

MINUTES
of the meeting of the Board of Directors
of Kazakhstan Kagazy JSC

Almaty Oblast

29 January 2010

Kazakhstan Kagazy Joint Stock Company (the Company)

Legal address of the Company: Republic of Kazakhstan, Almaty Oblast, Karassaiskiy District, village of Abay.

Actual location of the Company: Republic of Kazakhstan, Almaty Oblast, Karassaiskiy District, village of Abay.

Place of the meeting of the Board of Directors: Republic of Kazakhstan, Almaty Oblast, Karassaiskiy District, village of Abay.

Time of the meeting of the Board of Directors:

Begin at 09:00 a.m. local time

End at 09:25 a.m. local time

The following participants are in attendance:

Chairman of the Board of Directors:

Mr. Tomas Mateos Werner (term of powers through 14.07.2011) – participates in the meeting of the Board of Directors of the Company via conference call.

Members of the Board of Directors:

Mr. Sergey Yermekaliyevich Tulegenov (term of powers through 14.07.2011);

Mrs. Taissiya Alexandrovna Kogutuk (term of powers through 14.07.2011);

Mr. Azamat Askarovich Baidildayev, independent director (term of powers through 14.07.2011)

Mrs. Madina Shayahmetkyzy Syapatayeva – independent director (term of powers through 14.07.2011) – participated in the meeting of the Board of Directors via a conference call;

The meeting of the Board of Directors had been opened by Mr. S.Y. Tulegenov who noted that the meeting was qualified to start as all of the members of the Board of Directors of the Company were present. Requirements for quorum for the meeting of the Board of Directors stipulated by paragraph 1 article 58 of the Law About Joint Stock Companies № 415-II of 13 May 2003 (the Law) and paragraph 16.18 article 16 of the Company's Charter have been observed.

Mrs. T.A. Kogutyuk suggested electing Mr. S.Y. Tulegenov to be the Secretary of the meeting.

After a discussion members of the Board of Directors had made the decision to elect Mr. S.Y. Tulegenov to be the Secretary of the meeting.

Mr. S.Y. Tulegenov offered to the Board of Directors to approve the following agenda:

Agenda of the meeting of the Board of Directors:

1. Approve Action Plan of Kazakhstan Kagazy JSC aimed at elimination of grounds for the transfer of securities of Kazakhstan Kagazy JSC to "buffer category" of "debt securities" sector and entrust Director General of the Company to perform all necessary actions related to the transfer of securities of Kazakhstan Kagazy JSC to "buffer category".

Chairman of the Board of Directors: "Please, vote of the suggested Agenda".

Results of the vote:

«Pro» - unanimously (5 votes);

«Con» - none;

«Abstained from voting» - none.

DECIDED: accept suggested Agenda.

On the issue of the Agenda (Approve Action Plan of Kazakhstan Kagazy JSC aimed at elimination of grounds for the transfer of securities of Kazakhstan Kagazy JSC to “buffer category” of “debt securities” sector and entrust Director General of the Company to perform all necessary actions related to the transfer of securities of Kazakhstan Kagazy JSC to “buffer category”) Mr. S.Y. Tulegenov said, that by the decision of the Board of Directors of the Company (Minutes dated 15.01.2010) restructuring of Kazakhstan Kagazy JSC group of companies’ liabilities and preliminary restructuring plan has been approved.

The Company’s Board of Directors is suggested to approve Action Plan of Kazakhstan Kagazy JSC aimed at elimination of grounds for the transfer of securities of Kazakhstan Kagazy JSC to “buffer category” of “debt securities” sector, as contained in Enclosure No.1 to this Minutes, and entrust Director General of the Company to perform all necessary actions related to the transfer of securities of Kazakhstan Kagazy JSC to “buffer category”.

Chairman of the Board of Directors: “Please, vote of the issue of approval of Action Plan of Kazakhstan Kagazy JSC aimed at elimination of grounds for the transfer of securities of Kazakhstan Kagazy JSC to “buffer category” of “debt securities” sector” and entrust Director General of the Company to perform all necessary actions related to the transfer of securities of Kazakhstan Kagazy JSC to “buffer category”.

Results of the vote:

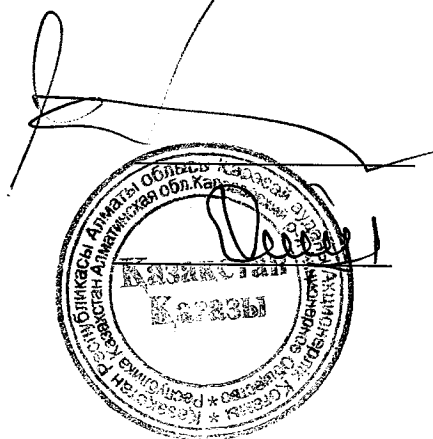
- «Pro» - unanimously (5 votes);
- «Con» - none;
- «Abstained from voting» - none.

DECIDED:

Approve Action Plan of Kazakhstan Kagazy JSC aimed at elimination of grounds for the transfer of securities of Kazakhstan Kagazy JSC to “buffer category” of “debt securities” sector, as contained in Enclosure No.1 to this Minutes and entrust Director General of the Company to perform all necessary actions related to the transfer of securities of Kazakhstan Kagazy JSC to “buffer category”.

Chairman of the Board of Directors:
Tomas Mateos Werner

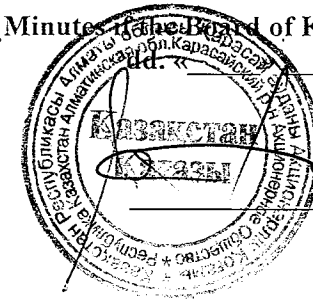
Secretary:
Sergey Yermekkalievich Tulegenov



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Approved by:
Minutes of the Board of Kazakhstan Kagazy JSC
_____ 2010
Chairman of the Board
Tomas Mateos Werner



Action plan АО «Казakhstan Кагазы»
Aimed at elimination of groundings for transfer of securities of Kazakhstan Kagazy JSC to Buffer Zone Category of Debt Securities Sector

Almaty, 2010

General Information.

Kazakhstan Kagazy CJSC was established on February 5, 2001 to produce various types of paper products as a part of government driven import substitution program and today it is the biggest paper mill and corrugating plant in the Republic of Kazakhstan and Central Asia. A uniqueness of the company is in its closed loop production cycle: wastepaper – paper – corrugated board. The mill was raised to satisfy demand of local paper and corrugated board products consumers without threatening limited domestic woods and forests, since the main source for the production is waste paper. Modern production chain of the mill employs a waste free closed loop cycle using recycled fiber collected all over the territory of the Republic of Kazakhstan.

Prime Estate Activities Kazakhstan (PEAK) is a commercial real estate development business of Kazakhstan Kagazy, where it is developing, in stages, commercial warehouses and logistics facilities. The land is located near the main railway line to Astana, Kazakhstan's capital city, and benefits from its own railway spur, as well as being close to the principal highway to Astana and one of the planned main intersections of the new outer ring toll road around Almaty.

Kazakhstan Kagazy JSC development history:

2001

- ✦ An Agreement with Investment Committee under the ministry of Exterior was signed

2002

- ✦ Company launched corrugated and container board production.

2003

- ✦ Kazakhstan Kagazy began commercial manufacturing of paper for corrugated packaging products and expanded into paper trading. Sales joint ventures in Uzbekistan and Kyrgyzstan were set up, started to establish the network of collection centres for waste paper and began the Company's logistics operations.

2004

- ✦ Established trading, manufacturing and logistics divisions. Began to research potential land acquisitions, having identified a gap in the local market for warehousing and logistics developments.

2005

- ✦ The Company started acquiring land for real estate business and began to put basic infrastructure in place. Kazakhstan Kagazy issued bonds, which are listed in the category "A" segment on the Kazakhstan Stock Exchange. The Company commenced construction to expand paper production facilities and recruited international expertise into the management team.

2006

- ✦ A second paper machine was commissioned, thereby doubling the capacity of the plant and brought into operation a new corrugating plant incorporating modern equipment. The Company began construction of the first phase of the PEAK Logistics Centre, the real estate project, financed by the issue of a further tranche of bonds in the category "A" segment on the Kazakhstan Stock Exchange. To diversify Company's funding sources, discussions with the European Bank for Reconstruction and Development (EBRD) were commenced.

2007

- ✦ Finalized corporate reorganisation of Kazakhstan Kagazy.
- ✦ Holding company Kazakhstan Kagazy PLC made IPO on LSE
The first phase of the development of the PEAK Logistics Centre was completed.

The Company signed an approximately US\$ 90 million financing package with EBRD and Kazkommerzbank for the development of the paper business. Kazakhstan Kagazy raised US\$ 273.5 million in its IPO on the London Stock Exchange in July 2007.

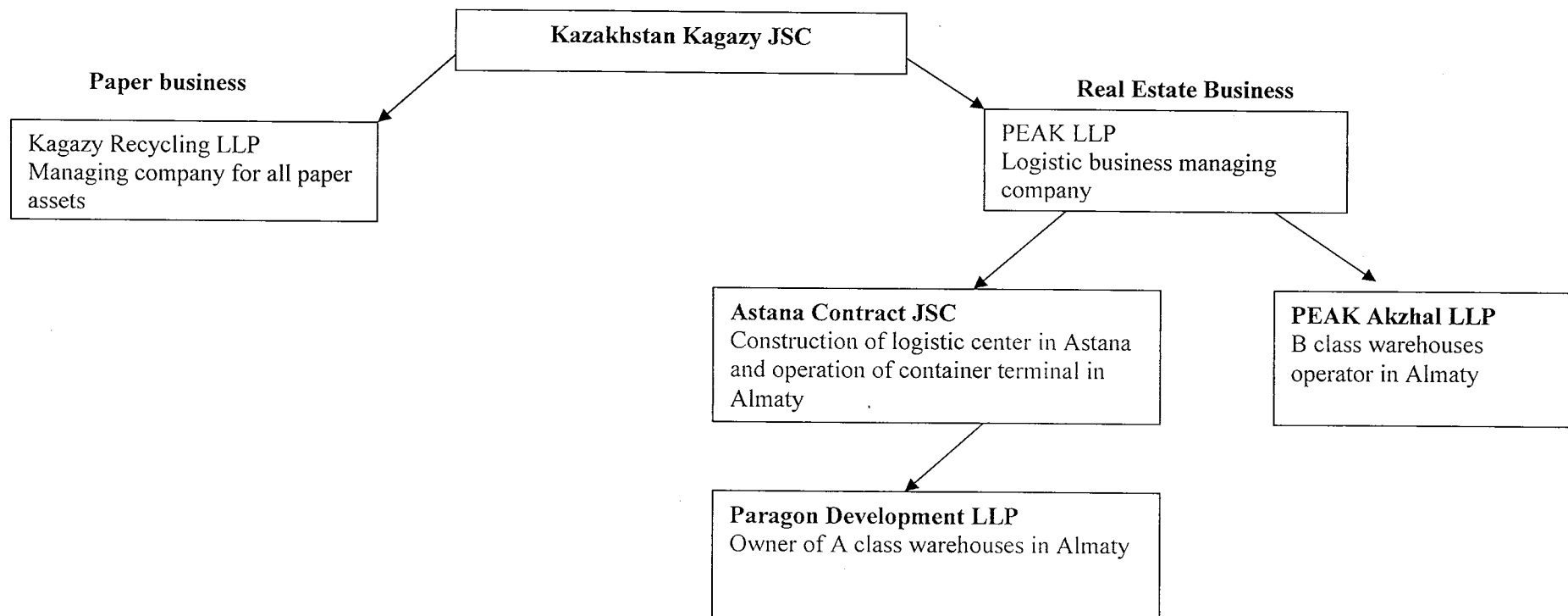
2008

- ┆ Paper Production meets ISO 14001:2004 and OHSAS 18001:2007 standards.
- Acquisition of Logistic Centre “Astana Contract” JSC.
- Acquisition of 84 ha of land near Almaty.
- Infrastructure works commence at the Industrial Park “PEAK”.

Kazakhstan Kagazy is a managing company with the following main business lines:

- Production and sale of container and corrugated board products as well as other types papers;
- Development of land plots for own needs or for sale, or retention as an investment property;
- A and B class warehouses and container terminal services.

Table 1. Group’s liabilities chart



1. Information on debt instruments issued by Kazakhstan Kagazy JSC:

Table 1

№	Date of Issue	Volume of issue (KZT)	Face value (KZT)	Quantity	Type	Outstanding principal as of 01.01.2010 (in KZT)	Repayment Term	Listing Category	Security
1	First issue. 2004	4.000.000.000,00	1,00	4.000.000.000	registered coupon	3 302 020 000, 00	18.02.2010.	NIN KZ2CKY05B448 – first subcategory debt securities without rating score (KASE B*)	no
2	First Issue of bonds within the bond scheme. 2006	3.500.000.000,00	1,00	3.500.000.000	Registered coupon	3 487 850 000, 00	07.04.2011.	NIN KZPC1Y05C020 - first subcategory debt securities without rating score (KASE B*)	no
3	Second issue of bonds within the bond scheme 2006	3.500.000.000,00	1,00	3.500.000.000	Registered Coupon	3 426 570 000, 00	22.08.2013.	NIN KZPC2Y07C024 - first subcategory debt securities without rating score (KASE B*)	no
4	Second issue. 2008	12.000.000.000	100,00	120.000.000	Coupon	5 430 250 000, 00	5 (five) years from the start of circulation	NIN KZ2CKY05B448 - first subcategory debt securities without rating score (KASE B*)	no
	Total					15 646 690 000, 00			

2. Kazakhstan Kagazy JSC Debt Structure

Table 2. Bank loans portfolio

№ п/п	Debtor	Creditor	Loan Facility	Currency	Outstanding amount	Interest Rate	Maturity
1	Kazakhstan Kagazy JSC	Eurasian Bank JSC	Loan Facility Agreement No. 184 от 14.08.2009 г.	USD	5 000 000,00	17,5%	14.08.2010 г.
2	Kazakhstan Kagazy JSC	Eurasian Bank JSC	Loan Facility Agreement No.165 от 11.06.2009 г.	KZT	450 000 000,00	14,5%	10.02.2010 г.
3	Prime Estate Activities	Alliance Bank JSC	Loan Facility Agreement	EURO	21 026 379, 39	14%	01.11.2013 г.

	Kazakhstan LLP		No.1928 C/06 от 01.11.2006 г.				
4	Astana Contract JSC	DBK JSC	Loan Facility Agreement No. КИ130-Z/08 от 28.01.2008 г.	USD	22 838 828,52	10%	27.10.2019 г.
5	«Paragon Development» LLP	DBK JSC	Loan Facility Agreement No. КИ125-A/07 от 24.12.2007 г.	USD	35,243 684,21	10%	27.12.2017 г.
6	«Kagazy Recycling» LLP	EBRD	Loan Facility Agreement No. 25.05.07 г.	EURO	29 700 000,00	маржа (3 %-min. 4%-max)+EURIBOR	13.01.2014 г.
7	«Kagazy Recycling» LLP	АО «Казкоммерцбанк»	Financial leasing agreement No.647, 648, 649	KZT	726 557 497, 29	12,5%	20.08.2013 г.

3. Directional restructuring

Due to the effects of the global financial crisis, abrupt reduction of Kazakhstan Kagazy JSC incomes affected its ability to service its liabilities. High interest rates restrict/limit Company's ability to raise new financing or refinance the existing debt on affordable conditions. In connection with the issuer's proposal of debt restructuring a necessity to develop an action plan aimed at elimination of groundings for transferring bonds of Kazakhstan Kagazy JSC into "Buffer Zone" category within a period 2010 – 2011 emerged.

3.1. The Group's current financial situation arises from:

- Decrease of consumers' demand;
- High levels of debt at high interest/coupon rates much of which is denominated in foreign currencies;
- Acquisition of assets at the peak of the boom in 2007 and 2008

3.2. Directional restructuring:

- Despite all the problems facing the Group it remains cashflow positive
- Our forecasts indicate that the next two of years will be tight but the group will continue to grow its profit and cashflow
- Economist Intelligence Unit forecasts economic growth in 2011 and 2012
- Given the high level of fixed costs in the group as the economy recovers, the Group's cash flow position is forecast to increase significantly
- The group has significant holdings of non-core land which will be sold to assist in the repayment of debt when the real estate market recovers
- Our restructuring proposals envisage that all principal will be paid in full.

4. Restructuring Action Plan and Timeframe:

<u>№</u>	<u>Direction</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>
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1	Kazakhstan Kagazy JSC board meeting on Kazakhstan Kagazy JSC restructuring process and restructuring plan approval					
2	Establishment of Kazakhstan Kagazy JSC creditors' committee and seeking for preliminary agreements					
3	Negotiations with creditors, obtaining agreements for changes to Kazakhstan Kagazy JSC bond prospectuses, obtaining a notarized agreement of each of bond holders for such changes					
4	Introduction of changes and amendments to Kazakhstan Kagazy JSC bond prospectuses and their registration with the Agency of the Republic of Kazakhstan on control and Supervision of Financial Markets and Financial Organizations					
5	Execution of all legal documents necessary for restructuring process completion					

5. Measures and actions to be taken under the restructuring plan:

5.1. For debt securities

	Current	Proposed
FIRST ISSUE KZ2CKY05B448		
Outstanding amount KZT	3,302,020,000	3,302,020,000
Coupon % pa	CPI plus margin of 2.5 Min 2.5 Max 13	0 for years one to five then 8 fixed to maturity
Principal Repayment	At Maturity	At Maturity
Term	5 years	10 years
Maturity	Feb-10	Feb-20
SECOND ISSUE KZPC1Y05C020		
Outstanding amount KZT	3,487,850,000	3,487,850,000
Coupon % pa	CPI plus margin of 1.5 Min 2 Max 12	0 for years one to five then 8 fixed to maturity
Principal Repayment	At Maturity	At Maturity
Term	5 years	10 years
Maturity	07-Apr-11	Feb-20
THIRD ISSUE KZPC2Y07C024		
Outstanding amount KZT	3,426,570,000	3,426,570,000
Coupon % pa	CPI plus margin of 1.5 Min 2 Max 12	0 for years one to five then 8 fixed to maturity
Principal Repayment	At Maturity	At Maturity
Term	7 years	10 years
Maturity	22-Aug-13	Feb-20
FOURTH ISSUE KZ2C0Y05D117		
Outstanding amount KZT	5,430,250,000	5,430,250,000
Coupon % pa	12 fixed	0 for years one to five then 8 fixed to maturity
Principal Repayment	At Maturity	At Maturity
Term	5 years	10 years
Maturity	29-Aug-13	Feb-20

5.2. For bank loans

Hereby Kazakhstan Kagazy JSC states that the bellow measures and restructuring proposals are not final and a subject for discussion with and approval by the Banks and Kazakhstan Kagazy JSC therefore the latter reserves a right to change such proposals as well as order of actions as may be required by the agreements reached with the Banks.

Restructuring of a loan portfolio of Kazakhstan Kagazy JSC and its subsidiaries formed by bank facilities:

- 5.2. 1. Loan Facility Agreement entered into by Paragon Development LLP (Borrower) and KDB JSC;
- 5.2.2. Loan Facility Agreement entered into by Astana Contract JSC (Borrower) and KDB JSC;
- 5.2.3. Loan Facility Agreement entered into by Prime Estate Activities Kazakhstan LLP and Alliance Bank JSC;
- 5.2.4. Loan Facility Agreement entered into by Kazakhstan Kagazy JSC and Eurasian Bank JSC;

- 5.2.5. Loan Facility Agreement entered into by Kagazy Recycling LLP (Borrower) and EBRD JSC;
- 5.2.6. Loan Facility Agreement entered into by Kagazy Recycling LLP (Borrower) and Kazkommertsbank JSC:
- A) extension of maturity
 - B) reduction of interest rate
 - C) grace period for interests payments

6. Financial effects:

Issuer expects the above actions and measures will allow Kazakhstan Kagazy JSC fulfill its obligations to its bondholders. Kazakhstan Kagazy JSC will enter into debt restructuring negotiations with its bondholders, has entered into the same with its lending banks. In course of negotiations issuer will provide and furnish its bondholders and regulating body with information that may be needed or required by them for taking a decision.

7. Business Limitations Undertaken:

Group of companies is not planning to make any major investments within M&A processes.