NEXT

PAVLODARENERGO

Annual report 2013

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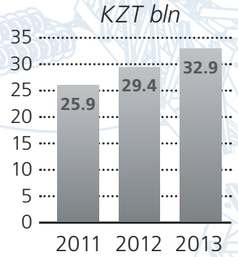
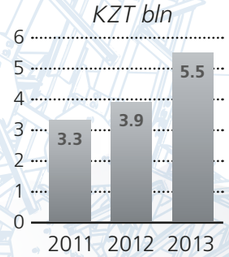
PAVLODARENERGO

Key figures at a glance

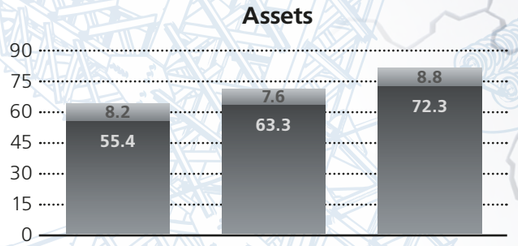
Revenue
KZT bln



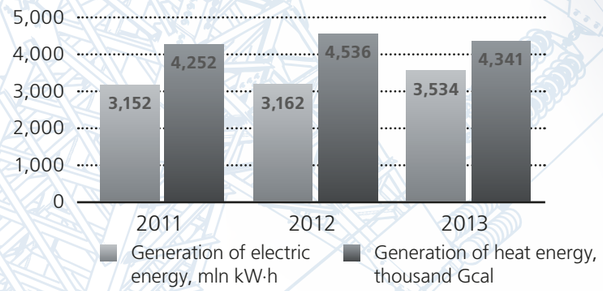
Net profit
KZT bln



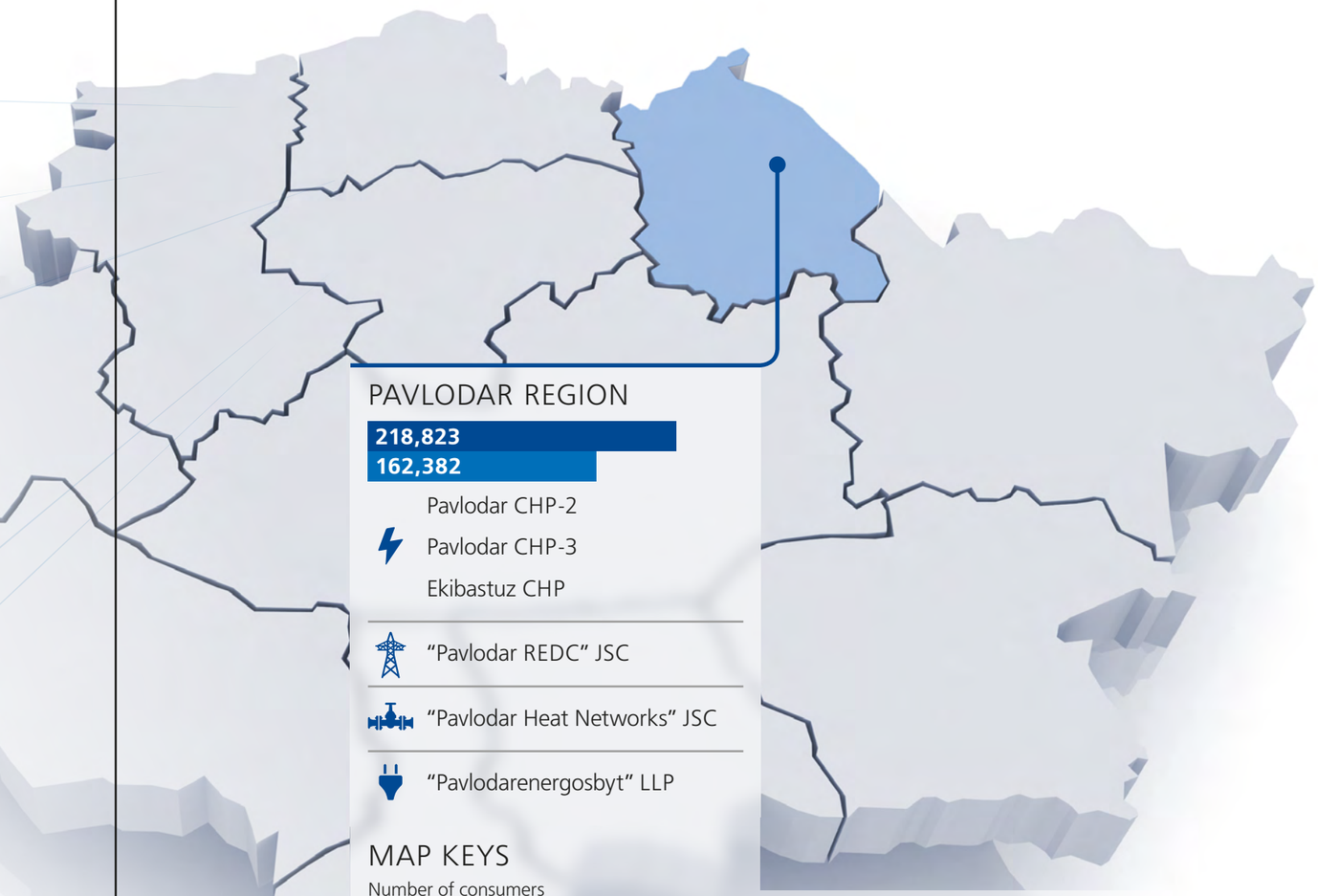
Assets



Energy generation



Activities map



PAVLODAR REGION

218,823
162,382

Pavlodar CHP-2
Pavlodar CHP-3
Ekibastuz CHP

"Pavlodar REDC" JSC

"Pavlodar Heat Networks" JSC

"Pavlodarenergosbyt" LLP

MAP KEYS

Number of consumers
ELECTRIC ENERGY
HEAT ENERGY

Generation of heat and electric energy

Transmission of electric energy

heat energy

Sales of heat and electric energy

Chairman of the Board of Directors
“PAVLODARENERGO“ JSC
Yerkyn Adamiyanovich Amirkhanov

Dear partners!

“PAVLODARENERGO” JSC in 2013 has demonstrated high operation efficiency of all subdivisions of the Company, in circumstances of implementing one of the strained investment program in the industry. The Company in 2013 performed strenuous work in Ekibastuz and Pavlodar, that allowed to ensure reliable operation of enterprises. “PAVLODARENERGO” JSC significantly improved financial-economic indicators compared to previous period. Net profit of “PAVLODAENERGO” JSC in 2013 increased by 40% compared to 2012. Assets of the Company for the previous year increased by 14% and amounted to KZT 81 bln.

During 2013 we have established the stage for implementation large-scale projects for future years. Budget of already implemented investment projects of Pavlodar CHP-3 and CHP-2, Ekibastuz CHP amounted to KZT 7.61 bln.

To the full extent we use our capacities which were provided to the power engineers of Kazakhstan by state program for modernization of electric energy industry “Tariffs in exchange for investments”. Nowadays program of ceiling tariffs allowed us to renovate significant part of overhauled equipment, and increase maximum permissible levels of power load. Thus, in 2013 power load of CHP-3, being main energy source of the Company amounted to 327 MW, what constitutes highest result for all period of plant operation. CHP-3 – main source of heat and electric energy for the enterprises operating at special economic zone “Pavlodar”, as well as for enterprises which will be created in future. In this regards “PAVLODARENERGO” JSC implements CHP-3 modernization program till 2016, this will allow increasing installed capacity of the station up to 560 MW.

We strive to increase reliability of Pavlodar energy nod system and ensure provision to the integrated network additional electricity supply which will be generated by CHP-3. In the sphere of heat distribution we achieved transmission from repairs of heat networks to their modernization. We implement most modern technologies and practices in the energy saving.

Investment attractiveness of social infrastructure, its modernization significantly depends from collaboration of state and business. We are prepared to participatory development and use of socially important economic sectors. We have significant positive experience in the sphere of generation, distribution and sales of heat and electric energy. We believe into ample opportunities which are provided to housing and utilities infrastructure industry in connection with implementation of Program for development public – private partnership in the Republic of Kazakhstan.

“PAVLODARENERGO” JSC completely integrated to all spheres of activity of local community – none of the high profile event of the region not being realized without active involvement of Company employees. I’m confident that from year to year achievements of the “PAVLODARENERGO” JSC group will overweigh for ensuring steady, reliable development of all Pavlodar and Irtysh regions.

Company's profile

BRIEF PRESENTATION

Currently assets of "PAVLODARENERGO" JSC represented in Pavlodar region: Pavlodar, Ekibastuz, Aksu cities. Enterprises of the Company perform full cycle for provision of electric and heat energy – generation, distribution and sales of energy resources in Pavlodar. In Ekibastuz enterprises of the Company ensure generation, distribution and sales of heat energy. In Aksu and districts of Pavlodar region – sales of electric energy.

Total installed electric capacity of "PAVLODARENERGO" JSC constitutes 627 MW. Total installed heat capacity of the Company – 2,102 Gcal·h. Overall length of electricity transmission lines – 15,782 km, length of heat networks is 755.8 km. In 2013 "PAVLODARENERGO" JSC generated 3,534 mln kW·h and 4,341 thousand Gcal of heat energy.

Subsidiary organizations of "PAVLODARENERGO" JSC in Pavlodar region provide all elements of the energy supply: generation, distribution and sales. Generating enterprises of "PAVLODARENERGO" JSC – stations of combined generation of heat and electric energy: Pavlodar CHP-2 and CHP-3, Ekibastuz CHP. In Pavlodar Company controls sales structure – LL" Pavlodarenergosbyt", which provides service of electricity supply:

- heat and electric energy in Pavlodar;
- electric energy in districts of Pavlodar region and Aksu city;
- heat energy in Ekibastuz.

Due to the own networks "PAVLDOARENERGO" JSC has the possibility to supply heat and electric energy to each consumer with high degree of efficiency. Company has highly differentiated portfolio of consumers and sales up to 13% of the energy at wholesale market through connected networks of KEGOC. "PAVLODARENERGO" JSC ensures supply of heat and electric energy to a more than 678 thousand people.

Coal from Ekibastuz basin, geological resources of which estimated at 140 years is the main fuel source at energy generating enterprises of "PAVLODARENERGO" JSC. Company's presence region beneficially located at the border with Russia, what along with own electricity networks to Omsk city with voltage of 110 kW and respectively low tariffs compared to neighboring regions of Russia allows to have competitive reserve and potential export of electric energy to Russia in a long term perspective.

HISTORY OF THE COMPANY

In 1964 energy industry of Pavlodar region was integrated to district division "PAVLODAENERGO". Year after by the decree of the Ministers Board district division was reorganized to production union "PAVLODARENERGO" JSC. At that time enterprise was including: Pavlodar CHP-1, CHP-2 and CHP-3, Ekibastuz SDPP-1 and SDPP-2, Ekibastuz CHP, Ermak SDPP.

In 2002 open joint stock company "PAVLODARENERGO" JSC was established which in 2003 was reorganized to joint stock company. Company integrated generating capacities of the energy system – Pavlodar CHP-2 and CHP-3.

In 2002 "Pavlodar Regional Electric Distribution Company" JSC entered into composition of "PAVLODARENERGO" JSC. Also that year "Energocenter" JSC entered to the Company composition and in 2011 was reorganized to "Pavlodarenergosbyt" LLP.

In 2005 Company united Pavlodar heat networks, integrated to "Pavlodar Heat Networks" JSC which in 2011 was reorganized to Limited liability partnership.

Company continued its expansion and in December 2007 "PAVLODARENERGO" JSC acquired Ekibastuz district heating and Ekibastuz heat networks.

In 2008 – 2009 "Central – Asian power energy company" JSC ("CAPEC" JSC) transferred shares of "PAVLODARENERGO" JSC to the charter capital of its subsidiary organization – "Central – Asian Electric Power Corporation" JSC ("CAEPCO" JSC). The shareholdes of "CAEPCO" JSC are "CAPEC" JSC and international development institutions: European Bank for Reconstruction and Development (EBRD) and Islamic Infrastructure Fund (IIF).

Charter capital of "PAVLODARENERGO" JSC as of 31 December 2013 amounted to KZT 16.7 bln, number of ordinary shares of the Company – 166,639,957 pcs. As of 31 December 2013 assets of the Company amounted to KZT 81.1 bln, operation income (EBITDA) – KZT 10.3 bln, compared to 2012 indicators exceeds by 33.8%.

RATINGS

Rating agency "Expert RA Kazakhstan" confirmed rating of creditability of "PAVLODARENERGO" JSC at A+ level (very high level of creditability) and credit rating of bonds issue (NIN – KZ2C0Y10C606) at A+ level (very high level of creditability).

Among the factors positively impacted to rating, we would like to sufficiently highlight development perspectives of pivotal sales markets, high indicators of profitability (upon the results of 2012 ROA – 5.86%, ROE – 9.52%), high liquidity indicators (as of 31.03.13 coefficient of absolute liquidity – 0.59, quick asset ratio – 1.91), significant growth of equity and assets. Additional positive factors are participation of European Bank for Reconstruction and Development and Islamic Infrastructure Fund in the equity of sole shareholder of the Company – "Central – Asian Electric Power Corporation" JSC, that allows to attract long term financing of the Company on a favorable conditions.

MISSION

The mission of the Company is to improve quality of consumers' life and establishing conditions for economic development of presence regions. The objective is achieved by provision qualified services for electricity supply and creature comforts of population, industrial enterprises, budget and commercial enterprises in Pavlodar region.

Quality of provided services implies reliability and continuity of power supply with observance of all technical requirements and high level of consumers' service.

The basis of efficiency – employees of the Company, value of which in high professional and teamwork skills and orientation for achievement of results.

PERSPECTIVE

"PAVLODARENERGO" JSC – one of the largest enterprises of north-east region of Kazakhstan in the spheres of production, distribution and sales of heat and electric energy. "PAVLODARENERGO" JSC provides electricity to Pavlodar, Ekibastuz, Aksu cities and districts of Pavlodar region. Significant part of generated volumes of electric energy Company supplies to other regions of the Republic.

The Company successfully utilizes advantages of holding structure, combining responsiveness, flexibility of separate subdivisions (enterprises of the group) along with stability, reliability of centralized management.

Personnel of the Company – team of professionals, who achieve increasingly higher targets. Company creates partnership relationships with clients and suppliers on the basis of respectfulness and mutual responsibility.

STRATEGY

Strategic objective of "PAVLODARENERGO" JSC is establishing advanced energy company, providing well balanced and steady development of energy system of Pavlodar region for economic development of the region. The Company actively implements world best practices and creates its activity in accordance with international standards in the sphere of production, environment health protection and social sphere.

By means of improvement of its efficiency "PAVLODARENERGO" JSC strikes to increase of market value of the assets and investment attractiveness of the Company.

Within the frames of the investment programs Company performs and plans to continue wide range of large-scaled activities for modernization of the equipment, aimed to increase of generation, reduction of losses in distribution of heat and electric energy and enhancement of environmental parameters of activity.

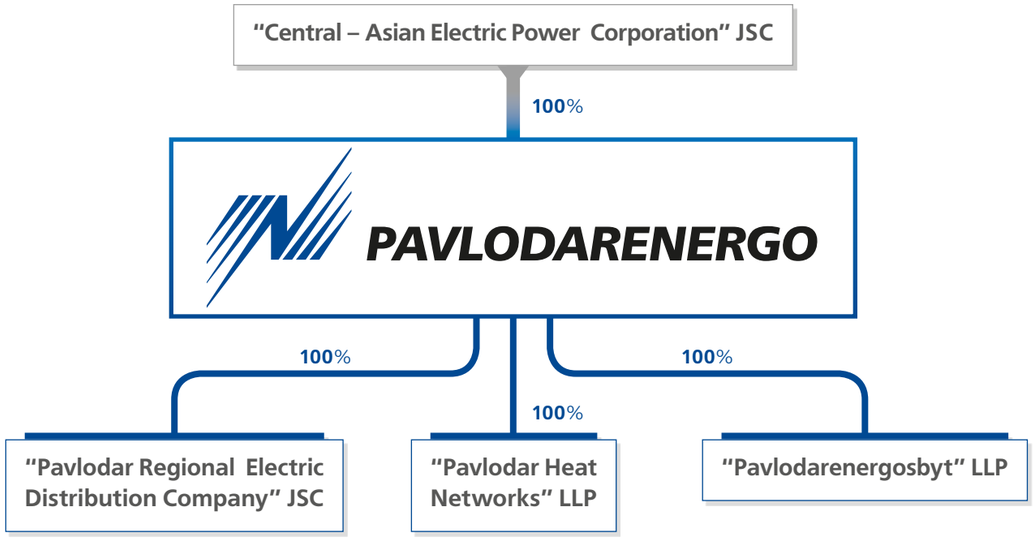
Main strategic directions

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

To achieve this strategic objective, the Company performs following tasks

- modernization of the equipment with a purpose of improving technical level of production, reduction of risks of emergency and elimination of downtimes;
- implementation of energy saving and energy efficient technologies in production and transmission of energy;
- minimization of specific consumption for production of unit of heat and electric energy;
- correspondence to requirements of international, republican and industrial normative and legislative documents in the environmental sphere;
- prevention of environment pollution;
- enhancement of management system, certification for correspondence to requirements of international standards;
- strengthening of requirements to occupational safety of personnel, industrial safety and reduction of traumatism;
- permanent training with a purpose of improving professional level of employees;
- implementation of automated enterprise management system.

COMPANY'S STRUCTURE



Shareholders structure and share capital

As of 01.01.2014 share capital of "PAVLODARENERGO" JSC amounts to KZT 16.7 bln. The number of outstanding shares – 166,639,957 pcs. Company has no preferred shares. Sole shareholder owing 100% of shares is "Central – Asian Electric Power Corporation" JSC.

For the reporting period, Company has not made any significant transactions with its shares. There were no any changes among shareholders owning five and more percent from total amount of allocated shares.

SUBSIDIARY ORGANIZATIONS OF "PAVLODARENERGO" JSC

Joint Stock Company "PAVLODARENERGO" is a vertically integrated company, which includes all chains of Pavlodar's regional energy supply (generation, transmission and distribution of energy resources).

The structure of "PAVLODARENERGO" JSC includes:

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

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

"PAVLODARENERGO" JSC provides Pavlodar region with electricity to an area of 124.8 thousand square km with a population of 678 thousand people. Electricity production in 2013 was 3,534.4 mln kW·h.

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

"Pavlodar Regional Electric Distribution Company" JSC

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

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

The company consists of the following units:

- Enterprises engaged in maintenance and repair of electric distribution 0.4–10 kV networks and substations 35 – 220 kV, Eastern and Western enterprises of electric networks. It is composed of 11 electricity distribution zones (EDZ), serving 0.4–10 kV networks according to their location:

Electricity transmission lines

Voltage	Length, km
220 kV	14.3
110 kV	2,595.7
35 kV	2,357.4
6–10 kV	6,142.7
0.4 kV	6,472.2
Total	**15,782.4**

Substations

Voltage	Quantity
220 kV	4
110 kV	73
35 kV	102
6–10 kV	3,662
Total	**3,841**

– Aktogai Bayanaul, Irtysh, Maisky EDZ and Aksu electric networks for the Western enterprise (Left Bank);
– Zhelezinka, Kachiry, Lebyazhensky, Pavlodar, Uspenskiy, Scherbakty electric networks for Eastern enterprise (Right Bank);

- Municipal enterprise of electric networks of Pavlodar provides operation and maintenance of 0.4–10 kV distribution networks;
- Production and repair enterprise of Pavlodar region is engaged in operating and maintaining upkeep of high voltage power transmission lines 35–220 kV;
- Urban enterprise of in-house networks, not related to regulated types of services operates under service contract for maintaining 0.4 kV electric networks in condominium high-rise buildings of Pavlodar and Aksu;
- Production department, services and divisions.

"Pavlodar Heat Networks" LLP

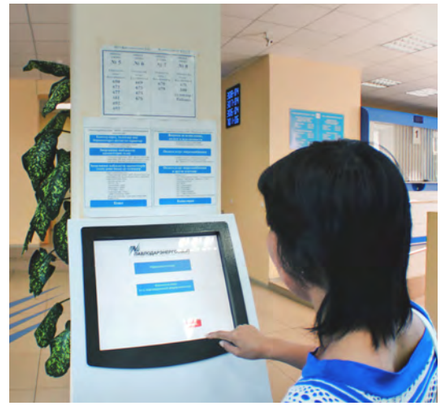
"Pavlodar Heat Networks" LLP provides transmission and distribution of heat energy to consumers of Pavlodar and Ekibastuz. The activities are focused on improving of operational reliability of heat supply networks and coordination processes of generation, transmission and consumption of heat.

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

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

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

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



"Pavlodarenergosbyt" LLP

"Pavlodarenergosbyt" LLP is a company, which provides to its consumers:

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

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

"Pavlodarenergosbyt" LLP implements policies for improving the quality of consumer services using modern technology. For the convenience of Company's customers, there is a system of payment through second-tier banks, Internet, ATMs, terminals, and multi-kiosks. Six service points are operating in the regional center to receive payments, 2 in Ekibastuz, 2 in Aksu and 10 offices in regional areas of sales. Corresponding contracts are signed to receive payments with 14 second-tier banks, "KazPost" branch, "Contact 24h" LLP and "Astana-Plat" LLP.

In order to implement energy saving programs, "Pavlodarenergosbyt" LLP, under the current legislation of the Republic of Kazakhstan, applies differentiated tariffs for electricity depending on the volume of consumption for individuals and differentiated tariffs for electricity by time zones for all categories of consumers, as well as differentiated tariffs for heat energy for consumers with no heat metering units.

Economic environment

GDP of Kazakhstan in 2013 according to preliminary data amounted to KZT 34.14 trln, and made an increase of 6% compared to previous year. In 2012 growth of GDP was only 5%. Over the past years economic environment marginally improved, albeit GDP growth dynamics remains stunted

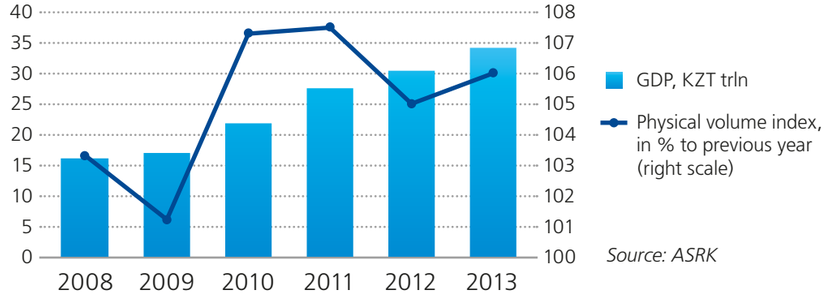
According to data of National Bank of the RK, economic growth in 2013 mainly was in the industries supported by internal demand. At that reduction of world prices for separate groups of the goods and growth of import supplies against high consumer activism imposed pressure to external economic balance.

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

Growth of production in the sphere of services was provided by spheres of information and communication, financial and insurance activity, transport and trading. At that growth temps was decreased, thus amounting 7.4% in 2013 against 10.4 in 2012, GDP contribution reduced from 5.5% to 4%.

For three quarter of 2013 services sphere due to increase of consumers demand provided growth of GDP by 5.6%, at that overall growth amounted to 5.7%. During the period we can observe transfer of home economics from consumer activism to saving of funds, including slowdown in growth of salaries. However in fourth quarter, the purchasing capacity began increasing, what is related to customers belief for improvement of financial condition during current year.

Kazakhstan GDP Dynamics

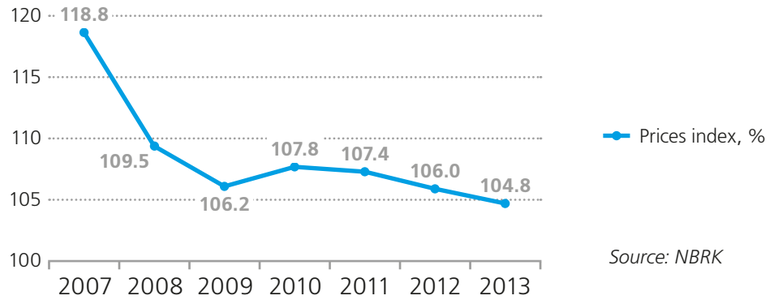


Source: ASRK

Growth of real wage turned to be one the lowest for last few years

Source: ASRK

Inflation rapidly decreased in 2013



Source: NBRK

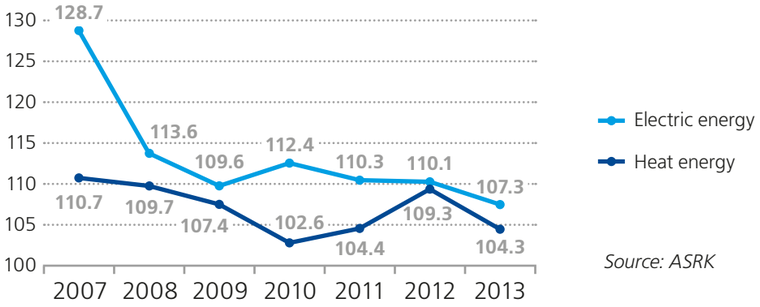
Industrial growth amounted to 2.3% mainly due to growth in mining sector (3.1%) where we can observe increase of production of crude oil, gas and metallic ores. Manufacture sector, around 40% production of which provides by energy intensive metallurgical complex, showed lowlier gain – 1.6%. Here, ramp up was provided primarily by growth of production of food products and beverages (12.5%) and machinery construction (14.7%). Metallurgical sector, in contrast showed negative dynamics due to decrease of demand from China and EU, as well as the consequence fall of prices for metals

In 2013 inflation amounted to 4.8% what was lower, specified by the National Bank amount by 6–8%. National Bank of RK informed that creation of inflation processes, initially was on the ground of appreciation of commercial services to population, while prices for food and non-food products were growing by ordinary temps within all year, except 4th quarter.

Growth of prices for electric energy in 2013 amounted 7.3%, for heating 4.3%, what is lower than indicators of 2012 (10.1% and 9.3% correspondingly). Growth of prices for electric energy is within decree of the Government dated March 25, 2009 which assumes annual growth of tariff for electric energy till 2015, that will allow performing modernization of corresponding infrastructure. Growth of prices for heating, related with appreciation of raw materials: coal and masut, as well as reimbursement of indexation of other tariff components.

Slowdown in growth of prices for electric energy and heating

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



Source: ASRK

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

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

Forecast of Kazakhstan economy growth

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

Source: NBRK

Energy industry environment

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

ENERGY INDUSTRY

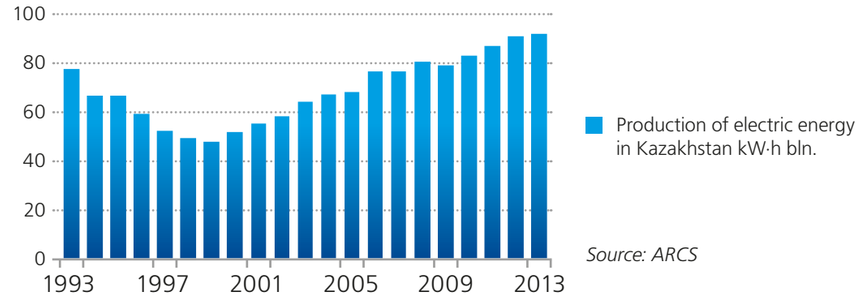
Generation

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

In 2013 aggregated volume of generation in the republic amounted to 91.9 bln kW·h, what is 1.9% higher compared to previous year. At that reduction of electric energy production for 2% was occurred, related with implementation of energy saving technologies at existing productions and enterprise, commissioned within the frames of State program of forced industrial-innovative development.

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

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

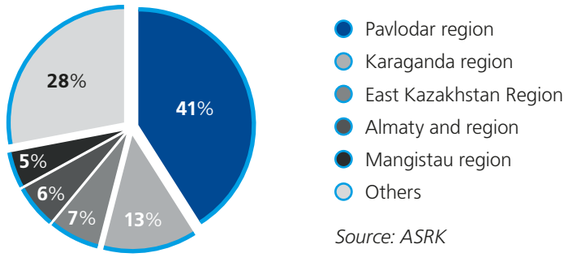


Source: ARCS

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

Pavlodar Fuel – Energy Complex has leading position in the electric industry of the country

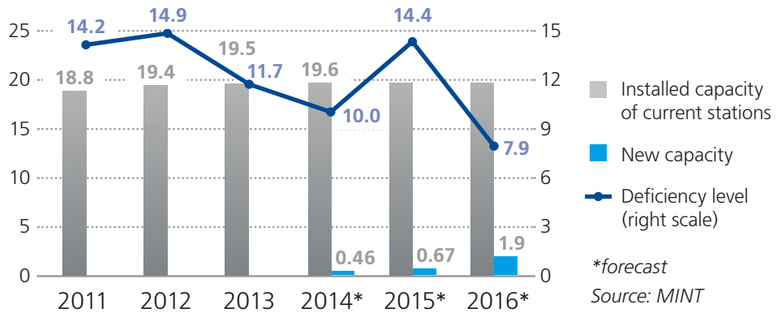
Regional structure of electric energy production in Kazakhstan 2013



Source: ASRK

Deficit of capacity will be reduced by commissioning new sources

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



**forecast*

Source: MINT

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

In 2013 export of electric energy from Kazakhstan to Russia increased twice – from 1.98 bln, kW·h in 2012 up to 3.75 bln kW·h. Import to Kazakhstan, against decreased from 2.55 bln kW·h down to 1.6 bln kW·h. With establishing Eurasian Economic Union the increase of export is expected. Possibility of export to Belarus from Kazakhstan is assumed.

Transmission and distribution of electric energy

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

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

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

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

Electric networks of regional level provide connections within the regions, and also ensure transmission of electric energy to retail consumers. Electric networks of regional level are on the books and under operation of Regional Electricity Distribution Companies (REDC). Twenty REDC perform transmission and distribution of electric energy at regional level with a voltage of 0.4–220 kW.

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

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

Tariff setting

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

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

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

Starting from 2013, in accordance with Decree of the Chairman of the ARNM dated June 27, 2012 # 152-OD the methodology of tariff setting for electric energy transmission based on the comparative analysis was approved.

This method involves comparing the effectiveness parameters of individual REDC with the rates of other REDCs, increasing efficiency for each REDC, and the investment component in the rate of REDC, which includes amortization deductions and profit.

Comparative analysis is made annually on the basis of information about the production and financial results for the calendar year provided by the REDC in comparison with the information from the previous year.

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

Sale of electric energy

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

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

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

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

According to the results of executed centralized electricity tenders, for 9 months of the year there were 3,433 transactions with the volume of 4,335.5 mln kW·h, totaling KZT 26,767,7 mln.

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

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

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

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

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

HEAT ENERGY INDUSTRY

Heat energy in the Republic of Kazakhstan generated by 42 large district heating systems, which constitute of 38 CHP's, remaining balance supplied to consumers from 30 district boiler houses. In 2013 generation of heat energy decreased by 4.8% down to 98.4 mln Gcal.

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

Main problem of heat supply of the country – high level of depreciation of networks, length of which amounts to 12.2 thousand km, average depreciation of networks within the country – 63%, including 40% or 9.6 thousand km, which has 100% depreciation. Subsequent steady functioning of industry is possible upon significant financial donations, aimed to modernization of the equipment.

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

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

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

KEY EVENTS

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

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

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

According to data of Ministry of Industry and New Technologies (MINT) of the Republic of Kazakhstan total cost of investment program of generating sources till 2014 amounts to KZT 988.4 bln Level of depreciation of the equipment on all energy sources reduced from 70% (in 2009) down to 58.8% (as of the end of 2013).

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

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

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

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

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

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

DEVELOPMENT PLANS

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

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

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

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

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

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

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

- Reconstruction and modernization of existing generating capacities and distribution energy networks;
- By 2015 share of usage of alternate energy sources in overall volume of energy consumption should constitute more than 1.5%.
- By 2020 generation of energy from own sources, satisfying demand of the economy should constitute 100%; share of alternate sources of energy in total volume of energy consumption should constitute more than 3%.
- Construct and commission Nuclear power plant and Balkash TPP;
- Establish vertically integrated company with nuclear cycle.

COMPETITIVE POSITION OF "PAVLODARENERGO" JSC

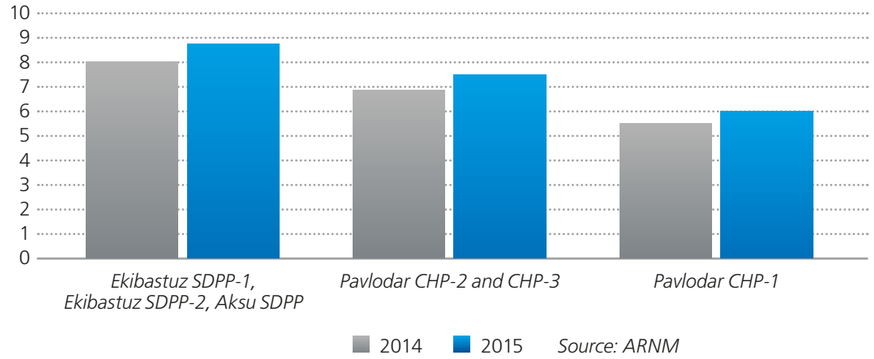
Upon the results of 2013 "PAVLODARENERGO" JSC increased generation by 11.8% or 372.3 mln kW·h compared to 2012. This fact justified by large-scaled work for modernization and reconstruction of main equipment of "PAVLODARENERGO" JSC and expansion of production capacities of the enterprises. Correspondingly, sales of electric energy to consumers has increased. Share of the Company in total generation of electric energy in the RK achieved 3.8%.

Main competitors of "PAVLODARENERGO" JSC on the wholesale power market are "EEC" JSC (Aksu SDPP), "Ekibastuz SDPP-1" LLP and "Station Ekibastuz SDPP-2" JSC.

"PAVLODARENERGO" JSC in 2014 – 2015 possess competitive advantage among other energy generating enterprises of the RK. The advantage is justified by RK Government Decree dated 25.03.2009 # 392, where ceiling tariffs for "PAVLODARENERGO" JSC established at 14% below other competitors. Thus, volumes of power sales are restricted only by technical capabilities of energy sources of "PAVLODARENERGO" JSC.

Electric energy ceiling tariffs for Pavlodar region stations

KZT/kW·h (without VAT)



Source: ARNM

Results overview

MAIN EVENTS OF THE YEAR

In 2013, the companies belonging to "PAVLODARENERGO" JSC produced 3,534.4 mln kW·h of electric energy. Output from busbars of the plants was 2,984.4 mln kW·h, heat output was 4,341 thousand Gcal. Growth in electricity production in comparison to 2012 was 11.8%, while the supply of electric energy from the busbars grew by 13.9%.

Increased performance and production growth in 2013 were possible through the successful implementation of projects under the sound investment program of reconstruction, renovation and modernization of the production facilities of "PAVLODARENERGO" JSC adopted for the period from 2009 to 2018 for the overall amount of KZT 96.04 bln. Thus total investments in 2013 constituted KZT 12.9 bln.

The most meaningful volume of works already performed at Pavlodar CHP-3 – KZT 7.89 bln. At CHP-2 7 projects were implemented for the total amount of KZT 1.25 bln. For modernization and reconstruction of equipment at Ekibastuz CHP in 2013 KZT 1.09 bln was allocated.

In 2013 project for reconstruction of ash separators was completed at all boiler units of Pavlodar CHP-2, CHP-3 and Ekibastuz CHP. Due to this, level of flue gases extraction from ash was increased from 97% up to 99.5% and annual ash emissions were reduced by 5 times, compared to 2008 (year of reconstruction beginning). At Pavlodar CHP-3 works for installation of turbine unit # 2 with a capacity of 75 MW was commenced.

In May 2013 "PAVLODARENERGO" JSC entered into loan agreement with European Bank for Reconstruction and Development, funds of which in amount of USD 89 mln will be allocated to modernization of Company assets. Major part of the funds will be invested for replacement and reconstruction of turbines at cogeneration plants of the Company and implementation of automated system for commercial accounting of electric energy in "Pavlodar REDC".

OPERATING ACTIVITIES PERFORMANCE

Key highlights

Title	2011	2012	2013
Installed electric capacity, MW	562	627	627
Electricity generation, mln kW·h	3,152	3,162	3,534*
Volume of electricity transmission, mln kW·h	4.08	4	3.8
Volume of electricity sales, mln kW·h	2,026	2,243	2,283
Share in Kazakhstan electricity production, %	2,627	2,688	2,698
Installed heat capacity, Gcal	1,912	2,102	2,102
Heat generation, thousand Gcal	4,252	4,536	4,341**
Volume of heat transmission, thousand Gcal	3,086	3,124	3,151
Volume of heat sales, thousand Gcal	4,084	4,144	4,109

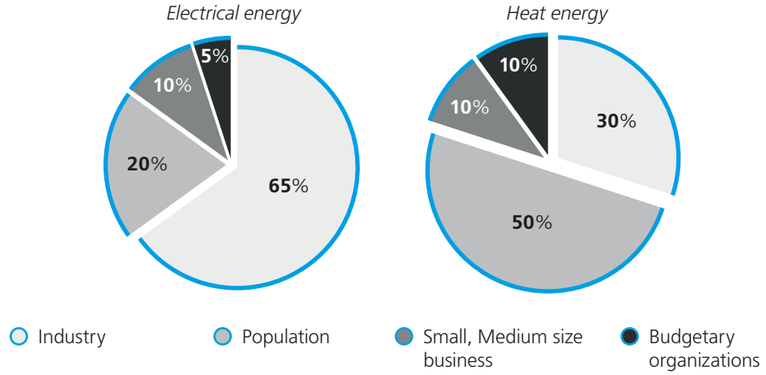
* In 2013, the increase of electricity generation was connected with the commissioning of the turbine generator # 1 at CHP-2.

** The principal cause of the generation of heat energy was increased by the outdoor temperature in the 4th quarter of 2013, which is in the northern regions of Kazakhstan. In 2012, it was an average of –7.6 °C, whereas it was –0.8 °C in 2013.

Average tariffs in 2013 (including VAT)

	Electric energy, KZT/kW·h	Heat energy, KZT/Gcal
Pavlodar	10.76	1,998

Structure of electrical and heat energy consumers in 2013



DEVELOPMENT PERSPECTIVES

2014 plans

In 2014 implementation of investment activities for the total amount of KZT 8.088 bln is planned, according to investment agreement with Ministry of Industry and New Technologies. It is planned to continue works for assembling new turbine unit station #2 and large-scale reconstruction of turbine unit #5 at CHP-3, with increase of capacity from 100 MW up to 120 MW. Construction of second stage of ashponds of Pavlodar CHP-2 and CHP-3 will be continued, and together with that new construction of ashpond of Ekibstuz CHP and cooling tower #5 of Pavlodar CHP-3 will be commenced.

Plans for 3 years

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

"PAVLODARENERGO" JSC plans to complete full modernization of assets of Pavlodar CHP-3, automation of the production activities of the Company on the basis of VENTYX Ellipse information system, which will optimize costs (reduction of up to 20–25%) for carrying out repairs, reconstruction and modernization, as well will increase the turnover of inventories. The integrated automation of repairs will make it possible to increase the reliability of the equipment operation to avoid facts of unsustainable utilization of funds and to reduce the time of repairs due to staff accounting and timely delivery of materials and equipment.

Currently, electric power metering systems are also being transferred to an automatic mode on enterprises of the Company. "PAVLODARENERGO" JSC plans to complete the implementation of ASAEE (Automated system for accounting of electric energy) and ASAHE (Automated system for accounting of heat energy) within three years. Automated systems for accounting power resources make it possible to perform the following: increase the accuracy of accounting by reducing errors while manual data extraction and synchronous taking of readings; reduce losses and energy theft by monitoring balances per facilities; optimize and control production processes through the analysis of energy consumption; reduce the cost of information processing by the company's economic subdivisions by getting timely and accurate information in electronic form about power consumption.

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

INVESTMENT PROGRAM

One of the key aspects of the strategic development of "PAVLODAENERGO" JSC is to increase production efficiency through replacement of fixed assets. The company carries out a large-scale Investment program of modernization and reconstruction of fixed assets, which aims to increase capacities of power generation assets and to increase the reliability of their operation, energy efficiency and energy saving, as well as to improve the environmental parameters of production.

The program is scheduled for 2009–2018. On its completion, the deterioration of power generating stations equipment will be reduced from 80 to 39%, the share of fully updated production assets will amount to 62%, the installed capacity will be increased by 25%, and the amount of emissions will be reduced by 30%. The Company will fully get rid of excessive losses.

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

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

Increase of generation

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

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

As part of the Investment Program for increasing generation capacity of stations, "CAEPCO" JSC signed a contract for the manufacturing of a new turbine # 2 with a generator for CHP-3 in Pavlodar.

According to investment program for 2013 at Pavlodar CHP-3 following works were commenced: reconstruction of turbine unit #5 with increase of capacity up to 125 MW (supply agreements with "NPO ELSIB" OJSC (Novosibirsk, RF) for procurement of generator TF-125–2Y3 and with "Ural Turbine Works" CJSC (Ekaterinburg, RF) for supply of equipment and details for modernization of steam turbine T-100/120–130–3.

With a purpose of replacement of turbine generator station #2, Pavlodar CHP-3 entered into agreement with "NPO ELSIB" OJSC (Novosibirsk, RF) for procurement generator TF-80–2Y3 and with "Ural Turbine Works" CJSC (Ekaterinburg, RF) for supply of turbine TP-65/75–130/13.

Also we have reconstructed at Pavlodar CHP-2, CHP-3 and Ekibastuz CHP 3 boiler units, that allowed improve their reliability and productivity.

Upon the results of investment program implementation by 2017 it is assumed to reduce equipment deterioration at generating enterprises of "PAVLODARENERGO" JSC down to 35–40%. Generation of electric energy, compared to 2009 will be increased by 27.3% up to 4,158.4 mln kW·h. Output of heat energy from manifolds will be increased by 24.5% up to 5,418.094 thousand Gcal. From 2009 to 2017 it is planned to increase installed capacity of "PAVLODARENERGO" JSC by 100 MW – up to 662 MW, heat capacity by 456 Gcal·h – up to 2,268 Gcal·h.

Reduction of electric and heat losses

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

Within the frames of investment program for 2012–2015 construction of ORU-220 kW and substation 220/110 kW "Promushlennaya" for the total amount of KZT 3,450 mln is planned.

In 2005 the excessive losses of "Pavlodar Regional Electric Distribution Company" JSC were 3.6%, but in 2013 they were reduced to 0.3%. Moreover, the implementation of taking investment measures will reduce technical losses of "Pavlodar Regional Electric Distribution Company" JSC by 0.3%.

By the end of 2013 in "PREDC" JSC performed works on reconstruction of equipment at 110 substations. An Automated system for accounting of heat energy (ASAHE) is also being implemented.

Within the frames of program for savings of electric energy, consumers' induction-type meters are being replaced with electronic ones. Since 2004, 47,748 meters were replaced.

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

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

Works on these directions are performed in a complex manner. Thus, the first and second include work on the reconstruction of outdated heating supply systems and the construction of new heating mains with the use of pipes with polyurethane foamed coating. Only for the period of 2011–2013, the pipeline with the length of 14,446 meters with increasing pipe diameter was replaced and reconstructed in Pavlodar. Currently, outdated electric equipment is being replaced with new modified equipment.

Within the framework of the EBRD loan in 2011–2013, heat transmitting enterprises of "CAEPCO" JSC performed modernization of heating networks. In Pavlodar, 14,446 meters of pipeline (in one-pipe design) were fully replaced. There was also replacement of insulation with the length of 5,744 meters.

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

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

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

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

Improvement of environment parameters of production

With a purpose of enhancement of environmental parameters within the investment program, Company has conducted reconstruction of ash separators with installation of battery emulsifiers of second generation, that allowed to reduce ash emissions by 3 times (2008 – 29,886 tons, 2013г – 9,272 tons).

In the end of 2008 – year of launching investment program, volume of pollutant emissions to environment by the enterprises of "PAVLODARENERGO" JSC was fixed at level 66 thousand tons, by the results of 2013 this indicator constituted 49.3 thousand tons. The Company achieved reduction of harmful emissions by 25% while volumes of electric energy generation increased by 16.97%.

In 2013 completed work for equipping all energy boilers of CHP-2, CHP-3 and ECHP with battery emulsifiers of second generation with efficiency index of 99.5%. Efficiency of purification as of the data of 2013 for CHP-2 in its average constituted 99.45%, CHP-3 – in average 99.43%, for ECHP in average for energy boilers – 99.51%. Performed activities allowed to increase level of flue gases purification and as a consequence ensured reduction of enterprise costs.

With a purpose of ensuring permanent technological cycle and storing ash slag wastes for 25 year, we conduct reconstruction of two acting ash ponds and construction of three new ash ponds. Using during construction of new ash ponds innovative materials – polysynthetic geo-membrane will allow to prevent polluting soils for 100%.

FINANCIAL AND ECONOMIC ACTIVITY

Analysis of Financial and Economic Performance for 2013

By the end of 2013, "PAVLODARENERGO" JSC sold electric and heat energy, as well as rendered services for their transmission and sales for the total amount of KZT 32,872 bln, which is 11.5% higher than in 2012.

This increase is conditioned by:

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

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

Indicators	2011	2012	2013
Incomes from the sales and transmission of electric and heat energy	25,910	29,447	32,872
Cost of sales of electric and heat energy	(18,703)	(21,420)	(22,006)
Gross profit	7,207	8,027	10,866
General and administrative expenses	(1,787)	(1,989)	(2,397)
Distribution expenses	(416)	(460)	(552)
Profit from operating activities	5,004	5,578	7,917
Financial income	257	125	38
Other income	48	378	61
Financial expenses	(847)	(959)	(842)
Profit / loss before taxation	4,462	5,122	7,174
Corporate income tax	(1,167)	(1,182)	(1,645)
Net profit for the year	3,295	3,940	5,529

Net profit of the Company for 2013 was KZT 5.5 bln, i.e. an increase of 40.3% from 2012. In general, the positive dynamics of growth in net profit of the Company was observed over the last few years.

Share structure of net profit of "PAVLODARENERGO" JSC

Company Name	A Percentage in Relation to Consolidated Net Profit		
	2011 г.	2012 г.	2013 г.
"PAVLODARENERGO" JSC	130.3%	114.1%	113.2%
"PAVLODAR REDC" JSC	8.7%	14.6%	10.7%
"Pavlodar Heat Networks" LLP	(32.1%)	(30.7%)	(17.0%)
"Pavlodarenergosbyt" LLP	(6.9%)	2.0%	(6.9%)

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

Segment Information

The company identifies the following segments:

- Production of heat and electric energy.
- Transmission and distribution of electric and heat energy.
- Sale of electric and heat energy
- Other, including service of intra-house networks and other.

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

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

Indicators	Production of Heat and Electric Energy	Transmission and Distribution of Electric Energy	Transmission and Distribution of Heat Energy	Sales of Heat and Electric Energy	Other	Total
Income, total	27,965	6,393	3,058	20,547	326	58,289
Intrasegment income	(6,822)	–	–	(18,459)	(136)	(25,417)
Income from sales to external buyers	21,143	6,393	3,058	2,088	190	32,872
Cost of sales	(11,470)	(5,388)	(3,390)	(1,757)	(1)	(22,006)
General and administrative expenses	(909)	(440)	(739)	(309)	–	(2,397)
Distribution expenses	(4)	0	0	(548)	–	(552)
Financial income	26	5	5	1	–	37
Financial expenses	(813)	(4)	(20)	(5)	–	(842)
Other income	(139)	44	10	147	–	62
Income tax expenses	(1,573)	(207)	135	0	–	(1,645)
Profit for the year	6,261	403	(941)	(383)	189	5,529
Capital expenditure on fixed assets	6,181	1,273	855	15	–	8,324
Depreciation of fixed assets	1,606	455	294	23	–	2,378
EBITDA	10,253	1,969	(762)	(355)	189	10,394

Assets and Liabilities

Total assets of the Company as of December 31, 2013 were KZT 81 bln, which was 14.5% higher than in 2012.

Consolidated balance sheet, KZT mln

Indicators	2011	2012	2013
Fixed assets	51,220	56,301	64,167
Goodwill and intangible assets	1,730	1,746	1,741
Other long-term assets	2,479	5,236	6,418
Short-term assets	7,056	7,315	7,558
Cash and cash equivalents	1,137	317	7,558
Total assets	**63,622**	**70,915**	**81,142**
Equity	39,234	43,561	47,850
Long-term loans and bonds	4,807	5,844	9,126
Other long-term liabilities	15,322	16,939	18,234
Short-term financial liabilities	978	1,025	1,565
Short-term liabilities	3,281	3,546	4,367
Total equity and liabilities	**63,622**	**70,915**	**81,142**

Cost of fixed assets amounted in KZT 64,167 mln, or 79.1% of total assets value. There was an increase in value of fixed assets by KZT 7,866 mln, or 14% in 2013 compared to 2012 and is conditioned by the commissioning of new facilities, reconstruction and modernization of production equipment within the investment programs of enterprises.

Within the Company's liabilities in the structure of long-term liabilities, loans of the European Bank for Reconstruction and Development increased. The current loan portfolio has a high degree of diversification; the weighted average rate on loans is 7%. Total financial debt at end of the reporting year was KZT 18,322 mln, financial leverage – 0.38.

Cash and cash equivalents

Cash flows, KZT mln

Indicators	2011	2012	2013
Net cash flows from operating activities	6,358	5,301	9,067
Net cash flow from investing activities	(6,878)	(8,019)	(10,562)
Net cash flow from financial activities	(207)	1,902	2,426
Cash flows at the beginning of the year	1,865	1,137	317
Net increase/decrease in cash flow subject to the effects of exchange rates	(728)	(820)	941
Cash flow at the end of the year	1,137	317	1,258

Net cash flow from operating activities

Net cash flow from operating activities in 2013 was KZT 9,067 mln. A positive dynamic of cash flow from operating activities demonstrates the stability of income and continuity of cash flow from the main activities of the Company. Stability of cash flow from operating activities provides internal resources for debt servicing and increases the probability of gaining access to the external sources of financing.

Net cash flows from investing activities

In 2013, the Company used cash flows for investing activities in the amount of KZT 10,562 mln. They were directed to financing the approved investment programs of enterprises.

Net cash flow from financial activities

Within 2013 Company received financing for the amount of KZT 4,768 mln, including EBRD finds for the amount of 4,118 mln. Repaid loans for the amount of KZT 1,101 mln. Upon the results of 2012 paid dividends for the amount of 1,240 mln.

The Company estimates upcoming expenses and monitors actual performance of the budgets, sufficient amount of funds transferred to reserve for permanence of operational processes, including attraction of credit lines and bank loans – all of these allows to provide control over cash flows and support optimal ratio of borrowed equity to own funds.

Actual and planned indicators for 2013

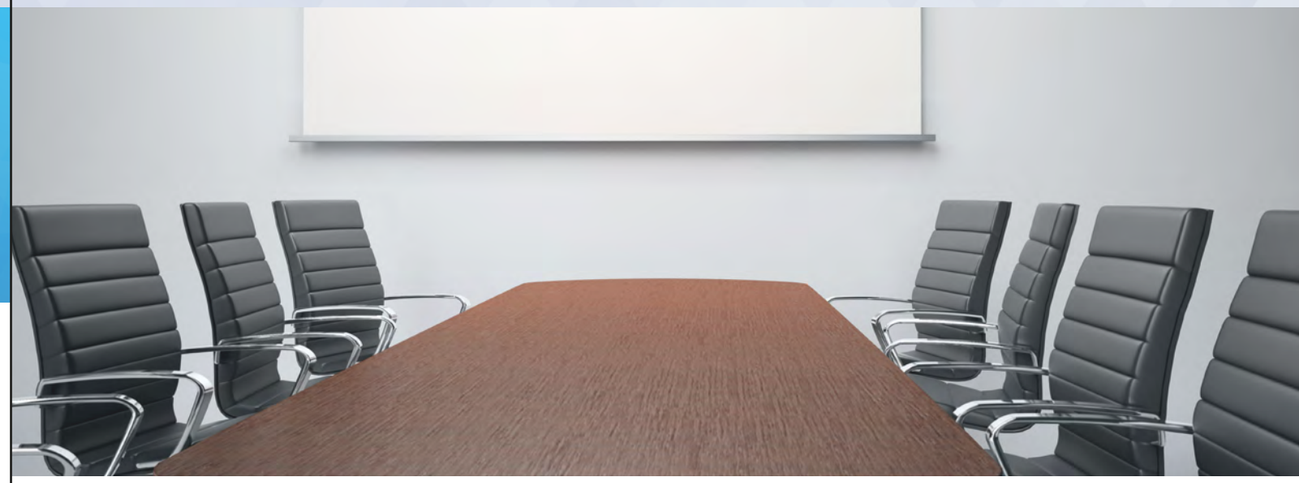
Upon the results of 2013, we have fixed insufficient deviations of actual indicators from planned ones. Volume of electric energy sales output was less than planned for 153 mln kW·h, that was due to non-performance of applied volume of electric energy from large consumer of Pavlodar region – "KSP Steel" LLP.

The reason of reduction of heat energy sales output for 6% or 280 Gcal was less consumption of steam by the direct consumers, against applied volumes.

Production performance indicators

Indicators	2013 Actual	2013 Planned	Deviation, %	2012 Actual
Elecrical energy generation, mln kW·h	3,534	3,539	–0.1%	3,162
Elecrical energy busbar output, mln kW·h	3,018	3,184	–5%	3,019
Heat energy output from collectors, thousand Gcal	5,473	5,815	–6%	5,851
Elecrical energy transmission (minus economic needs of distribution electro network companies), mln kW·h	2,283	2,378	–4%	2,243
Heat energy transmission (minus economic needs of heating stations), thousand Gcal	3,151	3,132	1%	3,124
Marketable elecrical energy output, mln kW·h	2,698	2,851	–5%	2,688
Marketable heat energy output, thousand Gcal	4,109	4,389	–6%	4,144
Installed electric power, MW	627	627	0%	627
Installed heat power, Gcal·h	2,102	2,102	0%	2,102
Elecrical energy losses, %	9.55%	9.2%	4%	10%
Heat energy losses, %	29.4%	30.5%	–4%	34.6%

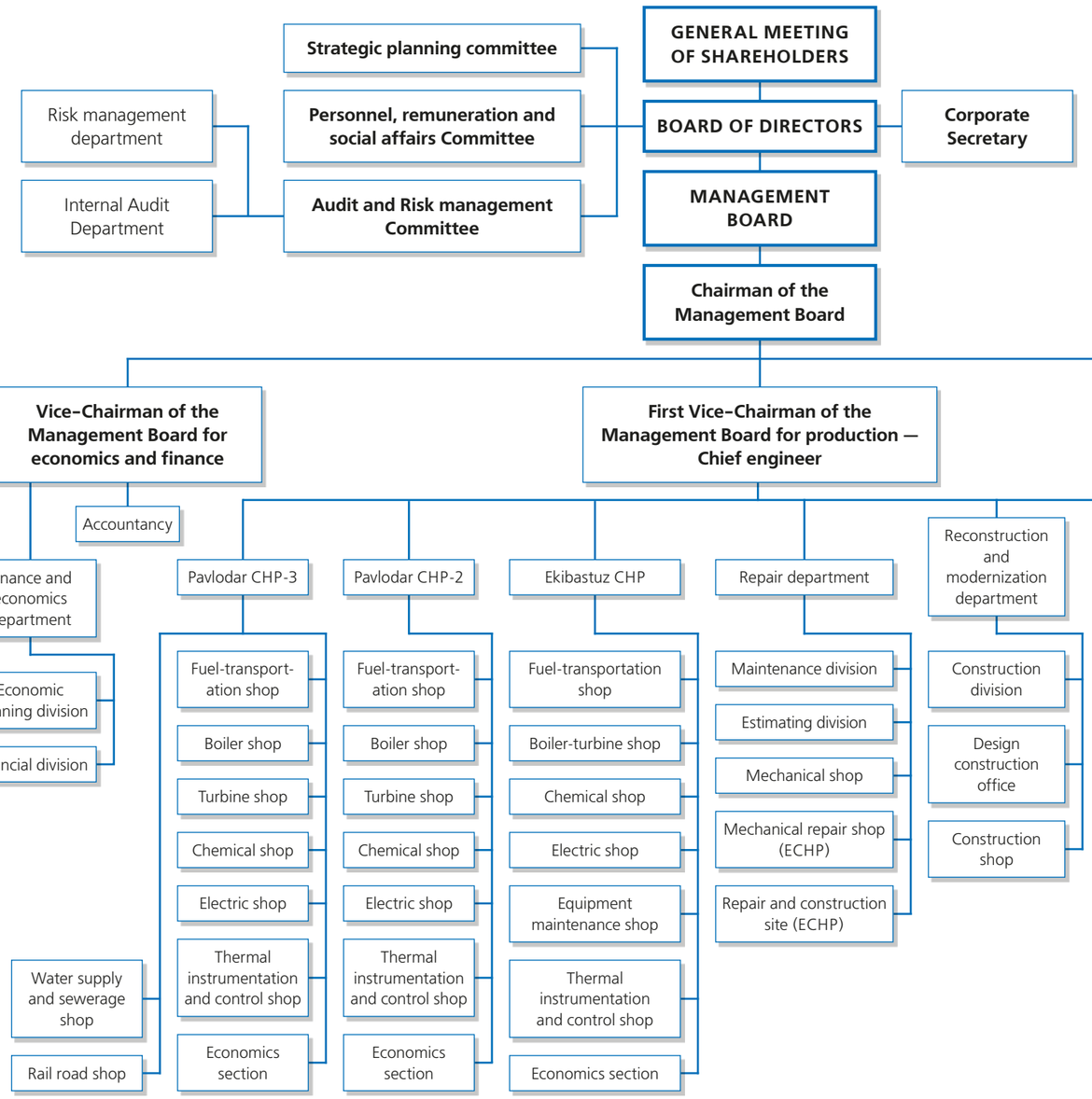
Corporate governance



Governing bodies

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

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



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

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

REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The corporate governance system of "PAVLODARENERGO" JSC regulates the process of interaction of governing bodies and bodies of internal control of the Company, shareholders and other concerned parties and is aimed to ensure the balance of their interests. The system of corporate governance is regulated by the internal documents of the Company, shown on the website of the Corporation. In summary, this system is reflected in the Code of Corporate Governance of "PAVLODARENERGO" JSC, which was adopted in 2006 by the decision of General meeting of shareholders.

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

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

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

- **Controllability** means control over financial and economic activity of the Company in order to protect the legitimate rights and interests of the Company's shareholders; supervision of superiors over the subordinate managers in accordance with the policies and procedures approved by the Company's Board of Directors; and the effective use of work of internal and external auditors along with the establishment of an effective system of risk-based internal control.

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

The main way of implementation by the shareholders of their rights described in the Articles of Association of the Company is their participation in the General Meeting. The Annual General Meeting of Shareholders is held every year in a mandatory manner.

ACTIVITY OF THE GENERAL MEETING OF SHAREHOLDERS IN 2013

Corporate governance practice of the Company in 2013 was fully in compliance with provisions of Corporate governance code.

In 2013 was conducted 1 (one) annual and 4 (four) extraordinary general meeting of shareholders. Key items, of General meeting consideration were:

- Election of members of the Board of Directors of "PAVLODARENERGO" JSC;
- Approval of financial statements of "PAVLODARENERGO" JSC and its subsidiary organizations for 2012;
- Decision on order of distribution of Company's net income for 2012 financial year;

BOARD OF DIRECTORS

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

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

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

Members of the Board of Directors	Position
Yerkyn Adamiyanovich Amirkhanov	Chairman of the Board of Directors
Gulnara Dzhumagaliyevna Artambayeva	Member of the Board of Directors
Albert Mansurovich Safarbakov	Member of the Board of Directors, Independent Director

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

Yerkyn Adamiyanovich Amirkhanov (1967)

Chairman of the Board of Directors

President of "CAEPCO" JSC,
Chairman of the BOD of "PAVLODARENERGO" JSC

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

Gulnara Dzhumagaliyevna Artambayeva (1969)

Member of the Board of Directors

President of "CAPEC" JSC,
Member of the BOD of "PAVLODARENERGO" JSC

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

Safarbakov Alber Mansurovich

Member of the Board of Directors/Independent Director of "PAVLODARENERGO" JSC and "PREDC" JSC

Is not affiliated party to "PAVLODARENERGO" JSC and was not affiliated within 3 previous years

26.01.1997 Director of "Pavlodartehenergo" JSC
12.03.2012 Member of the BOD, Independent Director of "Pavlodar Regional Electricity Distribution Company" JSC
12.03.2012 Member of the BOD, Independent Director of "PAVLODARENERGO" JSC

Remuneration

The amount of remuneration to the Board of Directors is defined by the decision of General meeting of shareholders of "PAVLODARENERGO" JSC. The overall amount of remuneration to the Board of Directors in 2013 amounted to KZT 18,312,593.

Committees under the Board of Directors

Existing Committee under the Board of Directors of "PAVLODARENERGO" JSC as of December 31, 2013

Title	Full name of BOD members
Audit and Risk Management Committee	Albert Mansurovich Safarbakov (Chairman, Independent Director)
	Gulnara Dzhumagalievna Artambayeva
	Perfilov Oleg Vladimirovich
	Zhanar Zhandarbekovna Rakhumberlinova
Strategic planning Committee	Albert Mansurovich Safarbakov (Chairman, Independent Director)
	Yerkyn Adamiyanovich Amirkhanov
	Perfilov Oleg Vladimirovich
Personnel, remuneration and social affairs Committee	Albert Mansurovich Safarbakov (Chairman, Independent Director)
	Yerkyn Adamiyanovich Amirkhanov
	Perfilov Oleg Vladimirovich
	Natalya Valeryevna Konstantinova

The Audit and Risk Management Committee is a permanently working body under the Board of Directors. Committee renders assistance to the Board of Directors in efficient performance of regulating and supervisory functions, improvement and enhancement of internal audit, as well as risk management systems. The Committee brings to the attention of the Board of Directors recommendations on any issues, requiring activity from them.

The Strategic planning Committee is a permanently working body under the Board of Directors and was established for enhancement of efficiency of corporate governance, implementation of projects and control over strategy performance of the Company. In addition the Committee renders assistance to the Board of Directors on improvement of planning mechanisms and development of Company's activity.

Personnel, remuneration and social affairs Committee is a permanently working body under the Board of Directors and was established for development and implementation integrated staff policy of the Company and its subsidiary organizations, election or assigning candidates for managing positions and member of executive body of the Company and its subsidiary organizations, Directors of Internal audit and risk management departments, Corporate secretary, other bodies and supporting subdivisions, establishing efficient system of corporate governance and implementation of its principles.

MANAGEMENT BOARD

Chairman of the Management Board arranges execution of General meeting of shareholders and Board of Directors decisions, acts on behalf of the Company in relationships with third parties, distributes duties as well as spheres of authorities and responsibility between Deputy Chairman of the Management Board, performs other functions stipulated by the Charter of the Company and decision of the General meeting of shareholders (sole shareholder) and Board of Directors.

Acting Chairman of the Management Board
Oleg Vladimirovich Perfilov

Has no shares of the Company.

Brief summary O.V. Perfilov works in power industry since 1992. For the period of his activity held various positions in energy enterprises of Pavlodar city, from worker till executive officer. In the period from 2002 till 2007 managed CHP-2 and CHP-3 of "Pavlodarenergo" OJSC.

From November 11, 2007 – Deputy General Director on production "Access Energo" JSC, from 2009 – Deputy General Director / Deputy Chairman of the Management Board for production "SevKazEnergoPetropavlovsk" LLP. In April 2012 was assigned to the position of Deputy Chairman of Management Board for production of "PAVLODARENERGO" JSC. Since December 2013 as of today performs duties of Chairman of Management Board of "PAVLODARENERGO" JSC.

Mr. Perfilov awarded with honorary letter of Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (2005). In 2011 for the honors in development of power industry of countries-participants of CIS Oleg Vladimirovich Perfilov was awarded the title of "Honored power engineer of CIS".

INFORMATION POLICY OF THE COMPANY

The main objectives of information disclosure of the Corporation are:

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

The Corporation regularly provides information on its activities to shareholders and other interested parties in the manner and extent stipulated by the Company's internal documentation needed for a decision on participation in the Company or other actions that could affect financial and economic activities within the Company.

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

The company does not avoid disclosing negative information about itself, if such information is essential for shareholders or potential investors.

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

The Company informs its shareholders on the activity, triggering interests of Company's shareholder. The list of information, triggering interests of Company's shareholder stipulated in clause 16.2 article 16 of the Company's charter.

DIVIDEND POLICY

Policy of the Company in respect to accrual, manner of information, amount, form and period of dividends payment stipulated by the Company's charter.

The company's policy regarding accrual declaration procedure, amount, form and terms for dividend payment are defined in the Charter of the Company.

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

- The balance of interests of the Company and its shareholders in determining the amount of dividends;
- Priority and obligation for execution of adopted investment programs and growth of capitalization;
- Providing profitability per contributed equity and increase of investment attractiveness of the Company.

The decision on the annual dividend is made by the Annual General Meeting of shareholders on the recommendation of the Company's Board of Directors. In 2013 dividends upon the results of 2012 were paid to the shareholder in full, amount dividend per one share was KZT 33.18, current book value of the share as of 31.12.13 amounts to KZT 286.82.

INTERNAL CONTROL AND AUDIT

Internal Audit Department of "PAVLODAENERGO" JSC (IAD) established in 2013.

IAD directly subordinated to the Board of Directors of the Company. Supervision of IAD activity is performed by the Audit and Risk Management Committee under the Board of Directors of "PAVLODARENERGO" JSC.

IAD provides to the Board of Directors of the Company and Audit and Risk Management Committee quarterly and annual reports on IAD activity.

IAD performs work in accordance with Action plan approved by the Board of Directors.

In 2013 Internal Audit Department of "CAEPCO" JSC and Internal Audit Department of "PAVLODARENERGO" JSC conducted 9 planned inspections of "PAVLODARENERGO" JSC and its subsidiary organizations on following directions:

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

Risk management

RISK MANAGEMENT SYSTEM OF "PAVLODARENERGO" JSC

The Company has a corporate risk management system and an internal control system functioning.

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

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

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

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

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

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

Operational risks

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

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

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

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

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

Financial risks

Liquidity risk

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

Risk of rising prices for purchased equipment, materials and supplies

The Company is exposed to price increases on purchased coal as CHP equipment was designed for use with a certain type of coal being purchased from a single source. However, the Company's ability to monitor this risk and the extent of its impact on operating profit depend on the level of regulation of coal prices by the state. They increase in the rate of reimbursement through the mechanism of emergency regulatory measures.

Market risks

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

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

Credit risk

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

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

"CAEPCO" JSC has a highly differentiated portfolio of clients represented by different segments of the economy, reducing the likelihood of credit risk.

Legal risks

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

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

Personnel and social policy

HR MANAGEMENT POLICY

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

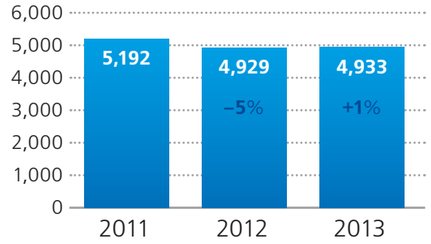
Main policies for solving problems of conservation, replenishment and development of human resources are:

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

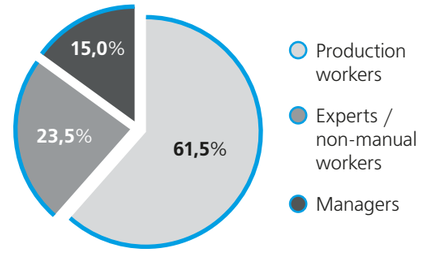
STAFFING NUMBER AND QUALIFIED COMPOSITION OF PERSONNEL

Staffing number of Company's number as of 31.12.2013 constituted 4,933 people. Increase of staffing number in the group in 2013 was due to newly created work places, as well as in regards to increase of number of replacing employees, employed for the period of absence of permanent workers.

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



Personnel structure by category

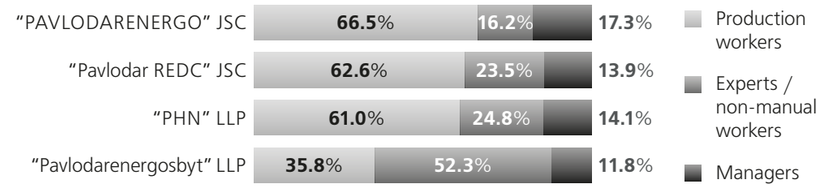


Share of employees in the category "Executives" from total staffing number constituted 15%, representing optimally balanced indicator.

Personnel structure by grade and sex

Category of Personnel	Total Number of People	Men		Women	
		People	Share	People	Share
Staff strength	4,933	2,965	60.1%	1,968	39.9%
Managers	740	381	51.5%	359	48.5%
Experts / non-manual workers	1,164	407	35.0%	757	65.0%
Production workers	3,029	1,384	45.7%	1,645	54.3%

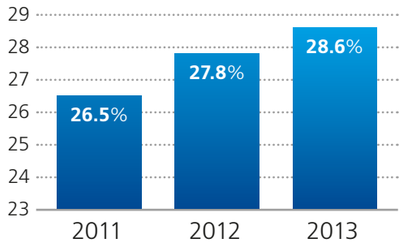
Distribution of staff by category in subsidiaries of the Company



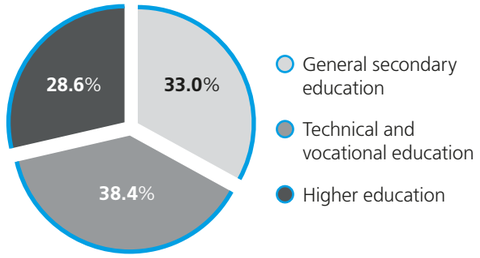
Distribution of personnel for categories in "PAVLODARENERGO" JSC group is adequate.

There was a general increase in the number of employees that have higher education by 1.6% compared to 2012 and a 2.1% increase compared to 2011.

Dynamics of employees with higher education *(%)*



Employees education level

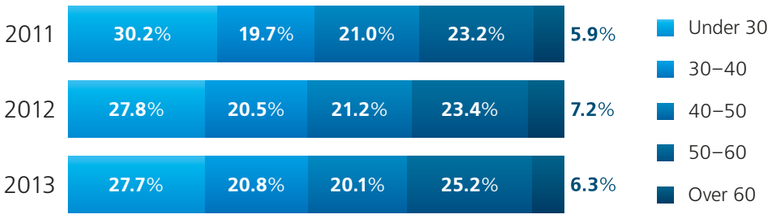


The number of employees of the Company studying on distance learning in the field of energy and Vocational Education on 31/12/2013 was:

- Higher Education = 63 employees;
- Technical and Vocational Education = 32 employees.

The age range of the Company's employees is characterized by a high proportion of workers who are in their most productive professional employment age. The proportion of workers under the age of 40 year is 48.45% of the total number.

Age range of employees



The average age of a management worker at "PAVLODARENERGO" JSC and subsidiaries

	PAVLODARENERGO	PHN	PREDC	PAVLODARENERGOSBYT
Average age, years	41	41.2	40.2	41.4

EDUCATION AND DEVELOPMENT OF THE PERSONNEL

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

Education and development indicators	2011	2012	2013
Number of employees trained, retrained and passed for professional development, including:	3,410	2,969	2,918
passed mandatory training on industrial safety, occupational safety training for civil defense and emergencies, permitted to work	1,650	1,394	1,527
Trained according to QMS ISO9001, ISO14001, OHSAS1800	2	43	45
Training, certification, recertification	1,753	1,532	1,346

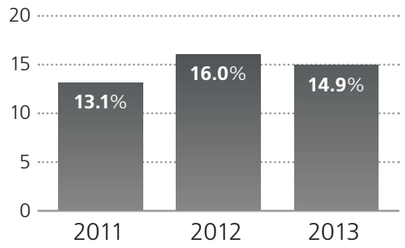
In 2013, 1,156 employees also passed the initial training, according to the Industrial safety requirements for installation and safe operation of equipment (steam and hot water (SHWP) steam and hot water boilers (SHWB), vessels working under pressure (PV), hoisting cranes (HC)).

PERSONNEL FLOW

Company's employee turnover ratio has decreased in 2013 to 14.9%. In 2013, a program of activities aimed at improving the situation was implemented:

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

Staff turnover rate *(%)*



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

PERSONNEL RESERVE

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

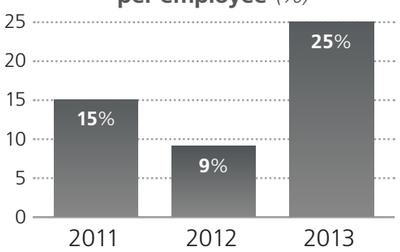
MOTIVATION AND STAFF INCENTIVES

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

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

A time-bonus wage system is used in "PAVLODARENERGO" JSC.

Dynamics of average income per employee *(%)*



Staff income structure

The Permanent Part	The Variable Part
• Position salary / wage rate • Bonuses and allowances established by the current legislation of Kazakhstan • Bonuses and allowances established by corporate standards	• Regular bonuses • Lump-sum bonuses • Long-term bonuses

Social support, guarantees and compensatory payments of the company

Goals	Social Package
Motivating the staff for long-term performance	• Additional professional pension contributions in the amount of 5% • Award for anniversaries, retirement • Award to pensioners on professional holidays and anniversaries • Company veteran support program

Social support, guarantees and compensatory payments of the company

Goals	Social Package
Effective compensatory and concession system	• Payment vouchers to camp for children up to 16 years • Professional competition bonuses • New Year gifts for children
Maintaining health and performance efficiency of the personnel	• Insurance against work accidents and diseases • Obligatory medical insurance • Cost recovery for sanatorium-preventive treatment
Social assistance to the workers	• Financial assistance for funeral services
Sports and recreational activities	• Cost recovery for meals to participants of sporting events

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

OCCUPATIONAL SAFETY

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

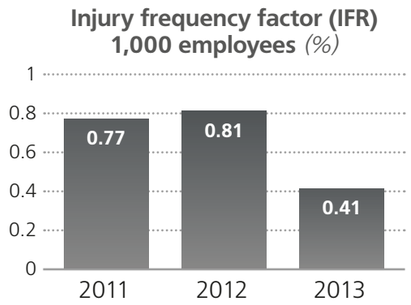
In the context of improving the management system of occupational safety, the enterprises use the international standard OHSAS 18001.

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

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

Strategic objectives in the field of occupational health and safety are:

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



Occupational safety main indicators

	2011	2012	2013
Number of traumatic cases	4	4	2
Number of production conferences held	22	22	22
Number of days spent on occupational safety	174	166	198

SPORT AND LEISURE

Employees of "PAVLODARENERGO" JSC activity participate in sport competitions on a different types of sport, among them: winter fishing, bowling, billiard, sport orienting and other – overall twelve types of sport. "PAVLODARENERGO" JSC annually conducts International tennis competition "PAVLODAR-OPEN".

CHARITY AND SPONSORSHIP

At all enterprises veterans of WGW, veterans of labor and non-working pensioners receive material support represented by food gift basket, monetary remuneration, provision with coal. The patronage of veterans is conducted at their homes. The concerts and dinners are held on May 9.

INTERACTION WITH TRADE UNIONS

Trade unions operate in "PAVLODARENERGO" JSC. Collective agreements concluded at enterprises for 2012 – 2015.

Number of employees, registered in trade unions for 2012 – 3,822 people, what constitutes 77.5%, in 2013 – 3,782 people, what constitutes 76.7% from total staff.

Interaction with trade union committees in subsidiaries of the Company:

- Concluding collective agreements;
- The control of contractual compliance for collective agreements;
- Employment in the conciliation commission;
- Participation in the work of committees, conduction complex surveys concerning occupational safety issues, health issues, and working certifications;
- Working with the Council of Veterans;
- Participation in the organization of sports and recreation, cultural activities and providing summer camps for children of employees, compensating for part of the cost of treatment of workers in the recreational institutions;
- Assistance in securing workers labor and recreation regime and compliance with vacation schedules ;
- Proposals on necessary arrangements for industrial sanitation based on the workers requests;
- Current questions concerning the activities of employees in unions.

Environmental policy

Environment issues in the "PAVLODARENERGO" JSC are among priorities of the company's development strategy. The Company's environmental issues are carried out in accordance with international standards of quality and environmental management.

Since 2009, the Company has been implementing the Environmental and Social Action Plan (ESAP), comprising projects aimed to improve the environmental parameters of the Company and occupational safety at the enterprises of "PAVLODARENERGO" JSC. The Company submit an annual public report on the ESAP work.

By the recommendations of recertified audit on possibility of documents integration, and decision of executive management, the Company developed and approved single integrated Policy on quality, ecology, occupational and labor safety.

The fundamental principles of integrated policy are:

- Energy saving and rational utilization of natural and energy resources at all stages of electric and heat energy production;
- Emission and waste amount reduction, and ecology safe handling;
- Implementation of activities aimed to prevent and decrease accident rate and reduction of negative impact on environment;
- Openness and availability of ecological information and immediate informing of all interested parties on accidents, ecological consequences and settlement measures;
- Constant improvement of integrated management system processes' performance;
- Accordance with legislation base of the Republic of Kazakhstan and ISO 14001 international standard requirements.

Prevention of environmental pollution is determinative for all decisions of operational activity at electric and heat production. The level of impact on the environment and the efficient use of energy and natural resources are assessed at introduction of new technologies.

In 2013, "PAVLODARENERGO" JSC held first compliance audit (system on accordance against international standard ISO 14001:2004 (Environment control system), result of which was conformation of the certificate.

For all new building and reconstruction projects special subdivision oriented to environmental issues – "Assessment of Impact on the Environment" is developed. To comply with all Kazakhstan environmental standards, the projects pass the state ecological expertise.

To support quality control system and management of environment condition in "PAVLODARENERGO" JSC annually develops and implements Program on objective achievement and planned activities in sphere of environment safety.

The Company conducted reconstruction of dust collecting devices that allowed reducing of ash emission into the atmosphere by six times.

In 2013 work on equipment of all boiler units in CHP-2 and CHP-3 with second-generation battery emulsifiers that has 99.5% coefficient of efficiency. Effectiveness of purifying in CHP-2 constituted average 99.45% and in CHP-3 99.43% according to reporting data for 2013. Boiler units #5, 7, 8, 9 were equipped with second-generation battery emulsifiers in Ekibastuz CHP. Average effectiveness constituted 99.53% according to reporting data.

For emission reduction, "PREDC" JSC purchased mobile steam unit PPUA 1600/100M, for ground warming during winter for repair performance of damaged underground power lines.

"Palvodar Heat Networks" LLP widely uses urethane-foam pipe covering (PU foam) and factory-built steel pipes in heat isolating PU foam that allows significant reducing of expenses on reconditioning of heat isolation (service life is over 40 years), reducing of heat loses and amount of burned coal, what eventually leads to reduction of emissions in to environment.

Activities program was developed and approved by Ministry of environmental protection of RK, aimed to reduce impact of production processes of the Company to environment and people's health.

In 2013, the Company accomplished activities for the sum of KZT 1.4 bln, main of which are:

- Reconstruction of ash collecting device on boiler #1 CHP-2 with installation of second-generation battery emulsifiers;
- Building of new CHP-2 ash dump;
- Receiving quota on greenhouse gases emission for CHP-2, CHP-3 and Ekibastuz CHP;
- Installation of automated smoke gases composition control devices on CHP-2, CHP-3 boilers;
- Building of new CHP-3 ash dump;
- Reconstruction of boiler unit BKZ #6 at ECHP with second-generation emulsifiers assembly;
- Second stage building of Ekibastuz CHP ash dump.

At enterprises of the Company, in terms of structural divisions, programs on industrial ecologic control and monitoring are developed and agreed by local body in sphere of environment protection.

"PAVLODARENERGO" JSC quarterly provides reports on performance of industrial ecologic control to authorized body in the sphere of environmental protection in compliance with the order of the Ministry of environmental protection of RK dated 14.02.2013. №16-p "Requirements to the reporting by results of industrial ecologic control".

Arrangement of bottom ash waste, tonnes

Report information on amount of bottom ash wastes by permitted and actual level in 2013, by structural divisions of "PAVLODARENERGO" JSC, is as follows:

Waste	CHP-2		CHP-3		Ekibastuz CHP		"PE" JSC, total	
	Limit	Actual	Limit	Actual	Limit	Actual	Limit	Actual
Bottom ash	288,075	256,040	1,032,136	1,019,711	222,349	222,139	1,542,560	1,497,890

Emission of pollutants into the atmosphere, tonnes

Emission of Pollutants into the atmosphere	PAVLODARENERGO		PREDC		PHN	
	Limit	Actual	Limit	Actual	Limit	Actual
Coal Ash	12,435	9,308	3.576	1.117	–	–
Nitrogen Dioxide	17,611	9,892	0.402	0.087	0.279	0.279
Nitrogen Oxide	2,859	1,629	0.052	0.008	–	–
Sulphurous Anhydride	32,100	26,238	1.163	0.263	–	–
Carbon Monoxide	2,790	2,109	–	–	–	–
Other	133	120	–	–	–	–
Total	**67,930**	**49,297**	**22.33**	**5.2**	**3.3**	**3.3**

Emissions into atmosphere carried out based on issued permissions on emissions.

Emission of greenhouse gases (CO_2)

After Kyoto protocol entered into legal force for the Republic of Kazakhstan, dated 17.09.09, in 2013, the Company organized work on implementation series of activities directed on data collection, preparation and legal paperwork necessary for receiving quota on greenhouse gases emission. All reporting documents passed conformation (verification) by independent organization that is accredited by authorized agency in sphere of environment protection, on implementation of conformation activity of Reporting documents. In 2013, "PAVLODARENERGO" JSC received Certificate on greenhouse gases emission by the enterprises:

- for CHP-2 – 1,097,997 tonnes;
- for CHP-3 – 3,677,728 tonnes;
- for Ekibastuz CHP – 875,448 tonnes.

To provide constitutional rights of residents and social organizations of the Republic of Kazakhstan on receiving information about environment condition in fully and timely manner, and participation of society in making significant ecological decisions, the Company compulsorily publishes applications in mass media on realization of state ecological expertise, also conducts public hearings on projects implementation of which can affect people or environment. Public representatives and all interested bodies have an opportunity of studying projects' propound data.

Financial reports

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

In thousands of Kazakhstani tenge

ASSETS	31.12.2013	31.12.2012
NON-CURRENT ASSETS		
Property, plant and equipment	64,166,677	56,301,528
Goodwill	1,687,141	1,687,141
Intangible assets	53,606	59,157
Restricted cash	–	62,536
Other non-current assets	6,418,960	5,172,281
Total non-current assets	**72,326,384**	**63,282,643**
CURRENT ASSETS		
Inventories	2,253,432	1,474,312
Trade accounts receivable	3,081,158	2,833,639
Advances paid	377,776	413,028
Taxes recoverable	112,769	63,494
Income tax prepaid	67,786	17,035
Other accounts receivable	486,785	826,304
Other financial assets	758,065	1,371,556
Restricted cash	420,309	315,923
Cash	1,257,822	316,599
Total current assets	**8,815,902**	**7,631,890**
TOTAL ASSETS	**81,142,286**	**70,914,533**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	16,663,996	16,663,996
Additional paid-in capital	1,188,176	1,188,176
Revaluation reserve of property, plant and equipment	14,266,156	15,009,344
Retained earnings	15,731,291	10,699,833
Total equity	**47,849,619**	**43,561,349**
NON-CURRENT LIABILITIES		
Bonds issued	7,352,804	7,185,677
Loans	9,125,655	5,844,260
Deferred revenue	862,967	919,867
Long-term accounts payable	36,457	40,711
Deferred tax liabilities	9,789,093	8,615,492
Ash disposal area restoration liability	134,113	120,141
Employee benefit obligations	58,485	55,868
Total non-current liabilities	**27,359,574**	**22,782,016**

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

In thousands of Kazakhstani tenge

	31.12.2013	31.12.2012
CURRENT LIABILITIES		
Current portion of bonds issued	277,742	225,196
Short-term loans and current portion of long-term loans	1,565,542	1,025,078
Current portion of employee benefit obligation	5,787	4,818
Trade accounts payable	1,491,905	1,458,718
Advances received	1,460,507	1,075,660
Taxes payable	550,112	271,960
Income tax payable	–	1,968
Other liabilities and accrued expenses	581,498	507,670
Total current liabilities	**5,933,093**	**4,571,168**
TOTAL EQUITY AND LIABILITIES	**81,142,286**	**70,914,533**

Consolidated statement of comprehensive income for period ended on December 31, 2013

In thousands of Kazakhstani tenge

	31.12.2013	31.12.2012
REVENUE	**32,872,017**	**29,446,746**
COST OF SALES	**(22,005,773)**	**(21,419,515)**
GROSS PROFIT	**10,866,244**	**8,027,231**
General and administrative expenses	(2,396,640)	(1,988,618)
Selling expenses	(551,964)	(460,083)
Finance costs	(842,024)	(959,238)
Finance income	37,453	124,645
Foreign exchange loss	(64,354)	(44,683)
Other income	125,184	422,980
PROFIT BEFORE TAX	**7,173,899**	**5,122,234**
INCOME TAX EXPENSE	**(1,645,293)**	**(1,182,059)**
PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR	**5,528,606**	**3,940,175**
EARNINGS PER SHARE		
Earnings for the year per share, basic and diluted, in tenge	**33.1**	**24.3**

Consolidated cash flow statement for period ended on December 31, 2013

In thousands of Kazakhstani tenge

CASH FROM OPERATING ACTIVITIES	31.12.2013	31.12.2012
Profit before tax	**7,173,899**	**5,122,234**
Adjustments for:		
Depreciation and amortization	2,378,069	2,114,445
Finance costs	842,024	959,238
Accrual of allowance for doubtful debts	253,971	135,432
Loss on disposal of property, plant and equipment	16,789	39,583
Empoloyee benefit expenses	9,608	22,891
Finance income	(37,453)	(124,645)
Foreign exchange loss	64,354	44,683
Accrual of allowance for obsolete and slow-moving inventories	13,408	5,791
Accrual of provision on unused vacation	5,649	98
Cash flow before changes in working capital	**10,720,318**	**8,319,750**
Changes in working capital		
Increase in inventories	(792,528)	(117,954)
Increase in trade accounts receivable	(394,309)	(1,394,788)
Decrease in advanced paid	14,066	2,658
Increase in taxes recoverable	(22,684)	(174,244)
Decrease/(increase) in other accounts receivable	267,673	(447,138)
Increase in trade accounts payable	31,999	271,686
Decrease in deferred revenue	(36,881)	(31,891)
Increase in advances received	384,847	69,786
Increase/(decrease) in taxes payable	278,152	(8,283)
Change in employee benefit obligation	(6,022)	(8,731)
Increase in other liabilities and accrued expenses	67,836	68,716
Cash generated by operating activities	**10,512,467**	**6,549,567**
Income tax paid	**(524,411)**	**(185,637)**
Interest paid	**(921,000)**	**(1,062,654)**
Net cash generated by operating activities	**9,067,056**	**5,301,276**

Consolidated cash flow statement for period ended on December 31, 2013 *(continuation)*

In thousands of Kazakhstani tenge

CASH FLOWS FROM INVESTING ACTIVITIES	31.12.2013	31.12.2012
Cash from deposit withdrawal	1,302,122	4,392,699
Cash placed on deposits	(744,622)	(4,251,550)
Purchases of property, plant, and equipment	(11,158,025)	(8,805,726)
Purchase of intangible assets	(9,619)	(26,887)
Proceeds from disposal of property, plant, and equipment	9,856	36,940
Proceeds from interest accrued on placed deposits	37,971	667,296
Loans issued to employees	(30)	(32,224)
Net cash used in investing activities	**(10,562,347)**	**(8,019,452)**

CASH FLOWS FROM FINANCING ACTIVITIES	31.12.2013	31.12.2012
Dividends paid	(1,240,336)	(395,416)
Issuance of shares	–	804,000
Receipts from bank loans	4,767,680	2,430,925
Repayment of bank loans	(1,101,150)	(937,050)
Net cash generated by financing activities	**2,426,194**	**1,902,459**
NET INCREASE/(DECREASE) IN CASH	**930,903**	**(815,717)**
CASH AT THE BEGINNING OF THE YEAR	**316,599**	**1,136,865**
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH BALANCES IN FOREIGN CURRENCY	**10,320**	**(4,549)**
CASH AT THE END OF THE YEAR	**1,257,822**	**316,599**

Consolidated statement of changes in equity for period ended on December 31, 2013

In thousands of Kazakhstani tenge

	Share capital	Additional paid-in capital	Revaluation reserve of property, plant and equipment	Retained earnings	Total Equity
At January 1, 2012	**15,859,996**	**1,188,176**	**15,745,718**	**6,440,161**	**39,234,051**
Profit and other comprehensive income for the year	–	–	–	3,940,175	3,940,175
Share issuance	804,000	–	–	–	804,000
Amortization of the revaluation reserve	–	–	(736,374)	736,374	–
Adjustment of fair value of an interest-free loan to JSC CAPEC, net of income tax of 5,365 thousand tenge	–	–	–	(21,461)	(21,461)
Dividends declared	–	–	–	(395,416)	(395,416)
At December 31,2012	**16,663,996**	**1,188,176**	**15,009,344**	**10,699,833**	**43,561,349**
Profit and other comprehensive income for the year	–	–	–	5,528,606	5,528,606
Amortization of revaluation reserve	–	–	(743,188)	743,188	–
Dividends declared	–	–	–	(1,240,336)	(1,240,336)
At December 31,2013	**16,663,996**	**1,188,176**	**14,266,156**	**15,731,291**	**47,849,619**

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MPE – project of standards for maximum permissible emissions.

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

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

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

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

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

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

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

Abbreviations list

ARU Ash Removal Unit

ASCAE Automated system for commercial accounting of electric energy

ASCAHE Automated system for commercial accounting of heat energy

CAEPCO "Central-Asian Electric Power Corporation" JSC

CAPEC "Central Asian power energy company" JSC

CHP Combined heat and power plant

CL Cable Lines

COSO The Committee of Sponsoring Organizations of the Treadway Commission

CP Closed Corporation

CTF Clean Technology Fund

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

EBRD European Bank for Reconstruction and Development

EDZ Electricity Distribution Zone

EMS Environmental Management System

ESAP Environmental and Social Action Plan

Gcal Giga-calorie

Gcal·h Gcal per hour

HPP Hydroelectric power plant

HVPL High-Voltage Power Line

IIF Islamic Infrastructure Fund

ISO International Organization for Standardization

JSC Joint-Stock Company

KEGOC "Kazakhstan Electricity Grid Operating Company" JSC

kW·h Kilowatt hour

LLP Limited Liability Partnership

MCI Monthly Calculation Index

Media Mass Media

MW Megawatt

NGOs Scientific and Production Association

OHSAS International occupational safety management and industrial safety system

OJSC Open Joint Stock Company

OL Overhead Lines

PES "Pavlodarenergosbyt" LLP

PHN "Pavlodar Heat Networks" LLP

PL Power Lines

PREDC "Pavlodar Regional Electric Distribution Company" JSC

QMS Quality Management System

RMS Risk Management System

SDPP State District Power Plant

SPAIID State Program of Forced Industrial-Innovative Development

SSIC Self-Supporting Insulated Conductor

SW Switch Gear

VAT Value Added Tax

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REGISTRAR

"The Integrated Securities Registrar" JSC (certificate of state registration number 1678–1910–02-AO 01.11.2012 issued by the Department of Justice of Almaty).