

Approved  
by the Board of Directors of OAO TMK  
Minutes dated February 26, 2007

**DIVIDEND POLICY REGULATIONS OF  
OAO TMK  
(new text)**

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## **1. General**

- 1.1. These Dividend Policy Regulations of OAO TMK (hereinafter referred to as the “Regulations”) were developed in accordance with the applicable legislation of the Russian Federation, Articles of Association of OAO TMK (hereinafter referred to as the “Company”) and its internal documents.
- 1.2. The main objective of these Regulations shall be establishing of a transparent and efficient mechanism of determining the amount of dividends and procedure of payment thereof as well as determining the strategy of the Board of Directors of the Company when giving recommendations on the amount of dividends on shares, terms and conditions of payment thereof.
- 1.3. The objectives of the dividend policy of the Company shall be increasing the capitalisation and attraction of the Company as an investment, increasing the welfare of its shareholders and balanced combination of interests of all shareholders of the Company.

## **2. Basic conditions of dividend payment to shareholders of OAO TMK**

- 2.1. In payment of dividends, the Company shall be governed by principles of a balanced Company capitalisation increase and increasing the amount of dividends based on the net profit for the respective period and requirements of development of the production and investment operations of the Company.
- 2.2. Dividends shall be paid to the Company shareholders subject to the following conditions:
  - 2.2.1. availability of net profit determined pursuant to par. 3.1 and 3.2 of these Regulations;
  - 2.2.2. absence of dividend payment restrictions under the laws of the Russian Federation;
  - 2.2.3. recommendation of the Board of Directors of the Company with respect to the amount of dividends on outstanding shares in the Company;
  - 2.2.4. resolution of the General Meeting of Shareholders of the Company on payment (declaration) of dividends.

## **3. Determining the amount of dividends**

- 3.1. The source of dividend payment to shareholders of the Company shall be the net profit of the Company calculated on the basis of accounts prepared in accordance with requirements of the Russian legislation and reduced by the amount of mandatory annual deductions to the reserve fund of the Company pursuant to the Articles of Association of the Company.

In determining the amount of dividend recommended to the General Meeting of Shareholders of the Company with respect to outstanding shares in the Company, the Board of Directors of the Company assumes that the purpose of the Company is to pay dividends not less than 25 % of the annual consolidated net profit of the Company calculated under the International Financial Reporting Standards (IFRS) provided that financial results of the Company, its capital expenses, availability of funds from external sources and other material factors are taken into account in determining the amount of dividends. For the purpose of this paragraph 3.2, the annual consolidated net profit of the Company shall be determined on the basis of

consolidated accounts of the Company prepared under the IFRS and certified by independent auditors of the Company.

- 3.2. In the event of availability (circulation) of ADR/GDR<sup>1</sup> of the Company evidencing rights to shares in the Company outside the Russian Federation, the amount of dividends per ADR/GDR shall be determined by multiplying the amount of dividends per share and the number of shares evidenced by such ADR/GDR.
- 3.3. The amount of recommended dividends (per share) of the Company shall be determined on the basis of the amount of funds used for dividend payments calculated pursuant to paragraph 3.2 of these Regulations divided into the number of outstanding shares in the Company as of the date of making the list of shareholders entitled to dividends, except for shares recorded on the balance of the Company. The date of such list of shareholders shall be approved by the Board of Directors of the Company.
- 3.4. The amount of dividends per share recommended by the Board of Directors and approved by the General Meeting of Shareholders of the Company shall be fixed in Russian roubles accurate to integral kopecks.

#### **4. Procedure of adopting resolution on dividends**

- 4.1. The question of possibility to pay dividends shall be subject to preliminary consideration by the Strategic Development Committee and Audit Committee of the Board of Directors based on available financial results and proposals of the Management Board with respect to the profit distribution.
- 4.2. The Board of Directors of the Company, based on the proposal of the Strategic Development Committee and Audit Committee of the Board of Directors, shall consider the basic directions of profit distribution and determine the share of profit suitable for dividend payments. When adopting its resolution, the Board of Directors of the Company shall be governed by section 3 of these Regulations.
- 4.3. Recommendation of the Board of Directors of the Company with respect to the amount of dividends shall be presented to shareholders in accordance with the applicable legislation for the purpose of adopting the final resolution at the General Meeting of Shareholders of the Company.
- 4.4. Resolution on payment (declaring) of dividends, amount and method of payment thereof shall be adopted by the General Meeting of Shareholders of the Company. The amount of dividends shall not exceed the amount recommended by the Board of Directors of the Company.
- 4.5. The Board of Directors may recommend payment of interim dividends based on the results of the quarter, half-year or nine months of the financial year unless otherwise provided for by the Federal Joint-Stock Company Law.
- 4.6. Resolution on payment (declaring) of interim dividends based on the results of the quarter, half-year or nine months of the financial year shall be adopted within three months after the end of the respective period.

#### **5. Dividend payment procedure**

- 5.1. The list of persons entitled to dividends shall be made as of the date of the list of persons entitled to participate in the General Meeting of Shareholders, at which the resolution on dividends is adopted. For making the list of persons entitled to

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<sup>1</sup> ADR – American Depositary Receipts; GDR – Global Depositary Receipts

dividends, any nominee shareholder shall furnish particulars of the persons on whose behalf he holds shares.

- 5.2. The depositary bank shall separately appoint the date of the Company's ADR/GDR holders registration.
- 5.3. Dividends shall be paid to shareholders within the period provided for by the applicable Russian legislation, Articles of Association of the Company and appropriate resolution of the General Meeting of Shareholders but in anyway within Sixty (60) days upon adoption of resolution of the General Meeting of Shareholders of the Company on payment thereof.
- 5.4. The Company and its executive bodies shall ensure due and timely payment of dividends to its shareholders.
- 5.5. The dividend shall be deemed paid upon transferring the relevant amounts of money from accounts of the Company (and if the paying agent is used – from the account of such agent) to the bank accounts (postal addresses) specified in the share register of the Company in accordance with resolution on the terms and conditions of dividend payment.
- 5.6. Dividends shall be paid in full, as declared, subject to applicable taxes.
- 5.7. Dividends shall be paid in cash only.
- 5.8. Dividends shall be paid in Russian roubles or any other currency at the rate of the RF Central Bank as of the date of payment.
- 5.9. Dividends paid shall be liable to taxation in accordance with the applicable legislation of the Russian Federation.
- 5.10. To arrange a systematic and due payment of dividends, the Company may engage a paying agent and technical contractor.

## **6. Informing shareholders on the dividend policy of OAO TMK**

- 6.1. The Company shall publish these Dividend Policy Regulations of the Company and the amendments on the website of the Company.
- 6.2. Materials presented to shareholders for adoption of resolutions on payment (declaring) of dividends at the General Meeting of Shareholders shall contain all the necessary information evidencing meeting of the conditions required for dividend payment.
- 6.3. The mandatory notice of dividends published by the Company shall contain unequivocal and clear information on the amount, terms, conditions and method of the dividend payment. At the same time, such notice shall explain the obligation of shareholders to notify the Registrar of the Company of any modifications of their banking details and postal addresses as well as of the consequences of non-compliance with such obligation.

### **Liability for incomplete or untimely payment of dividends to shareholders**

- 6.4. The General Director of the Company shall be responsible for complete and timely fulfilment of resolutions of the General Meeting of Shareholders on dividends.
- 6.5. In the event of an incomplete and/or untimely payment of dividends to shareholders that gave a due notice of their banking details or postal addresses and any modifications thereof to the Registrar of the Company, officers directly guilty in that shall be liable to such shareholders in accordance with the applicable Russian legislation.
- 6.6. Pursuant to article 44 of the Federal Joint-Stock Company Law, the Company, Registrar and their officers shall not be liable for failure to pay dividends to the

shareholders that failed to provide the Registrar with their accurate banking details or postal addresses or modifications thereof.