461.36 mln. rubles (47 %) associated with the uneven cash flows from consumers during the month;

- growth of stocks over the period by 749.31 mln. rubles (49%) due to the provision of maintenance and investment programs. Their use is planned in 3Q 2013;

- an increase in other long-term liabilities by 229.88 mln. rubles (52 %) due to the increase in advances received from customers for grid connection.

2. Secretary of the Committee for Audit to provide information to the Board of Directors of IDGC of Centre on the results of analysis of the Company's activity in accordance with the statements under IFRS for 1H 2013.

Voting results:

Oxana Vladimirovna Shatokhina - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Roman Alexeyevich Filkin - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin - «FOR»

Total:

«FOR» - «5»

«AGAINST» - «0»

«ABSTAINED» - «0»

Decision is taken.

Item 2: On the draft of the accounting (financial) statements of the Company, prepared in accordance with RAS, for 6 months 2013.

Decision:

1. To note the following main trends in the changes in the financial position of the Company as at 30.06.2013, compared with the beginning of the current year:

1.1. A significant decrease in profit for the six months of 2013 in the amount of 1,207.4 mln. rubles compared with the profit generated for the six months of 2012 in the amount of 4,333.7 mln. rubles. The main reason is the creation of provisions for doubtful debts (4,268 mln. rubles).

1.2. The grand total of the Company increased slightly – by 385.3 mln. rubles (0,4%) and accounted for 99,498.6 mln. rubles as at 30.06.2013. At the same time it notes as follows:

- growth of stocks over the period by 762.6 mln. rubles (53,1%) due to the provision of maintenance and investment programs. Their use is planned in 3Q 2013;
- an increase in cash and cash equivalents by 379,1 mln. rubles (40,1%), associated with the uneven cash flows from consumers during the month;
- growth in retained earnings by 344,5 mln. rubles (2,2%) – due to receipt of the net profit of the reporting period in the amount of 1207,4 mln. rubles, on the one hand, and the distribution of profits of previous years to pay dividends in the amount of 862,9 mln. rubles, on the other hand;
- growth of the loan portfolio in the amount of 849,6 mln. rubles due to the takeover of the functions of a supplier of last resort by the Company in four regions (Tver, Kursk, Orel, and Bryansk regions).

2. Secretary of the Committee for Audit to provide information to the Board of Directors of IDGC of Centre on the results of analysis of the Company's activity in accordance with the statements under RAS for 1H 2013.

Voting results:

Oxana Vladimirovna Shatokhina - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Roman Alexeyevich Filkin - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin - «FOR»

Total:

«FOR»	- «5»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 3: Consideration of the information of IDGC of Centre «On the results of performance of the functions of a supplier of last resort by the Company's branches in 2Q 2013».

Decision:

1. To take into consideration the information of IDGC of Centre «On the results of performance of the functions of a supplier of last resort by the Company's branches in 2Q 2013» in accordance with Appendix # 1 to this decision of the Committee for Audit of the Board of Directors of the Company.

2. To consider item 2 of the decision of the Committee for Audit, taken on 03.06.2013 (Minutes # 08/13 of 06.06.2013) regarding item #3 «Consideration of the information of IDGC of Centre «On the results of performance of the functions of a supplier of last resort by the Company's branches for January-April 2013» to have lost force.

3. To recommend to General Director of the Company to submit to the Committee for Audit the information on results of performance of the functions of a supplier of last resort by the Company's branches (with an analysis of settlements by type of activity related to the takeover of the functions of a supplier of last resort by branches) together with a draft of accounting (financial) statements of the Company prepared in accordance with RAS.

Voting results:

Oxana Vladimirovna Shatokhina - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Roman Alexeyevich Filkin - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin - «FOR»

Total:

«FOR»	- «5»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 4: Consideration of the information of IDGC of Centre «On the implementation by the Company for 1H 2013 of the Action Plan to improve the reliability of power supply to consumers and management of financial and economic activity of IDGC of Centre as a result of control and audit activities in 2012».

Decision:

1. To take into consideration the information of IDGC of Centre «On the implementation by the Company for 1H 2013 of the Action Plan to improve the reliability of power supply to consumers and management of financial and economic activity of IDGC of Centre as a result of control and audit activities in 2012» in accordance with Appendix # 2 to this decision of the Committee for Audit of the Board of Directors of the Company.
2. To mark violation of terms of performance of a number of measures of the Action Plan.

Voting results:

Oxana Vladimirovna Shatokhina	- «FOR»
Maxim Mikhailovich Saukh	- «FOR»
Roman Alexeyevich Filkin	- «FOR»
Alexander Viktorovich Shevchuk	- «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin	- «FOR»
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Total:

«FOR»	- «5»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 5: Consideration of the information of IDGC of Centre «On the results of evaluation of the effectiveness of the Company's internal control system».

Decision:

To take into consideration the information of IDGC of Centre «On the results of evaluation of the effectiveness of the Company's internal control system» in accordance with Appendix # 3 to this decision of the Committee for Audit of the Board of Directors of the Company.

Voting results:

Oxana Vladimirovna Shatokhina	- «FOR»
Maxim Mikhailovich Saukh	- «FOR»
Roman Alexeyevich Filkin	- «FOR»
Alexander Viktorovich Shevchuk	- «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin	- «FOR»
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Total:

«FOR»	- «5»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 6: Consideration of the report «On the key risks of the Company for 1H 2013».

Decision:

1. To take into consideration the information of IDGC of Centre «On the key risks of the Company for 1H 2013» in accordance with Appendix # 4 to this decision of the Committee for Audit of the Board of Directors of the Company.

2. To recommend General Director of the Company no later than 15.10.2013:

2.1. To approve the "road map" for the risk management system of the Company.

2.2. To organize updating regulations of the Company on internal control system and risk management system in a part of the determination of:

- risk owners;

- responsible for development, implementation and maintenance of risk management activities;

- responsible for completing risk certificates;

- responsible for formation of risk reporting.

2.3. To instruct the risk owners and responsible for the development, implementation and maintenance of risk management activities:

- to assess the efficiency and effectiveness of the risk management activities specified in the certificates;

- taking into account the assessment to rework activities in the context of the risk certificates with obligatory indication of dates of their implementation and responsible persons;

- to organize updating risk management activities and monitoring their performance within the quarterly filling in risk certificates.

Voting results:

Oxana Vladimirovna Shatokhina - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Roman Alexeyevich Filkin - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin - «FOR»

Total:

«FOR» - «5»

«AGAINST» - «0»

«ABSTAINED» - «0»

Decision is taken.

Item 7: Consideration of the information «On the status of the implementation of the documents for the improvement and development of internal control, audit and risk management of the Company in 1H 2013».

Decision:

1. To take into consideration the report «On the status of the implementation of the documents for the improvement and development of internal control, audit and risk management of the Company in 1H 2013» in accordance with Appendix # 5 to this decision of the Committee for Audit of the Board of Directors of the Company.

2. To recommend to the Board of Directors of the Company to take the following decision:

«To consider item 2.3. of the decision of the Board of Directors of the Company, taken on 10.06.2010 (Minutes # 13/10 of 15.06.2010) regarding item #7 «On approval of internal documents of the Company: the Risk Management Policy in IDGC of Centre, Internal Control Policy of IDGC of Centre» to have lost force.

Voting results:

Oxana Vladimirovna Shatokhina - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Roman Alexeyevich Filkin - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin - «FOR»

Total:

«FOR»	- «5»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 8: Consideration of the report of the Internal Audit and Risk Management Department of IDGC of Centre «On execution of the Work Plan in 2Q 2013».

Decision:

1. To take into consideration the report of the Internal Audit and Risk Management Department of IDGC of Centre «On execution of the Work Plan in 2Q 2013» in accordance with Appendix # 6 to this decision of the Committee for Audit of the Board of Directors of the Company.

2. To assign General Director of IDGC of Centre to submit to the Committee for Audit a report on elimination of violations and actions taken on the facts of significant violations identified during the Audit of JSC "Energy Service Company" for 2012.

3. To assign the Internal Audit and Risk Management Department of IDGC of Centre to provide members of the Audit Committee with orders of General Director, Deputies General Director - branch directors, chief executive officers of subsidiaries and associated companies of IDGC of Centre to eliminate the violations identified during inspections conducted in the reporting period.

Voting results:

Oxana Vladimirovna Shatokhina - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Roman Alexeyevich Filkin - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin - «FOR»

Total:

«FOR»	- «5»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 9: On approval of the adjusted Work Plan of the Committee for Audit of the Board of Directors of the Company for 2013-2014 corporate year.

Decision:

To approve the adjusted Work Plan of the Committee for Audit of the Board of Directors of the Company for 2013-2014 corporate year in accordance with Appendix # 7 to this decision of the Committee for Audit of the Board of Directors of the Company, taking into account proposals received at the meeting of the Committee for Audit.

Voting results:

Oxana Vladimirovna Shatokhina - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Roman Alexeyevich Filkin - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Voting results by filling in the questionnaires:

Sergey Alexandrovich Demin - «FOR»

Total:

«FOR»	- «5»
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«AGAINST»

- «0»

«ABSTAINED»

- «0»

Decision is taken.

The agenda of the meeting of the Committee for Audit of the Board of Directors of the Company 26.08.2013 was exhausted.

The meeting of the Committee for Audit was adjourned.

**Chairperson of the Committee for Audit
of the Board of Directors of IDGC of Centre**

O.V. Shatokhina

**Secretary of the Committee for Audit
of the Board of Directors of IDGC of Centre**

S.V. Lapinskaya