

Approved  
by the Management Board of  
KazMunayGas  
Protocol No. 92  
dated 2 August 2012

**Dividend Policy 2012-2016**  
**KazMunayGas**

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## 1. General Provisions

1.1 The KazMunayGas Dividend Policy 2012-2016 (hereinafter – the Policy) provides the principles and mechanisms dividends on KazMunayGas (hereinafter – KMG) owned shares and interest shall be paid by its Subsidiaries and Dependent Companies.

1.2 The Policy has been drafted in compliance with the KazMunayGas Corporate Governance Code (hereinafter – the Code) approved by the resolution of Samruk Holding dated 3 December 2007, No. 182-п, Samruk-Kazyna Dividend Policy 2009-2013, legislation of the Republic of Kazakhstan, Charter and internal regulations of KazMunayGas.

1.3 The Policy does not apply where KMG and its Subsidiaries and Dependent Entities have contracts specifying distribution and payment procedures, as well as it does not apply to the relationships between KMG, KazTransOil and EP KazMunayGas as far as the Dividend Policies of KazTransOil and EP KazMunayGas are subject to approval by the competent bodies of these companies.

1.4 KMG subsidiaries are recommended to duly draft and approve their own documentation based on this Policy to regulate relationships with their subsidiaries and dependent Entities other than non-profit organizations.

1.6 This Policy uses the following terms and definitions:

<b>KMG</b>	- Joint Stock Company “National Company “KazMunayGas”.
<b>KMG Sole Shareholder (Fund)</b>	- Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company
<b>Subsidiary</b>	- a legal entity, where most of equity capital was contributed KMG, either where KMG is entitled, based on agreement between them (or otherwise), to exercise its decisive influence.
<b>Dependent Entity</b>	- an organization, where KMG owns more than twenty percent of the voting shares/interest, which, however, is not a subsidiary (for the purposes of this Policy).
<b>SDE</b>	- Subsidiaries and Dependent Entities of KazMunayGas.
<b>Policy</b>	- KMG Dividend Policy 2012-2016.
<b>Dividends</b>	- Shareholder / participant’s profit on equity to be paid by SDE (for purposes of this Policy).
<b>Dividend Rate</b>	- minimum dividend rate / SDE participants’ profit ratio required for KMG’s Development Plan revenue budgeting for the planning period.
<b>Interim Dividends</b>	- dividends duly paid by the SDE for a quarter or six-month period.
<b>Dividends from</b>	- dividends paid by the SDE from the accumulated net

**Retained Earnings**

income for the past years that has been left at the SDE discretion.

**2. Goal and basic principles**

2.1 The goal of the Policy is to ensure accuracy and transparency of dividend distribution to be paid by SDE to KMG.

2.2 The main principles of the Policy are the following:

- 1) to maximize KMG dividends to meet KMG investment commitments
- 2) to regulate SDE investments activities

2.3 The dividends accrued by SDE should cover KMG financial needs for funding:

- 1) dividend payments to the Sole Shareholder
- 2) KMG investment projects
- 3) SDE projects implemented from KMG funds
- 4) project and/or other expenses incurred by KMG upon the Sole Shareholder's instruction
- 5) KMG financial and operating activities, including administrative capital expenditures
- 6) other contingencies

**3. Main terms and conditions of dividend payment**

3.1 Depending on the KMG annual net income / total profit, as well as the production and investment development need, SDE strive to maximize the dividends paid to KMG, along with the capitalization growth.

3.2 SDE shall pay dividends to KMG based on the following conditions:

- 1) SDE have consolidated and/or individual annual net income / total profit as per audited financial statements or have retained earnings
- 2) Dividend payments are not restricted under an applicable law
- 3) Size of the dividends are based on recommendations of SDE Board of Directors / Supervisory Board
- 4) Relevant resolution of SDE competent body is issued.

**4. Dividend assessment in the reported and planning periods**

4.1 KMG shall apply case-specific dividends assessment approach to each SDE based on the nature/profitability of the SDE business, their capital intensity, and need in mid-term investment activities covered from their own funds.

4.2 For the purposes of the KMG Development Plan revenue budgeting in the planning period, the size of dividends paid by certain SDE shall be based on the Dividend Rate specified in the Annex hereto.

4.3 Where revenue in the KMG Development Plan is budgeted, the Dividend Rate shall be applied to the maximum SDE consolidated or separate net income / total profit.

4.4 SDE may pay out interim dividends for a quarter or six-month period, as well as dividends from Retained Earnings in the prescribed manner.

4.4 The actual size of dividends shall be based on the SDE annual financial results and their own financial needs to:

- 1) finance capital investments aimed to improve the performance of the existing production assets that generate regular annual profits
- 2) finance investment projects, where SDE has to use its own funds pursuant to the project funding structure duly approved
- 3) pay liabilities;
- 4) contribute to the equity capital in other legal entities duly approved;
- 5) finance the activities following the instructions of KMG Sole Shareholder or government.

4.5 Based on the Policy and subject to the SDE annual financial results and needs for funding the expenditures as specified in p. 4.4, the Business Planning and Economic Analysis Department shall prepare and submit the actual dividend rate recommendations to KMG's Planning Committee.

4.6 The actual dividend rate may reach 100% of the SDE net income, if it does not conflict with the SDE liabilities.

4.7 KMG Planning Committee shall prepare the proposal about the actual SDE dividend rate for the reporting period, which shall be submitted to the SDE competent body for consideration.

4.8 The final dividend rate paid for the reporting year shall be determined based on the resolution of the SDE competent body.

4.9 If KMG funds are not sufficient to pay the expenditures specified in p. 2.3, then dividends may be paid from Retained Earnings. In this case, KMG Planning Committee shall prepare and submit relevant proposals to the SDE competent body for consideration.

4.10 The final size of dividends paid from Retained Earnings shall be determined based on the resolution of the SDE competent body.

## **5. Dividend payment procedure**

5.1 SDE shall pay dividends to KMG in the manner and within the period pursuant to the legislation of the Republic of Kazakhstan.

5.2 SDE shall ensure timely and full payment of dividends to KMG.

5.3 The dividend payment is a transfer of due amount to KMG bank account, according to the adopted dividend payment terms and conditions resolution.

5.4 Dividends shall be paid in cash.

### **6. SDE Dividend Policy communication**

6.1 SDE are recommended to post their dividend policies drafted in accordance with the Code and Policy (and amendments thereto) on their corporate websites.

6.2 SDE are obliged to publish the information on dividend payment resolution, dividend amounts, as well as payment period, method and form, and this information must be explicit and clear.

6.3 The materials submitted to KMG for decision-making must contain all necessary information that provides dividend payment conditions or that they are not applicable.

### **7. Dividend payment responsibility**

7.1 The responsibility for full and timely dividend payment is provided in the legislation of the Republic of Kazakhstan and SDE internal regulations.

### **8. Final provisions**

8.1 This Policy shall come into effect on 1 April 2012, starting from review of the SDE financial and operating performance for 2011.