

PROFIT DISTRIBUTION AND DIVIDEND POLICY

The Dividend Policy of the Company – it is a set of principles and methods used by the Company, to define the proportions between the capitalized part of the Company's profits and the part of the profits paid in the form of dividends. Also, it is a system of relations and principles for determining the procedure and terms for paying dividends, for establishing the Company's responsibility for the obligation to pay dividends.

The Dividend Policy of the Company is based on strict observance of the rights of shareholders stipulated by the current legislation of the Russian Federation, the Company's Charter and internal documents of the Company. The Dividend Policy of the Company is aimed at increasing the investment attractiveness of the Company and increasing its market capitalization. The policy is based on the balance of interests of the Company and its shareholders.

The Dividend Policy of the Company is determined by the Regulation on the Dividend Policy, approved by the decision of the Company's Board of Directors dated January 31, 2018 (minutes dated 01.02.2018, No. 297/2018) and posted on the Company's corporate website www.kubanenergo.ru – in the section "About Us/ Constituent and internal documents".

The main principles of a Dividend Policy of the Company:

- compliance of the practice of accrual and payment of dividends, adopted in the Company, with the legislation of the

Russian Federation and corporate management standards (decree of the Government of the Russian Federation of 29.05.2017, No. 1094-p);

- optimal combination of interests of the Company and shareholders;
- determining the amount of dividends in the amount of not less than 50% of the net profit determined according to the financial statements, including consolidated, compiled in accordance with International Financial Reporting Standards and calculated in accordance with the procedure established by the Regulation on Dividend Policy;
- ensuring the possibility of dividend payments with a quarterly frequency when the relevant criteria are met;
- provision of the maximum transparency (clarity) of the mechanism for determining the amount and the procedure for payment of dividends;
- obtaining the positive dynamics of dividend payments, subject to the growth of the Company's net profit;
- availability of information for shareholders and other interested parties on the Company's Dividend Policy;
- the need to maintain the required level of the financial and technical status of the Company (implementation of the investment program), ensuring the Company's development prospects.

Profit distribution for 2015–2018¹, thousand rubles

	FOR 2015 (ANNUAL GENERAL MEETING OF SHAREHOLDERS 2016)	FOR 2016 (ANNUAL GENERAL MEETING OF SHAREHOLDERS 2017)	FOR 2017 (ANNUAL GENERAL MEETING OF SHAREHOLDERS 2018)
Retained earnings (loss) of the reporting period, including:	1,452,479	2,140,500	525,276
Reserve fund	72,624	107,025	26,264
Profit for development	–	1,498,350	177,442
Dividends	1,144,797	535,125	321,570
Repayment of losses of past years	235,058	–	0

1. The same.