

**DIVIDEND POLICY REGULATIONS
OF “Power Machines” OJSC**

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1. GENERAL PROVISION

1.1. These Dividend Policy Regulation (“these Regulations”) shall be worked out in accordance with the existing laws of the Russian Federation, the By-laws of “Power Machines” Open Joint Stock Company (“the Company”), the Corporate Behavior Code and other internal regulations of the Company.

1.2. The purpose for which these Regulations are adopted shall be to determine priorities of recommendations of the Board of Directors on an amount, procedure and conditions of payment of dividends and to establish a procedure for notification of the Company’s dividend policy to shareholders of the Company and other persons concerned such as proposed investors and professional participants of the securities market.

1.3. The Company’s dividend policy shall be based on accommodation of the Company’s interests and the interests of its shareholders upon determination of an amount of dividends, improvement of the Company’s investment attractiveness, increase of capitalization of the Company, market profitability of invested capital (including increase of a value of shares in the Company), strict observance of shareholders’ rights, and growth of welfare of shareholders of the Company.

2. CONCEPT OF DIVIDEND POLICY. DIVIDENDS.

2.1. The Company’s dividend policy shall be formulated by the Board of Directors and determine a ration between a capitalized part of the Company’s profit and a part thereof paid as a dividend.

2.2. The dividend shall be deemed to be a part of net profit to be distributed among shareholders in proportion to a number of their respective shares of the relevant type or category.

2.3. Unless otherwise provided for by the Federal Law on Joint Stock Companies, the Company may decide on/declare payment of dividends according to results of the first quarter, six months or nine month of each financial year and/or according to results of each financial year.

2.4. The Company may but not obliged to make decision to pay dividends on shares of any type or category.

The general meeting of shareholders may make a decision not to pay dividends on shares of certain type or category or to pay partial dividends on preference shares provided that an amount of such dividends shall be determined by the By-laws of the Company. The general meeting of shareholders may also refuse to make a decision to pay dividends.

2.5. The payment of any declared dividends shall be deemed to be an obligation of the Company. The Company shall be liable to shareholders for non-fulfillment of such obligation under the existing laws of the Russian Federation.

2.6. If any matters related to payment of dividends on shares in the Company are not regulated by the Federal Law on Joint Stock Companies, other laws of the Russian Federation, the By-laws of the Company or these Regulations, such matters shall be settled on the strength of shareholders’ rights and interests.

3. TERMS OF PAYMENT

3.1. The Company shall make every effort to increase an amount of dividends paid to shareholders on a level with capitalization provided that such increase shall be based on an amount of net profit gained within a reporting period and requirements for development of the Company.

3.2. No dividend shall be paid unless:

3.2.1. within a reporting period the Company makes a net profit to be calculated in accordance with Subsection 4.1 hereof;

3.2.2. no restriction provided for by Section 43 of the Federal Law on Joint Stock Companies is applicable to the Company;

3.2.3. the Board of Directors gives recommendations on an amount of dividends;

3.2.4. the general meeting of shareholders of the Company make a decision to pay dividends.

4. DETERMINATION OF AN AMOUNT OF DIVIDENDS

4.1. Pursuant to the requirements of the Russian laws, any dividends shall be paid to shareholders out of net profit which is calculated on the basis of the Company's books and records kept in conformity to the Russian accounting standards and which is shown in the profit and loss statement of the Company for the relevant reporting period.

4.2. The procedure for determination of a dividend per preference share shall be established by the By-laws of the Company. Under such procedure, the recommended dividend per preference share shall amount to 200% of the nominal value of a preference share less a sum of declared interim dividends thereon, i.e. dividends for the first quarter, six months and nine months of a financial year. If the decision to pay any interim dividend on preference shares is taken, the sum of interim dividends within the relevant financial year shall not exceed 200% of the nominal value of preference shares.

4.3. No dividend shall be charged or paid on:

- unplaced/non-outstanding shares;
- shares which are acquired by the Company and registered in the Company's fixed assets;
- shares which are redeemed by the Company and registered in the Company's fixed assets;
- shares placed at the Company's disposal because of non-fulfillment of purchaser's obligation to purchase such shares;
- other shares in cases referred to in the laws of the Russian Federation.

4.4. The amount of a charged dividend per shareholder shall be determined separately with respect to each type or category of shares by multiplication of a dividend per share by a number of shares held by a shareholder.

5. DECISION-MAKING PROCEDURE FOR PAYMENT OF DIVIDENDS

5.1. The matter of possibility to pay dividends for a reporting period shall be preliminarily considered by the Board of Directors on the basis on financial results obtained by the Company.

5.2. The Board of Directors shall consider principal lines of profit distribution and determine a part of profit which may be appropriated for dividend payments. The decision of the Board of Directors upon consideration shall be governed by Section 4 hereof.

5.3. Any decision on an amount of dividends to be recommended to the general meeting of shareholders shall be made by the Board of Directors by a majority of the votes of Directors present at the meeting of the Board of Directors in accordance with the By-laws and the Regulation on the Board of Directors.

5.4. Recommendations of the Board of Directors on an amount of dividends for a reporting period shall be given to shareholders for approval at the general meeting of shareholders in accordance with the existing Russian laws.

5.5. Decisions on declaration, payment or non-payment, an amount, a form of payment and a term of payment of annual dividends on shares of each category shall, in accordance with the By-laws of the Company be made at the general meeting of shareholders by a majority of the votes of holders of voting shares who participate in the meeting.

5.6. The decision to pay any dividends shall specify:

- a category and type of shares with respect to which dividends are declared;
- a dividend per share of a certain category or type;
- a procedure for notification of dividend payment to shareholders;
- a procedure and timeframe for payment of dividends unless otherwise established by the By-laws of the Company;
- a form of payment of dividends.

5.7. No decision to pay dividends on ordinary shares shall be made unless the decision to pay dividends in full on preference shares of all types.

5.8. Any declared dividend shall not be adjusted for taxes levied on shareholders.

5.9. An amount of any dividend shall not exceed that recommended by the Board of Directors.

6. LIST OF PERSONS ENTITLED TO RECEIVE DIVIDENDS

6.1. When the general meeting of shareholders makes a decision to pay dividends, the Company shall cause the holder of the Company's register ("the Registrar") to draw up a list of persons entitled to receive dividends on securities.

The list shall be drawn up as on the date the list of persons entitled to participate in the general meeting of shareholders at which the decision to pay the relevant dividends is made.

6.2. The list of persons entitled to receive dividends shall contain information on all persons registered in the Company's register and information on beneficial owners holding their shares through nominees or trustees.

6.3. The responsibility for prompt delivery of true information in order to make the relevant alterations in the Company's register shall be placed on shareholders of the Company.

6.4. The list of beneficial owners holding their shares through nominees or trustees shall be drawn up separately and contain information on shareholders recorded on accounts of nominees and trustees and bank details for transfers of dividends.

If dividends are transferred to the account of any nominee, trustee or pledgee, the transfer instrument shall contain a reference to a document under which the shareholder grants the right to receive dividends to his nominee, trustee or pledgee.

The responsibility for reliability of information on beneficial owners shall be put on nominees and trustees.

6.5. If any share are jointly held by two or more persons, any dividend thereon shall be distributed among the joint holders in proportion to their respective fractions of the share.

6.6. To protect the rights of shareholders to receive their yields on securities, the Company shall, upon formation of its relations with the Registrar, make all necessary efforts to establish the Registrar's liabilities for any discrepancy between the list of persons entitled to receive dividends and the Company's share register.

6.7. The Registrar may make alterations or amendments to the list of persons entitled to receive dividends provided that the reason for any such alteration or amendment shall be specified.

7. TIMEFRAME FOR PAYMENT OF DIVIDENDS

7.1. Any dividends on shares in the Company shall be paid within a timeframe determined in the decision of the general meeting of shareholders to pay such dividends. If no timeframe for payment of dividends is determined in the By-laws or a decision of the general meeting of shareholders of the Company, the duration of a period for payment thereof shall not exceed 60 days from the date of decision to pay dividends.

7.2. If any person fails to receive dividends within a timeframe established as provided for in Subsection 7.1 hereof ("unclaimed dividends") by any of the reasons set forth in Subsection 9.4 hereof, the Company shall continue to pay dividends on shares held by such person. The term of payment of unclaimed dividends shall not be less than three years.

8. PREPARATION FOR PAYMENT OF DIVIDENDS

8.1. The control over preparation, coordination and effectuation of payments of dividends provided for hereby shall be exercised by the Corporate Secretary of the Company.

8.2. Any shareholder may apply to the Company for inclusion or non-inclusion of the applicant in the list of persons entitled to receive dividends or inquire from the Company the procedure for calculation of dividends on shares, procedure for charging or taxation of dividends or terms of payment of dividends.

Replies to inquiries about a procedure or term of payment of dividends shall be prepared and given by the Corporate Secretary of the Company.

8.3. The Company shall notify all shareholders about a time, form, place and procedure for payment of dividends under the procedure established by decision of the general meeting of shareholders. The Company may publish a notice of a time, form, place and procedure for payment of dividends in *Rossiyskaya gazeta* or *Vremya novostey* Newspaper and place the notice at the Company's web-site at www.power-m.ru.

8.4. To arrange and effect payment of dividends, the Company may attract any third organizations ("dividend payment agents"). The attraction of any dividend payment agent shall not release the Company from its liability to shareholders for any underpayment or overdue payment of dividends.

8.5. In case of attraction of any dividend payment agent the Company shall conclude with such agent a contract providing for rights, duties and liabilities of the parties and a procedure for contractual settlement payments.

8.6. The Company shall notify shareholders about all dividend payment agents attracted by the Company (including their replacement or expiration of their term of office) in the manner provided for by Subsection 8.3 hereof.

9. PAYMENT OF DIVIDENDS

9.1. Unless otherwise provided for by the By-laws of the Company, any dividends declared by the Company shall be paid in cash.

9.2. In case of any shareholder being a legal entity the dividends shall be paid by cashless transfer of funds. In case of any shareholder being an individual the dividends shall be paid by cashless transfer of funds unless otherwise provided for by decision of the general meeting of shareholders.

9.3. To receive dividends on a cashless basis, any person entitled to receive dividends shall notify the Registrar, nominee or trustee, as the case may be, all bank details recorded in the Company's share register, deponent's form or a trust agreement, as the case may be, provided that such details shall be effective as on the date of the list of persons entitled to receive dividends.

9.4. If any person entitled to receive dividends fails to notify or notifies incorrectly the Registrar, nominee or trustee, as the case may be, about his bank details effective as on the date of the list of persons entitled to receive dividends, the Company shall not be liable for a failure to pay dividends to such shareholder. The repeated transfer of dividends to a person entitled to receive dividends according to his altered bank details shall be made upon his written application after the Company is repaid all incorrectly transferred amounts less a sum of expenses for repayment and repeated transfer.

9.5. The Company shall be deemed to be a tax agent upon payment of dividends to shareholders. The Company shall calculate, withdraw and transfer an amount of the dividend tax to the budget under such procedure and within such timeframe as may be provided for by the existing laws of the Russian Federation.

The Company shall also notify all persons entitled to receive dividends about a procedure and timeframe for withdrawal or transfer of taxes on dividends, established by the existing laws of the Russian Federation. The notice thereabout shall be placed at the corporate site of the Company at www.power-m.ru.

9.6. Any person entitled to receive dividends shall be paid dividends less a sum of taxes and other sums provided for by the laws of the Russian Federation.

10. NOTIFICATION OF DIVIDEND POLICY TO SHAREHOLDERS

10.1. The Company shall place these Regulations at the corporate site of the Company at www.power-m.ru.

10.2. Materials to be presented to shareholders for the purpose of decisions at the general meeting of shareholders shall include all information being testimony to the fact that there are or there are not conditions necessary for payment dividends in the Company.

10.3. The obligatory notice to be published by the Company about the decision on payment of any dividends and an amount, timeframe, manner and form of payment thereof shall expressly clarify those matters to persons entitled to receive dividends. Such notice shall also set forth the duty of any person entitled to receive dividends to notify the Registrar, nominee or trustee, as the case may be, about any change in such person's bank details or mail address and about consequences of a failure to do so.

11. LIABILITY OF THE COMPANY FOR UNDERPAYMENT OR OVERDUE PAYMENT OF DIVIDENDS

11.1. The Company shall pay all dividends declared with respect to each category or type of shares. In case of non-fulfillment of such obligation of the Company shareholders may judicially demand that their declared dividends be paid.

11.2. The Company, the Registrar and officers thereof shall not be liable for overdue payment of dividends if in the Company's share register there is not correct or full information on a registered person, necessary for payment or transfer of dividends to him or if he fails to appear at the place of payment of dividends provided that he shall receive his dividends in cash.

11.3. The Corporate Secretary shall report to the Board of Directors on a progress in all arrangements related to payment of dividends by the Company. In case of any underpayment or overdue payment of dividends through the Company's fault the Company shall be liable under the existing laws of the Russian Federation.