

APPROVED BY:
Resolution of the Board of Directors
of Sistema-Hals JSC
Minutes No. 3
December 30, 2010

**Regulations
on Audit Committee of the Board of Directors
of Joint Stock Company
Sistema-Hals**

Moscow, 2010

1. General

1.1. These Regulations on the Audit Committee of the Board of Directors of Sistema-Hals JSC (hereinafter, the “Regulations”) shall be developed and approved in accordance with the laws of the Russian Federation, Articles of Association of Sistema-Hals JSC (hereinafter, the “Company”), and also the Regulations on the Company’s Board of Directors.

These Regulations shall define the status and competence of the Audit Committee of the Company’s Board of Directors (hereinafter, the “Audit Committee”), rights and responsibilities of the Audit Committee, the number of the Audit Committee’s members, the procedure for its formation, functioning and interaction with the management bodies and structural units of the Company.

1.2. The Audit Committee shall be established under a resolution passed by the Company’s Board of Directors and provide for oversight of the Company’s financial and economic activities by the Company’s Board of Directors.

1.3. The Audit Committee shall act to the benefit of the Company’s Shareholders and investors, promote the effective system of control over the Company’s financial and economic activities and ensure actual participation of the Company’s Board of Directors in the oversight of the Company’s financial and economic activities.

1.4. In its work, the Audit Committee shall be completely accountable to the Company’s Board of Directors.

1.5. The Audit Committee shall act within the frame of powers vested to it by the Company’s Board of Directors pursuant to these Regulations.

1.6. In its work, the Audit Committee shall be guided with the laws of the Russian Federation, Articles of Association of the Company, Regulations on the Company’s Board of Directors, these Regulations and other internal documents of the Company to be approved by the General Meeting of Shareholders and the Company’s Board of Directors, resolutions passed by the Board of Directors and the General Meeting of Shareholders of the Company.

2. Objectives and Functions of the Audit Committee

2.1. The main purpose of establishing the Audit Committee shall be working out and presenting recommendations to the Company’s Board of Directors on the issues relating to the following:

2.1.1. annual independent external audit of Company’s financial (accounting) statements;

2.1.2. qualification, quality of services provided by the Company’s Auditor and adherence by the latter to the requirements for auditor’s independence.

2.2. The Audit Committee has been charged with the rights and responsibilities to prepare recommendations to the Company’s Board of Directors relating to selection, evaluation of work and, if necessary, replacement of the Company’s Auditor with his/her further approval by the General Meeting of the Company’s Shareholders.

2.3. In its activity performed within its competence, the Audit Committee shall cooperate with the Company’s Auditor, the Company’s Auditing Commission and, if required, with structural units of the Company.

2.4. Exceptional functions of the Audit Committee shall be as follows:

2.4.1. To evaluate nominees to the position of the Company’s Auditor and forward the evaluation results to the Company’s Board of Directors.

2.4.2. To evaluate opinions generated by the Company’s Auditor.

2.4.3. To evaluate efficiency of internal audit procedures and risk assessment procedures applied in the Company, to prepare and forward proposals for their improvement to the Company’s Board of Directors.

2.4.4. To evaluate compliance with the financial and economic plan of the Company, to prepare and forward appropriate reports to the Company’s Board of Directors.

3. Rights and Responsibilities (Powers) of the Audit Committee

3.1. With a view to provide objective and independent information to the members of the Company’s Board of Directors, the Audit Committee, in accordance with the conferred functions specified in Article 2 hereof, shall be vested with the following powers falling within the competence of the Company’s Board of Directors:

3.1.1. To prepare recommendations for the Company's Board of Directors, relating to a nominee to the position of the Company's Auditor to be selected from among top-ranked independent auditors with a high professional reputation, for further approval of such candidate by the General Meeting of Shareholders.

3.1.2. To oversee performance of a competitive selection (tender), if any, of the Company's Auditor.

3.1.3. To analyze and discuss with the Company's Auditor material issues emerged in the course of independent external auditing the Company's financial (accounting) statements prior to their publication. The Audit Committee shall bring its opinion on such issues, including its recommendations, to notice of the Company's Board of Directors.

3.1.4. To prepare recommendations for the Company's Board of Directors on the amount of fees to be paid to the Company's Auditor, for concomitant services as well.

3.1.5. To get familiarized and evaluate an opinion, submitted by the Company's Auditor, prior to its presentation to the General Meeting of the Company's Shareholders. The Audit Committee shall evaluate the opinion of the Company's Auditor and present it as materials to an Annual General Meeting of the Company's Shareholders.

3.1.6. To evaluate efficiency of the internal control system, risk management, to reveal violations and analyze them, to work out proposals and recommendations on improvement of the said procedures and submit them to the Company's Board of Directors.

3.1.7. To prepare proposals for amending these Regulations.

3.1.8. To prepare written opinions on request of the Company's Board of Directors or recommendations at its own initiative dealing with diverse issues included into the competence of the Audit Committee, as well as to submit, on an annual basis, a progress report to the Company's Board of Directors for consideration.

3.1.9. To oversee the scope of the auditing procedures and evaluate the level of neutrality and independence of the Company's Auditor.

3.1.10. To review written reports, opinions and other documents of the Company's Auditing Commission relating to violations revealed in the relevant period of the Company's operations and to prepare recommendations to the Company's Board of Directors on how to prevent such violations in the future.

3.1.11. To review communications of the Supervision and Auditing Service of the Company dealing with the revealed violations, to evaluate the said violations;

3.1.12. To review reports of the Supervision and Auditing Service of the Company following the progress results for a year;

3.1.13. To perform other powers in accordance with the functions vested in the Audit Committee.

3.2. In order to discharge the vested powers and authorities, the Audit Committee shall be entitled to request and obtain any information needed for its work from the sole executive body, members of the Company's Auditing Commission, CEOs of structural units of the Company, including the supervision and auditing service, and other employees of the Company, who possess such information in virtue of their functions. A request for provision of information and documents shall be executed in writing and signed by the Chairman of the Audit Committee.

The above-mentioned information and documents shall be submitted to the Audit Committee via the Secretary of the Audit Committee.

4. Membership of the Audit Committee and Procedure for Election and Removal of the Audit Committee's Members

4.1. The Audit Committee shall consist of three (3) members to be elected from among independent directors or, if this is impossible due to objective causes, – from among independent and non-executive directors of the Company and shall be headed by an independent director.

“Non-executive directors” of the Company shall include members of the Board of Directors, who are not the President and/or members of the Management Board of the Company.

Independent directors for the purposes hereof shall be members of the Company's Board of Directors who, pursuant to para.2 of Annex to the Regulations on Activity for Organization of Trading on the Securities Market approved by Order No. 07-102/pz-n issued by the Russian Federal Service on

Financial Markets on 09.10.2007, para.1.2 of Annex 4 (4.6) of the Rules for Listing, Admission to Placement of and Trading in Securities of MICEX Stock Exchange Closed Joint Stock Company (approved by the Board of Directors of MICEX Stock Exchange ZAO on August 26, 2010, minutes No.6):

are not, at the time of election and within 1 year preceding the election, officials or employees of the Company (Manager);

are not officials of any other business entity, in which any of this Company's officials is a member of the nomination and compensation committee of the board of directors;

are not spouses, parents, children, siblings of officials (Manager) of the Company (an official of a management organization of the Company);

are not the Company's affiliates, save a member of the Company's Board of Directors;

are not, together with the Company, parties to obligations, under conditions of which they may acquire property (receive cash funds) amounting to 10 and more per cent of the aggregate annual income of the said persons, save remuneration for participation in activity of the Company's Board of Directors;

are not representatives of the State, i.e. persons, who are representatives of the Russian Federation, constituent entities of the Russian Federation and municipal units in boards of directors of joint stock companies with regard to which it is decided to apply a special rule ("a golden share"), and persons who are elected to the board of directors from among candidates nominated by the Russian Federation or constituent entities of the Russian Federation or a municipal unit, if such members of the board of directors should vote under written directives (directions, etc.) of the constituent entity of the Russian Federation or the municipal unit, respectively.

An independent director may not be considered as independent upon expiration of 7 years of being a member of the Company's Board of Directors.

4.2. If on occurrence of certain events s/he ceases to be qualified as an independent director, a member of the Company's Board of Directors elected to the Audit Committee as an independent member should bring to notice of the Company's Board of Directors that s/he has lost such a status, within five (5) business days from the time of losing the status of an independent director of the Audit Committee.

4.3. Members of the Audit Committee shall be elected at a meeting of the newly elected Company's Board of Directors from among members of the Board of Directors. Powers of the members of the Audit Committee shall be terminated concurrently with termination of their powers as members of the Company's Board of Directors. A resolution to elect members of the Audit Committee shall be passed by a simple majority vote of the total membership of the Company's Board of Directors present at the meeting.

4.4. Members of the Audit Committee may be reelected an unlimited number of times.

4.5. If so decided by the Company's Board of Directors, powers of all or a part of members of the Audit Committee may be terminated ahead of time.

4.6. A member of the Audit Committee may go out of office of an Audit Committee member at his/her own will, having notified accordingly the Chairman of the Company's Board of Directors and the Chairman of the Audit Committee by forwarding a relevant written application one (1) month prior to the date of retirement.

4.7. If powers of an Audit Committee member are terminated in virtue of para.4.6. hereof, the Company's Board of Directors shall elect a new member of the Audit Committee at the nearest meeting but not later than one (1) month from the date of forwarding a written application for retirement by the said member of the Audit Committee. Until such time, the Audit Committee member continues to discharge his/her responsibilities in full.

4.8. If powers of an Audit Committee member are terminated in virtue of para.4.5. hereof, the Company's Board of Directors shall elect a new member of the Audit Committee at the same meeting.

4.9. For election of the Audit Committee's members, candidates with higher education in finance, law, economics and management, and also with professional experience of work in the financial sphere shall be preferred.

4.10. Members of the Audit Committee, within their competence, possess unimpaired access to documents and information of the Company subject to adherence to the rules specified by the laws of the Russian Federation, constituent documents and internal documents of the Company.

5. Chairman of the Audit Committee and his/her Election Procedure

5.1. A Chairman of the Audit Committee shall be elected from among members of the Audit Committee at a meeting of the newly elected Company's Board of Directors. A resolution to elect the Chairman of the Audit Committee shall be passed by a simple majority vote of the total number of members of the Company's Board of Directors present at the meeting. The Board of Directors shall be entitled to re-elect the Chairman of the Audit Committee at any time by a majority vote of the total number of members of the Company's Board of Directors present at the meeting.

5.2. The Chairman of the Audit Committee shall be elected from among independent directors.

5.3. The Chairman of the Audit Committee shall provide for general organization of the Audit Committee activity, in particular, s/he shall:

5.3.1. Call for meetings of the Audit Committee and preside on them.

5.3.2. Approve agendas of the Committee's meetings following the results of discussion with the Audit Committee's members.

5.3.3. Arrange for transacting a business at meetings of the Audit Committee, and also hearing for persons invited to participate in the meeting.

5.3.4. Allocate responsibilities among the members of the Audit Committee.

5.3.5. Furnish the Company's Board of Directors with written reports relating to the Audit Committee's progress and, if necessary, provide explanations with regard to their contents.

5.3.6. Sign documents worked out and approved as part of exercising the powers of the Audit Committee.

5.3.7. Arrange for making minutes of the Audit Committee meetings and sign the same.

5.3.8. Perform other functions envisaged by the laws of the Russian Federation, Articles of Association of the Company, these Regulations and other internal documents of the Company.

6. Secretary of the Audit Committee

6.1. Functions of the Audit Committee's Secretary shall be performed by the Secretary of the Company's Board of Directors.

6.2. The Secretary of the Audit Committee shall ensure preparing and holding meetings of the Audit Committee, collecting and filing materials to meetings, timely furnishing the members of the Audit Committee and invited persons with notices of meetings, agendas, materials under the agenda items, keeping minutes of meetings, preparing draft resolutions of the Audit Committee, and also subsequent keeping all relevant materials. The Secretary shall ensure that the members of the Audit Committee obtain any necessary information.

7. Time and Procedure for Calling Meetings of the Audit Committee, Proceedings at Meetings and Execution of Resolutions Passed by the Audit Committee

7.1. Meetings of the Audit Committee shall be held as and when necessary.

7.2. Meetings of the Audit Committee shall be held at the initiative of the Audit Committee Chairman, by request of any member of the Audit Committee, member of the Company's Board of Directors, President of the Company, Auditing Commission of the Company, and also the Company's Auditor.

A decision to hold meetings of the Audit Committee, their date, time, place and agenda items, as well as a decision on a list of persons invited for attending the meeting shall be made by the Chairman of the Audit Committee.

7.3. Any persons entitled, under para.7.2 hereof, to demand calling a meeting of the Audit Committee shall furnish the Secretary of the Audit Committee with a request for holding a meeting of the Audit Committee, not later than seven (7) business days prior to the proposed date of holding the same. The Secretary of the Audit Committee shall communicate such request to the Chairman of the Audit Committee not later than the day following the day when the said request has been received.

7.4. Within five (5) business days from the date when the request for holding the meeting has been submitted, the Chairman of the Audit Committee shall make a decision to hold a meeting of the Audit Committee, to appoint the date, time and place of its holding or the absentee voting date or to refuse to hold a meeting of the Audit Committee. A motivated refusal to hold a meeting of the Audit Committee shall be sent to the requesting person or the Company's body within two (2) business days from the time when the Chairman of the Audit Committee has decided to refuse to hold the meeting.

7.5. The Chairman of the Audit Committee may decide to refuse to hold the Committee's meeting in the following cases:

7.5.1. An issue (issues) proposed for the agenda of the Audit Committee meeting is (are) beyond its competence as specified by these Regulations.

7.5.2. An agenda item that is contained in the request for holding the Audit Committee meeting has been already entered into the agenda of the nearest meeting to be held according to the decision made by the Chairman of the Audit Committee before the receipt of the above request.

7.5.3. The procedure for submission of requests for holding a meeting specified herein is not complied with.

7.6. A notice of the Audit Committee's meeting with its agenda should be executed by the Committee's Secretary and forwarded to persons participating in the meeting, not later than one (1) business day before the date of the Audit Committee's meeting.

7.7. The Committee's Secretary shall prepare a meeting of the Audit Committee under the guidance of the Chairman of the Audit Committee.

7.8. The Chairman of the Audit Committee shall take a chair at the Audit Committee's meetings.

7.9. A meeting of the Audit Committee shall be competent (have a quorum), if all members of the Audit Committee are present there. If no quorum required for holding a meeting of the Audit Committee is present, the adjourned meeting of the Audit Committee with the same agenda should be held within five (5) business days.

7.10. Meetings of the Audit Committee may be held in the form of joint presence of the Committee's members or in the form of absentee voting.

7.11. Issues indicated in paras. 3.1.1 and 3.1.5 hereof may be discussed only at the meetings held in the form of joint presence.

7.12. Every member of the Audit Committee shall have one vote for voting. Resolutions of the Audit Committee shall be passed by a majority vote of the total number of the Audit Committee's members.

7.13. The Secretary of the Audit Committee shall make the minutes of the held meeting within three (3) business days following the meeting of the Audit Committee in the form of joint presence of the Audit Committee's members or absentee voting.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the Audit Committee, who is responsible for correctness of the minutes, and by the Secretary of the Audit Committee. The Company's seal shall be affixed on the minutes. The minutes shall be made in two original copies, one of them shall be forwarded to the Company's Board of Directors accompanied with the prepared materials and recommendations, and the second copy shall be kept on file with the Audit Committee.

The minutes of the Audit Committee meeting shall contain the following:

- date, place and time of the meeting (or the date of absentee voting);
- list of the Audit Committee's members, who participated in the meeting (absentee voting);
- agenda;
- items put for voting and voting results (with indication of voting results per every member of the Audit Committee, who participated in the meeting);
- resolutions passed.

The minutes shall be appended with the prepared by the Audit Committee materials, opinions, proposals and recommendations, dissenting opinions of the Audit Committee's members and census papers (in case of absentee voting).

7.14. The Company's officials and employees, including the President of the Company, representatives of the Company's Auditor, experts engaged by the Audit Committee for audit and

other persons may be invited to meetings of the Audit Committee for delivering reports and explanations.

8. Decision-Making Procedure of the Audit Committee with Regard to a Candidate for the Company's Auditor

8.1. Not less than one (1) month prior to the date of the meeting of the Company's Board of Directors where a decision is made on proposing a candidate for the Auditor to the General Meeting of the Company's Shareholders for approval, the Audit Committee shall provide recommendations on the candidacy of the Company's Auditor and, if possible, on the amount of fee payable to the Company's Auditor to the Company's Board of Directors for consideration. A candidate for the Company's Auditor shall be elected from among recognized independent auditors with a high professional reputation.

8.2. Recommendations indicated in para.8.1. hereof shall be forwarded by the Audit Committee to the Company's Board of Directors in writing.

8.3. When selecting a candidate for the Company's Auditor, the Audit Committee should take the following into account:

8.3.1. Compliance of candidates with requirements specified for auditing organizations by the laws of the Russian Federation.

8.3.2. Amount of remuneration payable for services rendered by the Audit Committee to the Company.

8.3.3. Professional competence and reputation of the auditing organization.

8.3.4. Ability to provide audit-related services by the auditing organization.

8.3.5. Other requirements as the Audit Committee may deem necessary.

9. Accountability of the Audit Committee

9.1. The Audit Committee shall submit an annual progress report to the Company's Board of Directors.

9.2. The report of the Audit Committee should contain information on its operations during a year, in particular, on:

9.2.1. Submitted recommendations on the candidate for the Company's Auditor.

9.2.2. Opinions and recommendations submitted to the Company's Board of Directors relating to other issues included into the competence of the Audit Committee.

9.2.3. Violations revealed in making financial and economic business of the Company.

9.2.4. Proposals on improving the risk management system existing in the Company.

The report of the Audit Committee may contain any other material information at the discretion of the Audit Committee.

9.3. The Company's Board of Directors shall review the report of the Audit Committee at the nearest meeting of the Company's Board of Directors.

9.4. The Audit Committee shall submit to the Company's Board of Directors an evaluation of an opinion presented by the Company's Auditor. Such evaluation of the Audit Committee should be submitted to the Company's Board of Directors before the date of the meeting of the same, where it is planned to review an issue relating to a list of materials subject to submission to persons eligible for participation in an Annual General Meeting of the Company's Shareholders.

9.5. The Company's Board of Directors shall be entitled to entrust the Audit Committee with submission of an opinion on individual issues included into its competence. In such case the Company's Board of Directors should establish in its mandate the reasonable time limits of its fulfillment by the Audit Committee.

9.6. The Audit Committee shall be entitled to furnish, at its discretion, the Company's Board of Directors with its recommendations on any issue within its competence, and in cases specified herein, it should prepare an opinion for the Board of Directors.

9.7. The matter whether it is advisable to consider recommendations of the Audit Committee forwarded to the Company's Board of Directors under para.9.6 hereof shall be resolved at the meeting of the Company's Board of Directors.

9.8. The Company's Board of Directors shall have the right to demand at any time during a year that the Audit Committee submits a report on the current progress of the Audit Committee. The time limits for preparation and submission of such report shall be determined by a resolution passed by the Company's Board of Directors.

10. Insider Information

10.1. Any material information relating to the Company's operations, shares and other securities in the Company and transactions with them, which is not in the public domain and disclosure of which may have a material affect on the market value of the shares and other securities in the Company, shall be referred to insider information.

10.2. Members of the Audit Committee and the Committee's Secretary shall not be entitled to disclose insider and other confidential information.

11. Approval and Amendment of these Regulations

11.1. These Regulations as well as all additions and amendments hereto shall be approved by the Company's Board of Directors by a majority vote of the total number of members of the Company's Board of Directors present at the meeting.

11.2. All issues not covered herein shall be governed under the laws of the Russian Federation, Articles of Association of the Company, Regulations on the Company's Board of Directors and other internal documents of the Company.

11.3. If changes in the laws and other normative acts of the Russian Federation result in contradiction of some articles of these Regulations to the provisions of redrafted federal laws and/or subordinate legislation, such articles shall not be applicable, and until these Regulations are amended the members of the Audit Committee shall be governed with federal laws and subordinate legislation of the Russian Federation.

11.4. The report of the Audit Committee to be submitted to the Company's Board of Directors pursuant to Article 9 hereof may contain recommendations to the Company's Board of Directors stating that amendment of these Regulations is necessary.