

Share capital and dividends

Share capital

The Russian Federation is the founder and sole shareholder of Russian Railways. The Government of the Russian Federation exercises shareholder powers on behalf of the Russian Federation. The charter capital of Russian Railways was formed by the founder through the contribution of the property and assets of federal railway transportation organisations. As of the end of 2016, Russian Railways had total charter capital of RUB 2,144,315,141,000 split into 2,094,315,141 common registered shares in uncertificated form with par value of RUB 1,000 each and 50,000,000 preferred registered shares with par value of RUB 1,000 each.

In order to implement infrastructure projects in 2016, the Company's charter capital was increased in accordance with the decisions of the Government of the Russian Federation, including:

- by RUB 44,151,961,000 through the placement of common shares with par value of RUB 1,000 each in accordance with Order No. 160-r of the Government of the Russian Federation dated 5 February 2016.
- by RUB 16,882,685,000 through the placement of common shares with par value of RUB 1,000 each in accordance with Order No. 2706-r of the Government of the Russian Federation dated 17 December 2016.

Report on the distribution of net profit earned in 2015

Russian Railways generated net profit of RUB 318 mln in 2015. The Company's approved financial plan for 2015 envisaged a loss of RUB 26.2 bln. Dividends were paid as part of previously planned parameters in

the amount of RUB 302 mln, which amounts to 95% of the Company's planned profit for 2015 (Order No. 1370-r of the Government of the Russian Federation dated 30 June 2016).

Projected distribution of the Company's net profit earned in 2016. Dividends.

Russian Railways had net profit of RUB 6.5 mln in 2016. In accordance with clause 42 of Section 6 of the Russian Railways Charter, the Company must establish a reserve fund amounting to 5% of the net profit of the reporting year (RUB 325 mln). In accordance with Directive No. 3723p-P13 dated 31 May 2017, the general meeting of Russian Railways shareholders was advised to spend 50% of net profit per International Financial Reporting Standards (IFRS) on the payment

of dividends for 2016 in cash form, which amounts to RUB 5.147 bln, including RUB 5.142 bln for the Company's common shares and RUB 5 mln on the Company's preferred shares.

The dividend policy of Russian Railways is based on the balance of the interests of the Company and its shareholders as it relates to determining the amount of dividend payments, specifically:

- enhancing the Company's investment appeal;
- strict observance of shareholder rights as envisaged by the legislation of the Russian Federation.

Dynamics of net profit distribution in 2011-2016, RUB bln

Indicator	2011	2012	2013	2014	2015	2016
Net profit	16.8	14.1	0.7	-44.5	0.3	6.5
Reserve fund	0.8	0.7	0.03	0	0.02	0.3
Accrued dividends	4.2	0.0	0.185	0.045	0.3	5.147
for common shares	4.2	0.0	0.185	0.04	0.3	5.142
for preferred shares	-	-	-	0.005	0.005	0.005
Accrued dividends, % of net profit (RAS)	25.0	0.0	25	-	0.0	79.2