

Approved by the resolution of the Board of Directors of TGC-1
December 24, 2010. Minutes No.15

The dividend policy regulations of the Open Joint Stock Company Territorial Generation Company No.1

1. General Provisions

1.1. The dividend policy regulations have been developed in accordance with the acting laws of the Russian Federation, the Code of Corporate Conduct recommended by the Russian Federal Commission for Securities Market, Articles of Association of JSC TGC-1 and corporate regulations of JSC TGC-1 (“the Company”).

1.2. The dividend policy regulations define the principles observed by the Company’s Board of Directors when preparing recommendations submitted to the Company’s General meeting of shareholders on income distribution including dividend payout.

1.3. The Board of Directors of TGC-1 prepares its recommendations with an objective to observe the shareholders’ rights and increase their profit through both dividend payout and market capitalization growth.

2. Terms and definitions

The dividend policy employs the following terms and definitions:

Dividend – a portion of the Company’s net income for the fiscal year distributed among shareholders following the resolution of the General meeting of shareholders;

Capitalization – the market value of the Company’s equity calculated as the price of the Company’s ordinary shares on the MICEX Stock Exchange multiplied by the number of issued ordinary shares.

Reserve fund – a portion of the Company’s property intended to cover potential losses, bonds and shares buyout in case other funds are unavailable. The reserve fund is formed in line with the Federal Law on Joint Stock Companies and the Company’s Articles of Association.

3. Principles of Dividend Calculation

3.1. The dividend amount shall be calculated on the basis of net income as reported in the Company’s annual accounting statement under Russian accounting standards.

3.2. The following principles shall be observed:

- transparency of the dividend amount calculation mechanism;
- balance between short-term (profit) and long-term (corporate development) interests of shareholders;
- focus on increasing investment attractiveness and capitization of the Company.

4. Dividend calculation procedure

4.1. The present clause stipulates that the dividend amount shall be calculated so as to ensure that 5% to 35% of the Company's net income is paid out as dividends provided that the reserve fund has been fully formed in line with the Company's Articles of Association

4.2. The procedure of the dividend calculation is as follows.

4.2.1. A portion of net income shall be employed to form the reserve fund in compliance with the Company's Articles of Association. Distribution of net income to the reserve fund shall be terminated when it reaches the amount specified in the Company's Articles of Association.

4.2.2. A portion of net income in the amount of 5% shall be used for dividend payout.

4.2.3. A portion of net income in the amount of up to 95% but no less than 35% shall be retained for the Company's investment purposes;

4.2.4. Net income remaining after the allocations according to sub-clauses 4.2.1 through to 4.2.3 shall be divided into equal parts to dividend payout and formation of the reserve for investment purposes.

4.3. Net income intended for dividend distribution according to sub-clause 4.2 may be adjusted (reduced) for the amount of financial investments revaluation and similar business activities of the Company. An amount of net profit to which the adjustment was made shall be left at Company's disposal. In case the revaluated assets are retired, their value declines or under any other circumstances accompanying similar business activities of the Company, the corresponding portions of income left at Company's disposal may be accounted for in the dividend calculation procedure specified in sub-clause 4.2.

5. Dividend Payout Decision-Making

5.1. A decision to pay out dividends requires that the Company's Board of Directors submit recommendations on the dividend amount to the General Meeting of shareholders for consideration.

5.2. The following provisions of the applicable Russian laws and regulations shall be taken into consideration during recommendations preparation:

- the dividend amount defined by the General Meeting of Shareholders shall not exceed the amount recommended by the Company's Board of Directors;
- the General meeting of shareholders can decide not to pay out dividends.

6. Form and deadlines of dividend payout

6.1. Pursuant to the Company's Articles of Association dividend shall be paid out in cash.

6.2. The period for dividend payout shall not exceed 180 days starting from the date when such a decision was made.

7. Information disclosure

The Company shall publish dividend policy regulations and any amendments hereto on its corporate web-site at: <http://www.tgc1.ru/>