



CORPORATE ISSUES

INDUSTRY AND LEGAL UPDATE

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Industry Update

21 October 2013

State shareholding in Rosinbank to be redeemed at 4.1 ml. KGS

A 10% public shareholding in Rosinbank can be redeemed at 4.1 ml. KGS, reported Olga Lavrova, Minister of Finance to the meeting of the Parliamentary Committee for Budget and Finance.

According to the minister, the funds must be allocated by the end of October.

Parliamentarians objected to allocating the requested amount. But after discussion they decided to revert to this issue at the next meeting.

In May 2013, the Russian investor, Investment Trading Business Holding OJSC, acquired a 90% stake in the Kyrgyz bank, Zalkar Bank, that was established on the basis of 'good' assets of Asia Universal Bank. In 2011, four public auctions for Zalkar Bank failed to occur due to lack of bids. At the request of the International Finance Corporation (IFC), the auction scheduled for December 2012 was postponed to late January 2013, but failed to occur due to lack of bids.

21 October 2013

Public shareholding in Alfa Telecom CJSC evaluated at 5.4 – 5.8 billion

Legal Update

28 October 2013

Kyrgyz Parliamentary Committee for International Affairs approves ratification of agreement for sale of Kyrgyzgaz

Kyrgyz Parliamentary Committee for International Affairs approved the bill on ratification of the agreement between the Kyrgyz and Russian Governments on cooperation in the field of transportation, distribution and sale of natural gas. Parliamentarians recommended Parliament to approve the sale of Kyrgyzgaz to the Russian company Gazprom after third reading.

The intergovernmental agreement on privatization of Kyrgyzgaz by Russian Gazprom at \$1 with debt takeover was signed on July 26, 2013 in Moscow. In Autumn, the agreement was submitted to Parliament for consideration and in case of its ratification, Kyrgyzgaz will pass to the Russian company. Gazprom undertakes to ensure uninterrupted supplies of gas to Kyrgyzstan and to invest 20 billion Roubles in the modernization and reconstruction within 5 years. If desired, Kyrgyzstan can redeem the enterprise from Gazprom in 25 years. The Kyrgyz side will continue to set retail gas prices.

05-10-13, 12:42

Antimonopoly Agency announces inclusion of Sky Mobile LLC

KGS

A 49% public shareholding in Alfa Telecom CJSC was evaluated at 5.4 – 5.8 billion KGS, reported the interdepartmental committee for evaluation of state assets of the State Property Fund of the Kyrgyz Republic.

The above committee reviewed an evaluation report for a 49% stake in Alfa Telecom CJSC (Megacom brand) prepared by Al Star Evaluation Center LLC and Ernst & Young LLP.

A 51% stake is put under distraint by the government.

18 October 2013

Tender for evaluation services in respect of public shareholding in Dastan TNK OJSC fails to occur

A tender for evaluation services in respect of the public shareholding (98.46 %) in Dastan TNK OJSC failed to occur, reported Timur Malybashev, Head of Asset Disposal Unit of the State Property Fund.

He informed that today the tender was cancelled because of insufficient bids. The law requires not less than two bidders to submit their bid proposals. But at the moment, only Al Star LLC has expressed its interest.

The tender fails to occur for the second time. The next tender for evaluation services will be held in a month.

27 September 2013

Auction for state property fails to occur

An auction for state assets was supposed to happen today at the State Property Fund, but failed to occur due to lack of bids.

Among the privatized state assets are:

- a 19.075% public shareholding in Min-Bulak CJSC. The starting price is 1,027,682 KGS. The company is engaged in transport and forwarding business.

(Beeline) into monopoly registry

Tazabek – Sky Mobile (Beeline) is announced included into the Kyrgyz registry of natural and permitted monopolies at the order of the State Agency for Antimonopoly Regulation of August 23, 2013.

Thus, relevant additions were made to the «Permitted Monopoly Entities» section of the State Republican Registry of Natural and Permitted Monopoly Entities approved by the order of the Antimonopoly Agency of January 16, 2012 № 2.

28-08-13, 08:45

State Financial Supervision Authority proposes amendments to joint stock companies law increasing board member responsibility

Tazabek – The State Service for Regulation and Supervision of the Financial Market (FSA) proposed the relevant bill for public discussion, reported the press service of the Government.

The explanatory note to the bill states that the bill is drafted at the instruction of Vice Prime Minister Joomart Otorbaev of May 22, 2013 in furtherance of the World Bank's project for increasing decision-making responsibility of board members.

This project is aimed to protect shareholders' proprietary rights, which are violated by intentionally delayed payment of dividends. Another example of unfair practices is making transactions with affiliated persons at the price not based on the fair market price. The proposed amendments will toughen responsibility of persons vested with the duty of making a decision on the execution of related party transactions and will enhance protection of the share capital.

The bill proposes to introduce definite and uniform requirements for execution of related party transactions and responsibility of corporate officers for making such transactions, as well as to set definite time for payment of dividend and to define the procedure for termination of powers of members of the board of directors in joint stock companies.

In the opinion of the FSA, these amendments are a necessary prerequisite for an efficient

- a 0.377% public shareholding in BACO OJSC. The starting price is 79,500 KGS. The company's primary business is manufacture and repair of car parts and devices, trade (sale of bituminous roofing).

- a 20.39642% public shareholding in Kyzyl-Kia Tobacco Fermentation Factory OJSC. The starting price is 10,117,800 KGS. The company's primary business is tobacco production.

23 August 2013

Kyrgyztelecom announces reorganization of its branch into joint stock company

Kyrgyztelecom announced that its branch, Republican Production Union of radio-relay trunk lines, TV and radio-broadcasting (RPU RTTR) was reorganized into an open joint stock company with a 100% stake therein held by Kyrgyztelecom. Such decision was adopted on Friday by the extraordinary meeting of shareholders.

The meeting discussed the liquidation of Kyrgyztelecom's branch and the establishment of an open joint stock company, RPU RTTR. Also, Almazbek Kadyrkulov, the new CEO and President of Kyrgyztelecom OJSC, was introduced to the meeting.

21 August 2013

Government announces sale of 20% stake in Kyzyl-Kia Tobacco Fermentation Factory

A 20.39642% public shareholding in Kyzyl-Kia Tobacco Fermentation Factory OJSC is offered for auction, announced the press service of the State Property Fund on Tuesday. The starting price is 10,117,000 KGS. The company's primary business is tobacco production.

20 August 2013

Almazbek Kadyrkulov announced as new CEO of Kyrgyztelecom OJSC

business of joint stock companies.

The FSA proposes to introduce clarifying provisions to improve the law and to ensure a clear and definite legal framework for business of joint stock companies.

In general, the proposed amendments are aimed to improve protection of legal rights of shareholders and to give them a legal ability to exercise their rights irrespective of the will of corporate officers of a joint stock company.

The proposed amendments will ensure the clear legal framework for business of joint stock companies, necessitate strict observance of principles of corporate governance and increase efficiency of management and investor confidence.

These amendments will have only positive effects and will not entail any negative consequences or complications for securities market stakeholders and the society in general, stated the FSA in its explanatory note.

6 August 2013

Securities licensing in Kyrgyzstan vested in the state

President Almazbek Atambaev signed the law on amending the Law on Securities Market, reported the information policy unit of the Executive Office of the President.

The law was passed by Parliament on June 27, 2013. It is aimed to vest the authority to issue licenses to operate as professional securities market participants in the state.

At the early stages of development of securities market, the state licensing and registration are necessary to protect against financially insecure offerings of securities and various surrogates of securities as well as to prevent money-laundering.

The law will take effect upon expiration of fifteen days from the date of official publication.

1 August 2013

Almazbek Atambaev signs the law

Almazbek Kadyrkulov is elected as the new CEO of Kyrgyztelecom OJSC. Askar Baratbaev, the former chief executive, personally introduced the new CEO to the staff.

16 August 2013

Mailuu-Suu Light Bulb Factory announced as offered for sale

«Preliminarily, Mailuu-Suu Light Bulb Factory will be offered for sale in September of this year, reported to K-News Bolsunbek Kazakov, Director of the Bankruptcy Department of the Ministry of Economy on Friday.

According to the official, the estimated cost of the factory will be 889 ml. KGS. At the moment, the factory is primarily engaged in production of light bulbs of more than 100 varieties.

2 August 2013

Government offers not to sell Kyrgyztelecom shares

The Government offers not to sell Kyrgyztelecom shares for fear of inevitable increase in tariff rates in case of selling the company which will negatively affect primarily the remote areas of the country. Among other arguments against the sale of Kyrgyztelecom are information safety and layoffs.

The Government asked Parliament to include Kyrgyztelecom with a 90.35% state shareholding and 620,009,000 KGS worth of authorized capital in the list of organizations and assets held in state ownership and not subject to privatization.

31 July 2013

RSK Bank announces changes in senior management

RSK Bank OJSC announced changes in senior management. Erkebai Murzabekov is appointed as General Director. The new management of the bank was approved by the Kyrgyz State Property Fund. As a reminder, formerly the bank's chief executive was Ruslan

on guarantee funds

President Almazbek Atambaev signed the Law on Guarantee Funds in the Kyrgyz Republic, reported today the information policy unit of the Executive Office of the President. The law was passed by Parliament on June 20, 2013.

The law defines the legal and economic frameworks for creation and operation of guarantee funds in the Kyrgyz Republic. The law takes effect 15 days after its official publication.

Under the law, guarantee fund is a legal entity created for increasing access for small and medium enterprise to bank loans to be used for business development, expanding production, acquisition and modernization of fixed assets, introduction of new technologies, innovation and promoting new enterprises by providing guarantees (sureties).

Guarantee funds can be established by individuals or legal entities in the form of joint stock companies, limited liability companies, cooperatives, institutions and funds. Guarantee funds form their governing bodies depending on business legal structure in accordance with Kyrgyz law and constituent documents.

For the purposes of coordination of their activities, protection and representation of common interests, effectuation of joint guarantees, and other similar purposes, guarantee funds can establish associations or unions. Guarantee funds are prohibited from using associations or unions for setting the rates of commission fees or contributions, or for other purposes aimed at limiting competition, monopolizing markets and worsening access to credit resources for small and medium enterprise.

Actions of branches and/or representative offices of guarantee funds are considered as actions of guarantee funds, in which case the principal guarantee fund will bear full responsibility for actions of branches and/or representative offices.

The minimum amount of the authorized capital of the guarantee fund may not be less than 6 million KGS, except for guarantee funds established and operating before the enactment of the Law. Throughout the entire period of operation, the amount of the share capital of the guarantee must not be less than the minimum amount of the authorized capital.

The share of each private legal entity or

Akmatbekov.

30 July 2013

Kyrgyzgaz OJSC announces establishment of its subsidiary which will be sold to Gazprom

«At the Government Order, Kyrgyzgaz established its subsidiary to take over all of its assets and liabilities. It is planned that after ratification of the agreement by Russian and Kyrgyz Parliaments, this subsidiary will be sold to Gazprom. The latter will decide on its own whether to keep this subsidiary or to establish the new company», said Turgunbek Kulmurzaev.

individual must not exceed 20% of the entire amount of the authorized capital of the guarantee fund. This rule is not applicable to public and municipal legal entities.

The authorized capital of the guarantee fund must be formed in a monetary form. The authorized capital includes the authorized capital which is not borrowed. The funds invested by participants in the authorized capital of the guarantee fund can be repossessed only by selling their shares, interests or units.

The authorized capital of the guarantee fund can be formed with resources of the national or local budget, voluntary contributions and other non-budgetary resources, in accordance with Kyrgyz law. The authorized capital is consolidated by the guarantee fund by depositing it in bank accounts.



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