

The Board of Directors occupies a key position in FPC's corporate governance system, as it:

- determines the focus areas for the Company's development
- approves the key financial and economic targets for FPC and monitors their achievement
- sets strategic priorities both for the near and longer term
- oversees the activities of FPC's executive bodies.

Election of the General Director and the Secretary of the Board of Directors, and appointment of members to the Board of Directors' Committees are reserved to the Board of Directors.

Three Committees have been set up at FPC's Board of Directors to preview the most important matters related to the Company's activities:

- Strategic Planning Committee
- Audit and Risk Committee
- Human Resources, Remuneration, and Corporate Governance Committee.

The Corporate Secretary of the Board of Directors ensures effective ongoing interaction with shareholders, coordinates the Company's efforts to protect shareholder rights and interests, and supports the activities of the Board of Directors.

FPC has the Audit Commission and appoints its Auditor on an annual basis to provide shareholders with reliable and complete information on its financial and business activities.

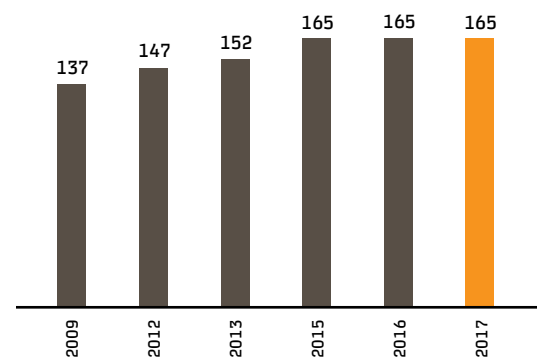
## SHARE CAPITAL

In 2017, FPC launched its scheduled issuance of 6,500,000,000 additional shares with a par value of RUB 1 each.

The shares were paid for with cash.

On 27 December 2017, a transaction was made in FPC's securities register to credit all ordinary registered uncertified shares from the additional issuance to Russian Railways' account.

Changes in the Company's share capital, RUB billion



### Voting shares by class of shares

Type, class of securities	Registered ordinary shares	Registered ordinary shares (additional shares issued in 2017)
Form of shares issued	uncertified	uncertified
Number of shares issued	165,461,040,539 shares	6,500,000,000 shares
State registration number	1-01-55465-E	1-01-55465-E004D
Par value per share	RUB 1	RUB 1

## Share distribution

Name	Number of voting shares		Percentage of voting shares, %
	1-01-55465-E	1-01-55465-E004D	
Russian Railways	165,461,040,538	6,500,000,000	99.999999999
KRP-Invest	1	0	0.000000001
<b>Total:</b>	<b>165,461,040,539</b>	<b>6,500,000,000</b>	<b>100</b>

As at 31 December 2017, FPC's authorised capital was RUB 165,461,040,539.

## Events after the reporting date

On 5 February 2018, the Bank of Russia registered the Report on the Issuance of Additional Shares by JSC FPC.

On 26 February 2018, amendments were made to JSC FPC's Articles of Association.

## DIVIDEND POLICY

Under the Regulations on JSC FPC's Dividend Policy, if depreciation and external funding sources are insufficient to finance the Investment Programme, the Company may draw additional funds from the net profit that was to be distributed as dividends to Russian Railways.

General Shareholders Meetings 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 authorised capital to finance its investment programme.

In 2015, FPC made a net profit of RUB 141.1 million. RUB 70.5 million were paid out as dividends.

In 2016, FPC made a net profit of RUB 5.3 billion. RUB 4.9 billion were paid out as dividends.

Following the first nine months of 2017, RUB 1.6 billion were allocated to dividends and RUB 6.5 billion were contributed by Russian Railways to FPC's authorised capital to finance its investment programme.

## Calculating the amount of dividends

On 17 December 2012, FPC's Board of Directors approved the Regulations on JSC FPC's Dividend Policy.

In accordance with the Regulations, the amount of a full year dividend is a sum total of a fixed dividend (DIV1) and a residual dividend (DIV2).



Fixed dividend (DIV1) = net profit for the reporting year\* (fixed dividend payable (no less than 25%)) + fixed dividend adjustment coefficient reflecting the variance between FPC's actual net profit and the target value (CT).

Where the variance between the actual and target net profit is no greater than 15%, CT is equal to 0.

Where the variance between the actual and target net profit is greater than 15% but less than 50%, CT is equal to 5%.

Where the variance between the actual and target net profit is greater than 50%, CT is equal to 10%.

Residual dividend (DIV2) = net profit for the reporting year – the amount of mandatory contributions deducted from the net profit (reserve fund and charities) – the amount of fixed dividend (DIV1) – the portion of FPC's profit used to finance its investment programme (investment programme – depreciation – borrowings).

The resolution to pay out (declare) dividends is made by the General Shareholders Meeting. The amount of dividends cannot be higher

than the amount of dividends recommended by the Company's Board of Directors.

## SHAREHOLDERS MEETINGS

FPC's supreme governing body is the General Shareholders Meeting.

In 2017, four General Shareholders Meetings were held – the annual General Shareholders Meeting and three extraordinary General Shareholders Meetings.

Annual General Shareholders Meeting	30 June 2017			
Extraordinary General Shareholders Meeting		14 July 2017	16 November 2017	17 November 2017
Number of issues reviewed	10	1	1	6

### Resolutions passed by the Annual General Shareholders Meeting

Date	Resolutions
30 June 2017	<p>Approved FPC's 2016 Annual Report.</p> <p>Approved FPC's annual accounting (financial) statements. Resolved to distribute the net profit and pay out dividends.</p> <p>Resolved to pay annual remuneration to the members of FPC's Board of Directors and the Audit Commission.</p> <p>Resolved to approve the entity determined following a limited bid as FPC's Auditor.</p> <p>Elected the new Board of Directors and the new Audit Commission of FPC.</p> <p>Approved amendments and addenda to JSC FPC's Articles of Association.</p>

### Resolutions approved by Extraordinary General Shareholders Meetings

Date	Resolutions
14 July 2017	Approved Ernst&Young as FPC's Auditor for 2017 to audit financial statements prepared under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS).
16 November 2017	<p>Resolved on FPC's membership in Self-Regulated Organisation Association of Companies Engaged in Energy Audits of the Fuel and Energy Complex.</p> <p>Resolved to pay dividends following 2016 and the first nine months of 2017.</p>
17 November 2017	<p>Resolved to place 6,500,000,000 ordinary registered uncertified shares (declared shares) with a par value of RUB 1 each.</p> <p>Resolved to increase FPC's share capital by placing additional shares.</p> <p>Approved amendments to JSC FPC's Articles of Association.</p>