

APPROVED

by the decision of the Board of Directors of
Joint-Stock Company

“Moscow United Electric Grid Company”

as of April 26th, 2007

(minutes No. 43 as of April 27th, 2007)

CREDIT POLICY REGULATIONS
of Joint-Stock Company
“Moscow United Electric Grid Company”

I. DEFINITIONS USED IN THE TEXT OF THE CURRENT REGULATIONS

<p>“Credit operations”</p>	<p>Transactions of the companies directed to attract the credits, loans, sale/credits avalization, issuance of guaranties, bails, issuance and placement of bonds and other debt securities, leasing transactions and other operations aimed at attraction of the debt capital.</p>
<p>“Guarantees with the high probability of fulfillment” (“GHPF”)</p>	<p>Guarantees given for the nonaffiliated companies (except for the lessors in the amount of the leasing agreements signed with them) or the Companies, belonging to “C” creditability group according to the current Regulations. GHPF are calculated on the basis of STBC and LTBC of the guarantor in accordance with the actual debt reflected in the accounting of the company the guarantee is represented for.</p>
<p>“Short term borrowed capital” (“STBC”)</p>	<p>The amount of Company’s obligations which shall be paid off during 12 months since the reporting date (balance line 690) including GHPF, minus the future periods revenue (balance line 640), future periods reserves and payments (balance line 650), advances received from the consumers for the technological connection services and the accounts payable in the amount of means attracted due to the additional shares issue before the moment of the state registration of the issue results report.</p>
<p>“Long term borrowed capital” (“LTBC”)</p>	<p>Long term loans and credits (balance line 510), GHPF, and all the below-line liabilities on leasing transactions.</p>
<p>“Total borrowed capital» (“TBC”)</p>	<p>Total amount of the long and short term borrowed capital, as well as other long term liabilities (balance line 520)</p>
<p>“Financial leverage” (“FL”)</p>	<p>Financial analysis tool. It is the ratio of the total borrowed capital to the own capital.</p>
<p>“Investment credits and loans”</p>	<p>Transactions directed to the attraction of the long term borrowed capital for the financing of the fixed assets.</p>
<p>“Debt position”</p>	<p>Depending on the context – the Total borrowed capital of the Company, Short term borrowed capital or Long term borrowed capital.</p>
<p>“Project financing”</p>	<p>The organization and attraction of the borrowed financing by the special purpose Company (herein after referred to as “SPC”) affiliated with the Company (in the current context is “Sponsor”) for the investment projects realization (including construction, development and modernization of the Sponsor’s assets) under the future SPC money inflow. Together with this the guarantee or the other security on the borrowed capital attracted by SPC from the Sponsor or other companies belonging to JSC RAO UES of Russia group can be given only for the period before the financed objects shall be put into operation and achievement of the targeted financial goals by SPC. Since the moment the objects have been put into operation as the source of the liabilities redemption of SPC to the creditors, they use the implemented objects, shares/bonds of SPC, agreements for the power, heat and services sale on the basis of the implemented equipment without applying to the Sponsor.</p>

“Complex credit operations”	Transactions directed to the attraction of the borrowed capital with the participation of the several affiliated companies playing the role of the primary borrower, creditor (in the intragroup loan), guarantor and the secondary borrower (in the intragroup loan)
“Quick assets”	Amount of the circulation assets minus the immobilized part.
“Slow assets”	Amount of the fixed assets and the immobilized part of the circulating assets shall be accounted as the difference between the Total assets and the Quick assets.
“Own capital”	Amount of means in the balance section “Capital and reserves” (balance line 490).
“Total assets”	Amount of all lines of the balance sheet assets (balance line 300).
“Total liabilities”	Amount of all lines of the balance sheet liabilities (balance line 700).
“Debt service”	Total borrowed capital assets on account of the accrued interest, all commissions, consulting and other costs directed to the attraction and/or financing organization.
“Current liquidity limit” (“CLL”)	The limit value of the short term borrowed capital over the period of time; it is accounted in the order determined by paragraph 1 of Appendix 1 to the current Regulations
“Financial leverage limit” (“FLL”)	The limit value of the total borrowed capital over the period of time; it is accounted in the order determined by paragraph 2 of Appendix 1 to the current Regulations
“Debt settlement limit” (“DSL”)	The limit value of the long term borrowed capital over the period of time; it is accounted in the order determined by paragraph 3 of Appendix 1 to the current Regulations
“Debt service settlement limit” (“DSSL”)	The limit value of the Total borrowed capital over the period of time; it is accounted in the order determined by paragraph 4 of Appendix 1 to the current Regulations
“Borrowings cost parameters limit” (“BCPL”)	Extreme value of the total costs amount to the borrowed means service, including the interest payments, all commissions, consultation and other costs directed to attraction and/or organization of financing; it is accounted in the order determined in paragraph 3.2 of the current Regulations.
“Limits”	Jointly referred to in the text of the current Regulations as the Current liquidity limit, Financial leverage limit, Debt settlement limit, and Debt service settlement limit.
“Limit target value”	Depending on the context it is the amount of the limits determined by the current Regulations. Within these limits the amount of the Debt position is considered normal.
“Maximum permissible limit value”	Depending on the context it is the amount of the limits determined by the current Regulations. If these limits are exceeded the amount of the Debt position is critical.
“Limit target value correspondence”	Depending on the context, it is the correspondence of the Debt position to the Limit target value determined by the current Regulations.
“Maximum permissible limit value correspondence”	Depending on the context, it is the correspondence of the Debt position to the Maximum permissible limit value determined by the current Regulations.
“Debt position extreme”	Debt position amount, which is equal to the Maximum

value (“DPEV”)	permissible limit value; it is accounted in the order determined by paragraph 1-4 of Appendix 1 to the current Regulations.
“Creditability group”	Credit rating of the company which determines the financial stability of the Company and the Company’s Management authority limit. It is determined according to the Company’s conformity with the Debt position limits.
“Management authority limit”	The rights of the Company’s executive body in accordance with its creditability group ability to carry out credit operations without the preliminary approval of the Board of Directors taking into account the Charter requirements, Legislation and internal documents.
“Future development plan” (“FDP”)	Complex of the Company’s programs, providing the conformity of the Debt position amount to the determined target limits. FDP includes the Company’s business plan for the term before the Debt position level comes in conformity with the Limit target value. The requirements to FDP structure are presented in Appendix 2 to the current Regulations. FDP approved before the current Regulations comes into force is called the Debt position plan normalization (“DPPN”).

II. PRINCIPLES UNDERLYING THE REGULATIONS

2.1. The current Regulations determines the order of Company’s stability and creditability assessment to:

- Determine the Company’s Management authority limit regarding the carrying out of the credit operations;
- Duly start of FDP development.

Simultaneously, the Regulations is the instrument for the account of the Debt position extreme value and the assessment of the possibility of attraction of the investment credits and loans within the framework of the business planning.

According to the Regulations, the Company can belong to one of the creditability groups: “A”, “B” and “C”. The Company belongs to the category of the financially stable groups “A” and “B”, if the Debt position corresponds to Maximum permissible limit value, determined by the current Regulations. The Company being in group “A” or “B” can attract investment capitals and loans, if they do not lead to the group “C” creditability.

Group “C” Company is the Company with the high level of the financial risk and can carry out financial operations only within the approved FDP and the credit plan. Together with that “B” group Company with the FDP realization term, exceeding 1 (One) year, can attract investment credits and loans only on the basis of the Project Financing (paragraph 3.7).

2.2. According to the given Regulations the calculation of the Limits, the Total borrowed capital comprise: Short term borrowed capital and Long term borrowed capital.

Short term borrowed capital shall be directed to the financing of the circulating capital. The management of the Short term borrowed capital is carried out within the framework of the current liquidity management.

The financing of the fixed assets shall be carried out at the account of the Long term borrowed capital with the urgency corresponding to the terms of the payback period of investments and the available conditions at the capital markets. The management of the Long term borrowed capital is carried out taking into account the reliable repayment sources (EBITDA). In comparison with the attraction of the Long term borrowed capital in the form of bank credits the priority is given to the issue of the debt securities (bonds and etc).

Attraction of the Total borrowed capital is possible within the framework of the Debt position extreme value.

2.3. The Company's Debt position has simultaneously the following Limits:

- On the basis of the circulating capital structure (Current liquidity limit);
- On the basis of the liabilities structure (Financial leverage limit);
- On the amount of the operating money flow (Debt settlement limit and Debt service settlement limit).

2.4. According to the results of the quarterly account of the correspondence of the Company's Debt position to the Debt position limits determined in the current Regulations they determine the Company's creditability group. Depending on the creditability group, calculated in accordance with the current Regulations, and in accordance with the credit policy of the Company, they determine the Management authority limit of the Company regarding the credit operations implementation.

2.4.1. Company's correspondence to the Creditability group is carried out in accordance with the conformity of the Company's debt position to the target/maximum limits of the debt position on the basis of the following:

Limit	“A” Group	“B” Group	“C” Group
CLL	Target limit correspondence	Maximum limit correspondence	Maximum limit excess
FLL	Target limit correspondence	Maximum limit correspondence	Maximum limit excess
DSL	Target limit correspondence	Maximum limit correspondence	Maximum limit excess
DSSL	Target limit correspondence	Maximum limit correspondence	Maximum limit excess

The Company belongs to the creditability group the worst value of limits corresponds to.

2.4.2. If according to the data of the latest accounting report of the Company approved by the Federal Tax Service of Russia (FTS) department before the date of the agreement signing within the framework of the correspondent credit organization, the Company belongs to “A” creditability group, the executive body is entitled without approval of the Board of Directors (except for the cases determined in the Charter or legislation) to:

- Sign credit line agreements, separate credit agreements and loan agreements with the banks and other creditors;
- Sign agreements regarding the attraction of the borrowed capital (credit agreements, loan agreements, any other agreements, determining the commercial crediting and etc), which can incur the occurrence of liabilities, expressed in foreign currency (or liabilities which amount is connected to the foreign currency), for the amount not exceeding USD 500 000 (Five hundred thousand) (or its equivalent);
- Sign agreements on undisputable and acceptance-free means write-off from the Company's accounts (except for the bank accounts with the special regime), circulating assets bail agreement, profit and own bills given as a security to credits and loans;
- Issue guarantees (including the aval) or to give the own bills in gage regarding the credits and credit lines, as well as sign the correspondent agreements of

guarantee and bail (together with this the transition of the own bills in gage as means of third party security is not accepted);

- Carry out issuance of the own bills, given as a security to the Company's liabilities.

2.4.3. If according to the data of the latest accounting report of the Company approved by the Federal Tax Service of Russia department before the date of the agreement signing within the framework of the correspondent credit organization, the Company belongs to "B" creditability group, taking into account the separate decisions of the Board of Directors regarding the temporary excess of the Limit (Limits), accepted in accordance with paragraph 3.4.1 of the current Regulations, the executive body is entitled without the approval of the Board of Directors (except for the cases determined in the Charter or legislation) to carry out transactions determined in paragraph 2.4.2

2.4.4. If according to the data of the latest accounting report of the Company approved by the Federal Tax Service of Russia (FTS) department before the date of the agreement signing within the framework of the correspondent credit organization, the Company belongs to "C" creditability group, the executive body is entitled without approval of the Board of Directors (except for the cases determined in the Charter or legislation) to carry out transactions determined in paragraph 2.4.2 only in accordance and within the limits determined by the Credit plan:

2.4.5. The following issues are to be discussed by the Company's Board of Directors:

- Company's attraction of the borrowed funds in the capacity of which recurrency guaranteeing fixed assets are supposed to be used;
- Company's implementation of public loans (in the form of bonds issuance and etc.) and of international financial organizations credits (loans) attraction;
- Company's conclusion of any contracts on attraction of the borrowed capital (credit agreements, loan agreements, any other agreements determining the commercial crediting for the term of more than 2 years and etc) which can incur the liabilities occurrence expressed in foreign currency (or liabilities the size of which is dependent on a foreign currency) for the amount exceeding USD 500 000 (Five hundred thousand) or its equivalent
- Company's conclusion of contracts directed to the attraction of borrowed funds with the use of any other adjudicatory authority except for the legislation of the Russian Federation.
- Transactions conclusion directed to the attraction/organization of the Projects financing
- Company's signing of any purchase and sale contracts belonging to the category of forward, future and option or SWAP ones (above the limits in the determined derivative operations program) or approval of the derivative operations program;
- Credit policy quarterly report consideration not later than 10 working days after FTS approval of the Company's accounting report.

2.5. The activity of the current Regulations does not cover the realization of the Company's credit policy, during the investment projects carrying out for the amount of financing out of means of RAO UES of Russia. The order of the decisions taking regarding the schemes and mechanisms of such projects financing (including the borrowed means attraction) is determined by the separate decision of the Company's Board of Directors.

2.6. In special cases the Debt position limits may not be determined for the Company participating in the complex credit operation. During the implementation of the complex credit operation (with the participation of two or more companies) the limit can be accounted only for the guarantor and/or the other company participating in the transaction and which

Debt position can attract the borrowed capital taking into account the Regulations. Together with this, for the other Companies, participating in the transaction, the rights and liabilities occurred due to the transaction are not accounted during the calculation of Limits. Complex credit operations and the order of their Limits account shall be approved by the Board of Directors in advance

2.7. The determination of the debt loan Limits is carried out at the stage of the Company's business plan making in the order determined by section III "Order of limits determination, guarantee of their conformity to the limits and their excess applications consideration" of the current Regulations.

The data of the accounting report are used to check up the correspondence to the Limits, analysis of the actual state of business in the sphere of the Debt position management and disclosure of the necessity to develop the future development plan or the potential to carry out the investment projects with the use of the additional borrowed means.

III. ORDER OF LIMITS DETERMINATION, GUARANTEE OF THEIR CONFORMITY TO THE LIMITS AND THEIR EXCESS APPLICATIONS CONSIDERATION

3.1. Actually, the Limits determination is based on the provision of the conformity of the Company's Debt position to the Limits. The task of the Company's management is the implementation of the financial and economic activity in such a way so that each reporting date (that is December 31, March 31, June 30 and September 30 of each year) meets the Limits determined by the current Regulations.

3.2. Except for the limits determined in Section II of the current Regulations, within the framework of the debt capital cost decrease and minimization of the interest costs, the Company's Board of Directors once per quarter approves the Borrowings cost parameters limit, within the framework of which the Company carries out the attraction of the borrowed means. Together with this the determined BCPL does not have the retroactive force. Company's attraction of borrowed means exceeding the Borrowings cost parameters limit approved by the Company's Board of Directors is not admissible.

3.3. Company's Debt position Analysis and the order of the Limits Correspondence control implementation.

3.3.1. Limits Correspondence control of the Company's Debt position is carried out on the basis of the actual accounting reporting of the Company, as well as management reporting of the Company.

3.3.2. If Company's management shows the excess of at least one of the Target of Maximum permissible limit values for a reporting date, the Company shall inform the Board of Directors not later than 10 working days prior to such a reporting date.

3.3.3. If the Company did not notify the Board of Directors on the suggested excess of the Debt position Limits, and by the results of the reporting period the amount of the Company's Debt position exceeds at least one of the Target or Maximum permissible limit values, it can be the basis to bring issue by the Company's Board of Directors to apply the sanctions to the Company's Management (up to the consideration of the issue whether the Company's Financial Director meets the requirements of the position occupied in the Company).

3.3.4. If during the calendar year the Company's management 2 (two) times and more informed the Board of Directors on the possible Debt position limits excess, which was not confirmed by the results of the actual accounting statement analysis it can be the basis to bring the issue to the consideration of the Company's Board of Directors to apply the sanctions to the Company's Management.

3.4. Order of acts if the Limits have been exceeded.

3.4.1. If by the results of the forecast analysis carried out by the Company, or the analysis of the Company's Debt position actual amount the Company belongs to creditability group «B»:

- The Company coordinates with the Board of Directors the temporarily Limit (Limits) excess;
- The Company undertakes the responsibility to bring the Company's Debt position to the conformity with all the determined Limits during one calendar year since the reporting date, where the actual Limit (Limits) excess is spotted;
- If by the results of 2 (Two) reporting quarters in a row the actual condition of the Company's Debt position gets worse (that is the excess is increasing (in per cent) of the actual Debt position value over at least one Limit), either by the completion of one calendar year since the reporting date, which fixes the actual Limit (Limits) increase, the conformity of all Target limits is not provided, it can serve as the basis to the issue to the consideration of the Company's Board of Directors to apply the sanctions to the Company's Management.

3.4.2. If by the results of the forecast analysis carried out by the Company, or the analysis of the Company's Debt position actual amount the Company belongs to creditability group «C»:

- During 1 month since the moment of Board of Directors notification on the forecasted Limit (Limits) excess, or since the reporting date which fixed the Limit (Limits) excess (depending on the event that occurred earlier), the Company develops FDP . FDP contents shall meet the requirements of Appendix 2 to the current Regulations;
- The Company provides the full conformity of the business plan to the approved FDP (during the initial business plan approval or its next correction);
- Term of FDP realization is determined individually in each case;
- For the last reporting date of the Future Development plan realization they shall carry out the Conformity of all Targeted meanings of the Limits;
- Company's Board of Directors shall quarterly approve the Credit plan made strictly in accordance with the main FDP scenario;
- Company's attraction of the borrowed means during the term of FDP realization is admissible within the limits determined by the Credit plans, approved by the Company's Board of Directors;
- If for at least one reporting date the actual condition of the Company's Debt is worse than the planned one, (that is the excess (in presents) of the actual Debt position value over at least one Limit is more than the correspondent deviation for the same date, determined by FDP), either by the end of the term of FDP realization the conformance of all Target limits value is not provided, The Company shall not later than 1 (One) month since the moment of the violation detection carry out FDP correction ;
- The approval of the corrected FDP is carried out in the same order as the mentioned above;

- If Company violates the approved FDP more than twice in the calendar year it is the basis for the Company’s Board of Directors to consider the issue to apply the sanctions to the Company’s Management.
- In case of the actual/planned transition of the Company to “C” creditability as a result of temporary excess of Maximum permissible limit value regarding the current liquidity (due to the attraction of the bridge-credits to IPO, bonds issue and the same situations), Company’s Board of Directors can approve the current liquidity temporary limit access for the term of more than 2 quarters in accordance with paragraph 3.4.1. Together with this, since the moment of determination of the temporary assess of CLL, they shall adhere to Maximum permissible other limits value. In this case the development of FDP for the term of the determined temporary excess is not required. If after the end of 2 quarters they did not adhere to the current liquidity Maximum limit, the Company’s Board of Directors has the right to consider the issue to apply the sanctions to the Company’s Management.

3.5. The following materials shall be obligatorily present during the Board of Directors’ submission of the issues regarding the credit operations approval:

- Certificate on the credit operation submitted for approval, including the goals for the borrowed capital attraction;
- Certificate on the Company’s credit portfolio structure (bank-creditors, determined limits, amounts of the attracted credits and loans, terms of issue/redemption, interest rates) according to the results of the last month (if the structure of the credit portfolio is 15% exceeded for the expired period this fact shall be separately determined since the date of the certificate preparation), including the liabilities regarding all the leasing agreements with the determination of their urgency;
- Companies belonging to the creditability groups «B» and «C» on the basis of the actual information or the forecast get the decision of the Board of Directors on the temporarily assess of the Limits (Limit) or the correspondent credit plan;
- Forecasted accounting report on the results of the quarter following the date of the implementation of the submitted for the approval credit operation and the attraction of the borrowed capital with the calculation of the Limits in accordance with the current Regulations.

3.6. The attraction of the investment credits and loans is possible only in the Companies which for the beginning of the planned period belong to creditability groups “A” or “B” in accordance with the current Regulations. Attraction of the investment credits and loans shall be carried out so that in each quarter of the investment period the Company belongs to “A” or “B” creditability group. The given assessment is carried out on the basis of the long term business plan or the forecasted financial moles of the Company, approved by the Company’s Board of Directors.

3.7. For the Companies belonging to the creditability group “C” the attraction of the investment credits and loans is possible on condition of the preliminary FDP approval (which includes the approved investment credits and loans) with the term of realization of more than a year. Exclusively in cases by the decision of the Financial director of the major organization and the Company’s Board of Directors after the correspondent FDP correction with the realization term of more than a year the investment credits and loans can be attracted by the Company, belonging to the creditability group “C”. Otherwise the attraction of the investment credits and loans is possible only through the project company by the scheme of the Project financing.

3.8. The attraction of the credits and loans is carried out for the realization of the investment projects which were approved in the determined order in accordance with the current corporate procedures.

3.9. The decision on Company's implementation of the credit loans (in the form of the bonds issue and etc) and attraction of the credits (loans) of international financial originations is taken by the specially created working group. The decision is taken by the simple majority of votes of the Working group members.

In case of the borrowed means attraction in the form of the public loan the Company carried out the contest selection of the securities issue organizers and the transactions consultants.

Together with this the way of purchase, contest and other documents including the requirement specification for the contest participation. The criteria used during the selection of the securities issue organizers and transactions consultants shall be preliminary coordinated by the Working group.

IV. OTHER CONDITIONS

4.1. Within the framework of the current Regulations on condition of meeting of all the determined limits the Company is allowed to independently carry out the attraction of the borrowed means without the guarantee, or under the following types of guarantees: undisputable and acceptance-free write-off of means from the Company's accounts in the bank (banks), the circulating assets guarantee, profit encumbrance, and own bills gage. In case of the own bills gage the following restriction shall be taken into consideration:

$$N \leq \frac{L}{0,75},$$

where

N – total amount of the principals given to the credit (loan) guarantee;

L – amount of the major debt and the secured credit (loan) interests determined by the credit agreement (loan agreement).

4.2. During the signing of the purchase and sale agreements, belonging to the category of forward, future and option ones or SWAP or the approval of the operation programs with the derivatives, the Company is entitled to carry out their approval by the Board of Directors.

4.3. If the Company carries out the loans the contract documents shall be dawned in accordance with the legal norms and the current Russian Federation law. The use of any other adjudicatory authority except for the legislation of the Russian Federation is subjected to mandatory coordination with the Board of Directors of the Company in each separate case.

DEBT POSITION LIMITS CALCULATION METHODS

The initial data for limits calculation is accounting data and company’s accounting report, prepared according to Russian Accounting Standards with the structure defined by Russian Federation normative documents for accounting and financial reporting. These are the Federal Accounting law (as amended and supplemented) and accounting regulations ratified by Ministry of Finance of the Russian Federation normative documents. With accounting report forms analysis the Regulations require calculations on the basis of Company’s business plans and financial models in the case of their approval.

1. Current liquidity limit (“CLL”)

Balance liquidity should be kept up for financial stability provision. Balance liquidity is an extension to which a Company’s liabilities are covered by its assets and the period of turning assets into cash is equal to the period of liabilities repayments.

In case this condition is violated there is a situation when the Company is not able to repay to creditors (banks, suppliers, contractors and etc.) in the frame of its liabilities by means of quick assets realization. In its turn it can trigger the necessity for the part of assets or fixed assets sales with losses.

Correspondently **Current liquidity target limit** is set to Short term borrowed capital. Current liquidity target limit is defined by the following means:

The amount of Short term borrowed capital shouldn’t exceed the Quick assets general sum divided by one and half.

Current liquidity calculation

$$\text{Limit} = \text{QA} / 1,5 = (\text{CA} - \text{LTR}) / 1,5$$

QA – Quick assets;

CA – Current assets (page 290 of the balance sheet);

LTR – Long-term receivables (page 230 of the balance sheet).

The Company’s debt position corresponds to the Target limit in case there is an imbalance:

$$\text{STBC} \leq (\text{CA} - \text{LTR}) / 1,5$$

If during particular periods the amount of Short term borrowed capital exceeds the Target limit, **Maximum permissible limit** for current liquidity is set which is defined by the following means:

The amount of Company's Short term borrowed capital shouldn't exceed the Quick assets general sum.

The Company's Debt position corresponds to Maximum permissible limit value in case there is an imbalance:

$$STBC \leq (QA - LTR)$$

Maximum permissible limit is used:

- as an interim Limit when the Company's management should provide the further Short term borrowed capital decrease to the Target limit level. Meanwhile Debt position extreme value is observed and Short term borrowed capital doesn't exceed the Quick assets sum.
- in case of evaluation of necessity for FDP development and approval.

2. Financial leverage limit ("FLL")

To provide the Company's financial independence Financial leverage limit application is necessary. For this reason Total borrowed capital can exceed Own capital no more than one and a half times.

According to above mentioned correlation **Financial leverage target limit** is set to Total borrowed capital. Financial leverage target limit is defined by the following means:

- The amount of Total borrowed capital shouldn't exceed the amount of Own capital;
- The Company should have Net profit during the last four quarters.

Financial leverage limit calculation

$$\text{Limit} = \text{OC}$$

The debt position corresponds to Target limit if there is an imbalance:

- **TBC ≤ OC;**
- **The Company has Net profit during four quarters previous to the last reporting date.**

If during particular periods the amount of Total borrowed capital exceeds the Target limit, **Maximum permissible limit for financial leverage** is set which is defined by the following means:

- The amount of Total borrowed capital shouldn't exceed the amount of Own capital more

than one and a half times.

- The Company shouldn't have Net profit for the last four quarters.

The Company's debt position corresponds to Maximum permissible limit value if there is an imbalance:

- **$TBC \leq OC * 1,5$;**
- **The Company has Net profit during four quarters previous to the last reporting date.**

Maximum permissible limit is used:

- as an interim limit when the Company's management should provide the further Total borrowed capital decrease to the Target limit level.
- to define the Company's ability to obtain investment credits and loans
- in case of evaluation of necessity for FDP development and approval.

Consequently The Company's Financial leverage extreme value doesn't depend on assets' structure and shouldn't exceed 1,5 (one-half). The Company's Financial leverage extreme value is possible due to the condition that the Company forms minimum profitability which allows to cover liabilities' interests costs.

With this condition not provided, the amount of Own Capital decreases in the general sum of financing sources, the balance sheet gets worse and consequently the Company's risk of inability to repay current liabilities increases. Simultaneously in case of low or negative assets profitability, Total borrowed capital strengthening means Own capital "eating".

3. Debt settlement limit (DSL)

This limit application is triggered by the necessity to provide Company's financial solvency – the Company's ability to operate and repay Long term borrowed capital liabilities to full extend by means of operation cash flow and denying additional assets realization. Meanwhile the Company, unable to repay Long term borrowed capital, will lose its creditability and a moment can occur when the Company will not be able to refinance old liabilities.

Operation cash flow (EBITDA) is the main source for Long term borrowed capital operation and repayment. Herewith the Company can turn to liabilities refinancing till there is a possibility to repay by means of Operation cash flow within a reasonable time.

Fixed assets financing should be made by means of Long term borrowed capital with maturity which at most corresponds to investments payback period and capital market accessible conditions. If for this purpose Short term borrowed capital is used the Company decreases its creditability and Current liquidity limit gets worse. To maximize debt position the Company should finance fixed assets by means of Long term borrowed capital.

Correspondently **Debt settlement target limit** is set to the amount of Long term borrowed capital, defined by the following means:

The amount of Long term borrowed capital shouldn't exceed 3 EBITDA during the last four quarters.

If this condition is not provided the Company's creditability decreases, debt financing cost increases, Long term borrowed capital liabilities refinancing gets more complicated. It results in higher risk for compulsory realization assets (both quick and slow assets) and the loss of financial solvency.

Debt settlement limit calculation:

$$\text{Limit} = \text{EBITDA} * 3$$

The Company's debt position corresponds to Limit target value in case there is an imbalance:

$\text{LTBC} \leq \frac{\text{EBITDA} *}{3}$
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EBITDA calculation is made by the following means:

$$\text{EBITDA} = \text{NP} + \text{IP} + \text{PT} + \text{Deprec.}$$

EBITDA – Operation cash flow

NP – Net Profit (page 190 Form № 2) during 4 (four) quarters previous to the last reporting date.

IP – Interest Payable (page 70 Form № 2) during 4 (four) quarters previous to the last reporting date.

PT – Profit Tax and other analogous compulsory payments (page 150 form № 2) during 4 (four) quarters previous to the last reporting date.

Depreciation – depreciation calculations (page 740 form № 5) during 4 (four) quarters previous to the last reporting date.

Whereas accumulated indices of financial and operational activities are put into Profit and loss statement, the following methods can be used to calculate such financial indices as Net profit, Interest Payable and Profit Tax for 4 (four) quarters previous to the last reporting date:

- 1) Financial index value for the previous year is added to Financial index value on the current year reporting date and then Financial index value on the same previous year reporting date is subtracted.
- 2) In case there are no accounting report indices for the last 4 quarters Financial index value can be calculated by means of extrapolation (the last quarter index is divided by the corresponding quantity of quarters and multiplied by 4)

Depreciation calculation for 1st, 2^d, and 3^d quarters is made on the basis of accounting data.

In case 3 EBITDA during 4 (four) quarters previous to the last reporting date is not enough to cover debt, **Debt settlement maximum permissible limit** is set, defined by the following means:

The amount of Long term borrowed capital shouldn't exceed 4 EBITDA for the last four quarters.
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The Company's debt position corresponds to Maximum permissible limit value in case there is an imbalance:

$$\text{LTBC} \leq \text{EBITDA} * 4$$

Maximum permissible limit is used:

- as an interim Limit when the Company's management should provide the further Long term borrowed capital decrease to the Target limit level.
- to define the Company's ability to obtain investment credits and loans
- in case of evaluation of necessity for FDP development and approval.

4. Debt service settlement limit (DSSL)

This limit regulates Company's interest load. Whereas prolongation or refinancing the principal amount of the debt can be explained by Company's financial plans changes or temporary difficulties, interest repayment obligations violation is a significant mark of the Company's real default.

Correspondently **Debt service settlement target limit** is set to the amount of Company's Total borrowed capital though debt service which is defined by the following means:

The amount of Debt service shouldn't exceed 1/4 EBITDA for the last four quarters.

With this condition not provided, the Company's financial solvency decreases and the risk of bankruptcy arises.

Debt service settlement limit calculation:

$$\text{Limit} = \text{EBITDA} / 4$$

The Company's debt position corresponds to Limit target value in case there is an imbalance:

$$\text{Debt service} \leq \text{EBITDA} / 4$$

In case 1/4 EBITDA during 4 (four) quarters previous to the last reporting date is not enough to cover debt service, **Debt service settlement maximum permissible limit** is set, defined by the following means:

The amount of Debt service shouldn't exceed 1/3 EBITDA for the last four quarters.

$$\text{Maximum permissible limit value} = \text{EBITDA} / 3$$

The Company's debt position corresponds to Maximum permissible limit value in case there is an imbalance:

$$\text{Debt service} \leq \text{EBITDA} / 3$$

Maximum permissible limit is used:

- as an interim Limit when the Company's management should provide the further Total borrowed capital decrease to the Target limit level or Debt service decrease.
- to define the Company's ability to obtain investment credits and loans
- in case of evaluation of necessity for FDP development and approval.

In consideration of the fact that simultaneously Current liquidity limit, Financial leverage limit, Debt settlement limit and Debt service settlement limit are set to the Company's Debt position the following conditions should be observed:

$$\left\{ \begin{array}{l} \mathbf{STBC} \leq \mathbf{CLL}; \\ \mathbf{TBC} \leq \mathbf{FLL}; \\ \mathbf{LTBC} \leq \mathbf{DSL}; \\ \mathbf{Debt Service} \leq \mathbf{DSSL}. \end{array} \right.$$

FUTURE DEVELOPMENT PLAN STRUCTURE

Future development plan includes:

- Section 1 (“Current condition”). Description of the economy current condition (including tariffs), Company’s financial and economic activity and the major reasons of Maximum permissible limit value violation;
- Section 2 (“Activities plan”). Description of the plan of activities, providing the correspondence of the Company’s Debt position to the Limits target values;
- Section 3 (“Financial plan”). Financial plan in the Business plan form.

Activities plan shall include the following sections:

- Costs management plan;
- Circulating assets management plan (accounts receivable requisition, storage management and etc.);
- Liabilities reconstruction/refinancing plan;
- Plan of the assets realization and the other property management;
- Activities directed to the technological productivity increase;
- Organization activities and other.

Notes:

1. Future development plan (and, correspondently each its constituent part) shall comprise the period of time up to the moment the guarantee of Company’s Debt position is compliant to all target meanings of the Limits.
2. Future development plan (and, correspondently each its constituent part) shall be made up in accordance with three scenarios (optimistic, pessimistic and moderate), as well as contain the detailed description of regulation on the basis of which the scenarios are made. Together with this, the main scenario should be chosen. It should describe the reasons of its choice (detailed possibility assessment). Credit plan is developed on the basis of the main scenario.