PAVLODARENERGO

JOINT-STOCK COMPANY

2015

ANNUAL REPORT

TABLE OF CONTENTS

2015
ANNUAL REPORT

RESULTS OVERVIEW 2

About the report 3
Company's profile 3
Results of the PAVLODARENERGO JSC by ceiling tariffs program for 2009-2015 4
Key perfomance highlights for 2013-2015 5
Geography of operations 6
Key events of the year 7
Priorities and outcomes 8

MANAGEMENT LETTER

Letter of the Chairman of the Board of directors 11
Letter of the General director 13

COMPANY OVERVIEW 14

History 15
Business model 16
Main production highlights 16
Company structure 17
Subsidiaries 18
Development strategy 20

MARKET ENVIRONMENT ANALYSIS 22

Economic overview 23
Energy sector overview 25

PERFORMANCE AND DEVELOPMENT PROSPECTS OVERVIEW 32

Implementation of the investment projects within the period of ceiling tariffs program 2009-2015 33
Results in 2015 35
Financial and business highlights 37
Main goals and objectives for 2016 41
Prospects of the 2020 Investment Program 41

CORPORATE GOVERNANCE 42

Shareholders structure 43
Results of the general meeting of shareholders 43
Organizational structure 44
Dividends 46
Board of directors 46
Members of the Board of directors 47
Committees of the Board of directors and their functions 48
The Board of directors perfomance overview 49
Executive body 50
Internal control and audit 51
Corporate governance code compliance report 51
Key principles of the corporate governance code 52

RISK MANAGEMENT 56

Analysis of significant risks affecting performance 57

SUSTAINABLE DEVELOPMENT 60

Material aspects and boundaries 61
Stakeholder engagement 63
Environmental policy 64
Information policy 71
Human resources and social policy 72
Interaction with trade union organizations. 76
Occupational health and safety 76
Corporate events 80
Charity and sponsorship 81

GRI G4 COMPLIANCE TABLE FOR THE MANAGEMENT REPORT 82

FINANCIAL STATEMENTS 88

GLOSSARY 96

ABBREVIATIONS 97

CONTACTS 98

RESULTS OVERVIEW

The key aspect of strategic development of PAVLODARENERGO JSC is the increase of production efficiency by means of renovation of fixed assets. Since 2009 the Company implements large scaled investment program for modernization and reconstruction of the production.
In 2015 enterprises of the PAVLODARENERGO group spent for investment actions 15.5 KZT bln. This includes 12.5 KZT bln spent by PAVLODARENERGO JSC for implementation of generation-related projects in 2015.

STARTED IN 2009

the Goverment's Ceiling tariffs program ended in the reporting year. The program enabled including of investment costs in electrical energy generation rates, which was extremely helpful for attracting investments in modernization projects aimed at upgrading old or adding new equipment at Kazakhstan's energy companies. A total of 47.4 KZT bln was invested by PAVLODARENERGO JSC under this program during the period from 2009 to 2015.

PAVLODARENERGO
JOINT-STOCK COMPANY

ABOUT THE REPORT

PAVLODARENERGO JSC has been releasing Annual Reports since 2013 on an annual basis. The previous annual report for 2014 was published in August 2015.

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

COMPANY'S PROFILE

PAVLODARENERGO Joint-Stock Company is a vertically integrated company, combining all elements of Pavlodar Region's energy supply system (generation, transmission and distribution, as well as sale of power resources). The Company supplies electric energy and heating to consumers in Pavlodar city, electric energy to districts of the Pavlodar region and Aksu city, heat energy to Ekibastuz city. The Company is a part of Central-Asian Electric Power Corporation Group of companies (CAEPCO JSC). PAVLODARENERGO JSC has implemented corporate governance standards, it is improving its business processes and practices in accordance with international standards in the field of production, environment, occupational health and safety, and social sphere.

MISSION

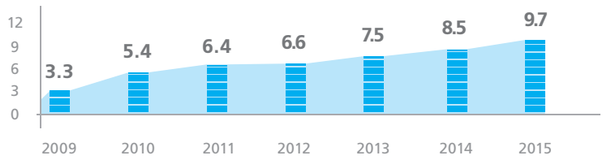
Improving the living standards for customers and promoting economic development of the regions where we operate by providing high-quality energy supply services for households, businesses and organizations.

The Company is trying to accomplish this mission by operating in accordance with international standards in the field of production, environment, occupational health and safety and social sphere.

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

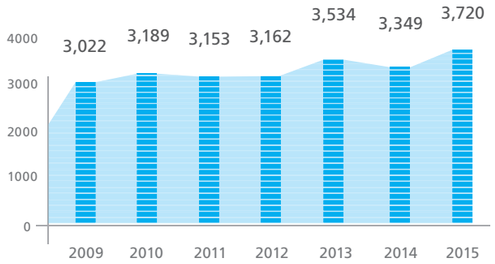
RESULTS OF THE PAVLODARENERGO JSC BY CEILING TARIFFS PROGRAM FOR 2009-2015

INVESTMENTS (KZT BLN)

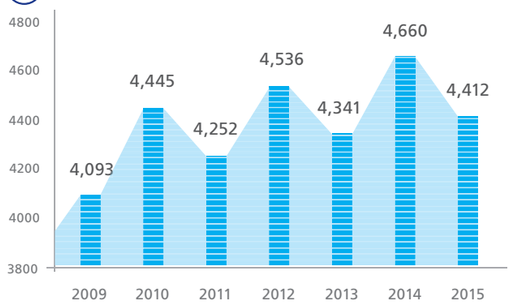


- **47.4** KZT bln were invested
- **392** MW were commissioned and renovated
- Growth of the installed capacity by **20%**
- Growth of electric energy **23%**
- Growth of heat energy **8%**
- Emissions of ash reduced by **64%**

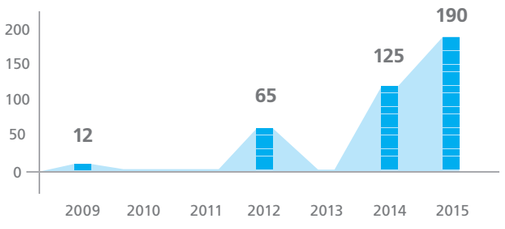
ELECTRICITY GENERATED (MLN KWH)



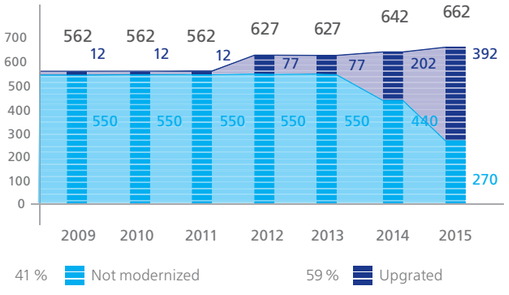
HEAT ENERGY GENERATED (THOUS. GCAL)



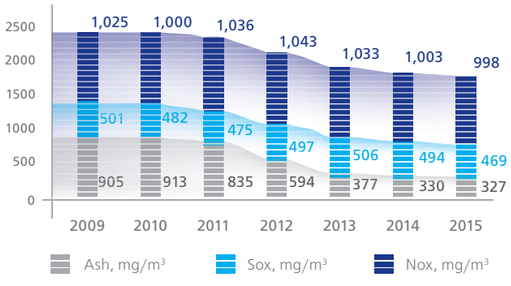
NEW AND UPGRADED FACILITIES (MW)



STRUCTURE OF GENERATING CAPACITIES (MW)

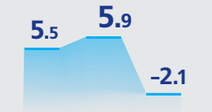


CONCENTRATION OF POLLUTANTS

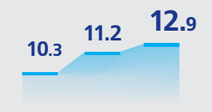


KEY PERFOMANCE HIGHLIGHTS FOR 2013-2015

Sales
(KZT bln)



Net profit
(KZT bln)



EBITDA
(KZT bln)

EBITDA margin
(%)

Investments
(KZT bln)

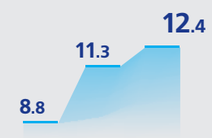
POWER GENERATION

Electricity
(mln kWh)

Heat
(thous. Gcal)

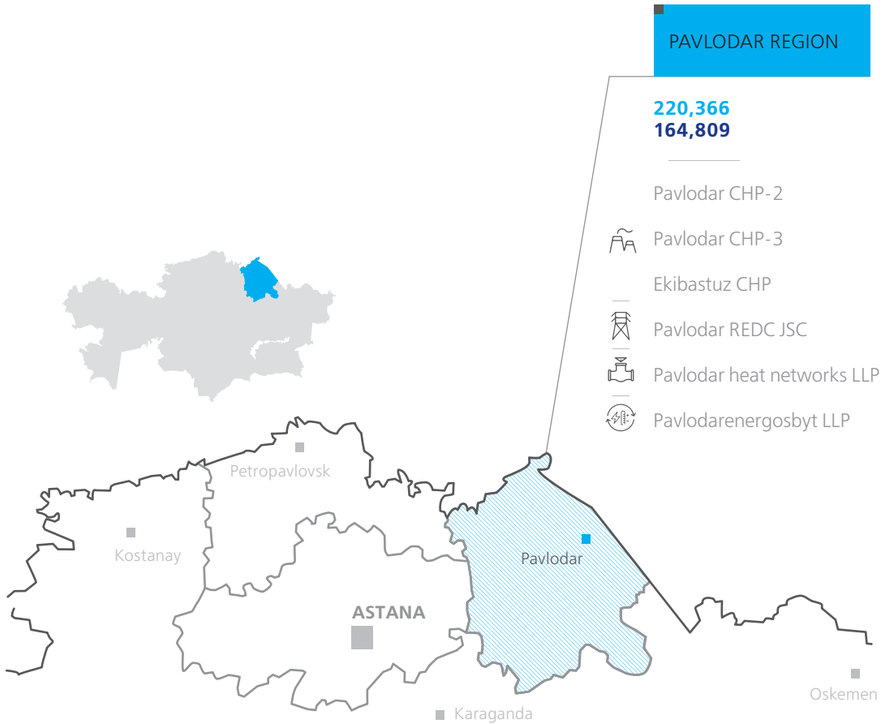
ASSETS

Non-current assets
KZT bln



Current assets
KZT bln

GEOGRAPHY OF OPERATIONS



LEGEND

Number of energy consumers

ELECTRICITY
HEAT

Generation of electricity and heat

Distribution of electricity

Distribution of heat

Sales of electricity and heat

KEY EVENTS OF THE YEAR

In June 2015 at Pavlodar CHP-3 of PAVLODARENERGO JSC new turbogenerator No.2 was commissioned. With commissioning of the turbine available electricity generation capacity of the plant increased by 45 MW. Total electricity generation capacity of the plant's renovated facilities reached 255 MW with the installed capacity of Pavlodar CHP-3 of 525 MW.

In July 2015 at PAVLODARENERGO JSC a new tower-type cooling tower No.5 was commissioned; it increased available capacity of CHP-3 of PAVLODARENERGO JSC by 30 MW in summer period.

In July 2015 a power supplying company – Pavlodarenergosbyt LLP – created a unified financial settlements center for payment for the services. The unified financial settlement center enabled improving of quality of services for the utilities consuming companies of Pavlodar city.

In October 2015, based at Pavlodarenergosbyt LLP a contact customer center was created; it covers such matters as power supply, quality of heating or power supply services, recording of readings of hot water and electrical power metering devices, etc.

In October 2015, a new Central Power Dispatch Facility (CPDF) was commissioned to manage the electrical grid of Pavlodar region. The CPDF monitors operation of all electricity generation facilities of the region, reflects power flows across power networks and operation of all substations in real time, it also helps to prevent emergencies at an early stage.

In October 2015 a Data Processing Centre of Central-Asian Electric Power Corporation JSC was launched in Pavlodar. The Center ensures uninterrupted operation of all modern information systems at the enterprises of CAEPCO JSC in the Pavlodar, North-Kazakhstan and Akmola regions, and the cities of Astana and Almaty.

On October 30, 2015 ceremonial events for a 50-years anniversary of PAVLODARENERGO JSC were held. Heads of local representative and executive authorities, the Ministry of Energy of RK, the Kazakhstan Electricity Association, shareholders of the Company congratulated employees and management of PAVLODARENERGO JSC with this date.

In November 2015, after a large-scale overhaul, turbogenerator No.4 was commissioned at CHP-3 of PAVLODARENERGO JSC, increasing the installed electricity generation capacity of the combined heat and power plants up to 540 MW.

PRIORITIES AND OUTCOMES

Priority tasks of PAVLODARENERGO JSC are actions aimed at modernization and reconstruction of power and heat energy generating and transmitting facilities; that is a key for sustainable development of the Company.

INVESTMENT PROGRAM

In 2015 enterprises of the PAVLODARENERGO group spent for investment actions 15.54 KZT bln. This includes 12.5 KZT bln spent by PAVLODARENERGO JSC for implementation of generation-related projects in 2015.

Announced by the Government of the Republic of Kazakhstan in 2009, The Ceiling tariffs Program ended in the reporting year. The program enabled including of investment costs in electrical energy generation rates, which was extremely helpful for attracting investments in modernization projects aimed at upgrading old or adding new equipment at Kazakhstan's energy companies. A total of 47.4 KZT bln was invested by PAVLODARENERGO JSC under this program during the period from 2009 to 2015.

UPGRADING OLD AND ADDING NEW EQUIPMENT

According to the plan, new turbogenerator No. 2 was commissioned at Pavlodar CHP-3 of PAVLODARENERGO JSC in June 2015. As a result, the plant's installed capacity reached 525 MW (electricity) and 1,098 Gcal/h (heat) with investments totaling 7.4 KZT bln.

Further, at Pavlodar CHP-3 after an overhaul in November 2015, turbogenerator No.4 with capacity of 125 MW was commissioned; it increased plant's installed capacity up to 540 MW (electricity) and 1,126 Gcal/h (heat). The overhaul budget totaled 7.0 KZT bln.

In July 2015 new cooling tower No.5 was commissioned at Pavlodar CHP-3 of PAVLODARENERGO JSC. The cooling tower increased electricity output of the plant and increased plant load during summer period by improving negative pressure in condensers of plant's turbines. Total cost of works was more than 1.2 KZT bln.

In 2015, as a part of turbogenerator No.6 reconstruction at Pavlodar CHP-6, equipment and materials were procured. Commissioning of the turbogenerator is planned to take place in 2017.

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 accordance with the Reconstruction, Modernization and Re-equipment Investment Program for 2013-2015, 2.4 KZT bln was spent for implementation of its projects during the reporting year. During the year works for construction, reconstruction, modernization and re-equipment of networks 35 kV and higher were carried out. Creation of a digital corporate telecommunication network, data acquisition and energy management system - SCADA/EMC, implementation of Automatic Meter Reading System for Electricity (AMRSE), procurement of technological equipment and machinery, as well as reconstruction and development of production facilities were done.

RECONSTRUCTION OF HEAT NETWORKS

Since 2011 the program aimed at restoration and modernization of centralized heating networks in Pavlodar and Ekibastuz is being implemented. It is financed by loan funds from the European Bank for Reconstruction and Development (EBRD) in cooperation with the Clean Technology Fund (CTF). In 2015 593 KZT mln was spent under the EBRD's program for implementation of the investment projects related to reconstruction of heat networks. In accordance with the Investment program for reconstruction and development of heat networks of Pavlodar, within the frameworks of depreciation deductions, Pavlodar heat networks LLP reconstructed heating main TM-6 from TK-15 to TK-18 using spray polyurethane foam insulation on the length of 295.8 meters; it cost 99.5 KZT mln. During the year 600 heat energy metering devices were installed for a total amount of 44.7 KZT mln, 200 data acquisition and transmission devices were installed for a total amount of 25.8 KZT mln, heat networks were reconstructed with diameter increase on the length on 1,056 meters and for an amount of 118 KZT mln.

In accordance with the Investment program for reconstruction and development of heat networks of Ekibastuz, within the frameworks of depreciation deductions, construction of 1,225 meters long heat network using pre-insulated steel pipes in spray polyurethane foam (SPF) insulation and fittings for them was completed in 2015; its cost was 19.6 KZT mln. 1,103 meters long heat network was reconstructed which cost 19.3 KZT mln, and roofing at united pump station No.2 with the area of 310 m^2 was repaired, which cost 4.5 KZT mln; it improved reliability of operation and increased service lifetime of the building and equipment it contains.

LETTER OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders and partners!

In 2015 PAVLODARENERGO JSC has strengthened its position on the energy market of the Pavlodar region. Electric power generation was 3,720 mln kWh, that is 10% higher than in 2014. Income from sale of services increased by 3.5 KZT bln and amounted to 40.5 KZT bln. Number of electric and heat energy consumers increased compared to 2014 and amounted to 220 thous. and 165 thous. consumers, correspondingly.

During the reporting year at enterprises of the PAVLODARENERGO group a large-scale investment project continued. Owing to the state policy of ceiling tariffs, implemented in Kazakhstan since 2009, in 2015 the Company commissioned 2 new turbogenerators at Pavlodar CHP-3. In total in 2009-2015 PAVLODARENERGO JSC renovated five turbogenerators and four boilers at three combined heat and power plants. During the next year we plan to renovate turbine No.6 at Pavlodar CHP-3.

We expect that energy consumption will increase in future due to development of the Pavlodar Special Economic Zone, which was created by the Decree of the President of the Republic of Kazakhstan. Expansion of active production facilities, commissioning of new companies and expansion of housing sector will lead to significant growth in energy consumption. In addition to that, our strategic location provides for a possibility of electrical energy export to Russia.

In 2015 it was 50 years since the date of PAVLODARENERGO's energy system creation. In 1997 when we purchased our first power company – Pavlodar CHP-3 – energy system of the Pavlodar region had not been existing for many years as a whole entity, it was segmented into separate legal entities. Nowadays PAVLODARENERGO is a vertically integrated company, combining all elements of Pavlodar region's energy supply system: generation, transmission and distribution of energy resources. The Company has a clear development plan for the next five years aimed at improvement of its assets. Despite difficulties of critical situations in the economy of Kazakhstan, which affected our companies as well, we maintain and develop social benefit and guarantees for our employees.

I am sure that we are able to fulfill the tasks set for the energy sector by the Head of State Mr. Nursultan Nazarbayev, related to ensuring sustainable development of the energy sector, improvement of efficiency of energy system companies' operation, as a part of implementation of strategic plans for the development of the Republic of Kazakhstan. We still have a lot of interesting and large-scale work to be done; its results will be a basis for improvement of industrial capacities and quality of life of all residents of the Pavlodar region.

YERKYN AMIRKHANOV,
CHAIRMAN OF THE BOARD OF DIRECTORS
OF PAVLODARENERGO JSC

LETTER OF THE GENERAL DIRECTOR

Dear colleagues and partners!

In 2015 PAVLODARENERGO JSC fulfilled all its commitments in full under the Investment Commitments Agreement in accordance with the Law of the Republic of Kazakhstan "Concerning electrical energy". It is important to note that the state program for modernization of electric power industry of Kazakhstan ended in the reporting year. Today it is safe to say that PAVLODARENERGO JSC worked efficiently in implementation of projects of the program related to renovation of core and auxiliary equipment at its power facilities. Thanks to the income gained due to ceiling tariffs for electrical energy production, during seven years 47.4 KZT bln was invested in PAVLODARENERGO's combined heat and power plants. As a result, total capacity of renovated turbogenerators reached 392 MW vs. 662 MW of installed electricity generation capacity of three plants of the Company. In 2015 at Pavlodar CHP-3 two turbogenerators were commissioned at a time, which was an unprecedented event in the history of electric power industry of independent Kazakhstan.

The most large-scale transformations were at Pavlodar CHP-3. There during the period of cap rates application 4 turbogenerators were renovated; it enabled increase of installed electricity generation capacity from 440 MW to 540 MW. In 2015 at CHP-3 10 projects were implemented under the investment program. The largest among them were the following: replacement of steam turbine PT-65/75-130/13 No.2; reconstruction of turbogenerator T-100/120-130-3 No.4; construction and reconstruction of ash dump; reconstruction of steam pipelines; reconstruction of boiler BKZ-420-140 No.2 with installation of an automated process control system; reconstruction of outdoor switchgear (110 kV) with installation of SF6 circuit breakers and construction of cooling tower No.5. This enabled the Company to increase supply of electrical and heat energy from CHP-3 to existing and prospective consumers and improved reliability of electricity, steam and heat supply.

The main action of the investment program at Pavlodar CHP-2 and Ekibastuz CHP was construction of the second phases of ash dumps of the plants using an innovative technology of impervious screen in ash dump bed – Canadian polysynthetic geomembrane.

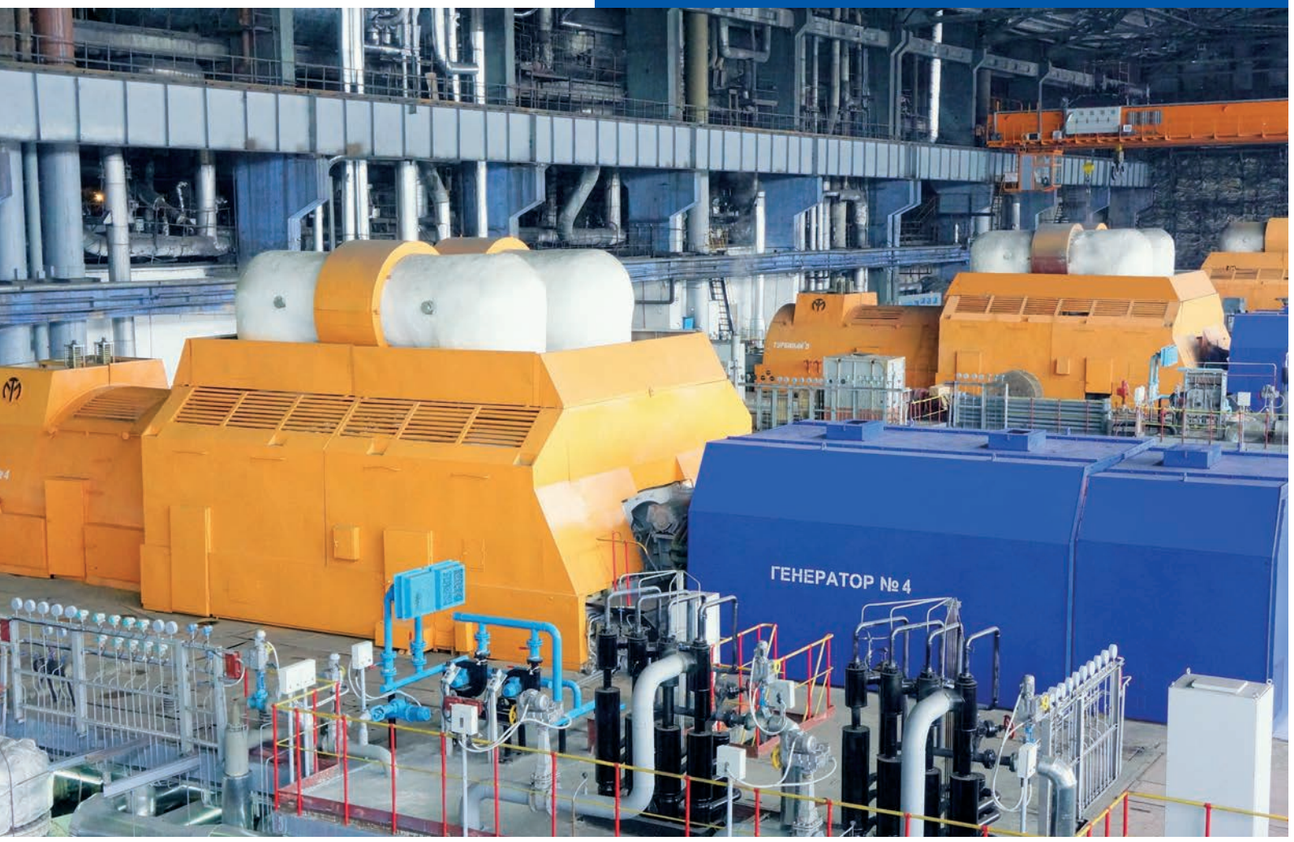
Owing to the measures taken to ensure reliable and uninterrupted electrical energy supply to consumers and increase generating capacities taking into consideration possibility that new consumers may join, Pavlodar regional electric distribution company JSC worked in 2015 without failures. Pavlodar heat networks LLP continued its work aimed at achieving more efficient energy consumption, automation and saving. As a result, heat energy excessive loss reduced by 3.3% compared to the previous year. Pavlodarenergosbyt LLP – energy supplying company – in order to improve quality of services and ensure accessibility of information for consumers in October 2015 opened in Pavlodar a contact center providing all required information concerning energy supply.

PAVLODARENERGO JSC implemented projects under one of the most efficient investment programs in the electric power industry of Kazakhstan. As a result, generating facilities of plants were renovated by 59% and total installed electricity generation capacity increased by 112 MW. Since 2009 to 2015 during the period that cap rates program was in force, combined heat and power plants of PAVLODARENERGO JSC increased generation of electrical energy by 23% and heat energy by 8%. These achievements are a result of work of the team of highly skilled specialists, who know their business and, what is the most important, do their best to get results.

OLEG PERFILOV,
GENERAL DIRECTOR
OF PAVLODARENERGO JSC

COMPANY OVERVIEW

PAVLODARENERGO JSC - vertically integrated company, uniting all stages of energy supply of Pavlodar region (generation, transmission and distribution, and sales of energy resources). The Company supplies electric and heat energy to the consumers in Pavlodar, electric energy in Pavlodar region and Aksu, heat energy in Ekibastuz. The enterprise is united in the Group of companies of Central-Asian Electric Power Corporation JSC (CAEPCO JSC).



IN 2015

PAVLODARENERGO JSC was celebrating its 50 anniversary: in 1965 by the decree of the Ministers council of Kazakhs SSR No. 668 district power system management was reorganized to production union "Pavlodarenergo". The history of the Company's establishment is integrated with development of Kazakhstan power utility as the whole. The efforts of employees were always directed to implementation of main objective of the enterprise: assist to socio-economic development of the republic and to be a guarantee of a sustainable life of Pavlodar region. Today PAVLODARENERGO JSC still successfully settles issue of efficient sustainable supply of consumers by heat and electric energy.

HISTORY

2007

PAVLODARENERGO JSC is joined by a CHP and heating networks of Ekibastuz.

2005

The Company absorbs Pavlodar's heating networks and forms Pavlodar heat networks JSC, which in 2011 were transformed into a Limited Liability Partnership.

Pavlodar's heating entity is created, which allowed to centralize district heating in the city and gave a boost to the development of Pavlodar's heating infrastructure.

1971

2008–2009

CAPEC JSC transferred PAVLODARENERGO JSC to the share capital of its subsidiary, Central-Asian Electric Power Corporation (CAEPCO JSC). The shareholders of CAEPCO JSC include CAPEC JSC and international development organizations: European bank for reconstruction and development (EBRD) and Islamic infrastructure fund (IIF).

2002

PAVLODARENERGO Open Joint-Stock Company is created and transformed into a joint-stock company in December 2003. Pavlodar's CHP-2 and CHP-3 form the system's generating capacity. PAVLODARENERGO JSC is joined by Pavlodar regional electric distribution company. In the same year, the Company was joined by Energocenter JSC, which transformed into Pavlodarenergosbyt LLP in 2011.

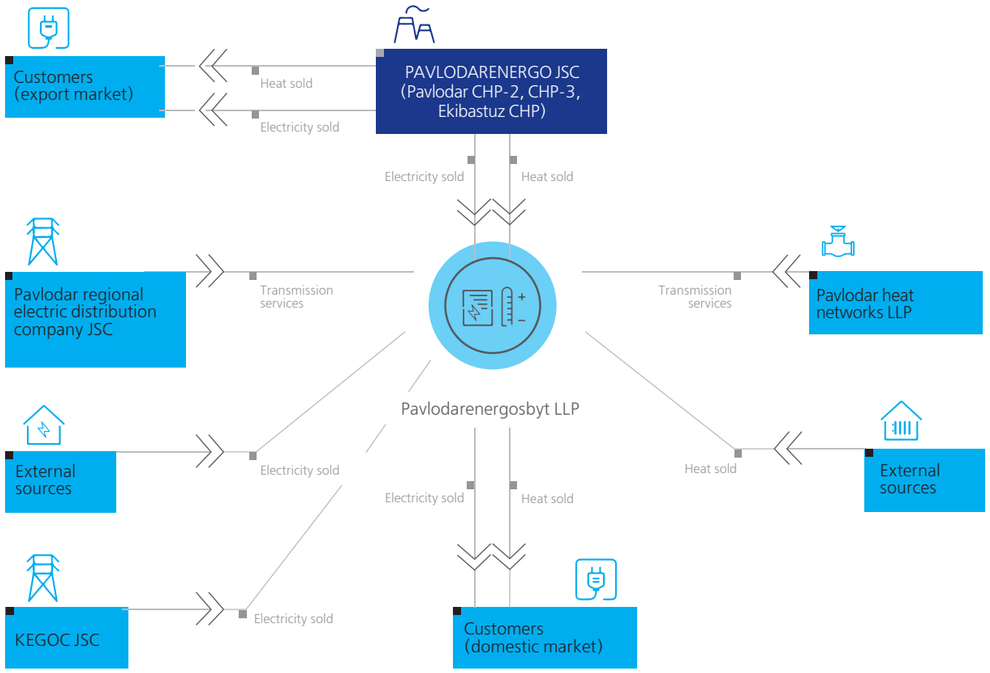
1995–1997

PAVLODARENERGO production entity becomes a republican state enterprise. In 1997, the assets of Pavlodar's CHP-2 and CHP-3 were bought by Central-Asian power-energy company (CAPEC JSC).

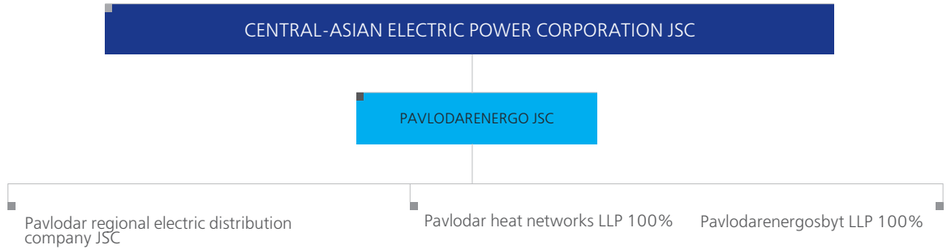
1965

By Decree of the Council of Ministers of the Kazakh Soviet Socialist Republic No.688 regional energy department was transformed into Pavlodarenergo production entity.

BUSINESS MODEL



COMPANY STRUCTURE



PRODUCTION HIGHLIGHTS

Installed capacity

Installed electricity capacity, MW	662
Installed heat capacity, Gcal/h	2,240

Number of customers

Electricity	Heat
220 366	164,809

Total power line length, km

Power line types	Distance, km
220 kV	14.3
110 kV	2,785.2
35 kV	2,401.2
6-10 kV	6,114.7
0,4 kV	4,618.6
Total	15.934

Total heat networks lenght, km

Pavlodar city	418.6
Ekibastuz city	342.3
Total	760.9

Substations

Substation Types	Quantity, pcs.
220 kV	4
110 kV	73
35 kV	102
6-10 kV	3,650
Total	3,829

SUBSIDIARIES

PAVLODARENERGO JSC is a vertically integrated company composed of generation, transmission and sales facilities in Pavlodar region.

PAVLODARENERGO JSC consists of:

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

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 provides electricity in Pavlodar region with a total area of 124.8 thous. km^2 and population of 758.6 thous. people.

In 2015, electrical energy generation of the Company reached 3,720.2 mln kWh.

Electrical energy generated by PAVLODARENERGO is supplied to the markets of the Akmola and Pavlodar regions of Kazakhstan. Total power line length of the Company is 15,934 km. Total heating network length is 760.9 km.

The Company is actively implementing corporate governance standards and improves its business processes and practices in accordance with international production, health and safety and social responsibility standards. In 2015 PAVLODARENERGO JSC obtained a certificate of ISO 50001:2011 Energy Management System.

PAVLODARENERGO JSC was certified for compliance with the following systems:

- ISO 9001:2008, Quality Management System (2008);
- ISO 14001:2004, Environmental Management System (2008);
- OHSAS 18001:2007, Occupational Health and Safety Management System (2011);
- ISO 50001:2011, Energy Management System (2015).

Pavlodar regional electric distribution company JSC

Main activity of Pavlodar regional electric distribution company JSC (PREDC JSC) is transmission and distribution of electrical energy in eleven districts of the Pavlodar region and in Pavlodar and Aksu cities. Production facilities are located in Pavlodar city and in the Pavlodar region. Its serviced area is 105.9 thous. km^2.

Through power grid of Kazakhstan electricity grid operating company JSC (KEGOC JSC) the power grid of PREDC JSC is connected with the unified electric power system of Kazakhstan and Russian networks, enabling PREDC JSC to transmit electrical energy generated by Pavlodar's CHPs No.1, No.2 and No.3. CHP No.1 belongs to Aluminum of Kazakhstan JSC, CHP No.2 and No.3 to PAVLODARENERGO JSC.

PREDC JSC includes the enterprises performing maintenance and repair of 0.4-10 kV distribution power grids and 35-220 kV substations:

- Western power grid enterprise: Aktogay, Bayan-Aul, Irtysh, Maysk power grid areas (PGA) and Aksu power grids (Left shore);
- Eastern power grid enterprise: Zhelezinsk, Kachirsk, Lebyazhensk, Pavlodar, Uspensk, Scherbaktinsk PGAs (Right shore);
- Municipal power grid enterprise (MPGE) operates and carries out technical maintenance of 0.4-10 kV distribution grids of Pavlodar;
- Production and repair enterprise (PRE) operates and performs maintenance of 35-220 kV high-voltage transmission line in the Pavlodar region;
- Municipal intra-household power grid enterprise (MIHPGE), not related to regulated kinds of services, works under an agreement for maintenance of 0.4 kV power grids of multistoried buildings condominium in Pavlodar and Aksu cities;
- production departments and services.

Pavlodar heat networks LLP

Pavlodar heat networks LLP transmits and distributes heat for consumers in Pavlodar and Ekibastuz cities. Activity of the enterprise covers improving of operational reliability of heating network, coordination of processes of generation, transmission and consumption of heat energy.

Length of heat networks of Pavlodar is 418.6 km, including consumer's networks:

- main heating networks – 115 km;
- district heating networks – 280.6 km;
- hot water networks – 23 km;
- consumer's networks - 286.4 km;
- pump stations – 11 stations;
- central heat distribution stations – 22 stations.

Length of heating networks of Ekibastuz city is 342.3 km, including consumer's networks:

- main heating networks – 37.6 km;
- district heating networks – 304.7 km;
- central heat distribution station (CHDS) – 1 station;
- discharge pump station (DPS) – 4 psc.

PAVLODARENERGOSBYT LLP

Pavlodarenergosbyt LLP is an energy supplying company, providing electrical and hear energy to customers in the Pavlodar region and in the cities of Pavlodar, Ekibastuz and Aksu.

The company supplies:

- electrical and heat energy to Pavlodar city;
- electrical energy to districts of the Pavlodar region and Aksu city;
- heat energy to Ekibastuz city.

The total number of customers of Pavlodarenergosbyt LLP as of December 31, 2015 was:

- 220,366 for electricity;
- 164,809 for heat energy.

Pavlodarenergosbyt LLP performs a policy of customer service quality improvement using modern technologies. For customer comfort there is a system of payment via second-tier banks, internet, ATMs, terminals. To provide payment collection services there are 2 service center, 3 pay stations in the regional center and 1 pay office in Leninskiy village, 2 pay stations in Ekibastuz city, 2 pay stations in Aksu city, and 9 pay offices at regional sale sites.

Agreements for payments collection were signed with 13 second-tier banks, Kazpost JSC's branch, Astana-Plat LLP and Contact 24h LLP.

Rates for heat supply services
(KZT incl. VAT/Gcal)

	01.01.2013	01.01.2014	01.07.2015
For the consumers of Pavlodar city joined to centralized heat supply networks			
Individual heat points	2,251.32	2,471.76	2,511.25
Central heat points	2,277.88	2,502.20	2,541.69
For the consumers of Pavlodar city not joined to centralized heat supply networks			
steam 16 from CHP-2	4,139.00	4,754.64	4,864.92
steam 16 from CHP-3	2,717.38	3,119.76	3,246.33
Hot water supply from CHP-3	1,060.89	1,143.77	1,164.96
	01.07.2013	**01.07.2014**	**01.07.2015**
Ekibastuz city	2,962.89	3,272.64	3,317.91

Average selling price of electrical energy for consumers of Pavlodarenergosbyt LLP,
KZT/kWh, incl. VAT (12%).

January 1, 2013	10.76
January 1, 2014	12.20
January 1. 2015	12.64

DEVELOPMENT STRATEGY

VISION

PAVLODARENERGO JSC is one of the largest enterprises in north-eastern Kazakhstan in the field of production, transmission and distribution of electricity and heat. PAVLODARENERGO supplies electricity and heat to Pavlodar, Ekibastuz, Aksu and districts of the Pavlodar region. A portion of the electricity produced by the Company is supplied to other regions of Kazakhstan.

The Company 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.

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

STRATEGY

The strategic goal of PAVLODARENERGO is to build a leading power company, ensuring balanced and sustainable development of the energy system of Pavlodar region to promote economic growth in the region. The Company actively introduces international best practices and operates in accordance with international standards in the field of production, environmental protection, occupational health and social responsibility. Through improving efficiency, PAVLODARENERGO JSC strives to increase the market value of the Company's assets and its investment attractiveness.

MAJOR TARGETS AS PART OF ACHIEVING PAVLODARENERGO'S STRATEGIC GOAL

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 COMPANY 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

MARKET ENVIRONMENT OVERVIEW

Pavlodar region - industrial center of Kazakhstan. Numbers of enterprises are running their operations here, which combines generation, transmission and sales of heat and electric energy, as well as reclaiming of mineral and hydrocarbon feeds. The region is the largest supplier of electric energy within the country, it accounts for 44% of all electric energy generated in Kazakhstan. PAVLODARENERGO JSC holds leading position in a row of energy enterprises of the region. The Company has a great role in power industry of Irtysh river bank in terms of volume of capital expenditures to renovation and reconstruction of production assets.

UPON THE RESULTS OF 2015

according to the date of the Committee for statistics of the Ministry of National Economy of the RK, all power stations of Kazakhstan have generated 91,07 bln kWh, that is 3.7% lesser than compared to 2014. The decrease of generation relates with optimization of power consumption in the country as well as reduction in export of electric energy.

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.

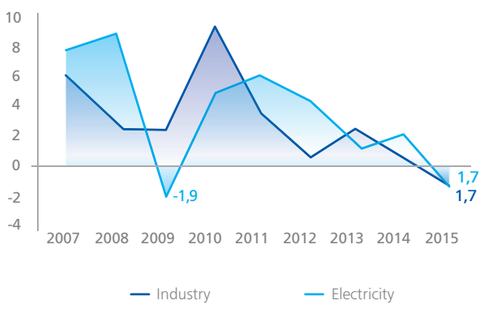
According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, industrial output fell by 1.5%. The drop was caused by reduced production in the mining sector which fell by 2.5%, slower growth in the manufacturing sector (0.2%), as well as a decline in the energy 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 divided 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 market: tenge lost 54% of its value, with USD-KZT exchange rate dropping from 185 KZT in August to 344 KZT per dollar 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.

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

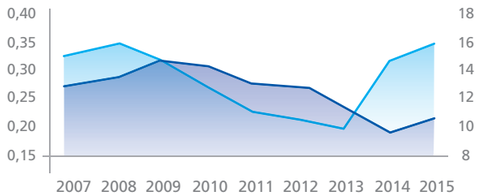
Purchasing activity of consumers was hampered by a limited number of personal loans. As of December

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.

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

Source:National Bank of the RK

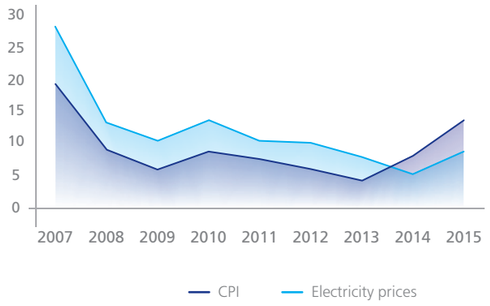


FORECAST FOR 2016

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.

Dynamics of an inflation and prices for electric energy, %

Source:National Bank of the RK



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.

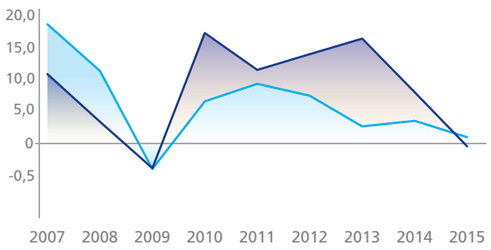
Kazakhstan's downgraded sovereign credit rating and corporate debt rating of Kazakhstani companies as a result of low oil prices, in addition to expected capital flight from emerging markets, will raise borrowing costs for Kazakhstani companies from both the real economy and the services sector.

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 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%.

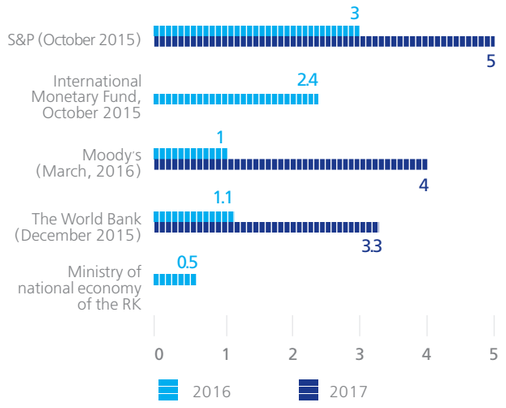
Dynamics of retail sales and real incomes of people, %

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



Forecast of Kazakhstan GDP growth, %

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



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).

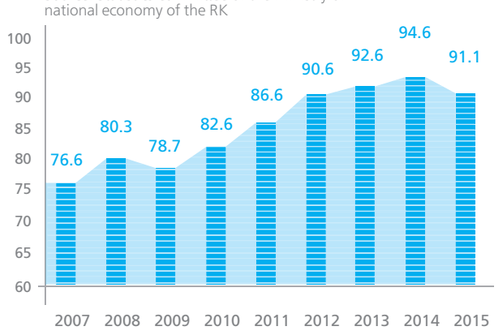
The structure of this market is as follows.

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), Ekibastuz CHP-2 (Samruk-Energo and Inter RAO UES), Topar CHP (Kazakhmys Energy), and Zhambyl CHP

Production of electric energy in Kazakhstan, bln kWh

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



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.

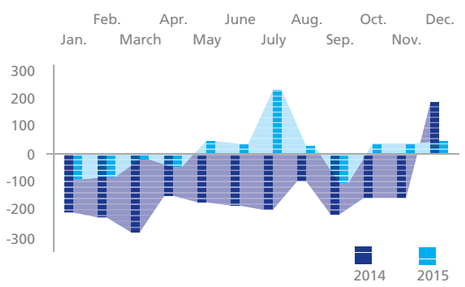
Heat power stations also include industrial cogeneration power plants concentrated in regions with mining and metallurgical clusters such as Karaganda, Kostanay, Pavlodar and Aktobe regions. The group includes coal-fired heat power stations with one or two high or medium power generator units such as 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.

Net power flow in IES of Kazakhstan, mln kWh

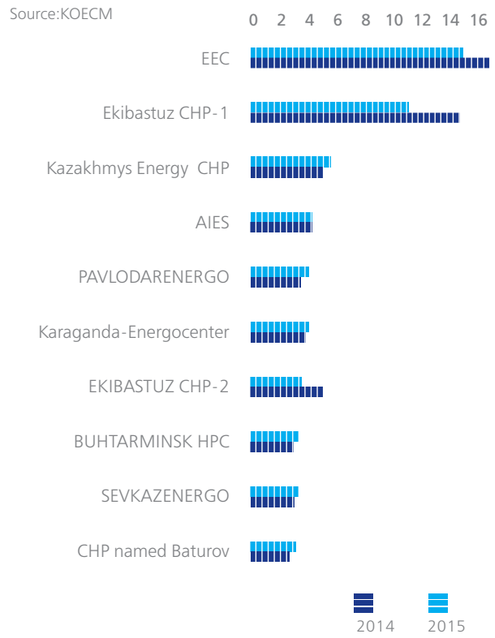
Source:KOECM



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.

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

Source:KOECM



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.

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.

Structure of energy production by regions of Kazakhstan, %

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

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 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.

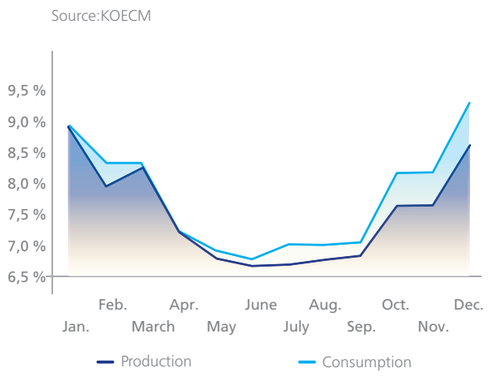
In Kazakhstan heat is produced by 40 CHP plants, 28 boiler stations which are considered to be large (with capacity over 100 Gcal/h) and 5.6 thous. small boiler stations (with capacity below 100 Gcal/h). CHP plants and large boiler stations generate 80% of heat, while smaller boiler stations account 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.

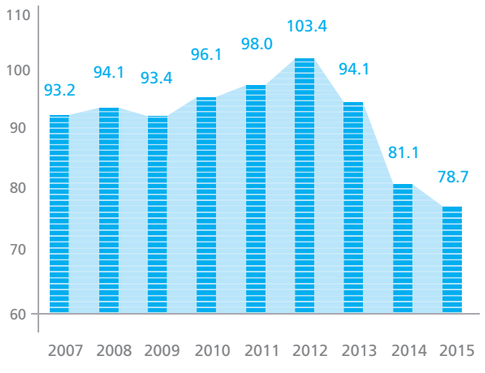
Production and consumption of electric energy in Kazakhstan in 2015, bln kWh

Source:KOECM



Production of heat energy in Kazakhstan, mln Gcal

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



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).

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).

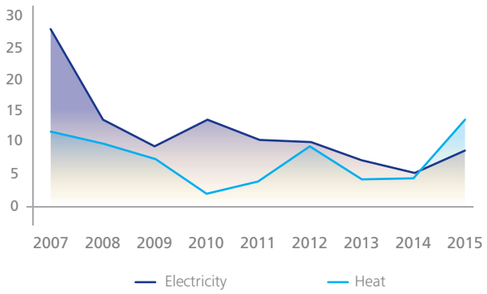
During 2009-2015, all energy generating companies had to live with Ceiling tariffs under the government's program "Tariffs In Return For Investments", which included investment costs to promote investment in the modernization of generation facilities. The Energy Ministry of Kazakhstan monitored the execution 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 maximum rates. This approach is aimed at enhancing the investment attractiveness, transition of natural monopolies into competitive businesses and providing greater certainty to all market participants: 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.

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

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



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, about 858.6 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.

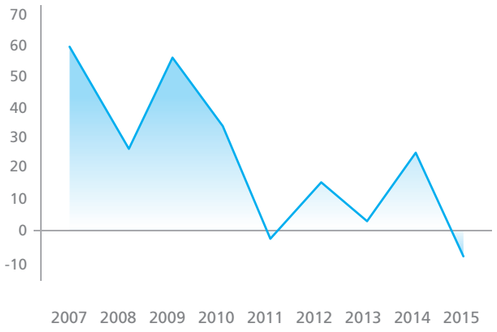
In 2015, several significant projects were completed in Kazakhstan's energy sector. Turbo generator K-63-90 was put into operations at Petropavlovsk CHP-2, increasing the installed capacity by 21 MW to 455 MW. Two turbo generators service were put into operations at Pavlodar CHP-3: PT-65/75-130-13 and T-120/130-130PR2, 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 in operations at Ust-Kamenogorsk HPS, while the hydroelectric generator set No. 2 began to be

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

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



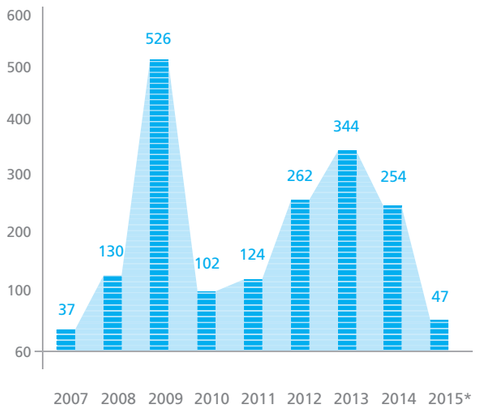
upgraded. Both projects are designed to increase the station's capacity to 18 MW.

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.

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

Source: National Bank of the RK



* results of first three quarters

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.

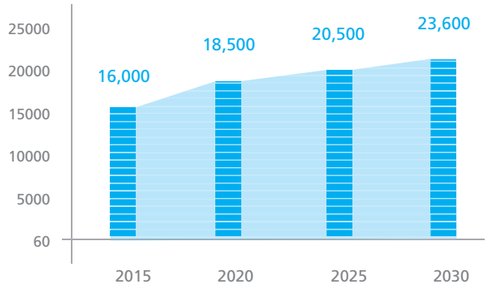
However, two major projects in the energy transmission sector are going to be completed in the next few years: construction of the power line "Ekibastuz–Semei–Ust-Kamenogorsk" and "Semei–Aktogai–Taldykorgan–Almaty" (a 500 kV "North–East–South" transit project). The goal of these projects is to increase 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.).

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.

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

Source: Ministry of Energy of the RK



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.

PERFOMANCE AND DEVELOPMENT PROSPECTS OVERVIEW

Planned volume of the Company's investments for the period of 2010-2020 amounts to 124,5 KZT bln. Within the frames of the investment program the activities are implemented in three directions: increase of generation, energy saving, including reduction of electrical and heat losses upon transmission, improvement of environmental parameters of production.

IN 2015

volume of electric energy generation of PAVLODARENERGO JSC increased by 3,720 mln kWh and increased compared to 2014 by 11%. The increase is related with commissioning of two renovated turbine units at Pavlodar CHP-3. Volume of heat energy generation in 2015 amounted to 4,412 thous. Gcal, what is lesser by 5.3% compared to 2014 as the consequence of higher outside temperature in 2015 as well as reduction of heat energy losses during transmission.

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

Since 2009 to 2015 in Kazakhstan a program based on Decree of the Government of RK "Concerning approval of cap rates" was in force. During seven years, owing to application of ceiling tariffs for production of electric energy, 47.4 KZT bln was invested in combined heat and power plants of PAVLODARENERGO JSC. As a result, total capacity of renovated turbogenerators reached 392 MW vs. 662 MW of installed electricity generation capacity of three plants of PAVLODARENERGO JSC.

PAVLODARENERGO'S TRACK RECORD FOR THE PERIOD BETWEEN 2009 AND 2015

59 % UPGRADED generating capacity

MODERNIZATION AND RECONSTRUCTION

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

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

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

by 64 % REDUCED Ash emissions

GROWTH

112 MW installed electricity generation capacity — 20%

328 Gcal/h installed heat generation capacity — 17%

698.53 mln kWh electricity generation — 23%

318.96 thous. Gcal heat generation — 8%

INCREASED GENERATION

At combined heat and power plant of PAVLODARENERGO JSC 5 boilers and 5 turbogenerators were renovated during the period from 2009 to 2015. In May 2009, turbine No.1 with installed capacity of 12 MW designed for steam-powered electrical energy generation was commissioned at Ekibastuz CHP, enabling use of generated electrical energy for the plant's internal needs.

In 2011-2012 new turbogenerator No. 1 was installed at Pavlodar CHP-3; it increased the plant's electricity generation capacity from 440 MW to 505 MW. Installation of an automated process control system (APCS) made it possible to have a cost-efficient and safe operating mode, maintain specified parameters of steam and heat supply automatically, maintain required equipment temperatures and carry stable set-up load.

At Pavlodar CHP-3 new turbine units were commissioned: new turbogenerator No. 5 in December 2014, new turbogenerator No.2 in June 2015, turbogenerator No.4 in November 2015. It enabled increase of installed power generation capacity from 505 to 540 MW. New cooling tower No.5 was commissioned in summer 2015. These measures helped to increase the available capacity of CHP-3 and made it capable of carrying heavier load during summer period thanks to improved negative pressure in condensers of the plant's turbines.

In 2012 new cooling tower No.2 was commissioned at Pavlodar CHP-2, which allowed to lift restrictions on condensation power generation.

During 2011-2015, 5 boilers were reconstructed at Pavlodar CHP-2, Pavlodar CHP-3 and Ekibastuz CHP:

- at Pavlodar CHP-2 boiler No.1 was reconstructed with a boiler drum replacement in 2011;
- at Pavlodar CHP-3 boiler No.1 was commissioned after replacement in 2012, boilers No.3 and No.2 were modernized in 2014 and 2015;
- at Ekibastuz CHP boiler No.6 was commissioned after replacement in 2014, its steam generation capacity increased by 15 tons per hour.

Owing to the implemented projects, reliability and productivity of production facilities improved and hazardous emissions into the atmosphere reduced.

IMPROVED ENVIRONMENTAL PERFORMANCE

In order to improve environmental performance, as a part of the investment program fly ash collectors (FAC) with battery-type emulsifiers of the second generation were installed of all boilers of the combined heat and power plants of PAVLODARENERGO JSC; that enabled reduction of ash emissions by 6 times. All these measures lead to improvement of combustion gas purification and reduction of environmental costs of the enterprises.

During the period from 2009 to 2015, the Company reduced hazardous emissions by 35%. At the end of 2008, before the investment program was launched, hazardous emissions of PAVLODARENERGO JSC were recorded at the level of 65.9 thous. tons. As of 2015, this figure is 42.5 thous. tons.

Due to implementation of battery-type emulsifiers at CHP-2, CHP-3, Ekibastuz CHP during the period from 2009 to 2015 – along with electric power generation increase in general at PAVLODARENERGO JSC by 23.12% and heat distribution by 7.79%, what corresponds to coal consumption increase by 10.6% – ash emissions into the atmosphere reduced by 65.75%.

To ensuring continuity of the plant's technological cycle and possibility of slag waste storage for up to 25 years, construction of two new ash dumps and reconstruction of one existing ash dump of the plants continues. In 2015 construction of the second phase of ash dumps at Ekibastuz CHP in a bed of Lake Tuz began, and construction of the second phases of ash dumps at CHP-3 and CHP-2 of PAVLODARENERGO JSC continued. Use of innovative materials in construction – Canadian polysynthetic geomembrane enables complete prevention of the risk of harmful substances penetrating into the soil.

RESULTS IN 2015

ELECTRICITY AND HEAT GENERATION

In 2015, actual investment spending of the enterprises of the PAVLODARENERGO group was 15.5 KZT bln with a planned budget of 18.7 KZT bln. This includes 12.5 KZT bln spent by PAVLODARENERGO JSC for implementation of generation-related projects in 2015.

In 2015 PAVLODARENERGO JSC fulfilled all its commitments in full under the Investment Commitments Agreement in accordance with the Law of the Republic of Kazakhstan "Concerning electrical energy". Maximal prices for sale of electric power from power sources CHP-3, CHP-2, Ekibastuz CHP were set for a period from January 1 to December 31, 2015 at the rate of 7.50 KZT/kWh (excl. VAT).

The most large-scale transformations were at Pavlodar CHP-3: during the period that the cap rates program was in force 4 turbogenerators were renovated at this CHP; it enabled increase of installed power generating capacity from 440 MW to 540 MW. In 2015 at Pavlodar CHP-3 two turbogenerators were commissioned at a time, which was an unprecedented event in the history of electric power industry of independent Kazakhstan.

At Pavlodar CHP-3 in 2015 under the investment program 10 projects were implemented. The largest among them were the following: replacement of steam turbine PT-65/75-130/13 No.2; reconstruction of turbogenerator T-100/120-130-3 No.4; construction and reconstruction of ash dumps; reconstruction of steam pipelines; reconstruction of boiler BKZ-420-140 No.2 with installation of an automated process control system; reconstruction of outdoor switchgear (110 kV) with installation of SF6 circuit breakers, and construction of cooling tower No.5. All this enabled increase of electrical and heat energy supply from CHP-3 to existing and prospective consumers and improvement of reliability of electricity, steam and heat supply.

After commissioning of turbogenerator No.2 installed power generation capacity of CHP-3 increased by 5 MW and reached 525 MW. Reconstruction of turbogenerator No.4 provided for a growth of

Item	2013	2014	2015
Installed electricity generation capacity, MW	627	642	662
Electrical energy output, mln kWh	3,534	3,349	3,720
Share in Kazakhstan's total electricity generation, %	3.8	3.5	4.1
Electricity transmitted, mln kWh	2,251	2,221	2,434
Electricity sold, mln kWh	2,698	2,738	2,963
Installed heat generation capacity, Gcal/h	2,102	2,140	2,240
Heat generated, thous. Gcal	4,341	4,660	4,412
Heat transmitted, thous. Gcal	3,149	3,276	3,209
Heat sold, thous. Gcal	4,109	4,204	4,154
For reference:			
Heat purchased, thous. Gcal	1,132	1,165	1,159
Electricity purchased, mln kWh	34	239	133
Total electricity generation in Kazakhstan, bln kWh	92.6	94.6	90.8

power output of the plant by another 15 MW. During construction of the second ash disposal pit an innovative technology of impervious screen – Canadian polysynthetic geomembrane – was used, it enabled achieving of one hundred percent water proofing of ash dump bed. New cooling tower No.5 enabled CHP-3 to bear during summer period an additional electric load of 25 MW in condensation mode and reduce impact on atmospheric air in the area where the plant is located.

In addition to that, in accordance with the program for renovation, maintenance, reconstruction and re-equipment of existing assets, reconstruction of steam pipelines at Pavlodar CHP-3 continued in 2015; it will improve reliability of plant's operation and will enable getting back to a designed temperature of steam after boilers of 560^{0}C that will decrease specific fuel consumption for electric power generation. Reconstruction of boiler BKZ-420-140 No.2 with installation of an APCS (automated process control system) was completed. As a part of reconstruction of 110 kV outdoor switchgear 110 kV SF6 circuit breakers were installed at 110 kV power lines No.151, No.152; it will allow to separate electrically linked coupling transformers and block-type transformers of the CHP from 110 kV power line of the Promyshlennaya substation and prevent CHP's shutdown in case of emergencies at the substation. Preparation actions for reconstruction of turbogenerator T-100/120-130-3 No.6, which will be carried out in 2017, have started.

Main action of the investment program at Pavlodar CHP-2 and Ekibastuz CHP were construction of second phase of ash dumps. There also an innovative technology of impervious screen in ash dump bed – Canadian polysynthetic geomembrane – was used.

RECONSTRUCTION OF POWER FACILITIES

Pavlodar regional electric distribution company JSC developed and approved a Reconstruction, Modernization and Re-equipment Program for 2013-2015 with a total amount of investment of 6.7 KZT bln, including 2.4 KZT bln for 2015.

Implementation of the investment program is funded by internal funds of the enterprise, namely depreciation and income specified in rates. Objective of the program is stabilization of electric power supply to consumers and creation of long-term conditions for development of the energy complex of the region. The investment program was prepared taking into consideration current technical state of equipment of substations and power grid, as well as economical and technical priorities, including actions aimed at increase of involved assets utilization factor. The program includes actions aimed at reduction of normative electricity losses, improvement of power equipment reliability.

During the year works on the following parts of the program were carried out:

- Construction, reconstruction, modernization and re-equipment of networks 35 kV and higher (substations Promyshlennaya, Zapadnaya Gorodskaya, Leninskaya, 12-Nasosnaya, Maykayin-64, 110 kV overhead branch line to Nasosnaya-1).
- Creation of a digital corporate telecommunication network, data acquisition and energy management system - SCADA/EMC, implementation of an Automatic System for Commercial Accounting of Electric Power (ASCAEP).
- Procurement of technological equipment and machinery.
- Reconstruction and development of industrial buildings and facilities.

RECONSTRUCTION OF HEAT NETWORKS

In 2015 Pavlodar heat networks LLP continued implementation of the investment program under the loan of the European Bank for Reconstruction and Development: a set of preparation documents for reconstruction and modernization of heat networks of Ekibastuz city (feasibility study) for construction of heating mains in the northern part of the city (private residences area) and in the industrial zone of Ekibastuz city (heating mains TM-IX, TM-XIV from TK-9I to TK-21K, heating main TM-VI from TK-4F to TK-36L) was developed, design and estimate documentation (DED) for construction of boost pump station PNS-2/3, DED for development of heating networks of Pavlodar city up to 2022 and for construction of a bridge line from TK-77 to TK-29 were prepared.

In total in 2015 224.3 KZT mln were spent for reconstruction of heating networks as a part of implementation of the investment projects under the EBRD's program.

In accordance with the Investment program for reconstruction and development of heat networks of Pavlodar city, within the frameworks of depreciation deductions, Pavlodar heat networks LLP carried out the following actions in 2015:

- Reconstruction of heating main TM-6 from TK-15 to TK-18 using spray polyurethane foam insulation on the length on 295.8 meters, which cost 99.5 KZT mln; it improved quality of heating services, increased reliability of heating network, increased service lifetime of pipelines and enabled heat losses reduction.
- 600 heat energy metering devices were installed for a total amount of 44.7 KZT mln.
- 200 data acquisition and transmission devices (DATD) were installed for a total amount of 25.8 KZT mln. The DATD enables distant reading.
- Heat networks were reconstructed with diameter increase on the length on 1,056 meters, which cost 118 KZT mln. This reconstruction enabled improvement of hydraulic mode of heating supply in multistoried buildings in the central part of Pavlodar city.

In accordance with the Investment program for reconstruction and development of heat networks of Ekibastuz city, within the frameworks of depreciation deductions, the following actions were taken in 2015:

- Construction of 1,225 meters long heat network using pre-insulated steel pipes in spray polyurethane foam (SPF) insulation and fittings for them with the cost of 19.6 KZT mln.
- Reconstruction of 1,103 meters long heat network using pre-insulated steel pipes in spray polyurethane foam (SPF) insulation and fittings for them, modern stop valves and new anticorrosion protection materials with the cost of 19.3 KZT mln; it improved reliability and efficiency of heat networks operation, increased pipelines service lifetime, reduced normative losses and improved quality of heating services for customers.
- Reconstruction of roofing (replacement of soft material roofing by more innovative one – rigid, double-pitch roofing) at united pump station No.2 with the area of 310 m^2, which cost 4.5 KZT mln, that improved reliability of operation and increased service lifetime of the building and equipment it contains.

FINANCIAL AND ECONOMIC INDICATORS

Consolidated financial statements of the Company for 2015 were prepared in accordance with the International Financial Reporting Standards. Principles of accounting policy are the same for all enterprises of the Company.

The financial and economic indicators demonstrate effectiveness and efficiency of the operational and financial activities, as well as movement in line with the strategic development targets of the Company.

Key Financial and Economic Indicators for 2013-2015, KZT mln

ITEMS	2013	2014	2015
Income from core activities	32,872	37,098	40,547
Prime cost, including expenses of the period	(24,954)	(28,436)	(31,736)
Profit from operating activities	7,918	8,662	8,811
Total EBITDA for the year*	10,458	12,059	12,961*
Total EBITDA for the year, margin in %	31.8%	32.5%	32%
Income tax expenses	(1,645)	(1,845)	(61)
Net profit for the year	5,529	5,900	(2,097)
Assets	81,142	114,171	127,557
Equity	47,850	66,031	62,374
Capital expenditures on fixed assets	10,254	18,060	18,631

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

INCOME FROM SALE OF PRODUCTS/SERVICES

Based on the results of 2015 the Company produced electrical and heat energy, including transmission and sale of purchased energy, for a total amount of 40,314 KZT mln, which is 9.2% more than in 2014. This change was due to the increase in supply of the electrical energy generated at captive power plants of the Company and increase of rates for sale of electrical and heat energy.

The dominating factors impacting the level of income from sales in 2015 vs. the previous year are the following:

- Amount of electrical energy sold increased by KZT 3,264 mln or by 16.7% vs. 2014 due to increase of own electricity generation by 340 mln kWh (12.2%) caused by commissioning of new generation facilities as a part of investment program and a positive trend in a customer's demand by 244 mln kWh (8.2%).
- Income from electrical energy transmission remained at the same level and amounted to 7,346 KZT mln.
- Income from sale of heat energy including transmission services and sale margin increased by 1,4% due to the increase of sale prices of sale and transmission companies, despite reduction in the amount of commercial supply of heat energy by 48 thousand Gcal or by 1,2% due to high ambient temperature during the heating season.
- Average weighted rates for all types of energy increased by 0.36 KZT/kWh or by 3,7% for electrical energy, and by 60.3 KZT/Gcal or by 2,5% for heat energy.

COST OF SOLD GOODS/SERVICES

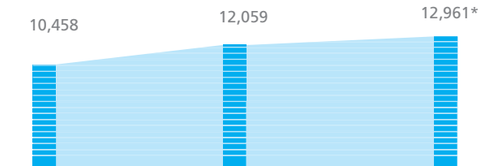
Cost of sold electrical and heat energy in 2015 was 28,258 KZT mln, increase by 3,187 KZT mln or by 12,7% vs. 2014 was caused by increase of operating expenses under such cost items as "Fuel", "Deprecation", "Production-type services", "Remuneration of labor" and others.

In the cost structure of the Company the largest specific ratio (26%) has the "Fuel" item. Increase in amount of electrical energy production by 340 mln kWh or by 12.2% caused increase of natural coal consumption by 152 thous. tons or by 4.5%, coal price including transportation increased by 6%, consequently the "Fuel" cost item appreciated by 746 KZT mln or by 11%. This increase was compensated by saving of "Purchased energy" in the amount of 478 KZT mln or by 22%. Depreciation deductions increased by 1,510 KZT mln mainly due to the reevaluation of fixed assets carries out as of 31.12.2014 and introduction of new fixed assets in 2015 for an amount of 18,631 KZT mln. Cost of "Production-type services" increased by 995 KZT mln or by 17% due to increase of expenses for recultivation of ash dump, technical dispatching control and balancing of KEGOC, freight transport and other services. Due to indexation of salaries of employees the cost item "Remuneration of labor with deductions" increased by 293 KZT mln or by 6%.

TOTAL EBITDA TREND

The EBITDA indicator for 2015 excluding exchange rate difference-related loss was 12,961 KZT mln, it increased by 902 KZT mln or by 7.5% vs. 2014. Main factors of the growth of the operational efficiency indicator are establishment of ceiling tariffs for electricity generation with a growth of 8.7% and increase in the amount of captive production of electrical energy by 340 mln kWh or by 12.2% with replacement of the energy purchased from external sources by 106 mln kWh or by 44%.

Total EBITDA for the year, KZT mln



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

OPERATING EBITDA BY SEGMENT

The operating EBITDA indicator was chosen as the main for evaluation of production activity of the Company. This productivity indicator does not account for other income, income from financing, non-monetary part of exchange rate difference-related liabilities, depreciation and nonrecurring or erratic cost items that impact the core production activity of the Company.

Operating EBITDA indicator of the Company was 12,909 KZT mln in 2015, it increased by 1,668 KZT mln or by 14,8% vs. 2014. In the structure of the operating EBITDA indicator the leading (priority) marginal segment is production of electrical and heat energy (12,912 KZT mln), where in 2015 there was an increase by 2,359 KZT mln or by 22.4% due to 340 mln kWh or 12.2% increase in additionally produced electrical energy, efficiency of operation of commissioned facilities, as well as increase of cap rates for electricity generation.

Financial and Economic Indicators by Segment for 2015, KZT mln

Indicators	Production of heat and electrical energy	Electrical energy transmitted and distributed	Heat energy transmitted and distributed	Sale of heat and electrical energy	Others	Total
Revenues from sales	27,167	7,346	3,630	2,171	234	40,547
Costs	(16,147)	(6,225)	(4,049)	(1,835)	(2)	(28,258)
Gross profit	11,019	1,121	(419)	336	232	12,289
Period expenses	(1,109)	(475)	(1,060)	(834)	-	(3,478)
Profit from operating activities	9,910	646	(1,478)	(498)	232	8,811
Financial expenses, net	(1,016)	1	0	(44)	-	(1,059)
Losses from exchange rate difference	(7,886)	(1,071)	(845)	-	-	(9,802)
Other income	(49)	51	(116)	127	-	13
Income tax expense	(246)	(9)	192	1	-	(61)
Loss for the year	714	(383)	(2,247)	(413)	232	(2,097)
EBITDA operating by segments	12,912	1,233	(991)	(477)	232	12,909

TREND OF NET INCOME/LOSS

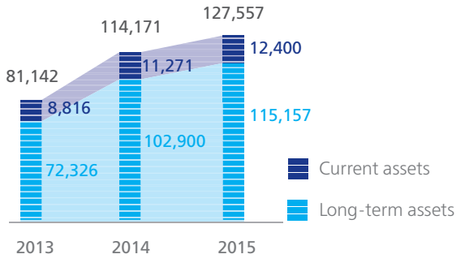
Profit from operating activity in 2015 was 8,811 KZT mln (21.7% margin to the income from sales), profit increased by 149 KZT mln; it was caused by increase in the amount of electrical energy production by 12.2% and rates increase.

Net financial expenses increased by 244 KZT mln or by 30% due to payment of compensation under currency loans. Due to the shift of the National Bank of the Republic of Kazakhstan to the new monetary policy based on inflation targeting and setting up a freely floating tenge exchange rate since August 20, 2016 the Company incurred a loss from exchange rate difference in the amount of 9,802 KZT mln, correspondingly financial results of the year 2015 was minus 2,097 KZT mln. Compensating effect of the national currency devaluation is recognition of tax assets at the expense of loss from currency exchange difference, as a result corporate income tax including deferred one for the reporting period was 61 KZT mln, which is less by 1,784 KZT mln than in 2014.

ASSETS AND LIABILITIES

Total assets of the Company as of December 31, 2015 were 127,557 KZT mln, which is 11.8% more than in 2014.

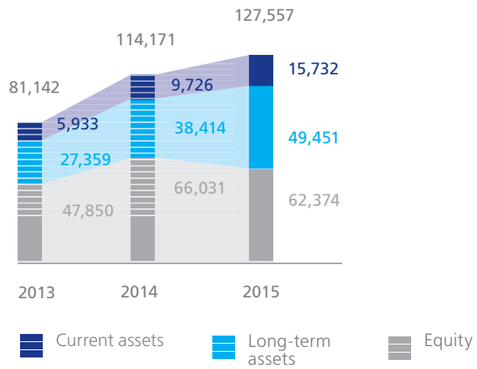
Assets, KZT mln



As of December 31, 2015, the value of fixed assets amounted to 111,240 KZT mln, or 89% of the value of all assets. As a part of the large-scale investment program

for 2015, 18,631 KZT mln was spent for construction in progress and acquisition of fixed assets, and commissioning of new and upgraded facilities of the current period and carry-over of the previous years amounted to 24,082 KZT mln. Particularly it is due to commissioning of two new turbine units No.2 and No.4 at Pavlodar CHP-3 in June and November 2015 correspondingly, completion of construction of cooling tower No.5. Also construction of the 2nd section of ash dumps at Pavlodar CHP-2, Pavlodar CHP-3 and Ekibastuz CHP is in process.

Liabilities, KZT mln



Other financial assets are the deposits in the amount of 868 KZT mln accumulated by the company for servicing loans, financing investment program.

Stated equity capital of the Company is 200 mln of ordinary shares. As of December 31, 2015, the value of completely paid ordinary shares was 16,664 KZT mln.

Long-term loans mainly include loans from the EBRD and other international financial institutes, which are meant for financing of long-term investment program for reconstruction and modernization of assets of the Company.

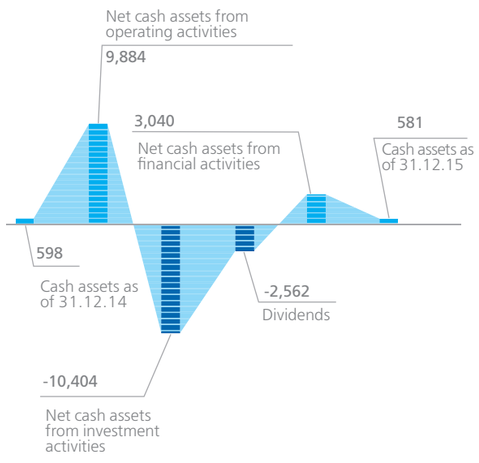
Shift of the Kazakhstan's economy to freely floating tenge exchange rate since August 20, 2015 caused increase of financial liabilities by 14,030 KZT mln. Management of the Company thinks that efficiency of the investment program together with low interests in loan agreements in currency, and terms of loans repayments of more than 10 years will allow to smoothen depreciation of KZT in future and ensure return of investments.

Total financial debt as of the end of the reporting year was 38,380 KZT mln, thereat the Company maintains its financial stability and liquidity position. The company received from its main financial institute - the EBRD - wavers of the rights to request an early performance of loans-related obligations due to minor violation of financial covenants as of 31.12.2015.

CASH FLOWS

In 2015 there was a trend of cash flows increase in operating activity, which was caused by increase of sale amount and planned increase of rates for electrical energy. Net inflow related to operating activity including the impact of exchange rate change on the balance of cash assets in currency was 9,909 KZT mln. Change in working capital is due to increase of inventory and trade receivables. Increase in the accounts payable mainly related to large supplies for actions of the investment program lead to increase of the working capital.

Cash Flows, KZT mln



The most significant cash outflows related to investment activity in 2015 were related to the accelerated investment program of the current year, for which 10,404 KZT mln were spent.

Cash assets and deposits as of the end of the year was 1,649 KZT mln, sufficient reserve of cash assets enables the Company to maintain required level of liquidity and internal reserves for servicing the debt.

MAIN GOALS AND OBJECTIVES FOR 2016

As a part of the investment program for 2016 it is planned to continue a number of large-scale equipment modernization projects aimed at increase of output, reduction of losses of electricity and heat during transmission and improvement of environmental performance.

Reconstruction of turbogenerator No.6 with increase of installed capacity from 110 to 125 MW is planned at CHP-3 of PAVLODARENERGO JSC. In 2017, the project should be completed and the turbogenerator should be commissioned. The construction of the second stage of ash dumps at Pavlodar CHP-2 and CHP-3 will continue with completion scheduled for 2016. The ash dump construction at Ekibastuz CHP Plant will also continue.

In 2016 PREDC JSC plans to construct, reconstruct and re-equip power grid 0.4-10 kV with the length of 19.2 km and reconstruct three substations under investment programs.

In 2016 it is planned to construct a total of 19.8 km of heat pipelines using pre-insulated pipes, including 1.8 km in Pavlodar city, 18 km in Ekibastuz city, as well as to restore insulation using SPF shell at 4.2 km long pipelines in Pavlodar city.

PROSPECTS OF THE INVESTMENT PROGRAM IMPLEMENTATION UNTIL 2020

PAVLODARENERGO JSC is implementing one of the most large-scale investment programs among the companies of the electric power industry of Kazakhstan in regards of capital investments in renovation and reconstruction of production facilities. The Company plans to invest a total of 124.5 KZT bln during the period 2010-2020.

Actions of the investment program 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 investment program implementation, generation facilities equipment wear will drop from 62% to 54%, with fully renovated production assets making up 65% of all equipment, a 20.5% increase in installed capacity, and a 31% reduction in the amount of hazardous emissions. The Company will completely eliminate excessive losses.

CORPORATE GOVERNANCE

PAVLODARENERGO JSC has an efficient and transparent system of corporate governance, corresponding to Kazakh and international standards. The system is aimed at establishing and maintaining reliable relationships with investors and shareholders that corresponds to increase of investment attractiveness of the Company.

IN 2015

corporate governance practice was fully corresponding to provisions of Corporate governance code, which in full complies with requirements of the legislation of the Republic of Kazakhstan "On joint-stock companies": the document is compiled taking into account existing international experience in the sphere of corporate governance and recommendations for use of corporate governance principles by Kazakh joint-stock companies.

SHARE CAPITAL STRUCTURE

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

No significant transactions with shares were carried out by the Company during the reporting period. No changes have occurred in the shareholders owning five percent or more of the Company's shares outstanding.

As of December 31, 2015, the equity capital of PAVLODARENERGO was 16,663,996 KZT thous. The sole shareholder owning 100% of the shares is Central-Asian Electric Power Corporation JSC.

Shareholder	Ordinary shares		Preferential shares	Total shares	
	number	percentage		number	percentage
Central-Asian Electric Power Corporation JSC	166,639,957	100%	–	166,639,957	100%

RESULTS OF THE GENERAL MEETING OF SHAREHOLDERS

The supreme management body of the Company is a general meeting of shareholders. The shareholders' primary way to exercise their rights, as reflected in the Charter of the Company, is to participate in an annual general meeting of shareholders, as well as in extraordinary meetings called by the Board of directors or the executive body.

The shareholders of the Company 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 PAVLODARENERGO JSC and its subsidiaries for the fiscal year 2014;
- approval of procedures for the distribution of the Company's net profit for the fiscal year 2014;
- choosing an audit firm to review the financial statements of PAVLODARENERGO JSC and its subsidiaries based on the 2015 performance;
- selection of members for the Board of directors of PAVLODARENERGO JSC.

ORGANIZATIONAL STRUCTURE

GENERAL MEETING OF SHAREHOLDERS

BOARD OF DIRECTORS

- CORPORATE SECRETARY
- STRATEGIC PLANNING COMMITTEE
- HUMAN RESOURCE, REMUNERATION AND SOCIAL AFFAIRS COMMITTEE
- AUDIT AND RISK MANAGEMENT COMMITTEE
- INTERNAL AUDIT DEPARTMENT
- RISK MANAGEMENT DEPARTMENT

GENERAL DIRECTOR

- Deputy General director for economics and finance
  - Accounting department
  - Economics and finance department
    - Planning department
    - Finance department
- First Deputy General director for production – Chief Engineer
  - Pavlodar CHP-3
    - Fuel and transport shop
    - Boiler shop
    - Turbine shop
    - Chemicals shop
    - Electrical shop
    - Mechanics shop
    - Heat automatics and measurements shop
    - Water and sanitation shop
    - Construction shop
    - Railway shop
    - Utilities section
  - Pavlodar CHP-2
    - Fuel and transport shop
    - Boiler shop
    - Turbine shop
    - Chemicals shop
    - Electrical shop
    - Mechanics shop
    - Heat automatics and measurements shop
    - Water and sanitation shop
    - Utilities section
  - Ekibastuz CHP
    - Fuel and transport shop
    - Boiler and turbine shop
    - Chemicals shop
    - Electrical shop
    - Repairs and mechanics shop
    - Equipment maintenance shop
    - Heat automatics and measurements shop
    - Repairs and construction section
    - Utilities section
  - Repairs administration
    - Repair preparation and implementation department
    - Project design bureua
    - Budget planning department
    - Repairs and mechanics shop (Ekibastuz CHP)
    - Equipment maintenance shop (Ekibastuz CHP)
    - Repairs and construction department (Ekibastuz CHP)
    - Mechanics shop (CHP-3)
    - Construction shop (CHP-3)
  - Reconstruction and modernization administration
    - Reconstruction and modernization department
    - Construction department
  - Production technical administration
    - Production department
    - Technical department
    - Fuel supply and distribution department
    - Communications department
    - Production control department
    - Chief instrumentation engineer – metrologist
      - Metrology laboratory
      - Heat automatics and measurements shop (Ekibastuz CHP)
      - Heat automatics and measurements shop (CHP-3)
      - Heat automatics and measurements shop (CHP-2)
- Deputy General director for commercial affairs
  - Price examination department
  - Procurement administration
    - Contracts and tenders department
    - Procurement department
- Deputy General director for human resources and social affairs
  - Human resources administration
    - Labor and salary department
    - Human resources department
    - Training center
  - Administration department
    - Health unit
    - Administrative support department
    - Organizational and social issues group
  - Environment department
  - IT department
  - Fixed assets support department
  - Information security department
  - Business security department
  - Occupational safety and security department
  - Occupational safety and security department
  - Civil defense HQ
  - Front office
  - Integrated control system group

DIVIDENDS

The Company's policy regarding distribution, announcement, size, form and timing of dividend payments is set out in PAVLODARENERGO's Charter and Dividend Policy. The main principles of the Company's Dividend policy include:

- balance between the interests of the Company and its shareholders in determining dividend payments;
- increasing investment attractiveness, financial sustainability, capitalization and liquidity of the Company;
- ensuring market returns on invested capital;
- respect for and strict observance of the rights of shareholders and promoting their well-being.

PAVLODARENERGO JSC intends to allocate a certain part of its net income for dividend payments in the amount that allows the Company to keep enough funds for its further development. The decision on the payment of annual dividends is made by the General meeting of shareholders based on the recommendation of the Board of directors of the Company. In case of any unforeseen negative circumstances affecting the Company, the Board of directors has to advice the General meeting of shareholders against payment (declaration) of dividends.

PAYMENT OF DIVIDENDS

In 2015 during the annual General meeting of shareholders it was decided to pay dividends to the shareholders of PAVLODARENERGO JSC for the fiscal year 2014 in the amount of 1,564,185,000 KZT (one billion five hundred sixty four million one hundred eighty five thousand). Yield per share amounted to 9.3866 KZT, current book value of one share as of 31.12.2015 is 372.89 KZT.

BOARD OF DIRECTORS

The Board of directors determines strategic objectives, maintains the necessary control mechanisms, including ongoing monitoring and evaluation of business performance. An Independent director, who is not affiliated with the Company, is a member of the Board of directors. The Board of directors is headed by the Chairman, who convenes meetings of the Board of directors and presents their agenda based on the recommendations received from members of the Board of directors and Board Committees.

Also the Board of directors of PAVLODARENERGO JSC makes decisions on the matters under the competence of the General meeting of shareholders (participants) of the following legal entities: Pavlodarenergosbyt LLP, Pavlodar heat networks LLP – 100% of shares (shares of participation in the equity capital) belongs to PAVLODARENERGO JSC.

On 17.04.2015 an extraordinary meeting of shareholders of CAEPCO JSC, the sole shareholder of PAVLODARENERGO JSC, was held, during this meeting composition of the Board of directors of PAVLODARENERGO JSC was set as follows:

Full name	Title
Yerkyn Amirkhanov	Chairman of the Board of directors
Gulnara Artambayeva	Member of the Board of directors
Albert Safarbakov	Member of the Board of directors, Independent director

Term of powers of members of the Board of directors of PAVLODARENERGO JSC is set to be two years since the date of appointment, i.e. till April 17, 2017.

MEMBERS OF THE BOARD OF DIRECTORS

YERKYN AMIRKHANOV
(1967)
Chairman of the BoD.
President of CAEPCO JSC.

01.07.2001 – Chairman of the Board of directors of PAVLODARENERGO JSC.
30.06.2004 – member of the Board of directors of Eximbank Kazakhstan JSC.
20.08.2007 – member of the Board of directors of CAPEC JSC.
16.03.2009 – member of the Board of directors of CAEPCO JSC.
28.05.2009 – Chairman of the Board of directors of Caustic JSC.
22.04.2011 – President of CAEPCO JSC.
25.10.2011 – Chairman of the Board of directors of SEVKAZENERGO JSC.
25.02.2013 – Chairman of the Board of directors of AEDC JSC.
13.11.2013 – Chairman of the Board of directors of NK REDC JSC.
20.01.2014 – Chairman of the Board of directors of PREDC JSC.

GULNARA ARTAMBAYEVA (1969)
Member of the BoD.
President of CAPEC JSC, shareholder, member of the Board of directors of CAPEC JSC .

16.06.2000 – President of CAPEC JSC;
27.06.2002 – member of the Board of directors of CAPEC JSC;
27.06.2002 – member of the Board of directors of PAVLODARENERGO JSC;
07.10.2002 – member of the Board of directors of PREDC JSC;
31.03.2004 – Member of the Board of directors of Eximbank Kazakhstan JSC;
27.04.2007 – Chairman of the Board of directors of CAPEC Invest SICAV JSC;
16.03.2009 – Member of the Board of directors of CAEPCO JSC;
07.07.2011 – Chairman of the Board of directors of Astana Finance Investment House JSC;
22.02.2013 – member of the Board of directors of SEVKAZENERGO JSC;
14.11.2014 – member of the Board of directors of AEDC JSC.

ALBERT SAFARBAKOV (1940)
Member of the BoD, Independent director of PAVLODARENERGO JSC.
He is not affiliated with PAVLODARENERGO JSC and has not been the same for the past three years.

26.01.1997 – Director of Pavlodartekhenergo LLP.
12.03.2012 – member of the Board of directors, Independent director of PREDC JSC.
22.02.2013 – member of the Board of directors, Independent director of PAVLODARENERGO JSC.

COMMITTEES OF THE BOARD OF DIRECTORS AND THEIR FUNCTIONS

As of December 31, 2015, the Board of directors of PAVLODARENERGO JSC had three committees:

- Strategic committee;
- Audit and risk management committee;
- Personnel, remuneration and social affairs committee.

Strategic planning committee is a permanent working body of the Board of directors. It was created to increase efficiency of corporate governance, projects implementation and Company's development strategy fulfillment control. The Committee also assists the Board of directors in improving the Company's planning and development mechanisms.

Audit and risk management 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.

Personnel, remuneration and social affairs committee is a permanent working body of the Board of directors. It was created to develop and implement human resources policy for the Company and its subsidiaries, elect or appoint candidates for the positions of the head and members of the executive body of the joint stock company and its subsidiaries, directors of the internal audit department and risk management department, corporate secretary and other bodies and subsidiary bodies, as well as establishing an effective system of corporate governance and implementation of its principles.

As of 31 December 2015 the Board of Directors of joint-stock companies was comprising of:

Name of the committee	Members of the committees of the Board of directors	Date of election/End of Tenure
Strategic Committee	Albert Safarbakov/Chairman of the Committee	01.11.2013 - till the end of tenure of the current Board of directors
	Yerkyn Amirkhanov	01.11.2013 - till the end of tenure of the current Board of directors
	Oleg Perfilov	01.11.2013 - till the end of tenure of the current Board of directors
Audit and risk management committee	Albert Safarbakov/Chairman of the Committee	01.11.2013 - till the end of tenure of the current Board of directors
	Gulnara Artambayeva	01.11.2013 - till the end of tenure of the current Board of directors
	Oleg Perfilov	01.11.2013 - till the end of tenure of the current Board of directors
	Zhanar Rakhimberlinova	01.11.2013 - till the end of tenure of the current Board of directors
	Ayzhan Stanbayeva	01.11.2013 - till the end of tenure of the current Board of directors
Personnel, Remuneration and Social Affairs Committee	Albert Safarbakov/Chairman of the Committee	01.11.2013 - till the end of tenure of the current Board of directors
	Yerkyn Amirkhanov	01.11.2013 - till the end of tenure of the current Board of directors
	Oleg Perfilov	01.11.2013 - till the end of tenure of the current Board of directors
	Natalia Konstantinova	01.11.2013 - till the end of tenure of the current Board of directors

PERFOMANCE OVERVIEW OF THE BOARD OF DIRECTORS

In 2015, the Board of directors held 12 meetings. The Board of directors focused on the following key issues:

23.04.2015	Selection of the chairman of the Board of directors of PAVLODARENERGO JSC.
	Approval of an updated organizational structure of PAVLODARENERGO JSC.
	Approval of the report on the Risks Management and Internal Control System Development Plan performance.
	Concerning housing from employees of the PAVLODARENERGO Group of Companies: concerning launching of a construction of a multistoried house with an area of 9,692 м².
29.05.2015	Selection of the General director of Pavlodar heat networks LLP Imanayev M. as a head of the executive body, determining his term of tenure.
03.06.2015	Preliminary approval of the annual consolidated statements of PAVLODARENERGO JSC for the year 2014 confirmed by a report of the Deloitte LLP audit company.
15.06.2015	Changes in the composition of the Internal Audit Department of PAVLODARENERGO JSC.
09.06.2015	Approval of the annual consolidated financial statements of PAVLODARENERGO JSC confirmed by a report of the Deloitte LLP audit company.
	Making decision on the procedure of distribution of net income of PAVLODARENERGO JSC for the 2014 fiscal year and size of a dividend.
	Consideration of a matter concerning claims of shareholders against actions of PAVLODARENERGO JSC and its officers and the results of their consideration.
22.09.2015	Approval of the report for quarter I 2015 prepared by the risk management department.
	Approval of implementation of a program for support of young specialists and improvement of educational lever of the personnel of the Company.
30.10.2015	Prolongation of the term of tenure of the General director of Pavlodarenergosbyt LLP.
	Prolongation of the term of tenure of the members of the Board of directors of PAVLODARENERGO JSC.
30.12.2015	Prolongation of the term of tenure of the members of the Board of directors of PAVLODARENERGO JSC.
	Allocation of funds for sport activities of employees of PAVLODARENERGO JSC, PREDC JSC, Pavlodar heat networks LLP, Pavlodarenergosbyt LLP.

EXECUTIVE BODY

General director is the sole executive body of the joint stock company, responsible for a management of the executive body of PAVLODARENERGO JSC. In his activity the General director is governed by the Statute of the General director of PAVLODARENERGO JSC. The General director manages current activity of the Company, implements the strategy instituted by the Board of directors and shareholders. The General director operates based on such key principles as honesty, integrity, diligence, reasonableness and serving the interests of the shareholders to the maximum extent possible.

The amount of remuneration of the executive body is determined by the Board of directors of PAVLODARENERGO JSC.

The General director of PAVLODARENERGO JSC is Oleg Perfilov.

He has no shares in the equity capital of the joint stock company, subsidiaries or affiliated organizations.

BRIEF BIOGRAPHY

Oleg Perfilov was born in July 15, 1968 in the Pavlodar region. In 1992, he graduated from the Pavlodar Industrial Institute majoring in Automatic Control of Electric Power Systems.

He started his career in the energy sector in 1992. During his career, he held various positions at Pavlodar's energy enterprises from an ordinary workman to a manager. From 2002 to 2007, he was the head of CHP-2 and CHP-3 of PAVLODARENERGO LLP.

On November 11, 2007, he was appointed Deputy General director for Production at Access Energo LLP, which changed its name to North-Kazakhstan Energocenter LLP (Petropavlovsk) on February 29, 2008. In 2009, he was Deputy General director for Production at SevKazEnergo Petropavlovsk LLP, which was later restructured into SEVKAZENERGO JSC. From 2009 to 2013, he was Deputy Chairman of the Executive Board for Production at SEVKAZENERGO JSC.

In January 2013, he was appointed acting Chairman of the Executive Board of PAVLODARENERGO JSC. Currently, he is General director of PAVLODARENERGO JSC.

Mr. Perfilov was awarded a Certificate of Merit of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (2005). In 2011, for his achievements in developing the electrical power industry of the CIS countries, Mr. Perfilov was awarded the title Distinguished Energy Sector Professional of the CIS.

Subsidiaries of the Company: Pavlodar regional electric distribution company JSC, Pavlodar heat networks LLP and Pavlodarenergosbyt LLP are separate entities, and General director of each enterprise is its executive body.

Name, form of incorporation	Sole executive body	Title	Date of election/End of Tenure
PAVLODARENERGO JSC	Oleg Perfilov	General director	10.09.2014–10.09.2016
Pavlodar regional electric distribution company JSC	Fedor Bodrukhin	General director	20.03.2014-indefinite term
Pavlodar heat networks LLP	Marat Imanayev	General director	01.06.2015-01.06.2017
Pavlodarenergosbyt LLP	Talgat Arginov	General director	01.11.2013-01.11.2017

INTERNAL CONTROL AND AUDIT

PAVLODARENERGO's Internal Audit Department (hereinafter referred to as IAD) reports directly to the Board of directors of the Company. The Audit and Risk Management Committee supervises the activities of the IAD. The Department operates in accordance with the International Standards on Auditing (ISA) developed by the Institute of Internal Auditors Inc, as well as in accordance with the current laws of the Republic of Kazakhstan and the Code of Ethics of internal auditors of PAVLODARENERGO JSC. The main documents regulating the IAD's activities are the Statute of the Internal Audit Department and Internal Audit Policies and Procedures of PAVLODARENERGO JSC. Internal auditors adhere to such principles as integrity, objectivity, confidentiality and professional competence in their activity. The IAD operates in accordance with the yearly action plan approved by the Board of directors. The IAD prepares annual and quarterly reports about performance of the department and submits them to the Board of directors and the Audit and Risk Management Committee.

In 2015 the IAD conducted a number of routine checks in the Company focusing on the following areas:

- Evaluation of the effectiveness of the internal controls procedures for the following business processes:
  - repairs (capital construction) management;
  - management of the process of specifications issue.
- Selective inventory audits.

It also carries out a monitoring of corrective measures to follow up on the recommendations of the Internal Audit Department of CAEPCO JSC, the IAD and Deloitte LLP audit firm, a consultation work.

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT

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

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

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.

KEY PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

Key principles of the Corporate governance code	Adherence to the principles	Comments
JUSTICE		
Equal treatment of all shareholders, regardless of the percentage of ownership and whereabouts, provision of opportunities for the effective protection of their rights.	Followed	Corporate governance in PAVLODARENERGO JSC is based on the principle of protection of and respect for the rights and legitimate interests of the Company's shareholders, including promoting the growth of assets and maintaining financial stability and profitability of the Company.
ACCOUNTABILITY		
The Board of directors of the Company reports to its shareholders, executive bodies report to the Board of Directors, and employees report to the management (General director of the Company). This principle ensures accountability and determines the lines of authority in the management of the Company, as well as full accountability of the Company to its shareholders, which is achieved through the provision to the shareholders, in a timely manner, of accurate and complete information.	Followed	This principle of the Corporate Governance Code is followed by maintaining the organizational structure of the Company in accordance with the Charter and the law of the Republic of Kazakhstan "On joint-stock companies." In addition, the principle of accountability is reflected in the statutes of all management bodies/structural units, which allows to determine the lines of authority of the Company's management bodies and ensure full accountability of the Company to the shareholders.
RESPONSIBILITY		
Responsibility of the Company to its shareholders, employees, customers and partners, close cooperation with them in order to grow the assets of the Company, increasing its stability and reliability.	Followed	In 2014, the Company adopted a Corporate ethics code which determines the basic principles of the Company's relationship. PAVLODARENERGO JSC has also developed and adopted an action plan for stakeholders engagement.
TRANSPARENCY		
Timely disclosure of accurate information about all material facts relating to the Company's activities, including its financial situation, performance, ownership and management structure, in the amounts stipulated 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 law and the Company's internal documents.	Followed	The transparency principle stipulated by the Corporate Governance Code is developed in the Information Policy of PAVLODARENERGO JSC, main tasks of which are as follows: • timely provision of information on all material matters relating to the Company. • ensuring availability of public information about the Company to all stakeholders; • promoting openness and trust between the Company and its shareholders, potential investors, market participants, government agencies and other stakeholders; • improving corporate governance of the Company; • creating a favorable image of the Company.

Key principles of the Corporate governance code	Adherence to the principles	Comments
ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY		
The Company treats the environment responsibly and rationally and operates in a socially responsible manner.	Followed	PAVLODARENERGO JSC has developed and adopted an action plan on environmental and social initiatives, which governs the Company's policy in the field of environmental protection and social responsibility.
EFFECTIVENESS		
The Company's General director and Board of directors have to ensure that the Company is managed in a reasonable and responsible manner, promoting a steady growth of its financial performance and shareholder wealth, as well as effective human resources policy, employee training, motivation, social security, and protection of the interests of the Company's employees.	Followed	The principle of effectiveness is regulated by the Statute of the General director. The General director is the sole executive body of the company, who is responsible for managing its day-to-day operations and implementing the strategy determined by the Board of directors and shareholders.

Key principles of the Corporate governance code	Adherence to the principles	Comments
CONTROL		
Control over financial and business activity of the Company 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 Company, as well as efficient use of internal and external auditors along with the establishment of an efficient risk-oriented internal controls system.	Followed	Control over financial and business activity of the Company in order to protect rights and legitimate interests of its shareholders is the responsibility of the General director of PAVLODARENERGO JSC in accordance with the provisions set forth in the Statute of the General director. The Company also has an audit and risk management committee, which is an advisory body of the Board of directors of PAVLODARENERGO JSC, which is created to assist the Board of directors in monitoring the taken decisions and processes.

RISK MANAGEMENT

One of the priorities of PAVLODARENERGO JSC operations for the long term perspective is minimization of operational, financial, social, environmental and other risks.

IN 2015

with a purpose of minimization of risks related with personnel management, the Company has developed the “PROFENERGY” project which is aimed to an increase of educational level of personnel, retention of key employees, attracting young specialist.

The Company has a corporate risk management (CRM) system aimed at identification, assessment and monitoring of all material risks, as well as risk mitigation measures. Internal Control Standards (ICS) have been implemented.

For improvement of its corporate practice, the Company is guided by the international standards in the field of corporate risk management and internal control, developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the International Organization for Standardization (ISO).

Risks management department reports to the Board of directors of the Company. 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 effectiveness in business processes:
  – maintenance and repairs management;
  – management of specifications issuance for connecting to power and heat networks;
  – management of environmental protection process.
- Updating the Risk register and Risk mapping of the Company.
- Monitoring the activities aimed at improving the ICS framework and risk management practices.

ANALYSIS OF SIGNIFICANT RISKS AFFECTING PERFOMANCE

Based on the results of updating the Corporate Risk Register and Risk Mapping of the Company, which occurred in 2015 in accordance with the approved Risk Management Policy, the risks associated with excessive heat losses and non-performance of contractual obligations by contractors/suppliers moved from critical to significant zone

Migration of risks during 2014-2015 on PAVLODARENERGO JSC’s risk mapping

Risk	2014	2015	Trend
EXCESSIVE HEAT LOSSES			
NON-PERFORMANCE OF CONTRACTUAL OBLIGATIONS BY CONTRACTORS/SUPPLIERS			

OPERATIONAL RISKS

In 2015, in accordance with the classification and level of criticality based on the Risk Register and Risk Mapping, the Company'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" was analyzed. As a result, a decision was made to create a Customer Service Center. Automating the processing of paperwork for the issue of specifications by the enterprises of the Company is currently under consideration, also work for filling the websites of affiliated organizations with information on the workload of the power supply areas, opportunities for filing applications online and load calculation by customers are currently in process.

To control the risks associated with contractors involved in renovation projects, the analysis of the Company's contractual activity was conducted, including internal control 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, in 2015 the Company developed a PROFENERGY project aimed at employee development, educational level improvement, 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 with constant monitoring of the Company's net debt, taking into account the projected financial situation, forecasted and actual cash flow, and future CAPEX commitments.

Risk of price increase for equipment, raw materials and supplies purchased. The Company is exposed to a risk of price increases for coal purchased, since the CHP equipment was designed for a particular type of coal bought from the same source. However, the Company's abilities 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 Company is exposed to currency and interest rate risks. The Company has substantial liabilities denominated in United States dollars. To manage the risk associated with changes in the United States dollar's exchange rate, the Company monitors any changes in the exchange rate. In 2015, PAVLODARENERGO did not resort to hedging its currency risks because of the lack of financial derivatives on the Kazakhstan's market. In this regard, the Company uses natural hedging by placing idle funds on deposits denominated in USD, and also monitors the effectiveness of long-term investment programs.

The company 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 the Company's liabilities are long term enables the Company 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 under the agreements with the Company, credit risk is limited to the difference between the liabilities of counterparty to the Company's and the Company's liabilities to this counterparty.

PAVLODARENERGO JSC has a highly diverse customer base represented by different segments of the economy, which helps to reduce credit risks.

LEGAL RISKS

Violation of nature environmental regulations is a significant risk that is identified by the Company management as a legal risk. In order to control environmental risks and to improve its emissions-related performance, enterprises of PAVLODARENERGO JSC assessed the effectiveness of control procedures to ensure compliance with the ISO 14001 international environmental management system standard adopted in the subsidiaries of the Company. Based on the ICS analysis, recommendations have been given on how to develop a uniform environmental policy at all enterprises of the Company 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

PAVLODARENERGO JSC realizing its social responsibility among consumers, state, investors and society adheres to sustainable development conception. Based on high consequence of its operations PAVLODARENERGO 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 PAVLODARENERGO JSC enterprises.

Strategic goal of PAVLODARENERGO JSC is to create advanced private energy company upon strict observance of generally adopted principles of sustainable development.

The Company's goals and objectives within the framework of sustainable development include:

- improvement of stakeholders engagement system;
- improvement of economic efficiency and sustainability;
- production technology modernization;
- supporting the development of the regions, where the Company operates;
- corruption prevention.

MATERIAL ASPECTS AND BOUNDARIES

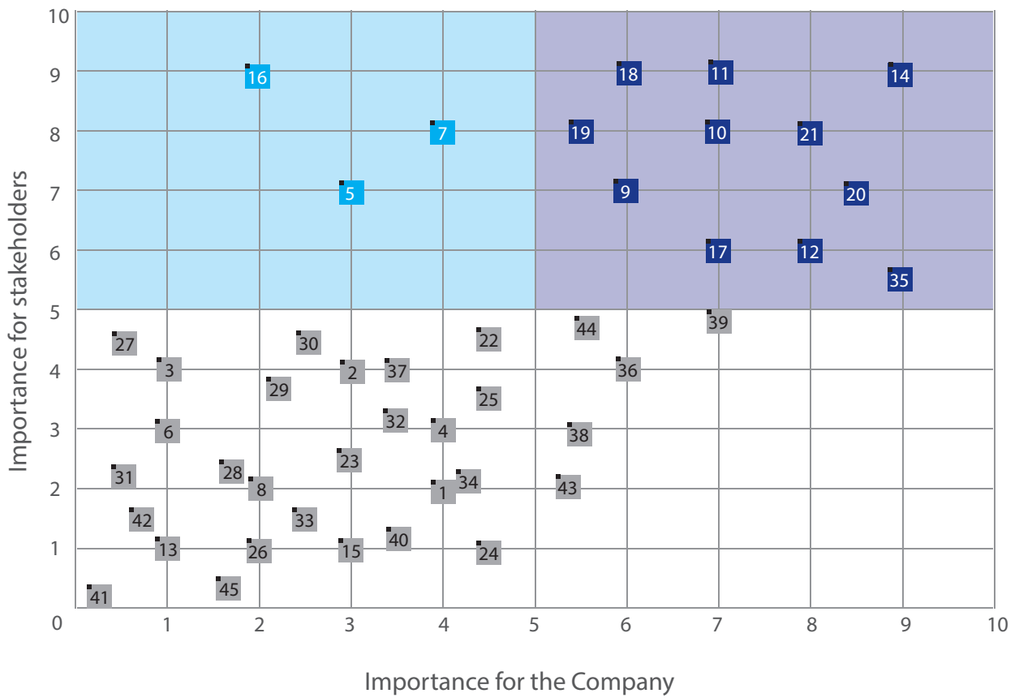
In accordance with the Principles for Defining Report Content of the GRI G4 Guidelines the materiality of the topics disclosed in the report was assessed. The procedure of materiality assessment includes the following main phases:

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 impact degree of indicated topics within the Company and out of bounds of it. Topics for further disclosure were selected taking into consideration stakeholders' engagement. Besides that the priority of topics from the point of view of their impact to the Company's activity and its development strategy were also analyzed.

Phase 3. In accordance with the opinion of stakeholders and the strategic plans of the Company, 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 Company (horizontal axis) and its stakeholders (vertical axis). The highest priority was set for the Aspects located in the purple zone – during preparation of the report priority attention was given to them. Also the report partially discloses the Aspects of the blue zone.

Phase 4. Following issue of the report the feedback will be requested in order to improve relevance of the Materiality Map in future reports of the Company.



LIST OF ASPECTS

№	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	Supplier Enviromental Assessment
15	Environmental assessment of suppliers
16	Environmental grievances (mechanisms)
17	Employment
18	Employee/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

№	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 assesment
34	Human rights grievances 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

ENGAGEMENT WITH STAKEHOLDERS

Interaction with stakeholders is an important part of the sustainable development system. Principles of stakeholders' identification and selection are governed by a regional aspect. Ensuring sustainable development and pursuing of strategic goals of the Company is achieved upon observance of interests and responsible conduct for all stakeholders. In 2015 the Company has prepared a SEP (Stakeholder Engagement Plan) Report. During preparation of the Report the management of PAVLODARENERGO JSC was snap polled and based on results of the poll a Company stakeholders ranking map was prepared and analyzed. Primarily cooperation is established with the stakeholders significantly affecting activity of the Company and those that could significantly affect it in the medium term if the Company implements its strategic initiatives. In addition to that, the impact of the Company's activity on stakeholders was taken into consideration. **G4–SO1**

Key stakeholders	Engagement process	Issues raised
Employees	Ensured by means of corporate newspapers and websites. Email boxes for employees' queries and a helpline. Group management holds meetings with employees. Labor disputes are resolved by the Conciliation commission with participation of representatives of both the employer and the employee.	• Ensuring occupational health and safety; • Informing employees about Company's activities; • Promoting professional development.
Local communities	The Company has a comprehensive system for processing customer queries and providing feedback with the help of Internet sites and email. Public hearings, round tables and other events are held.	• Consideration of the applications for the tariffs and its approval for monopoly-controlled services; • Implementation of the investment program; • The quality of services provided to customers, monitoring of fulfillment of the requirements, for example, installation of household energy meters and obtaining technical specifications.
Governmental and regulatory authorities	Requests from the government and regulatory authorities are processed: some are answered, others are for notification purposes only. Employees of the Group companies participate to specialized and general meetings. Meetings with official delegations are carried out.	• Reduction of negative impact of the industrial facilities on the city and region; • Ensuring preparation for the heating season; • Fulfillment of investment obligations; • Compliance with laws and regulations, including environmental and nature protection requirements.
Suppliers, contractors, customers	Tenders are organized and held, as well as meetings with contractors and customers. The feedback section is provided on corporate website of the Group companies.	• Creation of a mutually beneficial partnership; • Ensuring transparency during tenders.
Educational institutions	Meetings with representatives of education institutions are held in the Company presence regions. Employees of the Group Companies participate in admission boards, qualifying commissions and accreditation of educational programs.	• Staff recruitment for the enterprises; • Internship and job placement for graduates.

Key stakeholders	Engagement process	Issues raised
Mass media	The Company on annual basis arranges press tours, media briefings, press conferences, issue press releases and provides answers to the informational queries.	• Establishing cooperation; • Informing about implementation of the investment program for modernization and renovation of assets; • Implementation of environmental regulations; • Implementation of social projects.
Non-governmental organizations (NGOs)	Representatives of NGOs are regularly invited for participation in the press tours and public hearings, which are held during the year. Employees of the Group companies participate in public meetings with representatives of small and medium-sized businesses. Meetings are held with leaders of NGOs that support socially vulnerable people, with participation of representatives from the consumer right protection associations.	• Assistance in resolving environmental and social issues.
Trade union	Interaction with trade unions is carried out through the organization of meetings and processing requests during operations.	• Compliance with the collective bargaining agreement; • Assistance in arranging leisure and recreation for employees.

ENVIRONMENTAL IMPACT MANAGEMENT * G4–СПМ

Environmental protection, consistent improvement of nature protection performance and energy efficiency are key strategic priorities of PAVLODARENERGO JSC and an integral part of its sustainable development process. In 2015 PAVLODARENERGO JSC generated 3,720.2 mln kWh of electrical energy and 4.4 mln Gcal of heat energy. For energy generation 3,555.1 thous. tons of Ekibastuz coal and 5.6 thous. tons of mazut were consumed. **G4–EN1**

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

Priority areas of PAVLODARENERGO JSC environmental activities are based on the key impacts. These impacts include:

- emissions of pollutants into the atmosphere;
- emissions of greenhouse gas (CO_2) into the atmosphere;
- impact on water bodies due to water consumption;
- industrial wastes disposal.

Significant environmental aspects are managed through regular monitoring of environmental performance, assessment of compliance with the legislative and corporate requirements. Responsibility for control, accounting and analysis of the listed environmental impacts of PAVLODARENERGO JSC is assigned to the Environment department.

Information about environmental activities is provided by publishing on the web site of PAVLODARENERGO JSC of the Integrated Management System Policy, environmental management tasks and objectives, reporting documents such as corporate reports, drafts of Environmental Impact Assessment sections for developed projects of reconstruction and modernization, minutes of public meetings, nature protection action plans, and non-technical summary of projects.

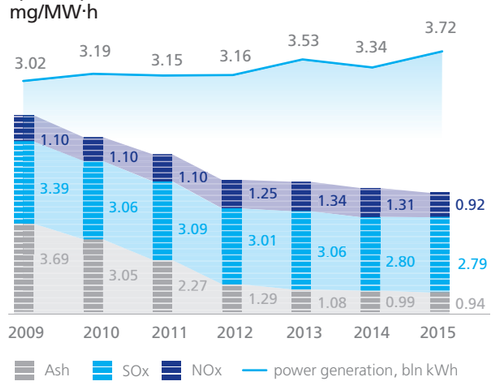
In addition, PAVLODARENERGO JSC informs its contractors of applicable legislative and normative requirements by including such requirements in agreements, specifications and requirements for contractors.

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

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

Starting from 2009 PAVLODARENERGO JSC has been implementing the 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 regards 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 PAVLODARENERGO JSC. Within the frameworks of the ESAP the corporation provides a public report on an annual basis.

Specific pollutant emissions in 2009-2015, mg/MW·h



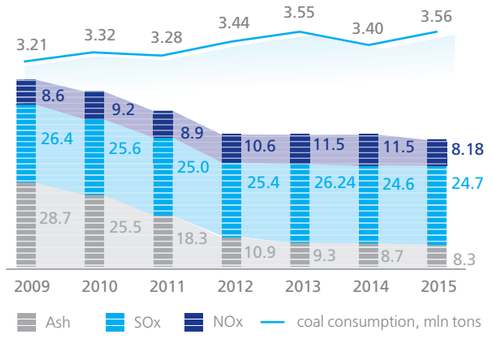
ATMOSPHERIC AIR PROTECTION G4–EN27

Emissions are one of the main environmental impacts of heat power plants.

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 of PAVLODARENERGO JSC. In order to improve its environmental performance from 2009 to 2014 as a part of its investment program the Company modernized its fly ash collectors (FAC) adding 2nd generation battery-type emulsifiers on all power boiler of its plants, which increased the degree of purification of combustion gas and ensured lower costs of enterprises. The actual purification rate after installing emulsifiers reached 99.5% vs. 97%. This action allowed reducing total annual coal ash emissions from 28.7 thous. tons to 8.3 thous. tons per annum (72%). During 2015 PAVLODARENERGO JSC commissioned additional facilities represented by two turbines. At the end of the year 2008 - the year when investment program was launched - amount of pollutants emissions into the atmosphere of PAVLODARENERGO JSC was recorded at the level of 65.9 thous. tons (including other emissions), based on results of the year 2015 this parameter was 42.5 thous. tons (including other emissions) (35%).

G4–EN21

Gross pollutant emissions in 2009-2015, thous. tons



MITIGATION OF ENVIRONMENTAL IMPACTS, NATURE PROTECTION MEASURES G4–EN21

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

- repair of heat insulation, lining of emulsifiers and gas ducts, works for maintaining degree of efficiency of fly ash collectors (FAC) at project level;
- repair of dust exhausting plants (DEP);
- current repairs for maintaining core equipment operation in compliance with the Technical Regulations;
- replacement of burners during capital repairs of boilers;
- reconstruction of inlet fitting of battery-type emulsifiers in order to optimize speed of dust flow of emulsifier of boilers No.2 and No.4 of CHP-3;
- installation of automated process control system at boiler No.2;
- replacement of old lighting with energy-saving lamps;
- reconstruction, modernization of CHP equipment, aimed at reduction of energy consumption for internal needs, improvement of fuel consumption accounting, reduction of fuel specific consumption per a unit of sold product.

GREENHOUSE GAS (CO_2) EMISSIONS G4-EN15

After the Kyoto Protocol entered into force for the Republic of Kazakhstan on September 17, 2009 the Company arranged work for preparation to carrying out the inventory of greenhouse gas emissions and ozone depleting substances consumption.

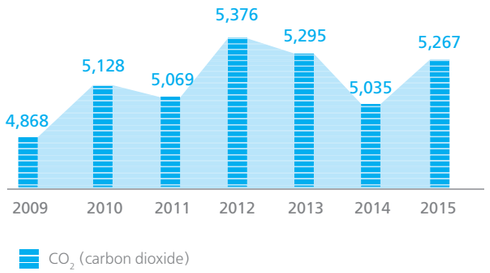
For greenhouse gas monitoring a calculation method was used; it provides for accounting of emissions from normal (regular) production activity, special practices (commissioning works, process shutdown, repair, and maintenance) and emergencies. On March 26, 2011 a Loan Agreement between the Pavlodar heat networks LLP and the European Bank of Reconstruction and Development (EBRD) with attraction of investments from the Clean Technology Fund (CTF) was signed. The project aims at reconstruction and modernization of district heating networks during the period 2011-2015 in Pavlodar and Ekisbastuz cities in order to improve energy efficiency, reduce losses and improve environmental performance (reduction of CO_2 emissions due to the saving 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 214 thous. tons, which is 3% on specific emissions basis in 2015 vs. the level of 2010.

Thanks to implementation of energy saving actions, in 2015 PAVLODARENERGO JSC achieved reduction of greenhouse gas emission by 6,667 thous. tons of CO_2. However due to increase of production scale, the gross greenhouse gas emissions slightly increased in 2015, compared to 2014 (4.6%) and amounted to 5.3 mln tons CO_2, which was caused by an increase of combusted fuel (coal, mazut). Specific indicators of greenhouse gas emissions, associated with generation of heat and electrical energy, also showed a slight rise in 2015 – 0.33%.

Other actions of PAVLODARENERGO JSC related to CO_2 emissions reduction are:

- reduction of heat energy losses from equipment through carrying out reconstruction and modernization under the investment program;
- increase of overall efficiency of fuel use through increase of share of generation by new blocks, as well as implementation of the programs related to improvement of energy efficiency and implementation of the ISO 50001 Energy Management System standard (energy saving actions) at the enterprises;
- improvement of heat insulation and modernization of existing nonresidential buildings (air tightening of air leakages, sealing of windows and doors);
- use of modern household and office appliances with energy saving class A+, A++ (new equipment consumes less of electric energy by 15-50%);

Gross CO_2 emissions in 2009-2015, thous. tons



Specific CO_2 emmisions per a unit of generated energy in 2009-2015, ton/MWh

- carrying out modern reconstruction and modernization of core equipment;
- replacement of incandescent lamps by modern energy saving ones (reduction of energy-related expenses by 5 times). **G4-EN19**

ENVIRONMENTAL EXPENDITURES

In order to improve efficiency of environmental activity PAVLODARENERGO JSC is increasing financing of nature protection actions. Total amount of expenditures in 2015 was 4,675.8 KZT mln, which is by 33% more than in 2014 (3,512 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.

A common component of the activity of PAVLODARENERGO JSC is the compliance with the law in the field of environmental protection and power generation. During 2015, the state authorized bodies found no violations of the nature protection law and other environmental regulations. **G4-EN29**

WATER MANAGEMENT AND WATER RESOURCES CONSERVATION G4-EN8

Use of water resources is an integral part of the production processes of PAVLODARENERGO JSC. The main water unit impacted by the Company is Irtysh river. Water for technical needs is sourced from third party organizations on a contractual basis.

The main technological systems consuming the bigger part of water are cooling systems, hydraulic ash removal and water treatment plants. For more rational use of water in the cooling system, there is a recycle circuit with cooling towers. Fresh water is supplied to these systems only to make up irrecoverable losses, which are evaporation and droplet entrainment in cooling towers. Circulation pumps supply water for cooling of turbine condensers and auxiliary equipment.

The discharge water generated from turbine, chemical and boilers shops is pumped through industrial discharge pump station to hydraulic ash removal (HAR) system. Ash pulp from scrubber section of boiler shop is supplied to receiving tank of dredging pump station and from there it is pumped by dredging pumps to ash dump. Ash slag sediments in the dump bowl and water returns to production for re-use.

In accordance with the production monitoring program of PAVLODARENERGO JSC for 2015-2017, agreed in 2014 by the Environmental Regulation Committee of the RK, quality of the water discharged to ash dump is controlled and level and quality of underground water is monitored through a network of observation wells. Reports on fulfillment of the production environmental control program are submitted to the Ecology Department of the Pavlodar region on a quarterly basis. For technological purposes, monitoring of quality of (initial) technical water is carried out by corresponding laboratories. **G4-EN9**

Key role in water use management is to use water more efficiently, that provides for reduction of negative impact on the environment.

PAVLODARENERGO JSC has drinking water supply systems, 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 PAVLODARENERGO JSC consumed 24,746.6 thous. m^3 of water for water supply, the main part of that was water of the closed-circuit water systems. During the reporting period water discharge was 342.5 thous. m^3.

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

– monitoring of qualitative parameters of underground water (water analysis was carried out in

G4-EN31 Environmental expenditures in 2013-2015

Expense name	Expense amount, KZT mln		
	2013	2014	2015
Investment expenditures	3,363.6	2,581.5	2,735.8
Expenses for capital repair of the fixed assets intended for nature protection purposes	129.6	4.7	788.0
Current expenses	915.6	925.8	1,152.0
Total	4,408.8	3,512.0	4,675.8

accordance with the approved schedule) in the area of industrial sites and ash dumps;

– repair of pipelines, stop and control valves for industrial, service and drinking water at CHP-3 and CHP-2;

– replacement and repair of stop valves of pipelines for technical water, fire-fighting water supply and heating of Ekibastuz CHP.

G4–EN9, G4–EN10

Total water consumption by sources, thous. m³

Indicator	2013	2014	2015
Total water used, including:	598,458	570,787	528,978
from third-party suppliers	24,042	23,909	24,746
from closed-circuit water systems	558,207	532,370	490,701
from water reuse	13,208	14,507	13,531

G4–EN22

Volume of discharged waste water, thous. m³

Indicator	2013	2014	2015
Total generation of waste water	410	375	342
Discharged to third parties	410	375	342

EFFICIENT MANAGEMENT AND DISPOSAL OF PRODUCTION WASTES

G4–EN23

Main type of wastes of PAVLODARENERGO JSC are ash wastes, which represent 99% of its total amount of wastes, are stored in specially equipped water development facilities – ash dumps. Compliance with the environmental law of the Republic of Kazakhstan during creation of new reservoirs for ash wastes storing allows preventing environment contamination by ash production wastes and ensuring stable operation of CHPs. Other types of wastes, generated in the result of production activity, are transferred for further processing, recycling or final disposal to the specialized companies operating at the territory of the republic. The most significant action related to soil protection from production and consumption wastes is compliance with the rules on waste temporary storage and disposal methods.

Total volume of wastes generation at the plant in 2015 amounted to 1,415.9 thous. tons, including 1,408.2 thous. tons of ash wastes, 7.7 thous. tons of industrial and domestic wastes. Increase in waste generation by 38 thous. tons vs. 2014 is due to increase of share of ash wastes of the green hazard list in the general structure of wastes. It is caused, by the increase in share of coal in the fuel balance of PAVLODARENERGO JSC. Amount of the industrial and household wastes transferred to third parties for disposal and re-use is by 2.6 thous. tons less in 2015 vs. 2014 due to scrapping in 2014 of the ferrous wastes accumulated during 2 years (2013-2014).

Efficient management of ash dumps and gradual increase of the share of ash wastes efficient use are one of the key areas of waste management activity of PAVLODARENERGO JSC. Thus, in 2015 based on concluded agreements 0.2 thous. 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 second section of the ash dump of CHP-3;

– recultivation of the first section of the ash dump of CHP-3;

– construction of the second section of the ash dump of CHP-2.

It stands to mention that 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 – enabled achieving 100% water proofing. It is a reliable and durable impervious screen ensuring protection of soil and ground water against the contamination due to the chemical components contained in the clarified water of the hydraulic ash removal (HAR) closed-circuit system.

ENVIRONMENTAL MANAGEMENT SYSTEM

PAVLODARENERGO JSC was one of the first companies in Kazakhstan that obtained a certificate of compliance with the ISO 14001 international environmental management standard.

Total weight of generated wastes, thous. tons

Indicator	2013	2014	2015
	Weight, thous. tons		
Ash wastes	1,498	1,367	1,408
Other types of wastes	6.8	11.1	7.7

Wastes by hazard levels, thous. tons

Indicator	2013	2014	2015
	Amount, thous. tons		
Wastes generation:	1,505	1,378	1,416
Green list	1,503	1,377	1,415
Amber list	1.3	1.3	1.2
Red list	-	-	-

Wastes by method of handling, thous. tons

Amount, thous. tons	2013	2014	2015
	Amount, thous. tons		
Wastes generation	1,505	1,378	1,416
including ash wastes	1,498	1,367	1,408
Wastes used at the enterprise	1.5	1.7	1.3
Wastes decontaminated	-	-	-
Wastes transferred to third parties	4.7	9.3	6.7
Wastes disposed at enterprise's own sites	1,499	1,367	1,408
including ash and slag waste	1,498	1,367	1,408

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 Company's competitiveness, increase of market value of its 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 a supervisory and re-certification audits of the compliance of PAVLODARENERGO JSC with the international standards ISO 14001 (Environmental Management System), ISO 9001 (Quality Management System), OHSAS 18001 (Occupational Health and Safety Management System), ISO/CD 50001 (Energy Management System). As a result, the company achieved Integrated Management System (IMS) certification, confirmed that its system is robust, efficient, and focused on the improvement.

GRIEVANCE MECHANISM
G4–EN34

The departments of the Company that work directly with customers and the population keep records of complaints and grievances submitted by the following methods:

– 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, they are replied in written with adopting necessary measures);

– holding public hearing with population of the city with attendance of mass media (local TV-channels) and publishing information in local print press prior to starting implementation of the projects related to modernization and reconstruction of power facilities;

– daily receiving claims from the customers concerning insufficient heating supply by phone and in a written form;

– for improvement of the grievance mechanisms, on the official website the following columns were created: "Customer Service Headquarter", "Anti-corruption", "Questions-Answers", "Feedback"; they are used to receive grievances submitted by external stakeholders, published in mass media.

During the reporting period the Company received 64,144 appeals from customers, 773 of them were of "complaint" type or were mentioning negative fact, including 383 grievances received via hotline. All the appeals were replied, all grievances were considered, and corresponding actions were taken to remedy negative consequences. PAVLODARENERGO JSC received no grievances concerning violation of environmental safety.

INFORMATION POLICY

The Company's information policy is a complex of actions, activities and regulations to manage the dissemination of corporate information and creating a single image of the Company among the target audience. The goal of disclosing information about PAVLODARENERGO JSC is to increase transparency and confidence in regards of the Company by providing information to the target audience and other stakeholders to the extent necessary for making decisions on the acquisition of securities of the Joint-Stock Company or performing other actions that may affect the financial and business performance of the Company.

The Company's management is aware of its high social responsibility and maintains an ongoing open dialog with the target audience, strengthening the Company's corporate reputation and reinforcing its information capability.

The Company is widely positioned as an open and fair organization, respecting the principles of sustainable development.

The principles of the Company's information policy include:

– equal access to information for all shareholders, investors and other stakeholders;

– equal rights for all shareholders and their representatives with respect to access to information;

– providing information in a regular and timely manner;

– accuracy and completeness of information;

– prompt disclosure and accessibility of the information disclosed;

– confidentiality of information that constitutes the secret of state, official or business secret;

– monitoring the use of insider information.

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 PAVLODARENERGO regularly informed the above groups about its activities by publishing fresh data on the corporate website of the Company, placing information in the media, responding to inquiries, organizing public hearings, press tours, round tables and other events.

In 2015 the Company implemented a Stakeholder Engagement Plan (SEP) in accordance with the policy of the European Bank for Reconstruction and Development. As a result of adopting this plan, the Company published a report available for public access on the Company's corporate website, which contains information on activities aimed at stakeholder engagement.

HUMAN RESOURCES AND SOCIAL POLICY

HUMAN RESOURCES POLICY G4-СПМ

Enterprises of the PAVLODARENERGO group in their activity are governed by a Human Resources Policy, which is a comprehensive system of interaction with employees to achieve strategic goals of the Company.

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

The Company is strengthening its Human Resources Policy by engaging professional employees of various levels, 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.

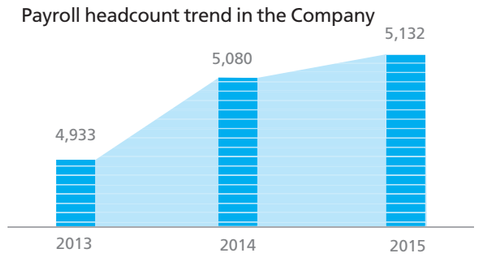
The Human Rights Policy of the Company is based on the following principles:

- 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 PAVLODARENERGO JSC was 5,132 persons as of December 31, 2015 vs. 5,080 persons in 2014 and 4,933 persons in 2013. The headcount increase in 2015 vs. 2014 by 1% is caused by a reduction of employee turnover, filling vacancies and opening a structural subdivision of Pavlodarenergosbyt LLP - Contact center for providing services to the population of the regions. Payroll headcount growth in 2014 vs. 2013 was 3%. **G4-LA1**

Payroll headcount trend in the Company



Payroll headcount by enterprise within PAVLODARENERGO JSC **G4-LA1**

Company name	Number of employees
PAVLODARENERGO JSC	1,917
Pavlodar regional electric distribution company JSC (PREDC)	2,006
Pavlodar heat networks LLP	752
Pavlodarenergosbyt LLP	457
Total:	5,132

EMPLOYEE STRUCTURE BY CATEGORIES AND GENDER

Due to the nature of the business, the Company's employee structure is dominated by men, with a share of 61.9%. Production personnel are mostly blue-collar workers, with men occupying 70%.

In 2015, the "managers" made up 14.5% of the total employee headcount, which is an optimal rate. At the same time, the share of male employees in this employee category is 78.4% and share of female employees is 21.6%.

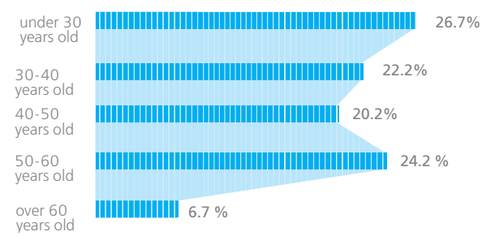
Employee	Total, persons		including			
			men		women	
	persons	%	persons	%	persons	%
Payroll headcount	5,132	100	3,175	61.9	1,957	38.1
managers	742	14.5	582	78.4	160	21.6
white-collar workers	1,247	24.3	391	31.4	856	68.6
blue-collar workers	3,143	61.2	2,202	70	941	30

EMPLOYEE STRUCTURE BY AGE G4-LA1, G4-LA12

Employees below 40 years old make up 48.9% of the total headcount. Employees over 60 years old make up 6.7%.

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

Employee structure by age



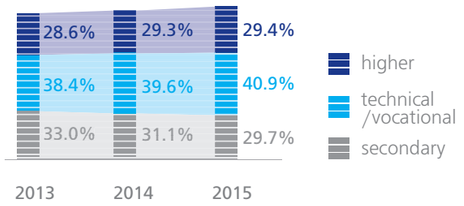
EMPLOYEE STRUCTURE BY EDUCATION G4-LA10

In general, in 2013-2015 the Company has an increasing trend in the share of the production personnel with technical/vocational education. In 2015, 18 employees completed higher education correspondence training, including 9 employees in their job related fields; 13 employees completed technical/vocational correspondence training, including 9 employees in their job related fields.

In 2015 share of employees having higher education increased slightly vs. 2014 and 2013 and made up 29.4%.

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 Company 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 enterprises of the Company carry out training in accordance with its corporate format and individual development plans. **G4-LA10**

5,207 persons participated in various training, retraining and skills improvement trainings in 2015. At enterprises of PAVLODARENERGO a significant importance is paid to a training of personnel to work safely taking into consideration modern requirements. Compulsory training of operational personnel, which covered 4,428 persons, made up 85% of all implemented programs. 3,469 employees were trained in the own training center, which is 67.6% of the total number of employees, 1,274 persons (which is 24.4% of the total number of employees) were trained on safe execution of the works related to fire safety, occupational safety using simulators, personal protective equipment, participation in emergency prevention and firefighting drills at work places and vocational trainings in training bases. Due to implementation of new international standards 11 persons were training on quality management systems, 296 persons passed skills improvement courses and qualification validation in educational institutions of Kazakhstan and Russia in the sphere of metrology, production control, diagnostics methods, etc.).

In order to develop professional and managerial skills 154 employees from top-managers and all executive-level managers received corporate training in 2015.

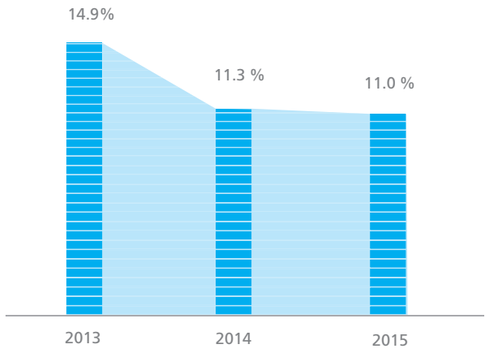
Item	2013	2014	2015
The number of employees who received training, retraining, or professional development, including:	4,454	4,866	5,207
Safety precautions, fire safety guidelines and operating procedures (initial training, qualification, certification/re-certification), courses for managers	4,048	3,619	4,428
ISO9001, ISO14001, OHSAS1800 quality management systems trainings (including matters of environmental protection, internal audit and risk management)	45	8	11
Related occupations training	179	1,020	315
Civil defense and emergency training	6	0	3
Other (professional development, seminars, workshops, etc.)	176	219	450

EMPLOYEE TURNOVER G4–LA1

In 2015, employee turnover rate in general for the Company reduced and was 11% due to implementation of a number of improvement initiatives:

- Optimization of the headcount of enterprises 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.

Turnover Rate



TALENT POOL G4–LA10

In order to ensure availability of required personnel reserves for managerial positions of various levels the enterprises of PAVLODARENERGO group create a talent pool for senior, middle and junior management positions on an annual basis. In 2015, 600 managers were included in the talent pool. Succession planning is based on individual programs of professional and management training for the employees in the talent pool, including training in the own Training center, skills improvement, internships, mentoring, performing management functions, and temporary employee relocation. In 2015, 60 people from the talent pool were appointed to management positions. Work on creation of an external talent pool is carried out by arranging field trips, meetings at companies in order to attract young specialists.

ATTRACTING YOUNG SPECIALISTS G4–LA12

In 2015 at the level of CAEPCO JSC the PROFENERGY project was launched; it included start-up of the program for supporting young specialists and attracting graduates of educational institutions to key/critical positions in the enterprises, development and improvement of educational level of personnel and retaining key employees. The PROFENERGY project has many benefits for students and graduates of educational institutions.

At enterprises of the PAVLODARENERGO group the Program for supporting young specialists and improving educational level of personnel was approved in 2015 and will be implemented in 2016. The program is planned to cover about 72 persons.

This Program includes the following actions for students:

- syllabus improvement;
- arranging practical trainings, field trips, meetings;
- temporary employment for the period of vacation;
- competition of projects;
- granting educational scholarship;
- participation in examination boards;
- payment for on-the-job and pre-graduation trainings.

Actions of this Program aimed at the young specialists already employed at the enterprises of the Company include:

- payment for an educational leave;
- providing interest-free student loans for education fees;
- graduation bonus.

678 young specialists work at the enterprises of the Company, 101 of them were hired in 2015, including 79 persons for leading positions and professions. Thereat number of hired employees with technical/vocational education is 63 persons (62.3%), with higher education – 38 persons (37.6%).

In 2015, 61 field trips to production sites of the Company were arranged, 143 students had on-the-job and pre-graduation trainings, 42 employees are enrolled in higher education programs via correspondence, including 16 employees in their job related fields, 33 employees are enrolled in technical/vocational training programs via correspondence, including 24 employees in their job related fields.

There is a trend of increase in the share of employees with technical vocational education in the Company. Program for supporting young specialists and improving educational level of personnel of the Company under the PROFENERGY projects enables implementation of the state policy for technical staff training.

EMPLOYEE MOTIVATION AND REMUNERATION

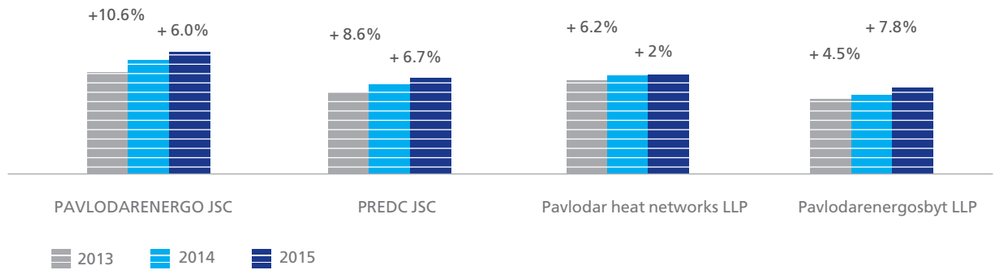
The purpose of employee motivation and remuneration system of PAVLODARENERGO's enterprises is to attract, retain and motivate employees to ensure the Company successfully accomplish its mission and achieve business goals at optimal cost.

Average income in the enterprises of the group in 2015 increased by 6.0% vs. 2014 and by 8.9% vs. 2013.

In 2015 the Company carried out actions for transition to a Unified Remuneration System; they aim at creation of a flexible tangible incentive system taking into consideration internal and external factors, including remuneration distribution based on a type of participation in the production process, analysis of social factors and labor market in the regions where the Company 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 improve labor productivity, professional skills and qualification.

Insignificant growth of average income in Pavlodar heat networks LLP in 2015 is due to filling vacancies of production and technological personnel.

Average earnings growth rate by subsidiary of PAVLODARENERGO JSC



INTANGIBLE INCENTIVES

In order to increase motivation to working efficiently, every year the Company 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, 60 employees received corporate awards for operational excellence, 11 employees received state awards, 4 employee received awards from the CIS Electric Power Council, 6 employees received awards from the Kazakhstan Energy Association, among them 3 employees were awarded the title of Distinguished Energy Worker and 1 employee with the title of Eminent Energy Worker. 14 veterans of the Company received a title of Veteran Energy Worker from the Kazakhstan Energy Association.

INTERACTION WITH TRADE UNION G4–LA4

All enterprises of the Company have trade unions organizations, and collective bargaining agreements are a normal practice. Social policy of PAVLODARENERGO JSC is determined together with employees and trade unions are representing them. PAVLODARENERGO JSC has a collective bargaining agreement valid for a period up to 2015 inclusively.

Collective bargaining agreements provide social guarantees and benefits for employees, their families, retirees and veterans of the enterprises. When preparing a collective bargaining agreement, the enterprises of the Company adhere to the principles of economic feasibility, sufficiency, joint responsibility and transparency.

OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY STRATEGIC GOALS AND IMPLEMENTED ACTIONS

Enterprises of the Company's subsidiaries constantly work to create safe working conditions for employees, prevent injuries, improve production and sanitary workplace conditions, reduce the impact of harmful and unfavorable factors, reduce industry-specific risks and dangerous situations at the workplace.

The Company's strategic objectives in the field of 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 development on safe techniques and professional 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 dissemination of modern best practices in occupational health and safety. **G4–LA5**

For improvement of the occupational health and safety management system, the Company is guided by the OHSAS 18001 international standard. In 2015 a supervisory audit for compliance with the OHSAS 18001 international occupational health and safety standard was carried out in PAVLODARENERGO JSC. The enterprise confirmed its compliance with the system's requirements.

The fundamental principles of the Company in the health and safety area are the following:

- protection of a health and a life of employees and representatives of third parties present at a territory of production sites of the Company;
- compliance with applicable legislative and normative requirements;
- provision of required resources in order to achieve set tasks and objectives;
- performing activities aimed at reducing and preventing accidents;
- constant improvement of quality of operations and power equipment repairs, reduction of injury rate, improvement of labor conditions.

In 2015, the actual cost of occupational safety and health activities for the Company totaled 86.5 KZT mln. The funds were invested in providing employees with the necessary personal protective equipment, including electric safety devices, special food and medical supplies. The Company purchased fire safety equipment, information boards, print editions of technical regulations and occupational health and safety signs. During the year, the Company carried out certification of workplaces on working conditions, additional workplace illumination, ventilation and air-conditioning systems repair, building renovation and other activities.

In accordance with the requirements of the law of the Republic of Kazakhstan "On compulsory employee insurance against workplace accidents", all employees of enterprises of the Company are insured against such accidents.

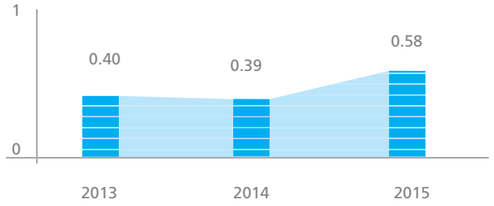
TYPE AND RATES OF OCCUPATIONAL INJURIES

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

Major occupational safety and health indicators

	2013	2014	2015
Average payroll headcount	4,952	5,020	5,163
Number of injury cases	2	2	2
Number of injured persons / number of women among them	2/0	2/0	2/1
Number of fatalities	1	1	0

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

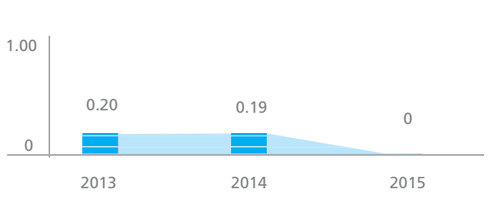


Total Incident Frequency Rate (TIFR) per 1,000 of employees was calculated in accordance with the following formula:

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

n – 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:

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

n_1 – number of fatalities in the reporting period;
N – average payroll headcount.

In 2015 the Company implemented the following practices:

- investigation of micro-injuries, incidents, near-misses being a basement for more serious injuries and damage in the future;
- carrying out safety induction trainings with visualization by presentation slides;
- preparation of Newsletters for providing information about incidents and communicating it to the personnel in order to share information about their causes and prevent repetition of similar cases in the future.

The Company carries out the following control and preventive actions on a regular basis in order to prevent occupational injuries, monitor occupational health and safety condition and record cases of health and safety requirements violation:

- 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 control and preventive actions are presented in the Table below.

EMPLOYEES OF THE COMPANY 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 order to ensure safe repair and commissioning works of power equipment the Company intends to start the process of implementation of the Lock out/ Tag out (LOTO) procedure in 2016.

Main health and safety preventive measures performance indicators

	2013	2014	2015
Number of occupational health and safety meetings held	22	22	22
Number of Occupational Health and Safety Days held	198	374	198

PLANS FOR THE FORTHCOMING PERIOD

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

- 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 Company 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, on an annual basis public reports are prepared with information on the projects aimed at improving occupational health and safety at the enterprises of PAVLODARENERGO JSC.

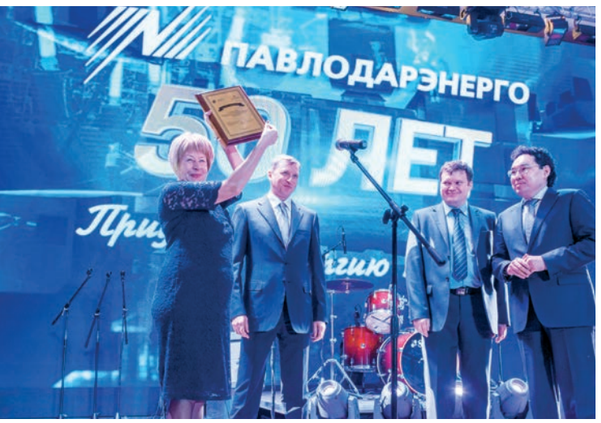
CORPORATE EVENTS

Every year, employees of the PAVLODARENERGO group actively participate in sports and recreational activities in the enterprises, as well as on regional levels. The practice of holding sports events within the enterprises allows the teams to achieve winning places in external competitions. Thus, in 2015 a mini-football cup among the teams of the Northern industrial area of the city was held; in this competition PAVLODARENERGO's team won the first place. Among enterprises of the Company a number of sports events is held on an annual basis; these events include family relay race, sports competitions, such as ski racing, winter fishing, swimming, etc. Employees of the enterprises participate in spring and autumn running competitions.

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.

Every year the Company participates in the city event devoted to celebration of the Nauryz Meyramy.

In 2015 PAVLODARENERGO JSC had its 50 years anniversary. To celebrate the anniversary the group of companies of PAVLODARENERGO JSC held a number of events:



- children drawing and crafts contest;
- competition between journalists and camera operators covering development of energy industry in the region where the Company operates;
- 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 of the enterprise.

CHARITY AND SPONSORSHIP

The Company's charity activities mainly include help to the Company's veterans: financial aid to non-working retirees, home visits to sick people, purchasing coal and honoring the veterans-retirees of the Company. The Company arranges meetings for veterans of the Second World War and of the company on such holidays as Nauryz Meyramy, Victory Day, Day of Older Persons, and Energy Worker's Day.

PAVLODARENERGO JSC is a general sponsor of the children's national first category tennis tournament PAVLODAR-OPEN. Every year young sportsmen from six cities of Kazakhstan participate in the competition. In 2015 Pavlodar's sportsmen took the third prize-winning place.

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

№	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 sustainable development of the organization and its strategy in addressing issues of sustainable development	Completely	Section: Letter of the Chairman of the Board of Directors, page 10-11 Section: Letter of the General director, 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 55-57
Organization profile				
3.	G4-3	Title of the organization	Completely	Section: Company's profile, page 3
4.	G4-4	Primary brands, type of products, and/or services	Completely	Section: Company's profile, page 3
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: Company Structure, page 14
8.	G4-8	Markets served (including geographic breakdown, served sectors and categories of consumers and beneficiaries)	Completely	Section: Activities map, page 6
9.	G4-9	Scale of the organization, including: • total number of employees; • total number of subdivisions; • net sales; • total capitalization broken down in terms of debt and equity; • volumes of supplied production or rendered services	Completely	Section: Human resources policy, page 70-74 Section: Key performance highlights for 2013-2015, page 5 Section: Results in 2015, page 34-37 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 number broken down by full-time and part-time employees, and their gender; • total workforce by region and gender; • share of works performed by workers who are legally recognized as self-employed and entrepreneurs, or individuals other than full-time and part-time employees, including full-time and part-time sub-contractors; • seasonal variations in employment numbers	Partially	Section: Human resources policy, page 70-74
11.	G4-11	Percentage of all 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
13.	G4-13	Significant changes in scale, structure or ownership during the reporting period, including: • changes in a location, or changes in operations, including launching, closing and expansion of enterprises; • changes in the share capital structure and other actions related with capital formation, maintaining or alteration of a capital; • changes in a location of suppliers, supplies structure or relationships with suppliers, including selection and termination of any cooperation with them	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 65
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 62-63 Section: Greenhouse gas emissions, page 64 Section: Environmental management system, page 68
16.	G4-16	Memberships in associations, industry and/or national and international interests protection 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	Completely	The Company is a member of the Kazakhstan Electricity Association (KEA).
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 59-60
19.	G4-19	List of all the material Aspects identified in the process for defining report content	Completely	Section: Material aspects and boundaries, page 59-60
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)	Completely	Section: Material aspects and boundaries, page 59-60
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)	Completely	Section: Material aspects and boundaries, page 59-60
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 Company.
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.

№	Indicator index	Indicator name	Disclosed	Provision of the Report and Comments
Interaction with stakeholders				
24.	G4-24	List of stakeholders engaged by the organization	Completely	Section: Stakeholder engagement, page 61-62
25.	G4-25	Principles for identification and selection of stakeholders for further cooperation	Completely	Section: Stakeholder engagement, page 61-62
26.	G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder groups; indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Partially	Section: Stakeholder engagement, page 61-62
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	Completely	So far the Company 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 80-85
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 Company does not consider it reasonable in a 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 48
Ethics and integrity				
35.	G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Completely	Section: Corporate governance code compliance report, page 51

№	Indicator index	Indicator name	Disclosed	Provision of the Report and Comments
Category: Environmental **Aspect: Materials**				
36.	G4-СПМ	Disclosures on management approach	Completely	Section: Environmental impact management, page 62-63
37.	G4-EN1	Materials used by weight or volume	Completely	Section: Environmental impact management, page 62-63
Aspect: Water				
38.	G4-СПМ	Disclosures on management approach	Completely	Section: Water management and water resources conservation, page 65
39.	G4-EN8	Disclosures on management approach	Completely	Section: Water management and water resources conservation, page 65
40.	G4-EN9	Water sources significantly affected by withdrawal of water	Completely	Section: Water management and water resources conservation, page 65
41.	G4-EN10	Percentage and total volume of water recycled and reused	Completely	Section: Water management and water resources conservation, page 65
Aspect: Emissions				
42.	G4-СПМ	Disclosures on management approach	Completely	Section: Greenhouse gas emissions, page 64
43.	G4-EN15	Direct greenhouse gas emissions	Completely	Section: Greenhouse gas emissions, page 64
44.	G4-EN18	Greenhouse gas emissions intensity	Completely	Section: Greenhouse gas emissions, page 64
45.	G4-EN19	Reduction of greenhouse gas (CO_2) emissions	Completely	Section: Greenhouse gas emissions, page 64
46.	G4-EN21	Nox, Sox, and other significant air emissions	Completely	Section: Atmospheric air protection, page 63
Aspect: Effluents and wastes				
47.	G4-СПМ	Disclosures on management approach	Completely	Section: Efficient management and disposal of production wastes, page 66-67
48.	G4-EN22	Total water discharge by quality and destination	Completely	Section: Efficient management and disposal of production wastes, page 66-67
49.	G4-EN23	Total weight of waste by type and disposal method	Completely	Section: Efficient management and disposal of production wastes, page 66-67
Aspect: Products and services				
50.	G4-СПМ	Disclosures on management approach	Completely	Section: Atmospheric air protection, page 63
51.	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Completely	Section: Atmospheric air protection, page 63

№	Indi-cator index	Indicator name	Disclosed	Provision of the Report and Comments
Aspect: Compliance				
52.	G4-СПМ	Disclosures on management approach	Completely	Section: Environmental expenditures, page 65-66
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 65-66
Aspect: Overall				
54.	G4-СПМ	Disclosures on management approach	Completely	Section: Environmental expenditures, page 65-66
55.	G4-EN31	Total environmental protection expenditures and investments by type	Completely	Section: Environmental expenditures, page 65-66
Aspect: Environmental grievance mechanisms				
56.	G4-СПМ	Disclosures on management approach	Completely	Section: Grievance mechanism, page 68
57.	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Completely	Section: Grievance mechanism, page 68
Category: Social – Sub–Category: Labor practices and decent work **Aspect: Employment**				
58.	G4-СПМ	Disclosures on management approach	Completely	Section: Human resources policy, page 70
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 70 Section: Payroll headcount by enterprise, page 70 Section: Employee structure by gender and age, page 70 Section: Employee structure by employee category, page 71 Section: Employee turnover, page 72
Aspect: Labor/management relations				
60.	G4-СПМ	Disclosures on management approach	Completely	Section: Interaction with trade unions, page 74
61.	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Completely	Section: Interaction with trade unions, page 74
Aspect: Occupational health and safety				
62.	G4-СПМ	Disclosures on management approach	Completely	Section: Strategic goals related to occupational health and safety and implemented actions, page 74-76
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: Strategic goals related to occupational health and safety and implemented actions, page 74-76
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 76-77
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 77
Aspect: Training and education				
66.	G4-СПМ	Disclosures on management approach	Completely	Section: Training and development of personnel, page 71
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 71 Section: Employee structure by education, page 71 Section: Talent pool, page 72 Section: Attraction of young specialists, page 73
Aspect: Diversity and equal opportunity				
68.	G4-СПМ	Disclosures on management approach	Completely	Section: Human resources policy, page 70
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 70
Category: Social – Sub–Category: Society **Aspect: Local communities**				
70.	G4-СПМ	Disclosures on management approach	Completely	Section: Stakeholder engagement, page 61-62
71.	G4-SO1	Percentage of units with implemented programs to interact with local communities, evaluation of the impact of the activity on the local communities and development of local communities	Completely	Section: Stakeholder engagement, page 61-62
Power industry protocol **General information**				
72.	G4-EU1	Rated capacity	Completely	Section: Company overview, page 14
73.	G4-EU2	Power generation	Completely	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 5
75.	G4-EU4	Length of above and underground transmission and distribution lines by regulatory regime	Completely	Section: Production highlights, page 16
76.	G4-EU5	Allocation of CO_2 emissions allowances or equivalent	Completely	Section: Greenhouse gas emissions (CO_2), page 64

FINANCIAL STATEMENTS

Consolidated financial statements of the Company 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 PAVLODARENERGO JSC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT **DECEMBER 31, 2015**
(KZT thous.)

	DECEMBER 31, 2015	DECEMBER 31, 2014
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	111,240,645	96,753,040
Goodwill	1,687,141	1,687,141
Intangible assets	236,630	101,293
Advances paid	1,453,452	3,565,148
Other financial assets	200,000	382,350
Other non-current assets	339,533	410,549
Total non-current assets	115,157,401	102,899,521
CURRENT ASSETS:		
Inventories	3,875,219	3,195,747
Trade accounts receivable	5,368,687	4,463,343
Advances paid	672,567	642,360
Income tax prepaid	96,294	193,311
Other current assets	937,584	1,435,662
Other financial assets	868,227	743,388
Cash	580,983	597,716
Total current assets	12,399,561	11,271,527
TOTAL ASSETS	127,556,962	114,171,048
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	16,663,996	16,663,996
Additional paid-in capital	1,188,176	1,188,176
Revaluation reserve on property, plant and equipment	25,880,707	27,356,702
Retained earnings	18,641,344	20,822,420
Total equity	62,374,223	66,031,294
NON-CURRENT LIABILITIES:		
Bonds issued	7,673,344	7,512,420
Loans	25,697,010	14,805,238
Deferred revenue	796,365	822,356
Deferred tax liabilities	15,093,700	15,031,418
Ash disposal area restoration liability	92,521	150,041
Employee benefit obligation	66,316	62,518
Other long-term accounts payable	31,879	30,119
Total non-current liabilities	49,451,135	38,414,110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT **DECEMBER 31, 2015** (CONTINUED)
(KZT thous.)

	DECEMBER 31, 2015	DECEMBER 31, 2014
CURRENT LIABILITIES:		
Current portion of bonds issued	225,133	281,495
Short-term loans and current portion of long-term loans	4,785,033	1,750,948
Current portion of employee benefit obligation	6,568	7,607
Trade accounts payable	8,084,821	3,965,599
Advances received	877,052	1,281,612
Income tax payable	-	6,812
Other liabilities and accrued expenses	1,752,997	2,431,571
Total current liabilities	15,731,604	9,725,644
TOTAL EQUITY AND LIABILITIES	127,556,962	114,171,048

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED **DECEMBER 31, 2015**
(KZT thous.)

	DECEMBER 31, 2015	DECEMBER 31, 2014
REVENUE	40,547,315	37,097,732
COST OF SALES	(28,258,069)	(25,071,251)
GROSS PROFIT	12,289,246	12,026,481
General and administrative expenses	(2,925,109)	(2,803,414)
Selling expenses	(552,849)	(561,201)
Finance costs	(1,098,097)	(869,443)
Finance income	39,547	54,748
Foreign exchange loss, net	(9,801,855)	(720,268)
Loss on impairment of property, plant and equipment	-	(143,624)
Other income, net	13,210	762,493
(LOSS)/PROFIT BEFORE TAX	(2,035,907)	7,745,772
INCOME TAX EXPENSE	(61,223)	(1,845,507)
(LOSS)/PROFIT FOR THE YEAR	(2,097,130)	5,900,265
OTHER COMPREHENSIVE INCOME FOR THE YEAR, net of income tax		
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:	-	
Revaluation of property, plant and equipment	-	13,819,743
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(2,097,130)	13,819,743
(LOSS)/EARNINGS PER SHARE		19,720 008
(Loss)/earnings for the year per share, basic and diluted, in tenge	(12.58)	35.41

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED **DECEMBER 31, 2015**
(KZT thous.)

	Share capital	Additional paid-in capital		Revaluation reserve on property, plant and equipment	Retained earnings	Total equity
At **January 1, 2014**	**16,663,996**	**1,188,176**		**14,266,156**	**15,731,291**	**47,849,619**
Profit for the year	-	-		-	5,900,265	5,900,265
Other comprehensive income for the year	-	-		13,819,743	-	13,819,743
Total comprehensive income for the year	-	-		13,819,743	5,900,265	19,720,008
Amortization of the revaluation reserve	-	-		(729,197)	729,197	-
Dividends declared	-	-		-	(1,538,333)	(1,538,333)
At **December 31, 2014**	**16,663,996**	**1,188,176**		**27,356,702**	**20,822,420**	**66,031,294**
Loss for the year	-	-		-	(2,097,130)-	(2,097,130)
Other comprehensive income for the year	-	-		-	-	-
Total comprehensive loss for the year	-	-		-	(2,097,130)	(2,097,130)
Amortization of the revaluation reserve	-	-		(1,475,995)	1,475,995	(1,564,185)
Dividends declared	-	-		-	(1,564,185)	4,244
Adjustment to fair value, net of deferred tax				-	4,244	
At **December 31, 2015**	**16,663,996**	**1,188,176**		**25,880,707**	**18,641,344**	**62,374,223**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED **DECEMBER 31, 2015** (KZT thous.)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit before tax	(2,035,907)	7,745,772
Adjustments for:		
Depreciation and amortization	4,097,227	2,578,815
Finance cost	1,098,097	869,443
Accrual of allowance for doubtful debts	103,969	270,055
Loss from disposal of property, plant and equipment	69,864	40,706
Employee benefit expenses	17,378	15,316
Finance income	(39,547)	(54,748)
Foreign exchange loss	9,801,855	720,268
Impairment loss of property, plant and equipment	-	143,624
Accrual of allowance for obsolete and slow-moving inventories	26,130	19,931
Accrual of provision on unused vacation	7,961	24,705
Cash flow before changes in working capital	13,147,027	12,373,887
Changes in working capital		
Change in inventories	(705,602)	(962,246)
Change in trade accounts receivable	(969,329)	(1,593,362)
Change in advances paid	(55,306)	(240,194)
Change in other current assets	424,392	(891,193)
Change in trade accounts payable	37,423	2,418,834
Change in deferred revenue	(25,991)	(35,088)
Change in advances received	(404,560)	(178,895)
Change in employee benefit obligation	(14,619)	(9,463)
Change in other liabilities and accrued expenses	385,588	(330,088)
Cash generated by operating activities	11,819,023	10,552,192
Income tax paid	(83,746)	(178,021)
Interest paid	(1,851,278)	(1,276,614)
Net cash generated by operating activities	9,883,999	9,097,557

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED **DECEMBER 31, 2015** (CONTINUED) (KZT thous.)

	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash from deposit withdrawal	3,693,429	5,545,606
Cash placed on deposits	(3,293,529)	(5,246,206)
Purchases of property, plant, and equipment	(10,699,120)	(14,440,620)
Purchase of intangible assets	(150,907)	(54,004)
Proceeds from interest accrued on placed deposits	45,666	104,078
Net cash used in investing activities	(10,404,461)	(14,091,146)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(2,561,500)	(30,000)
Repayment of interest-free loan provided	129,206	-
Receipts from bank loans	7,337,038	7,748,283
Repayment of bank loans	(4,426,283)	(3,446,307)
Net cash generated by financing activities	478,461	4,271,976
NET DECREASE INCREASE IN CASH	(42,001)	(721,613)
CASH at the beginning of the year	597,716	1,257,822
Effect of changes in foreign exchange rates on cash balances in a foreign currency	25,268	61,507
CASH at the end of the year	580,983	597,716

GLOSSARY

Overhead power line is an electric line for electricity transmission through wires located outdoors and attached using isolators and fittings to supports or brackets.

Overhead transmission lines are the constructions used for electricity transmission through wires.

Polluting emissions are various types of waste released to the environment.

Gigacalorie is the unit of thermal energy used for measurements in heat generation, heating systems and utilities.

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.

Ash and slag waste is the dust compound (ash), as well as coal slag generated by combustion of an organic part of coals in the form of volatile compounds (smoke and steam), as well as non-flammable mineral part of the fuel released in the form of solid chemical residues.

Investment program is a combination of intentions and actions aimed at implementing investments and achieving certain financial, business, production and social targets, constituting an investment project.

Information policy means priorities and standards in the information activities of the Company with respect to its target audiences and the general public.

Committees of the Board of Directors are collegiate bodies formed to work in a special field related to management or administration.

Boiler is a device for obtaining pressurized steam or hot water as a result of fuel combustion, the use of electric power, heat from waste gases or technological process.

Power transmission line is a structure composed of wires (cables) and support devices for the transmission of electric power from plants to consumers.

Quota mechanism is setting limits on emissions of certain substances (for example, carbon dioxide, sulfur dioxide, nitrogen oxide) in a particular area over a specific period of time.

Waste is material resources lost during the production process. Waste and by-products (useful products of complex processing of raw materials produced unintentionally) can be used as secondary raw materials**.**

General meeting of shareholders is the supreme management body of the joint stock company consisting of the shareholders that own common registered stock of the company. To resolve issues within their competence according to the Charter, the company's shareholders gather for general meetings periodically, but at least once a year (annual general meeting of shareholders).

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.

Industrial monitoring is a comprehensive system of environmental monitoring, assessment and forecasting the environmental changes caused by production factors.

Nature protection activities are all types of economic activities of a company aimed at reducing and eliminating the negative impact on the environment, conservation, improvement and rational use of natural resources.

Available capacity is equal to installed capacity of the equipment minus the power that is impossible to generate for technical reasons (insufficient chimney draught, cooling systems of turbine condensers, etc.).

Corporate governance system is the system of interaction between shareholders and management of the company, including its Board of Directors, as well as with other stakeholders, whereby shareholders' rights are exercised; a complex of mechanisms enabling shareholders (investors) to control company executives and resolve issues.

Internal control system is a set of procedures, institutional arrangements and practices adopted by the company's management to ensure proper and effective financial and business operation.

Board of Directors is the management body of the company, which is formed by the election of its members at a general meeting of shareholders.

Average rate is a rate calculated as sales revenue divided by useful output.

Combined heat and power plant (CHP) 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.

Titanium emulsifiers are devices made of titanium and designed for removing ash particulates from combustion gases.

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.

Internal audit department is responsible for control over administration and various aspects of the company's operations in line with internal procedures, its activity is carried out by representatives of a special supervisory body in order to provide assistance to management bodies.

Emissions control is a complex of actions for collection, transportation, processing, re-use, or disposal of waste from production process and control of the entire process.

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

ABBREVIATIONS

AMRE Automatic Meter Reading System for Electricity
AMRH Automatic Meter Reading System for Heat
ARCS Automated Remote Control System
ISO International Organization for Standardization
OHSAS Occupational Health and Safety Management Systems
JSC Joint-Stock Company
GDP Gross Domestic Product
Gcal Gigacalorie
Gcal h Gigacalories per Hour
HAR Hydraulic Ash Removal
GPAIID Government Program of Accelerated Industrial and Innovation Development
EBRD European Bank for Reconstruction and Development

FAC – fly ash collector
kWh Kilowatt per hour
kV Kilovolt
kVA Kilovolt-Ampere
CL Cable Line
SG Switchgear
PL Power Line
MVA Megavolt Ampere
MW Megawatt
MCI Monthly Calculation Index
VAT Value Added Tax
PS Pump Station
EP Environment Protection
SS Substation
PLA Power Line Area
MM Mass Media
QMS Quality Management System
EMS Environmental Management System
RMS Risk Management System
TG Turbo Generator
HC Heating Chamber
HM Heating Main
CHP Combined Heat and Power Plant
ON Operational Needs
CAPEC Central-Asian power-energy company
CAEPCO Central-Asian Electric Power Company

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AUDITOR

PAVLODARENERGO JSC's auditor is Deloitte Limited Liability Partnership (License for conducting auditing activities No. 0000015, series MFU-2, dated 13.09.2006, issued by the Ministry of Finance of the Republic of Kazakhstan, the license is perpetual).
Legal address: Deloitte LLP, 36 Al-Farabi Ave., Almaty Financial Center, Building B, Almaty.

REGISTRAR

PAVLODARENERGO JSC's registrar is Integrated Securities Registrar Joint-Stock Company (state registration certificate No. 1678-1910-02-JSC, issued on 11.01.2012). Legal address of Integrated Securities Registrar JSC: Almaty, 141, Ablay-Khan Ave.

Annual Report prepared
by Expert Kazakhstan LLP

PAVLODARENERGO
JOINT-STOCK COMPANY