

Draft Regulations on the Executive Committee

APPROVED

**By decision of the Annual General Meeting of
Shareholders of OJSC LSR Group of**

30 June 2010

Minutes No.2/2010 of 30 June 2010.

Chair of the Meeting

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Secretary of the Meeting

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Regulations on the Executive Committee OJSC LSR Group

Draft Regulations on the Executive Committee

1. General Provisions

1.1. These Regulations on the Executive Committee of Open Joint Stock Company LSR Group (hereinafter the “Regulations”) are prepared in compliance with the legislation of the Russian Federation, Charter of OJSC LSR Group (hereinafter the ”Company”) and stipulate the operating procedures of the Executive Committee of the Company.

1.2 The Executive Committee is a collegial executive body of the Company managing its current business within the competence stipulated by the Charter of the Company.

1.3. The Executive Committee shall take part in devising, makes arrangements and remains responsible for implementing the objectives, development strategy and policy of the Company, and for implementing the decisions of the General Meeting of Shareholders and the Board of Directors.

1.4. In its activities the Executive Committee shall be guided by the legislation of the Russian Federation, the Charter of the Company, decisions of the General Meeting of Shareholders and the Board of Directors of the Company, these Regulations and other internal documents of the Company.

1.5. The Executive Committee shall act for the benefit of the Company and its shareholders and report to the General Meeting of Shareholders and the Board of Directors.

2. Objectives of the Executive Committee

2.1. The basic objectives of the Executive Committee shall include:

- providing for observance of the rights and legal interests of the Company;
- preparing proposals on the development strategy of the Company;
- implementing the financial and business policy of the Company;
- drawing up decisions on the major issues of the current business operations of the Company and coordinating the work of its divisions;
- ensuring top-level income from the assets of the Company and a maximum profit from its business.

3. Competence of the Executive Committee

3.1. The competence of the Executive Committee is stipulated by the Federal Law on Joint Stock Companies and the Charter of the Company.

The competence of the Executive Committee shall include:

- 1) developing and submitting to the Board of Directors long-term plans for implementing the key objectives of the Company’s business;
- 2) reviewing the quarterly financial plans of the Company;
- 3) passing decisions on the appointment of heads of subsidiaries and representative offices of the Company and early termination of their powers;
- 4) establishing additional social benefits and guarantees for Company employees.

4. Formation procedure and composition of the Executive Committee

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4.1. The number of members of the Executive Committee, their election and early termination of their powers shall be determined by resolution of the Board of Directors.

4.2. The members of the Executive Committee shall be elected from among senior managers of the Company and its subsidiaries with the necessary professional expertise and experience in management, primarily in the business area of the Company.

Nominations to the Executive Committee shall be brought by the President of the Company to the Board of Directors for consideration. If the nominations to the Executive Committee proposed by the President are disapproved by the Board of Directors, it may elect to the Executive Committee the candidates proposed by a member(s) of the Board of Directors. In the event that the President fails to propose nominations to the Executive Committee in the number required for its formation, the Board of Directors may elect the remaining members of the Executive Committee from among the candidates proposed by a member(s) of the Board of Directors.

4.3. Members of the Executive Committee may have positions with governing bodies of other entities as well as other remunerated positions with other entities only with the consent of the Board of Directors.

4.4. A candidate shall be deemed elected to the Executive Committee if voted for by a majority of the members of the Board of Directors attending the meeting.

4.5. The term of authority of the Executive Committee and the number of its members shall be established by the Board of Directors of the Company each time the Executive Committee is elected. By resolution of the Board of Directors of the Company, the powers of any (all) member(s) of the Executive Committee may be terminated prematurely. In case of early termination of powers of some of the members of the Executive Committee the powers of the newly elected members shall be valid for the term of authority of the Executive Committee of the Company.

4.6. The powers of Executive Committee members may be prematurely terminated at any time by the Board of Directors at its own initiative, at the proposal of the President or at the initiative of the Executive Committee member concerned. The powers of an Executive Committee member shall be deemed terminated from the date established by resolution of the Board of Directors and, if not so established, from the adoption of the resolution by the Board of Directors.

4.7. If the number of Executive Committee members becomes less than the number constituting a quorum for holding a meeting established by these Regulations and the Charter of the Company, the President should propose new nominations to the Executive Committee to the Board of Directors for consideration in place of the exiting members within a reasonable time but not later than five (5) days before the corresponding meeting of the Board of Directors.

5. Rights, Obligations and Liability of Executive Committee Members

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5.1. The rights and obligations of Executive Committee members are stipulated by the existing legislation of the Russian Federation, the Charter of the Company and these Regulations.

5.2. Members of the Executive Committee.

5.2.1. Members of the Executive Committee shall have the right:

1) acting as part of the collegial executive body of the Company, to deal with matters within the competence of the Executive Committee;

2) to get full-volume information regarding the business of the Company, familiarise themselves with the charter and amendments thereto, regulatory, accounting, reporting and other documents of the Company;

3) to request the convening of an Executive Committee meeting;

4) to express in writing their disagreement with decisions of the Executive Committee and communicate it to the Board of Directors;

5) to exercise other rights stipulated by the legislation of the Russian Federation, the Charter of the Company and these Regulations.

5.2.2. Members of the Executive Committee shall be obligated:

1) to attend Executive Committee meetings;

2) to carry out the decisions of the General Meeting of Shareholders, Board of Directors and Executive Committee, to comply with the provisions of the Charter and internal documents of the Company;

3) to act for the benefit of the Company, to exercise their rights and perform their duties to the Company reasonably and in good faith;

4) to communicate in writing to the Board of Directors, Check-up Committee and the Auditor any information or its change:

a) in respect of legal entities where an Executive Committee member owns individually or jointly with its affiliated person(s) 20 or more percent of voting shares (stocks, stakes);

b) in respect of legal entities in whose governing bodies a Executive Committee member holds office, and other positions with other entities;

c) to notify the President and the Board of Directors regarding proposed transactions where an Executive Committee member may be deemed an interested party no later than 15 days before such transactions are made;

5) not to disclose or use for their own benefit, or the benefit of third parties any confidential information and documentation constituting a business or commercial secret that became known and/or accessible to him/her while exercising the powers of Executive Committee member including insider information;

6) to timely disclose to the Company information on the ownership of Company's securities as well as on the sale (no later than five days in advance) and/or acquisition of such securities;

7) to perform other duties stipulated by the legislation of the Russian Federation, the Charter of the Company and the internal regulations of the Company.

5.3. Executive Committee members (except Executive Committee members who voted against a corresponding decision or did not take part in the vote) shall indemnify the Company for any loss incurred by it as a result of their guilty action/omission in accordance with the existing legislation.

5.4. Chairman of the Executive Committee.

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5.4.1. The activity of the Executive Committee shall be directed by the President of the Company acting as ex officio Chairman of the Executive Committee.

5.4.2. The Chairman of the Executive Committee shall:

- 1) submit to the Board of Directors for consideration proposals on electing and terminating the powers of Executive Committee members;
- 2) convene Executive Committee meetings:
 - determine the date, venue and time of Executive Committee meetings (date for summing up the results of absentee voting);
 - determine the form of meeting;
 - approve the meeting agenda;
 - determine the list of invitees taking part in the discussion of particular agenda items at the Executive Committee meeting;
 - agree draft decisions on agenda items to be recorded in the ballot;
- 3) chair Executive Committee meetings;
- 4) sign the minutes of Executive Committee meetings and extracts therefrom;
- 5) organise the proceedings of the Executive Committee and ensure compliance with the provisions of the legislation of the Russian Federation, Charter of the Company and these Regulations in the activities of the Executive Committee;
- 6) represent the Executive Committee at the meetings of the Board of Directors and the General Meeting of Shareholders of the Company;
- 7) perform other actions stipulated by these Regulations.

5.5. In case of Chairman's temporary absence, his duties shall be performed by Vice Chairman of the Executive Committee to be appointed by the Executive Committee Chairman from among the members of the Executive Committee.

6. Secretary of the Executive Committee

6.1. The Secretary of the Executive Committee shall be appointed by the Chairman of the Executive Committee.

6.2. The Secretary of the Executive Committee shall provide organizational and information support to the proceedings of the Executive Committee.

The Secretary of the Executive Committee shall be obligated:

- 1) to make arrangements for the preparation of materials to be reviewed by the Executive Committee;
- 2) to notify the Executive Committee members and invitees of the date, venue and time of Executive Committee meetings and distribute to the Executive Committee members the materials submitted;
- 3) to make organizational and technical arrangements for Executive Committee meetings;
- 4) upon instruction by the Chairman of the Executive Committee (Vice Chairman of the Executive Committee), to prepare draft documents and decisions of the Executive Committee;
- 5) to keep minutes of Executive Committee meetings;

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- 6) to communicate to the members of the Executive Committee and the Board of Directors the voting results and the information regarding decisions taken by the Executive Committee;
- 7) to inform the performers of the decisions taken by the Executive Committee by means of distributing extract minutes of the Executive Committee meetings;
- 8) to perform other functions set forth in these Regulations and the instructions of the Chairman of the Executive Committee.

6.3. The Secretary of the Executive Committee shall be responsible for accurate preparation of the minutes of the Executive Committee, extract minutes of the Executive Committee meetings, and also for performing other duties set forth in these Regulations.

7. Proceedings of the Executive Committee

7.1. Meetings of the Executive Committee shall be held as necessary but not less than once a month.

7.2. The Executive Committee shall be convened by its Chairman, or, if absent, by the Vice Chairman of the Executive Committee:

- at the initiative of the Chairman of the Executive Committee or an Executive Committee member;
- by decision of the Board of Directors, Check-up Committee or Auditor.

7.3. The agenda of the Executive Committee meeting shall be prepared based on the decisions of the Board of Directors, Check-up Committee, Auditor, initiative of the President and proposals of Executive Committee members.

7.4. Meetings of the Executive Committee may be held in the following form:

7.4.1. in presentia whereby members of the Executive Committee are present in a particular place to review agenda items and take decisions thereon;

7.4.2. simultaneous discussion of agenda items and adoption of decisions thereon using facilities for remote access to common audio and video space providing for protection from unauthorised access and reliable identification of meeting participants;

7.4.3. review of agenda items and adoption of decisions thereon without simultaneous joint discussion by means of completing written ballots (absentee voting).

7.5. The meeting of the Executive Committee shall be quorate (have a quorum) if not less than half the elected members of the Executive Committee take part in the meeting (absentee voting).

7.6. All the decisions at the meeting of the Executive Committee shall be passed by a simple majority of votes cast by the Executive Committee members attending the meeting (taking part in absentee voting).

7.7. For decision-making each Executive Committee member shall have one vote. Vote transfer from one member of the Executive Committee to another member of the Executive Committee, or to any other person shall not be allowed.

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In case of a tie vote of Executive Committee members, the vote of the chair of the Executive Committee meeting shall be decisive.

7.8. In case of disagreement with a decision passed by the Executive Committee, the member of the Executive Committee who took part in the meeting may state his/her position on the matter(s) in writing. This opinion of the Executive Committee member shall be attached to the minutes of the Executive Committee meeting.

8. Procedure for Convening and Conducting Executive Committee Meetings

8.1. Notice stating the venue, date and agenda of Executive Committee meeting in presentia or in the form of simultaneous discussion shall be given to Executive Committee members two (2) business days before the meeting concerned.

Notice of Executive Committee meeting to be held in absentia, the materials/information and draft decisions on agenda items shall be circulated to the members of the Executive Committee not later than two (2) business days before the expiration date for receiving absentee vote ballots.

8.2. Notice of Executive Committee meeting should include:

- full name of the Company and its registered office;
- agenda of Executive Committee meeting;
- date, time and venue of Executive Committee meeting, and in case of: a meeting held in the form of simultaneous discussion – the city phone number to access the conference call and its identifier; a meeting held in absentia – the expiration date and time for receiving completed and signed vote ballots, and also the delivery method and address to which completed and signed vote ballots should be sent;
- form of meeting.

8.3. Notice of Executive Committee meeting shall be prepared by the Secretary of the Executive Committee and signed by its Chairman, and in the cases provided for in these Regulations it should be signed by the Vice Chairman of the Executive Committee.

Along with the notice of Executive Committee meeting, all the necessary materials/information and draft decisions on agenda items shall be circulated to Executive Committee members.

8.4. The meetings of the Executive Committee shall review the items included in the agenda of the Executive Committee meeting.

Executive Committee meetings, save for meetings in absentia, may review matters not included in the agenda of the meeting if a review of such matters is approved by a majority of those present at the Executive Committee meeting.

8.5. A Executive Committee meeting held in presentia or in the form of simultaneous discussion shall be conducted by the Chairman, and if absent, by the Vice Chairman of the Executive Committee.

8.6. The Secretary of the Executive Committee shall determine the quorum necessary for a Executive Committee meeting in presentia or in the form of simultaneous discussion, and the

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Chairman of the Executive Committee shall inform those present regarding the availability of a quorum and read out the agenda of the Executive Committee meeting.

8.7. Based on the voting results in presentia or the form of simultaneous discussion at the meeting, the Secretary of the Executive Committee shall sum up the results of voting on agenda items and prepare the minutes of the Executive Committee meeting in the manner set forth in these Regulations.

8.8. The absentee vote ballot shall be circulated by the Secretary of the Executive Committee to its members not later than two (2) business days before the expiration date for receiving ballots set forth in the notice of absentee voting in the original, or by facsimile or electronic communication.

8.9. The vote ballot should contain:

- full name of the Company;
- wordings of the items and draft decisions on the agenda;
- voting options;
- date and time of expiration date for receiving ballots;
- address for mailing completed ballots.

8.10. For completing an absentee vote ballot the Executive Committee members should leave unchecked only one voting option (in favour, opposed, abstained) for each draft decision on each item.

A completed ballot should be signed by the Executive Committee member specifying his/her last name and initials.

8.11. A ballot completed contrary to the provisions of the first paragraph of Clause 8.10 hereof shall be deemed invalid and disregarded in the vote count only for the item concerned.

A ballot unsigned or received by the Company after the expiration date specified therein shall be deemed invalid and disregarded when ascertaining the quorum necessary for taking a decision by absentee voting, and also disregarded in the vote count and the summing up of voting results.

8.12. A completed and signed ballot shall be handed in by the Executive Committee member to the Secretary of the Executive Committee within the timeframe specified in the ballot, or sent by facsimile or electronic communication, with the original ballot subsequently mailed to the address specified in the ballot.

Executive Committee members whose signed ballots were received by the Secretary of the Executive Committee not later than the expiration date for receiving ballots, shall be deemed to have taken part in absentee voting.

8.13. The quorum necessary for taking decisions by absentee voting shall be ascertained based on the ballots completed and signed by Executive Committee members and received by the Company within the timeframe specified in the notice of absentee voting.

Based on the ballots received the Secretary of the Executive Committee shall sum up the results of absentee voting on agenda items and prepare the minutes of the Executive Committee meeting in the manner set forth herein.

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9. Minutes of Executive Committee Meeting

9.1. The minutes of the General Board meeting based on the results of the Management Board meeting shall be prepared and signed within two (2) business days after the meeting by the Chairman and the Secretary of the Executive Committee who shall be responsible for the accuracy of its preparation.

9.2. The minutes of the Executive Committee meeting should include:

- full name of the Company;
- form of meeting;
- venue and time of meeting (summing up of voting results);
- list of Executive Committee members attending the meeting (taking part in absentee voting), and list of invitees;
- quorum details;
- meeting agenda;
- items put to vote and roll call results;
- decisions passed.

9.3. The Company shall keep the minutes of Executive Committee meetings on the premises of the executive body of the Company. The Secretary of the Executive Committee shall be responsible for the safekeeping of the minutes of Executive Committee meetings.

9.4. The minutes of Executive Committee meetings should be available on the premises of the executive body of the Company to the members of the Board of Directors, Check-up Committee (Controller), Auditor, President, members of the Executive Committee and also other persons in conformity with the legislation of the Russian Federation.

10. Follow-up to Executive Committee Decisions

10.1. Decisions passed by the Executive Committee shall be communicated to Executive Committee members in writing by means of distributing copies of the minutes of the Executive Committee meeting within not more than three (3) business days of signing the minutes.

10.2. Executive Committee decisions shall be communicated to the performers as extracts relating to particular items of the minutes of the Executive Committee meeting signed by the Chairman of the Executive Committee.

For forwarding extract minutes of the Executive Committee meeting to third party organizations, all extract sheets shall be bounded, numbered and affixed with the signature of the Chairman of the Executive Committee and the Company seal.

10.3. Follow-up to the decisions of the Executive Committee shall be carried out by the Chairman of the Executive Committee unless another person is designated by decision of the Executive Committee.

11. Final Provisions

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11.1. These Regulations shall take effect from the date of approval by the General Meeting of Shareholders.

11.2. If any provisions hereof contradict the legislation of the Russian Federation and/or the Charter of the Company, they shall be void, and the relevant provisions of the legislation of the Russian Federation and/or the Charter of the Company shall apply. Invalidity of particular provisions of these Regulations shall not entail invalidity of the other provisions hereof and the Regulations as a whole.