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by the Supervisory Board  
OJSC ALROSA  
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amended by the decision of the  
Supervisory Board  
OJSC ALROSA  
December 2, 2013  
(Minutes No. 205)

## **REGULATIONS**

### **ON THE DIVIDEND POLICY OF OJSC ALROSA**

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## **1. GENERAL PROVISIONS**

1.1. These Regulations on the Dividend Policy of OJSC ALROSA (hereinafter the Regulations) have been developed in accordance with the current legislation of the Russian Federation, the Code of Corporate Conduct recommended by the Instruction of the Federal Commission for the Securities Market of the Russian Federation of April 4, 2002 No. 421/r, the charter of OJSC ALROSA (hereinafter the Company) and its internal regulatory documents.

1.2. These Regulations define the terms and bases for the payment of dividends on outstanding shares, regulate the procedure for making a decision on the dividend payment, defining the amount of dividends and informing the shareholders of the Company's dividend policy, as well as the decisions made by the General Meeting of Shareholders in respect of the dividend payment.

1.3. The objective of these Regulations is to establish the guidelines of the Company's dividend policy, tasks of the Company's management in the implementation of the dividend policy, as well as to prioritize the development by the Company's Supervisory Board of the recommendations for the amount of dividends on outstanding shares, the terms of payment and the procedure thereof.

## **2. PRINCIPLES AND OBJECTIVES OF THE DIVIDEND POLICY. TASKS OF THE COMPANY'S MANAGEMENT BODIES AT THE IMPLEMENTATION OF THE POLICY**

2.1. The Company's dividend policy is a system of relations and principles aimed at determining the amount, procedure and period of the dividend payment, as well as establishing the Company's liability for failure to pay dividends.

2.2. The Company's dividend policy is based on the principles as follows:

1) balancing the interests of the Company and its shareholders when determining the amount of dividends, as well as balancing short-term (acquisition of income) and long-term (development and growth of the Company's capitalization) interests of the shareholders;

2) maintaining the required financial standing, ensuring the Company's development prospects;

3) increasing the Company's investment attractiveness and its capitalization;

4) observing the rights of shareholders stipulated by the current legislation of the Russian Federation, the Charter of the Company, and its internal documents;

5) transparency of the mechanisms for determining the amount of dividends and their payment that the Company's Supervisory Board and the General Meeting of Shareholders are guided by when making recommendations for the amount of dividends and making decisions on the dividend payment.

2.3. The objectives of the Company's dividend policy are as follows:

1) ensuring that the Company's management bodies implement the approved plans for the accrual and payment of dividends to the shareholders;

2) the possibility for the shareholders to control accrual and receipt of dividends from the Company.

2.4. The tasks of the Company's management bodies at the implementation of the dividend policy are as follows:

1) organize planning of distribution of profit after tax (net profit), accrual and payment of the Company's dividends in accordance with these Regulations and other internal documents of the Company;

2) organization of the actual distribution of profit after tax (net profit), accrual and payment of the Company's dividends in accordance with the procedure determined hereby;

3) control over compliance of the indices of distribution of profit after tax (net profit) and accrual and payment of dividends with the Company's financial standing.

4) control over accrual and payment of dividends to the Company's shareholders.

### **3. GENERAL PROVISIONS ON DIVIDENDS**

3.1. A dividend is a part of the Company's net profit to be distributed among the shareholders in proportion to the shares they hold.

3.2. Dividends are not accrued and paid on the shares not outstanding, acquired to the Company's balance sheet by a decision of the Supervisory Board, redeemed to the Company's balance sheet, and made available to the Company due to a buyer's failure to fulfill the obligation to purchase them.

3.3. Dividends may be paid for the first quarter, six months, nine months of a financial year and (or) for a financial year with the respective decision of the General Meeting of the Company's Shareholders.

3.4. Dividends are paid from the Company's profit after tax (net income) calculated on the basis of the financial statements prepared in accordance with the Russian statutory requirements.

### **4. CONDITIONS AND BASES OF DIVIDEND PAYMENT**

4.1. The Company pays dividends to its shareholders based on the availability of net profit, taking into account the Company's economic status as well as the Company's medium and long-term development plans.

4.2. The conditions for the dividend payment to the Company's shareholders are as follows:

1) availability of the Company's net income calculated on the basis of the financial statements prepared in accordance with the requirements of the Russian legislation;

2) absence of restrictions on dividend payment under Article 43 of the Federal Law On Joint-Stock Companies of December 26, 1995 No. 208-FZ (hereinafter the Federal Law On Joint Stock Companies).

4.3. The basis for accrual and payment of dividends to the Company's shareholders is the decision made by the General Meeting of the Company's Shareholders with due account of the recommendations of the Supervisory Board for the amount of dividends.

### **5. DECISION-MAKING PROCEDURE FOR DIVIDEND PAYMENT**

5.1. The Company is entitled to make decisions on (declare) dividends on the shares outstanding for the first quarter, six months, nine months of a financial year and (or) for a financial year.

5.1.1. The decision to pay (declare) dividends for the first quarter, six months, nine months of a financial year may be made by the Extraordinary General Meeting of Shareholders within three months after the end of the relevant period.

The item on payment (declaration) of dividends for the first quarter, nine months of a financial year is considered as a separate item on the agenda of the Extraordinary General Meeting of Shareholders.

The decision on this item is made by a simple majority of votes of shareholders – holders of voting shares participating in the meeting.

5.1.2. The decision to pay (declare) dividends for a financial year is made by the Annual General Meeting of Shareholders by a simple majority of votes of shareholders – owners of voting shares participating in the meeting.

The item on payment (declaration) of dividends for a financial year is considered as a separate item on the agenda of the General Meeting of Shareholders or as part of the item on distribution of profit for a financial year.

5.2. The decision to pay dividends made by the General Meeting of Shareholders should define:

- amount of dividends per share net of withholding taxes;
- time and form of dividend payment.

The decision to pay dividends shall be made by the General Meeting of Shareholders on the recommendation of the Company's Supervisory Board. The amount of dividends cannot exceed the

amount recommended by the Company's Supervisory Board.

5.3. The Supervisory Board determines the recommended amount of dividends based on the proposals of the Company's Executive Committee for the net profit to be distributed as dividends on outstanding shares.

5.3.1. The Executive Committee considers the item on the amount of net profit to be distributed as dividends not later than three months prior to the date of the General Meeting of the Company's Shareholders.

The item on the size of net profit to be distributed as dividends is considered by the Company's Executive Committee within the scope of the Company's approved budget parameters for the next year and on the results of the actual execution thereof, the annual balance sheet data and in accordance with the rules hereof.

5.3.2. Based on the strategic objectives of the Company's development the Supervisory Board is entitled to reduce the amount of net profit to be distributed as dividends approved by the Company's Executive Committee.

5.4. Recommendations of the Company's Supervisory Board for the amount of dividends on outstanding shares are approved by the majority of three-fourths of the votes of the Supervisory Board members (if other majority of votes is not stipulated by the Federal Law On Joint-Stock Companies), and recorded in the minutes, access to which or to the extract from which is provided to all the Company's shareholders in the manner prescribed by law.

5.5. Recommendations of the Company's Supervisory Board for the amount of dividends for the first quarter, six months, nine months of a financial year and (or) for a financial year are submitted to the shareholders in accordance with applicable law and the Company's Charter for them to make a final decision at the General Meeting of Shareholders.

The materials to be submitted to the shareholders for decision making at the General Meeting of Shareholders must contain all the necessary information with the evidence of presence or absence of the conditions required for the dividend payment.

## **6. DETERMINING THE AMOUNT OF A DIVIDEND**

6.1. In determining the recommended amount of dividends the Supervisory Board is guided by the current legislation of the Russian Federation, the Company's Charter, these Regulations, the proposals of the Company's Executive Committee as to the net profit to be distributed as dividends, and the recommendations of the Audit Committee at the Company's Supervisory Board.

6.2. The amount of dividends recommended by the Supervisory Board to the General Meeting of the Company's Shareholders is determined based on the amount of the Company's net profit for a year (for the first quarter, six months, nine months), based on the data from the financial statements prepared in accordance with applicable law.

6.3. In determining the amount of dividends recommended to the General Meeting of the Company's Shareholders, the Supervisory Board acts on the premise that the amount to be distributed as dividends shall not be less than 35% of the net profit calculated on the basis of the consolidated financial statements prepared under IFRS (provided that the reserve fund is fully formed in accordance with the Company's Charter).

6.4. The amount of the Company's recommended dividend (per share) is determined based on the amount in rubles to be distributed as dividends, divided by the number of the Company's shares issued and outstanding at the date of making up the list of persons entitled to receive dividends.

## **7. LIST OF PERSONS ENTITLED TO RECEIVE DIVIDENDS**

7.1. The list of persons entitled to receive dividends is made up as of the date of making up the list of persons entitled to attend the General Meeting of Shareholders at which a decision on payment (declaration) of dividends is made.

The list of persons entitled to receive dividends is made up by the Registrar of Companies by the Company's order.

7.2. The list of persons entitled to receive dividends shall include:

- shareholders registered in the share registry system as of the date of making up the list;
- other persons (mortgagees, trustees, etc.), registered in the share registry system as of the date of making up the list, to whom the rights to the shares were transferred, unless otherwise is stipulated by the agreement between such person and a shareholder;
- shareholders on whose behalf the shares are held by a nominee holder of securities registered in the share registry system as of the date of making up the list. To make up a list of persons entitled to receive dividends, a nominee shareholder provides the data on the persons on whose behalf he/she holds the shares.

7.3. In case of any modifications in the list of persons entitled to receive dividends, the Registrar of the Company shall provide the Company with the rationale for such modifications.

## **8. PROCEDURE AND PERIOD OF DIVIDEND PAYMENT**

8.1. The Company is obliged to pay the declared dividends.

The Company and its executive bodies (President (CEO), Executive Committee) provide full and timely payment of dividends to the Company's shareholders.

8.2. Dividends are paid in the declared amount in the currency of the Russian Federation.

8.3. The Company's dividends are paid no earlier than 30 days and no later than 60 days from the date the General Meeting of Shareholders made a decision on the dividend payment. The declared dividends should be paid simultaneously to all shareholders.

If the last day of the dividend payment period is a holiday, then the next following business day is last day of the period.

8.4. Dividends are paid to the Company's shareholders based on the information submitted by the Registrar in the form as follows:

- to shareholders—legal entities – by bank transfer to the bank accounts of the shareholders specified in the questionnaire of a registered person;
- to shareholders—individuals – by bank transfer to the bank accounts of the shareholders or in cash (depending on the form of dividend payment specified by the shareholder in the questionnaire of a registered person).

8.5. In accordance with clause 5, Article 42 of the Federal Law On Joint Stock Companies, the shareholders who did not receive dividends within the period established by clause 8.3 hereof, may, within three years after the expiration of the specified period, file a request with the Company to claim the payment of dividends.

After the expiration of the period to claim the payment of dividends, the dividends declared and unclaimed by shareholders are recovered as the Company's retained earnings (par. 3, clause 5, Article 42 of the Federal Law On Joint Stock Companies).

8.6. In accordance with Article 44 of the Federal Law On Joint Stock Companies, the Company is not liable for failure to pay dividends to the shareholders who have not submitted to the Company's Registrar their data necessary for the payment of dividends in due time and in the prescribed manner.

8.7. Taxation of the dividends paid is carried out pursuant to the procedure established by the current legislation of the Russian Federation.

## **9. INFORMING THE SHAREHOLDERS**

9.1. These Regulations and any amendments hereto shall be posted on the Company's website at [www.alrosa.ru](http://www.alrosa.ru).

9.2. The Company publishes the information about the decision made by the General Meeting of Shareholders on payment (declaration) of dividends, as well as on fulfillment of the obligations to pay dividends in accordance with the requirements of the laws of the Russian Federation on the disclosure of information and in the newspapers Vestnik ALROSA and Mirninsky Rabochiy.

## **10. FINAL PROVISIONS**

10.1. These Regulations are approved by the Company's Supervisory Board and enter into force on the date of the approval hereof.

10.2. These Regulations may be supplemented and amended by the decision of the Company's Supervisory Board.

Supplements and amendments to these Regulations come into force from the date the Company's Supervisory Board makes a decision on their introduction to the Regulations, unless otherwise specified in the decision of the Company's Supervisory Board.

10.3. If some provisions of these Regulations come into conflict with the laws of the Russian Federation and (or) the Company's Charter, they shall become null and void until the amendments are made to these Regulations, the relevant provisions of the laws of the Russian Federation and (or) the Company's Charter shall be applied.

The invalidity of individual provisions of these Regulations shall not entail the invalidity of other provisions and the Regulations as a whole.