CAEPCO

Central-Asian
Electric Power Corporation

ГОДОВОЙ ОТЧЕТ | ANNUAL REPORT

2014

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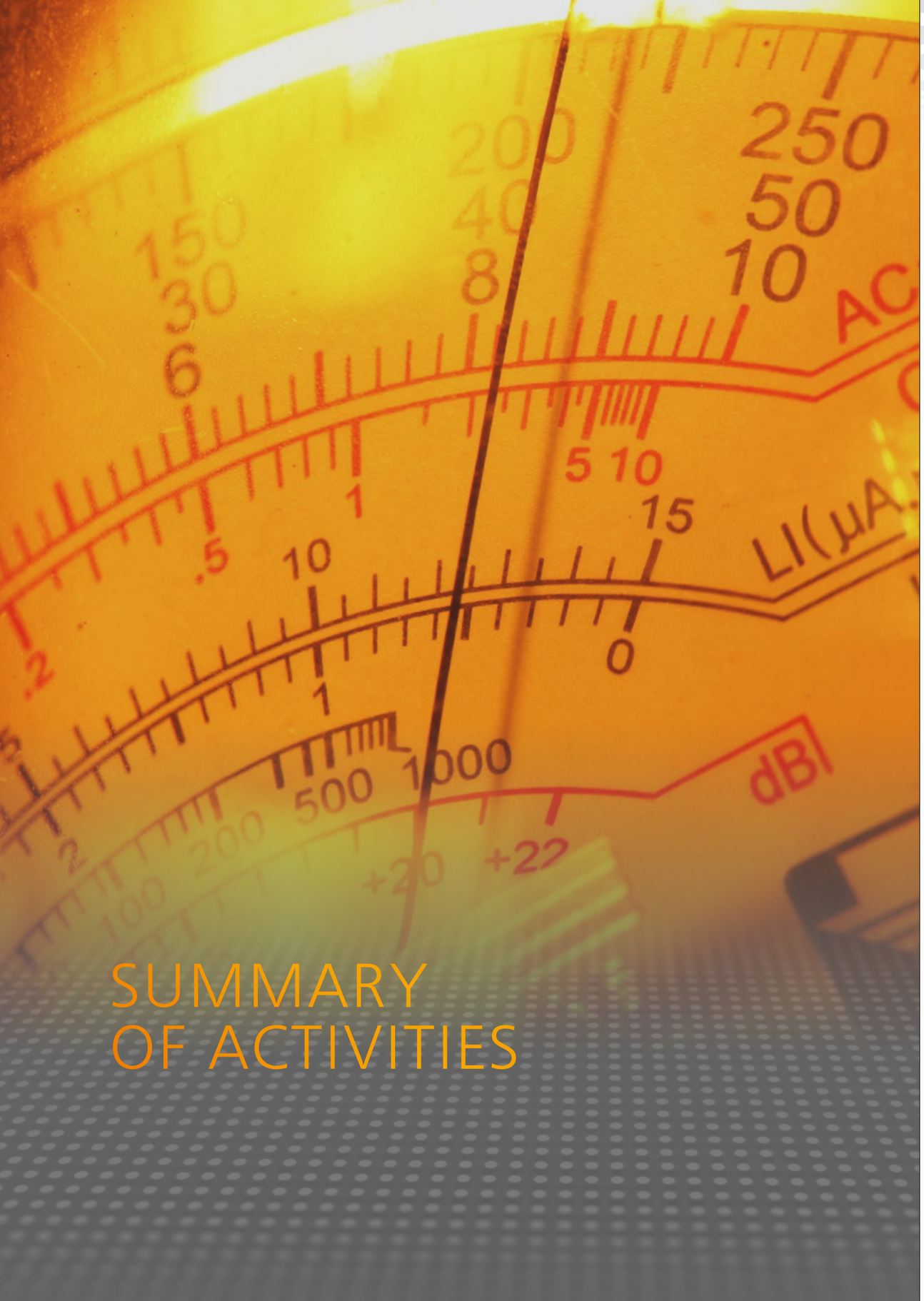


SUMMARY OF ACTIVITIES

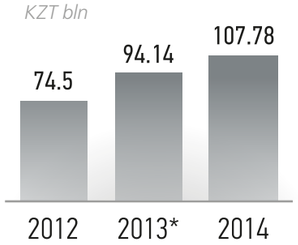
COMPANY OVERVIEW

Central-Asian Electric Power Corporation JSC is Kazakhstan's largest privately owned vertically integrated holding in the energy sector. The Corporation actively implements the best practices, operating in accordance with the international standards in the area of production, environmental protection, occupational health and social services.

OPERATING HIGHLIGHTS

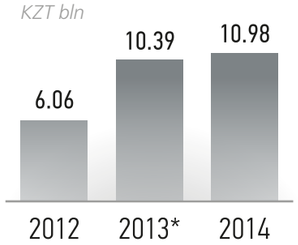
Revenue

KZT bln



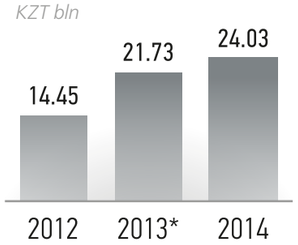
Net profit

KZT bln



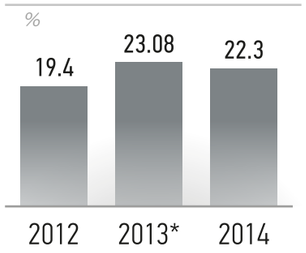
EBITDA

KZT bln



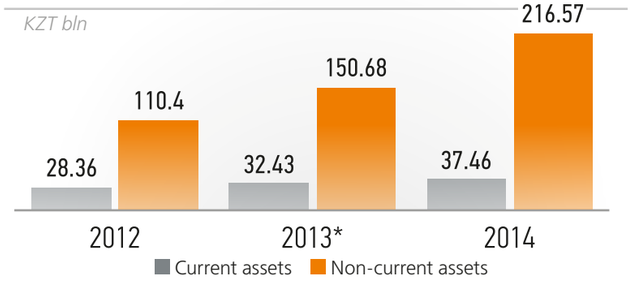
EBITDA margin

%

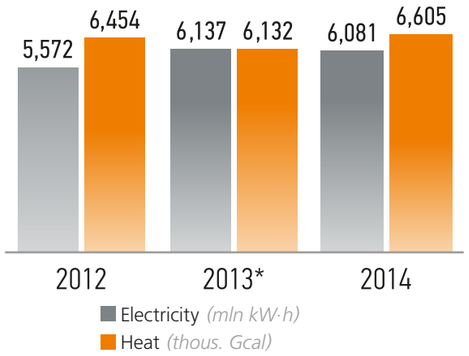


Assets

KZT bln

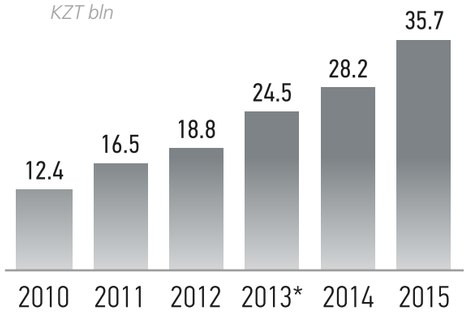


Generation



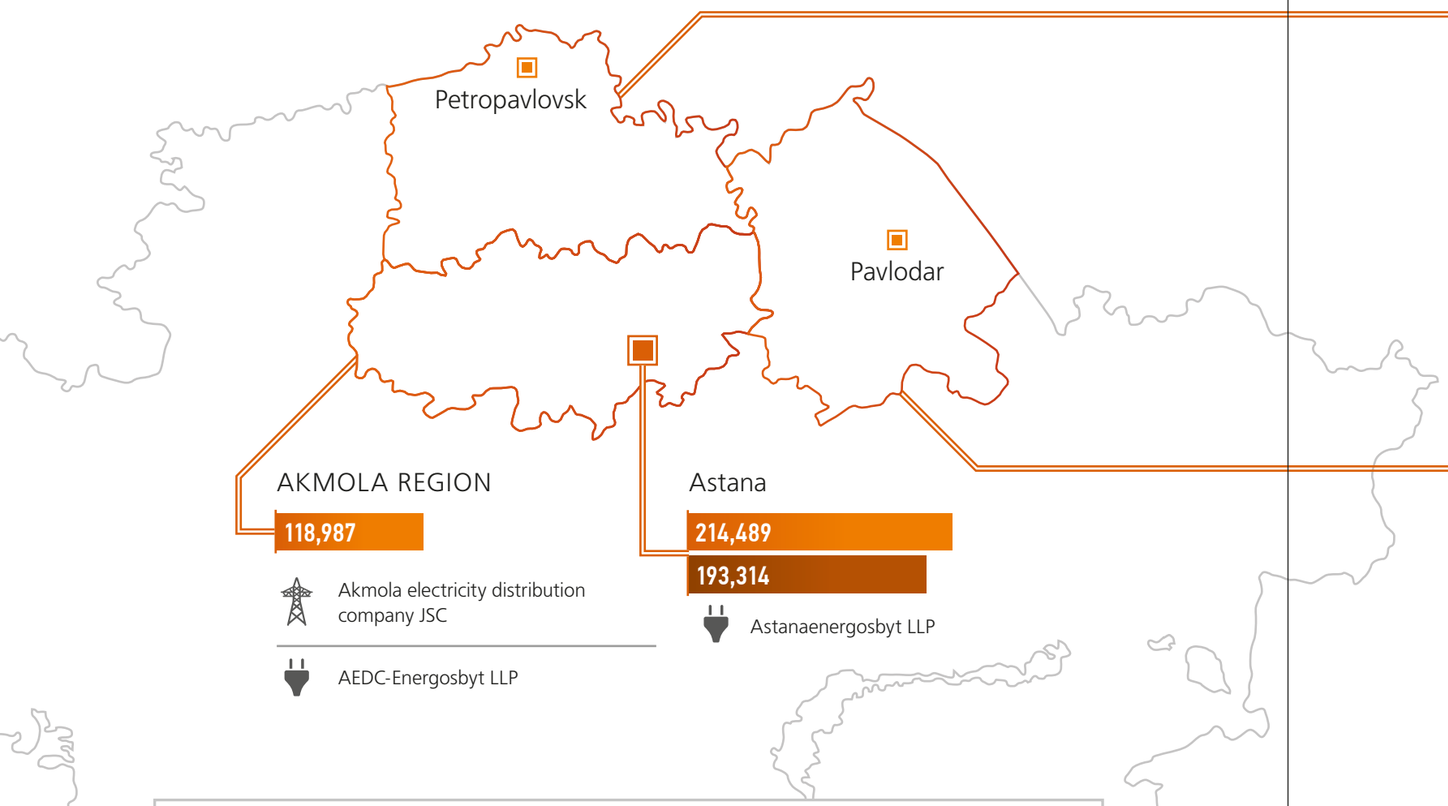
Investments

KZT bln



**Data including AEDC JSC*

ACTIVITIES MAP



AKMOLA REGION

118,987

Akmola electricity distribution company JSC

AEDC-Energosbyt LLP

Astana

214,489

193,314

Astanaenergosbyt LLP

NORTH-KAZAKHSTAN REGION

160,993

70,119

Petropavlovsk CHP-2

North-Kazakhstan regional electricity distribution company JSC

Petropavlovsk heat networks LLP

Sevkazenergosbyt LLP

PAVLODAR REGION

219,414

163,130

Pavlodar CHP-2

Pavlodar CHP-3

Ekibastuz CHP

Pavlodar regional electricity distribution company JSC

Pavlodar heat networks LLP

Pavlodarenergosbyt LLP

MAP KEYS

Consumers of energy

ELECTRICITY

HEAT

Generation of electric and heat energy

Distribution:

Electricity

Heat

Sales of electricity and heat energy

KEY EVENTS OF THE YEAR

- Fitch Ratings affirmed the long-term foreign currency Issuer Default Rating (IDR) for CAEPCO JSC at BB–, Outlook is stable.
- CAEPCO JSC purchased 48.41% of shares of Akmola electricity distribution company, becoming the company's sole shareholder. Earlier, Central-Asian power-energy company JSC transferred 51.59% of shares of Akmola electricity distribution company to CAEPCO.
- During a field meeting in Pavlodar (Republic of Kazakhstan), members of the Board of directors of CAEPCO JSC were briefed on the progress of the investment programme at PAVLODARENERGO JSC's facilities.
- Expert RA Kazakhstan rating agency affirmed the rating for PAVLODARENERGO JSC and SEVKAZENERGO JSC at A+.
- Expert-200-Kazakhstan ranked CAEPCO JSC Kazakhstan's largest private energy company.
- CAEPCO JSC opened its representative office in Astana, capital city of Kazakhstan.
- CAEPCO JSC signed a Memorandum of cooperation and understanding with ALSTOM Holdings to supply power equipment, thereby reaffirming its commitment to using the most advanced technologies at its existing facilities and implementing projects in the future.
- SEVKAZENERGO's Petropavlovsk CHP-2 held a grand ceremony for the commissioning of the upgraded boiler No.8.
- PAVLODARENERGO's Pavlodar CHP-3 held a grand ceremony for the commissioning of the upgraded turbo-generator No.5.

MAJOR OUTCOMES

Investment programme

The Corporation's actual investment spending in 2014 was 28.24 KZT bln with a planned budget of 30.10 KZT bln.

According to the plan, after completing the reconstruction, PAVLODARENERGO JSC commissioned a 125 MW turbogenerator No.5 at Pavlodar CHP-3 in December 2014, increasing installed electricity generating capacity of the power plant from 505 MW to 520 MW. The total cost of reconstruction amounted to 5.7 KZT bln. In 2014, 1,5 KZT bln were spent for the installation of a new turbogenerator No.2. The project is scheduled for completion in June 2015: as a result, the installed electricity and heat generating capacity will increase by 5 MW and 72 Gcal·h respectively.

Type of activity	Cost, in KZT mln
ELECTRICITY AND HEAT GENERATION	**18,645**
Including large projects, such as:	
■ Overhaul and repair of T-110/120-130 turbogenerator No.5 at Pavlodar CHP-3	2,967
■ Overhaul and repair of T-110/120-130 turbogenerator No.4 at Pavlodar CHP-3	2,276
■ Overhaul and repair of PT-60-130-13 turbogenerator No.2 at Pavlodar CHP-3	1,547
■ Replacing turbogenerator No.5 at Pavlodar CHP-2	1,444
■ Modernization of boiler No.8 at Petropavlovsk CHP-2	1,223
■ Construction of the ash dump (Phase 2) at Pavlodar CHP-3	1,041
■ Replacing turbogenerator No.1 at Pavlodar CHP-2	926
TRANSMISSION OF ELECTRICITY	**8,211**
Including large projects, such as:	
■ Reconstruction, modernization and upgrading of power lines of Akmola electricity distribution company JSC	2,414
■ Reconstruction, modernization and upgrading of power lines of Pavlodar regional electricity distribution company JSC	1,482
■ Creating an automatic electricity meter reading system and data collection and transmission systems at Pavlodar regional electricity distribution company JSC	909
■ Reconstruction, modernization and upgrading of power lines of North-Kazakhstan regional electricity distribution company JSC	520
TRANSMISSION OF HEAT ENERGY	**1,344**
Including large projects, such as:	
■ Reconstruction of heating networks using pre-insulated pipes in the heating pipeline network of Petropavlovsk	744
■ Reconstruction of heating networks using pre-insulated pipes in the heating pipeline network of Pavlodar	283

Reconstruction of T-110/120–130 turbogenerator No.4 at Pavlodar CHP-3 is planned for 2015 with necessary equipment and materials already purchased.

During the reporting year, the Corporation continued the construction of ash dumps (phase 2) at PAVLODARENERGO JSC's CHP-2 and CHP-3. Started in 2014, designing the phase two of ash dumps at Ekibastuz CHP in a bed of Lake Tuz is completed. Construction and installation will commence in 2015.

438 KZT mln were spent in 2014 for the installation a new cooling tower No.5 at PAVLODARENERGO JSC's CHP-3. This should increase the available electric power capacity of CHP-3, allowing it to manage the summer load thanks to improved vacuum in the plant's turbine condensers.

During the reporting year, SEVKAZENERGO JSC's Petropavlovsk CHP-2 began the Modernization of turbogenerators No.1 and No.5 to increase electricity generating capacity from 42 MW to 63 MW and from 33 MW to 95 MW respectively. Equipment and materials for these turbines have been purchased. The installation of foundation and equipment (partially) is completed at turbogenerator No.1, while turbogenerator No.5 was fully dismantled including the foundation. In addition, a new boiler No.8 was commissioned at Petropavlovsk CHP-2 in 2014 at total cost of 5 KZT bln. As a result, the plant's total steam capacity increased by 270 tons per hour. The new boiler also helped to make the plant more reliable and profitable.

8.2 KZT bln was invested by CAEPCO JSC in its power distribution companies in 2014. As a result, 138.4 km of overhead 110–35 kV power lines and 78.9 km of overhead and 31.4 km of cable 10–0.4 kV power lines were reconstructed. To minimise accidents and prevent electricity theft, bare wires in transmission lines were replaced with self-supporting insulated wires with a total length of 114.9 km.

Other important events of 2014 were reconstruction of equipment at 30 substations and introduction of an automatic meter reading system for electric power, where 38,201 inductive electric meters were replaced with electronic ones.

All of this helped to reduce losses in transmission networks. In 2014, excessive losses of CAEPCO JSC fell to 0.12% from 3.6% back in 2005. At the same time, North Kazakhstan regional electricity distribution company JSC completely eliminated excessive losses in 2010. If fulfilled, the investment projects will reduce technical losses of Pavlodar regional electricity distribution company JSC and North Kazakhstan regional electricity distribution company JSC by 0.4% and 0.7% respectively.

1.3 KZT bln were invested in the reconstruction of heating pipeline networks in 2014. In Pavlodar and Ekibastuz, heating networks with a total length of 979 metres and 810 metres respectively were reconstructed in 2014 using pre-insulated networks. In Petropavlovsk, 1,028 metres of networks were reconstructed. Obsolete equipment is constantly being replaced.

Automatic heat meters, industrial controllers and modems for connecting mechanisms and instruments with the dispatch service are installed at the Corporation's heat distribution facilities, heat imaging devices are purchased for monitoring and diagnostics of networks, as well as ultrasonic flaw detectors. When implemented, all the above activities will reduce heat losses in networks by 8%, saving 225 thous. tons of coal annually.

Chairman of the Board
of directors CAEPCO JSC
Alexander Yakovlevich Klebanov

Dear shareholders and business partners!

The primary production and financial results achieved by Central-Asian Electric Power Corporation JSC (CAEPCO) in 2014 are provided for your consideration.

The reporting period was marked by the Corporation actively pursuing strategically important projects for modernizing and expanding our business in numerous regions of Kazakhstan. Completion of the consolidation process of Akmola electricity distribution company JSC's 100% shares within CAEPCO became the important event of 2014 what corresponds to development strategy in the part of expansion of regional presence at Kazakhstan markets. Akmola electricity distribution company JSC together with sales company Astanaenergosbyt LLP will bring a beneficial synergy within CAEPCO group.

As in previous years, the Corporation focused special attention to efficiency of production and assets modernization. Primary role in implementation of projects for renovation of production funds was played by state program of ceiling tariffs. It is necessary to highlight that besides mentioned funding source the Corporation within the reporting period attracted to implementation of projects borrowed funds together with own capital. In total according to the Strategy, developed for the period of 2009–2015 the Corporation performed activities for 106 KZT bln or 75% from overall volume of planned investments. High indicators of investment program performance ensured the Corporation 3rd place among energy companies of Kazakhstan in terms of volume of capital commitments in the sector. The systematic work in upgrading the production assets is ultimately aimed at achieving our main objective: quality of product and uninterrupted supplies to the consumers in Pavlodar and North Kazakhstan regions and in the capital city of Astana.

In the recent message "Nurly Zhol – the path to the future", presented in November of 2014 by the President of the Republic of Kazakhstan Nursultan Abishevich Nazarbayev, modernizing housing and communal services was among the key tasks identified, demanding the involvement of big institutional investors. CAEPCO's activities since its inception and during this reporting period should serve as a vivid example of such a co-operation, together with its shareholders: EBRD and Islamic Infrastructure Fund introduced the practice of international corporate governance standards in areas of production and social spheres.

The following year our Corporation intends to continue expanding its co-operation with international investors in order to develop new power generating facilities, modernize its transporting infrastructure, including in heating supply.

The Corporation's ongoing strategy is implemented in full conformity with the objectives of industrial and infrastructural development within the context of the new economic policy of the Republic of Kazakhstan.

Together we will build strong Kazakhstan!

President of CAEPCO JSC
Yerkyn Adamiyanovich
Amirkhanov

Dear partners and colleagues!

Occupying 2nd place in the industry based on aggregated facilities and revenues and 3rd place by the amount of capital investments, Central-Asian Electric Power Corporation (CAEPCO) firmly kept its leading position in the energy sector of Kazakhstan during 2014. Completion of the investment program allowed us to increase electrical energy production in 2014 by 12.6% and heat energy by 10%, while reducing losses in transmission by 4.1% and heat energy by 0.4%, when compared to 2009.

Within the frames of investment strategy CAEPCO had directed to modernization and reconstruction of assets the amount of more than 28 KZT bln from the total amount of 192 KZT bln what is in line of Corporation's strategy. Under the ceiling tariffs program for the period of 2009—2015 78 KZT bln is planned among which as of today 62 KZT bln or 80% are already disbursed. Investments for the amount of 14.4 KZT bln were made for the reporting period.

Upon the results of the year largest industrial facilities were commissioned: turbine unit No.5 at Pavlodar CHP-3, new boiler unit No.8 at Petropavlovsk CHP-2. Large scaled works were conducted for modernization of new turbine No.2, cooling tower No.5 at Pavlodar CHP-3 as well as for turbines No.1, 5 at Petropavlovsk CHP-2. Energy transmission companies perform energy saving program i, which covers projects for automation of system of commercial accounting of electric and heat energy aimed at reduction of transmission losses and improvement of electricity supply. Akmola EDC JSC which was consolidated to the group in 2014 also is covered by modernization.

One of our main tasks is to maintain a balance between growth and environmental issues: in 2014 the subsidiaries of the Corporation have not exceed the norms of maximum permissible emissions of harmful substances. One positive outcome resulting during the reporting period was keeping the efficiency of power-plant boiler ash collection at a level of 99.5%.

In 2014, the Corporation has shown its commitment to the principles of social responsibility. As the largest employer in the energy sphere, CAEPCO Group of Companies has developed social programs at the workplace and it also paid heed to the process of professional development and occupational health and safety: in 2014 more than 5 thousand employees have been trained among the 10 thousand strong personnel.

The Corporation's full efforts are focused on providing quality services to the population, businesses and energy distributors in Astana as well as the regions of Akmola, North Kazakhstan and Pavlodar. In 2015, we will continue implementing adequate measures to improve internal efficiency and develop projects with the purpose of raising the quality of life for our consumers and creating the right conditions for economic development in the regions where we operate.

The modernization of our assets — the contribution to regional development!

COMPANY OVERVIEW

HISTORY

2011

The Islamic infrastructure fund, combining two major financial institutions – the Asian development bank and the Islamic development bank, becomes a shareholder of CAEPCO JSC. 12.89% of the total number of outstanding shares of the Corporation were bought by Kaz Holdings Cooperatief U.A. on behalf of the Islamic Infrastructure Fund. (Amsterdam).

2009

The European bank for reconstruction and development becomes a shareholder of CAEPCO JSC, after purchasing 24.99% stake in the Corporation.

2014

CAEPCO JSC becomes the sole shareholder of Akmola electricity distribution company: in July, its majority shareholder, Central-Asian power energy company JSC, transferred 51.59% of shares of Akmola electricity distribution company JSC to CAEPCO JSC, followed by a purchase of the remaining 48.41% in November.

After the acquisition, the shareholding structure of CAEPCO JSC is as follows:

- Central-Asian power-energy company JSC – **64.62%**
- European bank for reconstruction and development – **24.16%**
- Kaz Holdings Cooperatief U.A. – **11.22%**

2008

Establishment of Central-Asian Electric Power Corporation Joint Stock Company (CAEPCO JSC). This vertically integrated holding consists of SEVKAZENERGO JSC and PAVLODARENERGO JSC, which own the generation, transmission and distribution facilities in Pavlodar and North-Kazakhstan regions, as well as Astanaenergosbyt LLP distribution company in Kazakhstan's capital Astana. Central-Asian power-energy company JSC was the sole founder of the Corporation at the time of its establishement.

MAIN PRODUCTION HIGHLIGHTS

Length of power lines, km

Types of overhead power lines	PREDC JSC	NK REDC JSC	AEDC JSC	Total
220 kV	14.25	84.8		351
110 kV	2,785.3	1,327.1	2,544.6	126,656
35 kV	2,399.6	2,853.1	5,147.7	59,399
6–10 kV	6,137.6	4,608.2	7,434.1	23,179
0.4 kV	4,659.2	4,671	5,818.1	15,148.3
Total	**15,996**	**13,544.2**	**20,944.5**	**57,484**

Number of substations by type

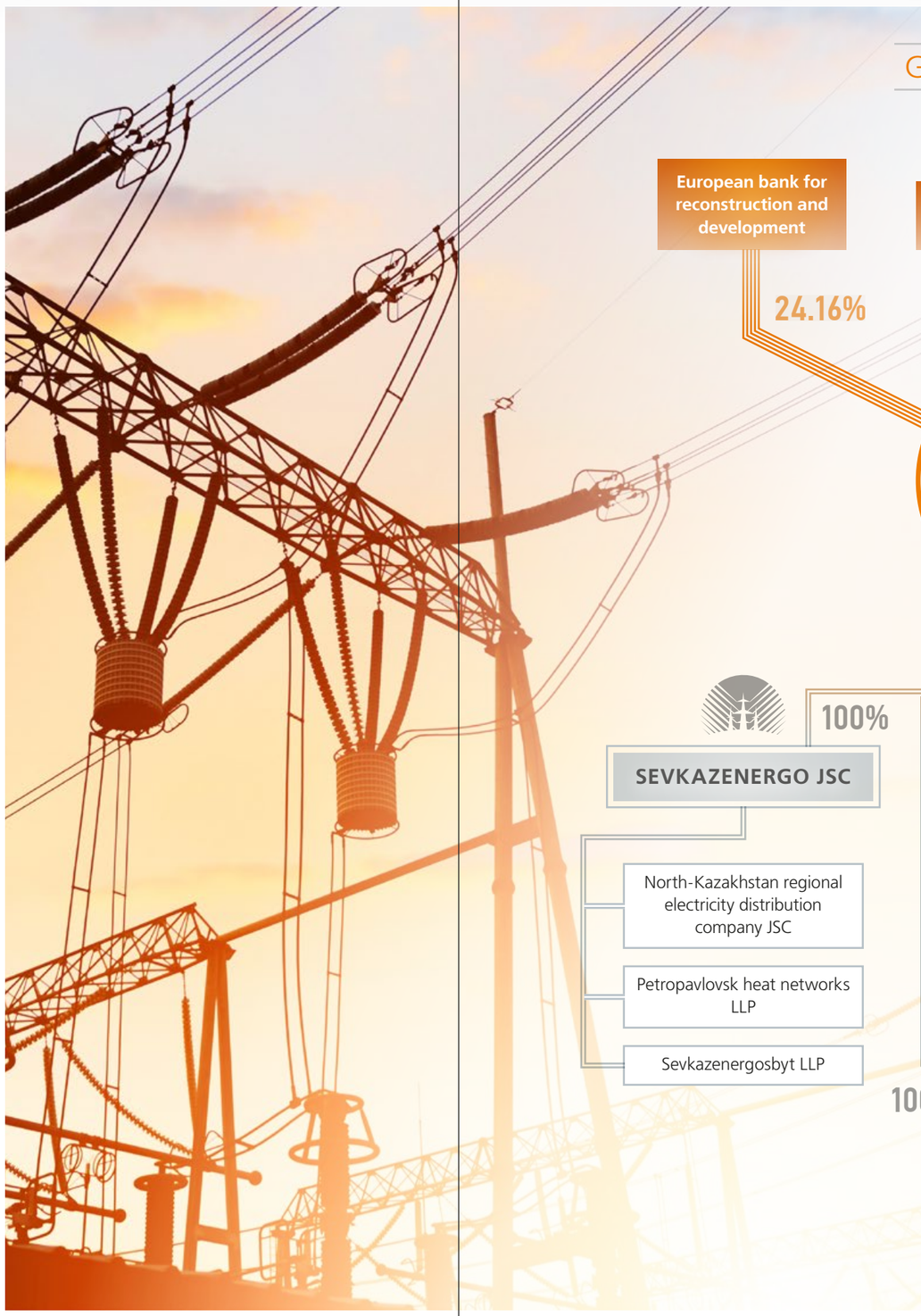
Types of substations	PREDC JSC	NK REDC JSC	AEDC JSC	Total
220 kV	4	4	2	10
110 kV	73	38	51	162
35 kV	102	121	193	416
6–10 kV	3,649	2,316	3,514	9,479
Total	**3,828**	**2,479**	**3,760**	**10,067**

Length of heating networks, km

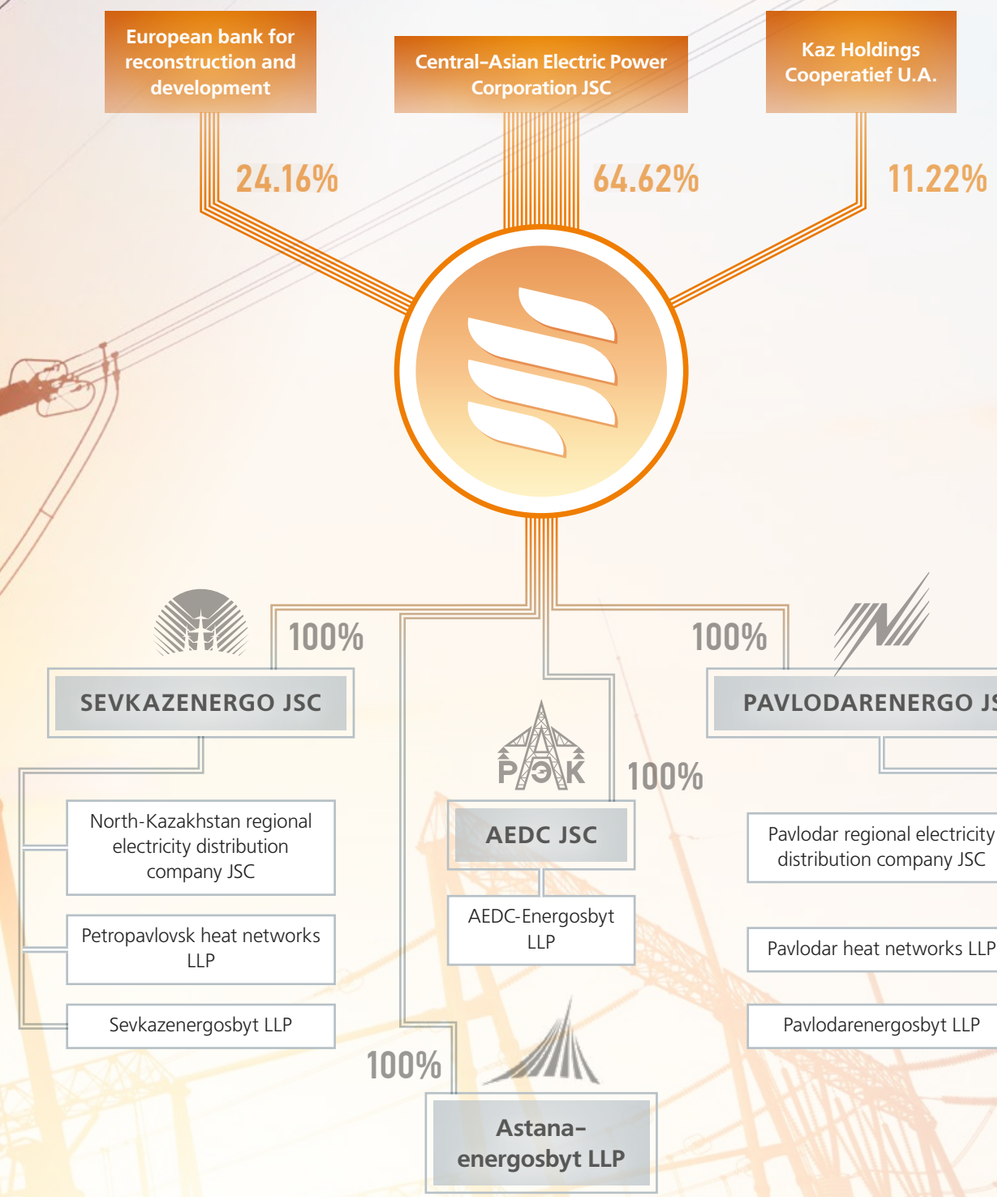
Pavlodar heat networks LLP	755.8
Petropavlovsk heat networks LLP	233,35
Total	**989,15**

Number of consumers by region

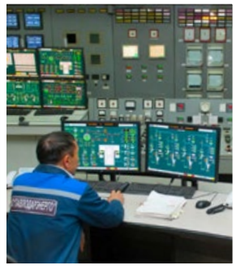
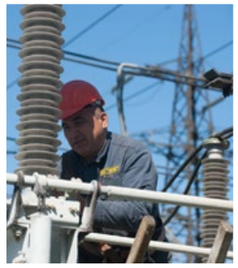
Region	Electricity	Heating
Pavlodar region	219,414	163,130
North-Kazakhstan region	160,993	70,119
Astana	214,489	193,314
Akmola region	118,987	
Total	**713,883**	**426,563**



GROUP STRUCTURE



SUBSIDIARIES

PAVLODARENERGO JSC

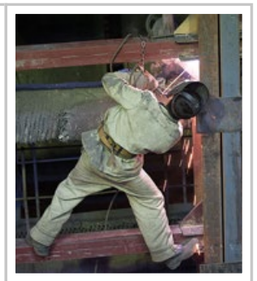
PAVLODARENERGO Joint Stock Company is a vertically integrated company including generation, transmission and distribution facilities, operating in Pavlodar region.

Total installed electricity and heat generating capacity of power plants is 642 MW and 2,140 Gcal·h respectively. Coal from Ekibastuz is the main fuel used.

PAVLODARENERGO JSC supplies electricity to Pavlodar region with a total area of 124.8 thous. km^2 and a population of 755 thous. people. 3,348,51 mln kW·h of electricity were produced in 2014.

Electricity generated by PAVLODARENERGO JSC is supplied to customers in Pavlodar, Akmola, Karaganda and East-Kazakhstan regions. Total length of overhead power lines is 15,995.98 km. Total length of heating networks is 755.8 km.





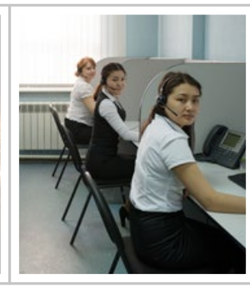
SEVKAZENERGO JSC

SEVKAZENERGO Joint Stock Company is a vertically integrated company consisting of generation, transmission and distribution facilities in North-Kazakhstan region.

Total installed electricity and heat generating capacity of power plants is 434 MW and 791.65 Gcal·h respectively. Coal from Ekibastuz is the main fuel used.

SEVKAZENERGO JSC supplies electricity to North-Kazakhstan region with a total area of 97,993 km^2 and a population of 579 thous. people. 2,732.68 mln kW·h of electricity were produced in 2014.

Electricity generated by SEVKAZENERGO JSC is supplied to customers in Northern, Central, Eastern and Southern regions of Kazakhstan, with potential for exporting electricity to Russia, particularly to Kurgan and Omsk regions. Total length of overhead power lines is 13,544.20 km. Total length of heating networks is 233,35 km.

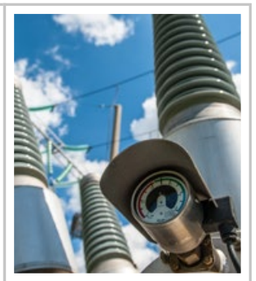

Astanaenergosbyt LLP

Astanaenergosbyt Limited Liability Partnership was registered on September 30, 2004 by the Department of justice in Astana. The main area of business is supplying heat and electricity to customers in Astana.

The customers of Astanaenergosbyt LLP in Astana include 204,980 individuals and 9,509 legal entities for electricity, and 185,714 individuals and 7,600 legal entities for heat. Total serviced area is 72.2 thous. ha. Astana-Energia JSC (with CHP-1 and CHP-2 in Astana) is the company's major energy provider.

Purchased by Astanaenergosbyt LLP, electricity is delivered to customers through the networks of transmission companies, such as KEGOC JSC, Akmola electricity distribution company JSC and Astana electricity distribution company JSC. Heat is transmitted through the networks of Astana-Teplotranzit JSC.

For the convenience of its customers, Astanaenergosbyt LLP has eight payment locations and a contact centre. The contact centre uses a multi-channel hotline to accept requests for inspector visits from the public and provide complete information on all electricity-related issues.

Akmola electricity distribution company JSC

Akmola electricity distribution company JSC manages electricity transmission and distribution. Total serviced area is 121.2 thous. km^2 with a population of 748 thous. people. Akmola electricity distribution company JSC operates 0.4–110 kV overhead power lines across 14 districts of Akmola region.

Akmola electricity distribution company JSC is connected to the national grid of Kazakhstan. The company provides electricity to most of the organizations in Akmola region, an industrial region of Kazakhstan with a concentration of companies with multiple ownership forms. AEDC-Energosbyt LLP is a subsidiary of Akmola electricity distribution company JSC, serves 118,987 customers in Akmola region. Ekibastuz CHP-1 LLP is the company's main energy supplier.

RATINGS

On June 26, 2014, Fitch Ratings affirmed the ratings for the Corporation as follows:

- Long-term foreign currency Issuer Default Rating (IDR) at **BB–**, the Outlook is stable;
- Short-term foreign currency IDR at **B**;
- Long-term local currency IDR at **BB**, the Outlook is stable;
- National long-term rating at **BBB+** (kaz), the Outlook is stable;
- Senior unsecured local currency rating at **B+**;
- Senior unsecured rating on the International scale at **BBB–**(kaz).

Credit rating

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

- PAVLODARENERGO JSC at **A+** (very strong capacity for timely payment of financial liabilities);
- SEVKAZENERGO JSC at **A+** (very strong capacity for timely payment of financial liabilities).

DEVELOPMENT STRATEGY

Mission
Improving the quality of life for consumers and creating conditions for the economic development of the regions where we operate by providing a high level of service in supplying electric power to households and businesses.

To accomplish this mission, the Corporation operates in accordance with international standards of production, environmental protection, occupational health and social responsibility.

With their high professionalism, teamwork and focus on results, the Corporation's employees are the core of its productivity.

Vision
Central-Asian Electric Power Corporation JSC is Kazakhstan's leading private energy company.

The Corporation operates in the most severe weather conditions in the North of the country.

The Corporation successfully exploits the advantages of the holding structure, combining dynamism and flexibility (of companies within the group) with stability and reliability of centralized group management.

The Corporation's employees are a team of professionals achieving ever higher goals. The Corporation's relations with its customers and suppliers are based on respect and mutual responsibility.

Strategy
The strategic goal of CAEPCO JSC is to build an effective private energy company, providing high-quality services to the public without interruptions and adhering to high environmental standards. This goal is achieved by pursuing the following priority areas.

To achieve its strategic goal, CAEPCO JSC focuses on the following areas

INNOVATION	Develop the existing energy assets through improving technical capacity of production and updating major production facilities and infrastructure
	Implement promising innovation projects and new technological solutions
HUMAN RESOURCES CAPACITY BUILDING	Continuous employee training on new efficient technologies in manufacturing sector and enterprise management

To achieve its strategic goal, the Corporation is working to reach the following objectives

- **Reconstruction and modernization** of equipment at power generation facilities through investment programs, accident risk reduction and downtime minimization
- Reducing **excessive losses** during transportation of heat and electricity
- Heat and electricity **cost per unit** minimization
- Introduction of energy-saving and **energy–efficient technologies** in the production and transmission of energy
- Improving **management** and ensuring **certification of compliance** with international standards in the field of environment, occupational health and safety
- Continuous personnel training to **foster professional development**
- Introduction of an **automated enterprise management system**

MARKET ENVIRONMENT ANALYSIS

ECONOMIC OVERVIEW

According to the Statistics committee of the Ministry of national economy of the Republic of Kazakhstan, gross domestic product in 2014 exceeded 38.7 KZT trln, showing an annual growth of 4.3% compared to 6% a year earlier. Weaker growth is not only due to lower oil prices and the transmission of shocks from Russia, but also to structural imbalances of the economy.

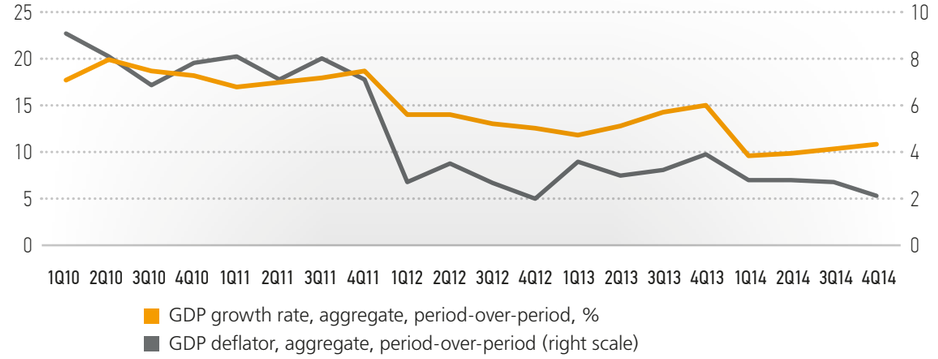
According to the preliminary data for 2014, the main driving force of Kazakhstan's economy is the services sector. Production of physical goods increased by 0.9% in real terms, while the production of services by 6.1%.

In 2014, the real added value generated by the oil and gas sector declined by 3.6% compared to 2013. This reduction, together with the growth of non-commodity sectors, shrank the share of the oil and gas sector in the national GDP from 21.6% in 2013 to 20.3% in 2014. The economic slowdown in 2014 resulted not only from the dip in oil prices, but also structural causes that contribute to the reduction of the added value of Kazakhstan's key industry.

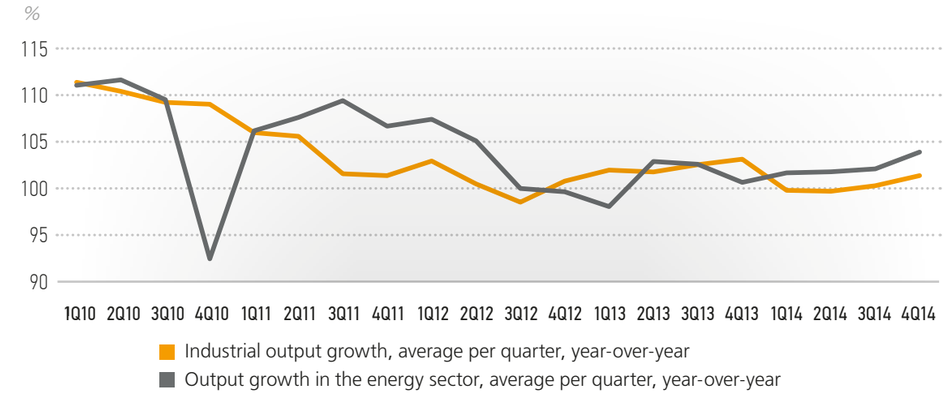
Other commodity sectors showed only a slight increase in 2014. The aggregate growth of Gross value added in the mining sector amounted to 0.1%. In comparison with 2013, there has been a serious slowdown in real growth rates in virtually all areas of goods production (up to 0.2% in total). However, output growth in the energy sector in 2014 reached 2.3% and 4.1% in the construction sector.

Quarterly-wise, the energy sector shows higher growth compared to industrial production as a whole, thus offsetting the output decline in other sectors. Moreover, high output growth in the energy sector has not been hampered by rising prices, which statistically means that the industry has sufficient "safety margin" and increased demand for end services.

Real GDP and GDP deflator growth rate



Output growth in the energy sector compared to the growth of industrial production



Consumer market and labor market

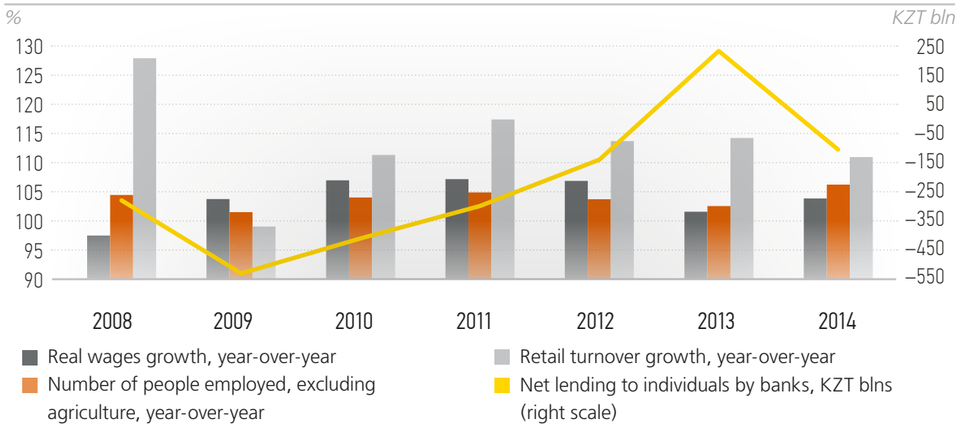
Despite a decline, annual growth of retail turnover was 11% compared to 2013. As for the labor market, the high growth of consumption is confirmed by the growth of real wages and the number of employed people. Real wages in 2014 increased by 3.9%. In addition, the number of employed people – excluding the agricultural sector – increased substantially, showing a 6.3% growth compared to a 2.6% growth in 2013.

In 2014, net retail deposits in second-tier banks rose by 103.6 KZT bln. The situation has changed dramatically compared to 2013, when net lending to individuals amounted to 237.4 KZT bln.

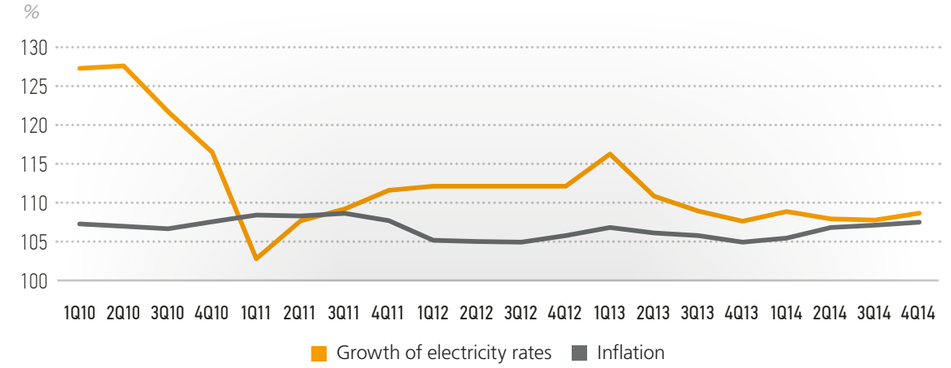
Consumer inflation in 2014 accelerated compared to the previous year. Quarterly inflation reached its maximum in the forth quarter of 2014, amounting to 7.53%. Higher inflation amid a decline in economic activity is due to structural reasons.

The growth of prices in the energy sector is consistently above the consumer inflation rate. Electricity prices were raised in accordance with the decree of the government of the Republic of Kazakhstan of March 25, 2009, which set maximum electricity rates for a period up to 2015.

Rapid growth in retail turnover amid increasing real wages and employment outside the agricultural sector



Annual growth rates in electricity rates compared to inflation



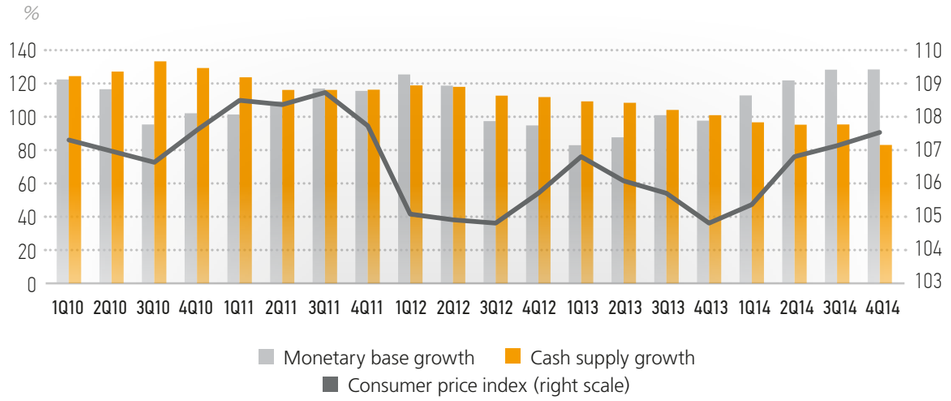
This decree requires that generating companies should implement a number of investment programs aimed at equipment modernization.

Monetary policy

In 2014, the National bank of the Republic of Kazakhstan said it would implement inflation targeting in monetary policy, as stated in The basic directions of Monetary policy up to 2020. This goal is supposed to be achieved by 2020, and for that end the regulator will have to shape an interest rate channel in the monetary policy. However, the refinancing rate of the National Bank, 5.5%, has remained unchanged since April 1, 2013, despite the change in inflation and economic activity. The National bank resorts to a limited use of KZT devaluation as a tool of monetary policy.

During 2014, the National bank has been withdrawing cash from circulation, replacing it with non-cash obligations to financial institutions through bank deposits at the National bank of the Republic of Kazakhstan. In particular, cash supply in the economy declined in each quarter of 2014, resulting in a 7.5% reduction in cash supply. A broader indicator of monetary base, i.e. a combination of cash and correspondent accounts in the National bank of the Republic of Kazakhstan, showed an annual growth of 22.8%. The reduction of KZT liquidity occurred together with the foreign currency playing a greater role and the growth of the money multiplier. The average quarterly increase in money supply in 2014 was 15.2% compared to the previous year.

Cash and monetary base growth compared to inflation



Forecast for 2015

Short-term 2015 expectations include a decline in Kazakhstan's real GDP growth to 2% according to the National bank, with the Ministry of national economy of the Republic of Kazakhstan saying the GDP growth will not exceed 1.5%. There is a possibility of a small increase to 3% in 2016: low GDP growth forecasts are due to the impact of the recession in Russia on Kazakhstan's economy and relatively low oil prices that hinder the growth of the oil industry.

Forecast growth of the Kazakhstan economy

Source	2015	2016
International Monetary Fund (May 2015)	2.0%	3.1%
Ministry of national economy of RK (February 2015)	1.5%	2.2%
World bank (May 2015)	1.3%	2.8%
European bank for reconstruction and development (May 2015)	1.5%	2.0%

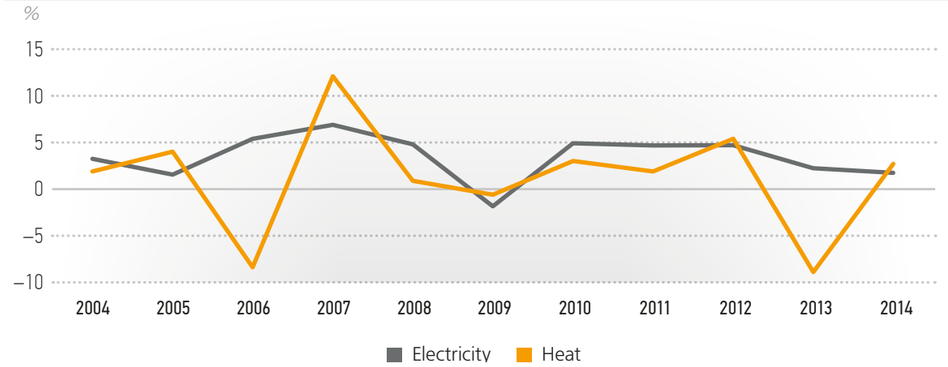
Source: The National bank of RK

ENERGY SECTOR OVERVIEW

Energy sector includes generation, transmission and distribution of electricity and heat, being key to the economy and the country's existence.

For the economy of the Republic of Kazakhstan, energy sector is of particular importance, as the country's key industries, such as metallurgy and extraction of oil and gas, are highly energy intensive. Therefore, the ability of Kazakhstan's heavy industries to face competition and the welfare of people largely depend on reliable and quality power supply at reasonable rates. Energy sector is among the priorities in the State program of fast industrial and innovation development during 2010–2014.

Changes in electricity and heat production in Kazakhstan



Source: Statistics committee of the Ministry of national economy of the RK

Electricity output

In 2014, the national grid of the Republic of Kazakhstan (hereinafter – the Grid) includes 81 power plants. The largest plants are Ekibastuz CHP-1, Eurasian energy corporation JSC (Aksu) and Ekibastuz CHP-2.

As of December 31, 2014, the installed capacity of power plants within the country was 20,844.2 MW (with CAEPCO accounting for 5.16% or 1,076 MW). The available capacity of power plants totaled 16,945.4 MW in winter and 16,937.7 MW in summer.

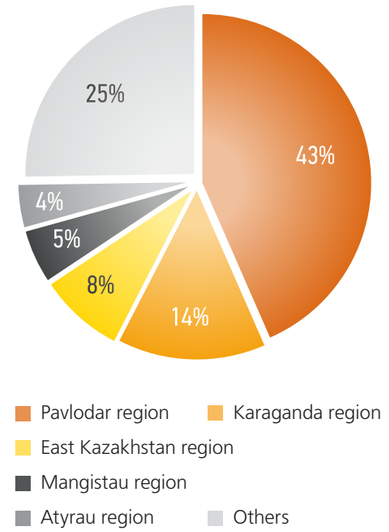
The structure of generation facilities with a breakdown by fuel source is as follows: coal – 64%, gas and mazut – 16.1%, gas – 7.4%, hydropower (excluding small hydropower plants) – 12%, renewable energy sources (including small hydropower plants) – 0.5%. Among them, only 0.04% is accountable for wind and solar power. In 2014, electricity generation in Kazakhstan increased by 2.1% compared to 2013 and amounted to 93,935.2 mln kW·h (CAEPCO produced 6,081 mln kW·h or 6.47% of the country's electricity in 2014), including: steam power plants – 78,772.9 mln kW·h (83.86%), hydropower plants – 8,235.8 mln kW·h (8.77%), gas turbine power plants – 6,915.9 mln kW·h (7.36%), wind and solar power plants – 10,6 mln kW·h (0.01%).

Increased electricity generation in 2014 compared to 2013 was due to an increase in electricity produced by steam power plants of 1,150.9 mln kW·h (1.5%), by hydropower plants – 534.8 mln kW·h (+6.9%), by gas turbine power plants – 270.1 mln kW·h (+4.1%).

The following power plants showed the highest growth rate compared with 2013:

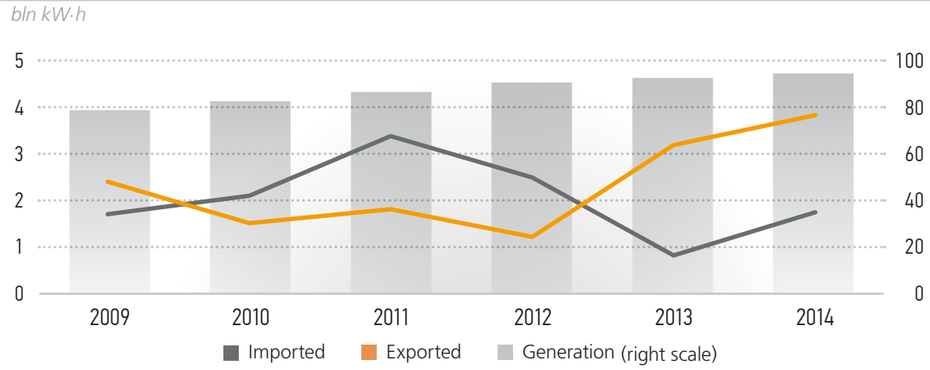
- Eurasian energy corporation: an increase of 1,187.9 mln kW·h, or 7.8%;
- CHP: an increase of 925.9 mln kW·h, or 58.1%;
- Ekibastuz CHP-1: an increase of 604.4 mln kW·h or 4.5%;
- SEVKAZENERGO's Petropavlovsk CHP-2 (CAEPCO JSC): an increase of 129.6 mln kW·h, or 5%.

Regional structure of Kazakhstan's electricity production



Source: Statistics committee of the Ministry of national economy of the RK

Production and flow of electricity in the RK



Source: Statistics committee of the Ministry of national economy of the RK

In 2014, electricity consumption in Kazakhstan increased by 2.3% compared to 2013 and reached 91,660.9 mln kW·h.

Energy-wise, Kazakhstan can be divided into three areas: North, South and West. North area consisting of seven regions is the center of the National Grid of Kazakhstan with the majority (70.4%) of electricity generation facilities and developed 220–500–1150 kV overhead power lines connecting Kazakhstan with the United energy system of Russia. South area consisting of four regions has a single network and a well-developed electric power connection with Kyrgyzstan and Uzbekistan. Due to its remoteness and lack of energy connections, West area consisting of three regions works in isolation from the rest of Kazakhstan and does not operate as a part of a single technological process.

In 2014, the electricity output in Kazakhstan exceeded consumption by 2,274.3 mln kW·h.

In 2014, electricity export totaled 3.85 bln kW·h, which is 7% less than in 2013. In monetary terms, the revenue from electric power exports totaled 114 mln dollars, which is 9% less than in 2013. The reduction in electricity exports resulted from less electricity supplied to Russia, which occurred due to the devaluation of the Russian rouble against the dollar and the KZT. At the same time, 1.74 bln kW·h of electricity were imported in 2014, or 12% less than in 2012. Therefore, in 2014 only 92.4 mln USD were spent to buy electricity from abroad, which is a 15% reduction compared to the previous year. Energy imports declined due to the fact that more energy needs were covered by local energy sources thanks to increased electric power generating capacity and the completion of the first and second stages of modernization of the national grid of Kazakhstan. More specifically, the consumption of locally produced energy increased by 1,233.5 mln kW·h in the South area and by 707.6 mln kW·h in the West area, which an increase of 6.6% and 6.9% respectively.

Transmission and distribution of electricity

The national electrical grid is the core of Kazakhstan's energy system, ensuring electrical connection between the regions of Kazakhstan and power grids of neighboring countries (Russia, Kyrgyzstan and Uzbekistan), as well as supplying electricity from power plants and its delivery to wholesale customers. The national electrical grid is managed by KEGOC JSC.

KEGOC operates 297 power lines with voltage ranging from 35 kV to 1,150 kV and a total length of 24,400 km (overhead lines). The company also operates 76 substations with voltage ranging from 35 kV to 1,150 kV.

Distribution of electricity in Kazakhstan is carried out by 20 regional energy companies (REDCs) and about 150 small transmission companies that control electric networks with voltage between 0.4 kV and 220 kV.

Some RECs are owned by private companies, and some belong to the national company Samruk-Energo JSC completely or partially (Alatau Zharyk Company JSC – 100%, East-Kazakhstan regional electric distribution company – 100%, Mangistau power distribution and network company – 75% +1 share).

The national grid faces peak loads in autumn and winter. During the 2013–2014 season, maximum consumption totaled 13,290 MW and 13,586 MW in the 2014–2015 season.

Production and distribution of heat

Heat in Kazakhstan is generated at 40 CHPs, 28 major heat-only boiler stations (with heat capacity of more than 100 Gcal·h) and 5,600 small heat-only boiler stations (less than 100 Gcal·h). CHPs produce about 45% of heat, with 35% produced by large boiler stations and 20% by small boiler stations. The length of heating networks in Kazakhstan is 12 thous. km in double-pipe terms (CAEPCO controls 989.15 km, or 8.2%). Boiler stations and heating networks are mostly owned by the government.

In 2014, Kazakhstan produced 97.6 mln Gcal (of which CAEPCO produced 6.6 mln Gcal, or 6.76%).

In 2014, the Government of the Republic of Kazakhstan approved the heating network modernization Plan for 2014–2020. The modernization includes targeted investment in the heating infrastructure transporting more than 400 thous. Gcal of heat, i.e. 17 facilities supplying heat to Astana, Almaty, regional centers, and having a profound impact on the national economy According to the plan, 1,265 km of 6 thous. km of heating networks, or 21%, will be replaced. Thus, by 2020 the total pipeline wear should drop from 71% to 55%, and permissible losses – from 20–25% to 17%.

Electricity and heat rates

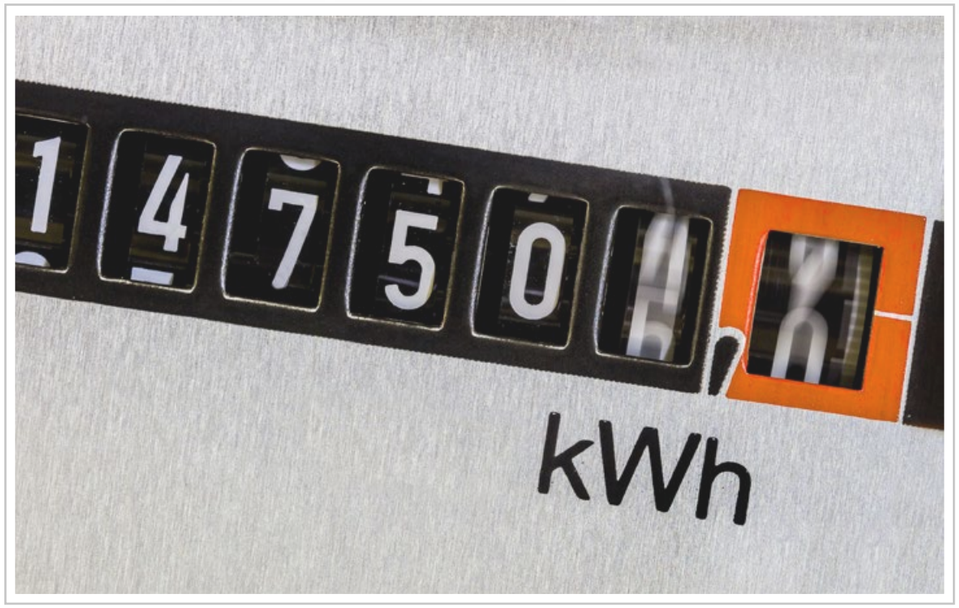
Rates for the production, transmission and sale of electric power in Kazakhstan are regulated by the government. Rate limits for electricity production for the period between 2009 and 2015 were adopted by the Government of Kazakhstan (Decree No.392 of the Government of the Republic of Kazakhstan of March 25, 2009).

Until 2013, power transmission rates were determined based on the company's estimated costs for transmission and distribution of energy. Starting from January 1, 2013, comparative analysis (benchmarking) pricing for electricity transmission was adopted by the decree of the Chairman of the Kazakh agency for regulation of natural monopolies. The rates are approved for three years with the possibility of annual adjustment.

Starting from January 1, 2016, according to changes in the law, electric power network companies will have to use 5-year rate limits.

To make natural monopolies more attractive for investors, changes to the law of the Republic of Kazakhstan "On natural monopolies and regulated markets" (hereinafter – the Law) became effective on June 24, 2014, setting long-term rates – for five years or more – for natural monopolies that produce and transmit heat.

Heat rates in Kazakhstan are approved by the Committee on regulation of natural monopolies and protection of competition of the Ministry of national economy of the Republic of Kazakhstan in accordance with the Methodology for setting rates or their limits for regulated services



provided by heat producing natural monopolies and shall be calculated based on the principle of differentiation depending on whether a customer has an electricity meter.

These regulatory measures should stabilize production and economic activities of electricity producers and boost Kazakhstan's economy as a whole thanks to incorporating an investment component in the rate.

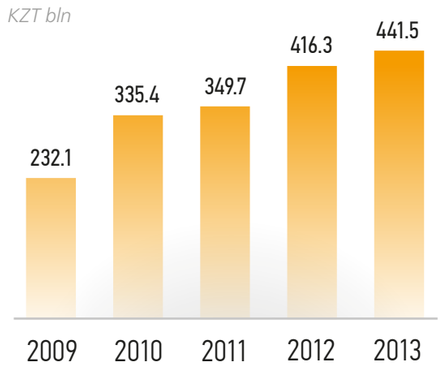
Investment projects

In 2014, total installed capacity of power plants in the Republic totaled 19,578 MW (excluding power units No.1 and No.2 of Ekibastuz CHP-1, according to KEGOC). This is compared to 19,592 MW a year earlier.

At the end of December 2014, Ekibastuz CHP-1 launched power unit No.2, which increased the total installed capacity of the pant by 500 MW, while Temirtau CHP-1 added 60 MW, and a new 60 MW Kalamkas gas turbine power plant commissioned in the Mangistau region. Other contributors to the growth in power generating capacity include Zhanazhol CHP-65 in Aktobe region (16 MW), Kashagan power plant field in Atyrau region (70 MW) and a new power plant of Kazatomprom's sulfuric acid production facility (18.5 MW). Thanks to modernization of turbogenerator No.5, the installed capacity of Pavlodar CHP-3 increased by 15 MW.

In the power transmission sector, KEGOC completed three large investment projects: Modernization of the National electrical grid – Phase Two, Construction of 500 kV Alma power line and connecting it to the National electric grid of Kazakhstan using power lines with voltage of 500 kV and 220 kV, Reconstruction of the 220 kV high-voltage power line of the Osakarovka central step-down station.

Amount of investment into power supply, steam supply and air conditioning sector



Source: Statistics committee of the Ministry of national economy of the RK

A total of 2.5 KZT trln will be invested in upgrading, modernization and construction of power networks between 2016 and 2030 (in 2011 prices), of which 0.8 KZT trln will be spent on super grids and 1.7 KZT trln on distribution networks.

Market prospects

In 2014, the Government of the Republic of Kazakhstan adopted the Energy sector growth concept up to 2030. The goals include:

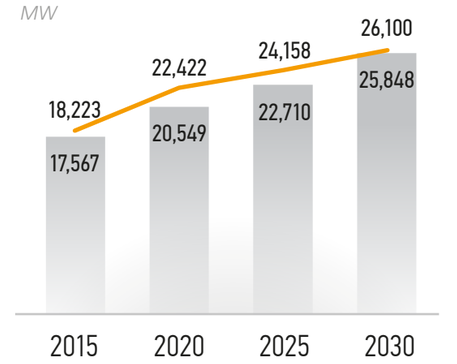
- Significant reduction of the average wear rate of electrical equipment.
- Attracting up to 7.5 KZT trln of investments in Kazakhstan's energy sector during the coming 15 years.
- Ensuring stunted growth of end user tariffs.
- Ensuring independence and self-sufficiency of national electrical grid of Kazakhstan.

To achieve these goals, it is important to do the following:

- Introduce wholesale market models for electricity and capacity, creating incentives to improve the efficiency of the generating equipment, ensuring the possibility of obtaining the required rate of return on investments and promoting high-quality and reliable supply of energy (with improved environmental performance).
- Radically transform the current pricing system of energy producers to allow long-term contracts on the electricity and capacity market, encouraging the owners of power plants to improve efficiency and ensuring the required rate of return on investments.
- Consider the possibility of developing long-term rates in the electricity and heat production and transmission industry for the period up to 2030.
- Adopt stricter disclosure requirements for energy suppliers with the information published on a single portal accessible to all users.
- Change inefficient government regulation procedures.
- Optimize the structure of organizations in the electricity distribution and supply sector by creating incentives for market consolidation.
- Create a new system of economic and legal relations between the participants of the heat production and transmission sector to promote its development.

The key objective of the Concept is to make Kazakhstan's economy less energy intensive: energy intensity should drop by 10% in 2015 compared to 2008, by 25% in 2020, and by 30% in 2030.

Forecast balance of Kazakhstan UES power facilities by 2030



Source: Statistics committee of the Ministry of national economy of the RK

OPERATIONAL RESULTS OVERVIEW

OPERATIONAL HIGHLIGHTS

In 2014 the Corporation continued modernization and reconstruction of main production assets. Thanks to implementation of projects following changes has occurred in terms of installed electric and heat capacity:

- Pavlodar CHP-3: T-120/130-130 turbogenerator No.5 with installed electricity and heat generating capacity of 125 MW and 188 Gcal·h respectively commissioned in December 2014, previous installed electricity and heat generating capacity being 110 MW and 160 Gcal·h respectively, with an increase of 15 MW in CHP-3's electricity generating capacity, i.e. from 505 MW to 520 MW, and an increase of 28 Gcal·h in heat generating capacity.
- Ekibastuz CHP: E-90-3, 9-440KT No.6 boiler with installed heat generating capacity of 58 Gcal·h commissioned in 2014, previous installed capacity BKZ-75-39FB boiler being 48 Gcal·h, thus, an increase of 10 Gcal·h.

In 2014, electricity production fell by 0.9% vs. 2013. The decline was caused by the reconstruction of CHP-3's turbogenerator No.5 and boiler No.3, overhaul and repair of CHP-3's boiler No.6 and unscheduled repair of turbogenerator No.1 at Ekibastuz CHP.

6,605.2 thousand Gcal of heat were produced in 2014, a 7.7% increase vs. 2013. The main growth driver was supplying heat energy in accordance with temperature graphs of heating networks of SEVKAZENERGO JSC and PAVLODARENERGO JSC (depending on outside temperature, CHPs are assigned a heat load, which is determined based on temperatures and water usage in outgoing and incoming pipes) throughout the heating season, as well as connecting new consumers of heat energy.

Sixty eight per cent more electricity was transmitted and delivered to customers as a result of AEDC JSC becoming part of the Corporation.

The share of CAEPCO JSC in Kazakhstan's total electric power generation declined by 0.3% due to an increase in the country's total electricity output by 2.1% compared with 2013.

Operational Highlights

Description	2012	2013	2014
Installed generating capacity, MW	974	1,061	1,076
Electricity generated, mln kW·h	5,572	6,137	6,081
Electricity transmitted, mln kW·h	3,434	5,769	5,816
Electricity delivered to customers, mln kW·h	6,547	7,154	7,357
Share in electricity generation in Kazakhstan, %	6.2	6.7	6.4
Installed heat generating capacity, Gcal	2,881	2,895	2,932
Heat generated, thousand Gcal	6,454	6,132	6,605
Heat transmitted, thousand Gcal	4,435	4,408	4,625
Heat delivered to customers, thousand Gcal	9,837	9,567	10,448

Results of investment projects

Increasing production efficiency through Modernization of fixed assets is one of the major priorities in the strategic development of CAEPCO JSC. The Corporation is implementing a large-scale investment programme of fixed assets Modernization and renovation to increase generating capacity and improve reliability of its facilities, increase energy efficiency and energy conservation and achieve better environmental performance. **CAEPCO JSC is the third largest capital investor in the industry with planned investments during 2009–2020 totalling 192 KZT bln.**

As a result of the investment programme, equipment wear at generation facilities will be down to 39% from 80%, 63% of production assets will be fully renovated, installed capacity will increase by 25% and the amount of harmful emissions will be reduced by 30%. The Corporation will be able to fully eliminate excessive losses.

The investment programme is expected to focus on three areas:

- Increased energy generation;
- Energy conservation, including the reduction of electricity and heat losses during transmission;
- Improving environmental performance.

As of December 31, 2014, the following results were achieved as a part of the investment initiative.

Increased power generation

New boiler No.1 and turbogenerator No.1 installed at Pavlodar CHP-3. Installed electricity generating capacity of the station up by 65 MW, from 440 MW to 505 MW, thanks to the commissioning of turbogenerator No.1. Equipped with an automatic meter reading system for heat energy, it can operate in a cost-effective and secure mode within the permissible temperature range, automatically maintain specified steam and cogeneration parameters and sustain a given load.

Turbogenerator No.5 was commissioned in In December 2014, increasing installed capacity by 15 MW, from 505 MW to 520 MW.

New cooling tower No.2 was put into operation at Pavlodar CHP-2 in 2012, lifting all restrictions on condensing mode power generation. Turbine No.1 with installed electricity generating capacity of 12 MW was commissioned at Ekibastuz CHP in May 2009 to produce cogenerated electricity, which allowed to use the produced electricity for the station's own needs. Four boilers underwent overhaul and repair at Pavlodar CHP-2, CHP Pavlodar CHP-3 and Ekibastuz CHP during 2011–2014. Their reliability and performance were improved thanks to this project.

Boilers No.6 and No.7 were modernised and new boiler No.8 was installed at Petropavlovsk CHP-2. Reconstruction and Modernization of turbogenerator No.4 were completed in 2013, doubling the turbine's capacity. The installed capacity of the station increased by 30 MW, from 404 MW to 434 MW, thanks to the installation of new equipment. Modernization of turbogenerators No.1 and No.5 is currently under way, with expected increase in the station's installed capacity of 83 MW, from 434 MW to 517 MW.

Reduction of electricity and heat losses

CAEPCO JSC is constantly taking steps to reduce electricity and heat losses during transmission, as well as to enhance reliability of supplying energy to customers.

For instance, CAEPCO JSC reconstructed 138.4 km of 110–35 kV overhead power lines in 2014 as part of its investment programme. Moreover, 78.9 km of overhead and 31.4 km of cable 10–0.4 kV power lines were reconstructed as well. To minimise accidents and prevent electricity theft, bare wires in transmission lines were replaced with self-supporting insulated wires with a total length of 114.9 km.

Other important events of 2014 were reconstruction of equipment at 30 substations and introduction of an automatic meter reading system for electric power.

Inductive electric meters are replaced with electronic ones as part of the energy preservation programme. 38,201 meters were replaced in 2014.

These activities help to reduce electricity losses in networks every year. In 2014, excessive losses of CAEPCO JSC fell to 0.12% from 3.6% back in 2005. At the same time, North Kazakhstan regional electricity distribution company JSC completely eliminated excessive losses in 2010. If fulfilled, the investment projects will reduce technical losses of Pavlodar regional electricity distribution company JSC and North Kazakhstan regional electricity distribution company JSC by 0.4% and 0.7% respectively.

The main measures to reduce heat losses are aimed at restoring and upgrading of district heating infrastructure in Pavlodar, Ekibastuz and Petropavlovsk. The goal is to increase the reliability of heat supply, energy efficiency, as well as to reduce losses and improve environmental performance (reduction of carbon dioxide emissions by more efficient coal consumption as a result of reduced heat losses during transmission through networks). These investment initiatives are financed by loans from the EBRD in cooperation with the Foundation for clean technologies.

The measures to reduce heat losses during transmission focus on three areas. First, improving the reliability of heat supply in Pavlodar, Ekibastuz and Petropavlovsk. Second, reducing permissible and excessive losses (through the use of pipes with polyurethane insulation). Third, introducing an automatic meter reading system for heat energy at the sites of CAEPCO JSC.

The activities within these areas are carried out in an integrated manner. For example, the first and second areas include reconstruction of outdated heating systems and construction of new heating lines using pipes with polyurethane insulation. In 2014, the main heating networks in Pavlodar and Ekibastuz were reconstructed using pre-insulated networks with a total length of 979 metres and 810 metres respectively. In Petropavlovsk, the main heating network was reconstructed using pre-insulated networks with a total length of 1,800 metres and insulation restored on 1,500 metres of networks. Obsolete equipment is constantly being replaced. These activities were carried out thanks to the heat transmission rate.

The loan from the EBRD allowed CAEPCO JSC's heat distribution facilities to modernise their heating networks during 2011–2014: 15,776 metres of networks were fully updated in Pavlodar and 9,120 metres – in Petropavlovsk. The insulation was replaced on 7,294 metres of networks in Pavlodar and 7,640 metres of networks in Petropavlovsk.

Automatic heat meters, industrial controllers and modems for connecting mechanisms and instruments with the dispatch service are installed at the Corporation's heat distribution facilities. All equipment at heat distribution facilities is integrated into a single network, allowing dispatchers to quickly adjust hydraulic and temperature parameters, and specialists to make quick decisions when dealing with emergencies and accidents.

In addition, the Corporation uses advanced technology to detect loss of heat energy, such as thermal imaging devices for monitoring and diagnostics of networks and ultrasonic flaw detectors.

When implemented, all the above activities will reduce heat losses in networks by 8% by the end of 2016.

Improving environmental performance

To improve environmental performance as part of its investment programme, the Corporation conducted a major overhaul and repair of its dust collection systems, installing 2nd generation multi-stage wet centrifugal dust collectors on all boilers at all of its power plants, achieving a six-fold reduction of dust emissions into the atmosphere.

In 2014, the companies of CAEPCO JSC released a total of 78,000 tons of pollutants into the atmosphere down from 108,500 tons back in 2008, when the investment programme was launched. The Corporation managed to cut the amount of harmful emissions by 27% and increase electricity production by 25.7% during the same period.

During 2009–2014, 2nd generation titanium wet centrifugal dust collectors were installed on every boiler at all of PAVLODARENERGO JSC's power plants.

All these measures improved flue gas purification and allowed the companies to cut their costs.

Two existing ash dumps are being reconstructed and three new ones are being built to ensure the continuity of the plant's production cycle and allow storage of ash waste for up to 25 years. The use of geomembranes, the innovative Canadian material, in the construction of new ash dumps allows to completely prevent pollutants from contaminating the soil.

MAIN GOALS AND OBJECTIVES FOR NEXT YEAR

Within the frames of investment program in 2015 it is planned to continue range of large scaled activities for modernization of equipment, aimed to increase of generation, reduction of losses during electricity and heat and enhancement of environmental activity.

In 2015 the Corporation plans to increase power generation by 7% up to 6,505 mln kW·h, compared to 2014 and to reduce the production of heat energy by 0.9%, compared to 2014, which is due to the planned commissioning of a condensing type turbogenerator at Petropavlovsk CHP-2 to replace the previously dismantled combined heat and power turbogenerator.

In 2015 we expect to increase our current electricity generating capacity by 3.8% to 1,117 MW due to commissioning of two turbogenerators at Pavlodar CHP-3 and one turbogenerator at Petropavlovsk CHP-2, as well as to increase our current heat generating capacity by 1% to 2,958 Gcal·h, as a result of commissioning of two turbogenerators at Pavlodar CHP-3.

In 2015, the Corporation expects to have an investment budget of 35.7 KZT bln.

The installation of the turbogenerator No.2 is under way at PAVLODARENERGO's CHP-3, which, when completed, should increase our installed electricity generating capacity by 5 MW and increase our installed heat generating capacity by 72 Gcal·h. The are also plans to overhaul and repair the turbogenerator No.4 at Pavlodar CHP-3 and expand the installed electricity generating capacity from 110 Mw to 125 Mw. The construction of ash dumps (phase two) at Pavlodar CHP-2, Pavlodar CHP-3 and Ekibastuz CHP and the construction of cooling tower No.5 at Pavlodar CHP-3 will continue.

The modernization of turbogenerators No.1 and No.5 at SEVKAZENERGO's Petropavlovsk CHP-2 will continue in order to increase their electricity generating capacity from 42 MW to 63 MW and from 33 MW to 95 Mw respectively. In 2015, we plan to modernise boiler No.12 to increase the nominal steam capacity from 220 to 270 tons per hour, thus enhancing reliability and efficiency of the power plant, as well as reducing the steam deficit as a result of replacing turbogenerators No.1 and No.5.

FINANCIAL AND ECONOMIC INDICATORS

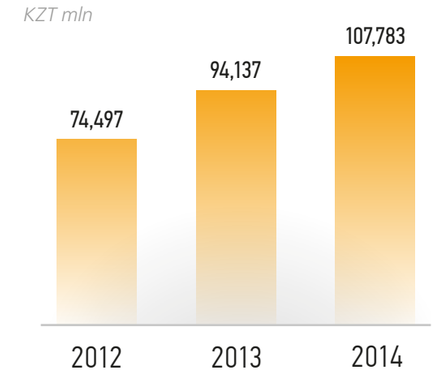
The consolidated financial statements of the Corporation for 2014 were prepared in accordance with the National financial reporting standards (hereinafter, the NFRS) and include statements of the subsidiaries only from the date of their acquisition. Accounting policies are applied to all businesses of the Corporation.

Key financial and economic indicators of the Corporation demonstrate the effectiveness and efficiency of operational and financial activities, as well as its performance in line with the primary directions of its strategic development.

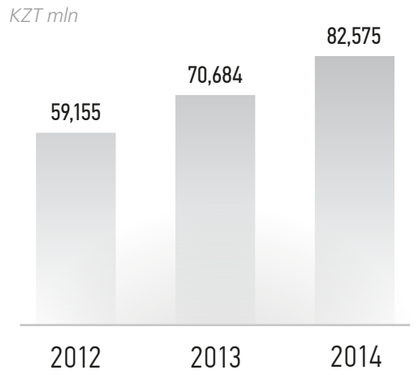
Financial and economic indicators for 2012–2014, KZT mln

INDICATORS	2012	2013	2014
Proceeds from the sale and transfer of electric and heat energy	74,497	94,137	107,783
Cost of electric and heat energy sold	(59,155)	(70,684)	(82,575)
Gross profit	15,342	23,453	25,208
General and administrative expenses	(5,235)	(6,868)	(7,654)
Cost of Sales	(1,099)	(1,615)	(1,767)
Other Income	792	465	2,132
Profit from operating activities	9,800	15,435	17,919
Interest Income	646	672	861
Total EBITDA for the year	14,412	21,733	24,034
Financial expenses and other expenses	(2,418)	(2,445)	(3,729)
Impairment loss on fixed assets	—	—	(466)
Income tax expenses	(1,964)	(3,272)	(3,603)
Net profit for the year	**6,064**	**10,390**	**10,982**

Proceeds from the sale and transfer of electric and heat energy



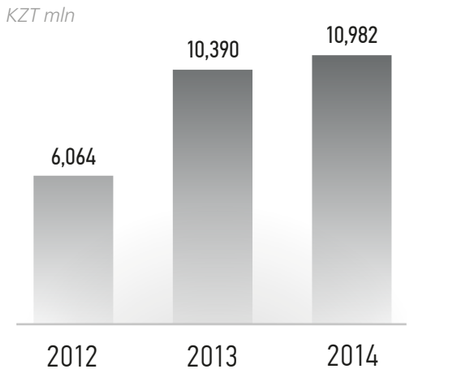
Cost of electric and heat energy sold



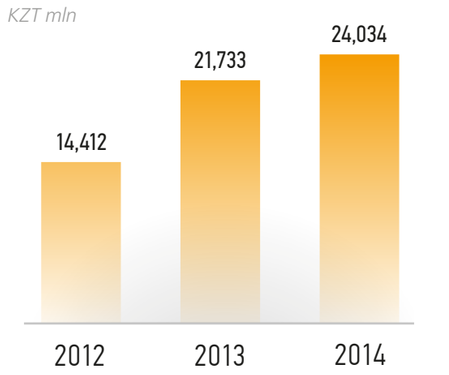
Financial and economic indicators by segment for 2014, KZT mln

Indicators	Electric and heat energy generation	Transmission and distribution of electric power	Transmission and distribution of heat energy	Sales of electric and heat energy	Other	Total
Revenues from sales	40,802	19,520	5,499	41,757	204	107,783
Cost	(23,517)	(13,562)	(5,342)	(39,947)	(206)	(82,575)
General and administrative expenses	(1,738)	(2,201)	(1,849)	(1,287)	(577)	(7,654)
Cost of sales	(11)	—	—	(1,756)	—	(1,767)
Interest income	203	73	26	0.9	557	861
Financial expenses	(2,464)	(131)	(4)	(168)	(101)	(2,867)
Losses from exchange rate difference	(813)	(2)	(6)	(6)	(34)	(861)
Other income	705	1,009	(1)	418	1	(466)
Income tax expenses	(2,710)	(968)	24	53	(2)	2,132
Annual profit	10,369	3,408	(1,681)	(956)	(158)	10,982
Capital expenditures on fixed assets	24,039	7,704	1,921	155	163	33,982
Depreciation of fixed assets	3,803	2,000	632	91	56	6,582
EBITDA by operating segments	19,339	5,757	(1,061)	(1,143)	(523)	22,369

Net profit for the year



Total EBITDA for the year



According to 2014 results, the Corporation produced electric and heat energy, as well as transferred and sold those services, for a total of 108 KZT bln, which is 14.5% higher than in 2013.

The following factors contributed to this increase in income:

- increase in the volume of heat energy production by 474 thous. Gcal or 8%;
- increase of electric energy sales by 203 mln kW·h, or 3%, heat energy sales by 882 thous. Gcal or 9%;
- increase of average electric energy tariff by 0.96 KZT/kW·h, or 9% and increase of average heat energy tariffs by 249.64 KZT/Gcal, or 12%.

Cost of goods sold in 2014 amounted to 83 KZT bln, which is 17% higher than in 2013. The principle increase relates to production growth and consequently to higher variable costs. The cost of purchased electricity being acquired by subsidiary sales company in Astana takes a large share in the cost structure, the rise volume of purchased electricity in 2014 can be observed due to the rise of electrical power suppliers tariffs and transmission tariffs of KEGOC. The Corporation staff payroll increased by 8% in 2014.

The net profit of the Corporation in 2014 was 10.9 KZT bln: an increase of 0.6 KZT bln or 5.7% compared to 2013.

According to 2014 results, the total EBITDA amounted to 24,034 KZT bln, indicating a growth when compared to 2013, by 2.3 KZT bln, or 10.61%.

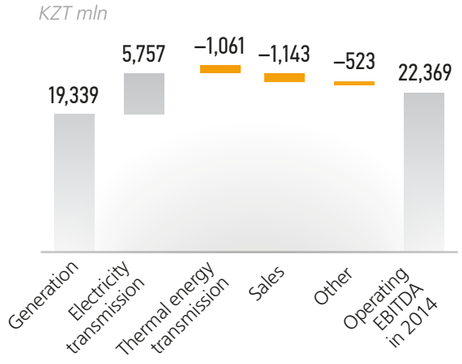
EBITDA operating indicator by segments

The EBITDA operating is selected as the principal indicator when evaluating production activities of the Corporation. This performance metric does not take into account any other income, income from financing, non-cash component of the obligations with respect to exchange rate differences, social benefits for disability, depreciation, amortization and non-recurring or non-permanent items by nature, which do not affect the basic production activities of the Corporation.

In 2014, the operating EBITDA of the Corporation amounted to 22,369 KZT mln.

The EBITDA in the electricity and heat generation segment totalled 19,339 KZT mln in 2014 due to income growth from sales, which was favourably influenced by high demand and an increase in electricity rate limits.

Operating EBITDA by segments of activities in 2014



The EBITDA in the transmission and distribution of electric energy segment amounted to 5,757 KZT mln due to the increase of transmission income, reduction of losses and the Corporation acquiring AEDC JSC, which owns the electricity grid in Akmola region.

The transmission and distribution of heat energy segment as per EBITDA showed minus 1,061 KZT mln due to the lower heat transmission rates.

In the electrical and heat energy sales segment the EBITDA amounted to minus 1,143 KZT mln due to the use of differential electricity and heat tariffs for the consumers of the Corporation.

Assets and liabilities

Total assets of the Corporation by December 31, 2014 accounted for 254 KZT bln, which is 39% higher than in 2013. As of December 31, 2014, the Corporation conducted an evaluation of fixed assets and recognized a gain on revaluation amounting to 42 KZT bln. The fair value of the fixed assets at the valuation date was determined by using the cost approach, adjusted to the discounted future cash flows; namely, using the method for determining replacement cost.

As of December 31, 2014, the value of fixed assets amounted to 206 KZT bln, or 80% of the value of all assets. As part of a major investment programme for 2014, the sum of 33 KZT bln was allocated for unfinished construction and acquisition of fixed assets, the value of new and renovated facilities, which were commissioned, totalled 28 KZT bln.

In particular on December 2014, turbine No.5 in Pavlodar CHP-3 was commissioned after a lengthy reconstruction, in December 2014, the new boiler No.8 was put into operation at Petropavlovsk CHP-2.

Current assets also entailed significant changes in working capital, particularly, when inventories increased by 34% due to the year-end purchase of coal and spare parts.

In 2014, payment terms for the supply of electricity for legal entities were changed to payment upon consumption as per new regulatory measures, leading to an increase in the accounts receivable at the end of the year. The increase was 2.8 KZT bln, and among other things the rise was stipulated by increased tariffs and increase in sales volumes by 14% and the change in conditions of payment (by 14%) as well.

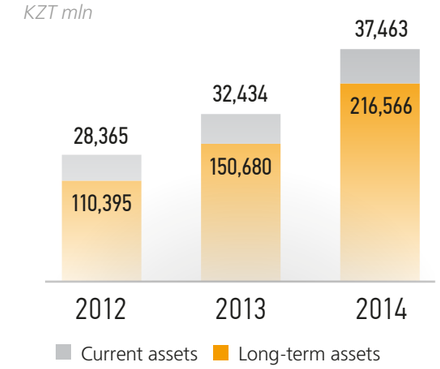
In line with the forced investment program, construction and erection works and capital costs resulted in the rise of the level of reverse charge VAT 0.24 KZT bln.

Other financial assets are represented by deposits with flexible conditions of partial replenishment and withdrawal of 9.8 KZT bln. Deposit rates ranged from 2.8% to 7.5%. Deposits represent funds accumulated by the Corporation for servicing of loans, financing the investment program and maintaining the working capital. Deposits which will be used to service loans denominated in foreign currency are classified as cash, limited in use. Accumulation system assumes semi-annual deposits to the date of payment of interest for loans from the EBRD.

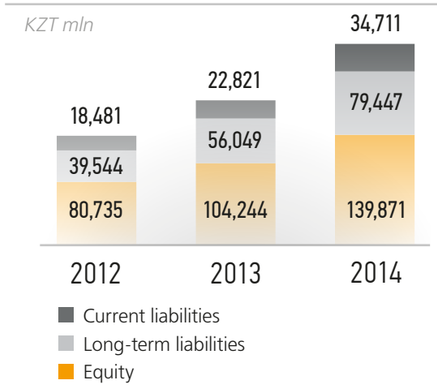
Announced authorized capital of the Corporation is 50 mln ordinary shares. As of December 31, 2014, the fully paid ordinary shares amounted to 46 KZT bln. In July 2014, the core shareholder of the Corporation, CAPEC JSC transferred 51.59% of the shares of Akmola electric distribution company (AEDC JSC) in the authorized capital of the Corporation. In November 2014, the Corporation acquired the remaining 48.41% shares of AEDC JSC and became its sole shareholder.

In connection with the revaluation of fixed assets as of December 31, 2014, a revaluation reserve in the amount of 34 KZT bln, which was recognized in the capital by the Corporation resulted in an increase in shareholders' equity by 34%. The share of net profit received by the end of 2014 amounted to 5% in the capital.

Assets



Liabilities



In the manner of long-term liabilities, the Corporation, for the first time, attracted a loan from the Asian development bank (ADB) to finance a long-term investment program for AEDC JSC the rehabilitation and modernization of power generating equipment and improvements to the system of electric power transmission accounting. Under this loan, it is planned to allocate 25 USD mln. Within the framework of cooperation with ADB, the Corporation also attracted additional investment for financing the acquisition of 48.41% of the shares of AEDC JSC.

As part of short-term loans, the Corporation with subsidiaries sought out Islamic financing and signed a Murabaha general agreement for 12 months.

The effective interest rates on long-term loans are denominated in KZT and US dollars and amount to 9–10% and 3.7%, respectively. The effective interest rates on short-term loans are also denominated in KZT and US dollars and amount to 7.5% – 10% and 6.5%, respectively.

The impact of the devaluation of KZT in February 2014 resulted in an increase of financial liabilities in the amount of 2 KZT bln. Corporate management believes that due to low interest rates of foreign currency loan agreements, which do not exceed 4%-5% and associated maturities of more than 10 years, the effectiveness of the investment program and the return on investment will eventually smooth out the one-time impact of the devaluation.

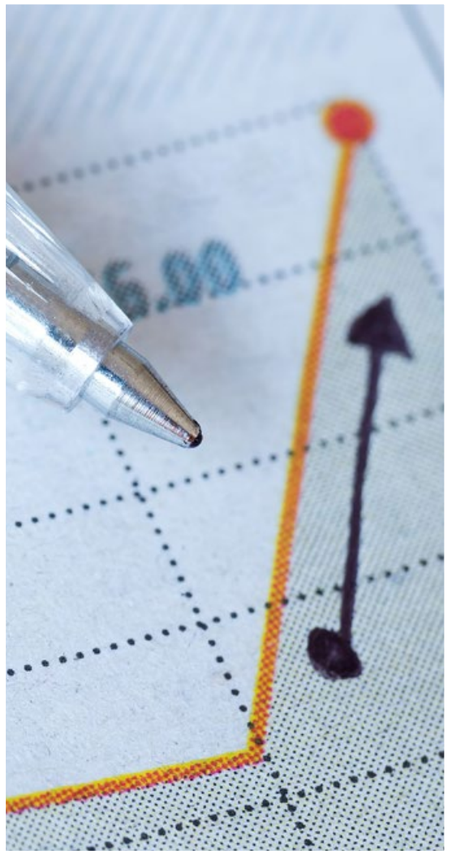
Total financial debt at the end of the reporting year amounted to 59 KZT bln, with the Corporation maintaining financial stability and liquidity.

Operating liabilities in trade payables increased, which is represented by the construction and installation works of investment program activities by the Corporation subsidiaries at the end of 2014.

As part of the trade payable account, the debt for the purchase of electricity and heat energy in Astana also increased due to increases in tariffs and sales volumes.

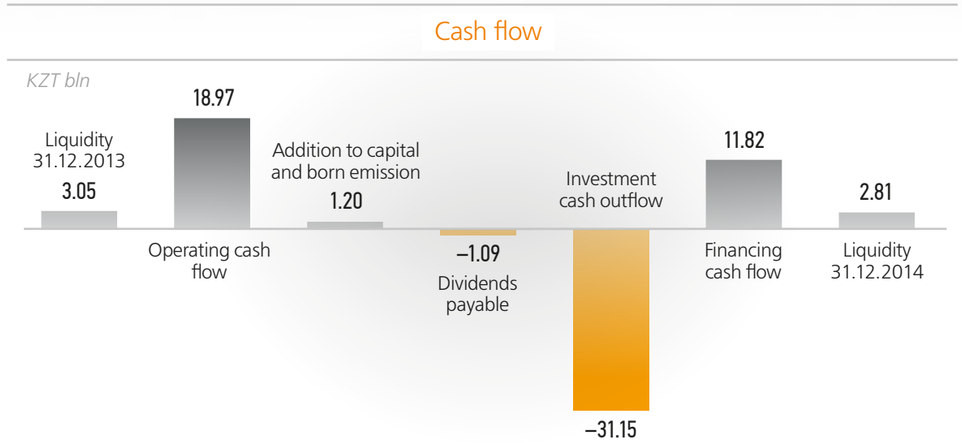
In 2014, AEDC JSC, a subsidiary of the Corporation, entered into a finance-lease contract for Severnaya 110/10 kW transformer substation with the Akimat of Tselinograd district.

Based on the results of 2013, the Corporation announced dividends in the amount of 2.3 KZT bln, representing 27% of the net profit. In general, the positive dynamics of dividend payments, allow maintaining corporate standards.



Cash flow

In 2014, the increase in cash flow from operating activities continued due to increased sales volumes and the planned increases in electricity and heat tariffs. Net proceeds from operating activities comprised 18.97 KZT bln. The significant change in working capital is due to increased stocks and trade receivables, which is due to changes in contracted terms for consumer payments. Increase in accounts payable, principally relating to the principal supply, led to an increase in working capital of 4.5 KZT bln.



The most significant cash flow from 2014 investment activity was associated with the forced investment program, which received funds amounting to 31 KZT bln. The Corporation also received cash in the amount of 1.8 KZT bln from the sale of assets in Akmola region.

In the second half of 2014, the Corporation received funding from the Asian development bank for the sum of 25 mln USD.

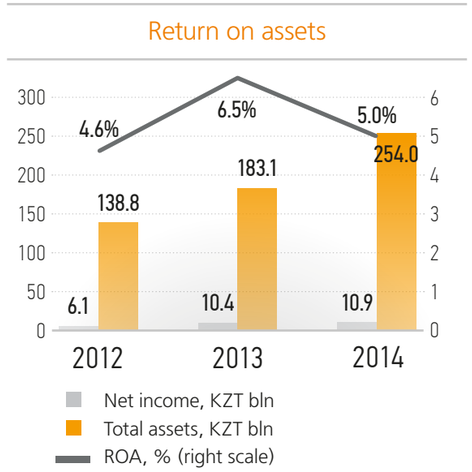
Cash and deposits at the end of the year amounted to 14 KZT bln, sufficient reserve funds allow the Corporation to maintain the necessary level of liquidity and internal resources to service debt.

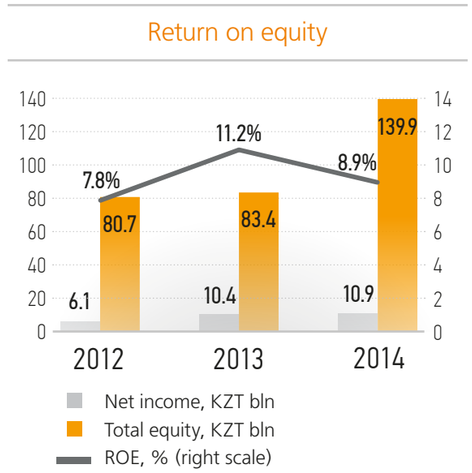
Analysis of performance indicators

There has been a moderate increase in the efficiency of return of assets (ROA) and equity (ROE) of the Corporation according to the results from 2012 to 2014. The ROA grew to 5% in 2014.

In 2014, ROE was 8.9%, whilst in 2012 it was 7.8%. This increase characterizes the efficient capital structure of the Corporation.

In 2014, a revaluation of fixed assets of the Corporation was performed, that influenced the decrease of ROA from 6.5% in 2013 to 5% in 2014 and ROE from 11.2% in 2013 to 8.9% in 2014.





RISK MANAGEMENT

The Corporation has a Corporate Risk management system (CRMS) to identify, evaluate and monitor all significant risks, as well as to take risk mitigation measures and implement internal controls (IC) standards.

The Corporation is guided by international standards in the field of risk management and internal controls, developed by the Committee of sponsoring organizations of the treadway commission (COSO) and the International organization for standardization (ISO) to improve corporate governance.

The risk management department reports to the Audit committee of the Board of directors of the Corporation. It operates in accordance with the annual action plan approved by the Board of directors.

In 2014, the risk management department conducted the following major activities:

- Analysis and testing of the efficiency of the organization's IC standards in business processes:
  - Personnel management.
  - Procurement and contracts.
  - Production continuity management.
  - Maintenance and repairs management;
- Updating the Corporation's risk register and risk mapping;
- Monitoring the progress of activities aimed at improving IC standards and risk management.

ANALYSIS OF SIGNIFICANT RISKS TO OPERATIONS OF CAEPCO JSC

Based on the results of updating the Corporate Risk register and Risk mapping of the Corporation in 2014 in accordance with the approved Risk management policy, a number of potential operational, financial and legal risks have been identified.

Operational risks

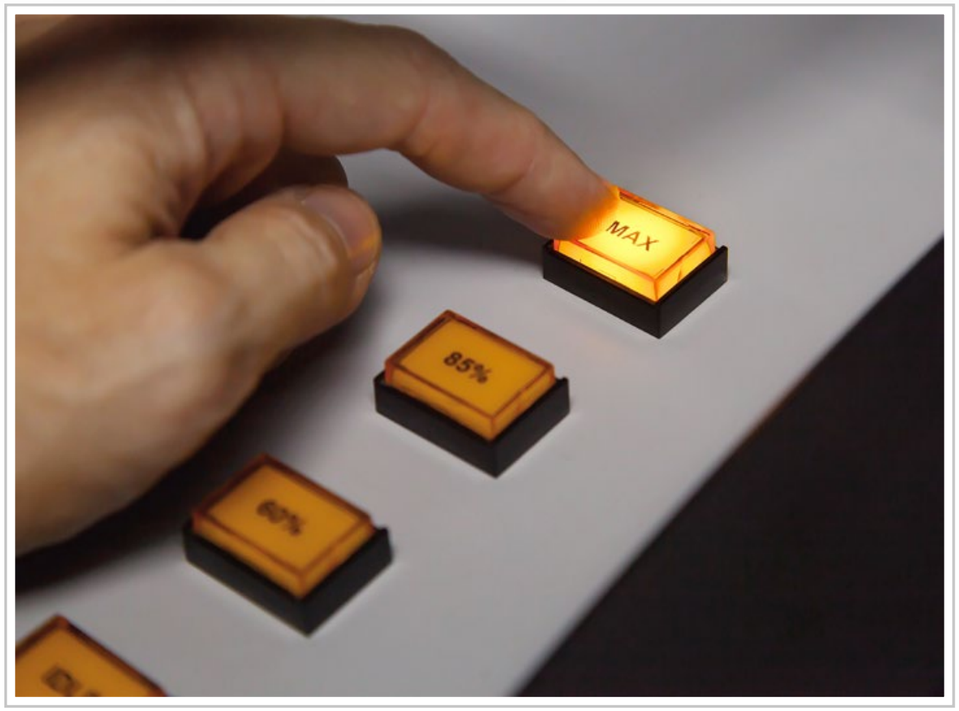
In accordance with the classification and the degree of risk seriousness determined based on the register and Risk mapping, the Corporation's operational risk management in 2014 focused on the following areas:

- Occupational health and safety (risk – injury/accident);
- Procurement and contract management (risk – delayed and low-quality purchase and supply of goods, works and services);
- Maintenance and repairs (risk – delays in construction while implementing investment projects);
- Personnel management (risk – loss and shortage of qualified/key personnel).

To control occupational health and safety risks and improve workplace injury statistics at the companies of CAEPCO JSC, the Corporation's subsidiary companies were checked for compliance with the OHSAS 18001:2007 international standard. After reviewing IC standards, occupational health and safety guidelines were tightened for both employees of the Corporation's subsidiary companies and contractors, which helped to reduce the number of workplace accidents.

In procurement, in order to maximize production, economic and financial performance of the companies within the Corporation, operating procedures were analysed, including based on the internal control of the Procurement and contracts management business process. As a result, a number of internal policies and procedures were implemented to streamline business processes and improve the efficiency and effectiveness of procurement procedures.

In regard to risks associated with contractors involved in repair programmes, the Corporation's contractual activity was analysed, including the systems of internal control in the field of maintenance and repairs management. As the result internal normative documents and regulations promoting optimization of business process and enhancing efficiency of procurement procedures were implemented.



In order to reduce personnel risks, the Human resources department adopted a number of measures to improve the compensation system and is working on programmes to provide support for young specialists and improve employee education.

Financial risks

Liquidity risk. The Corporation is exposed to liquidity risk, including failure to meet its financial obligations as they fall due. The Corporation manages liquidity risk by maintaining adequate reserves, using bank loans, confirmed lines of credit and inventory by constantly monitoring its net debt, taking into account its financial outlook, projected and actual cash flow and future commitments for capital expenditure.

Risk of price increase for equipment, raw materials and materials purchased. The Corporation faces the risk of price increase for the coal purchased, since the CHP equipment was designed for a particular type of coal bought from the same source. However, the impact of this risk on the operating profit of the Corporation is limited due to coal price regulation by the government and compensation of price increases through a mechanism of emergency regulations.

Market risks. The Corporation faces the foreign currency and interest rate risks. It has significant liabilities in USD. To control the risk associated with the USD, the Corporation monitors changes in the exchange rate. In 2014, CAEPCO JSC did not hedge its currency risks due to the limited number of financial derivatives available in the Kazakhstan market. In this regard, the Corporation uses the natural hedging by placing idle funds on deposits denominated in United States dollars, as well as by monitoring the effectiveness of long-term investment programmes.

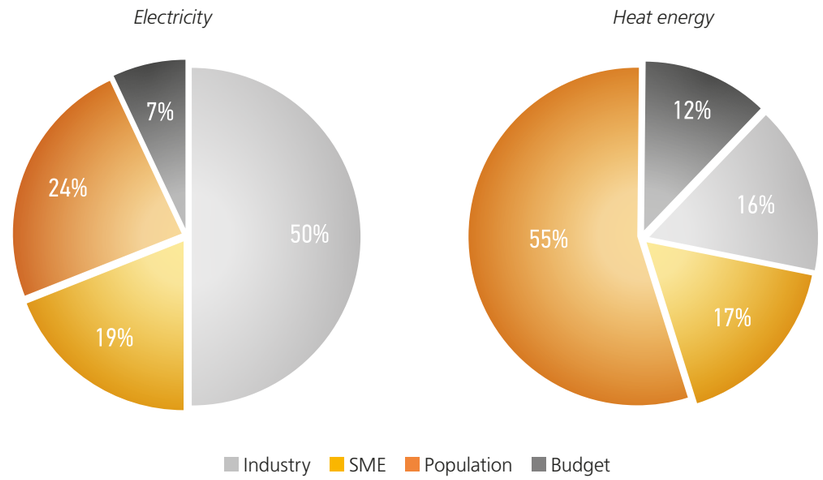
The Corporation is sensitive to volatility in interest rates, as it has floating-rate debt. The interest rate on loans from the EBRD is based on KazPrime and LIBOR rates. Since this debt is long term, the Corporation can naturally hedge these risks thanks to the investment nature of loans.

Credit risk. Arising as a result of the counterparties' failure to perform their obligations under contracts, credit risk is limited to the value of a counterparty's liabilities to the Corporation minus the value of the Corporation's liabilities to this counterparty.

Concentration of credit risk can occur when there are multiple amounts owed by a single customer or a group of customers operating in a similar environment.

CAEPCO JSC has a highly diversified portfolio of customers in different segments of the economy, thus reducing the likelihood of credit risk. For instance, as of 2014, heat and electricity customer diversity is as follows:

Electricity and heat energy customer diversity, 2014



Legal risks

Violation of environmental regulations is a significant risk designated as one of the legal risks by the Corporation's management.

To minimize this risk, the Corporation monitors emission of pollutants based on the Environmental and Social Action Plan (ESAP) for 2012–2014 with a view to determining the impact of its activities on the environment. As part of the Industrial environmental monitoring programme, harmful emissions are monitored at the source of emission to evaluates their quality, quantity and changes. Improving environmental performance and reducing these risks are among the major targets of the investment programme.

CORPORATE GOVERNANCE

The objectives of CAEPCO JSC in the achievement of strategic goals are in enhancement of corporate governance. The activity of the Corporation is based on balanced consideration of interests of all stakeholders in particular investors, shareholders and officers of the Corporation.

SHARE CAPITAL STRUCTURE

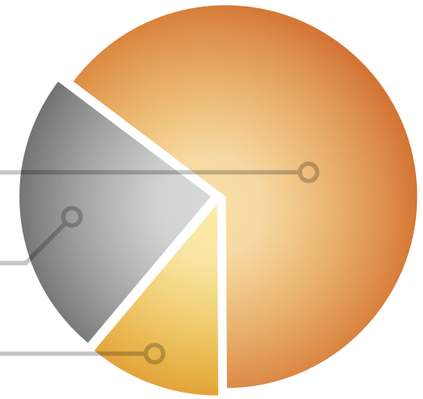
As of December 31, 2014, the share capital of CAEPCO JSC is amounted to **KZT 46,043,272 thous.**

No significant transactions with shares were conducted by the Corporation during the reporting period. No changes occurred in the composition of shareholders owning five or more percent of the shares outstanding.

64.62% **Central-Asian power-energy company JSC**

24.16% **European bank for reconstruction and development** (London, United Kingdom)

11.22% **Kaz Holdings Cooperatief U.A.** (Amsterdam, Netherlands)



Results of the General meeting of shareholders

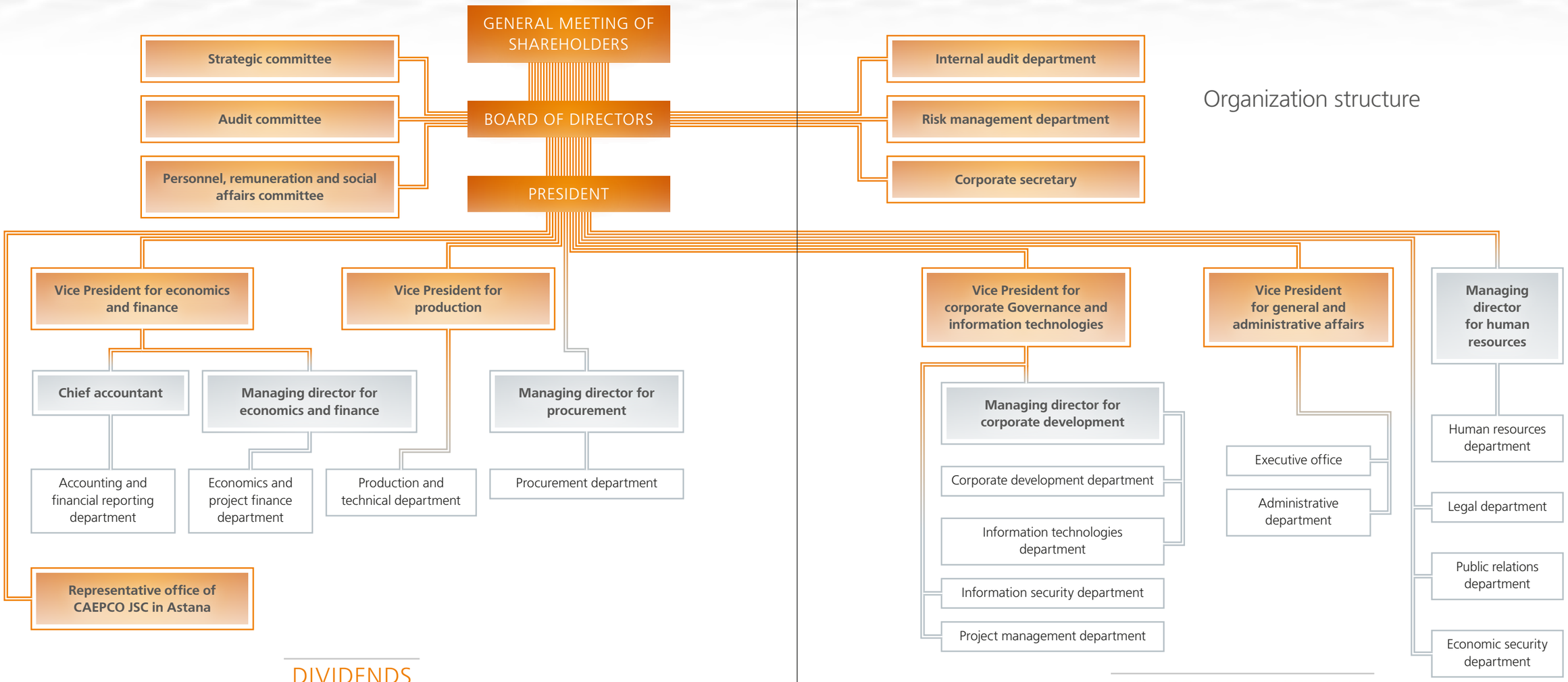
The General meeting of shareholders is a supreme governing body of the Corporation. The primary way for shareholders to exercise their rights enshrined in the Company's Charter is through participation in the annual general meeting of shareholders, as well as in extraordinary general meetings convened on the initiative of the Board of directors or an executive body.

The shareholders of the Corporation can put items on the agenda of the annual general meeting, nominate candidates to the Board of directors and Board committees and convene meetings of the Board of directors.

One annual and two extraordinary General meetings of shareholders were held in 2014. The General meeting focused on the following main issues:

- Approval of financial statements of CAEPCO JSC and its subsidiary companies for the fiscal year 2013;
- Distribution of net profits of the Corporation in the fiscal year 2013;
- Choosing an audit firm for auditing the financial statements of CAEPCO JSC and its subsidiary companies based on the results for 2014;
- Issue of additional common shares of CAEPCO JSC;
- CAPEC JSC's payment for the shares of CAEPCO JSC by contributing 51.59% of common shares of Akmola electricity distribution company JSC to the Corporation's equity.
- Purchasing 48.41% of shares of Akmola electricity distribution company JSC;
- Getting funding from Al Hilal Islamic bank for the companies within CAEPCO JSC;
- Signing labour contracts with members of the Board of directors of PAVLODARENERGO JSC;
- Signing labour contracts with members of the Board of directors of SEVKAZENERGO JSC;
- Electing a new member of the Board of directors of CAEPCO JSC.

Organization structure



DIVIDENDS

The Corporation's policy on dividend distribution, announcement, amount, form and time of payment is set out in the Charter and the Statute on Dividend policy of CAEPCO JSC. The main principles of the Corporation's dividend policy include:

- balance of interests of the Corporation and its shareholders in determining dividend payments;
- increasing investment attractiveness, financial sustainability, capitalization and liquidity of the Corporation;
- ensuring return on invested capital;
- respecting and strictly observing the rights of shareholders and improving their well-being.

The Corporation intends to use part of its net profits for dividend payments and keep enough money to finance its development. The decision about dividend payment is made by the annual General meeting of shareholders based on the recommendations of the Board of directors. If the Corporation is affected by some unforeseen negative circumstances, the Board of directors has to advise the General meeting of shareholders against the payment (announcement) of dividends.

Payment of dividends

In 2014, the annual General meeting of shareholders decided to pay 2,314,652 thous. KZT in dividends to the shareholders of CAEPCO JSC for the 2013 fiscal year. Earnings per share amounted to 71.99 KZT, with the current book value per share as of December 12, 2014 being 2,864.88 KZT.

BOARD OF DIRECTORS

The Corporation's Board of directors determines strategic goals and provides the necessary operational monitoring mechanisms, including continuous monitoring and performance evaluation. To achieve these goals, the Board of directors is guided by the following principles:

- Collegial decision making based on thorough discussion of issues, using reliable and complete information on the activities of the Corporation in accordance with the highest standards of business ethics;
- Safeguarding the legitimate interests and rights of shareholders to participate in the management of the Company, receive dividends, reports and information about the Corporation;
- Ensuring there is a balance between the interests of shareholders of the Corporation and that decisions taken by the Board of directors are as objective as possible and serve the interests of the Corporation's shareholders;
- Providing the Corporation's shareholders with reliable and timely information.

The Board of directors consists of independent directors, who are not affiliated with the Corporation. The Board of directors is headed by the Chairman, who convenes meetings of the Board of directors and sets the agenda based on requests from members of the Board of directors and Board committees.

Remuneration for the Board of directors and the executive body is determined by the decision of the General meeting of shareholders of CAEPCO JSC. The remuneration paid to the Board of directors and executive body in 2014 amounted to 62,963.31 KZT thous.

The Board of directors of CAEPCO JSC

(this part is formed by the decisions of the General meeting of shareholders CAEPCO JSC dated October 25, 2013 and October 27, 2014)

Alexander Klebanov

Chairman of the Board of directors

Chairman of the Board of CAEPCO JSC, shareholder, member of the BOD 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 Amirkhanov

Member of the Board of directors, President

President of CAEPCO JSC, shareholder and member of the BOD 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 Board of director 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 Akmola electric distribution company;

13.11.2013 Chairman of the BOD of North-Kazakhstan regional electric distribution company;

20.01.2014 Chairman of the BOD of Pavlodar regional electric distribution company.

Gulnara Artambayeva

Member of the Board of directors

President of CAPEC JSC, shareholder and member of the Board of directors 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;

31.03. 2004 Member of the BOD of Eximbank Kazakhstan JSC;

27.04.2007 Chairman of the BOD of CAPEC Invest;

16.03.2009 Member of the BOD of CAEPCO JSC;

07.07.2011 Chair of the BOD of Astana-Invest;

22.02.2013 Member of the BOD of SEVKAZENERGO;

14.11.2014 Member of the BOD of Akmola electricity distribution company.

Franz-Josef Kaiser

Member of the Board of directors, Independent director

Is not affiliated with CAEPCO JSC and has not been the same for the past three years.

1975–2009 Partner of Pricewaterhouse-Coopers (PWC);

2005–2009 Partner on PWC's RAO UES of Russia project;

10.10.2009 Member of the BOD, Independent director of CAEPCO JSC.

Manfred-Josef Kehr

Member of the Board of directors, Independent director

Is not affiliated with CAEPCO JSC and has not been the same for the past three years.

2003–2009 Vice President of RWE Power International;

2008–2010 Managing director, Senior Advisor at RWE Power International;

25.10.2011 Member of the BOD, Independent director of CAEPCO JSC.

Patrizio A. Palma

Member of the Board of directors, Independent director

Is not affiliated with CAEPCO JSC and has not been the same for the past three years.

1967–1977 Senior consultant at American Appraisal Italia, SpA;

1977–1997 Director and Chief valuer at American Appraisal UK limited;

1997–2012 Director at American Appraisal (AAR) Inc.;

27.10.2014 Member of the BOD of CAEPCO JSC;

24.12.2014 Member of the BOD, Independent director of Caustic JSC.

Devarshi Das

Member of the Board of directors

01.04.2006 Senior director at Capital Advisor Partners PTE LTD (CapAsia);

16.07.2012 Member of the BOD of CAEPCO JSC.

Graham Wood

Member of the Board of directors

17.08.2009–01.03.2012 Member of the BOD of Freenergy AS;

26.02.2009–01.04.2013 Member of the Supervisory board, Chairman of the Audit committee of ENEA SA;

16.07.2012 Member of the BOD of CAEPCO JSC.

BOARD COMMITTEES

As of December 31, 2014, the Board of directors of CAEPCO JSC had four committees:

- Audit committee (created on 25.02.2010);
- Technical committee (created on 06.03.2012);
- Strategic committee (created on 28.11.2012);
- Committee for human resources, remuneration and social issues (created in 13.03.2013).

Audit committee is a permanent working body of the Board of directors. It assists the Board of directors in performing its regulatory and supervisory functions, improvement and strengthening of the internal audit and risk management systems. The committee provides the Board of directors with recommendations on any matters requiring action by the Board.

Technical committee is a permanent working body of the Board of directors, ensuring the actual participation of its members in timely and effective monitoring of the Corporation's investment projects.

Strategic committee is a permanent working body of the Board of directors created to improve the effectiveness of corporate governance, project implementation and development strategy monitoring of the Corporation. The committee also assists the Board of directors in improving the Corporation's planning practices and promoting further growth.

Committee for human resources, remuneration and social issues was created to develop and implement a uniform human resources policy for the Company and its subsidiaries, to elect and appoint candidates for the positions of head and members of the Company's executive body and its subsidiaries, directors of Internal audit and Risk management departments, Corporate secretary, other bodies and secondary divisions, to build an effective system of corporate governance and to implement its principles.

Audit committee	Technical committee	Strategic committee	Committee for human resources, remuneration and social issues
Franz-Josef Kaiser, Committee Chairman, Independent director	**Manfred-Josef Kehr**, Committee Chairman, Independent director		**Patrizio A. Palma**, Committee chairman, Independent director
Gulnara Artambayeva, Committee member	**Yerkyn Amirkhanov**, Committee member		**Yerkyn Amirkhanov**, Committee member
Graham Wood, Committee member	**Graham Wood**, Committee member		**Gulnara Artambayeva**, Committee member
	Devarshi Das, Committee member		**Franz-Josef Kaiser**, Committee member
			Graham Wood, Committee member

MAJOR DECISIONS OF THE BOARD OF DIRECTORS

Seven meetings of the Board of directors were held in 2014.

The Board of directors focused on the following key areas:

- Reviewing monthly and quarterly management reports;
- Reviewing progress reports on the implementation of the Enterprise Asset Management system;
- Approving the Human resources policy of CAEPCO JSC;
- Approving the risk appetite framework for CAEPCO JSC and its subsidiary companies in 2014;
- Preliminary approval of consolidated audited annual financial statements of PAVLODARENERGO JSC for the fiscal year 2013;
- Preliminary approval of consolidated audited annual financial statements of SEVKAZENERGO JSC for the fiscal year 2013;
- Preliminary approval of audited annual financial statements of Astanaenergosbyt LLP for the fiscal year 2013;
- Preliminary approval of consolidated audited annual financial statements of CAEPCO JSC for the fiscal year 2013;
- Net earnings distribution of CAEPCO JSC in the fiscal year 2013 and determining dividends per common share of CAEPCO JSC;
- Preliminary selection of an audit firm to audit consolidated financial statements of CAEPCO JSC for 2014;
- Authorising CAPEC JSC's payment for the shares of CAEPCO JSC by contributing 51.59% of common shares of Akmola electricity distribution company JSC to the Corporation's equity;
- Authorising the purchase of 48.41% of shares of Akmola electricity distribution company JSC;
- Authorising the borrowing of funds from the Asian development bank to finance the purchase of 48.41% of shares of Akmola electricity distribution company JSC;
- Approving the consolidated 2015 business plan (budget) of CAEPCO JSC;
- Authorising the review of the 2016–2020 draft strategy of CAEPCO JSC;
- Electing the Chair of the Committee for human resources, remuneration and social issues of the Board of directors of CAEPCO JSC;
- Authorising amendments and additions to the Statute on the Board of directors of CAEPCO JSC;
- Authorising the opening of CAEPCO JSC's representative office in Astana, Kazakhstan;
- Approving the Statute on the Representative office of CAEPCO JSC in Astana, Republic of Kazakhstan;
- Appointing the first head of the representative office of CAEPCO JSC in Astana, Republic of Kazakhstan;
- Approving the face-to-face meeting schedule of the Board of directors and its Committees for 2015.

Internal controls mechanisms have been implemented to improve business processes and decision making in the Corporation. CAEPCO JSC sees internal controls as a systematic practice, integrated into strategic and operational management at all levels and covering all entities while they perform their functions. The Board of directors of the Corporation has an Audit Committee that monitors the decisions made and processes to ensure the reliability of financial reporting and to co-ordinate internal control and risk management systems. CAEPCO JSC adheres to the principle of openness and transparency: it has special procedures to make the information about the Corporation's activities available to the public. Thus, shareholders can continuously monitor developments in the Corporation.

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT

The corporate governance of the Corporation in the year 2014 was fully consistent with the provisions of the Corporate governance code.

The corporate governance system of CAEPCO JSC regulates the interaction between management bodies, internal control bodies, shareholders and other stakeholders, ensuring a balance between the interests of all the above parties.

The corporate governance system is regulated by the Corporation's by-laws with its basic principles incorporated into the Corporate governance code of CAEPCO JSC, adopted by the Board of directors in 2010.

The Code is fully compliant with laws and regulations of the Republic of Kazakhstan regulating joint-stock companies: the document was created based on international best practices in the field of corporate governance and recommendations on how Kazakhstan's joint stock companies should use the corporate governance principles.

Adherence to the principles of the Corporate governance code is aimed at a number of goals such as shaping and implementation in the daily routine of rules and traditions of corporate behaviour consistent with international standards and conducive to a better image of the Corporation as seen by its shareholders, clients and employees, ensuring that shareholders are able to exercise their rights as fully as possible, increasing their awareness of the activities of the Corporation, as well as control and reduction of risks, maintaining sustainable growth of financial performance of the Corporation and successful pursuit of its stated objectives.

Major principles of Corporate governance code in 2014 were observed.

The Corporation's corporate governance is based on the following principles

Main principles of the Corporate governance code	Comments
JUSTICE	
Equal treatment of all shareholders, regardless of the size of their equity stake and location, providing them with ways to effectively protect their rights.	Corporate governance in CAEPCO JSC is based on the principle of protection of and respect for the rights and legitimate interests of the its shareholders, fostering the growth of assets, financial stability and profitability of the Corporation. Shareholder rights are enshrined in the Charter and the Statute on the General meeting of shareholders of CAEPCO JSC and comply with the law of the Republic of Kazakhstan "On Joint Stock Companies."
ACCOUNTABILITY	
The Board of directors reports to shareholders, executive bodies report to the Board of directors and employees report to the management (President of the Corporation). This principle ensures accountability and separation of responsibilities between the management bodies of the Corporation, as well as complete accountability of the Corporation to its shareholders, which is achieved through timely providing of shareholders with complete and reliable information relating about the current financial situation of the Corporation.	This principle of the Corporate governance code is followed by imposing an organizational structure in accordance with the Charter and the law of the Republic of Kazakhstan "On Joint Stock Companies." In addition, the principle of accountability is incorporated in every statute of all management bodies/structural divisions, allowing the separation of responsibilities between the Corporation's management bodies.
RESPONSIBILITY	
Responsibility of the Corporation toward its shareholders, employees, customers and partners, close cooperation with them in order to increase the assets of the Corporation and enhance its stability and reliability. This principle defines the ethical norms for shareholders and employees of the Corporation and establishes the liability of officers of the Corporation for unlawful and detrimental (wilful or careless) actions or inaction, as provided by the current legislation.	In 2010, the Corporation adopted the Code of business ethics, which defines the basic principles of relationship between the Corporation on the one hand and its shareholders, investors, employees, officers and customers of CAEPCO JSC on the other. There is also a Stakeholder Interaction Plan, according to which the Corporation has to prepare annual progress reports on the plan's implementation.
TRANSPARENCY	
Timely disclosure of accurate information about all significant facts concerning the operations of the Corporation, including its financial situation, operational results, ownership and management structure in the amounts prescribed by regulations and internal procedures, as well as ensuring the free access of all interested parties to such information by publishing it in easily accessible media, as provided by regulations and internal procedures of the Corporation.	The mechanism of implementing the principle of transparency is most thoroughly explained in the Information policy of CAEPCO JSC.

The Corporation's corporate governance is based on the following principles

Main principles of the Corporate governance code	Comments
ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY	
The Corporation treats the environment in a considerate and rational way and has social responsibility toward the society.	CAEPCO JSC has an Environmental and Social Action Plan which is a foundation of the Corporation's environment and social responsibility policy.
EFFECTIVENESS	
President of the Corporation and its Board of directors have to ensure reasonable and diligent management of the Corporation, promoting a steady growth of its financial performance, greater shareholder value, effective human resources policies, employee training, motivation, social guarantees and protection of employees' interests.	The principle of effectiveness is regulated by the Statute on the President and the Board of directors of the Corporation. President is the sole executive authority responsible for day-to-day operations and implementation of the strategy adopted by the Board of directors and shareholders. The goals of the Board of directors are to ensure the availability of a well thought-out long-term strategy, increase the assets of the Corporation, ensure operational efficiency, protect the rights and legitimate interests of the shareholders and control the executive body.
SUPERVISION	
Control over financial and economic performance of the Corporation in order to protect the rights and legitimate interests of its shareholders, supervision of superiors over their subordinates in accordance with the policies and procedures adopted by the Board of directors of the Corporation, as well as the efficient use of internal and external auditors along with establishing an effective risk-based internal control system.	Control over financial and economic performance of the Corporation is vested in the President of CAEPCO JSC in accordance with the company by-laws. The Corporation also has an Audit committee, which is an advisory body of the Board of directors of CAEPCO JSC, assisting the Board of directors in decision and process monitoring to ensure reliability of financial reporting.

THE EXECUTIVE BODY

President is the sole executive body of the Corporation, responsible for day-to-day operations of the Corporation and implementation of the strategy adopted by the Board of directors and shareholders. The main principles the President adheres to are protection of shareholders' interests as rigorously as possible, honesty, integrity, reasonableness and prudence.

Remuneration of the executive body is determined by the Board of directors of CAEPCO JSC.

Remuneration of the President shall be determined based on the following criteria:

- It shall consists of fix and variable parts;
- The variable part shall depend on the President's key performance indicators (KPIs), his/her qualifications and personal contribution to the Corporation's results during a certain period, and it shall motivate the President to strive for operational excellence.
- Social support, guarantees and compensation payments to the President are provided in accordance with regulations, the Corporation's by-laws and the employment contract.

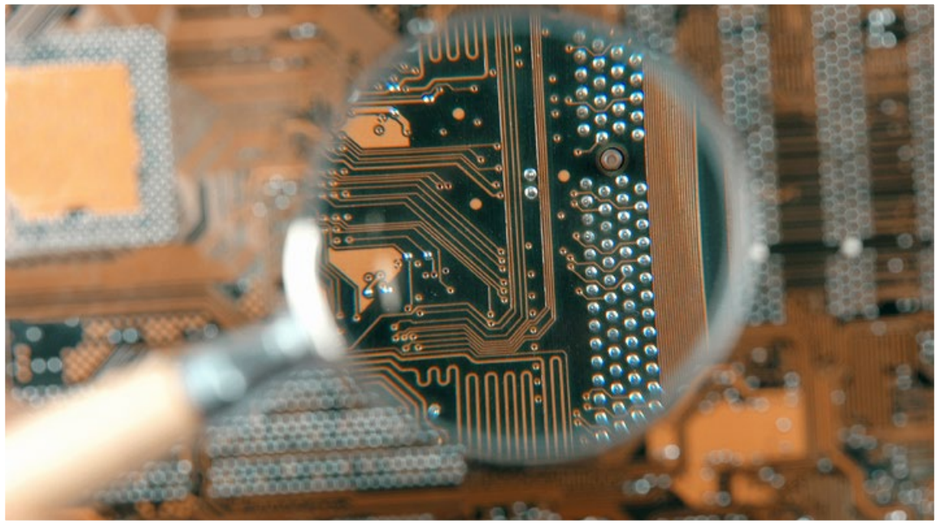
Yerkyn Amirkhanov,
President of CAEPCO JSC

Brief résumé

Started his career at the Institute of steel and alloys in Moscow. Starting from 1997, he held the executive positions in Kazkommertsbank, Pavlodar Refinery, Air Kazakhstan and Eximbank Kazakhstan. Became President of CAEPCO JSC as of April 2011.

Mr. Amirkhanov is a shareholder of Central-Asian power-energy company JSC, consisting of a number of companies, involved in the energy, financial and other sectors of the economy. Today, he is responsible for the strategic leadership in the companies, participating in the holding.

Mr. Amirkhanov was awarded with Kurmet order of merit and jubilee medals in memory of 10th Anniversary of Astana and 20th Anniversary of Independence of the Republic of Kazakhstan.



INTERNAL CONTROL AND AUDIT

The Corporation's Internal audit department (IAD) reports directly to the Board of directors of the Corporation. The Department operates under the supervision of the Audit committee.

The Department operates in accordance with the International Auditing Standards (IAS) developed by the Institute of internal auditors Inc, as well as in accordance with the current laws and regulations of the Republic of Kazakhstan and the Code of ethics of internal auditors of CAEPCO JSC. The main documents regulating the activities of the IAD are the Internal Auditing Statute and the Internal Audit policy and Procedure manual of CAEPCO JSC. In their work, internal auditors have to adhere to such principles as integrity, objectivity, confidentiality, professional competence.

The subsidiaries of the Corporation have their own Internal audit departments, which operate in accordance with the IAD's requirements and follow the audit methodology and practice adopted in the Corporation. In 2014, the IAD employed six auditors, including three employees in CAEPCO JSC and three employees in subsidiaries.

The IAD operates based on the annual work plan approved by the Board of directors. The IAD prepares annual and quarterly reports for the Board of directors and the Audit Committee.

In 2014, the Internal audit department carried out routine inspections at the subsidiaries of CAEPCO JSC in the following areas:

- Evaluation of the effectiveness of the internal controls system for business processes:
  - Revenue accounting and accounts receivable.
  - Occupational health and safety.
  - Protection of the environment.
  - Procurement and contracts.
  - Human resources management.
- Selective inventory control;
- Monitoring of corrective actions to implement the recommendations of the Internal Audit department and Deloitte LLP audit firm;
- Analysis of draft by-laws and providing recommendations, recruitment, participation in working groups on the implementation of the Enterprise Asset Management (EAM) system and 1C-Enterprise.

Every year, the internal auditors pass the professional training courses. The IAD training focuses on learning the internal audit methods and procedures, internal control systems, risk management, principles of corporate governance and maintaining the key business processes of the Corporation. In 2014, the IAD employees attended a number of courses, arranged by Ernst & Young business academy, such as Internal audit II: auditing business processes in sales and marketing, human resources management, CIA part 2 and 3, relevant aspects of IFRS.

INFORMATION POLICY

The information policy of CAEPCO JSC is a set of actions, events and procedures, ensuring the management of corporate information and creating a consistent image of the Corporation among the target audience.

The information policy is aimed at an effective interaction with various public groups, including:

- Governmental and regulatory authorities;
- Mass media;
- Shareholders and investors;
- Consumers and partners;
- Employees and trade unions;
- Non-governmental Organizations (NGO).

In 2014 CAEPCO JSC ensured a regular informational provisions regarding its activities to the above-listed public groups by updating the official websites of the Corporation and its subsidiaries, publications in the mass media, providing responses to the requests, and arranging the public hearings, press tours, roundtable conferences and other events.

In 2014 the Stakeholder Engagement Plan (SEP) was implemented by the Corporation in compliance with the policies of the European bank for reconstruction and development. Based on the results of such implementation activities, a public statement was placed at the official websites of the Corporation and its subsidiaries, disclosing the information on activities, aimed at interaction with stakeholders.

The main objectives of this disclosure are as follows:

- timely provision of information on all important matters, related to the Corporation, in order to maintain the legitimate rights of shareholders, investors and other stakeholders for information, which is required by them to make an informed decisions or to undertake any other actions that could affect the financial and economic performance of the Corporation, as well as the other information, ensuring a comprehensive understanding of the corporate activities;
- ensuring the availability of public information about the Corporation for all the stakeholders;
- increasing transparency and confidence between the Corporation and its shareholders, potential investors, market participants, governmental agencies and other stakeholders;
- improvement of corporate governance within the Corporation;
- creation of a favourable corporate image.

The Corporation adheres to the following principles of disclosure:

- ensuring the completeness and accuracy of disclosed information;
- operational efficiency in disclosing all substantive facts about corporate activities;
- regularity and timeliness of disclosed information about the Corporation;
- relevance of information;
- ensuring the highest safety level for the commercial, professional and other confidential information, protected by the laws of the Republic of Kazakhstan;
- reasonable balance between transparency of the Corporation and compliance with Corporation's commercial interests;
- informational support to the managerial decision-making;
- providing the Corporation's employees and its subsidiaries with relevant, timely, complete, accurate and objective information by using various informational channels, including the corporate websites and corporate publications;
- preventing the losses, leaks and misrepresentations of information;
- preparing the informational countermeasures in case if the negative messages arise.

SUSTAINABLE DEVELOPMENT

Strategic objective of CAEPCO JSC consists of establishing advanced private energy company at strict observance of consistently applied principles of sustainable development such as qualified provision of services to consumers, observance of best available industrial and environment standards, improvement of corporate governance and among them activities aimed to anti-corruption. One of the important elements of sustainable development system is an interaction with stakeholders as well as their performance through the activities stipulated by Stake holders engagement plan.

KEY STAKEHOLDERS AND RANGE OF ISSUES RAISED

Key stakeholders	Interaction process	Range of issues raised
Employees	Ensured via corporate newspapers and Internet sites. There are e-mail boxes and phone hotline for the employees. The meetings with managers of the Group of Companies can be arranged for the employees. Labour disputes shall be resolved by the mediating commissions with involvement of the employer's representatives and the employee.	■ Occupational safety and health; ■ Corporation's activities communication; ■ Promoting the professional development.
Local communities	The Corporation has systemized the communications with consumers; feedback is arranged via Internet sites and e-mail. The public hearings, roundtables and other activities are conducted as well.	■ Processing and approval of applications for tariffs as regards the monopolistically regulated businesses; ■ Implementation of investment program; ■ Quality of services rendered to consumers, compliance monitoring, e.g. installation of the building-level energy meters and providing the technical specifications.
Public authorities and regulatory agencies	The requests from the public and regulatory authorities are processed: some requests are provided with the answers, while others are limited to fact-finding. The employees of the Group of Companies participate in the specialized meetings and consultations. The visits of official delegations are arranged.	■ Reduction of negative impact of the enterprises' activities on the city and region; ■ Preparation for the heating season; ■ Fulfilment of investment obligations; ■ Compliance with legislation, including the environmental and nature protection requirements.

Key stakeholders	Interaction process	Range of issues raised
Suppliers, contractors, and customers	The tenders are arranged and conducted, and the meetings are held with the contractors and customers. Feedback is available at the corporate websites of the Group of Companies.	■ Ensuring the mutually beneficial partnership; ■ Ensuring transparency for the tender process.
Universities	The meetings are held with the representatives of universities in the presence regions. The Corporation's employees take part in the activities of examination boards and qualifying commissions, as well as in the accreditation of educational programmes.	■ Staff recruitment for the enterprises; ■ Internship and jobs for graduates.
Mass media	The enterprises of Corporation organize the press tours, media briefings and press conferences, as well as the press releases distribution and provision of prompt responses to the requests for information on the annual basis.	■ Building up the cooperation ■ Communication on implementation of the investment program for modernization and upgrade of assets ■ Compliance with environmental standards ■ Implementation of social projects.
Non-governmental Organizations (NGO)	The representatives of NGO sector are regularly invited to participate in the press tours and public hearings, held throughout the year. The employees from the group's companies take part in the public meetings with representatives of small and medium-sized businesses. There are meetings held with the leaders of NGOs supporting socially vulnerable segments of population and the representatives of consumer rights protection society.	■ Assistance in addressing the environmental and social issues
Trade unions	Interaction with the trade unions is maintained by arranging the meetings and handling the requests, received in the course of activities.	■ Compliance with collective labour agreement; ■ Assistance in arrangement of leisure time and recreational activities for the employees.

HUMAN RESOURCES AND SOCIAL POLICY

Human resources policy

HR Policy of CAEPCO JSC is a comprehensive system of interaction with employees to achieve strategic goals of the Corporation. The principal priority of HR Policy is preserving and investing in human resources, ensuring a high level of professionalism consistent with modern standards, based on continuity and development of professional, personal and management competencies.

HR Policy of CAEPCO JSC is aimed at building a company with an effective corporate governance system, offering opportunities for maximising employee potential.

Basic principles of HR policy are:

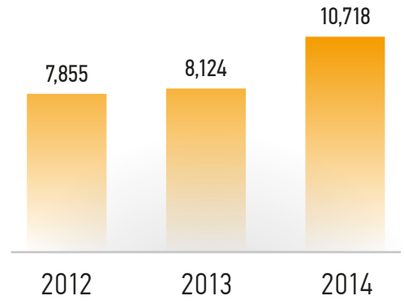
- Openness and transparency of recruitment for vacant positions;
- Value of professional competence;
- Focus on development: personal, professional and corporate;
- Corporate social responsibility.

The number and quality of personnel

The Corporation had a payroll of 10,718 people as of December 31, 2014 versus 8,124 people in 2013. This increase of 31.9% from 2013 is due to the acquisition of Akmola electricity distribution company in 2014 – with a total head count of 2,384 people, consistent with CAEPCO JSC's geographic business expansion strategy.

The 3.4% increase in the 2013 head count vs. 2012 was driven by increased energy output and distribution.

Number of employees on the payroll



Number of CAEPCO JSC employees by facility

Company name	Number of employees
CAEPCO JSC	95
PAVLODARENERGO JSC	5,080
SEVKAZENERGO JSC	2,576
Akmola electricity distribution company JSC	2,384
Astanaenergosbyt LLP	583
Total:	**10,718**

Employee structure by sex and age

Due to the nature of our business, the Corporation's employee structure is dominated by men, with a share of 62.7%. Production staff are mostly blue-collar workers, with men accounting for 73.1%.

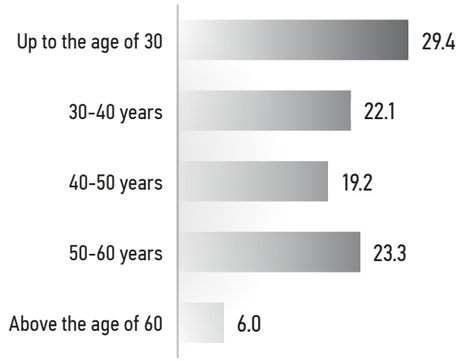
Managers made up 14% of the total head count in 2014, which is an optimal and fair number.

There are a high proportion of workers in the most productive age bracket. Employees under 40 make up 51.5% of the total head count. Employees over 60 share their professional knowledge as teachers in training centres and as mentors.

Training and development

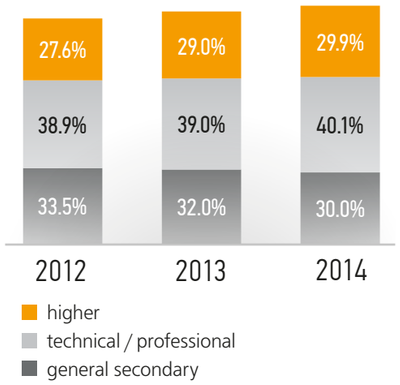
The corporate training system offers group and individual development plans in order to improve productivity and workplace safety.

Employee age structure



In 2014, 5,891 employees received training, including 4,031 employees on a compulsory basis. To build the capacity for future professional growth and improve production processes in certain areas, 1,270 employees were trained in related occupations.

History of education level



Distribution list number of the enterprises of CAEPCO JSC

Employee category	Total		including:			
			men		women	
	people	%	people	%	people	%
Head count	10,718	100	6,717	62.7	4,001	37.3
Managers	1,505	14	1,147	76.2	358	23.8
Specialists/white-collar workers	2,948	27.5	987	33.5	1,961	66.5
Blue-collar workers	6,265	58.5	4,583	73.1	1,682	26.9

Description	2014	2013	2012
Number of employees who received training, retraining, professional development, including:	**5,891**	**5,000**	**4,429**
Safety and fire safety precautions, operating procedures (initial training, qualification, certification/re-certification), courses for managers	4,031	3,963	3,380
Training on quality management systems ISO9001, ISO14001, OHSAS1800 (including environmental protection, internal audit and risk management aspects)	30	73	67
Related occupational training	1,270	348	269
Civil defence and emergency training	17	22	12
Other (training, seminars, workshops, etc.)	543	594	701

In 2014, 81 employees completed distance learning courses, including 33 employees in their job related fields; 41 employees completed distance technical/vocational courses in 2014, including 28 employees in their job related fields.

With the head count growing, the number of employees with only secondary education is falling.

In 2014, 29.9% of the Corporation's employees had a college degree, which is 0.9% higher vs. 2013 and 2.3% higher vs. 2012.

The growth is mostly driven by managers and white-collar workers thanks to the implementation of innovative production development programs.

Staff turnover

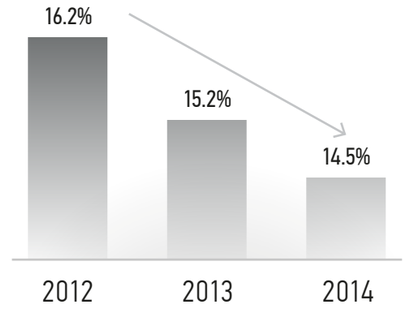
In 2014, turnover dropped to 14.5% thanks to the implementation of a number of improvement programs, such as:

- Promoting mentoring and supporting young specialists;
- Measures aimed at reducing the number of labour disputes and production discipline violations;
- Tangible and intangible incentives for skilled workers;
- Better social benefits in accordance with Collective bargaining agreements.

Succession planning

In 2014, CAEPCO JSC created a talent pool for 871 management roles in senior, middle and junior levels to ensure there are sufficient numbers of candidates to fill management positions. Succession planning is based on individual programs of professional and management training, including training in the Company's own training centres on skill improvement, internships, mentoring, performing management functions and temporary employee relocation. External succession planning is also under way. In 2014, 117 people from the succession pool were appointed to senior-level positions.

Employee turnover rate



Attracting young professionals

In the regions where it is present, CAEPCO JSC seeks to establish all possible conditions for the development of young professionals, who are starting their career in the energy sector. The company co-operates with colleges and vocational training institutions to attract young specialist. For example, the following activities were carried out in 2014:

- Informational meetings with undergraduates in their last year of study before graduation;
- Participation of technical leadership of the Companies in examination boards;
- Study tours at industrial facilities;
- Participation in graduate recruitment fairs;
- Internships and pre-graduation training at facilities;
- Temporary employment during vacation periods;
- Promoting mentoring and experience sharing;
- Providing interest-free student loans;
- Paid training leave;
- Graduation bonus.

In 2014, the Corporation held 37 tours to production sites, 333 students received field and pre-graduation training and 192 employees are taking distance learning courses to obtain a college degree, including 121 employees in their job-related fields.

Motivation and remuneration

Tangible benefits

The goal of the Corporation's motivation and remuneration system is to attract, retain and motivate employees to ensure the Corporation can achieve its mission and business targets at an optimal cost.

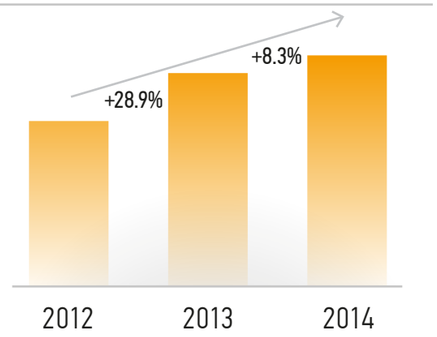
Average income in 2014 grew by 8.3% compared to 2013 and by 39.5% compared to 2012. Wages are annually indexed to inflation.

Time and procedures for holistic remuneration of employees at all levels depend on various factors and are determined based on economic and legal possibilities and feasibility.

Intangible benefits

Every year, the Corporation undertakes employee recognition initiatives giving out awards, certificates of merit and titles. Details about such initiatives are published in corporate sources of information.

Average earnings growth rate



In 2014, 137 employees received awards for operational excellence, 25 employees and veterans received state awards, 12 employees won awards from the CIS Electric power council and 42 employees from the Kazakhstan Energy Association, among whom 3 employees were awarded the title of Distinguished Energy Worker and 6 employees the title of Eminent Energy Worker.

Occupational safety and health

The Corporation's subsidiary companies are constantly working to improve workplace safety, injury prevention, production and sanitary conditions, reduce the harmful effects of various factors, minimize industry-specific risks and eliminate workplace hazards.

To improve its occupational safety and health practices, the Corporation is governed by the OHSAS 18001 international standard.

During their operation, companies implement and update Occupational Safety and Health Policy and make it accessible to employees through appropriate resources.

The Corporation's strategic goals in the field of occupational health and safety include:

- Workplace accident and injury reduction;
- Improving occupational health and safety;
- Creating better workplace conditions;
- Preventing unsafe behaviour through systematic employee training on safe techniques and skills;
- Occupational safety and health incentive programmes;
- Development and implementation of uniform corporate standards on occupational safety and health;
- Studying and adoption of modern best practices in occupational health and safety.

In 2014, the Corporation spent 219.12 KZT mln on occupational safety and health initiatives and 76.99 KZT mln to improve workplace conditions.

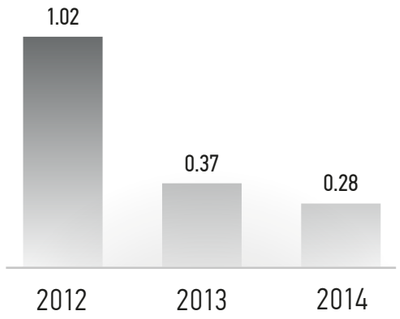
The Corporation is implementing Environmental and Social Action Plan (ESAP) and Stakeholder Engagement Plan (SEP) in accordance with the policy of the European Bank for Reconstruction and Development. According to ESAP, annual public reports are prepared with information on projects aimed at improving occupational safety at the facilities of CAEPCO JSC.

All employees of the Corporation are insured against accidents, as required by the law of the Republic of Kazakhstan "On compulsory employee insurance against workplace accidents."

In 2014, all subsidiaries held technical meetings on occupational safety practices before the maintenance and repair season.

Safety days and occupational health and safety meetings were held throughout the year.

Total incident frequency rate (TIFR) per 1,000 employees in 2014



Occupational health and safety highlights

	2012	2013	2014
Average head count	7,855	8,124	10,622
Number of occupational injuries	8	3	3
Number of occupational health and safety meetings held	140	248	230
Number of occupational health and safety days held	233	286	474
Other (seminars, trainings, etc.)	543	594	701

Corporate events

Every year, employees of CAEPCO JSC's subsidiary companies actively participate in corporate sporting events, as well as sporting events on area, regional and international levels.

In 2014, SEVKAZENERGO JSC employees finished second in Densaulyk annual sports event with a number of competitions, such as winter fishing, bowling, billiards, cross-country orienteering, etc. The team of SEVKAZENERGO JSC also took part in the city's open beach volleyball tournament to celebrate the International Day against drug abuse and illicit trafficking. The tournament was organised with the support of the Petropavlovsk city administration.

PAVLODARENERGO JSC held an annual open international tennis tournament PAVLODAR OPEN.

Every year the team of Akmola electricity distribution company takes part in national professional contests between repair and maintenance engineers for 10–0.4 Kv networks. In 2014, the team of Akmola electricity distribution company officially represented Kazakhstan at international professional skills competitions between the CIS energy sector workers. The team of Akmola electricity distribution company finished fifth, obtaining the best results in putting out a fire at a 10/0.4 Kv packaged substation.

In 2014, to exchange experience and ensure continuity of learning, SEVKAZENERGO JSC arranged a national forum for energy sector veterans from the Kazakhstan and CIS countries. The forum participants received state and industry awards, while veterans of SEVKAZENERGO received honorary titles.

In 2014, in preparation for the Energy Professionals' Day, PAVLODARENERGO created a Book of Merit with the names of distinguished employees.

Philanthropy and sponsorship

In the summer of 2014, as part of the ongoing support for the Regional Boarding School of Orphans and Children Without Parental Care, SEVKAZENERGO JSC sponsored a tour to Kazakhstan's capital city Astana. Foster care graduates of the boarding school received valuable gifts they can use in junior colleges and universities.

Every year, veterans of war and labour are welcomed at the company's sites, with financial support provided to unemployed retirees on anniversaries and holidays in the form of food packages, cash rewards and coal. Veterans are provided with home care services, invited to concerts and gala dinners during the WWII Victory Day celebrations.

In 2014, the employees and trade unions of Akmola electricity distribution company made voluntary donations to flood-affected workers of power network and distribution facilities in Atbasar and Stepnogorsk regions.

Interaction with trade unions

All CAEPCO JSC companies have trade unions, and Collective bargaining agreements are a common practice. Social policy of CAEPCO JSC is shaped by the employees and trade unions. PAVLODARENERGO JSC has a Collective Bargaining Agreement that will remain valid until 2015, while Collective bargaining agreements at Akmola electricity distribution company and SEVKAZENERGO will be valid from 2014 to 2016.

Collective bargaining agreements include social guarantees and benefits for employees, their families, retirees and veterans of the company sites. When preparing a Collective bargaining agreement, companies of the Corporation adhere to the principles of economic feasibility, sufficiency, joint responsibility and transparency.

Description	2014	2013	2012
Number of union members among employees	6,788	6,796	6,852
Proportion in the total head count, %	63	65	68

ENVIRONMENTAL POLICY

CAEPCO JSC considers environmental issues as a major priority in the Corporation's Development strategy.

The Corporation's Environmental policy was developed in accordance with the Concept of environmental safety of the Republic of Kazakhstan for 2004–2015, Environmental code and ISO 14000 standards. Familiarisation sheets, corporate newsletters and websites of subsidiary companies were used to distribute the uniform policy across the sites of the Corporation. Environmental Policy is available on information boards in all divisions and accessible to all employees.

Starting from 2009 the Corporation has been implementing the Environmental and Social Action Plan (ESAP) as part of its investment programme and in accordance with the environmental protection policy of the European bank for reconstruction and development with regard to the financed projects. The Environmental and Social Action Plan includes the projects, aimed at improving environmental performance of the Corporation and occupational safety at the sites of CAEPCO JSC. Every year, the Corporation prepares a public report on its achievements within the ESAP frameworks.

The Corporation is implementing an Environmental and Social Management System (ESMS) in accordance with the ADB's safety mission statement and other social policies, such as Social Protection strategy, Gender equality policy and Public relations policy with regular provision of reports on environment and social sphere monitoring, all of which apply to AEDC's power distribution network Modernization and expansion projects, aimed at enhancing the network's reliability, reduction of losses and downtime minimisation through better infrastructure, as a part of its programme to modernise and expand the power distribution network of Akmola electricity distribution company JSC (AEDC), funded by the Asian development bank (ADB) as of November 2014.

The fundamental principles of Corporation's Environmental policy include:

- Recognition of the person's constitutional right to a healthy environment;
- Precedence of environmental safety as an integral part of national security;
- Respect for environmental feasibility considerations and the principles of environmental management system when developing an economic strategy;

Emission of pollutants into the atmosphere in 2014, tons

Company	PAVLODARENERGO JSC		SEVKAZENERGO JSC		CAEPCO JSC	
	limit	actual	limit	actual	limit	actual
Total, including:	68,037	46,574	47,354	33,182	115,391	79,756
Fly ash*	12,435	8,643	6,470	4,878	18,905	13,521
Nitrogen dioxide	17,615	9,711	5,696	5,360	23,311	15,071
Nitrogen oxide	2,859	1,576	924	871	3,783	2,447
Sulphur dioxide	32,101	24,596	29,893	18,464	61,994	43,060
Carbon monoxide	2,840	1,912	4,352	3,601	7,192	5,513
Other	187	136	16	6	203	142

**inorganic dust 70–20%, silicon dioxide*

- Energy efficiency and rational use of natural and energy resources at all stages of the production of heat and electricity;
- Reducing emissions and waste from the production of electricity and heat and treating them in an environmentally friendly manner;
- Taking measures aimed at accident reduction and prevention and reducing their negative impact on the environment;
- Transparency and accessibility of environmental information, promptly informing all stakeholders about accidents, their environmental impact and mitigation measures;
- Transparency and accessibility of environmental monitoring results;
- Engaging employees at the Corporation's sites in environmental protection through promoting and improving environmental culture and education of employees; making sure that all employees follow safety precautions and environmental regulations to comply with Environmental policy and achieve environmental efficiency;
- Compliance with laws and regulations of the Republic of Kazakhstan, international standards ISO 9001, ISO 14001, OHSAS 18001, ISO 17025 and ISO 50001.

The Corporation conducted a major overhaul and repair of its dust collection systems, installing 2nd generation multi-stage wet centrifugal dust collectors on all boilers at all of its power plants, achieving the six-fold reduction of dust emissions into the atmosphere to improve the environmental parameters as part of the Investment programme for 2009–2014. The measures taken have improved the quality of flue gas purification and allowed the sites to cut their spending. The actual ratio of flue gas purification after installing wet centrifugal dust collectors reached 99.5% in 2014 vs. 95.8% in 2009. By practising this since 2009, the Corporation has reduced the total annual fly ash emissions from 48 thous. tons to 13.4 thous. tons per year (72% less), while increasing the production of electricity and heat by 25.7% and 15.7% respectively. One of the achievements of the Corporation in 2014 was maintaining the efficiency of dust collectors on energy boilers at 99.5%, which is their rated capacity.

In 2014, the companies of CAEPCO JSC released a total of 78 thous. tons of pollutants into the atmosphere down from 108.5 thous. tons back in 2008, when our investment programme was launched. The Corporation managed to cut the amount of harmful emissions by 27% and increase electricity production by 25.7% during the same period.

At the end of 2013, CHP-2 and CHP-3 started to use gas analysis equipment for continuous control and monitoring of pollutant concentration in flue gases from boilers to reduce emissions and increase their efficiency (combustion adjustment to enhance environmental safety and completeness of combustion), as well as to improve flue gases purification of dust collectors. The installed flue gas monitoring system provides real-time monitoring with data recording on electronic media, allowing active control of emissions into the atmosphere.

Two existing ash dumps are being reconstructed and three new ones are being built to ensure the continuity of the plant's production cycle and allow storage of ash waste for up to 25 years. The use of geomembranes, the innovative Canadian material, in the construction of new ash dumps allows to completely prevent pollutants from contaminating the soil.

As part of investment programmes, there are ambitious equipment Modernization plans, as well as ongoing projects, aimed at improving power generation, reduction of losses during electricity and heat transmission and improving environmental performance.

In April 2014, environmental information on SEVKAZENERGO JSC was officially announced and published as part of the participation in Corporate environmental performance ratings in Kazakhstan, a project initiated by the Centre for sustainable production and consumption. Moreover, in partnership with KEGOC JSC, SEVKAZENERGO JSC officially published its Environment memorandum for Kazakhstan's first industry business guide on corporate social responsibility and sustainable development. This is a logical outcome of measures taken by CAEPCO JSC to reduce harmful emissions and waste disposal, preserve land resources and promote landscape planting.

Pollution prevention is the determining factor in all operational decisions concerning the production of electricity and heat. The impact on the environment and efficiency of energy and natural resources usage are evaluated before introducing new technologies.

For every new construction and reconstruction project, there is a special project addressing environmental issues, called EnvironmentaliImpact assessment. To meet Kazakhstan's environmental standards, all projects have to pass state environmental certification.

In 2014, the Corporation's sites operated within the permissible emission limits. Following the adopted environmental policy, CAEPCO JSC is implementing new technologies, ensuring that its environmental performance is above the official standards of the Republic of Kazakhstan.

FINANCIAL STATEMENTS

Consolidated statement of financial position as at 31 December 2014 (KZT thous.)

	31.12.2014	31.12.2013	1.01.2013
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	206,284,356	137,449,410	120,167,172
Goodwill	2,424,419	2,424,419	2,424,419
Intangible assets	238,363	164,720	101,582
Investments	—	—	145,087
Deferred tax assets	116,716	144,249	—
Restricted cash	969,700	331,805	7,000,285
Other non-current assets	6,532,179	10,165,522	242,906
Total non-current assets	**216,565,733**	**150,680,125**	**130,081,451**
CURRENT ASSETS:			
Inventories	6,593,785	4,937,410	3,494,923
Trade accounts receivable	12,610,777	9,781,175	9,843,272
Advances paid	1,288,714	1,527,097	1,057,357
Taxes receivable and prepaid taxes	1,422,886	1,062,803	196,337
Income tax prepaid	404,807	158,891	1,031,827
Other accounts receivable	2,073,193	2,078,954	2,708,890
Other financial assets	9,784,711	9,263,602	9,115,805
Restricted cash	479,194	572,530	391,126
Cash	2,805,932	3,051,830	1,445,853
Total current assets	**37,463,999**	**32,434,292**	**29,285,390**
TOTAL ASSETS	**254,029,732**	**183,114,417**	**159,366,841**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	46,043,272	37,590,045	37,590,045
Additional paid-in capital	1,348,105	4,288,735	4,288,735
Revaluation reserve on property, plant and equipment	51,005,740	18,020,220	19,236,528
Retained earnings	41,473,796	36,192,388	27,417,545
Equity attributable to owners of the parent	139,870,913	96,091,388	88,532,853
Non-controlling interests	—	8,152,689	7,287,423
Total equity	**139,870,913**	**104,244,077**	**95,820,276**

Consolidated statement of financial position as at 31 December 2014 (KZT thous.)

[continued]

	31.12.2014	31.12.2013	1.01.2013
NON-CURRENT LIABILITIES:			
Bonds issued	15,516,792	14,885,375	13,678,521
Bank loans	29,180,380	18,901,770	9,824,897
Deferred revenue	1,358,972	1,452,974	1,542,820
Long-term accounts payable	205,095	227,095	256,673
Deferred tax liabilities	31,809,901	20,001,637	17,626,881
Ash disposal area restoration liabilities	476,390	481,235	253,348
Finance lease obligations	787,815	—	—
Employee benefit obligations	111,952	98,905	92,071
Total non-current liabilities	**79,447,297**	**56,048,991**	**43,275,211**
CURRENT LIABILITIES:			
Current portion of bonds issued	627,078	645,519	583,028
Bank loans	13,608,183	8,837,162	6,944,710
Trade accounts payable	11,987,285	7,605,867	8,139,968
Advances received	3,030,985	3,448,184	2,623,383
Taxes and non-budget payments payable	769,581	883,691	844,361
Income tax payable	6,812	1,933	130,572
Current portion finance lease obligations	109,993	—	—
Current portion of ash disposal area restoration liabilities	—	—	155,427
Current portion of employee benefit obligations	12,610	9,633	8,841
Other liabilities and accrued expenses	4,558,995	1,389,360	841,064
Total current liabilities	**34,711,522**	**22,821,349**	**20,271,354**
TOTAL EQUITY AND LIABILITIES	**254,029,732**	**183,114,417**	**159,366,841**

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 (KZT thous.)

	2014	2013
REVENUE	**107,783,546**	**94,137,298**
COST OF SALES	**(82,575,262)**	**(70,684,131)**
GROSS PROFIT	**25,208,284**	**23,453,167**
General and administrative expenses	(7,653,966)	(6,868,090)
Selling expenses	(1,767,612)	(1,615,308)
Finance costs	(2,867,484)	(2,413,109)
Finance income	861,332	672,102
Foreign exchange loss	(861,561)	(32,471)
Loss on impairment of property, plant and equipment	(466,351)	—
Other income	2,132,481	465,665
PROFIT BEFORE TAXATION	**14,585,123**	**13,661,956**
INCOME TAX EXPENSE	**(3,603,466)**	**(3,271,800)**
PROFIT FOR THE YEAR	**10,981,657**	**10,390,156**
Attributable to:		
Parent	10,012,284	9,510,367
Non-controlling interests	969,373	879,789
Other conprehensive income for the year, net of income tax		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of property	34,301,900	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR"	**45,283,557**	**10,390,156**
Attributable to:		
Parent	44,193,176	9,510,367
Non-controlling interests	1,090,381	879,789

Consolidated statement of changes in equity for the year ended 31 December 2014 (KZT thous.)

	Share capital	Additional paid-in capital		Revaluation reserve on property, plant and equipment	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 January 2013	**37,590,045**	**4,288,735**		**19,236,528**	**27,417,545**	**88,532,853**	**7,287,423**	**95,820,276**
Profit for the year	—	—		—	9,510,367	9,510,367	879,789	10,390,156
Other comprehensive income for the year	—	—		—	—	—	—	—
Total comprehensive income for the year	—	—		—	9,510,367	9,510,367	879,789	10,390,156
Amortization of revaluation reserve on property, plant and equipment	—	—		(1,216,308)	1,216,308	—	—	—
Dividends declared	—	—		—	(1,834,773)	(1,834,773)	(14,523)	(1,849,296)
Fair value adjustment less deferred tax of KZT 29,265 thousands	—	—		—	(117,059)	(117,059)	—	(117,059)
At 31 December 2013	**37,590,045**	**4,288,735**		**18,020,220**	**36,192,388**	**96,091,388**	**8,152,689**	**104,244,077**
Profit for the year	—	—		—	10,012,284	10,012,284	969,373	10,981,657
Other comprehensive income for the year	—	—		34,180,891	—	34,180,891	121,009	34,301,900
Total comprehensive income for the year	—	—		34,180,891	10,012,284	44,193,175	1,090,382	45,283,557
Share issuance	8,453,227	—		—	—	8,453,227	—	8,453,227
Amortization of revaluation reserve on property, plant and equipment	—	—		(1,195,371)	1,195,371	—	—	—
Dividends declared	—	—		—	(2,330,129)	(2,330,129)	(14,523)	(2,344,652)
Purchase of non-controlling interest	—	(2,940,630)		—	(3,564,050)	(6,504,680)	(9,228,548)	(15,733,228)
Fair value adjustment less deferred tax of KZT 8,062 thousands	—	—		—	(32,068)	(32,068)	—	(32,068)
At 31 December 2014	**46,043,272**	**1,348,105**		**51,005,740**	**41,473,796**	**139,870,913**	**—**	**139,870,913**

Consolidated statement of cash flows for the year ended 31 December 2014 (KZT thous.)

	2014	2013
OPERATING ACTIVITIES:		
Profit before taxation	14,585,123	13,661,956
Adjustments for:		
Depreciation and amortization	6,581,828	5,658,391
Finance costs	2,867,484	2,413,109
Foreign exchange loss/(gain)	861,561	(67,739)
Loss on impairment of property, plant and equipment	466,351	58,186
Accrual of allowance for doubtful debts	56,599	304,975
Gain on write-off of accounts payables	(66,164)	—
Accrual of provision for unused vacations	58,523	28,276
Accrual of allowance for slow-moving inventories	46,436	5,047
Employee benefit expenses	15,316	23,500
(Gain)/loss on disposal of property, plant and equipment	(814,567)	19,820
Interest income from cash placed on deposits	(644,996)	(437,972)
Amortization of fair value adjustment	(105,623)	(160,475)
Interest income from guarantee fees	(55,656)	(12,298)
Income from repurchase of own bonds	(51,082)	—
Other adjustments	(7,842)	(3,260)
Operating cash flow before changes in working capital	23,793,291	21,491,516
Change in inventories	(1,702,811)	(1,331,976)
Change in trade accounts receivable	(2,960,317)	70,361
Change in advances paid	278,246	(493,242)
Change in taxes receivable and prepaid taxes	(29,198)	645,015
Change in other accounts receivable	(19,115)	371,370
Change in trade accounts payable	4,498,313	(727,910)
Change in deferred revenue	894	(95,780)
Change in advances received	(417,199)	657,771
Change in employee benefit obligations	708	151,156
Change in other liabilities and accrued expenses	(52,446)	38,233
Change in taxes and non-budget payments payable	(360,083)	(284,958)
Cash provided by operating activities	23,030,283	20,491,555
Income tax paid	(627,665)	(872,562)
Interest paid	(3,515,531)	(2,647,881)
Net cash provided by operating activities	**18,887,087**	**16,971,112**

Consolidated statement of cash flows for the year ended 31 December 2014 *[continued]* (KZT thous.)

	2014	2013
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(31,152,746)	(22,216,506)
Acquisition of intangible assets	(113,677)	(92,282)
Acquisition of non-controlling interest	(5,401,551)	—
Proceeds from disposal of property, plant and equipment	1,866,709	82,663
Cash placed on deposits	(16,897,285)	(6,217,992)
Cash withdrawn from deposits and interest received	17,000,162	6,312,464
Cash returned from guarantee fees	(58,040)	(55,854)
Change in long term advances	3,608,811	(3,193,787)
Net cash used in investing activities	**(31,147,617)**	**(25,381,294)**
FINANCING ACTIVITIES:		
Proceeds from loans	27,755,192	21,151,300
Proceeds from issuance of bonds	1,199,999	1,106,167
Repayment of loans	(15,366,365)	(10,422,143)
Dividends paid	(1,094,846)	(1,834,772)
Repayment of bonds	(564,839)	—
Net cash generated from financing activities	**11,929,141**	**10,000,552**
NET (DECREASE)/ INCREASE IN CASH	**(331,389)**	**1,590,371**
CASH AT THE BEGINNING OF THE YEAR	**3,051,830**	**1,445,853**
Effect of changes in foreign exchange rate on cash balance held in foreign currency	**85,491**	**15,606**
CASH AT THE END OF THE YEAR	**2,805,932**	**3,051,830**

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

AEDC Akmola electricity distribution company

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 Giga-calorie 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 per 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 No.2

PE PAVLODARENERGO JSC

PL Power Lines

PREDC Pavlodar regional electric distribution company JSC

QMS Quality Management System

RK Republic of Kazakhstan

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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