

Minutes No. 8
of the annual General Meeting of Shareholders
of Kazakhstan Electricity Grid Operating Company (KEGOC) JSC

Astana

27 April 2018

Location of Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company (hereinafter - KEGOC or the Company): 59, Tauyelsizdik St., Astana, Republic of Kazakhstan.

Venue of the annual General Meeting of Shareholders of Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company (hereinafter - the Meeting): 11.30 am, 59, Tauyelsizdik Ave., Astana, Republic of Kazakhstan.

On 13 February 2018, the powers of the Chairman of KEGOC's Board of Directors early terminated on his own initiative.

In accordance with Article 56.3 of Kazakhstan Law on Joint-Stock Companies, if the Chairman of the Board of Directors is absent, his/her functions shall be performed by one of members of the Board of Directors based on the decision of the Board of Directors.

On 26 April 2018 (Minutes No. 4) KEGOC's Board of Directors authorized Luca Sutera to represent KEGOC's Board of Directors at the Meeting.

The following members of KEGOC's Board of Directors are present at the Meeting:

1. Anatoliy Spitsyn;
2. Luca Sutera;
3. Dominique Fache;
4. Suinshlik Tiyessov;
5. Zhanna Yegimbayeva;
6. Bakytzhan Kazhiyev.

Luca Sutera, the authorised representative of the Board of Directors, delivered the welcoming speech, he told the audience that the Meeting was convened on the initiative of KEGOC's Board of Directors on 27 April 2018 with the following agenda:

1. Determine number of members, terms of office of KEGOC's Board of Directors, elect its members and the chairman, and determine the rates and terms of remuneration and compensation of expenses for the members of KEGOC's Board of Directors in fulfilment of their duties.

2. Approve the annual financial statements, procedure for distribution of the net income, payment of dividends on ordinary shares and approve the amount of dividends per ordinary share of KEGOC for 2017.

3. Claims from the shareholders in relation to activities of KEGOC and its officers and results of consideration of such claims;

4. Determine number of members, terms of office of KEGOC's Counting Board and election of its members.

The information about the Meeting was published in national print media *Yegemen Kazakhstan* and *Kazakhstanskaya Pravda* on 20 March 2018 and on the website of KEGOC and Kazakhstan Stock Exchange.

Luca Sutera introduced the panel of the Meeting:

1. Luca Sutera, Member of KEGOC's Board of Directors;
2. Daulet Karimov, representative of Samruk-Kazyna as major shareholder;
3. Bakytzhan Kazhiyev, Chairman of KEGOC's Management Board;
4. Yertai Ramazanov, KEGOC's Corporate Secretary.

In accordance with Article 36.1.4 of Kazakhstan Law No. 415 dated 13 May 2003 on Joint-Stock Companies (hereinafter - the Law), the General Meeting of Shareholders of KEGOC determined the number of members and term of office of the Counting Board and elected its Chairman and members.

Luca Sutera gave the floor to Shayakhmet Tokubayev, the Chairman of the Counting Board.

Shayakhmet Tokubayev communicated to the Meeting the information on registration of shareholders and the quorum of the Meeting, clarified rights and responsibilities of shareholders, and indicated that the Meeting shall be entitled to consider and decide on the agenda issues, if by the end of the registration of the meeting participants, the shareholders or their representatives, who hold in aggregate fifty and more percent of the voting shares of the Company, have undergone the registration.

All attending shareholders were registered and powers of shareholders' representatives were properly checked.

During the registration all shareholders, who attended the Meeting, received explanatory notes, draft decisions and voting ballots on the agenda issues.

Shayakhmet Tokubayev informed that in accordance with the list of shareholders of the Company represented by the Company's Registrar - Integrated Securities Registrar JSC - as of 23 April 2018, the placed shares totalled to 260,000,000 including 259,998,610 voting shares and zero preferred shares.

The Meeting is attended by fifteen (15) shareholders (including representatives) entitled to attend and vote at the Meeting. The number of shareholders registered at the Meeting is two hundred and thirty-four million five thousand six hundred and fifty-one (234,005,651), or 90.003 % of the total number of votes of the shareholders - owners of the Company's placed shares.

Quorum of the Meeting is present.

Luca Sutera gave the floor to Bakytzhan Kazhiyev, Chairman of KEGOC's Management Board.

Bakytzhan Kazhiyev made a welcoming speech and proposed KEGOC's shareholders to consider the Meeting open.

After that, pursuant to Article 48.4 of the Law stating that the Meeting shall decide on the form of voting: open or secret (by ballots); Bakytzhan Kazhiyev offered an open form of voting.

After discussion the shareholders agreed on the open form of voting.

Voting results:

The shareholders voted by majority votes 'Pro' the open form of voting.

Voting was conducted according to the principle 'one shareholder - one vote'.

DECIDED to:

Define the form of voting on agenda items open.

Bakytzhan Kazhiyev proposed to elect Daulet Karimov (the representative of the major shareholder Samruk-Kazyna) the Chairman of the Meeting to conduct the Meeting.

Voting results:

The shareholders by majority votes decided to elect Daulet Karimov, the representative of the major shareholder Samruk-Kazyna, the Chairman of the Meeting.

Voting was conducted according to the principle 'one shareholder - one vote'.

DECIDED to:

Elect Daulet Karimov, the representative of the major shareholder Samruk-Kazyna, the Chairman of the Meeting.

Bakytzhan Kazhiyev continued. In accordance with Article 1.12 of the Law, as part of his activity, the Corporate Secretary of the Company shall monitor the preparation and holding of the shareholders' meetings, ensure the compilation of the materials on the agenda of the General Meeting of Shareholders of the company.

In this regard, it is proposed to elect Yertai Ramazanov, the Corporate Secretary of the Company, the Secretary of the Meeting.

Voting results:

The shareholders by majority votes decided to elect Yertai Ramazanov, the Corporate Secretary of the Company, the Secretary of the Meeting.

Voting was conducted according to the principle 'one shareholder - one vote'.

DECIDED to:

Elect Yertai Ramazanov the Secretary of the Meeting.

Daulet Karimov welcomed the shareholders and thanked for electing him the Chairman of the Meeting, then he informed of the Meeting regulations:

- speaking on agenda items: up to 10 minutes;
- voting form: open;
- voting: 3 minutes;
- canvassing: 3 minutes;
- counting of votes and announcement of results: 10 minutes;
- questions and answers: 10 minutes.

Chairman of the Meeting Daulet Karimov announced the agenda of the Meeting formed by the Company's Board of Directors, which includes the following items:

1. Determine number of members, terms of office of KEGOC's Board of Directors, elect its members and the chairman, and determine the rates and terms of remuneration and compensation of expenses for the members of KEGOC's Board of Directors in fulfilment of their duties.

2. Approve the annual financial statements, procedure for distribution of the net income, payment of dividends on ordinary shares and approve the amount of dividends per ordinary share of KEGOC for 2017.

3. Claims from the shareholders in relation to activities of KEGOC and its officers and results of consideration of such claims;

4. Determine number of members, terms of office of KEGOC's Counting Board and election of its members.

The Chairman of the Meeting, Daulet Karimov, informed the shareholders that no proposals on changing the agenda of the Meeting had been received, in accordance with Article 43.3 of the Law, and put the item 'Approval of the agenda of the annual General Meeting of Shareholders of KEGOC' to vote.

Voting results:

'Pro' – 234,005,651 votes (100%)

'Contra' – 0

'Abstain' – 0

Voting was conducted according to the principle 'one share - one vote'.

DECIDED to:

Approve the following agenda of the Meeting:

1. Determine number of members, terms of office of KEGOC's Board of Directors, elect its members and the chairman, and determine the rates and terms of remuneration and compensation of expenses for the members of KEGOC's Board of Directors in fulfilment of their duties.

2. Approve the annual financial statements, procedure for distribution of the net income, payment of dividends on ordinary shares and approve the amount of dividends per ordinary share of KEGOC for 2017.

3. Claims from the shareholders in relation to activities of KEGOC and its officers and results of consideration of such claims;

4. Determine number of members, terms of office of KEGOC's Counting Board and election of its members.

On the first issue of agenda the Chairman of KEGOC's Management Board informed that in accordance with Article 36.1.5 of the Law of the Republic of Kazakhstan on Joint-Stock Companies (hereinafter referred to as 'the Law'), and Article 22.1.11 of KEGOC's Charter, determination of the number of members, term of office of the Board of Directors, election of its members and early termination of their office and determination of the salary rates and terms of remuneration and compensation of expenses for the members of the Board of Directors in fulfilment of their duties shall refer to the exclusive jurisdiction of the General Meeting of Shareholders.

In accordance with Article 55.2 of the Law, the term of office of KEGOC's Board of Directors shall expire at the time the General Meeting of Shareholders is held where new members of the Board of Directors are elected.

On 30 April 2015 the General Meeting of Shareholders (Minutes No.1) determined the composition of KEGOC's Board of Directors, elected the Chairman of KEGOC's Board of Directors, determined terms of office, rates and terms of remuneration.

On 28 October 2016 the General Meeting of Shareholders (Minutes No. 5) elected two (2) representatives of Samruk-Kazyna to KEGOC's Board of Directors, the number of members of KEGOC's Board of Directors increased to 8 members. The meeting also decided on the powers, rates, procedure and terms of remuneration to the newly elected members of KEGOC's Board of Directors.

Considering the above and the fact that, in accordance with the decision of the General Meeting of Shareholders dated 30 April 2015, the term of office of the Board of Directors expires on 30 April 2018, KEGOC suggests that the General Meeting of Shareholders determine the number of members, term of office of KEGOC's Board of Directors, elect its members and the Chairman and determine the rates and terms of remuneration and compensation of expenses for the members of KEGOC's Board of Directors in fulfilment of their duties to ensure continuous execution of the functional responsibilities by KEGOC's Board of Directors, secure the interests of the Company and protect the shareholders' rights, establish policies and rules of the Company's operations, and also ensure understanding of and compliance with the obligations of the Company to the General Meeting of Shareholders and others.

In accordance with Article 24.6 of KEGOC's Charter the number of members of the Board of Directors shall be from seven to eleven people, and the recommended number of independent directors in the Board of Directors shall be up to fifty percent of the total number of members of the Board of Directors.

Based on the above, the Meeting shall:

- 1) determine the number of members of KEGOC's Board of Directors;
- 2) elect the members of KEGOC's Board of Directors;
- 3) elect the Chairman of KEGOC's Board of Directors;
- 4) determine the terms of office of KEGOC's Board of Directors that shall not exceed three (3) years;

5) determine the amount of annual fixed and additional (for participation in each meeting in praesentia of the Committee of KEGOC's Board of Directors) remuneration for the independent directors;

6) determine the procedure and terms of remuneration and compensation of expenses of members of KEGOC's Board of Directors associated with their travel to the place of meetings of the Board of Directors held outside the place of their permanent residence.

Samruk-Kazyna as KEGOC's major shareholder supports the decision proposed by the Company (the decision was available on the Company's official website). Meanwhile, according to Article 14.1.5) of Kazakhstan Law on Joint-Stock Companies, taking into account the term of Luca Sutera as a member of the Board of Directors, Samruk-Kazyna proposes for the Meeting not to extend the powers of independent director Luca Sutera.

Taking into account the abovementioned and Samruk-Kazyna's proposals, the Meeting is proposed to:

1. Determine the membership of the Board of Directors as seven (7) members.
2. Elect the members of the Board of Directors as follows:
 - 1) Ibragim Tagashev, Director of the Asset Management Directorate of Samruk-Kazyna, representative of Samruk-Kazyna;
 - 2) Suinshlik Tiyyessov, representative of Samruk-Kazyna;
 - 3) Zhanna Yegimbayeva, representative of Samruk-Kazyna;
 - 4) Dominique Fache, independent director;
 - 5) Janusz Bialek, independent director;
 - 6) Bakytzhan Kazhiyev, Chairman of the Management Board.
3. Elect Ibragim Tagashev the Chairman of KEGOC's Board of Directors.
4. Determine the term of office of KEGOC's Board of Directors as three (3) years.
5. Determine for the representatives of Samruk-Kazyna Suinshlik Tiyyessov and Zhanna Yegimbayeva (hereinafter referred to as representatives of Samruk-Kazyna) the annual fixed remuneration out of KEGOC funds in the amount of six million five hundred thousand tenge (KZT 6,500,000) after retention of taxes and other mandatory payments in accordance with the legislation of the Republic of Kazakhstan;
6. Determine remuneration for independent directors Dominique Fache and Janusz Bialek - non-residents of Kazakhstan in the amount of:
 - 1) fixed annual fee of forty thousand (40,000) US dollars;
 - 2) additional remuneration for participation in each meeting in praesentia of the Committee: one thousand four hundred US dollars (USD 1,400), at the tenge exchange rate of the National Bank of the Republic of Kazakhstan at the date of the meeting in praesentia of the Committee of KEGOC's Board of Directors.
7. Determine that the amounts of remuneration in paragraph 6 hereof are specified before retention of taxes and other mandatory payments to the national budget in accordance with the Tax laws of the Republic of Kazakhstan.
8. The procedure and terms of remuneration and compensation of expenses for the independent directors of KEGOC and representatives of Samruk-Kazyna shall be determined in accordance with new revision of ПП КЕГОС ИД-311-16-ОСА Rules for payment of remuneration and compensation of expenses of members of KEGOC's Board of Directors approved by the decision of the General Meeting of Shareholders of KEGOC dated 12 May 2017 (Minutes No. 6).
9. Representatives of Samruk-Kazyna at KEGOC's Board of Directors, in accordance with the established procedure, shall ensure that the Nomination and Remuneration Committee of the Board of Directors search, select and provide recommendations to Samruk-Kazyna on candidates to KEGOC's Board of Directors.
10. Ibragim Tagashev shall take the required measures arising out of this decision under the established procedure.

Having reviewed the provided materials, the Chairman of the Meeting Daulet Karimov put the item 'Determine the number of members, terms of office of KEGOC's Board of Directors, election of its members and the chairman, and determination of the rates and terms of remuneration and compensation of expenses for the members of KEGOC's Board of Directors in fulfilment of their duties' to vote.

Voting results:

'Pro' – 234,005,216 votes (99.9998%)

'Contra' - 0

'Abstain' – 435 votes (0.0002%)

Voting was conducted according to the principle 'one share - one vote'.

In accordance with Article 36.1.5) and Article 55.2 of the Law of the Republic of Kazakhstan on Joint-Stock Companies and Article 21.1.7) of KEGOC's Charter, **the Meeting DECIDED to:**

1. Determine the membership of the Board of Directors as seven (7) members.
2. Elect the members of the Board of Directors as follows:
 - 1) Ibragim Tagashev, Director of the Asset Management Directorate of Samruk-Kazyna, representative of Samruk-Kazyna;
 - 2) Suinshlik Tiyessov, representative of Samruk-Kazyna;
 - 3) Zhanna Yegimbayeva, representative of Samruk-Kazyna;
 - 4) Dominique Fache, independent director;
 - 5) Janusz Bialek, independent director;
 - 6) Bakytzhan Kazhiyev, Chairman of the Management Board.
3. Elect Ibragim Tagashev the Chairman of KEGOC's Board of Directors.
4. Determine the term of office of KEGOC's Board of Directors as three (3) years.
5. Determine for the representatives of Samruk-Kazyna Suinshlik Tiyessov and Zhanna Yegimbayeva (hereinafter referred to as representatives of Samruk-Kazyna) the annual fixed remuneration out of KEGOC funds in the amount of six million five hundred thousand tenge (KZT 6,500,000) after retention of taxes and other mandatory payments in accordance with the legislation of the Republic of Kazakhstan;
6. Determine remuneration for independent directors Dominique Fache and Janusz Bialek - non-residents of Kazakhstan in the amount of:
 - 1) fixed annual fee of forty thousand (40,000) US dollars;
 - 2) additional remuneration for participation in each meeting in praesentia of the Committee: one thousand four hundred US dollars (USD 1,400), at the tenge exchange rate of the National Bank of the Republic of Kazakhstan at the date of the meeting in presentia of the Committee of KEGOC's Board of Directors.
7. Determine that the amounts of remuneration in paragraph 6 hereof are specified before retention of taxes and other mandatory payments to the national budget in accordance with the Tax laws of the Republic of Kazakhstan.
8. The procedure and terms of remuneration and compensation of expenses for the independent directors of KEGOC and representatives of Samruk-Kazyna shall be determined in accordance with new revision of ИП КЕГОС ИД-311-16-OCA Rules for payment of remuneration and compensation of expenses of members of KEGOC Board of Directors approved by the decision of the General Meeting of Shareholders of KEGOC dated 12 May 2017 (Minutes No. 6).
9. Representatives of Samruk-Kazyna at KEGOC's Board of Directors, in accordance with the established procedure, shall ensure that the Nomination and Remuneration Committee of the Board of Directors search, select and provide recommendations to Samruk-Kazyna on candidates to KEGOC's Board of Directors.

10. Ibragim Tagashev shall take the required measures arising out of this decision under the established procedure.

On the second issue of agenda the Chairman of the Management Board Bakytzhan Kazhiyev informed that according to Articles 36.1.7 and 36.1.8 of the Law of the Republic of Kazakhstan on Joint-Stock Companies, and Articles 22.1.17 and 22.1.18 of KEGOC's Charter (hereinafter referred to as 'the Company') the approval of the annual financial statements and the procedure for distribution of the net income for the reporting financial year, decision on payment of dividends on ordinary shares and approval of the dividend rate per one ordinary share of the Company shall fall within the exclusive competence of the General Meeting of Shareholders.

Ernst&Young LLP, independent audit firm, audited the financial statements for the year ended on 31 December 2017.

According to the audit opinion of Ernst & Young, the consolidated and separate financial statements reliably reflect KEGOC's financial health in all material aspects as of 31 December 2017, as well as KEGOC's financial performance and cash flows for the year ended on the mentioned date as per the International Financial Reporting Standards.

The period from 2013 to 2017 observes a positive and steady dynamics of revenue growth mainly due to the increased volume of rendered services and the changed tariffs.

Revenues from KEGOC's core business for 2017 increased by 17.2% up to KZT 152.4 billion compared to 2016 (for 2016: KZT 130 billion). The revenue growth is mainly due to increased tariffs and volumes of rendered services, increased revenues from purchased renewable energy sale.

In particular, the revenues from electricity transmission services increased by 17% or KZT 14 billion in absolute terms as compared to 2016, revenues from technical dispatching services increased by 11% or KZT 2 billion. At the same time, revenues of KEGOC's subsidiary FSC RES from the sale of renewable electricity increased by KZT 4.6 billion, or 43%, compared to 2016.

These revenues increased mainly due to the increased volume of purchased and sold electricity generated by renewable energy sources as a result of the commissioning of new facilities and, the growth of the average price of sales of purchased electricity.

The cost of sale in 2017 amounted to KZT 89.4 billion and compared to the same period last year increased by 12.6% or KZT 10 billion (in 2016: KZT 79.4 billion).

The increase was caused by the growth of cost of sales of electricity purchased from RES by KZT 4.5 billion or 43% as a result of increase in the amount of purchased and sold electricity generated by RES facilities and the average price of purchased electricity, as well as due to the increase by KZT 2.1 billion or 13% of costs for electricity purchase to compensate technical loss because of the increased amount of electricity transmission services.

The general and administrative expenses in 2017 amounted to KZT 13.1 billion and decreased by 25.5% or KZT 4.5 billion compared to 2016 (in 2016: KZT 17.6 billion). The decrease in general and administrative expenses was due to recovery of expenses related to the accrual of provisions for doubtful debt, by KZT 2.3 billion or almost two times less thanks to the debt repayment by UzbekEnergO.

In 2017 Uzbekenergo repaid the debt for services rendered in 2013-2014 to the amount of USD 22.637 thousand or KZT 7.5 billion. Also there was a decrease in tax expenses by KZT 1.6 billion or 19% due to the additional accrual in 2016 of property tax for 2015 and 2016 due to the change in the National Classification of the Republic of Kazakhstan 'Fixed Assets Classifier'.

Due to the above factors, the operating profit based on the work results for 2017, excluding the recoveries of impairment and fixed assets impairment losses, increased by 51% or KZT 17 billion and amounted to KZT 50 billion.

The increase in the operating profit demonstrates high efficiency of the work performed by KEGOC on optimization of expenses and tariffing, including through the implementation of the business transformation program.

The balance sheet assets value and cost of construction in progress as of 31 December 2017 amounted to KZT 535.3 billion and increased compared to the beginning of the year by 6% (as of 31 December 2016 - KZT 500.9 billion), mainly due to the active implementation of investment projects.

In order to meet the Kazakhstan consumers' demand for electricity and provide export and transit potential, the Company rehabilitates the national power grid and constructs new power facilities. Under the Nurly-Zhol programme, the Company proceeded with the implementation of the large-scale 500 kV Shulbinsk HPP (Semey) - Aktogai - Taldykorgan - Alma Electricity Transmission Construction Project, the total cost of which is KZT 98.8 billion.

At the end of 2017, the debt decreased by KZT 13.3 billion. This reduction is due to the decrease in loan liabilities by KZT 48.7 billion as a result of early loan repayment under Ossakarovka Transmission Rehabilitation Project and partial early loan repayment under Kazakhstan Electricity Transmission Rehabilitation Project, Phase II, and changes in foreign currencies exchange rates to Kazakhstan tenge. At the same time, there was an increase in bond obligations by KZT 35.4 billion mainly due to the placement of the second tranche with the nominal value of KZT 36.3 billion in 2017 and repayment of coupon interest on the first tranche in the amount of KZT 8.8 billion.

Thanks to the reduction in debt and the growth of equity capital, the debt/equity ratio decreased by 8% compared to 2016, which indicates the strengthening of the Company's financial position.

The Company placed two tranches of coupon bonds during 2016 and 2017 on the trading platform of Kazakhstan Stock Exchange JSC.

Within the first bond issue in 2016, the Company raised cash in the amount of KZT 49 billion, within the second tranche in 2017 - KZT 36.3 billion. The current coupon rates on bonds are 10.6% and 11.5% respectively.

The dividend policy of the Company provides for the payment of dividends of not less than 40% of net income. Moreover, the dividends can be paid twice a year.

The company executed four dividend payments for the period from 2014 to the first half of 2017 with a total of KZT 37.6 billion.

Taking into account the financial position and results of KEGOC's activity, 70% of net income for 2017 is suggested to be allocated.

At that, since the income in the financial statements for 2017 is represented on an accrual basis for the entire year, and the dividends have already been paid to the amount of KZT 12.6 billion for H1 2017, it is proposed to reduce the amount to be allocated by the amount of dividends that have already been paid based on H1 2017 results.

Thus, the total amount of dividends to be allocated made KZT 10.4 billion for all holders of ordinary shares of the Company, which is KZT 40.13 per one ordinary share.

In accordance with the Corporate Governance Code of the Company, at the annual general shareholders' meeting the Chairman of the Board of Directors shall provide the shareholders with the annual report of the Company. In this regard the authorised representative of the Board of Directors of the Company Luca Sutera informed, for the purpose of information disclosure about KEGOC's performance for 2017 to the shareholders and other stakeholders of KEGOC, that KEGOC's Annual Report for 2017 was prepared. The annual report considered the requirements of KEGOC's Corporate Governance Code and the Listing Rules of the Kazakhstan Stock Exchange. The Annual Report discloses the results of the operating, investing, financial, economic and social activities of KEGOC in 2017.

KEY EVENTS

2017 was the year of celebration of the 20th anniversary of KEGOC.

The Company's operations were highly appreciated by Nursultan Nazarbayev, the President of the Republic of Kazakhstan. In his congratulatory letter, he noted that today the history of KEGOC, with its many thousands of employees, is inextricably linked with the history of development of the country's economy. The Head of State stressed that the Company, as the System Operator of the Kazakhstan's Unified Power System, provides reliable power supply to all sectors of the economy.

In 2017 Kazakhstan saw the increase in electricity generation and consumption compared to 2016: electricity generation grew by 8.8% (or by 8.3 billion kWh) and amounted to 102.4 billion kWh; electricity consumption grew by 6% (or by 5.5 billion kWh) and reached 97.9 billion kWh. The amount of services provided by KEGOC grew by an average of 9%.

The main indicator of successful financial performance in 2017 was the amount of net profit of about KZT 32.9 billion, which was the highest in our 20-year history.

The Company's shares also showed high liquidity and stable growth. Their value in November 2017 reached a historical maximum of KZT 1,434 per share. This is almost three times higher than the nominal price.

In the reporting year, to implement the President Nazarbayev's message titled 'Third modernization of Kazakhstan: global competitiveness', the Company operated in accordance with the state programme 'Digital Kazakhstan' developed by the Government of the Republic of Kazakhstan. KEGOC seeks to establish its niche in a country's strategy of creating the new technological order.

The past year was also successful in terms of developing international relations with regional partners. The Company positively resolved the issue of non-payment by the energy system of Uzbekistan, Uzbekenergo fully repaid the main debt to KEGOC under contracts for the supply of electricity and power control for 2011-2017. The total amount of debt paid by Uzbekenergo was about USD 143 million.

One of the keys to the Company's high performance was the observance of high standards of corporate governance based on the best world practices and enshrined in the requirements of KEGOC's Corporate Governance Code. A great contribution to it was made by the Board of Directors, consisting of highly professional, experienced directors who are qualified in all areas necessary for making effective decisions. The composition of the Board of Directors of KEGOC in 2017 did not change and remained well balanced as it included representatives of a major shareholder and independent directors. This existing membership delivered unbiased and quality managerial decisions taking into account the interests of various parties, and consistent with the Company's development strategy. As a result, KEGOC's corporate governance rating is one of the highest in Samruk-Kazyna group of companies.

One of KEGOC's key development areas is social and labour relations.

Over the past few years, KEGOC has been the leader in Samruk-Kazyna group of companies in the Social Stability Rating. According to the results of the survey, this rating in 2017 grew from 82% to 88%, and, as a result, the Company became the country-wide leader.

The Board of Directors paid special attention to the implementation of the Business Transformation Programme initiated by Samruk-Kazyna to establish effective administration, increase the Company's profitability, create favourable investment conditions, and support the introduction of innovative technologies: the Board approved the Roadmap for the implementation of the programme, and quarterly monitored its progress. In 2017, the Company introduced a new organizational structure, which was developed taking into account the best practices and was based on the analysis of the existing business

processes and the KPI tree. As a result, the size of the administrative apparatus has been reduced from 15% to 12%.

On the whole KEGOC will continue to improve efficiency of all business areas and certainly retain leadership in the industry and trust of shareholders and partners.

In 2017, the Board of Directors held nine meetings in praesentia and two meetings in absentia, where 155 issues were considered with relevant decisions made. The following issues were reviewed: strategic, financial-economic and investment issues; issues on corporate governance, risks; HR policy; activities of subsidiaries, etc.

KEGOC established four committees to review the most important issues and prepare recommendations to the Board of Directors:

Audit Committee;

Nomination and Remuneration Committee;

Strategic Planning and Corporate Governance Committee;

Occupational Health, Safety and Environmental Protection Committee;

The Committees are advisory bodies of the Board of Directors. All proposals worked out by the Committees are recommendations to be submitted to the Board of Directors for review.

In 2017, the Strategic Planning and Corporate Governance Committee held eight meetings in praesentia, reviewed 24 issues and provided recommendations on them to the Board of Directors.

In 2017, the Nomination and Remuneration Committee held nine meetings in praesentia, reviewed 38 issues, and provided the appropriate recommendations to the Board of Directors.

In 2017, the Occupational Health, Safety, and Environmental Protection Committee held six meetings in praesentia, reviewed 10 issues and provided recommendations on them to the Board of Directors.

In 2017, the Audit Committee held ten meetings in praesentia, reviewed 71 issues, and provided the appropriate recommendations to the Board of Directors.

Rules on assessment of performance of the Board of Directors and its committees, the Chairman and members of the Board of Directors of KEGOC provide for annual evaluation of performance of KEGOC's Board of Directors including during the independent corporate governance diagnostics. In 2017, Samruk-Kazyna jointly with PwC carried out the independent diagnostics of corporate governance of KEGOC, which provides for assessment of the efficiency of the Board of Directors. Based on the diagnostics results the component 'The Efficiency of the Board of Directors and the Executive Body' was rated at BB, i.e. corresponding in all material respects to the majority of established criteria.

In accordance with the Rules of remuneration and compensation of expenses for the members of the Board of Directors of KEGOC, independent directors shall be remunerated for the duration of their assignment, and the expenses associated with such assignment shall be compensated.

The remuneration of the independent directors of KEGOC includes:

annual fixed fee;

additional remuneration for participation in the meetings in praesentia of the committees.

Based on the decision of the General Meeting of Shareholders dated 28 October 2016, a member of the Board of Directors elected as representative of KEGOC's major shareholder (Samruk-Kazyna) for performance of the duties shall be paid a fixed annual remuneration.

The Director shall be compensated for the expenses associated with his/her travel to meetings of the Board of Directors, committees of the Board of Directors and the meetings held beyond the place of permanent residence of the independent director.

The labour payment and remuneration procedure for KEGOC Management Board members shall be outlined in the Regulations on KEGOC Management Board, as well as the Rules for labour payment and remuneration to the executive employees, employees of the Internal Audit Service and the Corporate Secretary of KEGOC. The remuneration system for the Chairman and the members of the Management Board includes a salary and a year-end remuneration. A year-end remuneration in KEGOC shall be paid within the limits of cash assets provided in the budget of KEGOC upon approval of the results of the financial and economic performance based on the audited financial statements. The payment of remuneration is mainly conditioned by the consolidated total income for the reporting period. The remuneration is not accrued on a constant basis. The performance of the Chairman and members of the Management Board shall be assessed using the motivational key performance indicators which shall be developed through KEGOC strategic goals cascading by specific indicators on business processes/areas of KEGOC operations in the form of KPI maps. The right to remuneration for the year-end results shall be owned by the members of the Management Board who actually worked during the reporting period not less than five (5) months based on the KPI achievements for the reporting period. The maximum remuneration for the planned period shall be approved by the Board of Directors. The total amount paid in 2017 to the members of the Board of Directors and the Management Board of KEGOC as of 31 December 2017 amounted to KZT 372 million.

The annual report of KEGOC for 2017 is prepared in accordance with the Corporate Governance Code and the requirements of the Listing Rules of the Kazakhstan Stock Exchange for disclosure of information in annual reports.

The annual report comprises the information on the results of the Company's activities for 2017, such as:

general information, including history, mission, purpose in the industry, production structure;

Key events of KEGOC in 2017;

- dividend policy;

- risk management and internal control system,

- information policy;

- tariff policy;

- results of the operating, investing, financial and economic activities of KEGOC in 2017;

- information on sustainability activities including HR policy, environmental protection activities and occupational safety.

The Annual Report shall also contain:

KEGOC's corporate governance information including compliance with the Corporate Governance Code, and the Report on performance of the Board of Directors and Committees of the Board of Directors of KEGOC for 2017.

Having considered the submitted materials, the Chairman of the Meeting, D. Karimov, put to the vote the issue 'Approval of the annual financial statements, distribution of the net income, payment of dividends on ordinary shares and the amount of dividends per one ordinary share of KEGOC for 2017'.

Voting results:

'Pro' - 234,005,651 votes (100%)

'Contra' - 0

'Abstain' - 0

Voting was conducted according to the principle 'one share - one vote'.

Having reviewed the agenda issue and submitted materials, in accordance with Article 36.1.7) and 36.1.8) of the Law of the Republic of Kazakhstan and Article 21.1.11)

and 21.1.12) of the Charter of the Company, **the General Meeting of Shareholders of KEGOC DECIDED to:**

1. Approve the annual financial statements of KEGOC for 2017 (Appendix to Minutes hereto).

2. Approve the following procedure for distribution of net income of Kazakhstan Electricity Grid Operating Company (KEGOC) joint-stock company (address: 59 Tauyelsizdik Ave, Astana, BIN 970 740 000 838, VAT registration certificate Series 62001 No.0016310 dated 12 September 2012, KBE 16, ATF Bank, SWIFT BIC: ALMNKZKA, KZ45826Z0KZTD2001154 (tenge), for 2017:

- to allocate the amount equal to KZT 10,433,744,219.30 (ten billion four hundred thirty-three million seven hundred forty-four thousand two hundred nineteen tenge and thirty tiyn) to pay dividends accounting for 70.002298397% of KEGOC net income for 2017 amounted to KZT 32,881,316,000 (thirty-two billion eight hundred eighty-one million three hundred sixteen thousand dollars tenge) less the previously paid dividends for H1 2016 in the amount of KZT 12,583,932,724 (twelve billion five hundred eighty-three million nine hundred thirty-two thousand seven hundred twenty-four tenge), for all holders of ordinary shares of KEGOC;

- the remaining part in the amount of KZT 9,863,639,056.70 (nine billion eight hundred sixty three million six hundred thirty nine thousand fifty six tenge seventy tiyn), accounting for 29.997701603% of KEGOC's net income for 2017, shall be left at the disposal of KEGOC for development.

3. Approve the amount of the dividend per ordinary share of KEGOC in the amount of KZT 40.13 (forty tenge thirteen tiyn).

4. Finalize the list of KEGOC's shareholders, who are entitled to obtain dividends on KEGOC's ordinary shares for 2017, on 00.00 am, 14 May 2018.

5. Determine the date to start payments of dividends as 15 May 2018.

6. Pay the dividends within ninety (90) calendar days from the moment of making the decision on paying the dividends through non-cash transaction to the shareholders' accounts:

1) on KEGOC's ordinary shares nominally held by the Central Securities Depository: through the paying agent represented by the Central Securities Depository;

2) on KEGOC's ordinary shares nominally not held by the Central Securities Depository: by KEGOC itself.

7. The Chairman of the Management Board - Bakytzhan Kazhiyev to take the required actions to implement this decision.

The Chairman of the Management Board, Bakytzhan Kazhiyev, spoke on the **third issue** of the agenda and informed that in accordance with Article 35.2.3) of the Law of Kazakhstan On Joint Stock Companies and Article 15.3 of KEGOC's Charter the Annual General Meeting of Shareholders shall consider the claims from shareholders in relation to activities of KEGOC and its officials, and results of consideration of such claims.

From 1 January to 31 December 2017, there were no claims from the shareholders in relation to activities of KEGOC and its officers.

Having reviewed the submitted materials, D. Karimov, Chairman of the Meeting put the issue 'Claims from shareholders in relation to activities of KEGOC and its officials, and results of consideration of such claims' to vote.

Voting results:

'Pro' – 234,005,651 votes (100%)

'Contra' - 0

'Abstain' - 0

Voting was conducted according to the principle 'one share - one vote'.

Having reviewed the agenda issue in accordance with Article 35.2.3) of the Law of Kazakhstan On Joint Stock Companies and Article 16.3 of KEGOC's Charter, **the Meeting DECIDED to:**

Take note of the absence of claims from the shareholders in relation to activities of KEGOC and its officers.

The Chairman of the Management Board, Bakytzhan Kazhiyev, spoke on the **fourth issue** of the agenda and informed that in accordance with Article 46 of the Law On Joint Stock Companies, the counting board shall be elected by the General Meeting of Shareholders, the number of shareholders of which is one hundred or more.

The Counting Board shall consist of at least three people and its members can not include members of the collegial bodies of the company.

The Counting Board shall:

- 1) examine the credentials of people who have arrived to participate in the general meeting of shareholders;
- 2) register the participants of the general meeting of shareholders and give them the materials on the agenda of the general meeting of shareholders;
- 3) determine the validity of the received absentee voting ballots and count the number of the valid ballots and their votes on each agenda item;
- 4) confirm the presence of quorum of the general meeting of shareholders, including during the time of the meeting and announce the presence or absence of a quorum;
- 5) clarify the rights of shareholders at the general meeting of shareholders;
- 6) count votes on the issues reviewed by the general meeting of shareholders and the voting results;
- 7) keep the minutes of the voting at the general meeting of shareholders;
- 8) convey the ballot papers and the voting minutes to the company's archives.

The Counting Board shall ensure the confidentiality of the information contained in the completed ballots at the general meeting of shareholders.

As powers of the current members of the Counting Board that were elected by the general meeting on 30 April 2015 (minutes No.1) expired on 30 April 2018, the general meeting of shareholders is now proposed to consider seven candidates from KEGOC's departments for the Counting Board members and elect them as such for three years.

Having reviewed the submitted materials, D. Karimov put the issue 'Determine the number of members, terms of office of the Counting Board of the General Meeting of KEGOC's shareholders and elect its members' to vote.

Voting results:

'Pro' – 234,005,651 votes (100%)

'Contra' - 0

'Abstain' - 0

Voting was conducted according to the principle 'one share - one vote'.

Having reviewed the agenda issue in accordance with Article 36.1.4) of the Law of the Republic of Kazakhstan On Joint-Stock Companies and Article 22.1.10) of KEGOC's Charter, **the Meeting DECIDED to:**

1. Determine the number of members of the Counting Board of KEGOC as seven (7) members and their terms of office in the Counting Board as three years.

2. Approve the proposed candidates for the members of the Counting Board of KEGOC as follows:

1) Shayakhmet Tokubayev, Chairman of the Counting Board;

Members of the Counting Board:

2) Daniyar Shugayev;

3) Murat Zhunussov;

4) Arman Meyrzhanov;

5) Asset Satymbekov;

6) Aigerim Doskhozina;

7) Altynai Koshanova.

3. The Chairman of Management Board of KEGOC (Bakytzhan Kazhiyev) shall take appropriate actions arising from this decision.

Mr. Karimov, the Chairman, announced that the agenda for the meeting was through and thanked the shareholders, the members of the Board of Directors, the Management Board and the invited persons for participation.

The meeting of the General Meeting of Shareholders closed at 12.40 pm.

Secretary of the annual General Meeting of Shareholders  **Ye. Ramazanov**

Manager of Translation Division,
Business Initiatives and Projects Department  **D. Zhiyenbekova**