

APPROVED
by Resolution of the Board of
Directors
of JSC “Moscow United Electric
Grid Company”
dd. 07.11.2013
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PROVISION
ON CREDIT POLICY
of JSC “Moscow United Electric Grid Company”

2013.

I. Definitions, used in the text of the present Provision

“the Company”	JSC “MOESK”
“Credit operations”	Transactions on attraction of credits, loans, sale / avalization of bills, guaranties issue, pledges, issue and placement of bonds and other debt securities, leasing transactions and other operations on raising of borrowed capital
“Guarantees with high execution probability” (“GHE”)	Guarantees, given for non-affiliated companies (except for lessors to the extent of leasing agreements, concluded with them) or companies, which refer according to the present Provision to Creditability Group “B”. GHE are taken into account in calculation of STBC and LTBC of guarantor according to actual indebtedness, reflected in the company’s accounting, for which guarantee is given
“Short-term borrowed capital” (“STBC”)	Amount of the Company’s liabilities, subject to redemption during 12 months from the reporting date (line 1500 of Form # 1 of accounting reporting), including GHE, minus incomes of future periods (line 1530 of Form # 1 of accounting reporting), reserves for future expenses and payments (line 1540 of Form # 1 of accounting reporting), advance payments, received from consumers for services of grid connection, and accounts payable to the extent of assets, attracted from additional shares emission, before the date of state registration of report on emission results
“Long-term borrowed capital” (LTBC”)	Loan-term loans and credits (line 1410 of Form # 1 of accounting reporting), GHE, as well as all contingent liabilities on leasing transactions
“Total borrowed capital” (“BC”)	Total amount of Short-term and Long-term borrowed capital, as well as other long-term liabilities (line 1450 of Form # 1 of accounting reporting)
“Financial leverage” (“FL”)	Financial analysis tool; represents ratio of total borrowed capital to own
“Investment credits and loans”	Transactions on attraction of long-term borrowed capital for financing of non-current assets
“Debt position”	Depending on context Total borrowed capital, Short-

	term borrowed capital or Long-term borrowed capital
“Project financing”	Organization and attraction by special purpose entity (further named as “SPE”), affiliated with the Company (“Sponsor” in this context), of debt financing for investment projects realization (including construction, enlargement and modernization of Sponsor’s assets) under future cash receipts of SPE. Herewith guarantee or other security of borrowed capital, attracted by SPE from Sponsor or other companies, which are included in group of JSC “Russian Grids”, can be given only for the period until putting into operation of financed objects and SPE’s achievement of target financial indicators. From the moment of putting of objects into operation as security of execution and source of SPE’s liabilities redemption before creditors the introduced objects, shares / stakes of SPE, agreements for electric power, heat or services sale are used on the ground of introduced equipment without reference to Sponsor
“Complex credit operations”	Transactions on attraction of borrowed capital with participation of several affiliated companies, acting as primary borrower, creditor (in inter-group loan), guarantor, secondary borrower (in inter-group loan)
“Own capital” (“OC”)	Sum of assets in section “Capital and reserves” of Form # 1 of accounting reporting (line 1300 of Form # 1 of accounting reporting)
“Total assets”	Sum of all lines of section “Assets” of Form # 1 of accounting reporting (line 1600 of Form # 1 of accounting reporting)
“Total liabilities”	Sum of all lines of section “Liabilities” of Form # 1 of accounting reporting (line 1700 of Form # 1 of accounting reporting)
“Debt servicing” (“DS”)	Payments on Total borrowed capital on account of accrued interests, all commission, consultative and other expenses on attraction and/or organization of financing for 4 (four) quarters, preceding the last reporting date
“Limit on medium-term liquidity” (“LMTL”)	Marginal value of short-term borrowed capital for the period of time; is calculated in the order, stipulated by cl. 1 of Appendix 1 to the present Provision
“Limit on financial leverage” (“LFL”)	Marginal value of total borrowed capital for the period of time; is calculated in the order, stipulated by cl. 2 of Appendix 1 to the present Provision

“Limit on settlement of debt” (“LSD”)	Marginal value of long-term borrowed capital for the period of time; is calculated in the order, stipulated by cl. 3 of Appendix 1 to the present Provision
“Limit on settlement of debt servicing” (“LSDS”)	Marginal value of total borrowed capital for the period of time; is calculated in the order, stipulated by cl. 4 of Appendix 1 to the present Provision
“Limit of cost parameters of borrowings” (“LCPB”)	Marginal value of total amount of expenses for servicing of borrowed assets, including interest payments, all commission, consultative and other expenses on attraction and/or organization of financing; is determined in the order, stipulated by cl. 3.2. of the present Provision
“Limits”	Collectively referred in the text of the present Provision Limit on medium-term liquidity, Limit on financial leverage, Limit on settlement of debt, Limit on settlement of debt servicing
“Target value of Limit”	Depending on context, value of Limits, set by the present Provision, in the frames of which amount of Debt position is considered to be allowed
“Maximally allowed value of Limit”	Depending on context, value of Limits, set by the present Provision, while excess of which value of Debt position is considered to be critical
“Correspondence to Target value of Limit”	Depending on context, correspondence of value of Debt position to Target value of Limits, set by the present Provision
“Correspondence to Maximally allowed value of Limit”	Depending on context, correspondence of value of Debt position to Maximally allowed value of Limits, set by the present Provision
“Marginal value of Debt position” (“MVDP”)	Value of Debt position, which corresponds to Maximally allowed value of Limits; is calculated in the order, stipulated by cl.cl. 1-4 of Appendix 1 to the present Provision
“Creditability group”	Credit rating of the Company, which determines the Company’s financial stability and limit of powers of the Company’s management. Is determined depending on correspondence of the Company to the set Limits of Debt position
“Limit of management powers”	Rights of the Company’s executive body depending on its Creditability group to execute credit operations without preliminary approval of the Board of Directors

	taking into account requirements of the Charter, legislation of the Russian Federation and internal documents
“Prospective development plan” (“PDP”)	Complex of the Company’s programs, which provide bringing of amount of its Debt position into conformity with the set Target Limits. PDP includes business-model of the Company for a term till bringing of the level of Debt position into conformity with Target values of Limits. Requirements to PDP structure are stipulated in Appendix 2 to the present Provision

II. Principles, which form the basis of the Provision

2.1. The present Provision on credit policy of JSC “MOESK” (further named as – the Provision) determines assessment procedure of financial stability and creditability of the Company for:

- determination of Limit of the Company’s management powers on execution of credit operations;
- due initiations of PDP working out.

Simultaneously the Provision is a tool of calculation of Marginal value of the Company’s Debt position and assessment of possibility of attraction of investment credits and loans in the frames of business-planning.

According to the Provision the Company can refer to one of creditability groups: “A”, “B” and “C”. The Company refers to category of financially stable groups “A” and “B”, if Debt position corresponds to Maximally allowed values of Limits, set by the Provision. The Company, situated in group “A” or “B” can attract investment credits and loans, which do not lead to transference to Creditability group “C”.

The Company of group “C” is the company with high level of financial risk and can carry out Credit operations only in the frames of approved PDP and credit plan.

2.2. While calculation of Limits due to the Provision from Total borrowed capital there are defined: Short-term borrowed capital and Long-term borrowed capital.

Short-term borrowed capital should be allocated for financing of current capital. Management of Short-term borrowed capital is carried out in the frames of liquidity management.

Financing of non-current assets should be carried out at the expense of Long-term borrowed capital with urgency which is maximally correspondent to terms of return on investments and accessible conditions at capital markets. Management of Long-term borrowed capital is carried out taking into account availability of adequate redemption sources (EBITDA). In comparison with attraction of Long-term borrowed capital in the form of bank credits the priority is given to the issue of debt securities (bonds, etc.).

Attraction of Total borrowed capital is possible in the frames of Marginal value of debt position.

2.3. The following Limits are simultaneously set on the Company’s Debt position:

- on the basis of current capital structure (Limit on middle-term liquidity);
- on the basis of liabilities structure (Limit on financial leverage);
- on the basis of amount of cash flow from operations (Limit on settlement of debt and Limit on settlement of debt servicing).

2.4. According to the results of quarterly calculation of correspondence of the Company’s Debt position to the Limits of debt position, set in the Provision, the Company’s Creditability group is determined. Depending on Creditability group, calculated according to the Provision, Limit of the Company’s management powers on execution of credit operations is determined.

2.4.1. Reference of the Company to Creditability group is carried out depending on correspondence of the Company's Debt position to target / maximal Limits of debt position on the ground of the following method:

Limit	Group "A"	Group "B"	Group "C"
LMTL	Correspondence to Target limit	Correspondence to Maximal limit	Excess of Maximal limit
LFL	Correspondence to Target limit	Correspondence to Maximal limit	Excess of Maximal limit
LSD	Correspondence to Target limit	Correspondence to Maximal limit	Excess of Maximal limit
LSDS	Correspondence to Target limit	Correspondence to Maximal limit	Excess of Maximal limit

The Company refers to that Creditability group, to which the worst of Limits' values corresponds to.

2.4.2. In case if according to data of the last accounting reporting of the Company, accepted by department of FTS of the Russian Federation before the date of agreement signing in the frames of the relevant credit operation, the Company refers to creditability group "A", the Company's sole executive body is entitled without approval of the Board of Directors (except for the cases, stipulated in the Charter or legislation of the Russian Federation) to sign credit line agreements, separate credit agreements and loan agreements with banks and other creditors.

2.4.3. In case if according to data of the last accounting reporting of the Company, accepted by department of FTS of the Russian Federation before the date of agreement signing in the frames of the relevant credit operation, the Company refers to creditability group "B", taking into account single resolutions of the Company's Board of Directors on approval of temporary excesses of Limit (Limits), passed according to cl. 3.4.1. of the Provision, sole executive body is entitled without approval of the Board of Directors (except for the cases, stipulated in the Charter or legislation of the Russian Federation) to execute transactions, stated in cl. 2.4.2.

2.4.4. In case if according to data of the last accounting reporting of the Company, accepted by department of FTS of the Russian Federation before the date of agreement signing in the frames of the relevant credit operation, the Company refers to creditability group "C", sole executive body is entitled without approval of the Board of Directors (except for the cases, stipulated in the Charter or legislation of the Russian Federation) to execute transactions, stated in cl. 2.4.2., only in conformity and within the limits, stipulated by Credit plan.

2.4.5. The following issues are necessarily put for consideration of the Company's Board of Directors:

- on attraction by the Company of borrowed assets, as a security of which recoverability it is supposed to use non-current assets;
- on execution by the Company of public borrowings (in the form of obligations issue, etc.) and attraction of credits (loans) of international financial organizations;
- on conclusion by the Company of agreements on attraction of borrowed capital (credit agreements, loan agreements, any other agreements,

which stipulate commercial lending, etc.), which can result in liabilities occurrence, expressed in foreign currency (or liabilities, amount of which is tied to foreign currency);

- on conclusion by the Company of agreements on attraction of borrowed assets with the use of law of any other jurisdiction except for legislation of the Russian Federation;
- on conclusion of transactions on attraction / organization of Project financing;
- on conclusion / sale and purchase by the Company of any contracts, which refer to the category of forward, future, option or SWAP (in excess of limits in the approved program of operations with derivatives) or approval of program of operations with derivatives;
- on consideration of quarterly report on credit policy not later than 10 working days after acceptance by FTS of the Russian Federation of the Company's accounting reporting, in case if the Company refers to creditability group "B" or "C" according to data of the last accounting reporting of the Company.

2.5. In special cases Limits of debt position can be not set for the Company, which participates in Complex credit operation. While realization of Complex credit operation (with participation of two or more companies) limit can be calculated only for the guarantor and/or other company, which participates in transaction and which Debt position with account for the Provision allows to attract borrowed capital. Herewith for other companies, which participate in transaction, rights and obligations, which occur in connection with the transaction, are not taken into account while Limits calculation. Complex credit operations and procedure of calculation of Limits on them should be preliminarily approved by the Board of Directors.

2.6. Settlement of Limits of debt load is carried out at the stage of the Company's business-plan drawing-up in the order, stipulated by Section III of the Provision.

Data of accounting reporting are used for test of compliance with Limits, analysis of actual state of affairs in the sphere of Debt position management and determination of necessity to work out Prospective development plan or potential for execution of investment programs with the use of additional borrowed assets.

III. Procedure of Limits setting, securing of Conformance with Limits and consideration of applications for their excess

3.1. Limits setting actually is a securing of Conformance of the Company's Debt position with Limits. Goal of the Company's management is execution of financial and economic activity in such way, that as of each reporting date (id est December, 31st, March, 31st, June, 30th and September 30th of each year) Limits, set by the Provision are observed.

3.2. Except for Limits, stipulated in Section II of the Provision, in order to reduce cost of borrowed capital and minimize interest expenses the Company's Board of Directors not more than 1 time per quarter approves Limit of cost parameters of borrowing, in the frames of which the Company performs attraction of borrowed assets. Herewith the set LCPB does not have retroactive effect. Attraction by the Company of borrowed assets with the excess of Limit of cost parameters of borrowing, approved by the Company's Board of Directors, is not allowed.

3.3. Analysis of the Company's Debt position and procedure of control execution over Conformance with Limits

3.3.1. Control of the Company's Debt position's Conformance with the set Limits is carried out on the ground of actual accounting reporting of the Company.

3.3.2. In case if the Company's management forecasts excess of at least one of Target or Maximally allowed Limits as of any reporting date, the Company informs about that the Board of Directors not later than 10 working days before such reporting date.

3.3.3. In case if the Company does not inform the Board of Directors about supposed excess of Limits of Debt position, and due to results of the reporting period value of the Company's Debt position exceeds at least one of Target of Maximally allowed Limits, it can serve as a ground for putting for the Board of Directors' consideration of the issue on use of sanctions towards the Company's management.

3.3.4. In case if during one calendar year the Company's management has informed 2 (two) or more times the Board of Directors on possible excess of Limits of Debt position, which were not proved due to results of analysis of actual accounting reporting, it can be ground for putting for consideration by the Board of Directors of the issue on use of sanctions towards the Company's management.

3.4. Rules of procedure while Limits excess

3.4.1. In case if according to results of forecast analysis, executed by the Company, or analysis of actual value of the Company's Debt position, it refers to Creditability group "B":

- the Company agrees temporary excess of Limit (Limits) with the Board of Directors;
- the Company is laid responsibility for bringing of the Company's Debt position in Conformance with all set Limits during one calendar year from the reporting date, as of which actual excess of Limit (Limits) is determined:

- In case if according to results of 2 (Two) reporting quarters in a row actual state of the Company's Debt position is worsening (id est excess (in per cent) of actual value of Debt position over one of the Limits increases), or upon expiration of one calendar year from the reporting date, as of which actual excess of Limit (Limits) was determined, Observation of all Target Limits is not secured, it can be ground for putting to the Board of Directors of the issue on use of sanctions towards the Company's management.

3.4.2. In case if according to results of forecast analysis, executed by the Company, or analysis of actual value of Debt position the Company refers to Creditability group "C":

- during 1 month from the moment of notification of the Board of Directors on forecasted excess of Limit (Limits), or from the reporting date, as of which excess of Limit (Limits) was determined (depending on what occurred earlier), the Company works out PDP. Content of PDP should conform with the requirements of Appendix 2 to the Provision:
- PDP is approved by the Board of Directors;
- the Company provides bringing of Business-plan in full conformity with the approved PDP (at initial approval of Business-plan or its next adjustment);
- term of PDP's realization is set individually in each case;
- as of the last reporting date of PDP's realization period Observation of all Target values of limits should be provided;
- responsibility for PDP's realization is laid on the Company's sole executive body;
- the Board of Directors approves quarterly Credit plan, drawn up according to the main PDP's scenario and adjusted business-plan;
- attraction by the Company of borrowed assets during PDP's realization term is allowed only within the limits, set by Credit plans, approved by the Board of Directors;
- violation by the Company of the approved PDP more than two times during the approved period of its realization is the ground for submitting to the Board of Directors of the issue on use of sanctions towards the Company's management;
- in case of actual / planned transference of the Company to Creditability group "C" as a result of temporary excess of Maximally allowed value of Limit on medium-term liquidity (tied with attraction of bridge loans at IPO, bonds issue and similar situations) the Board of Directors can set temporary excess of Limit on medium-term liquidity for a term of not more than 2 quarters according to cl. 3.4.1. Herewith from the moment of setting of temporary excess of LMTL Maximally allowed values of the rest of Limits should be observed. In this case working out of PDP for a term of the set temporary excess is not required. If upon expiration of 2 quarters Observation of Maximal Limit on medium-term liquidity is not secured, the Board of Directors is entitled to consider the issue on use of sanctions towards the Company's management.

3.5. Upon submission for the Board of Directors' consideration of issues on approval of Credit operations the Company should obligatorily submit the following materials:

- Reference on credit operation, submitted for approval, including goals of attraction of borrowed capital;
- Reference on credit portfolio structure of the Company (bank-creditors, fixed limits, sums of attracted credits and loans, term of issue / redemption, interest rates) due to results of the last month (in case of increase of credit portfolio structure for more than 15% for the past period from the date of reference preparation this fact is stated separately), including liabilities on all leasing agreements stating their maturity;
- Forecasting accounting reporting regarding results of the quarter, coming after the date of execution of credit operation, submitted for approval, and attraction of borrowed capital with calculation of Limits according to the Provision.

3.6. Attraction of credits and loans is carried out for realization only those investment projects, which were approved in stipulated order according to the current corporate procedures.

3.7. Resolution on execution by the Company of public borrowings (in the form of bonds issue, etc.) and attraction of credits (loans) of international financial organizations is passed on account of approval by the Board of Directors.

In case of attraction of borrowed assets in the form of public borrowings the Company carries out competitive procedure of organizers of securities issue and advisers in respect of transactions. Herewith procurement method, competitive or other documentation, including statements of work for participation in competition, used criteria while selection of organizers of securities issue and advisers in respect of transactions, should be preliminarily agreed upon according to the current corporate procedures.

Calculation method of limits of debt position

Initial data for calculation of Limits are date of bookkeeping and accounting reporting of the Company, prepared according to Russian Accounting Standards, in content, determined by regulatory documents regarding accounting and reporting preparation, acting in the Russian Federation, particularly, Federal Law “Concerning accounting” (as amended and supplemented), provisions on bookkeeping, approved regulatory documents of the Ministry of Finance of Russia, etc. Apart from analysis of accounting forms, the Provision supposes carrying out of calculations on the ground of business-plans and financial models of the Company while their approval.

1. Limit on medium-term liquidity (LMTL)

To secure financial stability the Company should maintain accounting liquidity. Accounting liquidity is – a degree of covering of liabilities of an enterprise by its assets, conversion term of which into money assets corresponds to term of liabilities redemption.

Upon violation of this condition a situation is possible, when the Company won't be able to settle with creditors (banks, suppliers, contractors and so on) regarding existent liabilities at the expense of realization of liquid current assets. This, in its turn, can lead to necessity of sale of part of assets at a loss or fixed assets.

Correspondingly **Target Limit on medium-term liquidity** is set on Short-term borrowed capital of the Company, which is determined in the following way:

value of the Company's Short-term borrowed capital should not exceed total amount of value of medium-term liquid current assets, divided by one and a half, and value of available free credit limit on open credit lines

Calculation of Limit on medium-term liquidity

$$\text{Limit} = \text{MLCA} / 1.5 + \text{CL}$$

$$\text{MLCA} = \text{STFI} + \text{MA} + \text{STAR} - \text{Advance payments}$$

where:

MLCA – Medium-term liquid current assets;

STFI – Short-term financial investments (line 1240 of Form # 1 of accounting reporting);

MA – Money assets and money equivalents (line 1250 of Form # 1 of accounting reporting);

STAR – Short-term accounts receivable (line 1232 of Form # 1 of accounting reporting);

Advance payments – Advances paid (line 123205 of Form # 1 of accounting reporting);

CL – Available free credit limit on open credit lines, with banks' liabilities to give the Company credits from these banks (availability term of free credit limit should be not less than 12 months from the reporting date).

The Company's Debt position corresponds to Target Limit, if inequation is observed:

$$\text{STBC} \leq \text{MLCA} / 1.5 + \text{CL}$$

If in single periods amount of Short-term borrowed capital of the Company exceeds Target Limit, **Maximally allowed Limit on medium-term liquidity** is set on it, which is determined in the following way:

value of the Company's Short-term borrowed capital should not exceed total sum of its medium-term liquid current assets and value of available free credit limit on open credit lines

$$\text{Maximally allowed value of Limit} = \text{MLCA} + \text{CL}$$

The Company's Debt position corresponds to Maximally allowed value of Limit, if inequation is observed:

$$\text{STBC} \leq \text{MLCA} + \text{CL}$$

Maximally allowed Limit is used:

- as intermediate Limit, upon achievement of which the Company's management should provide further reduction of Short-term borrowed capital to the level of Target Limit;
- while necessity assessment of working out and approval of PDP.

2. Limit on financial leverage (LFL)

Use of this Limit proceeds from necessity of securing of the Company's financial independence, for which Total borrowed capital can exceed Own capital not more than 1.5 times.

On the basis of the above-mentioned correlation, **Target Limit on financial leverage** is set on the Company's Total borrowed capital, which is determined in the following way:

value of Total borrowed capital of the Company should not exceed value of Own capital

Calculation of Limit on financial leverage

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

Debt position corresponds to Target Limit, if inequation is observed:

$$\text{TBC} \leq \text{OC}$$

If in single periods amount of Total borrowed capital of the Company exceeds target limit, **Maximally allowed Limit on financial leverage** is set on it, which is determined in the following way:

value of Total borrowed capital of the Company should not exceed Own Capital more than 1.5 times

$$\text{Maximally allowed value of Limit} = \text{OC} * 1.5$$

The Company's Debt position corresponds to Maximally allowed value of Limit, if inequation is observed:

$$\mathbf{TBC \leq OC * 1.5}$$

Maximally allowed Limit is used:

- as intermediate Limit, upon achievement of which the Company's management should provide further reduction of Total borrowed capital to the level of Target Limit;
- for determination of the Company's ability to attract investment credits and loans;
- while necessity assessment of working out and approval of PDP.

3. Limit on settlement of debt (LSD)

Use of this Limit proceeds from necessity of securing of the Company's solvency, id est ability to service and redeem liabilities on Long-term borrowed capital to the full extent at the expense of cash flow from operations without additional assets' realization. Herewith the Company, which is unable to redeem Long-term borrowed capital in stipulated terms, will lose creditability and at a certain time will not be able to continue refinancing of old liabilities.

Main source of redemption and servicing of Long-term borrowed capital is cash flow from operations (EBITDA). Herewith the company can fall back on refinancing of liabilities, until possibility remains to settle accounts within a reasonable time at the expense of cash flow from operations.

Financing of non-current assets should be carried out at the expense of Long-term borrowed capital with maturity which maximally corresponds to terms of return on investments and available conditions at capital markets. In case of use for these aims of Short-term borrowed capital the Company actually reduces its creditability, worsening Limit on medium-term liquidity. To maximize Debt position the Company should finance non-current assets at the expense of Long-term borrowed capital.

Correspondingly, **Target Limit on settlement of debt** is set on the value of Long-term borrowed capital, which is determined in the following way:

value of Long-term borrowed capital should not exceed 3 EBITDA for the last 4 quarters

In case of non-observation of this condition the Company's creditability reduces, cost of attraction of borrowed assets increases, and liabilities refinancing on Long-term borrowed capital becomes complicated, which creates excessive risk of forced assets' realization and loss of financial stability.

Calculation of limit on settlement of loss

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

The Company's Debt position corresponds to Target value of Limit, if inequation is executed:

$$\mathbf{LTBC \leq EBITDA * 3}$$

EBITDA calculation is made according to the following method:

$$\mathbf{EBITDA = NP + I + T + A}$$

where:

EBITDA – Cash flow from operations;

NP – Net profit (line 2400 of Form # 2 of accounting reporting) for 4 (four) quarters, preceding the last reporting date, minus value of cost change of financial investments, which have current market value, as a result of assessment adjustment in the reporting period (notes to Form # 1 of accounting reporting, table 3 “Financial investments”, line 5300, column 11 “Change of the current market value”);

I – Interest payable (line 2330 of Form # 2 of accounting reporting) for 4 (four) quarters, preceding the last reporting date;

T – Income tax and other similar obligatory payments (line 2410 + line 2430 + line 2450 + line 2460 of Form # 2 of accounting reporting) for 4 (four) quarters, preceding the last reporting date;

A – amortization charges for 4 (four) quarters, preceding the last reporting date.

Because indicators of financial and economic activity are reflected in income and loss statement on an accrual basis, to calculate value of such financial indicators, as net profit, interest payable and income tax for 4 (four) quarters, preceding the last reporting date, the following methods can be used:

1. value of financial indicator for the whole previous year is added to value of financial indicator as of the reporting date of the current year minus value of financial indicator as of the same reporting date of the previous year;

2. in case of absence of accounting reporting for the last 4 quarters value of financial indicator can be calculated by extrapolation (value for the last available quarter is divided by the correspondent number of quarters and is multiplied by 4).

Calculation of amortization charges according to results of the 1st, 2nd and 3rd quarters is carried out on the ground of accounting data.

If 3 EBITDA for four quarters, preceding the last reporting date, is insufficient for settlement of debt, **Maximally allowed Limit on settlement of debt** is set, which is determined in the following way:

value of Long-term borrowed capital should not exceed 4 EBITDA for the last 4 quarters
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Maximally allowed value of Limit = EBITDA * 4

The Company’s Debt position corresponds to Maximally allowed value of Limit, if inequation is executed:

LTBC ≤ EBITDA * 4

Maximally allowed Limit is used:

- as intermediate Limit, upon achievement of which the Company’s management should secure further reduction of Long-term borrowed capital to the level of Target Limit;

- for determination of the Company’s ability to attract investment credits and loans;

- while necessity assessment of working out and approval of PDP.

4. Limit on settlement of debt servicing (LSDS)

This Limit regulates level of interest load on the Company. If grace or refinancing of the principal sum of debt can be explained by change of the company's financial plans or temporary difficulties, then violation of liabilities on interests' payment is a serious sign of actual default of the company.

EBITDA calculation is made according to the method, stated in cl. 3.

Correspondingly, **Target Limit on settlement of debt servicing** is set on the value of Total borrowed capital of the Company via Debt servicing, which is determined in the following way:

value of Debt servicing for the last 4 quarters should not exceed 1/4 EBITDA for the last 4 quarters
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In case of non-observation of this condition the Company's solvency reduces and a bankruptcy risk occurs.

Calculation of Limit on settlement of Debt servicing

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

The Company's Debt position corresponds to Target value of Limit, if inequation is executed:

$DS \leq \text{EBITDA} / 4$

If 1/4 EBITDA for four quarters, preceding the last reporting date, is insufficient for settlement of Debt servicing, **Maximally allowed Limit of settlement of debt servicing** is set, which is determined in the following way:

value of Debt servicing for the last 4 quarters should not exceed 1/3 EBITDA for the last 4 quarters
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$$\text{Maximally allowed value of Limit} = \text{EBITDA} / 3$$

The Company's Debt position corresponds to Maximally allowed value of Limit, if inequation is executed:

$DS \leq \text{EBITDA} / 3$

Maximally allowed Limit is used:

- as intermediate Limit, upon achievement of which the Company's management should secure further reduction of Total borrowed capital to the level of Target Limit or reduction of Debt servicing;

- for determination of the Company's ability to attract investment credits and loans;

- while necessity assessment of working out and approval of PDP.

5. On account that Limit on medium-term liquidity, Limit on financial leverage, Limit on settlement of debt and Limit on settlement of debt servicing are simultaneously set on the Company's Debt position the following conditions should be simultaneously executed:

$$\left\{ \begin{array}{l} \text{STBC} \leq \text{LMTL}; \\ \text{MTBC} \leq \text{LFL}; \\ \text{LTBC} \leq \text{LSD}; \\ \text{DS} \leq \text{LSDS}. \end{array} \right.$$

Structure of prospective development plan

Prospective development plan is a strategic development plan of the Company, aimed at achievement by the Company of satisfactory financial and economic state.

PDP (and, correspondingly, each of its constituents) should cover time period, up to securing of correspondence of the Company's Debt position to all Target values of Limits.

PDP (and, correspondingly, each of its constituents) should be made proceeding from three scenarios (optimistic, pessimistic and moderate), as well as contain detailed description of suppositions, on the ground of which these scenarios are drawn up. Herewith the Company should choose the main scenario with explanation of reason of its choice (detailed estimated probability).

PDP includes the following sections:

- Section 1 (“Current state”). Description of the current state of economy (including tariffs), financial and economic activity of the Company and main reasons of violation of Maximally allowed values of Limits.
- Section 2 (“Goals and objectives”) Description of the main goals and objectives, for realization of which PDP is aimed. Section should contain list of the main target indicators of PDP, including values of Limits of the Company's Debt position. Target indicators of PDP, is a set of fixed indicators, which estimates degree of the Company's achievement of the set goals.
- Section 3 (“Plan of arrangements”). Description of plan of arrangements, which provide bringing of the Company's Debt position in conformity with all Target values of Limits.

Section 3 Plan of arrangements should include the following sections:

- Plan of cost management;
- Plan of current capital management (demand of accounts receivable, inventory management and so on);
- Plan of restructuring / refinancing of liabilities;
- Plan of assets' realization and other disposition of property;
- Arrangements on increasing of technological efficiency;
- Organizational arrangements and other.

Notes:

Control over PDP execution (execution of main target indicators of PDP) is performed via submission of reports to the Board of Directors.