APPROVED
by the decision of the Board of
Directors of Open Joint Stock Company NLMK

Minutes of Meeting No. 228 dd. 24 April 2015

DIVIDEND POLICY of
Open Joint Stock Company NLMK
1. General provisions

1.1. The objective of the Dividend Policy of Open Joint Stock Company NLMK (hereinafter referred to as the “Company”) is to clearly define the Company’s strategy regarding the distribution and use of the Company’s net profit to shareholders and all stakeholders.

1.2. In the context of this policy, dividends shall mean a part of the Company’s net profit distributed among shareholders in proportion to the amount of shares held by them.

1.3. The Dividend Policy is aimed at increasing the Company’s fundamental value ensuring an annual dividend payout based on the amount of profit and funds required for the further development of the Company. The objective of the Dividend Policy is to ensure stable dividend payouts to the Company’s shareholders.

1.4. This Dividend Policy has been developed in line with the applicable legislation of the Russian Federation, the Charter and internal documents of the Company, as well as the recommendations contained in the Corporate Governance Code.

1.5. The Company’s Board of Directors follows the provisions of this Dividend Policy while preparing recommendations for the General Shareholders’ Meeting regarding dividend distribution. The Dividend Policy shall not be regarded as an instruction for the General Shareholders’ Meeting. The General Shareholders’ Meeting shall be entitled to disagree with the recommendation of the Board of Directors on the dividend amount and pass a resolution on dividend payout in the lesser amount than that recommended by the Board of Directors or on dividend non-payment.

2. Main conditions for dividend distribution

2.1. The Company shall pay dividends in case:
  – In the reporting period the Company has generated net profit attributable to the Company shareholders determined in accordance with the Generally Accepted Accounting Principles of the United States (US GAAP) or the International Financial Reporting Standards (IFRS);
  – There are no restrictions on dividend distribution stipulated in the law of the Russian Federation;
  – The Company’s financial position remains sustainable and provides for further development of the Company;
  – The Board’s recommendations on dividend distribution are available;
  – A relevant resolution is passed by the General Shareholders’ Meeting.

3. Dividend amount determination

3.1. Dividends shall be paid to the Company’s shareholders out of its net profit determined in accordance with financial statements prepared as per the legislation of the Russian Federation.

3.2. When preparing recommendations for the General Shareholders’ Meeting, the Board of Directors shall be guided by the rule that the amount of dividends is determined within the following range:
  – If Net Debt/EBITDA (Earnings before interest, tax, depreciation and amortization) is less than or equal to 1.0 times: 50% of net profit and 50% of free cash flow attributable to shareholders and creditors determined based on the Company’s consolidated financial statements prepared under US GAAP (IFRS);
  – If Net Debt/EBITDA is more than 1.0 times: 30% of net profit and 30% of free cash flow attributable to shareholders and creditors determined based on the Company’s consolidated financial statements prepared under US GAAP (IFRS).
3.3. The recommended dividend amount per one share shall be determined based on the amount allocated to dividend payout and converted at the Bank of Russia’s exchange rate as of the end of a reporting period and the number of paid outstanding shares.

3.4. Shareholders receive recommendations of the Company’s Board of Directors on the dividend amount to assist them in passing the final resolution. The resolution on dividend payout and amount shall be passed by the General Shareholders’ Meeting. The dividend amount shall not exceed the amount recommended by the Board of Directors.

4. Dividend distribution

4.1. Declared dividends are paid in cash unless the General Shareholders’ Meeting decides on dividend distribution in non-cash form. Dividends shall be paid to persons owning shares of a respective category (class) or persons exercising their rights with respect to such shares as per federal laws, as of the end of the trading day on the date of making a list of persons entitled to dividends in line with the resolution on dividend payout.

4.2. Dividend distribution in cash form to individuals whose rights to shares are recorded in the Company’s Shareholder Register, shall be effected by mail remittance of cash; or to their bank accounts provided that respective details of the a.m. individuals are available in the Company’s Shareholder Register keeping system; or to their salary bank accounts in case those individuals are Company employees. Other persons whose title to shares is recorded in the Company’s Shareholder Register shall receive dividends by cash transfer to their bank accounts. The period of dividend payout to a nominal holder and a custodian being a professional participant of the securities market registered in the Company’s shareholders’ register, shall not exceed 10 working days (25 working days for other persons registered in the Company’s shareholders’ register) from the date of making the list of persons entitled to dividends. The General Shareholder Meeting resolution on dividend distribution in non-cash form shall be passed based on the recommendation of the Company's Board of Directors specifying the Company's property allocated to dividend distribution.

4.3. Dividends shall be paid annually; the Company shall strive to pay interim dividends on a quarterly basis provided that its current financial standing is stable.

5. Informing the shareholders

5.1. Based on information transparency principles, the Company publishes this Dividend Policy on the Company’s internet site.

5.2. Materials submitted to shareholders for decision-making on dividend distribution shall contain all required information on availability or absence of conditions essential for such distribution.

6. Retained profit

6.1. The Company’s Dividend Policy shall not impede the development of its operations and investment capabilities.

6.2. The remaining net profit after dividends’ payment shall be retained for technical upgrades and other investments, working capital financing, and other purposes to support the Company’s sustainability.

7. Final clauses

7.1. This Dividend Policy shall be approved by the Company’s Board of Directors.

7.2. All changes and amendments to this Dividend Policy shall be made following a decision passed by the Company’s Board of Directors.

7.3. If as a result of changes to the laws of the Russian Federation, the Charter or the Company’s internal documents individual clauses of this Dividend Policy start contradicting them, the Dividend Policy shall be applied in the part that does not contradict the laws in force, the Charter or the Company’s internal documents.