

Minutes of Board of Directors Meeting No. 176/2013
Open joint stock company of power industry and electrification of Kuban
(“Kubanenergo” JSC)

Date of meeting	December 10, 2013
Form of holding the meeting	Absentee voting (questionnaire)
Place of vote counting	Office 105, building 1, 2 Stavropolskaya St., Krasnodar (postal address of “Kubanenergo”, JSC)
Date of vote counting	10.12.2013, 5 p.m.
Date of drawing up minutes	December 13, 2013

Number of Board of Directors Members: 11

Questionnaires were submitted by: Magadeyev R.R. (chairperson of Board of Directors), Vagapov S.G., Varvarin A.V., Gaichenya I.A., Katina A.Yu., Kolyada A.S., Lavrova M.A., Solod A.V.

Questionnaires were not submitted by: Likhov Kh.M., Neganov L.V., Cherezov A.V.

According to requirements of paragraph 7.3 of Regulation on order of conveying and holding meetings of “Kubanenergo”, JSC Board of Directors approved by decision of annual General meeting of “Kubanenergo”, JSC shareholders dated 22.06.2012, minutes No.31, quorum for holding the meeting should count at least half of elected members of Board of Directors.

Quorum is present

Agenda

1. On approving the list of projects in sphere of energy saving and economic efficiency increasing, that can be implemented on conditions of conclusion of energy service agreements (contracts).
2. On preliminary adoption of changes to collective employment agreement of “Kubanenergo” JSC for 2013-2015.
3. On taking into consideration the propositions on organization of carrying out works to the full extent provided by “Kubanenergo” JSC work plan on registration of ownership of immovable property, registration/re-registration of rights of use of land plots for 2011-2014 including implementation of works on preparing information about the boundaries of protected areas of power supply facilities with the forecast of terms and costs of their implementation.
4. On approving of scheduled plan milestones of projects implementation of federal programmes and milestones of schedule of slippage liquidation on federal programmes facilities for 2013.
5. On taking into consideration the report of Company’s Director General on results of internal investigation on failure to fulfill in time launch of information system of projects management and also on ineffective expenditures on launching of information system of projects management.
6. On taking into consideration the report of Company’s Director General on insurance coverage of the Company in the 3rd quarter of 2013.

7. On taking into consideration the report of “Kubanenergo” JSC Director General on credit policy of the Company in the 3rd quarter of 2013.
8. On approving the agreement on purchasing of trip voucher between “Kubanenergo” JSC and “Recreation centre “Energetic” JSC as transaction of interest.
9. On approving contract of renting container diesel generator set with wheel between “Kubanenergo” JSC and “FGC UES” JSC as transaction of interest
10. On approving the service agreement between “Kubanenergo” JSC and “Research and development centre of FGC UES” JSC as transaction of interest.
11. On approving the fee-based service agreement on technical supervision between “Russian grids” JSC and “Kubanenergo” JSC as transaction of interest.

Item 1

On approving the list of projects in sphere of energy saving and economic efficiency increasing, that can be implemented on conditions of conclusion of energy service agreements (contracts)

It is proposed to adopt the following decision:

1. To approve the list of projects in sphere of energy saving and economic efficiency increasing, that can be implemented on conditions of conclusion of energy service agreements (contracts), in accordance with Annex 1 to the decision of the Board of Directors.
2. To organize the trading procedures in accordance with the list of projects within the schedule.
3. To submit to the meeting of the BoD the report on procedure and results of implemented activities from the list of projects. Deadline: July1, 2014.

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the first item was unanimously adopted by the BoD members.

Item 2

On preliminary adoption of changes to collective employment agreement of “Kubanenergo” JSC for 2013-2015

It is proposed to adopt the following decision:

To approve the changes to collective employment agreement of “Kubanenergo” JSC for 2013-2015), in accordance with Annex 2 to the decision of the Board of Directors.

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the second item was unanimously adopted by the BoD members.

Item 3

On taking into consideration the propositions on organization of carrying out works to the full extent provided by “Kubanenergo” JSC work plan on registration of ownership of immovable property, registration/re-registration of rights of use of land plots for 2011-2014 including implementation of works on preparing information about the boundaries of protected areas of power supply facilities with the forecast of terms and costs of their implementation

It is proposed to adopt the following decision:

To defer the discussion of the item to a later date

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the third item was unanimously adopted by the BoD members.

Item 4

On approving of scheduled plan milestones of projects implementation of federal programmes and milestones of schedule of slippage liquidation on federal programmes facilities for 2013

It is proposed to adopt the following decision:

To approve the scheduled plan slippage liquidation on facilities of federal programmes (Olympic programme) for 2013, in accordance with Annex 3 to the decision of the Board of Directors.

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the fourth item was unanimously adopted by the BoD members.

Item 5

On taking into consideration the report of Company’s Director General on results of internal investigation on failure to fulfill in time launch of information system of projects management and also on ineffective expenditures on launching of information system of projects management

It is proposed to adopt the following decision:

To defer the discussion of the item to a later date

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the fifth item was unanimously adopted by the BoD members.

Item 6

On taking into consideration the report of Company's Director General on insurance coverage of the Company in the 3rd quarter of 2013

It is proposed to adopt the following decision:

To take into consideration the report of Company's Director General on insurance coverage of the Company in the 3rd quarter of 2013, in accordance with Annex 4 to the decision of the Board of Directors.

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the sixth item was unanimously adopted by the BoD members.

Item 7

On taking into consideration the report of "Kubanenergo" JSC Director General on credit policy of the Company in the 3rd quarter of 2013

It is proposed to adopt the following decision:

To take into consideration the report of "Kubanenergo" JSC Director General on credit policy of the Company in the 3rd quarter of 2013, in accordance with Annex 5 to the decision of the Board of Directors.

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the seventh item was unanimously adopted by the BoD members.

Item 8

On approving the agreement on purchasing of trip voucher between "Kubanenergo" JSC and "Recreation centre "Energetic" JSC as transaction of interest

In accordance with paragraph 3 of article 81 of Federal Law "On Joint Stock Companies" decision on the item should be adopted by majority of independent disinterested directors.

All members of the BoD participate in voting on this item and in accordance with paragraph 3 of article 81 of Federal Law "On Joint Stock Companies" are considered as independent disinterested directors.

It is proposed to adopt the following decision:

1. To determine the price of the agreement on purchasing of trip voucher between "Kubanenergo" JSC and "Recreation centre "Energetic" JSC amounting to 10 936 800 (ten million nine hundred thirty six thousand eight hundred) rubles 00 kopecks, VAT excluded.
2. To approve the agreement on purchasing of trip voucher between "Kubanenergo" JSC and "Recreation centre "Energetic" JSC (hereinafter - the Agreement , Annex

6 to the decision of the Board of Directors), as interested party transaction on the following essential conditions:

Parties of the Agreement:

Buyer – “Kubanenergo” JSC;

Recreation centre – “Recreation centre “Energetic” JSC

Subject of the Agreement:

The Recreation centre sells and the Buyer acquires tours of “Recreation centre “Energetic” JSC. The Recreation centre sells 7 days tours at prices specified in Annex 1 to the Agreement. The Buyer undertakes the obligations under the Agreement and performs calculations and payments for services rendered in accordance with paragraph 3 of the Agreement.

Agreement Price:

Agreement price is 10 936 800 (ten million nine hundred thirty six thousand eight hundred) rubles 00 kopecks, VAT excluded.

“The Buyer” settles with “Recreation centre” for the tours by bank transfer, according to the payment schedule – Annex 2 to the Agreement.

Term of Agreement:

Agreement enters into force upon the signature and is valid until 31.12.2014 or until the Parties fulfill their obligations.

Dispute resolution:

All disputes under the Agreement are resolved through negotiations. If no agreement is reached, the Parties should apply to the Arbitration Court of Krasnodar region in accordance with the current legislation.

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Solod A.V.	- FOR
Kolyada A.S.	- FOR		

Thus, the decision on the eighth item was adopted by majority of independent director uninterested in transaction.

Item 9

On approving contract of renting container diesel generator set with wheel between “Kubanenergo” JSC and “FGC UES” JSC as transaction of interest

In accordance with paragraph 3 of article 81 of Federal Law “On Joint Stock Companies” decision on the item should be adopted by majority of independent disinterested directors.

All members of the BoD participate in voting on this item and in accordance with paragraph 3 of article 81 of Federal Law “On Joint Stock Companies” are considered as independent disinterested directors.

It is proposed to adopt the following decision:

1. To determine the amount of monthly rent under the contract of renting container diesel generator set with wheel concluded by “Kubanenergo” JSC and “FGC UES” JSC as transaction of interest: 415 645 (four hundred fifteen thousand six hundred forty five) rubles 00 kopecks per month, including 18% VAT – 63 403 (sixty three thousand four hundred and three) rubles 47 kopecks.

The total cost of the contract cannot exceed two percent of the net value of the Company based on the financial statements for the latest reporting date preceding the date of approval of the contract.

2.To approve the contract of renting container diesel generator set with wheel between “Kubanenergo” JSC and “FGC UES” JSC (hereinafter referred to as the Contract, Annex 7 to the decision of the Board of Directors), as transaction of interest, on the following conditions:

Parties to the Contract :

Lessor - “FGC UES” JSC

Lessee - “Kubanenergo” JSC

Subject of the Contract:

The Lessor agrees to transfer to the Lessee under the acceptance certificate the container diesel generator set with wheel (hereinafter - Movable property) specified in Annex 1 to the Contract, for temporary possession and use for a fee, specified in paragraph 3 of the Contract, and the Lessee is obliged to pay the rent fee and return the movable property to the Lessor by the end of the Contract in good condition.

Contract Price:

The monthly rent for the use of movable property is 415 645 rubles 00 kopecks (four hundred fifteen thousand six hundred forty five rubles 00 kopecks), including VAT (18%) – 63 403 rubles 47 kopecks (sixty three thousand four hundred and three rubles 47 kopecks).

Term of the Contract:

The Contract enters into force upon the signature, but not earlier than the date of approval of the transaction by relevant authorities of the Parties, in accordance with the current legislation of the Russian Federation.

Duration of the contract is 7 (seven) months from the date of transfer of movable property under the act of acceptance.

The Contract shall be automatically extended for the same term if not less than in 30 (thirty) calendar days prior to its expiration, neither Party declares in written form on its intention to terminate the contract.

Dispute resolution:

All disputes under the Contract the Parties shall endeavor to resolve by negotiation. Claims should be submitted by fax, the response time to claim is 10 calendar days. In case of failure to settle the dispute through negotiations, all disputes, disagreements and claims arising out of or in connection with the contract, including those related to its conclusion, change, performance, breach, termination, and validity are to be settled by Arbitration Court of Krasnodar region.

Voting results

Vagapov S.G. - FOR Lavrova M.A. - FOR

Varvarin A.V. - FOR Katina A.Yu. - FOR

Gaichenya I.A. - FOR Magadeyev R.R, - For

Kolyada A.S. - FOR Solod A.V. - FOR

Thus, the decision on the ninth item was adopted by majority of independent director uninterested in transaction.

Item 10

On approving the service agreement between “Kubanenergo” JSC and “Research and development centre of FGC UES” JSC as transaction of interest
In accordance with paragraph 3 of article 81 of Federal Law “On Joint Stock Companies” decision on the item should be adopted by majority of independent disinterested directors.

All members of the BoD participate in voting on this item and in accordance with paragraph 3 of article 81 of Federal Law “On Joint Stock Companies” are considered as independent disinterested directors.

It is proposed to adopt the following decision:

1. To determine that the price of the service agreement between “Kubanenergo” JSC and “Research and development centre of FGC UES” JSC is 90 000 (ninety thousand) rubles 00 kopecks, including VAT (18%) – 13 728 (thirteen thousand seven hundred twenty eight) rubles 81 kopecks.

2. To approve the service agreement between “Kubanenergo” JSC and “Research and development centre of FGC UES” JSC (hereinafter - the Agreement, Annex 8 to the decision of the Board of Directors), as interested party transaction on the following conditions:

Parties to the Agreement:

Customer - Kubanenergo;

Contractor - Research and development centre of FGC UES JSC.

Subject of the Agreement:

The Customer orders and the Contractor undertakes during the term of the agreement to provide services for the participation of the customer in the conference named after M.M. Botvinnik.

Price:

Cost of services under the contract is 90 000 (ninety thousand) rubles 00 kopecks, including 18% VAT – 13 728 (thirteen thousand seven hundred twenty eight) rubles 81 kopecks.

Term of the Agreement:

Term of services: November 1, 2013

The Agreement enters into force upon signature and is valid until the Parties fulfill their obligations under the Agreement and is applied to the relations between the parties arising from November 1, 2013.

Dispute resolution:

All disputes arising from the Agreement the Parties shall strive to resolve through negotiations. When it is impossible to reach agreement through negotiations, disputes are subject to consideration of the arbitration court on the location of the defendant.

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- FOR
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the tenth item was adopted by majority of independent director uninterested in transaction.

Item 11 On approving the fee-based service agreement on technical supervision between “Russian grids” JSC and “Kubanenergo” JSC as transaction of interest

In accordance with paragraph 3 of article 81 of Federal Law “On Joint Stock Companies” decision on the item should be adopted by majority of independent disinterested directors.

All members of the BoD participate in voting on this item and in accordance with paragraph 3 of article 81 of Federal Law “On Joint Stock Companies” are considered as independent disinterested directors.

It is proposed to adopt the following decision:

1. To determine the cost of services of Russian Grids JSC rendered under the service contract concluded for the implementation of technical supervision between Russian Grids JSC and Kubanenergo JSC as interested party transaction (hereinafter – the Contract) in 2014: 14 952 201 (fourteen million nine hundred fifty two thousand two hundred one) ruble 84 kopecks, including 18% VAT – 2 280 844 (two million two hundred eighty thousand eight hundred and forty four) rubles 35 kopecks.

The cost of rendered of services of Kubanenergo JSC provided to Russian Grids JSC under the Contract in 2014 is 1 398 017 (one million three hundred ninety eight thousand seventeen) rubles 40 kopecks, including 18% VAT – 213 256 (two hundred and thirteen thousand two hundred fifty six) rubles 89 kopecks.

To determine that the total cost of services under the Contract cannot exceed 2% of the book value of Kubanenergo JSC, according to its financial statements for the last reporting date.

2. To approve the Contract as interested party transaction on the following conditions:

Parties to the Contract:

Kubanenergo JSC - the Customer;

Russian Grids JSC – the Contractor.

Subject of the Contract:

The Customer instructs and the Contractor undertakes to implement the technical supervision of electric grid facilities of Kubanenergo JSC and the Customer obliges to accept and pay for the services.

The Customer in order to create the necessary conditions for the activities of the personnel of the Contractor providing services directly to the customer, provides the Contractor on a reimbursable basis throughout the term of the Contract the workplaces with furniture, computers and office equipment, communication equipment, fixed communication services and the Internet, stationery (hereinafter – Customer’s services) .

The total period of services under the Contract: from 01.01.2014 to 31.12.2014.

Contract Price:

The cost of services of Russian Grids JSC rendered under the service contract concluded for the implementation of technical supervision between Russian Grids JSC and Kubanenergo JSC as interested party transaction (hereinafter – the

Contract) in 2014: 14 952 201 (fourteen million nine hundred fifty two thousand two hundred one) ruble 84 kopecks, including 18% VAT – 2 280 844 (two million two hundred eighty thousand eight hundred and forty four) rubles 35 kopecks.

The cost of rendered of services of Kubanenergo JSC provided to Russian Grids JSC under the Contract in 2014 is 1 398 017 (one million three hundred ninety eight thousand seventeen) rubles 40 kopecks, including 18% VAT – 213 256 (two hundred and thirteen thousand two hundred fifty six) rubles 89 kopecks.

Term of the Contract:

The Contract enters into force upon the signature and is valid until fulfillment by the Parties of their obligations. In accordance with paragraph 2 of article 425 of the Civil Code of the Russian Federation the Contract is applied to relations between the Parties arising from 01.01.2014.

If in 30 (thirty) calendar days prior to the expiration date of the Contract , neither Party notifies the other party on the termination of the Contract, the term of provision of services under the Contract is extended for 1 (one) calendar year, without limiting the number of such prolongations.

3. To instruct general director of the Company to submit for discussion at the meeting of the Company's Central Tender Committee.

Voting results

Vagapov S.G.	- FOR	Lavrova M.A.	- ABSTAINED
Varvarin A.V.	- FOR	Katina A.Yu.	- FOR
Gaichenya I.A.	- FOR	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the eleventh item was adopted by majority of independent director uninterested in transaction.

Chairperson

Magadeyev R.R.

Corporate secretary

Russu O.V.