



ADOPTED BY:

OAO IDGC of Urals Board of Directors
resolution dated as of Feb. 02, 2018

(Minutes dated as of Feb.05, 2018 No.256)

OAO IDGC of URALS REGULATIONS ON THE DIVIDEND POLICY

TABLE OF CONTENTS

1. GENERAL PROVISIONS.....	3
2. PRINCIPLES OF THE COMPANY’S DIVIDEND POLICY	3
3. CONDITIONS FOR DIVIDEND PAYOUT.....	4
4. DIVIDEND SIZE CALCULATION.....	5
5. MECHANICS OF DIVIDEND PAYOUT DECISIONS	6
6. LIST OF ENTITIES ENTITLED TO COLLECT DIVIDENDS	6
7. DIVIDEND PAYOUT PROCEDURE, TERMS AND FORM	7
8. DIVIDEND TAXATION.....	8
9. DISCLOSURE OF DIVIDEND POLICY, DIVIDEND DECLARATION AND PAYOUT ...	8
10. COMPANY’S LIABILITY FOR DIVIDEND PAYOUT	9
11. FINAL PROVISIONS	9

1. GENERAL PROVISIONS

1.1. The present Regulations on the Dividend Policy of Open Joint-Stock Company IDGC of Urals (hereinafter referred to as the Regulations) shall be a bylaw of OA O IDGC of Urals, developed pursuant to laws of Russia, Charter of OA O IDGC of Urals (hereinafter referred to as the Company) and other bylaws of the Company.

1.2. The Company's dividend policy shall be: i) an aggregate of principles and methods applied by the Company to calculate proportions of Company's capitalized income and income to be paid as dividends; as well as ii) a system of relationships and principles to specify dividend payment procedure and deadlines and establish Company's responsibility for dividend obligations.

1.3. The Company's dividend policy shall strictly observe shareholder rights, envisaged by laws of Russia, Company's Charter and bylaws, and focus on enhancing Company's investment prospects and market capitalization.

1.4. The Regulations shall identify core principles of the dividend policy to ensure transparency of a tool designed for dividend size calculation and payout, to raise awareness of stockholders and other stakeholders on the Company's dividend policy, as well as shall establish a decision tree for dividend payout (declaration), payout prerequisites, dividend calculation (covering also terms, location and form of payment) and Company's liability for dividend omission.

1.5. Notions and definitions hereof shall bear the same meaning, as stated in Russian laws on joint-stock companies and securities.

2. PRINCIPLES OF THE COMPANY'S DIVIDEND POLICY

2.1. The Company's dividend policy shall adhere to the following principles:

- Compliance of the Company's dividend accrual and payout practices with laws of Russia and corporate governance standards (Russian Government Edict dated as of 29.05.2017 No.1094-r);
- Optimum compromise between the interests of the Company and its stockholders;
- Specification of a dividend size at a minimum of 50% of net income, presented in financial statements (incl. consolidated statements, prepared under IFRS), calculated as stated herein;
- Provision of possibility to pay quarterly dividends, provided that corresponding criteria are complied with;
- Enforcement of utmost transparency (comprehensibility) of a tool for dividend size calculation and payout;
- Enforcement of dividend upward trend, provided that Company's net income keeps growing;
- Availability of information on the Company's dividend policy for stockholders and

stakeholders;

- Maintenance of required financial and technical condition of the Company (execution of investment program), enforcement of Company's development prospects;

2.2. Recommended dividend amount shall be specified by the Board of Directors, driven by Company's financial performance.

3. CONDITIONS FOR DIVIDEND PAYOUT

3.1. The Company shall be entitled to decide upon (or declare) 3M, 6M, 9M and/or 12M dividends to be paid on outstanding shares, unless otherwise stated by the Federal Joint-Stock Companies' Law. Resolution on 3M, 6M and 9M dividends shall be adopted within 3 months after the end of the relevant period.

3.2. The Company shall not be entitled to decide upon (declare) dividend payout:

- Until it pays up the charter capital;
- Until it redeems all shares, subject to redemption in line with Art.76 of the Federal Joint-Stock Companies' Law;
- If on the decision day the Company goes insolvent (bankrupt), as stated in insolvency (bankruptcy) laws of Russia, or the Company may show the cues after dividend payout;
- If on the decision day Company's net asset value becomes less than its charter capital, reserve fund, surplus over face value of outstanding preferred shares' disposal value, set by the Charter (if the Company has placed preferred shares) or becomes less than their size in the aftermath of such decision;
- in other statutory cases.

3.3. Adopting a resolution on interim dividends the Company shall head for payout, provided that such payout requires no borrowings and/or does not deteriorate the Group's credit profile, as stated in the Company's BoD-adopted Regulations on the Credit Policy, and/or hinder execution of the Company's investment program, adopted in the statutory manner.

3.4. The Company shall not be entitled to pay declared dividends:

- If on the payout day the Company shows insolvency (bankruptcy) cues, as stated in insolvency (bankruptcy) laws of Russia, or the Company may show the cues after dividend payout;
- If on the payout day Company's net asset value becomes less than its charter capital, reserve fund, surplus over face value of outstanding preferred shares' disposal value, set by the Charter (if the Company has placed preferred shares) or becomes less than their size in the aftermath of such payout;
- in other statutory cases.

The Company shall pay the declared dividends, if these circumstances dissolve.

3.5. Reported period's profit and losses to be distributed (incl. dividend payout or

declaration), net income to be paid as dividends, calculated as stated herein, shall be reduced by income, distributed as 3M, 6M and 9M dividends.

3.6. Net income to be paid as 6M and 9M dividends shall be reduced by income, distributed as 3M and 6M dividends, respectively.

4. DIVIDEND SIZE CALCULATION

4.1. As laws of Russia require, dividends shall be paid from the Company's income after tax (net income), calculated as stated by the accounting and reporting rules, and distributed among stockholders on a pro-rata basis to owned shares of relevant class (type).

4.2. Recommended dividend size on Company's shares shall be decided upon by the Board of Directors. The sole executive body of the Company shall file dividend size suggestions with the Board of Directors for review.

4.3. Dividend size shall be specified by the Annual General Meeting of Stockholders in line with Board of Directors recommendations and shall not exceed the BoD-recommended size.

4.4. Dividend to be paid on 1 common share shall be calculated as total dividends to be paid on common shares divided by total number of common shares, statutorily vested for dividends.

4.5. Reported period's dividend size shall be calculated as follows:

With Art. 3 conditions being complied with, the Company shall head for reported period's dividend payout, provided that the following criteria are simultaneously met:

- Reported period's net income presented in accounting (financial) statements, prepared under Russian Accounting Standards (RAS);
- Reported period's net income presented in accounting (financial) statements, prepared under Russian Accounting Standards (RAS), net of revenues and expenses from revaluation of trading affiliates' securities.

4.6. Reported period's dividend shall be computed, compliant with the dividend calculation procedure, using the following formula:

$$DIV = \text{MAX} \left\{ DIV^1; DIV^2 \right\} - DIV^{int}, \text{ where:}$$

DIV – total net income to be paid as dividends on common shares;

DIV^{int} – interim 3M, 6M, 9M dividends paid;

DIV^1 – dividends calculated from net income presented in accounting (financial) statements, prepared under RAS.

DIV^2 – dividends calculated from net income presented in consolidated financial statements, prepared under International Financial Reporting Standards (IFRS).

Meanwhile, dividends (DIV^2) shall not exceed reported period's net income presented in accounting (financial) statements, prepared under RAS, net of revenues and expenses from

reevaluation of trading affiliates' securities and relevant income tax as well as mandatory transfers to reserve and other funds, as stated by the Company's Charter.

4.7. Interim dividend payout (3M, 6M, 9M) decided upon, statements of clauses 3.3 and 4.5 herein and conditions of the dividend calculation procedure shall be taken into account.

4.8. The dividend calculation procedure shall be disclosed in the Appendix hereof. Indicators, used by the dividend calculation procedure, shall be filed with the governing bodies as materials to agenda items related to reported period's dividend size specification and payout procedure.

5. MECHANICS OF DIVIDEND PAYOUT DECISIONS

5.1. General Meeting of Stockholders shall decide on dividend payout (declaration). The decision shall specify dividend size on shares of each class (type), payment method, non-cash dividend payout procedure, record date (date when entities entitled to collect dividends are identified). Meanwhile, a decision on record date shall be taken only upon Board of Directors proposal.

5.2. A decision to pay reported period's dividends on outstanding shares shall be taken by an Annual General Meeting of Stockholders as a separate agenda item.

A decision to pay reported period's 3M dividends on outstanding shares shall be taken by an Annual General Meeting of Stockholders as a separate agenda item.

A decision to pay reported period's 6M and 9M dividends on outstanding shares shall be taken by an Extraordinary General Meeting of Stockholders as a separate agenda item.

5.3. Board of Directors recommendations and General Meeting decision shall specify:

- Share class with declared dividends;
- Dividend size per 1 share of a specified class;
- Dividend payout procedure and deadlines;
- Dividend payout form;
- Record date (date when the list of entities entitled to collect dividends is prepared).

5.4. A dividend payout decision shall be positive, provided that there are no statutory restrictions for dividend payout (declaration).

6. LIST OF ENTITIES ENTITLED TO COLLECT DIVIDENDS

6.1. Record date or date, when the list of entities entitled to collect dividends is prepared, shall be set by a General Meeting of Stockholders upon Board of Directors proposal. Such date shall not be set earlier than 10 days and within 20 days after payout decision date.

6.2. The list of entities entitled to collect dividends shall be prepared by the Company's registrar upon a request from the Company.

6.3. The list of entities entitled to collect dividends shall include:

- Stockholders recorded in the register as of the record date;
- Other entities (registered pledgees of shares, trustees, etc.), recorded in the register as of the record date, vested with rights for shares, unless otherwise stated by a contract between such entity and stockholder;
- Nominal holders asserting shareholder rights, recorded in the register as of the record date.

6.4. If shares are in shared ownership, the list of entities entitled to collect dividends shall include all co-owners.

6.5. A registered entity profile shall contain information on dividend collection method. A shareholder shall be liable for authenticity of information introduced to the profile.

6.6. To protect shareholders' dividend rights, in its relationship with the registrar, the Company shall take all required steps to specify registrar's liability for compliance of information in the list of entities entitled to collect dividends and information on collection method with the Company's shareholder register.

6.7. If the list of entities entitled to collect dividends is revised, the Company shall demand the registrar to present reasons of such revisions.

6.8. Any stockholder shall be entitled to file with the Company a request related to his/her inclusion into (exclusion from) the list of entities entitled to collect dividends.

6.9. Within 7 (seven) business days after request, stipulated in clause 6.8, the Company shall prepare and send a reply to the shareholder's postal address, unless otherwise stated in the request.

7. DIVIDEND PAYOUT PROCEDURE, TERMS AND FORM

7.1. Dividends shall be paid in monetary form, unless otherwise stated by a General Meeting of Stockholders. Dividends shall be paid net of charged taxes.

7.2. Deadlines for dividend payments to nominal holders and trustees, being professional participants of securities market, shall not exceed 10 business days, with maximum 25 business days since the date when the list of entities entitled to collect dividends is prepared for other registered stockholders. Dividend payout decision may specify shorter payout deadlines.

7.3. Dividends in monetary form shall be paid in a non-cash form by the Company or registrar (upon Company's request) or banking institution.

7.4. Dividends in monetary form shall be paid out to registered individuals by bank transfers to their bank accounts, if their banking details are known to the Company's registrar, or by postal transfer, if banking details are unknown and to other entities with dividend rights recorded in the register by bank transfers to their bank accounts.

Entities with dividend rights registered under a nominal holder shall collect dividends in cash in a manner, stated by laws of Russia on securities. A nominal holder with

dividends transferred to its account that failed to discharge its statutory transfer duties, for reasons beyond its control, shall return the dividends to the Company within 10 days after expiration of a 1-month period following the payout end date.

An entity, that has not collected declared dividends as the Company or registrar had no accurate address or banking details or due to other creditor's arrears, shall be entitled to file an application for dividend (unclaimed dividend) payout within 3 years after payout decision.

A missed deadline for dividend payout application shall not be revived, unless an entity, entitled to collect dividends, abdicated filing of such application affected by any violence or threat.

Deadline expired, declared and unclaimed dividends shall be reversed into non-distributed profit and the Company shall be no longer liable to pay them out.

7.5. The Company shall pay declared dividends prior to the set deadlines.

7.6. No interest shall be accrued on unclaimed dividends.

7.7. Company's dividend payout liability shall be deemed discharged starting on the date of cash acceptance by the federal postal organization or transfer receipt by banking institution that opened an account for an entity, entitled to collect dividends, or transfer receipt onto entity's account, if such entity is a banking institution.

7.8. A stockholder shall be entitled to revise at any moment a registered entity profile in terms of payment method, relevant postal address or banking details by filing a registered entity profile and relevant instruction with the Company's registrar. The Company shall not be liable for losses incurred by any shareholder due to transfer of dividends to shareholder's details recorded in the list of entities entitled to collect dividends.

8. DIVIDEND TAXATION

8.1. Dividends shall be taxed in a manner stated by laws of Russia.

8.2. Declared dividends shall include taxes deducted as stated by laws of Russia. A tax agent shall deduct and remit taxes to the budget in a manner, stated by the Russian Tax Code.

The Company shall be a tax agent for entities recorded in the register. A nominal holder or trustee, being a professional participant of securities market, shall be a tax agent for entities keeping shares under such nominal holder or trustee, being a professional participant of securities market, under a concluded contract.

8.3. If a stockholder has a right to apply taxation benefits, s/he shall be entitled to file benefit-proving documents with the tax agent prior to the date of General Meeting's decision on dividend payout.

9. DISCLOSURE OF DIVIDEND POLICY, DIVIDEND DECLARATION AND PAYOUT

9.1. The Company shall disclose the OA0 IDGC of Urals' Regulations on the Dividend Policy and relevant revisions at the official corporate web-site (<http://www.mrsk-ural.ru/en/>).

9.2. Information on decisions regarding dividend payout, size, terms, method and form of payout shall be disclosed in a statutory manner.

9.3. Materials, subject to distribution among stockholders to decide on dividend payout at General Meeting, shall include:

- Grounding of proposal regarding net income distribution and evaluation of its compliance with the dividend policy in force, incl. dividend payout and Company's in-house needs, with Company's demand in in-house needs covered by a part of net income being explained and assessed;

- Information on corporate events or actions deteriorating dividend rights of shareholders and/or dilution of their stakes as well as court decisions stating facts of other means of income generation for shareholders at the expense of the Company, except dividends and disposal value.

10. COMPANY'S LIABILITY FOR DIVIDEND PAYOUT

10.1. The Company shall pay declared dividends in amount and terms, set by the General Meeting and Charter. Should the Company fail to discharge its liabilities, stockholders shall be entitled to demand payout of declared dividends through legal action.

10.2. The Company shall not be held liable for payout failures, if the register lacks accurate details of an entity, required for dividend payout (transfer).

11. FINAL PROVISIONS

11.1. Payout-related issues, unregulated by laws of Russia, Charter and present Regulations, shall be settled with a view to enforce rights and legal interests of Company's shareholders.

11.2. Introduction of any alterations and revisions (as well as adoption of the amended and restated document) shall be decided upon by the Board of Directors in a manner, stipulated by laws of Russia, Charter and bylaws of the Company.

11.3. If laws of Russia are amended or revised, with statements herein contradicting them, these statements shall cease to be in force, with the Company adhering to laws of Russia till the Regulations are revised.

OAO IDGC of Urals' Dividend Calculation Procedure

1. Reported period's dividend calculation procedure

Reported period's dividends shall not be less than the greater of two values, computed using the following formula:

$$DIV = \max\{DIV^1; DIV^2\} - DIV_{int} \quad (1)$$

, where:

DIV – total net income to be paid as reported period's dividends on common shares;

DIV_{int} – total interim reported year's 3M, 6M and 9M dividends paid;

$$DIV^1 = k \cdot NI_{adj}^1 \quad (2)$$

, where:

k – dividend percentage ratio totaling 50%;

NI_{adj}^1 – net income of a joint-stock company presented in accounting (financial) statements prepared under RAS and calculated using the following formula:

$$NI_{adj}^1 = NI_{RAS} - R_{rev} + Ex_{rev} - NI_{act}^{inv} - NI_{TC} + R_{TC} \quad (3)$$

, where

NI_{RAS} – net income of a joint-stock company presented in accounting (financial) statements prepared under RAS (Profit and Loss Statement, line 2400) in the light of the following exclusions:

R_{rev} – revenues from revaluation of trading affiliates' securities and relevant income tax (line 8020 of 5.11 "Other revenues and expenses" Appendix to the accounting statements),

Ex_{rev} – expenses from revaluation of trading affiliates' securities and relevant income tax (line 8124 of 5.11 "Other revenues and expenses" Appendix to the accounting statements),

NI_{act}^{inv} - actual investments made from electricity transmission net income, capped by the limit, stipulated by the investment program, adopted by the Russian Ministry of Energy (line 1.1.1., form II "Investment Program Funding Resources", Section 6 "Investment Program" of the business plan completion report, capped by the limit, stipulated in line 1.1.1.1, form "Investment Program Completion Targets", Section 3. Investment Program Funding Resources, a supplement to Russian Ministry of Energy's decree on adoption of the Company's investment program for the target period),

NI_{TC} - net income from connection to electricity networks (line 14.2 Section 8 "Profit and Loss Statement" of the business plan completion report),

R_{TC} – revenues from sales of connection services, net of VAT (line 1.1.2 Section 11 "Cash Flow Budget" of the business plan completion report), capped by net income from connection to electricity networks¹.

$$DIV^2 = \min(k \cdot NI_{adj}^2; NI_{RAS} - R_{rev} + Ex_{rev} - Transf_{RF})(4)$$

, where

k – dividend percentage ratio totaling 50%;

$Transf_{RF}$ – mandatory transfers to reserve and other funds, as stated by the Company's Charter;

NI_{adj}^2 – net income presented in consolidated financial statements, prepared under IFRS and calculated using the following formula:

$$NI_{adj}^2 = NI_{IFRS} - NI_{act}^{inv} - A_{IFRS}^{RAS} - NI_{TC} + R_{TC} (5)$$

, where

NI_{IFRS} – net income of a joint-stock company presented in consolidated financial statements, prepared under IFRS (Consolidated Profit and Loss Statement, line "Profit for the reported year"),

NI_{act}^{inv} – actual investments made from electricity transmission net income, capped by the limit, stipulated by the RAS-based investment program, adopted by the Russian Ministry of Energy (line 1.1.1. form II "Investment Program Funding Resources" Section 6 "Investment Program" of the business plan completion report, capped by line 1.1.1.1 form "Investment Program Completion Targets", Section 3. Investment Program Funding Resources, a supplement to Russian Ministry of Energy's decree on adoption of the Company's investment program for the target period, factoring in electricity transmission affiliates²),

A_{IFRS}^{RAS} – RAS-based surplus of amortization of reported period's PP&E and intangible assets, used to fund the investment program (line 1.2. form II "Investment Program Funding Resources" Section 6 "Investment Program" of the business plan completion report, factoring in electricity transmission affiliates²) on IFRS-based amortization of PP&E and intangible assets (Notes to Consolidated financial statements, "Operating Expenses"),

NI_{TC} – RAS-based net income from connection to electricity networks (line 14.2 Section 8 "Profit and Loss Statement" of the business plan completion report, factoring in electricity transmission affiliates²),

¹ Conclusion of connection contracts with fee-based instalments shall be exempt from restrictions regarding net income from connection services.

² AO EESK figures are used for dividend payout calculation

R_{TC} – RAS-based revenues from connection services, net of VAT (line 1.1.2 Section 11 “Cash Flow Budget” of the business plan completion report, factoring in electricity transmission affiliates²), capped by net income from connection to electricity networks¹.

2. 3M, 6M and 9M interim dividends calculation procedure³

$$DIV_i^{int} = k \cdot NI_{adj}^{int} \quad (6)$$

Meanwhile,

$$\sum_{i=1}^3 DIV_i^{int} \leq 25\% \cdot DIV_{year}^{bp} \quad (7)$$

k – dividend percentage ratio totaling 50%;

i – reported period (3M, 6M, 9M)

DIV_i^{int} – interim dividends as of i reported period;

DIV_{year}^{bp} – total annual dividends, slated for payout by the BoD-adopted business plan of the Company for the reported period (line 15.2 Section 8 “Profit and Loss Statement” of the business plan for the current year).

NI_{adj}^{int} – net income presented in accounting (financial) statements, prepared under RAS and calculated using the following formula:

$$NI_{adj}^{int} = NI - R_{rev} + Ex_{rev} - NI_{act}^{inv} - NI_{TC} \quad (8)$$

NI – net income of a joint-stock company presented in accounting (financial) statements, prepared under RAS (“Profit and Loss Statement”, line 2400),

R_{rev} – revenues from revaluation of trading affiliates’ securities and relevant income tax (line 8020 of 5.11 “Other revenues and expenses” Appendix to the accounting statements),

Ex_{rev} – expenses from revaluation of trading affiliates’ securities and relevant income tax (line 8124 of 5.11 “Other revenues and expenses” Appendix to the accounting statements),

NI_{act}^{inv} – actual investments made from electricity transmission net income (line 1.1.1. form II “Investment Program Funding Resources” Section 6 “Investment Program” of the business plan completion report),

NI_{TC} – RAS-based net income from connection to electricity networks (line 14.2 Section 8 “Profit and Loss Statement” of the business plan completion report).

³ When interim dividends are calculated, one should take note of clause 3.6. of the Regulations and condition that interim dividends do not exceed 25% of FY dividends slated for payout in the BoD-adopted business plan for the current year.