



*Approved by Resolution No. 2019/04/17 of the
Audit Committee dated 17 April 2019*

*Approved by Minutes No. 17 of the
Supervisory Board dated 17 April 2019*

Audit Committee annual report

Information on the meetings of the Audit Committee

The Audit Committee of PJSC “MGU” (the *Company*) was established on 25 April 2018 by the decision of the Supervisory Board of the Company which is stated in Minutes No. 1 of the Supervisory Board meeting dated 25 April 2018.

The Committee members are as follows: Fabrice NOILHAN (chair), Adomas AUDICKAS, Jan CHADAM, Karina LUCHINKINA.

During the year 2018 the Audit Committee had a sequence of meetings, namely:

16 May 2018. Agenda: *Financial statements and Independent Auditor’s report, 2017*.

Participants: all Committee members.

Decisions made:

The Audit Committee has reviewed the “Financial statements and Independent Auditor’s report for the year 2017” as submitted by the Company to the Supervisory Board on 11 May 2017. After the substantial review, the Committee recommended the accounts to the Supervisory Board for approval.

17 July 2018. Agenda: *Financial situation of the Company*.

Participants: all Committee members.

Decisions made:

As agreed during the 13 June 2018 Supervisory Board meeting, the Committee reviewed the latest estimates of the Company budget for 2018 and the revised budget schedule proposal received from the Minister of Energy and Coal Industry. The committee noted that the Company will have committed all 2018 allocated resources by the end of July 2018.

Taking into account the critical financial situation, the Committee advises the Supervisory Board to warn the Shareholder of the Company insolvency risk and to convene an extraordinary General Meeting.

13 December 2018. Agenda: *Approval of Independent Auditor for the year 2018*.

Participants: all Committee members.

Decisions made:

After the substantial review and deep analysis of the commercial offers provided by the audit firms, the Committee made a recommendation to the Supervisory Board to select LLC “Grant Thornton Legis” as Independent Auditor for the year 2018.



Appointment of the Head of the Internal Audit Service

According to Regulation on Audit Committee of the Supervisory Board, within the competence of the Audit Committee is an appointment and dismissal of the Head of the Internal Audit Unit (internal auditor) and the definition of terms of the agreement to be concluded with him/her, determination of the amount of payment for his/her services.

According to the situation the Company had in 2018 and during the first months of 2019 the above stated requirement of the Regulation was not fulfilled due to the following:

- the Company did not operate the budget for 2019 during the first months of 2019, as the financial documents obligatory for the procedure of release of funds on the Company's account, were subject for approval by various Ukrainian authorities;
- due to above stated reason the Company has no opportunity to launch the selection process and tender procedure of the candidates on the position of the Head of the Internal Audit Service;
- additionally, MGU does not fully operate now and thus there was no urgent need to appoint the Head of the Internal Audit Unit.

Due to above reasons the absence of the Head of the Internal Audit Unit in the Company should not create a significant risk to the Company. Therefore, no assessment of the effectiveness of internal audit and risk management system could be made by the Audit Committee.

The independence of the external audit

On the recommendation of the Audit Committee, the Supervisory Board of the Company selected LLC "GRANT THORNTON LEGIS" to audit the Company's financial statements for 2018. Accordingly, the external audit of the Company was held by LLC "GRANT THORNTON LEGIS". The Audit Committee has no comments on the independence of the external audit.