



Minutes of Board of Directors Meeting No. 259/2016

Public joint stock Company of power industry and electrification of Kuban

(Kubanenergo PJSC)

Date of meeting	23 December 2016
Form of holding the meeting	absentee voting (questionnaire)
Place of vote counting	office 105, building 1, 2A Stavropolskaya St., Krasnodar (postal address of Corporate Secretary of “Kubanenergo” PJSC)
Date of vote counting	23.12.2016, 5 p.m.
Date of drawing up minutes	26 December 2016

Board of Directors Members: 11

Questionnaires were submitted by: Mangarov Yu.N. (Chairperson of the BoD), Varvarin A.V., Yefimov A.L., Gavrilov A.I., Serov A.Yu., Khokholkova K.V., Gritsenko V.F., Shmakov I.V.

Questionnaires were not submitted by: Bogashov A.Ye. Bobkov D.A., Sofyin V.V.

According to requirements of paragraph 7.3 of Regulations for the Board of Directors of Public joint stock Company of power industry and electrification of Kuban (approved by decision of annual General meeting of “Kubanenergo” PJSC shareholders dated 27.06.2016, minutes No.37), the quorum for holding the meeting should count at least half of elected members of Board of Directors.

Quorum is present

Agenda

1. On expressing the Company’s opinion on agenda item of BoD meetings of its affiliated companies – “Recreation Centre “Energetik” JSC and “Energoservis Kuban” JSC: “On approval of the company’s business-plan for 2017 and estimates for 2018-2021”.
2. On approval of the results of reaching the target values of key performance indicators of the General Director of Kubanenergo PJSC in the 3rd quarter 2016.
3. On nomination of the Director General of the Company for the state award.
4. On approval of nominees for separate positions at the executive office determined by the Board of Directors.
5. On approval of the candidacy for the post of Head of the Internal Audit Department of Kubanenergo PJSC, and determination of their remuneration.
6. On consideration of the report of the Director General of Kubanenergo PJSC on implementation of decisions taken at the Board of Directors meetings in the 3rd quarter of 2016.
7. On consideration of the report presented by the Director General of Kubanenergo PJSC on the credit policy in the 3rd quarter 2016.
8. On approval of the schedule of activities of Kubanenergo PJSC that are aimed to reduce outstanding receivables for the service of electric power transmission and settlement of differences existing at 01.10.2016.

9. On approval of adjustments to the Plan of purchases of Kubanenergo PJSC in 2016.
10. On approval of Plan of purchases of Kubanenergo PJSC for 2017.
11. On consideration of the report of the Director General on selling of non-core assets during the first 9 months of 2016.
12. On the procedure for identification and selling of non-core assets.
13. On approval of the agreement on debt restructuring agreement No.17810-409/407/30-217 dated 21.01.2014 between Kubanenergo PJSC and “MOESK” PJSC as a transaction of interest.
14. On approval of amended Credit plan of “Kubanenergo” PJSC for the 4th quarter of 2016.
15. On approval of Credit agreement on opening a credit line between “Kubanenergo” PJSC and the Russian Regional Development Bank (RRDB), as interested-party transaction.

Item 1

On expressing the Company’s opinion on agenda item of BoD meetings of its affiliated companies – “Recreation Centre “Energetik” JSC and “Energoservis Kuban” JSC: “On approval of the company’s business-plan for 2017 and estimates for 2018-2021”

The following decision is proposed:

To postpone the discussion to a later date.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the first item.

Item 2

On approval of the results of reaching the target values of key performance indicators of the General Director of Kubanenergo PJSC in the 3rd quarter 2016

The following decision is proposed:

To approve the results of reaching the target values of key performance indicators of the General Director of Kubanenergo PJSC in the 3rd quarter 2016, in accordance with Appendix 1 to the present decision of the BoD.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the second item.

Item 3

On nomination of the Director General of the Company for the state award

The following decision is proposed:

To nominate Alexander Ilyich Gavrilov, Director General of Kubanenergo PJSC, for recommendation to a state award.

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the third item.

Item 4

On approval of nominees for separate positions at the executive office determined by the Board of Directors

The following decision is proposed:

To appoint Ivanova Irina Viktorovna for the position of Deputy Director General in charge of Corporate Governance.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	AGAINST	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, majority of the BoD members participating in the meeting adopted the proposed decision on the fourth item.

Item 5

On approval of the candidacy for the post of Head of the Internal Audit Department of Kubanenergo PJSC, and determination of their remuneration

The following decision is proposed:

1. To approve the candidature of Karmirian Anatoliy Viktorovich for the position of the Head of Internal Audit Department of Kubanenergo PJSC and set the remuneration to the head of internal audit department as per Appendix 2 to the present resolution of the BoD.
2. To instruct Director General of Kubanenergo PJSC to appoint Karmirian Anatoliy Viktorovich for the position of the Head of Internal Audit Department of Kubanenergo PJSC.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the fifth item.

Item 6

On consideration of the report of the Director General of Kubanenergo PJSC on implementation of decisions taken at the Board of Directors meetings in the 3rd quarter of 2016

The following decision is proposed:

1. To take into consideration of the report of the Director General of Kubanenergo PJSC on implementation of decisions taken at the Board of Directors meetings in the 3rd quarter of 2016, in accordance with Appendix 3 to the present decision of the BoD.
2. To that the company did not fulfill instructions of the BoD on item 2 paragraph 3.3 from the meeting of 20.09.2016 “On approval of report on the results of implementation of business plan (including investment programme and information on key operation risks) of Kubanenergo PJSC in the 2nd quarter and 6 months of 2016” (minutes of meeting No.251/2016 dd 23.09.2016).

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	ABSTAINED	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, majority of the BoD members participating in the meeting adopted the proposed decision on the sixth item.

Item 7

On consideration of the report presented by the Director General of Kubanenergo PJSC on the credit policy in the 3rd quarter 2016

The following decision is proposed:

1. To take into the report presented by the Director General of Kubanenergo PJSC on the credit policy in the 3rd quarter 2016, in accordance with Appendix 4 to the present decision of the BoD.
2. To mark that the company has exceeded the maximum allowable limit of medium-term liquidity.
3. To instruct Director General of the Company to ensure implementation of the requirements of the Regulations for credit policy approved by the Company BoD.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	ABSTAINED	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, majority of the BoD members participating in the meeting adopted the proposed decision on the seventh item.

Item 8

On approval of the schedule of activities of Kubanenergo PJSC that are aimed to reduce outstanding receivables for the service of electric power transmission and settlement of differences existing at 01.10.2016

The following decision is proposed:

1. To approve the schedule of activities of Kubanenergo PJSC that are aimed to reduce outstanding receivables for the service of electric power transmission and settlement of differences existing at 01.10.2016, in accordance with Appendix 5 to the present decision of the BoD.

2. To take into consideration the schedule of activities of Kubanenergo PJSC that are aimed to reduce outstanding receivables for the service of electric power transmission and settlement of differences existing at 01.07.2016, in accordance with Appendix 6 to the present decision of the BoD.

3. To take into consideration the report on the activity of Kubanenergo PJSC in relation to the newly formed overdue accounts receivable for services on electric power transmission in the 3rd quarter of 2016, in accordance with Appendix 7 to the present of the Board of Directors.

4. To take into consideration the report of the General Director of the Company on implementation in the third quarter of 2016 the Schedule of repayment of overdue accounts receivable that occurred on 01.01.2016 from the payments to grid companies of the Group Rosseti for the rendered services of electricity transmission, in accordance with Appendix 8 to the present decision of the BoD.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the eighth item.

Item 9

On approval of adjustments to the Plan of purchases of Kubanenergo PJSC in 2016

The following decision is proposed:

To postpone the discussion to a later date

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the ninth item.

Item10

On approval of Plan of purchases of Kubanenergo PJSC for 2017

The following decision is proposed:

To approve the Plan of purchases of Kubanenergo PJSC for 2017, in accordance with Appendix 9 to the present decision of the BoD.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
---------------	---	-----	----------------	---	-----

Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the tenth item.

Item 11

On consideration of the report of the Director General on selling of non-core assets during the first 9 months of 2016

The following decision is proposed:

1. To take into consideration the information on selling of non-core assets during the first 9 months of 2016, in accordance with Appendix 10 to the present decision of the BoD.
2. To instruct Director General of the Company to ensure discussion of the issue “On consideration of the report of the Director General on selling of non-core assets in 2016” by 30.01.2017.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	ABSTAINED
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, majority of the BoD members participating in the meeting adopted the proposed decision on the eleventh item.

Item 12

On the procedure for identification and selling of non-core assets

The following decision is proposed:

1. Pursuant to the orders of the RF Government Directive of 7 July 2016 No.4863p-P13:
 - 1.1. To approve programme of selling non-core assets of Kubanenergo PJSC, according to Appendix 11 to this decision of the Board of Directors;
Registry (plan of selling) of non-core assets of Kubanenergo PJSC, according to Appendix 12 to this decision of the Board of Directors;
2. To declare invalid the decision of the Board of Directors of Kubanenergo PJSC adopted on 27.08.2013 (Minutes of meeting No.171/2013 dd 29.08.2016) on the issue 3 “On the approval of an updated registry (plan of selling) of the Company’s non-core assets”;
3. To ensure that the Board of Directors will quarterly review at its meetings the report on implementation of the plan of the registry (plan of selling) of non-core assets;

Term: quarterly, no later than 20 calendar days of the quarter following the reporting one.

4. To make changes to the resolution adopted by the Board of Directors of Kubanenergo PJSC on 14.11.2014 (Minutes of meeting No.199/2014 dated 17.11.2014) on item 8 “On the determination of cases (sizes) of transactions with the assets of Kubanenergo that subject to prior approval by the Board Directors”(hereinafter – the resolution):

- 4.1. to add to the paragraph 1 of the Decision the following subparagraph:

“1.5. plant and equipment classified in accordance with the law to real estate, construction in progress, the purpose of which is not production, transmission, dispatching, distribution of electric and heat energy below the book value ”;

4.2. To amend paragraph 2 of the Resolution as follows: “To establish that the transactions related to the disposal of assets and classified in accordance with the law as real estate, construction in progress, the purpose of which is not production, transmission, dispatching, distribution of electric and thermal energy shall be concluded in accordance with the Procedure for organization of sale of non-core assets of the Company, approved by the Board of Directors of Kubanenergo PJSC on 11.15.2016 (minutes of meeting No.254/2016 dated 18.11.2016);

4.3. To reword paragraph 3 of Decisions as follows: “To instruct the Director General to submit for consideration of the Board of Directors the report on implementation of the registry (implementation of plan of selling) of non-core assets of the Company on a quarterly basis within no later than 20 (twenty) calendar days of the quarter following the reporting year.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the twelfth item.

Item 13

On approval of the agreement on debt restructuring agreement No.17810-409/407/30-217 dated 21.01.2014 between Kubanenergo PJSC and “MOESK” PJSC as a transaction of interest

In accordance with paragraph 3 of article 83 of the Federal Law No.208-FZ dated 26.12.1995 “On Joint Stock Companies” resolution on this item should be taken by majority of votes of independent directors uninterested in the transaction.

Except Gavrilov A.I., other members of the BoD vote on this item and are recognized as independent directors uninterested in the transaction, in accordance with paragraph 3 of article 83 of the Federal Law “On Joint Stock Companies”.

The following decision is proposed:

1. To determine that the price of the debt restructuring agreement under the contract dated 21.01.2014 No.17810-409/407/30-217 between Kubanenergo PJSC and MOESK PJSC as a transaction of interest, may not exceed 2 and more percent of the net value of assets of Kubanenergo PJSC, according to its financial statements as of the last reporting date and is made up of the principal amount of debt in the amount of 42 238 925 (forty two million two hundred thirty eight thousand nine hundred twenty five) rubles 94 kopecks, including 18% VAT – 6 443 225 (six million four hundred forty three thousand two hundred twenty five) rubles 99 kopecks, as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016), as well as the interest for the use of funds at the rate of 8.25% per annum (the size of the Bank of Russia refinancing rate) calculated for the amount of restructured debt for the period from 27.02.2015 till 30.06.2016 (Appendix 1 to the debt restructuring agreement).

2. To approve the debt restructuring agreement under the contract dated 21.01.2014 No.17810-409/407/30-217 between Kubanenergo PJSC and MOESK PJSC (hereinafter – the Agreement) as a transaction of interest, on the following terms:

Parties to the agreement:

Kubanenergo PJSC (Debtor);

IDGC of the South PJSC (Creditor).

Subject of the Agreement: Determination of the procedure for repayment of the debt by the Debtor to the Creditor under the contract No.17810-409/407/30-217 of 21.01.2014 in the amount of 42 238 925 (forty two million two hundred thirty eight thousand nine hundred twenty five) rubles 94 kopecks, including 18% VAT – 6 443 225 (six million four hundred forty three thousand two hundred twenty five) rubles 99 kopecks, current as of 30.06.2016 (act of verification of mutual settlements as of 30.06.2016), as well as the interest for the use of the money.

Repayment of the debt: The debtor is obliged to repay the debt in the amount of 42 238 925 (forty two million two hundred thirty eight thousand nine hundred twenty five) rubles 94 kopecks, including 18% VAT – 6 443 225 (six million four hundred forty three thousand two hundred twenty five) rubles 99 kopecks, under the Agreement, as well as the interest for the use of the money according to the following procedure:

- because of adoption of the decision at the meeting of the Board of Directors of Rossetti PJSC (Minutes of meeting No.232 from 09.06.2016) on the financial support of the subsidiaries' plans for development in the form of capital increase (in respect off Kubanenergo PJSC target capitalization includes and repayment of amounts due to the contracts concluded between Kubanenergo and subsidiaries of Rossetti PJSC for ensuring a reliable electricity supply at the XXII Olympic winter games and XI Paralympic winter games 2014 in Sochi), the Debtor assumes the obligation to repay the entire principal amount indicated in paragraph 2.1 of the Agreement within 5 business days after receipt of funds from the additional issue of shares to the account of Kubanenergo PJSC (the official source of information on the additional issue http://www.cbr.ru/finmarkets/?PrtId=issue_inf_msg);

- the interest for the use of funds at the rate of 8.25% per annum (the size of the Bank of Russia refinancing rate) was calculated for the amount of restructured debt for the period from 27.02.2015 to 30.06.2016 (Appendix 1 to the Agreement).

Accrual of interest is carried out from 27.02.2015 to 30.06.2016 monthly on the last calendar day of the month. Interest for the use of funds shall be accrued and paid by the Debtor to the Creditor within 5 business days after receipt of funds from the additional issue of shares to the account of Kubanenergo PJSC (the official source of information on the additional issue http://www.cbr.ru/finmarkets/?PrtId=issue_inf_msg).

Period of the Agreement: The Agreement comes into force upon the signature and is valid until the Debtor fulfils its obligations under the Agreement, but not before the review and approval of this issue by the Board of Directors of both companies.

Voting results

Varvarin A.V.	-	FOR	Serov A.Yu.	-	ABSTAINED
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR
Mangarov Yu.N.	-	FOR			

Thus, the majority of independent directors uninterested in conclusion of transaction adopted the proposed decision on the thirteenth item.

Item 14

On approval of the amended Credit plan of “Kubanenergo” PJSC for the 4th quarter of 2016

The following decision is proposed:

To approve the amended Credit plan of “Kubanenergo” PJSC for the 4th quarter of 2016, in accordance with Appendix 13 to the present decision of the BoD.

Voting results

Varvarin A.V.	-	FOR	Mangarov Yu.N.	-	FOR
Gavrilov A.I.	-	FOR	Serov A.Yu.	-	FOR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR

Thus, the BoD members participating in the meeting unanimously adopted the proposed decision on the fourteenth item.

Item 15

On approval of Credit agreement on opening a credit line between “Kubanenergo” PJSC and the Russian Regional Development Bank (RRDB), as interested-party transaction

In accordance with paragraph 3 of article 83 of the Federal Law No.208-FZ dated 26.12.1995 “On Joint Stock Companies” resolution on this item should be taken by majority of votes of independent directors uninterested in the transaction.

Except Gavrilov A.I., other members of the BoD vote on this item and are recognized as independent directors uninterested in the transaction, in accordance with paragraph 3 of article 83 of the Federal Law “On Joint Stock Companies”.

The following decision is proposed:

1. To determine that the price of credit agreement on opening of a credit line between Kubanenergo PJSC and the Russian Regional Development Bank (RRDB) as a transaction of interest, cannot be more than 2 percent of the net value of assets of Kubanenergo PJSC, according to its financial statements as of the last reporting date and consists of the credit limit amounting 800 000 000 (eight hundred million) rubles 00 kopecks, as well as the interest in the amount of 244 800 000 (two hundred forty four million eight hundred thousand) rubles, calculated from the interest rate of 10.2% per annum, payable within 36 months (the interest rate is determined by the results of the public auction No.725655, conducted by Kubanenergo PJSC).
2. To approve the Credit agreement on opening a credit line between Kubanenergo PJSC and RRDB Bank (JSC) (hereinafter – the Agreement) as a transaction of interest, on the following terms:

Parties to the agreement:

Kubanenergo PJSC – Borrower,

RRDB Bank (JSC) – Creditor.

Subject of the Agreement: The Creditor shall open a credit line for the Borrower in the amount and on conditions specified in the Agreement and the Borrower shall repay the loan, pay the interest, and fulfill other obligations provided for by the Agreement.

Debt Limit: 800 000 000 (eight hundred million) rubles.

Credit purpose: financing of business activity, including the investment operations of the Borrower.

Term of the credit agreement: 36 months;

Maximum interest rate: 10.2% (ten point two) percent per annum.

Collateral: without security.

Commission: no commissions.

Changing interest rates: The lender may unilaterally reduce the size of the interest rate without registration of change in the supplementary agreement, including, but not exclusively, in the case of the Bank of Russia decision to reduce the size of the key rate/refinancing rate.

The Creditor has the right to unilaterally change the interest rate for all or some of the existing and/or new loan tranches in connection with the adoption by the Bank of Russia decision to change the key rate/refinancing rate.

Fines and penalties: Starting from the date following the date of occurrence of overdue on the principal debt under the Credit Line, and before the date of the final repayment of the credit line, the Bank is entitled to demand payment of a penalty in the amount of 0.06 (zero point six) percent, calculated on the amount of overdue on the principal debt under the Credit line per each day of delay. Starting from the date following the date of occurrence of overdue on interest and up to the date of final repayment, the Bank is entitled to demand payment of a penalty in the amount of 0.06 (zero point six) percent, calculated on the amount of overdue interest on the credit line for each day of delay.

Voting results

Varvarin A.V.	-	FOR	Serov A.Yu.	-	FIR
Gritsenko V.F.	-	FOR	Khokholkova K.V.	-	FOR
Yefimov A.L.	-	FOR	Shmakov I.V.	-	FOR
Mangarov Yu.N.	-	FOR			

Thus, the majority of independent directors uninterested in conclusion of transaction adopted the proposed decision on the fifteenth item.

Chairperson

Mangarov Yu.N..

Corporate secretary

Russu O.V.