

Regulations on Dividend Policy

APPROVED BY
the Board of Directors of
Open Joint Stock Company
LSR Group on 02 March 2012
Minutes No.3/2012 dated 02 March 2012

Chairman of the Board of Directors of
OJSC LSR Group

(Igor M. Levit)

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Regulations on Dividend Policy of Open Joint Stock Company LSR Group

Regulations on Dividend Policy

1. General Provisions

1.1. These Regulations on Dividend Policy (hereinafter the “Regulations”) are prepared in conformity with the existing legislation of the Russian Federation, Code of Corporate Conduct recommended for use by the FSC of Russia, Charter of Open Joint Stock Company LSR Group (hereinafter the ”Company”) and the internal documents thereof.

1.2 These Regulations are intended for determining the approach of the Board of Directors of the Company to the development of recommendations on the amount of dividends on Company shares and their payment procedure.

1.3. The Board of Directors of the Company expects that the current Dividend Policy of the Company will remain in force for three (3) years.

2. Determining the Amount of Dividends

2.1. Dividends shall be paid to the Company shareholders from the Company’s profit after taxes (net profit) as recognized in the annual financial statements of the Company prepared in conformity with the requirements of the Russian legislation.

2.2. To determine the amount of dividend to be recommended to the General Meeting of Shareholders, the Board of Directors of the Company will also be guided by the net profit performance determined on the basis of the consolidated financial statements of the Company prepared in compliance with the IFRS.

2.3. If profit is generated, the Company will annually use a portion of the profit to pay dividends while using the remaining portion of the profit left in the Company mainly for reinvestment, to increase the capitalization of the Company.

2.4. The recommended amount of dividend payments shall be determined by the Board of Directors based on the financial results of the Company’s business for the year but as a rule will constitute at least 20% of the consolidated net profit of the Company in the past fiscal year as per IFRS.

2.5. In the event of deviation from the criteria set forth in these Regulations for determining the amount of dividend payable, the Company shall disclose complete information on the reasons for such deviation.

3. Procedure for Passing the Decision on Dividend Payment

3.1. Pursuant to a proposal of the Executive Committee, the Company’s collective executive body, the Board of Directors shall determine the recommended amount of dividend payments.

3.2. The recommendation of the Board of Directors of the Company regarding the amount of dividends based on the results of the regular fiscal year, shall be presented to the shareholders in conformity with the existing legislation for taking the final decision at the General Meeting of Shareholders.

3.3. The decision on payment of dividends and their amount shall be passed by the General Meeting of Shareholders. The amount of dividends may not exceed the amount recommended by the Board of Directors of the Company.

4. Dividend Payment Procedure

4.1. The Board of Directors of the Company shall determine the date for preparing the list of persons eligible to attend the General Meeting of Shareholders. The list of persons entitled to dividends shall be prepared as of the date of drawing the list of persons eligible to attend the General Meeting of Shareholders that is to make a decision on dividend payment. For the purpose of drawing the list of persons entitled to receive dividends, the nominee shareholder shall submit the details of persons for whose benefit the shares are held by the same.

4.2. The Company's shares constituting the underlying asset of security derivatives – Global Depository Receipts (GDR) – shall entitle the holders thereof to receive dividends in full as provided for by the decision on share issue and the Charter of the Company.

4.3. In accordance with the existing legislation and its Charter, the Company shall pay dividends within sixty (60) days from passing decision on dividend payment unless a shorter period is established by decision of the General Meeting of Shareholders. In the event that the final dividend payment date is a holiday, the next consecutive working day shall be deemed the final payment date. None of the shareholders shall have any priority right in respect of the dividend payment date.

4.4. Dividends shall be payable in cash.

4.5. The preferred method for paying dividends shall be by means of money transfer to the accounts specified by the shareholders in the registered security holders system of the Company, with due account for the information provided by nominee holders.

4.6. For dividend payment the Company shall perform tax agent's functions, and withhold and transfer the dividend tax as prescribed by the legislation.

4.7. The responsibility for timely and full payment of dividends to the shareholders shall lie with the executive body of the Company.

5. Informing Shareholders of the Dividend Policy

5.1. The Company shall post these Regulations on Dividend Policy, amendments thereof, and the dividend history of the Company on the Company's website.

5.2. The Company shall publish information on the decisions of the General Meeting of Shareholders in respect of dividend payment on its Russian and English language websites at www.lsrgroup.ru, and shall also bring this information to the attention of Company shareholders by means of its publication in conformity with the requirements provided for in the existing RF legislation.