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**Minutes of Board of Directors Meeting No. 199/2014**

**Open joint stock company of**

**power industry and electrification of Kuban (“Kubanenergo” JSC)**

|  |  |
| --- | --- |
| Date of meeting | 14 November, 2014 |
| 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 | 14.11.2014, 5 p.m. |
| Date of drawing up minutes | 17 November, 2014 |

Board of Directors Members: 11

Questionnaires were submitted by: Sergeyev S.V. (chairperson of BoD), Gavrilov A.I., Varvarin A.V., Kobelyan A.M., Lavrova M.A., Mezhevich V.E., Sukhov O.A., Kharin A.N., Khokholkova K.V., Chermentieva Yu. P., Shatokhin A.G.,

Questionnaires were not submitted by:

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 Comprehensive Programme of Kubanenergo JSC on reduction of risk of injury to the staff of Kubanenergo JSC and to third parties at the power grid facilities of the Company for the period 2014-2017.
2. On introducing amendments to the Rules of placing temporarily free funds of the Company.
3. On introducing amendments to the Regulations on material incentives and benefits for top managers of Kubanenergo JSC.
4. On early termination of term of office and election of new members of the Committee for Strategy, Development, Investments and Reform attached to the Board of Directors of Kubanenergo JSC.
5. On early termination of term of office and election of new members of the Reliability Committee attached to the Board of Directors of Kubanenergo JSC.
6. On approving the report on the results of the implementation of the business plan (including the investment program) of Kubanenergo JSC for the 2nd quarter and 6 months of 2014.
7. On approving the results of the implementation of the target values of key performance indicators of Kubanenergo JSC for the 2nd quarter 2014.
8. On determining the cases (amounts) of transactions with property owned by Kubanenergo JSC, subject to prior approval by the Board of Directors, as amended.
9. On approving the agreement on the coordination and development of the regulatory and technical support to the electric grid between Rossetti JSC and its subsidiaries and affiliates, as interested party transaction.
10. On approving agreement on organization of functioning and development of electric grid complex between Rosseti JSC and Kubanenergo JSC which core activity is electric energy transfer, as interested party transaction.
11. On introducing changes to Regulations on investment activity of Kubanenergo JSC.

**Item 1**

**On approving the Comprehensive Programme of Kubanenergo JSC on reduction of risk of injury to the staff of Kubanenergo JSC and to third parties at the power grid facilities of the Company for the period 2014-2017**.

The following decision is proposed:

To defer the discussion to a later date.

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sergeyev S.V. | - | FOR |
| Varvarin A.V. | - | FOR | Sukhov O.A. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Mezhevich V.E. | - | FOR | Shatokhin A.G. | - | FOR |
| Kharin A.N. | - | FOR |  |  |  |

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

**Item 2**

**On introducing amendments to the Rules of placing temporarily free funds of the Company.**

The following decision is proposed:

1. To introduce amendments to the Rules of placing temporary free funds of “Kubanenergo” JSC disclosing appendix 1 to the redrafted Rules in accordance with Appendix 1 to present decision of Company’s BoD.

2. To allow “Kubanenergo” JSC to place temporary free funds of “Kubanenergo” JSC (including placing rest of funds and placing temporary free funds on bank deposits) in Commercial Bank “Rosenergobank” (JSC) until 31.12.2014 without increasing number of transactions.

3. To leave without changes the use of storage and expenditure of funds (including the placement of cash balances, as well as temporarily available cash on deposit) received by the Company from the federal budget, and the funds received as payment for additional shares of "Rossetti" JSC to finance the Company's investment projects separate from other assets of the Company bank account opened solely in one of the backbone of the Russian banks listed in Annex 2 to the decision of the Board.

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sergeyev S.V. | - | FOR |
| Varvarin A.V. | - | FOR | Sukhov O.A. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Mezhevich V.E. | - | FOR | Shatokhin A.G. | - | FOR |
| Kharin A.N. | - | ABSTAINED |  |  |  |

Thus, the majority BoD members participating in the meeting adopted the decision on the second item**.**

**Item 3**

**On introducing amendments to the Regulations on material incentives and benefits for top managers of Kubanenergo JSC.**

The following decision is proposed:

To introduce amendments to the Regulations on material incentives and benefits for top managers of Kubanenergo JSC disclosing Appendix 1 and 2 to Appendix 1 of redrafted Regulations in accordance with Appendix 3 to present decision of Company’s BoD.

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sergeyev S.V. | - | FOR |
| Varvarin A.V. | - | FOR | Sukhov O.A. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Mezhevich V.E. | - | FOR | Shatokhin A.G. | - | FOR |
| Kharin A.N. | - | FOR |  |  |  |

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

**Item 4**

**On early termination of term of office and election of new members of the Committee for Strategy, Development, Investments and Reform attached to the Board of Directors of Kubanenergo JSC.**

The following decision is proposed:

1. To early terminate term of office and election of new members of the Committee for Strategy, Development, Investments and Reform attached to the Board of Directors of Kubanenergo JSC:

- Isaev Valeriy Ivanovich;

- Lisavin Andrei Vladimirovich.

2. To elect for the position of members of Committee for Strategy, Development, Investments and Reform attached to the Board of Directors of Kubanenergo JSC the following persons:

- Krasnikov Valeriy Nikolaevich, head of Department of corporate finance of “Rosseti” JSC;

- Seleznyov Viktor Yurievich, head of Managing board of technological and technical development, organization and control over the implementation of Research and Advanced Development of “Rosseti” JSC.

3. To elect Krasnikov Valeriy Nikolaevich for the position of Chairperson of Committee for Strategy, Development, Investments and Reform attached to the Board of Directors of Kubanenergo JSC.**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sergeyev S.V. | - | FOR |
| Varvarin A.V. | - | FOR | Sukhov O.A. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Mezhevich V.E. | - | FOR | Shatokhin A.G. | - | FOR |
| Kharin A.N. | - | FOR |  |  |  |

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

**Item 5**

**On early termination of term of office and election of new members of the Reliability Committee attached to the Board of Directors of Kubanenergo JSC**

The following decision is proposed:

1. To early terminate term of office Zinchenko Pavel Vasilievich, member of Reliability Committeeof “Kubanenergo” JSC BoD.

2. To elect Ryazantsev Dmitriy Yurievich, first deputy Director General, head engineer of “Kubanenergo” JSC for the position of member of the Reliability Committee of “Kubanenergo” JSC BoD.

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sergeyev S.V. | - | FOR |
| Varvarin A.V. | - | FOR | Sukhov O.A. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Mezhevich V.E. | - | FOR | Shatokhin A.G. | - | FOR |
| Kharin A.N. | - | FOR |  |  |  |

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

**Item 6**

**On approving the report on the results of the implementation of the business plan (including the investment program) of Kubanenergo JSC for the 2nd quarter and 6 months of 2014**

The following decision is proposed:

Commercial classified information.

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sergeyev S.V. | - | FOR |
| Varvarin A.V. | - | FOR | Sukhov O.A. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Mezhevich V.E. | - | FOR | Shatokhin A.G. | - | FOR |
| Kharin A.N. | - | FOR |  |  |  |

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

**Item 7**

**On approving the results of the implementation of the target values of key performance indicators of Kubanenergo JSC for the 2nd quarter 2014**

The following decision is proposed:

To approve the results of the implementation of the target values of key performance indicators of Kubanenergo JSC for the 2nd quarter 2014 in accordance with Appendix 5 to present decision of Company’s BoD.

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sergeyev S.V. | - | FOR |
| Varvarin A.V. | - | FOR | Sukhov O.A. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Mezhevich V.E. | - | FOR | Shatokhin A.G. | - | FOR |
| Kharin A.N. | - | FOR |  |  |  |

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

**Item 8**

**On determining the cases (amounts) of transactions with property owned by Kubanenergo JSC, subject to prior approval by the Board of Directors, as amended**

The following decision is proposed:

1. To determine that in accordance with parts “b” and “c” of sub-paragraph 38, paragraph 15.1, article 15 of Company’s Charter the BoD should preliminary approve transactions (group of inter-connected transactions) related with alienation or possible alienation of:

1.1. fixed assets considered in accordance with legislation as immovable property, construction-in-progress facilities, used for production, transmission, operational control, distribution of electric and heating energy regardless their balance or market cost;

1.2. fixed assets considered in accordance with legislation as immovable property, construction-in-progress facilities, that are not used for production, transmission, operational control, distribution of electric and heating energy, which balance cost exceeds 30 million rubles, except cases of alienation of utility facilities regardless their balance or market cost on a non-repayable basis (as well as in accordance with sub-paragraphs 29 of paragraph 15.1 article 15 of Company’s Charter describing transactions involving free of charge provision of property owned by the Company) to state or municipal property;

1.3. fixed assets except those considered in accordance with legislation as immovable property regardless their purpose of usage, balance or market cost of which exceeds 30 million rubles;

1.4. intangible assets regardless their purpose of usage and balance or market cost.

2. To decided that the transactions related to alienation of fixed assets considered in accordance with legislation as immovable property, construction-in-progress facilities, that are not used for production, transmission, operational control, distribution of electric and heating energy are subject to approval by the BoD in accordance with Regulation on organisation of sale of non-core assets approved by the BoD on 20.11.2008 (minutes of meeting No.62/2008 dd 24.11.2008).

3. To instruct director general to submit for consideration to the BoD the report on transactions related to alienation of fixed assets considered in accordance with legislation as immovable property, construction-in-progress facilities, that are not used for production, transmission, operational control, distribution of electric and heating energy, as well as shares of affiliated and dependent companies, which core activity does not include production, transmission, operational control, distribution of electric and heating energy (report on selling non-core assets).

4. To consider as invalid paragraphs 1, 2, 3 of resolution taken by the BoD on 2 August 2013 (Minutes of meeting No.168/2013 dd 05.08.2013) on issue No. 27 “On determining the cases (amount) of transaction with Company’s property that are subject to preliminary approval by the Board of Directors”.

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sergeyev S.V. | - | FOR |
| Varvarin A.V. | - | FOR | Sukhov O.A. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Mezhevich V.E. | - | FOR | Shatokhin A.G. | - | FOR |
| Kharin A.N. | - | FOR |  |  |  |

Thus, the BoD members unanimously adopted the decision on the eighth item**.**

**Item 9**

**On approving the agreement on the coordination and development of the regulatory and technical support to the electric grid between Rossetti JSC and its subsidiaries and affiliates, as interested party transaction**

The following decision is proposed:

1. To approvethe agreement on the coordination and development of the regulatory and technical support to the electric grid between Rossetti JSC and its subsidiaries and affiliates, as interested party transaction on the following conditions:

**Parties:**

“Rosseti” JSC;

“FGC UES” JSC;

“IDGC of the Centre” JSC;

“IDGC of the North-West” JSC;

“IDGC of the Centre and Volga region” JSC;

“IDGC of the Volga” JSC;

“IDGC of Ural” JSC;

“IDGC of Siberia” JSC;

“IDGC of the South” JSC;

“IDGC of the Northern Caucasus” JSC;

“Tyumenenergo” JSC;

“Lenenergo” JSC;

“MOESK” JSC;

“Yantarenergo” JSC;

“TRK” JSC.

**Subject of Agreement:**

In order to develop common approaches to the management and development of the technical society system the Parties have agreed the following terms:

In order to provide reliable and efficient functioning of transmission and distribution grids of the power grid complex of the Russian Federation, the Parties consider it is necessary to introduce a system of coordination of development of technical society system.

Coordination should be provided by synchronization of work and review of regulatory and technical documents in the field of technical regulation and standardization (hereinafter NTD), as well as the expansion of the practice of in-depth examination of NTD.

The agreement is not applied to regulations, instructions, programmes and other documents defining the order of technological interaction of subsidiaries of “Rossetti” JSC (their branches) with System Operator UES JSC (its control centers), the necessity of development, application and enforcement of which is stipulated by the current legal acts, agreements between System Operator UES JSC and Federal Grid Company, agreements on technological cooperation between System Operator UES JSC and affiliates of “Rosseti” JSC in order to ensure the reliability of the UES of Russia or other documents signed between System Operator UES JSC (its subsidiaries) and affiliates of “Rosseti” JSC before the agreement. Parties deem it necessary to create the Unified Register of NTD, which shall include documents prepared by each of the Parties, and in consultation with third parties - developed by third parties such documents in the field of technical regulation.

NTD requirements included in the Unified Register of NTD shall be accounted for by each Party according to the area of their distribution in the exercise of its industrial and economic activities, except for the provisions of the Tax and Customs Board that contradict with federal, state or local law.

To ensure coordination and effective cooperation the parties consider it necessary to establish the Coordinating Council for the Development of technical society system.

Duration of the agreement:

Agreement comes into effect upon the signature and is concluded for an indefinite period.

Director General of “Kubanenergo” JSC provides the signing of Agreement in accordance with the established procedure.

**Voting results**

|  |  |  |
| --- | --- | --- |
| Kobelyan A.M. | - | FOR |
| Sukhov O.A. | - | FOR |
| Khokholkova | - | FOR |
| Chermentieva Yu. P. | - | FOR |
| Shatokhin A.G. | - | FOR |

Thus, the independent directors uninterested in the transaction unanimously adopted the decision on the ninth item**.**

**Item 10**

**On approving agreement on organization of functioning and development of electric grid complex between Rosseti JSC and Kubanenergo JSC which core activity is electric energy transfer, as interested party transaction**

The following decision is proposed:

1. To determine that cost of services of “Rosseti” JSC under the Agreement of services on functioning and development of electric grid complex concluded between “Rosseti” JSC and “Kubanenergo” JSC (hereafter - Agreement), as interested party transaction for one reporting period amounts 7 646 397 (seven million six hundred forty six thousand three hundred ninety seven) rubles 00 kopecks, and additionally VAT (18%) in the amount of 1 376 351 (one million three hundred seventy six thousand three hundred fifty one) rubles 46 kopecks.

To determine that the cost of services rendered by “Kubanenergo” JSC under the Agreement for one reporting period is 98 730 (ninety eight thousand seven hundred and thirty) rubles 04 kopecks, plus VAT (18%) – 17 771 (seventeen thousand seven hundred seventy one) ruble 41 kopecks.

To determine that the price of the Agreement cannot exceed 2 percent of the net value of assets of “Kubanenergo” JSC, according to its financial statements for the last reporting date.

2. To approve the Agreement (Annex 6 to the present decision of the Board of Directors) which is an interested party transaction, on the following conditions:

Parties to the Agreement:

“Rossetti” JSC – Contractor ;

“Kubanenergo” JSC - Customer.

Subject of the Agreement:

The Contractor shall provide the customer service operation and development of the electric grid complex of the Customer and technical supervision of electric grid facilities (hereinafter - Services), and the Customer shall accept and pay for the Services in accordance with the terms of the Agreement.

Customer in order to create the necessary conditions for the activities of the Contractor's personnel directly engaged in providing services to the electric grid facilities of the Customer, provides to the Contractor on a reimbursable basis throughout the term of the Agreement places (premises), with furniture, computer and office equipment, communication services and fixed-line Internet and stationery (hereinafter - the Customer Services).

Price of the Agreement:

The cost of services for one reporting period is 7 646 397 (seven million six hundred forty six thousand three hundred ninety seven) rubles 00 kopecks, plus VAT (18%) in the amount of 1 376 351 (one million three hundred seventy six thousand three hundred fifty one) ruble 46 kopecks, and is determined on the basis of:

* the cost of services for the operation and development of the electric grid complex in the amount of 6 373730 (six million three hundred seventy three thousand seven hundred and thirty) rubles 33 kopecks, plus VAT (18%) in the amount of 1 147 271 (one million one hundred forty seven thousand two hundred and seventy one) rubles 46 kopecks;
* the cost of services for the implementation of technical supervision of power grid facilities of the Customer in the amount of 1 272 666 (one million two hundred seventy two thousand six hundred sixty six) rubles 67 kopecks, plus VAT (18%) in the amount of 229 080 (two hundred twenty nine thousand and eighty ) rubles 00 kopecks.

Customer Service Fees for one reporting period is 98 730 (ninety eight thousand seven hundred and thirty) rubles 04 kopecks, plus VAT (18%) in the amount of 17 771 (seventeen thousand seven hundred seventy one) ruble 41 kopecks.

The reporting period is a calendar month of service delivery.

Term of services:

Term of rendering the services under the Agreement: 01.01.2015 – 31.12.2017.

Term of the Agreement:

The Agreement shall enter into force upon the signature and shall be valid until 31 December 2017, and in terms of settlements until the Parties fulfill the obligations. The Agreement is applied to the relations of the Parties arising from 01.01.2015.

3. General Director of Kubanenergo JSC shall ensure the conclusion of the Agreement by the Company in the period up to 01.12.2014.

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Varvarin A.V. | - | FOR | Kharin A.N. | - | FOR |
| Kobelyan A.M. | - | FOR | Khokholkova K.V. | - | FOR |
| Lavrova M.A. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Sergeyev | - | FOR | Shatokhin A.G. | - | FOR |
| Sukhov O.A. | - | FOR |  |  |  |

Thus, the independent directors uninterested in the transaction unanimously adopted the decision on the tenth item**.**

**Item 11**

**On introducing changes to Regulations on investment activity of Kubanenergo JSC**

The following decision is proposed:

To introduce changes to Regulations on investment activity of Kubanenergo (minutes of meeting No.158/2013 dd 12.04.2013) by adding to chapter 4 “Controlled facilities and elements of accounting, structure of investment programme” the following passage: “Investments project consisting of 2 and more items and financed by the federal budget, budgets of territorial subjects of RF, state budgetary and non-budgetary funds is subject to detailed breakdown upon the inclusion of the project in the investments programme”

**Voting results**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gavrilov A.I. | - | FOR | Sukhov O.A. | - | FOR |
| Varvarin A.V. | - | FOR | Khokholkova K.V. | - | FOR |
| Kobelyan A.M. | - | FOR | Chermentieva Yu. P. | - | FOR |
| Lavrova M.A. | - | FOR | Shatokhin A.G. | - | FOR |
| Mezhevich V.E. | - | FOR | Kharin A.N. | - | FOR |
| Sergeyev | - | FOR |  |  |  |

Thus, the independent directors uninterested in the transaction unanimously adopted the decision on the eleventh item**.**

|  |  |
| --- | --- |
| Chairperson  | Sergeyev S.V. |
| Corporate secretary | Russu O.V. |