

“ADOPTED”

by Resolution of the Board of Directors
of JSC FGC UES
(Minutes № ____ dated _____ 2008)

Chairman of the Board of Directors
of JSC FGC UES _____ V.B. Khristenko

PROVISIONS ON THE DIVIDEND POLICY

of the Federal Grid Company of the Unified Energy System

**Joint-Stock Company
(JSC FGC UES)**

**Moscow
2008**

Index

1.	General Provisions	page 3
2.	Principles of the Corporate Dividend Policy	page 3
3.	Dividend Payment Conditions	page 4
4.	Sources of Funds Distributed as Dividends	page 4
5.	Dividend Payment Decision-Making Procedure	page 5
6.	List of Persons Authorized to Obtain Dividends	page 6
7.	Manner, Terms, and Form of the Dividend Payment	page 7
8.	Dividend Payment Restrictions	page 8
9.	Disclosure of the Information about the Dividend Policy	page 10
10.	Liability for the Dividend Payment	page 10
11.	Final Provisions	page 11

1. GENERAL PROVISIONS

- 1.1. These Provisions on the dividend policy of “Federal Grid Company of the Unified Energy System” Joint-Stock Company (“Provisions”) have been developed in accordance with the Civil Code of the Russian Federation, Federal Law “On Joint-Stock Companies”, legal regulations of the Russian Federation, the Articles of Association of the Federal Grid Company of the Unified Energy System (“Company”) as well as the Corporate Management Code of JSC FGC UES, and other in-house documents of the Company.
- 1.2. The dividend policy of the Company is a set of actions aimed at determining qualitative parameters of the corporate net profit distributed as dividends among the shareholders and remained at the disposal of the Company (by its transferring to the reserve fund, for accumulation and/or repayment of losses of previous years) as well as a system of relations and principles determining the manner and terms of the payment of dividends as well as the liability of the Company for the non-performance of the obligation for the dividend distribution.
- 1.3. The dividend policy of the Company is based on strict respect with rights of shareholders, as provided by the effective legislation of the Russian Federation, the Articles of Association, and in-house documents of the Company and is aimed at enhancing the investment attractiveness of the Company, its capitalization, and the maximal satisfactions of rights and interests of its shareholders by means of rising the rate of shares and increasing dividends paid.
- 1.4. The Provisions have been developed to ensure the transparency of the mechanism used for the determination of the dividend amount and payment as well as to notify shareholders and other persons concerned of the dividend policy of the Company. Further, they determine the dividend payment (declaration) decision-making procedures, conditions of their payment, dividend calculation and payment procedures. including the terms, place, form of their payment, as well as liability of the Company for the dividend payment.

2. PRINCIPLES OF THE CORPORATE DIVIDEND POLICY

- 2.1. The dividend policy of the Company is based on the following principles:
 - conformity of the dividend accrual and payment practices applied at the Company to the law of the RF and the best corporate behavior standards;
 - respect of the shareholders’ interests;
 - maintenance of the required level of the financial and technical condition of the Company and perspectives of the Company’s development;
 - necessity to enhance the investment attractiveness of the Company and its capitalization;

- transparency (lucidity) of the mechanism for the determination of the dividend distributions for shareholders and managers.
- 2.2. The recommended amount of dividends paid shall be determined by the Board of Directors based on the financial results of the Company's business, and the Board of Directors shall strive for reserving the positive dynamics of the value of dividends paid to shareholders on an annual basis under the other equal conditions.

3. DIVIDEND PAYMENT CONDITIONS

- 3.1. Based on the performance during the first quarter, six months or nine months of the financial year, the Company shall be authorized to take decisions to pay (declare the payment of) dividends on the outstanding shares. The decision on the payment (declaration) of the dividends based on the performance during the first quarter, six months or nine months of the financial year, may be taken within three months after the end of the relevant period.
- 3.2. The Company strives for increasing the amount of dividends due to the shareholders based on the amount of the net profit for the reporting financial period and needs in development of the production and investment activity of the Company.
- 3.3. The conditions of the dividend payment by the Company are as follows:
- according to its financial statements, the Company has the profit after taxation (net profit of the Company) for the reporting financial period and/or retained profit of the previous years with regard to which no decision on its distribution has been taken by the shareholders' meeting;
 - there are not any restrictions on the payment of dividends under the law of the RF or these Provisions;
 - an appropriate decision has been taken by the general shareholders' meeting of the Company.
- 3.4. When distributing profits and losses based on the financial year performance (including payment (declaration) of the dividends), they shall not take into account the profit distributed as dividends based on the first quarter, six months, and nine months performance.

4. SOURCES OF FUNDS DISTRIBUTED AS DIVIDENDS

- 4.1. In accordance with requirements of the effective legislation of the RF, dividends shall be paid from the net profit of the Company calculated in accordance with the effective bookkeeping and financial reporting regulations and shall be distributed among the shareholders proportionally to the number the shareholders of the relevant class (series) held by them.
- 4.2. The structure of the net distributable profit for the reporting financial year shall include amounts of mandatory allocations to be made by the Company in accordance with the effective legislation of the Russian Federation, the

- Articles of Association, and in-house documents of the Company as well as other amounts to be spent, including amounts of dividends.
- 4.3. The members of the Board of Directors of the Company shall determine the recommended amount of the dividends on shares in the Company based on the financial performance, subject to the balance of interests of the Company and shareholders. The Chairman of the Managing Board of the Company shall be authorized to submit to the Board of Directors of the Company his proposals related to the distribution of the Company's profit, including for the payment of dividends.
- 4.4. The rate of the dividends paid on shares shall be determined by the general shareholders' meeting based on the recommendation of the Board of Directors and shall not exceed the amount recommended by the Board of Directors.
- 4.5. The rate of the dividend per ordinary and preferred share (in the event preferred shares of the Company are outstanding) shall be determined in accordance with the effective legislation of the Russian Federation and the Articles of Association of the Company.
- 4.6. The rate of the interim dividend recommended by the Board of Directors (dividends declared before the end of the financial year – based on the results of the first quarter, six months, nine months) shall be determined subject to the following conditions:
- the rate of the dividends from the profit of the current year shall not exceed the amount of dividends scheduled in accordance with the Company's business plan adopted by the Board of Directors for the current year based on the annual performance (to be determined subject to mandatory allocations from the profit to funds of the Company in accordance with the effective legislation of the Russian Federation, the Articles of Association, and in-house documents of the Company);
 - the rate of the dividends from the profit of the previous years cannot exceed the profit of the previous years available with the Company (based on data of the last financial statements) on the distribution of which the general shareholders' meeting passed the decision.
- 4.7. The rate of the declared dividends shall include all the taxes withheld from the shareholders.

5. DIVIDEND PAYMENT DECISION-MAKING PROCEDURE

- 5.1. The decisions on the payment (declaration) of dividends, including the decision on the rate of the dividend and form of its payment on shares of each class (series), terms of the payment, and manner of the payment of dividends, shall be taken by the general shareholders' meeting of the Company in accordance with the Articles of Association of the Company and subject to recommendations of the Board of Directors of the Company on the rate of dividends.

- 5.2. The decision on the payment of dividends on outstanding shares based on the annual financial performance shall be passed by the annual general shareholders' meeting as a part of the decision on the corporate profit distribution based on the annual financial performance.
- 5.3. The decision on the payment of dividends on outstanding shares based on performance during the first quarter, six months, nine months of the financial year shall be passed by the general shareholders' meeting as a separate issue of the agenda of the general shareholders' meeting.
- 5.4. The recommendations of the Board of Directors and resolution of the General Meeting regarding the payment of dividends shall determine:
 - class and series of shares on which dividends are declared;
 - rate of the dividends per share of a specific class (series);
 - payment term;
 - payment form.
- 5.5. The decision on the payment (declaration) of dividends may be passed, provided no statutory restrictions on the payment (declaration) of dividends exist.

6. LIST OF PERSONS AUTHORIZED TO OBTAINED DIVIDENDS

- 6.1. The Board of Directors of the Company shall fix the date of the preparation of the list of persons authorized to attend the general shareholders' meeting of the Company. The list of persons authorized to obtain dividends shall be prepared as of the date of the preparation of the list of persons authorized to attend the general shareholders' meeting.
- 6.2. The list of persons authorized to obtain dividends shall be prepared by the Registrar of the Company by resolution of the Company.
- 6.3. The list of persons authorized to obtain dividends shall include the following persons:
 - 6.3.1. shareholders registered in the system of the shareholders' register maintenance as of the date of the preparation of the list
 - 6.3.2. other persons (pledge-holders, trustees, etc.) registered in the system of the shareholders' register maintenance as of the date of the preparation of the list to whom the rights attached to the shares are delegated, unless otherwise provided by the agreement concluded by and between such person and the shareholder;
 - 6.3.3. shareholders for the benefit of whom a nominal holder holds stocks which is registered in the system of the shareholders' register maintenance as of the date of the preparation of the list. For the preparation of the list of persons authorized to obtain dividends, the nominal holder of the shares shall provide the information about persons for the benefit of whom he holds the shares.
- 6.4. If the shares are held by joint holders, the list of persons authorized to obtain dividends shall include all the joint holders of the shares.

- 6.5. The information about the way of the receipt of dividends is available at the questionnaire of the person registered in the register. The shares owner shall be liable for the trustworthiness of the information amending the questionnaire of the person registered in the register.
- 6.6. To protect rights of the shareholders to obtain dividends, when organizing its relations with the register holder the Company shall make its best endeavors to establish the extent of the responsibility of the latter for the conformity of the data provided in the list of persons authorized to obtain dividends as well as for the conformity of the information about the way (form) of the revenue distribution to the data of the register of shareholders of the Company.
- 6.7. If amendments are made to the list of persons authorized to obtain dividends, the Company shall require the register holder to provide reasons of such amendments.
- 6.8. Any shareholder shall be authorized to refer to the Company requiring it to provide the information about its inclusion into the list of persons authorized to be obtain dividends.
- 6.9. The Company shall, within seven days after the receipt of the request, as provided by item 6.8, prepare and send a response to the shareholder to its postal address, unless the other way of the information receipt is specified in the request.

7. MANNER, TERMS, AND FORM OF THE DIVIDEND PAYMENT

- 7.1. The term and form of the payment of dividends shall be determined by the Articles of Association and/or the general shareholders' meeting of the Company.
- 7.2. If the last day of the term of the dividend payment falls on a holiday, the last day of the dividend payment shall be the next business day directly following such holiday.
- 7.3. The Company shall pay the declared dividends before the expiration of the said term.
- 7.4. The Company shall be authorized to perform the obligation on the payment of the dividends on any day within the fixed term of the payment.
- 7.5. The Company shall not fix the ultimate date of receipt and shall not cease the payment of dividends on shares owners of which failed to obtain the accrued dividends within the fixed period (non-claimed dividends).
- 7.6. No interest shall be accrued for the use of the non-claimed dividends.
- 7.7. Taxes shall be imposed on the paid dividends in the manner provided by the effective legislation of the Russian Federation.
- 7.8. The dividend payment shall be deemed to be the transfer of the relevant amounts from the Company's account to the banking account (postal address) specified in the system of the corporate shareholders' register maintenance or the transfer of any other assets to the shareholder as payment of dividends if such form of the payment is provided by the Articles of Association and/or the general shareholders' meeting. In addition, the

- payment of dividends to individuals may be effected by cash through the cash desk of the Company.
- 7.9. The shareholder shall be authorized, at any time, to make amendments to the particulars of the registered person in the part related to the way of the receipt of cash revenue on shares, postal address or banking references to which dividends are transferred. The register holder shall, within the term of the payment of dividends, provide the Company with updated information. The Company shall not be liable for the failure to send dividends to the address of the shareholder according to the references known before to the Company if this was made by the Company before the moment when it was provided with the updated information.
 - 7.10. The payment of dividends in cash may be effected by either the Company or its branches as shareholders address thereto.
 - 7.11. On the grounds of the information about the shareholders included in the list of the persons authorized to obtain dividends which specified that they would obtain dividends “in person”, the Company shall divide shareholders by their residential addresses and, proceeding from this, it shall transfer the relevant funds to branches for their further payment to the shareholders. In this case, the shareholder’s right to obtain dividends at any branch of the Company to which it referred to shall not be restricted.
 - 7.12. To obtain dividends as a legacy, a heir shall provide a notarized certificate of his right to obtain the legacy at the place of the receipt of dividends.
 - 7.13. The Company shall be authorized to effect the payment of dividends independently, through its branches, through the registrar of the Company or retain, under a contractual basis, another organization being an agent to make payments for the organization and payment of dividends. Retaining by the Company of an agent for payments shall not relieve the Company from the liability to shareholders for the payment of dividends due to them. The Company shall be authorized to notify its shareholders of retaining a payment agent, its replacement, and expiration of its authorities.
 - 7.14. The Company shall be a tax agent in connection with the payment to shareholders of dividends on shares belonging to them. The Company shall calculate, withhold, and transfer amounts of the tax on dividends to the budget in the manner and within the terms provided by the effective legislation. The dividends shall be transferred to the shareholders less the withheld taxes.
 - 7.15. The shareholder to which standard tax rate do not apply shall provide the Company or its payment agent with the confirming documents, as provided by the effective legislation of the Russian Federation. If the information about the tax exemptions available to the shareholder is provided to the Company after the payment of dividends, no return of the excessive taxes paid by the Company shall be made.
 - 7.16. Expenses on the payment of dividends shall be borne by the Company.

8. DIVIDEND PAYMENT RESTRICTIONS

- 8.1. The Company shall not be authorized to take a decision to pay (declare the payment of) dividends on the shares:
- before the complete payment of the whole charter capital of the Company;
 - before the repurchase of all the shares which should be repurchased in accordance with article 76 of Federal Law “On Joint-Stock Companies”;
 - if as of the date of the decision on the payment of dividends, the Company meets criteria of the insolvency (bankruptcy) in accordance with the legislation of the Russian Federation on the insolvency (bankruptcy), or if it meets such criteria as a result of the payment of the dividends;
 - if as of the date of the decision on the payment of dividends the value of net assets of the Company is less than its charter capital and the reserve fund and the excess of the nominal value over the liquidation value of outstanding preferred shares determined under the Charter (if preferred shares were placed) or if it becomes less than their amount as a result of such decision;
 - in other cases provided by the effective legislation of the Russian Federation.
- 8.2. The Company shall not be authorized to take decisions to pay (declare the payment of) dividends (including dividends as a result of the first quarter, six months, nine months of the financial year) on ordinary shares and preferred shares, the rate of the dividends on which is not determined (in the event of the allocation of preferred shares in the Company), if no decision to pay dividends in full (including accumulated dividends on cumulative preferred shares) on all the classes of preferred shares, rates of dividends (including dividends to be paid based on the result of the first quarter, six months, nine months of the financial year), as provided by the Articles of Association of the Company (if any) has been taken.
- 8.3. The Company shall not be authorized to take a decision to pay (declare the payment of) dividends on preferred shares of a specific class (if any) on which the rate of the dividends is determined by the Articles of Association of the Company, unless the decision on the payment of dividends (including on the full payment of all the accumulated dividends on cumulative preferred shares) on all the classes of preferred shares giving a priority in the payment of dividends against preferred shares of such class is taken.
- 8.4. The Company shall not be authorized to pay the declared dividends on the shares:
- if as of the date of the payment, the Company meets criteria of the insolvency (bankruptcy) in accordance with the legislation of the Russian Federation on the insolvency (bankruptcy), or if it meets such criteria as a result of the payment of the dividends;
 - if as of the date of the payment the value of net assets of the Company is less than its charter capital and the reserve fund and the excess of the nominal value over the liquidation value of outstanding preferred shares determined

under the Charter (if preferred shares were placed) or if it becomes less than their amount as a result of such decision;

- in other cases provided by the effective legislation of the Russian Federation.

After cessation of the circumstances specified in this clause, the Company shall pay to the shareholders the declared dividends.

9. DISCLOSURE OF THE INFORMATION ABOUT THE DIVIDEND POLICY

- 9.1. The Company shall make the Provisions on the Dividend Policy of JSC FGC UES and all the amendments hereto available at the website of the Company in the Internet at: <http://www.fsk-ees.ru>.
- 9.2. The information about the decision taken on the payment of dividends, rates, terms, way, and form of their payment shall be disclosed in the manner provided by the effective legislation of the Russian Federation.
- 9.3. The materials to be made available to the shareholders to take a decision on the payment of dividends at the general shareholders' meeting shall include information certifying the existence or absence of conditions required for the payment of dividends.
- 9.4. The Company shall publish the notice of the decision taken to pay dividends by placing the information at the website of the Company and in the "Russian Newspaper" within five days after the preparation of the minutes of the general shareholders' meeting which has taken the relevant decision.
- 9.5. The notice published by the Company on the decision taken to pay dividends, their rate, form, way, and manner of the payment shall unambiguously and clearly determine the said issues for the shareholders. At the same time, the notice to the shareholders shall explain the duty of the shareholders, in the event of a change in banking references and postal addresses, to change the particulars of the registered person in the register of shareholders of the Company, as well as consequences of the failure to fulfill its duty.

10. LIABILITY FOR THE DIVIDEND PAYMENT

- 10.1. The Company shall pay the declared dividends in the volume and within the terms provided by resolution of the general shareholders' meeting and the Articles of Association of the Company.
- 10.2. In the event of the failure of the Company to fulfill its obligations, the shareholders shall be authorized to require the payment of the declared dividends through the court.
- 10.3. The Company shall not be liable for the failure to pay dividends in a timely manner in the event of the absence of correct and complete particulars of the registered person in the register of shareholders required for the payment (transfer) to it of dividends or in the event of the failure of the shareholder to

come to the place of the dividend payment if it specified that it would obtain dividends “in person” (in cash).

- 10.4. In the event of the failure to pay dividends, fully and in a timely manner, to shareholders which promptly notified, of any changes in their banking references or postal address, the register holder, officials directly liable for this shall be responsible in accordance with the effective legislation of the Russian Federation.

11. FINAL PROVISIONS

- 11.1. Issues connected with the payment of dividends to the shareholders of the Company not covered by the effective legislation of the Russian Federation, the Articles of Association of the Company, and these Provisions, shall be regulated based on the necessity to secure rights and legal interests of the shareholders of the Company.
- 11.2. The Provisions shall be approved, amended, and supplemented by resolution of the Board of Directors of the Company. The resolution shall be passed in the manner provided by the law and/or the Articles of Association of the Company.
- 11.3. If as a result of a change in the legal or other regulations of the Russian Federation, some clauses hereof become inconsistent with them, such clauses shall become null and void and until they are amended the Company shall be guided by requirements of legal and normative regulations of the Russian Federation.