

Appendix # 1  
to the decision of the Board of Directors of IDGC of Centre, PJSC  
Minutes from 21.04.2016 # 12/16

**THE REGULATIONS  
ON DIVIDEND POLICY  
of IDGC of Centre, PJSC  
as amended**

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## **1 GENERAL PROVISIONS**

1.1. This Regulation on Dividend Policy of Interregional Distribution Grid Company of Centre, Public Joint-Stock Company (hereinafter - the Regulation) is developed according to the current legislation of the Russian Federation, the Articles of Association of IDGC of Centre, PJSC (hereinafter - the Company), and also recommendations of the Corporate Governance Code of IDGC of Centre, PJSC and other internal documents of the Company.

1.2. The Company's dividend policy represents a set of principles and measures by which the Company is guided for provision of shareholder rights on receipt of a part of profit of the Company.

1.3. The Company's dividend policy is based on strict observance of interests of shareholders provided by the current legislation of the Russian Federation, the Articles of Association and internal documents of the Company, the balance of interests of the Company and shareholders.

1.4. The Regulation determines the main principles and approaches at accepting by the Board of Directors of the Company of decisions in terms of recommendations to shareholders' general meeting on the size of dividends under stocks with a view of provision of transparency of the mechanism of determination of the size of dividends and their payments, and also informing of shareholders and other interested persons on the Company's dividend policy and determines the order of decision-making on payment (declaration) of dividends, conditions of their payment, a procedure of calculation of the size of dividends, a dividend payout order, including terms and a form of their payment, and also responsibility of the Company for nonpayment of dividends.

1.5. Terms and determinations used in this Regulation, are applied in the same meaning in what they are used in the legislation of the Russian Federation on joint stock companies and securities.

## **2 PRINCIPLES OF DIVIDEND POLICY OF THE COMPANY**

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

- observance of rates of the current legislation of the Russian Federation, the Articles of Association and internal documents of the Company, including conformity of the practice of accrual and payment (declaration) of dividends accepted in the Company to the legislation of the Russian Federation;
- observance of the rights and interests of shareholders;
- increase of investment appeal of the Company and its capitalisation;
- aspiration to conform to high standards of corporate governance;
- provision of interest of the management and shareholders in increase of profitability of the Company;
- annual allocation of a part of net profit on dividend payout and use of profit remaining at the Company's disposal mainly for accomplishment of the investment program and repayment of financial liabilities;
- use at calculation of dividends of net profit without income and expenses received from revaluation of financial investments, positive exchange rate differences and other irregular (single) not monetary components of net profit;
- maintenance of a required level of financial and technical condition of the Company

(accomplishment of the investment program), provision of prospects of development of the Company;

- provision of the maximum transparency (clearness) of the mechanism of determination of the size of dividends and their payment;
- aspiration to provision of the most comfortable method of receipt of dividends for shareholders;
- aspiration to pay dividends in short terms;
- provision of positive dynamics of size of dividend payments under condition of growth of net profit of the Company.

2.2. The recommended sum of dividend payments is determined by the Board of Directors on the basis of financial results of activity of the Company, thus the Board of Directors will aspire to provide positive dynamics of size of dividend payments to shareholders from year to year.

### **3 DIVIDEND PAYOUT CONDITIONS**

3.1. The Company has the right by results of the first quarter, the half-year, nine months of an accounting year and (or) by results of an accounting year to make decisions on (to declare) dividend payout under placed shares unless specified otherwise by the Federal law «About joint stock companies».

3.2. The decision on payment (declaration) of dividends by results of the first quarter, half-year and nine months of an accounting year can be accepted not later than in three months after the end of the corresponding period, under condition of sufficiency of the net profit allocated for investment financing and development of the Company.

3.3. The Company aspires to increase along with capitalisation growth the size of dividends paid to shareholders, proceeding from the size of the received net profit for an accounting period and requirements of development of production and investment activity of the Company.

3.4. The Company has no right to make decision on (to declare) dividend payout under stocks:

- until complete payment of all authorised capital of the Company;
- until redemption of all stocks which should be redeemed according to article 76 of the Federal law «About joint stock companies»;
- if at date of accepting such decisions the Company has signs of insolvency (bankruptcy) according to the legislation of the Russian Federation on insolvency (bankruptcy) or if the specified signs appear with the Company as a result of dividend payout;
- if at date of accepting such decisions the net assets value of the Company is less than its authorised capital and reserve fund, or becomes less than their size as a result of accepting such decisions;
- in other cases provided by federal laws.

3.5. The Company has no right to pay the declared dividends under stocks:

- if at date of payment the Company has signs of insolvency (bankruptcy) according to the legislation of the Russian Federation on insolvency (bankruptcy) or if the specified signs appear with the Company as a result of dividend payout;
- if at date of payment the net assets value of the Company is less than its authorised capital and reserve fund, or becomes less than the specified sum as a result of dividend payout;

— in other cases provided by federal laws.

After the termination of the specified circumstances the Company is obliged to pay to shareholders the declared dividends.

3.6. At profit distribution and losses by results of an accounting year (including payment (declaration) of dividends) the profit allocated as dividends by results of the first quarter, half-year and nine months of an accounting year is not considered.

#### **4 THE SIZE OF DIVIDEND PAYMENTS**

4.1. The Company considers as one of its priorities to provide for dividend payout at the level not less than 25% from the Company's net profit. However, the final decision about the size of dividends is accepted by the decision of shareholders' general meeting of the Company.

4.2. Calculation of the size of dividends following the results of an accounting period is produced as follows.

I. In case of observance of the conditions specified in article 3 of this Regulation, the decision on dividend payout is accepted at accomplishment simultaneously of the following criteria:

- availability of net profit following the results of an accounting period;
- availability of net profit following the results of an accounting period without income and expenses received from revaluation of financial investments, positive exchange rate differences and other irregular (single) not monetary components of net profit;
- ratio of debt (on the period end) to EBITDA indicator (indicator calculation is produced on the basis of a valid provision about the credit policy) is less than three - at default of the given criterion the priority to dividend payout is repayment of borrowed funds.

II. Calculation of the size of dividends:

$DIV = \text{Net Profit} - \text{Deductions RF}' - \text{Profit for Development} - \text{Profit for Repayment}$ , where:

$DIV$  – the total sum of net profit allocated for dividends;

Net Profit – net profit following the results of an accounting period (without income and expenses received from revaluation of financial investments, positive exchange rate differences and other irregular (single) not monetary components), received taking into account the long-term parameters of regulation established concerning the company;

Deductions RF' - the sum of obligatory deductions to reserve and other funds according to the Company's Articles of Association;

Profit for Development – the part of profit allocated for the Company's investment, development;

Profit for Repayment – the part of profit allocated for repayment of losses of previous years from operational activity, in the presence of those (*no more than 0,5\* (Net Profit – Deductions RF' – Profit for Development)*).

III. In case within an accounting year there were essential technological infringements of work of equipment or the indicator of reliability established as a key indicator of efficiency of the Company is not executed, and decisions on realisation of events for increase of reliability and quality of services are accepted, as approved by the Board of

Directors of the Company, the size of dividends is determined taking into account such decisions.

## **5 SOURCES OF THE MEANS ALLOCATED FOR DIVIDEND PAYOUT**

5.1. According to requirements of the current legislation of the Russian Federation a dividend payout source is profit of the Company after taxation (the Company's net profit). The Company's net profit is determined according to the accounting (financial) statements of the Company. Dividends are allocated among shareholders proportionally to a number of stocks of a corresponding category (type) they own.

5.2. The base for calculation of dividend payments of the Company is determined proceeding from the Company's net profit, without income and expenses received from revaluation of financial investments, positive exchange rate differences and other irregular (single) not monetary components of net profit.

5.3. In the structure of distribution of net profit for a reporting fiscal year means for obligatory deductions are allocated for the Company according to the current legislation of the Russian Federation, the Articles of Association and internal documents of the Company, and also for other directions of its expenditure, including for dividend payout.

5.4. Members of the Board of Directors of the Company determine the recommended size of dividends under the Company's stocks. General Director of the Company has the right to submit to the Company's Board of Directors offers on the Company's profit distribution, including on dividend payout.

5.5. The size of dividends, paid under common stocks, is determined by shareholders' general meeting under the recommendation of the Board of Directors and cannot be more than the size recommended by the Board of Directors.

5.6. The size of the dividend, paid on one common stock, is determined by division of the total sum of dividends allocated for payment under common stocks of the Company, by the number of common stocks of the Company on which according to the legislation dividends can be accrued. Summary value is rounded upward to four decimal places.

5.7. The size of intermediate dividends recommended by the Board of Directors (the dividends declared before the end of fiscal year - by results of the first quarter, the half-year, nine months) is determined according to the following conditions:

- the size of dividends from profit of current year cannot exceed the planned size of dividends following the results of a year according to the confirmed by the Board of Directors Business plan of the Company for current year (determined taking into account obligatory deductions from profit to the Company's funds according to the current legislation of the Russian Federation, the Articles of Association and internal documents of the Company);
- the size of dividends from profit of previous years cannot exceed the size of profit of previous years available for the Company (according to last accounting statements) in which relation the shareholders' general meeting did not make the decision on its distribution.

## **6 ORDER OF DECISION-MAKING ON DIVIDEND PAYOUT**

6.1. The decision on declaration, payment or nonpayment of dividends, including the decision on the size of dividend, the form, terms and order of its payment under stocks of each category (type), is accepted by the Company shareholders' general meeting according to the Articles of Association of the Company and on the basis of

recommendations of the Board of Directors of the Company about the size of dividends. The size of dividends cannot be more than recommended by the Company's Board of Directors.

6.2. The decision on dividend payout under placed shares by results of a fiscal year is accepted by annual shareholders' general meeting as a component of the decision on profit distribution of the Company by results of a fiscal year.

6.3. The decision on dividend payout under placed shares by results of the first quarter, the half-year, nine months of a fiscal year is accepted by a shareholders' general meeting as an individual question of the agenda of the shareholders' general meeting.

6.4. Recommendations of the Board of Directors and the decision of General meeting on dividend payout should specify:

- general size of dividends under the Company's stocks;
- category of stocks on which dividends are declared;
- size of dividend calculated on one stock of a certain category;
- dividend payout form
- dividend payout term;
- date on which persons having the right to receive dividends are recorded.

6.5. The decision regarding the record date on which the persons having the right to receive dividends are determined, is accepted only under the offer of the Board of Directors of the Company.

6.6. The decision on payment (declaration) of dividends can be accepted under condition of absence of legislatively provided restrictions on payment (declaration) of dividends.

## **7. THE LIST OF PERSONS HAVING THE RIGHT TO RECEIVE DIVIDENDS**

7.1. The Company's Board of Directors determines the record date of drawing up of the list of persons having the right to receive dividends.

7.2. Record date on which according to the decision of shareholders' general meeting of the Company on payment (declaration) of dividends the persons having the right to their receipt are determined, cannot be established earlier than 10 days from the date of acceptance of the decision on payment (declaration) of dividends and after 20 days from the date of acceptance of such a decision.

7.3. The list of the persons, having the right to receive dividends, is constituted by the Registrar of the Company under the Company's instruction.

7.4. Dividends should be paid to persons who were stock owners of a corresponding category or persons exercising according to federal laws the right under these stocks, at the end of a transaction day of the record date on which according to the decision of shareholders' general meeting of the Company on payment (declaration) of dividends the persons having the right to their receipt are determined.

7.5. The list of persons, having the right to receive dividends, includes persons registered in the system of conducting the register.

7.6. In a case if stocks are in the share property, the list of persons, having the right to receive dividends, includes all co-owners of stocks if the agreement between them does not provide otherwise.

7.7. The sum of accrued dividends, paid to each shareholder of the Company, is determined by multiplication of the dividend having on one stock, to a number of stocks belonging to the shareholder.

7.8. The information on a method of receipt of dividends is contained in the

questionnaire of the registered person in the Company's shareholder register. For receipt of dividends to the bank account the shareholder is recommended to specify in the questionnaire complete data about the bank account. For receipt of dividends by the postal order the shareholder - a physical person is recommended to specify in the questionnaire the complete postal address. In a case if the shareholder of the Company has incorrectly specified the banking data or the postal address in the questionnaire, the Company does not bear responsibility for non-receipt of dividends by such a shareholder.

7.9. With a view of protection of shareholders' rights on receipt of dividends the Company at the organisation of relations with a registry holder will make all necessary efforts for establishment of penalties of the latter for conformity of the data presented in the list of persons, having the right to receive dividends, and also the data on a method of income receipt with the data of the Company's shareholder register.

7.10. In case of modification of the list of the persons, having the right to receive dividends, the Company will demand from a registry holder of indication of reasons of entering such changes.

7.11. Any shareholder has the right to refer to the Company with inquiry about granting to him or her the information on his or her inclusion (non-inclusion) in the list of persons, having the right to receive dividends, and also about the size of dividends under stocks, an order of accrual and deduction of taxes from the sum of dividends, about other conditions of payment (declaration) of dividends.

7.12. The Company within 7 (Seven) working days from the moment of receipt of the inquiry specified in item 7.11., prepares and sends the answer to the shareholder to his or her postal address if the inquiry does not specify a different way of receipt of the information.

## **8. PROCEDURE, TERMS AND FORM OF DIVIDEND PAYOUT**

8.1. Term and procedure of dividend payout is determined by the Articles of Association or a decision of shareholders' general meeting of the Company, thus the Company aspires to perform dividend payout in the minimum terms.

8.2. Dividends are paid in the monetary form by wire transfer by the Company or under its order by the registrar that conducts the Company's shareholder register, or a credit organisation.

8.3. Dividend payout in the monetary form to physical persons, whose rights to stocks are accounted in the company's shareholder register, is performed by transfer of money funds to their bank accounts, details of which are available with the registrar of the company, or in the absence of data on bank accounts by the postal order of money funds, and to other persons, whose rights to stocks are accounted in the company's shareholder register, by transfer of money funds to their bank accounts.

8.4. In a case if one stock of the Company is in the property of several persons, dividends are allocated proportionally to their share in the value of the stock unless the agreement between these persons does not provide otherwise.

8.5. Dividend payout term to a nominal holder and being a professional participant of the securities market trustee, who are registered in the register of shareholders, shall not exceed 10 working days, and other persons registered in the registry of shareholders - 25 working days from the date on which the persons entitled to receive dividends are recorded.

8.6. The Company is obliged to pay the declared dividends before the target term end.

8.7. The Company has the right to fulfil the obligation on dividend payout on any day during the payment target term.

8.8. Persons, who have the right to receive dividends and whose rights to stocks are accounted at the nominal shareholder, receive dividends in the monetary form in an order established by the legislation of the Russian Federation about securities.

8.9. The person, who has not received declared dividends because the Company or the registrar do not have the exact and necessary address data or bank details, or in connection with other delay of the creditor, has the right to address with the requirement about payment of such dividends (unclaimed dividends) within three years from the date of acceptance of the decision on their payment unless a longer term for filing the specified requirement is established by the Company's Articles of Association.

8.10. Term for filing the requirement about payment of unclaimed dividends at their admission is not subject to restoration, except for a case if the person, having the right to receive dividends, did not submit the given requirement under the influence of violence or threat.

8.11. After the term the declared and unclaimed dividends are recovered as a part of the Company's retained earnings, and the obligation on their payment is terminated.

8.12. Interest on unclaimed dividends is not charged.

8.13. Taxation of paid dividends is performed in an order provided by the current legislation of the Russian Federation.

8.14. The Company's obligation on dividend payout to shareholders is considered performed from the date of acceptance of transferred money funds by the organisation of a federal mail service or from the date of receipt of money funds by the credit organisation in which the bank account of the person, having the right to receipt of such dividends is opened.

8.15. In a case if the person, to whom the personal account (the depot account) is opened, has not presented the information on change of the data, the Company (the person obliged under securities), the holder of the register of owners of securities and a depository do not bear responsibility for losses the person incurred in connection with the failure to deliver information.

## **9. DISCLOSURE OF DIVIDEND POLICY**

9.1. The Company provides placing of the Regulation on Dividend Policy of IDGC of Centre, PJSC and all changes for it in constant access on the Company's web site on the Internet at: <http://www.mrsk-1.ru/>.

9.2. The information on decision-making on dividend payout, on the size, terms, method and the form of their payment is disclosed in an order provided by the current legislation of the Russian Federation.

9.3. As a part of the materials delivered to shareholders by preparation for shareholders'

general meeting of the Company, the necessary information on availability or absence of the conditions necessary for decision-making on payment (declaration) of dividends should be contained.

9.4. The Company publishes a notice on decision-making of dividend payout by placing of a separate press release on the Company's website not later than one day from the moment of drawing up of the report of shareholders' general meeting at which the corresponding decision was accepted.

9.5. The notice published by the Company on decision-making of dividend payout, their size, terms, the form and payment order should contain the information, providing to shareholders clear and unequivocal representation concerning payment (declaration) of dividends. Simultaneously in this notice the obligation of shareholders in case of change of bank details and/or postal addresses is explained to shareholders to bring respective alterations into the shareholder register of the Company by provision to the registrar of the Company of the questionnaire of the registered person, and also about consequences of non-observance of this obligation.

9.6. In case of attraction of an agent on dividend payout the Company brings to the notice of shareholders the information on the involved agent on dividend payout, including about his replacement and the termination of term of his powers by publication of the corresponding information on the Company's website.

## **10. RESPONSIBILITY OF THE COMPANY FOR NONPAYMENT OF DIVIDENDS**

10.1. The Company is obliged to pay the declared dividends in volume and in terms established by the decision of shareholders' general meeting and the Articles of Association of the Company.

10.2. Responsibility for complete and timely payment of the declared dividends is assigned to the Company's executive powers.

10.3. In case of non-execution of the obligations the Company bears responsibility according to the current legislation of the Russian Federation, and shareholders have the right to demand execution of corresponding obligations judicially.

10.4. According to the current legislation of the Russian Federation the Company does not bear responsibility for incurred losses in connection with nonpayment of dividends to those shareholders who in due time have not given to the registrar of the Company bank / postal details or information on their change.

## **11. FINAL PROVISIONS**

11.1. The Dividend Policy is approved, amended and supplemented with the decision of the Board of Directors of the Company.

11.2. The Dividend Policy enters into force from the moment of its approval by the Company's Board of Directors.

11.3. Issues, which have been not settled by the Company's dividend policy, are governed by the current legislation of the Russian Federation and internal documents of the Company.

11.4. Issues, which have been not settled by the current legislation of the Russian Federation and internal documents of the Company, are recommended to solve, proceeding from a principle of provision of the rights and interests of shareholders of the Company. In a case if separate provisions of the Company's dividend policy conflict with the current legislation of the Russian Federation and/or the Company's Articles of Association, corresponding rates of the current legislation of the Russian Federation and/or the Company's Articles of Association are applied. The specified rates of the Company's dividend policy are subject to bringing in conformity with the current legislation of the Russian Federation and/or the Company's Articles of Association.

11.5. Invalidity of separate rates of the Company's dividend policy does not entail invalidity of other rates and/or the dividend policy as a whole.