

DIVIDEND POLICY

In August 2020, the Board of Directors approved a new version of the Regulations on JSC FPC's Dividend Policy.

In accordance with the new version, the principle for determining the amount of dividend payment is that when making a recommendation to the General Shareholders Meeting on the dividend amount, the Board of Directors seeks to ensure that the minimum amount of annual dividends on the Company's shares should be at least 50% of FPC's net profit according to financial statements prepared in accordance with the Russian Accounting Standards (RAS).

In making a recommendation to the General Shareholders Meeting on the dividend amount, the Board of Directors is guided by Russian laws, the Company's Articles of Association and the Regulations on JSC FPC's Dividend Policy and may take into account:

- data from the Company's accounting statements, budgets (business plans), investment programmes and development programmes
- the Company's RAS free cash flow, the target (ceiling) level of the debt burden and the levels of credit covenants in accordance with the Regulations on JSC FPC's Debt Policy, as well as the terms of the loan agreements concluded by the Company and the terms of the Shareholders Agreement signed between FPC's shareholders.

For reference

General Shareholders Meeting held in 2010–2013 resolved not to pay out any dividends.

In 2014, RUB 4.1 billion were allocated to dividends and RUB 4.5 billion were contributed by Russian Railways to FPC's share capital to finance FPC's investment programme.

In 2015, FPC made a net profit of RUB 141.1 million. Dividends paid out amounted to RUB 70.5 million.

Free cash flow is cash flow from operations increased by interest receivable less payments under investment activities associated with the acquisition, creation, upgrade, overhaul and preparation for use of non-current assets, and increased by income from participation in other business entities.

FPC's Board of Directors decides on the recommended dividend amount, the timing, procedure and form of payment, and the dividend record date, to be submitted to the General Shareholders Meeting for consideration.

In accordance with section III (Conditions and grounds for dividend payment (declaration)) of the Regulations on JSC FPC's Dividend Policy, the conditions for dividend payment (declaration) to shareholders are as follows:

- Availability of net profit at the Company, calculated according to RAS accounting statements and not distributed earlier by resolution of the General Shareholders Meeting
- No restrictions on dividend payment (declaration) as established by the legislation of the Russian Federation

No dividends were paid out in 2020.

According to the 2020 financial statements, FPC's financial and business activities in 2020 resulted in a loss of RUB 33,605,419 thousand.

With the Company having no available cash, it is therefore advisable not to pay dividends.

In 2016, FPC made a net profit of RUB 5.3 billion. Dividends paid out amounted to RUB 4.9 billion.

For 2017, RUB 1.6 billion were distributed as dividends, and RUB 6.5 billion were contributed by Russian Railways to FPC's share capital to finance FPC's investment programme.

For 2018, FPC made a net profit of RUB 6.1 billion. No dividends were paid for 2018.

Net profit for 2019 amounted to RUB 8.5 billion. In accordance with the profit distribution resolutions adopted by the Annual General Shareholders Meeting, no dividends were paid for 2019.

¹ As per the audited statements for 2020.