

**REGULATIONS
FOR DIVIDEND POLICY
OF JSC IDGC HOLDING**

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1 GENERAL

1.1. These Regulations for Dividend Policy of JSC IDGC Holding (hereinafter, the “Regulations”) are formulated in accordance with the laws in force in the Russian Federation, the Articles of Association of JSC IDGC Holding (hereinafter also, the “Company”), and recommendations contained in the Corporate Governance Code and other internal documents of the Company.

1.2. The Company’s dividend policy is the set of principles and methods applied by the Company to determining the ratio between the portion of the Company’s profit to be capitalized and the portion of its profit to be paid in the form of dividends and is the system of relationships and principles that pertain to determining the procedure and dates for dividend payment and to holding the Company liable for failure to perform its dividend payment obligation.

1.3. The Company’s dividend policy is based on the strict observance of shareholders’ rights provided for in the laws in force in the Russian Federation and the Articles of Association and internal documents of the Company and focuses on making the Company increasingly attractive to investors and boosting its market capitalization.

1.4. These Regulations define the basic principles and approaches applied by the Board of Directors of the Company to decisions concerning the recommendations provided for General Meeting of Shareholders with respect to the amount of dividends on shares in order to cause to be transparent the mechanism for determining the size of dividends and dividend payment and inform shareholders and other stakeholders about the Company’s dividend policy, and also define the procedure for deciding on dividend payment (declaration), dividend payment conditions, the procedure for calculating the size of dividends, including payment dates, places, and methods, and the Company’s liability for failure to pay dividends.

1.5. The terms and definitions used in these Regulations shall have the same meanings as used in the Russian laws on joint-stock companies and securities except where otherwise specified in these Regulations.

2 PRINCIPLES OF THE COMPANY’S DIVIDEND POLICY

2.1. The principles listed below underlie the Company’s dividend policy:

- the calculation of dividends shall be based on the application of profits unadjusted for revaluation of financial investments;
- dividends shall be accrued in proportion to the dividends received from subsidiaries and dependent companies;
- the Company’s practices of dividend accrual and dividend payment shall comply with the laws of the Russian Federation and best practices of corporate conduct;
- the Company’s interests shall harmonize with its shareholders’ interests;
- the Company shall be made increasingly attractive to investors, and its market capitalization shall be boosted;
- the mechanism for determining the size of dividends and dividend payment shall be transparent (comprehensible);
- no dividends on ordinary shares shall be paid unless dividends on preference shares are paid in full in accordance with the Articles of Association of the Company.

2.2. The recommended dividend payment amount shall be determined by the Board of Directors taking account of the Company's financial results, and the Board of Directors will endeavor to cause the amount of dividends payable to shareholders to grow year by year.

3 DIVIDEND PAYMENT CONDITIONS

3.1. The Company shall be entitled, based on the results of the first quarter, half, or nine months of the financial year and/or based on the results of the financial year, to decide on (declare) payment of dividends on the Company's outstanding shares. Any decision to pay (declare) dividends based on the results of the first quarter, half, or nine months of the financial year may be adopted within three (3) months after the end of the relevant period, provided that the net profit is sufficient to be channeled into the financing of investments and the development of the Company.

3.2. The Company strives to increase the size of dividends payable to its shareholders, taking account of the net profit amount received in the reporting financial period and the necessity of developing the Company's operating and investing activities.

3.3. The Company may not decide on (declare) payment of dividends on shares:

- until the Company's authorized capital is paid in full;
- until all shares to be bought back under Article 76 of the Federal Law "On Joint-Stock Companies" have been bought back;
- if, on the date of such decision, the Company meets the insolvency (bankruptcy) criteria under the laws of the Russian Federation on insolvency (bankruptcy) or if said criteria are met as a result of dividend payment;
- if, on the date of such decision, the net asset value of the Company is less than its authorized capital and reserve fund and the excess of the liquidation value of outstanding preference shares specified in the Articles of Association over the par value or becomes so following such decision;
- otherwise as provided for in federal laws.

3.4. The Company may not decide on (declare) payment of dividends (including dividends based on the results of the first quarter, half, or nine months of the financial year) on the ordinary or preference shares the size of whose dividends is not determined, if the decision is not adopted to pay dividends (including accumulated dividends on cumulative preference shares) in full on all types of the preference shares the size of whose dividends (including dividends based on the results of the first quarter, half, or nine months of the financial year) is determined by the Articles of Association of the Company.

3.5. The Company may not decide on (declare) payment of dividends on preference shares of a specific type the size of whose dividends is determined by the Articles of Association of the Company, if the decision is not adopted to pay dividends (including paying all accumulated dividends on cumulative preference shares in full) in full on all types of the preference shares that give precedence with respect to the order of preference of receiving dividends over preference shares of such specific type.

3.6. The Company may not pay declared dividends on shares:

- if, on the date of such payment, the Company meets the insolvency (bankruptcy) criteria under the laws of the Russian Federation on insolvency (bankruptcy) or if said

- criteria are met as a result of dividend payment;
- if, on the date of such payment, the net asset value of the Company is less than its authorized capital and reserve fund and the excess of the liquidation value of outstanding preference shares specified in these Articles of Association over the par value or becomes so following such decision;
- otherwise as provided for in federal laws.

Upon cessation of the circumstances specified above, the Company shall pay the declared dividends to its shareholders.

3.7. The distribution of profits and losses based on the results of the financial year (including dividend payment (declaration)) shall not take account of any profit distributed as dividends based on the results of the first quarter, half, or nine months of the financial year.

4 DIVIDEND PAYMENT AMOUNT

4.1. The size of dividends based on the results of any financial period shall be calculated in the manner described below.

I. Subject to the terms and conditions specified in Article 3 of these Regulations, dividends may be paid if both of the following criteria are met:

- based on the results of the financial period, there is net profit;
- based on the results of the financial period, there is net profit unadjusted for revaluation of financial investments.

II. Calculation of dividends:

DIV = the greater of $DIV1$ and $DIV2$,

$DIV1 = k * (NP - DedRF - PD - PL)$,

$DIV2 = 0.05 * (NP - DedRF)$, where

DIV is the total amount of net profit to be paid out as dividends;

NP is net profit unadjusted for revaluation of financial investments.

k is the coefficient that shall be greater than or equal to the ratio of (i) dividends received by JSC IDGC Holding from its subsidiaries and dependent companies to (ii) the total net profit of such subsidiaries and dependent companies unadjusted for revaluation of financial investments of the Company's subsidiaries and dependent companies engaged in electricity transmission and distribution, based on the results of the financial year immediately preceding the year when the Company pays dividends; the coefficient is calculated according to the following formula:

$$k \geq \frac{\sum_{i=1}^n DIV_i}{\sum_{i=1}^n NP_i}, \text{ where:}$$

DIV_i is the size of the previous year's dividends approved by the annual general meetings of the subsidiaries and dependent companies engaged in electricity transmission;

NP_i is the size of the previous year's net profit according to Russian Accounting Standards accounting statements that was earned by the subsidiaries and

dependent companies engaged in electricity transmission;

n is the number of the subsidiaries and dependent companies engaged in electricity transmission.

DedRF is the amount of compulsory deductions to the reserve fund and other funds in accordance with the Articles of Association of the Company, with the ratio of such amount to the total amount of fund deductions corresponding to the share of profit unadjusted for revaluation of financial investments in the total amount of net profit;

PD is the portion of profit retained by the Company to finance its investments and development (provided that such investments are duly approved by the Board of Directors);

PL is the portion of profit retained by the Company to pay its operating loss of prior years (if any) (*not to exceed* $0.5*(NP - DedRF - PD)$).

5 SOURCES OF DIVIDEND PAYMENT

5.1. As provided for in the laws in force in the Russian Federation, dividends shall be paid out of the Company's profit after tax (the Company's net profit) computed in accordance with the applicable accounting rules and financial statement preparation rules and shall be distributed to shareholders in proportion to the quantity of shares of the relevant category (type) that they hold. Dividends may also be paid out of the Company's special funds for dividends on the Company's preference shares as provided for in the Articles of Association of the Company.

5.2. The net profit distributed for a reporting financial year shall contain the Company's compulsory deductions in accordance with the laws in force in the Russian Federation and the Articles of Association and internal documents of the Company and other expenses, including dividend payment.

5.3. Members of the Company's Board of Directors shall determine the recommended size of dividends on shares in the Company. The Director General of the Company shall have the right to submit for consideration by the Board of Directors of the Company his/her proposals for the distribution of the Company's profit, including dividend payment.

5.4. The size of dividends payable on ordinary shares shall be determined by the General Meeting of Shareholders on the recommendation of the Board of Directors and may not be in excess of the size recommended by the Board of Directors.

5.5. The size of dividends payable on one ordinary share shall be calculated by dividing the total amount of dividends payable on the Company's ordinary shares by the number of the Company's ordinary shares on which dividends may be distributed in accordance with law.

5.6. The total amount paid out as dividends on preference shares shall be 10% of the Company's net profit divided by the number of shares constituting 25% of the Company's authorized capital. If the total amount of dividends (DIV) is not in excess of 10% of the Company's net profit divided by the number of shares constituting 25% of the Company's authorized capital and multiplied by the number of preference shares, then dividends on preference shares shall be paid in part in accordance with the Articles of Association while dividends on ordinary shares shall not be paid. If any amount of dividends payable by the Company on each ordinary share in a specific year is in excess

of the amount payable as dividends on each preference share, then the size of the dividends payable on preference shares shall be increased to the size of the dividends payable on ordinary shares.

6 PROCEDURE FOR ADOPTING DECISIONS TO PAY DIVIDENDS

6.1. Any decision to declare, pay, or not to pay dividends, including the decision on the size of dividends and on the method, dates, and period for paying dividends on shares of each category (type) shall be adopted by the General Meeting of Shareholders of the Company in accordance with the Articles of Association of the Company and on the recommendation of the Board of Directors of the Company concerning the size of dividends. Dividends may not be in excess of the size recommended by the Board of Directors of the Company.

6.2. The decision to pay dividends on outstanding shares based on the results of any financial year shall be adopted by the Annual General Meeting of Shareholders as part of the decision to distribute the Company's profit based on the results of the financial year.

6.3. The decision to pay dividends on outstanding shares based on the results of the first quarter, half, or nine months of the financial year shall be adopted by the General Meeting of Shareholders as a separate agenda item to be voted on by the General Meeting of Shareholders.

6.4. The recommendations provided by the Board of Directors and the decision adopted by the General Meeting of Shareholders on dividend payment shall specify:

- the category and type of shares on which dividends are declared;
- the size of dividends on one share of a specific category and type;
- the procedure and dates for dividend payment;
- the dividend payment method.

6.5. The decision to pay (declare) dividends may be adopted, provided that dividend payment (declaration) is not subject to any legal restrictions.

7. LIST OF THE PERSONS ENTITLED TO DIVIDENDS

7.1. The Board of Directors of the Company shall determine the date of the list of the persons entitled to participate in the General Meeting of Shareholders. Any list of the persons entitled to dividends shall be made as of the date of the list of the persons entitled to participate in the General Meeting of Shareholders deciding to pay such dividends.

7.2. The list of the persons entitled to dividends shall be made by the Company's registrar on the Company's instructions.

7.3. The list of the persons entitled to dividends shall include:

- shareholders registered in the shareholder register maintenance system as of the date of the list;
- other persons (pledgees, asset managers, etc.) registered in the shareholder register maintenance system as of the date of the list and empowered to exercise the rights attaching to shares unless otherwise provided for in agreements between such persons and shareholders;
- shareholders for whose benefit and on whose behalf the shares are held by nominee

shareholders registered in the shareholder register maintenance system as of the date of the list. For the list of the persons entitled to dividends, any nominee shareholder shall provide information about the persons on whose behalf such nominee shareholder holds the shares.

7.4. In the event that any shares are held in shared joint ownership, the list of the persons entitled to dividends shall include all joint owners of such shares.

7.5. Information concerning the method for receiving dividends is contained in the questionnaire of a person registered on the register. The responsibility for providing authentic information to make any alterations to the questionnaire of a person registered on the register shall rest with the owner of shares.

7.6. For the purpose of protecting its shareholders' rights to receive dividends, the Company will, in its relationship with the registrar, use its best efforts to obligate the registrar to cause information contained in the list of the persons entitled to dividends and information concerning the method (form) of receiving dividends to correspond to information contained in the shareholder register of the Company.

7.7. In the event of any change in the list of the persons entitled to dividends, the Company will request that the registrar make known the reasons therefor.

7.8. Any shareholder may request that the Company inform such shareholder whether or not such shareholder is included on the list of the persons entitled to dividends.

7.9. The Company shall, within five business days after the request for information specified in paragraph 7.8 is received, prepare and send its reply to the shareholder's postal address unless any other method for receiving information is specified in the request for information.

8. PROCEDURE, DATES, AND METHOD FOR DIVIDEND PAYMENT

8.1. The dates and procedure for dividend payment shall be determined by the Articles of Association or a decision adopted by the General Meeting of Shareholders of the Company.

8.2. Dividends shall be paid in cash only.

8.3. If the last day of any dividend payment period falls on a nonbusiness day, then the immediately following business day shall be deemed to be the last day of such period.

8.4. The Company shall be obligated to pay any declared dividends prior to the expiration of the approved period.

8.5. In accordance with Article 196 of the Civil Code of the Russian Federation, any accrued but unpaid dividends shall be stored for a period of 3 years. This period shall begin on the expiration date of the dividend payment period pertaining to the relevant financial year.

8.6. No interest shall be charged on unclaimed dividends.

8.7. Paid dividends shall be subject to tax in accordance with the procedure set forth in the laws in force in the Russian Federation.

8.8. Dividends shall be deemed to be paid if the relevant amounts have been paid from the Company's account to the bank account (postal address) contained in the shareholder register maintenance system of the Company.

8.9. Any owner of shares may at any time make alterations to the registered person's questionnaire, changing the method for receiving money income from shares, or the postal address or banking details used for the payment of dividends, by providing the Company's registrar with the registered person's questionnaire accompanied by the relevant instructions. The registrar shall, within the dividend payment period, make the updated information available to the Company. The Company shall not be liable for sending any dividends to the shareholder, using the details previously known to the Company, if such sending is done by the Company before the updated information becomes known to the Company.

9. DIVIDEND POLICY DISCLOSURE

9.1. The Company shall ensure that the Regulations for Dividend Policy of JSC IDGC Holding as amended from time to time are continuously available on the Company's corporate website at www.holding-mrsk.ru.

9.2. Information concerning any adopted decision on dividend payment and on the size, dates, method, and form of dividend payment shall be disclosed in accordance with the procedure set forth in the laws in force in the Russian Federation.

9.3. The materials provided for shareholders in order for them to decide on dividend payment at the General Meeting of Shareholders shall contain information stating that the dividend payment conditions are fulfilled or fail to be fulfilled.

9.4. The Company shall publish a statement about the adopted decision to pay dividends by means of posting such information on the Company's website not later than one day after the minutes of the General Meeting of Shareholders that decides to pay dividends are drawn up.

9.5. Any statement published by the Company about the adopted decision on dividend payment, on the size of dividends, and on the method, dates, and procedure for dividend payment shall be express and clear enough to make shareholders understand these issues. Such statement shall also expressly state that, if their banking details or postal addresses are changed, shareholders have the obligation to alter the registered person's questionnaire in the Company's shareholder register accordingly and specify the implications of failure to meet such obligation.

10. LIABILITY OF THE COMPANY FOR FAILURE TO PAY DIVIDENDS

10.1. The Company shall be obligated to pay any declared dividends in the amount and within the period determined in the decision adopted by the General Meeting of Shareholders and in the Articles of Association of the Company. If the Company fails to perform its obligations, shareholders may demand that the declared dividends be paid by recourse to court action.

10.2. The Company shall not be held liable for any failure to perform the obligations to

pay dividends if the shareholder register does not contain such accurate and complete details of the registered person as necessary to pay (make available) dividends to such person.

11. FINAL PROVISIONS

11.1. Any issues in connection with dividends payable to the Company's shareholders not covered by the applicable legal regulations of the Russian Federation, the Articles of Association of the Company, or these Regulations shall be settled in such a way as to cause the rights and legitimate interests of the Company's shareholders to be safeguarded.

11.2. These Regulations shall be approved, amended, or supplemented by decisions adopted by the Board of Directors of the Company. Such decisions shall be adopted in accordance with the procedure set forth in law and/or the Articles of Association of the Company.

11.3. If, as a result of any change in the legal regulations or other regulatory documents of the Russian Federation, any provisions of these Regulations come into conflict therewith, such provisions shall become null and void, and the activities of the Company shall, until these Regulations are amended, be governed by the requirements set forth in the legal regulations and other regulatory documents of the Russian Federation.