

DECREE OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN ON ESTABLISHMENT OF THE STATE OIL FUND OF THE REPUBLIC OF AZERBAIJAN

Including the addendums and amendments according to the Decrees of the President of the Republic of Azerbaijan № 849 dated February 7, 2003, № 202 dated March 1, 2005, № 216 dated February 10, 2010, № 473 dated July 22, 2011 and № 477 dated July 26, 2011

Business co-operation between the State Oil Company of the Republic of Azerbaijan and leading international oil companies, which commenced with the signing of the Contract of the Century in 1994, is about to give its first real results. To direct expected revenues towards social-economic progress of the Republic of Azerbaijan is a primary purpose of the state policy.

Taking the aforementioned into account, and for the purposes of securing accumulation and efficient management of currency and other revenues generated from sale of profit oil produced as a result of joint development of oil fields with foreign companies, application of such proceeds to development of primary areas and performance of projects of social-economic significance, **it is hereby decreed:**

1. To establish the State Oil Fund of the Republic of Azerbaijan.
2. To accumulate resources of the State Oil Fund of the Republic of Azerbaijan on the account of the following sources:
 - 2.1. Revenues generated from implementing agreements on exploration, development and production sharing for oil and gas fields in the territory of the Republic of Azerbaijan including the Azerbaijani sector of the Caspian Sea, as well as other agreements on oil and gas exploration, development and transportation entered into between the State Oil Company of the Republic of Azerbaijan or other authorized state body and investors:
 - 2.1.1. Net revenues from the sale of hydrocarbons falling on the share of the Republic of Azerbaijan (to deduct expenditures incurred for hydrocarbons transportation, customs clearance and bank costs, marketing, insurance and independent surveyor fees and not to include revenues falling on a participating interest or investment of the State Oil Company of the Republic of Azerbaijan in a project if it is an investor, participant or a contracting party of this project);

- 2.1.2. Oil and gas agreements signature or performance bonuses paid by investors to the State Oil Company of the Republic of Azerbaijan or an authorized state body;
- 2.1.3. Acreage payments due to the State Oil Company or an authorized state body of the Republic of Azerbaijan from investors for the use of contract area in connection with oil and gas exploration and development;
- 2.1.4. Dividends and profit participation revenues falling on the share of the Republic of Azerbaijan in connection with oil and gas agreements implementation (not to include revenues falling on a participating interest or investment of the State Oil Company of the Republic of Azerbaijan in a project if it is an investor, participant or a contracting party of this project);
- 2.1.5. Revenues generated from oil and gas passing over the territory of the Republic of Azerbaijan by means of the Baku-Supsa, Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum export pipelines;
- 2.1.6. Revenues generated from the transfer of assets from investors to the State Oil Company or an authorized state body within the framework of oil and gas agreements;
- 2.2. Revenues generated from the placement, management, sale or other utilization of the Fund's assets (including financial assets and assets handed over by investors within oil and gas contracts), and revenues from asset revaluation and other related revenues;
- 2.3. Grant and other free aid;
- 2.4. Other revenues and receipts in accordance with the legislation.
3. Sale of the Republic of Azerbaijan's share of crude oil and gas shall be carried out by the State Oil Company of the Republic of Azerbaijan.
4. The Cabinet of Ministers of the Republic of Azerbaijan shall prepare within two months proposals on Regulations of the State Oil Fund of the Republic of Azerbaijan and composition of supreme management authorities thereof and submit the same to the President of the Republic of Azerbaijan.

5. To order the National Bank of the Republic of Azerbaijan to secure, prior to commencement of activities by the State Oil Fund of the Republic of Azerbaijan, accumulation of assets of the latter on a special account.
6. This Decree shall come into effect from the day it is signed.

Heydar Aliyev
The President of the Republic of Azerbaijan

Baku, December 29, 1999
№ 240