

APPROVED

by Resolution of the Board of Directors
of Joint Stock Company SITRONICS
Minutes No. 4 (64) dated 19 October 2006

Chairman of the Board of Directors

_____ A. Yu. Goncharuk

**Regulation
on the Audit Committee of
the Board of Directors of
Joint Stock Company
SITRONICS**

**Moscow
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Contents

1. General
2. Composition and Formation of the Management Board
3. Competence of the Management Board. Rights, duties, and liability of the Management Board.
4. Chairman and Secretary of the Management Board
5. Preparation and Holding of Meetings of the Management Board
6. Minutes of Meetings of the Management Board
7. Amendment Procedure

1. General

- 1.1. This Regulation on the Audit Committee of the Board of Directors (hereinafter the “**Regulation**”) of **JSC SITRONICS** (hereinafter the “**Company**”) has been approved in accordance with the current laws of the Russian Federation, the Charter of the Company (hereinafter the “**Charter**”), and the Regulation on the Board of Directors of the Company.
- 1.2. The Audit Committee of the Board of Directors (hereinafter the “**Committee**”) is established by resolution of the Board of Directors and facilitates control over the Company’s financial and business activities.
- 1.3. The purpose of the Committee is to assist the Board of Directors in monitoring the completeness and accuracy of financial statements and other reports and the process of their preparation and submission; the functioning of the system of internal controls, internal auditing, and risk management; evaluation of the auditor’s qualifications and independence and the quality of the auditor’s services; and monitoring the process of ensuring compliance with the law, the Charter, and the Company’s internal documents.
- 1.4. The Committee in its activities shall be accountable to the Board of Directors of the Company.
- 1.5. The Committee in its activities shall be guided by the current laws of the Russian Federation, the Company’s Charter, the Regulation on the Board of Directors, resolutions of the General Meeting of Shareholders and the Board of Directors, this Regulation, and other internal documents of the Company.

2. Functions of the Committee

- 2.1. Reviewing the Company’s consolidated financial statements and accounts and the process of their preparation by the Company’s executive bodies; conducting audits;
- 2.2. Monitoring the tender to select an auditor (if such a tender is held) and making recommendations to the Board of Directors on candidates for auditor;
- 2.3. Advising the General Meeting of Shareholders on the drafting of the contract with the auditor and the amount of the auditor’s fee;
- 2.4. Evaluating candidates for auditor of the Company, submitting the results of such evaluations to the Board of Directors, and preparing recommendations for the Board of Directors on candidates for auditor of the Company;
- 2.5. Reviewing the external auditor’s annual formal written statement describing all related services that the external auditor provides or plans to provide to the Company, discussing the statement with the auditor, and evaluating how the proposed services comply with the principle of auditor independence;
- 2.6. Discussing with the external auditor the plan and scope of work on auditing of the Company’s financial statements;
- 2.7. Examining jointly with the external auditor the results of annual and interim audits of the Company and its subsidiaries and dependent companies (including reports from management on the results of such audits) before such matters are submitted to the Board of Directors for consideration, evaluating the opinion of the Company’s auditor, and providing such evaluation among the materials for the annual General Meeting of Shareholders.
- 2.8. Discussing applicable accounting rules and accounting policies with the Company’s auditor and management and, if necessary, advising the Company’s Board of Directors and management on changes to current accounting systems;
- 2.9. Reviewing any fundamental differences of opinion among the auditors, audit commission, Internal Audit Service, and management of the Company and its subsidiaries and dependent companies with respect to financial statements;
- 2.10. Reviewing the Company’s financial statements and any other financial information subject to publication, prior to its submission to the Board of Directors and prior to its publication;
- 2.11. Making recommendations on possible preliminary approval by the Board of Directors of the Company’s annual report;
- 2.12. Analyzing the system for managing risks arising the course of the Company’s financial and business activities and making recommendations on how to improve that system;
- 2.13. Monitoring the use of internal control procedures in the Company, evaluating the effectiveness of the system of internal controls, and making recommendations on how to improve that system;
- 2.14. Making recommendations on major transactions and interested party transactions planned by the Company;
- 2.15. Making recommendations on the approval of financial and business transactions exceeding the scope of the Company’s annual budget;

- 2.16. Analyzing and developing proposals for the Board of Directors on how to improve the system for approving nonstandard transactions of the Company;
- 2.17. At the request of the Board of Directors or on its own initiative, preparing conclusions on selected matters within its competence, and reporting to the Board of Directors on the Committee's work over the year;
- 2.18. Approving work plans for the Company's Internal Audit Service;
- 2.19. Analyzing the activities and organizational structure of the Company's Internal Audit Service and taking action to prevent or remove unreasonable restrictions on its activities imposed by the Company's governing bodies, officers, or other employees;
- 2.20. Holding regular private meetings with the Internal Audit Service to discuss challenges and issues requiring individual attention;
- 2.21. Evaluating the effectiveness of procedures in place to ensure that the Company complies with the law and the Code of Corporate Governance; and
- 2.22. Making proposals on amendments and supplements to this Regulation.

3. Rights of the Committee

- 3.1. To select and advise the Board of Directors on a candidate for external auditor to be presented to the General Meeting of Shareholders, to determine the manner and amount of compensation to be paid to the external auditor, and to evaluate the quality of the external auditor's services;
- 3.2. To hold meetings with external and internal auditors without the presence of representatives of the Company's management;
- 3.3. To initiate or conduct any investigation into matters under the jurisdiction of the Committee;
- 3.4. To request and obtain from the Company's employees any information on matters relating to the Company and under the Committee's jurisdiction (including results of audits of the Company and its subsidiaries, and reviews performed by the audit commission and the control and internal audit department);
- 3.5. To retain independent consultants and experts within the Committee's budget;
- 3.6. To invite Company employees, external audit staff, and independent consultants and experts to attend the Committee's meetings;
- 3.7. To review the opinion of the external auditor before its presentation to the Board of Directors and the General Meeting of Shareholders.
- 3.8. To make recommendations to the Board of Directors on matters within the Company's competence;
- 3.9. To monitor the implementation of auditors' recommendations and resolutions and instructions of the Board of Directors and the Committee with respect to matters within the Committee's competence; and
- 3.10. To obtain reports from regulatory authorities (including tax control authorities), external auditors, and the Company's management on issues of compliance with legislation.

4. Composition of the Committee

- 4.1. The size of the Committee shall be established by the Board of Directors on a proposal from the Chairman of the Board of Directors.
- 4.2. The Committee Chairman and the members of the Committee shall be appointed by the Board of Directors. The Board of Directors may change the composition of the Committee at any time.
- 4.3. The membership of the Committee shall be drawn from members of the Board of Directors not currently serving (a) as the Company's individual executive body and/or (b) on the Company's collective executive body (if any).
- 4.4. At least one member of the Committee must be a financial expert, i.e., have knowledge of generally accepted accounting and financial reporting principles, experience in the preparation or auditing financial accounts and accounting control.
- 4.5. The Chairman of the Committee must meet the following requirements applicable to Independent Directors:
 - the requirements established by the Federal Law on Joint Stock Companies;
 - the requirements for listing shares on a stock exchange in the Russian Federation in accordance with the Regulation on Activity Related to Organization of Trading in the Securities Market, approved by Federal Financial Markets Service Order No. 04-1245/pz-n of 15 December 2004, as amended and supplemented (or, if that regulation is wholly or partly repealed, other similar requirements).

5. Organization of Work of the Committee

- 5.1. The Chairman of the Committee shall organize the work of the Committee, including:
 - call and chair the Committee's meetings;
 - organize the discussion of issues at the Committee's meetings and the hearing of opinions of persons invited to participate in meetings;
 - organize the preparation of the minutes of the Committee's meetings and sign the minutes;
 - allocate responsibilities among the Committee's members;
 - sign documents developed and approved by the Committee in the course of performing its functions;
 - monitor the implementation of adopted resolutions;
 - represent the Committee's point of view in meetings of the Board of Directors;
 - submit written reports on the Committee's activities to the Board of Directors and issue required clarifications regarding their content; and
 - perform other functions provided by the current laws of the Russian Federation, the Company's Charter, this Regulation, and other internal documents of the Company.
- 5.2. The Committee shall hold meetings on a regular basis. The decision to call a meeting of the Committee will be made by the Chairman of the Committee on his/her own initiative or on proposals from members of the Committee, members of the Board of Directors, the Company's Auditor, the Audit Commission, the person serving as the Company's individual executive body (or the managing organization or manager performing that role), and the Company's Internal Audit Service.
- 5.3. The Committee may adopt resolutions by remote voting (by poll). Written opinions of the Committee's members may be sent via post, telegraph, teletype, or fax, or by electronic communication using electronic digital signature, and by other means of communication ensuring the authenticity and providing documentary evidence of transmitted opinions.
- 5.4. A meeting of the Committee shall be authorized to transact business (have a quorum) if a majority of the Committee's members attend the meeting or have submitted written opinions by the start of the meeting.
- 5.5. Any member of the Committee interested in a particular matter before the Committee must disclose relevant information at the meeting of the Committee and inform the Board of Directors.
- 5.6. In voting each member of the Committee shall have one vote. Members of the Committee may not be represented at its meetings by power of attorney.
- 5.7. Resolutions of the Committee shall be adopted by majority vote of its members. In case of a tied vote the Chairman of the Committee shall have a casting vote. Resolutions of the Committee shall be recorded in the minutes. The minutes of the Committee's meetings shall be kept by the Secretary of the Committee, who shall be appointed by the Board of Directors from among the executive officers on the Company's management. The Secretary of the Committee shall participate in its meetings without the right to vote.
- 5.8. The minutes of a meeting of the Committee shall be signed by its Chairman. The Committee may adopt a resolution declaring all or part of its meetings confidential.
- 5.9. The following information shall be included in the minutes:
 - the date, time, and place of the meeting (or the date of remote voting);
 - a list of the members of the Committee who participated in the meeting (or in remote voting);
 - the matters put to a vote and the results of voting thereon (indicating the votes of each member of the Committee who participated in the meeting);
 - dissenting opinions, if any, of members of the Committee; and
 - the resolutions adopted.
- 5.10. Materials, conclusions, proposals, and recommendations prepared by the Committee and dissenting opinions of Committee members shall be attached to the minutes.
- 5.11. Officers and employees of the Company, including the person serving as the Company's individual executive body, representatives of the Company's auditor, experts retained by the Committee, and other persons may be invited to give reports and clarifications.
- 5.12. Employees of the Company's administrative staff, as well as outside independent experts, may be involved in the Committee's work. Funds required for independent expert reviews shall be allocated in the budget of the Board of Directors.
- 5.13. The Committee shall submit its recommendations and opinions on specific issues to the Board of Directors orally and in writing, and upon the conclusion of the year will submit a report on the Committee's work to the Board of Directors for consideration.

6. Concluding Provisions

- 6.1. All amendments and supplements to this Regulation shall be approved by the Board of Directors by majority vote of its members participating in the respective meeting and/or expressing their opinions in writing.
- 6.2. If changes to current laws of the Russian Federation cause individual articles of this Regulation to become contrary to such laws, such articles shall be inoperative and the provisions of the laws of the Russian Federation shall prevail. Articles of this Regulation that are contrary to the current laws of the Russian Federation shall not affect the legal validity of the other articles hereof, and the Company shall make every effort to replace the inoperative articles with new articles that are not contrary to the law.
- 6.3. In case of any inconsistency between this Regulation and the Company's Charter, the Company's Charter shall prevail.
- 6.4. Members of the Committee shall be liable in accordance with the provisions of the Law on Joint Stock Companies governing the liability of members of a board of directors and in accordance with the Company's Code of Corporate Governance.
- 6.5. This Regulation shall be effective from the date of its approval by the Board of Directors.