

Minutes of Board of Directors Meeting No. 190/2014
Open joint stock company of
power industry and electrification of Kuban (“Kubanenergo” JSC)

Date of meeting	June 4, 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	04.06.2014, 5 p.m.
Date of drawing up minutes	June 6, 2014

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 determining Company's priority activities: on certification of equipment, materials and systems installed at facilities of the Company.
2. On introducing changes to the Charter of Kubanenergo concerning information about the locations of the Company's branches.
3. On taking into consideration the information of the Director General on the reliability and quality of services that are subject to rate regulation based on long-term control parameters of activity for 2013.
4. On expressing Company's opinion on the agendas of meetings of the Boards of Directors of Kubanenergo subsidiaries and affiliates.
5. On expressing Company's opinion on the agenda of the annual general meetings of shareholders of Recreation Centre “Energetik” JSC, Recreation centre “Plamya” JSC and “Energoservis of Kuban” JSC.
6. On nomination of candidates among auditors organizations in which Kubanenergo participates.
7. On approval of the Company's insurer.
8. On taking into consideration the Director General's report on the insurance coverage of the Company in the 1st quarter of 2014.
9. On taking into consideration the report of the Director on credit policy in the 4th quarter 2013.

10. On approval of supplementary agreement to the contract dated 21.01.2014 # 13-14725/407/30-27 to perform maintenance and repair of electricity facilities of Sochi electric grids between Kubanenergo JSC and Lenenergo JSC as interested party transaction.

11. On introducing amendments to the Schedule of activities for introduction of asset management system in “Kubanenergo”.

12. On reducing administrative and management expenses

Item 1

On determining Company's priority activities: on certification of equipment, materials and systems installed at facilities of the Company

The following decision is proposed:

1. To determine certification of equipment, materials and systems installed at facilities of the Company as one of Company's priority activities.

2. To instruct director general to organize activity on certification of equipment, materials and systems and create Commission on approval of equipment, materials and systems, as well as to prepare and approve an internal document: “Regulations on activity of Commission on approval of equipment, materials and systems”.

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 BoD members unanimously adopted the decision on the first item.

Item 2

On introducing changes to the Charter of Kubanenergo concerning information about the locations of the Company's branches

The following decision is proposed:

1. To introduce the following changes to Company's Charter:

Annex 1 to the Charter should be amended as follows:

#	Branch name	Location
1.	Krasnodar Electric Grids	131 Pashkovskaya Str., Krasnodar, Russia 350000
2.	Sochi Electric Grids	42 Konstitutsii Str., Sochi, , Krasnodar region Russia
3.	Armavirskiye Electric Grids	54 Vorovskogo Str., Armavir, , Krasnodar region Russia
4.	Adygeya Electric Grids	358 Shovgenova Str., Maykop, Adygeya Republic, Russia
5.	Timashevskiye Electric Grids	176 Lenina Str., Timashevsk, Krasnodar region, Russia

6.	Tikhoretskiye Electric Grids	62 Dzerzhinskogo Str., Tikhoretsk, Krasnodar region, Russia
7.	Leningradskiye Electric Grids	6 302oy Divisii Str., Leningradskaya village, Krasnodar region, Russia
8.	Slavyanskiye Electric Grids	49 Stroiteley Str., Slavyansk on Kuban, Krasnodar region,
9.	South-Western Electric Grids	1 Vostochniy Mol, Novorossiysk, Krasnodar region, Russia
10.	Labinskiye Electric Grids	334 Mira Str., Labinsk, Krasnodar region, Russia
11.	Ust-Labinskiye Electric Grids	4 Krasnodarskaya Str., Ust-Labinsk, Krasnodar region, Russia

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 BoD members unanimously adopted the decision on the second item.

Item 3

On taking into consideration the information of the Director General on the reliability and quality of services that are subject to rate regulation based on long-term control parameters of activity for 2013

The following decision is proposed:

1. To take into consideration the information of the Director General on the reliability and quality of services that are subject to rate regulation based on long-term control parameters of activity for 2013, in accordance of annex 1 to the decision of the BoD.
2. To instruct director general to send actual indicators of reliability and quality of rendered services in 2013 (annex 1 to the decision) to government authority of territorial subject of RF responsible for state reregulation of tariffs.

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 BoD members unanimously adopted the decision on the third item.

Item 4

On expressing Company's opinion on the agendas of meetings of the Boards of Directors of Kubanenergo subsidiaries and affiliates

The following decision is proposed:

1. To instruct representatives of Kubanenergo JSC in Board of Directors of "Energoservis of Kuban" JSC to vote "for" the approval of decision on item "Approval of business-plan of "Energoservis of Kuban" JSC for 2014":

- to approve business-plan of “Energoservis of Kuban” JSC for 2014;
 - to note that the item was brought to the BoD later than it should be.
2. To instruct representatives of Kubanenergo JSC in Board of Directors of “Recreation Centre “Energetik” JSC to vote “for” the approval of decision on item “Approval of business-plan of “Recreation Centre “Energetik” JSC for 2014”:
- to approve business-plan of “Recreation Centre “Energetik” JSC for 2014;
 - to note that the item was brought to the BoD later than it should be

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 BoD members unanimously adopted the decision on the fourth item.

Item 5

On expressing Company’s opinion on the agenda of the annual general meetings of shareholders of Recreation Centre “Energetik” JSC, Recreation centre “Plamya” JSC and “Energoservis of Kuban” JSC

The following decision is proposed:

1. To instruct representatives of Kubanenergo JSC at Annual General Meeting of “Recreation Centre “Energetik” JSC shareholders:

1.1. on agenda item “On election of Company’s Board of Directors” to vote “for” the approval of decision:

To elect the following persons to the Board of Directors

#	Name	Position
1.	Konevets Kirill Sergeyevich	Acting Deputy Director General in charge of Corporate Management, head of Department for Legal Support at Kubanenergo JSC
2.	Ocheredko Olga Vyacheslavovona	Acting Deputy Director General in charge of Economic and Finance, Head of Finance Department
3.	Belik Vyacheslav Alexandrovich	Head of Personnel Management and Organization Design Department of Kubanenergo JSC
4.	Rodin Yegor Yegorovich	Deputy Head of Security Department of Kubanenergo JSC
5.	Avtonoshkina Mariya Alexandrovna	Leading Expert at Sector of Safeguards for Shareholders Rights at Shareholders Equity Administration under Department of Corporate Management and Interaction of Shareholders of Russian Grids JSC

1.2 on agenda item “On election of Company’s Auditing Committee” to vote “for” the approval of decision:

To elect the following persons to the Auditing Committee

#	Name	Position
1.	Pivnenko Valeriy Mikhailovich	Deputy Head of Internal Control Directorate and Risks Management, Kubanenergo JSC
2.	Varchenko Nataiya Viktorovna	Head of Section for Control of Insider Information under Internal Control Directorate and Risks Management, Kubanenergo JSC
3.	Konova Nataliya Vladimirovna	Chief Specialist of Insider Information under Internal Control Directorate and Risks Management, Kubanenergo JSC

1.3 on agenda item “On distribution of profit (as well as on payment of dividends) and loss of the company by results of 2013 fiscal year” to vote “for” the approval of decision:

- to approve the following distribution of profit and loss of the company by results of 2013 fiscal year:

	in thousand rubles
Net profit	(3 174)
Distribute to: Reserve fund	-
Profit for development	-
Dividends	-
Discharge of losses of past years	-

- To decide not to pay dividends from ordinary shares of “Recreation Centre “Energetik” JSC by the results of 2013 fiscal year.

2. To instruct representatives of Kubanenergo JSC at Annual General Meeting of “Recreation Centre “Plamya” JSC shareholders:

2.1. on agenda item “On election of Company’s Board of Directors” to vote “for” the approval of decision:

To elect the following persons to the Board of Directors

#	Name	Position
1.	Konevets Kirill Sergeevich	Acting Deputy Director General in charge of Corporate Management, head of Department for Legal Support at Kubanenergo JSC
2.	Ocheredko Olga Vyacheslavovona	Acting Deputy Director General in charge of Economic and Finance, Head of Finance Department
3.	Belik Vyacheslav Alexandrovich	Head of Personnel Management and Organization Design Department of Kubanenergo JSC
4.	Rodin Yegor Yegorovich	Deputy Head of Security Department of Kubanenergo JSC
5.	Ren Yelena Viktorovna	Leading Expert at Sector of Safeguards for Shareholders Rights at Shareholders Equity Administration under Department of Corporate

		Management and Interaction of Shareholders of Russian Grids JSC
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2.2 on agenda item “On election of Company’s Auditing Committee” to vote “for” the approval of decision:

To elect the following persons to the Auditing Committee

#	Name	Position
1.	Pivnenko Valeriy Mikhailovich	Deputy Head of Internal Control Directorate and Risks Management, Kubanenergo JSC
2.	Varchenko Nataiya Viktorovna	Head of Section for Control of Insider Information under Internal Control Directorate and Risks Management, Kubanenergo JSC
3.	Konova Nataliya Vladimirovna	Chief Specialist of Insider Information under Internal Control Directorate and Risks Management, Kubanenergo JSC

1.3 on agenda item “On distribution of profit (as well as on payment of dividends) and loss of the company by results of 2013 fiscal year” to vote “for” the approval of decision:

- to approve the following distribution of profit and loss of the company by results of 2013 fiscal year:

	in thousand rubles
Net profit	(1 025)
Distribute to: Reserve fund	-
Profit for development	-
Dividends	-
Discharge of losses of past years	-

- To decide not to pay dividends from ordinary shares of “Recreation Centre “Plamya” JSC by the results of 2013 fiscal year.

3. To instruct representatives of Kubanenergo JSC at Annual General Meeting of “Energoservis of Kuban” JSC shareholders:

3.1. on agenda item “On election of Company’s Board of Directors” to vote “for” the approval of decision:

To elect the following persons to the Board of Directors

#	Name	Position
1.	Kostetskiy Vyacheslav Yurievich	Deputy Director General in charge of Development and Selling of Services Kubanenergo JSC
2.	Zinchenko, Pavel Vasilyevich	Deputy General Director for Technical Issues – Chief Engineer Kubanenergo JSC
3.	Koneevts Kirill	Acting Deputy Director General in charge of

	Sergeyevich	Corporate Management, head of Department for Legal Support at Kubanenergo JSC
4.	Tsyba Irina Alexandrovna	Head of Department for Economic of Kubanenergo JSC
5.	Gorbachyov Sergey Ivanovich	Acting Director General of “Energoservis of Kuban” JSC
6.	Ozhereliyev Alexey Alexandrovich	Head of Directorate for Organization of Management Bodies Activity of Russian Grids JSC
7.	Nekhayev Sergey Viktorovich	Chief Expert at Directorate for Development and Accounting of Electric Energy and Services at Department of Balance and Accounting of Electric Energy of Russian Grids JSC

3.2 on agenda item “On election of Company’s Auditing Committee” to vote “for” the approval of decision:

To elect the following persons to the Auditing Committee

#	Name	Position
1.	Pivnenko Valeriy Mikhailovich	Deputy Head of Internal Control Directorate and Risks Management, Kubanenergo JSC
2.	Varchenko Nataiya Viktorovna	Head of Section for Control of Insider Information under Internal Control Directorate and Risks Management, Kubanenergo JSC
3.	Konova Nataliya Vladimirovna	Chief Specialist of Insider Information under Internal Control Directorate and Risks Management, Kubanenergo JSC

3.3 on agenda item “On distribution of profit (as well as on payment of dividends) and loss of the company by results of 2013 fiscal year” to vote “for” the approval of decision:

- to approve the following distribution of profit and loss of the company by results of 2013 fiscal year:

	in thousand rubles
Net profit	(4 359)
Distribute to: Reserve fund	-
Profit for development	-
Dividends	-
Discharge of losses of past years	-

- To decide not to pay dividends from ordinary shares of “Energoservis of Kuban” JSC by the results of 2013 fiscal year.

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 BoD members unanimously adopted the decision on the fifth item.

Item 6

On nomination of candidates among auditors organizations in which Kubanenergo participates

The following decision is proposed:

1. To propose for approval as auditor of “Recreation Centre “Energetik” JSC at AGM the following candidate: “ Centre of audit, consult and expertise”, LLC (5/1 Neftyannikov str., Krasnodar, Krasnodar region, 350000).

2. To propose for approval as auditor of “Recreation Centre “Plamya” JSC at AGM the following candidate: Auditing company “Bona Dea”, LLC (13 Garazhnaya str., Krasnodar, Krasnodar region, 350000).

3. To propose for approval as auditor of “Energoservis of Kuban” JSC at AGM the following candidate: “Prestizh Audit”, CJSC (88 Krasnoarmeiskaya str., Krasnodar, Krasnodar region, 350000)

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 BoD members unanimously adopted the decision on the sixth item.

Item 7

On approval of the Company's insurer

The following decision is proposed:

To approve as Company's Insurer that following companies:

Insurance type	Insurance company	Coverage period
Voluntary Health Insurance	Alfa-Strakhovanie Group	01.04.2014 - 31.12.2016
Accident and Illness Insurance	“SOGAZ” JSC	01.04.2014 - 31.12.2016

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 BoD members unanimously adopted the decision on the seventh item.

Item 8

On taking into consideration the Director General's report on the insurance coverage of the Company in the 1st quarter of 2014

The following decision is proposed:

To take into consideration the Director General's report on the insurance coverage of the Company in the 1st quarter of 2014, in accordance with annex 2 to the present decision of the BoD.

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 BoD members unanimously adopted the decision on the eighth item.

Item 9

On taking into consideration the report of the Director on credit policy in the 4th quarter 2013

The following decision is proposed:

1. To take into consideration the report of the Director on credit policy in the 4th quarter 2013, in accordance with annex 3 to the present decision of the BoD.
2. To point out that violation took place in the acceptable limit of cover for a debt and debt service.
3. To point out that the Plan of advanced development, approved by the BoD, was not carried out at full extent in part of maximum acceptable limits on debts.
4. To instruct director general to ensure the implementation of requirements of Regulations on credit policy, approved by the Company's BoD.

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 BoD members unanimously adopted the decision on the ninth item.

Item 10

On approval of supplementary agreement to the contract dated 21.01.2014 # 13-14725/407/30-27 to perform maintenance and repair of electricity facilities of Sochi electric grids between Kubanenergo JSC and Lenenergo JSC as interested party transaction

In accordance with paragraph 3 article 83 of Federal Law "On Joint Stock Companies" decision on this item should be adopted by majority of independent directors uninterested in conclusion of the transaction.

Member of the BoD Magadeyev R.R. is an interested party in transaction as he occupies position in management bodies of Lenenergo JSC, which party of the transaction.

All members of Kubanenergo Board of Directors participate in voting on this item and are considered in accordance with paragraph 3 article 83 of Federal Law "On Joint Stock Companies" as independent directors uninterested in conclusion of the transaction.

The following decision is proposed:

To approve supplementary agreement to the contract dated 21.01.2014 # 13-14725/407/30-27 to perform maintenance and repair of electricity facilities of Sochi electric grids between Kubanenergo JSC and Lenenergo JSC as interested party transaction, in accordance with annex 4 to the present decision of the BoD.

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 BoD members unanimously adopted the decision on the tenth item.

Item 11

On introducing amendments to the Schedule of activities for introduction of asset management system in “Kubanenergo

The following decision is proposed:

To defer the discussion 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 BoD members unanimously adopted the decision on the eleventh item.

Item 12

On reducing administrative and management expenses

The following decision is proposed:

1. To ensure reduction in 2014 administrative and management costs of the Company by not less than 15% of their actual value in 2013, taking into account the implementation of agreements in the field of social partnership, including through:

- Reducing the level of differentiation in wages in the Company in the event that it exceeds the differentiation wage levels on average in the Russian Federation;
- Optimization of the number of management personnel and improving the remuneration system linking the achievement of indicators characterizing the activities of the Company;
- Reconsideration of contracts establishing the distribution of control functions and coordination in certain areas of financial and economic activities between the Company and its subsidiaries and affiliated organizations;
- Reduction of the list and the cost of services rendered by third party contractors, including by taking the necessary work by staff (consulting and information services, legal services, advertising and marketing, etc.).

Reduction of administrative and management costs in terms of quantitative indicators should not be consolidated with other orders on the reduction of costs and the cost of procurement.

2. To instruct the sole executive body to introduce for consideration of the amended business-plan for 2014-2018, which includes reduction in the 2014 administrative and management costs of the Company by not less than 15% of their actual value in 2013 in accordance with paragraph 1 of this decision within 30 calendar days after the approval of the investment programme in the manner prescribed by RF Government Decree dated 01.12.2009 No.977, not later than 01.09.2014.

3. To instruct the sole executive body of the Company to ensure discussion by the Board of Directors of subsidiaries and affiliates “Kubanenergo” JSC (the Company's share, which is more than 50% of capital) the issue of reducing administrative and management costs within two weeks from the date of adoption of this resolution.

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 BoD members unanimously adopted the decision on the twelfth item.

Chairperson

Magadeyev R.R.

Corporate secretary

Russu O.V.