

Approved:

By the Board of the Russian public limited company
of power and electrification "UES of Russia"
Minutes of 24.06.2006№ 1484 /6

**Regulations for payment of compensations and indemnifications to
members of the Board of Directors of the public limited company
"Inter-regional distribution grid company of Center and North
Caucasus "**

City of Tver

2006

1. The present Regulations are drawn up in accordance with the Federal law "On Public Limited Companies" to establish the amount and the order of payment of compensations and indemnifications to members of the Board of Directors of the public limited company "Inter-regional distribution grid company of Center and North Caucasus".

2. The present Regulations are invalid for members of the Board of Directors of the company, if they are sole executive bodies of the company or members of a joint executive body of the company.

Compensations and indemnifications to the Chairperson and members of the Board of Directors of the Company are not charged extra and not paid to persons who the federal law imposed restrictions or a ban on receiving any payments from commercial organizations.

3. Payment of compensations and indemnifications is made by the Company in monetary form.

4. Payment of compensations.

4.1. For participation in a meeting of the Board of Directors by postal voting, a member of the Board of Directors of the Company is paid compensation at a rate of the sum equivalent to 5 minimal monthly tariff rates of a first category worker.

The amount of the commission is established by the branch tariff agreement in the electric power industry complex of the Russian Federation (further - the Agreement) at the date of the meeting of the Board of Directors of the Company, in view of the indexation established by the Agreement within seven calendar days following the meeting of the Board of Directors of the Company.

For participation in a meeting of the Board of Directors in the form of joint presence, a member of the Board of Directors of the Company is paid compensation at a rate of the sum equivalent to 10 minimal monthly tariff rates of a first category worker.

The amount of the commission is established by the branch tariff agreement in the electric power industry complex of the Russian Federation (further - the Agreement) at the date of a meeting of the Board of Directors of the Company, in view of the indexation established by the Agreement within seven calendar days following the meeting of the Board of Directors of the Company.

The amount of the commission, paid according to item 4.1. of the present Regulations to the Chairperson (Deputy Chair) - for each meeting at which one performed the functions of the Chairperson of the Board of Directors (further - performance of the functions of the Chairperson) increases by 50 %.

4.2. Extra compensation is paid to members of the Board for an index of net profit of the Company according to the annual accounting report approved by the general meeting of shareholders of the Company.

4.2.1. The amount of the commission, paid to each member of the Board, is determined by the following formula:

$$S = \frac{NP * n}{100 * x * m}, \text{ where}$$

S - the sum of extra commission of one member of the Board of Directors by the results of the fiscal year;

NP - the amount of net profit of the Company agreed on by the resolution of the annual general meeting of shareholders;

N – number of meetings of the Board of Directors of the Company, in which the member of the Board of Directors participated (irrespective of the form of participation) a year, by the results of activity of which the net profit of the Company is received;

X – number of members of the Board of Directors of the Company under the Statute;

m – number of meetings of the Board of Directors of the Company a year, by the results of the activity of which the net profit of the Company is received.

4.2.2. The amount of the commission, paid according to item 4.2.1. of the present Regulations, to the Chairperson (Deputy Chair) – for performing the functions of the Board of Directors of the Company is determined by the formula:

$$B = S + \frac{NP * j * 1.5}{100 * x * m}, \text{ where}$$

B - The sum of compensation of the Chairperson (Deputy Chair - for performing the functions of the Chairperson) of the Board of Directors of the Company by the results of the fiscal year;

S - The sum of extra commission of the Chairperson (Deputy Chair) of the Board of Directors by the results of the fiscal year for participation in meetings of the Board of Directors at which one did not perform the functions of the Chairperson of the Board of Directors;

NP - the amount of net profit of the Company agreed on by a resolution of the annual general meeting of shareholders;

j - number of meetings at which the Chairperson (Deputy Chair) of the Board of Directors performed the functions of the Chairperson of the Board of Directors of the Company;

x – number of members of the Board of Directors of the Company under the Statute;

m - number of meetings of the Board of Directors of the Company a year, by results of the activity of which the net profit of the Company was received.

4.2.3. If the Board of directors was re-elected during the year, in which the net profit of the Company was received as a result of its activities, compensation specified in 4.2.1.-4.2.2. is paid to the members of the previous Board of Directors of the Company, as well.

4.3. In case of an increase in the amount of market capitalization of the Company extra compensation is paid for the period of work on the Board of Directors (the period from the moment of election of a member of the Board of Directors till the election of the new Board of Directors of the Company) to the members of the Board of Directors.

4.3.1. The amount of extra compensation for each member of the Board of Directors is paid according to 4.3. and makes a 0,0175 interest on the market value of the Company minus the gain in net assets of the Company, calculated for the period from the moment of the election of the member of the Board of Directors till the election of the new Board of Directors of the Company.

In order to define the amount of commission, the calculation of the market value profit of the Company without a gain in net assets of the Company is made as follows:

$$\Delta(MVP_t) = (\overline{MC} - NA_t) - (\overline{MC}_{t-1} - NA_{t-1}) = \Delta MC - \Delta NA(1), \text{ where :}$$

$\Delta(MVP_t)$ - market value profit of the company minus gain in net assets

\overline{MC}_t - average chronological market capitalization of the company for the period

It is applied after six months from the moment of the admission of shares to the tenders on RTS or MISE. The initial period (item.4.3.1.) to calculate compensations for members of the Board of Directors, elected before the expiration of the specified six-monthly period, but whose powers ceased after the expiration of the six-monthly period, is the first day of the tenders on RTS or the Moscow Interbank Stock Exchange, following for expiration of the specified six-monthly period.

NA_t - amount of net assets of the company for the closest date of drawing up the accounting report, following the date of the termination of powers of a member of the Board of Directors;

MC_t - Average chronological market capitalization of the company for the period;

NA_{t-1} - amount of net assets of the company for the closest date of drawing up the accounting report following the date of election of a member to the Board of Directors. Average chronological market capitalization of the Company is made by the following formula:

$$\overline{MC} = \frac{\sum_{i=1}^n (P_{iMISE} * d_{iMISE} + P_{iRTS} * d_{iRTS}) * Q_i}{n} (2), \text{ where}$$

P_{iMISE} – weighted average price of shares of the Company for the i-th trading day of the period for the Moscow Interbank Stock Exchange;

d_{iMISE} - weight of the quotation on the Moscow Interbank Stock Exchange, counted as the relation of volume of the tenders in shares of the Company on the Moscow Interbank Stock Exchange to the total volume of the tenders in shares of the Company on RTS and the Moscow Interbank Stock Exchange (in pieces) for the i-th trading day of the period on RTS;

n – number of trading days from starting date started up to closing date of the period, thus the period for formulas (1) and (2):

- while calculating MC_t are the calendar days since the date of drawing up of the accounting report following the date of the election of a member to the Board of Directors and the date of drawing up the accounting report following the date of the termination of powers of a member of the Board of Directors. Thus, the number of calendar days between the dates of drawing up the accounting report is *the duration of the period*.

- while calculating MC_{t-1} are the calendar days since the date including the number of days of the period between drawing up the accounting report following the date of election of a member to the Board of Directors, multiplied by the number of days of the period and the date of drawing up the accounting report following the date of election of a member to the Board of Directors.

Q_i -Quantity of issued ordinary share of the Company on the i-th date of the period.

The calculated amount of market value profit of the Company minus the gain in net assets of the Company (1) is necessary to coordinate with the growth of the share market, characterized by indexes of RTS and the Moscow Interbank Stock Exchange:

$$T_{market} = \frac{\overline{I_{RTS_t}}}{\overline{I_{RTS_{t-1}}}} * d_{RTS} + \frac{\overline{I_{MISE_t}}}{\overline{I_{MISE_{t-1}}}} * d_{MISE} (3), \text{ where :}$$

I_{RTS_t} - an average chronological index of RTS for period t

$I_{RTS_{t-1}}$ - an average chronological index of RTS for period t-1

D_{RTS} - weight of the quotation on RTS, counted as the relation of the volume of the tenders in shares of the Company on RTS to the total volume of the tenders in shares of the Company on RTS and the Moscow Interbank Stock Exchange (in pieces) for period t (t-1)

I_{MISE_t} - an average chronological index of the Moscow Interbank Stock Exchange for period t

$I_{MISE_{t-1}}$ - an average chronological index of the Moscow Interbank Stock Exchange for period t-1

d_{MMBB} - weight of the quotation on the Moscow Interbank Stock Exchange, counted as the relation of the volume of the tenders in shares of the Company on the Moscow Interbank Stock Exchange to the total volume of the tenders in shares of the Company on RTS and the Moscow Interbank Stock Exchange (in pieces) for periods t and (t-1);

The final formula for calculating the basis to define the compensation of a member of the Board of Directors is the following:

$$\Delta(MVP_t) = \Delta(MVP_t) * \left(\frac{MC_t}{PR_{t-1}} - (T_{market} - d_{KOMM.}) \right) / \left(\frac{MC_t}{PR_{t-1}} - 1 \right) (4), \text{ where :}$$

$d_{KOMM.}$ - a share of an estimated Company in rate of growth of the share market which is calculated in the following way:

$$d_{KOMM.} = \frac{Q_{KOMM}}{Q_{MVP_MMBO}} * \left(\frac{MC_t}{MC_{t-1}} - T_{marketa} \right) (5), \text{ where :}$$

Q_{KOMM} – Total amount of the tenders of an estimated Company on RTS and the Moscow Interbank Stock Exchange for periods t and t-1 in rubles

Q_{MVP_MMBO} - Total amount of the tenders on RTS and the Moscow Interbank Stock Exchange for periods t and t-1, in rubles.

4.4. The compensation specified in item.4.2. is paid within a month after the annual General meeting of shareholders of the Company.

The compensation specified in item.4.3. is paid within one month from the date of drawing up the accounting report following the date of the termination of powers of a member of the Board of Directors.

4.5. The compensation stipulated by items 4.2. and 4.3. of the present Regulations is not paid, if the member of the Board of Directors failed to take part more than in 50 % meetings held (beginning from the moment of one's election till the moment of the termination of one's powers)

4.6. A member of the Board of Directors of the Company can waive one's compensation stipulated by the present Regulations completely or a certain part by sending an application addressed to the General Director of the Company.

By writing an appropriate statement a member of the Board of Directors of the Company may receive payment of compensation on one's written statement. Therefore, whenever payment of compensation is due the Company shall send a letter indicating the sum of compensation to member of the Board of Directors of the Company. Such a letter shall be sent not later than the corresponding term of payment of the compensation as stipulated in the present Regulations.

With a written statement from the member of the Board of Directors of the Company to receive compensation, the corresponding compensation is paid to one within seven calendar days from the moment of its reception.

5. Payment of indemnifications.

5.1. The expenses connected with participating in a meeting of the Board of Directors of the Company (travel, accommodation, meals, etc.) in the amount specified in item 5.2 are compensated to a

member of the Board of Directors of the Company which is stipulated by the present Regulations (except for the payment of daily expenditures).

5.2. Business trips to Company units, participating in meetings with shareholders and investors, taking part in general meetings of shareholders of the Company, and other assignments connected with performing the functions of a member of the Board of Directors of the Company, entitle Members of the Board of Directors receive:

- Refund for daily expenditures for a sole executive body of the Company or for a sole executive body of the managing body of the Company;
- The reimbursement on travel expenses to the place of business and back to the place of work or residence (including insurance payment on obligatory personal insurance of passengers on transport, payment for services on registration of travel papers, etc.) - at a rate of the actual charges confirmed by travel papers, but not exceeding the fare;
 - by rail - business class travel ;
 - by sea and river transport - under the tariffs established by the carrier, but not exceeding the fare for a first class travel in a cabin with an enhanced level of service for passengers,
 - by air - business class travel,
 - by road transport - in a vehicle of common use (except for taxi and rented car);
- the reimbursement for renting accommodation (except for case when accommodation is provided for a member of the Board of Directors) - at a rate of the actual charges confirmed by corresponding documents, but no more than three minimal monthly tariff rates of a first category worker, which is established by the branch tariff agreement in the electric power industry complex of the Russian Federation on the date of the reimbursement, in view of the indexation established by the per diem Agreement.

5.3. Reimbursement is made by the Company within one calendar day upon the presentation of the documents confirming the expenses.