

API Extraordinary General Meeting Voting Recommendations

Company: **IDGC of Volga, PJSC (MRKV)**

Meeting date: **November 27, 2015**

Record date: **October 26, 2015**

Company Overview

IDGC of Volga, PJSC was registered on June 29, 2007 subject to a decision of its sole founder OJSC RAO UES of Russia (Order 191r of OJSC RAO UES of Russia as of June 22, 2007).

The company acts as a single operating company within 7 federal subjects of the Russian Federation: the Chuvash Republic, the Republic of Mordovia, Orenburg, Penza, Saratov, Samara and Ulyanovsk regions, with an operations center in Saratov. The core businesses of the Company include electricity transmission; operations and process management; connection of power receivers (power units) of legal entities and individuals to electricity supply lines.

In accordance with Order 237-e of Russia's Federal Tariff Service as of June 27, 2008, IDGC of Volga, PJSC was included in the register of natural monopolies in the fuel and energy industry of Russia.

The Company's authorized capital is 17,857,780,114.60 Russian rubles. It consists of 178,577,801,146 common shares with a face value of 10 kopecks each.

The Company's controlling shareholder is PJSC ROSSETI which holds a 67.63% equity stake in IDGC of Volga, PJSC.

#	EGM agenda item	API recommendation
1	Determination of the number, face value, category (type) of authorized shares of IDGC of Volga, PJSC and the rights carried by such shares	AGAINST
2	Amendments to the corporate charter of IDGC of Volga, PJSC	AGAINST
3	Increase in the authorized capital of IDGC of Volga, PJSC through the placement of additional shares	AGAINST

The API recommends that the shareholders vote **in the negative (AGAINST)** on items 1, 2, 3 of the agenda of the Company's extraordinary general meeting of shareholders. The follow-on offering of shares proposed for approval at the shareholders' meeting aims at raising capital to finance the construction of infrastructure for the FIFA World Cup.

The API opposes the financing of infrastructure facilities by the Government by diluting the existing share capital of the public company. Instead, the API suggests the use of other funding mechanisms that do not cause an imbalance of the Company's financial and economic activity. The economic efficiency of the said project was not assessed; nor was

it presented to the Company's Board of Directors and shareholders for consideration. Being aware of the deadlines for the construction of facilities set to PJSC ROSSETI by the Government of Russia, the minority shareholders suggested that the Company should issue preferred shares that do not earn dividends – which would avoid a dilution of the Company's voting shares and reduce risks of all Company shareholders. This proposal was not given consideration.

Should the shareholders make a positive decision on increasing the Company's authorized capital, minority shareholders' stakes will decrease by 6% in relation to their current holdings, while the stake of PJSC ROSSETI, the majority shareholder, will increase by the same percentage.

[Details of agenda Items 1, 2, 3 of the extraordinary general meeting of shareholders:](#)

1. Determine that the number of authorized ordinary registered book-entry shares which IDGC of Volga, PJSC is allowed to place in addition to the previously placed ordinary registered book-entry shares is 20,105,718,266 (twenty billion one hundred and five million seven hundred and eighteen thousand two hundred and sixty-six), with a face value of 10 (ten) kopecks each, for a total amount at nominal value of 2,010,571,826 (two billion ten million five hundred and seventy-one thousand eight hundred and twenty-six) Russian rubles 60 kopecks.

The ordinary registered book-entry shares authorized by IDGC of Volga, PJSC for placement confer on their holders the rights provided for by paragraph 6.2 of the corporate charter of IDGC of Volga, PJSC.

2. Make the following amendments to the Company's charter:

Item 4.6 of article 4 of the corporate charter of IDGC of Volga, PJSC shall be amended as follows:

"The Company authorizes 20,105,718,266 (twenty billion one hundred and five million seven hundred and eighteen thousand two hundred and sixty-six) ordinary registered book-entry shares, with a face value of 10 (ten) kopecks each, for a total amount at nominal value of 2,010,571,826 (two billion ten million five hundred and seventy-one thousand eight hundred and twenty-six) Russian rubles 60 kopecks, for placement in addition to the previously placed ordinary registered book-entry shares.

The ordinary registered book-entry shares authorized by IDGC of Volga, PJSC for placement confer on their holders the rights provided for by paragraph 6.2 of the present charter."

3. Increase the authorized capital of IDGC of Volga, PJSC through the placement of 10,685,233,931 (ten billion six hundred and eighty five million two hundred and thirty-three thousand, nine hundred and thirty-one) additional ordinary registered book-entry shares, with a par value of 10 (ten) kopecks each, for a total amount at nominal value of 1,068,523,393 (one billion sixty-eight million five hundred and twenty-three thousand three hundred and ninety three) Russian rubles 10 kopecks, on the following principal terms and conditions:

offering type: public offering;

offering price per additional ordinary registered book-entry share (including the price of offering valid for potential buyers having a pre-emptive right to acquire additional shares): 10 (ten) kopecks;

form of payment: payment for the additional ordinary registered book-entry shares issued by IDGC of Volga, PJSC shall be effected in money resources denominated in rubles of the Russian Federation through a cashless transfer to the settlement account of IDGC of Volga, PJSC.

For questions and/or comment, please contact us at: +7 (495) 510-53-06 or via email: polovnev@api-russia.org.