

APPROVED
by the Board of Directors
of Sistema PJSFC
on 01 April 2017
(Minutes No.04-17
dd 03 April 2017)

**REGULATION ON
SISTEMA PJSFC
DIVIDEND
POLICY**

Moscow, 2017

1. GENERAL PROVISIONS

1.1. This Regulation on Sistema PJSFC's Dividend Policy (hereinafter 'the Regulation' or 'the Policy') was developed in accordance with Russian Federation law, the Charter of Sistema PJSFC (hereinafter 'Sistema' or 'the Company') and its bylaws.

1.2. This Policy is of an advisory nature and is intended to define the approach of the Company's Board of Directors when making recommendations regarding the amount of dividends payable on ordinary shares as well as relevant payment procedures.

1.3. When approving this Policy, Sistema's Board of Directors acted based on the premise that the Company seeks to adhere to a predictable and progressive dividend policy, with the aim of increasing dividend distributions and shareholder returns on Sistema shares, as well as setting out transparent and clear criteria for determining the size and payment of dividends.

2. DETERMINING THE AMOUNT OF DIVIDENDS

2.1. Dividends are paid to the Company's shareholders when the conditions and grounds for payment of dividends as defined by Russian Federation law have been met.

2.2. Dividends shall be paid out in cash.

2.3. When determining the recommended size of a dividend payment, the Company's Board of Directors shall take into account the Company's financial results, cash flows and financing requirements for investment plans.

2.4. No shareholder shall have priority in the distribution of dividends, unless such priority is defined by Russian Federation law.

2.5. The Board of Directors shall determine the recommended dividend taking into account provisions of this Regulation. The recommended total dividend for each reporting year will be, at a minimum, the higher of either an amount equivalent to a dividend yield¹ of 6% per Sistema ordinary share or RUB 1.19 per Sistema ordinary share.

2.6. Sistema seeks to distribute dividends twice per year: based on the Company's results for nine months and full year. The amount of interim dividends paid to shareholders shall be taken into account by the Company's Board of Directors when determining the amount of the final dividend for the corresponding full reporting year.

¹ Total amount of dividends per ordinary share paid based on nine month and full year results of divided by the weighted average price of one ordinary share for the corresponding year.

2.7. The Board of Directors' calculation of the average dividend yield on Sistema's ordinary shares shall use the weighted average price of one ordinary share of the Company traded on the Moscow Exchange (the 'Main Market' sector) in the relevant reporting year.

2.8. The Company is entitled to deviate from the criteria for determining the amount of dividend payments set out in this Policy, and in such cases the Company shall disclose information about the reasons for such deviation.

2.9. The Company may not declare or pay declared dividends in cases where doing so would contradict Russian Federation law.

3. PROCEDURES FOR TAKING DECISIONS ON DIVIDEND PAYOUTS

3.1. The Company's Board of Directors shall determine the recommended amount of a dividend distribution based on a proposal by the executive body. When taking its decision, the Board of Directors shall be guided by Section 2 of this Policy.

3.2. The Company's Board of Directors' recommendation regarding the dividend payment for a given year shall be presented to the Company's shareholders in accordance with Russian Federation law, so that they may take a final decision at the Meeting of Shareholders.

3.3. The decision on dividend payments and their amount shall be taken by the General Meeting of Shareholders. The amount of dividends may not exceed the amount recommended by the Company's Board of Directors.

4. DIVIDEND PAYOUT PROCEDURE

4.1. The dividend record date shall be determined in accordance with Russian Federation laws on joint-stock companies and the securities market.

4.2. Sistema ordinary shares, which are the underlying assets of Global Depositary Receipts, entitle the holders of the latter to receive dividends in full as provided for by corresponding depositary agreements and the applicable legislation.

4.3. The Company shall pay dividends within the timeframe set forth in applicable Russian Federation laws on joint-stock companies and securities markets.

4.4. The Company's sole executive body shall be responsible for the timely and full payment of dividends to shareholders.

4.5. When paying dividends, the Company shall perform the functions of a tax agent by withholding and paying the dividend tax when prescribed and in accordance with the procedures outlined by Russian Federation law.

5. INFORMING SHAREHOLDERS OF THE COMPANY'S DIVIDEND POLICY

5.1. The Company shall publish this Policy, amendments to it and the Company's history of dividend payments on its website.

5.2. The Company shall publish information about the decisions taken by the General Meeting of Shareholders regarding the payment of dividends on its Russian- and English-language websites at www.sistema.ru and www.sistema.com, respectively, and shall also circulate this information among shareholders by publishing it via regulatory news services authorised by the securities market regulators of the Russian Federation and the United Kingdom, in accordance with the procedures prescribed by Russian Federation law and securities market regulators in the Russian Federation and the United Kingdom.