



PIK 2017

PIK Group dividend policy

June

Reinforcing PIK Group's standing as a public company

PIK Group adopts new dividend policy

1. At least 30% of operating cash flow (OCF) based on consolidated IFRS financial statements
2. Semi-annual payments
3. Takes effect from FY 2017 dividends
4. When considering a dividend recommendation, the Board of Directors will strive to maximise the amount to be paid, while taking into account the Company's cash requirements for debt repayments, compliance with covenants and capital expenditure

New dividend policy principles:

- ✓ Simplicity
- ✓ Transparency
- ✓ Balance
- ✓ Focus on shareholder value





Drivers behind new dividend policy

New dividend policy aimed at increasing the amount and frequency of dividend payments is a key step towards implementation of the new capital markets strategy

1. The Company has adopted a formal dividend policy that uses a clear and transparent calculation method
2. The new dividend policy best reflects the Company's performance in the period for which dividends are being paid
3. New dividend policy will systematize payments and allow investors to forecast future cash flows to assess the credit quality of its debt instruments and dividend yields

New basis for calculating dividends

Operating cash flow – calculation basis for dividend payments

-  **PRECISION** – Operating cash flow is the best and the most fair indicator of company's performance and the quality of its income during a given period, and it eliminates non-cash items
-  **SIMPLICITY** – Calculating dividend payments as a percentage of OCF is simple and does not involve adjustments to net income that are usually difficult to forecast
-  **STANDARD MARKET PRACTICE** – A significant number of companies that have updated their dividend policies in the last 1-2 years have chosen to use EBITDA or cash flow as the calculation basis
-  **SECTOR-SPECIFIC** – Cash collections from pre-sales of real estate are immediately reflected in the cash flow, while they are only reflected in net income after the transfer of ownership rights (usually with a lag of 1.5-2 years)

Flexible scheme that adapts to needs of business

Maximize dividend payments to support sustainable growth in shareholder value while adhering to specific requirements

- Cash requirements for debt repayments
- Compliance with financial covenants
- Planned implementation of investment programme

Flexible system for determining dividend payments:

1. Balanced mechanism will ensure financial stability in case of challenging macroeconomic development
2. This approach is increasingly used as a means to adapt to greater economic and political fluctuations
3. Practice is widely used among Russian and foreign companies

Key objectives of new capital markets strategy

Objectives

Status

- Consolidate trading in equity instruments on a single stock exchange
 - Adopt new dividend policy aimed at increasing amount and frequency of dividend payments
-
- Optimize funding costs by maintaining regular presence on capital markets
 - Enhance IR function to adhere to best-in-market practices and strengthen investment community engagement
-
- Reinforce positions of PIK Group as a public company by boosting liquidity in equity instruments



Completed



In progress



Planned

COMPANY	CALCULATION BASIS	PAYMENTS	CONDITIONS	YEAR	FREQUENCY
real estate					
PIK	OCF	At least 30%	Depends on the need for free cash used for debt servicing, financial covenants compliance and implementation of investment programme	2017	Semi-annually
LSR	Net income	At least 20%	-	2012	Annually
Etalon	Adjusted net income	40-70%	Depends on the need for financing and pre-sales	2017	Semi-annually
Metallurgy					
Alrosa	Net income	At least 35%	-	2013	Annually
Nornikel	EBITDA	- 60% (if ND/ EBITDA < 1.8x) - 60% — (ND/EBITDA — 1.8)/0.4*30% (if ND/ EBITDA between 1.8x and 2.2x) - 30% (if Net Debt/ EBITDA > 2.2x)	Depends on ND/EBITDA	2016	Interim for 9M to be paid in Q1, final – in H1 of the next year
MMK	FCF	At least 50% (if ND/ EBITDA <1.0x) At least 30% (if ND/ EBITDA >1.0x)	Depends on ND/EBITDA	2017	Semi-annually
NLMK	Net income and FCF	- Between 50% net income and 50% FCF (if ND/ EBITDA <1.0x) - Between 30% net income and 30% FCF (if ND/ EBITDA >1.0x)	Depends on ND/EBITDA	2015	Quarterly
Severstal	Net income	- 50% (if ND/ EBITDA <1.0x) - 50% (if ND/ EBITDA >1.0x)	Depends on ND/EBITDA	2014	Quarterly
Rusal	EBITDA	15%	Depends on liability conditions	2015	-
Polyus	Adjusted EBITDA	- 30% (if ND/EBITDA <2.5x) - Decided by BoD based on cash position, FCF, forecasts and market (if ND/EBITDA >2.5x)	Depends on ND/EBITDA	2016	Semi-annually
Telecoms					
MTS	-	Up to RUB 25-26 per share per year, but no less than RUB 20 in total for two semi-annual payments	-	2016	Annually
MegaFon	FCF	70% (if ND/OIBDA <2.0x)		2017	Annually
Rostelecom	FCF	No less than 75% FCF per year, but no less than RUB 45 bln in 3 years	ND/OIBDA and a number of other conditions	2015	Annually
Transport					
Aeroflot	Net income	25% if performance indicators achieved (fin. results, debt burden and mid-term financial plan)	Coefficient-indicator system	2014	Annually
Globaltrans	FCF	- No less than 50% (if ND/EBITDA ,1.0x) - No less than 30% (if ND/EBITDA between 1.0x and 2.0x)	Depends on ND/EBITDA	2017	Semi-annually / annually
GMS Group	Net income	50%	Depends on the need for cash, liquidity and forecasts	2016	Semi-annually
Oil and gas					
Lukoil	Net income	No less than 25%	-	2016	9M and at the end of the year
Gazprom	Net income	Between 17.5% and 35%	Only if reserve fund is fully formed	2010	Annually