

Approved:

by Resolution of JSC RusHydro Board of Directors
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REGULATIONS ON DIVIDEND POLICY

**of Open Joint-Stock Company
Federal Hydrogenerating Company
(JSC RusHydro)**

Moscow
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CONTENTS

1. GENERAL PROVISIONS	3
2. PRINCIPLES OF THE COMPANY'S DIVIDEND POLICY	3
3. TERMS OF DIVIDEND PAYMENT	4
4. RESTRICTIONS FOR DIVIDEND PAYMENT	5
5. SIZE OF DIVIDEND PAYMENTS	6
6. SOURCES OF FUNDS SPENT ON DIVIDEND PAYMENT	7
7. PROCEDURE FOR MAKING A DECISION ON DIVIDEND PAYMENT ...	7
8. LIST OF PERSONS ENTITLED TO DIVIDENDS	8
9. PROCEDURE, TIMEFRAME AND FORM OF DIVIDEND PAYMENT	9
10. INFORMATION DISCLOSURE ON DIVIDEND POLICY	10
11. COMPANY'S RESPONSIBILITY FOR DIVIDEND PAYMENT	11
12. CONCLUDING PROVISIONS	11

1. GENERAL PROVISIONS

1.1. These Regulations on Dividend Policy of Open Joint-Stock Company Federal Hydrogenerating Company (hereinafter the Regulations) have been developed in accordance with the Civil Code of the Russian Federation, the Federal Law on Joint-Stock Companies, regulatory legal acts of the Russian Federation, the Articles of Association of JSC RusHydro (hereinafter the Company), the Code of Corporate Governance of JSC RusHydro and other internal documents of the Company.

1.2. The Company's dividend policy is a set of measures to determine quantitative parameters of the distribution of the Company's net profit between dividend payment to shareholders and its retention by the Company (by way of channeling it into the reserve fund, for the repayment of losses of previous years, accumulation and for other purposes), and a system of relations and principles to determine the procedure and timeframe for dividend payment and establish the Company's responsibility for failure to fulfill its obligation for dividend payment.

1.3. The Company's dividend policy is based on the strict observance of shareholders' rights stipulated by the effective legislation of the Russian Federation, the Company's Articles of Association and internal documents, and is aimed at raising the Company's investment attractiveness, its capitalization and satisfying to the fullest extent the rights and interests of its shareholders through growth in the value of shares and an increase in dividend payments.

1.4. These Regulations have been developed to ensure transparency of the mechanism of determining the size of dividends and their payment, and to inform shareholders and other interested parties about the Company's dividend policy; they define the procedure of making decisions on the payment (declaration) of dividends, the terms of their payment, the procedure of calculating the size of dividends and the procedure of dividend payment proper, including the timeframe, place, form of their payment, as well as the Company's responsibility for dividend payment and restrictions for dividend payment.

1.5. The terms and definitions used in these Regulations shall have the meanings given to them in the legislation of the Russian Federation on joint-stock companies and on securities, unless otherwise stipulated in these Regulations.

2. PRINCIPLES OF THE COMPANY'S DIVIDEND POLICY

2.1. The main aim of the Company's dividend policy is to provide for the Company's strategic development and increase the prosperity of its shareholders through an optimal balance between the current use of net profit by shareholders and profit capitalization.

2.2. The Company's dividend policy shall be based on the following principles:

2.2.1. Compliance of the dividend calculation and payment practice adopted by the Company with the legislation of the Russian Federation.

2.2.2. Compliance with the best practice of corporate behavior, including:

- ensuring a transparent and understandable mechanism of determining the size of dividends;
- ensuring the most convenient procedure of dividend payment for shareholders;
- implementing measures that exclude incomplete or untimely payment of declared dividends.

2.2.3. Observance of shareholders' rights and interests.

2.2.4. Ensuring the Company's stable, long-term and predictable dividend policy for its shareholders and potential investors.

2.2.5. Ensuring stable dividend payments at the level satisfying shareholders, including the state, with the payment of additional (extra) dividends (as they are defined in clause 5.2 of these Regulations) in certain periods.

2.2.6. Maintaining the required level of the Company's current financial and technological position, and ensuring the Company's prospective development.

2.2.7. The need to increase the Company's investment attractiveness and capitalization.

2.2.8. Ensuring the dependence of the aggregate (final) size of dividend payments (the guaranteed level (as it is defined by clause 5.1 of these Regulations) and additional (extra) dividends) on the results of the Company's financial and economic operations.

2.2.9. Ensuring the interest of the Company's management and shareholders in raising the Company's profitability.

2.3. The recommended sum of dividend payments shall be determined by the Board of Directors proceeding from the Company's financial performance, with the Board of Directors seeking to maintain, other conditions being equal, the positive dynamics of the size of dividend payments to shareholders from year to year.

3. TERMS OF DIVIDEND PAYMENT

3.1. The Company may, following the results of the first quarter, the first six months, the first nine months of the financial year and (or) the results of the financial year, decide on (declare) dividend payment on outstanding shares. A decision on the payment (declaration) of dividends following the results of the first quarter, the first six months and the first nine months of the financial year may be made within three months after the expiry of the corresponding period.

3.2. Dividends shall be paid to the Company's shareholders provided that:

- the Company posts profit after taxation (net profit) determined pursuant to data of consolidated financial statements prepared in accordance with the Russian Accounting Standards (hereinafter the RAS) for the reporting financial period (hereinafter consolidated net profit);
- the Company posts profit after taxation pursuant to data of financial statements prepared in accordance with the RAS;
- there are no restrictions for dividend payment stipulated in the effective legislation of the Russian Federation and these Regulations;
- a General Meeting of the Company's Shareholders makes a corresponding decision.

3.3. The distribution of profit and losses following the results of the financial year (including the payment (declaration) of dividends) shall exclude profit distributed as dividends following the results of the first quarter, the first six months and the first nine months of the financial year.

4. RESTRICTIONS FOR DIVIDEND PAYMENT

4.1. The Company shall have no right to make a decision on (declare) dividend payment on shares:

- until the Company's entire authorized capital is paid for in full;
- until repurchase of all the shares that are required to be repurchased in accordance with article 76 of the Federal Law on Joint-Stock Companies;
- if on the day of making a decision on dividend payment, the Company meets the criteria of insolvency (bankruptcy) in accordance with the legislation of the Russian Federation on insolvency (bankruptcy) or if the said criteria will appear for the Company as a result of dividend payment;
- if on the day of making a decision on dividend payment, the value of the Company's net assets is less than its authorized capital, the reserve fund and the excess of the liquidation value, defined in the Articles of Association, of outstanding preferred shares (in the event that preferred shares are placed by the Company) over the par value, or will become less than their size as a result of making such a decision;
- in other cases stipulated by the effective legislation of the Russian Federation.

4.2. The Company may not make a decision on (declare) the payment of dividends (including dividends following the results of the first quarter, the first six months, the first nine months of the financial year) on ordinary shares and preferred shares, the size of dividends on which has not been defined (in the event that preferred shares are placed by the Company), if no decision has been made on the payment of dividends in full (including accrued dividends on cumulative preferred shares) on all classes of preferred shares, the size of dividends on which (including dividends following the results of the first quarter, the first six months, the first nine months of the financial year) is defined by the Company's Articles of Association (in the event of their placement).

4.3. The Company may not make a decision on (declare) the payment of dividends on preferred shares of a specific class, the size of dividends on which is defined by the Company's Articles of Association (in the event of their placement), if no decision has been made on the payment of dividends in full (including full payment of all accrued dividends on cumulative preferred shares) on all classes of preferred shares granting the advantage of priority in dividend receipt over the preferred shares of that class (in the event that such shares are placed by the Company).

4.4. The Company may not pay out declared dividends on shares:

- if on the day of payment, the Company meets the criteria of insolvency (bankruptcy) in accordance with the legislation of the Russian Federation on insolvency (bankruptcy) or if the said criteria will appear for the Company as a result of dividend payment;
- if on the day of payment, the value of the Company's net assets is less than its authorized capital, the reserve fund and the excess of the liquidation value, defined in the Articles of Association, of outstanding preferred shares (in the event that preferred shares are placed by the Company) over the par value, or will become less than the said amount as a result of dividend payment;
- in other cases stipulated by federal laws.

As the circumstances indicated in this clause cease to exist, the Company shall be obliged to pay declared dividends to its shareholders.

5. SIZE OF DIVIDEND PAYMENTS

5.1. The Company shall channel no less than 5% (five percent) of the Company's consolidated net profit (guaranteed level of dividend payments) into the payment of dividends following the results of the financial year.

5.2. The Company may channel from 0 to 100% (from zero to one hundred percent) of freely available (retained) balance of the Company's consolidated net profit into the payment of additional (extra) dividends, given the obligatory compliance with the following two conditions at the same time:

- (1) checking that the amount of additional dividends does not exceed the freely available (retained) balance of the Company's net profit:

$$DIV_{add} \leq NP - RF - DIV_{guarant} - AdvSpt$$

and

- (2) checking that the amount of additional dividends does not exceed the freely available (retained) balance of the Company's consolidated net profit:

$$DIV_{add} \leq NP_{consolid} - RF_{consolid} - DIV_{guarant} - AdvSpt_{consolid}$$

where:

DIV_{add} is the amount of additional (extra) dividends following the results of the reporting financial year;

NP is the Company's net profit (unconsolidated) determined on the basis of data of the Company's financial statements prepared in accordance with the RAS;

$NP_{consolid}$ is the Company's consolidated net profit determined on the basis of data of the Company's consolidated financial statements prepared in accordance with the RAS;

RF are obligatory deductions from the Company's net profit (unconsolidated) to the reserve fund (until the reserve fund reaches its required size) in accordance with the legislation of the Russian Federation;

$RF_{consolid}$ is the amount of obligatory deductions from the net profit of companies integrated into the RusHydro holding to the reserve funds (until the reserve fund reaches its required size) in accordance with the legislation of the Russian Federation;

$DIV_{guarant}$ is the amount of guaranteed dividend payments as defined in accordance with clause 5.1 of these Regulations;

$AdvSpt$ is the amount of the Company's net profit (unconsolidated) of the reporting period spent in advance (including on investment projects and other purposes) in accordance with the decisions earlier made by the Company's Board of Directors and the General Meeting of the Company's Shareholders;

$AdvSpt_{consolid}$ is the amount of net profit of the reporting period of JSC RusHydro subsidiaries and dependent companies (JSC RusHydro SDCs), and of subsidiaries and dependent companies in

relation to JSC RusHydro subsidiaries and dependent companies (JSC RusHydro GDCs), spent in advance (including on investment projects and other purposes) pursuant to the decisions earlier made by the Board of Directors and General Meetings of Shareholders of the said companies in accordance with the Company's Business Plan endorsed by the Company's Board of Directors for the reporting period.

5.3. Profit distribution for investment in the amount of targeted investment funds out of profit, which are stipulated in the Company's tariff for targeted investment project financing, shall enjoy priority and may not be replaced by dividend payments.

6. SOURCES OF FUNDS SPENT ON DIVIDEND PAYMENT

6.1. In accordance with the requirements of the effective legislation of the Russian Federation, dividends shall be paid out of the Company's net profit calculated in compliance with the existing rules of accounting and financial reporting, and shall be distributed among shareholders proportionate to the number of shares of the corresponding category (class) held by them.

6.2. In the structure of the distribution of net profit for the reporting financial year, funds will be allocated for deductions obligatory for the Company in accordance with the effective legislation of the Russian Federation, the Articles of Association and internal documents of the Company, and also for other areas of net profit spending, including the payment of dividends.

6.3. Members of the Company's Board of Directors shall determine the recommended size of dividends on the Company's shares proceeding from the Company's financial performance and keeping a balance of interests between the Company and its shareholders. The Company's Management Board shall have the right to submit to the Company's Board of Directors for consideration its proposals on the distribution of the Company's profit, including on dividend payment.

6.4. The size of dividends paid on shares shall be determined by a General Meeting of Shareholders on recommendations from the Board of Directors and may not be larger than the size recommended by the Board of Directors.

6.5. The size of a dividend per ordinary share and per preferred share (in the event that preferred shares are placed by the Company) shall be determined in accordance with the effective legislation of the Russian Federation and the Company's Articles of Association.

6.6. The size of interim dividends recommended by the Board of Directors (dividends declared until the end of the financial year – following the results of the first quarter, the first six months, the first nine months) shall be determined in accordance with the following condition: the total size of all interim dividends from profit of the current year may not exceed the size of full-year dividends planned in accordance with the Company's Business Plan endorsed by the Company's Board of Directors for the current year (the size of full-year dividends shall be determined taking into account obligatory deductions from profit to the Company's funds in accordance with the effective legislation of the Russian Federation, the Articles of Association and internal documents of the Company).

6.7. The size of declared dividends shall include taxes to be withheld from shareholders.

7. PROCEDURE FOR MAKING A DECISION ON DIVIDEND PAYMENT

7.1. A decision on the payment (declaration) of dividends, including a decision on the size of dividends and the form of their payment on shares of each category (class), the timeframe and procedure of dividend payment shall be made by a General Meeting of the Company's Shareholders

in accordance with the Company's Articles of Association and pursuant to recommendations by the Company's Board of Directors on the size of dividends.

7.2. A decision on paying dividends on outstanding shares following the results of the financial year shall be made by an annual General Meeting of Shareholders as an integral part of a decision on distributing the Company's profit following the results of the financial year.

7.3. A decision on paying dividends on outstanding shares following the results of the first quarter, the first six months, the first nine months of the financial year shall be made by a General Meeting of Shareholders as a separate item on the agenda of the General Meeting of Shareholders.

7.4. Recommendations from the Board of Directors and the decision by the General Meeting of the Company's Shareholders on dividend payment shall define the following:

- the category and the class of shares on which dividends are declared;
- the size of dividend per share of a specific category (class);
- the timeframe and procedure of payment;
- the form of payment.

7.5. A decision on the payment (declaration) of dividends may be made in the absence of legislatively stipulated restrictions for the payment (declaration) of dividends.

8. LIST OF PERSONS ENTITLED TO DIVIDENDS

8.1. The Company's Board of Directors shall determine the date of compiling a list of persons entitled to participate in a General Meeting of the Company's Shareholders. The list of persons entitled to dividends shall be drawn up as of the date of compiling a list of persons entitled to participate in a General Meeting of Shareholders.

8.2. The list of persons entitled to dividends shall be drawn up by the Company's Registrar on the Company's instruction.

8.3. The list of persons entitled to dividends shall include the following persons:

8.3.1. shareholders registered in the register of shareholders as of the date of compiling the list;

8.3.2. other persons (pledge holders, trust managers, et al.) that are registered in the system of keeping the register of shareholders as of the date of compiling the list and to whom the rights to shares were transferred, unless otherwise stipulated by a contract between such a person and a shareholder;

8.3.3. shareholders in whose interests shares are held by the nominee holder of securities registered in the system of keeping the register of shareholders as of the date of compiling the list. For the purpose of compiling a list of persons entitled to dividends, the nominee holder of shares shall submit data on persons in whose interests shares are held.

8.4. In the event that shares are under shared ownership, the list of persons entitled to dividends shall include all the co-owners of shares.

8.5. In the event that one share is held by several persons, a dividend shall be distributed among them proportionate to their shareholding in the value of the share, unless otherwise stipulated in a contract between such persons.

8.6. Information on the method of receiving dividends shall be contained in the questionnaire of the person registered in the register. The holders of shares shall be responsible for providing authentic information to make corresponding changes to the questionnaires of persons registered in the register.

8.7. To protect the rights of shareholders to receive dividends, the Company shall take all necessary efforts in the process of organizing its relations with the register keeper to make the register keeper responsible for compliance of data given in the list of persons entitled to dividends, as well as information on the method (form) of income receipt, with the data in the register of the Company's shareholders.

8.8. In the event that changes are made to the list of persons entitled to dividends, the Company shall require from the register keeper to provide reasons for making such changes.

8.9. Any shareholder shall have the right to apply to the Company with a request to be supplied with information on the shareholder's inclusion (non-inclusion) in the list of persons entitled to dividends.

8.10. The Company shall, within seven business days from the moment of receiving a request indicated in clause 8.9, prepare and send a reply to the shareholder to the shareholder's postal address, unless the request indicates a different method of receiving information.

9. PROCEDURE, TIMEFRAME AND FORM OF DIVIDEND PAYMENT

9.1. The timeframe and form of dividend payment shall be determined by the Articles of Association and/or a General Meeting of the Company's Shareholders.

9.2. If the last day of the timeframe for dividend payment falls on a non-business day, a business day that immediately follows it shall be deemed as the day for the expiry of the timeframe.

9.3. The Company shall pay out declared dividends until the expiry of the prescribed period.

9.4. The Company shall have the right to discharge its obligation for dividend payment on any day within the prescribed timeframe of dividend payment.

9.5. The Company shall not set a time limit for dividend receipt and shall not cease the payment of dividends on shares whose holders have failed to receive accrued dividends within the established timeframe (unclaimed dividends).

9.6. No interest shall accrue for the use of unclaimed dividends.

9.7. Dividends that are paid out shall be taxed in accordance with the procedure stipulated by the effective legislation of the Russian Federation.

9.8. Dividend payment shall be understood to mean the transfer of the corresponding sums of money from the Company's account to the bank account (postal address) indicated in the register of the Company's shareholders or the transfer of other property to the shareholder as dividend payment, if such a form of payment was stipulated by the Articles of Association and/or a General Meeting of Shareholders. Furthermore, dividends to private individuals may be paid in cash through the Company's cash office.

9.9. A General Meeting of the Company's Shareholders may make a decision on non-cash dividend payment by the results of the Company's financial year only pursuant to a proposal from the Company's Board of Directors, which shall indicate the Company's assets to be channeled into dividend payment.

9.10. A shareholder may at any moment make changes to the registered person's questionnaire regarding the method of receiving money income on shares, the postal address or details of a bank account to which dividends must be transferred. The register keeper shall within the period of dividend payment submit updated data to the Company. The Company shall not be liable for transferring dividends to a shareholder using details earlier known to the Company, if the dividends were transferred by the Company until the moment the Company became aware of updated information.

9.11. Dividends may be paid out with cash both by the Company and its branches as far as shareholders apply for such payments.

9.12. Pursuant to data on shareholders included in the list of persons entitled to dividends who indicated "personally" as the method of receiving dividends, the Company shall divide shareholders taking into account the place of their residence and, proceeding from this, send corresponding funds to branches for subsequent payment of dividends to shareholders. A shareholder shall not be limited in the right to receive dividends at any branch of the Company to which the shareholder will apply.

9.13. To receive dividends as a result of inheritance, the heir shall be required to submit a notarized certificate of the right to inheritance at the place of receiving dividends.

9.14. The Company may pay dividends on its own, through its branches, the Company's registrar or involve, on a contractual basis, an outside organization – a paying agent – to provide for dividend payment. The involvement of a paying agent by the Company shall not release the Company from responsibility before its shareholders for the payment of dividends due to them. The Company shall have the right to inform its shareholders about the involvement of a paying agent, its replacement and the expiry of the term of its powers.

9.15. The Company shall be a tax agent in the process of paying dividends to shareholders on shares held by them. The Company shall calculate, withhold and transfer the sums of taxes levied on dividends to the budget in accordance with the procedure and the timeframe stipulated by the effective legislation. Dividends shall be transferred to shareholders minus the sums of taxes withheld.

9.16. A shareholder exempt from standard tax rates shall be obliged to submit to the Company or its paying agent confirming documents established by the effective legislation of the Russian Federation. In the event that the Company receives information on tax breaks applicable to the shareholder after dividends have been paid out to the said shareholder, no refund of overpaid taxes shall be made by the Company.

9.17. The Company shall bear expenses for dividend payment.

10. INFORMATION DISCLOSURE ON DIVIDEND POLICY

10.1. The Company shall make the Regulations on Dividend Policy and all changes to them permanently available on its website at: <http://www.gidroogk.ru>.

10.2. Information on making a decision on dividend payment, the size, timeframe, method and form of their payment shall be disclosed in accordance with the procedure stipulated by the effective legislation of the Russian Federation.

10.3. The materials to be submitted to shareholders for making a decision on dividend payment at a General Meeting of Shareholders shall include information testifying to the presence or absence of conditions required for dividend payment.

10.4. The Company shall publish a notice of making a decision on dividend payment by posting information on the Company's website at: <http://www.gidroogk.ru> no later than 5 (five) days from the moment of drawing up minutes of the General Meeting of Shareholders which made the corresponding decision.

10.5. The notice published by the Company in relation to a decision on dividend payment, their size, the form, timeframe and procedure of their payment shall unambiguously and clearly explain these issues to shareholders. At the same time, the notice shall explain to shareholders their obligation to make changes to the questionnaire of the registered person in the register of the Company's shareholders in the event of changes to their bank details and postal address, as well as the consequences of failure to comply with this requirement.

11. COMPANY'S RESPONSIBILITY FOR DIVIDEND PAYMENT

11.1. The Company shall be obliged to pay out declared dividends in an amount and within the timeframe set by a decision of a General Meeting of Shareholders and the Company's Articles of Association.

11.2. In the event of the Company's failure to fulfill its obligations, shareholders shall have the right to demand the payment of declared dividends in a judicial procedure.

11.3. The Company shall not be liable for untimely payment of dividends, if the register of shareholders fails to provide correct and complete data on the registered person that are required to pay (transfer) dividends to the said person, or if a shareholder that defined the method of dividend receipt as "personally" (in cash) fails to appear at the place of dividend payment.

11.4. In the event of incomplete and (or) untimely dividend payment to shareholders who timely notified the register keeper of changes in their bank details or postal addresses, the Company's personnel guilty of such incomplete and (or) untimely dividend payment shall be held liable in accordance with the effective legislation of the Russian Federation.

12. CONCLUDING PROVISIONS

12.1. The issues of dividend payment to the Company's shareholders which the effective legislation of the Russian Federation, the Company's Articles of Association and these Regulations have failed to regulate shall be resolved proceeding from the need to ensure the rights and legitimate interests of the Company's shareholders.

12.2. These Regulations shall be approved, amended and added by a decision of the Company's Board of Directors. A decision shall be made in accordance with the procedure stipulated by law and/or the Company's Articles of Association.

12.3. If, as a result of changes to the legislation or other regulatory acts of the Russian Federation, some articles of these Regulations come into conflict with them, these articles shall lose their force and until changes are made to the Regulations, the Company shall be guided by the requirements of legislative and regulatory legal acts of the Russian Federation.