

# ANNUAL REPORT



**WE CHOOSE THE GREEN LINE - THE LINE OF LIFE!**

**2012**

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## 1. The speech of the Chairman of the Management Board

### We are becoming closer to our customer and environment

Summing up the year 2012 we single out the most important issues and plan the next periods of our activity. We offer to your consideration our Company's annual report, where the information is presented upon the main priorities of the enterprise development strategy.

The whole previous year PJSC "Prykarpattyaoblenergo" lived and worked very actively. Most of the efforts were concentrated in the two activity directions – implementation of complex customer-targeting program and networks development. In the first – we opened two more Customer service centres which work according to the principle of "single window" – in Tlumach and Gorodenka branches, as well as got prepared for the opening of the same subdivision in Dolyna, the next – in Ivano-Frankivsk, which has to become the biggest in the region. As to the technical aspect, we finished several large-scale projects, in particular construction of high-voltage line to substation "Porogy" in Bogorodchany district, installed the second powerful transformer on substation "Vorokhta" which minimized the problem of power lack in Yaremcha district. We have also started large-scale construction of high-voltage overhead line "Yavoriv-ltsi" which enables to improve electric power supply of the whole Verkhovyna region, and it will be continued this year.

I am convinced that growth and development of not only our Company, but also our country in general depend greatly on innovations and self-improvement. That's why our enterprise searches and implements new non-standard effective ideas and solutions not only in technical aspects but also in the sphere of corporate management and information technologies. Traditionally, special attention is paid to training and qualification upgrade of our power engineers, and we encourage each employee's self-improvement and personal growth.

We will work for our company's benefit producing high-quality product for our consumers, we will do everything for becoming closer to our customers and destroying barriers of stereotypes. We will continue our work targeted at corporate social responsibility supporting sports, cultural and art events, we develop own social pro-

grams.


This year we lay special emphasis on “green” direction of our company’s activity and will live the year 2013 under the motto: “We choose a green line – the line of life”. Each of us knows that life is colorful. Every color is important. However, green is special. In fact, the more we care about the environment today, the more it will be generous to us in future.

This way we will develop the plan of ornithological safety of electric power equipment, implement the waste utilization program, support and develop green office principles, train eco-volunteers, popularize ecologic values in the staff, take care of biovariety realizing “Leleka/Stork” nature protection program.

We will continue working for the inhabitants of Prykarpattya embodying brave ideas and implementing large-scale plans targeted at service quality improvement, investments in electric networks and the most important – change of our conscience – retreat from monopolist mentality to the new modern customer-targeted work.

In a word, our company will develop and change in future. Improving us, becoming better than we were in past, we will be able to change our company and together with this – our society’s life for better. I believe together with you we will do it.

Chairman of the Management Board of  
PJSC “Prykarpattyaoblenergo”  
Olexandr Buben

## 2. Main information about the emitter

ID tags and location of the emitter	
Full name of the emitter:	Public joint-stock company «Prykarpattyaoblenergo»
Short name	PJSC «Prykarpattyaoblenergo»
Form of incorporation	joint-stock company
ID number according	00131564
Location of the emitter	34, Industrialna Str., Ivano-Frankivsk city
Inter-city code, telephone and fax of the emitter	+38 (0342) 52 05 27 +38 (03422) 2 39 38 (tel./fax)
E-mail, Web-site	kanc@oe.if.ua www.oe.if.ua
Information on the state registration of the emitter	
Certificate series and number	series A01 # 620853
Date of state registration:	October 23, 1998
Issuing authority:	Executive Committee of Ivano-Frankivsk city council
Information on the emitter’s securities	
Type and form of issue	Registered shares of common stock
Form of securities	uncertified
International ID number	UA4000091045
Issue registration number	833/1/10
Date of registration	October 01, 2010
Issuing authority:	Securities and stock market state commission
Size of the Charter Fund (Capital)	25 908 875,00 UAH (twenty-five million nine hundred and eight thousand eight hundred and seventy-five hryvnas 00 kopecks)
Number of issued shares	103 635 500 (one hundred and three million six hundred and thirty-five thousand five hundred)
Share denomination	0,25 UAH (zero hryvnas 25 kopecks)
Total share denomination	25 908 875,00 UAH (twenty-five million nine hundred and eight thousand eight hundred and seventy-five hryvnas 00 kopecks)

Issuer's servicing banks	
Issuer servicing bank according to current account in national and foreign currencies	Branch – Ivano-Frankivsk regional department of JSC "State Savings Bank of Ukraine"
Bank branch location code (MFO)	336503
Current account	26003301757
Core business	
Title	Electric power distribution
Code according	40.13.0

#### Information on obtained licenses for core business

Nº n/n	Type of activity	License series and number	Date of issue	Issuing authority
1	Electric power supply at regulated tariff	Series AF # 500357	May 05, 2011	National Commission on Power Industry Regulation of Ukraine
2	Electric power transmission by local electric networks	Series AF # 500356	May 05, 2011	National Commission on Power Industry Regulation of Ukraine

#### Information on legal entities providing services to the emitter

Title	<b>PJSC "PFTS Stock Exchange"</b>
Form of incorporation	Joint-stock company
ID number according to Unified State Register of Enterprises and Organizations of Ukraine	21672206
Location	42-44 Shovkovychna Str., Kyiv city
Inter-city code and telephone	(044) 277 50 00
Fax	(044) 277 50 01
Type of activity	stock market professional activity– activity in organization of stock market trade
Number of license or another document for this type of activity	License: series AD # 034421

License issuing authority	Securities and stock market state commission
Date of license or another document issue	June 11, 2012
Title	<b>"Audit-service Inc." LLC</b>
Form of incorporation	limited liability company
ID number according to Unified State Register of Enterprises and Organizations of Ukraine	13659226
Location	34, Lepkogo str., Ivano-Frankivsk city
Inter-city code and telephone	(3422) 3 49 07
Fax	(0342) 75 05 01
Type of activity	Audit service provision
Number of license or another document for this type of activity	Certificate on inclusion to the audit companies and auditors register # 0036
License issuing authority	Audit Chamber of Ukraine
Date of license or another document issue	November 03, 2011
Title	<b>"INTER-SERVICE-REGISTER" LLC</b>
Form of incorporation	limited liability company
ID number according to Unified State Register of Enterprises and Organizations of Ukraine	24241079
Location	8-10, Lenina str., Dnipropetrovsk city, Babushkin district, Dnipropetrovsk region
Inter-city code and telephone	(056) 372-90-56
Fax	(056) 372-90-56
Type of activity	stock market professional activity – depository activity: depository activity of securities custodian
Number of license or another document for this type of activity	License: series AV #Nº 534238
License issuing authority	Securities and stock market state commission
Date of license issue	July 12, 2010

Title	<b>Private joint-stock company “All-Ukrainian securities depository”</b>
Form of incorporation	Joint-stock company
ID number according to Unified State Register of Enterprises and Organizations of Ukraine	35917889
Location	7-G Tropinina str., Kyiv city
Inter-city code and telephone	(044) 585-42-40
Type of activity	stock market professional activity – depository activity; depository activity of securities depository
Number of license or another document for this type of activity	License: series AB # 498004
License issuing authority	Securities and stock market state commission
Date of license issue	November 19, 2009

### 3. Activity priorities

The most important element of the Company’s management system is the Strategy of PJSC “Prykarpattyaoblenergo”. Its implementation contributes to increase of reliability and efficiency of electric networks complex functioning in Ivano-Frankivks region. The main task of this document is to determine the ways of achievement of qualitatively new condition of PJSC “Prykarpattyaoblenergo” taking into account electric power development tendencies of Ukraine, analysis of the Company’s productive potential and strategic factors of its success.

The strategy is targeted at achievement of the Company’s leading position in the branch. The activity priorities for 2011-2012 are were as follows:

- **Customer-targeting.** The Company’s business processes are restructured to provide the customers’ satisfaction with their needs to the maximum. The Company’s connections with the customers are organized in the way to make the interaction process at most convenient, comfortable and easy.
- **Innovations.** To achieve the goals of constant development the Company wants to use progressive methods in all the spheres of its activity.
- **Reliability and quality.** It is necessary for the Company to provide appropriate reliability level of electric network assets, including technical condition and compliance with advanced technology.
- **Efficient management system.** Introduction of advanced management methods and integration of all management systems in a single system will enable us to provide the entirety and coherence of all the information, to improve timely exchange of it with the interested users, as well as to shorten the time for managerial decisions making and to increase their effectiveness.
- **Staff.** Well-qualified loyal staff increases significantly the Company’s development potential, its competitive ability.

#### 3.1. Finance

In financial sphere PJSC “Prykarpattyaoblenergo” follows the policy of stability. It lies in timely revealing of “weak signals” about negative tendencies in the dynamics of financial condition and financial results of the Company and development of methods to

prevent these occurrences.

In the course of 2012 the Company faced certain financial difficulties causing the decrease of the Company's profitability which were arisen by the country's increased debt against the enterprise with return of donations for electric power sale to benefit-category of consumers. This became the factor of incomplete settlement with State Enterprise "Energorynok" for the purchased electric power, and as of December 01, 2012 the enterprise ran into the debt of 18 million UAH. However, in December 2012 the agreement was signed about the debt restructuring during March – May 2013. The other factor of the Company's profitability decrease was the settlement condition for the consumed electric power, namely in the course of the year 2012 the debt to our enterprise increased by 12 million UAH basically due to the population and non-industrial business.

Index	2010	2011	2012
<b>Net revenue from production realization (goods, works, services)</b>	812 791	860 731	965 321
<b>EBITDA</b>	62 448	177 767	155 253
<b>Net profit</b>	48 855	78 360	58 971

#### Separate topic

#### Support of community development program

According to "The policy for corporate social responsibility of PJSC "Prykarpattya-oblenergo" for 2011-2014", the programs of community development support are formed by the Company upon the selected directions.

1. Cultural development of Ivano-Frankivsk region.

The biggest project supported by the Company is the International festival "The Blacksmiths' fest" which takes place in Ivano-Frankivsk on the occasion of the City's Day. In honour of 350th-anniversary in 2012 the city received symbolic present of the event – the anniversary arch.

2. Sports support.

- Long-term program of support of futsal development in Prykarpattya. Since the foundation of NFT "Uragan" in 2002, the Company has been its permanent partner. Following the long-term program, the professional team of Premier league, the teams

of A league and B league, as well as the club's children and youth school will be improved in Ivano-Frankivsk. The Company also plans to encourage the opening of Futsal Academy in Prykarpattya providing the means of training talented children of Western and Central Ukraine on more professional level.

- Partnership in holding of children's tournament for The President's Cup of NFT "Uragan". The aim of the competition is to draw the maximum of children's attention to futsal sport, to give young talents the opportunity to evolve themselves, and as a result to win a significant prize for their school.

- Popularization of active way of life and sport (in particular through the regional sports portal [www.sport.if.ua](http://www.sport.if.ua), which was created upon the Company's initiative).

- Support of extreme sports and youth culture festival "Mizunska zvygoda". In terms of the event, which has been supported by the Company for 7 years, there are the following activities: downhill race, cross-country and trials, bike-camping, concert and entertainment programs.

3. Charity. Despite the fact that charity is not the priority of socially responsible activity, the Company continues patronizing of the sponsored institutions, namely Ivano-Frankivsk geriatrics care home, and providing other organizations with material assistance. Every year children in orphanages receive the assistance in the amount of approximately 40 thousand UAH.

4. "Good affairs race". The groups of the Company's subdivisions became the initiators of the social projects in 2012. Their affairs formed a certain corporate "Race": visiting of orphanages, communal works, charity assistance to disabled people etc. Their uniqueness is in the own choice, independent arrangement and voluntary participation of the employees. Among the affairs there also is spring planting which took place under the auspices of trade union in Ivano-Frankivsk (250 ornamental trees and bushes) and REN (245 transplants).

## Accounting reports

		Date (year, month, day)	2012.12.31	CODES	—
Company	PJSC "Prykarpattyaoblenergo"	SSREOU	00131564		—
Area	city of Ivano-Frankivsk	KOATUU	2610100000		
Body of public administration	Public Joint-Stock Company	KOPFG	231		
Form of incorporation		SPODU			
Industry	Electric power distribution and supply	SICEA	35.1		

Unit thousand hryvnas  
Address 34, Industrialna Str., city of Ivano-Frankivsk, 76014

### BALANCE as of December 31, 2012

FORM # 1 DKUD code 1801001

Asset	Line code	Beginning of the report period	Ending of the report period
1	2	3	4
<b>I. NONCURRENT ASSETS</b>			
<b>Нематеріальні активи:</b>			
<b>Intangible assets:</b>	010	<b>8 561</b>	<b>10 524</b>
initial cost	011	15 532	19 193
accumulated amortization	012	6 917	8 669
Arrears of housing:	<b>020</b>	25 790	58 609
<b>Fixed assets:</b>			
<b>depreciated cost</b>	<b>30</b>	<b>1 058 802</b>	<b>1 142 446</b>
initial cost	31	3 286 630	3 414 844
wear	32	2 227 828	2 272 398
<b>Long-term biological assets</b>			
<b>fair (depreciated) cost</b>	<b>035</b>	<b>0</b>	<b>0</b>
initial cost	036		
accumulated amortization	037		
<b>Long-term financial investments:</b>			
registered by the equity investment of other companies	040	210	196
other financial investments	045	1 370	1 370
Long-term accounts receivable	050	3 450	3 450

<b>Investment real estate:</b>	<b>055</b>	<b>0</b>	<b>0</b>
Fair (depreciated) cost of investment real estate			
initial cost of investment real estate	056		
wear of investment real estate	057		
Deferred taxation assets	060	2 832	6 025
Goodwill	065		
Other noncurrent assets	070		
Goodwill at consolodation	075		
<b>Total on section I</b>	<b>080</b>	<b>1 101 015</b>	<b>1 224 371</b>
<b>II. CURRENT ASSETS</b>			
Inventories	100	14 671	18 142
Current biological assets	110	2	1
Goods-in-process inventory	120		
Final goods	130	201	169
Goods	140	391	200
Bills received	150		
<b>Accounts receivable for goods, works, services:</b>			
<b>net sales value</b>	<b>160</b>	<b>29 094</b>	<b>47 896</b>
initial cost	161	44 625	65 828
reserve for doubtful debts	162	15 531	17 932
<b>Accounts receivable on settlements:</b>			
of budgetary payments	170	27	2 601
of advance paid out	180	32 452	8 585
of accrued revenue	190		
on internal settlement	200		
Other current accounts receivable	210	9 402	11 052
Current financial investment	220	1 019	
Funds and their equivalent:			
in national currency	230	2 163	4 945
incl. cash	231	16	19
in foreign currency	240		
Other current assets	250	8 155	12 183
<b>Total on section II</b>	<b>260</b>	<b>97 576</b>	<b>105 774</b>
<b>III. PREPAID EXPENSES</b>	270		4 364
<b>IV. NONCURRENT ASSETS AND RETIREMENT GROUPS</b>	275		

<b>BALANCE</b>	<b>280</b>	<b>1 198 591</b>	<b>1 330 145</b>
<b>Liability</b>	<b>Line code</b>	<b>Beginning of the report period</b>	<b>Ending of the report period</b>
1	2	3	4
<b>I. SHAREHOLDER EQUITY</b>			
Authorized capital	300	25 909	25 909
Equity capital	310		
Additional employed capital	320		
Other additional capital	330	794 462	884 219
Reserve capital	340	6 477	6 477
Undivided profit (unrecovered loss)	350	245 718	235 252
Unpaid capital	360		
Withdrawn capital	370		
Share premium fund	375		
<b>Total on section I</b>	<b>380</b>	<b>1 072 566</b>	<b>1 151 857</b>
<b>Minority interest</b>	<b>385</b>		
<b>II. EXPENSES AND PAYMENT SECURITY</b>			
Staff wages security	400	11 732	13 569
Other security	410		
Technical reserves, life insurance reserves	415		
Part of reinsurers in technical reserves, life insurance reserves	416		
Prize fund security <i>Забезпечення призового фонду</i>	417		
Reserve on jackpot payment, not secured by the payment of lottery participation	418		
Targeted financing	420		
<b>Total on section II</b>	<b>430</b>	<b>11 732</b>	<b>13 569</b>
<b>III. LONG-TERM LIABILITY</b>			
Long-term bank loans	440		
Other long-term financial liability	450	17	
Deferred tax liabilities	460		
Other long-term liability	470	8 000	8 000
<b>Total on section III</b>	<b>480</b>	<b>8 017</b>	<b>8 182</b>
<b>IV. CURRENT LIABILITIES</b>			
Short-term bank loans	500	6 825	12 000

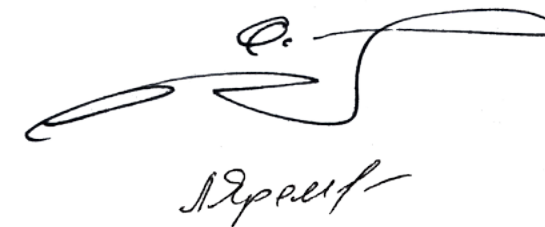
Accounts receivable on long-term liability	510	505	115
<b>Bills passed</b>	<b>520</b>		
Loan debt for goods, works, services	530	3 553	23 009
<b>Current liabilities on settlements:</b>			
of advance received	540	42 366	49 803
of budgetary payments	550	13 177	12 785
of non-budgetary payments	560		
of insurance	570	2 442	1 699
of remuneration	580	6 146	4 131
with members	590	598	817
on internal settlement	600	139	
Liabilities connected with noncurrent assets and retirement groups, sustained for sale	605		
<b>Other current liabilities</b>	<b>610</b>		
<b>Total on section IV</b>	<b>620</b>	<b>78 844</b>	<b>106 276</b>
<b>V. PREPAID INCOME</b>			
<b>BALANCE</b>	<b>640</b>	<b>1 086 834</b>	<b>1 198 591</b>

Director

Buben O.O.

Chief accountant

Yaremchuk L.V.





Company	PJSC "Prykarpattyaoblenergo"	Date (year, month, day)	2012.12.31	CODES	—
Area	city of Ivano-Frankivsk				—
Body of public administration	Public Joint-Stock Company	SSREOU	00131564		
Form of incorporation		KOATUU	2610100000		
Industry	Electric power distribution and supply	KOPFG	231		
		SPODU			
		SICEA	35.1		

Unit thousand hryvnas  
Address 34, Industrialna Str., city of Ivano-Frankivsk, 76014

### REPORT ON FINANCIAL RESULTS For the year 2012

FORM №2 code DKUD 1801003

#### I. FINANCIAL RESULTS

Paragraph	Line code	For the report period	For the previous period
1	2	3	4
<b>Income (revenues) from the sales of products (goods, works, services)</b>	<b>010</b>	<b>1 182 593</b>	<b>1 037 334</b>
Value-added tax	015	197 099	163 846
Excise duty	020		
Other taxes and duties paid from the turnover	025		
Other income deductions	030	118	249
<b>Net income (revenues) from the sales of products (goods, works, services)</b>	<b>035</b>	<b>985 376</b>	<b>864 219</b>
Cost of sold products (goods, works, services)	040	849 412	692 319
<b>Gross:</b>			
profit	050	135 964	171 900
loss	055	0	
<b>Other operation income</b>	<b>060</b>	<b>6953</b>	<b>3579</b>
Incl. income from primary acknowledgement of biological assets and agricultural products, obtained as a result of agricultural activity	061		
Administrative expenses	070	56 570	49 120

Distribution expenses	080	16	59
<b>Other operation expenses</b>	<b>090</b>	<b>8 793</b>	<b>6 739</b>
Incl. income from primary acknowledgement of biological assets and agricultural products, obtained as a result of agricultural activity	091		
<b>Financial results from operational activity</b>			
profit	100	77 538	119 561
loss	105	0	0
<b>Income from equity investment</b>	<b>110</b>		<b>2</b>
Other financial income	120		1
<b>Other income</b>	<b>130</b>	<b>4 590</b>	<b>4 235</b>
Financial expenses	140	6 322	2 394
<b>Losses from equity investment</b>	<b>150</b>	<b>13</b>	
<b>Other losses</b>	<b>160</b>	<b>3 408</b>	<b>12 513</b>
<b>Profit (loss) from inflation effect on monetary articles</b>	<b>165</b>		
<b>Financial results from ordinary activities before taxation</b>			
profit	170	72 385	108 892
loss	175	0	0
Profits tax from ordinary activities	180	13 404	30 532
Income from profits tax from ordinary activities	185		
<b>Financial results from ordinary activities</b>			
profit	190	58 971	78 360
loss	195		
<b>Emergency:</b>			
profit	200		
loss	205		
Taxes on emergency profit	210		
<b>Minority interest</b>	<b>215</b>		
profit	220	58 971	78 360
loss	225	0	0
Bonus security	226		

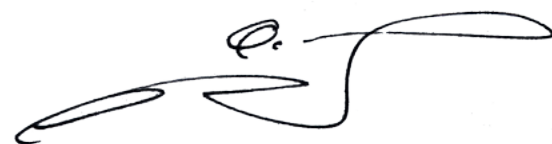
## II. ELEMENTS OF OPERATION EXPENSES

Paragraph	Line code	For the report period	For the previous period
1	2	3	4
Material expenses	230	89 902	63 467
Remuneration expenses	240	147 308	123 275
Withholding from social activity	250	51 396	42 754
Amortisation	260	68 320	58 306
Other operation expenses	270	69 321	59 786
<b>Total</b>	<b>280</b>	<b>426 247</b>	<b>347 588</b>

## III. CALCULATION OF SHARE PROFITABILITY INDICES

Paragraph	Line code	For the report period	For the previous period
1	2	3	4
Average annual number of simple shares	300	103 635 500	103 635 500
Adjusted annual number of simple shares	310	103 635 500	103 635 500
Net profit (loss) for one simple share	320	0,57	0,76
Adjusted net profit (loss) for one simple share	330		
Dividend for one simple share	340		

Director



Buben O.O.

Chief accountant



Yaremchuk L.V.

## 3.2 Reliability and quality.

### 3.2.1 Improvement of networks technical condition

Modern economics is full of various devices and electronic systems and, as never before, depends on the work of electric power systems, serious failures of which often cause the collapse of separate cities and entire regions.

Since the large-scale disruptions of electric power supply occur, as a rule, resulting from the combination of majority of separately low-probability factors, the work on failure prevention requires complex approach.

### General characteristics of OJSC “Prykarpattyaoblenergo” networks for 2012

Nº	index	number
1.	Territory of licensed activity	13,9 ТИС.КМ.КВ
2.	Overhead circuit, voltage 110kV	823 КМ
3.	Overhead circuit, voltage 35kV	1091 КМ
4.	Overhead circuit, voltage 6-10kV	7712 КМ
5.	Overhead circuit, voltage 0,4kV	15028 КМ
6.	Cable communication line, voltage 6-10kV	793 КМ
7.	Cable communication line, voltage 0,4kV	701 КМ
8.	Substations and distribution centres, voltage 6-10kV	6048 ШТ.
9.	Substations, voltage 35-110kV – 130 km	130 ШТ.

### Investment in electric power lines renewal

Investment program of PJSC “Prykarpattyaoblenergo” is aimed at improving reliability and quality of power energy transmission and supply to its consumers. The volumes of reconstruction for the last years allow to improve the technical condition of overhead lines with the voltage of 0,4kV by 2% every year.

For 2012 the Company’s Investment program was approved by National Commission on Power Industry Regulation at the level of 153 284,34 UAH. The planned physical volumes of the program will be executed in full.

### Financing of the company's investment program

Construction, upgrading and reconstruction of electric networks and equipment	115 781,51
Preventive measures for reduction and/or avoidance of electricity waste	12 627,01
Implementation and development of automatic dispatcher and technological control systems (ADTCS)	6 314,36
Implementation and development of information technologies	5 850,15
Implementation and development of communication and telecommunication systems	6 767,12
Upgrading and purchase of vehicles	5 167,59
Other equipment	752,03
<b>Total</b>	<b>153 260,00</b>

In 2012 using the funds of investment program, PJSC "Prykarpattyaoblenergo" started the construction of OC-110 kV Yavoriv-Iltsi, and the following reconstructions were made: reconstruction of SS 110/35/10 kV "Vorokhta", reconstruction of SS 35/10 kV "Shkirzavor", reconstruction of OC-35 kV Luka-Buchivtsi and OC-10 kV Krasnopillya to SS 35/10 kV "Verkhovyna" of Verkhovyna region.

In 2012 it was finished the construction of electric power networks of 10-35 kV to SS 35/10 "Porogy" started in 2011. The cable lines of Ivano-Frankivsk and Dolyna providing electric power for the major part of socially important and categorical customers were rebuilt.

Apart from that it was finished the reconstruction of EN-0,4-10 kV, started in 2011, with the use of self-holding insulated wires in the following inhabited places of Ivano-Frankivsk region: Bolekhiv of Dolyna REN (stage III), Molodyanyn of Kolomyia REN (stage I), Berezhnytsya of Verkhovyna REN (stage I), Sloboda of Kolomyia TREN (stage II), Porogy of Bogorodchany district (stage II), Yablunytsya of Yaremcha REN (stage I), Richka of Kosiv district; the reconstruction of EN -0,4-10 kV with the use of self-supporting isolated cables was made in the following inhabited places of Ivano-Frankivsk region: Verkhovyna TS-64, 210, Brustury of Kosiv district (stage I), Vorokhta of Yaremcha town council; building and installation works on reconstruction of EN – 0,4-10 kV with the use of self-supporting isolated cables were started in the following inhabited places of Ivano-Frankivsk region: Verkhovyna TS-162, 58, 283, 63, 225, Brustury of Kosiv district (stage II), Porogy of Bogorodchany district (stage I).

### Investment plans for 2013

For realization of the Company's policy concerning the increase of transmission reliability and quality, as well as electric power supply to customers, the amount of 137 710,80 UAH has been anticipated in the program for 2013.

### Planned financing of the company's investment program in 2013

Construction, upgrading and reconstruction of electric networks and equipment	106 875,12
Preventive measures for reduction and/or avoidance of electricity waste	8 638,49
Implementation and development of automatic dispatcher and technological control systems (ADTCS)	5 658,72
Implementation and development of information technologies	6 061,11
Implementation and development of communication	5 449,68
Upgrading and purchase of vehicles	4 400,49
Other	627,20
<b>Total</b>	<b>137 710,80</b>

The major part of investments will be targeted at renewal of electric power networks and equipment. In particular, in 2013 we plan to continue construction of OC-110 kV Yavoriv-Iltsi, to reconstruct SS 110/10 kV "Berezivka" and electric networks 10 kV of the SS, to finish the reconstruction of SS 110/35/10 kV "Vorokhta", to start reconstruction of SS 110/35/10 kV "Iltsi".

In 2013 we plan to reconstruct OC-10 kV Yaseniv to SS 35/10 kV "Verkhovyna" of Verkhovyna district.

We also plan to rebuilt the cable lines of Ivano-Frankivsk and Dolyna, providing electric power for the major part of socially important and categorical consumers.

Apart from that it is planned to finish works on reconstruction of EN-0,4-10 kV started in 2011, with the use of self-holding insulated wires in the following inhabited places of Ivano-Frankivsk region: Verkhovyna TS-162, 58, 283, 63, 225, Brustury of Kosiv district (stage II), Porogy of Bogorodchany district (stage I); to make technical re-equipment of EN-0,4-10 kV with the use of self-holding insulated wires in the following inhabited places of Ivano-Frankivsk region: Verkhovyna TS-66, 178, 241, Bukivets TS-143, 91 of Verkhovyna district and EN 0,4-10 of TREN in Ivano-Frankivsk;

to start technical re-equipment of EN-0,4-10 kV with the use of self-holding insulated wires in the following inhabited places of Ivano-Frankivsk region: Yavoriv of Kosiv district and Bolekhiv.

### Separate topic

#### Reliable electric power supply and white stork protection: civilized conflict solution

Having announced its desire to become the best eco-company (in minimization of harmful influences on the environment), in 2011 PJSC "Prykarpattyaoblenergo" started a complex nature protection program on biovariety preservation called "LELEKA/ Stork". This Program is long-term and complex. It is implemented in different directions: productive, scientific, educational and charitable.

The main directions of actions in terms of the program are as follows:

1. Minimization of the negative influences of the Company's activity on the environment through development of practical actions. Today in the world there is one economically profitable way of protection of the white stork and its nests located on the electric power towers. It lies in the installation of special platforms raising the nest a meter higher over the lines. During examination of the electric lines by the production stations teams of PJSC "Prykarpattyaoblenergo" it was detected and fixed the main locations of the white stork nesting on the territory of Ivano-Frankivsk region. Having studied the experience of the Polish and Ukrainian power engineers from the other companies, the specialists of Technical management developed their methods of platform installation, conducted the training of REN chief engineers. Metal platform installation is executed according to the established schedule and determined methods. In general it is planned to produce about 500 platforms to 2016. During the non-nesting period of 2012 it was installed 108 platforms for nests.

2. Compensation for the damages caused to the environment by support of Rehabilitation centre for wild animals where the birds injured by the current or after the crash into electric power lines are also treated. The Company's partners are Galych national nature park and public ecology organization "Eco-Galych".

3. Introduction of stable development principles through ecological education of the population, especially school children. In the time when storks come back to

Ukraine the power engineers observe how the birds return to their nests renovated during the period of their absence. At the same time the Company decided to involve school children to observation of the white stork population in terms of the educational program "Leleka/ Stork". This is the adapted version of the Polish program "Botsian" started in 2005 with the participation of West-Ukrainian ornithological organization (Lviv). On the 1st of April 2012 on the basis of Galych national nature park, the power engineers initiated the scientific and practical seminar for the Company pedagogic workers and volunteers. Being the volunteers of the program they went to educational institutions of other districts of the region. Their task was to get the school children interested in participation in the educational program "Leleka/ Stork". Thanks to PJSC "Prykarpattyaoblenergo" 8 schools and 2 children's ecology and nature centres of Ivano-Frankivsk region were involved in observation of the birds and scientific information collection. During 2012, 12 teachers and 105 pupils worked upon the program and spent more than a thousand hours on work. The white stork's nests were inventoried in 10 inhabited places in the amount of 62 nests. Following the results of the year PJSC "Prykarpattyaoblenergo" gave awards to the most active participants from Ivano-Frankivsk region and to the winners of the children's creative work contest "Out Stork".

4. Scientific research that serves as the grounds for development of practical decisions and give the possibility to trace the success of the actions taken. PJSC "Prykarpattyaoblenergo" became the subject to cooperation with the State natural museum of NAS of Ukraine for the first time in 2012-2013 in Ukraine, and that's why the expert research "Assessment of the influence of the electric power lines on bird fauna and development of actions for prevention the birds' death and accidents on the electric power lines" is unique. At present time the research on electric power lines (EPL) with the voltage of 110 kV on the station Tlumach-Gorodenka, and on EPL with the voltage of 35 kV on the stations Tlumach-Tlumach, Tlumach-Ozeryany, Ozeryany-Isakiv, Isakiv-Voroniv, Voroniv-Chernelytsya and Chernelytsya-Gorodenka in Tlumach and Gorodenka districts of Ivano-Frankivsk region revealed low level of the birds' death – from 2 birds/10km to 1/ 10 km depending on the research season. Making experimental search of the dead birds on the lines of 10 kV in Tlumach and Gorodenka districts, the ornithologists detected that the birds' death rate is more than 3 birds per kilometer. On the grounds of this research the variety of effective actions will be developed for prevention the birds' death and accidents on the electric power lines.

### 3.2.2 Decrease of electric power loss.

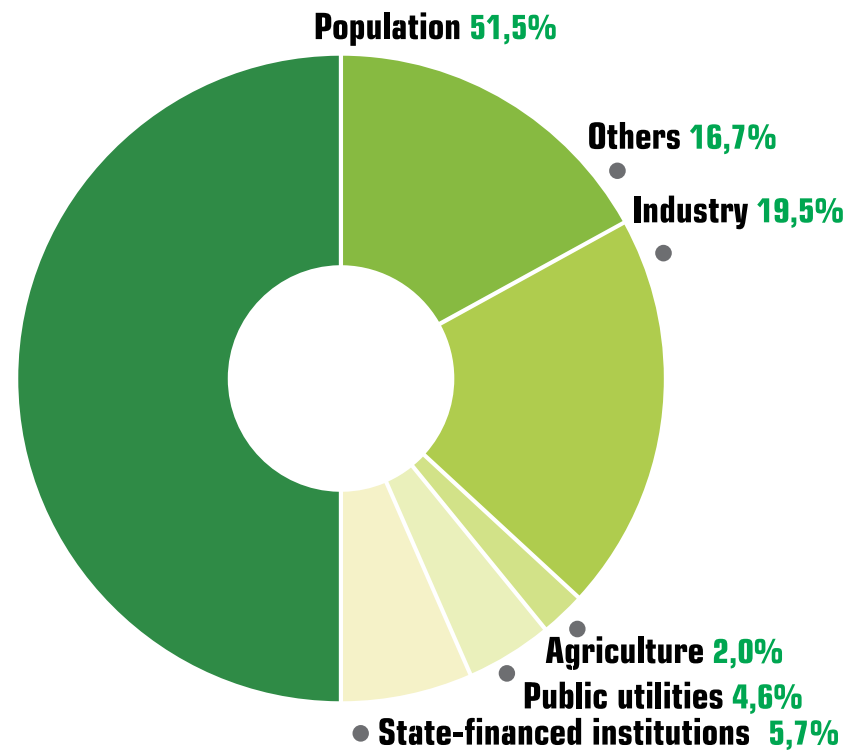
The electric power loss in the electric networks is one of the features reflecting the networks' work efficiency in the most objective way. In particular, the electric power loss level indicates indirectly the condition of control system, and problems connected with electric networks technical condition, or the absence of these problems.

The main strategic targets for commercial loss decrease are to provide control of the consumed electric power and to form net supply of electric power.

The actual electric power loss in 2012 made 336,8 million kW/hour (11,4 %) which is 2,89% less than normative loss.

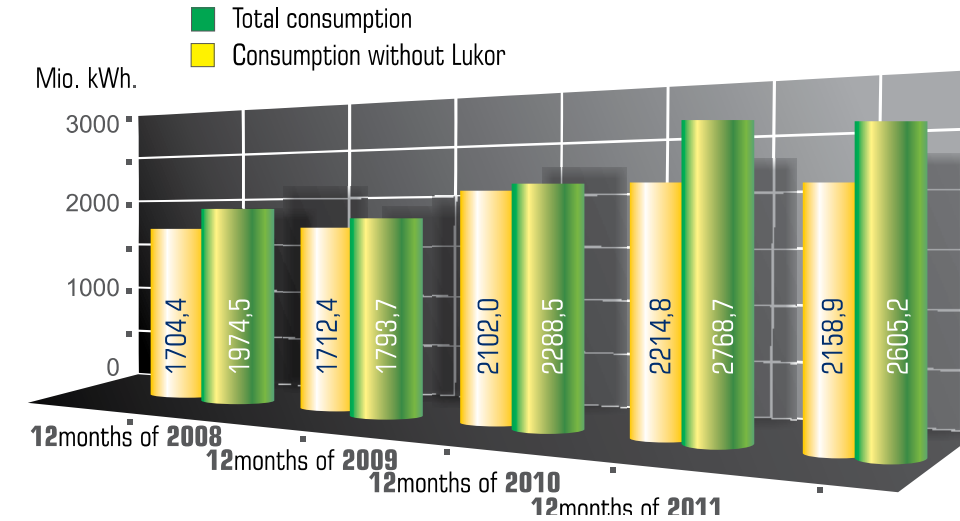
#### The structure of electric power consumption

For 12 months of the year 2012 the electric power consumption of the PJSC "Prykarpattyaoblenergo" consumers made 1 694,3 million kW per hour, which is more than for the correspondent period of the last year by 31,6 million kW per hour (for 12 months of 2011 – 1 662,7 million kW per hour). The most considerable part of consumption falls to the population of the region (51,5%) and industry (19,5%), the lowest part falls to agricultural enterprises (2,0%).



### Electric power net supply

For 12 months of the year 2012 we observe a slight decrease of general electric power net supply to the consumers on the territory of the region in comparison with the previous year.



#### Details

#### Dynamics of the net supply change of national economy's separate branches

For the last 10 years electric power consumption by residential consumers is growing steadily by 5-10% every year. Besides, in comparison with 2002, the part of this category in total net supply to the customers of PJSC "Prykarpattyaoblenergo" has grown from 24,5% to 51,5% and in 2012 it made 872 855 kW per hour. The reasons of this dynamics are both quantitative (gradual increase of number of customers) and qualitative (increase of average consumption volume by the consumers: the use of various household appliances, transfer to electric heating etc.)

On the contrary, for the last 10 years the industrial consumers lost the leading position and their consumption continues to decrease. At compared to 2002, this category's consumption volume became more than 2 times lower: from 788 351 kW per hour in 2002 to 331 152 kW per hour in 2012. The reasons of this are as follows: the transfer of energy-intensive consumers to suppliers upon non-regulated tariff, decrease of industrial production volume in the region, incomplete restoration of the region's economics from the consequences of the economic crisis of 2008-2009 etc.

The biggest consumers in Ivano-Frankivsk region in 2012 in the structure of PJSC “Prykarpattya—blenergo” net supply were:

- “Karpatnaftohim” Ltd.;
- Bogorodchany local operations and maintenance department for main gas pipelines;
- JSC “Ivano-Frankivskcement”;
- “Dolynanaftogas” Oil and Gas Extraction Management Board;
- “Krono-Ukraine” Ltd.

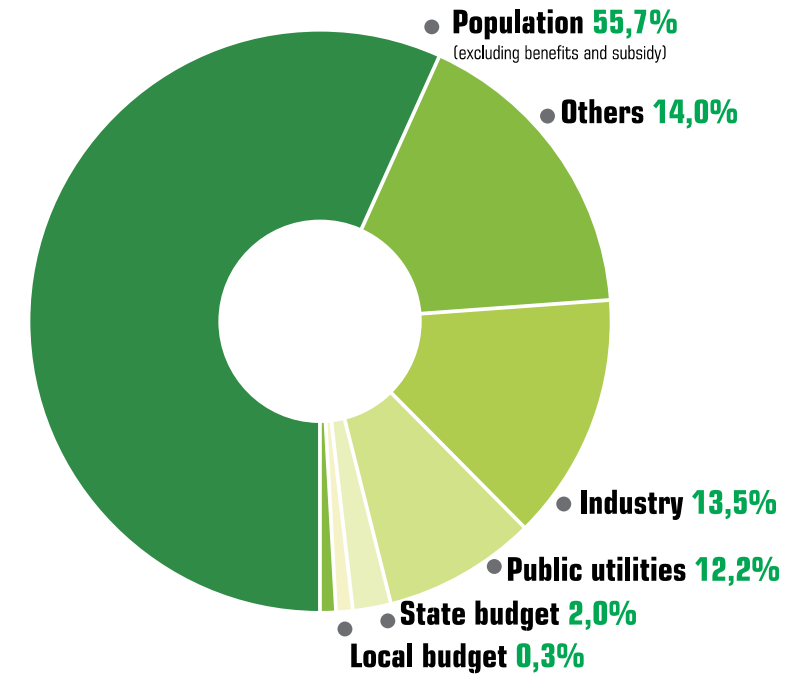
#### Payment for the consumed electricity

For 12 months of the year 2012 the consumers paid for the consumed electricity at the level of 98,9 %.

#### Debt structure for the consumed electricity in terms of main consumers groups (VAT incl.)

Branch	Debt as of 01.01.2012, thousand UAH	Debt as of 01.01.2013, thousand UAH	Increase (+),
1. Industry	7 948	7 037	-911
2. Railway	0	0	0
3. Agriculture	51	155	104
4. Public utilities	5 981	6 339	358
5. State budget	1 404	1 044	-360
6. Local budget	880	1 198	318
7. Population (without reduced payment and subsidy)	22 342	28 984	6642
8. Other consumers, incl. reduced payment for the population	1 632	7 267	5635
subsidy for the population	150	88	-62
<b>Total in region</b>	<b>40 238</b>	<b>52 024</b>	<b>11 786</b>

#### Debt structure for the consumed electricity as of 01.01.2013



#### Separate topic

##### Main objective – to make the service convenient for customers

1. More than 200 consumers – legal consumers were engaged to distant settlements.
2. The possibility of payment for electric power by legal consumers in cash by “PrivatBank” terminals was implemented.
3. The possibilities of informational and payment system of settlements with residential consumers was extended, namely:
  - online payment (immediate credit) in the departments of “PrivatBank”;
  - the possibility of sending of bill-notification on the e-mail of the system user;
  - the users’ possibility to share the information about the system existence via Internet.
4. The automatic dispatcher and technological control systems (ADTCS) of residential consumers was implemented in two more branches “Nadvirna REN”, “Kosiv REN” and the ADTCS equipment level was raised to 7,1% of the total amount of meters.

5. It was implemented the ADTCS for determining of the electric power incoming in the networks of four more branches (Galych REN, Kosiv REN, Snyatyn REN, Kolomyia TREN), and in total - 12 branches were provided with ADTCS of incoming in the networks.

6. The program of feeder analysis of electric networks was brought into operation in the branches of "Ivano-Frankivsk REN" and "Kolomyia TREN".

### Prospective projects of 2013

1. Further implementation in the branches of distant payment service of legal consumers:

- Engaging of 600 consumers to the system;
- Technical task development for setting up of personal consumers' room for ordering of all kinds of services via Internet;

2. Introduction of ADTCS for determination of electric power incoming in 3 (three) branches of PJSC "Prykarpattaoblenergo";

3. Extension of cooperation possibilities with residential consumers, in particular:  
- to introduce online payment with the banks: Savings Bank / Oshchadbank and Idea Bank;

- to make the possibility:
  - a) to receive indices via text-messages;
  - b) to send bills to residential consumers by text messages.

4. The extend the list of modern ways of payment for electric power, in particular:  
- to introduce mobile banking – payment for the consumed electric power by residential consumers from mobile phones.

5. Development of automatic dispatcher and technological control systems for residential consumers.

### 3.2.3. Provision with electric safety

Preservation of the employees' life and safety in the process of work, as well as safety of outside people are the priority targets of PJSC "Prykarpattyaoblenergo". One of the main tasks is to make the service safe for consumers and the enterprise technical staff to the maximum.

For prevention of industrial accidents the company searches the ways of improvement of work protection system. The safety of works in the operating electrical installations shall be reached by the staff's learning of safe work methods, examination of their knowledge in work protection issues, conducting instructions and operative control. One of the efficient means of work protection with the help of which we control the compliance with the safety rules, is holding of Work Protection Day every second Thursday of month.

#### Implementation of international work protection standards

On June 25, 2012 the Company passed the certification on compliance of work protection management system integrated with the current quality management system, with the requirements of the international standard OHSAS 18001:2007. The Work Protection Policy of PJSC "Prykarpattyaoblenergo" was ratified by the Chairman of the Board of Management. The main targets of this Policy are to decrease industrial injuries and prevent fatal accidents, to increase the level of execution of legislative and other regulatory documents on work places, to create proper safe and healthy work conditions and to lower the level of injuries of non-industrial character.

For visual and informative agitation there were posted up the mottos on the buildings of the Company's central office and the branches of Ivano-Frankivsk, Kalush, Dolyna, Rozhnyativ REN. The mottos call for the employees to follow the requirement of work protection rules: "Make safety your life style – prevent industrial injuries", "Life and health – the most important values; take care of safety all the time" and others. Two types of posters for work protection were made and placed in the branches and service centers on the information desks.

#### Injury statistics

In 2012 in PJSC "Prykarpattyaoblenergo" 3 accidents occurred, 2 of which were not the staff's fault. On the Company's electric equipment one fatal accident occurred with an outside person.

### **Prevention of the outside persons' injuries on the Company's equipment.**

It was examined the transformer substations, distribution equipment and other energy objects located on the territory of schools and other educational institutions, and all the detected failures were liquidated: the doors of transformer substations were locked, the safety signs on the electric equipment were renewed.

The submission letters were sent to the directors of educational institutions in November-December, where they were requested to inform about all occurrences of the locks damage and violations of transformer substations development.

### **Details**

#### **Work Protection Day – in a new way**

Such form of work with staff as the Work Protection Day has been conducted on the enterprise in a new way since September, 2012. In the branches it lasts the full working day. In this time the staff shall learn the information about accidents, features of basic industrial activity and regulatory documents on work protection, discuss the violationd elicited in the course of examinations of work places.

On the Work Protection Day there take place practical lessons in working out of safe work execution skills, liquidation of the detected failures and provision with the first aid to injured people. The specialists from other organizations, for example, State Mountain Industrial Inspection, are often invited to hold lectures for the Company's employees. Gradually we create the possibilities to show in each branch educational films and presentations on safety rules, technical maintenance, fire safety and industrial sanitary.

Theoretical and practical lessons are usually held separately for technical, sales and transport staff.

### **Separate topic**

#### **Popularization of electric safety among children**

The program of corporate volunteering "Our super-agent". In 2011 the program of corporate volunteering in the sphere of popularization of electric safety among children was created in the Company.

In 2012 PJSC "Prykarpattyaoblenergo" became the winner of the contest "Corporate volunteering-2011" with the program of corporate volunteering "Our super-

agent" (nomination "Health and sport", category "Big company"). The contest was announced by the Fund Eastern Europe in the partnership with the network of Global agreement of Ukraine, the program "Volunteers of UNO", European Business Association, American Commercial Chamber, the USA Pease Corp and Ukrainian Forum of charity providers. The aim of the contest was to distinguish companies with developed and actively implemented volunteering programs targeted at solution of significant social problems.

In May, 2012 a special lesson on electric safety was held by the power engineers-volunteers with the support of a psychologist for the pupils of Centre of Leisure and Social Adaptation for Young People with Mental Development Defects which operates at the International Charity Fund "Karitas" in Krykhiivtsi village. On this lesson they were shown in practice how to use household electric appliances properly.

- excursions on the enterprise for school children are performed permanently on the teachers' request. In May during the time of educational practice and summer camps at schools it was announced about the season of excursions to the Electrification museum of Prykarpattya. The Company appealed to the City department of education and science with the appropriate letter; the schedule of visiting was developed according to which the excursions were performed for 34 groups (720 school children) to the museum and on the territory of the Company, in particular, to the substation. Physics lessons are also arranged on the basis of isolation service for the pupils of 10-11 forms.

- The traditional action "Meet the summer – remember about safety!". During the summer holidays in children's camps of the region the action "Meet the summer – remember about safety!" was held. In 2012 thanks to volunteers' help the actions took place in 8 camps of Ivano-Frankivsk region: "Perlyna Prydnistrovya" (Gorodenka district, Mykhalche village), "Smerichka" and "Edelveis" (Yaremcha town council, Mykulychyn village), "Druzhba" (Dolyna district, Mala Turya village), "Prykarpatski zori" (Kolomyia district, Sloboda village), "Karpatski zori" (Kosiv), "Opilya" (Rogatyn district, Dobryniv village), "Sokil" (Galych district, Sokil village), health complex "Verkhovyna" (Verkhovyna village) and summer camp at schools in Ivano-Frankivsk. During the interactive game "Energetic express" the children got to know the main requirements of the safety and behaviour rules near electric equipment. In total 1600 children were involved. 8 volunteer teams from 8 REN worked there, as well as specialists from the central office (more than 50 people).



- Electric safety lessons in primary classes. In October-December of 2012 the power engineers-volunteers held 673 electric safety lessons in the schools of Ivano-Frankivsk region for the pupils of 1-4 classes. In the game form on the lesson children learned the safety rules and rules of behaviour near substations and electric power lines, in case of encounter with broken cables and revised the rules of the use of household electric appliances at home. Also the children received books on electric safety and extracts from the Rules of proper behaviour near energetic equipment as presents.

- Distribution of materials on electric safety. In September 2012 a set of 5 warning posters (in total 2 thousand) were issued and left at schools by the volunteers. The thematic "Class timetables" with reminders of the main electric safety rules (in total 5 thousand) were also printed. The newest development was the order of little chocolates with the Volt's image and writings "Follow the electric safety rules" to encourage the most active children.

- Arrangement of cooperation with pedagogic staff is performed through regional and Ivano-Frankivsk city department of education, as well as through school principals directly. In May the company appealed to all school principals of the city with the invitation for cooperation before the summer holidays. In September regional department of education was informed by the letter about the volunteers' activity plans in the 1st half of the academic year of 2012-2013.

### 3.3. Customer-targeting

The customers are the most important value of the enterprise, and provision them with high-quality production, works and service is the Company's main mission.

For the realization of the main strategic target in the sphere of interaction with the consumers the Company works on:

- increase of electric power transmission quality and provision of electric supply reliability;
- upgrade of culture and quality of service rendering.

The aim of the customer-targeting policy in 2012 was to create convenient and comfortable conditions for customers at the interaction with all structural subdivisions of the Company on the basis of single rules which guarantee the equality and accessibility to the service and provide the transparency of these relations.

#### Internet-receptions

Apart from further extension and development of the Customer service centres (CSC) it is planned to introduce the so called Internet receptions which allow interactive communication where not only the customer appeals to the Company with the problem, but the Company itself, understanding the customer's needs, initiates the interaction and reaches the customer.

#### Guide for the future

The main task of the Company for the future is to prevent bad-quality service rendering and provide the consumer with the supply of the high-quality product which shall meet the requirements of regulatory documents and inner standards of the Company.

To solve this task the following shall be done:

- to build the system of communication with the customer;
- to standardize business processes of interaction with customers;
- to monitor and analyse the customers' expectations, and respectively, to adapt the Company's business processes.

## Details

### Customer service centres

At the same time the Customer service centres are opened. These are centres which serve the customers who appealed to our Company directly. In the end of 2012 they were operating on the basis of Galych, Tlumach and Gorodenka branches, and the customer reception centres were opened in Burshtyn, Otyniya and Bolekhiv.

The main functions of these centres are registration of the customers' requests, connection with consumers (receipt/ issue of documents), accounts comparison, examination and execution of documents, advisory services, control of structural subdivisions' task execution to the due date, and report on the customer service.

The work of all the centres is organized according to the principle of "single window". This means when the customer appeals to the centre he/she can get the necessary consultation, execute settlement comparison, receive certificates, register benefits or order any service in one place. The order of any service shall be done through the Customer service centre which guarantees not only high standards of service culture but also quality of the ordered works and their execution to the due date.

### Separate topic

#### Telephone line for the company's consumers

For fulfilment of the main tasks the decision was made concerning the opening in PJSC "Prykarpattyaoblenergo" of a telephone line for electric power consumers of Ivano-Frankivsk region and start of Call Processing Centre (CPC) – a subdivision which serves the customers' telephone calls.

This project is implemented with the aim of increase of the customer service level for provision with free of charge informational and advisory services in telephone mode. All the requests received by the telephone line shall be registered, and the information about the consumers' requests shall be preserved.

The consumers can make a call on the number 0 800 50 40 20 free of charge both from landline phone on the territory of Ukraine, and from mobile phones, or on the number 0 342 59 40 20 – the charge for the calls is determined according to the current tariffs on city or intercity connection.

To improve the communication and the consumers' needs satisfaction in the region's districts, the telephones were installed in all the branches of PJSC "Prykarpattyaoblenergo" near the Consumer information corners. They enable the consumers

to call the hot line directly.

Analysing the topics of requests, the specialists determine the issues which are the most frequently mentioned by the consumers. First of all, it is the electric supply failure, tariffs on electric power, settlements condition, payment procedure for the consumed electric power. Among the frequent questions there also is the procedure of technical specifications obtaining, access to the Company's networks, questions related to electric power quality, distant payment for the electric power etc.

PJSC "Prykarpattyaoblenergo" also introduced automatic readdressing of telephone calls received by the operative and dispatcher group of the Company branches, to the telephone line. The aim of the calls readdressing is first of all to unload dispatchers and relieve them from the need to answer numerous telephone calls. At present time communication with the consumers on the telephone occupies the third of the dispatcher's working hours. Now, thanks to this opportunity, dispatchers can calmly, not being interfered with, execute their direct duties – to solve emergency situations, organize the work of operative service teams, to guarantee their safe activity in electric installations.

In the end of 2012 this centre provided service to the consumers of 15 branches. On average approximately 18 thousand of consumers call the telephone line monthly. For the year it makes about 185 thousand of telephone requests.

### 3.4 Efficient management system

Attention to the management system improvement reflects the Company's desire to take the leading position among energy companies of Ukraine. The main goal in this prospective is introduction of the efficient integrated management system.

#### Strategic management

In 2012 the program product for automation of the balanced indices system – QPR, popular in European counties, was introduced, which allowed the transfer of the system of strategic enterprise management on qualitatively new level.

In general for the previous year the Company managed to execute and to achieve above 80% of the strategic projects and guides which is a good feature and the confirmation of the company's successful work and correctness of choice of the main activity priorities.

In 2013 the operation of "Enterprise development strategies" finishes. That's why the Company plans to determine new strategic targets which will be of priority in the enterprise's activity in 2014-2016. At the same time the main target of the enterprise for the present period is well-known – further increase of reliability of the electric power supply and improvement of the service quality.

#### Project management

In 2012 the Company started works on adaptation of modern managerial instruments – corporate system of project management. The system is developed on the basis of the English standard PRINCE2 and targeted at efficient use of the available resources for achievement of the Company's main strategic targets.

The work of project management system is based on clear rules described in the corporate methodology. For the first quarter of 2013 the first stage of the system introduction is planned, and the complete system development – to the end of 2013.

#### Information technology

For a modern enterprise an efficient management of information resource is first of all the increase of economic efficiency, increase of investment attraction due to improvement of the company's management system. For this reason in 2012 it was developed "The strategy of information technology development for 2013-2017", in the prospective – "Business annexes" and "The system of informational safety management". Due to this a new basis was created for further efficient introduction of information technology in the company, optimizations of expenses on IT and increase of information use effectiveness on the enterprise in general.

As to tactic (short-term) objectives in the sphere of IT development, the successful automation of the process of provision with own transport should be mentioned. Cancellation of manual transport distribution increased the effectiveness of the motor transport use, decreased working efforts in the process of motor transport order and distribution.

In 2012 Service Desk system, an automated management of requests about IT infrastructure failures, was successfully introduced on the enterprise. This decision, which is an integral part of modern developed company, enabled us to improve the quality of inner IT-service and optimize the resource use for IT structure support.

In 2012 Nadvirna and Kosiv branches received high-speed data transmission channels, and in all 17 branches it was introduced the alternate communications channel which essentially improved the reliability of data transmission among the branches and the central office.

#### Details

#### Synergy centre

In 2012 it was completed the introduction of the system of "Synergy Centre" activity management in all the company's branches which gave the opportunity to precipitate the agreement and documents learning and became another step to implementation of the strategic target – "Creation of a single information space". In 2013 the company specialists started the implementation of the actions program for improvement of the electronic document management system, the main aim of which is the individual adjusting of program with employees' needs.

### 3.5 High-qualified and loyal staff

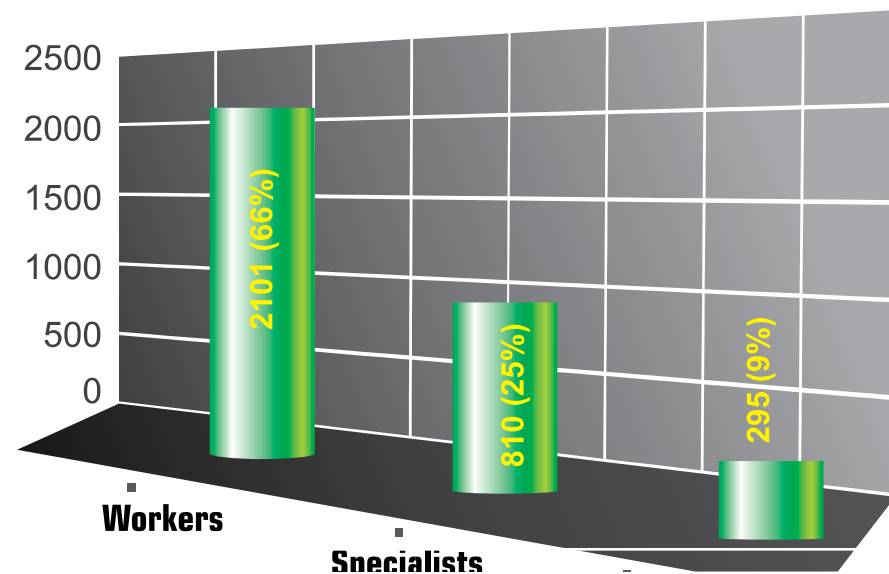
#### Organizational structure of the enterprise

In 2012 PJSC “Prykarpattyaoblenergo” structure included the following manage-ments:

- Technical management;
- Power/electricity supply management;
- Generic issue management;
- Financial management;
- Management subdivision for investment, development and information technolo-gies;
- Labour protection management;
- HR management;
- Legal management;
- Management for protection economic interests;
- Central accounting department

PJSC “Prykarpattyaoblenergo” structure also includes 17 branches in each district of the region. The branches operate without the right of legal entity.

**The structure of the enterprise labour resources**

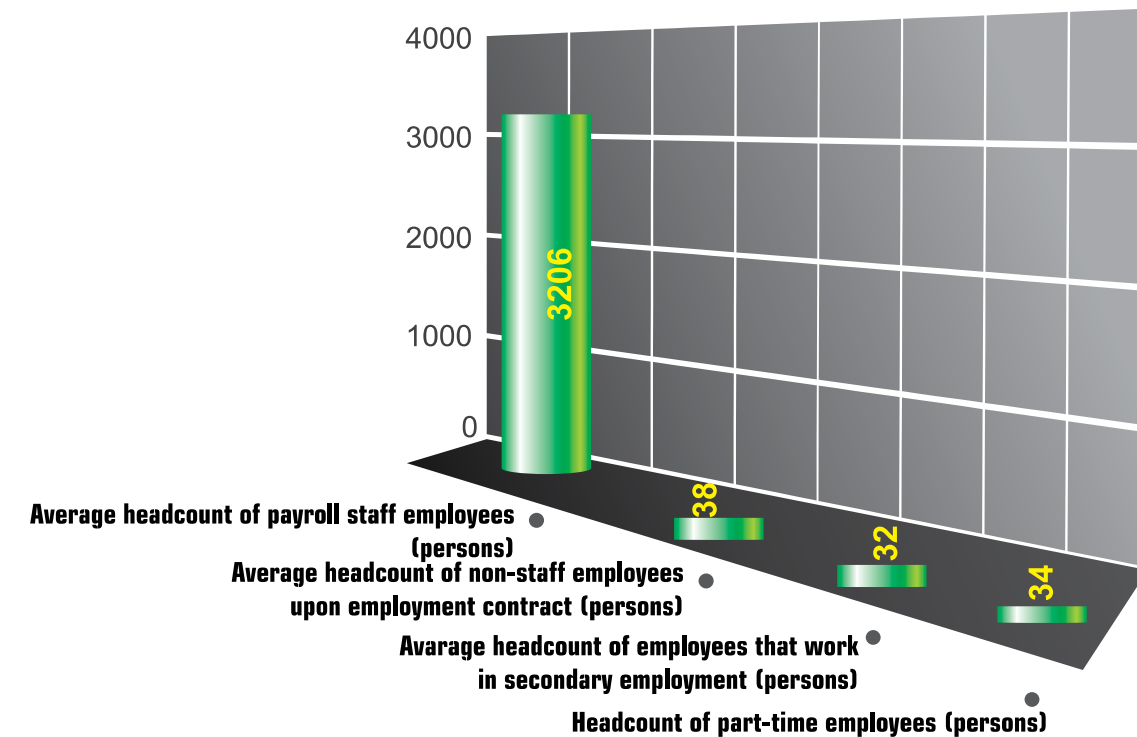


#### The staff peculiarities

In the end of the reported year of 2012 the major part of the company employees (69%) are the people aged 18-45 which is the evidence of the young team that can improve their knowledge quickly, upgrade the qualification level, support and introduce the ideas easily, as well as develop and optimize production processes due to the new energy, new opportunities and prospects.

Due to the new employment technology and efficient methods of staff assessment and selection, HR management continued qualitative selection of qualified staff that complete a probation period successfully, adapt quickly and are result-targeted.

**Information about the employees headcount**



### HR reserve formation

In the course of 2012 HR management completed the project on the company HR reserve formation. Several aims were achieved: successors for managerial HR were selected, the time loss for the candidates search in case of key managers' retirement was minimized, the scheme of the company staff professional growth was developed. At the reserve formation we used the new methods of the employees' personal qualities observation and assessment, and we also took into account the attestation results, medal places taken in the contests "Best in profession" or "The specialist of the year". To the reserve staff we enrolled the employees that bring results, can solve difficult industrial issues professionally on their positions and have potential to be efficient in future.

### Separate topic

#### Initiative centre: we are interested in every idea

For the execution of the Development Strategy of PJSC "Prykarpattyaoblenergo" for 2011-2013 in the Company, we implement the project "Initiative centre" targeted at the employees' initiative stimulation on the issues of business processes improvement. In terms of the project implementation we created permanently operating work group – "Quality project team", the main tasks of which are as follows: to consider improvement offers, to prove the use of their practical implementation and to provide the employees' feedback.

In 2012 the Forum "Initiative Centre" received 610 offers from the company staff, including 456 offers from the branches. The total number of the employees providing the Company with the offers during the year makes 234 persons, 165 out of them are the branch employees. In the end of the year 177 offers were implemented and 113 offers were being implemented.

The most active branches in 2012 were Kolomyia REN, Kosiv REN and Ivano-Frankivsk REN, and among the subdivisions of the central office – Investment management, Development and IT management, Technical management. Among the offers the authors of which were not only awarded with prizes, but also distinguished with special honours, are the following initiatives: "Substation equipment heating", "Transformers with symmetrising windings", "About additional equipment of OBV car", "About the new information system development", "Ordering of reactive and electric power con-

trol", "Data sort in SOUDK", "Devise for automotive reloading of the operation system of telemechanics control points".

The efficient management system anticipates not only informing the staff about the strategic targets, but also the use of the staff's creative potential. At the same time the necessary condition of high productiveness achievement is the staff's loyalty and initiative. The loyalty development lies in formation of positive emotional connection of the employees with the Company ("emotional involvement"). The development and support of the employees' initiative leads to formation of positive environment, the features of which are support of creative initiative and provision with the feedback on each offer, delegation of authorities, clear and just motivation system, atmosphere of credit and mutual respect, possibilities for professional connection.

### Staff training

In the course of 2012 the staff training process was improved, trainings on the directions corresponding to the company's targets were conducted. A series of corporate trainings took place in "Management and administration", "Time management and delegation", issues on new technology of work with staff etc. At the same time the company organized numerous inner and external individual trainings for the employees' professional training and their qualification level upgrade. In the reported year 1356 employees were covered by different training types.

Training process improvement, provision with proper conditions for theoretic and practical lessons conducting is the fundamental principle in the activity of training centre. In fact, in 2012 the office of protection relay and substation electric equipment was renovated and improved, the operating machines for learning of means of complex automation of distribution networks were fully equipped, including the display stand with active mnemonic diagram of distribution networks, devices for search of switch damages. This gave the opportunity to make practical lessons diverse. The new types of lessons were introduced in Lysets practice area.

### Attestation and work payment

To determine the level of qualification, professionalism, knowledge and skills according to "The regulation about staff attestation" in the reported year we conducted attestation of the employees of Central accounting department, informational and advi-

sory service, registrar's office, Information policy department, as well as dispatchers of operative and dispatcher service of the central office, and the attestation of PJSC branch inspectors was started and will be finished in 2013.

The integral part of HR policy development is The Regulation about work payment which determines the system of work payment, structure, salary payment terms and other issues related to work payment of the Company's employees. In the course of 2012 the enterprise reviewed salary increase for three times and in the end of the year the average salary in the enterprise made 3700,00 UAH. The health care allowance was raised by 200 UAH. In October of the reported year the employees received one-time health care allowance in the amount of 800 UAH. On the Power Engineer's Day the company's employees received the bonus in the amount of 40% of the fund which includes the position salary and increment to the position salary.

### Details

#### The Company's social programs

The rate of employment of disabled persons was fulfilled completely according to the requirements of the Law of Ukraine "About the basics of social security of disabled persons in Ukraine", and the Company avoided penal sanctions for one more year in a row.

The collective agreement in 2012 confirmed its efficiency by constant introduction of amendments and alterations targeted at improvement of social actions for the employees.

Apart from "Personal award of the Chairman of the Management Board" which is honoured upon the year results, the new award was created – "The person of the month". This award is given to the best employees upon the monthly results. The company chooses creative, initiative, innovative, active in life position employees despite their work experience in the company, age and position. This award was conferred to both employees of working specialties, and managers, specialists.

### Separate topic

#### The employees' health improvement

The work in this sphere is complex:

- prevention and information program of medical direction (the information is

sent by e-mail); the information stands "Health corner" are installed in the branches, which present the information of medical stations, health care and work protection issues etc.

- we continue cooperation with the Institute of vertebrology and rehabilitation which conducts treatment, prophylaxis and medical rehabilitation of locomotive diseases. This cooperation allows the employees to receive treatment of diseases for 30% of the service cost, as well as to use many other services.

- In January 2012 the company started the work at a new type of social privilege that is medical insurance. This service is provided by "AXA" insurance company. Enterprise administration together with trade-union organization covers expenses connected with the payment of monthly fee for each working employee.

According to the results of the completed project of the strategic plan "Development of actions for decrease of staff illness coefficient" the company started the column "My health" in the magazine "Our affairs", since explanatory work and consultations contribute to the employees' knowledge improvement and their following of all preventive measures supporting satisfactory health condition.

**THE CONCLUSION OF INDEPENDENT AUDITORS  
of “Audit-Service Inc.”  
on financial reporting  
of PJSC “Prykarpattyaoblenergo”**

To General Meeting of PJSC “Prykarpattyaoblenergo”  
To Management of PJSC “Prykarpattyaoblenergo”

Ivano-Frankivsk

March 04, 2013

**Conclusion relating to financial reporting**

**Introduction**

We have audited the consolidated financial reporting of PJSC “Prykarpattyaoblenergo” (hereinafter referred to as “The Company”) which includes the Balance as of December 31, 2012, the Report on financial results, the Report on cash flow, the Report on equity capital for the year which ended till the indicated date, Notes to annual financial reporting, the description of the substantial aspects of accounting policy and other explanatory notes.

**Liability of managerial staff relating to financial reporting**

The managerial staff is liable for drawing up and accurate submission of these financial reports in compliance with National standards (regulations) of accounting, and for such inner control which the managerial staff considers necessary in order to provide drawing up of financial reporting not containing material misstatements in consequence of fraud or mistake.

**Auditor’s liability**

The auditor is liable for passing the opinion concerning this financial reporting on the basis of the results of audit made by us. We have conducted the audit in compliance with International audit standards. These standards require our observation of the corresponding ethical requirements, as well as audit planning and conducting for

reasonable assurance that the financial reporting does not contain material misstatements.

Audit assumes audit procedures fulfillment for obtaining audit evidence concerning sums and disclosure in financial reporting. The choice of procedures depends on the auditor’s assumption including risk assessment of material misstatements in financial reporting in consequence of fraud or mistakes. Assessing these risks the auditor considers inner control measures relating to drawing up and accurate submission of financial reporting by the business entity aiming at development of audit procedures which correspond to the circumstances, and not aiming at passing the opinion concerning the effectiveness of inner control of business entity. Audit also includes the assessment of conformity of accounting policies used, acceptability of accounting estimates fulfilled by the managerial staff, and the estimate of general submission of financial reporting.

We regard that we have obtained reasonable and corresponding audit evidence for our opinion passing.

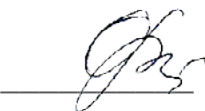
**Passing the opinion**

In our opinion, the consolidated financial reporting truly reflects the financial condition of PJSC “Prykarpattyaoblenergo” in all the substantial aspects as of December 31, 2012, its financial results and cash flow for the year which ended till the indicated date, in compliance with regulatory requirements on accounting and financial reporting organization, legislation of Ukraine, accounting policy of the enterprise.

March 20, 2012

Audit director

(certificate A 000023  
prolonged by the decision of  
Audit Chamber of Ukraine  
of November 29, 2007 No.183/7)

  
V.K. Orlova

Auditor

(certificate A 002553)  
prolonged by the decision of  
Audit Chamber of Ukraine  
of May 21, 2009 No.202/2)

  
Y.D. Vintonyak

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