



APPROVED BY
The Board of Directors of PAO “TMK”
On 26 April, 2018
Minutes № 23 dated 27 April 2018

REGULATIONS
ON DIVIDEND POLICY OF PAO “TMK”
(restated)

Contents:

1. General provisions
2. Main terms of dividend payments to the shareholders of PAO “TMK”
3. Determination of the dividend amount
4. Order of decision taking on dividend payment
5. Order of dividend payment
6. Notification to the shareholders regarding the dividend policy of PAO “TMK”
7. Responsibility for incomplete or late dividend payment

1. General provisions

- 1.1. The present Regulations on dividend policy of PAO “TMK” (hereinafter referred to as the “Regulations”) have been elaborated in accordance with the current laws of the Russian Federation, the Articles of Association of PAO “TMK” (hereinafter referred to as “the Company”) and its internal documents.
- 1.2. The main purpose of the adoption of the present Regulations is the establishment of a clear and effective mechanism for determining of a dividend amount and the order of its payment, as well as the strategy determination of the Board of Directors of the Company at the time of elaboration of recommendations in respect of the dividend amount, terms and order of its payment.
- 1.3. The objectives of the dividend policy of the Company is the increase of the capitalization and investment attractiveness of the Company, increase of the welfare of its shareholders, as well as the balance of interests of all shareholders of the Company.

2. Main terms of dividend payment to shareholders of PAO “TMK”

- 2.1 At the moment of the dividend payment the Company relies on the principles of the balanced growth of the capitalization of the Company and the increase of the dividend amount, on basis of the net profit (taking into account the retained profit from prior years) and the needs for development of production and investment activity of the Company.
- 2.2 The conditions for dividend payment to the shareholders of the Company are:
 - 2.2.1. availability of the net profit (including the retained profit from prior years) of the Company determined in accordance with clauses 3.1 and 3.2 of the present Regulations;
 - 2.2.2. absence of limitations for the dividend payment provided by the laws of the Russian Federation;
 - 2.2.3. coefficient value of “Net debt/EBITDA adj” less or equal to 5,5 while:

EBITDA adj is calculated as the profit amount/(loss) for the period with the deduction of the financial expenses and financial income, (income)/expenses for the taxes on profit, the depreciation of the fixed assets and the intangible assets, (positive)/negative currency difference, the impairment/(recovery of the impairment) of the non-current assets, changes in the reserves (with the exception of the accruals of the premium payments), (profit)/loss from the fixed assets disposals, (profit)/loss from the change of the fair value of the financial instruments, the share of the (profit)/loss of the related entities, other non-monetary and non-regular items of the statements prepared in accordance with the IRFS standards. The Net debt is calculated as the amount of credits and loans of the statements prepared in accordance with the IRFS standards with the deduction of accrued interests reduced by the amount of monetary funds and short-term

financial investments.

- 2.2.4. recommendations of the Board of Directors of the Company with regard to the dividend amount on the outstanding shares;
- 2.2.5. decision of the General shareholders meeting of the Company in respect of the payment (declaration) of dividends.

3. Determination of the dividend amount

- 3.1. The source for the dividend payment to the shareholders of the Company is the net profit of the Company (taking into account the retained profit from prior years) calculated on basis of the accounting (financial) statements prepared in accordance with the requirements of the Russian legislation and decreased by the amount of the annual legal reserves of the Company in accordance with the Articles of Association of the Company.
- 3.2. At the moment of determination of the dividend amount on the outstanding shares recommended to the General shareholders meeting of the Company, the Board of Directors of the Company assumes that the objective of the Company is the dividend payment in the amount of not less than 25% of the annual consolidated net profit of the Company calculated in accordance with the International Financial Reporting Standards (IRFS) on a condition that for the determination of the dividend payment the financial results of the Company, its retained profit from prior years, the capital expenditures (CAPEX), the availability of the monetary funds from external sources and other substantial criteria shall be taken into consideration. For the purposes of the present clause 3.2 the annual consolidated net profit of the Company is determined on basis of the consolidated financial statements of the Company prepared in accordance with IRFS and approved by the independent auditors of the Company.
- 3.3. In case of presence (trading) of ADR/GDR¹ of the Company certifying its holders rights on the respective local shares of the Company outside the Russian Federation, the dividend amount per one ADR/GDR is determined by multiplying the dividend amount per one local share on the number of shares corresponding to each ADR/GDR.
- 3.4. The recommended dividend amount (per one share of the Company) is determined on basis of the amount of funds designated for the payment of dividend calculated in accordance with clause 3.2 of the present Regulations divided by the number of outstanding shares of the Company and the shares on free float on the date of the preparation of the list of persons having the right on dividends excluding the shares accounted on the balance sheet of the Company. The date of the preparation of such list of persons is

¹ ADR – American Depositary Receipt, GDR – Global Depositary Receipt.

approved by the General meeting of the shareholders of the Company only at the proposal by the Board of Directors of the Company.

- 3.5. The dividend amount per one share recommended by the Board of Directors and approved by the General meeting of the shareholders of the Company has to be established in Russian rubles accurately to the whole kopeck.
- 3.6. Unless otherwise provided by the applicable laws or the shareholders/foundation agreement where the Company and/or its subsidiary is a party to, the Company shall set the target to pay out the dividends by its subsidiaries in the following amount:
 - 1) For the subsidiaries in which the Company holds 100% of the shares/participation in the share capital – not less than 75% of the net profit of the subsidiary calculated on basis of the accounting statements of the subsidiary prepared in accordance with the requirements of the local legislation and decreased by the amount of the annual legal reserves of the subsidiaries in accordance with the articles of association, but not more than 90% of the accumulated retained net income of the company;
 - 2) For the subsidiaries in which the Company holds more than 75% of the shares/participation in the share capital – not less than 50% of the net profit of the subsidiary calculated on basis of the accounting statements of the subsidiary prepared in accordance with the requirements of the local legislation and decreased by the amount of the annual legal reserves of the subsidiaries in accordance with the articles of association, but not more than 90% of the accumulated retained net income of the company;
 - 3) For other subsidiaries – in accordance with the corporate decisions taken by the authorized governing bodies of the subsidiary.

The Board of Directors of the Company upon the recommendation of the Management Board shall be entitled to take a different decision regarding the distribution of the net profit of the subsidiaries for the accounting period basing on the financial results of the subsidiary, its capital expenditure (CAPEX), availability of the monetary funds from the external sources and other substantial criteria.

4. Order of decision taking for the dividend payment

- 4.1. The matter on possibility of the dividend payment shall be preliminary discussed at the Strategy development committee and the Audit committee of the Board of Directors basing on the financial results and the recommendations of the Management Board in respect of the earned profit.

- 4.2. The Board of Directors of the Company on basis of the recommendations of the the Strategy development committee and the Audit committee of the Board of Directors shall review the main directions of the profit distribution and determines the share of the profit which shall be reasonably designated for the payment of dividend. For taking a corresponding decision the Board of Directors of the Company relies on clause 3 of the present Regulations.
- 4.3. The recommendations of the Board of Directors of the Company in respect of the dividend amount shall be submitted to the shareholders in accordance with the current legislation in order to take the final decision at the General shareholders meeting of the Company.
- 4.4. The decision with respect to the payment (declaration) of dividends, the amount and the form of payment shall be taken by the General shareholders meeting of the Company. The dividend amount can not exceed the amount recommended by the Board of Directors of the Company.
- 4.5. The Board of Directors is entitled to recommend the payment of interim dividends as per the results of the first quarter, six months or nine months of the accounting period, unless otherwise provided by the Federal Law “On Joint Stock Companies”.
- 4.6. The decision of the payment of interim dividends as per the results of the first quarter, six months or nine months of the accounting period has to be taken within three months after the finalization of the corresponding period.

5. Order of dividend payment

- 5.1. The list of persons having the right on dividends shall be prepared on the date determined by the General shareholders meeting of the Company on which the decision of dividend payment is taken.
- 5.2 The registration date of ADR/GDR holders of the Company shall be determined separately by the custodian bank.
- 5.3 The dividends are paid to the shareholders within the periods of time determined by the current Russian laws, the Articles of Association of the Company and the corresponding decision of the General meeting of the shareholders.
- 5.4 The Company and its executive bodies shall ensure a complete and timely payment of dividends to the shareholders.
- 5.5 The transfer of the corresponding monetary funds from the account of the Company (and in case of involvement of the paying agent – from the account of such paying agent) to the bank accounts (mailing address) maintained in the system of the register of shareholder of the Company in accordance with the taken decision shall be considered as payment of dividend.

- 5.6 The dividends shall be paid in full with the deduction of all applicable taxes.
- 5.7 The dividends shall be paid exclusively with monetary funds.
- 5.8 The dividends shall be paid in Russian rubles or other currency at the rate of the Central Bank of the Russian Federation established at the date of the payment.
- 5.9 The dividends shall be subject to taxes in accordance with the current laws of the Russian Federation.
- 5.10 For systematic and timely payments of dividends the Company is entitled to involve paying agents and technical executors.

6. Notification to the shareholders regarding the dividend policy of PAO “TMK”

- 6.1. The Company shall publish the Regulations on dividend policy of the Company and amendments to them on the Company’s official website.
- 6.2. The materials submitted to the shareholders for taking of the final decision in respect of the payment (declaration) of dividends at the General meeting of the shareholders must contain all the necessary information evidencing the fulfillment of conditions required for the payment of dividends.
- 6.3. The Company discloses the information on any dividend payments in volume, order and terms provided by the current legislation.

7. Responsibility for an incomplete or late dividend payment

- 7.1. The General Director of the Company shall be responsible for a complete and timely execution of decisions of the General meeting the shareholders in respect of any dividend payment.
- 7.2. In case of an incomplete and (or) late dividend payment to persons who notified in due time their bank details or mailing addresses and amendments to them to the registrar of the Company, the executive officers shall be liable towards such shareholders in accordance with the current Russian legislation.
- 7.3. The Company, Registrar and their executive officers according to clause 44 of the Federal Law “On Joint Stock Companies” shall not be liable for any losses incurred to any persons registered in the register of shareholders of the Company due to the non-provision of their personal data to the Registrar of the Company.