

APPROVED by
The Board of directors of OJSC "VolgaTelecom"
Minutes № 26 of March 30, 2005
The Chairman of the Board of directors of
OJSC "VolgaTelecom"

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Dividend policy regulations of OJSC "VolgaTelecom"

Nizhny Novgorod city 2005

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1. General provisions

1.1 The present Dividend Policy Regulations of Open Joint Stock Company “VolgaTelecom” (hereinafter “Regulations”) have been elaborated in accordance with valid Russian Federation legislation, the Charter of Open Joint Stock Company “VolgaTelecom” (hereinafter “the Company”), the recommendations of the Company’s Code of corporate governance.

1.2 The Regulations define the conditions and the procedure of dividends payment; regulate the procedure of dividends size calculation in respect of each category (type) of shares, dividends payment procedure, including terms and forms of its payment, the procedure of passing the resolution on dividends payment, dividends payment restrictions.

1.3 Dividend is a part of the Company’s net profit, distributed among shareholders proportionally to the number of shares of appropriate type that they have.

1.4 The Company’s dividend policy is based on optimum combination of the Company’s interests and its shareholders interests, on the increase in the Company’s investment attractiveness and its capitalization, on the strict observance and respect for the shareholders rights, stipulated by the current legislation of Russian Federation.

1.5 The basic purpose of adopting the present Regulations is to define the priorities when the Board of directors elaborates the recommendations on the dividends size, the conditions and the procedure of their payment. The Regulations are worked out to ensure dividends size definition and dividends payment transparency mechanism which is observed by the Company’s Board of directors while passing the resolutions on dividends payment.

1.6 Passing the resolution on dividends payment in respect of any category (type) of shares is a right, but not the obligation of the Company. The shareholders general meeting is entitled to pass the resolution on non-payment of dividends on certain categories (types) of shares, and also on partial dividends payment on preferred shares, the dividend size on them being defined in the Charter, or not to pass the resolution on dividends payment.

1.7 The Company’s shares being the base asset of derivative securities - depository receipts - grant their holders the rights to receive dividends, stipulated by the resolution on the shares issue and the Company’s Charter in full.

1.8 The Company informs its shareholders on its dividend policy by publishing information in printing edition “Rossiiskaya gazeta” and at the Company’s web-site in the Internet: www.volgatelecom.ru

2. Procedure of passing the resolution on dividends payment

2.1. Once a year the Company has the right to pass (declare) the resolution on payment of dividends on placed shares.

2.2. The resolution on dividends payment basing on the results of the fiscal year, dividends size and the form of their payment on each category (type) of shares is passed by the shareholders general meeting upon the recommendation of the Company’s Board of directors.

2.3. The resolution on the dividends size basing on the results of the fiscal year, the form and the term of payment recommended to the shareholders general meeting is passed at the Board of directors session, at which the Company’s annual report is preliminary approved.

2.4. While defining recommended dividend size, the Board of directors is guided by Russian Federation current legislation, the Company's Charter, the present Regulations and the recommendations of the Board of directors' Committees according to their competence.

2.5. The size of dividends by the fiscal year results should not exceed the size recommended by the Company's Board of directors.

2.6. Resolution on dividends payment is to define:

- category (type) of shares, on which the dividends are declared;
- dividend size per one share of appropriate category (type) without notice of taxes withheld,
- term of payment,
- form of payment.

2.7. Resolution on declaration of dividends on common shares should only be passed after the resolution is passed on declaration of dividends on preferred shares, the dividend size by which is defined by the Company's Charter, in the full size.

3. Procedure of calculation and charging dividends

3.1. The dividends are paid from the Company's net profit, specified in the Company's profit and loss statement based on the results of the activity for the year. (form 2 of the Company's accounting statement, made in accordance with Russian accounting standards). Dividends on preferred shares may be paid at the expense of the Company's special funds specially formed for these purposes.

3.2. Dividend payment charges are necessarily stipulated in the Company's budget for the next fiscal year.

3.3. In the course of the fiscal year modifications may be introduced into the Company's budget, including modifications concerning scheduled dividend payments.

3.4. The sum of charged dividends paid to a shareholder is defined for each category (type) of shares separately, by means of multiplying dividend per share by the number of shares it owns.

3.5. The total sum paid as dividend on each preferred A type share is established in the amount of 10 percent of the Company's net profit based on the results of the last fiscal year divided by the number of shares making up 25 percent of the Company's charter capital. Herewith, if the amount of dividends paid by the Company in the specified period on each common share exceeds the sum to be paid as dividends on each preferred A type share, the amount of dividends paid on the latter is to be increased up to the amount of dividends paid on common shares.

3.6. Dividend is defined in rubles per one share.

3.7. Dividends are not charged and paid on the following shares:

- unissued (not placed),
- purchased to the Company's balance,
- redeemed to the Company's balance,
- received at the Company's disposition due to non-fulfillment by the buyer of its obligations connected with the purchase.
- in other cases stipulated by the current legislation of Russian Federation.

4. Dividends payment procedure

4.1. The payment of declared dividends constitutes the Company's obligation. The Company is responsible to the shareholders for non-fulfillment of this obligation according to the current legislation of Russian Federation.

4.2. Dividends declared by the Company may be paid both in the form of money and in the form of other property in case if the Company's shareholders meeting passed the resolution on payment of dividends not in the form of money.

4.3. The resolution on the Company's payment of dividends not in the form of money is passed by the shareholders general meeting only on the basis of the Company's Board of directors' proposal which should indicate the Company's property allocated to the dividends payment.

4.4. Dividends are paid in Russian Federation currency.

4.5. The Company is a tax agent when paying income to the shareholders on the shares they own. The Company calculates, withholds and transfers the sums of dividend taxes to the budget following the procedure and during the terms stipulated by Russian Federation legislation.

4.6. Dividends are paid to the shareholders net of withheld tax sums and other deductions stipulated by Russian Federation legislation. When the payment is made the sum of dividends charged for each category (type) of shares, if it contains fractional parts of kopecks, is to be rounded to the nearest integral kopeck according to mathematical rules.

4.7. The sum of dividends charged for each category (type) of shares, if it contains fractional parts of kopecks, is to be rounded to the nearest integral kopeck according to mathematical rules.

4.8. Dividends payment is the transfer of appropriate sums of money from the Company's account (and in case of paying agent involvement - from the account of such agent) to the bank account (mailing address) contained in the shareholders register keeping system or the payment of cash in the Company's pay-office.

5. Dividends payment term

5.1. Dividends on common shares are paid by the Company in the time established by the shareholders general meeting resolution on payment of dividends. The specified period is set not later than the end of the financial year in which the resolution on dividends payment was passed.

5.2. Dividends on preferred A type shares are paid in the time established by the shareholders general meeting resolution on dividends payment. The specified period is set not later than the end of the financial year in which the resolution on dividends payments was passed.

5.3. The Company continues to pay declared dividends on shares, the owners of which have not received charged dividends in the established period according to the present Regulations (unclaimed dividends) for the reasons stipulated in item 7.9 of the present Regulations. The period of unclaimed dividends payment may not be less than 3 years.

5.4. Interests on unclaimed dividends are not charged.

6. List of entities entitled to receive dividends

6.1. For the purpose of dividends payment based on the results of financial year the Company's Registrar makes the list of entities entitled to receive dividends.

6.2. The specified list is drawn as of the date of making the list of persons having the right to participate in the shareholders general meeting. The date of making the list of persons entitled to participate in the shareholders general meeting is established by the Company's Board of directors.

6.3. Entities registered in the shareholders register keeping system (except nominee shareholders) and the entities in the interests of which nominee shareholder holds the shares are included into the list of entities entitled to receive dividends as of the date of making the list.

6.4. For the purpose of making the list of entities entitled to receive dividends a nominee shareholder presents the data on the entities in the interests of which it holds shares as of the date of making the specified list.

6.5. Entity registered in the Company's shareholder register is obliged to timely inform the Company's Registrar on the change of its data. In the case it fails to present the information on the change of its data, the Company is not responsible for the losses caused by this non-presentation.

6.6. In case when one share belongs to several entities, the sum of dividends is distributed between them proportionally to their share in the stock value, provided that the agreement between these entities doesn't stipulate other provisions.

7. Dividends payment procedure arrangement

7.1. The Company informs all shareholders on the time, form, place and the procedure of dividends payment based on the results of financial year by means of publishing these data in the printing edition "Rossiiskaya gazeta" and at the Company's web-site in the Internet: www.volgatelecom.ru

7.2. The Company has the right to involve outside organizations (Paying agents) to arrange and make dividends payment. The involvement of a Paying agent does not release the Company from the responsibility of dividends payment to the shareholders.

7.3. In case of involving Paying agent in dividends payment, the Company is obliged to conclude a contract with it which should contain the rights and obligations of the parties, their liabilities, and the procedure of settlements under the contract.

7.4. For the purpose of providing more suitable method of receipt of dividends by the Company's shareholders their payment may be made by a bank transfer, post-office transfer or by payment in cash in the Company's pay-offices at the shareholder's option.

7.5. Dividends are transferred by the method indicated in the list of entities entitled to receive dividends. The method of dividend payment is indicated by a shareholder in the questionnaire of registered entity in the register of the Company's registered securities. Payment to legal entities is made only by a bank transfer. The dividends receipt method may be changed by means of approaching the Company's Registrar.

7.6. In case of the change of dividends receipt method after the date of the register closing, dividends are paid upon a written application of a shareholder with indication of new requisites and new dividends payment method.

7.7. When paying dividends by a bank transfer, the transfer is made if full banking details are available and when paying dividends by a post-office transfer - if full mailing address is provided.

7.8. In order to timely and promptly receive dividends, a shareholder should provide reliable and full information on the change of its data contained in the questionnaire of a registered entity before the date of the register closing.

7.9. In case a shareholder indicates incorrect banking details or mailing address in the register keeping system, the Company is not responsible for non-payment of dividends to the shareholder. The repeated transfer of dividends according to the corrected data in the register keeping system is made upon the shareholder's written application after wrong transferred sums net of expenses for their return and repeated transfer are returned to the Company.

8. Dividends payment restrictions

8.1. The Company has no right to pass (declare) the resolution on payment of dividends on shares in the following cases:

- before the redemption of all shares which are to be redeemed according to item 76 of Federal law "On joint-stock companies";
- if as of date of passing such a resolution the Company meets the insolvency (bankruptcy) test according to Russian Federation legislation on insolvency (bankruptcy) or if Company will acquire the specified insolvency indicia due to dividends payment;
- if as of the date of passing such a resolution the Company's net assets value is less than the sum of its charter capital, reserve fund and is less than the excess of preferred placed shares liquidating value over nominal value defined by the Charter, or if the net assets value will be less than their size due to passing such a decision.
- in other cases stipulated by the Russian Federation legislation.

8.2. The Company has no right to pass (declare) a resolution on dividends payment on common shares, if the resolution is not passed on payment of dividends on preferred shares, the dividend amount of which is defined by the Company's charter .

8.3. The Company has no right to pay declared dividends on shares in the following cases:

- if as of the date of payment the Company meets the insolvency (bankruptcy) test according to Russian Federation legislation on insolvency (bankruptcy) or if Company will acquire the specified insolvency indicia due to dividends payment;
- if as of the date of payment the Company's net assets value is less than the sum of its charter capital, reserve fund and is less than the excess of preferred placed shares liquidating value over nominal value defined by the Charter, or if the net assets value will be less than their size due to dividends payment;
- in other cases, stipulated by the Russian Federation legislation.

8.4. When the circumstances indicated in the present item cease to exist the Company is to pay declared dividends to the shareholders according to Russian Federation regulations in reasonable terms.

9. Closing provisions

9.1. The present Regulations are valid since the time of its approval by the Board of directors.

9.2. Amendments and modifications are introduced to these Regulations by the Board of directors' decision.

9.3. If due to modification of Russian Federation legislation some items of the present Regulations contradict it, these items become invalid and prior to introducing modifications into the present Regulations the Company's bodies are guided by the Russian Federation legislation.