

## **Rationale for the proposed net profit distribution**

The rationale for the proposed distribution of net profit of LENENERGO PJSC (hereinafter referred to as the “Company”) for 2019 includes the priority compliance with the requirements of the following regulations and internal documents governing the Company’s activities:

- Federal Law No. 208-FZ *On Joint Stock Companies* dated December 26, 1995;
- Directive No. 1094-r of the Russian Government dated May 29, 2017;
- Articles of Association of LENENERGO Public Joint Stock Company approved by the Annual General Meeting of Shareholders of LENENERGO PJSC on June 18, 2019, Minutes No. 1/2019 dated June 21, 2019 (hereinafter referred to as the “Articles of Association”);
- The Regulations on the Dividend Policy of LENENERGO Public Joint Stock Company approved by the Resolution of the Board of Directors of LENENERGO PJSC dated June 11, 2019, Minutes No. 47 dated June 14, 2019 (hereinafter referred to as the “Regulations on the Dividend Policy of LENENERGO PJSC”).

In 2019, the Company received RUB 12,704,918,000 as net profit.

The amount of LENENERGO PJSC’s reserve capital as at December 31, 2019 totalled RUB 1,292,558,000, which corresponds to 15% of the Company’s authorized capital as at the date of preparation of proposals on distributing the net profit for 2019 were prepared.

In accordance with Article 8.1 of the Articles of Association, the “Company shall establish a Reserve Fund in the amount of fifteen (15) percent of the Company’s authorized capital”, in accordance with the same Article of the Articles of Association and Article 35 *Funds and Net Assets of a Company* of Federal Law No. 208-FZ *On Joint Stock Companies* dated December 26, 1995, the amount of mandatory annual contributions payable to the Company’s Reserve Fund shall be at least five (5) percent of its net profit until the reserve fund (capital) reaches a specified amount.

As at the date of preparation of proposals on distributing the net profit for 2019, the Company’s reserve fund met the requirements of the Articles of Association, no additional contributions to the reserve fund from the profit for 2019 are required.

The amount of dividend payments is determined in accordance with Directive No. 1094-r of the Russian Government dated May 29, 2017 and the Regulations on the Dividend Policy of LENENERGO PJSC:

a) the amount allocated for dividend payment is at least 50 percent of the net profit of the joint stock company under its financial statements, including consolidated, prepared in accordance with International Financial Reporting Standards;

b) the amount referred to in paragraph (a) is calculated after the following amounts are deducted from the net profit used to calculate dividends:

Income and expenses related to revaluation of shares in joint stock companies traded on the securities market;

Actual investments made from the net profit received from regulated activities carried out as part of investment programs approved by the Russian Ministry of Energy in accordance with the established procedure;

The share of net profit received from grid connection, except for the money actually received in the reporting period.

The following is excluded when calculating the net profit to be distributed as dividends:

- net profit from power transmission used to finance investments;
- funds received from subsidiaries for grid connection, which do not increase the cash flow of the Group,

In accordance with Article 7.3 (“Dividends”) of the Company’s Articles of Association, the

total amount paid as a dividend on each preference share shall be ten (10) percent of the Company's net profit for the last financial year pro rata to the number of Type A preference shares sold.

The estimated amount of dividends on preference shares meets the requirements of LENENERGO PJSC's Articles of Association and is set at RUR 13.6226 per preference share in the Company in cash for 2019.

The estimated amount of dividends on ordinary shares for 2019 is set at RUB 0.0947 per ordinary share in the Company in cash. The amount of annual dividends per ordinary share does not exceed the amount of dividends per Type A preference share.

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Item	Calculation procedure	Amount
Net profit under the Statement of Financial Results	1	12,704,917,821.25
Dividends per preference share*	2	13.6226
Number of preference shares	3	93,264,101
Amount of dividends on preference shares	$4=2*3$	1,270,499,542.28
Dividends per ordinary share*	5	0.0947
Number of ordinary shares	6	8,465,960,168.05
Amount of dividends on ordinary shares	$7=5*6$	801,726,427.92

\* The amount of dividends per share is rounded to four decimal places.