

APPROVED
by the General Meeting of Shareholders
of Sistema-Hals OJSC
« _____ » _____ 2008

Minutes No. _____

Chairman
of the General Meeting of Shareholders
of Sistema-Hals OJSC

REGULATION
ON THE EXECUTIVE BOARD
(VERSION No. __)

SISTEMA-HALS
Open Joint Stock Company

MOSCOW
2008

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1. General Provisions

1.1. The Executive Board of Sistema-Hals OJSC (hereinafter referred to as the Executive Board and the Company respectively) shall be a collective executive authority of the Company. This Regulation shall determine structure, terms of reference and liabilities of the members of the Executive Board, rules of procedure, decision-making arrangements and review over carrying out decisions, and keeping and issuing of the minutes (abstracts of record) made during the Executive Board meetings.

This Regulation has been prepared pursuant to the Civil Code of the Russian Federation, the Federal Law On Joint Stock Companies and the Company's Charter.

1.2. The Executive Board shall run the Company's business in accordance with current legislation, Articles of the Charter and this Regulation.

1.3. The Executive Board shall report to the Board of Directors and the General Meeting of Shareholders of the Company.

The Executive Board shall take all responsibility to the shareholders for implementing manufacturing, financial, scientific, technological, personnel and social policies of the Company within its terms of reference.

2. Executive Board Structure

2.1. The Executive Board structure shall be approved by the Board of Directors nominated by President of the Company. The Chairman of the Executive Board shall concurrently be the President of the Company. Members of the Executive Board may be re-elected an indefinite number of times.

2.2. Every shareholder and all parties concerned shall any time have access to information with respect to the Executive Board structure, positions the members occupy in the Company and other organizations, the share of stock of the Company, its subsidiaries and affiliates owned by the Executive Board members by posting the data on the Company's site on the Internet.

2.3. The Board of Directors may dismiss any Executive Board member or all Executive Board members and take a decision to change the Executive Board structure or elect new members of the Executive Board.

The Company's Board of Directors shall take a decision on dismissal of the Executive Board member in accordance with his written statement.

Terms of reference of the Executive Board members shall commence and remain in effect unless terminated by the corresponding decision taken at the session of the Board of Directors.

After they cease to be Executive Board members their labour contracts entered into on behalf of the Company between the Company and the Executive Board members are not concurrently terminated.

2.4. The Board of Directors shall set qualification and other requirements to the Executive Board members. A member of the Executive Board shall have higher education, be highly skilled in his profession, have an unblemished reputation and have no convictions recorded against him for economic crimes or offences against the state or morality.

Staff members of the Company or other individuals may be appointed members of the Executive Board. Members of the Executive Board may not be in employment relations with the Company, being Directors of its subsidiaries.

2.5. The Chairman of the Board of Directors or any other authorized official shall sign an agreement between the Company and Executive Board members stipulating additional terms of labor, bonus schemes, reimbursement of expenses related to exercising their duties of Executive Board members, and contract termination.

The Board of Directors may at any time terminate the contract signed with the Executive Board member. The terms of contract shall be approved by the Board of Directors.

3. Terms of Reference of the Executive Board

3.1. The Terms of Reference of the Executive Board shall be determined in accordance with the Company's Charter.

3.2. Provided members of the Executive Board exercise their functions, they shall have right to:

- present their view freely, vote on all items on the agenda, request amendments to the minutes of the Executive Board;
- request and acquire access to documents and data about the Company's activities to the extent determined by terms of reference of the Executive Board;
- submit motions with respect to the agenda of the Executive Board meetings and the Executive Board strategy, request extraordinary meetings.

3.3. Executive Board members have the following liabilities:

- to take part in the Executive Board meetings;
- to follow decisions taken by the Company's General Meeting of Shareholders, the Board of Directors, the Executive Board; fulfill the provisions of the Charter and corporate documents of the Company;
- to act for the benefit of the Company, enforce their rights and act in good faith and in a reasonable manner as should be expected from persons holding such office;
- to ensure privacy of data made accessible to the Executive Board members after entering upon their duties;
- never to use insider data with personal intentions, pass insider data to third persons, make deals using insider information;
- Executive Board members shall inform the Board of Directors about the Company's, its subsidiaries and affiliates funds they own and about their intentions to negotiate transactions with the shares of the Company, its subsidiaries and affiliates, as well as about fact of buying (alienation) of shares.
- to acquire access to the Company's corporate documents and follow the requirements stipulated therein;
- to inform the Chairman of the Executive Board and the Company's Corporate Secretary on companies in which a member of the Executive Board owns (independently or in association with his affiliated persons) 20% and more of voting right shares (shares, footing), on legal entities in which a member of the Executive Board takes a managerial position, and on negotiated or expected transactions in which a member of the Executive Board may have a stake.

3.4. Members of the Executive Board shall accept gifts or any other direct or indirect benefits meant to influence decisions taken by the Executive Board.

3.5. Members of the Executive Board shall be responsible to the Company for damage inflicted by their wrongful acts (or failure to act), unless other reasons and liabilities are stipulated by the Federal Legislation.

Members of the Executive Board who voted against the decision that entailed damage to the Company or did not participate in the voting shall be uncharged with responsibility.

3.6. Members of the Executive Board shall act within their terms of reference outlined in the Charter, corporate documents of the Company, decisions of the General Meeting of Shareholders, the Board of Directors and/or mandates of the Company's President.

3.7. Members of the Executive Board shall submit reports on the amount of work that has been done until they are released from their office.

3.8. The Company has the right to take a decision on professional liability insurance for Executive Board members.

4. Chairman, Deputy Chairman, Secretary of the Executive Board

4.1. Chairman of the Executive Board shall concurrently be the President of the Company. Chairman of the Executive Board shall supervise operation of the Executive Board and report to the Board of Directors about the achieved results.

4.2. Deputy Chairman of the Executive Board is a member of the Executive Board nominated by the Chairman of the Executive Board and elected by the Executive Board.

Should the Chairman of the Executive Board be temporarily absent, its deputy shall exercise its duties.

4.3. The Executive Board shall elect Secretary of the Executive Board nominated by the Chairman of the Executive Board. Before the Secretary of the Executive Board is elected, his duties shall be exercised by Corporate Secretary or member of Staff of the Board of Directors. The Executive Board may dismiss the Secretary of the Executive Board from his office at the Executive Board and elect a new Secretary.

Secretary of the Executive Board shall:

- notify the Executive Board members of the forthcoming meeting and provide materials pertaining to the agenda of the meeting;
- be in charge of supervision over arrangements and preparations of the meeting;
- take minutes of meetings, prepare abstract of record based on the minutes of meetings;
- ensure keeping of original minutes and materials;
- ensure keeping of electronic copies of minutes and materials of meetings;
- accumulate information on execution of decisions made by the Executive Board and report about implementation of previously taken decisions following the instructions of the Chairman of the Executive Board.

4.4. Secretary of the Executive Board shall address to the Company's divisions request for information and documents to the extent allowed by terms of reference of the Executive Board.

5. Plan of Activities of the Executive Board

5.1. Meetings of the Executive Board shall be called in conformity with the approved plan of activities of the Executive Board. If required, special Executive Board meetings shall be called.

5.2. The scheduled plan of the Executive Board shall be developed allowing for preliminary consideration of issues discussed by the Board of Directors in conformity with the approved operation schedule of the Board of Directors. The plan of activities of the Executive Board shall be formulated following the requirements of the current legislation and this Regulation on the basis of instructions issued by the Board of Directors and the Chairman of the Executive Board, as well as proposals submitted by members of the Executive Board and managers of the Company's departments.

5.3. The plan of activities of the Executive Board shall be devised for six months. If required, the schedule may be adjusted (amended). Additional items shall be included on the agenda and all adjustments shall be made by the Chairman of the Executive Board on his own initiative or following the motion of the members.

5.4. Proposals shall be submitted by the Executive Board members, President, his deputies and managers of departments at least 45 days before the new planning period.

5.5. The draft scheduled plan of the Executive Board shall be submitted for consideration to members of the Executive Board at least 20 days before the planning period.

5.6. The plan of activities of the Executive Board shall be approved by the Executive Boards at least 14 days before the planning period and shall specify the date of the meeting,

items proposed for the agenda and persons responsible for supervision over arrangements and preparations of the meeting.

5.7. Secretary of the Executive Board shall be responsible for developing scheduled plan of the Executive Board.

5.8. The agenda of the Executive Board meetings shall conform to the terms of reference of the Executive Board. All items proposed for the agenda shall be formulated to reflect the essence of the matter. The use of such definitions as “miscellaneous” or “current”, etc. are inadmissible.

5.9. The agenda of the regular Executive Board meetings may include items set out in the scheduled plan of the Executive Board, decisions made by the Board of Directors and ancillary matters suggested for consideration by the Chairman and members of the Executive Board. Additional items shall be included in the agenda on the basis of a written or oral address made by the aforementioned persons.

5.10. A written request to call a special Executive Board meeting or include an additional item in the agenda of a regular meeting shall specify:

- persons who initiated the calling of the special meeting or proposed new items for the agenda of the regular meeting;
- issue wording and possible solutions;
- reasoning of the proposal to call a special meeting or include an additional item in the agenda;
- accompanying documents drafted in line with clause 6.2 herein.

The request shall be signed by the person who makes a motion to call the special Executive Board meeting or proposed new items for the agenda of the regular meeting.

5.11. The agenda of the Executive Board meeting shall include no more than three issues for consideration in general.

5.12. The agenda of the regular Executive Board meeting shall be approved by the Chairman of the Executive Board.

5.13. The Chairman of the Executive Board shall decide on where and when the meeting is held. Field sessions of the Executive Board may also be organized.

6 Arrangements and Preparations for the Executive Board Meeting

6.1. On the basis of the draft agenda of the regular Executive Board meeting, the Secretary of the Executive Board shall notify all persons responsible for arrangements and preparations for the meeting of inclusion of the corresponding item on the agenda of the forthcoming meeting at the Executive Board in order to ensure timely preparation of the materials.

6.2. The materials (paper or electronic copies) for the Executive Board meeting shall be submitted by the person responsible for the preparation.

The materials shall specify:

- possible solutions and an explanatory note on the issue (the average size – up to 3 pages). The explanatory note shall contain the reasoning of possible solution submitted for consideration at the Executive Board and shall be introduced into the minutes of the Executive Board meeting;
- a presentation with a statement of approval (front page). The average size of the presentation is up to 15 pages.

If necessary, the speaker may present additional materials in the form of supplements to the presentation.

All materials shall receive preliminary approval of the corresponding operational departments of the Company and supervising deputies of the President.

6.3. To arrange for a preliminary approval of members of the Executive Board materials for the meeting shall be served by persons responsible for arrangements (speakers) to the Secretary of the Executive Board at least 3 business days before it is held.

The Secretary of the Executive Board shall disseminate the materials for the forthcoming meeting to the Executive Board members at least 2 business days before the meeting.

6.4. The Chairman of the Executive Board has the right to make a decision on shifting the deadline to submit the materials for the Executive Board meeting.

6.5. The Chairman of the Executive Board has the right to refer the materials for the forthcoming meeting of the Executive Board members to other concerned persons.

6.6. The materials for the Executive Board meeting are confidential and shall not be disclosed to third persons.

7. Rules of Procedure

7.1. The meetings of the Executive Board are generally held every two weeks. The Secretary of the Executive Board shall send notice of the forthcoming meeting to the Executive Board members and invitees via e-mail at least 2 business days before it is held.

If necessary, materials on issues proposed for the agenda of the meeting may be sent to the Executive Board members.

7.2. The notice of a meeting shall specify:

- The agenda with reference to the speaker on each item;
- Place and date of the meeting.

8. Executive Board Meetings

8.1. Executive Board meetings are held in presence only.

8.2. Members of the Executive Board are liable to participate in the Executive Board meetings.

8.3. In case a member of the Executive Board can not be present at the meeting he shall report to the Chairman of the Executive Board.

In this case the member of the Executive Board has the right to submit a statement in writing on the issues on the agenda of the meeting, written statements of the absent Executive Board members are presented by the Chairman of the meeting to the Executive Board members and shall be taken into account when the quorum is calculated and the votes counted.

8.4. In case Executive Board member is present at the meeting his written statement submitted a priori to the meeting is not read out and shall not be taken into account when the quorum is calculated and the votes counted.

8.5. Speakers on the matters included in the agenda, the Company's Corporate Secretary, Secretary of the Executive Board and the required operating personnel also take part in the meeting.

8.6. Upon request of the speaker up to 3 people for each item on the agenda may be invited to participate in the meeting.

8.7. Speakers on the matters included in the agenda and invitees shall be present at the Executive Board meeting only during the time required for consideration of the issue.

8.8. Invitees shall be allowed to the session of the Executive Board according to the list approved by the Chairman of the Executive Board. The check list is included in the minutes of the session.

8.9. The meeting of the Executive Board shall be competent for taking decisions (has a quorum) provided not less than half of the members of the Executive Board are present. In case the quorum is not reached, the Chairman of the Executive Board shall appoint a new date for the meeting.

8.10. Before each meeting the Secretary of the Executive Board shall check in the members of the Executive Board and invitees present at the meeting.

8.11. Invitees have the right to take part in debates on the questions under discussion.

8.12. Consideration of issues on the agenda of the meeting of the Executive Board.

8.12.1. The participants of the meeting consider issues included in the approved agenda.

8.12.2. Following the decision of the Chairman of the Executive Board issues not included in the previously approved agenda may be discussed.

8.12.3. The items on the agenda are considered in the following sequence:

- the participants hear the reports of the person responsible for arrangement of the matter;
- the participants hear the co-reporters (if present);
- members of the Executive Board query the speakers and other officers of the Company present at the meeting;
- members of the Executive Board and invitees debate the presented report;
- written statements on proposed solutions suggested by the members of the Executive Board are read out;
- the speaker presents a brief comment on the proposals suggested during the debates;
- the Chairman of the Executive Board gives a summary of the debates and formulates proposals related to the draft projects of the Executive Board on the basis of the submitted materials with an indication of schedule times and persons responsible;
- voting is held and votes counted. Voting can be held on the draft solution at all or certain clauses of it, upon request of any member of the Executive Board;
- the Chairman of the Executive Board announces the results of the voting;
- members of the Executive Board are given an opportunity to express their individual opinion (attached to the minutes of the meeting of the Executive Board). The statement may also be submitted in writing within 2 (two) business days after the meeting is held.

8.12.4. The time-limit for reports, supplementary reports and the closing remarks shall be determined by the Chairman of the Executive Board upon agreement with the speakers and co-reporters, but shall not exceed 20 minutes for the report and 10 minutes for the supplementary report. Participants in the debates are given up to 5 minutes.

8.12.5. A participant in the debates while delivering a statement shall:

- give an outline of his opinion short and to the point of the question under consideration;
- formulate his attitude to the draft project of the Executive Board suggested by the speaker and other participants of the meeting on the basis of the materials on the agenda;
- formulate his counteroffers on possible solutions to the problems discussed.

8.12.6. The Chairman of the Executive Board (should he be absent – Deputy Chairman of the Executive Board) presides over the meetings of the Executive Board. In case both of them are absent the members of the Executive Board shall appoint one of the Executive Board members Chairman of the session.

8.12.7. Chairman of the session at the Executive Board shall:

- arrange the work of the Executive Board;
- call upon participants to speak, ask questions and deliver statements;
- organize debates;
- present his judgment upon the subject;
- sum up the results of the debates, and deliver a resumptive statement on the submitted proposals;
- observe the time-limit;

- put the decisions of the Executive Board and motions of the members on questions under consideration to the vote, arrange for the count of votes and announce the results of voting;
- define the schedule for ensuring control over execution of decisions taken by the Executive Board;
- arrange for taking the minutes and recording the meeting, sign the minutes.

8.12.8. During voting at the session of the Executive Board each Executive Board member shall have one vote. No transfer of any voting power by any member to any other member of the Executive Board shall be permissible.

8.12.9. If necessary the Executive Board meeting or consideration of the question on the agenda may be adjourned (deferred to a later date).

8.12.10. A decision is taken if more than half of the present Executive Board members voted for it. If the votes cast by members are equally divided, the Chairman of the Executive Board shall have the deciding vote.

8.12.11. Votes shall be counted by the Secretary of the Executive Board.

8.13. Issues included in the agenda of the session of the Executive Board are discussed in Russian.

9. Minutes of the Executive Board Meeting and Other Documents

9.1. The Secretary of the Executive Board shall take the minutes of the meeting of the Executive Board which shall be signed by the Chairman of the meeting within 3 (three) business days after the meeting is held.

9.2. The minutes of the meetings of the Executive Board are kept in Russian and are presented in duplicate.

9.3. The minutes of the meeting specify:

- number of the minutes (by progressive total);
- full name of the Company;
- place and time of the meeting;
- persons present at the meeting (members of the Executive Board and the invitees);
- quorum;
- persons who submitted a written statement on the issues proposed for the agenda;
- the agenda;
- problems considered and voting results;
- decisions made at the meeting, schedule times, and persons responsible for their implementation.

9.4. To prepare the minutes the Secretary of the Executive Board shall verify proposed solution together with the speakers and persons responsible for implementation of the corresponding decisions of the Executive Board.

9.5. Individual statements of the members of the Executive Board shall be attached to the minutes.

9.6. In case written statements of members absent at the meeting of the Executive Board are taken into account during the count of votes, the written statements on the issues proposed of the agenda are attached to the minutes in the form of appendixes.

9.7. Original minutes of the meeting shall be kept by the Secretary of the Executive Board. Materials submitted by the members during discussions over the corresponding items on the agenda and presentations of reports shall be attached to the minutes.

9.8. Electronic versions (copies) of the minutes are kept by the Secretary of the Executive Board. The Secretary of the Executive Board shall hold the electronic archives of the minutes and materials of the Executive Board.

9.9. The Secretary of the Executive Board shall prepare abstracts of minutes and send them to persons responsible for implementation of the decisions taken by the Executive Board within the Electronic Document Manager System.

9.10. Shareholders owing more than 25% of the Company's shares and members of the Board of Directors, members of the Executive Board of the Company and the Internal Audit Department's staff may have access to the minutes of the sessions by addressing the Secretary of the Executive Board.

9.11. Upon a request submitted in writing by persons specified in clause 9.10 Secretary of the Executive Board shall serve them the copies of the minutes and/or abstracts of minutes certified by the Secretary of the Executive Board.

9.12. The Secretary of the Executive Board shall keep a record of incoming requests and issued copies and abstracts of record in a special register.

9.13. The Secretary of the Executive Board arranges for making an audio recording of the Executive Board meeting.

10. Execution of Decisions of the Executive Board

10.1. Decisions made by the Executive Board of the Company shall be binding upon the Executive Board members and the Company's staff.

10.2. Control over execution of the decisions made by the Executive Board shall be ensured by the Chairman of the Executive Board.

Upon charge of the Chairman of the Executive Board the data on execution of the Board's decisions is accumulated by the Secretary of the Executive Board. The Secretary has the right to ask for any information pertaining to implementation of the Board's decisions by addressing the responsible persons (given privacy requirements).

10.3. The Secretary of the Executive Board shall prepare and forward abstracts of minutes made at the Executive Board meeting to persons responsible for implementation of the corresponding decisions.

10.4. Chairman of the Executive Board has the right to prolong the terms set for execution of the Board's decisions no longer than for three months. Prolongations of the terms for a longer period shall be made following the corresponding decision of the Executive Board.

11. Alteration of Regulation on the Executive Board

11.1. Amendments to this Regulation shall be made following the motion of the Company's President, the Board of Directors, the Executive Board members, and the Revision Committee and shall be approved by the General Meeting of Shareholders.

11.2. Should the provisions of this Regulation be contrary to the current legislation of the Russian Federation the relevant acts existing in the Russian Federation shall be applied. Whenever the provisions of this Regulation are not contrary to the current legislation of the Russian Federation, the Regulation shall remain in force.