

APPROVED BY
decision of the Board of Directors
of OJSC MMK
Minutes # 6 dated 24.08.2016,

Chairman of the Board of Directors:
_____ V.F.Rashnikov

REGULATIONS
On The Dividend Policy
Of OJSC MMK

CONTENTS

| | | |
|-----|---|---|
| 1. | Sphere of Application..... | 3 |
| 2. | References..... | 3 |
| 3. | Terms, Definitions and Abbreviations..... | 3 |
| 4. | General Provisions | 4 |
| 5. | Procedure for Calculating Dividends | 5 |
| 6. | Decisions Regarding Payment (Declaration) of Dividends | 5 |
| 7. | List of Persons Entitled to Dividends | 6 |
| 8. | Organization of Dividend Payments (Distribution)..... | 6 |
| 9. | Procedure for Dividend Payments..... | 7 |
| 10. | Informing Shareholders of the Company's Dividend Policy | 8 |

1 Sphere of Application

1.1. These Regulations determine the procedure and conditions of the calculation, distribution and payment of dividends on shares of the Magnitogorsk Iron and Steel Works Open Joint Stock Company (“OJSC MMK”, “the Company”).

1.2. These Regulations shall be mandatory for all the divisions and departments of the Company.

1.3. These Regulations is a document of the Quality Management System.

2. References

2.1. These Regulations are based on the following documents:

Russian Federation Tax Code (Part One) dated 31.07.1998, no. 146-FZ;

Russian Federation Tax Code (Part Two) dated 05.08.2000, no. 117-FZ;

Federal Law “On Joint Stock Companies” dated 26.12.1995, no. 208-FZ;

Federal Law no.39-FZ “On Securities Market” dated 22.04.1996;

Federal Law no.402-FZ “On Accounting” dated 06.12.2011;

Corporate Governance Code recommended for use by the letter of the CB of Russia dated 10.04.2014 No. 06-52/2463;

Charter of the Magnitogorsk Iron and Steel Works Open Joint Stock Company (OJSC MMK) approved by decision of the OJSC MMK General Shareholders’ Meeting on 24.05.2013;

Corporate Governance Code of OJSC MMK approved by decision of the OJSC MMK Board of Directors on 21.09.2001, Minutes # 7.

3. Terms, Definitions and Abbreviations

The following terms with their respective definitions are used in these Regulations:

Dividend Policy – the policy of the Company with regard to the use of profit seeking to establish and secure a balance of interests of the Company and its shareholders when determining the size of dividend payments, and to raise the current investor attractiveness of the Company and ensure its increased capitalization.

Dividend(s) – part of the Company’s net profit distributed among the shareholders in proportion to the number of shares held by them;

Agent Organization – an organization engaged by the Company under agreement for the calculation and payment of dividends;

Registrar – a professional participant of the securities market, with an exclusive function of keeping shareholder registries, contracted by the Company and licensed for such an activity.

3.2. The following shortened terms are used in these Regulations:

The Law – Federal Law “On Joint Stock Companies” dated 26.12.1995, no. 208-FZ;

The Company – the Magnitogorsk Iron and Steel Works Open Joint Stock Company;

The Regulations - Regulations on the dividend policy of the Magnitogorsk Iron and Steel Works Open Joint Stock Company;

The Meeting – the general shareholders meeting of the Magnitogorsk Iron and Steel Works Open and Joint Stock Company;

The Board of Directors – the Board of Directors of the Magnitogorsk Iron and Steel Works Open Joint Stock Company;

The (Company's) Charter – the Charter of the Magnitogorsk Iron and Steel Works Open Joint Stock Company;

RF CB – Russian Federation's Central Bank;

4. General Provisions

4.1. The Company's Dividend Policy is based on a balance of interests of the Company and its shareholders, on raising the Company's investor attractiveness and capitalization, on respect for and strict observation of the shareholders' rights as provided for by Russian laws, the Company's Charter and Corporate Governance Code and its internal documents/bylaws.

4.2. The Company shall be entitled to take decisions (declare) payment of dividends on placed shares according to the results of the first quarter, first six months, first nine months of reporting year and(or) the financial year.

4.3 The Company is committed to pay (declare) dividends on an annual basis generally based on performance results for six months of the reporting year and based on reporting year performance results.

4.4. A decision on payment (declaration) of dividends on shares shall be a right, but not an obligation of the Company.

4.5. The Meeting shall be entitled to decide not to pay dividends on shares.

4.6. Dividends shall be paid in monetary form.

4.7. Payment of declared dividends shall be an obligation of the Company. It shall be responsible to the shareholders for failure to fulfill such an obligation in accordance with applicable laws.

4.8. The Company and the Registrar shall not be liable for damages caused due to the fact that the persons registered in the Company's Share Register had not provided information in due time prescribed by the current legislation.

4.9 Restrictions on the payment of dividends by the Company are set forth in Article 43 of the Law.

4.10 Should the Company have any fractional shares, it shall be guided by the applicable laws of the Russian Federation in determining the procedure for the calculation and payment of dividends on such shares.

4.11. The Company's shares which are the underlying assets for depositary receipts, shall grant its owners the right to dividend. The declaration, calculation and payment of dividends on depositary receipts shall be carried out according to the procedure established hereby, and subject to the terms and conditions of the deposit agreement between the Company, the depositary bank and owners of the depositary receipts.

5. Procedure for Calculating Dividends

5.1. Dividends to the Company's shareholders shall be paid from the net profit determined according to the consolidated financial (accounting) statements of the Company.

5.2. The Board of Directors shall base its recommendations with respect to the size of dividends on the assumption that the monetary funds allocated for dividend payment, shall amount to at least 30% of the free cash flow calculated on the basis of consolidated financial statements of OJSC MMK prepared in accordance with international financial reporting standards. 5.3. The Company's dividends shall be calculated according to the results of reporting year using the following formula (1):

$$D = D_o \times Q_o \quad (1)$$

where D is the amount of dividends to be paid by the Company, in rubles;

D_o is the amount of dividend per ordinary share as recommended by the Board of Directors to the Meeting for approval, in rubles; and

Q_o is the quantity of ordinary shares issued by the Company.

The following prerequisite shall be observed (2):

$$(2) \quad D \geq FCF_M \times K_{FCF}/100 - D_{pr}$$

where FCF_M is the free cash flow determined according to the consolidated IFRS statements of the Company in rubles;

K_{FCF} is the ratio showing the proportion of the free cash flow allocated for dividend payment, in accordance with p.5.2 above, and

D_{pr} is the amount of dividends accrued for the periods comprising the accounting period.

5.4. The Board of Directors while making recommendations on the amount of dividends may use other indicators, except the free cash flow determined on the basis of the OJSC MMK's consolidated financial statements prepared in accordance with International Financial Reporting Standards. These indicators may include: net profit, defined on the basis of the OJSC MMK's consolidated financial statements prepared in accordance with International Financial Reporting Standards, or net profit determined on the basis of the OJSC MMK's financial (accounting) statements prepared in accordance with Russian Accounting Standards.

5.5. The size of the recommended dividend per share shall be determined based on the amount of the monetary funds allocated for dividend payments (denominated in rubles at the RF CB's exchange rate as at the end of the accounting period for which the payment of dividends is made), and the quantity of the shares placed and in circulation.

5.6. Recommendations of the Board of Directors regarding the size of the dividends for the first quarter, six months and nine months of any reporting year (usually based on the results of six months of a reporting year) shall be based on the data of consolidated IFRS financial statements of the Company for the corresponding period or on the data of the accounting (financial) statements of OJSC MMK, prepared in accordance with Russian accounting standards, in the same period.

6. Decisions Regarding Payment (Declaration) of Dividends

6.1. A decision regarding payment (declaration) or non-payment of dividends shall be taken by the Meeting.

6.2. The decision on payment (declaration) of dividends shall specify the size of dividends on shares of each category (type), form of payment thereof, the date on which the persons entitled to

receive the dividends shall be determined. However, the decision on setting the date on which the persons entitled to receive the dividends must be taken only upon proposal of the Board of Directors of the Company.

6.3 The size of dividends approved by shall not exceed the size of dividends recommended by the Company's Board of Directors. Such decision shall be taken by the Board of Directors not later than 30 days prior to the date of the Meeting.

6.4. The declared sum of dividends shall include taxes levied in accordance with the applicable laws of the Russian Federation.

7. List of Persons Entitled to Dividends

7.1. The date on which the persons entitled to receive the dividends shall be determined shall be approved by the Meeting only upon proposal of the Board of Directors of the Company.

7.2. The date on which in accordance with the decision on payment (declaration) of dividends the persons entitled to receive the dividends shall be determined should fall not earlier than 10 days after the date of the decision on the payment (declaration) of dividends and not later than 20 days after the date of such decision.

7.3 The list of persons entitled to dividends shall be provided by the Registrar to the order of the Company as of the date determined by the Meeting.

7.4 The list of persons entitled to dividends shall contain data on such persons as provided for by the contract between the Company and the Registrar.

7.5 A shareholder, whose rights to shares are recorded in the shareholders' Register, may apply to the Company or to the Company's Registrar with a request for its inclusion in the list of persons entitled to receive dividends, on the procedure of calculation of dividends on the shares, on the procedure of calculation and taxation of dividends amount and on payment conditions.

7.6 Within 7 working days from the receipt of the above request, the Company or the Registrar shall prepare its response and submit it to the shareholder.

8. Organization of Dividend Payments (Distribution)

8.1 The sole executive body - General Director of the Company shall be responsible for the preparation, coordination and implementation by the Company of all activities regarding the organization of dividends payments, provided by these Regulations.

8.2 The payment of dividends by money transfer shall be made by the Agent Organization on behalf of the Company and (or) the Company itself.

8.3 With respect to each person entitled to dividends the Company and(or) Agent Organization shall calculate:

8.3.1 the amount of accrued dividends;

8.3.2 the amount of taxes subject to deduction;

8.3.3 amounts payable (the difference between the amount of accrued dividends and the amount of taxes subject to deduction).

8.4 If one share belongs to several persons, the corresponding dividend shall be distributed among them in proportion to their share in the share's value, except as otherwise provided for by an agreement entered into by such persons.

8.5 The sum of accrued dividends payable to each shareholder shall be determined by multiplying the size of dividends adopted by the Meeting per one share, by the number of shares owned by such shareholder.

8.6 The sum of accrued dividend containing fractions of a kopeck, shall be rounded up to a whole kopeck according to the rules of mathematics.

8.7 Dividends shall not be calculated or paid:

8.7.1 on shares not in circulation (not placed);

8.7.2 on shares on the Company's balance sheet; or

8.7.3 in other cases as provided for by applicable laws.

8.8 Dividends shall be paid to persons, who are the holders of shares of the relevant category (type) or the persons exercising rights on these shares in accordance with federal laws, at the end of the trading day on the date on which the persons entitled to receive dividends are determined in accordance with the decision on dividends payment.

9. Procedure for Dividend Payments

9.1 The payment of declared dividends on shares of each category (type) is carried out within the terms established by the Law.

9.2 The payment of dividends in monetary form to physical persons whose rights to shares are taken into account in the register of the Company's shareholders, shall be effected by transfer of money to their bank accounts, the details of which are available from the Registrar or, in the absence of information on bank accounts, by a postal money order. Payment of dividends to other persons, whose rights to shares are taken into account in the register of the Company's shareholders, shall be effected by money transfers to their bank accounts.

The persons entitled to dividends, whose rights to shares are taken into account by nominee shareholder, shall receive dividends in monetary form according to the procedure established by the legislation of the Russian Federation on securities.

9.3 The Company's obligation to pay dividends to such persons is considered to be executed from the date of receiving remittances by the federal postal service or from the date of money receipt in the credit institution in which the bank account of the person entitled to receive dividends is opened, and if such person is a credit institution - to its account.

Nominee shareholder, to whom the dividends have been transferred and who did not fulfill the obligation on their transmission as provided for in the legislation of the Russian Federation on securities, for the reasons beyond his control, is obliged to return such dividends to the Company within 10 days after the expiration of one month from the end date for the payment of dividends.

9.4 Resending the dividends to a shareholder according to corrected details shall be done at such shareholder's written request and for his own account.

9.5 The person who failed to receive the declared dividends due to unavailability of accurate necessary address details or bank details with the Company or the Registrar, or due to other creditor's delay, may demand payment of such dividends (unclaimed dividends) within three years from the date of the decision on payment of such dividends.

Following the expiry of the period for claiming unpaid declared dividends, such dividends shall be included in the Company's retained profit and the obligation to pay them out expires.

10. Informing Shareholders of the Company's Dividend Policy

10.1 The Company shall place these Regulations, and amendments thereto, as well as the Company's dividend history, on the Company's website.

10.2 The Company shall disclose information on the payment (declaration) of dividends in accordance with a procedure established by the Russian Federation laws and the Company's Charter.

10.3 The Company shall communicate to its shareholders, in the manner provided in paragraph 10.1 of this Regulation, the information on the Agent Organization for the payment of dividends, including the change of Agent Organization and the termination of its powers.