

APPROVED

by the Board of Directors of  
CenterTelecom Open Joint-Stock  
Company

Minutes No. 41 dated June 10, 2004

# **Regulations on Dividend Policy**

**of Central Telecommunication Company  
Open Joint-Stock Company  
(CenterTelecom OJSC)**

**Moscow, 2004**

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## **1. General**

1.1. These Regulations on Dividend Policy (hereinafter referred to as “the Provisions”) are developed in conformity with the applicable laws, provisions of the Articles of Association, the Corporate Governance Code, and other internal documents of CenterTelecom OJSC (hereinafter referred to as “the Company”).

1.2. The Regulations on Dividend Policy set forth the procedure for calculation (determination) of the share of net profit to be used to pay dividends, terms and conditions of their payment, the procedure for share dividend rate calculation, the minimum dividend rates paid on various categories (classes) of shares, the procedure for dividend payment, including the terms, place and form of payment, as well as the liability for payment of dividends declared.

1.3. These Regulations’ objective is to inform shareholders and other interested persons on the Company’s dividend policy.

1.4. All interested persons can review these Regulations on the corporate web-site of CenterTelecom OJSC at: <http://www.centertelecom.ru/>.

## **2. Dividend Policy Concept. Company Dividends**

2.1. The Dividend Policy is a set of rules governing the procedure for dividend calculation and payment. The Dividend Policy is aimed at improvement of shareholders’ welfare and ensuring of Company capitalization growth. Development of the Dividend Policy is an important issue for the Company due to its influence on the capital structure and Company financing.

2.2. The Dividend Policy, as a part of the general financial strategy of the joint stock company, is aimed at optimization of proportions between the consumed and capitalized shares of earned profit in order to provide a security for the market value of shares. The Dividend Policy has a significant influence on the Company’s standing on the capital market and on its share price dynamics in particular.

2.3. Dividend is a share of Company’s net profit distributed among shareholders in proportion to the number of shares of the respective category and class owned by such shareholders. Dividends on Company’s shares are paid only from a special part of net profits; no special purpose funds to pay dividends on preference shares are established. Net profits are determined as per the procedure set by the applicable laws for the purpose of business accounting.

2.4. Based on the results of a financial year reported on, the Company adopts a resolution (declaration) on payment of dividends on outstanding shares, except when

such declaration (payment) of dividends is either limited by applicable laws or may misinform shareholders regarding the actual financial standing of the Company.

2.5. No interim dividends may be declared or paid by the Company.

2.6. The Company is responsible for payment of the dividends declared. The Company shall be liable to its shareholders for its failure to perform this obligation under the applicable laws of the Russian Federation.

2.7. Should any issues related to payment of dividends to Company shareholders not be governed by the provisions of the Federal Law “About Joint Stock Companies”, other legal acts of the Russian Federation, the Articles of Association or the Corporate Governance Code of CenterTelecom OJSC, or these Provisions, they should be resolved based on the requirement to secure the rights and interests of shareholders.

### **3. Procedure for Dividends Calculation and Distribution**

3.1. Each year, the Company shall allocate at least 10 (ten) percent of its net profits following the results of the last financial year to pay dividends on its ordinary shares.

In order to calculate dividends per ordinary share, the total net profit of the Company allocated to pay dividends on ordinary shares shall be divided by the total number of fully paid-up ordinary shares.

3.2. The procedure for calculation of dividends on each Class A preference share is determined by the Company’s Articles of Association. According to the said procedure, the dividend per Class A preference share is 10 (ten) percent of the Company’s net profit following the results of the last financial year divided by the number of shares which constitute 25 percent of the Company’s authorized capital.

If the size of the dividend per ordinary share is higher than that per preference share, the size of the dividend per preference share shall be increased to be equal to the size of the dividend per ordinary share.

3.3. No dividends shall be calculated or paid on:

- Unissued (unallocated) shares;
- Shares acquired and taken onto the Company’s balance sheet;
- Shares redeemed and taken onto the Company’s balance sheet;
- Shares received by the Company as a result of any breach of purchasing obligations by a purchaser;
- In other cases provided for by the laws of the Russian Federation.

3.4. The amount of dividends of one shareholder is calculated separately for each category or class of shares by multiplying the dividend per share by the number of

shares owned by such shareholder.

3.5. The amount of dividends distributed on each category or class of shares that comprises kopeck fractions shall be rounded to a whole kopeck according to the mathematical rules.

3.6. The procedure for calculation and payment of dividends on fractional shares (if any) shall be governed by the provisions of the applicable laws of the Russian Federation on fractional shares.

## **4. Adoption of a Resolution to Declare Dividends**

4.1. A Resolution on rates, forms and terms of payment of dividends recommended to the General Shareholder Meeting shall be adopted by the Company's Board of Directors taking into account the opinions of the relevant Committees of the Board of Directors.

4.2. Upon recommendations provided by the Board of Directors, the General Shareholder Meeting adopts a resolution on payment (declaration) of dividends, including the rate, form and terms of payment of dividends. The rate of dividends approved by the General Shareholder Meeting may not be higher than the rate recommended by the Company's Board of Directors.

4.4. The resolution on declaration of annual dividends or non-payment of dividends shall be adopted by the General Shareholder Meeting as a part of the resolution on the profits/losses distribution procedure following the results of the financial year reported on or as a resolution on a separate item on the agenda..

4.5. The resolution on payment of dividends shall determine:

- Category and class of shares with declared dividends
- Dividend rate per share of a certain category and class
- Term of payment
- Form of payment.

## **5. Limitations on Payment of Dividends**

5.1. The Company may not adopt a resolution to pay (declare) dividends on its shares in the following cases:

- until the Company's authorized capital is paid up in full;
- until all the shares to be redeemed under Article 76 of the Federal Law "About Joint Stock Companies" are redeemed;
- if as of the date of such resolution, the Company meets the insolvency test or if

- such indicia of insolvency may appear as a result of dividend payment;
- if as of the date of such resolution, the Company's net assets value is less than its authorized capital, the reserve fund and the excess of the disposal value of preference shares over their par value as specified by the Articles of Association, or may become less than the said amount as a result of such resolution;
- in other cases provided for by the laws of the Russian Federation;
- in cases when such resolution doesn't come within the limitations specified by the laws, but may misinform shareholders regarding the actual financial standing of the Company.

5.2. The Company may not adopt a resolution to pay (declare) dividends on ordinary shares if no resolution on full payment of dividends on preference shares has been adopted.

5.3. The Company may not pay the dividends declared on its shares in the following cases:

- if as of the date of such resolution, the Company meets the insolvency test under the laws of the Russian Federation or if such indicia of insolvency may appear as a result of dividend payment;
- if as of the date of such resolution, the Company's net asset value is less than its authorized capital, the reserve fund and the excess of the disposal value of preference shares over their par value as specified by the Articles of Association, or may become less than the said amount as a result of dividend payment;
- in other cases provided for by the laws of the Russian Federation.

5.4. Upon termination of the circumstances specified in Clause 5.3 above, the Company shall be obliged to pay the declared dividends to its shareholders within a reasonable period of time and as per the provisions of the applicable laws of the Russian Federation.

## **6. Persons Entitled to Dividends**

6.1. Upon adoption of the resolution to pay dividends by the General Shareholder Meeting and by order of the Company, the Registrar shall make a list of persons entitled to dividends.

This list shall be made as of the date of the list of persons entitled to take part in the General Shareholder Meeting where such resolution on payment of the respective dividends has been adopted.

6.2. The list of persons entitled to dividends shall contain information on registered persons available in the share registry system, and disclose information on customers

of nominee shareholders and trustees, who own the Company shares as of the date of such list.

6.3. Lists of persons entitled to income on securities shall be made according to the form of income payment specified in the form of the registered person (by bank transfer, postal transfer, in cash), taking into account the place of shareholder's residence, and shall be made by Company's regional branches.

6.4. Shareholders shall be responsible for provision of reliable information to make respective modifications in the form of the registered person.

6.5. The list of shareholders being customers of nominee shareholders and trustees shall be made separately and contain information on owners of the shares kept on the accounts of nominee shareholders and trustees, as well as on bank details to transfer dividends.

If dividends are transferred to an account of a nominee shareholder or a trustee, there should be a reference to a document issued by shareholders authorizing them to get dividends on their accounts.

The nominee shareholders and trustees shall be responsible for the accuracy of information on their customers.

6.6. Dividends on shares in joint ownership of several shareholders are distributed in proportion to shares of such shareholders according to the documents filed with the Registrar.

6.7. In order to protect the rights of shareholders to get income on their securities, the Company will make all necessary efforts, when organizing its relations with the Registrar, to establish the liability of the latter for conformance of the information provided in the list of persons entitled to income on securities to the information kept in the Company's Shareholder Register.

6.8. Any changes and amendment to the list of persons entitled to income on securities shall be made by the Registrar with specification of the reasons for such changes or amendments.

## **7. Terms and Forms of Dividend Payment**

7.1 The terms and forms of payment of dividends on Company shares shall be determined by the General Shareholder Meeting. The Company considers it expedient to pay dividends only in money.

7.2 Dividends on preference shares shall be paid not later than 60 days after the date of resolution on payment of such dividends adopted by the General Shareholder Meeting.

7.3. Dividends on ordinary shares shall be paid not later than on December 31 of the year when the General Shareholder Meeting adopted a resolution to pay such dividends.

7.4. If the Company shareholders fail to receive the declared dividends within the period specified in Clause 7.1, the Company shall continue payment of such (unclaimed) dividends.

The period of payment of unclaimed dividends may not be less than three years from the end of the financial year when such dividends were accrued. No interest on unclaimed dividends shall be charged.

## **8. Dividend Payment Procedure**

8.1. The Company may pay dividends by itself or engage third party organizations (Paying Agents). Engagement of Paying Agents does not exempt the Company from its liability to pay dividends due to its shareholders.

If necessary, the Company shall inform its shareholders on appointment of a Paying Agent, its replacement or termination of its term of appointment.

8.2. The Company's division in charge of organization and performance of shareholder-related activities shall arrange for and take all measures required to pay dividends provided for by these Provisions jointly with the Accounting Department and the Company's Treasury.

8.3. Any shareholder may file a request to be provided with information on his/her putting/not putting on the list of persons entitled to dividends, as well as on the procedure for calculation of dividends on shares, procedure for dividends distribution, taxation of dividends, and terms of payment (the recommended request form is given in Appendix 1).

Unless otherwise specified, the Company shall prepare and send an answer to the shareholder at his/her mailing address within seven business days.

8.4. The Company shall notify all the shareholders of the amount of dividends declared, the terms and procedure for their payment by placing such information (as a part of the information on the results of the General Shareholder Meeting which has taken the respective resolution) on the Company's corporate web-site at:

<http://www.centertelecom.ru/> or by publishing it in Rossiyskaya Gazeta newspaper. The statement shall include information related to dividend payment including:

- Date of dividend declaration by the General Shareholder Meeting
- Date of the list of persons entitled to dividends
- Amount of dividends to be paid
- Form of dividend payment
- End of the dividend payment period.

8.5. Payments shall be effected as specified in the form of the registered person (by bank transfer, postal transfer, in cash).

Payments to legal entities shall only be effected by banks transfers.

Bank or postal transfers of dividends shall be effected within the time specified; all transmission charges shall be borne by the shareholders.

8.6. In case of any changes in the payment details of shareholders after the date of the list of persons entitled to dividends, such persons should contact the Registrar or its transfer agents to modify the information in the registered person's form. The Registrar shall from time to time provide the Company with the amended list of persons entitled to dividends taking into account the changes made by the shareholders.

8.7. Cash payments of dividends shall be effected through Company's branches upon applications of shareholders. Dividends to shareholders residing outside the territory of the Central Federal District of the Russian Federation shall be paid in cash in the Company's office in Moscow..

8.8. Shareholders may choose another Company's branch to get dividends in cash by sending a written application to the Company or its branches before the date of making a list of persons entitled to take part in the General Shareholder Meeting (the recommended application form is given in Appendix 2).

8.9. The Company shall pay the dividends accrued net of respective taxes set by the applicable Federal laws of the Russian Federation.

If standard tax rates are not applicable to any shareholder, such shareholder shall furnish confirming documents provided for by the current laws of the Russian Federation to the Company (to the Paying Agent engaged by the Company). If any information on tax rates applicable to such shareholder is submitted to the Company (Paying Agent) after the date of dividend payment, no excess taxes paid by the Company (Paying Agent) shall be reimbursed to the shareholder.

8.10. Heirs entitled to dividends shall submit a notarized certificate of the right of

inheritance to the dividend payment office.

## **9. Company's Obligation to Pay the Dividends Declared**

9.1 The Company is obliged to pay dividends declared on each category (class) of shares. In case the Company fails to perform its obligation, the shareholders may take a legal action to receive the dividends declared.

9.2. The Company shall not be liable for any delays in dividend payment due to absence or incompleteness of shareholders' data required to pay (transfer) dividends in the Company's Register or absence of the shareholder at the place of dividend payment if he/she is to receive dividends in cash.

9.3. In order to ensure payment of accrued dividends, the Board of Directors considers issues related to dividend payment progress at its meetings. In case of partial or untimely payment of dividends due to the fault of any executive bodies of the Company, the Board of Directors upon the recommendation of the Committee for Personnel and Rewards and/or the Committee for Corporate Governance shall determine the scope of guilty person's liability and enforce the respective penalty or initiate enforcement thereof.

## **10. Procedure for the Regulations Approval and Amendment**

10.1. These Regulations shall be approved by the resolution of the Company's Board of Directors.

10.2. Any changes or amendments hereto shall be made be resolutions of the Company's Board of Directors. The forms of Appendices hereto may be changed by resolutions of the Company's executive bodies.

10.3. If any of the provisions hereof come into conflict with the applicable laws of the Russian Federation or the Company's Articles of Association, such provisions will become void, and the applicable laws of the Russian Federation or the Company's Articles of Association will apply until respective changes and amendments have been made hereto.

Attn.: CenterTelecom OJSC

Shareholder \_\_\_\_\_  
document \_\_\_\_\_  
series, number \_\_\_\_\_  
date of issue \_\_\_\_\_  
issued by \_\_\_\_\_  
address \_\_\_\_\_

REQUEST

I hereby request to provide me with information including:

- Whether I have been/not have been included in the list of persons entitled to dividends
- Procedure for calculation of dividends on shares
- Procedure for dividend distribution and taxation
- Terms and conditions of dividend payment
- Other information

Please, provide this information:

by post \_\_\_\_\_

to be handed in person at \_\_\_\_\_

(Please, specify the Company's branch)

(signature)

Date: \_\_\_\_\_ 200\_

Attn.: CenterTelecom OJSC

Shareholder \_\_\_\_\_  
\_\_\_\_\_  
Passport \_\_\_\_\_  
Issued \_\_\_\_\_  
\_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

APPLICATION

Please, pay me dividends in cash at the pay office of:

Name of the branch	Name of the division	Division's region

(signature)

Date: \_\_\_\_\_200\_