



**Federal Grid Company of Unified Energy System**

APPROVED

by the Board of Directors  
of JSC FGC UES  
on December 16, 2010  
Minutes No. 120

Chairman of the Board of Directors  
of JSC FGC UES  
*/Signature/* S.I. Shmatko

**Regulations  
on the Dividend Policy of Open Joint-Stock  
Company Federal Grid Company of Unified  
Energy System**

**Moscow  
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## **1. GENERAL PROVISIONS**

1.1. These Regulations on the Dividend Policy of Open Joint-Stock Company Federal Grid Company of Unified Energy System (hereinafter referred to as the “Regulations”) have been developed in accordance with the Civil Code of the Russian Federation, the Federal Law on Joint-Stock Companies, legal regulations of the Russian Federation, the Articles of Association of Open Joint-Stock Company Federal Grid Company of Unified Energy System (hereinafter referred to as the “Company”), the Corporate Governance Code of JSC FGC UES and other internal documents of the Company.

1.2. The Company’s dividend policy is a set of actions aimed at determining quantitative parameters for distributing the Company’s net profit among its shareholders, as well as a system of relations and principles for determining the dividend payment procedure and terms.

1.3. The Company’s dividend policy is based on observance of the rights of its shareholders as provided by applicable Russian laws, the Company’s Articles of Association and internal documents, and is aimed at enhancing the investment potential of the Company, its capitalization and serving the rights and interests of its shareholders by means of dividend payments.

1.4. The Regulations have been developed to ensure transparency of the mechanism for determining the amount of dividends and their payment procedure, as well as to inform the shareholders and other interested persons of the Company’s dividend policy. The Regulations also determine the decision making procedure for dividend payment (declaration), dividend payment terms, dividend calculation and payment procedure, including dividend payment periods, place and mode, as well as the Company’s dividend payment liability.

## **2. PRINCIPLES OF THE COMPANY’S DIVIDEND POLICY**

2.1. These Regulations on the Dividend Policy have been developed and are intended for the period of active investments and aim to balance the shareholders’ guaranteed income and the successful fulfillment of the government tasks relating to the Company’s large-scale investment program. In the future, upon reduction of investment costs, the Regulations on the Dividend Policy will be reviewed to increase the dividend payout rates and dividend income for the shareholders of the Company.

2.2. The Company’s dividend policy is based on the following principles:

- compliance of the Company’s dividend distribution and payment practices with Russian laws and best corporate governance standards;
- ensuring the balance between the shareholders’ interests and the Company’s financing requirements for development and implementation of investment programs;
- maintaining the required level of the financial and technical status of the Company and prospects of the Company’s development;

- necessity to enhance the investment attractiveness of the Company and its capitalization;
- ensuring transparency (lucidity) of the mechanism for determining the amount of dividends to be paid to the shareholders and managers.

2.3. The recommended amount of dividend payments shall be established by the Board of Directors based on the Company's financial results, but shall not be below the value set forth in Clause 4.3 hereof. The Board of Directors shall strive to maintain positive and stable dynamics of dividend amounts paid to the shareholders on an annual basis, all other conditions being equal.

### **3. DIVIDEND PAYMENT CONDITIONS**

3.1. The Company may choose to pay dividends on the outstanding shares based on the results of the first quarter or six months or nine months of the fiscal year and/or based on the results of the fiscal year. The Company may decide to pay (declare) dividends based on the results of the first quarter or six months or nine months of the fiscal year within three months after the end of the relevant period.

3.2. The Company shall strive to increase the amount of dividends payable to the shareholders based on the net profit in the reporting financial period and the Company's needs for the development of production and investment activities.

3.3. The conditions of dividend payments to the Company's shareholders are as follows:

- based on its financial statements, the Company has after-tax profit (net profit) obtained in the reporting financial period and/or has retained earnings of the previous years, provided that no resolution on their distribution has been adopted by the meeting of shareholders;
- there are no restrictions on payment of dividends in accordance with Russian laws and these Regulations;
- the Board of Directors has recommended payment of dividends and their amount;
- an appropriate decision has been taken by the Company's General Meeting of Shareholders.

3.4. When distributing profit and loss based on the results of the financial year (including payment (declaration) of dividends), the profit distributed as dividends based on the performance of the first quarter, six months and nine months shall not be taken into account.

### **4. DIVIDEND AMOUNT**

4.1. In accordance with applicable Russian laws, dividends shall be paid out the Company's net profit calculated in compliance with the effective accounting and reporting regulations and shall be distributed among the shareholders pro rata to their holdings of shares.

4.2. The net profit distribution structure for the reporting financial year shall include the amounts of mandatory deductions to be made by the Company in accordance with applicable Russian laws, the Articles of Association and internal documents of the Company, as well as other amounts to be spent, including for dividend payments.

4.3. When determining the amount of dividends (per one share) recommended to the General Meeting of Shareholders, the Company's Board of Directors shall assume that the funds intended for dividend payments shall be not less than 10% of the net profit after mandatory deductions to the reserve fund adjusted for (reduced by) the amount of profit from revaluation of financial investments, income from recovery of bad debt allowance, as well as for/by non-recurring income from the sale of securities and other assets included in calculation of the financial result for the reporting period and determined based on financial statements of JSC FGC UES

The Company's Board of Directors may recommend that the General Meeting of Shareholders use 0-100% (zero to one hundred percent) of the free (undistributed) balance of the Company's net profit for payment of additional (extra) dividends, subject to the following mandatory condition:

- additional dividends shall not exceed the free (undistributed) balance of the Company's net profit, to be determined as follows:

$$DIV_{ad} \leq NP - RF - DIV_{Guarant} - Adv_{Used};$$

where

*DIV<sub>ad</sub>* is the amount of additional (extra) dividends based on the results of the reporting financial year;

*NP* is the Company's net profit determined based on the Company's financial statements prepared in accordance with the Russian Accounting Standards and adjusted for (reduced by) the amount of profit from revaluation of financial investments, income from recovery of bad debt allowance, as well as for/by non-recurring income from the sale of securities and other assets included in calculation of the financial result for the reporting period.

*RF* is mandatory deductions from the Company's net profit to the reserve fund (until the reserve fund achieves its target amount) in accordance with Russian laws;

*DIV<sub>Guarant</sub>* is the amount of guaranteed dividend payments determined in accordance with paragraph 1 of Clause 4.3 hereof;

*Adv<sub>Used</sub>* is the amounts of net profits of the reporting period used in advance (including for implementation of investment projects and for other purposes) in accordance with the previous decisions of the Company's Board of Directors and approved resolutions of regulating authorities.

4.4. The Company's executive bodies may submit their proposals to the Company's Board of Directors related to the distribution of the Company's profits, including for dividend payments.

4.5. The amount of the Company's recommended dividends (per one share) shall be determined based on the amount of funds intended for dividend payments and shall be equal to the amount of funds intended for dividend payments divided by the number of the Company's outstanding shares as of the date of compiling the list of persons entitled to receive dividends.

4.6. The amount of dividends to be paid on shares shall be determined by the General Meeting of Shareholders as recommended of the Board of Directors and shall not exceed the amount recommended by the Board of Directors.

4.7. The amount of interim dividends (dividends declared before the end of the financial year based on the results of the first quarter, six months, and nine months) recommended by the Board of Directors shall be determined subject to the following conditions:

- the amount of dividends paid out of the profits of the current year shall not exceed the amount of dividends scheduled in accordance with the Company's business plan approved by the Board of Directors for the current year based on the annual performance (to be determined subject to mandatory allocations out of the Company's profits to its funds in accordance with applicable Russian laws, the Company's Articles of Association and internal documents);
- the amount of dividends paid out of the profits of the previous years shall not exceed the Company's profit of the previous years (based on the last financial statements), provided that no resolution on its distribution has been passed by the shareholders meeting.

4.8. The amount of declared dividends shall include the taxes withheld from the shareholders.

## **5. DECISION-MAKING PROCEDURE FOR DIVIDEND PAYMENTS**

5.1. Decisions on payment (declaration) of dividends, including decisions on the amount of dividends and mode of their payment for each category (type) of shares, on payment periods and procedure shall be taken by the Company's General Meeting of Shareholders in accordance with the Company's Articles of Association and based on the recommendations of the Board of Directors on the amount of dividends.

5.2. Decisions on payment of dividends on placed shares based on annual financial performance shall be adopted by the annual General meeting of shareholders as part of the decision on the Company's profit distribution based on annual financial performance.

5.3. Decisions on payment of dividends on placed shares based on the results of the first quarter, six months, and nine months of the financial year shall be adopted by the General Meeting of Shareholders as a separate issue of the agenda of the General Meeting of Shareholders.

5.4. Recommendations of the Board of Directors and resolution of the General Meeting of Shareholders on dividend payments shall determine:

- the category and type of shares in respect of which the dividends are declared;
- amount of dividend per one share of a particular category (type);
- period of payment;
- mode of payment.

5.5. Decisions on payment (declaration) of dividends may be adopted provided that there are no statutory restrictions for payment (declaration) of dividends.

## **6. LIST OF PERSONS ENTITLED TO RECEIVE DIVIDENDS**

6.1. The Company's Board of Directors shall determine the date of compiling the list of persons entitled to attend the Company's General Meeting of Shareholders. The list of persons entitled to receive dividends shall be compiled as of the date of compiling the list of persons entitled to attend the General Meeting of Shareholders.

6.2. The list of persons entitled to receive dividends shall be compiled by the Company's Registrar as instructed by the Company.

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

6.3.1. shareholders listed in the register of shareholders as of the date of compiling the list;

6.3.2. other persons (mortgagees, trustees, etc.) listed in the register of shareholders as of the date of compiling the list of transferees of the rights attached to shares, unless otherwise provided by an agreement between such transferee and any shareholder;

6.3.3. shareholders whose securities are held by nominal holders listed in the register of shareholders as of the date of compiling the list. To compile the list of persons entitled to receive dividends, the nominal shareholder shall provide information about persons for whom he holds shares.

6.4. If shares are held by joint holders, the list of persons entitled to receive dividends shall include all joint holders of shares.

6.5. The bank details or postal address used to receive dividends are provided in the application form of the person listed in the register. The owner of shares shall be responsible for providing true data used to amend the application form of the person listed in the register.

6.6. In order to protect the shareholders' rights to dividends, when establishing its relations with the registrar, the Company shall make every effort to determine the extent of the registrar's liability for compliance of the data provided in the list of persons entitled to receive dividends and of information on the mode (form) of obtaining income with the data provided in the Company's register of shareholders.

6.7. In the event of any amendments to the list of persons entitled to receive dividends, the Company shall require the registrar to provide reasons for such amendments

6.8. Any shareholder may request the Company to provide information about its inclusion in (non-inclusion) the list of persons entitled to receive dividends.

6.9. The Company shall, within seven business days from receipt of the request specified in Clause 6.8, prepare and send its reply to the shareholder's postal address, unless the request specifies another way of communication.

## **7. DIVIDEND PAYMENT PROCEDURE, PERIOD AND MODE**

7.1. The dividend payment period shall be determined by the Company's General Meeting of Shareholders, but shall not be later than the date set out in the Company's Articles of Association.

7.2. The Company shall pay dividends in money, unless otherwise provided by a decision of the General Meeting of Shareholders.

7.3. If the last day of the dividend payment period falls on a day other than a business day, then the last day of the dividend payment period shall be the next business day.

7.4. The Company shall pay the declared dividends before the end of the specified period.

7.5. The Company may perform its obligation to pay dividends on any day within the established payment period. The Company shall strive to pay dividends to all shareholders simultaneously.

7.6. The Company shall not establish a deadline for receiving dividends and shall not cease to pay dividends on shares the owners of which failed to receive the accrued dividends (unclaimed dividends) within the established time frame.

7.7. No interest shall be accrued for using unclaimed dividends.

7.8. The dividends to be paid are subject to taxation as provided for by applicable Russian laws.

7.9. Dividends shall be paid in the form of transfer of respective amounts from the Company's account to the bank account (postal address) specified in the Company's register of shareholders or in the form of transfer of any other assets to the shareholder as payment of the dividend, provided that such mode of payment is established by the Company's General Meeting of Shareholders.

7.10. The shareholder may at any time amend the application form of the registered person and change the mode of receiving cash income on shares or postal address or bank details used for the transfer of dividends. The registrar shall provide the Company with updated information during the dividend payment period. The Company shall not be responsible for any transfer of dividends to the shareholder's address which was previously known to the Company, if such transfer is made five days before the date the Company becomes aware of such updated information or earlier.

7.11. In order to receive dividends by way of succession, a successor shall provide a notarized certificate confirming their right of succession at the place of dividend receipt.

7.12. The Company may pay dividends on its own account, through its branches or through the Company's registrar or may engage an outside paying agent on a contractual basis to arrange and make dividend payments. The engagement of such paying agent shall not relieve the Company from its liability for payment of dividends due to the shareholders. The Company may notify its shareholders of engaging the paying agent, of its replacement and expiration of its authorities.

7.13. The Company shall act as a tax agent when paying dividends to the shareholders on their shares. The Company shall calculate and withhold taxes on



dividends and transfer them to the budget as and when provided by applicable laws. The dividend shall be transferred to the shareholders net of taxes withheld.

7.14. The shareholder which is exempt from standard tax rates may provide the Company or its paying agent with confirming documents as established by applicable Russian laws. If the Company becomes aware of any tax exemptions applicable to any shareholder later than 15 business days before the dividend payment, the Company shall not make any tax rebates.

## **8. DIVIDEND PAYMENT RESTRICTIONS**

The Company may not decide to pay (declare) dividends (including dividends on the results of the first quarter, six months, and nine months of the fiscal year) on shares and pay dividends if any restrictions are established by law.

## **9. DISCLOSURE OF INFORMATION ON THE DIVIDEND POLICY**

9.1. The Company shall make the Regulations on the Dividend Policy of JSC FGC UES and all amendments thereto available anytime on the Company's web-site at: <http://www.fsk-ees.ru>.

9.2. Information about the decision to pay dividends, their amount, payment period, procedure and mode shall be disclosed as provided for by applicable Russian laws.

9.3. The materials submitted to the shareholders for making decision on dividend payments at the General Meeting of Shareholders shall include information confirming the existence or absence of conditions required for dividend payments.

9.4. The Company shall publish a notice of the decision to pay dividends on the Company's web-site and in the printed media set forth in the Company's Articles of Association within five days from the date of the Minutes of the General Meeting of Shareholders that resolved to pay dividends.

9.5. The notice published by the Company of its decision to pay dividends, their amount, payment mode, period and procedure shall provide the shareholders with unambiguous and clear information. The notice to the shareholders shall also explain that in the event of any change in bank details and postal addresses, the shareholders shall amend the application form of the person listed in the Company's register of shareholders. The notice shall also explain the consequences of their failure to fulfill this obligation.

## **10. COMPANY'S DIVIDEND PAYMENT LIABILITY**

10.1. The Company shall pay the declared dividends in full and within the term stipulated by the resolution of the General Meeting of Shareholders and the Company's Articles of Association.

10.2. If the Company fails to fulfill its obligations, the shareholders shall be entitled to seek payment of the declared dividends in court.

10.3. The Company shall not be liable for any late payment of dividends, if the shareholders' register does not contain accurate and complete details of the registered person which are required to pay (transfer) dividends.

10.4. In the event of any incomplete and/or late payment of dividends to the shareholders which promptly notified the registrar of changes in their bank details or postal address, the Company's officers that are directly liable for such events shall be responsible in compliance with applicable Russian laws.

## **11. FINAL PROVISIONS**

11.1. Issues related to the payment of dividends to the Company's shareholders which are not stipulated by the applicable laws of the Russian Federation, the Company's Articles of Association and these Regulations shall be solved in a manner securing the rights and legal interests of the Company's shareholders.

11.2. The Regulations shall be approved, amended and supplemented based on the decision of the Company's Board of Directors. The decision shall be adopted as provided for by applicable laws and/or the Company's Articles of Association.

11.3. If any change in any legal or other regulatory acts of the Russian Federation results in a situation that any provision of these Regulations becomes inconsistent with such acts, such provision shall be deemed null and void, and until these Regulations are amended, the Company shall be governed by legal and regulatory acts of the Russian Federation.