

Minutes of Board of Directors Meeting No. 175/2013
Open joint stock company
of power industry and electrification of Kuban (“Kubanenergo” JSC)

Date of meeting	December 4, 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	04.12.2013, 5 p.m.
Date of drawing up minutes	December 6, 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 incentives to Director General of the Company.
2. On termination of term of office and on election of Management Board members.
3. On approving annual purchasing programme of Kubanenergo JSC for 2014.
4. On approving budgets of Committees under the Board of Directors of Kubanenergo JSC.
5. On approving report on results of business-plan (including investment programme) implementation in the 2nd quarter and 6 months of 2013.
6. On taking into consideration the report on the process of implementation of activities aimed at financial recovery of Kubanenergo JSC in the 2nd quarter and 6 months of 2013.
7. On taking into consideration the report of Director General on implementation of detailed schedule of events for purchasing immovable property located in the area of construction of electric network facilities for Olympic games, under paragraph 157 of the Programme of Olympic venues construction.
8. On approving the agreement between Kubanenergo JSC and Lenenergo JSC on cooperation for prevention and elimination of consequences of accidents at grid facilities, as interested party transaction.

9. On approving the agreement between Kubanenergo JSC and MOESK JSC on cooperation for prevention and elimination of consequences of accidents at grid facilities, as interested party transaction

10. On approving the conditions of contracts with experts invited by the decision of the Auditing Commission taken on 01.07.2013 (minutes of meeting of auditing committee No.1 dd 01.07.2013).

11. On approving gratuitous use agreement between Kubanenergo JSC and Orthodox religious organization of Russian Orthodox Church Ekaterinodarskaya and Kuban Eparchy.

12. On taking into consideration the report of Director General on readiness of Kubanenergo to operation in autumn-winter season 2013-2014

13. On taking into consideration the report of Director General on implementation of activities approved by order of RF Ministry of Energy No.431 dated 13.08.2013 and No.415 dated 03.09.2012 (activities in Sochi and South-Western distribution zones of Kuban energy system).

Item 1

On incentives to Director General of the Company

It is proposed to adopt the following decision:

In accordance with paragraph 5.2.2 of Regulations on bonuses paid to Director general of the Company, it is recommended to pay the Director general of Kubanenergo JSC a lumpsum bonus in amount of one monthly salary due to awarding with Honorary certificate from RF Ministry of Energy.

Voting results

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

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

Item 2

On termination of term of office and on election of Management Board members

It is proposed to adopt the following decision:

1. To terminate the terms of office of member of Management Board – Galayyev Alexandr Nikolayevich.

2. To elect Statuev Vladislav Andreyevich, deputy director general in charge of security at Kubanenergo JSC, for the position of member of Management Board.

Voting results

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

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

Item 3

On approving annual purchasing programme of Kubanenergo JSC for 2014

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.	- ABSTAINED	Magadeyev R.R.	FOR
Kolyada A.S.	- FOR	Solod A.V.	- FOR

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

Item 4

On approving budgets of Committees under the Board of Directors of Kubanenergo JSC

It is proposed to adopt the following decision:

1. To approve the budget of Committee for Strategy, Development, Investment and Reforming for the 2nd half of 2013, in accordance with Annex 1 to the decision of the Board of Directors.

2. To approve the budget of Personnel and Remuneration Committee for the 2nd half of 2013, in accordance Annex 2 with the decision of the Board of Directors.

3. To approve the budget of Audit Committee for the 2nd half of 2013, in accordance with Annex 3 the decision of the Board of Directors.

4. To approve the budget of Reliability Committee for the 2nd half of 2013, in accordance with Annex 4 the decision of the Board of Directors.

5. To approve the budget of Committee for Technological Connection for the 2nd half of 2013, in accordance with Annex 5 and 6 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 approving report on results of business-plan (including investment programme) implementation in the 2nd quarter and 6 months of 2013

It is proposed to adopt the following decision:

1. To approve report on results of business-plan (including investment programme) implementation in the 2nd quarter and 6 months of 2013, in accordance with Annex 7 the decision of the Board of Directors.

2. To instruct director general:

2.1. to take measures on implementation of the investment programme of 2013, approved by RF Ministry of Energy (order No.701 dd 08.11.2013) at full extend.

2.2. to submit to the BoD the report on taken measures in accordance with paragraph 3.1 included in the report on implementation of business plan (as well as investment programme) for 9 months of 2013.

3. To take into consideration the report on implementation of Programme of activities aimed at issues preventing from reduction of electric energy losses for the 1st half of 2013, in accordance with Annex 8 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 fifth item was unanimously adopted by the BoD members.

Item 6

On taking into consideration the report on the process of implementation of activities aimed at financial recovery of Kubanenergo JSC in the 2nd quarter and 6 months of 2013

It is proposed to adopt the following decision:

To take into consideration the report on the process of implementation of activities aimed at financial recovery of Kubanenergo JSC in the 2nd quarter and 6 months of 2013, in accordance with Annex 9 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 Director General on implementation of detailed schedule of events for purchasing immovable property located in the area of construction of electric network facilities for Olympic games, under paragraph 157 of the Programme of Olympic venues construction

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 seventh item was unanimously adopted by the BoD members.

Item 8

On approving the agreement between Kubanenergo JSC and Lenenergo JSC on cooperation for prevention and elimination of consequences of accidents at grid facilities, as interested party transaction

In accordance with paragraph 1 of article 81 of Federal Law No.208-FZ dated 26.12.1995 “On Joint Stock Companies” (hereafter – Federal Law “On Joint Stock Companies”) the transaction between “Kubanenergo” JSC and “Lenenergo” JSC is considered as transaction of interest for:

- shareholder of the Company – Russian Grids JSC which holds more than 20% of voting shares of Companies that are parties of transaction and which affiliated person Sorochinskiy occupies position in management bodies of Lenenergo JSC
- for Magadeyev R.R. – member of the BoD that occupies position in management bodies of Lenenergo JSC

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.

Except Magadeyev R.R., 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:

To approve the agreement on cooperation for the prevention and elimination of accidents at energy facilities between “Kubanenergo” JSC and “Lenenergo” JSC (hereafter – the Agreement) as transaction of interest on the following terms:

Parties of the Agreement:

Party 1: “Kubanenergo”

Party 2: “Lenenergo” JSC

Subject of the Agreement:

Subject of the agreement is relations between the Parties for the prevention and elimination of accidents at electric energy facilities caused by damage to equipment (including natural disasters), and the need to disconnect the supply of electricity to eliminate the threat to life, health and other causes in the responsibility area of the Parties.

The concept (definition) of the accident is understood in the sense in which it is treated by the Rules of investigation of the causes of accidents in power industry, approved by the Decree of the Government of the Russian Federation dated October 28, 2009 No. 846.

The agreement is concluded for the joint promptly organized action to restore transmission facilities that are necessary for the normalization of electricity supply to consumers and to prevent possible damage to consumers.

Parties in their activities are guided by the laws and other normative legal acts of the Russian Federation governing the organization and functioning of the wholesale and retail electricity markets, and by the Agreement.

Responsibility of the Parties:

For non-fulfillment or improper fulfillment of their obligations Parties are responsible in accordance with laws of Russian Federation.

Term of Agreement:

The Agreement shall enter into force upon the signature and is valid till 31.12.2014. Terms of fulfillment of works are defined when the schedule of works is being made, the actual performance time is specified in the formal note. If none of the parties claims to terminate the Agreement 30 (thirty) days prior to its expiration, the Agreement shall be extended for a year.

Disputes settlement:

All disputes and disagreements related to the Agreement the Parties shall strive to solve via negotiations. In case of failure to solve them via negotiations, the Parties shall settle them in procedure set by legislation of Russian Federation.

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 the agreement between “Kubanenergo” JSC and “MOESK” JSC on cooperation for prevention and elimination of consequences of accidents at grid facilities, as interested party transaction

In accordance with paragraph 1 of article 81 of Federal Law No.208-FZ dated 26.12.1995 “On Joint Stock Companies” (hereafter – Federal Law “On Joint Stock Companies”) the transaction between “Kubanenergo” JSC and “MOESK” JSC is considered as transaction of interest for: shareholder of the Company – Russian Grids JSC which holds more than 20% of voting shares of Companies that are parties of transaction and which affiliated persons Budargin O.M., Murov A.E., Sinyutin P.A. occupy positions in management bodies of “MOESK JSC”.

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:

To approve the agreement on cooperation for the prevention and elimination of accidents at energy facilities between “Kubanenergo” JSC and “MOESK” JSC (hereafter – the Agreement) as transaction of interest on the following terms:

Parties of the Agreement:

Party 1: “Kubanenergo” JSC

Party 2: “MOESK” JSC

Subject of the Agreement:

Subject of the agreement is relations between the Parties for the prevention and elimination of accidents at electric energy facilities caused by damage to equipment (including natural disasters), and the need to disconnect the supply of electricity to eliminate the threat to life, health and other causes in the responsibility area of the Parties.

The concept (definition) of the accident is understood in the sense in which it is treated by the Rules of investigation of the causes of accidents in power industry, approved by the Decree of the Government of the Russian Federation dated October 28, 2009 No. 846.

The agreement is concluded for the joint promptly organized action to restore transmission facilities that are necessary for the normalization of electricity supply to consumers and to prevent possible damage to consumers.

Parties in their activities are guided by the laws and other normative legal acts of the Russian Federation governing the organization and functioning of the wholesale and retail electricity markets, and by the Agreement.

Responsibility of the Parties:

For non-fulfillment or improper fulfillment of their obligations Parties are responsible in accordance with laws of Russian Federation.

Term of Agreement:

The Agreement shall enter into force upon the signature and is valid till 31.12.2014. Terms of fulfillment of works are defined when the schedule of works is being made, the actual performance time is specified in the formal note. If none of the parties claims to terminate the Agreement 30 (thirty) days prior to its expiration, the Agreement shall be extended for a year.

Disputes settlement:

All disputes and disagreements related to the Agreement the Parties shall strive to solve via negotiations. In case of failure to solve them via negotiations, the Parties shall settle them in procedure set by legislation of Russian Federation.

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 conditions of contracts with experts invited by the decision of the Auditing Commission taken on 01.07.2013 (minutes of meeting of auditing committee No.1 dd 01.07.2013)

It is proposed to adopt the following decision:

1. To approve the terms of contract with Berezka Andrey Stepanovich, chief expert of division for investment audit at Department for internal audit and control of Russian Grids JSC, for inspection of purchase activity of the Company in the 1st half of 2013, in accordance with Annex 10 the decision of the Board of Directors.
2. To approve the terms of contract with Smirnov Vyacheslav Nikolaevich, chief expert of Directorate for internal audit and risks management of Kubanenergo JSC for check of the Company's fulfillment of requirements of legal documents approved by federal authorities of executive power, in order to implement the plan of activities of roadmap "Increase of accessibility of energy infrastructure", in accordance with Annex 11 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.	AGAINST
Kolyada A.S.	- FOR	Solod A.V.	- FOR

Thus, the decision on the tenth item was adopted by majority of the BoD members.

Item 11

On approving gratuitous use agreement between Kubanenergo JSC and Orthodox religious organization of Russian Orthodox Church Ekaterinodarskaya and Kuban Eparchy

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.	- 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 the BoD members.

Item 12

On taking into consideration the report of Director General on readiness of Kubanenergo to operation in autumn-winter season 2013-2014

It is proposed to adopt the following decision:

1. To take into consideration the report of Director General on readiness of Kubanenergo to operation in autumn-winter season 2013-2014", in accordance with Annex 12 the decision of the Board of Directors.
2. To mark the signing and receiving of the certificate of preparedness to autumn-winter season of 2013/2014 of Kubanenergo branch Sochi electric grids with special

approval of commission and with regard with special procedure of inspecting and checking the preparedness for operation in autumn-winter season of 2013/2014 (protocol of RF Ministry of Energy No.AH-429pp dated 28.09.2013).

3. Sole executive body of Kubanenergo JSC is instructed to take under control the implementation of Schedule of activities aimed at elimination of revealed drawbacks (annex 2 to Certificate of preparedness of Kubanenergo branch Sochi electric grids to operation during autumn-winter season 2013-2014) and prepare for the follow-up inspection of Sochi electric grids for preparedness to autumn-winter season of 2013/2014.

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 twelfth item was unanimously adopted by the BoD members.

Item 13 On taking into consideration the report of Director General on implementation of activities approved by order of RF Ministry of Energy No.431 dated 13.08.2013 and No.415 dated 03.09.2012 (activities in Sochi and South-Western distribution zones of Kuban energy system)

It is proposed to adopt the following decision:

1. To take into consideration the report of Director General on implementation of activities approved by order of RF Ministry of Energy No.431 dated 13.08.2013 and No.415 dated 03.09.2012.

2. To instruct Director general:

2.1. to take measures on observance of terms for fulfillment of activities approved by Order of RF Ministry of Energy No.431 dated 13.08.2013 and No.415 dated 03.09.2012;

2.2. to put under special control the fulfillment of the activities of the abovementioned orders;

2.3 to submit for the next meeting of the BoD the following issue: “On taking into consideration the report of Director general on implementation by Kubanenergo JSC the activities approved by Order of RF Ministry of Energy No.431 dated 13.08.2013 and No.415 dated 03.09.2012 (activities in Sochi and South-Western distribution zones of Kuban energy system)”

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 thirteenth item was unanimously adopted by the BoD members.

Chairperson

Magadeyev R.R.

Corporate secretary

Russu O.V.