



“Interregional Distribution Grid Company of Centre”, Joint-Stock Company
(IDGC of Centre, JSC)

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MINUTES
of meeting of the Strategy and Development Committee
of the Board of Directors of IDGC of Centre

February 28, 2012

Moscow

No. 02/12

Form of the meeting: joint presence.

Time of the meeting: 17 hours 00 minutes – 19 hours 00 minutes.

Total number of members of the Strategy and Development Committee: 10 persons.

Participants of the voting: Kurbatov M.Y., A.N. Zharikov, K.N. Orlov, V.A. Pavlov, Filkin R.A., Chebotarev S.V.

The written opinion (questionnaire) of the following members was taken into account while defining the results: Demidov A.V., D.V. Kulikov, Perepelkin A.Y.

Members who neither participated nor provided questionnaires: S.A. Balaeva.

The quorum is present.

Date of the minutes: 11.03.2012.

This meeting of the Strategy and Development Committee (hereinafter – the Committee) was audio recorded, which is stored in the materials to the meeting of the Committee.

The meeting of the Strategy and Development Committee was chaired by the Chairman of the Strategy and Development Committee, Deputy General Director of IDGC Holding Mikhail Y. Kurbatov.

The following representatives of the management of IDGC of Centre were present:

Shumakher S.A. - Deputy General Director for Technical Issues – Chief Engineer

Slonimsky M.L. – Advisor to General Director, General Director of JSC «Energy Service Company»

Tkacheva O.V. - Deputy General Director for Corporate Governance

At the beginning of the meeting the Chairman of the Strategy and Development Committee Kurbatov M.Y. informed the audience about the presence of a quorum for the meeting of the Committee, opened the meeting and announced the agenda for the meeting.

At the suggestion of the member of the Strategy and Development Committee Orlov K.N. and without objection of the members of the Committee the order of consideration of

items number 4 and number 3 on the agenda of the meeting of the Committee was changed. The members of the Committee approved the corrected agenda of the meeting of the Committee.

AGENDA:

- 1. On consideration of the draft of the list of conventional-indicative indicators that evaluate the efficiency of IDGC of Centre performance.**
- 2. On the prior determination of the position of IDGC of Centre regarding the agenda item of the meeting of the Board of Directors of JSC «Energy Service Company»:**
 - a. On approval of the target values of annual and quarterly KPIs of the Company for 2012.**
 - b. On approval of the Business Plan of the Company for 2012.**
- 3. On recommendation to the Board of Directors of the Company regarding the item «On determination a priority area of the Company's activity: on implementation of the production asset management system in the Company».**
- 4. On recommendation to the Board of Directors of the Company regarding the item «On IDGC of Centre participation termination in JSC «Smolensk Energy Repair Company».**

Item 1. On consideration of the draft of the list of conventional-indicative indicators that evaluate the efficiency of IDGC of Centre performance.

Speakers – Konstantin N. Orlov – Member of the Management Board, Deputy General Director for Economy and Finances.

The report (presentation) regarding the item is stored in the materials to the meeting of the Committee.

When discussing the reports the questions came from Kurbatov M.Y., Filkin R.A., Pavlov V.A., Chebotarev S.V, Zharikov A.N.

Explanations and answers to the question were given by: Orlov K.N., Shumakher S.A.

After a discussion the members of the Committee proceeded to vote.

Decision:

1. To instruct the Working group to rework the list of conventional-indicative indicators in accordance with the following requirements:
 - 1.1. To establish responsibility for the indicator *"Market share of electricity transmission services in the regions of the service area"* in addition to the corporate division, also to the financial and economic division.
 - 1.2. To complete the list with specific indicators of expenditure as indicative following the results of benchmarking performance.
 - 1.3. Set the TSR index (Total stockholder return) as an indicative figure.
 - 1.4. To change the following indicators to the category "Bonus conditions".
 - *«The reliability of the information flow»* - annual;
 - *«Net Income»* (for transmission) – annual;
 - *«Reducing the cost of acquisition of goods (works/services) per unit of production by at least 10% per year for three years»* - annual.
 - 1.5. To study the question of whether the use of quarterly performance indicators in economics and finance is viable.
 - 1.6. To set the following parameters for the possibility of additional bonuses for the management, provided the established target values are over fulfilled:
 - *«The loss of electricity to the supply to the grid»;*

- *«The excess/saving of costs under control over the approved OPEX base in the RAB regulation system».*
- 2. To instruct the investment division and capital construction division of the Company to submit proposals on KPI *«Implementation of the Investment Program»*, aimed not only at the efficiency of development of the Investment program, but also at the efficiency of capital investments.
- 3. To instruct the management of the Company to prepare:
 - 3.1. Suggestions for additional KPIs for Deputy General Director for Corporate Governance.
 - 3.2. Information on the distribution of responsibility for KPIs performance between Deputy Directors of the Branch.
- 4. To instruct the member of the Strategy and Development Committee Pavlov V.A. to present at a regular meeting of the Strategy and Development Committee a report on the modified list of conventional-indicative indicators of IDGC of Centre (co-report for reliability indicators – Shumakher S.A.).

Voting results:

Mikhail Yuryevich Kurbatov	- «FOR»
Alexey Nikolayevich Zharikov	- «FOR»
Konstantin Nikolayevich Orlov	- «FOR»
Vadim Alexeevich Pavlov	- «FOR»
Roman Alexeevich Filkin	- «FOR»
Sergey Vladimirovich Chebotarev	- «FOR»

Total:

«FOR»	- «6»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Voting results by filling in the questionnaires:

Alexey Vladimirovich Demidov	- «ABSTAINED»
Denis Vladimirovich Kulikov	- «FOR»
Alexey Yuryevich Perepelkin	- «FOR»

Total:

«FOR»	- «2»
«AGAINST»	- «0»
«ABSTAINED»	- «1»

Total:

«FOR»	- «8»
«AGAINST»	- «0»
«ABSTAINED»	- «1»

Decision is taken.

Item 2. On the prior determination of the position of IDGC of Centre regarding the agenda item of the meeting of the Board of Directors of JSC «Energy Service Company»:

2.1. On approval of the target values of annual and quarterly KPIs of the Company for 2012.

2.2. On approval of the Business Plan of the Company for 2012.

Speaker - Mark L. Slonimsky – Advisor to General Director, General Director of JSC «Energy Service Company».

The report (presentation) regarding the item is stored in the materials to the meeting of the Committee.

When discussing the reports the questions came from Kurbatov M.Y., Filkin R.A., Pavlov V.A., Chebotarev S.V, Zharikov A.N.

Explanations and answers to the question were given by: Shumakher S.A., Orlov K.N., Tkacheva O.V., Slonimsky M.L.

Following consideration of the materials regarding the item the Chairman of the Strategy and Development Committee Kurbatov M.Y., on the one hand, noted that JSC «Energy Service Company» in comparison with other energy service companies (dependent companies of IDGC Holding) at the moment is more advanced in terms of both its idea and progress, on the other hand, drew attention to the inadmissibility of performance by JSC «Energy Service Company» of other functions, except for energy service ones (energy audit, conclusion of Concession agreements and energy service agreements).

After a discussion the members of the Committee proceeded to vote.

Decision:

1. Tentatively to approve the Business Plan of JSC «Energy Service Company» for 2012 taking into account the following notes:

1.1. To exclude from the structure of revenue of JSC «Energy Service Company» the following items:

- ROWs clearing;
- Contact Centre services;

1.2. As for ROWs clearing (in regards of the 3 agreements that have already won the tender) to perform the functions only of a qualified customer (not to acquire equipment, not and not to hire staff). Revenues from agreements can be directed solely to the cost of subcontracting, the remaining amount – is not to be used until a separate decision is made by the Strategy and Development Committee.

2. To instruct Shumakher S.A. to present at a regular meeting of the Strategy and Development Committee a report on the feasibility and effectiveness of the change of ROWs clearing and expansion for outsourcing.

3. To instruct the management of JSC «Energy Service Company»:

3.1. To present at a regular meeting of the Strategy and Development Committee a report on the feasibility and effectiveness of the JSC «Energy Service Company» contact center functions.

3.2. To make decisions on Concession agreements conclusion for construction of power lines and substations only after a preliminary review of the given projects by the Strategy and Development Committee under the Board of Directors of IDGC of Centre.

3.3. To use tranche 2 received from ZAO "TKB" only to finance the project under the Concession Agreement of the Belgorod region. To prohibit the use of tranche 2 for working capital.

4. To instruct the management of IDGC of Centre to submit to the Board of Directors of IDGC of Centre in March 2012 the item «On determination of the voting position of the representatives of IDGC of Centre at the meeting of the Board of Directors of JSC «Energy Service Company» regarding the item «On approval of the Company's Business Plan for 2012» taking into account the decisions taken by the Strategy and Development Committee under the Board of Directors of IDGC of Centre after considering the reports referred to in paragraph 2, 3.1.

Voting results:

Mikhail Yuryevich Kurbatov	- «FOR»
Alexey Nikolayevich Zharikov	- «FOR»
Konstantin Nikolayevich Orlov	- «FOR»
Vadim Alexeevich Pavlov	- «FOR»
Roman Alexeevich Filkin	- «FOR»

Sergey Vladimirovich Chebotarev - «FOR»

Total:

«FOR»	- «6»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Voting results by filling in the questionnaires:

Alexey Vladimirovich Demidov - «FOR»

Denis Vladimirovich Kulikov - «FOR»

Alexey Yuryevich Perepelkin - «FOR»

Total:

«FOR»	- «3»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Total:

«FOR»	- «9»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 3. On recommendation to the Board of Directors of the Company regarding the item «On determination a priority area of the Company's activity: on implementation of the production asset management system in the Company».

Speaker –Sergey A. Shumakher – Member of the Management Board, Deputy General Director for Technical Issues – Chief Engineer.

The report (presentation) regarding the item is stored in the materials to the meeting of the Committee.

When discussing the reports the questions came from Kurbatov M.Y., Filkin R.A., Chebotarev S.V.

Explanations and answers to the questions were given by: Shumakher S.A.

After a discussion the members of the Committee proceeded to vote.

Decision:

1. To instruct Shumakher S.A. to submit the Chairman of the Strategy and Development Committee Kurbatov M.Y. and Head of Business Planning Department of IDGC Holding Tsik R.K. information on the planned for 2012 amount and cost items to implement the production asset management System.

2. To recommend to the Board of Directors of the Company to take the following decision:

«1. To determine the implementation of the production asset management system in IDGC of Centre as priority area of the Company's activity.

2. to ensure the adoption and implementation of an internal document of the Company «Standard «Production asset management in IDGC of Centre by 01.10.2012.

3. To instruct To instruct General Director of the Company on a quarterly basis from the date of approval of the Schedule of activities to present to the Board of Directors a report on the implementation of the Action Plan to implement the production asset management system of IDGC of Centre».

Voting results:

Mikhail Yuryevich Kurbatov - «FOR»

Alexey Nikolayevich Zharikov - «FOR»

Konstantin Nikolayevich Orlov - «FOR»

Vadim Alexeevich Pavlov - «FOR»

Roman Alexeevich Filkin - «FOR»

Sergey Vladimirovich Chebotarev - «FOR»

Total:

«FOR»	- «6»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Voting results by filling in the questionnaires:

Alexey Vladimirovich Demidov - «FOR»

Denis Vladimirovich Kulikov - «FOR»

Alexey Yuryevich Perepelkin - «FOR»

Total:

«FOR»	- «3»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Total:

«FOR»	- «9»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 4. On recommendation to the Board of Directors of the Company regarding the item «On IDGC of Centre participation termination in JSC «Smolensk Energy Repair Company»».

Speaker – Olga V. Tkacheva – Member of the Management Board, Deputy General Director for Corporate Governance.

The report (presentation) regarding the item is stored in the materials to the meeting of the Committee.

When discussing the reports the questions came from Kurbatov M.Y., Filkin R.A.

After a discussion the members of the Committee proceeded to vote.

Decision:

To recommend to the Board of Directors of the Company to take the following decision:

«To approve the termination of participation of IDGC of Centre in JSC «Smolensk Energy Repair Company» by selling shares on the following conditions:

• category, type, nominal value of shares disposed:

- *uncertificated registered ordinary shares, state registration number 1-01-50106-A, par value of 0.34 ruble per share,*

- *uncertificated registered preferred shares, state registration number 2-01-50106-A, par value of 0.34 ruble per share;*

• the number of the shares owned by IDGC of Centre, the share in the authorized capital of JSC «Smolensk Energy Repair Company»:

- *ordinary shares – 4 105 665 (four million one hundred and five thousand six hundred sixty-five) shares, representing 1.6919% of share capital,*

- *preferred shares – 1 581 442 (one million five hundred eighty-one thousand four hundred forty-two) shares, representing 0.6517% of share capital;*

• book value of shares as of 30.09.2011:

- *ordinary shares – 1 395 926 (one million three hundred and ninety-five thousand nine hundred twenty-six) rubles 10 kopecks,*

- *preferred shares – 537 690 (five hundred thirty-seven thousand six hundred ninety) rubles 28 kopecks;*

• way of the shares disposal – *in the form of an auction open for bidders;*

• *the initial auction price* – the price equal to their market value, determined by the independent appraiser LLC "Institute of property valuation and financial performance" (Reports # MF – 1290/1 and #MF – 1290/2) in the amount of:

- registered ordinary shares – 2 418 000 (two million four hundred and eighteen thousand) rubles,

- registered preferred shares – 735 000 (seven hundred and thirty-five thousand) rubles;

• *the procedure (term) of payment for the shares* – by monetary funds until the transfer of title to the shares within 14 (fourteen) business days from the date of signing by the parties of the shares sale and purchase agreement by transferring money to the settlement account of the seller».

Voting results:

Mikhail Yuryevich Kurbatov - «FOR»

Alexey Nikolayevich Zharikov - «FOR»

Konstantin Nikolayevich Orlov - «FOR»

Vadim Alexeevich Pavlov - «FOR»

Roman Alexeevich Filkin - «FOR»

Sergey Vladimirovich Chebotarev - «FOR»

Total:

«FOR» - «6»

«AGAINST» - «0»

«ABSTAINED» - «0»

Voting results by filling in the questionnaires:

Svetlana Alexandrovna Balaeva - «FOR»

Denis Vladimirovich Kulikov - «ABSTAINED»

Alexey Yuryevich Perepelkin - «FOR»

Total:

«FOR» - «2»

«AGAINST» - «0»

«ABSTAINED» - «1»

Total:

«FOR» - «8»

«AGAINST» - «0»

«ABSTAINED» - «1»

Decision is taken.

The agenda of the meeting of the Strategy and Development Committee of the Board of Directors of the Company on 28.02.2012 was exhausted.

The meeting of the Strategy and Development Committee was adjourned.

**Chairman of the Strategy and Development
Committee of the Board of Directors
of IDGC of Centre**

Kurbatov M.Y.

**Secretary of the Strategy and Development
Committee of the Board of Directors
of IDGC of Centre**

Lapinskaya S.V.