

Enclosure №1
Approved by:
Resolution of “IDGC of the Center and North Caucasus”, PLC
Board of Directors
Minutes № 011/06
of November 30, 2006

Regulations
on Dividend Policy
of “Interregional Distribution Grid Company of the Center and North Caucasus”, Public Limited Company
 (“IDGC of the Center and North Caucasus”, PLC)

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1. GENERAL PROVISIONS

1.1. The present Regulations on Dividend Policy of “Interregional Distribution Grid Company of the Center and North Caucasus”, Public Limited Company (below the Regulations) were drawn up in accordance with the Civil Code of the Russian Federation, Federal Law “On Joint-Stock Companies” №208-FL of December 26, 1995, normative-legal acts of the Russian Federation, the Charter of “IDGC of the Center and North Caucasus”, PLC (below the Company), and recommendations of the Corporative Management Code of “IDGC of the Center and North Caucasus”, PLC and other internal documents of the Company.

1.2. Dividend Policy is defined by the Company as a system of relations and principles for determining rates of the dividends, procedures and terms of payment and for fixing the Company’s responsibility for failing to meet obligations concerning dividend payment.

1.3. Dividend policy of the Company is based on the balance of interests of the Company and its shareholders in the process of determining rates of the dividends, on respect and strictly observing the shareholders’ rights, stipulated by the legislation currently in force, the Charter and internal documents of the Company and is aimed at increasing the investment inflow to the Company, its capitalization and share value.

1.4. The Regulations are drawn up to provide a clear mechanism of determining the rates of the dividends and their payment, to inform shareholders and other interested parties on the dividend policy of the Company and to determine general conditions for dividend payment, procedure for determining the rates of the dividends, decision making procedures for dividend payment, procedures and terms of share dividends of the Company.

2. TERMS FOR DIVIDEND PAYMENT

2.1. The Company has a right based on the results of the first quarter, half-year, nine months of the fiscal year and (or) the whole fiscal year to resolve on (declare) share dividend payment. The decision on dividend payment (declaration) on the results of the first quarter, half-year or nine months of the fiscal year may be made within three months after the corresponding period.

2.2. Apart from growth of capitalization the Company aims at increasing dividends being paid out based on the net profit value of the accounting financial period and the need for development of production and investment activities of the Company.

2.3. The terms for dividend payment to the Company’s shareholders are:

- actual profit of the Company for the accounting financial period after taxation (net profit of the Company) as determined by the accounting results;
- absence of restrictions on dividend payment (declaration), stipulated by the valid RF legislation and by the present Regulations;
- recommendations of the Company’s Board of Directors on the rates of the dividends;
- corresponding resolution of the general meeting of the Company’s shareholders.

2.4.1. In the process of profits and costs distribution on the results of the fiscal year (including dividend payment) the profit distributed as dividends on the results of the first quarter, half-year and nine months of the fiscal year is not taken into account.

3. SOURCES FOR DIVIDEND PAYMENT. DETERMINING RATES OF THE DIVIDENDS

3.1. In accordance with the requirements of the valid RF legislation the dividends must be paid from the net profit of the Company, accounted for with observance of the valid rules of accounting and reporting and must be distributed among shareholders pro rata of the number of shares of the corresponding category (type).

3.2. In the process of distributing the net profit of the fiscal year the Company distributes assets to the obligatory deductions in accordance with the valid RF legislation, the Charter and internal documents of the Company and to other expenses including dividend payment.

3.3. The Company’s Board of Directors determines the recommended rates of share dividends based on dividend rates suggested by the General Director of the Company considering the financial results of the fiscal period.

3.4. Rates of the dividends for common shares are determined by recommendation of the Board of Directors and can not exceed the rate recommended by the Board of Directors.

3.5. Rate of the dividend per one common share is accounted for by division of the total sum of the dividends, transferred for paying for common shares of the Company, by the number of common shares of the Company, which can be paid according to the valid RF legislation.

3.6. Rates of the dividends for preference shares (in case of flotation of the Company's preference shares) are determined in accordance with the valid RF legislation and the Company's Charter.

3.7. Rates of interim dividends (dividends declared before the end of the fiscal year - on the results of the first quarter, half-year, nine months) may not exceed the rate of net profit if the Company of the corresponding accounting period.

3.8. Dividends are declared without taking into account the taxes, paid by shareholders.

4. DECISION MAKING PROCEDURE FOR DIVIDENDS PAYMENT

4.1. The decisions on dividend payment (declaration) including the decision on dividend rates and mode of payment mode for shares of different categories (types), terms and procedures of dividend payment is made by a resolution of the general meeting of the Company's shareholders in accordance with the Company's Charter and on the recommendations of the Company's Board of Directors on the rate of dividends. The Company's Board of Directors determines the recommended rate of dividends, taking into account the suggestions of the Company's General Director.

4.2. The decision on dividend payment must determine:

- category and type of shares for dividend payment;
- dividend rate per one share of a certain category;
- terms of payment;
- mode of payment.

4.3. Decision on dividend payment (declaration) may be made in case of absence of restrictions on dividend payment stipulated by the RF legislation

5. PROCEDURE AND TERMS OF DIVIDEND PAYMENT

5.1. The Company's Board of Directors determines a date for listing the individuals, allowed to participate in the general meeting of the Company's shareholders. The list of individuals entitled to receiving dividend payment is drawn up on the date of listing the individuals allowed to participate in general meeting of the Company's shareholders.

5.2. The list of individuals entitled to receiving dividend payment is drawn up by the Company Registrar by a Company order.

5.3. The list includes individuals registered in the register-keeping system (except nominee shareholders) and individuals in whose interests the nominee shareholder holds shares on the date of drawing up the list. For drawing up a list of individuals entitled to receiving dividend payment the nominee shareholder presents information on the individuals in whose interests he holds the shares.

5.4. Terms of dividend payment are determined by the general meeting of the Company's shareholders, but no later than 60 (sixty) days after the resolution on their payment was agreed on.

5.5. The Company does not determine a deadline for receiving the payment and does not stop dividend payment concerning shares, holders of which have not received the calculated dividends (unclaimed dividends) in the terms, fixed by 5.4. of the present Regulations.

5.6. Interest is not added to the unclaimed dividends.

5.7. Dividends are paid by cash assets.

5.8. Taxation of dividend payments is carried out according to the procedure, stipulated by the valid legislation of the Russian Federation.

5.9. Dividend payment is transferring corresponding sums of money from the Company's account to the bank account (mail address) fixed in the system of keeping the shareholders register of the Company.

5.10. Preparation, coordination and carrying out of corporative activities aimed at organizing by the Company of dividend payments, stipulated by the present Regulations are realized by the Company's Corporative Management Department, also responsible for liaising with the shareholders. Working out suggestions for the General Director on the projected dividend rates (according to 4.1. of the present Regulations), calculation and transfer of dividends to the shareholders, calculation, deduction and transferring of taxation sums from the dividends are realized by the Economic and Financial Departments and Chief Accountant of the Company within their competence¹.

5.11. The Company is entitled to realize dividend payments with the help of the Company's Registrar or hire an outside company –payment agent for carrying out dividend payments. Hiring a payment agent does not release the Company of responsibility before the shareholders for their dividend payments.

Procedures for cooperation of the mentioned Company Departments in the process of calculation and paying out dividends are determined by an internal document of the Company, approved by the Company's General Director.

5.12. The Company acts as a fiscal agent at paying the shareholders dividends of their shares. The Company makes the calculation, deductions and transfers of the taxation sums from the dividends to the budget according to the procedures and terms stipulated by the valid legislation. The dividends are transferred to the shareholders following tax deductions.

6. RESTRICTIONS FOR DIVIDEND PAYMENTS

6.1. The Company is not entitled to resolve on (declare) share dividend payment:

- before complete payment of the total authorized capital;
- before repayment of all the shares, which must be repaid in accordance with 76FL “On Joint-Stock Companies”;
- if on the date of making a decision on dividend payments the Company is insolvent (bankrupt) according to the legislation of the Russian Federation on insolvency (bankruptcy) or if dividend payment may result in the Company’s insolvency;
- if on the date of making a decision on dividend payments the cost of the Company’s net assets is less than its authorized capital and reserve fund and exceeds the nominal value of the liquidation cost of placed preference shares, fixed by the Charter (in case of preference share flotation) or if it may become less after such a decision;
- in other cases stipulated by the valid RF legislation.

6.2. The Company does not have a right to resolve on (declare) dividend payment (including dividends on the results of the first quarter, half-year, nine months of the fiscal year) of common and preference shares, dividend rate of which was not determined (in case of preference share flotation), if the decision on complete dividend payment was not made (including cumulative dividends of cumulative preference shares) for all types of preference shares, the dividend rate of which (including dividends on results of the first quarter, half-year, nine months of the fiscal year) was determined by the Company’s Charter (in case of their flotation).

6.3. The Company does not have a right to resolve on (declare) dividend payment of preference shares of a certain type, the dividend rate of which was determined by the Company’s Charter (in case their flotation), if the decision on complete dividend payment was not made (including cumulative dividends of cumulative preference shares) for all types of preference shares, providing advantage in the succession of receiving dividend payment over preference shares of this type (in case of flotation of such Company shares).

6.4. The Company does not have a right to pay share dividends:

- if on the date of dividend payment the Company is insolvent (bankrupt) according to the legislation of the Russian Federation on insolvency (bankruptcy) or if dividend payment may result in the Company’s insolvency;
- if on the date of making a decision on dividend payment the cost of the Company’s net assets is less than its authorized capital and reserve fund and exceed the nominal value of the liquidation cost of placed preference shares, fixed by the Charter (in case of preference share flotation) or if it may become less after such a decision;
- in other cases stipulated by the valid RF legislation.

If the stated above circumstances change the Company is obliged to pay the declared dividends to the shareholders.

7. DISCLOSURE OF INFORMATION ON DIVIDEND POLICY

7.1. The Regulations of dividend policy of “IDGC of the Centre and North Caucasus” is available on the Company’s website in the Internet at www.mrsk-1.ru at “Dividend Policy” subsection of “Corporative Management” section.

7.2. Information on reaching a decision on dividend payments, on the rates, terms, procedures and mode of payment is disclosed according to the procedures stipulated by the valid RF legislation.

7.3. Materials, presented to the shareholders for passing resolutions at the general shareholders meetings must contain all the necessary information on dividend payments on the results of the fiscal year, information on the individual, included in the Company’s Register of Shareholders, informing the Registrar of the Company on the changes of his/her personal data on time, including information on possible consequences of violations.

8. CONSEQUENCES OF INCOMPLETE OR ILL-TIMED DIVIDEND PAYMENTS

8.1. The Company is responsible for incomplete or ill-timed implementation of the resolutions on dividend payments made at the general shareholders meetings.

8.2. The Company is not responsible for dividend non-payment in case of lack of information on precise bank requisites or mail addresses of a shareholder or the changes that makes dividend payments to such shareholders impossible.

9. CONCLUSION

9.1. Issues concerning dividend payments to the Company’s shareholders, not settled by valid RF legislation, the Charter of the Company and the present Regulations must be settled proceeding from providing the rights and legal interests of the shareholders of the Company.

9.2. The Regulations can be approved, changed and amended by a resolution of the Company’s Board of Directors. The resolution is made by a majority vote of the members of the Board of Directors, participating in the meeting.

9.3. Certain items of the present Regulation may lose their force, if they become contrary to legal or other normative acts of the Russian Federation after being amended; in such cases before making amendments to the Regulations the Company must follow the requirements of the legal or other normative acts of the Russian Federation.