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**Minutes of Board of Directors Meeting No. 147/2012**

**Open joint stock company**

**of power industry and electrification of Kuban**

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| Date of meeting | December 4, 2012 |
| Form of holding the meeting | Absentee voting , meeting in presentia |
| Place of vote counting | Office 305, 2 Stavropolskaya St., Krasnodar  |
| The meeting started atThe meeting ended at | 13:0015:15 |
| Date of drawing up minutes | 07.12.2012 |

In accordance with paragraph 7.1 of Regulation on procedure of convening and holding the meeting of Board of Directors of Open joint stock company of power industry and electrification of Kuban, approved by the annual General meeting of shareholders, minutes of meeting 31 dated June 22, 2012, the meeting of the BoD shall be opened by the Chairperson of Kubanenergo Board of Directors – Budagrin Oleg Mikhailovich.

In accordance with paragraph 7.3 of Regulation on procedure of convening and holding the meeting of Board of Directors of Open joint stock company of power industry and electrification of Kuban, to define the quorum for holding the meeting the floor is given to corporate secretary of the Company – Russu Olga Vladimirovna.

In accordance with paragraph 7.3 of Regulation on procedure of convening and holding the meeting of Board of Directors of Open joint stock company of power industry and electrification of Kuban, the quorum for holding the meeting should consist of at least of half of elected members of the Company BoD. According to paragraph 16.1 of Kubanenergo Charter the BoD consists of 11 (eleven) persons.

**The meeting was attended by:** Budagrin O.M. (Chairperson), Goncharov V.A., Demidov A.V., Diyakov F.A., Murov A.E., Prokhorov Ye.V., Romeiko D.I., Sultanov G.A.

**The meeting was not attended by:** Likhov Kh.M., Yemelin A.S., Nikonov V.V.

Eight members of the BoD attended the meeting, which not less than half of the elected members of the Company BoD.

The quorum necessary for holding the meeting is present.

In accordance with subparagraph 16 of paragraph 4.2 of Regulation on procedure of convening and holding the meeting of Board of Directors of Open joint stock company of power industry and electrification of Kuban, the members of the Board of Director gave their consent to make the audio of the meeting.

The agenda includes the following items:

1. On approving the adjusted business-plan (including the investment programme) of Kubanenergo 2012-2016

2. On approving the adjusted key performance indicators of Kubanenergo in 2012

3. On approving the adjusted programme on energy saving and increasing energy efficiency of the Company for 2012-2017

4. On taking into consideration the report of director genral on “Actual fulfillment of work on investment programme facilities by the results of 2011”

5. On choosing the priority activity of the Company: on changing the system of key performance indicators of director general and top managers of the Company

Beyond the agenda Sultanov Georgiy Akhmedovich, Director general of “Kubanenergo” JSC, made a report on the results of business activity of the Company in 2011 and 9 months of 2012. The report was taken into consideration

In accordance with paragraph 8.3 of Regulation on procedure of convening and holding the meeting of Board of Directors of Open joint stock company of power industry and electrification of Kuban, members of the BoD that did not attend the meeting were sent the questionnaire signed by Budagrin O.M., the Chairperson of the BoD.

**Members of Board of Directors:** Yemelin A.S., Likhov Kh.M., Nikonov V.V. did not submit the questionnaires.

**The first issue:** On approving the adjusted business-plan (including the investment programme) of Kubanenergo 2012-2016

**Speakers:**

- Galyaev Alexander Nikolaevich, deputy director in charge of economics and finances of “Kubanenergo” JSC – on formation of the adjusted business-plan of the Company for 2012;

-Yurchenko Vladmir Yurievich, acting deputy director in charge of capital construction of “Kubanenergo” JSC - on formation of the adjusted investment programme of the Company for 2012.

Reported:

-Budagrin Oleg Mikhailovich, Chairperson of the BoD – on labour productivity, efficiency of implementation of the investment programme;

-Prokhorov Yegor Vyacheslavovich, member of the BoD– on sources of financing the investment programme, particularly on funds received from distribution of additional shares;

- Demidov Aleksey Vladimirovich member of the BoD – on reduction of income from electricity transmission in 2012;

- Goncharov Valeriy Anatolievich, member of the BoD - on fixing the upper price on tender procedures.

**By the results of discussion it is proposed to adopt the following decision:**

1. To approve the adjusted business-plan (including the investment programme) of Kubanenergo 2012-2016
2. To take as the basis the adjusted business-plan (including the investment programme) of Kubanenergo 2012-2016
3. To instruct director general:
	1. To approve the adjusted investment programme of Kubanenergo for 2012-2017 and its sources of funding in terms and procedure set by the Regulation of RF Government No.977 dd 01.12.2009
	2. To make a report on approval of the adjusted investment programme for the period of 2012-2017 by authorized authority of executive power within a month after receiving the order from Ministry of Energy to approve the investment programme
	3. To make a report on implementation of the investment programme in the 3rd quarter of 2012 and include in the report on the implementation of the of the business plan; the report should be provided for consideration in order prescribed by the Regulation of RF Government No.977 dd 01.12.2009
	4. To make a report on implementation of key performance indicators in part of the investment activity in 2012 in accordance with requirement of the Regulation of RF Government No.977 dd 01.12.2009
	5. To produce for consideration of the Company BoD the adjusted business-plan for 2012-2016 together with the adjusted investment programme for the period of 2012-2017 in accordance with requirement of the Regulation of RF Government No.977 dd 01.12.2009 within a months after the approval of adjusted investment programme by the RF Ministry of Energy

**Voting results:**

|  |  |
| --- | --- |
| **FOR** | Budagrin O.M. (Chairperson), Goncharov V.A., Demidov A.V., Dyakov F.A., Murov A.E., Prokhorov Ye.V., Romeiko D.I., Sultanov G.A. |
| **AGAINST** | - |
| **ABSTAINED** | -  |

Thus, the decision on the first issue was adopted unanimously.

**The second issue:** On approving the adjusted key performance indicators of Kubanenergo in 2012

**Speakers:**

- Galyaev Alexander Nikolaevich, deputy director in charge of economics and finances of “Kubanenergo” JSC – on adjustment of key performance indicatros of the Company for 2012.

**By the results of discussion it is proposed to adopt the following decision:**

To approve the adjusted key performance indicators of Kubanenergo in 2012, in accordance with annex 3 to the decision of the Company BoD

**Voting results:**

|  |  |  |
| --- | --- | --- |
| **FOR** | Budagrin O.M. (Chairperson), Goncharov V.A., Demidov A.V., Dyakov F.A., Murov A.E., Prokhorov Ye.V., Romeiko D.I., Sultanov G.A. |  |
| **AGAINST** | - |  |
| **ABSTAINED** | -  |  |

Thus, the decision on the second issue was adopted unanimously.

**The third issue:** On approving the adjusted programme on energy saving and increasing energy efficiency of the Company for 2012-2017

**Speakers:**

- Lyashko Andrey Vladimirovich, deputy director general in charge of development and selling of services of “Kubanenergo” JSC – on parameters and aims of adjusting the Programme on energy saving and increasing energy efficiency of Kubanenergo for 2012 – 2017 (hereafter – the Programme).

Reported:

- Budagrin Oleg Mikhailovich, Chairperson of the BoD - о расчетах объемов снижения издержек, о снижении потерь электроэнергии;

- Prokhorov Yegor Vyacheslavovich, Demidov Aleksey Vladimirovich members of the BoD – on providing to the Programme the financing sources;

- Romeiko Dmitry Igorevich, member of the BoD– on explanations of the significance of the Programme from the point of energy efficiency.

**By the results of discussion it is proposed to adopt the following decision:**

1. To take as a basis the adjusted programme on energy saving and increasing energy efficiency of the Company for 2012 and with prognosis for 2013-2017, in accordance with annex 4 to the decision of the Company BoD
2. To order director general of the Company to produce for the consideration of the BoD the adjusted programme on energy saving and increasing energy efficiency of the Company for 2012-2017 if the changes occurred in the activities related to energy saving ones; the report should be produced within a month after the approval of the adjusted investment programme for the period of 2012-2017 in accordance with requirement of the Regulation of RF Government No.977 dd 01.12.2009

**Voting results:**

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| --- | --- | --- |
| **FOR** | Budagrin O.M. (Chairperson), Goncharov V.A., Demidov A.V., Dyakov F.A., Murov A.E., Prokhorov Ye.V., Romeiko D.I., Sultanov G.A. |  |
| **AGAINST** | - |  |
| **ABSTAINED** | -  |  |

Thus, the decision on the third issue was adopted unanimously.

**The fourth issue:** On taking into consideration the report of director genral on “Actual fulfillment of work on investment programme facilities by the results of 2011”

**Speakers:**

- Yurchenko Vladmir Yurievich, acting deputy director in charge of capital construction of “Kubanenergo” JSC – on actual implementation of work on investment programme of Kubanenergo by the results of 2011.

**By the results of discussion it is proposed to adopt the following decision:**

To take into consideration the report of director genral on actual fulfillment of work on investment programme facilities by the results of 2011, in accordance with annex 5 to the decision of the Company BoD

**Voting results:**

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| --- | --- | --- |
| **FOR** | Budagrin O.M. (Chairperson), Goncharov V.A., Demidov A.V., Dyakov F.A., Murov A.E., Prokhorov Ye.V., Romeiko D.I., Sultanov G.A. |  |
| **AGAINST** | - |  |
| **ABSTAINED** | -  |  |

Thus, the decision on the fourth issue was adopted unanimously.

**The fifth issue:** On choosing the priority activity of the Company: on changing the system of key performance indicators of director general and top managers of the Company

**Speakers:**

- Belik Vyacheslav Aleksandrovich, head of department of HR and corporate design - on changes in system of key performance indicators of director general and top managers of the Company

- Budagrin Oleg Mikhailovich, Chairperson of the BoD – on criteria of bonus payments to each employee of the Company, particularly bonuses for construction of Olympic facilities;

- Demidov Aleksey Vladimirovich member of the BoD – on elaboration of changes in ystem of key performance indicators of director general and top managers of the Company in accordance with recommendations of Holding IDGC JSC .

**By the results of discussion it is proposed to adopt the following decision:**

1. To decide that the changing the system of key performance indicators of director general and top managers of the Company is priority activity of the Company.
2. To approve the system of key performance indicators for director general and top managers of the Company, in accordance with annexes 6-33 to the decision of the Company BoD
3. To instruct Company director general:

3.1 to switch to the new system of key performance indicators by 01.01.2013

3.2 to provide report on system of key performance indicators in accordance with annex 34 to the decision of the Company BoD

**Voting results:**

|  |  |  |
| --- | --- | --- |
| **FOR** | Budagrin O.M. (Chairperson), Goncharov V.A., Demidov A.V., Dyakov F.A., Murov A.E., Prokhorov Ye.V., Romeiko D.I., Sultanov G.A. |  |
| **AGAINST** | - |  |
| **ABSTAINED** | -  |  |

Thus, the decision on the fifth issue was adopted unanimously.

**Beyond the scope of the agenda**

- Sultanov Georgiy Akhmedovich – Director general of “Kubanenergo” JSC - report on the results of business activity of the Company in 2011 and 9 months of 2012. The report was taken into consideration.

**Chairperson the BoD O.M. Budagrin**

**Corporate secretary О.V. Russu**