



Annual Report 2013



CAEPCO

Central-Asian
Electric Power Corporation

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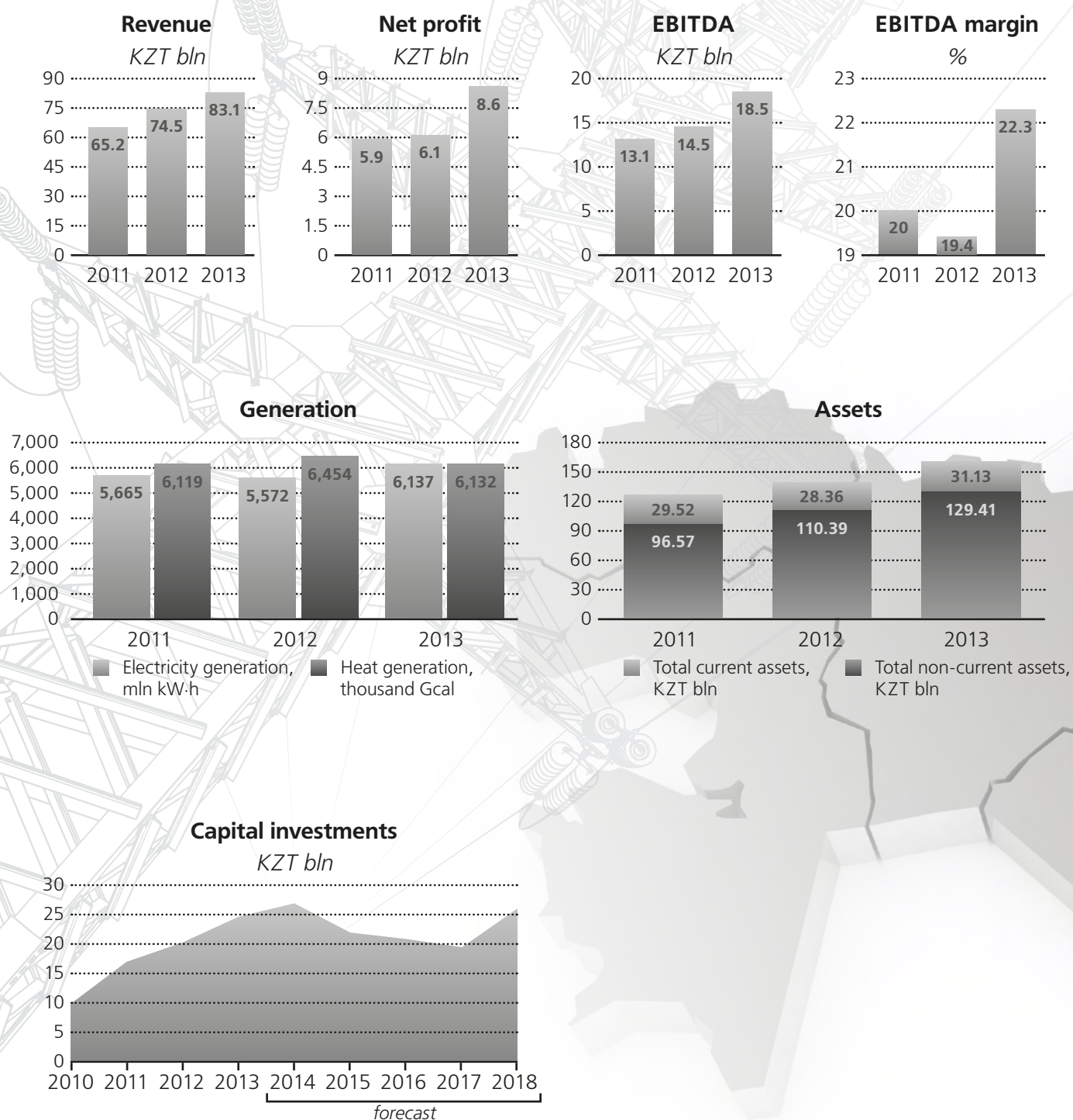
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CAEPCO

Central-Asian
Electric Power Corporation

Key figures at a glance



Activities map

NORTH KAZAKHSTAN REGION

160,539
69,376

Petropavlovsk CHP-2

"North Kazakhstan Regional Electric Distribution Company" JSC

"Petropavlovsk Heat Networks" LLP

"Sevkazenergosbyt" LLP

PAVLODAR REGION

218,823
162,382

Pavlodar CHP-2

Pavlodar CHP-3

Ekibastuz CHP

"Pavlodar Regional Electric Distribution Company" JSC

"Pavlodar Heat Networks" LLP

"Pavlodarenergosbyt" LLP

Astana

211,006
182,084

"Astanaenergosbyt" LLP

MAP KEYS

Number of consumers

ELECTRIC ENERGY

HEAT ENERGY

Generation of heat and electric energy

Transmission of electric energy

heat energy

Sales of heat and electric energy



Chairman
of the Board of Directors "CAEPCO" JSC
Alexander Yakovlevich Klebanov

Dear shareholders and partners!

The 2013 Annual Report of "Central-Asian
Electric Power Corporation" Joint Stock Company
is presented for your attention

In 2013, the Corporation celebrated its five-year anniversary. Today, "CAEPCO" JSC is the largest private energy company in Kazakhstan, the shareholders of which are three powerful international institutions – EBRD, ADB and IDB. We are proud to look back at the work accomplished over the years. The Corporation showed steady growth of production and financial ratios. Since 2008 when the company was founded to the end of 2013, electricity generation increased by 25.5%, while corporate earnings have increased more than three times.

Achieving such indicators is a natural result of implementation of the strategic objectives of the Corporation for improving production efficiency. Implementation of projects for modernization and equipment reconstruction at "CAEPCO" JSC is possible through the support of the state. The government policy of Kazakhstan, aimed for increasing the reliability of power supply, provided a powerful drive for the establishing of the energy base development of new industrial projects in the framework of the State program of accelerated industrial-innovative development of the country.

Today, "CAEPCO" JSC takes the third place in the electricity sector of Kazakhstan in terms of planned capital investments. In accordance with the strategic development plan, the Corporation intends to send over KZT 190 bln for modernization of production assets in the period from 2009 to 2018. These investments will improve the reliability and efficiency of power plant equipment. "CAEPCO" JSC also plans to upgrade part of the facilities at their own expense. Through the meaningful support of the Company's shareholders, the European Bank for Reconstruction and Development and the Islamic Infrastructure Fund, jointly organized by the Asian Development Bank and the Islamic Development Bank, the long-term program of modernization of district heating in the region of Pavlodar, Petropavlovsk, and Ekibastuz, along with projects for improving the environmental parameters of production have been implemented.

Participation of leading international development institutions in projects of the Company and provision of long-term financing of investment programs is an indicator of high credence to the corporate governance of the Company and the chosen development strategy.

Regarding future plans, I can say that all employees including top management and shareholders are interested in the further improvement of production activities and the introduction of advanced technologies, leading to increased reliability and uninterrupted power supply of the Corporation consumers. They will do everything in their power to achieve this goal. By having its own resources, large and reliable international creditors and public-private partnerships of "CAEPCO" JSC in 2014, the Corporation will continue to strengthen its position in the electricity market in the Republic of Kazakhstan.

I believe that our company has a great future!



President of "CAEPCO" JSC

Yerkyn Adamiyonovich Amirkhanov

Dear partners!

"Central-Asian Electric Power Corporation" continues to demonstrate steady positive dynamics of development, implements the objectives set within the frames of strategic development

Today, "CAEPCO" JSC is one of the leading energy companies in Kazakhstan, it took 3rd place in the aggregated installed capacity and 2nd place in terms of revenue.

By the end of 2013, assets of "CAEPCO" increased compared to 2012 figures by 15.7% and amounted to KZT 160 bln. This is due to the implementation of major investment projects by the Company at the expense of the state program of ceiling tariffs, own equity and debt capital.

The investment cycle in electricity is longer compared to other sectors of the economy and it constitutes 7–8 years. However, we can already see the positive results of the implementation of investment projects of the Corporation. In 2013, the power generation of the Company constituted 6,137.5 mln kW·h, which is 10.1% more than it was in 2012. At our transmission facilities, we have virtually eliminated excessive losses during transportation of electricity: in Petropavlovsk they are completely eliminated, in Pavlodar they constitute 0.3%. Due to the reconstruction of boiler and turbine equipment, fuel consumption in power generations has been reduced.

While improving production practices and updating fixed assets, the Company is aimed to ensure advancing economic development in the regions of its presence. The program of reconstruction and renovation of the main plant equipment of the "CAEPCO" JSC companies is designed to reduce the wear of generating stations from 80% to 39%, upgrade manufacturing assets by 62% and increase the installed electric capacity to 942 MW in 2010 to 1,194 MW by 2018. In parallel, work is done to upgrade and make reconstruction of electric and heating networks in order to achieve stable heat and electricity both for industrial and household consumers.

One of the main strategic objectives of the Corporation is to achieve a balance between output growth and environmental issues. In 2013, the Company completed the installation of the second generation of emulsifiers that can capture up to 99.7% of ash and other harmful emissions. Construction work on the new ash dumps in Petropavlovsk, Pavlodar and Ekibastuz performed at the full drive. In the process of constructing modern innovative technologies are used to improve the environmental situation in the regions. In general, up to the time the modernization program is completed, the amount of harmful emissions produced by the Corporation are reduced by 30%.

Being a socially responsible company, "CAEPCO" JSC makes significant contribution to the development of human resources and the social infrastructure of the society. The total number of employees is more than 8,000 people. For investment projects, the Company needs highly qualified professionals to work with highly automated equipment. In 2013, 4,586 employees of "CAEPCO" JSC underwent training, retraining and professional development courses.

The Corporation directs the entire collection of production, labor and financial resources to achieve its current objectives, which include efficient and uninterrupted supply to its customers with electricity and heat, and to establish conditions for the development of industrial, social and economic potential of the regions.

I am sure we can manage complex and interesting projects!



Corporate profile

BUSINESS HIGHLIGHTS

"Central-Asian Electric Power Corporation" Joint Stock Company is a vertically integrated energy company. "CAEPCO" JSC was founded in August 8, 2008 with the aim to integrate companies which generate, transmit and supply electricity and heat in the regions of Pavlodar and North Kazakhstan, as well as the sales company in Astana.

Continuous cultivation practice of corporate governance and transparency of the Company ensures investor confidence, including international development institutions. The only founder at the time of registration of the company was "CAPEC" JSC. In 2009, the European Bank for Reconstruction and Development (hereinafter — the Bank) acquired 24.99% of the outstanding shares of "CAEPCO." In April 2011, Kaz Holdings Cooperatief U.A. (Amsterdam) became a shareholder of the Corporation, whose entry now owns 12.89% of the total outstanding shares of "CAEPCO." Kaz Holdings Cooperatief U.A. established by Islamic Infrastructure Fund, which is registered in Malaysia. Islamic Infrastructure Fund is a joint venture of the Islamic Development Bank and the Asian Development Bank.

The authorized capital of "CAEPCO" JSC as of December 31, 2013 constituted KZT 7,590,045 thousand, the number of ordinary shares was 32,148,163 pcs.

As of December 31, 2013, the Company's assets were KZT 160 bln and operating profit (EBITDA) was KZT 18.5 bln.

Currently, the assets of "CAEPCO" JSC are represented in the northern regions of the country: regions of Pavlodar and North Kazakhstan and cities of Pavlodar, Ekibastuz, Petropavlovsk and Astana. The company's enterprises performed a full production cycle to ensure consumers with electricity and heat energy — generation, transmission and distribution of energy.

The total installed electric capacity of "CAEPCO" JSC is 1,061 MW and according to this indicator, the Corporation is a leader among private power generating companies in Kazakhstan. The total installed heat capacity of the Corporation is 2,895 Gcal/h. The total length of transmission lines is about 30 thousand km, the length of heat network is over 987 km. In 2013, "CAEPCO" JSC produced 6,137 mln kW-h of electricity and 6,132 thousand Gcal of heat.

Subsidiaries of "CAEPCO" JSC in the regions of Kazakhstan are represented by two vertically integrated energy companies — "SEVKAZENERGO" JSC and "PAVLODARENERGO" JSC, which include all units of energy supply (generation, transmission and distribution). In Astana, the Company controls the sales company "Astanaenergosbyt" LLP. The generating enterprises of "CAEPCO" JSC — stations of combined generation of electricity and heat: Pavlodar CHP-2, CHP-3, Ekibastuz CHP, and Petropavlovsk CHP-2.

By having its own networks, "CAEPCO" JSC is able to supply heat and electricity to each customer with maximum efficiency. The company has a well-diversified portfolio of customers and sells up to 20% of energy on the wholesale market through affiliate networks of KEGOC. "CAEPCO" JSC serves, taking into account the coefficient of nepotism, over 2 mln people, which constitute more than 12% of Kazakhstan's population.

The main source of fuel for power generating enterprises of "CAEPCO" JSC is Ekibastuz coal, geological reserves that are estimated at 140 years. Regions of the company's subsidiaries like the northern region of the Republic of Kazakhstan (Pavlodar, North Kazakhstan) are advantageously located on the border with Russia, which, with their own power lines to Omsk, Kurgan, Barnaul with 110 kV and low tariffs (in comparison to adjacent regions of Russia) allows to have competitive and reserve potential of electricity export to Russia for a long term perspective.



RATINGS

An international rating agency Fitch Ratings assigned the following ratings on June 6, 2013:

- Long-term default rating of the Company ("IDR") in foreign currency **'BB-'**, outlook "stable;"
- Short-term foreign currency IDR at **'B;'**
- Long-term default rating of the Company ("IDR") in national currency **"BB-"**, outlook "stable;"
- National Long-term rating of **'BBB+ (kaz)'**, outlook "Stable."

The international rating agency Fitch Ratings assigned the debt securities of the Company (NIN KZ-P01Y10E533) international rating **"B+" (EXP)** on September 18, 2013.

Credit Rating

Sustainability of subsidiaries confirmed by the rating agency "Expert RA Kazakhstan:"

- "PAVLODARENERGO" JSC received an **"A +"** (very high level of creditworthiness);
- "SEVKAZENERGO" JSC also received an **"A +"** (very high level of creditworthiness).

MISSION

The purpose of the Company is to improve the quality of life to its customers and creating the conditions for economic development of the region. These objectives are achieved by providing quality energy services and livelihoods in industry, budget and commercial organizations in regions of Pavlodar and Northern Kazakhstan, cities of Ekibastuz, Pavlodar, Petropavlovsk and Astana.

Quality of services implies reliability and uninterrupted power supply in compliance with all technical requirements, as well as a high level of customer service.

The basis of the company's effectiveness comes from the employees. The value of which is in their professionalism and in the ability to work as a team and focus on achieving results.

VISION

"Central-Asian Electric Power Corporation" is the leader of private energy companies in Kazakhstan.

The company operates in the most extreme climatic conditions in the north of the country.



The company successfully takes advantage of the holding structure, combining agility, flexibility of individual units (group companies) with the stability and reliability of a centralized management group.

The company's staff is a team of professionals that reach high goals. Partnerships with customers and suppliers are built up on mutual respect and responsibility.








STRATEGY

The strategic goal of "CAEPCO" JSC is to build an efficient private energy company, which provides uninterrupted and high-quality services to the public in compliance with the highest environmental requirements. Achieving this goal depends on the implementation of the event in the following areas

Main strategic directions

	INNOVATIONS	Development of the existing energy assets comes from improving the technical level of production and renewal of the main production facilities and infrastructure
		Through introducing promising innovative projects, new technological solutions are implemented
	DEVELOPMENT OF HUMAN RESOURCES	Personnel has continuous training with effective new technologies in the manufacturing sector and the management of enterprises

To achieve this strategic objective, the Company performs the following tasks

	Reconstruction and modernization of equipment for power generation facilities through investment programs for reducing the risk of accidents and preventing downtime
	Reduction of excessive losses during transport of heat and electricity
	Minimizing costs per unit of heat and electricity
	Introduction of energy-saving and energy-efficient technologies in energy production and transmission
	Improving management and maintenance of current certifications with compliance to international standards in the field of environmental, health personnel, and industrial safety
	Continuous training with goals to improve the professional level of employees
	Implementation of an automated enterprise management system

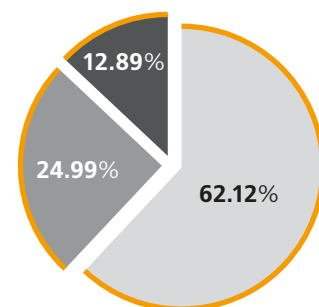
GROUP STRUCTURE

According to 01.01.2014, the share capital of "CAEPCO" JSC was KZT 37,590,045 thousand.

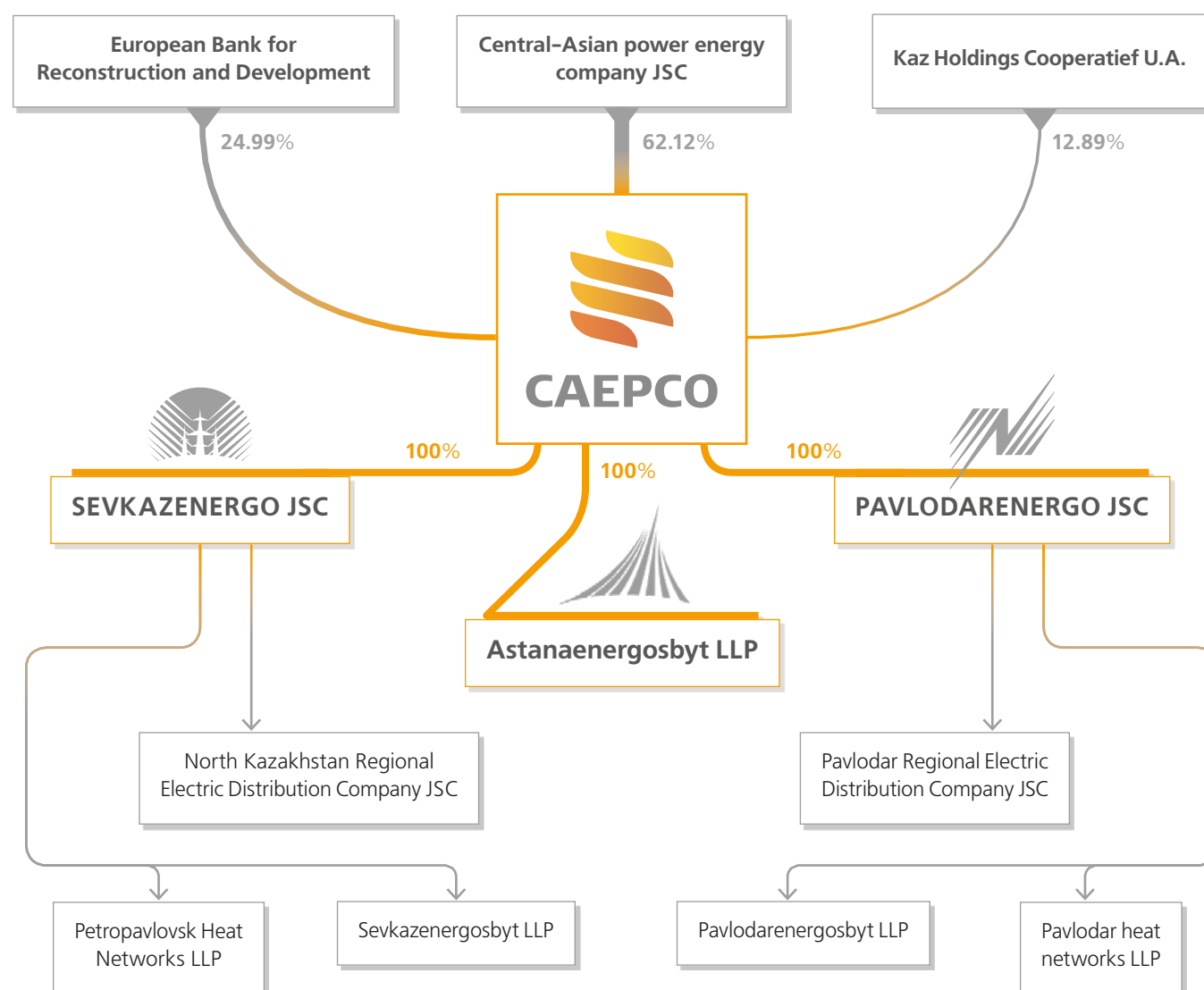
During the reporting period, the Corporation did not hold significant share transactions. There was no change in the composition of shareholders that hold shares in the amount of five percent or more from the outstanding shares.

Structure of share capital of "CAEPCO" JSC

Share in capital



- "Central-Asian power energy company" JSC
- European Bank for Reconstruction and Development (EBRD) (London, Great Britain)
- Kaz Holdings Cooperatief U.A. (Amsterdam, Netherlands)



"PAVLODARENERGO" JSC

"PAVLODARENERGO" Joint Stock Company is a vertically integrated company, including all elements of energy supply in Pavlodar region (generation, transmission and distribution of energy resources).

The structure of "PAVLODARENERGO" JSC includes:

- Pavlodar CHP-2;
- Pavlodar CHP-3;
- Ekibastuz CHP;
- "Pavlodar Regional Electric Distribution Company" JSC (Electric Networks of Pavlodar and Pavlodar region, with the exception of Ekibastuz and Ekibastuz region);
- "Pavlodar heat networks" LLP (thermal networks in Pavlodar and Ekibastuz);
- "Pavlodarenergosbyt" LLP

The total installed electric capacity is 627 MW, heat – 2,102 Gcal-h. The main raw materials used in production are Ekibastuz coals.

"PAVLODARENERGO" JSC provides the Pavlodar region with electricity to an area of 124.8 thousand square km with a population of 750 thousand people. Electricity production in 2013 was 3,534.4 mln kW-h.

Electricity generated by "PAVLODARENERGO" JSC is supplied to the markets of Pavlodar, Karaganda, Akmola and East Kazakhstan regions. The length of transmission lines is 15,782.4 km. The total length of heat network is 755.8 km.

"Pavlodar Regional Electric Distribution Company" JSC

The main activity of "Pavlodar Regional Electric Distribution Company" JSC ("PREDC" JSC) is the transmission and distribution of electricity in 10 districts in the Pavlodar region in Pavlodar and Aksu cities. Production facilities are located in Pavlodar and Pavlodar region. The service area is 105,900 square km.

The electric network of "Pavlodar Regional Electric Distribution Company" JSC through the power of "Kazakhstan Company Electricity Grid Operating" (KEGOC) is connected to the Integrated Energy System of Russia and Kazakhstan that allows "PREDC" JSC to transmit electricity generated by Pavlodar CHP # 1, 2 and 3. CHP # 1 belongs to "Kazakhstan Aluminium" JSC, CHP # 2, 3 belong to "PAVLODARENERGO" JSC.

The company consists of the following units:

- Enterprises engaged in maintenance and repair of electric distribution 0.4–10 kV networks and substations 35–220 kV, Eastern and Western enterprises of electric networks. It is composed of 11 electricity distribution zones (EDZ), serving 0.4–10 kV networks according to their location:
 - Aktogai Bayanaul, Irtysh, Maisky EDZ and Aksu electric networks for the Western enterprise (Left Bank);
 - Zhelezinka, Kachiry, Lebyazhensky, Pavlodar, Uspenskiy, Scherbakty electric network for Eastern enterprise (Right Bank);
- Municipal enterprise of electric networks of Pavlodar provides operation and maintenance of 0.4–10 kV distribution networks;
- Production and repair enterprise of Pavlodar region is engaged in operating and maintaining upkeep of high voltage power transmission lines 35–220 kV;
- Urban enterprise of in-house networks, not related to regulated types of services operates under service contract for maintaining 0.4 kV electric networks in condominium high-rise buildings of Pavlodar and Aksu;
- Production department, services and divisions.

“Pavlodar Heat Networks” LLP

“Pavlodar Heat Networks” LLP provides transmission and distribution of heat energy to consumers of Pavlodar and Ekibastuz. The activities are focused on improving of the operational reliability of heat supply networks and coordination processes of generation, transmission and consumption of heat.

Heat networks of Pavlodar have length of 413.5 km, and include the following:

- Main heating network — 110 km;
- District heating network — 280.5 km;
- hot water supply networks — 23 km;
- pumping stations — 11 units;
- central heat points — 22 units.

Ekibastuz Heat networks, the heat supply sourced from Ekibastuz CHP, have a length of 342.3 km and include:

- Main heating network — 37.6 km;
- Intra-district heating networks — 304.7 km;
- Central distribution point — 1 unit;
- Pumping stations — 5 units;
- Pavilions — 5 units.

“Pavlodarenergosbyt” LLP

“Pavlodarenergosbyt” LLP is a power supply company, which provides electric and heat energy supply to consumers of Pavlodar region and Ekibastuz.

The Organization supplies:

- Electric and heat energy in Pavlodar;
- Electric energy in the areas of Pavlodar region and Aksu;
- Heat energy in Ekibastuz.

The total number of “Pavlodarenergosbyt” LLP consumers as of December 31, 2013 was 218,823 for electricity and 162,376 for heat.

“Pavlodarenergosbyt” LLP implements policies for improving the quality of consumer services using modern technology. For the convenience of Company’s customers, there is a system of payment through commercial banks, Internet, ATMs, terminals, and multi-kiosks. Six service points are operating in the regional center to receive payments, 2 in Ekibastuz, 2 in Aksu and 10 offices in regional areas of sales. Corresponding contracts are signed to receive payments with 14 banks, “KazPost” branch.

In order to implement energy saving programs, “Pavlodarenergosbyt” LLP under the current legislation of the Republic of Kazakhstan, applies differentiated tariffs for electricity depending on the volume of consumption for individuals and differentiated tariffs for electricity by time zones for all categories of consumers.



“SEVKAZENERGO” JSC

“SEVKAZENERGO” Joint Stock Company is a vertically integrated company, which includes all units of electricity supply to the North Kazakhstan region (generation, transmission and distribution of energy resources).

The structure of “SEVKAZENERGO” JSC includes:

- Petropavlovsk CHP-2;
- “North Kazakhstan Regional Electric Distribution Company” JSC (Electric Networks of North Kazakhstan region with exception for the 5 areas on the border of the Akmola region);
- “Petropavlovsk heat networks” LLP (heat networks Petropavlovsk);
- “Sevkazenergosbyt.” LLP

The total installed electric capacity is 434 MW, heat — 793 Gcal/h. The main raw material used in production is Ekibastuz coal.

“SEVKAZENERGO” JSC provides electricity in the North Kazakhstan region with a total area of 97,993 square km with a population of 579,000 people. Electricity production in 2013 constitutes 2, 603 mln kW-h.

Electricity, generated at “SEVKAZENERGO” JSC, is supplied to the markets of the northern, central, eastern, southern regions of Kazakhstan. In the future, electricity export to Russia is possible, particularly in Kurgan and Omsk regions. The length of transmission lines is 13,566.4 km. The total length of heat networks is 231.5 km.

"North Kazakhstan Regional Electric Distribution Company" JSC

"North Kazakhstan Regional Electric Distribution Company" JSC (hereinafter – "NK REDC") transmits electricity produced by Petropavlovsk CHP-2 – generating source in the group of companies "SEVKAZENERGO."

Electric networks of "NK REDC" JSC are associated with power complex of Kazakhstan and Russia through electric networks of KEGOC. The main activities of "NK REDC" JSC are transmission and distribution of electricity in 8 districts of the North Kazakhstan region and Petropavlovsk. The service area is 44,952 square km.

The company comprises the following units:

- Kyzylzhar, Mamlyut, Zhambyl, Yesil, Timiryazev, Akkaiyn EDZ, regional electric network named after M. Zhumabayev and of Shalakin region;
- The southern section of the main networks and substations;
- Municipal electric network;
- Production units and management.

In order to improve the availability of services to consumers, "NK REDC" JSC opened a Customer Service Center in September 2012, where each consumer can be provided with the following services:

- Coordination of land and easements;
- Issuance of technical conditions for connection to the power supply;
- Activation / deactivation of Supply;
- Security sealing of metering units;
- Other operational and advisory services.

"Petropavlovsk Heat Networks" LLP

"Petropavlovsk Heat Networks" LLP performs transmitting and distribution of heat energy for consumers of Petropavlovsk from CHP-2 "SEVKAZENERGO" JSC, renovates its transmission and distribution networks to Petropavlovsk, and is continuously working on introducing new energy-efficient technologies to provide new quality requirements for heating.

"Petropavlovsk Heat Networks" LLP operates heat networks from Petropavlovsk with length of 231.5 km, including:

- Main heating network – 83.8 km;
- Distribution network – 147.7 km;
- Pumping stations – 33 pcs.;
- Centralized heat points – 19 units.

For transmission and distribution of heat energy, "Petropavlovsk Heat Networks" LLP has special subdivisions for providing operation and maintenance to equipment, labour protection, and safety.

"Sevkazenergosbyt" LLP

"Sevkazenergosbyt" LLP is a power supply company that provides electric and heat energy to consumers of Petropavlovsk and the North Kazakhstan region.

The main activity is a reliable and uninterrupted supply of energy in volumes that meet the needs of the population. The total number of consumers that "Sevkazenergosbyt" LLP as of December 31, 2013 was 160,534 for electricity and 69,376 for heat.

In the regional center, 3 service points operates for the population to receive payments and there are also 12 points in the regional centers. There are also contracts with 13 banks to receive payments, as well as through service terminals and online portals of banks.

In order to promote energy saving ideas among subscribers, "Sevkazenergosbyt" LLP implements a system of day tariff zonation according to consumed electricity and conducts extensive outreach work with the public about the need to install energy meters.



"Astanaenergosbyt" LLP

"Astanaenergosbyt" LLP provides supply of heat and electricity energy to consumers in Astana.

The main energy supplier is currently "Astana-Energy" JSC (CHP-1, CHP-2 in Astana).

Astana is the rapidly growing city in the country. Consumption of electric energy exceeds the amount, which is produced by two stations. Deficit is compensated by purchasing energy from external suppliers. Electricity, purchased by "Astanaenergosbyt" LLP is delivered to consumers across networks of transporting companies: "Astana Teplotranzit" JSC, "Urban Electric Networks" JSC, "Akmola Electric Distribution Company" JSC, KEGOC.

In 2013, "Astanaenergosbyt" LLP sold 2,164.9 mln kW·h of electricity for the amount of KZT 10.43 bln (without VAT). The total number of consumers as of December 31, 2013 was 211,006 for electricity and 182,084 for heat.

"Astanaenergosbyt" LLP serves 187,116 individuals and 8,832 legal entities in Astana. The total area of the service area is 72 hectares. Eight service payment centers operate in Astana. Contracts are signed with 11 banks to receive payments, including service on the Internet and terminals.

In order to promote the principles of energy conservation among subscribers, "Astanaenergosbyt" LLP implements this system of day tariff zonation on consumed electricity and conducts extensive outreach work with the public about the need to install energy meters.

"Astanaenergosbyt" LLP constantly improves the level of service in accordance with the best industry standards. The company was launched to a new level of customer service by Integrated Service Center for the population and was organized by enterprise for the convenience of consumers. The Center works to accept applications from the public for inspectors to visit and issue full information to the clients on all matters of mutual interest relating to energy and to the multi-channel "hot line".



Economic environment

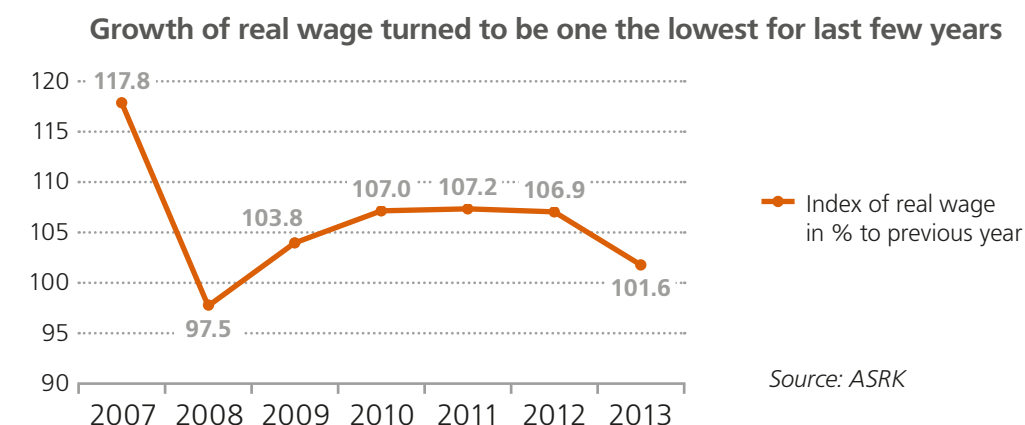
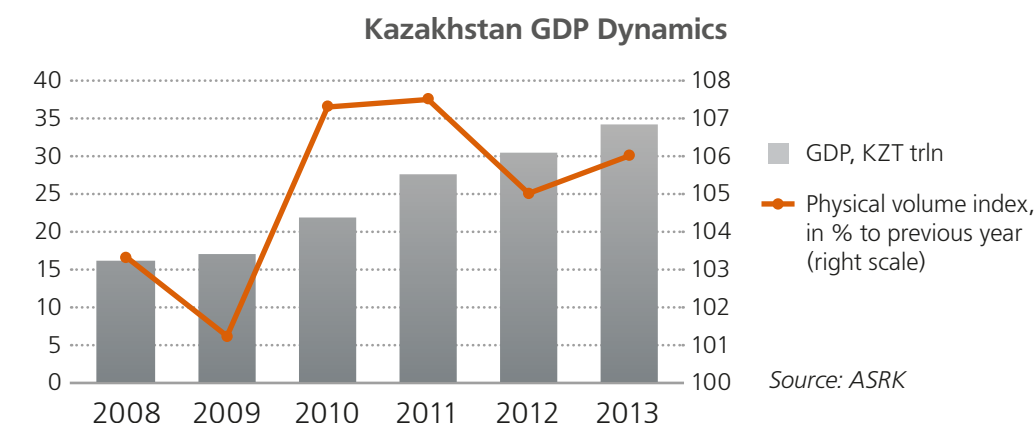
GDP of Kazakhstan in 2013 according to preliminary data amounted to KZT 34,14 trln, and made an increase of 6% compared to previous year. In 2012 growth of GDP was only 5%. Over the past years economic environment marginally improved, albeit GDP growth dynamics remains stunted

According to data of National Bank of the RK, economic growth in 2013 mainly was in the industries supported by internal demand. At that reduction of world prices for separate groups of the goods and growth of import supplies against high consumer activism imposed pressure to external economic balance.

Sphere of services, in recent years remains main driver of economic growth, its contribution estimated at 67% to the growth of GDP. While contribution of industrial production and agriculture identified only 14% to the GDP growth.

Growth of production in the sphere of services was provided by spheres of information and communication, financial and insurance activity, transport and trading. At that growth temps was decreased, thus amounting 7,4% in 2013 against 10,4 in 2012, GDP contribution reduced from 5,5% to 4%.

For three quarters of 2013 services sphere, due to the increase of consumers demand provided growth of GDP by 5,6%, while overall growth constituted to 5,7%. During the period the transfer of private household from consumer activity to cost savings, including due to a recession of growth of real salaries. However in fourth quarter, the purchasing capacity began increasing, what is related to customers belief for improvement of financial condition during current year.



Inflation rapidly decreased in 2013



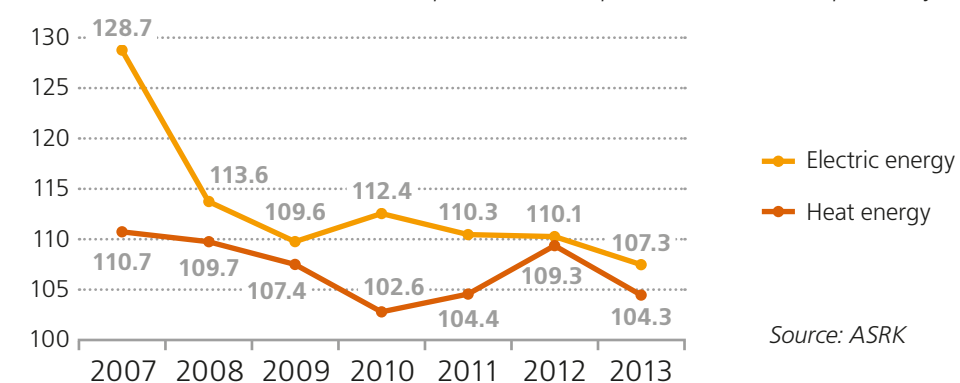
Industrial growth amounted to 2,3% mainly due to growth in mining sector (3,1%) where we can observe increase of production of crude oil, gas and metallic ores. Manufacture sector, around 40% production of which provides by energy intensive metallurgical complex, showed lowlier gain – 1,6%. Here, ramp up was provided primarily by growth of production of food products and beverages (12,5%) and machinery construction (14,7%). Metallurgical sector, in contrast showed negative dynamics due to decrease of demand from China and EU, as well as the consequence fall of prices for metals

In 2013 inflation amounted to 4,8% what was lower, specified by the National Bank amount by 6–8%. National Bank of RK informed that creation of inflation processes, initially was on the ground of appreciation of commercial services to population, while prices for food and non-food products were growing by ordinary temps within all year, except 4th quarter.

Growth of prices for electric energy in 2013 amounted 7,3%, for heating 4,3%, what is lower than indicators of 2012 (10,1% and 9,3% correspondingly). Growth of prices for electric energy is within decree of the Government dated March 25, 2009 which assumes annual growth of tariff for electric energy till 2015, that will allow implementation of investment programs for modernization of equipment. Increase of prices for heat energy first of all related with appreciation of raw materials: coal and masut, as well as reimbursement of indexation of other tariff components.

Slowdown in growth of prices for electric energy and heating

Prices index as of the end of period in % compared to December of previous year



Structure of payment balance, for the first time since 2009 was negative. The reasons of worsening were situation in metallurgy, where negative tendencies within international demand were supplemented by bad pricing environment. At that growth of physical volumes of export of consumers and investment goods was observed together with insufficient increase of monetary import, what in its turn also imposed pressure to external balance.

Forecasting of short term perspective, experts in general have similar opinion, that Kazakhstan economy within upcoming two years will have similar to 2013 dynamics. Among factors which will have key meaning for economy it can be highlighted prices for oil, situation in international industry, primarily in China, which will impact to metallurgical industry environment and perspectives of Kashagan operation.

Forecast of Kazakhstan economy growth

Forecast authors	2014	2015
International Monetary Fund (October 2013)	5.0%	5.2%
Ministry of Economics and Budgeting (March 2014)	6.0%	6.0%
World Bank (January 2014)	5.5%	5.7%
European Development Bank (January 2014)	5.3%	5.6%

Source: NBRK



Energy industry environment

Energy industry provides more than 7% of all industrial production of Kazakhstan and approximately 84% of all electric energy of Kazakhstan generated at combined heat and power plants

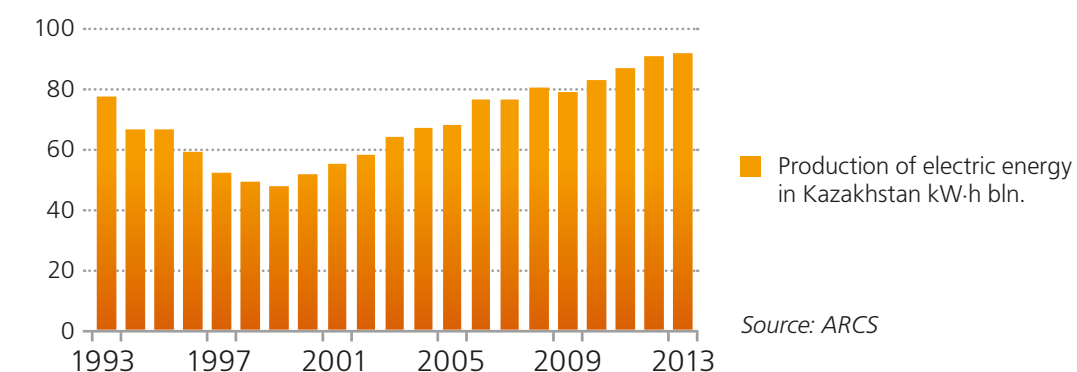
ENERGY INDUSTRY

Generation

72 power plants of different ownership type generate electric energy of Kazakhstan. Total installed generating capacity of power plants in Kazakhstan as of end of 2013 amounted to 20,591.5 MW.

In 2013 aggregated volume of generation in the republic amounted to 91,9 bln. kW·h, what is 1,9% higher compared to previous year. At that time the reduction of electric energy production for 2% was occurred, related to implementation of energy saving technologies at existing productions and enterprise, commissioned within the frames of State program of forced industrial-innovative development.

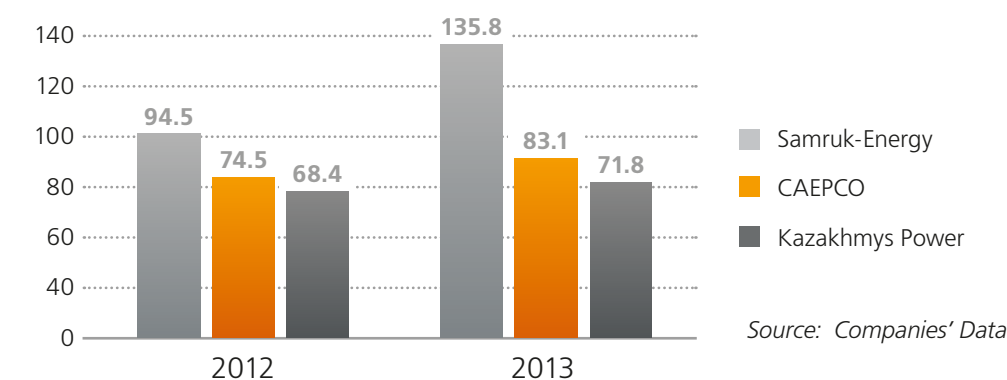
Average increase of generation for 1993–2013 – 3,8%



Major part of electric energy generated by Pavlodar power energy complex, and generating enterprises of Karaganda and East-Kazakhstan regions – most developed production regions of Kazakhstan.

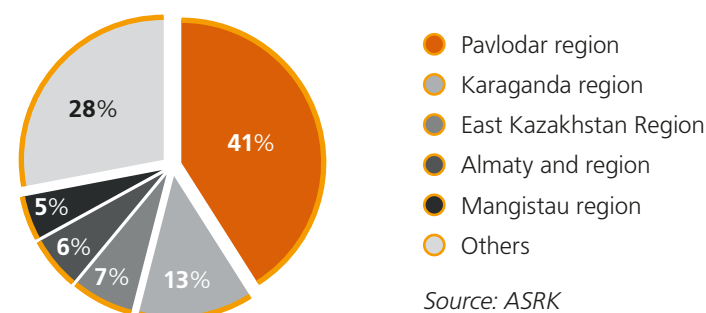
In North regions of Kazakhstan generation of electric energy steadily exceeds consumption, while in South regions contra verse situation is observed. Generation of electric energy in West Kazakhstan fully covers necessities of the of the region.

The largest energy companies of the Republic of Kazakhstan, according to turnover
KZT bln



Pavlodar power energy complex has leading position in the electric industry of the country

Regional structure of electric energy production in Kazakhstan 2013



Excess of generated electric energy proposed for internal market and export to Russian Federation or Central Asia countries.

In 2013 export of electric energy from Kazakhstan to Russia increased twice – from 1,98 bln. kW·h in 2012 up to 3,75 bln. kW·h. Import to Kazakhstan, against decreased from 2,55 bln. kW·h down to 1,6 bln. kW·h. With establishing Eurasian Economic Union the increase of export is expected. Possibility of export to Belarus from Kazakhstan is assumed.

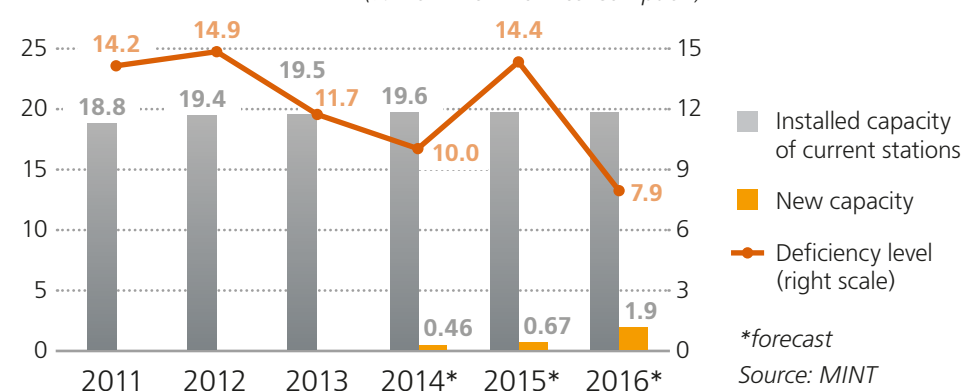
Transmission and distribution of electric energy

The Integrated electric energy system (IES) of the Republic of Kazakhstan located in the center of transport main electricity line 500–1150 kW of Eurasian continent, with following directions:

- European part IES of Russia;
- Asia part of IES of Russia (IES of Siberia);
- IES of Central Asia.

Deficit of capacity will be reduced by commissioning new sources

Capacity of Integrated Energy System of Kazakhstan (GW) and level of deficit of capacity (% from maximum consumption)



The Role of backbone network of IES represents NEN (National electric energy network), which provides electric communication between regions of the country and energy systems of bordering countries (Russian Federation, Kyrgyz Republic and Republic of Uzbekistan), as well as output of electric energy by power plants and its transmission to wholesale market consumers.

National electric energy network, consist of electricity transmission lines, central distribution center, as well as transformer substations, with a voltage from 35 kW up to 1,150 kW, covering all regions of the country and being under control of "Kazakhstan Electricity Grid Operating Company" JSC (KEGOC). KEGOC performs functions for transmission of electric energy through the networks of inter district and inter country level with a voltage of 110–500 kW, as well as functions for organization of balanced production – consumption of electric energy, operative – dispatching management of electric energy system.

Electric networks of regional level provide connections within the regions, and also ensure transmission of electric energy to retail consumers. Electric networks of regional level are on the books and under operation of Regional Electricity Distribution Companies (REDC). Twenty REDC perform transmission and distribution of electric energy at regional level with a voltage of 0,4–220 kW.

Energy transmitting organizations perform transmission of electric energy through own or used electric networks to consumers of wholesale and retail market as well as the energy supply organizations under the corresponding agreements.

Energy supply organizations purchase electric energy at wholesale market and sell it to different consumers at central trades.

Tariff Setting

Tariffs for generation, transmission and sale of electric energy in Kazakhstan are regulated by the state.

The ceiling tariffs for the electric energy generation for 2012–2015 were approved by the Government of the Republic of Kazakhstan (RK Government Decree dated March 25, 2009 No. 392).

Tariffs for electric energy transmission are regulated by the Agency of the Republic of Kazakhstan on the Regulation of Natural Monopolies (ARNM). The tariff for electric energy transmission had been set in accordance with the company estimated costs of transmission and distribution of energy until 2013.

Starting from 2013, in accordance with Decree of the Chairman of the ARNM dated June 27, 2012 # 152- OD the methodology of tariff setting for electric energy transmission based on the comparative analysis was approved. This method involves comparing the effectiveness parameters of individual REDC with the rates of other REDCs, increasing efficiency for each REDC, and the investment component in the rate of REDC, which includes amortization deductions and profit. Comparative analysis is made annually on the basis of information about the production and financial results for the calendar year provided by the REDC in comparison with the information from the previous year.

An important aspect of the existing regulation is the obligation of the investment component in the tariff (due to amortization and profits) for the implementation of an investment program aimed at reducing the equipment depreciation.

Sale of Electric Energy

The market of electric energy consists of two levels, the wholesale and retail markets.

The participants on the retail market are all consumers of electricity with a connected load of less than 1 MW and energy-supplying organizations, which sell electricity to them in a competitive environment.

In a centralized market, the sale of electricity is performed through the system (exchange) operator of "KOREM" JSC (Kazakhstan Operator of the electric energy and capacity market).

Electricity is sold on the market in the form of contracts for supply of "a day ahead", "a week ahead," and "a month ahead."

According to the results of the executed centralized electricity tenders, for 9 months of the year there were 3,433 transactions with the volume of 4,335.5 mln kW·h, totaling KZT 26,767.7 mln.

On the decentralized market, buyers and sellers enter into direct bilateral sales contracts.

The value of the final tariff for electricity varies depending on the region of presence. The cost of electricity depends on a presence of domestic sources in the region, distance from external sources of electricity, and a cost of production.

In accordance with the Law "On Electric Power Industry," the Balancing Electricity Market (BEM), in simulation without paying for purchased and sold electricity in the balancing market, became operational in 2008. Implementation objectives of the simulation model are developed from the mechanism of interaction of BEM subjects, determination of realistic values of production-consumption of electricity imbalances in Kazakhstan UES, specification of requirements in governing powers, and determination of the range of prices for balancing energy.

Since 2010, a comprehensive testing of the operation of the balancing energy market in simulation mode has begun with software products, including the Automatic system for accounting of electric energy (ASAE). Currently ASAE has been successfully implemented in the enterprises of "CAEPCO" JSC.

The transition of the balancing electricity market from the simulation model to the real one is scheduled for 2016.

HEAT ENERGY INDUSTRY



Heat energy in the Republic of Kazakhstan generated by 42 large district heating systems, which constitute of 38 CHP's, remaining balance supplied to consumers from 30 district boiler houses. In 2013 generation of heat energy decreased by 4,8% down to 98,4 mln. Gcal.

Complex of elements of district heating system of the Republic represented by cogenerating plants (generating heat and electric energy), as well as systems of heat energy supply to consumers (main and distribution heat networks) and reception of heat by consumers (elevation points, heating points, intra-house distribution).

Main problem of heat supply of the country — high level of depreciation of networks, length of which amounts to 12,2 thousand km, average depreciation of networks within the country — 63%, including 40% or 9,6 thousand km has 100% depreciation. Subsequent steady functioning of industry is possible upon significant financial donations, aimed to modernization of the equipment.

Modernization of heat networks of the RK till present moment has not been under mass company. Ministry of regional development of Kazakhstan has developed plan for modernization of heat networks for the period from 2014 till 2020, under the program housing utility will be granted with KZT 120 bln from republican budget for modernization of heating networks. Plan provides reconstruction of networks, providing transmission of more than 400 thousand Gcal of heat energy, namely 17 objects providing services in Astana, Almaty and regional centers, multiplicatively impacting to economy of the country.

Tariffs for heat energy in Kazakhstan controlled by regulator and from 2012 calculated under the differentiation principle depending from availability or absence metering units at consumers.

Tariff for heat energy consist of three components — tariff for generation of heat, tariff for distribution and tariff for supply of heat energy. According to clause 14 article 14 of the Law "On natural monopolies", period of tariff application established for the period, not less than 12 months, expect cases, when new subject of natural monopoly enters the market.



KEY EVENTS

2013 was the key year for state program of modernization of generating capacities of Kazakhstan power industry “tariff in exchange for investments”. For the period of 2009–2013 (ceiling tariffs for electric energy period) more than 1,700 MW of capacity was commissioned. Total for the period of ceiling tariff program (2009–2015) 3,000 MW of new electric capacity is expected to be commissioned.

In 2013 following work for modernization and increase of capacity of station equipment were performed:

- energy block #6 of Aksu SDPP was modernized with increase of capacity from 300 MW up to 325 MW;
- turbine unit #4 at Petropavlovsk CHP-2 (“SEVKAZENERGO” JSC) was modernized with increase of capacity from 30 MW up to 60 MW;
- turbine unit # 11 of Ust-Kamenogorsk CHP (“AES Ust-Kamenogorsk CHP” LLP) was modernized with increase of capacity from 100 MW up to 120 MW.

According to date of Ministry of Industry and New Technologies (MINT) of the Republic of Kazakhstan total cost of investment program of generating sources till 2014 amounts to KZT 988,4 bln. Level of depreciation of the equipment on all energy sources reduced from 70% (in 2009) down to 58,8% (as of the end of 2013).

In 2013 fully completed implementation of 8 from 14 projects in the power industry, included to state program of forced industrial – innovative development for 2010–2014.

In 2013 more than 20 normative – legislative acts were adopted, which relate to establishing strategy of industry and its separate segments development as well as improvement of regulation of currently valid elements of the power industry.

In July 2013 Government of the RK adopted Law “On introducing amendments and alterations to some legislative act of the Republic of Kazakhstan on issues of supporting use of renewable energy sources”, according to new Law objects of alternate power are recognized as mature participants of power market. This Law approved system of calculation tariffs for renewable energy sources.

In August 2013 Government of the RK approved state program “Energy saving – 2020” the purpose of which – establishing conditions for reduction energy intensity of Kazakhstan GDP and enhancement of energy efficiency. Within the frames of the program state has planned modernization and improvement of energy efficiency of the industry, reduction of losses in heat and electric networks and advocacy of energy saving among population.

Within 2013 Government of RK has issued range of decrees, providing legal base for implementation Power Capacities Market (PCM) from 2016:

- approved standard agreement for procurement of service for supporting electric capacity of newly commissioned generating facilities;
- rules of organization and functioning of PCM.

DEVELOPMENT PLANS

The necessity of advanced infrastructure supporting of economy main sectors has arisen in Kazakhstan. State program for forced industrial – innovative development is implemented in the Republic. Power industry is one of the base spheres of economy and plays serious role in political and social sphere of the state.

Diversification of economy will significantly impose pressure to energy sector. Electric energy generation increase will be required for satisfaction of internal demand. In this respect expansion and reconstruction of acting and construction of new generation facilities and distribution capacities will be conducted.

In August 2013 Government of the RK approved state program “Energy saving – 2020” the purpose of which – establishing conditions for reduction energy intensity of Kazakhstan GDP and enhancement of energy efficiency. Within the frames of the program state has planned modernization and improvement of energy efficiency of the industry, reduction of losses in heat and electric networks and advocacy of energy saving among population.

Within the frames of energy sector development, Kazakhstan will encourage achievement of global target – reduction of GHG emissions. One of the approaches for generating cheaper, environmental friendly energy is development of nuclear power.

Nuclear energy complexes allow to optimally and balanced manner use fuel and mineral resources.

The necessity of settlement of environmental issues leads to use of renewable energy resources, share in overall consumption of which amounts less than 1%.

According to strategic development plan of the RK till 2020, approved on February 01, 2010, the following is among the strategic targets in the power industry:

- Reconstruction and modernization of existing generating capacities and distribution energy networks;
- By 2015 share of usage of alternate energy sources in overall volume of energy consumption should constitute more than 1,5%;
- By 2020 generation of energy from own sources, satisfying demand of the economy should constitute 100%;
- Share of alternate sources of energy in total volume of energy consumption should constitute more than 3%;
- Construct and commission Nuclear power plant and Balkash TPP;
- Establish vertically integrated company with nuclear cycle.



Results overview

MAIN EVENTS OF THE YEAR

In 2013, the companies belonging to "Central-Asian Electric Power Corporation" produced 6,137.4 mln kW·h of electricity. Output from busbars of the plants was 5,253.5 mln kW·h, heat output was 6,131.6 thousand Gcal. Growth in electricity production in comparison with the year 2012 was 10.1%, while the supply of electric power from the busbars grew in 12.3%.

Increased performance and production growth in 2013 were possible through the successful implementation of projects under the sound investment program of reconstruction, renovation and modernization of the production facilities of "Central-Asian Electric Power Corporation" adopted for the period from 2009 to 2018 with a total budget of more than USD 1 bln. Total investments in 2013 constituted KZT 24,6 bln.

Within the framework of the program, in December 2013 "SEVKAZENERGO" JSC set new turbine # 4 with the capacity of 63 MW into operation at Petropavlovsk CHP-2. As a result, the additional generation of electricity of 388.8 mln kW·h / year is provided. The total investment constituted KZT 6.1 bln. The realization of this project will improve the reliability and quality of electric and heat energy supply to consumers, significantly reduce specific fuel consumption per unit of delivered energy and the emission of harmful substances into the environment.

In 2013, the project of building a new ash dump # 2 at Petropavlovsk CHP-2 was completed, which will ensure a smooth transition and won't harm the environment with the ash waste warehousing for the next 20 years. The total investment of it is over KZT 3.3 bln.

In 2013, "PAVLODARENERGO" JSC fully completed the implementation of the project for reconstruction of ash catchers on all boilers of Petropavlovsk CHP-2, CHP-3 and Ekibastuz CHP. Due to this degree of purification of flue gases from the ash increased from 97% to 99.5%, the annual emissions of ash was reduced 5 times in comparison to 2008, which was the beginning of reconstruction. Work began to install the turbine unit # 2 of 75 MW at Petropavlovsk CHP-3.

In 2013, the merits of "CAEPCO" JSC in the field of environmental protection were observed at the state level. "SEVKAZENERGO" JSC received a golden award "Paryz 2013" in the nomination "For environmental contribution." This is a natural result of work undertaken by the company to reduce emissions and waste disposal, as well as measure the protection of land and plant greenery.

An important event for the company was the signing of a loan agreement with the European Bank for Reconstruction and Development in a total of USD 138 mln on May 22, 2013. Most of these funds USD 80 mln will be invested in replacing and reconstructing of the turbines at "PAVLODARENERGO" JSC, USD 40 mln will be used to update and upgrade the CHP-2 "SEVKAZENERGO" JSC, USD 18 mln will be spent on modernization of distribution grids of "North Kazakhstan Regional Electric Distribution Company" JSC and "Pavlodar Regional Electric Distribution Company" JSC.

OPERATING ACTIVITIES PERFORMANCE



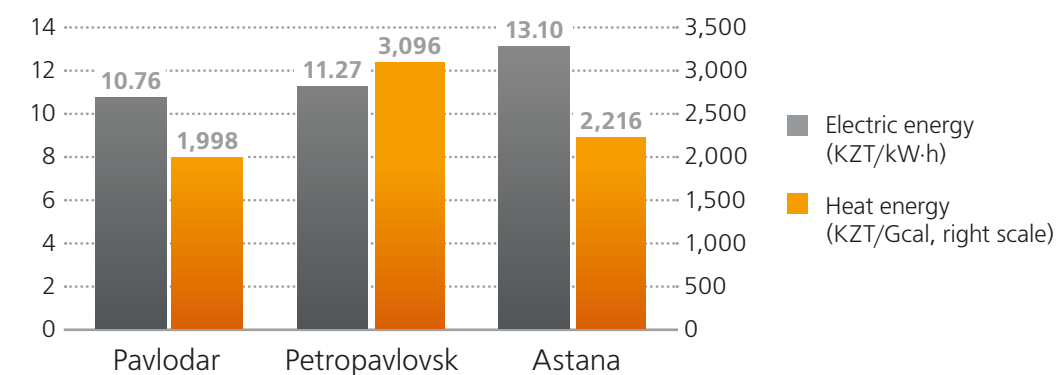
Performance highlights

Title	2011	2012	2013
Installed electric capacity, MW	909	974	1,061
Electricity generation, mln kW·h	5,665	5,572	6,137*
Volume of electricity transmission, mln kW·h	3,095	3,434	3,456
Volume of electricity sales, mln kW·h	6,378	6,547	6,506
Share in Kazakhstan electricity production, %	6.6	6.2	6.7
Installed heat capacity, Gcal	2,691	2,881	2,895
Heat generation, thousand Gcal	6,119	6,454	6,132**
Volume of heat transmission, thousand Gcal	4,413	4,435	4,408
Volume of heat sales, thousand Gcal	9,336	9,837	9,567

* In 2013 increase of electricity generation was related with commissioning of the turbine generator #4 at Petropavlovsk CHP-2, turbine generator # 1 at Pavlodar CHP-2.

** The main reason for reduction of heat energy generation is related with reduced steam consumption by direct consumers compared to the applied volumes.

Average sales tariff for electricity and heat energy with VAT in 2013



Main production highlights

Length of electricity transmission lines, km

Line voltages	"PREDC" JSC	"NK REDC" JSC	Total
220 kV	14.3	84.7	99.1
110 kV	2,595.7	1,327.1	3,922.9
35 kV	2,357.4	2,853.1	5,210.3
6–10 kV	6,142.7	4,616.2	10,759.1
0,4 kV	6,472.2	4,685.1	9,357.2
Total	15,782.4	13,566.4	29,348.8

Types of Substations, quantity

Substation voltages	"PREDC" JSC	"NK REDC" JSC	Total
220 kV	4	4	8
110 kV	73	38	111
35 kV	102	121	223
6–10 kV	3,662	2,320	5,982
Total	3,841	2,483	6,324

Length of heat networks, km

"Pavlodar Heat Networks" LLP	755, 80
"Petropavlovsk Heat Networks" LLP	231,53
Total	987,33

Number of Consumers (by region)

Region	Electric energy	Heat energy
Pavlodar region	218,823	162,382
North Kazakhstan region	160,539	69,376
Astana	211,006	182,084
Total	590,380	413,842

DEVELOPMENT PERSPECTIVES

2014 plans

In 2014 the Corporation intends to perform investment program for the total amount of KZT 26.8 bln. The plans for the current year are to increase the generation of electric energy by 4.3% and heat energy generation by 11.2%.

“PAVLODARENERGO” JSC plans to continue its work on the installation of new turbine unit # 2, and also intends to perform a full-scale reconstruction of turbine unit # 5 at CHP-3 of 120 MW capacity. The second phase of construction at the ash-disposal area at Pavlodar CHP-3 and CHP-2 will be continued. The construction of the ash-disposal area at Ekibastuz CHP and cooling tower #5 at Pavlodar CHP-3 will be commenced.

In 2014, “SEVKAZENERGO” JSC plans to launch a new boiler unit #8, which will increase steam production by 270 tons per hour and enhance the reliability and efficiency at the station.

Plans for 3 Years

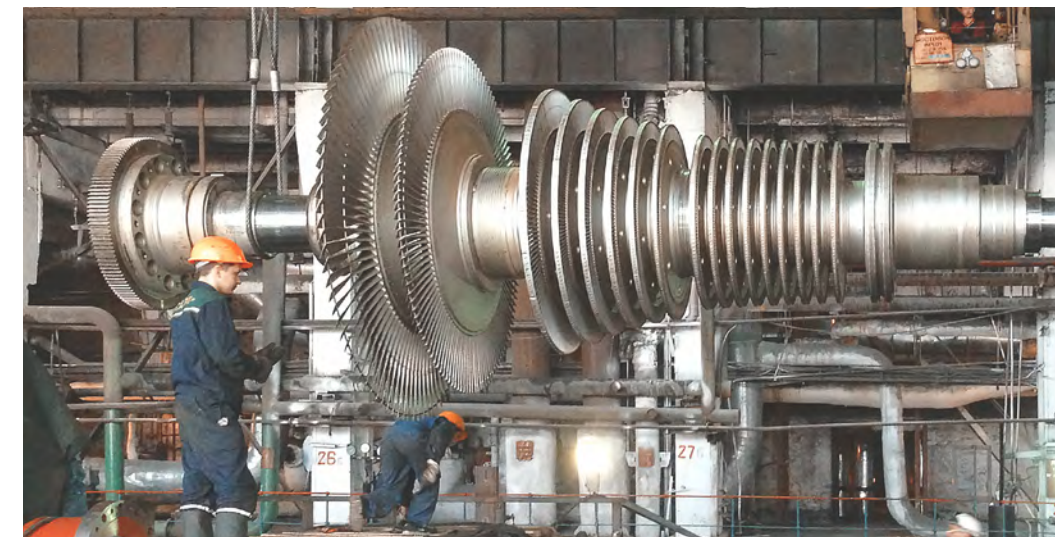
In the next 3 years the Company intends to continue implementing the energy saving policy in accordance with ISO 50001 while further implementing the Investment Program.

“CAEPCO” JSC plans to complete full modernization of assets of Pavlodar CHP-3 and Petropavlovsk CHP-2 and to conduct automation of the production activities of the Company on the basis of VENTYX Ellipse information system, which will optimize costs (reduction of up to 20–25%) for carrying out repairs, as well will increase the turnover of inventories. The integrated automation of repairs will make it possible to increase the reliability of the equipment operation to avoid unsustainable utilization of funds and to reduce the time of repairs due to staff accounting and timely delivery of materials and equipment. This, in turn, will have a positive effect on the enterprises activities as a whole.

Currently, electric power metering systems are also being transferred to an automatic mode on enterprises of the Corporation. “CAEPCO” JSC plans to complete the implementation of ASAE (Automatic system for accounting of electric energy) and ASAE (Automatic system for accounting of heat energy) within three years. Automated systems for accounting power resources make possible to perform the following: increase the accuracy of accounting by reducing errors while manual data reading and synchronous of readings, reduce losses and energy theft by monitoring balances per facilities, optimize production processes through the analysis of energy consumption, reduce the cost of information processing by the company’s economic subdivisions by getting timely and accurate information in electronic form.

Along with the measures aimed to improve internal efficiency and optimize production, the Company develops projects to diversify its business and expand its regional presence in the markets of Kazakhstan.

INVESTMENT PROGRAM



One of the key aspects of the strategic development of “CAEPCO” JSC is to increase production efficiency through replacement of fixed assets. The company carries out a large-scale Investment program of modernization and reconstruction of fixed assets, which aims to increase capacities of power generation assets and to increase the reliability of their operation, energy efficiency and energy saving, as well as to improve the environmental parameters of production. **“CAEPCO” JSC took third place in terms of volume for capital investments in the industry, and the planned volume of investments constitutes KZT 192 bln.**

The program is scheduled for 2009–2018. On its completion, the deterioration of power generating stations equipment will be reduced from 80 to 39%, the share of fully renewed and renovated production assets will amount to 63%, the installed capacity will be increased by 25%, and the amount of emissions will be reduced by 30%. The Corporation will fully get rid of excessive losses.

As part of the Investment program, it is expected to implement activities in three areas:

- Increase in Generation;
- Energy Saving, including the reduction of losses of electric and heat energy while their transmission;
- Improvement of environmental parameters of production.

During the period of implementation of investment activities as of December 31, 2013 the following works were performed at the facilities of “CAEPCO” JSC.

Increase in Generation

New boiler unit #1 and turbine unit #1 were installed at Pavlodar CHP-3. The commissions for turbine unit #1 increased the installed capacity of the station by 65 MW, from 440 to 505 MW. Equipping it with the Automatic System for Accounting of Heat Energy (ASAE) allowed to introduce the economical and safe operation, maintain the specified parameters of steam and district heating in automatic mode, observe the temperature of equipment and maintain stability of the given load.

In 2012, a new # 2 cooling tower at Pavlodar CHP-2 was commissioned, which allowed for removing the restriction on electric power generation in condensing mode. In May 2009, turbine # 1 at Ekibastuz CHP was commissioned. This turbine was designed to generate electricity on the basis of heat consumption, with an installed electric capacity of 12 MW, which permitted to use generated electric power for the internal needs of the station.

In 2013, 3 boiler units were reconstructed at Pavlodar CHP-2, CHP-3 and Ekibastuz CHP that allowed increasing reliability and production performance.



A complete modernization of boiler units # 6 and # 7 was performed at CHP-2 in Petropavlovsk. In 2013, the project on reconstruction and modernization of the turbine generator # 4 with a twofold increase in turbine capacity was completed. The installation of new equipment allowed the station to increase electric energy output by 63 MW and heat energy output by 96 Gcal. Currently, the additional electric energy generation will reach 388.8 mln kW·h during the year, fuel saving will amount to 63.7 thousand tons of coal per year, and the utilization rate of installed electric power will increase up to 81.45%.

As part of the Investment Program for increasing generation capacity of stations, "CAEPCO" JSC signed a contract for the manufacturing of a new turbine # 2 with a generator for CHP-3 in Pavlodar, as well as turbine generators # 1, # 5 and a generator of turbine # 5 for CHP-2 in Petropavlovsk by "Ural Turbine Works" and "Elsib" companies (Russian Federation).

Reduction of Losses of Electric and Heat Energy

In order to reduce electric energy losses during transmission, to improve the reliability of supply of consumers with electric energy, electric networks are being reconstructed.

Within the frames of the Investment Program in electricity distribution companies, "CAEPCO" JSC reconstructed 100.33 km of cable lines and 10–0.4 kV and more than 280.52 km of overhead lines of 10–0.4 kV. For reducing the number of accidents and thefts of electric energy from 2004 to 2013, the replacement of bare wire with self-supporting insulated wire (SSIW) with the total length of 314.07 km was performed. By the end of 2013 in companies transmitting electric energy, "CAEPCO" JSC performed works on reconstruction of equipment at 110 substations. An Automated System for commercial accounting of heat consumption (ASCAPC) is also being implemented. As a part of the energy saving program, consumers' induction-type meters are being replaced with electronic ones. Since 2004, 47,748 meters were replaced. In 2005 the excessive losses of "Pavlodar Regional Electric Distribution Company" JSC were 3.6%, but in 2013 they were reduced to 0.3%. In "North-Kazakhstan Regional Electric Distribution Company" JSC excessive losses were completely eliminated in 2010. Moreover, the implementation of taking investment measures will reduce technical losses of "Pavlodar Regional Electric Distribution Company" JSC by 0.3%, and "North-Kazakhstan Regional Electric Distribution Company" JSC by 1.2%.

The main activities directed to reduce losses of heat energy are aimed at the restoration and modernization of district heating networks in the cities of Pavlodar, Ekibastuz and Petropavlovsk for the purpose of improving the reliability of heat supply, energy efficiency, reducing losses and improving environmental standards (reduction of CO₂ emissions by saving coal consumption associated with a decrease in heat loss during transmission over networks). Financing of investment activities in this field are carried out by loans from EBRD in cooperation with the Clean Technology Fund.

The main activities within the program on reduction of losses during transmission of heat energy are implemented in three directions. The first direction is to improve the reliability of heat supply in the cities of Pavlodar, Ekibastuz and Petropavlovsk. The second direction is reducing the normative losses and excessive losses through the use of pipes with polyurethane foamed coating. The third direction is the introduction of the automated system for commercial accounting of heat consumption (ASCAHC) at enterprises of "CAEPCO" JSC.

Works on these directions are performed in a complex manner. Thus, the first and second include work on the reconstruction of outdated heating supply systems and the construction of new heating mains with the use of pipes with polyurethane foamed coating. Only for the period of 2011–2013, the pipeline with the length of 3,917 meters with increasing pipe diameter was replaced and reconstructed in Pavlodar. Reconstruction of the pipeline with the length of 1,500 meters was performed and the insulation of pipes with the length of 5,840 meters was renovated in Petropavlovsk. Currently, outdated electric equipment is being replaced with new modified equipment.

Within the framework of the EBRD loan in 2011–2013, heat transfer enterprises of "CAEPCO" JSC performed work on modernizing heating networks. In Pavlodar, 14,446 meters of pipeline (in one-pipe design) were fully replaced, and in Petropavlovsk 7,320 meters (in one-pipe design) were replaced. There was also insulation with the length of 5,744 meters on the pipeline in Pavlodar and 6,140 meters in Petropavlovsk were replaced.

As a result of the construction of new heating mains, production capacities for heat energy transmission are being expanded. In 2013, "Pavlodar HeatNetworks" LLP completed construction of a pumping station # 3 from the CHP-3. Reconstruction of the pumping station # 2 in the city of Pavlodar with the installation of two additional pump units is also included into the Investment Program.

Heat consumption from automatic regulators, industrial controllers and modems for the connection of mechanisms and control and measuring devices with the dispatch service were installed in various heat transfer enterprises of the Company. All the equipment at heat stations is connected to the unified network that allows dispatchers to perform operational control of the hydraulic and thermal mode. It also allows specialists to make decisions faster in abnormal and emergency situations.

Moreover, the Company uses advanced technologies to detect sources of heat energy losses like instruments of thermo vision to inspect monitoring and diagnostics of main pipelines and ultrasonic flaw detectors.

Implementation of all the above measures will reduce the overall heat losses in the networks by 8% by the end of 2016. Reduction of losses will lead to savings of coal within 225 thousand tons per year.

Improvement of Environmental Parameters of Production

In order to improve the environmental parameters within the Investment Program, the Company carried out the reconstruction of ash removal units (ARU) with the installation of second-generation battery emulsifiers at all boilers from stations of the Corporation, thereby reducing emissions of ash into the atmosphere by 6 times.

At the end of 2008, the year of the launch of the Investment Program, the volume of pollutant emissions to atmosphere by enterprises of "CAEPCO" JSC was registered at the level of 108.5 tons. According to the results of 2013, this value was 80 thousand tons. The company managed to reduce the amount of pollutant emissions by 25% electric energy generation during this period also increased by 25.5%.

During the years 2009–2013, ARUs were installed on 13 of 22 boiler units at the stations of "PAVLO-DARENERGO" JSC – CHP-2, CHP-3, Ekibastuz CHP. Second-generation titanium emulsifiers were installed on all 11 boiler units at Petropavlovsk CHP-2.

The activities performed made it possible to increase the degree of purification of flue gases and ensured cost savings for enterprises. After the installation of battery emulsifiers on all boiler units, the flue gas cleaning efficiency was increased up to 99.7%.

In order to ensure continuity of the process cycle of the station and storage of bottom ash waste for up to 25 years, the reconstruction of two existing and construction of three new ash-disposal areas are being performed. Using of innovative material (polysynthetic geomembrane) in the construction of new ash-disposal areas will make it possible to prevent access of harmful substances to the soil with a probability of 100%.

FINANCIAL AND ECONOMIC ACTIVITY

Analysis of Financial and Economic Performance for 2013

By the end of 2013, "CAEPCO" JSC sold electric and heat energy, as well as rendered services for their transmission and sales for the total amount of KZT 83 bln, which is 11.5% higher than in 2012.

This increase is conditioned by:

- Growth of volume from electric energy generation;
- Raising of tariff rates according to the Program of maximum tariffs adopted by the Government of the Republic of Kazakhstan.

Financial and economic indicators for the period of 2011–2013, KZT mln

Indicators	2011	2012	2013
Incomes from the sales and transmission of electric and heat energy	65,159	74,497	83,071
Cost of sales of electric and heat energy	(51,335)	(59,155)	(63,212)
Gross profit	13,824	15,342	19,859
General and administrative expenses	(4,082)	(5,235)	(5,877)
Distribution expenses	(1,052)	(1,099)	(1,313)
Other income	550	792	469
Profit from operating activities	9,240	9,800	13,138
Financial income	1,180	646	643
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	13,056	14,453	18,493
Financial costs and other costs	(2,564)	(2,418)	(2,404)
Income tax expenses	(1,966)	(1,964)	(2,804)
Net profit for the year	5,890	6,064	8,573

Net profit of the Company for 2013 was KZT 8.6 bln, i.e. an increase of 41.4% from 2012. In general, the positive dynamics of growth in net profit of the Company was observed over the last few years.

Share structure of net profit of "CAEPCO" JSC, %

Company Name	A Percentage in relation to consolidated net profit		
	2011	2012	2013
"PAVLODARENERGO" JSC	56	65	64
"SEVKAZENERGO" JSC	36	30	33
"ASTANAENERGOSBYT" LLP	3	5	3

Financial statements of "CAEPCO" JSC are prepared on a consolidated basis and include the results of activity from the Company's subsidiaries.

Segment Information

The company identifies the following segments:

- Production of heat and electric energy.
- Transmission and distribution of electric and heat energy.
- Sale of electric and heat energy
- Other types of activity, including the sales of chemical water, power control, etc.

Profit for the year is used to evaluate segment performance and resource allocation.

Financial and economic indicators by segments for the period of 2013, KZT mln

Indicators	Production of heat and electric energy	Transmission and distribution of electric energy	Transmission and distribution of heat energy	Sales of heat and electric energy	Other	Total
Income, total	44,759	10,207	4,778	65,355	469	125,568
Intrasegment income	(6,452)	(214)	(2)	(35,562)	(267)	(42,497)
Income from sales to external buyers	38,307	9,993	4,776	29,793	202	83,071
Cost of sales	(22,558)	(8,036)	(4,981)	(27,624)	(13)	(63,212)
General and administrative expenses	(2,128)	(1,001)	(1,236)	(1,025)	(487)	(5,877)
Distribution expenses	(21)	–	–	(1,303)	11	(1,313)
Financial income	236	5	5	1	396	643
Financial expenses	(2,226)	(3)	(23)	(98)	(26)	(2,376)
Foreign exchange loss	(41)	–	2	(1)	12	(28)
Other income	(127)	121	21	456	(2)	469
Income tax expenses	(2,439)	(330)	108	(143)	–	(2,804)
Profit for the year	9,003	749	(1,328)	56	93	8,573
Capital expenditure on fixed assets	15,858	2,774	1,640	168	60	20,500
Depreciation of fixed assets	3,251	864	520	54	27	4,716
EBITDA	16,925	1,948	(888)	360	148	18,493

Assets and Liabilities

Total assets of the Company as of December 31, 2013 were KZT 160 bln, which was 15.7% higher than in 2012.

Consolidated balance sheet, KZT mln

Indicators	2011	2012	2013
Fixed assets	89,183	100,491	116,195
Goodwill and Intangible assets	2,500	2,519	2,580
Other long-term assets	4,885	7,385	10,632
Short-term assets	28,177	27,378	28,788
Cash and cash equivalents	1,345	987	2,342
Total assets	126,090	138,760	160,537
Equity	75,762	80,735	87,371
Long-term loans and bonds	19,977	23,431	33,787
Other long-term liabilities	14,001	16,113	18,452
Short-term financial liabilities	6,698	6,987	9,347
Short-term liabilities	9,652	11,494	11,580
Total equity and liabilities	126,090	138,760	160,537

The value of fixed assets amounted in KZT 116,195 mln, or 72% of total assets value. There was an increase in value of fixed assets by KZT 15,704 mln, or 15.6% in 2013 compared to 2012 and is conditioned by the commissioning of new facilities, reconstruction and modernization of production equipment within the investment programs of enterprises.

Within the Company's liabilities in the structure of long-term liabilities, loans of the European Bank for Reconstruction and Development increased. The current loan portfolio has a high degree of diversification; the weighted average rate on loans is 7%. Total financial debt at end of the reporting year was KZT 43,134 mln, financial leverage – 0.5.

Cash flow, KZT mln

Indicators	2011	2012	2013
Net cash flow from operating activities	9,388	9,726	13,487
Net cash flow from investing activities	(22,109)	(13,423)	(22,646)
Net cash flow from financial activities	9,163	3,340	10,498
Cash flows at the beginning of the year	5,020	1,345	987
Net increase/decrease in cash flow subject to the effects of exchange rates	(3,675)	(357)	1,355
Cash flow at the end of the year	1,345	987	2,342

Cash and cash equivalents

Net Cash Flow from Operating Activities

Net cash flow from operating activities in 2013 was KZT 13,487 mln. A positive dynamic of cash flow from operating activities demonstrates the stability of income and continuity of cash flow from the main activities of the Company. Stability of cash flow from operating activities provides internal resources for debt servicing and increases the probability of gaining access to the external sources of financing.

Net Cash Flows from Investing Activities

In 2013, the Company used cash flow for investing activities in the amount of KZT 22,646 mln. They were directed to financing the approved investment programs of enterprises.

Net Cash Flow from Financial Activities

During the year 2013, the Company received financing from the EBRD's funds in the amount of KZT 10,699 mln. In November 2013, the Company placed coupon bonds in the amount of KZT 1,106 mln on Kazakhstan Stock Exchange (KASE) within the first bond issue. The Company manages cash flows and the level of financial leverage by maintaining adequate reserves, attracting credit lines and bank loans, and monitoring predicted and actual cash flows.

Actual and Planned Indicators for the Year 2013

By the end of 2013, minor deviations of actual production indicators from the planned ones were fixed.

The maximum deviation from the plan by 8% was registered in terms of marketable electric energy output. The volume of marketable output decreased by 570 mln kW-h due to reduction of electric power consumption by large production enterprises of Pavlodar region and replacing of purchased electric energy by own production.

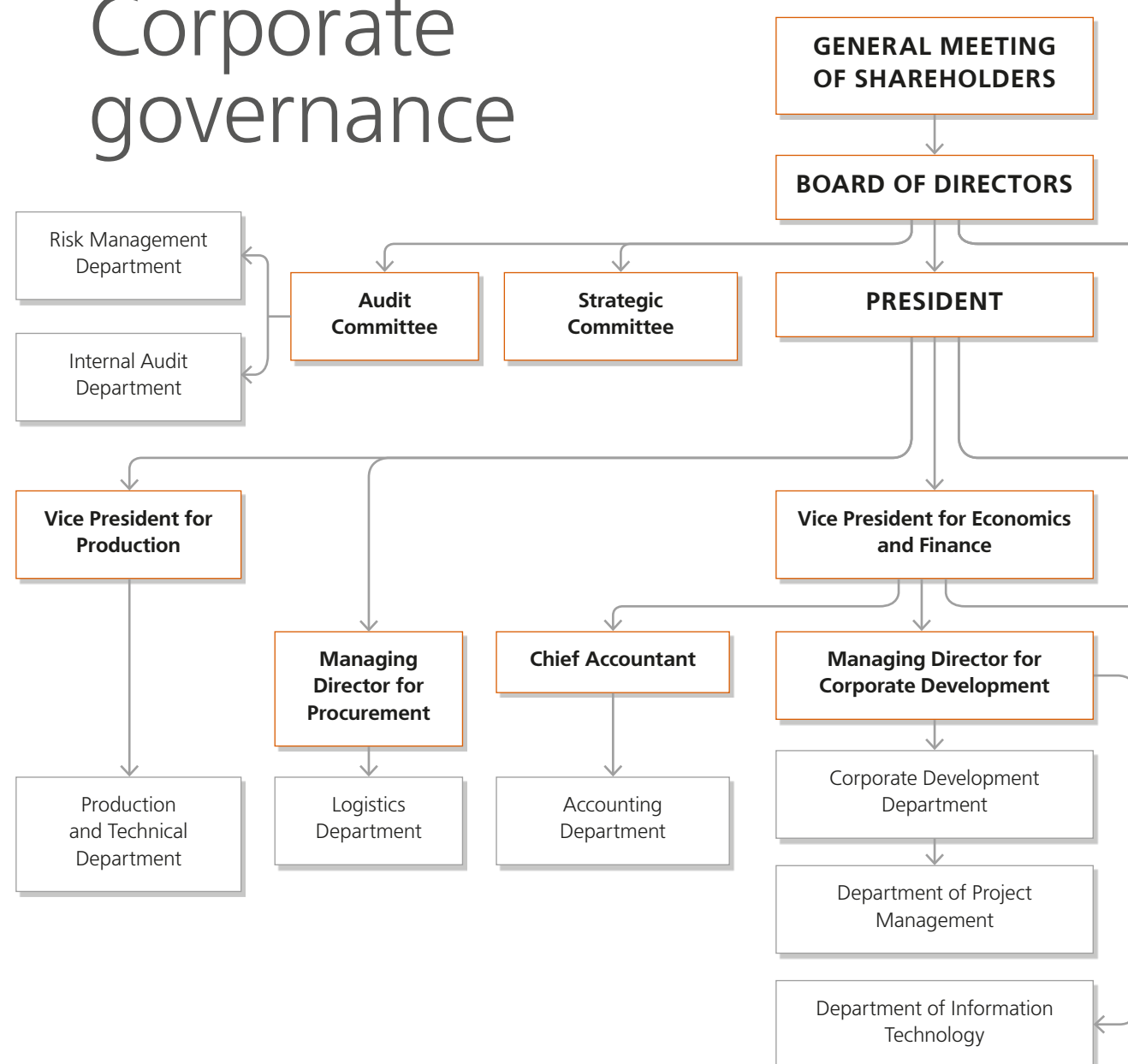
The reduction of heat energy generation volume by 7% or 470 thousand Gcal was conditioned with less consumption of steam by direct consumers, compared to planned volumes and high outside temperature.

Production performance indicators

Indicators	2013 actual	2013 planned	deviation, %	2012 actual
Electric energy generation, mln kW-h	6,137	6,143	0%	5,572
Electric energy busbar output, mln kW-h	5,253	5,198	1%	4,680
Heat energy generation, thousand Gcal	6,132	6,602	-7%	6,454
Electric energy transmission, mln kW-h	3,456	3,614	-4%	3,424
Heat energy transmission, thousand Gcal	4,408	4,456	-1%	4,423
Electric energy output, mln kW-h	6,506	7,079	-8%	6,547
Heat energy output, thousand Gcal	9,567	9,963	-4%	9,837
Installed electric power, MW	1,061	986.5	7%	974
Installed heat power, Gcal-h	2,895	2,904	-0.3%	2,880
Electric energy losses, %	10.1%	10.6%	-5%	11.1%
Heat energy losses, %	29.2%	29.3%	-1%	33.6%



Corporate governance



ORGANIZATIONAL STRUCTURE OF "CAEPCO" JSC

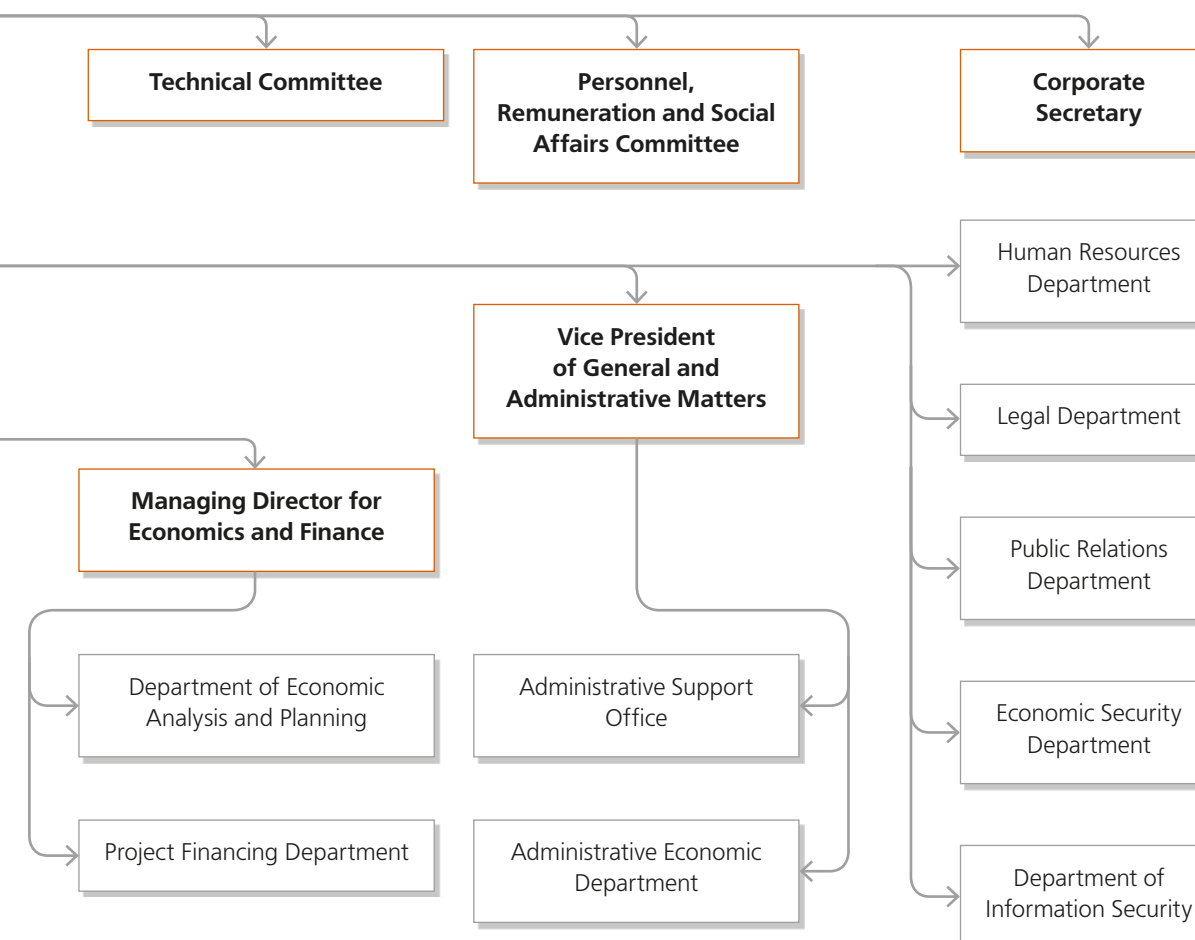
Governing Bodies

In accordance with the Articles of Association of "CAEPCO" JSC approved by the General Meeting of the Company's Shareholders, the following bodies are the bodies of the Company:

- Supreme body – the General Meeting of Shareholders;
- Governing body – the Board of Directors;
- Executive body – President.

The company improves work efficiency of collegiate bodies in management, primarily in the Board of Directors of the holding companies by means of:

- Creation of an effective system of distribution of powers between the management bodies of the Company – General Meeting of Shareholders, the Board of Directors, the executive body and collegial executive bodies of the subsidiaries;
- Development of institute of independent Directors of the Board of Directors;
- Creation of advisory and working bodies (committees, working groups) subordinate to the Board of Directors;
- Regulation of information policy within the society.





REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The corporate governance system of "CAEPCO" JSC regulates the process of interaction of governing bodies and bodies of internal control of the Company, shareholders and other concerned parties and is aimed to ensure the balance of their interests. The system of corporate governance is regulated by the internal documents of the Company, shown on the website of the Corporation. In summary, this system is reflected in the Code of Corporate Governance of "CAEPCO" JSC, which was adopted in 2010 by the Corporation's Board of Directors.

The code fully complies with the requirements of legislation of the Republic of Kazakhstan on Joint Stock Companies. The Code is based on existing international experience in the field of corporate governance and recommendations on the application of the principles of corporate governance from Kazakh joint stock companies.

The Corporate Governance in the Company is based on the following principles:

- **Justice** is the equal treatment of all shareholders, regardless of their ownership interest, location and enabling the effective protection of their rights;
- **Accountability** is accountability from the Company's Board of Directors to the shareholders, of the executive bodies to the Company's Board of Directors, of employees to Executive Management (President of the Company). This principle ensures accountability and separation of powers of the Company's governing bodies, as well as full accountability to the shareholders of the Company, which is accomplished by providing timely and complete reliable information to the Company's shareholders about the current financial position of the Company, achieved economic indicators, results of operations, and the Company's management structure that makes it possible for shareholders and investors of the Company to make informed and effective decisions;
- **Responsibility**, is the responsibility of the Company to its shareholders, employees, customers and partners, close cooperation with them for increasing the Company's assets, for increasing its stability and reliability. This principle determines the ethical standards for shareholders and employees of the Company, as well as provides for liability of officers of the Company while exercising unlawful guilty (intentional or negligent) acts or omissions as stipulated by the current legislation;
- **Transparency** is the timely disclosure of accurate information about all important facts relating to the functioning of the Company, including its financial position, performance, ownership and management structure, in volumes stipulated by legislation and internal documents, as well as ensuring free access for all concerned parties to such information by placing it in readily available public sources in the order stipulated by the legislation and internal documents of the Company;
- **Environmental protection and social responsibility** means the Company ensures a careful and rational attitude toward the environment in the course of its business and bears a social responsibility for the society;
- **Efficiency** means the President of the Company and its Board of Directors are required to provide reasonable and conscientious management of the Company that ensures a stable growth of its financial performance, increase in shareholder ownership and establishment of effective personnel policies, professional development of the Company's employees, motivation of labour and social security, and protection of interests to the Company's employees;
- **Controllability** means control over financial and economic activity of the Company in order to protect the legitimate rights and interests of the Company's shareholders; supervision of superiors over the subordinate managers in accordance with the policies and procedures approved by the Company's Board of Directors; and the effective use of work of internal and external auditors along with the establishment of an effective system of risk-based internal control.

Following the above principles is aimed to format and implement the daily practice of the Company's activities, norms and traditions of corporate behavior, consistent with international standards and promoting creation of a positive image of the Company in the eyes of its shareholders, customers and employees, to achieve the fullest realization of the rights of shareholders and to increase their awareness of the Company's activities, as well as to control and reduce risks, maintain sustainable growth and financial performance of the Company, as well as to successfully implement its statutory activities.

The main way of implementation by the shareholders of their rights described in the Articles of Association of the Company is their participation in the General Meeting. The Annual General Meeting of Shareholders is held every year in a mandatory manner. Moreover, extraordinary meetings are convened by the decision of the Board of Directors or at the initiative of the executive body.

The Company's shareholders can submit proposals to the agenda of the Annual General Meeting, and nominate candidates to the Board of Directors, Committees and convene meetings of the Board of Directors.

ACTIVITY OF THE GENERAL MEETING OF SHAREHOLDERS IN 2013

Practice of the corporate governance of the Company in 2013 was fully consistent with the Code of Corporate Governance.

1 (one) annual and 4 (four) extraordinary General Meetings of Shareholders were held in 2013. During the General Meeting of Shareholders the attention was focused on the following key issues:

- Election of the members to the Board of Directors of "CAEPCO" JSC;
- Election of the members to the Board of Directors of "PAVLODARENERGO" JSC;
- Election of the members to the Board of Directors of "SEVKAZENERGO" JSC;
- Approval of the financial statements of "CAEPCO" JSC and its subsidiaries for the financial year 2012;
- The decision on the allocation of net profit for the financial year 2012;
- Decision on attraction of EBRD financing in the amount of EUR 107 mln for the implementation of investment programs of "CAEPCO" JSC subsidiaries.

BOARD OF DIRECTORS

The Board of Directors of the Company determines the strategic objectives, maintains necessary control of activities, including ongoing monitoring and evaluation of the results of the enterprise activity. The Board of Directors consists of independent directors, not affiliated with the Company.

The Board of Directors is headed by the Chairman, who convenes meetings of the Board of Directors and forms their agenda on the assumption of the proposals submitted by the Members of the Board of Directors and Committees of the Board of Directors.

Information about the Members of the Board of Directors (BOD)

On October 25, 2013, the Board of Directors of "CAEPCO" JSC was elected by the decision of the General Meeting of Shareholders as follows:



Alexander Yakovlevich Klebanov (1963)

Chairman of the BOD

Chairman of the Board of Directors of "CAEPCO" JSC, as well as a shareholder and a member of the Board of Directors of "CAPEC" JSC

- 30.06.2004 Chairman of the BOD of "Eximbank Kazakhstan" JSC
- 20.08.2007 Chairman of the BOD of "CAPEC" JSC
- 16.03.2009 Chairman of the BOD of "CAEPCO" JSC



Yerkyn Adamiyanovich Amirkhanov (1967)

Member of the BOD, President of the Company

President of "CAEPCO" JSC, as well as a shareholder and a member of the Board of Directors of "CAPEC" JSC

- 01.07.2001 Chairman of the BOD of "PAVLODARENERGO" JSC
- 30.06.2004 Member of the BOD of "Eximbank Kazakhstan" JSC
- 20.08.2007 Member of the BOD of "CAPEC" JSC
- 16.03.2009 Member of the BOD of "CAEPCO" JSC
- 28.05.2009 Chairman of the BOD of "Caustic" JSC
- 22.04.2011 President of "CAEPCO" JSC
- 25.10.2011 Chairman of the BOD of "SEVKAZENERGO" JSC
- 25.02.2013 Chairman of the BOD of "AEDC" JSC



Gulnara Dzhumagaliyevna Artambayeva (1969)

Member of the Board of Directors

President, a Member of the BOD and a Shareholder of "CAPEC" JSC

- 16.06.2000 President of "CAPEC", JSC
- 27.06.2002 Member of the BOD of "CAPEC", JSC
- 27.06. 2002 Member of the BOD of "PAVLODARENERGO" JSC
- 07.10. 2002 Member of the BOD of "Pavlodar Regional Electric Distribution Company" JSC
- 31.03. 2004 Member of the BOD of "Eximbank Kazakhstan" JSC
- 27.04.2007 Chairman of the BOD of "AIFRI "CAPEC Invest" JSC
- 16.03.2009 Member of the BOD of "CAEPCO" JSC
- 07.07.2011 Chairman of the BOD of "ASTANA Pension Fund" JSC



Franz-Josef Kaiser (1949)

Member of the Board of Directors, Independent Director

Not affiliated to the "CAEPCO" JSC and has not been an affiliated person for the last 3 years

- 17.11.1975–30.06.2009 Partner of PwC
- 2005–30.06.2009 Partner in the project of PwC and Russian Company "Unified Energy System of Russia"
- 10.10.2009 Member of the BOD, Independent Director of "CAEPCO" JSC



Iskander Askatovich Mussin (1974)

Member of the Board of Directors, Independent Director

Not affiliated to the "CAEPCO" JSC and has not been an affiliated person for the last 3 years

- 10.09.2008 Chairman of the BOD of "Kazneftegazmash" JSC
- 05.10.2010 Member of the BOD of "Kazneftegazmash" JSC
- 18.03.2009 Independent Member of the BOD of "Tsentrkazenergomontazh" JSC
- 05.05.2009 Independent Member of the BOD of "Trust Sredazenergomontazh" JSC
- 15.04.2011 Member of the BOD, Independent Director of "Astana" Pension Fund" JSC
- 22.08.2011 Member of the BOD, Independent Director of "AIFRI "CAPEC Invest" JSC
- 25.10.2011 Member of the BOD, Independent Director of "CAEPCO" JSC
- 01.11.2011–31.10.2013 Member of the BOD, Independent Director of "Akmola Electricity Distribution Company" JSC



John Graham Wood (1951)

Member of the Board of Directors

- 17.08.2009–01.03.2012 Member of the BOD of Freenergy AS, Tallinn
- 01.11.2008 Member of the BOD, Chairman of the Audit Committee of West Herts College, Watford
- 26.02.2009–01.04.2013 Member of the Supervisory Board, the Chairman of the Audit Committee of ENEA SA, Poznan
- 16.07.2012 Member of the BOD of "CAEPCO" JSC



Manfred-Josef Kehr (1947)

Member of the Board of Directors, Independent Director

Not affiliated to the "CAEPCO" JSC and has not been an affiliated person for the last 3 years

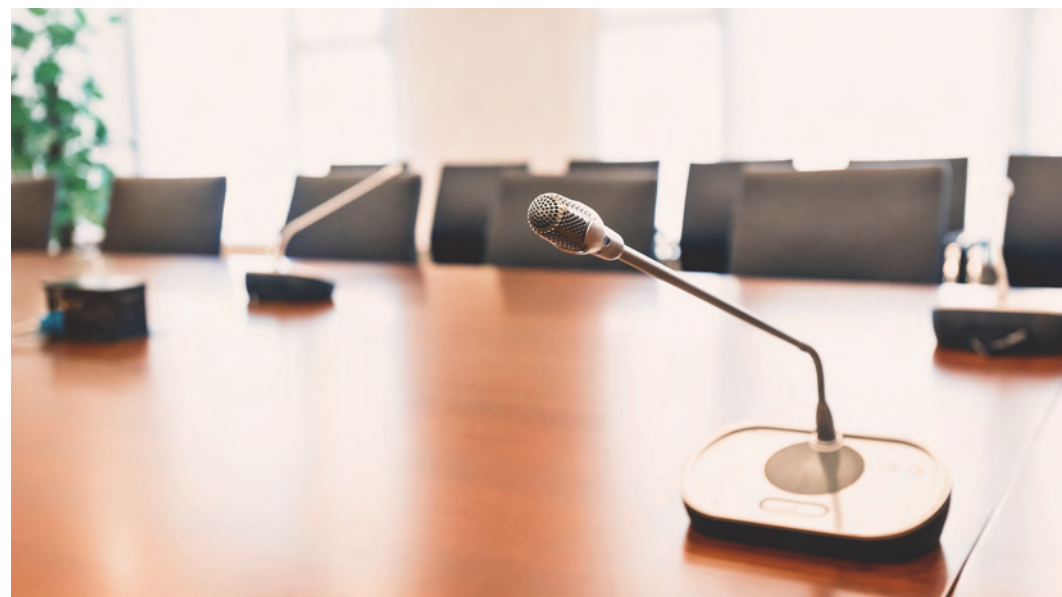
- 2003–2009 Vice President of RWE Power International Essen
- 2008–2010 Managing Director, Senior Advisor of RWE Power International Essen
- 25.10.2011 Member of the Board of Directors, Independent Director of "Central Asian Electric Power Corporation" JSC



Devarshi Das (1972)

Member of the Board of Directors

- Since April 2006 Senior Director Capital Advisor Partners PTE LTD (CapAsia)
- 16.07.2012 Member of the BOD of "CAEPCO" JSC



Board of Directors Activity Results in 2013

Six meetings of the Board of Directors were held in 2013.

The attention of the Board of Directors was focused on the following key issues:

- Consideration of approval of the terms and provisions of proposals from the European Bank for Reconstruction and Development to finance the investment program for the modernization of generating capacities and electricity networks of subsidiaries of "CAEPCO" JSC: "PAVLODARENERGO" JSC, "Pavlodar Electricity Distribution Company" JSC, "SEVKAZENERGO" JSC, "North Kazakhstan Electric Distribution Company" JSC;
- Consideration of the question about the assignment of the international credit rating for "CAEPCO" JSC;
- Consideration of budget performance of "CAEPCO" JSC for 2012;
- Consideration of amendments and changes to the budget and business plan of "CAEPCO" JSC in 2013;
- Issue of bonds of "CAEPCO" JSC on Kazakhstan Stock Exchange "KASE";
- Preliminary approval of the annual consolidated financial statements of "PAVLODARENERGO" JSC for 2012;
- Preliminary approval of the annual consolidated financial statements of "SEVKAZENERGO" JSC for 2012;
- Preliminary approval of the annual financial statements of "Astanaenergosbyt" LLP for 2012;
- Preliminary approval of the annual consolidated financial statements of "CAEPCO" JSC for 2012;
- Approval of the Regulation on the Technical Committee under the Board of Directors;
- Approval of the Regulation on the Strategic Committee under the Board of Directors;
- Approval of the Regulation on the Personnel, remuneration and social affairs Committee;
- Election of the Chairman of the Board of Directors of "CAEPCO" JSC;
- Election of the Corporate Secretary of "CAEPCO" JSC;
- Approval of the consolidated business plan of "CAEPCO" JSC for 2014;
- Approval of a transaction aimed for raising and ensuring financing by the Asian Development Bank;
- Approval of the schedule plan of the official meetings of the Board of Directors and its Committees for 2014.

In order to improve business processes and increase the efficiency of decision-making in the Company, internal controls were established.

Internal control for "CAEPCO" JSC is a systematic control integrated into the strategic and operational management at all levels, covering all subdivisions in the process of exercising their functions.

The Audit Committee works under the Company's Board of Directors. They monitor the decisions and processes to ensure the reliability of financial reporting and coordination of internal control and risk management systems.

"CAEPCO" JSC is committed to the policy of information disclosure and transparency: an action plan for placement in open sources of information about the activities of the Company is provided. Thus, shareholders can keep a track of the events taking place in the Company.

Remuneration

Rate of remuneration of the executive body is determined by the decision of the General Meeting of Shareholders of "CAEPCO" JSC. The total amount of remuneration paid to the Board of Directors in 2013 was KZT 44,858 thousand.

The Board of Directors Committees

There are four committees acting under the Board of Directors "CAEPCO" JSC as of December 31, 2013:

- Audit Committee (*established on February 25, 2010*);
- Technical Committee (*established on March 6, 2012*);
- Strategic Committee (*established on November 28, 2012*);
- Personnel, remuneration and social affairs Committee (*established on March 13, 2013*).

The Audit Committee is a permanent working body of the Board of Directors. It assists the Board in the effective execution of its regulatory and supervisory functions, improvement and strengthening of the internal audit and risk management systems. The Committee shall inform the Board of Directors on any issues requiring action on their part.

The Technical Committee is a permanent working body of the Board of Directors ensuring actual participation of its members in the execution of timely and effective control in accomplishing investment projects within the Company.

The Strategic Committee is a permanent working body of the Board of Directors established to improve the efficiency of corporate management, project implementation and control over the strategy execution of the Company. This Committee also assists the Board of Directors in perfecting the planning and development mechanisms within the Company.

The Personnel, remuneration and social affairs Committee is a permanent working body of the Board of Directors established to develop and implement a unified personnel policy for the Company and its subsidiaries, elect or appoint candidates for the head and members of the executive body of the Company and its subsidiaries, Department of Internal Audit and Risk Management Department directors, Corporate Secretary, and other bodies and subsidiaries, as well as form an effective system of corporate governance and the implement its principles.

The Board of Directors

Audit Committee	Technical Committee	Strategic Committee	The staff, Remuneration and Social Issues Committee
Franz-Josef Kaiser, Chairman, Independent Director	Manfred Josef Kerr, Chairman, Independent Director	Iskander Mussin, Chairman, Independent Director	
Artambayeva Gulnara, Member of the Committee	Yerkyn Amirkhanov, Member of the Committee	Yerkyn Amirkhanov, Member of the Committee	
Graham Wood, Member of the Committee	Graham Wood, Member of the Committee	Gulnara Artambayeva, Member of the Committee	
	Devarshi Das, Member of the Committee	Franz-Josef Kaiser, Member of the Committee, Independent Director	
		Graham Wood, Member of the Committee	

Executive Body

“CAEPCO” JSC President –
Yerkyn Adamiyanovich Amirkhanov

Has no share in the charter capital of the company, as well as in subsidiaries and affiliates enterprises.

The president of “CAEPCO” JSC manages daily operations of the Corporation, executes the decisions of the Board and general meeting of shareholders.

The Board of Directors “CAEPCO” JSC determines the amount of remuneration to the executive body.

A Brief Resume

He began his labor activity at the Institute of Steel and Alloys in Moscow. From 1997 to 2008, he held management positions in the “Kazkommertsbank” at the Pavlodar refinery, “Air Kazakhstan” JSC, and “Eximbank Kazakhstan” JSC.

Mr. Amirkhanov is the shareholder of “Central Asian power energy company” JSC, which brings together a group of companies in energy, financial and other sectors of economy. Currently, he performs the strategic management of holding enterprises.

Yerkyn Adamiyanovich Amirkhanov was awarded with the national medal “Kurmet”. He was also awarded with jubilee medals to commemorate the 10th anniversary of Astana and the 20th anniversary of Kazakhstan’s independence.



INFORMATION POLICY OF THE COMPANY



The main objectives of information disclosure of the Corporation are:

- Providing timely information on all material issues regarding the Company, in order to comply with the legitimate rights of shareholders, investors and other parties interested in providing the information needed to make an informed decision or other actions that could affect the financial and economic activities of the Company, as well as other information to assist in the most complete understanding of the Company’s activities;
- Providing access to public information about the Company to all interested parties;
- Increasing openness and trust between the Company and its shareholders, potential investors, market participants, government agencies and other stakeholders;
- Improving the corporate governance in the Company;
- Creating a favorable image of the Company.

The Corporation regularly provides information on its activities to shareholders and other interested parties in the manner and extent stipulated in the Company’s internal documentation needed for a decision on participation in the Company or other actions that could affect financial and economic activities within the Company. The list of information that affects the interests of the Company’s shareholders is defined in paragraph 13.2, Article 13 of the Charter of the Company.

The Company discloses information based on the principles of reliability, availability, timeliness, completeness and regularity ensuring equal access of all stakeholders to the same information, as well as a reasonable balance between the Company’s openness and compliance with its commercial interests required by applicable law, the Charter and other internal documents of the Company.

Officials and employees of the Company are obliged not to disclose confidential, internal information, commercial and other proprietary information about the Company, which may become known to them, as well as not use it for their own interests or the interests of third parties both during course of duty in the Company and for five years after retiring from the Company. The Company’s Board of Directors sets working with the internal, commercial and other proprietary information and its use.

DIVIDEND POLICY

The company’s policy regarding accrual declaration procedure, amount, form and terms for dividend pay-ment are defined in the Charter of the Company and the Regulations on Dividend Policy of “CAEPCO” JSC.

The main principles of the dividend policy of the Company are:

- The balance of interests of the Company and its shareholders in determining the amount of dividends;
- Increasing investment attractiveness, financial stability, capitalization and liquidity of the Company;
- Providing market return on invested capital;
- The respect and adherence to the rights of shareholders and increase in their well-being.

The Company intends to direct the net profit to the payment of dividends in the amount that allows the Company to maintain sufficient funds for its development.

The decision on the annual dividend is made by the AGM on the recommendation of the Company’s Board of Directors. If there are unforeseen circumstances adverse for the Company, the Board shall recommend to the general meeting of shareholders not to make a decision on payment (declaration) of dividends.

Dividend Payout

In 2013, at the annual general meeting of shareholders, it was decided to pay dividends to shareholders of “CAPEC” JSC for 2012 in the amount of KZT 1,819,295 thousand. The dividends was paid in full, dividend per share amounted to KZT 56.59, current book value of share as of 31.12.2013 amounts to KZT 2,712.93.

INTERNAL CONTROL AND AUDIT

The Internal Audit Department (IAD) is directly accountable and reports to the Board of Directors. The Audit Committee does the supervision of the Department activities.



The Internal Audit Department presents the annual report on the work done to the Board of Directors and the Audit Committee, as well as quarterly reports on the results of each quarter.

Work of Internal Audit Department is carried out according to the work plan approved by the Board of Directors for the year.

In 2013, the Internal Audit Department of “CAEPCO” JSC consisted of six auditors, including 4 specialists from “CAEPCO” JSC and 2 in subsidiaries.

In 2013, the Internal Audit Department conducted 19 planned inspections of “CAEPCO” JSC and its subsidiaries for the following directions:

- Testing the consolidated financial statements in compliance with IFRS;
- Evaluating the effectiveness of the internal control system of business processes:
 - Preparation and consolidation of financial reports,
 - Preparation and drawing up the management reports to the Board of Directors of “CAEPCO” JSC,
 - Taxes accounting,
 - Income accounting and settlements with debtors;
- Spot-check inventorying of fixed assets and inventories in subsidiaries “CAEPCO” JSC – “PAVLODAR-ENERGO” JSC, “SEVKAZENERGO” JSC, “ASTANAENERGOSBYT” LLP;
- Monitoring the corrective actions of the Company in order to implement the recommendations of the Internal Audit and “Deloitte” LLP;
- Consulting work.

Every year, the internal auditors enhance their skills. The department’s training plan includes priority training and qualification procedures and methodologies for conducting internal audit, internal control systems, risk management, corporate governance principles and management of core business from the processes of the Company. In 2013, internal auditors IAD participated in trainings from the Business Academy “Ernst & Young:”

- Effective communication skills for internal audit;
- Composition and writing an internal audit report practice;
- Internal control: System’s performance evaluation for the example project.

IAD internal auditors participated in the “Moscow Business School” for Internal Auditor training.



Risk management

The Company has a corporate risk management system and an internal control system in place

When improving the risk management system (RMS) and the Internal Control System (ICS), the Company follows international standards of corporate risk management systems and internal control developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the International Organization for Standardization (ISO).

The Risk Management Department reports to the Audit Committee of the Board of Directors. The department's work is carried out in accordance with the annual work plan approved by the Board of Directors.

The following work was done by Risk Management Department in 2013:

- Analysis and testing the effectiveness of the organization in the ICS business processes:
 - Planning and budgeting,
 - Investment activity management,
 - Labour and environment protection,
 - Information technologies and information security,
 - Development and implementation of the basic principles of corporate management;
- Updating the risk register and risk maps of the Company;
- Monitoring the implementation of measures to improve the organization ICS and risk management;
- Education in the field of risk management for key employees of the Company;
- Working with an insurance broker for insurance of property risks of generating facilities of the Company, transfer of property reinsurance risks to the international reinsurance organization;
- Development Methodologies for the development of key risk indicators (KRI) in order to improve the Company's RMS.

ANALYSIS OF RISKS THAT HAVE A SIGNIFICANT IMPACT ON THE ACTIVITY OF "CAEPCO" JSC

According to the actual results from the corporate risk register and risk maps of the Company held in 2013, some potential risks were identified that are conditionally divided into operational, financial and legal, in accordance with the Risk Management Policy approved by the Company.

Operational Risks

In 2013, the operational risk management of the Company in accordance with the classification and severity level adopted according to the register and risk map has defined the following directions of the activities:

- Health and Safety;
- Technological Risks;
- HR Management.

In order to control risks in the field of occupational health and safety, and to reduce the traumatism level, the OHSAS standard 18001:2007 and certificates of conformity, which are periodically confirmed by independent certification bodies, were introduced at enterprises of "CAEPCO" JSC.

Operational risks in production are minimized through continuously monitoring the level of reliability of the equipment, the overhaul and repair, and equipment modernization according to the investment program, procurement of modern diagnostic tools.

In order to reduce personnel risks, the Department of Personnel Management developed the Personnel Management Policy, which sets out priorities within the development of the personnel management system of the Company, differentiated pay increases were conducted, and measures are being taken to improve the skills of workers in cooperation with specialized educational institutions, and etc.



Financial Risks

Liquidity Risk. The company notes the exposure to liquidity risk, including monetary default as repayment terms come up. The Company manages liquidity risk by maintaining adequate reserves, banking loans, confirmed loan facilities and working capital funds through constantly monitoring the net debt of the Company while taking into account the expected outlook for the financial position of predicted and actual cash flow and future capital commitments.

Risk of rising prices for purchased equipment, raw materials. The Company is exposed to risk of rising prices for procured coal, since the CHP equipment was designed for specified type of coal, which is procured from one source. However, possibilities of the Company for monitoring of the risk and the extent of its impact to operational profit provided by the level of coal prices regulation by the state and reimbursement of tariff increase through the mechanism of emergency regulatory measures.

Market Risks. The company notes currency risk and interest rate risk exposure. The company has substantial liabilities denominated in U.S. dollars. To manage its exposure to the U.S. dollar exchange rate, the Company monitors the changes in exchange rates. In 2013, “CAEPCO” JSC did not conduct any hedging currency risk operations due to the absence of choice in financial instruments derivatives in the market of Kazakhstan. In this regard, the Company uses a natural hedging method by placing available funds on deposits denominated in U.S. dollars and monitoring the effectiveness of long-term investment programs.

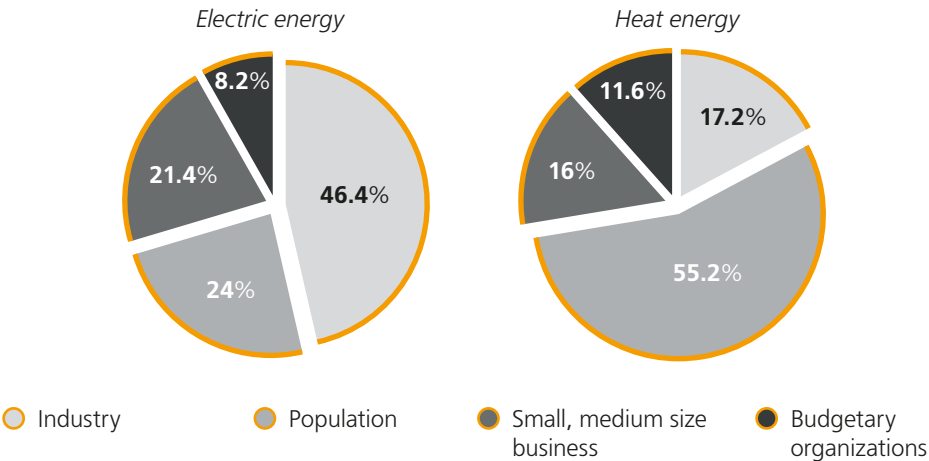
The company is sensitive to the volatility of interest rates, as it has borrowings with floating interest rates. Interest on EBRD loans is based on the EBRD interest rates on interbank loans and LIBOR and KazPrime deposits. Long-term credit resources of the Company are provided through a natural hedge in this group of risks due to investments.

Credit Risk. Credit risk arising from counterparty default shall be limited to the value the counterparty’s obligations that exceed the obligations of the Company to this counterparty.

Concentration of credit risk may arise if there are several outstanding amounts from one user or a group with similar conditions of activity.

“CAEPCO” JSC has a highly differentiated portfolio of clients represented by different segments of the economy, reducing the likelihood of credit risk. As of 2013, the differentiation of electricity and heat energy consumers is as follows:

Structure of electric and heat energy consumers in 2013



Legal Risks

Violation of the requirements of environmental (ecological) legislation is a significant risk that the Company’s management identified in the category of legal risks.

To minimize this risk, the Company, based on the Environmental and Social Action Plan (ESAP) for 2012–2014, conducted the monitoring to determine the impact of activities on the environment. Under the industrial environmental monitoring Program, the emission sources, the quantity and quality issues, as well as their dynamics are being monitored. Activities of the investment program provide, as one of the main directions, improved environmental parameters, and reduced risk of this group, respectively.



Personnel and social policy

The main purpose of the personnel policy of "CAEPCO" JSC is the formation of a highly professional staff in accordance with the Company's development strategy

Main policies for solving problems of conservation, replenishment and development of human resources are:

- Identifying critical, key employees, holding which is preferred value for the Company;
- Cooperation with higher, secondary and further professional educational establishments with a focus on energy profile schools and departments;
- Development of training, retraining and coaching of personnel systems with extensive use of the existing opportunities of training centers and the implementation of flexible learning technologies;
- Improving the system of motivation, promotion of social partnership system;
- Increased personnel reserve work.

NUMBER AND QUALITY OF STAFF

The Company's staff strength as of 31.12.2013 amounted to 8,124 people. The staff strength has increased by 3.4% compared to 2012 due to the following reasons:

- Growth in the volume of production and sales of energy;
- Reducing staff turnover;
- The employment of staff for vacancies.

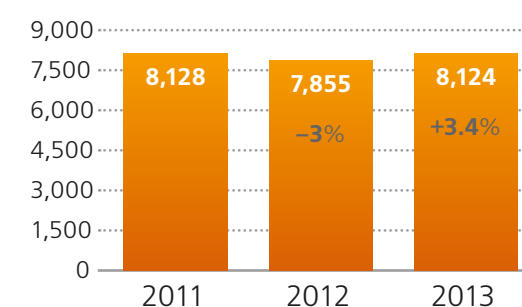
The staff strength has reduced in 2012 by 3.0% relative to 2011 due to the conducted activities for optimizing the organizational structure of "PAVLODARENERGO" JSC.

The share of employees in the "Managers" category was 14.4% of the total amount, which is the optimally balanced factor.

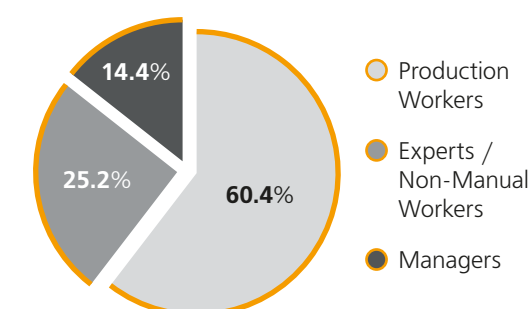
Personnel structure by grade and sex

Category of personnel	Total number of people	Men		Women	
		people	share	people	share
Staff strength	8,124	4,019	49.5%	4,105	50.5%
Managers	1,169	678	58.0%	491	42.0%
Experts / non-manual workers	2,046	761	37.2%	1,285	62.8%
Production workers	4,909	2,580	52.6%	2,329	47.4%

Dynamics of changes in number of personnel for 2011-2013 (people)



Personnel structure by category



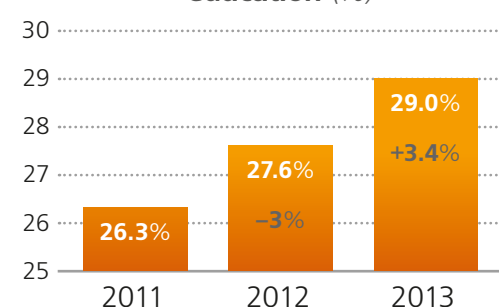
Distribution of staff by category in subsidiaries of the Company

"CAEPCO" JSC	60.4%	25.2%	14.4%	Production Workers
"PAVLODARENERGO" JSC	61.4%	23.6%	15%	Experts / Non-Manual Workers
"SEVKAZENERGO" JSC	60.5%	25.9%	13.6%	Managers
"ASTANAENERGOSBYT" LLP	57.7%	34.6%	7.7%	

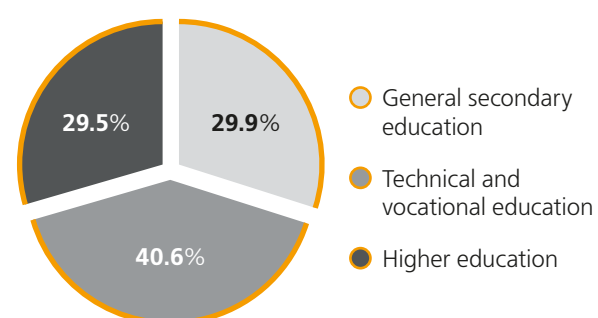
Distribution of staff by category in subsidiaries of the Company is sufficiently uniform.

There was a general increase in the number of employees that have higher education by 1.6% compared to 2012 and a 2.9% increase compared to 2011.

Dynamics of employees with higher education (%)



Employees education level



The number of employees of the Company studying on distance learning in the field of energy and Vocational Education as of 31.12.2013 was:

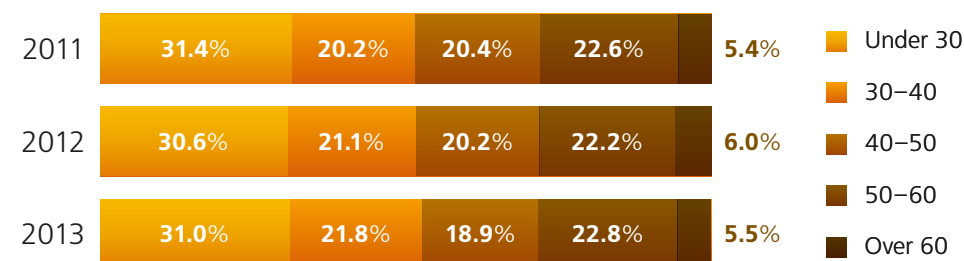
- Higher Education – 117 employees;
- Technical and Vocational Education – 83 employees.

The age range of the Company's employees is characterized by a high proportion of workers who are in their most productive professional employment age. The proportion of workers under the age of 40 year is 53% of the total number.

The average age of a management worker at "CAEPCO" JSC and subsidiaries is:

- "CAEPCO" JSC – 37,1 years;
- "PAVLODARENERGO" JSC – 42,3 years;
- "SEVKAZENERGO" JSC – 39,8 years;
- "ASTANAENERGOSBYT" LLP – 32,4 years.

Age range of employees



EDUCATION AND DEVELOPMENT OF THE PERSONNEL



The corporate training and development system includes the following areas: mandatory, regulatory training, development of managerial skills and development of professional competencies.

Education and development indicators	2011	2012	2013
Number of employees trained, retrained and passed for professional development, including:	2,727	6,524	4,586
passed mandatory training on industrial safety, occupational safety training for civil defense and emergencies, permitted to work	1,259	2,382	2,929
Trained according to QMS ISO9001, ISO14001, OHSAS1800	931	60	72
Training, certification, recertification	537	1,689	1,585

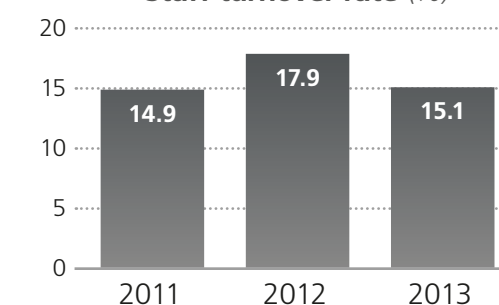
In 2012, 2,393 employees also passed the initial training, according to the Industrial safety requirements for installation and safe operation of equipment (steam and hot water pipelines, steam and hot water boilers, vessels working under pressure, hoisting cranes).

STAFF TURNOVER

The Company's employee turnover ratio has decreased in 2013 to 15.1%. In 2013, a program of activities aimed at improving the situation was implemented:

- Cooperation with higher and secondary special educational establishments with an emphasis on specialty profile to attract young professionals.
- Mentoring institute development for quick adaptation of new employees and motivating teachers to transfer their experience.

Staff turnover rate (%)



- Assessing capabilities of enterprises in housing expansion.
- Optimization of regular staffing of enterprises to identify the wage fund reserves and direction of released funds to increase wages.

PERSONNEL RESERVE

In 2013, the personnel reserve of 608 heads of higher, secondary and primary levels of management was formed. The personnel reserve was developed based on the program of preparation of individual plans of professional, organizational and managerial training of reservists, including training, professional development, mentoring, performing administrative functions, and the temporary movement of personnel. The external personnel reserve is being formed.

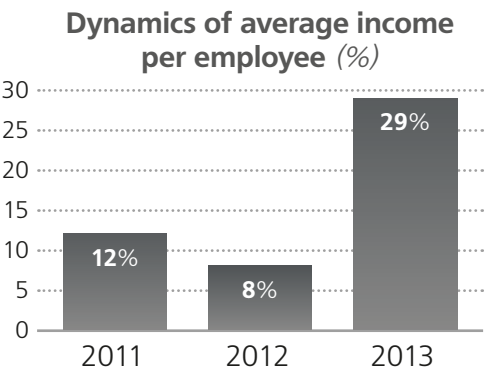
MOTIVATION AND STAFF INCENTIVES

Financial stimulation and the provision of social benefits and guarantees to employees of enterprises of “CAEPCO” JSC are important tools in motivating staff to increase productivity and efficiency in general.

The staff motivation system of the Company includes official salaries, allowances and additional compensatory and incentive-based payments and bonuses for completing key performance indicators.

A time-bonus wage system is used in “CAEPCO” JSC.

The target level of wages in the Company corresponds to the average rate on the market of Kazakhstan companies in the industrial sector of the economy.



Staff income structure

The permanent part	The variable part
<ul style="list-style-type: none">● Position salary / wage rate● Bonuses and allowances established by the current legislation of Kazakhstan● Bonuses and allowances established by corporate standards	<ul style="list-style-type: none">● Regular bonuses● Lump-sum bonuses● Long-term bonuses

Social support, guarantees and compensatory payments of the Company

Goals	Social package
Motivating the staff for long-term performance	<ul style="list-style-type: none">● Additional professional pension contributions in the amount of 5%● Award for anniversaries, retirement● Award to pensioners on professional holidays and anniversaries● Company veteran support program

Social support, guarantees and compensatory payments of the Company

Goals	Social package
Effective compensatory and concession system	<ul style="list-style-type: none">● Payment vouchers to camp for children up to 16 years● Compensation cost of housing and communal services, dormitory benefits● Professional competition bonuses● New Year gifts for children
Maintaining health and performance efficiency of the personnel	<ul style="list-style-type: none">● Insurance against work accidents and diseases● Obligatory medical insurance● Cost recovery for sanatorium-preventive treatment
Social assistance to the workers	<ul style="list-style-type: none">● Financial assistance for child birth● Financial assistance for funeral services● Paid educational leave
Sports and recreational activities	<ul style="list-style-type: none">● Cost recovery for meals to participants of sporting events● Cost recovery for holding cultural events and collective recreation

OCCUPATIONAL SAFETY



At the subsidiary enterprises of the company a safe environment for staff is provided taking into account industry-specific risks and hazards in the workplace.

In the context of improving the management system of occupational safety, the enterprises use the international standard OHSAS 18001.

During the operation, enterprises implement actualize occupational safety policy making it available to staff and allocate resources for that purpose.

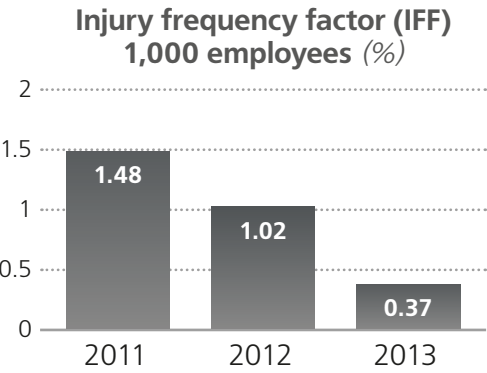
The corrective actions are carried out, if necessary to continuously improve the occupational health and safety.

Strategic Objectives in the Field of Occupational Health and Safety are:

- Improving the occupational safety;
- Improvement of working conditions in the work-place;
- Staff recreation through medical preventive activities.

Occupational safety main indicators

	2011	2012	2013
Number of traumatic cases	12	8	3
Number of production conferences held	122	140	248
Occupational safety days	222	233	286



SPORTS AND LEISURE



Employees of “SEVKAZENERGO” JSC enterprises take an active part in Petropavlovsk city sports games “Densaulyk” in various sports, including winter fishing, bowling, billiards, orienteering and more. By the end of 2013, the Company “SEVKAZENERGO” took first place in the “Densaulyk” games.

In addition, internal competitions among enterprises of the group are held annually in twelve kinds of sports. In 2013, an open tournament on mini-football was organized on the 50th anniversary of “NK REDC” JSC. In “PAVLODARENERGO” JSC, an open international tennis tournament “PAVLODAR-OPEN” is held annually.

CHARITY AND SPONSORSHIP

The company “SEVKAZENERGO” JSC continuously supports regional boarding schools for orphans and children left without parental care. The rooms of students are repaired annually, children go bowling, go to water parks, and go to movie theaters during the holidays. They are also provided with office supplies, clothing, and furniture. The funds are allocated for the purchase of gifts for birthdays of wards and for graduates on their graduation day.

All labor and veterans, as well as the pensioners of companies receive an annual material support in the form of food packages, monetary rewards, and coal provisions for jubilee holiday dates. The patronage of veterans is conducted at their homes. The concerts and dinners are held on May 9.

INTERACTION WITH TRADE UNIONS

“CAEPCO” JSC has functioning trade union organizations. The collective agreements are concluded at the enterprises of “PAVLODARENERGO” JSC and “SEVKAZENERGO” JSC for 2012–2015.

The number of employees in unions in 2012 was 5,702 people, which was 73% and in 2013 it was 5,644 people, representing 70% of total employees.

Interaction with trade union committees in subsidiaries of the Company:

- Concluding collective agreements;
- The control of contractual compliance for collective agreements;
- Employment in the conciliation commission;
- Participation in the work of committees, conduction complex surveys concerning occupational safety issues, health issues, and working certifications;
- Organization of care for orphans and children left without parental care;
- Working with the Council of Veterans;
- Participation in the organization of sports and recreation, cultural activities and providing summer camps for children of employees, compensating for part of the cost of treatment of workers in the recreational institutions;
- Assistance in securing workers labor and recreation regime and compliance with vacation schedules ;
- Proposals on necessary arrangements for industrial sanitation based on the workers requests;
- Current questions concerning the activities of employees in unions.



Environmental policy

Environmental issues in the “CAEPCO” JSC are among the priorities stipulated by the strategy of the Company

The environmental policy of the Company is developed in accordance with the concept of environmental security of the Republic of Kazakhstan for 2004–2015, the Environmental Code and the ISO 14000 series of standards based on the tasks set in the Environmental and Social Action Plan.

Since 2009, the Company implemented the Environmental and Social Action Plan (ESAP) under the Investment Program in accordance with the policies of the European Bank for Reconstruction and Development for the protection of the environment to the projects financed by EBRD. The Environmental and Social Action plan is a series of projects aimed to improve the environmental parameters of the Company and occupational safety at the enterprises of “CAEPCO” JSC. The company submits an annual public report on the ESAP work.

The fundamental principles of environmental policy are:

- Energy saving and rational use of natural resources and energy at all stages of the electricity and heat production;
- Reducing the amount of emissions and waste production of electricity and heat energy and environmentally safe treatment;
- Implementation of measures aimed at reducing and preventing accidents and reducing the negative impact on the environment;
- Improvement of technological processes of electricity and heat production;
- Openness and availability of environmental information, immediate notification of all interested parties of accidents, environmental consequences and measures for their elimination.

Preventing pollution is determined by all involved in the operations of electric and heat production. The level of impact on the environment and the efficient use of energy and natural resources are assessed during introduction of new technologies.

A special section on environmental issues, “Assessment of Impact on the Environment”, is designed in every new project. To comply with all Kazakhstan environmental standards, the projects pass the state ecological expertise.

The company enterprises avoided exceeding the maximum permissible emissions in 2013. Following the adopted environmental policies, “CAPEC” JSC introduces new technologies and provides advanced environmental parameters of production over the approved standards in the Republic of Kazakhstan.

Emissions of pollutants into the environment in 2013, tons

Name	PAVLODARENERGO		SEVKAZENERGO		CAEPCO	
	limit	actual	limit	actual	limit	actual
Coal Ash*	12,435	9,308	5,752	4,916	18,187	14,225
Nitrogen Dioxide	17,611	9,892	5,076	5,046	22,688	14,938
Nitrogen Oxide	2,859	1,629	825	820	3,684	2,449
Sulphurous Anhydride	32,100	26,238	26,711	17,448	58,812	43,686
Carbon Monoxide	2,790	2,109	3,810	3,318	6,601	5,427
Other	133	120	11	4	145	124
Total	67,930	49,297	42,186	31,551	110,116	80,848
*70–20% Inorganic Dust silica						



Financial reports

Consolidated statement of financial position for period ended on December 31, 2013

In thousands of Kazakhstani tenge

ASSETS	31.12.2013	31.12.2012
NON-CURRENT ASSETS		
Property, plant and equipment	116,195,184	100,491,319
Goodwill	2,424,419	2,424,419
Intangible assets, net	155,503	95,349
Deferred tax assets	144,249	145,087
Advances paid for purchase non-current assets	10,156,288	6,996,689
Restricted cash	331,805	242,906
Total non-current assets	129,407,448	110,395,769
CURRENT ASSETS		
Inventories	4,750,996	3,353,885
Trade accounts receivable	9,574,879	9,651,081
Advances paid	1,364,973	1,018,365
Taxes receivable and prepaid taxes	1,213,698	1,165,182
Other accounts receivable	2,057,403	2,692,330
Current portion of other finance assets	9,263,602	9,115,805
Restricted cash	562,530	381,126
Cash	2,341,928	986,622
Total current assets	31,130,009	28,364,396
TOTAL ASSETS	160,537,457	138,760,165
EQUITY AND LIABILITIES		
EQUITY		
Share capital	37,590,045	37,590,045
Additional paid-in capital	1,348,105	1,348,105
Revaluation reserve of property, plant and equipment	18,020,220	19,236,528
Retained earnings	30,412,816	22,560,077
Total equity	87,371,186	80,734,755
NON-CURRENT LIABILITIES		
Bonds issued	14,885,375	13,678,521
Long-term loans	18,901,770	9,752,949
Incomes of the future periods	1,065,350	1,122,250
Non-current accounts payables	36,457	40,711
Ash dump restoration liabilities	481,235	253,348
Employee benefit obligations	98,905	92,071
Deferred tax liabilities	16,770,481	14,604,204
Total non-current liabilities	52,239,573	39,544,054


**Consolidated statement of financial position for period ended on
December 31, 2013 (continuation)**
In thousands of Kazakhstani tenge

	31.12.2013	31.12.2012
CURRENT LIABILITIES		
Current portion of bonds issued	645,519	583,028
Current portion of long-term loans	2,969,013	1,991,364
Current portion of ash dump restoration liabilities	—	155,427
Current portion of employee benefit obligation	9,633	8,841
Short-term loans	5,732,077	4,413,223
Trade accounts payable	7,079,878	7,905,116
Advances received	2,797,512	2,139,741
Income tax payable	—	1,968
Taxes and non-budget payments payable	747,449	441,584
Other liabilities and the accrued expenses	945,617	841,064
Total current liabilities	20,926,698	18,481,356
TOTAL EQUITY AND LIABILITIES	160,537,457	138,760,165

**Consolidated statement of comprehensive income for period ended on
December 31, 2013**
In thousands of Kazakhstani tenge

	31.12.2013	31.12.2012
REVENUE	83,070,553	74,496,765
COST OF SALES	(63,212,430)	(59,155,300)
GROSS PROFIT	19,858,123	15,341,465
General and administrative expenses	(5,877,105)	(5,235,035)
Selling expenses	(1,312,758)	(1,098,898)
Interest expenses	(2,376,140)	(2,416,229)
Interest income	643,753	646,730
Foreign exchange gain/(loss), net	(27,532)	(2,281)
Other income, net	468,379	792,233
PROFIT FROM OPERATION BEFORE INCOME TAX	11,376,720	8,027,985
INCOME TAX EXPENSE	(2,803,935)	(1,963,669)
PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR	8,572,785	6,064,316

**Consolidated cash flow statement for period ended on
December 31, 2013**
In thousands of Kazakhstani tenge

CASH FROM OPERATING ACTIVITIES	31.12.2013	31.12.2012
Profit before taxation	11,376,720	8,027,985
Adjustments for:		
Depreciation and amortization	4,740,838	4,009,206
Finance costs	2,376,140	2,416,229
Accrual of allowance for doubtful debts	300,500	406,499
Loss on disposal of property, plant and equipment	19,820	—
Employee benefit expenses	23,500	34,662
Interest income from cash placed on deposits	(409,623)	(429,367)
Amortization of value adjustment on interest-free loan	(160,475)	(181,591)
Interest income from guarantee fees and loans given to employees	(12,298)	(8,889)
Foreign exchange (gain)/loss	(67,739)	2,281
Accrual of provision for unused vacations	13,570	8,348
Accrual of allowance for slow-moving inventories	5,047	11,275
Cash from operating activities	18,206,000	14,296,638
Changes in operating assets and liabilities	(1,433,446)	(1,742,551)
Increase in inventories	(1,402,158)	(736,127)
Decrease/(increase) in trade accounts receivable	74,543	(2,226,423)
Decrease/(increase) in advances paid	(368,567)	83,850
Decrease in taxes recoverable and prepaid taxes	647,982	471,431
Decrease/(increase) in other accounts receivable	372,035	(406,579)
(Decrease)/increase in trade accounts payable	(1,001,145)	1,607,814
Increase in deferred revenue	(94,443)	(87,004)
Increase in advances received	657,771	221,515
Decrease in taxes and non-budget payments payable	(303,641)	(392,408)
Decrease in employee benefit obligations	(15,874)	(14,358)
Decrease in ash disposal area restoration liabilities	—	(155,427)
Increase/(decrease) in other liabilities and accrued expenses	51	(108,835)
Cash provided operating by activities	16,772,554	12,554,087
Income tax paid	(669,907)	(412,406)
Interest paid	(2,615,515)	(2,415,192)
Net cash provided by operating activities	13,487,132	9,726,489


**Consolidated cash flow statement for period ended on December 31, 2013
(continuation)**
In thousands of Kazakhstani tenge

CASH FROM INVESTING ACTIVITIES	31.12.2013	31.12.2012
Cash withdrawn from deposits	5,785,446	12,993,852
Cash placed on deposits	(6,217,992)	(10,113,330)
Acquisition of property, plant, and equipment	(19,552,201)	(15,141,756)
Change in advances paid for property, plant and equipment	(3,186,190)	(2,315,577)
Acquisition of intangible assets	(84,582)	(36,836)
Proceeds from disposal of property, plant, and equipment	82,591	135,350
Proceeds from interest accrued on placed deposits	527,018	1,054,997
Net cash used from investing activities	(22,645,910)	(13,423,300)
CASH FROM FINANCING ACTIVITIES	31.12.2013	31.12.2012
Proceeds from issuance of bonds	1,106,167	2,613,360
Repayment of bonds	—	(6,308)
Proceeds from loans	20,748,300	10,250,889
Repayment of loans	(9,536,695)	(8,634,029)
Dividends paid	(1,819,295)	(883,505)
Net cash generated from financing activities	10,498,477	3,340,407
NET INCREASE/(DECREASE) IN CASH	1,339,699	(356,404)
CASH AT THE BEGINNING OF THE YEAR	986,622	1,344,978
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE ON CASH BALANCE HELD IN FOREIGN CURRENCY	15,607	(1,952)
CASH AT THE END OF THE YEAR	2,341,928	986,622

**Consolidated statement of changes in equity for period ended on
December 31, 2013**
In thousands of Kazakhstani tenge

	Share capital	Additional paid capital	Revaluation reserve of property, plant and equipment	Retained earnings	Total Equity
Balance at 31.12.11	37,590,045	1,348,105	20,448,020	16,376,282	75,762,452
Total comprehensive income for the period	—	—	—	6,064,316	6,064,316
Amortization of revaluation reserve	—	—	(1,211,492)	1,211,492	—
Dividends accrued	—	—	—	(883,505)	(883,505)
Adjustment of interest-free loan	—	—	—	(208,508)	(208,508)
Balance at 31.12.12	37,590,045	1,348,105	19,236,528	22,560,077	80,734,755
Profit for the period	—	—	—	8,572,785	8,572,785
Amortization of revaluation reserve	—	—	(1,216,308)	1,216,308	—
Dividends accrued	—	—	—	(1,819,295)	(1,819,295)
Adjustment of interest-free loan	—	—	—	(117,059)	(117,059)
Balance at 31.12.13	37,590,045	1,348,105	18,020,220	30,412,816	87,371,186



Glossary

Aerial line — an electric line for the transmission of electric energy through the wires located outdoors and attached by means of insulators and fittings to the supports or brackets.

Ash — an incombustible residue (in the form of dust), which is formed from mineral impurities after complete combustion of fuel.

Ash dump — a place for collecting and disposal of waste ash and slag left from combustion of solid fuels at heat and power plants.

Available capacity — a quantity equal to the installed capacity of the equipment minus power unrealizable for technical reasons (lack of chimney draft, turbine condenser cooling systems, etc.).

Available power station capacity — the installed power of the generating unit (station), minus its capacity constraints.

Boiler — a device for producing pressurized steam or hot water from fuel combustion, the use of electric energy, heat of exhaust gas or technological process.

Calorie (cal) — an off-system unit for measuring the amount of heat.

Combined heat and power (CHP) — thermal power plant that produces electricity, and heat, distributed to consumers in the form of steam and hot water.

Combined heat and power generation — a power generation by means of power generator driven by a steam turbine, and the heat coming from the steam turbine.

Cooling tower — the building construction in the form of the stack, providing draft air mass.

Electricity Transmission Line (ETL) — The construction of the wire cable and auxiliary devices for the transmission of electricity from power plants to consumers.

Emulsifier — the device for ash-sluicing and de-dusting working in a phase inversion mode.

Gig calorie — a unit of measurement of thermal energy used for assessment in power, heating, utilities sector.

Gig calorie per hour — a derived unit that characterizes the amount of heat produced or used in some equipment per unit of time.

Goodwill — the difference between the fair value of the company and the cost of all its assets.

High voltage power lines — the structures for power transmission by wire to a distance.

Installed capacity — the effective value of the turbine units, maximum guaranteed capability.

Installed heat power of the station — the sum of all maximum guaranteed capabilities for all equipment run into operation, according to the act, designed for heat supply to external customers and for its own needs with steam and hot water.

Installed power capacity of the energy system — the total of actual power of all turbo and hydroelectric power plants of the electric power system, in accordance with their passport or technical conditions.

Megawatt — a unit of capacity measurement in the electricity production.

MPE — project of standards for maximum permissible emissions.

Pump — a device for moving (suction, discharge) mainly the fluid under the pressure as a result of energizing (kinetic or potential).

Pumping unit — the pump “with” a set of equipment mounted according to a certain scheme for the pump to work.

Steam turbine — energy turbo machine, an element of the steam turbine unit, which converts the potential energy of a high-temperature-high-pressure steam into the mechanical energy of rotation of its rotor, which drives an electric generator.

Substation — electric installation used for conversion and distribution of electricity and consisting of transformers or other power converters, switchgear, means of control and auxiliary facilities.

Transformer — a device for converting the energy of any significant properties (e.g., electric transformer, torque convertor) or objects (e.g., photo transformer).

Turbine — the prime mover with the rotational movement of the working body of the rotor, which converts the mechanical energy of the supplied steam, gas, or water into kinetic ones.

Turbine unit — a set of steam turbine, electric generator and exciter, united by one shafting; provides the conversion of potential energy of steam into electric energy.

Abbreviations list

ASCAE Automatic System for Commercial Accounting of Electricity

ARU Ash Removal Unit

ASRHP Automated System for Registration of Heat Power

CAEPCO “Central-Asian Electric Power Corporation” JSC

CAPEC “Central Asian power energy company” JSC

CHP Combined heat and power plant

CL Cable Lines

COSO The Committee of Sponsoring Organizations of the Treadway Commission

CP Closed Corporation

CTF Clean Technology Fund

EBITDA Analytical figure equal to the amount of profit before deduction of tax, interest, and amortization payment

EBRD European Bank for Reconstruction and Development

EDZ Electricity Distribution Zone

EMS Environmental Management System

ESAP Environmental and Social Action Plan

Gcal Giga-calorie

Gcal-h Gcal per hour

GDP Gross Development Product

HPP Hydroelectric Power Plant

HVPL High-Voltage Power Line

IIF Islamic Infrastructure Fund

ISO International Organization for Standardization

JSC Joint-Stock Company

KEGOC “Kazakhstan Electricity Grid Operating Company” JSC

kW-h Kilowatt hour

LLP Limited Liability Partnership

MCI Monthly Calculation Index

Media Mass Media

MW Megawatt

NGOs Scientific and Production Association

NK REDC “North Kazakhstan Regional Electric Distribution Company” JSC

OHSAS International Occupational Safety Management and Industrial Safety System

OJSC Open Joint Stock Company

OL Overhead Lines

PCHP-2 Petropavlovsk combined heat and power plant # 2

PE “PAVLODARENERGO” JSC

PL Power Lines

PREDC “Pavlodar Regional Electric Distribution Company” JSC

QMS Quality Management System

RMS Risk Management System

SDPP State District Power Plant

SKE “SEVKAZENERGO” JSC

SPAIID State Program of Forced Industrial-Innovative Development

SSIC Self-Supporting Insulated Conductor

SW Switch Gear

VAT Value Added Tax

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REGISTRAR

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