



JOINT-STOCK COMPANY
KAZAKHSTAN ELECTRICITY GRID OPERATING COMPANY
(KEGOC)

APPROVED BY
The Board of Directors
KEGOC
Minutes No. 3
dated «31» March 2017

APPROVED BY
The General Meeting of Shareholders of
KEGOC
Minutes No. 6
dated «12» May 2017

APPROVED BY
The Management Board of KEGOC
Minutes No. 5
dated «13» March 2017

INSTRUCTIONS

**'METHODOLOGY OF SHARE VALUATION FOR REPURCHASE BY
KEGOC ON THE UNORGANIZED SECURITIES MARKET**

И KEGOC 00-201-17-OCA

Copy No. ___

Revision 1

Effective date _12» May 2017

Astana

1 Scope of Application

- 1.1 These Instructions 'Methodology of share valuation for repurchase by KEGOC on the unorganized securities market' (hereinafter referred to as 'the Methodology') establishes the method for determining the value of the shares to repurchase them by Kazakhstan company Electricity Grid Company (hereinafter referred to as 'KEGOC', 'the Company') on the unorganized securities market.
- 1.2 The Methodology was developed in accordance with the requirements of the Law of the Republic of Kazakhstan 'On Joint Stock Companies' (hereinafter referred to as 'the Law') and the Charter of KEGOC.
- 1.3 The Methodology shall apply if the Company repurchase the outstanding shares on the unorganized securities market:
 - 1) when initiated by the Company with the consent of a shareholder;
 - 2) at the request of a shareholder in cases prescribed by law.
- 1.4 If any issues are not regulated by the Methodology, they shall be settled in accordance with the laws of Kazakhstan.
- 1.5 This standard is an internal regulatory document of KEGOC and shall be disclosed in the public domain.

2 Regulatory References

The Methodology refers to the following regulation legal acts of Kazakhstan and internal regulatory documents:

- Law of Kazakhstan 'On Joint-Stock Companies' (hereinafter referred to as 'the Law');
- KEGOC's Charter;
- CT KEGOC 00-101-10 Company Standard. Document Management.

3 Terms and Definitions

The Methodology uses the terms in accordance with the Law and the following terms defined as follows:

- 3.2 **Shareholder:** the owner of shares;
- 3.2 **Share:** a security that is issued by the Company and certifies the right to participate the Company management, receive dividends on it, and to have a part of the Company's property in case of its liquidation, as well as other rights stipulated by the Law and other laws of Kazakhstan;
- 3.3 **Delisting:** temporary or permanent exclusion of securities from the list of auction organizer;

- 3.4 **Organized securities market:** a marketplace for purchase and sale transactions of securities and other financial instruments in compliance with the internal documents of the auction organizer;
- 3.4 **Unorganized securities market:** a marketplace for purchase and sale transactions of securities and other financial instruments without compliance with the internal documents of the auction organizer;
- 3.6 **Trade Organizer:** stock exchange and quoting organization of the OTC market;
- 3.7 **IPO price:** IPO share price on the organized securities market, in the amount of KZT 505 per 1 ordinary share.

4 Designations and Abbreviations

This Methodology uses the following abbreviations:

KEGOC: Kazakhstan Electricity Grid Operating Company joint stock company;

GMS: General Meeting of Shareholders;

IRD: Investor Relations Department;

ATD: Accounting and Tax Department;

5 Responsibility and Authorisations

- 5.1 The Methodology shall be approved by the GMS.
- 5.2 The Managing Director for Finance and Accounting shall supervise implementation of requirements specified herein.
- 5.3 The Corporate Secretary shall be responsible for implementation of requirements hereof.
- 5.4 The Head of Investor Relations Department shall be responsible for preparation of the Methodology, its compliance with the requirements of laws of Kazakhstan and management thereof in accordance with CT KEGOC 00-101-10.

6 Repurchase of outstanding shares at unorganized securities market initiated by the Company

- 6.1 The outstanding shares shall be repurchased by the Company to implement the shareholders' rights (if the Company must repurchase the Company's shares from a shareholder in accordance with the law) or for other purposes that do not conflict with the laws of Kazakhstan and the Company's Charter.

6.2 The repurchase of the outstanding shares initiated by the Company shall take place upon shareholder's approval in accordance with the Methodology except when the shares are repurchased by the Company on the stock exchange through open trade at current market prices prevailing on the organized securities market, where the Company's shares are traded.

6.3 The repurchase of the outstanding shares initiated by the Company shall be approved by the Board of Directors.

The decision of the Company's Board of Directors to repurchase the outstanding shares of the Company shall contain information on the type, amount of repurchased shares, price, form, terms of payment, and the conditions of repurchase.

6.4 The Company may not repurchase its outstanding shares:

- 1) if the share repurchase makes the Company's capital less than the minimum authorized capital required by the laws of Kazakhstan;
- 2) if at the time of repurchase the Company has the signs of insolvency or bankruptcy in accordance with the laws of Kazakhstan on rehabilitation and bankruptcy or these signs will appear as a result of repurchase of all the shares that need or planned to be repurchased;
- 3) if the court or GMS decided to dissolve the Company;
- 4) if the share repurchase will violate the requirements of the Company's loan agreements.

6.5 If the number of shares repurchased on the initiative of the Company of exceeds 1% (one percent) of the total number of shares, the transaction(s) must be announced by the Company to its shareholders.

The announcement of the Company about repurchase of the outstanding Company's shares must contain information on the type and amount of the repurchased shares, the price, form and terms of payment and the conditions of repurchase, and shall be published in the following media within three (3) working days after the date of transaction approval:

- corporate website of the Company: www.kegoc.kz
- KASE Internet site: www.kase.kz;
- periodicals (including, but not limited to): "Kazakhstanskaya Pravda» (www.kazpravda.kz), daily newspaper, "Egemen Kazakhstan» (www.egemen.kz), daily newspaper.

6.6 If the number of the Company's outstanding shares proposed for repurchase by the shareholders exceeds the number of shares that the Company announces for repurchase, the shares shall be repurchased from shareholders pro-rata to the number of shares held by them.

The proportion coefficient shall be defined by the following formula (1):

$$K = A / C, (1)$$

where K is the proportion coefficient;

A is the total number of shares that could be purchased by the Company (based on the restrictions imposed by the Law)

C is the total amount of the Company's outstanding shares declared for repurchase.

The number of shares that shall be purchased from a shareholder by the Company shall be calculated by multiplying the number of shares declared by the shareholder for repurchase by a proportion coefficient.

- 6.7 The shares that are not traded on the stock exchange may be repurchased on the initiative of the Company and upon approval of a shareholder at a price determined by an independent appraiser, having an appropriate license issued in accordance with the laws of Kazakhstan, on a date not earlier than thirty (30) calendar days prior to approval of the repurchase by the Company's Board of Directors.

7 Repurchase of outstanding shares at unorganized securities market required by shareholder

- 7.1 The repurchase of the outstanding shares of the Company at unorganized securities market requested by shareholder shall take place in accordance with the Methodology.
- 7.2 The placed shares shall be repurchased by the Company at the request of a shareholder of the Company in the following cases:
- 1) if the GMS decided to reorganise the Company and the shareholder participated in the GMS and voted against such decision;
 - 2) if the GMS decided to delist the Company's shares and the shareholder did not participate in the GMS or did participate the GMS and voted against such decision;
 - 3) if the Trade Organizer decided to delist the Company's shares;
 - 4) if a shareholder disagrees with the decision made by the Company in accordance with the procedure set forth in the Law and (or) the Company's Charter to conclude a material transaction and(or) non-arm's length transaction;
 - 5) if the GMS decided to change and amend the Company's Charter and such changes and amendments restrict the rights of a shareholder and such shareholder did not participate in the GMS, or did not participate and voted against such decision).

- 7.3 Within thirty (30) days upon the decision of the Trade Organizer to delist the Company's shares as referred to in paragraph 7.2 herein, a shareholder may demand the Company to repurchase his/her shares by sending a written application to the Management Board of the Company.

A written application must contain a clear and unambiguous request to repurchase the shares, the reason of the request, number and the type of shares that are proposed by the shareholder for repurchase, and the contact details (address, phone, e-mail) of the shareholder.

The Company must repurchase the shares from the shareholder within thirty (30) calendar days after the application is received from the shareholder.

- 7.4 If the number of the placed Company's shares proposed by the shareholders for repurchase exceeds the number of shares that could be repurchased by the Company, such shares shall be repurchased from the shareholders pro-rata to the number of their shares.

The proportion coefficient shall be defined by the following formula (2):

$$K = A / C \quad (2)$$

where K is the proportion coefficient;

A is the total number of shares that could be purchased by the Company (based on the restrictions imposed by the Law)

C is the total amount of the Company's outstanding shares declared for repurchase.

The number of shares that shall be purchased from a shareholder by the Company shall be calculated by multiplying the number of shares declared by the shareholder for repurchase by a proportion coefficient.

- 7.5 The repurchase of shares at the request of shareholders in cases defined in subparagraph 4) of paragraph 7.2 herein shall take place at the IPO price.
- 7.6 The Management Board shall present to the Board of Directors the information about the IPO price for the Board to decide on the repurchase of the Company's shares.
- 7.8 The repurchase of shares at the request of a shareholder in accordance with sub-paragraphs 1), 2), 3), 5) paragraph 7.2 of the Methodology shall take place at the price determined by the Board of Directors using one of three following methods:
- 1) at a price determined by an independent appraiser, having an appropriate license issued in accordance with the laws of Kazakhstan on a date not earlier than thirty (30) calendar days prior to the date of the Board of

Directors' decision to determine the value of the shares repurchased at the request of a shareholder;

- 2) at the IPO price;
- 3) at the book value on the basis of the latest available consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards as of the date of registration in the Company shareholder's application to buy back its shares in the Company.

The book value of the shares shall be calculated in accordance with the formula (3):

$$S = E / Q (3)$$

where S is the book value per share;

E is the book value of equity of the Company on the reporting date;

Q is the total number of issued and outstanding shares on the relevant balance sheet date.

- 7.9 The Management Board shall present to the Board of Directors the results of the calculation of the value of shares in accordance with three methods specified in items 1-3) paragraph 7.8 of the Methodology, to enable the Board of Directors to decide on the value of the Company's shares for the purpose of the share repurchase.

8 Restrictions on repurchase of outstanding shares

8.1 The number of repurchased outstanding shares must not exceed 25% (twenty five percent) of the total outstanding shares, and the cost of repurchase shall not exceed ten percent of the Company's capital:

- 1) if the outstanding shares are repurchased at the shareholder's request and on the date:
 - the GMS makes decisions referred to in items 1), 2) and 5), paragraph 7.2 of the Methodology;
 - the trade organizer makes a decision to delist the Company's shares;
 - a decision is made to conclude a material transaction and(or) non-arm's length transaction;
- 2) as on the date of the decision to repurchase of the Company's outstanding shares, if the outstanding shares are repurchased on the Company's initiative.

8.2 The shares repurchased by the Company shall not be counted in the quorum of the GMS and shall not participate in the voting on the GMS, and no dividends shall be paid on them.

9 Methodology Management

- 9.1 This Methodology shall be managed in accordance with CT KEGOC 00-101-10.
- 9.2 The Methodology shall be approved by the Company's Chairman of the Management Board, Managing Director for Legal Support and Risks, the Managing Director for Finance and Accounting, Head of the Legal Department, Head of Accounting and Tax Department, Head of the Corporate Development with their signatures in the approval sheet (Appendix 1 to this Methodology).
- 9.3 The Methodology shall be mandatorily communicated to the employees of the Investor Relations Department and the Financial and Tax Accounting Department.

Prepared by:
Head of
Investor Relations Department

Dinara Sagintayeva

**Appendix 1
to Instructions.**

**Methodology for valuation of the
shares repurchased by KEGOC on
the unorganised securities market**

Approval Sheet

Form CT KEGOC 00-101-01

Position	Full name	Date	Signature
Chairman of KEGOC's Management Board	Bakytzhan Kazhiyev		
Managing Director for Legal Support and Risks	Kairat Zhakipbayev		
Managing Director for Finance and Accounting	Aibek Botabekov		
Legal Department	Tolegen Safuani		
Accounting and Tax Department	Dinara Mukanova		
Head of Corporate Development Department	Zhuldyz Zhumabayeva		

**Appendix 2
to Instructions.
Methodology for valuation of the
shares repurchased by КЕГОС on
the unorganised securities market**

Ф. СТ КЕГОС 00-101-02

Acknowledgement List

Position	Full name	Date	Signature

