

Approved by decision of Kubanenergo JSC Board of Directors
minutes of meeting No. 95/2010 dd 03.09.2010

**Regulations in Dividend Policy
of “Kubanenergo”, JSC**

1 General provisions

1.1. The Regulations on Dividend Policy of Open Joint Stock Company of Power Industry and Electrification of Kuban (hereinafter referred to as the Regulations) are worked out in compliance with legislation of Russian Federation, Charter of "Kubanenergo" JSC (hereinafter referred to as the Company), as well as recommendations of the Corporate Management Code of "Kubanenergo", JSC, and other internal documents of the Company.

1.2. Dividend policy - a set of principles and the methods used by the Company to determine the proportions of the capitalized part of the profit of the Company and part of the profits to be paid as dividends, as well as a system of relations and the principles to determine the order and date of the payment of dividends, to establish the liability of the Company for failure to fulfill obligation to pay dividends.

1.3. Dividend policy of the Company is based on balance of interests of the Company and shareholders in dividend calculation, on respect and strict observance of shareholders' rights stipulated by current legislation of the Russian Federation, the Company's Charter and internal documents, and shall be aimed at increase of the Company's investment attractiveness, capitalization and shareholder value.

1.4. Regulation defines the basic principles and ways in adopting decision by the BoD on the recommendations to the General Meeting of shareholders on dividends on shares in order to ensure the transparency of the mechanism used for determining the amount of dividends and payments, as well as informing shareholders and other interested parties on the Company's dividend policy and determines the procedure for making decision on payment (declaration) of dividends, the terms of payment, the procedure for calculating the amount of dividends, including the timing, location, form of payment, and the liability of the Company for non-payment of dividends.

1.5. The terms and definitions used in the Regulations shall be applied in the same meaning as they are used in the legislation of the Russian Federation on joint stock companies and securities, except as otherwise provided in the Regulations.

2 Principles of Company's dividend policy

2.1. The dividend policy is based on the following principles:

- calculation of dividends is based on using the profit before the effect of the revaluation of financial investments;
- the necessity to maintain the required level of financial and technical condition of the Company (implementation of the investment program), ensuring the development prospects of the Company;
- correspondence to the methods used at the Company on accrual and payment of dividends to legislation of RF and the highest standards of corporate governance;
- the optimal combination of the interests of the Company and its shareholders;

- the necessity to increase the investment attractiveness and capitalization;
- transparency (clarity) of mechanism for determining the amount of dividends and their payment;
- dividends on ordinary shares are paid only if the dividends on preferred shares are paid in full in accordance with the Charter of the Company (in the case the preferred shares were distributed).

2.2. The recommended amount of dividend payments is determined by the Board of Directors based on the financial results of the Company, and the Board of Directors will endeavor to ensure the positive dynamics of the value of dividend payments to shareholders every year.

3 Terms of dividend payment

3.1. By the results of the first quarter, six months, nine months of the fiscal year, and (or) for the financial year the Company has right to make a decision to declare dividends on the distributed shares. The decision to pay (declare) dividends for the first quarter, six months, nine months of the fiscal year can be made within three months after the end of the period on condition that the company has enough net profit allocated to finance the investment, the development of the Company.

3.2. The Company aims along with the growth of capitalization to increase the amount of dividends paid to shareholders, based on the net profit for the financial period and the necessity of production and investment activities of the Company.

3.1. The Company is not entitled to make decision on payment of share dividend (to announce dividends) in the following cases:

- until the Company’s authorized capital is paid in full;
- until all the shares to be bought out according to article 76 Federal Law "On Joint Stock Companies" are bought out;
- if on the date of taking a decision on dividend payment, the Company is in the insolvency (bankruptcy) according to legislation of the Russian Federation on insolvency (bankruptcy) or if marks of insolvency appear in the Company as a result of dividend payment;
- if on the date of making a decision on dividend payment, the Company’s net assets value is less than the authorized capital, the reserve fund and the excess of disposal value of privileged shares over their nominal value as specified by the Company’s Charter (if privileged shares are placed), or becomes less than the specified amount as a result of dividend payment;
- in other cases provided for by current legislation of the Russian Federation.

3.2. The Company shall not be entitled to make decision on dividend payment (announce dividends) (including dividends according to the results of I quarter, half year, nine months of financial year) on ordinary and privileged shares if dividend amount is not set (in case of privileged shares distribution), or if decision

is not taken on dividend payment in full (including accumulated dividends on cumulative privileged shares) on all privileged shares classes, dividend amount of which (including dividends according to the results of I quarter, half year, nine months of financial year) is stipulated by the Company's Charter (if they are distributed).

3.3. The Company shall not be entitled to make decision on dividend payment (announce dividends) (including dividends according to the results of I quarter, half year, nine months of financial year) on ordinary and privileged shares if dividend amount is not set (in case of privileged shares placement), if decision is not taken on dividend payment in full (including accumulated dividends on cumulative privileged shares) on all privileged shares classes giving dividend receipt priority to privileged shares of the class (if such shares are distributed)

3.4. Company shall not be entitled to pay dividends announced on shares in the following cases:

- if on the date of payment, the Company is in the insolvency (bankruptcy) according to legislation of the Russian Federation on insolvency (bankruptcy) or if specified marks of insolvency appear in the Company as a result of dividend payment;
- if on the date of payment, the Company's net assets value is less than the authorized capital, the reserve fund and the excess of disposal value of privileged shares over their nominal value as specified by the Company's Charter (if privileged shares are placed), or becomes less than the specified amount as a result of dividend payment;
- in other cases provided for by federal laws.

Upon termination of circumstances specified in the present article, the Company shall be obliged to pay announced dividends to shareholders.

3.5. While the distributing profits and losses for the financial year (including payment (declaration) of dividends) the income distributed as dividends for the first quarter, six months, nine months of fiscal year is not taken into account.

4 Sums of the dividend payments

4.1. Calculation of dividends by results of financial period:

I. If the terms specified in article 3 of the Regulations are observed, then the decision of dividends payment is accepted on the following criteria observed:

- net profit by the results of the financial period;
- net profit by the results of the financial period, excluding the revaluation of financial investments;
- the ratio of debt (end of period) compared to EBITDA (the indicator is calculated on the basis of the current rules of the credit policy) is less than three –

in case of fail to fulfill this criterion, the repayment of borrowed funds is of higher priority over the payment of dividends.

Calculation of dividends:

Dividend = A - B' - C - D, where:

Dividend – total sum of net profit chosen for dividend payments;

A – net profit by the results of the financial period (excluding revaluation of financial investments) received, including the long term regulation parameters;

B'- sum of obligatory payments to reserve fund and other funds determined by the Company's Charter, ratio to total sum of payments to funds corresponds with part of profit excluding the revaluation of financial investments in total volume of net profit;

C – part of profit spent for investments, company development;

D – part of profit spent for covering losses of past years, if any (maximum $0.5*(A - B' - C)$).

II. If during the year there have been significant malfunctions in technological equipment or reliability index is not observed which set as a key performance indicator of the Company (the prevention of accidents over the limit the number of accidents that fall under the signs 2.1. Instructions to investigate and process failures in accounting operation of power systems, power plants, boilers, electrical and heating systems, RD 153-34.0-20.801-2000, approved. 29.12.2000 Ministry of Energy), and adopted decisions, approved by the Board of Directors, the implementation of measures to improve the reliability and quality of services, then the dividend is calculated with regard of such decision.

5 Financial sources used for dividend payments

5.1. In accordance with the current legislation of the Russian Federation dividends are paid out from the company's profit after tax (net profit), calculated in accordance with the rules of accounting and financial statements, and are distributed among the shareholders in proportion to their existing shares of the category (type). Also can be a source of special funds for the payment of dividends on preferred shares of the Company Charter.

5.2. In the distribution of net profit for the financial year funds are allocated for obligatory deductions for the Company in accordance with the current legislation, the Charter and internal documents, as well as other areas of its spending, including the payment of dividends.

5.3. Members of the Board of Directors shall determine the recommended size of dividends on shares of the Company. The Director General shall have the right to submit to the Board of Directors proposals for distribution of profits of the Company, including the payment of dividends.

5.4. The amount of dividends paid on ordinary shares is determined by the General

Meeting of Shareholders with recommendation of the Board of Directors and may not exceed the amount recommended by the Board of Directors.

5.5. The size of the dividend paid per share is determined by dividing the total amount of dividends allocated to pay for ordinary shares of the Company, the number of ordinary shares in the Company, for which under the law can be accrued dividends.

5.6. Recommended by the Board of Directors of the amount of interim dividend (dividends declared before the end of the fiscal year - for the first quarter, six months, nine months) is determined in accordance with the following conditions:

- dividends from the profits of the current year may not exceed the planned in accordance with the Board-approved business plan for the current year the amount of dividends for the year (determined with regard to mandatory deductions from income to the funds of the Company in accordance with the current legislation, the Charter and internal documents);

- dividends from profits of previous years cannot exceed the amount available to the company prior year with profit (according to the latest financial statements), for which the general meeting of shareholders is not the decision on its allocation.

6 Procedure for taking decision to pay the dividends

6.1. Decision on dividend payment (announcement), including decision on dividend amount and form of payment on shares of each category (class), payment terms and order, shall be taken by General meeting of shareholders of the Company according to the Company's Charter and with regard for recommendations of the Company's Board of Directors on dividend amount.

Размер дивидендов не может быть больше рекомендованного Советом директоров Общества.

6.2. The payment of dividends on the distributed shares by the results of the the financial year shall be adopted at the Annual General Meeting of Shareholders as part of the decision on the distribution of profits of the Company for the financial year.

6.3. The payment of dividends on the distributed shares by the results of the first quarter, six months, nine months of the fiscal year shall be made by the General Meeting of Shareholders as a separate item on the agenda of the General Meeting of Shareholders.

6.2. Decision on dividend payment shall specify:

- category and class of shares, dividends on which are announced;
- dividend amount per share of a certain category (class);
- payment term;
- form of payment.

6.3. The decision to pay (declare) dividends can be taken on condition of absence

of legally prescribed limits on payment (declaration) of dividends.

7. List of persons with right to receive dividends

7.1. The Company's Board of Directors shall set the date of making of a list of persons entitled to take part in General meeting of shareholders of the Company. The list of persons entitled to draw dividends shall be made for the same date as the list of persons entitled to take part in General meeting of shareholders of the Company.

7.2. The list of persons entitled to draw dividends shall be made by the Company's Registrar by order of the Company.

7.3. The list of persons entitled to receive dividends includes the following persons:

- shareholders registered in the registry of shareholders on the date of listing;
- other persons (mortgagees, trustees, etc.) that are registered in the registry of shareholders on the date of listing, the transferee on the shares, unless otherwise provided by the agreement of the person with the shareholder;
- the shareholders on whose behalf the nominee holds shares of securities registered in the register of shareholders on the date of listing. For making the list of persons entitled to receive dividends as a nominee shareholder should provide data on person on whose behalf it holds shares.

7.4. If the shares are held in common ownership, the list of persons entitled to receive dividends, includes all the co-owners of the shares.

7.5. Information on how to receive dividends is contained in the questionnaire in the register of persons. Shareholder bears responsibility for the provision of reliable data necessary to make the appropriate changes in the registry.

7.6. In order to protect the rights of shareholders for receiving dividends the Company while the establishing its relationship with the registrar should make all necessary efforts to establish measures of responsibility for compliance with the latest data provided in the list of persons entitled to receive dividends as well as information about how (form) income Data shareholder register.

7.7. In case of changes occurring with the list of persons entitled to receive dividends, the Company shall require the registrar to state the reasons for such changes.

7.8. Any shareholder may apply to the Company with a request to include information (non-inclusion) to the list of persons entitled to receive dividends.

7.9. Company within five working days after receipt of the request referred to in p.7.8., should prepare and send the answer to shareholder's address, if the request does not specify other way of receiving the information.

8. Procedure, terms and form of dividend payments

8.1. Date and procedure of payment of dividends is set by the Charter or by the General Meeting of Shareholders.

8.2. Dividends shall be paid in the form of monetary assets.

8.3. If the last day of the dividend is not a working day, the deadline should be the next business day.

8.4. The Company shall pay dividends before the end of the deadline.

8.5. The Company may fulfill the obligation to pay dividends on any day within the time of payment.

8.6. In accordance with Article 196 of the Civil Code of the Russian Federation, the shelf life of accrued but unpaid dividends, is 3 years. Specified period is counted following the date of termination of the payment of dividends for the financial year.

8.7. Interest on unclaimed dividends is not charged.

8.8. Taxation of dividends paid pursuant to the procedure stipulated by the legislation of the Russian Federation.

8.9. The payment of dividends is a transfer of cash from the account of the Company's bank account (postal address) contained in the register of shareholders.

8.10. Owner of the shares has right at any time to make changes in the questionnaire of registered person in regard to way of receiving a cash income from shares, changing postal address or bank details, by sending to the company's registrar the questionnaire of registered person with the changes and the order on changes. Registrar during the period of the payment of dividends provides to the Company the updated information. The Company is not responsible for the direction of dividends to shareholders using previously known to the Company data, if it happened before the Company received the updated information.

9. Disclosure of information on dividend policy

9.1. The Company provides publication of Regulations on Dividend Policy of "Kubanenergo" and all amendments in the Internet at: <http://www.kubanenergo.ru/>.

9.2. Information on making decision on payment of dividends, the amount, terms, order and form of payment shall be disclosed according to the order stipulated by current legislation of the Russian Federation.

9.3. The materials necessary for submission to the shareholders for taking a decision on the payment of dividends by the General Meeting of Shareholders shall contain information indicating the presence or absence of the conditions necessary for the payment of dividends.

9.4. The Company shall publish a notice on adopting a decision to pay dividends by placing the information on the website of the Company not later than one day

after producing the minutes of General Meeting of shareholders at which the decision was adopted.

9.1. Materials provided to shareholders for taking decisions at General meeting of shareholders shall contain all the necessary data regarding dividend payment following the financial period results, statement that a person on the Company's shareholder registry system shall be obliged to inform register-keeper on any data changes and information on consequences of failure to observe this obligation by a shareholder.

10. Responsibility of Company for non-payment of dividends

10.1. The Company is obliged to pay the dividends to full extent and within the deadline set by the General Meeting of Shareholders and the Company Charter. In case of failure by the Company to fulfill its obligations shareholders are entitled to demand payment of dividends via court

10.2. The Company shall not be responsible for failure to pay dividends in case shareholders have not submitted accurate information on their bank details or postal addresses or their changes, which makes it impossible to pay dividends to such shareholders.

11. Final clause

11.1. Issues related to dividend payment to the Company's shareholders not regulated by current legislation of the Russian Federation, the Company's Charter and the Regulations, shall be decided on the basis of observance of rights and legal interests of the Company's shareholders.

11.2. The Regulations shall be approved, revised and supplemented by the Company's Board of Directors' decision. Decision should be taken in order specified by legislation and/or Company Charter.

11.3. If as a result of changes in legislation of the Russian Federation, certain articles of the Regulations come into conflict with it, the articles lose their force, and the Company shall follow the requirements of legal acts of the Russian Federation.

