

**Public Joint –Stock Company  
"Southern Telecommunications Company"**

**PROVISIONS  
ON THE DIVIDEND POLICY  
OF PUBLIC JOINT-STOCK COMPANY  
«SOUTHERN TELECOMMUNICATIONS COMPANY»**

**Krasnodar**

## APPROVED

**Public Joint –Stock Company  
"Southern Telecommunications  
Company"**

by the Decision of the Board of Directors  
of Public Joint-Stock Company  
"Southern Telecommunications Company"

Minutes № \_\_\_\_\_ of \_\_\_\_\_ 2005.

**Provisions "On Dividend Policy  
of "Southern Telecommunications  
Company" PJSC"**

Chairman of the Board of Directors

\_\_\_\_\_ V.Ye.Belov

### 1. GENERAL PROVISIONS

- 1.1 The present Provisions on dividend policy of Public Joint –Stock Company «Southern Telecommunications Company» (hereinafter referred to as the Provisions) have been prepared in compliance with the current legislation of the Russian Federation, the Charter of Public Joint –Stock Company "Southern Telecommunications Company" (hereinafter referred to as the Company) and recommendations of the Corporate Governance Code of "UTK" PJSC.
- 1.2 Provisions shall determine terms and procedures of dividend payment, regulate the procedure of calculating the size of dividends on shares of any categories and types, dividend payment organization, including time, place and form of payment, procedure of taking decision on dividend payment, dividend payment restrictions and sequence of taking the decision on payment.
- 1.3 The present Provisions are mainly aimed at determining the priorities for the Board of Directors when preparing recommendations on the size of dividends on shares, terms and procedures of dividend payment. Provisions have been prepared to ensure the transparency of the mechanism of determination of the dividend size and payment procedures used by the Company's Board of Directors when taking a decision on dividend payment.
- 1.4 Taking a decision on payment of a dividend on shares of any categories and types shall be a right, not an obligation of the Company.  
  
General meeting of shareholders shall be entitled to take a decision not to pay dividends on shares of the certain categories (types), or to pay incomplete dividends on preferred shares, the amount of which is set forth in the Charter, or not to take a decision on dividend payment.
- 1.5 The Company's shares forming the basic assets of derivative securities – the depository receipts, shall entitle their holders to receive complete dividends provided for by the decision on the shares issue and the Charter of the Company.
- 1.6 Main objectives of the Company's dividend policy are maximal ensuring the rights of the shareholders, creating conditions for enhancement of the Company's liquidity,

capitalization and attractiveness for investors, as well as for ensuring effective distribution of the Company's net profit among the dividend payment and financing the necessary investment projects.

- 1.7 Should any issues related to dividend payment to Company's shareholders fail to be covered by the current legislation of the Russian Federation, the Charter of the Company and the present Provisions, their regulation shall be based on the necessity of ensuring the rights and interests of the shareholders.
- 1.8 The Company shall be entitled to take a decision on (declare) dividend payment on outstanding shares once a year.

## **2. PROCEDURE OF CALCULATING DIVIDENDS.**

### **2.1. PROCEDURE OF CALCULATING DIVIDENDS ON ORDINARY SHARES**

2.1.1. Dividends on ordinary shares shall be paid from the Company's net profit specified in the Profit and Loss Statement of the Company for the fiscal year.

2.1.2. Funds for dividend payment shall without fail be included in the budget of the Company for the next fiscal year.

2.1.3. Within one fiscal year corrections may be made in the Company's budget, including regarding planned dividend payments.

2.1.4. When determining the recommended size of dividends under one share, the Board of Directors shall proceed from net profit actually received by the Company for reporting fiscal year and follow the provisions of the effective legislation of the Russian Federation, the given Provisions, the Company's Charter and recommendations of the Board Committees within the scope of their competence.

2.1.5. Annual dividend on each ordinary share shall be at least 10 % of the Company's net profit according to the results of the last fiscal year, divided by the number of the Company's outstanding ordinary shares as of the cut-off date.

### **2.2. PROCEDURE OF CALCULATING DIVIDENDS ON PREFERENCE SHARES**

2.2.1. Dividend on preference shares may be paid from the Company's funds specially assigned for that purpose.

2.2.2. Funds for dividend payment shall without fail be included in the budget of the Company for the next fiscal year.

2.2.3. The amount to be paid as dividend on each type A preferred share shall be 10% of the Company's net profit divided by the number of preferred Type A shares with total nominal value not exceeding 25% of the Company's authorized capital, the net profit being determined on the basis of the results of the last fiscal year. If the total amount of dividend paid by the Company on each ordinary share in a certain year exceeds the amount to be paid as dividend on each preferred type A share, then the amount of the dividend paid on preferred type A shares shall be increased to the amount of the dividend paid on ordinary shares.

### **3. TAKING A DECISION TO PAY (DECLARE) DIVIDEND**

3.1. The decision on payment of annual dividend, size of dividend on shares of each category (type) shall be taken by the General Shareholders' Meeting upon recommendation of the Company's Board of Directors.

3.2. The decision on dividend payment shall establish:

- the category and type of the shares, on which dividend is declared;
- the amount of the dividend per share of a certain category and type;
- the payment period;
- the form of payment.

3.3. The decision on payment of ordinary dividend may be taken only after taking a decision on complete payment of dividends under all types of preferred shares, size of dividend on which is set forth in the Company's Charter.

3.4. The decision to pay the annual dividend or not to pay any dividend shall be preliminarily considered by the Board Committees within the scope of their competence on the basis of the results of the fiscal year and proposals of the Company's Management Board on distribution of the gained profit.

3.4. The decision on the amount of the annual dividend, recommended to the general meeting of the shareholders, the form and period of payment shall be taken by the majority votes of the Directors participating in the meeting of the Board of Directors.

3.5. The size of the annual dividend may not exceed the amount recommended by the Company's Board of Directors.

### **4. DIVIDEND PAYMENT RESTRICTIONS. SEQUENCE OF TAKING THE DECISION ON PAYMENT**

4.1. The Company is not entitled to take a decision on dividend payment on shares in the following cases:

- before all the shares that must be bought out in compliance with article 76 of the Federal Law "On Joint-Stock Companies" are redeemed;
- if, as of the day of taking such a decision, the Company meets the signs of insolvency (bankruptcy) according to the laws of the Russian Federation on insolvency (bankruptcy) or if the said signs appear in the Company as a result of dividend payment;
- if, as of the day of taking such a decision, the value of Company's net assets is less than its authorized capital, reserve fund and excess over the par value defined by the Company's Charter of the liquidation value of the floated preferred shares or becomes less than their amount as a result of taking such a decision;
- in other cases provided for by the federal laws of the Russian Federation.

4.2. The Company is not entitled to pay declared dividend on shares in the following cases:

- if as of the day of payment the Company meets the signs of insolvency (bankruptcy) according to the laws of the Russian Federation on insolvency (bankruptcy) or if the said signs appear in the Company as a result of dividend payment;
- if, as of the day of payment, the value of Company's net assets is less than the total amount of its authorized capital, reserve fund and excess over the par value defined by the Company's Charter of the liquidation value of the floated preferred shares or

- becomes less than the said total amount as a result of dividend payment;
- in other cases provided for by the federal laws of the Russian federation.

Upon cessation of the circumstances indicated in this item, the Company shall be obliged to pay the declared dividends to the shareholders.

## **5. LIST OF PERSONS ENTITLED TO DIVIDEND.**

- 5.1. To ensure payment of the annual dividend, the Company's Registrar, upon instructions of the Company, shall make up a list of those entitled to receive the annual dividend.
- 5.2. Such a list shall be made up as of the date of making up the list of those entitled to participate in the annual General Shareholders' Meeting.
- 5.3. The list of those entitled to receive the annual dividend shall include the persons registered in the register keeping system (except for nominal holders) and the persons for whose benefit the nominal holder holds shares, as of the date of making up the list.
- 5.4. To make up the list of those entitled to receive the annual dividend, the nominal holder of shares shall present data on the persons for whose benefit he holds shares, as of the date of making up the list.
- 5.5. If one share is owned by several persons, the dividend shall be distributed among them in proportion to their portion in the share's value, unless otherwise provided for by the agreement between such persons.

## **6. DIVIDEND PAYMENT TIME**

- 6.1. The time of annual dividend payment on preferred type A shares shall be set by the decision of the General Shareholders' Meeting on annual dividend payment. The time of its payment shall not exceed 60 days from the day of taking the decision on annual dividend payment.
- 6.2. The time of annual dividend payment on ordinary shares shall be approved by the decision of the General Shareholders' Meeting. The time of its payment shall not be later than the ending of the fiscal year in which the decision on annual dividend payment is taken.
- 6.3. The Company shall continue to pay declared dividends on the shares, whose holders have not received the due dividend within the time established according to item 6.2 (unclaimed dividend). The period for unclaimed dividend payment shall not be less than three years.
- 6.4. No interest shall be added on unclaimed dividend.

## **7. PROCEDURE OF DIVIDEND CALCULATION**

- 7.1. Dividend shall not be calculated and paid on shares:
  - that have not been issued (have not been distributed);
  - acquired to the Company's balance;
  - bought out to the Company's balance;
  - received by the Company for its disposal due to the fact that the buyer has not fulfilled the obligations to acquire them;
  - in other cases provided for by the active law of the Russian Federation
- 7.2. The amount of accrued dividend of one shareholder shall be determined separately for each type and category of shares by multiplying the dividend due per share by the number of shares owned by the shareholder.

## **8. DIVIDEND PAYMENT ORGANIZATION**

- 8.1. The Company shall inform all shareholders of the time, place and procedure of dividend payment by publishing these data in the printed edition determined by the Company's Charter ("Rossiyskaya Gazeta") for notifying the shareholders about the General Shareholders' Meeting and (or) by mailing notices to shareholders to the addresses indicated in the list of those entitled to receive dividend.
- 8.2. The Company shall be entitled to engage third-party organizations (hereinafter referred to as Payment Agents) for the purposes of the dividend payment organization and dividend payment. Attracting a Payment Agent by the Company shall not release the Company from its obligations to the shareholders on dividend payment.
- 8.3. The dividends declared by the Company may be paid both in monetary and non-monetary form in case the Company's General Shareholders' meeting takes the decision on payment of dividends in the non-monetary form.  

The Company's General Shareholders' Meeting shall take the decision on payment of dividends in the non-monetary form only under the instructions of the Company's Board of Directors specifying the Company's property assigned to dividend payment.
- 8.4. The Company shall be a fiscal agent, when income is paid to shareholders on the shares owned by them. The Company shall calculate, deduct and transfer taxes on dividends to the budget according to the procedure and within the time provided for by the active law of the Russian Federation.
- 8.5. Dividends shall be paid to shareholders less the taxes deducted from them and other deductions provided for by the laws of the Russian Federation.
- 8.6. The amount of the dividend accrued for each type and category of shares, containing fractional parts of a kopeck, shall be rounded off according to the mathematical rules to an integral kopeck.

## **9. RESPONSIBILITY FOR PAYMENT OF THE DECLARED DIVIDENDS**

- 9.1. The Company's executive bodies shall be responsible for duly and exact execution of the decision on annual dividend payment approved by the General Shareholders' Meeting.
- 9.2. Pursuant to Article 44 of the Federal Law "On Joint –Stock Companies" the Company, its Registrar and their officials shall not be responsible for non-payment of dividends to those shareholders who have not timely presented their exact bank details or postal addresses or changes to them.
- 9.3. The Company shall be obliged to pay annual dividends declared for each category (type) of shares.
- 9.4. Should the Company fail to fulfill its obligations on dividend payment, shareholders shall be entitled to take payment of declared annual dividends to court.

## **10. INFORMING THE SHAREHOLDERS ON THE COMPANY'S DIVIDEND POLICY**

- 10.1. The Company shall publish the Provisions on Dividend Policy of "UTK" PJSC, amendments to it in the periodical specified by the Charter of the Company for publication of notices of General Shareholders' Meetings as well as put it on the Company's Internet site.

10.2. Shareholder materials for a General Shareholders' Meeting shall include all the information confirming availability of conditions necessary for annual dividend payment.

10.3. The obligatory notification on taking decision on annual dividend payment, its size, time, procedure and form of its payment published by the Company should inform the shareholders on these matters in a well-defined and clear manner. In addition, the notification shall include the warning about the shareholders' obligation to inform the Company's Registrar about the change of their bank details and postal addresses, as well as about the consequences of non-observance of this obligation.

## **11. PROCEDURE OF APPROVING AND AMENDING THE PROVISIONS ON THE COMPANY'S DIVIDEND POLICY**

11.1. The given Provisions shall be approved by the decision of the Company's Board of Directors, taken by the majority of votes of its members participating in the meeting.

11.2. Any amendments and additions to the Provisions shall be introduced upon decision of the Board of Directors, taken by the majority of votes of its members participating in the meeting.

11.3. Should certain articles of the Provisions contradict the effective legislation of the Russian Federation or the Company's Charter, such articles shall lose their force, and the matters regulated by such articles shall be governed by the active laws of the Russian Federation and the Company's Charter until appropriate amendments are introduced to the Provisions.