



Public joint-stock company
NOVOLIPETSK STEEL

APPROVED BY

the Board of Directors
of Novolipetsk Steel PJSC

MoM No. 261

d.d. 4 March 2019

DIVIDEND POLICY
of Novolipetsk Steel
Public Joint Stock Company

(revised)

Lipetsk

2019

1. General provisions

- 1.1. The Dividend Policy of Novolipetsk Steel PJSC (hereinafter referred to as “the Company” or “NLMK”) was developed to provide shareholders and all stakeholders with information regarding the Company's strategy on the distribution and use of NLMK's net profit.
- 1.2. In the context of this Dividend Policy (hereinafter referred to as “the Policy”), dividends shall mean a part of the Company's net profit distributed among shareholders in proportion to the number of shares held by them.
- 1.3. Basic principles of the Policy are:
 - Compliance with the prevailing laws of the Russian Federation, NLMK's Charter and internal corporate documents.
 - Respect for the rights and interests of shareholders.
 - Increasing the investment appeal of the Company.
 - Ensuring maximum transparency of the mechanism for determining the amount of dividends.
 - Increasing the Company's fundamental value, by ensuring annual dividend payout based on the amount of profit and funds required for the Company's further development.
- 1.4. The objective of the Policy is to ensure a stable dividend payout to the Company's shareholders.
- 1.5. The Company's Board of Directors is guided by the provisions of this Policy when preparing recommendations for the General Shareholders' Meeting regarding dividend distribution. This Policy shall not be regarded as an instruction for the Company's General Shareholders' Meeting.
- 1.6. This Policy has been developed in line with the prevailing legislation of the Russian Federation, NLMK's Charter, internal corporate documents, and taking into account the provisions of the Corporate Governance Code recommended by the Bank of Russia.

2. Main conditions for dividend payout

- 2.1. The Company shall pay dividends in case:
 - The Company has generated profit attributable to the Company's shareholders determined in line with the Company's IFRS (International Financial Reporting Standards) Consolidated Financial Statements in the reporting period.
 - There are no restrictions on dividend payment stipulated by the Russian legislation.
 - The Company's financial position remains sustainable and provides for its further development.
 - The Board has issued recommendations on the amount of dividends.
 - A relevant resolution is passed by the General Shareholders' Meeting.

3. Procedure for determining the amount of dividends

- 3.1. Dividends shall be paid to the Company's shareholders out of its net profit determined on the basis of its financial statements prepared in line with the legislation of the Russian Federation.

- 3.2. Dividends are paid annually, and the Company strives to pay out interim dividends on a quarterly basis, provided that its current financial position is stable.
- 3.3. When preparing recommendations for the General Shareholders' Meeting, the Board of Directors shall be guided by the following principles:
 - If Net Debt/EBITDA is below 1.0x, the payout amount shall be equivalent to or above 100% of free cash flow, based on the Company's IFRS Consolidated Financial Statements for the reporting period.
 - If Net Debt/EBITDA is above 1.0x, the payout amount shall be equivalent to or above 50% of free cash flow, based on the Company's IFRS Consolidated Financial Statements for the reporting period.
- 3.4. When preparing recommendations on the amount of dividend payout, the Board of Directors can also rely on indicators other than the indicators specified in Item 3.3. herein.
- 3.5. The recommended dividend amount per share shall be determined based on the amount allocated to dividend payout and converted at the exchange rate of the Bank of Russia as of the end of the reporting period, and the number of outstanding shares.
- 3.6. Recommendations of the Company's Board of Directors on the dividend amount are given to shareholders to assist them in passing the final resolution. The resolution on dividend payout and dividend amount shall be passed by the General Shareholders' Meeting. The dividend amount shall not exceed the amount recommended by the Board of Directors.
- 3.7. The General Shareholders' Meeting has the right to disagree with the recommendation of the Board of Directors on the amount of dividends by passing the resolution to pay dividends in the amount less than the one recommended by the Board of Directors, or to pay no dividends on shares.

4. Procedure for dividend payment

- 4.1. Declared dividends shall be paid in cash unless the General Shareholders' Meeting decides on dividend distribution in non-cash form. The resolution of the General Shareholders' Meeting on dividend distribution in non-cash form shall be passed based on the recommendations of the Company's Board of Directors specifying the Company's property allocated to dividend distribution.
- 4.2. The date as of which the list of persons entitled to dividends is determined in line with the resolution on dividend payment cannot be set earlier than 10 days from the date of passing the resolution on dividend payment and later than 20 days from the date of such resolution.
- 4.3. Dividend distribution in cash to individuals whose rights to shares are recorded in the Company's Shareholder Register, shall be effected by mail remittance of cash or, provided that the respective banking details of these individuals are available in the Company's share registry system, to their bank accounts; in case these individuals are Company employees, to their salary bank accounts. Dividends shall be paid to other persons whose title to shares is recorded in NLMK's Shareholder Register by cash transfer to their bank accounts. The period of dividend payment to a nominal holder and a trustee who is a professional securities trader, registered in the Company's Shareholder Register, shall not exceed 10 working days; for other persons registered in the Company's Shareholder Register, it shall not exceed 25 working days from the date as of which the list of persons entitled to dividends is determined.

- 4.4. Dividends shall be paid to persons who owned shares of a respective category (class) or persons exercising their rights with respect to such shares as per the Federal Laws, at the end of the trading day on the date as of which the list of persons entitled to dividends is determined, in line with the resolution on dividend payout.

5. Informing the shareholders

- 5.1. Guided by information transparency principles, the Company publishes this Policy on the Company's website, as well as on the Company's page on the authorized information agency's website.
- 5.2. Materials submitted to shareholders for decision-making on dividend distribution shall contain all required information on the availability or absence of conditions essential for such distribution, including recommendations of the Company's Board of Director with regard to the amount of dividends and the procedure for their payout.
- 5.3. Information on the resolution to pay dividends, the amount, timeframe, method and form of their payment is disclosed in line with the procedure set forth by the prevailing legislation of the Russian Federation.

6. Retained profit

- 6.1. The Company's Policy shall not impede the development of its operations and investment activity.
- 6.2. The part of net profit remaining after dividend distribution shall be reserved as retained profit for the implementation of investment programmes, working capital replenishment and other purposes.

7. Final provisions

- 7.1. The present Policy and all additions and amendments hereto are subject to approval by the Company's Board of Directors.
- 7.2. The present Policy shall be valid from the moment it is approved by the Board of Directors.
- 7.3. If as a result of changes to the prevailing laws of the Russian Federation, NLMK's Charter or internal corporate documents, individual clauses of this Policy become non-compliant with them, the Policy shall be applied in the part that does not contradict prevailing laws, NLMK's Charter and internal corporate documents.