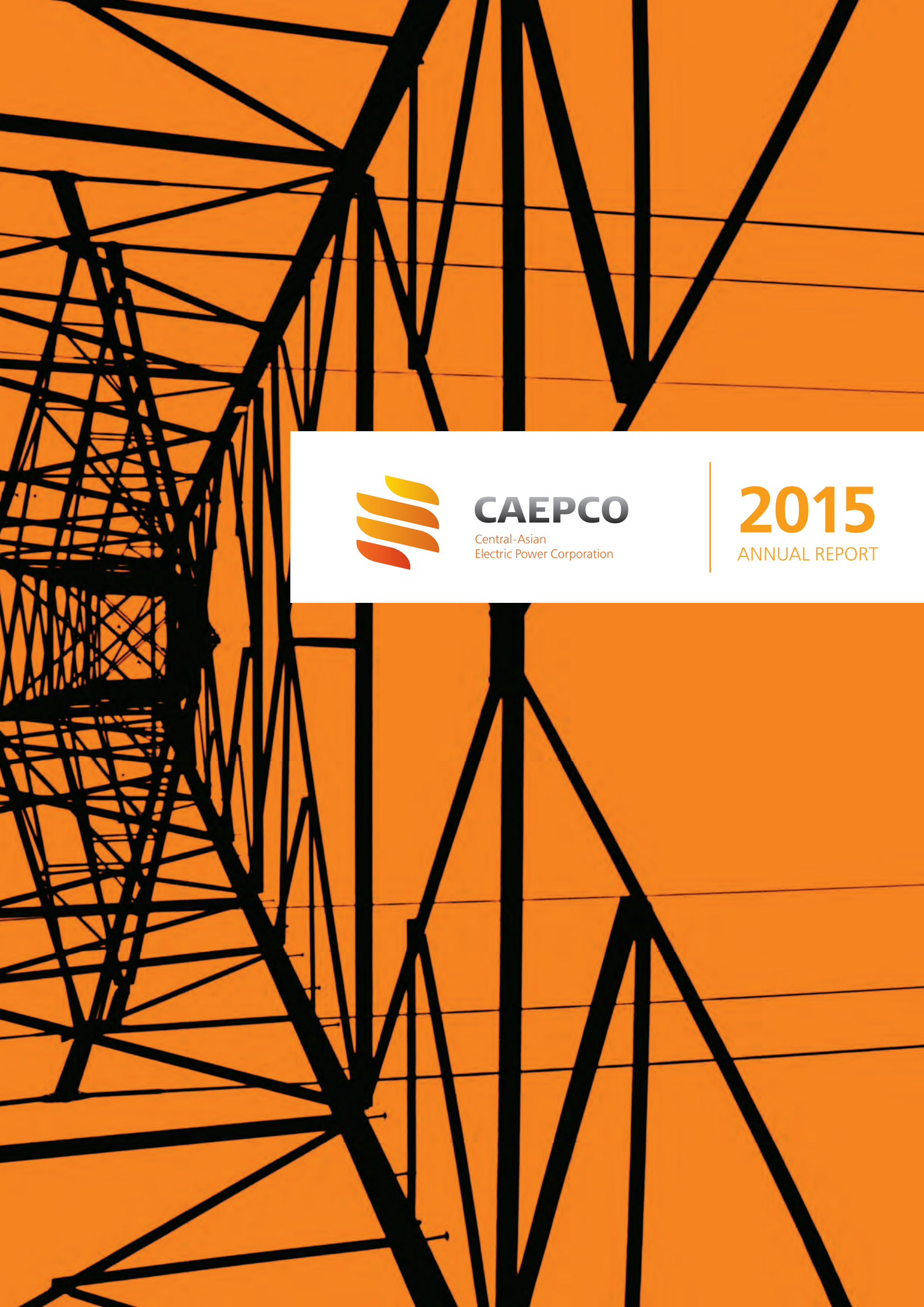

CAEPCO

Central-Asian
Electric Power Corporation

2015
ANNUAL REPORT

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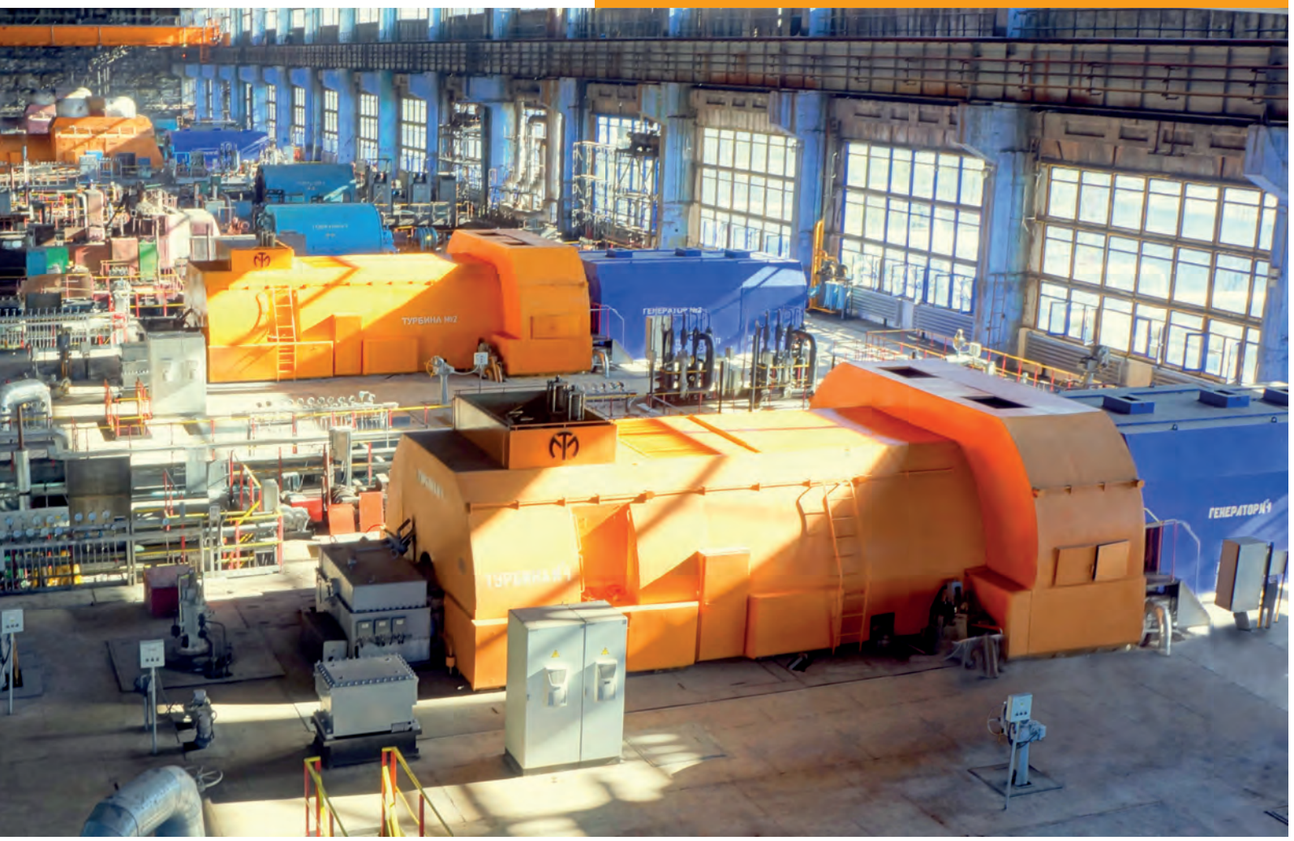
2015
ANNUAL REPORT

RESULTS OVERVIEW

Key aspect of CAEPCO JSC strategic development is increasing efficiency of production by virtue of renovation of fixed assets. Since 2009 the Corporation carries out large scaled investment program for modernization and reconstruction of the production facilities. In 2015, 27 KZT bln were spent for implementing the investment program. This includes 19 KZT bln spent by CAEPCO JSC on generation projects in 2015.



STARTED IN 2009,

the government's Ceiling tariffs Program completed in 2015. The program allowed to include investment costs in electricity generation tariffs, which was extremely helpful for attracting investments in modernization projects aimed at upgrading old or adding new equipment at Kazakhstan's energy companies. From 2009 to 2015, investments in Kazakhstan amounted to 988 KZT bln, of which 78 KZT bln, or 7.9%, were invested by CAEPCO JSC.

CAEPCO
Central-Asian
Electric Power Corporation

ABOUT THE REPORT

Central-Asian Electric Power Corporation (CAEPCO JSC) has been releasing annual reports since 2013. The previous annual report for 2014 was published in August 2015.

The Corporate Report contains information on the activities of CAEPCO JSC and its subsidiaries. The document includes Sustainable Development Report prepared for the first time in accordance with GRI G4 guidelines. During preparation the main information disclosure principles and GRI guidelines were used. Section "The report's GRI G4 compliance table" contains a table explaining where to find standard reporting elements and performance data.

COMPANY'S PROFILE

Central-Asian Electric Power Corporation JSC is the largest vertically integrated private holding company in the field of electricity and heat generation in Kazakhstan. In the regions where it operates, CAEPCO JSC Group of Companies holds a monopoly in generation and distribution of heat and distribution of electricity (accounting for 76% of the market), dominating the Kazakhstani market for electric power generation (7.2%). The Corporation operates in accordance with international manufacturing, environmental, occupational health and social responsibility standards.

MISSION

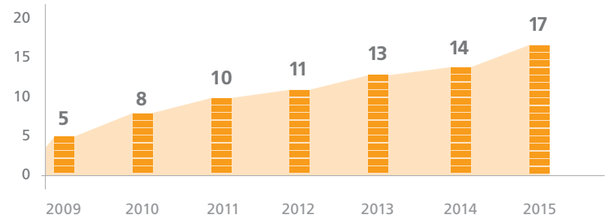
Improving the living standards for customers and promoting economic development of the regions where we operate by providing first-class energy supply services for households, industrial facilities and public amenities.

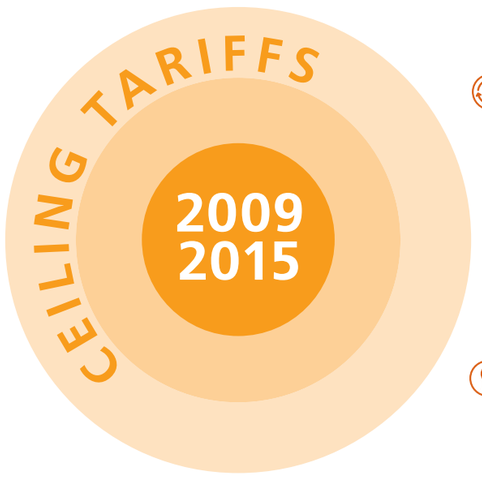
The Corporation is working to accomplish this mission by operating in accordance with international manufacturing, environmental, occupational health and social responsibility standards.

Employees are key to the Corporation's effectiveness, and their value lies in their high professionalism, ability to work in a team and focus on results.

CAEPCO RESULTS WITHIN THE FRAMES OF CEILING TARIFFS PROGRAM FOR 2009–2015

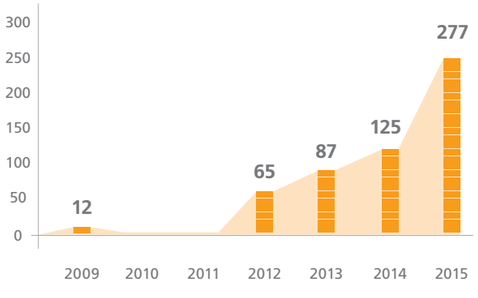
INVESTMENTS (KZT bln)



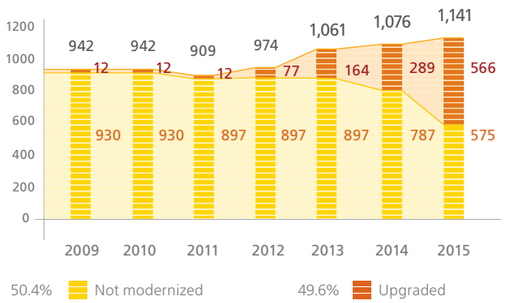


- 78 KZT bln were invested
- 566 MW were commissioned and renovated
- Growth of the installed capacity by 23%
- Growth of electric energy 21%
- Growth of heat energy 5%
- Emissions of ash reduced by 72%

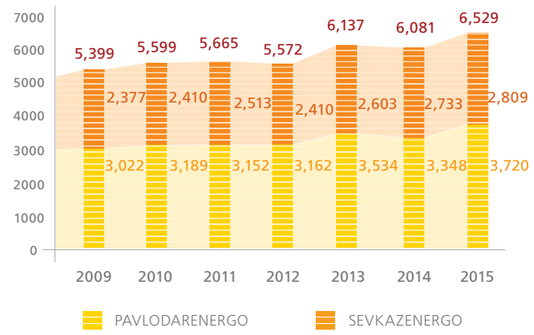
NEW AND UPGRADED FACILITIES (MW)



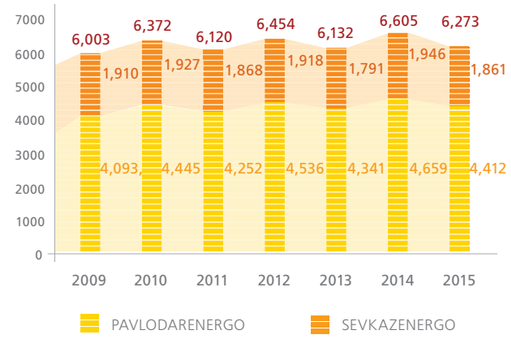
STRUCTURE OF GENERATING FACILITIES (MW)



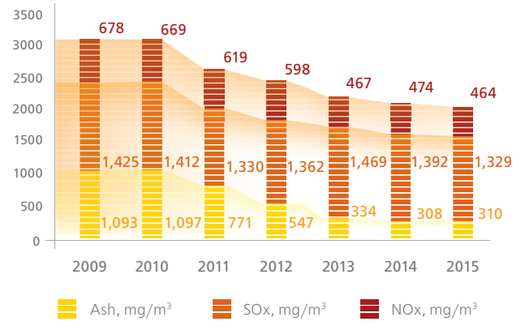
ELECTRICITY GENERATED (mln kWh)



HEAT GENERATED (thous. Gcal)

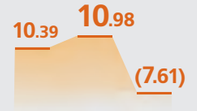


CONCENTRATION OF POLLUTANTS

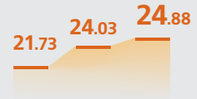


KEY PERFORMANCE HIGHLIGHTS FOR 2013–2015

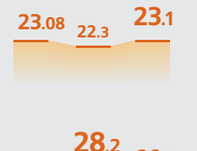
Sales (KZT bln)



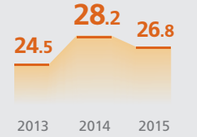
Net profit (KZT bln)



EBITDA (KZT bln)

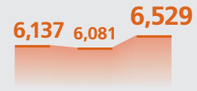


EBITDA margin (%)



Investments (KZT bln)

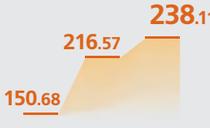
POWER GENERATED



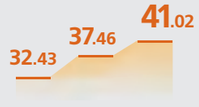
Electricity (mln kWh)

Heat (thous. Gcal)

ASSETS

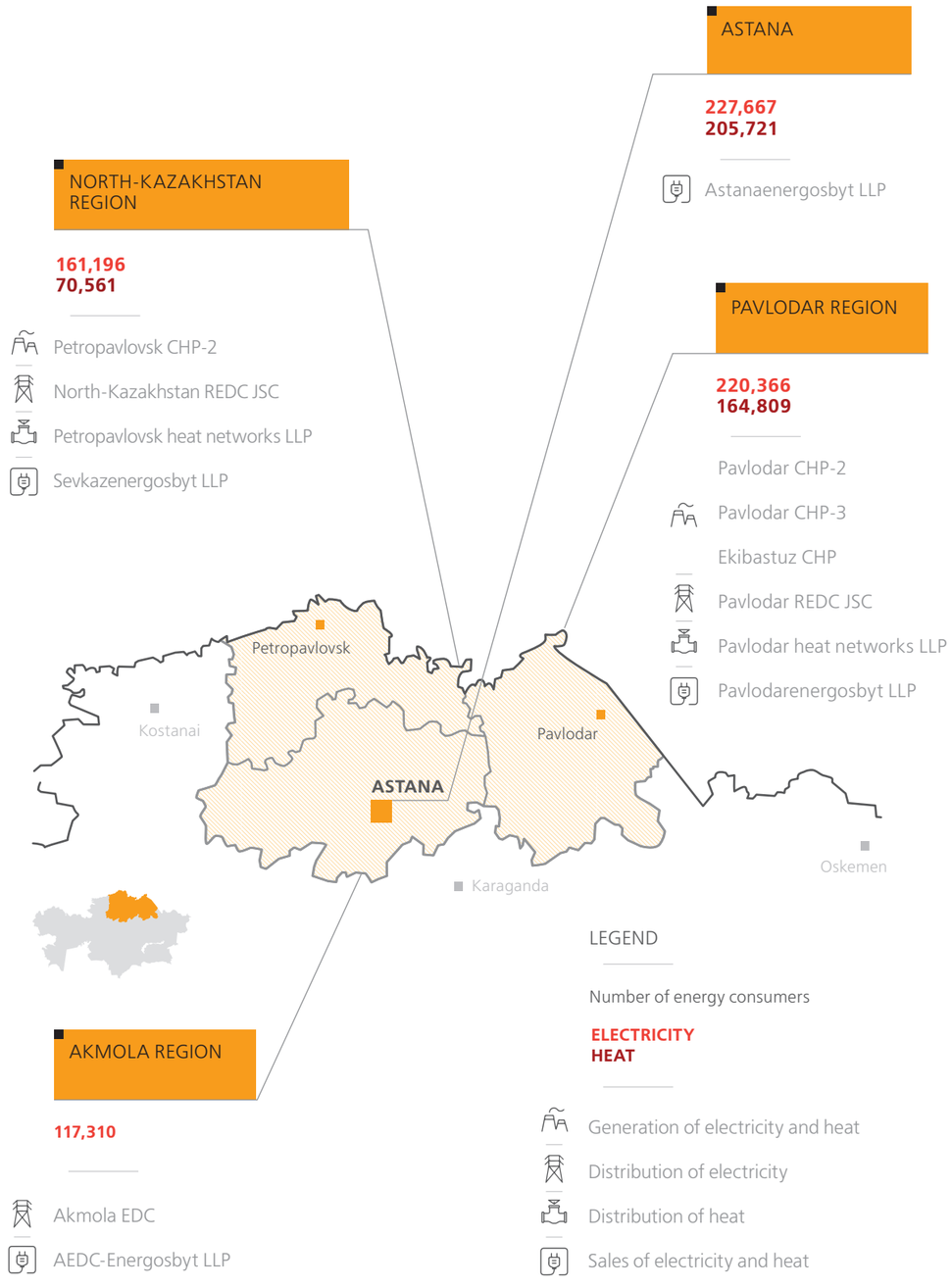


Non-current assets, KZT bln



Current assets, KZT bln

GEOGRAPHY OF OPERATIONS



KEY EVENTS OF THE YEAR

In April 2015, CAEPCO JSC became one of the 15 national champions of medium-sized businesses in Kazakhstan. The Competitiveness Council of Atameken National Chamber named CAEPCO JSC as a leader in the energy sector which fully meets the standards of leadership, strong market reputation and internal infrastructure.

In June 2015, a new turbo generator No. 2 was put into operations at PAVLODARENERGO's Pavlodar CHP-3, increasing the plant's available capacity by 45 MW. Total installed capacity of the plant's upgraded facilities reached 255 MW with the total capacity of Pavlodar CHP-3 being 525 MW.

In July 2015, a new cooling tower No. 5 was put into operations at PAVLODARENERGO JSC. The first phase of the project was building the foundation and the bowl base. Water cooling technology used in the cooling tower No. 5 meets modern environmental standards. Useful life of the equipment is at least 25 years.

In September 2015 new turbo generator No. 1 was put into operations at SEVKAZENERGO's Petropavlovsk CHP-2, increasing the plant's capacity to more than 500 mln kWh per year. Thanks to the new turbine, CHP-2's available capacity increased by 63 MW. The total capacity of the plant's power equipment reached 455 MW. Total installed capacity of the station amounted to 479 MW thanks to commissioning of reconstructured turbine unit No. 7 in October.

In October 2015, the Central Power Dispatch Facility (CPDF) was put into operations to manage the electrical grid of Pavlodar region. CPDF monitors the work of all power plants in the region, showing power flows across the power network and the work of all substations in real time, as well as helping to prevent emergencies at an early stage.

In October 2015, CAEPCO's new Data Processing Center was launched in Pavlodar. The Center ensures uninterrupted operation of all modern information systems at the facilities of the Holding in Pavlodar, North-Kazakhstan and Akmola regions, and the cities of Astana and Almaty.

In November 2015, after a thorough overhaul, turbo generator No. 4 was put into operations at PAVLODARENERGO's CHP-3, increasing the installed capacity of the completely renovated equipment to 540 MW.

In 2015, Baiterek National Managing Holding, represented by its subsidiary funds, became one of the shareholders of CAEPCO JSC. After the acquisition, the shareholder structure of CAEPCO JSC is as follows: Central-Asian power-energy company JSC – 57.37%, European Bank for Reconstruction and Development – 24.16%, Kaz Holdings Cooperatief U.A. – 11.22%, KIF ENERGY S.A. R.L. – 4.35%, Baiterek Venture Fund JSC – 1.45%, CKIF ENERGY S.A. R.L. – 1.45%.

PRIORITIES AND OUTCOMES

INVESTMENT PROGRAM

In 2015, 26.85 KZT bln were spent for implementing the investment program. This includes 19 KZT bln spent by CAEPCO JSC on generation projects in 2015.

Started in 2009, the government's Ceiling tariffs Program ended in 2015. The program allowed to include investment costs in electricity generation tariffs, which was extremely helpful for attracting investments in modernization projects aimed at upgrading old or adding new equipment at Kazakhstan's energy companies. From 2009 to 2015, investments in Kazakhstan amounted to 988 KZT bln, of which 78 KZT bln, or 7.9%, were invested by CAEPCO JSC.

During this period, Kazakhstan's generating capacity increased by 3,971 MW, of which CAEPCO JSC accounts for 566 MW, or 14.3%.

UPGRADING OLD AND ADDING NEW EQUIPMENT

According to the plan, new turbo generator No. 2 was put into operations at PAVLODARENERGO's Pavlodar CHP-3 in June 2015. As a result, the plant's installed capacity reached 525 MW and 1,098 Gcal/h with investments totaling 7.4 KZT bln.

Further, after an overhaul in November 2015, turbo generator No. 4 with rated output of 125 MW was put into operations at Pavlodar CHP-3, which increased the plant's installed capacity to 540 MW and 1,126 Gcal/h. The overhaul budget totaled 7.0 KZT bln.

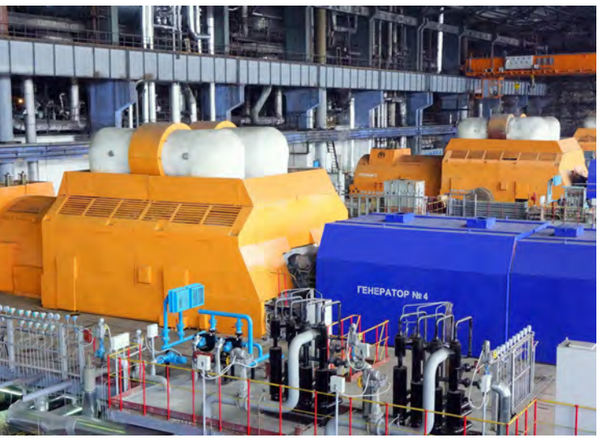
In 2015, Pavlodar CHP-3 purchased equipment and materials for the overhaul of turbo generator No. 6 with its entry into service scheduled for 2017.

In July 2015, new cooling tower No. 5 was put into operations at Pavlodar CHP-3, increasing the plant's available power generating capacity, especially in summer, due to improved vacuum in turbine condensers. The project costs totaled 1.2 KZT bln.

In September of the reporting year, new turbo generator No. 1 was launched at SEVKAZENERGO's Petropavlovsk CHP-2, increasing the plant's capacity from 434 MW to 455 MW. The reconstruction costs totaled 5.3 KZT bln.

In October after the reconstruction turbine unit No. 7 was put into operations and as the result the capacity of the station reached 479 MW. In 2015 cost of works amounted to 641.47 KZT mln.

Modernization of turbo generator No. 5 at Petropavlovsk CHP-2 continued in 2015 with a view to increasing its capacity from 33 MW to 95 MW. In addition, modernization of the plant's boiler unit No. 12 is under way to increase steam output by 50 tons per hour and reduce harmful emissions into the atmosphere, thereby improving the plant's reliability and efficiency. Turbo generator No. 5 and boiler unit No. 12 are scheduled to enter service in 2016.



CONSTRUCTION OF ASH DUMPS

In 2015, PAVLODARENERGO JSC finished construction of the second phase of ash dumps at PAVLODARENERGO's CHP-3 and CHP-2 and started construction of the second phase of the ash dump at Ekibastuz CHP in the bed of Lake Tuz.

RECONSTRUCTION OF POWER FACILITIES

In 2015, 7.1 KZT bln were invested by CAEPCO JSC in its power distribution companies. These include reconstruction of 164.59 km of 110–35 kV overhead power lines along with 155.29 km of 10–0.4 kV overhead lines and underground cables.

In the reporting year, the company continued to replace bare wire with self-supporting insulated wire (SIP) and introduce the automated energy consumption monitoring system (AECMS) for households. As a result, 80.4 km of bare wires were replaced and 12,591 induction-type electricity meters were replaced with electronic ones.

Thanks to the introduction of AECMS for households and reconstruction of 0.4 kV high-voltage power lines using SIP wire, in 2015 CAEPCO JSC completely eliminated excessive losses and reduced technical losses from 9.08% to 8.78% at PAVLODARENERGO JSC and from 10.2% to 9.7% at SEVKAZENERGO JSC.

In 2015, reconstruction of Akmola EDC's 110/10 kV Astana substation was completed. Thanks to the reconstruction, total capacity of power transformers increased from 80 MVA to 126 MVA, improving reliability of power supply for customers in Astana. Further increase in transmission capacity will be achieved by building a 110 kV power line between CHP-2 and Astana.

To enhance the reliability of the Pavlodar energy system as part of Kazakhstan's electrical grid, construction of Promyshlennaya 220/110 kV substation with 220 kV outdoor switchgear is under way. The works are scheduled for completion in 2016. As for the reconstruction of cells and protection and control equipment at Promyshlennaya 220/11 kV substation with 110 kV power line, oil circuit breakers were replaced with SF6 ones, plus, disconnect switches were replaced.

RECONSTRUCTION OF HEAT NETWORKS

In 2015, 0.7 KZT bln were invested by CAEPCO JSC in the renovation of heat networks. Heat networks with total length of 970 m and 2,217 m were renovated in Pavlodar and Ekibastuz respectively using pre-insulated pipelines. Heat networks with length totaling 5,078 m were renovated in Petropavlovsk using PU foam insulation.

During the reporting year, automatic heat consumption controllers, industrial controllers and modems connecting mechanisms and instruments with the dispatch service were installed at heat transmission facilities.

In 2015, companies within CAEPCO JSC purchased heat imaging equipment for monitoring and diagnostics of main pipelines, as well as ultrasonic flaw detectors. Implemented as planned, these measures helped to reduce network heat losses by 2.6%.

LETTER OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders and partners,

Our performance in 2015 proves that Central-Asian Electric Power Corporation is firmly established on the Kazakhstani market. During the reporting period, the Corporation has demonstrated its commitment to the principles of sustainable development, operating in accordance with international manufacturing, environmental, occupational health and social responsibility standards. In 2015, CAEPCO JSC was recognized as a champion of medium-sized businesses in the energy sector thanks to its strong market reputation, internal infrastructure and performance. These achievements will certainly make the Corporation more attractive to investors. During the reporting year, Baiterek National Managing Holding became one of the shareholders of CAEPCO JSC in addition to the European Bank for Reconstruction and Development and the Islamic Infrastructure Fund. The new investors intend to support all the current projects and promote further development of the Corporation in every endeavor.

The program based on the Kazakhstani government's resolution "On ceiling tariffs" ended in 2015: it allowed the companies to include investment costs in electricity tariffs with a view to upgrading generation facilities. CAEPCO JSC spent 78 KZT bln, or 7.9% of the country's total, on modernization and reconstruction of its facilities.

The reporting year shows the results of the 2010–2015 Corporate Strategy. Since the strategy was adopted, the Corporation's assets have more than trippled and the installed capacity increased by 23%. As part of the Strategy, a number of goals have been achieved in areas such as reliability and corporate governance improvement, introduction of energy-saving and energy-efficient technologies in energy generation and transmission. CAEPCO JSC became an industry leader, the second biggest company in the energy sector in terms of revenue and the third biggest company in terms of capacity.

The Corporation will continue to develop in areas where it is currently operating. The Corporation's Development Strategy for 2016–2020 has been prepared in accordance with the goals set in the government's "Nurly Zhol" program aimed at improving the infrastructure of the National Electrical Grid. We have also considered the challenges posed by today's energy market and global trends and will focus on promoting alternative energy, energy efficiency and conservation.

The Corporation will continue to implement its equipment modernization program aimed at improving generation, reduction of electricity and heat losses.

By achieving the goals set out in the Development Strategy, the Corporation will be able to reinforce its leading position on the Kazakhstani energy market.

ALEXANDR KLEBANOV
CHAIRMAN OF THE BOARD OF DIRECTORS
OF CAEPCO JSC

LETTER OF THE PRESIDENT

Dear partners and colleagues,

Since its establishment in 2009, vertically integrated holding Central-Asian Electric Power Corporation JSC has been one of the leaders of the Kazakhstani energy market.

The government has been very instrumental in promoting growth of the country's energy companies. Among other factors, the program based on the government's Resolution "On ceiling tariffs" has been driving changes in the sector. Effective during the period between 2009 and 2015, the program helped to modernize, restore and launch generation facilities with a total capacity of 3,971 MW throughout the country, of which CAEPCO JSC accounts for 14.3%. The program helped to markedly reduce the number of outages at power plants of national and local significance. The ceiling tariffs Program launched in Kazakhstan in 2009 has a proven track record of efficiency.

In 2015, the Corporation continued reconstruction and modernization of its generating facilities with investments totaling 26.85 KZT bln.

The major projects completed this year include launch of three turbo generators in Pavlodar and Petropavlovsk ahead of a schedule. The total capacity of power plants reached 277 MW, which is quite impressive. The new and upgraded equipment is more efficient because it allows to significantly reduce coal consumption, providing economic and environmental benefits: from 2009 to 2015, the Corporation reduced harmful emissions by 29%, ash emission concentration went down by 72%, nitrogen oxide emissions – by 32%, sulfur oxides emissions – by 7%. Some of the projects of 2015 include launch of a new cooling tower No. 5 at Pavlodar CHP-3, ongoing construction of ash dumps, reconstruction of power facilities and main heat networks.

In the reporting year, CAEPCO JSC continued the implementation of EAM and ERP systems. Major IT projects include opening of the Holding's corporate Data Processing Center in Pavlodar. Thanks to such solutions, CAEPCO JSC can ensure safety and integrity of customers' personal data, as well as first-class service thanks to smooth operation of all the modern information systems in use and easier ways to pay energy bills.

In 2016, we will continue our efforts to reduce operating costs and improve efficiency as part of our 2016–2020 Strategy. As before, close attention will be paid to improving corporate governance, human resources policies and environmental performance.

YERKYN AMIRKHANOV
PRESIDENT OF CAEPCO JSC

CORPORATION OVERVIEW

CAEPCO JSC is a vertically integrated energy company, established on August 8, 2008. Total installed electricity capacity of CAEPCO JSC on 1st of January 2016 amounts to 1,141 MW – by this parameter the Corporation is a leader among private electricity generating companies of Kazakhstan. Total installed heating capacity of the corporation is 2,918 Gcal/h. Total length of electricity transmission lines is more than 50 thous. km, length of heating networks is 994 km. The Company provides electricity to more than two mln people.

IN 2014

CAEPCO JSC was recognized as "Largest private energy company" according to results of the rating "Expert-200-Kazakhstan". Such evaluation is the result of implementation of the strategy of investment development being performed together with shareholders of CAEPCO JSC, among which European Bank for Reconstruction and Development (EBRD), Islamic Infrastructure Fund, established by Asian and Islamic Development banks (ADB and IDB). With their support CAEPCO JSC has implemented number of successful projects for reconstruction, modernization and construction of power facilities, providing complex settlement of financing issues, technical expertise and subsequent operation of facilities.

HISTORY

2015

Baiterek National Managing Holding, represented by its subsidiary funds becomes a shareholder. 31.12.2015 the shareholder structure of CAEPCO JSC is as follows:
Central-Asian power-energy company – 57.37%
European Bank for Reconstruction and Development – 24.16%
Kaz Holdings Cooperatief U.A. – 11.22%
KIF ENERGY S.A R.L. – 4.35%
Baiterek Venture Fund JSC – 1.45%
CKIF ENERGY S.A R.L. – 1.45%

2014

CAEPCO JSC consolidates 100% of Akmola electricity distribution company JSC.

2011

Islamic Infrastructure Fund (Kaz Holdings Cooperatief U.A., Amsterdam) acquires a 12.89% stake and becomes a shareholder of CAEPCO JSC.

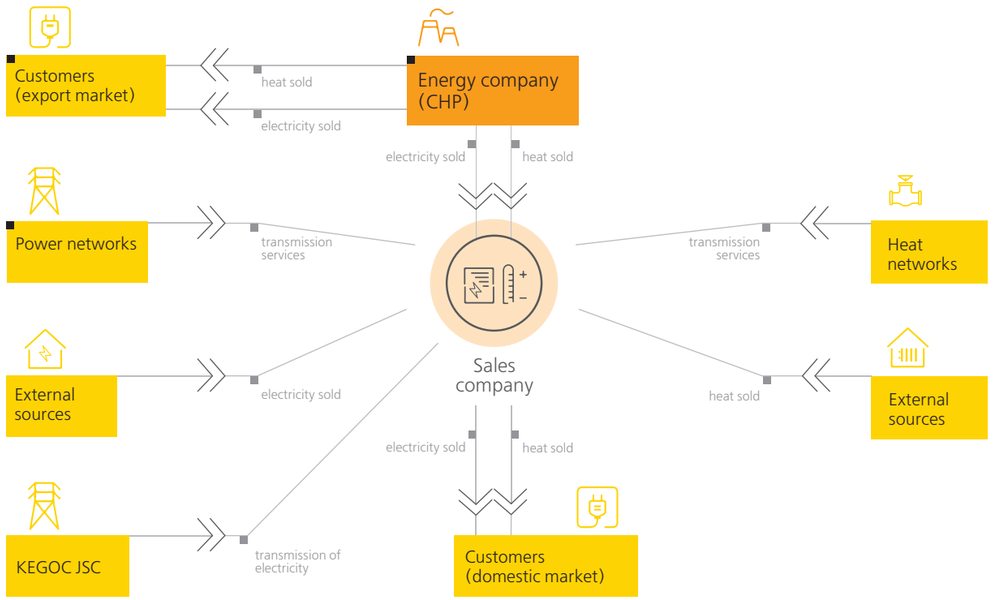
2009

European Bank for Reconstruction and Development purchased a 24.99% stake in CAEPCO JSC.

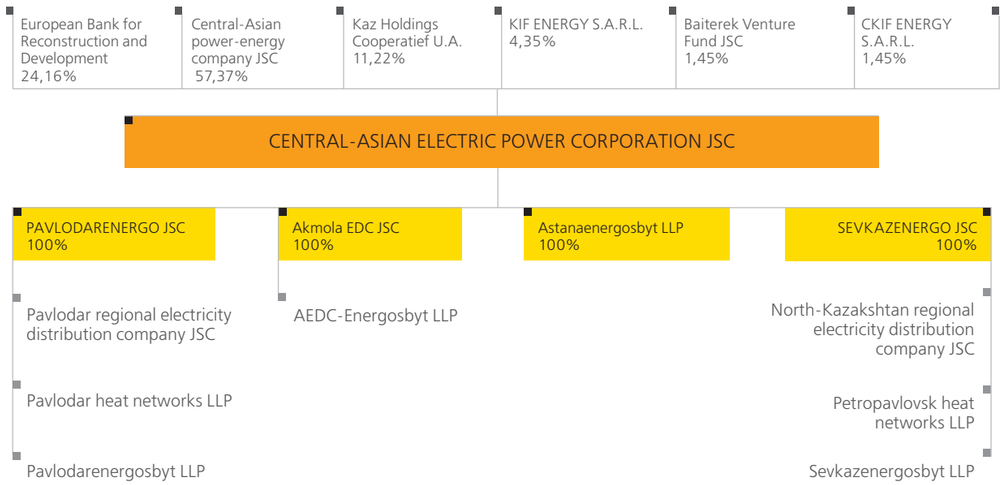
2008

Establishing of CAEPCO JSC consisting of SEVKAZENERGO JSC, PAVLODARENERGO JSC and Astanaenergosbyt LLP. Central-Asian power-energy company JSC is the only founder at the time of registration.

BUSINESS MODEL



CORPORATION STRUCTURE



MAIN PRODUCTION HIGHLIGHTS

Installed capacity

Installed electricity capacity, MW	1,141
Installed heat capacity, Gcal/h	2,918

Number of customers by region

Region	Electricity	Heat
Pavlodar region	220,366	164,809
North-Kazakhstan region	161,196	70,561
Akmola region	117,310	-
Astana	227,667	205,721
Total	726,539	441,091

Total power line length, km

Power line types	Pavlodar REDC	North-Kazakhstan REDC	Akmola EDC	Total
220 kV	14,3	84,8	-	99,1
110 kV	2,785.2	1,327.1	2,513	6,625.3
35 kV	2,401.2	2,852.5	5,150.6	10,404.3
6–10 kV	6,114.7	4,574.3	7,411.5	18,100.5
0,4 kV	4,618.6	4,601.3	5,835.3	15,055.2
Total	15,934	13,440	20,910.4	50,284.4

Total heat network length, km

Pavlodar heat networks LLP	760.9
Petropavlovsk heat networks LLP	233.35
Total	994.25

Number of substations by type

Substation types	Pavlodar REDC	North-Kazakhstan REDC	Akmola EDC	Total
220 кВ	4	4	2	10
110 кВ	73	38	50	161
35 кВ	102	121	193	416
6–10 кВ	3,650	2,293	3,382	9,325
Total	3,829	2,456	3,627	9,912

SUBSIDIARIES

Subsidiaries of Corporation actively implement corporate governance standards and improve its business processes and practices in accordance with international manufacturing, occupational health and social responsibility standards.

PAVLODARENERGO JSC

PAVLODARENERGO Joint-Stock Company is a vertically integrated company composed of generation, transmission and distribution facilities in the city of Pavlodar and Pavlodar region.

Total installed capacity of power plants is 662 MW (electricity) and 2,240 Gcal/h (heat). Ekibastuz coal is the main fuel used.

PAVLODARENERGO JSC supplies electricity in Pavlodar region having a total area of 124.8 thous. km^2 and population of 758.6 thous. people. In 2015, electricity output reached 3,720.2 mln kWh.

Electricity generated by PAVLODARENERGO is supplied to the markets of Pavlodar, Karaganda, Akmola and East-Kazakhstan regions. Total power line length is 15,934 km. Total heat network length is 760.9 km.

PAVLODARENERGO JSC consists of:

- Pavlodar CHP-2;
- Pavlodar CHP-3;
- Ekibastuz CHP;
- Pavlodar regional electricity distribution company JSC;
- Pavlodar heat networks LLP (heat networks in the cities of Pavlodar and Ekibastuz);
- Pavlodarenergosbyt LLP.

SEVKAZENERGO JSC

SEVKAZENERGO Joint-Stock Company is a vertically integrated company composed of generation, transmission and sales facilities in the city of Petropavlovsk and North-Kazakhstan region.

As of the end of 2015, total installed capacity was 479 MW (electricity) and 678 Gcal/h (heat). Ekibastuz coal is the main fuel used.

SEVKAZENERGO JSC supplies electricity in North-Kazakhstan region having a total area of 97,99 thous. km^2 and population of 579 thous. people. In 2015, electricity output reached 2,809.14 mln kWh.

Electricity generated by SEVKAZENERGO JSC is supplied to the markets of the northern, central, eastern and southern regions of Kazakhstan with plans to export electricity to Russia, specifically to Kurgan and Omsk regions. Total power line length is 13,440.1 km. Total heat network length is 233.35 km.

SEVKAZENERGO consists of:

- Petropavlovsk CHP-2;
- North-Kazakhstan regional electricity distribution company JSC (power networks in North-Kazakhstan region);
- Petropavlovsk heat networks LLP (heat networks in the city of Petropavlovsk);
- Sevkazenergosbyt LLP.

SEVKAZENERGO's operational stability was confirmed by Fitch Ratings international rating agency which in 2015 affirmed the long-term Issuer Default Rating (IDR) for SEVKAZENERGO JSC at BB-. Outlook is Stable.

AKMOLA ELECTRICITY DISTRIBUTION COMPANY JSC

Akmola EDC JSC transmits and distributes electricity among customers in Akmola region and the city of Astana. The total area served is 121 thous. km^2 with a population of 748 thous. people. Akmola EDC JSC operates 0.4–110 kV power networks across 14 administrative districts of Akmola region. Subsidiary of Akmola EDC, Akmola EDC-Energosbyt LLP serves 117,310 customers in Akmola region. The main energy supplier is Ekibastuz District Power Plant.

Akmola EDC is a part of the National Electrical Grid of Kazakhstan. Most of the companies in Akmola region, an industrial area with a cluster of enterprises of various forms of ownership, are connected to the company's networks. Akmola EDC JSC consists of a management company, three branches of inter-district power networks and 14 district power networks. Akmola EDC JSC also includes a subsidiary called Akmola EDC-Energosbyt LLP which purchases electricity and supplies it to consumers in Akmola region.

The main goal of Akmola EDC JSC is to improve reliability of energy supply to customers in the Astana metropolitan area.

ASTANAENERGOSBYT LLP

The company's main area of business is supplying electricity and heat to customers in Astana. As of January 1, 2016, Astanaenergosbyt's customers in Astana included 217,712 households and 9,955 legal entities. The company's main energy supplier is Astana-Energiya JSC (CHP-1 and CHP-2 in Astana).

Electricity purchased by Astanaenergosbyt is delivered to customers using the networks of transmission companies such as KEGOC JSC, Akmola electricity distribution company JSC and Astana-REDC JSC, while heat is delivered using the networks of Astana-Teplotransit JSC.

For the convenience of its customers, Astanaenergosbyt LLP has 8 locations for accepting payments and a Call Center which processes data from electricity and hot water meters an provides information on issues related to energy supply.

DEVELOPMENT STRATEGY

VISION

Central-Asian Electric Power Corporation JSC is a leader among private energy companies in Kazakhstan. The Corporation operates in the most challenging climate conditions in the north of the country.

The Corporation successfully uses the advantages of the holding structure, combining dynamism and flexibility of its elements (companies within the Group) with stability and reliability of centralized management on the Group level.

The Corporation's staff are a team of professionals constantly reaching for higher goals. The Corporation's relations with customers and suppliers are based on the principles of respect and mutual responsibility.

STRATEGY

CAEPCO's strategic goal is to build a vertically integrated private energy company providing customers with consistent and reliable services through the synergy of energy generation, distribution, transmission and guaranteed sales of both electricity and heat.

MAJOR TARGETS AS PART OF ACHIEVING CAEPCO'S STRATEGIC GOAL

Market expansion	Market expansion with guaranteed sales and low risk
Efficiency	Increasing production efficiency through technical improvement of production, upgrading main production facilities and infrastructure
Management	Introduction of promising projects through cautious innovation development
innovation	Introduction of best management practices through continuous employee training on new efficient technologies in manufacturing and enterprise management

TO ACHIEVE THIS STRATEGIC GOAL, THE CORPORATION IS IMPLEMENTING THE FOLLOWING PROJECTS

- **Equipment reconstruction and modernization** at power generation facilities through investment programs, reducing accident risks and eliminating downtime
- **Reducing excessive losses** during transmission of heat and electricity
- **Minimizing per-unit production costs** for heat and electricity
- **Introduction of energy-saving and energy-efficient technologies** in energy production and transmission
- **Maintaining certification for compliance** with international environmental, occupational health and safety standards
- **Continuous learning** to enhance employee professionalism
- **Introduction of an automated enterprise** management system

RATINGS

On June 1, 2015, Fitch Ratings confirmed CAEPCO JSC the following ratings:

- Long-term foreign currency Issuer Default Rating (IDR) at **"BB–"**, Outlook stable;
- Short-term foreign currency IDR at **"B"**;
- Corporate long-term national currency IDR at **"BB–"**, Outlook stable;
- National long-term rating at **"BBB+ (kaz)"**, Outlook stable;
- Senior unsecured rating in national currency at **"B+"**;
- Senior unsecured national scale rating at **"BBB–(kaz)"**.

MARKET ENVIRONMENT OVERVIEW

Energy sector is a strategic asset of the economy of Kazakhstan which should promptly and fully meet the needs of businesses, households and authorities in electricity and heat. Kazakhstan's energy sector includes production (generation), transmission, distribution and supply of electricity and heat. The main consumers of electricity are energy-intensive industrial enterprises (60%), most of which are in the mining and metallurgy sectors.

IN 2015

according to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, total energy output by Kazakhstan's power plants reached 91.07 bln kWh, 3.7% less than last year. The reasons are optimized consumption inside the country and reduced electricity exports.

ECONOMIC OVERVIEW

In 2015, economic growth in Kazakhstan was the lowest since the early 2000s. For the first time in the past ten years, growth rates were below the world's average. According to the Ministry of National Economy of the Republic of Kazakhstan, GDP growth in 2015 was 1.2% (Real GDP – 101.2%, GDP deflator – 98.9%); according to the World Bank, Kazakhstan's GDP grew by 0.9%. The economic slowdown was caused by the slide in prices for energy and metals which are Kazakhstan's main export items, reduced oil production and economic recession in the Russian Federation, Kazakhstan's second largest trade partner.

The growth driver of the national economy in 2015 was the services sector which showed stronger growth compared with the real economy (2.3% vs. 0.1%). The services sector accounts for 57% of GDP, while manufacturing and energy sectors account for 25.5% and 1.8% respectively.

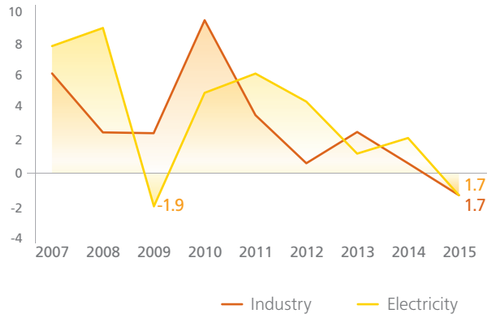
According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, industrial output fell by 1.5%. The drop was caused by reduced production in the mining sector which fell by 2.5%, slower growth in the manufacturing sector (0.2%), as well as a decline in the energy sector (-1.6%), water supply, sewerage, waste collection and distribution (-8.9%).

A sharp drop in the added-value sector occurred in such energy-intensive industries as mechanical engineering (-29.6%), metal products (-3.3%) and petroleum products (-3.2%). The sector showed positive growth thanks to increased output of the steel industry (14.4%) which occurred due to increased production of non-ferrous metals (23.6%).

Investments across the economy were rather moderate: in 2015 investments in fixed assets were 3.7% down from 4.2% in 2014. The main source of capital costs traditionally are the companies' own funds accounting for 58.1% of the total.

Dynamics of production in the industry, %

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



MONETARY POLICY

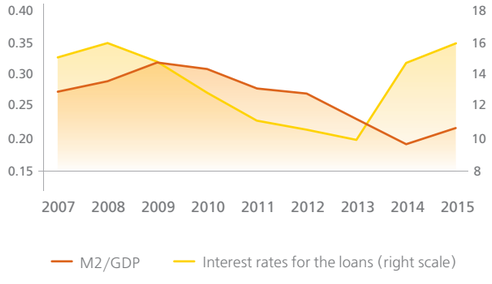
In 2015, Kazakhstan's monetary policy went through some radical changes, such as the introduction of floating exchange rate, inflation targeting and de-dollarization of the economy. Therefore, the year can be separated into two periods.

During the first period up to August 2015, the National Bank used foreign currency interventions to protect USD-KZT exchange rate at 185–190 KZT per USD. This affected the bottom lines of exporters of publicly traded commodities, as currency prices dropped significantly since 2014.

The second period, from the 20th of August until the end of 2015, was the time of a floating exchange rate and transition from currency to inflation targeting. There was a sharp increase in volatility in the foreign exchange

Volume of KZT liquidity and rates for KZT loans (%, right scale)

Source: National Bank of the RK



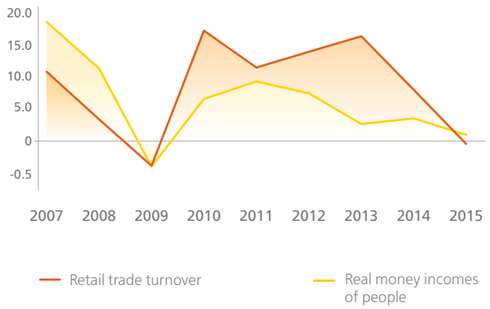
market: tenge lost 54% of its value, with USD-KZT exchange rate dropping from 185 KZT in August to 344 KZT per USD in December. The share of deposits denominated in foreign currency increased from 56% in December 2014 to 69% in December 2015, while the share of loans denominated in foreign currency rose from 29% to 34%. 2015 was the time of insufficient tenge volume liquidity, with the ratio of money supply to GDP almost reaching a historical low.

CONSUMER MARKET

For the consumer market, 2015 was one of the most difficult years over the past decade. With the target corridor of 6-8% that remained unchanged after the transition to a floating exchange rate and a sharp drop in KZT value, inflation in 2015 was 13.6%. It is the second highest inflation spike since 2007.

Dynamics of retail sales and real incomes of people, %

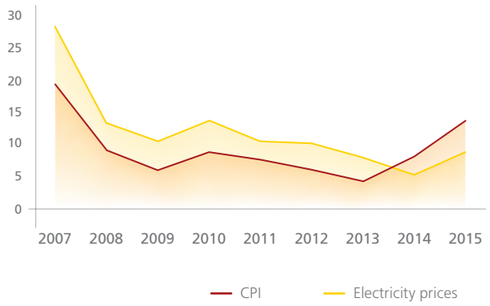
Source: Statistics committee of the Ministry of national economy of the RK



Retail sales dropped 0.4%, while real household incomes increased by a modest 0.7%. Employment increased by merely 0.3%.

Dynamics of an inflation and prices for electric energy, %

Source: National Bank of the RK



Purchasing activity of consumers was hampered by a limited number of personal loans. As of December 2015, household debt reached 4.16 KZT trln, an increase of 3.7% compared with December 2014. To put things in perspective, household debt used to grow 18% every year during the period between 2011 and 2014.

The rise in electricity prices was 8.3%, which is 5.2% less than inflation. Overall, in 2015 electricity prices showed one of the lowest growth since 2007 and have been below the consumer price index during the past two years.

FORECAST FOR 2016

In October 2015, the International Monetary Fund predicted that Kazakhstan's economy will grow 2.4% in 2016. At the end of 2015, the World Bank predicted 1.1% growth. A report published by Moody's rating agency early in 2016 mentioned a growth of 1% in 2016.

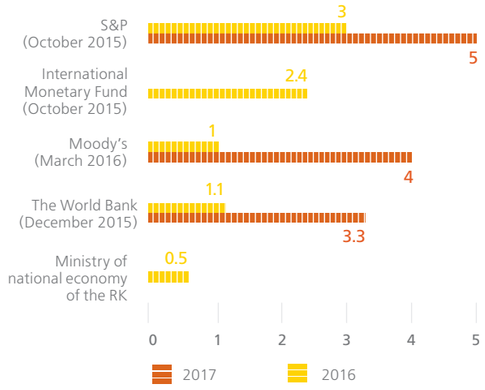
According to analysts of the World Bank, economic slowdown in Kazakhstan will be affected by limited growth of external and internal demand caused by reduced oil prices and economic recession in the Russian Federation. Additional pressure on the domestic market will come from the volatile exchange rate.

Kazakhstan's downgraded sovereign credit rating and corporate debt rating of Kazakhstani companies as a result of low oil prices, in addition to expected capital flight from emerging markets, will raise borrowing costs for Kazakhstani companies from both the real economy and the services sector.

Faster economic growth is expected in 2017–2018. The Current Forecast of socio-economic development of Kazakhstan in 2016–2020 prepared by the Ministry of National Economy (published in March 2016) describes three scenarios for the world economy whose growth rates will determine Kazakhstan's GDP growth. According to the optimistic scenario, economic growth in the United States and the EU, more dynamic than it used to be in the past, will have a positive impact on the global

Forecast of Kazakhstan GDP growth, %

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



GDP – up to 4% annually during 2016–2017; the price of Brent oil will be 40 US dollars per barrel. The baseline scenario takes into account the global GDP growth of 3.7% with the Brent oil price of 30 US dollars per barrel. According to the pessimistic scenario, the world economy will grow by 3%, while the price of Brent oil will drop to 20 US dollars per barrel.

In the Forecast, the GDP growth (baseline scenario) in 2016 is 0.5%, while in dollar terms the country's economy will shrink from USD 186.6 bln to USD 122.7 bln. The manufacturing sector will contract by 2%, while the most severe decline (up to 5%) will be in the mining sector, the added-value sector will grow by 1.4%, and the energy sector will grow by 0.3%. Construction sector will show a moderate growth of 2.5% down from 4.3% in 2015. The unemployment rate will remain at 5%.

ENERGY SECTOR OVERVIEW

Energy sector is a strategic asset of the economy of Kazakhstan which should promptly and fully meet the needs of businesses, households and authorities in electricity and heat. Kazakhstan's energy sector includes production (generation), transmission, distribution and supply of electricity and heat.

The main consumers of electricity are energy-intensive industrial enterprises (60%), most of which are in the mining and metallurgy sectors.

ELECTRICITY OUTPUT

Kazakhstan has 111 power plants (total installed capacity – 21,307 MW, available capacity – 17,503 MW).

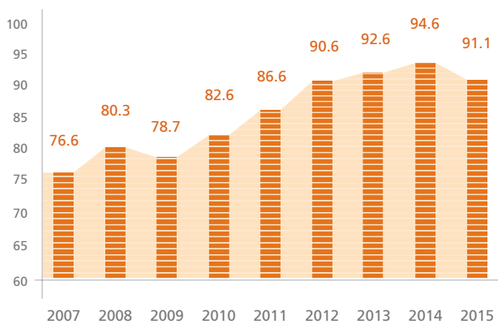
The structure of this market is as follows.

The first group includes heat power stations (TPSs, including gas turbine heat power stations, or GTTPSs). TPSs account for about 89% of electricity generation in Kazakhstan. Coal-fired and gas turbine heat power stations account for 80% and 9% respectively.

The country's largest power plants are Eurasian Energy Corporation, Ekibastuz CHP-1 (Samruk-Energo),

Production of electric energy in Kazakhstan, bln kWh

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



Ekibastuz CHP-2 (Samruk-Energo and Inter RAO UES), Topar CHP (Kazakhmys Energy), and Zhambyl CHP are coal-fired heat power stations with multiple high power units that generate 40–50% of all electricity in Kazakhstan. These enterprises are also key suppliers on the wholesale electricity market. Ekibastuz CHP-1 and Ekibastuz CHP-2 export electricity to Russia.

Heat power stations also include industrial cogeneration power plants concentrated in regions with mining and metallurgical clusters such as Karaganda, Kostanay, Pavlodar and Aktobe regions. The group includes coal-fired heat power stations with one or two high or medium power generator units such as Karaganda CHP-3 (Karaganda-Energocenter), Karaganda CHPP-PVS and CHP-2 (ArcelorMittal Temirtau), Balkhash and Zhezkazgan CHP (Kazakhmys Energy), Pavlodar CHP-1 (Aluminium of Kazakhstan), Rudnensk CHP of SSGPO and Kazchrome's CHP. Normally, these power plants are part of vertically integrated mining and metallurgical holdings.

Heat power stations also include cogeneration power plants which focus primarily on regional customers such as large companies, SMEs and households. The group is represented by power plants that make up CAEPCO JSC (Pavlodar CHP-2, Pavlodar CHP-3, Petropavlovsk CHP-2, Ekibastuz CHP), Astana Energy (Astana CHP-1, Astana CHP-2), AES group of companies in Kazakhstan (Ust-Kamenogorsk CHP, Sogra CHP), etc.

Gas turbine heat power stations (in Kazakhstan these are medium power stations) focused on supplying electricity to industrial customers (oil and gas fields) and nearby communities. This group also includes Zhanazhol GTTPS, Tengizchevroil GTTPS and Akshabulak GTTPS.

The second group includes hydroelectric power stations (HPS) used for load adjustment in the National Electrical Grid (responding to peak demand). The biggest stations are Buhtarminsk Hydroelectric Power Complex, AES Ust-Kamenogorsk HPS, AES Shulbi HPS and Moinak HPS. They accounted for up to 11% of electricity generation.

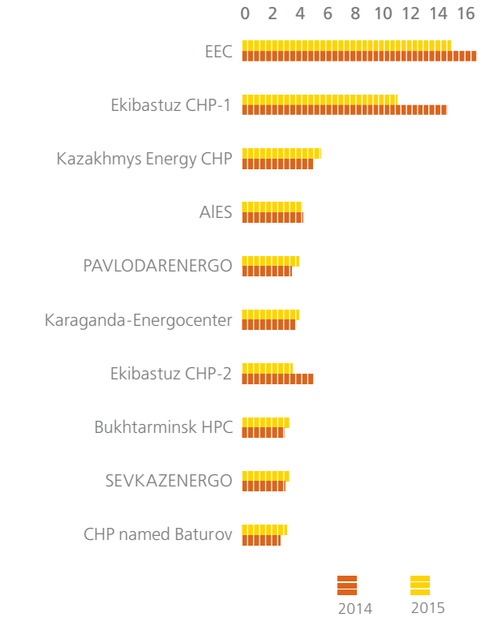
The third group includes wind and solar power plants. Promoting such generating sources is part of the government strategy to reduce the share of hydrocarbon energy sources in the energy mix. These stations include, Kordai WPS, Kapshagai SPS, K-1 Wind Power Station, etc. The capacity of these power stations is rather low (rated capacity of Ermentau WPS, the largest one, is 45 MW). Wind and solar power stations account for 0.12% of the country's electricity generation.

According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, total energy output by Kazakhstan's power plants reached 91.07 bln kWh, 3.7% less than last year (94.64 bln kWh). The reasons are optimized consumption inside the country and reduced electricity exports.

Less energy was produced by such large energy generating facilities are Ekibastuz CHP-1, Ekibastuz CHP-2, Eurasian Energy Corporation. More energy was produced by the CHP of Kazakhmys Energy, PAVLODARENERGO, SEVKAZENERGO, Karaganda-Energocenter and Almaty Power Stations.

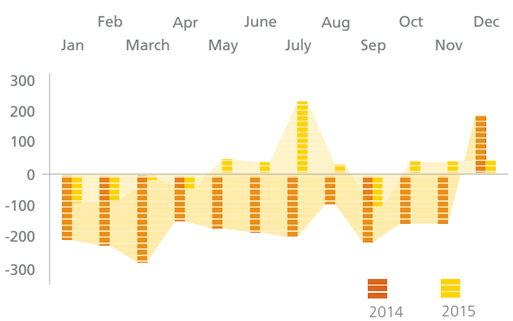
Ten largest energy producing companies of Kazakhstan for generation in 2015, bln kWh

Source: KOECM



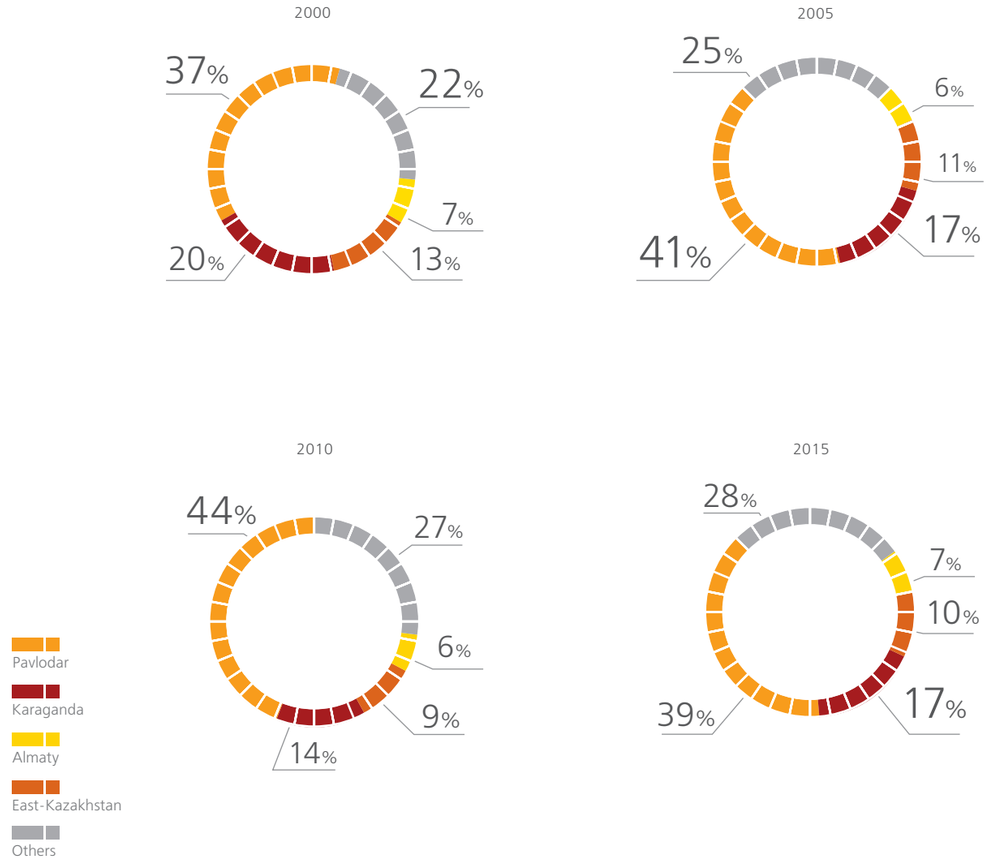
Net power flow in IES of Kazakhstan, mln kWh

Source: KOECM



Structure of energy production by regions of Kazakhstan, %

Sources: Statistics committee of the Ministry of national economy of the RK and KOECM



The regional structure of energy production remained unchanged. Up to 40% of electricity is produced in Pavlodar region, where the country's two largest power plants, Ekibastuz CHP-1 and Ekibastuz CHP-2, as well as Aksu power plant and three CHP plants in Pavlodar. Karaganda region accounts for 17%, whereas 10% of electricity is produced by heat and hydroelectric power stations of the East-Kazakhstan region, and 7% by power plants in Almaty region and the city of Almaty. The remaining 10 regions account for less than 30% of electricity generation.

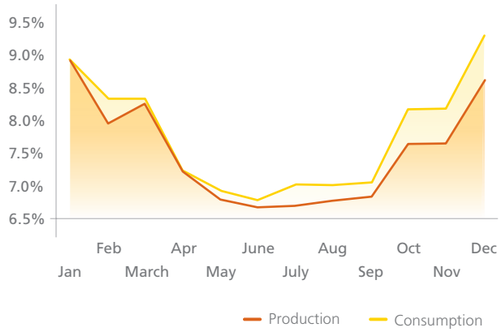
TRANSMISSION, DISTRIBUTION AND SUPPLY OF ELECTRICITY

The main networks connecting Kazakhstan's National Electrical Grid with the grids of neighboring countries, as well as regions within Kazakhstan, are owned by KEGOC JSC, system operator of the energy market in Kazakhstan (90% is owned by Samruk-Kazyna sovereign wealth fund). KEGOC operates 355 overhead power lines with a voltage range of 0.4–1,150 kV and total length of 24,979 km. Furthermore, KEGOC operates 77 substations with voltage of 35–1,150 kV installed transformer capacity of 36,244.55 MVA.

Distribution is carried out by 20 regional energy companies (RECs) and 150 small transmission companies

Production and consumption of electric energy in Kazakhstan in 2015, bln kWh

Source: KOECM



that control regional electrical networks with voltage range of 0.4–220 kV. Among RECs there are both public and private companies. Households get electricity from more than 200 energy suppliers.

Peak loads occur in autumn and winter. In 2015, 52.8% of electricity was generated and 53.6% was consumed during the period between September and February. The consumption peaked in December reaching 9.32 bln kWh, and the lowest point was 6.68 bln kWh in June.

PRODUCTION, DISTRIBUTION AND CONSUMPTION OF HEAT

The heat supply system in Kazakhstan, consisting of heat sources, heat networks and heat consuming units, emerged during the Soviet period and was based on the concept of district heating systems (DHS) with a significant share of major heat sources. Therefore, most urban area in about 90 cities in Kazakhstan are connected to DHS.

In Kazakhstan heat is produced by 40 CHP plants, 28 boiler stations which are considered to be large (with capacity over 100 Gcal/h) and 5.6 thous. small boiler stations (with capacity below 100 Gcal/h). CHP plants and large boiler stations generate 80% of heat, while smaller boiler stations account for the remaining 20%. According to the latest official estimate, total double-pipe length of heat networks (2014) in Kazakhstan was 12 thous. km, with the wear level exceeding 71% and technical losses reaching 25%. The majority of heat networks is in municipal ownership.

In 2015, Kazakhstan's CHP plants and boiler stations produced 78.74 mln Gcal of heat, which is 3% less than in 2014.

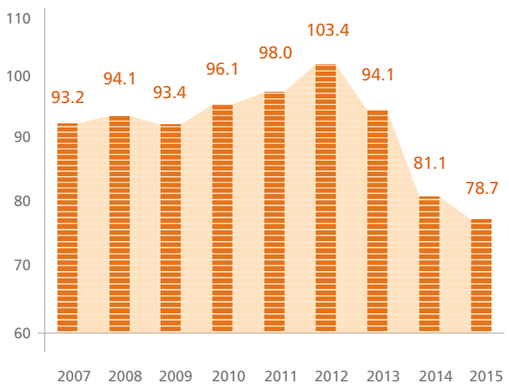
These data confirm that heat production has been declining since 2013. The average annual slide over the past three years is 9%. To decline in production was caused by several factors: modernization of heat networks which leads to lower technical losses, as well as the introduction of energy efficiency programs at the consumer level throughout the country.

Heat is a social commodity. One of its main consumers is the housing and utility sector (including 22 thous. public amenities and approximately 160,000 apartment buildings) which traditionally consumes up to 40% of heat energy produced in the country.

Heating season in Kazakhstan begins in September-November and ends in April-May (depending on how soon the average daily temperature goes below or above 8–10 °C). Normally, peak demand in the consumption of heat and electricity occur at the same time. In 2015, heat consumption peaked in January (11.6 mln Gcal).

Production of heat energy in Kazakhstan, mln Gcal

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



PRICES FOR ELECTRICITY AND HEAT

Energy companies in Kazakhstan are monopolies and therefore are regulated by a specialized government authority. Today, this is the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan. The markets with companies operating in the field of transmission and distribution of electricity and heat are regulated by the Committee.

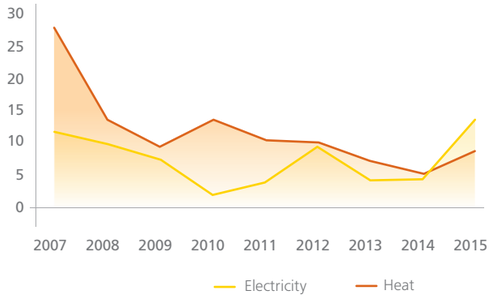
Under the current laws, the tariffs of energy transmission companies should guarantee compensation of operating expenses (necessary for the provision of regulated services), as well as capital expenses (investment program).

During 2009–2015, all energy generating companies had to live with ceiling tariffs under the government's program "Tariffs In Return For Investments", which included investment costs to promote investment in the modernization of generation facilities. The Energy Ministry of Kazakhstan monitored the execution of agreements on investment commitments. In 2015, the Government of Kazakhstan decided that the Program would continue until 2018.

Starting from 2016, electricity and heat suppliers base their pricing on 5-year ceiling tariffs. This approach is aimed at enhancing the investment attractiveness, transition of natural monopolies into competitive businesses and providing greater certainty to all market participants:

Growth of tariffs for electric and heat energy in Kazakhstan, %

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



energy companies can plan their investments, while consumers can count their costs.

According to the Statistics Committee of the Ministry of National Economy, in 2015 final retail prices for electricity and heat rose by 8.3% and 14% respectively. The growth in electricity prices was among the lowest over the past decade. On the contrary, heat prices showed the highest growth over the last years.

INVESTMENT PROJECTS

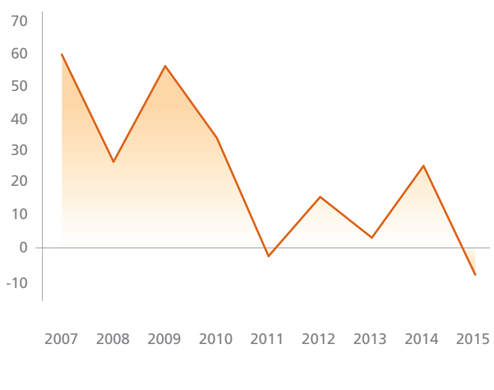
In 2015, capital investments in the energy sector declined by 7.4%. This is a record low during the period between 2007 and 2015. Foreign investment in the sector has declined significantly.

Investments were quite substantial during 2009–2015 mostly thanks to the ceiling tariffs program. According to the Energy Ministry, during the implementation of the ceiling tariffs policy, more than 900 KZT bln were invested in the energy sector, which has restored old or add new facilities with total capacity of 2,764 MW during 2009–2014, which meets the economy's energy needs completely. Generating capacity totaling 160 MW was to enter service in 2015 with planned investments of 172 KZT bln.

In 2015, several significant projects were completed in Kazakhstan's energy sector. Turbo generator K-63-90 was put into operations at Petropavlovsk CHP-2, increasing the installed capacity by 21 MW to 455 MW. Two turbo generators were put into operations at Pavlodar CHP-3: PT-65/75-130-13 and T-120/130-130PR2,

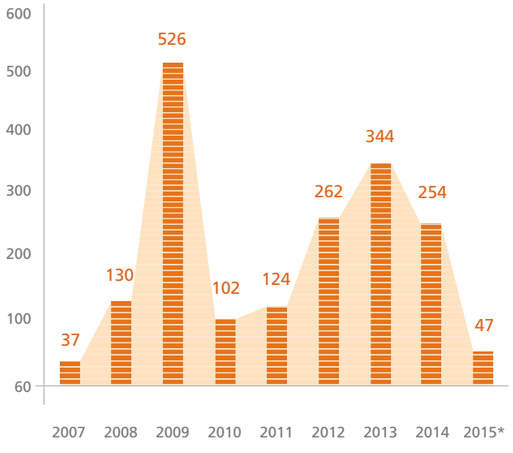
Dynamics of the investments to the power sector of Kazakhstan, %

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



Inflow of foreign direct investments to the power sector of Kazakhstan, USD mln

Source: National Bank of the RK



* results of first three quarters

bringing the installed capacity of the plant to 540 MW, while the share of upgraded basic equipment reached 67%.

A major project was implemented by Samruk-Energo: the company's Ereymentau wind farm with installed capacity of 45 MW was put into commercial operations. The plant capacity will increase to 90 MW in the near future, while according to long-term plans the wind farm will eventually have capacity of 300 MW.

The upgraded hydroelectric generator set No. 3 put into operations at Ust-Kamenogorsk HPS, while the hydroelectric generator set No. 2 began to be upgraded. Both projects are designed to increase the station's capacity to 18 MW.

Some major projects are taking place in the network sector. In 2015, KEGOC continued the construction of the 500 kV line "Ekibastuz – Shulbi HPS – Ust-Kamenogorsk" stretching 600 km (218 km were built in one year with a total of 348 km completed), construction and installation works began at 500 kV substation "Semei", 500 kV substation "Ust-Kamenogorsk" and 1,150 kV substation "Ekibastuz".

According to estimates of the Energy Ministry, the energy sector will need a total of 5 KZT trillion of investments during 2016–2030.

MARKET PROSPECTS

In the short term, the evolution of Kazakhstan's energy sector will be influenced by several key factors.

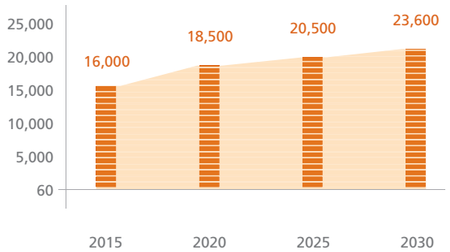
The first is negative trends in the national economy due to declining external demand and industrial output. And although metallurgy, the main industrial consumer of electricity, is not slowing down, production declines in other sectors, for example, sliding 16% in freight rail transport.

The second factor resulting from excess capacity is potential drop in electricity prices on the domestic market. With insufficient sources of capital expenditures and given the high level of wear and tear of basic equipment across the system, after 3–5 years the least modernized enterprises will have trouble maintaining the current output and thus their market share.

However, two major projects in the energy transmission sector are going to be completed in the next few years: construction of the power line "Ekibastuz–Semei–Ust-Kamenogorsk" and "Semei–Aktogai–Taldykorgan–Almaty" (a 500 kV "North–East–South" transit project). The goal of these projects is to increase the transmission capacity of the national grid from North to South (North has excess energy, while South faces energy deficit) from today's 1,350 MW to 2,100 MW, create conditions for electrification of railway sections Aktogai–Moiynty, Aktogai–Almaty, Aktogai–Dostyk, provide access to large amounts of electricity to existing and newly built metallurgical enterprises in East-Kazakhstan Region (Aktogai Mining and Concentration Complex of KAZ Minerals, etc.).

Maximum volume of consumed electric capacity of Kazakhstan power stations, MW

Source: Ministry of Energy of the RK



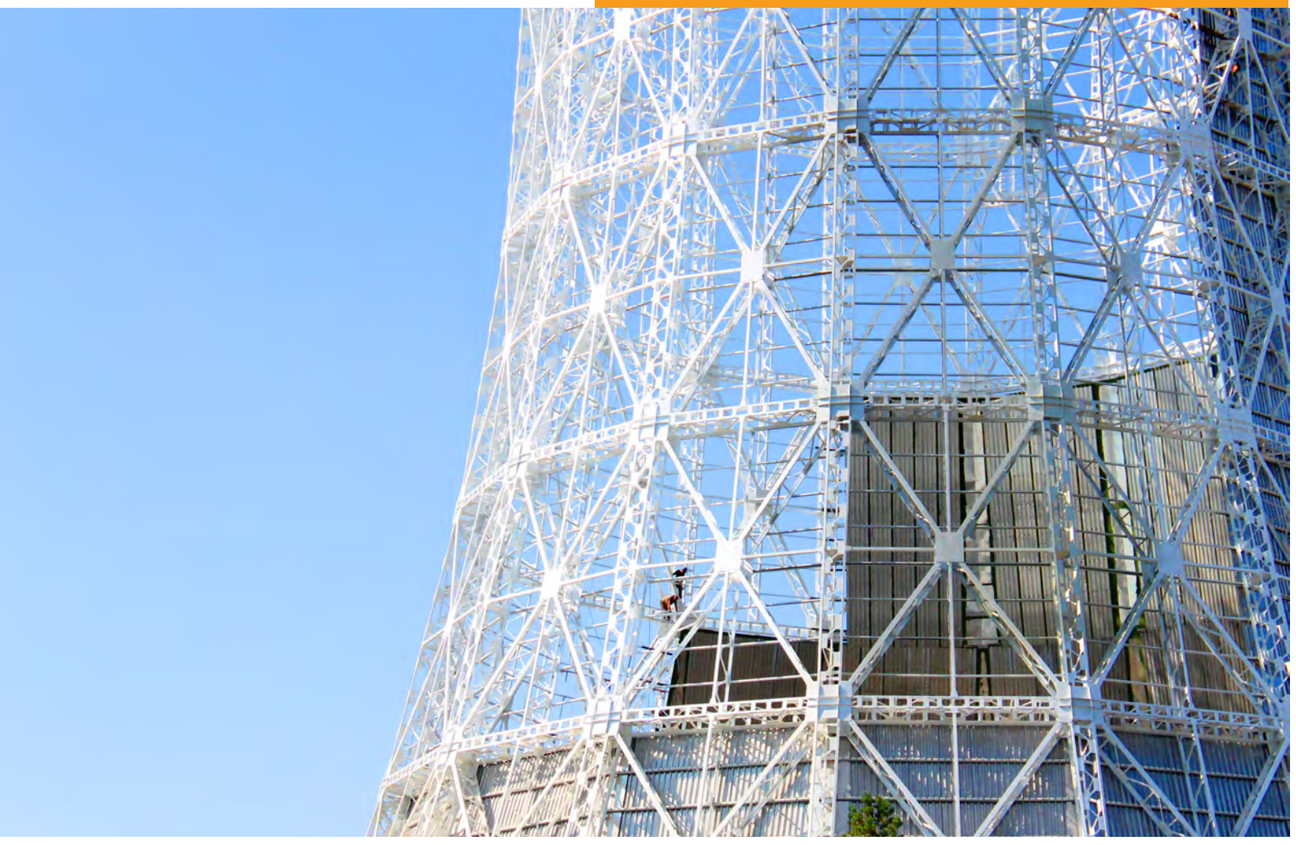
Greater transmission capacity and new consumers will definitely increase competition on the Kazakhstani electricity market.

Further, the second phase of Kazakhstan's 2011–2020 housing and utility infrastructure modernization program will be implemented during 2016–2020, and one of its goals is to upgrade the country's utilities, including electric power and heating infrastructure. The program should significantly reduce fuel consumption for electricity and heat generation. Energy-saving technologies are used during the modernization. During the second phase of the program between 2016 and 2020, the share of objects in need of repair should drop from 50% to 40% for heat networks and from 63% to 53% for the transmission network.

By July 1, 2016 the member states of the Eurasian Economic Union (EEU) expected to adopt a program for creating a joint electricity market in the EEU which will become effective as of 2019. The idea behind this is to increase competition on the domestic market.

PERFORMANCE AND DEVELOPMENT PROSPECTS OVERVIEW

CAEPCO JSC holds 3rd place in the power industry of Kazakhstan by the volume of capital expenditures for the renovation and reconstruction of production assets. For the period of 2009-2020 planned volume of the Corporation investments amounts to 192 KZT bln. Within the frames of the investment program the activities are implemented in three directions: increase of generation, energy saving, including reduction of electricity and heat losses upon transmission, enhancing of environmental parameters of the production.



IN 2015

electricity output reached 6,529.4 mln kWh, rising by 7.4% compared with 2014. The increase was achieved thanks to the addition of two turbo generators at Pavlodar CHP-3 and one at Petropavlovsk CHP-2.

Heat generation in 2015 totaled to 6,272.8 thous. Gcal sliding 5% compared to 2014 due to lower heating needs as a result of higher average temperature during the heating season of 2015 and reduced technical losses in heat networks.

RESULTS OF INVESTMENT PROJECTS DURING THE CEILING TARIFFS PROGRAM (2009–2015)

One of the key aspects of the strategic development of CAEPCO JSC is to increase production efficiency by upgrading fixed assets. The Corporation is implementing a large-scale investment program for the modernization and reconstruction of its fixed assets.

During CAEPCO's investment projects between 2009 and 2015, as part of the Ceiling tariffs Program, 78 KZT bln were invested by the Corporation, which is 7.9% of total investments in Kazakhstan.

CAEPCO's track record for the period between 2009 and 2015

49.6%

UPGRADED

generating capacity

by 72%

REDUCED

ash emissions

MODERNIZATION AND RECONSTRUCTION

PAVLODAR CHP-3
- No. 1 turbo generator (new)
- No. 2 turbo generator (new)
- No. 4 turbo generator
- No. 5 turbo generator
- No. 1 boiler (new)
- No. 2 boiler
- No. 3 boiler
- No. 5 cooling tower (new)

EKIBASTUZ CHP
- No. 1 turbo generator
- No. 6 boiler (new)

PAVLODAR CHP-2
- No. 1 boiler
- No. 2 cooling tower (new)

PETROPAVLOVSK CHP-2
- No. 1 turbo generator (new)
- No. 4 turbo generator (new)
- No. 6 turbo generator
- No. 7 turbo generator
- No. 6 boiler
- No. 7 boiler
- No. 8 boiler (new)

GROWTH

211 MW — installed electricity generation capacity — 23%

147 Gcal/h — installed heat generation capacity — 5%

1,130 mln kWh — electricity output — 21%

270 thous. Gcal — heat output — 5%

INCREASED GENERATION

A new turbo generator No. 1 was installed at Pavlodar CHP-3 during 2011–2012 increasing the plant's capacity from 440 MW to 505 MW. The introduction of an automatic operational control system allowed to adopt a cost-effective and safe mode of operation, maintain required parameters for steam and heat supply automatically, maintain required equipment temperatures and stable required load.

A new turbo generator No. 5 entered service at Pavlodar CHP-3 in December 2014, and new turbo generators No. 2 and No. 4 was put into operations in June and November 2015 respectively, brining installed capacity to 540 MW up from 505 MW. A new cooling tower No. 5 entered service in summer 2015. These measures helped to increase the available capacity of CHP-3 and make it capable of carrying heavier load during summer thanks to improved condensator vacuum at the plant's turbines.

In 2012, a new cooling tower No. 2 was put into operations at Pavlodar CHP-2, which allowed to lift restrictions on condensed power generation.

In May 2009, a turbine No. 1 with installed capacity of 12 MW designed for steam-powered electricity generation was put into operations at Ekibastuz CHP, providing electricity for the plant's own needs.

During 2011–2015, five boiler units were renovated at Pavlodar CHP-2, Pavlodar CHP-3 and Ekibastuz CHP:

- in 2011, boiler unit No. 1 at Pavlodar CHP-2 went through renovation, including boiler drum replacement.
- A replaced boiler unit No. 1 entered service at Pavlodar CHP-3 in 2012, and boiler units No. 3 and No. 2 were upgraded during 2014–2015.
- In 2014, a replaced boiler unit No. 6 with steam generation capacity increased by 15 tons per hour entered service at Ekibastuz CHP.

The completed projects allowed to achieve greater equipment reliability and performance, as well as lower harmful emissions into the atmosphere.

Boiler units Nos. 6 and 7 at Petropavlovsk CHP-2 in 2012 and a new boiler unit No. 8 was added in 2014. As a result, steam generation capacity of each boiler unit increased by 50 tons per hour. In 2013 the installed capacity of Petropavlovsk CHP-2 grew to 54 MW thanks to the launching the two turbo generators: reconstruction and modernization of turbo generator No. 4 was completed with its turbine capacity doubled, reconstruction of turbo generator No. 6 was completed with its electrical power rising by 24 MW.

Modernization of boiler unit No. 12 began in 2012, which should increase steam generation capacity by 50 tons per hour NOx emissions cut by 3 times. Turbo generator No. 1 was put into operations in September 2015, increasing the installed capacity by 21 MW. After the installation of new equipment, the plant's installed capacity rose by 51 MW to 455 MW up from 404 MW. The reconstruction of turbo generator No. 7 increased the turbine's installed and available capacity by 24 MW. Modernization of turbo generator No. 5 is currently underway and is expected to increase the plant's installed capacity by 62 MW to 541 MW up from 479 MW.

IMPROVED ENVIRONMENTAL PERFORMANCE

In order to improve its environmental performance, as part of its investment program, the Corporation upgraded its fly ash collectors adding 2nd generation battery wet-type fly ash collectors on boiler units at each of the Corporation's power plants, cutting coal ash emissions into the atmosphere by 6 times.

During 2009–2015, the Corporation reduced harmful emissions by 29%. At the end of 2008, before the start of the investment program, CAEPCO's facilities released a total of 108.5 thous. tons of harmful emissions into the atmosphere. As of 2015, we are talking about 77 thous. tons.

During 2009–2014, titanium wet-type fly ash collectors were installed on all boiler units at PAVLODARENERGO's power plants and SEVKAZENERGO's CHP-2. All these measures allowed to improve flue gas purification and reduce the plants' environmental costs.

Reconstruction of one existing ash dump and construction of two new ones are currently under way with a view to ensuring continuity of the plant's technological cycle and allowing slag waste storage for up to 25 years. The construction of the 2nd phase of the ash dump at Ekibastuz CHP in a bed of Lake Tuz began in 2015, while the construction of phase 2 of ash dumps at PAVLODARENERGO's CHP-3 and CHP-2 continued. The use of innovative materials such as Canadian polysynthetic geomembrane for waste containment allows to completely eliminate the risk of harmful substances penetrating into the soil.

RESULTS IN 2015

PRODUCTION OF ELECTRICITY AND HEAT

In 2015, the Corporation continued to implement its investment program. During the year, thanks to modernization and reconstruction of main production assets, the following changes in the installed electricity and heat generation capacity were achieved:

- Turbo generator No. 2 with installed capacity of 65 MW and 190 Gcal/h (up from 60 MW and 118 Gcal/h) was put into operations at Pavlodar CHP-3 in June 2015;
- Turbo generator No. 4 with installed capacity of 125 MW and 188 Gcal/h (up from 110 MW and 160 Gcal/h)was put into operations at Pavlodar CHP-3 in November 2015;. The new equipment brought the capacity of Pavlodar CHP-3 to 540 MW up from 520 MW and to 1,126 Gcal/h up from 1,026 Gcal/h.
- Condensator-type turbo generator No. 1 with installed capacity of 63 MW (up from 42 MW) was put into operations at Petropavlovsk CHP-2 in September 2015; The plant's installed electricity generation capacity increased to 479 MW up from 434 MW.

Electricity output in 2015 reached 6,529.4 mln kWh, rising by 7.4% compared with 2014. The increase was achieved thanks to the addition of two turbo generators at Pavlodar CHP-3 and one at Petropavlovsk CHP-2.

Heat generation in 2015 totaled to 6,272.8 thous. Gcal sliding 5% compared to 2014 due to lower heating needs as a result of higher average temperature during the heating season of 2015 compared with 2014 (-5.4 °C vs. -7.3 °C) and reduced technical losses in heat networks.

In the reporting year, electricity and heat transmission and distribution figures remained virtually unchanged compared with the previous year at 5,730 mln kWh (electricity) 10.264 mln Gcal (heat).

The share of CAEPCO in Kazakhstan's electricity generation increased by 0.7% thanks to a 7.4% increase in CAEPCO's electricity output and a 3.0% decline in power generation throughout Kazakhstan in 2014.

Item	2013	2014	2015
Installed electricity generation capacity, MW	1,061	1,076	1,141
Electricity output, mln kWh	6,137	6,081	6,529
Electricity transmitted, mln kWh	5,769	5,816	5,730
Electricity sold, mln kWh	7,154	7,357	6,732
Share in Kazakhstan's total electricity generation, %	6.7	6.5	7.2
Installed heat generation capacity, Gcal/h	2,895	2,932	2,918*
Heat output, thous. Gcal	6,132	6,605	6,273
Heat transmitted, thous. Gcal	4,408	4,625	4,545
Heat sold, thous. Gcal	9,567	10,448	10,264

* Due to remarking of the turbine No. 7 at Petropavlovsk CHP-2

REDUCTION OF ELECTRICITY AND HEAT LOSSES

CAEPCO constantly takes measures to reduce heat and electricity losses during transmission and improve the reliability of supply to consumers.

In 2015, thanks to the introduction of AECMS for households and reconstruction of 0.4 kV high-voltage power lines using SIP wire to improve energy savings, CAEPCO completely eliminated excessive network losses and reduce technical losses.

In 2015, PAVLODARENERGO JSC reduced technical losses to 8.78% down from 9.08%, while SEVKAZENERGO reduced its technical losses to 9.7% down from 10.2%.

As part of its initiative to reduce network losses, CAEPCO replaced a total of 12,591 induction electricity meters with electronic ones and also replaced 80.4 kilometers of bare wires with SIP wire. Furthermore, CAEPCO's power distribution companies repaired a total of 164.6 km of overhead lines with voltage of 110–35 kV, 155.3 km of overhead lines and underground cables with voltage range of 10–0.4 kV.

The main efforts to reduce heat losses include restoration and upgrading of district heating pipelines in Pavlodar, Ekibastuz and Petropavlovsk. Funding for investments comes from EBRD loans in cooperation with the Foundation for Clean Technologies with a view to improving the reliability of heat supply, energy efficiency as well as reducing losses and improving environmental performance by reducing CO_2 emissions due to lower coal consumption thanks to reduced heat losses in the networks.

The reduction of heat losses during transportation is carried out in an integrated manner. In 2015, the main heat networks in Pavlodar and Ekibastuz with a total length of 970 m and 2,217 m respectively were renovated using pre-insulated pipes. In Petropavlovsk, isolation was restored on pipes with a total length of 5,078 m. In addition, replacement of obsolete equipment is continuous process.

During 2011–2015, thanks to an EBRD loan, CAEPCO's heat transmission facilities upgraded heat networks in Pavlodar and Petropavlovsk with a total length of 7,688 m and 9,120 m respectively. Insulation was upgraded to PPU foam on heat pipes in Pavlodar, Ekibastuz and Petropavlovsk with total lengths of 3,570 m, 1,640 m and 9,476 m respectively.

In the reporting year, Pavlodar Heat Networks LLP and Petropavlovsk heat networks LLP signed contracts with KazNIPI Energoprom Institute covering 20 projects aimed at heating network reconstruction of isolation replacement in Pavlodar, Ekibastuz and Petropavlovsk. In their projects the companies will use PPU foam pre-insulated pipes with a total length of 112,013 m total length of the pipeline, of which Pavlodar heat networks and Petropavlovsk heat networks account for 86,889 m and 25,124 m respectively.

These plans are part of CAEPCO's 2016–2020 investment program which will be funded with the company's own funds, an investment loan from the EBRD and government subsidies from the Ministry of National Economy of the Republic of Kazakhstan under "Nurly Zhol" program.

The Company's heat transmission facilities are equipped with automatic heat controllers, industrial controllers and modems for connecting mechanisms and instrumentation with the dispatch service. All equipment at heat distribution facilities is connected into a single network, which allows dispatchers to quickly control water pressure and temperature, while professionals can make quick decisions in case of any accident or emergency.

Furthermore, the Company uses advanced technology to detect the causes of heat losses: heat imaging devices for pipeline monitoring and diagnostics, as well as ultrasonic flaw detectors.

All the above measures will reduce total heat loss in networks by 4.8% by the end of 2016.

FINANCIAL AND ECONOMIC HIGHLIGHTS

The consolidated financial statements of the Corporation for 2015 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.

Key financial and economic indicators for 2013–2015, KZT mln

INDICATORS	2013	2014	2015
Operating income	94,137	107,783	107,932
Cost including period expenses	(79,167)	(91,996)	(93,816)
Profit from operating activities	14,970	15,787	14,116
Total EBITDA for the year*	21,733	24,034	24,885*
Total EBITDA for the year, margin in %	23.1%	22.3%	23.1%
Income tax expenses	(3,272)	(3,603)	727
Net profit for the year	10,390	10,982	(7,614)
Assets	183,114	254,030	279,131
Equity	104,244	139,871	129,622
Capital expenditures on fixed assets	23,177	33,982	32,441

* Total EDITDA is stated excluding the impact of the exchange rate difference

REVENUE FROM SALES OF PRODUCTS/SERVICES

According to 2015 results, the Corporation produced electric and heat energy, including the transmission and sale of purchased energy, for a total of 107,688 KZT mln, which is 0.1% higher than in 2014, that is associated with the increase in the supply of electric power, generated on the Corporation's power plants, and declining purchase of electric power by distribution companies from external energy sources.

Dominant factors, impacting the income level from the sales of 2015 in comparison with the previous period, are as follows:

- Electric power sales increased in comparison with 2014 at 296 KZT mln or 0.5% due to the increase in generation of the own electric power for 440 mln kWh (9,3%), caused by the commissioning of new generating capacity as a result of the investment programme and the positive demand dynamics from consumers.
- The revenues from electric power transmission are slightly reduced by 856 KZT mln or 4% due to decrease in energy transmission for 1.5% and structural changes in the "Electric power transmission" segment.
- The revenues from sales of heat energy inclusive of transmission services and sales margin grew by 3% due to sales and transmission companies tariff increase, despite the fact that the heat delivered to customers decreased for 183 thous. Gcal or 1.8%, due to the high outside temperature during the heating season.
- Average tariffs by type of energy have increased, electric power for 0.96 tenge/kWh or 8.5%, heat energy for 107.54 tenge/kWh or 4.5%.

COST OF GOODS/SERVICES SOLD

Cost of electrical and heat energy sold in 2015 amounted to 84,144 KZT mln, increase of 1,569 KZT mln or 1.9% compared to 2014 driven by the increased operating costs for such items as "Fuel", "Depreciation and amortisation", "Remuneration" and others, compensated by the increase of in-house electric power supply.

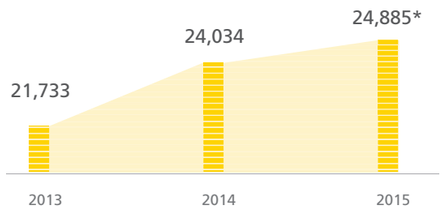
Dominating relative share (42%) in the cost structure of the Corporation is taken by the costs of purchased energy, taking into account services related to its further sale to consumers. In 2015 these costs decreased by 4,523 KZT mln or 11% due to the increase of in-house electric power supply for the purpose of replacement of purchased energy from sales companies in Astana city and Akmola region.

The growth of electric power production for 440 KZT mln or 9.3% reflected on increased consumption of natural coal for 159 thous. tons or 3%, appreciation on "Fuel" item amounted to 1,047 KZT mln or 8%. Depreciation increased by 2,833 KZT mln due to the revaluation of assets for 31.12.2014 and fixed assets input in 2015 for 35,797 KZT mln.

TOTAL EBITDA DYNAMICS

The EBITDA figures for 2015, excluding the losses on exchange rate difference, amounted to 24,885 KZT mln, the growth at 850 KZT mln or 3.5% when compared to 2014. The main factors of operating efficiency indicator growth are the ceiling tariffs on electric power generation with growth of 9% and 16% (Pavlodar, Petropavlovsk respectively) and increase in sales of electric power of own production with the purpose of further replacement of the purchased energy volume from external sources.

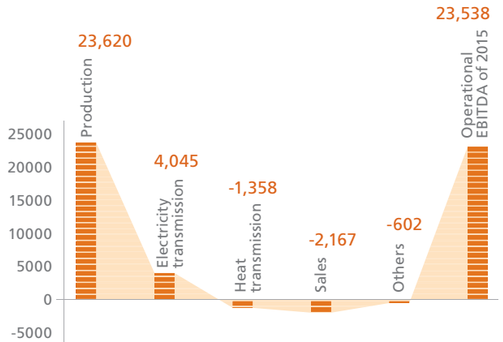
Total EBITDA for a year, KZT mln



* Total EBITDA provided excluding the losses from exchange rate difference

In 2015, the operating EBITDA of the Corporation amounted to 23,538 KZT mln, increase of 1,169 KZT mln or 5% compared to 2014. In the structure of EBITDA operating indicator the leading (paramount) marginal segment is the production of electric and heat energy (23,620 KZT mln), where in 2015 was an increase of 4,281 KZT mln or 22% due to growth for 440 mln kWh or 9% of additionally produced electric power, operational efficiency of commissioned capacities, as well as increase of ceiling tariffs for generated electric power.

EBITDA by segments for 2015, KZT mln



THE DYNAMICS OF NET INCOME/LOSS

Profit from operating activities for 2015 amounted to 14,117 KZT mln (13.1% margin to sales income), reduction of profit at 1,670 KZT mln due to the cost increase for 1,569 KZT mln or 1.9%.

Net financial expenses increased by 850 KZT mln or 30% due to the placement of corporate bonds of SEVKAZENERGO JSC and CAEPCO JSC, as well as the payment of compensations for monetary loans. In connection with the transition to a new monetary policy, based on inflation targeting conditions, and the establishment of free floating exchange rate of tenge since August 20, 2015 the Corporation suffered losses from the exchange rate difference on monetary loans in the amount of 20,031 KZT mln, thus the financial result of 2015 amounted to minus 7,614 KZT mln. The cancelling effect of the devaluation of the national currency is the recognition of the tax asset by virtue of losses on exchange rate difference, as a result the corporate income tax taking into account deferred during the reporting year amounted to savings of 727 KZT mln, which is 4,330 KZT mln lower than in 2014.

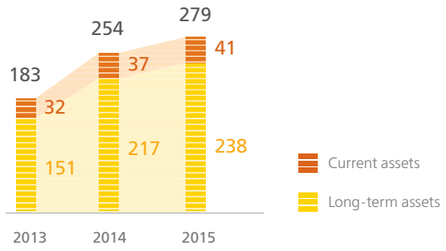
Financial and economic indicators by segment for 2015, KZT mln

Indicators	Production of electric and heat energy	Transmission and distribution of electric power	Transmission and distribution of heat energy	Sales of electric and heat energy	Other	Total
Revenues from sales	47,833	18,664	5,423	35,768	244	107,933
Costs	(28,419)	(15,041)	(6,007)	(34,465)	(213)	(84,144)
Gross profit	19,414	3,623	(584)	1,303	31	23,789
Period expenses	(1,877)	(1,972)	(1,579)	(3,556)	(688)	(9,672)
Profit from operating activities	17,537	1,652	(2,163)	(2,252)	(656)	14,117
Financial expenses, net	(2,253)	(94)	(63)	(3)	(53)	(2,856)
Losses from exchange rate difference	(11,253)	(4,564)	(1,357)	(479)	(2,379)	(20,031)
Other income	45	197	(96)	292	(9)	429
Income tax expenses	(9)	499	376	535	207	73
Income/(Loss) for the year	3,186	(2,310)	(3,292)	(2,308)	(2,891)	(7,614)
EBITDA operating by segments	23,620	4,045	(1,358)	(2,167)	(602)	23,538

ASSETS AND LIABILITIES

Total assets of the Corporation by December 31, 2015 accounted for 279,131 KZT mln, which is 9.9% higher than in 2014.

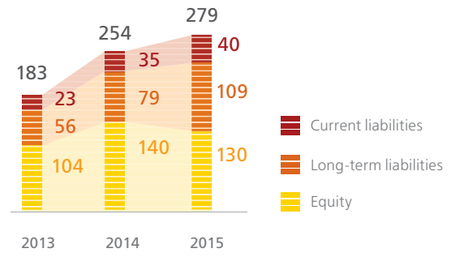
Assets, KZT bln



As of December 31, 2015, the value of fixed assets amounted to 228,988 KZT mln, or 82% of the value of all assets. As part of a major investment programme for 2015, the sum of 32,441 KZT mln was allocated for unfinished construction and acquisition of fixed assets, the value of new and renovated facilities of current period and transferred from previous years, which were commissioned, totalled 35,797 KZT mln. In particular, this related to the commissioning of two new turbines No. 2 and No. 4 at the Pavlodar CHP-3 in June and in November 2015 respectively, and turbine No. 1 at the Petropavlovsk CHP-2 in September 2015, completion of the construction of cooling tower No. 5 at the Pavlodar CHP-3. Also continues the 2-nd phase of the construction of ash dumps of the Pavlodar CHP-2, Pavlodar CHP-3 and Ekibastuz CHP, continues the replacement of turbine No. 5 and reconstruction of boiler No. 12 at the Petropavlovsk CHP-2.

Other financial assets are represented by deposits with flexible conditions of partial replenishment and withdrawal of 14,468 KZT mln. Deposits represent funds accumulated by the Corporation for servicing of loans, financing the investment program and maintaining the working capital.

Liabilities, KZT bln



Authorized capital of the Corporation is 50 mln ordinary shares. As of December 31, 2015, the fully paid ordinary shares amounted to 46,043 KZT mln. In November 2015 CAPEC JSC sold 7.25% of shares belonging to KIF ENERGY S.A'R.L., CKIF ENERGY S.A'R.L. and Baiterek Venture Fund JSC.

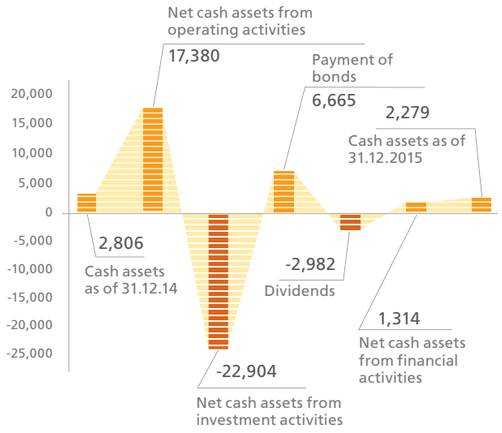
The corporation implemented a placement of bonds of CAEPCO JSC in the amount of 3,939 KZT mln maturing June 6, 2025 and bonds of SEVKAZENERGO JSC in the amount of 2,776 KZT mln maturing January 10, 2020. These funds are assigned to finance the investment programmes and develpment projects in line with the strategy of the Corporation.

Long-term loans are mostly include loans from the EBRD and other international financial institutions, which are intended to finance long-term investment programme for the reconstruction and modernisation of the assets of the Group.

The impact of the economic transition of Kazakhstan at freely floating tenge exchange rate since August 20, 2015 affected the increase in financial liabilities in the amount of 22,197 KZT mln. Corporate management believes that the effectiveness of the investment program, coupled with low interest rates on the loan agreements in the currency and maturity of loans over 10 years, will allow to smooth depreciation of tenge in the future and ensure the payoff of the objects.

Total financial debt at the end of the reporting year amounted to 90,811 KZT mln, with the Corporation maintaining financial stability and liquidity. The Corporation has received from major financial institutions EBRD, ADB waivers of the requirement of early performance of obligations on borrowings in connection with a minor breach of financial covenant as of 31.12.2015.

Cash flows, KZT mln



The most significant cash flow from 2015 investment activity was associated with the forced investment program.

In the 2015, the Corporation received funding through bonds placement to the total sum of 6,665 KZT mln.

Cash and deposits at the end of the year amounted to 16,556 KZT mln, sufficient reserve funds allow the Corporation to maintain the necessary level of liquidity and internal resources to service debt.

CASH FLOW

In 2015, the increase in cash flow from operating activities continued due to increased sales volumes and the planned increases in electric power tariffs. Net proceeds from operating activities, taking into account the impact of exchange rate changes on cash balances in foreign currencies, comprised 17,380 KZT mln. The change in working capital is due to increased stocks and trade receivables. Increase in accounts payable, principally relating to the major supply on the activities of the investment program, led to an increase in working capital.

MAIN GOALS AND OBJECTIVES FOR 2016

As part of the investment program, there are a number large-scaled equipment modernization projects planned for 2016 and aimed at increasing the output, reduction of losses of electricity and heat during transmission and improving environmental performance.

In 2016, the Corporation plans to increase power generation by 10.7% compared to 2015 to 7,228 mln kWh, as well as increase heat generation by 2.2% compared to 2015 to 6.408 mln Gcal, which is due to a planned increase in supplying heat in the form of hot water to customers of PAVLODARENERGO.

In 2016, installed electricity generation capacity is expected to grow by 7.7% to 1,203 MW, while installed heat generation capacity should decline by 0.16% to 2,953 Gcal/h due to the launch of turbo generator No.5 and remarking of turbo generator No. 7 at Petropavlovsk CHP-2.

In 2016, the Corporation plans to spend 24 KZT bln on investment projects.

PAVLODARENERGO's CHP-3 will begin reconstruction of turbo generator No. 6 with installed capacity increased to 125 MW up from 110 MW. In 2017, the project should be completed and the turbo generator should enter service. The ash dump construction at Ekibastuz CHP will also continue.

SEVKAZENERGO's Petropavlovsk CHP-2 plans to begin modernization of turbo generator No.5 in order to increase power output to 95 MW up from 33 MW. Furthermore, boiler unit No. 12 will enter service in 2016, increasing the rated steam generation capacity to 270 tons per hour up from 22 tons per hour, which will improve the plant's reliability and efficiency and reduce steam deficits.

A total of 27.9 km of heat networks using pre-insulated pipes should be built in 2016, including 1.8 km in Pavlodar, 18 km in Ekibastuz and 8.1 km in Petropavlovsk, plus, PPU foam insulation will be added to heat pipes with length totaling 5.3 km, including 4.2 km in Pavlodar and 1.1 km in Petropavlovsk.

In 2016, as part of investment programs, a total of 127.6 km of 0.4–10 kV power lines should be built, renovated or upgraded, including 61 km of power lines belonging to North-Kazakhstan REDC, of which 36 km are self-supporting isolated wires, and 66.6 km belong to Akmola EDC; construction and reconstruction of overhead 35–110 kV power lines stretching 89.6 km, including 19.2 km of Pavlodar REDC, 70.4 km of Akmola EDC; reconstruction of 17 substations with voltage of 10-220 kV, including three substations of Pavlodar REDC, two substations of North-Kazakhstan REDC and twelve substations of Akmola EDC.

PROSPECTS OF THE 2020 INVESTMENT PROGRAM

CAEPCO JSC is Kazakhstan's third biggest investor in upgrading and renovation of production facilities. The Corporation plans to invest a total of 192 KZT bln by the end of the 2009–2020 period.

The investment program will focus on three areas:

- Increased output;
- Energy efficiency, including reduction of electricity and heat losses during transmission;
- Better environmental performance.

By 2020, thanks to the program equipment wear at generation facilities will drop from 80% to 56%, with fully renovated production assets making up 65% of all equipment, a 30% increase in installed capacity and a 31% reduction in the amount of harmful emissions. The Corporation will completely eliminate excessive losses.

CORPORATE GOVERNANCE

CAEPCO JSC has an effective and transparent corporate governance framework meeting Kazakhstani and international standards. The purpose of this framework is to create and sustain trustful relationships with investors and shareholders, making the Corporation more attractive for investors.

Data processing center of CAEPCO JSC in Pavlodar

THE BOARD OF DIRECTORS OF THE CORPORATION

includes 3 independent directors. Independent directors has large experience in power industry and make sizable contribution to the management by the joint-stock company, providing assistance in elaborating strategic tasks and supporting necessary mechanics of control.

SHAREHOLDER STRUCTURE

As of December 31, 2015, the share capital of CAEPCO JSC was 46,043,272 KZT thous.

During the reporting period, a number of changes occurred in the equity structure of the Corporation. Three institutional investors became shareholders: they are private equity funds established by Baiterek national management holding.

	Equity structure as of December 31, 2015
Central-Asian power-energy company JSC	57.37%
European Bank for Reconstruction and Development (EBRD) (London, United Kingdom)	24.16%
Kaz Holdings Cooperatief U.A. (Amsterdam, Netherlands)	11.22%
KIF ENERGY S.A R.L.	4.35%
Baiterek Venture Fund JSC	1.45%
CKIF ENERGY S.A R.L.	1.45%

RESULTS OF THE GENERAL MEETING OF SHAREHOLDERS

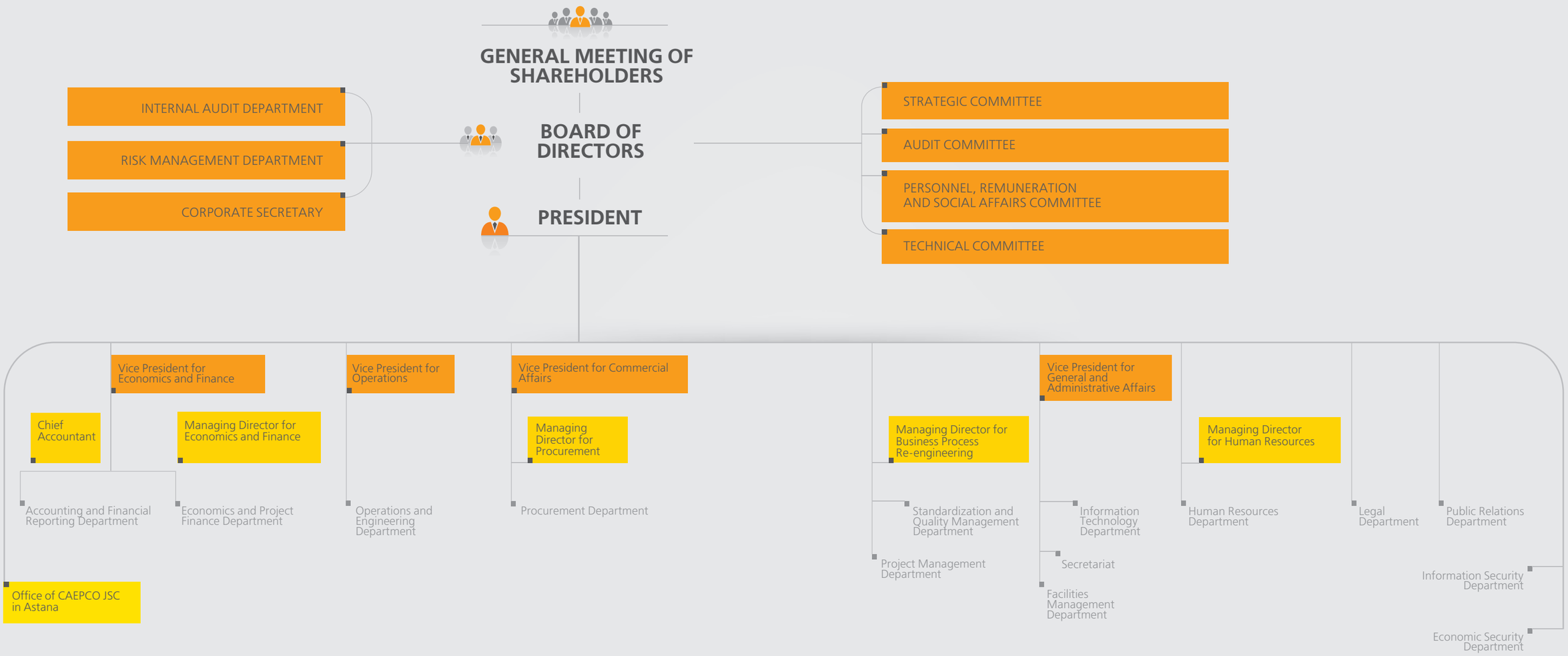
The Supreme management body of the Corporation is the General Meeting of Shareholders. The shareholders' primary way to exercise their rights, as reflected in the Charter of the Corporation, is to participate in annual general meetings of shareholders, as well as in extraordinary meetings announced by the Board of Directors or the executive body.

The shareholders of the Corporation may make suggestions to the agenda of the annual General Meeting, nominate candidates to the Board of Directors and Committees, and convene meetings of the Board of Directors.

In 2015, there were one annual and three extraordinary general meetings of shareholders. The General Meeting of Shareholders focused on the following key issues:

- Approval of the financial statements of CAEPCO JSC and its subsidiaries for fiscal year 2014;
- Approval of procedures for the distribution of the Corporation's net profit for fiscal year 2014;
- Choosing an audit firm to review the financial statements of CAEPCO JSC and its subsidiaries based on the 2015 results;
- Election of the members of the Board of Directors of CAEPCO JSC, PAVLODARENERGO JSC, SEVKAZENERGO JSC and Akmola electricity distribution company JSC;
- Adoption of the corporate governance code of SEVKAZENERGO JSC;
- Adoption of the Board of Directors Statute of SEVKAZENERGO JSC;
- Adoption of the new edition of the Board of Directors Statute of CAEPCO JSC.

ORGANIZATIONAL STRUCTURE



DIVIDENDS

The Corporation's policy regarding distribution, announcement, size, form and timing of dividend payments is set out in the Corporation's Charter and CAEPCO JSC's Dividend Policy.

The main principles of the Corporation's Dividend Policy include:

- Balance between the interests of the Corporation and its shareholders in determining dividend payouts;
- Improving investment attractiveness, financial sustainability, capitalization and liquidity of the Corporation;
- Ensuring market returns on invested capital;
- Respect for and strict observance of the rights of shareholders and improving their prosperity.

The Corporation intends to allocate a certain part of its net income for dividend payouts in the amount that would allow the Corporation to keep enough funds for its further development. The decision on dividend payout is made by the annual General Meeting of Shareholders based on the recommendation of the Board of Directors. In case of any unforeseen negative circumstances affecting the Corporation, the Board of Directors should discourage the General Meeting of Shareholders from dividend payout (distribution).

PAYMENT OF DIVIDENDS

In 2015, the annual General Meeting of Shareholders decided to pay dividends to the shareholders of CAEPCO JSC for fiscal year 2014 in the amount of 2,635,598 KZT thous. Yield per share in 2014 was 71.3266 KZT. As of December 31, 2015, the current book value of one share is 3,465.78 KZT.

BOARD OF DIRECTORS

The Board of Directors of the Corporation determines strategic goals, maintains the necessary operational control mechanisms, including ongoing monitoring and evaluation of business performance. To achieve these goals the Board of Directors is guided by the following principles:

- Peer-review decision making with thorough discussion of issues using reliable and complete information on the activities of the Corporation in accordance with the highest business standards;
- No restrictions on the legitimate interests and rights of shareholders to participate in the management of the Corporation, receive dividend, reports, and information about the Corporation;
- Ensuring a balance between the interests of shareholders of the Corporation and maximum objectivity of decisions serving shareholder interests;
- Providing the Corporation's shareholders with reliable and timely information.

The Board of Directors is composed of independent directors who have no affiliation with the Corporation. The Board of Directors is headed by the Chairperson, who convenes meetings of the Board of Directors and presents their agenda based on recommendations from members of the Board of Directors and Board Committees.

Remuneration for Board members is determined by the decision of the General Meeting of Shareholders of CAEPCO JSC. The total amount of remuneration paid to the Board of Directors in 2015 is 97,785 KZT thous.

MEMBERS OF THE BOARD OF DIRECTORS

ALEXANDR KLEBANOV (1963)
Chairman of the Board of Directors

Chairman of the BoD of CAEPCO JSC, Chairman of the BoD and shareholder of CAPEC JSC
30.06.2004 – Member 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 (1967)
Member of the Board of Directors,
President of the Corporation

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 BoD of Caustic JSC;
22.04.2011 – President of CAEPCO JSC;
25.10.2011 – Chairman of the BoD of SEVKAZENERGO JSC;
25.02.2013 – Chairman of the BoD of AEDC JSC;
13.11.2013 – Chairman of the BoD of NK REDC JSC;
20.01.2014 – Chairman of the BoD of PREDC JSC.

GULNARA ARTAMBAYEVA (1969)
Member of the Board of Directors

President of CAPEC JSC, shareholder and member of the BoD 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 PREDC JSC;
31.03.2004 – Member of the BoD of Eximbank Kazakhstan JSC;
27.04.2007 – Chairman of the BoD of CAPEC Invest SICAV;
16.03.2009 – Member of the BoD of CAEPCO JSC;
07.07.2011 – Chairman of the BoD of Astana Finance Investment House;
22.02.2013 – Member of the BoD of SEVKAZENERGO JSC;
14.11.2014 – Member of the BoD of AEDC JSC.

GRAHAM JOHN WOOD (1951)
Member of the Board of Directors

17.08.2009–01.03.2012 Member of the BoD of Freenergy AS, Tallinn;
26.02.2009–01.04.2013 Member of the Supervisory Board, Chairman of the Audit Committee of ENEA SA, Poznan;
01.11.2008 – Member of the BoD, Chairman of the Audit Committee of West Herts College;
16.07.2012 – Member of the BoD of CAEPCO JSC.

DEVARSHI DAS (1972)
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.

PATRIZIO PALMA (1942)
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.
1997–2012 Director, American Appraisal (AAR), Inc., Moscow, Russia;
27.10.2014 – Member of the BoD, Independent Director of CAEPCO JSC.

FRANZ–JOSEF KAISER (1949)
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
17.11.1975–30.06.2009 Partner at PricewaterhouseCoopers (PWC);
2005–30.06.2009 PWC's Project Partner for RAO UES of Russia;
10.10.2009 – Member of the BoD, Independent Director at CAEPCO JSC.

MANFRED–JOSEF KEHR (1947)
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;
25.02.2011 Chairman of the BoD at Rhein Ruhr Power;
25.10.2011 – Member of the BoD, Independent Director at CAEPCO JSC.

COMMITTEES OF THE BOARD OF DIRECTORS AND THEIR FUNCTIONS

As of December 31, 2015, the Board of Directors of CAEPCO JSC has four committees:

- Audit Committee (founded on February 25, 2010);
- Technical Committee (founded on March 6, 2012);
- Strategic Committee (founded on November 28, 2012);
- Personnel, Remuneration and Social Affairs Committee (founded on March 13, 2013).

The 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 advises the Board of Directors on matters requiring action on its part.

The Technical Committee is a permanent working body of the Board of Directors, ensuring effective participation of its members in the implementation of timely and effective monitoring of the Corporation's investment projects.

The Strategic Committee is a permanent working body of the Board of Directors created to improve corporate governance, implement projects and monitor implementation of the Corporation's strategy. The Committee also assists the Board of Directors in improving the Corporation's planning and operational development mechanisms.

The Personnel, Remuneration and Social Affairs Committee was created to develop and implement a uniform human resources policy for the Corporation and its subsidiaries, elect or appoint candidates for the positions of the head and members of the executive body of the Corporation and its subsidiaries, directors of the Internal Audit Department and Risk Management Department, Corporate Secretary and other bodies and subsidiary units, and also to develop an effective corporate governance system and to enforce its principles.

Audit Committee	Technical Committee	Strategic Committee	Personnel, Remuneration and Social Affairs Committee
Franz–Josef Kaiser, Committee Chairman, Independent Director	**Manfred–Josef Kehr,** Committee Chairman, Independent Director		**Patrizio 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	**Devarshi Das,** Committee member		**Franz–Josef Kaiser,** Committee member

THE BOARD OF DIRECTORS PERFORMANCE OVERVIEW

In 2015, the Board of Directors held 8 meetings. The Board of Directors focused on the following key issues:

- Review of monthly and quarterly management reports;
- Approval of risk appetites of CAEPCO JSC and its subsidiaries for 2015;
- Review of periodic reports from the Risk Management and Internal Audit departments;
- Preliminary approval of consolidated annual audited financial statements of CAEPCO JSC for fiscal year 2014;
- Distribution of net income of CAEPCO JSC in fiscal year 2014 and payout calculation per one common share of CAEPCO JSC;
- Preliminary selection of an audit company for auditing consolidated financial statements of CAEPCO JSC for 2015;
- Amendments and additions to the prospect for the first bond issue as part of the first bond program of CAEPCO JSC;
- Approval of the terms of the second bond issue as part of the first bond program of CAEPCO JSC;
- Conclusion of contracts with independent directors – members of the Board of Directors of CAEPCO JSC;
- Conclusion of the shareholder agreement between CAPEC JSC, CAEPCO JSC, CKIF ENERGY S.A.R.L. and KIF ENERGY S.A.R.L.;
- Conclusion of the project agreement between CAPEC JSC, CAEPCO JSC and Baiterek Venture Fund JSC;
- Election of the Chairman of the Board of Directors;
- Election of the members of the Audit Committee under the Board of Directors;
- Election of the members of the Strategic Committee under the Board of Directors;
- Election of the members of the Technical Committee under the Board of Directors;
- Election of the members of the Personnel, Remuneration and Social Affairs Committee under the Board of Directors;
- Election of observers under the Board of Directors;
- Election of the Corporate Secretary;
- Approval of the consolidated business plan of CAEPCO JSC for 2016;
- Approval of the heat network modernization project for Pavlodar heat networks LLP and Petropavlovsk heat networks LLP;
- Adoption of the 2016–2020 Strategy for CAEPCO JSC;
- Approval of the schedule of meetings of the Board of Directors and its Committees in 2016.

EXECUTIVE BODY

The President is the sole executive body of the Corporation, who is responsible for managing its day-to-day operations and implementing a strategy determined by the Board of Directors and shareholders. The President is guided by the principles of action in the best interests of shareholders, integrity, diligence, reasonableness and vigilance.

Remuneration for the executive body is determined by the decision of the Board of Directors of CAEPCO JSC.

The President's remuneration shall be determined based on the following requirements:

- Remuneration must consist of fixed and variable parts;
- The variable part of remuneration depends on the President's key performance indicators, his or her qualifications and personal contribution to the Corporation's results for a certain period, with a view to motivating the President to show first-class performance;
- Social benefits, guarantees and compensation payments to the President shall be made in accordance with laws and regulations, the Corporation's internal policies and the employment contract.

YERKYN AMIRKHANOV
THE PRESIDENT OF CAEPCO

BRIEF BIOGRAPHY

Started his career at the Institute of Steel and Alloys (Moscow). As of 1997, held senior positions in Kazkommertsbank, Pavlodar oil refinery, Air Kazakhstan and Eximbank Kazakhstan. President of CAEPCO JSC as of April 2011.

Mr. Amirkhanov is a shareholder of Central-Asian power-energy company comprising a number of companies in the energy, financial and other sectors of the economy. He is currently responsible for strategic management of enterprises within the holding.

Yerkyn Amirkhanov was awarded with Kurmet state decoration and commemorative medals to mark the 10th anniversary of the city of Astana and the 20th anniversary of independence of the Republic of Kazakhstan.

INTERNAL CONTROLS AND AUDIT

To improve business processes and the effectiveness of decision making, the Corporation has introduced internal controls procedures which CAEPCO JSC sees as as systematic, integrated into strategic and operational management at all levels and covering all units then they perform their functions.

The Corporation's Internal Audit Department reports directly to the Board of Directors of the Corporation and is supervised by the Audit Committee which monitors decisions and processes to ensure the reliability of financial reporting and coordinate internal controls and risk management procedures.

The Internal Audit Department operates in accordance with an annual action plan approved by the Board of Directors. It presents annual reports, as well as the Department's quarterly progress reports is the Board of Directors and the Audit Committee.

The Department operates in accordance with the International Standards on Auditing (ISA) developed by the Institute of Internal Auditors, 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.

Internal auditors adhere to such principles as integrity, objectivity, confidentiality and professional competence.

The offices of internal audit in the Corporation's subsidiaries operate in accordance with the requirements set by the Internal Audit department and audit methodology and practices adopted in the Corporation. In 2015, the Internal Audit department had a team of 10 auditors: four working in CAEPCO JSC and six in subsidiaries.

In 2015, the Internal Audit department carried out routine audits in CAEPCO JSC Group in the following areas:

- Evaluation of the effectiveness of the internal control procedures for business processes:
  - Inventory accounting;
  - Accounting of fixed assets and intangible assets;
  - Repairs management;
  - Occupational health and safety;
  - Human resources management;
  - Managing the process of issuing specifications.
- Selective inventory audits;
- Evaluation of the effectiveness of CAEPCO's corporate risk management system;
- Monitoring of corrective measures to follow up on the recommendations of the Internal Audit department and Deloitte LLP audit firm;
- Analysis of draft internal regulations, providing recommendations, recruitment.

In 2015, key documents regulating the activities of the Internal Audit department were updated: The Statute of the Internal Audit Department, Internal Audit Policies and Procedures of CAEPCO JSC, job descriptions for auditors.

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT

The Corporation's corporate governance practices in 2015 were fully consistent with the provisions of the Corporate Governance Code.

CAEPCO's corporate governance system regulates interaction between the management bodies, the Corporation's internal controls, shareholders and other stakeholders, ensuring a balance between the interests of all the above parties.

Corporate governance is regulated by the Corporation's internal by-laws and is summarized in CAEPCO's Corporate Governance Code adopted in 2010 by the Board of Directors.

The Code fully complies with laws and regulations of the Republic of Kazakhstan "On joint-stock companies": the document is based on the current international practices in the field of corporate governance and recommendations on the use of corporate governance principles by Kazakhstani joint-stock companies.

The principles of the Corporate Governance Code are aimed at shaping and implementing into the Corporation's day-to-day operations of the norms and traditions of corporate behavior that are consistent with international standards and contribute to creating a positive image of the Corporation in the eyes of its shareholders, customers and employees with a view to exercising the rights of shareholders to the maximum extent possible and improving their awareness about the Corporation's activities, and also to control and reduce the risks, maintain sustainable improvement of the Corporation's financial performance and successful pursuit of its statutory goals.

In 2015, the main principles of the Corporate Governance Code were followed.

KEY PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

Principle overview	Comment
JUSTICE	
Equal treatment of all shareholders, regardless of their equity share and whereabouts, and providing opportunities for the effective protection of 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 Corporation's shareholders, promoting the growth of assets and securing the Corporation's financial stability and profitability. The shareholder rights are enshrined in the Charter and the Statute of the General Meeting of Shareholders of CAEPCO JSC, and comply with the Joint-Stock Companies Act of the Republic of Kazakhstan.
ACCOUNTABILITY	
The Board of Directors of the Corporation reports to its shareholders, executive bodies report to the Board of Directors, while employees report to the management (President of the Corporation). This principle ensures accountability and determines the lines of authority between the Corporation's management bodies, as well as full accountability of the Corporation to its shareholders, which is achieved through the timely provision to the shareholders of accurate and complete information about the current financial situation of the Corporation.	This principle of the Corporate Governance Code is followed through the introduction of the Corporation's organizational structure in accordance with the Charter and the Joint-Stock Companies Act of the Republic of Kazakhstan. The principle of accountability is manifested in every resolution of the management body/structural unit, which allows to determine the lines of authority between the management bodies of the Corporation.
RESPONSIBILITY	
Responsibility of the Corporation to its shareholders, employees, customers and partners, close cooperation with them in order to grow the assets of the Corporation, improve its stability and reliability. This principle determines the ethical standards for the Corporation's shareholders and employees, as well as outlines the liability of the Corporation's officers for their illegal and wrongful actions or inaction, as provided by the current legislation.	Conduct comprising business relationship standards in four areas: • Business and professional ethics • Organizational ethics • Corporate governance • Corporate social responsibility The Code of Business Conduct is a set of guidelines and principles followed by the Corporation employees when using the principles of business ethics in their work. CAEPCO JSC has developed and adopted an action plan for interaction with stakeholders, based on which the Corporation prepares an annual progress report.

Principle overview	Comment
TRANSPARENCY	
Timely disclosure of accurate information about all material facts relating to the Corporation's activities, including its financial situation, performance, ownership and management structure, in the amounts prescribed by the legislation and internal policies, as well as ensuring the free access of all interested parties to such information by publishing it so as to make it easily accessible to the public, as provided by the legislation and the Corporation's internal policies.	The mechanism of how the principle of transparency should be implemented is best explained in the Information Policy of CAEPCO JSC.
ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY	
The Corporation treats the environment responsibly and rationally, operating as a socially responsible business.	CAEPCO JSC has developed and adopted an action plan on environmental and social initiatives, guiding the Corporation's policy in the field of environmental protection and the social responsibility. Starting from 2015, the Corporation has been publishing corporate social responsibility reports.
EFFECTIVENESS	
The Corporation's President and its Board of Directors must ensure that the Corporation is managed in a sensible and responsible manner, promoting steady improvement of its financial performance, growth of shareholder wealth, effective human resources policy, employee training and development, motivation and social security.	The principle of effectiveness is guided by the Statute of the President and the Statute of the Board of Directors of the Corporation. The President is the sole executive body, responsible for managing day-to-day operations and implementing the strategy determined by the Board of Directors and Shareholders. The goals of the Board of Directors are to ensure the availability of a well-thought-out and long-term strategy, grow the Corporation's assets, ensure operational efficiency, enforce the rights and legitimate interests of the shareholders and control the executive body.
CONTROLLABILITY	
Control over financial and business activities of the Corporation to protect the rights and legitimate interests of its shareholders, supervision of senior managers over junior managers in accordance with the policies and procedures approved by the Board of Directors of the Corporation, as well as the efficient use of internal and external auditors along with the introduction of an effective risk-based internal controls system.	Control over financial and business activities of the Corporation is the responsibility of the President of CAEPCO JSC in accordance with the provisions set forth in the internal policies. The Corporation has an Audit Committee acting is an advisory body of the Board of Directors of CAEPCO JSC, whose goal is to assist the Board of Directors in monitoring the decisions and processes, ensuring the reliability of financial reporting.

RISK MANAGEMENT

One of the important priority of CAEPCO JSC for the long perspective is minimization of economic, social, environmental and other risks. Timely and comprehensive analysis of risks in the management by the Corporation allows to adopt optimal decisions in terms of expenses and losses as well as to increase efficiency and sustainability of subsidiary organizations operations.

IN 2015

to reduce human resources risks, PROFENERGY project was developed by the Corporation aimed at employee development, retention of key personnel and attraction of young specialists.

The Corporation has an enterprise risk management (ERM) system aimed at identification, assessment and monitoring of all significant risks, as well as risk minimization with the internal control standards (ICS) established.

To improve its corporate practices, the Corporation is guides by the 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).

The Risk Management department reports to the Board of Directors of the Corporation. The department operates based on the annual work plan approved by the Board of Directors.

In 2015, the Risk Management department conducted the following major activities:

- Analysis and testing of the ICS efficiency in business processes:
  - Maintenance and repairs management,
  - Managing the process of issuing specifications for connection to heat and power networks,
  - Management of environmental protection;
- Updating the Corporation's Risk Register and Risk Mapping;
- Monitoring the activities aimed at improving the ICS framework and risk management practices.

ANALYSIS OF SIGNIFICANT RISKS AFFECTING THE PERFORMANCE OF CAEPCO JSC

Based on the results of updating the Corporate Risk Register and Risk Mapping of the Corporation, which occurred in 2015 in accordance with the approved Risk Management Policy, risks associated with excessive heat losses and non-performance of contractual obligations by contractors/suppliers have moved from critical to significant. At the same time, human resources and currency risks have moved from significant to critical.

Migration of risks during 2014–2015 on CAEPCO JSC's risk mapping

Risk	2014	2015	Status
EXCESSIVE HEAT LOSSES			↘
NON-PERFORMANCE OF CONTRACTUAL OBLIGATIONS by contractors/suppliers			↘
CURRENCY RISK			↗
HUMAN RESOURCES RISKS			↗

OPERATIONAL RISKS

In 2015, in accordance with the classification and level of criticality based on Risk Register and Risk Mapping, the Corporation's operational risk management focused on the following areas:

- Issuing specifications for connection to heat and power networks (risk – delayed issue/non-issue of specifications);
- Maintenance and repairs (risk – failure to meet the deadlines of the repair campaign);
- Human resources management (risk – loss and shortage of qualified/key personnel).

In order to control the risks related to issuing specifications for connection to heat and power networks, as well as to reduce the risk of fraud and ensure the timely issue of specifications in accordance with the internal controls system, the business process called "Management of the process of issuing specifications for connection to heat and power networks" has been analyzed. As a result, a decision was made to create a Customer Service Center in PAVLODARENERGO JSC. Automating the processing of paperwork for the issue of specifications by the entities of the Corporation is currently under consideration, also the websites of affiliated organizations are being filled with information on the workload of the power supply areas, also opportunities for filing applications online and load calculation by customers are currently under review.

To control the risks associated with contractors involved in renovation projects, the Corporation's contractual activities have been analyzed, including internal controls procedures for maintenance and repairs management. Based on the results obtained, the internal policies and procedures for working with contractors were reviewed, contract templates were developed, providing stronger control and accountability for timely and proper performance of works related to construction, modernization and repair of equipment.

To reduce human resources risks, PROFENERGY project was developed by the Corporation in 2015 aimed at employee development, retention of key personnel and attraction of young specialists.

FINANCIAL RISKS

Liquidity risk. The Company is exposed to liquidity risk, including inability to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining appropriate levels of reserves, bank loans, confirmed lines of credit and working capital funds through constant monitoring of the Corporation's net debt, taking into account the projected financial situation, forecasted and actual cash flow and future CAPEX commitments.

Risk of higher prices for equipment, raw materials and supplies. The Corporation is exposed to the risk of higher coal prices, since the equipment at CHP plants was designed for a particular type of coal purchased from the same source. However, the Corporation's capability to monitor this risk and the extent of its impact on the operating profit are protected by the government's coal price regulation, with price hikes compensated by means of emergency regulatory measures.

Market risks. The Corporation is exposed to currency and interest rate risks. The Corporation has substantial obligations denominated in USD. To manage the risk associated with changes in the USD's exchange rate, the Corporation monitors any changes in the exchange rate. In 2015, CAEPCO JSC did not resort to hedging its currency risks because of the lack of financial derivatives on the Kazakhstani market. In this regard, the Corporation uses natural hedging by placing idle funds on deposits denominated in USD, as well as monitoring the effectiveness of long-term investment programs.

The Corporation is sensitive to interest rate volatility, as it has floating-rate debt.

The interest rate on the EBRD loans is based on KazPrime and LIBOR interbank rates. The fact that its liabilities are long term allows the Corporation to hedge this risk group naturally, as loans were made as an investment.

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

CAEPCO JSC has a highly diverse customer base represented by various segments of the economy, which helps to mitigate credit risks.

LEGAL RISKS

Violation of environmental regulations is a significant risk that is identified by the Corporation management as one of the legal risks. In order to control environmental risks and to reduce harmful emissions, CAEPCO JSC has reviewed the effectiveness of control procedures at its facilities to ensure compliance with ISO 14001 international environmental management standard adopted in the subsidiaries of the Corporation. Based on the ICS analysis, recommendations have been given to all facilities of the Corporation on how to develop a uniform environmental policy aimed at reducing environmental risks, setting medium- and long-term goals in the field of environmental protection and preparing programs for their achievement.

SUSTAINABLE DEVELOPMENT

CAEPCO JSC realizing its social responsibility among consumers, state, investors and society adheres to sustainable development conception. Based on high consequence of its operations CAEPCO JSC implements complex of activities aimed at expansion and increase of efficiency of interaction with all stakeholders.

SINCE 2009

within the frames of the investment program in accordance with EBRD policy, the Corporation prepares the Environmental and Social Action Plan (ESAP). Activities of the ESAP aimed to enhancement of environmental parameters of production and safety policy and labor protection at CAEPCO JSC enterprises.

The strategic goal of CAEPCO JSC is to build a leading private energy company strictly complying with the established principles of sustainable development such as provision of high-quality services to customers, compliance with the international industrial and environmental standards, improvement of corporate governance, carrying out an anti-corruption activity.

MATERIAL ASPECTS AND BOUNDARIES

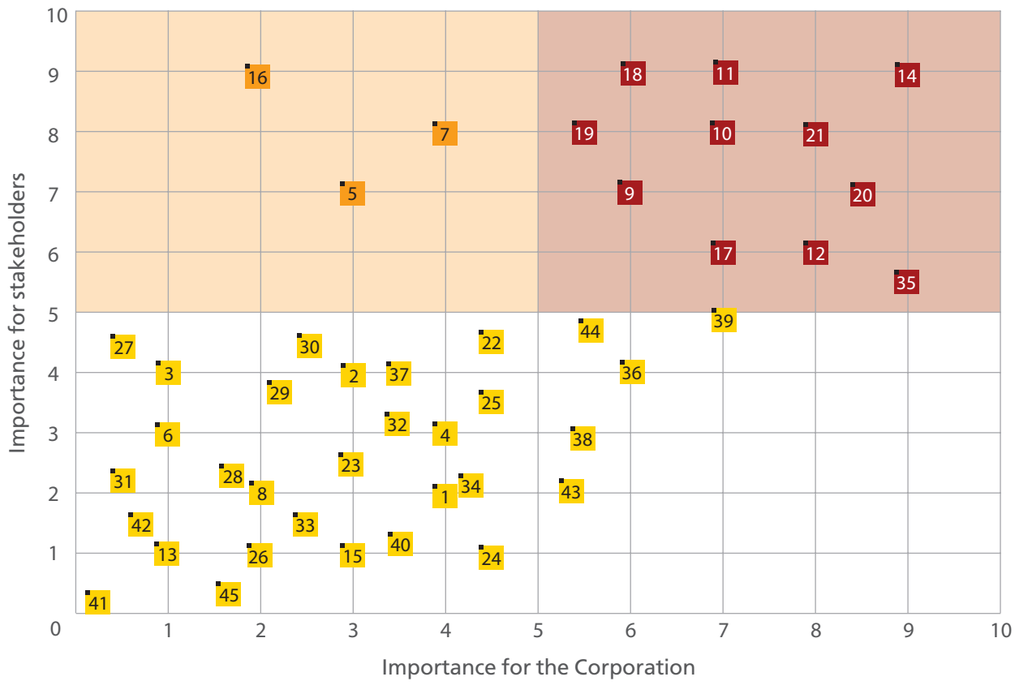
In accordance with the Principles for Defining Report Content of the GRI G4 Guidelines the materiality of the topics disclosed in the Report was assessed. The procedure of materiality assessment includes the following main stages:

Phase 1. Identification of a maximally wide range of potentially important topics related to sustainable development based on the GRI G4 Guidelines.

Phase 2. Analysis of the degree of impact of the indicated topics within the Corporation and outside of it. Topics for further disclosure were selected taking into consideration stakeholders engagement. Priority of topics from the point of view of their impact on the activity of the Corporation and its development strategy was also analyzed.

Phase 3. In accordance with the opinion of stakeholders and the strategic plans of the Corporation, key topics were ranked in order to place priorities on the created Materiality Map. Average score was attributed to each Aspect of activity depending on its impact on the Corporation (horizontal axis) and its stakeholders (vertical axis). The highest priority was set for the Aspects located in the red zone – during preparation of the report priority attention was given to them. Also the Aspects of the orange zone were partially disclosed.

Phase 4. As a follow-up to the report's issue, feedback will be requested in order to improve relevance of the Materiality Map in future reports of the Corporation.



LIST OF ASPECTS

No.	Aspects
1	Economic Performance
2	Market Presence
3	Indirect Economic Impacts
4	Procurement Practices
5	Materials
6	Energy
7	Water
8	Biodiversity
9	Emissions
10	Effluents and Wastes
11	Products and Services
12	Compliance
13	Transport
14	Overall
15	Supplier Environmental Assessment
16	Environmental Grievance Mechanisms
17	Employment
18	Labor/Management Relations
19	Occupational Health and Safety
20	Training and Education
21	Diversity and Equal Opportunity
22	Equal Remuneration for Women and Men
23	Supplier Assessment for Labor Practices

No.	Aspects
24	Labor Practices Grievance Mechanisms
25	Investment
26	Non-discrimination
27	Freedom of Association and Collective Bargaining
28	Child Labor
29	Forced or Compulsory Labor
30	Security Practices
31	Indigenous Rights
32	Assessment
33	Supplier Human Rights Assessment
34	Human Rights Grievance Mechanisms
35	Local Communities
36	Anti-corruption
37	Public Policy
38	Anti-competitive Behavior
39	Compliance
40	Supplier Assessment for Impacts on Society
41	Customer Health and Safety
42	Product and Service Labeling
43	Marketing Communications
44	Customer Privacy
45	Compliance

STAKEHOLDER ENGAGEMENT

An important item of the sustainable development system is stakeholder engagement. Principles of stakeholders' identification and selection are governed by a regional aspect. The parties that can be affected by activity of the Corporation are identified based on their territorial belonging to the regions where the Corporation operates. During preparation of the Report management of CAEPCO JSC was snap polled and based on results of the poll a Corporation stakeholders ranking map was prepared and analyzed. Primarily cooperation is established with those stakeholders that significantly affect activity of the Corporation and those that can significantly affect it in medium term if the Corporation implements its strategic initiatives. In addition to the impact of the Corporation's activity on stakeholders was taken into consideration. **G4–SO1**

Key Stakeholders	Engagement Process	Issues Raised
Employees	Ensured via corporate newsletters and websites. There are special e-mail boxes and phone hotline for the employees. Corporation management holds meetings with employees. Labor disputes are resolved by the Conciliation Commissions with participation of representatives of both the employer and the employee.	• Occupational health and safety; • Corporation's activities communication; • Support in professional development.
Local Communities	The Corporation has systemized its communications with the customers; feedback is arranged via websites and e-mail. Public hearings, round tables and other events are held.	• Processing and approval of applications for the tariffs of monopolistically regulated services; • Implementation of the investment program; • Quality of rendered services, monitoring of compliance with customers' requirements.
Governmental and Regulatory Authorities	Requests from governmental and regulatory authorities are processed: some requests are answered, while others are limited to fact-finding. Employees of the Corporation participate in specialized meetings and consultations. Visits of official delegations are arranged.	• Mitigation of the negative impact of industrial facilities operations on the city and the region; • Ensuring preparation for a heating season; • Performance of investment commitments; • Compliance with the law, including environmental and nature-protection requirements.
Suppliers, Contractors, and Customers	Tender processes, meetings with contractors and customers are held. Corporate web-site provides special feedback section.	• Creation of a mutually beneficial partnership; • Ensuring transparency of tender process.
Educational Institutions	Meetings with representatives of the higher education institutions of the regions are held in the Company's presence regions. Employees of the Group Companies participate in admission boards, qualification commissions and accreditation of educational programs.	• Staff recruitment for the companies; • Internship and jobs for graduates.
Mass Media	The Corporation on annual basis arrange press tours, media briefings, press conferences, circulate press-releases and provide explanations on the informational requests.	• Establishing mutual cooperation; • Communication on implementation of the investment program for modernization and renovation of assets; • Compliance with environmental standards; • Implementation of social projects.

Key Stakeholders	Engagement Process	Issues Raised
Non-governmental organizations (NGO)	NGO's representatives are regularly invited to participate in the press tours and public hearings held throughout the year. Employees of the Corporation participate in the public hearings with representatives of small and medium business. Meetings are held with leaders of NGOs that support socially vulnerable people, with participation of representatives from consumer right protection associations.	• Assistance in addressing environmental and social issues.
Trade Union	Interaction with trade unions is maintained by arranging meetings and handling the requests received in the course of activities.	• Compliance with the collective labor agreement; • Assistance in arrangement of leisure time and recreational activities for the employees.

ENVIRONMENTAL POLICY

ENVIRONMENTAL IMPACT MANAGEMENT*

G4–DMA

Environmental protection, consistent improvement of environmental performance and energy efficiency are key strategic priorities of CAEPCO JSC and an integral part of the sustainable development process. In 2015 the Group of Companies generated 6,529.3 mln kWh of electric energy and 6.3 mln Gcal of heat energy. For energy generation 6,016.6 thous. tons of Ekibastuz coal and 8.8 thous. tons of mazut were consumed. **G4–EN1**

In order to minimize environmental impact the CAEPCO JSC Group of companies consistently implements the environmental policy provided for by the Strategy of Corporation's Development in order to comply with the requirements of the environmental law and use the latest achievements in science and technology.

Priority directions in the environmental activity of CAEPCO JSC are based on key impacts of its subsidiaries – PAVLODARENERGO JSC and SEVKAZENERGO JSC – on the environment. These impacts include:

– emissions of pollutants into the atmosphere;
– emissions of greenhouse gas (CO_2) into the atmosphere;
– impact on water bodies by water consumption and water discharge;
– industrial wastes disposal.

* All quantitative environmental data is provided under the "generation" block due to its significant impact on the environment.

Significant environmental aspects are managed through regular monitoring of environmental performance, assessment of compliance with the legislative and corporate requirements. The Environment, health and safety department of CAEPCO JSC is in charge of controlling, accounting and analysis of the above mentioned environmental impacts of the subsidiaries.

Communication on environmental protection related activity is established by publishing of Environmental Policy and Regulations, Sustainable Development, Environmental and Social Responsibility Reports on the websites of the Corporation and its subsidiaries.

The subsidiaries also communicate to their contractors the applicable legislative and normative requirements by including such requirements in agreements, specifications and requirements for contractors.

The Corporation intends to do its best to prevent a negative environmental impact and implement operating methods complying with the requirements of the ISO 14001 international standard in all spheres of its activity.

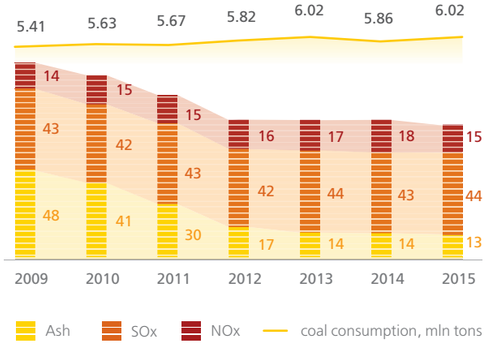
Starting from 2009 the Corporation has been implementing an Environmental and Social Action Plan (ESAP) as a part of its Investment Program and in accordance with the Environmental Protection Policy of the European Bank for Reconstruction and Development in regard of the EBRD-financed projects. Actions of the Environmental and Social Action Plan are aimed at the improvement of the environmental attributes of the production process, as well as of the Health and Safety Policy in the companies of CAEPCO JSC. Within the frameworks of the ESAP the Corporation provides a public report on an annual basis. Starting from November 2014, as a part of implementation of the program of AEDC's electrical distribution system modernization and expansion funded by the Asian Development Bank (ADB), the Corporation is implementing an Environmental and Social Management System (ESMS) in accordance with the ADB's Safety Mission Statement (2009, ADB's SMS) and other social policies of the Bank, such as the Social Protection Strategy (2001), the Gender Equality Policy (1998) and the Public Relations Policy (2011) with regular submission to the ADB of the reports on environment and social sphere monitoring in regards of the AEDC's projects related to modernization and expansion of electrical distribution networks. These projects are aimed at enhancement of reliability of the network, reduction of losses and downtime minimization through better infrastructure.

ATMOSPHERIC AIR PROTECTION G4–EN27

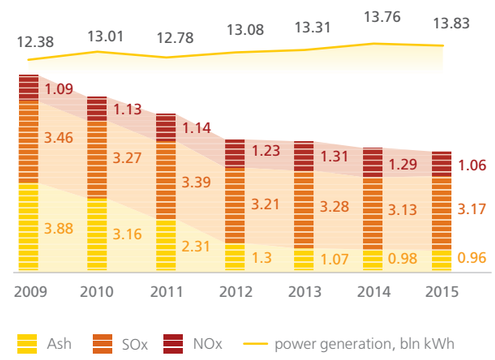
Replacement of the obsolete generating facilities having low energy and environmental efficiency by the new facilities complying with modern environmental protection requirements has the highest impact on emissions reduction by the Corporation. To improve its environmental performance since 2009 to 2014 as part of the investment program the Corporation conducted a reconstruction of the fly ash collectors (FAC) at all boilers of its power plants; combustion gas purification efficiency after installation of emulsifiers achieved 99.5% vs. 95.8%. This action allowed reducing total annual coal ash emissions from 48 thous. tons to 13.2 thous. tons per annum (72%).

G4–EN21

Gross pollutant emissions in 2009–2015, thous. tons



Specific pollutant emissions in 2009–2015, mg/mWh



MITIGATION OF ENVIRONMENTAL IMPACTS, ENVIRONMENTAL MEASURES

In 2015 the following main actions were implemented to mitigate environmental impacts:

– replacement, reconstruction and modernization of main equipment ensuring efficient removal, disposal, neutralization, rejection and decontamination of pollutants in the gas from pollutant emission sources, reduction of energy consumption for internal needs, better accounting of fuel consumption, reduction of specific fuel indicators per a unit of generated product;
– capital and current repairs of dedusting units (repair of worn-out parts of fly ash collectors (FAC) and gas ducts, maintaining FAC's performance at the designed level of 99.5%, repair and replacement of aspirators (3 pcs.);
– a number of actions for reconstruction of boilers (dismantling of obsolete boilers with high concentration of hazardous substances in combustion gas, replacement of burners), which resulted in reduction of hazardous substances emissions into the atmosphere;
– current repairs for maintaining main equipment operation in compliance with the Technical Regulations of the RK (No. 1232 dated 14.12.2007);

– installation of an automated process control system (APCS) at boilers of power plant No. 2 of PAVLODARENERGO JSC and turbine unit K-63-90 No. 1 of SEVKAZENERGO JSC.

GREENHOUSE GAS (CO_2) EMISSIONS G4–EN15

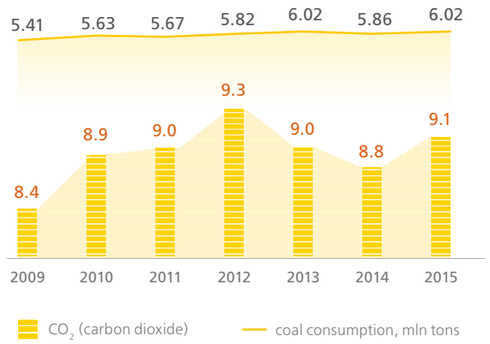
After the Kyoto Protocol entered into force for the Republic of Kazakhstan on 17.09.2009, the Corporation arranged work for preparation to carrying out the inventory of greenhouse gas emissions and ozone depleting substances consumption.

For greenhouse gas monitoring in accordance with the guideline regulatory documents a calculation method is used; it provides for accounting of emissions from normal (regular) production activity, special practices (commissioning works, process shutdown, repair and maintenance) and emergencies. On March 26, 2011 a loan agreement for a total amount of 40 mln USD between the heat network of CAEPCO JSC and the European Bank of Reconstruction and Development (EBRD) with attraction of investments from the Clean Technology Fund (CTF) was signed. The project of total amount of 50 USD mln aims at reconstruction and modernization of district heating networks during the period 2011–2015 in Pavlodar, Ekibastuz and Petropavlovsk in order to improve energy efficiency, reduce losses and improve environmental performance (reduction of CO_2 emissions due to the savings in the coal consumption what is conditioned by decrease of heat losses during transmission over pipelines). Thus, gross CO_2 emissions reduction in 2015 vs. 2010 was 279 thous. tons on an cumulative basis or 4% on specific emissions basis.

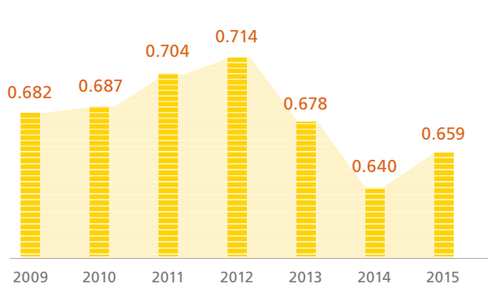
An additional management tool for greenhouse gas reduction is an energy saving program and the improvement of overall fuel efficiency associated with increase in the share of the energy generated by new power generating units, as well as implementation of the ISO 50001 Energy Management Systems standard (energy saving actions) at the companies; these actions aim at both increase of energy efficiency of production processes and reduction of greenhouse gas emissions. Thanks to implementation of actions of this program, reduction of greenhouse gas emission by 86.854 thous. tons of CO_2 was achieved in 2015. **G4–EN19**

G4–EN18

CO_2 gross emissions in 2009–2015, mln tons



Specific CO_2 emissions per a unit of generated energy in 2009–2015, ton/MWh



ENVIRONMENTAL EXPENDITURES

In order to improve efficiency of environmental activity the Group of Companies increases financing of environmental actions. Total amount of the expenditures in 2015 was 8,100.2 KZT mln that is 18% more than in 2014 (6,874.3 KZT mln). For all new construction and reconstruction projects an Environmental Impact Assessment (EIA) project is prepared; its information is communicated to local communities and stakeholders through public hearings. To confirm compliance with the environmental standards of the Republic of Kazakhstan all projects pass state environmental examination in the territorial environmental regulatory authorities.

In 2015, the state authorized bodies found no significant violations of the environmental law and other regulations in the environmental activity of the subsidiaries **G4–EN29**

G4–EN31 Environmental expenditures, KZT mln

Ref. No.	Expense name	Expense amount, KZT mln		
		2013	2014	2015
	CAEPCO JSC	7,698.1	6,874.3	8,100.2
	PAVLODARENERGO JSC			
1	Investment expenditures	3,363.6	2,581.5	2,735.8
2	Expenses for capital repair of fixed assets intended for nature protection purposes	129.6	4.7	788
3	Current expenses	915.6	925.8	1,152
	SEVKAZENERGO JSC			
1	Investment expenditures	2,999.9	2,911.7	3,000
2	Expenses for capital repair of fixed assets intended for nature protection purposes	259.5	212.9	131.5
3	Current expenses	29.9	237.7	292.9

WATER MANAGEMENT AND WATER RESOURCES CONSERVATION G4–EN8

Water resources use is an integral part of production process of the companies and it plays a key role in the process of equipment cooling. For energy production process the Petropavlovsk CHP-2 have to use water from the pond created in 1959–1961 partially within the boundaries of the Bolshoye Beloye lake (8 km away from the city); this lake does not belong to the protected nature sites or the sites of national and/or international significance, and it is not valuable from the point of view of biodiversity. In accordance with the design data, surface area of the cooling pond is 10 km^2, volume of water at full reservoir level is 20.187 mln m^3, the pond is used at 130–131 m level that corresponds to the volume of 15.3 mln m^3. Laboratory of SEVKAZENERGO JSC arranged a production monitoring of hydrochemical parameters of water and the water bodies where water is discharged. Composition and pollution rate of discharged waters is controlled by a specialized accredited laboratory on a weekly basis.

Companies of the Group have drinking water supply systems, as well as storm and domestic sewerage systems. Water for domestic, drinking, fire-fighting needs is supplied and discharged in a centralized manner, via city water supply and sewage networks based on an agreement. Production water supply system is a closed-circuit water system.

In 2015 the Group of Companies consumed 540,137.6 thous. m^3 of water for water supply, main part of that was water of the closed-circuit water system. During the reporting period water discharge was 469.15 thous. m^3.

Among the most important environmental activities related to water use and water discharge implemented in 2015 we would like to highlight the following:

– modernization of industrial water closed-circuit systems, water recycling, system preventing contamination and depletion of water resources (current repair of 3 drainage pumps and maintenance of 2 deep-well pumps were performed);
– monitoring of qualitative and quantitative characteristics of water (water was analyzed in accordance with the approved schedule);
– repair of pipelines, stop and control valves for industrial, service and drinking water;
– replacement and repair of stop valves of pipelines for technical water, fire-fighting water supply and heating.

Biological diversity is the most impacted by water development facilities of power plants – in water intake areas there is a risk of mass mortality of hydrobionts. In order to mitigate this risk a number of actions related to equipment of water intake areas with fish protection structures and control of their operation are carried out:

– actions for improvement of qualitative composition of discharges water, improvement of efficiency of effluent treatment facilities (cleaning of the installed Rubezh 45 floating booms) are carried out on an annual basis;

– for improvement of biological state of the lake part of discharge channel, bottom cleaning works are carried out on an annual basis for water temperature reduction and water aeration.

G4–EN9, G4–EN10 Total water consumption by sources, thousand m³

Indicator	2013	2014	2015
Total water used, including:	611,861.9	582,477.8	540,137.6
from surface-water bodies	14,308.8	11,561.7	11,032.3
from third-party suppliers	24,158.3	24,038.4	24,873.3
from closed-circuit water systems	558,207.5	532,370.4	490,700.9
from water reuse	13,208.4	14,507.2	13,531.1

Volume of discharged waste water, thousand m³ (discharged to third parties)

Indicator	2013	2014	2015
Total waste water generated	525.86	504.07	469.15
Separated to third party organizations	525.86	504.07	469.15

EFFICIENT MANAGEMENT AND DISPOSAL OF PRODUCTION WASTES G4–EN23

Ash wastes, which represent 99% of the total amount of wastes, are stored in specially equipped water development facilities of plane type – ash dumps. Compliance with the environmental law of the Republic of Kazakhstan during creation of new reservoirs for ash wastes storing allows to prevent environment contamination by ash production wastes and ensure stable operation of CHPs. Total volume of wastes generation at companies of the Group in 2015 amounted to 2,452 thous. tons, including 2,437 thous. tons of ash wastes, 14,4 thous. tons of industrial and domestic wastes. Increase in waste generation by 48.64 thous. tons vs. 2014 is due to increase of share of ash wastes of the green hazard list.

Efficient management of ash dumps and gradual increase of share of ash wastes efficient use is one of the key areas of waste management activity of the Group of Companies. Thus, in 2015 based on concluded agreements 14,240 tons of ash wastes (fly ash light fraction) were sold for usage in road construction.

The most important actions of 2015 related to wastes management were aimed at improvement of industrial and environmental safety of ash dumps and other waste disposal facilities:

– construction of the 2nd section of ash dump at CHP-3 (PAVLODARENERGO JSC);
– recultivation of the 1st section of ash dump at CHP-3 (PAVLODARENERGO JSC);
– construction of the 2nd section of ash dump at CHP-2 (PAVLODARENERGO JSC);
– construction of the 2nd section of ash dump at Ekibastuz CHP (PAVLODARENERGO JSC);
– recultivation of ash dump No.3 (SEVKAZENERGO JSC);
– management of sites for storage of the wastes generated during modernization and construction of power facilities (preparation of sites, installation of containers).

During construction of new ash disposal pits an innovative technology of impervious screen in ash dump bed – Canadian polysynthetic geomembrane – was used. Use of the special film – geomembrane – allowed to achieve 100% water proofing. It is a reliable and durable impervious screen ensuring protection of soil and ground water against contamination due to the chemical components contained in clarified water of the hydraulic ash removal (HAR) closed-circuit system.

Total weight of generated wastes, thous. tons

Indicator	2013	2014	2015
Ash wastes	2,522	2,389	2,437
Other types of wastes	9.6	14.08	14.4

Wastes by hazard levels, thous. tons

Indicator	2013	2014	2015
Wastes generation:	2,532	2,403	2,452
Green list	2,530	2,402	2,451
Amber list	1.312	1.311	1.20

Wastes by method of handling, thous. tons

Indicator	2013	2014	2015
Wastes generation	2,532	2,403	2,452
including ash wastes	2,522	2,389	2,437
Wastes used at the company	3.3	3.1	1.9
Wastes decontaminated	0.019	0.018	0.009
Wastes transferred to third parties	5.69	10.9	12.7
Wastes disposed at company's own sites	2,524	2,390	2,424
including ash and slag wastes	2,522	2,389	2,423

ENVIRONMENTAL MANAGEMENT SYSTEM

Subsidiaries of the Group of Companies were among the first in Kazakhstan that obtained a certificate of compliance with the ISO 14001 international environmental management standard.

Availability of the environmental management system that is developed, well-functioning and certified for compliance with the ISO 14001 Series is an important indicator of a systematic, efficient work in the sphere of environmental protection, contributing to the improvement of Corporation's competitiveness, increase of market value of shares, creation of a positive image in relations with external stakeholders.

During the reporting period the TÜV Rheinland Inter Cert company (leader in the independent examination and certification industry) carried out supervisory and re-certification audits of compliance of the subsidiaries of CAEPCO JSC with the international standards ISO 14001 (Environmental Management System), ISO 9001 (Quality Management System), OHSAS 18001 (Occupational Health and Safety Management System), ISO/IEC 17025:2005 (General requirements for the competence of testing and calibration laboratories), ISO/CD 50001 (Energy Management System). As a result, the companies achieved Integrated Management System (IMS) certification, confirmed that their system is robust, efficient, and focused on improvement.

Akmola electricity distribution company JSC plans to implement and obtain international certificates of compliance with ISO 9001, 14001, 18001 and 50001 standards in 2016–2017 and together with other subsidiaries of the Corporation continue fulfillment of commitments to comply with the ISO international standards, confirm, and extend earlier obtained certificates on an annual basis.

GRIEVANCE MECHANISM G4–EN34

The subsidiaries of the Corporation that work directly with customers and the society keep records of submitted complaints and grievances as follows:

– hotline;
– recording of grievances of individuals and legal entities in special log books;
– audio recording and keeping records for 30 days (all appeals are considered, replied in written with adopting necessary measures);
– holding public hearing with population of the city region with participation of mass media (local TV-channels) and publishing information in local print press prior to implementation of the projects related to modernization and reconstruction of power facilities;
– questioning customers in order to find out their satisfaction/dissatisfaction with the performance of employees of the customer service center (CSC);
– daily receiving claims from customers concerning insufficient heating supply by phone and in written;
– for improvement of the grievance mechanisms, on the official websites the following columns were created: "Customer Service Headquarter", "Anti-corruption", "Questions-Answers", "Feedback"; they are used to receive the grievances submitted by external stakeholders, published in mass media, posted in blogs of city and region Akimats' management, received through monitoring of the information field in external environment;

During the reporting period the Corporation received 64,144 appeals from customers, 773 of them were of "complaint" type or mentioned negative fact, including 383 grievances received via hotline. All appeals were replied, all grievances considered, actions were taken to remedy negative consequences. In 2015 no grievances related to the environmental impact were received.

INFORMATION POLICY

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

The Information Policy is aimed at efficient interaction with various public groups, including:

- Government and regulatory authorities;
- Mass Media;
- Shareholders and investors;
- Customers and partners;
- Employees and trade unions;
- Non-governmental organizations (NGOs).

In 2015 CAEPCO JSC Group of companies was regularly communicating information about its activities to the above-listed public groups by updating the official websites of the Corporation and its subsidiaries, making publications in mass media, providing responses to the requests, and arranging public hearings, press tours, round tables and other events.

In 2015 actions of the Stakeholder Engagement Plan (SEP) were implemented by the Corporation in compliance with the policy of the European Bank for Reconstruction and Development. As a follow-up of the plan implementation, a public report was posted on the official websites of the Corporation and its subsidiaries, disclosing information about the activities aimed at stakeholder engagement. The main objectives of this information 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 the information that is required for making an informed decisions or undertaking any other actions that could affect the financial and economic performance of the Corporation, as well as any other information contributing to a comprehensive understanding of the corporate activities;
- ensuring the availability of public information about the Corporation for all the stakeholders;
- increasing transparency and confidence in relations between the Corporation and its shareholders, potential investors, market participants, governmental authorities and other stakeholders;
- improvement of corporate governance within the Corporation;
- creation of a favorable image.

The Corporation adheres to the following principles of information disclosure:

- ensuring the completeness and accuracy of the disclosed information;
- promptness in the disclosure of all significant facts of its activities;
- regularity and timeliness in disclosing information about the Corporation;
- relevance of information;
- ensuring a high level of protection for the commercial, professional and other confidential information, protected by the law of the Republic of Kazakhstan;
- maintaining a reasonable balance between transparency of the Corporation and compliance with its commercial interests;
- information support for the managerial decision-making;
- communicating to employees of the Corporation and its subsidiaries a relevant, timely, complete, accurate and objective information through various informational channels, including the corporate websites and corporate publications;
- preventing loss, leakage and distortion of information;
- informational countermeasures in case negative messages arise.

HUMAN RESOURCES AND SOCIAL POLICY

HUMAN RESOURCES MANAGEMENT POLICY

Human Resources Policy of CAEPCO JSC is a comprehensive system of interaction with employees to achieve strategic goals of the Corporation.

The objective of the Human Relations Policy of CAEPCO JSC is building up a company with an efficient corporate governance system, providing opportunities for maximizing employees potential.

The corporation is strengthening its Human Relations Policy by engaging professional employees of various level, retaining highly qualified employees, providing continuous professional training and development for employees, opening up opportunities for professional growth of initiative young employees, creating a talent pool and managing talents.

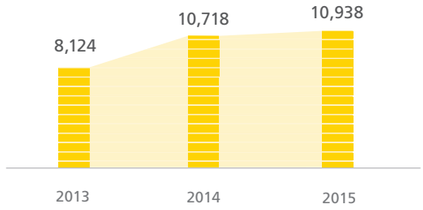
The Human Rights Policy of the Corporation is based on the following principles:

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

EMPLOYEE HEADCOUNT AND QUALITY

Payroll headcount of the Corporation was 10,938 persons as of December 31, 2015 vs. 10,718 persons in 2014 and 8,124 persons in 2013. This headcount increase of 2% vs. 2014 is due to reduction of personnel turnover and hiring persons for vacant positions in operations. 31.9% of headcount increase in 2014 vs. 2013 was due to the acquisition of Akmola electricity distribution company JSC as a part of the CAEPCO JSC's geographic business expansion strategy. **G4–LA1**

Payroll headcount trend, pers.



Payroll Headcount by Company within CAEPCO JSC for 2015 **G4–LA1**

Company name	Number of employees
CAEPCO JSC	91
PAVLODARENERGO JSC	5,132
SEVKAZENERGO JSC	2,586
AEDC JSC	2,495
Astanaenergosbyt LLP	634
Total:	**10,938**

EMPLOYEE STRUCTURE BY CATEGORY AND GENDER

Due to the nature of the business, the Corporation's employee structure is dominated by men, with a share of 62.5%. Production personnel are mostly blue-collar workers, with men accounting for 73.4%.

In 2015, "managers" made up 13.8% of the total employee headcount, which is an optimal rate. Thereat share of male employees in this employee category is 76.3% and share of female employees is 23.7%.

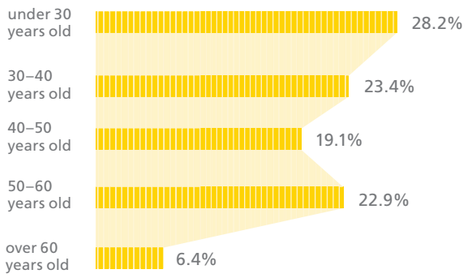
Employee category	Total		including men		women	
	Persons	%	Persons	%	Persons	%
Payroll Headcount	10,938	100.0	6,841	62.5	4,097	37.5
managers	1,511	13.8	1,153	76.3	358	23.7
white-collar workers	3,073	28.1	1,027	33.4	2,046	66.6
blue-collar workers	6,354	58.1	4,661	73.4	1,693	26.6

EMPLOYEE STRUCTURE BY AGE G4–LA1, G4–LA12

There is a high proportion of workers in the most productive age bracket – under 40 years old – they make up 51.5% of the total headcount. Employees over 60 years old make up 6.4%.

As a part of the Human Resources Policy implementation, the Corporation carries out actions aimed at gradual reduction of personnel's average age for achieving an optimal ratio between the young initiative employees and the experiences, highly qualified employees in order to ensure succession and transfer of professional knowledge and skills.

Employee structure by age



EMPLOYEE STRUCTURE BY EDUCATION G4–LA10

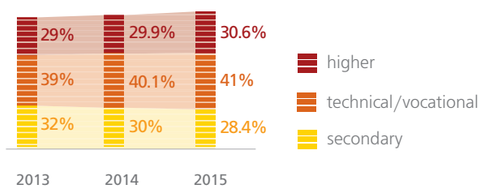
In general, in 2013–2015 the Corporation has an increasing trend in the share of the production personnel with technical/vocational education.

In 2015, 59 employees completed higher education correspondence training, including 27 employees in their job related fields; 35 employees completed technical/vocational correspondence training, including 29 employees in their job related fields.

In total in 2015 share of employees with a higher education in the Corporation made up 30.6% of the total headcount: this is an increase of 0.7% vs. 2014, and 1.6% vs. 2013.

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

Educational level trend



TRAINING AND DEVELOPMENT OF PERSONNEL

Personnel training and development system of the Corporation covers the following areas:

- compulsory, normative training;
- management skills development;
- professional skills development.

In order to improve efficiency of activity and create safe working conditions the companies of the Corporation carry out training in accordance with its corporate format and individual development plans. **G4–LA10**

In 2015, 8,061 persons (73,7% of the total headcount) were trained, including 6,318 persons of production personnel (63.3%) on a compulsory basis.

In 2015, 3,713 persons, i.e. is 34% of the total headcount, were trained in training centers of the Corporation.

In order to develop professional and managerial skills 297 employees from top-managers and all executive-level managers received corporate training in 2015.

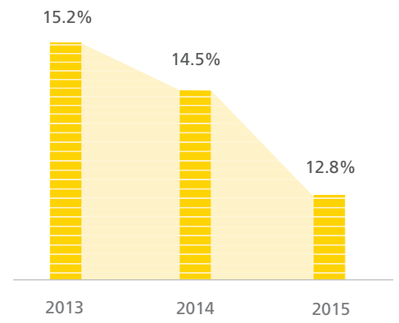
Item	2013	2014	2015
Number of employees who received training, retraining, or professional development, including:	6,536	7,208	8,061
Safety and fire safety precautions, operating procedures (initial training, qualification, certification/re-certification), courses for managers	5,499	5,348	6,318
ISO 9001, ISO 14001, OHSAS 1800 quality management system trainings (including environmental protection, internal audit and risk management aspects)	73	30	16
Related occupations training	348	1,270	603
Civil defense and emergency training	22	17	21
Other (professional development, seminars, workshops, etc.)	594	543	1,103

EMPLOYEE TURNOVER G4–LA1

In 2015, employee turnover rate of the Corporation in general went down to 12.8% due to implementation of a number of improvement initiatives, such as:

- Optimization of the headcount of companies in order to find remuneration reserves and use these funds to raise wages;
- Promoting mentoring and incentives for young specialists;
- Tangible and intangible incentives for skilled workers;
- Better social guarantees in accordance with collective bargaining agreements.

Turnover Rate



TALENT POOL G4–LA10

In order to ensure availability of required personnel reserves for managerial positions of various levels the subsidiaries of CAEPCO JSC in 2015 created a talent pool of 926 managers for senior, middle and junior management positions. Succession planning is based on individual programs of professional and management training, including training in the own training centers, skills improvement, internships, mentoring, performing

management functions and temporary employee relocation. External talent pool creation is also under way. In 2015, 96 people from the talent pool were appointed to management positions.

ATTRACTING YOUNG SPECIALISTS G4–LA12

In 2015 the PROFENERGY project was launched; it includes development of the program for supporting young specialists and graduates and appointing them to key/critical positions in the companies, development and improvement of educational level of personnel and retaining key employees.

The PROFENERGY project has many benefits for students and in 2016 it will be implemented in all companies of the Corporation.

On November 30, 2015 a social partnership agreement between the management of SEVKAZENERGO JSC, representatives of higher and vocational educational institutions and the Chamber of Entrepreneurs of Petropavlovsk was signed; it is aimed at cooperation under the Program for support of young specialists.

This Program includes the following actions for students:

- syllabus improvement;
- paid practical training;
- temporary employment for the period of vacation;
- competition of scientific papers;
- granting educational scholarship;
- participation in examination boards.

Actions of this Program aimed at the young specialists already employed at the companies of the Corporation include:

- payment for a correspondence education;
- payment for an educational leave;
- reimbursement of expenses for transport to the place of training.

960 young specialists work at the companies of the Corporation, 239 of them were hired in 2015, including 149 persons for leading positions and professions. Thereat number of hired employees with technical/vocational education is 129 persons (54%), with higher education – 110 persons (46%).

In 2015, the Corporation arranged 72 field trips to production sites, 324 students had on-the-job and pre-graduation trainings, 145 employees are enrolled in higher education programs via correspondence, including 95 employees in their job related fields, 97 employees are enrolled in technical/vocational training programs via correspondence, including 86 employees in their job related fields.

There is a trend of increase in the share of employees with technical vocational education in the Corporation. The PROFENERGY project provides for implementation of the state policy of technical specialists development.

EMPLOYEE MOTIVATION AND REMUNERATION

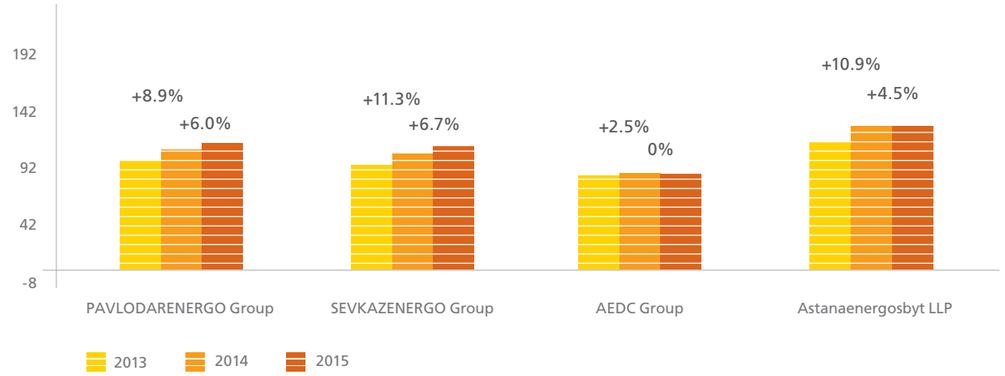
The goal of the Corporation's motivation and remuneration system is to attract, retain and motivate employees to ensure the Corporation can achieve its mission and business targets at an optimal cost.

Average income in the subsidiaries in 2015 increased by 4.6% vs. 2014 and by 13.3% vs. 2013.

In 2015 actions for transition to a Unified Remuneration System in subsidiaries of CAEPCO JSC were taken; they aim at creation of flexible tangible incentives taking into consideration internal and external factors, including remuneration distribution based on type of participation in the production process, analysis of social factors and labor market in the regions where the Corporation operates. The new remuneration system provides for the use of a comprehensive approach for identifying remuneration level depending on a complexity of the job and a level of professional and personal skills of an employee; it aims at intensifying employee's motivation to improving labor productivity, professional skills and qualification.

AVERAGE EARNINGS GROWTH RATE BY SUBSIDIARY OF CAEPCO JSC

The fact that salaries in the AEDC JSC group of companies did not increase in 2015 is due to reduction of expenses in the rates estimate and spending profit for fulfilling its investment program.



INTANGIBLE INCENTIVES

In order to increase motivation to working efficiently, every year the Corporation undertakes employee recognition initiatives giving out awards, certificates of merit and titles for achieving high production results; details about such initiatives are published in corporate sources of information.

In 2015, 75 employees received corporate awards for operational excellence, 21 employees and veterans received state awards, 8 employee received awards from the CIS Electric Power Council, 23 employees received awards from the Kazakhstan Energy Association, among them 6 employees were awarded the title of Distinguished Energy Worker and 6 employees with the title of Eminent Energy Worker.

INTERACTION WITH TRADE UNIONS

All subsidiaries of CAEPCO JSC have trade union organizations, and collective bargaining agreements are a normal practice. Social policy of CAEPCO JSC is determined together with employees and trade unions are representing them.

PAVLODARENERGO JSC has a collective bargaining agreement valid till 2015 inclusively, AEDC JSC and SEVKAZENERGO JSC have collective bargaining agreements for 2014–2016.

Collective bargaining agreements provide social guarantees and benefits for employees, their families, retirees and veterans of the companies. When designing a Collective Bargaining Agreement, the Corporation's companies adhere to the principles of economic feasibility, sufficiency, joint responsibility and transparency.

G4–LA4

Item	2013	2014	2015
Number of employees in trade unions, pers.	6,796	6,788	6,937
Percentage of total headcount, %	65	63	63

OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY STRATEGIC GOALS AND IMPLEMENTED ACTIONS

Occupational Health and Safety is one of priority values for CAEPCO JSC and it is considered to be an integral part of the Corporation's business system.

The key priorities of the Health and Safety Policy of the Corporation and its subsidiaries are the following: protection of health and life of employees, creation of safe working conditions, injury prevention, improvement of industrial, sanitary and household working conditions, minimization of exposure to hazardous and adverse factors, reduction of industry-specific risks and occupational hazards.

Strategic goals of the Corporation related to Occupational Health and Safety are as follows:

- injury reduction;
- improving workplace safety and the occupational safety and health management system;
- improving working conditions;
- preventing unsafe actions of employees through systematic training and drills on safe techniques and skills;
- improving employee incentive system in the field of occupational health and safety;
- development and implementation of uniform corporate standards on occupational health and safety;
- study and communication of modern best practices, best practices in occupational health and safety. **G4-LA5**

In order to achieve goals of the Corporation the following documents were developed and implemented in 2015:

– Regulations on the procedure for notification and investigation of process violations and incidents at the subsidiaries of CAEPCO JSC;
– Book of special clothes for industrial workers (blue collars and white collars). Corporate style requirements.

In addition to that, the following practices were implemented:

– visualization of safety induction trainings by presentation slides and films;
– photo recording of emergency response drills that allows to monitor the drills and have a follow-up on actions of the personnel analyzing its mistakes;
– investigation of incidents using advanced analytical methods of "Five Whys", "Cause tree" and others allowing to determine incident's root causes.

In 2015 PAVLODARENERGO JSC and its subsidiary – Pavlodar Heat Networks LLP were audited for the compliance with the OHSAS 18001 international occupational health and safety standard. Compliance of the companies was confirmed.

In 2015 at each company of the Group the Health and Safety Department of CAEPCO JSC carried out two health and safety audits (initial and control audits) based on which they gave relevant comments and recommendations, identified the tasks to be solved, noted the good practices to be developed and supported.

TYPES AND RATES OF OCCUPATIONAL INJURIES

During the reporting period there were 4 incidents in the companies of the Group, including by region of operation:

– 2 in the Pavlodar region (PAVLODARENERGO JSC);
– 1 in the North-Kazakhstan region (SEVKAZENERGO JSC);
– 1 in the Akmola region (AEDC JSC).

Type of the incidents that caused injuries:

– railway traffic accident;
– fall from height;
– road traffic accident with participation of Corporation's transport;
– exposure to moving, scattering, rotating pieces and elements.

Causes of the incidents were:

– gross negligence of the injured person;
– unsatisfactory labor management;
– incompliance with the health and safety instruction requirements.

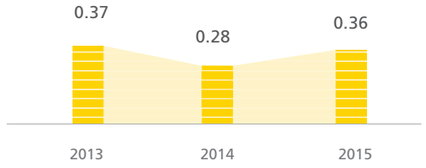
It is important to note that there were no fatalities in 2015.

The production injury rates of the Corporation are presented in the Table and charts below. **G4-LA6**

Occupational Injury Rates

	2013	2014	2015
Payroll Headcount	8,124	10,622	10,938
Number of injury cases	3	3	4
Number of injured persons / number of women among them	3/0	3/0	4/1
Number of fatalities	2	2	0

Total Incident Frequency Rate (TIFR) per 1,000 employees

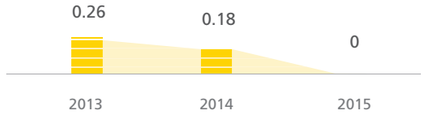


Total Incident Frequency Rate per 1,000 of employees was calculated in accordance with the following formula:

$$\mathbf{Fr = n \cdot 1{,}000/N}, \text{ where}$$

n – total number of the persons injured in incidents in the reporting period;
N – average payroll headcount.

Fatality Incident Frequency Rate (FIFR) per 1,000 employees



Fatality Incident Frequency Rate (FIFR) per 1,000 employees was calculated in accordance with the following formula:

$$\mathbf{Fr_1 = n_1 \cdot 1{,}000/N}, \text{ where}$$

$\mathbf{n_1}$ – total number of fatalities in the reporting period;
N – average payroll headcount.

The incident recording, reporting and notification system of the Corporation complies with the requirements of the law of the Republic of Kazakhstan and the International Labor Organization (ILO).

In 2015 the Corporation also implemented the practice of:

– investigation of micro-injuries, incidents, near-misses being a basement for more serious injuries and damage in the future;
– preparation of newsletters for providing information about incidents and communicating it to the personnel of all companies of the Subsidiaries of the Corporation in order to share information about their causes and prevent repetition of similar cases in the future.

For occupational injuries prevention, monitoring and accounting of health and safety violations the Corporation and its Subsidiaries carry out the following work:

– training of personnel on health and safety, electrical safety and assessment of their knowledge;
– carrying out planned and random health and safety audits;
– arranging Health and Safety Days;
– holding occupational health and safety meetings;
– equipping work places in accordance with safety requirements;
– placing information posters and safety signs at work places;
– holding professional competitions;
– arranging demonstrative work permit events, etc.

Main performance indicators of health and safety preventive measures are presented in the Table below.

Main health and safety preventive measures performance indicators

	2013	2014	2015
Number of occupational health and safety meetings held	248	230	239
Number of Occupational Health and Safety Days held	286	474	610

In 2015, the Corporation spent 326 KZT mln for occupational health and safety activities, creation of better working conditions.

The funds were spent for providing employees with the required personal protective equipment, including electric safety devices, special food and medical supplies. Information posters, publications of health and safety normative technical documents and laws, fire-fighting equipment were procured. Additional workplace illumination, ventilation and air-conditioning systems repair, building renovation and other activities were carries out.

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."

EMPLOYEES OF THE CORPORATION WHOSE PROFESSIONAL ACTIVITY BEARS HIGH INJURY RISK G4–LA7

Works related to maintenance and repair of power equipment bears high injury risk. Electricians/electrical fitters are the employees whose professional activity bears high injury risk.

In order to ensure safety of personnel during work at electric installation:

– personnel is trained;
– organizational and technical measures are taken, their implementation is controlled;
– all required personal protective equipment, electric safety devices, etc. are provided to the personnel.

During the reporting period there were no cases of electric injury of personnel in the subsidiaries of the Corporation.

In order to ensure safe repair and commissioning works of power equipment the Corporation intends to start the process of implementation of the Lock out/Tag out (LOTO) procedure in 2016.

PLANS FOR THE FORTHCOMING PERIOD

In 2016 the Corporation plans to implement and support the following corporate standards and documents related to occupational health and safety:

- Carrying out behavioral safety audits;
- Implementing workplace passports;
- Carrying out safety cross-audits;
- Interaction/communication with personnel about occupational health and safety;
- Motivation of personnel to comply with health and safety requirements.

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

Akmola electricity distribution company JSC (AEDC JSC) with financing of the Asian Development Bank (ADB) is implementing an Environmental and Social Management System (ESMS) in accordance with the ADB's Safety Mission Statement (2009, ADB's SMS) and other social policies of the Bank, such as the Social Protection Strategy (2001), the Gender Equality Policy (1998) and the Public Relations Policy (2011) with regular submission to the ADB of the reports on environment and social sphere monitoring in regards of the AEDC's projects related to modernization and expansion of electrical distribution networks, aimed at enhancement of reliability of the network, reduction of losses and minimization of downtime through better infrastructure.

CORPORATE EVENTS

Every year, employees of CAEPCO JSC's Subsidiaries actively participate in sports and recreational activities in the companies, as well as on regional and international levels. The practice of holding sports events within the companies allows the teams to achieve winning places in external competitions.

AEDC JSC regularly participates in sports competitions between industrial companies of Astana city and the Akmola region; in 2015 the team of AEDC JSC won the second place in the competition of the Samruk table tennis unified open league. During the reporting period employees of SEVKAZENERGO JSC retained honorable second place in the Densaulyk annual sports event in various sport contests.

As a part of celebration of the professional holiday – Energy worker's day, internal sport events with a number of competitions are held, the most popular among them are volleyball, table tennis, mini-football, swimming, chess, fishing.

Celebration of Nauryz Meyramy has already become an established tradition in the Corporation; during this celebration Kazakh customs are presented and traditional competition – asyk atu and tug-of-war are held.

In 2015 PAVLODARENERGO JSC and Petropavlovsk heat networks LLP had their 50 years anniversary.

To celebrate the anniversary the PAVLODARENERGO JSC group of companies held a number of events:
- children drawing and crafts contest;
- competition between the journalists and camera operators covering development of energy industry in the region;
- preparation and presentation of the book "Accumulating Energy of Generations" devoted to the history of power energy industry development in the Irtysh area in the Pavlodar region;
- Retrofest competition with involvement of musically-gifted employees.

Petropavlovsk heat networks LLP held a child art competition among the children of company's employees and the Zhuldyzdar sponsored family.

In 2015 for the first time at the level of the Group of Companies a corporate interactive event - wit and humor competition – was held aimed at strengthening of the corporate culture.

CHARITY AND SPONSORSHIP

Subsidiaries of the CAEPCO JSC are active participants of the social projects aimed at support of population in the regions where they operate.

PAVLODARENERGO JSC, being an organizer and a general sponsor of the republican youth tennis tournament, holds an annual international tournament PAVLODAR OPEN.

SEVKAZENERGO JSC for many years sponsors children of the Zhuldyzdar sponsored family with making memory gifts to pupils and graduates of the school on holiday and organizing their leisure time during vacations.

On the threshold of the 70 years anniversary of the Victory in the World War II, as initiated by employees of NK REDC JSC a "Victory Square" was open with planting of trees and installation of a memorial plate.

Every year, all companies of the Corporation honor the WWII and labor veterans, providing material support to the non-working retirees in the form of food packages, cash rewards and coal supplies. Veterans are provided with home care, invited to concerts and gala dinners during the WWII Victory Day celebrations.

In 2015 with participation of SEVKAZENERGO JSC as a part of public-private partnership the Alakay kindergarten for 320 children of employees of companies of the Group and other residents of Petropavlovsk was open.

DISCLOSURE OF MATERIAL ASPECTS AND INDICATORS IN THE REPORT AND COMPLIANCE WITH GRI G4 GUIDELINES (SOCIAL CATEGORY)

Table of Report's Compliance with the GRI G4 Guidelines

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
Strategy and Analysis				
1.	G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Completely	Section: Letter of the Chairman of the Board of Directors, page 10-11 Section: Letter of the President, page 12-13
2.	G4-2	Description of key impacts, risks, and opportunities	Completely	Section: Analysis of the risks having significant impact on performance, page 57-59
Organization's profile				
3.	G4-3	Name of the organization	Completely	Section: Company's profile, page 3
4.	G4-4	Primary brands, products, and/or services	Completely	Section: Company's profile, page 3 Section: Business model, page 16
5.	G4-5	Location of the organization's headquarters	Completely	Section: Contacts, page 96
6.	G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the Report	Completely	Section: Geography of operations, page 6
7.	G4-7	Nature of ownership and legal form	Completely	Section: Corporation structure, page 17
8.	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Completely	Section: Geography of operations, page 6 Section: Subsidiaries, page 18-19
9.	G4-9	Scale of the organization, including: • total number of employees; • total number of operations; • net sales; • total capitalization broken down in terms of debt and equity; • quantity of products or services provided	Completely	Section: Human Resources and social policy, page 71-75 Section: Key performance highlights for 2013–2015, page 5 Section: Results in 2015, page 35-36 Section: Financial and economic indicators, page 37-40
10.	G4-10	Total number of employees by employment contract and gender; • total number of permanent employees by employment type and gender; • total workforce by employees and supervised workers and by gender; • total workforce by region and gender; • portion of the work performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors; • seasonal variations in employment numbers	Partially	Section: Human Resources and social policy, page 71-75
11.	G4-11	Percentage of total employees covered by collective bargaining agreements	Completely	63% of employees are covered by a collective bargaining agreement.
12.	G4-12	Organization's supply chain.	Completely	Section: Business model, page 16

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
13.	G4-13	Significant changes during the reporting period regarding the organization's size, structure or ownership, including: • changes in the location of, or changes in, operations, including facility openings, closings, and expansions; • changes in the share capital structure and other capital formation, maintenance, and alteration operations; • changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	Partially	Section: Organizational structure, page 44-45 Section: Share capital structure, page 43
14.	G4-14	Application of the precautionary approach	Completely	Section: Environmental expenditures, page 66-67
15.	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Completely	Section: Environmental Impact Management, page 64-65 Section: Greenhouse gas emissions, page 66 Section: Environmental management system, page 69-70
16.	G4-16	Memberships of associations, industry and/or national and international advocacy organizations in which the organization: • holds a position on the governance body; • participates in projects or committees; • provides substantive funding beyond routine membership dues; • views membership as strategic	Partially	The Corporation is a member of the Kazakhstan Electricity Association.
Identified Material Aspects and Boundaries				
17.	G4-17	List of the legal entities included in the organization's consolidated financial statements	Completely	Section: About the report, page 3
18.	G4-18	Methods of defining the report content and the Aspect Boundaries; Explanation of how the organization has implemented the Reporting Principles for Defining Report Content	Completely	Section: Material aspects and boundaries, page 61-62
19.	G4-19	List of all the material Aspects identified in the process for defining report content	Completely	Section: Material aspects and boundaries, page 61-62
20.	G4-20	Description of each material Aspect, the Aspect Boundary within the organization (including list of entities or groups of entities specified in clause 3.2 and for which the Aspect is material)	Partially	Section: Material aspects and boundaries, page 61-62
21.	G4-21	Description of each material Aspect, the Aspect Boundary outside the organization (including a list of entities, groups of entities, elements and geographical regions for which the Aspect is material)	Partially	Section: Material aspects and boundaries, page 61-62
22.	G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Completely	Indicators were not changed and are comparable with the data provided in previous annual reports of the Corporation.
23.	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Completely	A Sustainable Development report is prepared for the first time.
Stakeholder Engagement				
24.	G4-24	List of stakeholders engaged by the organization	Completely	Section: Stakeholder engagement, page 63-64
25.	G4-25	Basis for identification and selection of stakeholders with whom to engage	Completely	Section: Stakeholder engagement, page 63-64
26.	G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group; indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Partially	Section: Stakeholder engagement, page 63-64
27.	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.		So far the Corporation does not include stakeholders in the process of annual report preparation directly, however it is planned to be done in future. In particular as a part of this Sustainable Development Report a Feedback form was prepared in order to get a feedback from stakeholders.
Report Profile				
28.	G4-28	Reporting period for the information provided	Completely	Section: About the report, page 3
29.	G4-29	Date of the most recent previous Sustainability Development Report	Completely	Section: About the report, page 3
30.	G4-30	Reporting cycle	Completely	Section: About the report, page 3
31.	G4-31	Contact point for questions regarding the report or its contents	Completely	Section: Contacts, page 96
32.	G4-32	Information about the 'in accordance' option the organization has chosen during preparation of the report in accordance with the GRI guidelines. GRI Content Index for the chosen option of report preparation. Certificate of the public (external) report assurance, if the report has been externally assured.	Partially	Section: About the report, page 3 Section: Table of Report's Compliance with the GRI G4 Guidelines, page 81-85
33.	G4-33	Organization's policy and current practice with regard to seeking public (external) assurance for the sustainable development report	Completely	No external assurance was used for this report. The Corporation does not find it reasonable in medium term.
Governance				
34.	G4-34	The governance structure of the organization, including committees of the highest governance body in charge of economic, environmental and social impacts of the organization	Completely	Section: Organizational structure, page 44-45 Section: Committees of Board of Directors, page 50
Ethics and Integrity				
35.	G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Partially	Section: Report on compliance with Corporate governance code, page 53
Category: Environmental **Aspect: Materials**				
36	G4-СПМ	Disclosures on Management Approach	Completely	Section: Environmental Impact Management, page 64
37	G4-EN1	Materials used by weight or volume	Completely	Section: Environmental Impact Management, page 64
Aspect: Water				
38	G4-СПМ	Disclosures on Management Approach	Completely	Section: Water management and water resources conservation, page 67-68
39	G4-EN8	Total water withdrawal by source	Completely	Section: Water management and water resources conservation, page 67-68
40	G4-EN9	Water sources significantly affected by withdrawal of water	Completely	Section: Water management and water resources conservation, page 67-68
41	G4-EN10	Percentage and total volume of water recycled and reused	Completely	Section: Water management and water resources conservation, page 67-68

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
Aspect: Emissions				
42	G4-СПМ	Disclosures on Management Approach	Completely	Section: Greenhouse gas emissions, page 66
43	G4-EN15	Direct greenhouse gas emissions	Completely	Section: Greenhouse gas emissions, page 66
44	G4-EN18	Greenhouse gas emissions intensity	Completely	Section: Greenhouse gas emissions, page 66
45	G4-EN19	Reduction of greenhouse gas (CO_2) emissions	Completely	Section: Greenhouse gas emissions, page 66
46	G4-EN21	NOx, SOx, and other significant air emissions	Completely	Section: Atmospheric air protection, page 65
Aspect: Effluents and Wastes				
47	G4-СПМ	Disclosures on Management Approach	Completely	Section: Efficient management and disposal of production wastes, page 68-69
48	G4-EN22	Total water discharge by quality and destination	Completely	Section: Efficient management and disposal of production wastes, page 68-69
49	G4-EN23	Total weight of waste by type and disposal method	Completely	Section: Efficient management and disposal of production wastes, page 68-69
Aspect: Products and Services				
50	G4-СПМ	Disclosures on Management Approach	Completely	Section: Atmospheric air protection, page 65
51	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Completely	Section: Atmospheric air protection, page 65
Aspect: Compliance				
52	G4-СПМ	Disclosures on Management Approach	Completely	Section: Environmental expenditures, page 66-67
53	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Completely	Section: Environmental expenditures, page 66-67
Aspect: Overall				
54	G4-СПМ	Disclosures on Management Approach	Completely	Section: Environmental expenditures, page 67
55	G4-EN31	Total environmental protection expenditures and investments by type	Completely	Section: Environmental expenditures, page 67
Aspect: Environmental Grievance Mechanisms				
56	G4-СПМ	Disclosures on Management Approach	Completely	Section: Grievance mechanism, page 70
57	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Completely	Section: Grievance mechanism, page 70
Category: Social – Sub–Category: Labor Practices and Decent Work **Aspect: Employment**				
58	G4-СПМ	Disclosures on Management Approach	Completely	Section: Human resources management policy, page 71
59	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Completely	Section: Employee headcount and quality, page 71 Section: Payroll headcount by company, page 71 Section: Employee structure by age, page 72 Section: Employee structure by category and gender, page 71 Section: Employee turnover, page 73
Aspect: Labor/Management Relations				
60	G4-СПМ	Disclosures on Management Approach	Completely	Section: Interaction with trade unions, page 75
61	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Completely	Section: Interaction with trade unions, page 75
Aspect: Occupational Health and Safety				
62	G4-СПМ	Disclosures on Management Approach	Completely	Section: Occupational Health and Safety Strategic Goals and Implemented Actions, page 76
63	G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	Completely	Section: Occupational Health and Safety Strategic Goals and Implemented Actions, page 76
64	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Completely	Section: Types and rates of occupational injuries, page 77
65	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Completely	Section: Employees whose professional activity bears high injury risk, page 78-79
Aspect: Training and Education				
66	G4-СПМ	Disclosures on Management Approach	Completely	Section: Training and development of personnel, page 73
67	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Completely	Section: Training and development of personnel, page 73 Section: Employee structure by education, page 72 Section: Talent pool, page 73 Section: Attraction of young specialists, page 74
Aspect: Diversity and Equal Opportunity				
68	G4-СПМ	Disclosures on Management Approach	Completely	Section: Human resources management policy, page 72
69	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Completely	Section: Employee structure by category and gender, page 72
Category: Social – Sub–Category: Society **Aspect: Local communities**				
70	G4-СПМ	Disclosures on Management Approach	Completely	Section: Stakeholder engagement, page 63
71	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Completely	Section: Stakeholder engagement, page 63
Power industry protocol **Overall**				
72	G4-EU1	Rated capacity	Completely	Section: Corporation overview, page 14
73	G4-EU2	Power generation	Completely	Section: Key performance highlights for 2013–2015, page 5
74	G4-EU3	Number of residential, industrial, institutional and commercial customer accounts	Completely	Section: Geography of operations, page 6
75	G4-EU4	Length of above and underground transmission and distribution lines by regulatory regime	Completely	Section: Main production highlights, page 16-17
76	G4-EU5	Allocation of CO_2 emissions allowances or equivalent	Completely	Section: Greenhouse gas emissions (CO_2), page 66

FINANCIAL STATEMENTS

Consolidated financial statements of the Corporation for 2015 were prepared in accordance with International Financial Reporting Standards and include financial statements of subsidiary organizations from the date of their acquisition. Principles of accounting policy are unified for all enterprises of the Corporation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

(in thousands KZT)

	31 December 2015	31 December 2014
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	228,987,976	206,284,356
Goodwill	2,424,419	2,424,419
Intangible assets	1,557,159	238,363
Deferred tax asset	678,959	116,716
Other financial assets	210,000	969,700
Advances paid	3,865,706	6,052,173
Other non-current assets	384,360	480,006
Total non-current assets	**238,108,579**	**216,565,733**
CURRENT ASSETS:		
Inventories	6,412,643	6,593,785
Trade accounts receivable	13,669,521	12,610,777
Advances paid	1,442,893	1,288,714
Income tax prepaid	509,955	404,807
Other current assets	2,431,636	3,496,079
Other financial assets	14,276,758	10,263,905
Cash	2,279,387	2,805,932
Total current assets	**41,022,793**	**37,463,999**
TOTAL ASSETS	**279,131,372**	**254,029,732**
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	46,043,272	46,043,272
Additional paid-in capital	1,348,105	1,348,105
Revaluation reserve on property, plant and equipment	47,502,275	51,005,740
Retained earnings	34,727,976	41,473,796
Total equity	**129,621,628**	**139,870,913**
NON-CURRENT LIABILITIES:		
Bonds issued	22,331,233	15,516,792
Loans	52,676,536	29,180,380
Deferred revenue	1,268,695	1,358,972
Deferred tax liabilities	31,649,648	31,809,901
Ash disposal area restoration liabilities	351,710	476,390
Finance lease obligations	672,195	787,815
Employee benefit obligations	119,690	111,952
Other long-term payables	223,657	205,095
Total non-current liabilities	**109,293,364**	**79,447,297**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2015
(in thousands KZT)

	31 December 2015	31 December 2014
CURRENT LIABILITIES:		
Current portion of bonds issued	754,846	627,078
Loans	14,260,908	13,608,183
Trade accounts payable	19,521,841	11,987,285
Advances received	2,161,570	3,030,985
Income tax payable	-	6,812
Current portion finance lease obligations	115,620	109,993
Current portion of ash disposal area restoration liabilities	53,587	-
Current portion of employee benefit obligations	11,427	12,610
Other liabilities and accrued expenses	3,336,581	5,328,576
Total current liabilities	**40,216,380**	**34,711,522**
TOTAL EQUITY AND LIABILITIES	**279,131,372**	**254,029,732**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands KZT)

	2015	2014
REVENUE	**107,932,528**	**107,783,546**
COST OF SALES	**(84,144,330)**	**(82,575,262)**
GROSS PROFIT	**23,788,198**	**25,208,284**
General and administrative expenses	(7,743,757)	(7,653,966)
Selling expenses	(1,927,558)	(1,767,612)
Finance costs	(3,772,955)	(2,867,484)
Finance income	917,251	861,332
Foreign exchange loss, net	(20,031,129)	(861,561)
Loss on impairment of property, plant and equipment	-	(466,351)
Other income	429,403	2,132,481
(LOSS)/PROFIT BEFORE TAXATION	**(8,340,547)**	**14,585,123**
INCOME TAX BENEFIT/(EXPENSE)	**726,860**	**(3,603,466)**
(LOSS)/PROFIT FOR THE YEAR	**(7,613,687)**	**10,981,657**
Attributable to:		
Parent	(7,613,687)	10,012,284
Non-controlling interests	-	969,373
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 (LOSS)/INCOME FOR THE YEAR	**(7,613,687)**	**45,283,557**
Attributable to:		
Parent	(7,613,687)	44,193,176
Non-controlling interests	-	1,090,381
(Loss)/earnings per share, in tenge	(206.05)	289.79

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands KZT)

	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 2014	**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 income tax	-	-	-		(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**
Loss for the year	-	-	-		(7,613,687)	(7,613,687)	-	(7,613,687)
Other comprehensive income for the year	-	-	-		-	-	-	-
Total comprehensive loss for the year	-	-	-		(7,613,687)	(7,613,687)	-	(7,613,687)
Amortization of revaluation reserve on property, plant and equipment	-	-	(3,503,465)		3,503,465	-	-	-
Dividends declared	-	-	-		(2,635,598)	(2,635,598)	-	(2,635,598)
At 31 December 2015	**46,043,272**	**1,348,105**	**47,502,275**		**34,727,976**	**129,621,628**	**–**	**129,621,628**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands KZT)

	2015	2014
OPERATING ACTIVITIES:		
(Loss)/profit before taxation	(8,340,547)	14,585,123
Adjustments for:		
Depreciation and amortization	9,421,150	6,581,828
Finance costs	3,772,955	2,867,484
Foreign exchange loss	20,031,129	861,561
Loss on impairment of property, plant and equipment	-	466,351
Accrual of allowance for doubtful debts	287,810	56,599
Gain on write-off of accounts payables	(54,984)	(66,164)
Accrual of provision for unused vacations	34,288	58,523
Accrual of allowance for obsolete and slow-moving inventories	385	46,436
Employee benefit expenses	30,729	15,316
Loss/(gain) on disposal of property, plant and equipment	109,412	(814,567)
Finance income	(917,251)	(861,332)
Other adjustments	(12,671)	(3,867)
Operating cash flow before changes in working capital	24,362,405	23,793,291
Change in inventories	180,757	(1,702,811)
Change in trade accounts receivable	(1,241,721)	(2,960,317)
Change in advances paid	(180,654)	278,246
Change in other current assets	50,034	(48,313)
Change in trade accounts payable	(187,148)	4,498,313
Change in deferred revenue	(35,028)	894
Change in advances received	(869,415)	(417,199)
Change in employee benefit obligations	(24,174)	708
Change in other liabilities and accrued expenses	422,167	(412,529)
Cash provided by operating activities	22,477,223	23,030,283
Income tax paid	(382,931)	(627,665)
Interest paid	(4,899,733)	(3,515,531)
Net cash provided by operating activities	**17,194,559**	**18,887,087**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands KZT)

	2015	2014
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(22,048,099)	(31,152,746)
Acquisition of intangible assets	(886,224)	(113,677)
Acquisition of non-controlling interest	(1,878,449)	(5,401,551)
Proceeds from disposal of property, plant and equipment	270,587	1,866,709
Cash placed on deposits	(15,441,034)	(16,897,285)
Cash withdrawn from deposits and interest received	15,341,026	17,000,162
Cash returned from guarantee fees	-	(58,040)
Change in long term advances	1,738,662	3,608,811
Net cash used in investing activities	**(22,903,531)**	**(31,147,617)**
FINANCING ACTIVITIES:		
Proceeds from loans	24,205,767	27,755,192
Proceeds from issuance of bonds	6,665,356	1,199,999
Repayment of loan from related party	973,996	-
Finance lease	(150,542)	-
Repayment of loans	(23,715,221)	(15,366,365)
Dividends paid	(2,981,929)	(1,094,846)
Repayment of bonds	-	(564,839)
Net cash generated from financing activities	**4,997,427**	**11,929,141**
NET DECREASE IN CASH	**(711,545)**	**(331,389)**
CASH at the beginning of the year	**2,805,932**	**3,051,830**
Effect of exchange rate changes on the cash balance of cash held in foreign currencies	**185,000**	**85,491**
CASH at the end of the year	**2,279,387**	**2,805,932**

GLOSSARY

Overhead power line is an electric line for transmission of electric power through the wires located outdoors and attached by means of insulators and fittings to supports or brackets.

Overhead transmission line is a construction for transmission of electric power over a distance by wires.

Gigacalorie is a unit of measurement of thermal energy used for assessment in heat power industry, heating systems, utilities sector.

Gigacalorie per hour is a derived unit used to specify the amount of heat produced or used by some equipment per a unit of time.

Cooling tower is a structure having a shape of an exhaust tower providing for an air draught.

Goodwill is the difference between the price of a company and the fair value of all its assets.

GDP deflator (*gross domestic product deflator*) is the price index created for measurement of general price level of goods and services (of consumer's basket) for a certain period in the economy.

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

Ash dump is a place for collection and disposal of waste ash and slag generated during combustion of solid fuel at combined heat and power plants.

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

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

Boiler is a device for generating pressurized steam or hot water through fuel combustion, use of electric power, heat of exhaust gas or technological process.

Power transmission line (*PTL*) is a structure consisting of wires (cables) and auxiliary devices for transmission of electric power from power plants to consumers.

Megawatt is a unit of power measurement in electricity production.

Pump is a device for generating a pressure flow (suction, discharge) of mainly fluids by energizing it (by kinetic or potential energy).

Pumping unit is a pump "with" a set of equipment mounted according to a certain scheme ensuring pump's operation.

Steam turbine is an energy turbo machine, the element of steam turbine unit that 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 is an electric installation used for conversion and distribution of electric power and consisting of transformers or other power converters, switchgear, control devices and auxiliary facilities.

Available capacity is a value equal to installed capacity of the equipment minus the power that cannot be generates for technical reasons (insufficient draught in chimney, cooling systems of turbine condensers, etc.).

Available capacity of a unit (plant) is an installed capacity of a generating unit (plant), minus its capacity limitations.

Combined heat and power plant (*CHPP, cogeneration heating plant*) is a thermal power plant generating not only electric power, but also heat, heat is distributed to consumers in the form of steam and hot water.

MPE Plan is a draft standards for maximum permissible emissions.

Transformer (*from Latin transformare – to transform, to convert*) is a device for converting any significant properties of energy (e.g., electric transformer, torque converter) or objects (e.g., photo transformer).

Turbine is a prime motor with rotational movement of its working body – the rotor – that converts kinetic energy of the steam, gas or water medium into mechanical operation.

Turbine unit is a set of steam turbine, electric generator and exciter, united by one shaft train; it converts potential energy of steam into electric power.

Installed capacity is the effective value of the turbine units' rated capability.

Installed thermal capacity of the plant is the sum of all rated heating capabilities for all the equipment commissioned under the act and designed for supplying heat to external customers and steam and hot water for internal needs.

Installed power capacity of the electric power system is total effective power output of all turbo and hydroelectric power plants of the electric power system in accordance with their passports or specifications.

Emulsifier is a device for ash and dust removal working in a phase inversion mode.

ABBREVIATIONS

COSO Committee of Sponsoring Organizations of the Treadway Commission
CTF Clean Technology Fund
EBITDA Earnings before Interest, Taxation, Depreciation and Amortization
ESAP Environmental and Social Action Plan
ISO International Organization for Standardization
KEGOC Kazakhstan Electricity Grid Operating Company JSC
OHSAS Occupational Health and Safety Management Systems
JSC Joint Stock Company
AEDC Akmola Electricity Distribution Company
ASCAHE Automatic System for Commercial Accounting of Heat Energy
ASCAEP Automatic System for Commercial Accounting of Electric Power
GDP Gross Domestic Product
OL Overhead Line
OTL Overhead Transmission Line
Gcal Gigacalorie
Gcal/h gigacalories per hour
SPAIID State Program for Accelerated Industrial and Innovative Development
GRES State District Power Plant
HEPP Hydroelectric Power Plant
EBRD European Bank for Reconstruction and Development
FAC Fly Ash Collector
IIF Islamic Infrastructure Fund
kWh kilowatt per hour
CL Cable Line
SG Switchgear
PL Power Line
MW Megawatt
MNE RK Ministry of National Economy of the Republic of Kazakhstan
MCI Monthly Calculation Index
VAT Value Added Tax
NGO Non-Governmental Organization
EP Environment Protection
PREDC Pavlodar regional electric distribution company JSC
PCHPP–2 Petropavlovsk Combined Heat And Power Plant No.2
PE PAVLODARENERGO JSC
RK Republic of Kazakhstan
PGA Power Grid Area
ICS Internal Control System
SSIC Self-Supporting Insulated Conductor
NK REDC North Kazakhstan regional electric distribution company JSC
SKE SEVKAZENERGO JSC
MM Mass Media
QMS Quality Management System
EMS Environmental Management System
RMS Risk Management System
AC Agriculture
LLP Limited Liability Partnership
CHPP Combined Heat and Power Plant
CAPEC Central-Asian power-energy company JSC
CAEPCO Central-Asian Electric Power Corporation JSC
PP Power Plant

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REGISTRAR

Integrated Securities Registrar JSC (state registration certificate
No. 1678-1910-02-AO issued on 11.01.2012 by the Department of Justice of Almaty).

Annual Report prepared by
Expert Kazakhstan LLP

CAEPCO

Central-Asian
Electric Power Corporation