

**Approved**  
by the Board of Directors  
JSFC "Sistema"  
July 16, 2005  
Minutes # 14-05

## **DIVIDEND POLICY REGULATION**

Moscow  
2005

## **1. GENERAL PROVISIONS**

1.1. This Dividend Policy (hereinafter referred to as the “Regulation”) was developed in accordance with the current legislation of the Russian Federation, current Charter of Sistema JSFC (hereinafter referred to as the “Corporation”) and its internal documentation.

1.2. The Regulation is of an advisory nature, and is aimed at guiding the Board of Directors in developing its recommendations on the size of a dividend and the procedure of its payment.

1.3. In approving the Regulation, the Board of Directors expects that the current dividend policy of the Corporation, which takes into account the Company’s high investment requirements in the medium term, will remain in force for 3 years.

## **2. DETERMINATION OF THE DIVIDEND AMOUNT**

2.1. In accordance with requirements of the Russian legislation, dividends are paid to the shareholders of the Corporation from the “Profit after Tax” amount (net profit), calculated on the basis of financial statements compiled in accordance with Russian legislation standards.

2.2. In the process of determination of dividend amount further recommended to the Shareholders Meeting, the Board of Directors also takes into account the company’s consolidated US GAAP net profit.

2.3. In any year when the Corporation reports a net profit, it will allocate a limited part of it to pay dividends, and use the remaining part mainly for reinvesting, in order to ensure growth of the Company’s capitalization.

2.4. All dividends are paid in the cash form.

2.5. All dividends are to be paid simultaneously to all shareholders.

2.6. Recommended amount of dividend payments is defined by the Board of Directors on the basis of annual financial results of the Company, but as a rule, is equal to 2 per cent of the Company’s consolidated US GAAP net profit.

2.7. In case of deviation of the dividend amount from this Dividend policy, the Company will disclose the information on the reasons for such deviation.

2.8. Company shall not announce or pay any announced dividends in circumstances specified by the Russian law.

## **3. METHOD OF APPROVAL OF DIVIDEND PAYMENTS**

3.1. The Board of Directors defines recommended amount of dividend payment on the basis of proposal of the Executive Body. In making its decision, the Board of Directors takes into account Clause 2 of this Regulation.

3.2. The Board’s recommendation on the dividend amount should be presented to the shareholders in accordance with the current legislation for final approval at the Shareholders meeting.

3.3. The General Meeting of Shareholders approves the dividend payment and its size. The size of dividend cannot be greater than the amount recommended by the Board of Directors.

## **4. METHOD OF DIVIDEND PAYMENT**

4.1. The Board of Directors sets the registration date for the shareholders entitled to take part in the General Meeting of Shareholders. The registration date for the shareholders eligible to receive the dividend is the same as that for the General Meeting of Shareholders, where dividend payment decision is made. In order for the Company to compile the list of shareholders eligible to receive the dividend, the nominee holder must disclose to the company the information on beneficiary owners of shares.

4.2. The Company's shares which are the underlying asset for derivative instruments – Global Depositary Receipts (GDR) – provide to the owners of such depositary receipts the full right to

receive dividends, as specified in the Resolution on share issuance and the Charter of the Company.

4.3. In accordance with current legislation and Charter, the Company should pay dividends within 60 days after date of decision of General shareholder's meeting about its payment.

4.4. The Company's Executive Body is responsible for the full and timely payment of dividends.

4.5. The preferred way of dividend payment is a cash transfer to the shareholder's account in a Russian bank, defined by the shareholder in the Company's Register.

4.6. When paying dividends, the Company acts as a tax agent, and as such deducts and remits dividend tax in accordance with applicable legislation.

## **5. INFORMING SHAREHOLDERS ABOUT THE DIVIDEND POLICY**

5.1. The Company shall place this Regulation, any amendments to it, and its dividend history on the Company's web site.

5.2. The Company shall make public all information about the Resolution of the General Shareholders Meeting on dividend payment on the Company's Russian and English websites at [www.sistema.ru](http://www.sistema.ru) and [www.sistema.com](http://www.sistema.com), respectively, and also by publishing such information in the FSFM Vestnik and in authorized newswires in accordance with applicable procedure.

5.3. The materials provided to the shareholders at the General Shareholders Meeting should include all relevant information as to the presence or absence of conditions required for dividend payment.

5.4. The Company's statement on the dividend, its size, time, method and form of payment should give the shareholders all necessary information on these issues. The same statement shall explain to the shareholders their obligation to inform the Registrar of the Company of any changes of their bank details and postal addresses, as well as the consequences of non-compliance with such obligation.