

Dividend policy

Dividend Policy and History

The Company's Board of Directors approved a new version (No.3) of the Company Dividend Policy on 4 December 2015. According to the new version the Company should aim to allocate to dividend payments (payable on ordinary and preference shares in total) in 2016, 2017 and 2018 (i.e. for 2015, 2016 and 2017) at least 75% of Free Cash Flow for each fiscal year but not less than RUB 45 bln cumulatively for the three years in question. As per clause 10.3 of the Charter and clause 5.6 of the Dividend Policy version No.3, the minimum total amount payable for preferred shares remains unchanged at ten percent (10%) of the Company's net profit determined under Russian laws (Russian Accounting Standards — RSA) for the last fiscal year and divided by the number of shares which account for twenty five percent (25%) of the share capital of the Company.

A dividend policy that ties payments to Free Cash Flow is a matter of importance for improvement of the Rostelecom investment case. Historically, Rostelecom shares offered significantly lower dividend yield compared to its publicly traded peers. However, the new policy will bring the yield to a comparable level, and further improve Rostelecom's equity story.

As per the Company Dividend Policy version 2, that had been applicable up until 4 December 2015, the Company allocated to dividend payments for ordinary shares not less than twenty percent (20%) of net profit determined under international financial reporting standards (IFRS).

Rostelecom rigorously complies with the requirements of the Charter and Dividend Policy when announcing and paying dividends. In accordance with the resolution of the General Shareholders' Meeting held on 15 June, 2015 dividends for 2014 amounted to:

- for Class A preferred shares — RUB 4.050033904632 per share;
- for ordinary shares — RUB 3.34108279423228 per share.

Thus, the total sum of dividends for Class A preferred shares amounted to 2.9% of net profit as per RSA and 2.2% of net profit for IFRS for 2014. Dividends for ordinary shares amounted to 29.2% of net profit as per RSA and 22.8% of net profit for IFRS for 2014.

Dividend Payment Report

Dividends for	Category (type) of shares	Amount of dividend per share, RUB	Total amount accrued, RUB thous	Total amount paid during 2015, RUB thous	Total amount paid during previous years, RUB thous	Total amount paid as of 31 December 2015, RUB thous
2014	Ordinary	3.341082794232	8,602,904	8,531,082	0	99.2%
	Preferred	4.050033904632	848,730	836,173	0	98.5%
2013	Ordinary	3.115959860078	7,808,157	8,648	7,742,939	99.3%
	Preferred	4.848555414552	1,016,323	2,041	1,001,955	98.8%
2012	Ordinary	2.4369	7,172,426	4,714	7,127,209	99.4%
	Preferred	4.1022	996,143	1,059	985,606	99.0%
2011	Ordinary	4.6959	13,821,247	4,180	13,742,330	99.5%
	Preferred	4.6959	1,140,312	437	1,129,699	99.1%

In 2015, RUB 4,190,351 thousand of net profit generated in 2014 was paid to the federal budget. There is no indebtedness for dividends payments to federal budget. The Company allocated RUB 728 thousand to its reserve fund, the Company did not allocate money to any other funds.

RUB 62,726 mln was allocated to investment projects, equal to 213% of net profit as per RSA and 166% of net profit for IFRS for 2014.

The Report on implementation of investment projects is included in Section Operating review of this Annual Report.