

Approved by
The Board of Directors
Sistema JSFC
29 October 2011,
Minutes No 09-11
as of 01 November 2011

**REGULATION
ON SISTEMA JSFC
DIVIDEND POLICY
Moscow, 2011**

1. GENERAL PROVISIONS

1.1. This Regulation on Dividend Policy (hereinafter - Regulation) has been developed in conformity with the current legislation of the Russian Federation, the Charter of SISTEMA JSFC (hereinafter – Company) and its internal documents.

1.2. The Regulation is in “advisory draft” form and is intended for Board of Directors to determine its approach to recommendations on the amounts of, and procedures for, share dividend payments.

1.3. By adopting this Regulation, the Board of Directors expects that the current dividend policy of the Company, taking into account the significant demand for investments in the medium term, will remain valid for three years.

2. DIVIDEND SIZE

2.1. Pursuant to the legislation of the Russian Federation, the dividends to Company shareholders shall be paid out of income after taxes (net income), based on financial statements conforming to the legislation of the Russian Federation.

2.2. The Board of Directors, to determine the amount of the dividend to be recommended to the Annual General Meeting of shareholders (hereinafter – AGM), shall be guided by net income determined in accordance with the US GAAP consolidated financial statements of Sistema JSFC, its affiliated and dependent companies (subject to the requirements of Russian law).

2.3. Provided that it remains profitable, the Company shall allocate a certain proportion of income to dividend payments as set forth in Section 2.6, and reinvest the remaining income to increase the Company’s capitalization.

2.4. Dividends shall be paid out in cash.

2.5. No shareholders shall enjoy advantage of prior dividend payout.

2.6. Dividends shall be determined by the Board of Directors on the basis of results from the previous financial period, and to be a minimum of 10% of the Company’s consolidated net income

under US GAAP (net of any special dividends paid). In addition, in the event of cash deals such as large asset sale, special dividends can be recommended by the Board of Directors in an amount of at least 10% of the net gain from such transactions, determined by the Board of Directors. Under Russian law, the total amount of dividends with respect to any year may not exceed the company's annual unconsolidated net income determined in accordance with RAS.

2.7. The Company reserves the right to deviate from the dividend amount criteria as set forth by this Dividend Policy, and shall disclose the reason for any such deviation.

2.8. The Company shall not have the right to declare or pay out dividends when prohibited by the legislation of the Russian Federation.

3. TAKING DECISION ON DIVIDEND PAYOUT

3.1. The Company's Board of Directors shall determine the recommended dividend payout amount based on the proposal of the Company's Executive Board. The Board of Directors shall be guided by Article 2 of this Regulation.

3.2. In conformity with the current legislation, the shareholders shall be informed of the dividend amount proposed by the Company Board of Directors based on annual results, and take final decision at AGM.

3.3. The decision on dividend payout and dividend amount shall be taken by AGM. The dividend amount shall not exceed the amount proposed by the Company's Board of Directors.

4. DIVIDEND PAYOUT PROCEDURE

4.1. The Company Board of Directors shall fix the date to compile the list of shareholders entitled to participate in the AGM. The list of those entitled to receive dividends shall be compiled on the date of compiling the list of those entitled to participate in the AGM voting on the resolution on dividend payout. For the purposes of compiling the list of those entitled to receive dividends, nominee shareholders shall submit data for those persons on whose behalf they hold the shares.

4.2. Pursuant to the resolution on share issuance and the Company Charter, holding Company shares which are a basis for derivative securities – Global Depository Receipts (GDR) – shall entitle the holders of such derivative securities to full dividend payout.

4.3. According to the current legislation and Charter, the Company shall pay out dividends within 60 days from the date of the AGM resolution to pay out dividends.

4.4. The Company's Executive Board shall bear responsibility for timely and full dividend payment to shareholders.

4.5. The most common dividend payout method is cash transfer to shareholders' accounts in the banks of RF, as indicated in the Company register system.

4.6. When paying out dividends the Company shall act as a tax agent, withholding and transferring dividend tax in conformity with the legislation.

5. COMMUNICATING THE COMPANY'S DIVIDEND POLICY TO THE COMPANY'S SHAREHOLDERS

5.1. The Company shall place this Regulation, including alterations and Company dividend history on its corporate Web-site.

5.2. The Company shall publish the AGM resolution on dividend payment on both its Russian and English Web-sites: www.sistema.ru and www.sistema.com, and communicate the information to the Company's shareholders through publishing such information in FFMS Bulletin and in reports of news agencies authorized by FFMS in accordance with requirements of the existing RF legislation.

5.3. The materials submitted to shareholders to make a decision at AGM shall contain all necessary information indicating the presence or absence of conditions required for dividend payout.

5.4. The Company shall publish the statement on dividend payout, size, dates, method and form of payment, which should ensure that shareholders have a clear and unambiguous understanding of the said issues. At the same time the statement shall explain to shareholders their obligation to notify the Company Registrar of any alteration to their bank details and postal address, and of the consequences of their failure to comply with such obligation.