



SEVKAZENERGO

2015
ANNUAL REPORT






RESULTS OVERVIEW	2	CORPORATE GOVERNANCE	42
About the report	3	Shareholder's structure	43
Company's profile	3	Results of the general meeting of shareholders	43
SEVKAZENERGO results within the frames of ceiling tariffs program for 2009–2015	4	Dividends	43
Performance highlights for 2013–2015	5	Organizational structure	44
Geography of operations	6	Board of directors	46
Key events of the year	7	Members of the Board of directors	46
Priorities and outcomes	8	Committees of the Board of directors and their functions	49
Prospects of the 2020 Investment Program	9	The Board of Directors performance overview	50
		Executive body	50
MANAGEMENT LETTER	10	Internal controls and audit	51
Letter of the Chairman of the Board of directors	11	Corporate government code compliance report	52
Letter of the General director	13	Key principles of the corporate governance code	52
		RISK MANAGEMENT	54
COMPANY OVERVIEW	14	Analysis of significant risks affecting performance	55
History	15		
Business model	16	SUSTAINABLE DEVELOPMENT	58
Main production highlights	16	Material aspects and boundaries	59
Company structure	17	Stakeholder engagement	61
Subsidiaries	18	Environmental policy	62
Development strategy	20	Information policy	69
Ratings	21	Human resources and social policy	70
		Interaction with trade union organizations	74
MARKET ENVIRONMENT OVERVIEWS	22	Occupational health and safety	74
Economic overview	23	Corporate events	78
Energy sector overview	25	Charity and sponsorship	79
		GRI G4 COMPLIANCE TABLE FOR THE MANAGEMENT REPORT	80
PERFORMANCE AND DEVELOPMENT PROSPECTS OVERVIEW	32	FINANCIAL STATEMENTS	86
Implementation of the investment projects within the period of ceiling tariffs program 2009–2015	33	GLOSSARY	94
Results in 2015	34	ABBREVIATIONS	95
Financial and economic highlights	37	CONTACTS	96
Main goals and objectives for 2016	41		

RESULTS OVERVIEW

The priorities of SEVKAZENERGO include modernization and reconstruction to help the Company's dynamic growth. In 2015, investment spending reached 8.0 KZT bln. This includes 6.5 KZT bln spent by SEVKAZENERGO JSC on generation projects in 2015.

ABOUT THE REPORT

SEVKAZENERGO JSC has been releasing annual reports since 2013. The previous annual report for 2014 was published in August 2015.

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

COMPANY'S PROFILE

SEVKAZENERGO Joint-Stock Company is a vertically integrated company composed of generation, transmission and sales facilities in the North-Kazakhstan region. The Company is part of Central-Asian Electric Power Corporation (CAEPCO JSC). The Company actively introduces global best practices and operates in accordance with international standards in the field of production, environment protection, occupational health and social responsibility.

MISSION

The mission of the Company is to improve the standards of living for the public and create conditions for the economic development of North-Kazakhstan region. This goal can be achieved by providing high quality supply of energy and amenities to households, industrial companies, and public and private sector organizations in North-Kazakhstan region and Petropavlovsk.

The quality of the services provided implies reliable and uninterrupted energy supply in compliance with all technical requirements, as well as a high level of customer service.

The basis of effectiveness are the Company's employees. Their high level of professionalism, teamwork and focus on results allow us to move forward successfully.

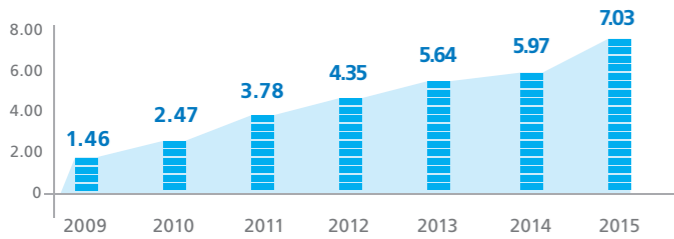
IN 2009



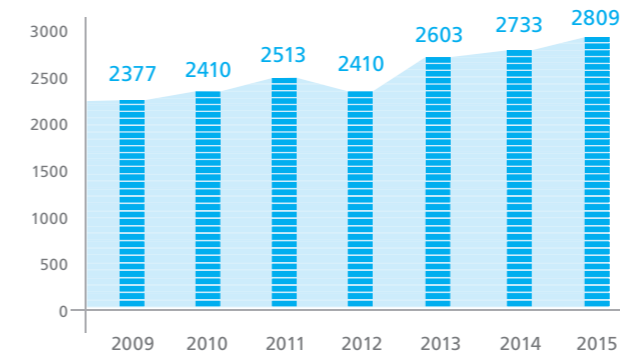
announced by the Government of the Republic of Kazakhstan, The Ceiling tariffs Program ended in the reporting year. The program allowed to include investment costs in electricity generation rates, which was extremely helpful for attracting investments in modernization projects aimed at upgrading old or adding new equipment at Kazakhstan's energy companies. A total of 30.7 KZT bln was invested by SEVKAZENERGO JSC between 2009 and 2015 under this program.

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

INVESTMENTS (KZT bln)

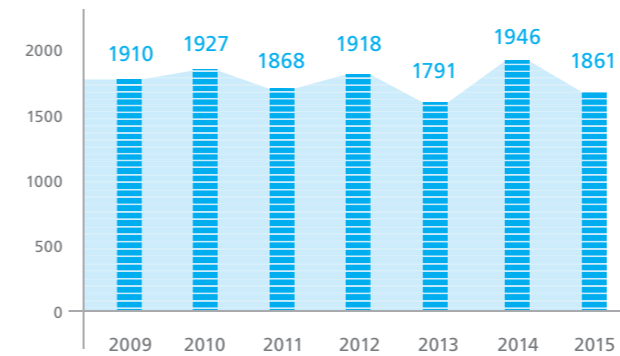


ELECTRICITY GENERATED (mln kWh)

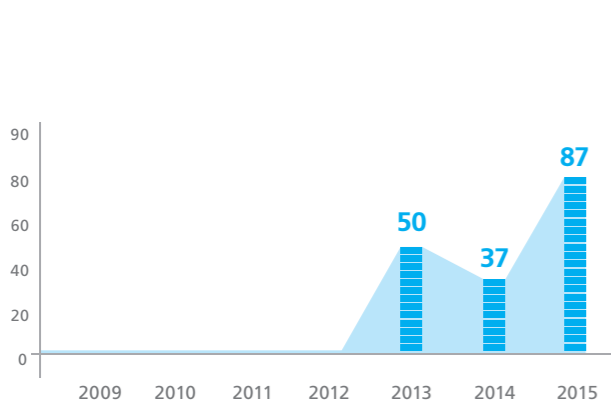


- 30.7 KZT bln were invested
- 174 MW were commissioned and renovated
- Growth of the installed capacity by 26%
- Growth of electric energy 18.2%
- Emissions of ash reduced by 75%

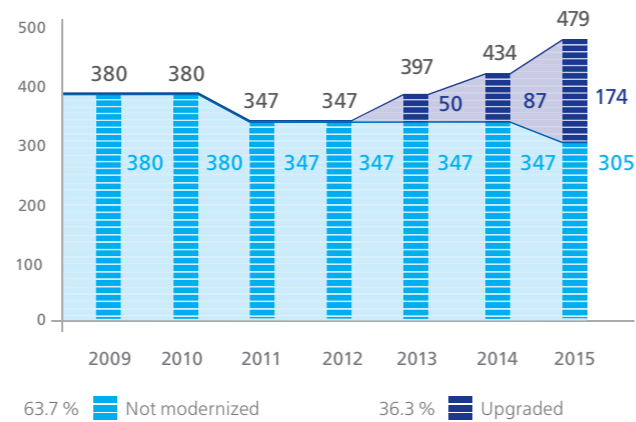
HEAT GENERATED (thous. Gcal)



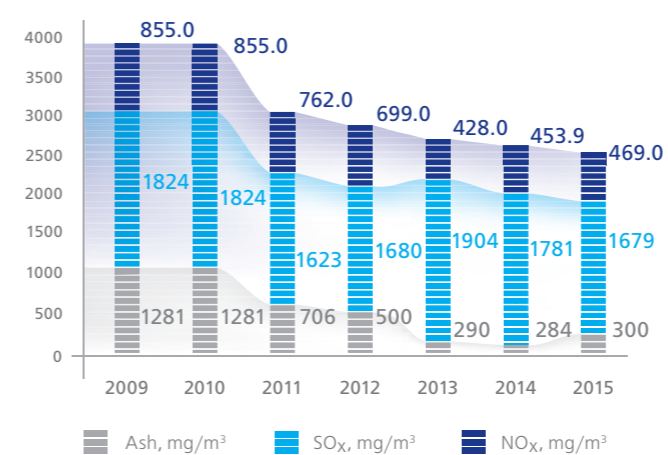
NEW AND UPGRADED FACILITIES (MW)



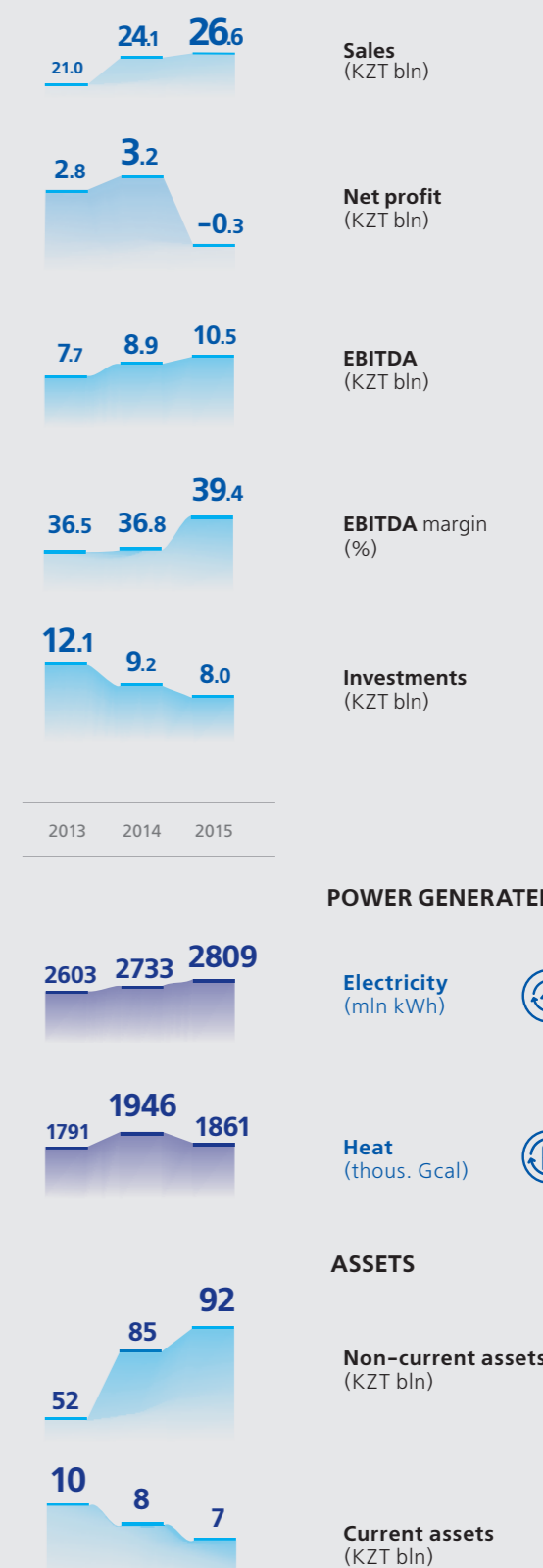
STRUCTURE OF GENERATING FACILITIES (MW)



CONCENTRATION OF POLLUTANTS

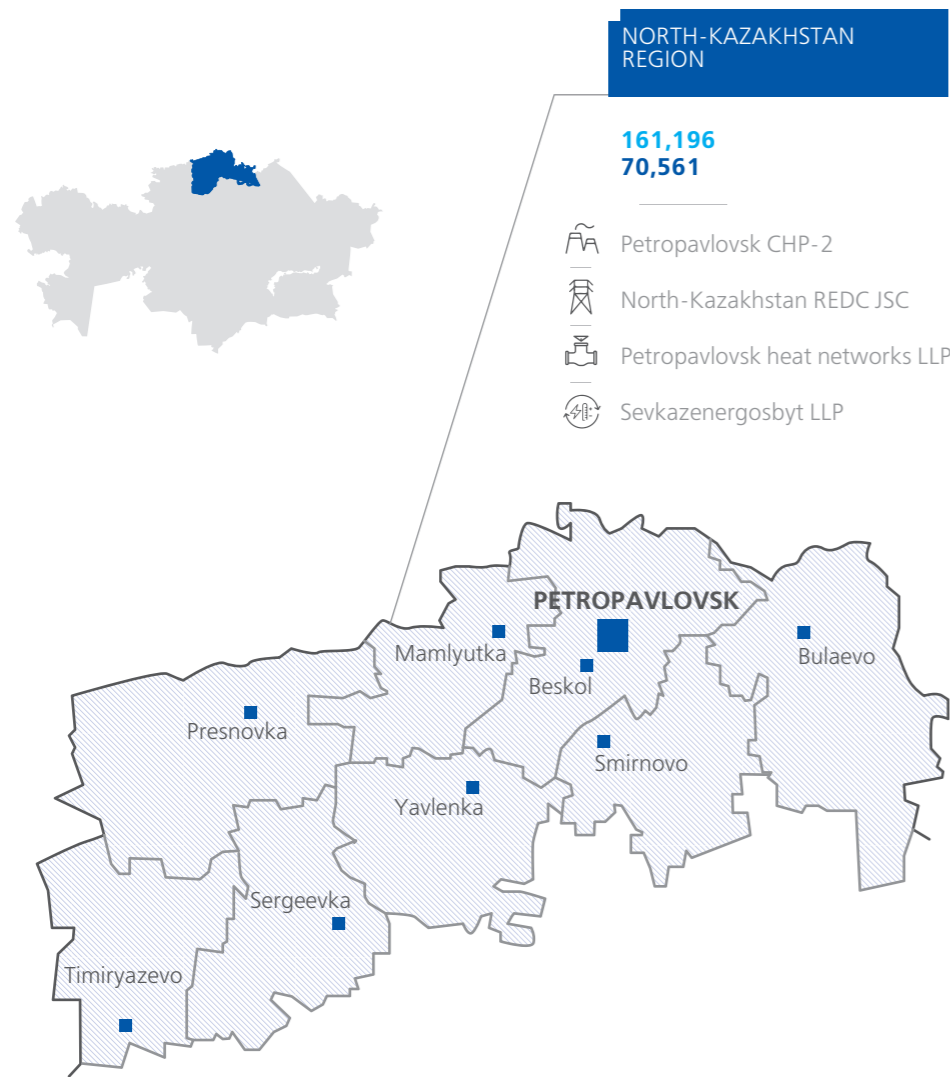


KEY PERFORMANCE HIGHLIGHTS FOR 2013–2015





GEOGRAPHY OF OPERATIONS



LEGEND

Number of energy consumers

ELECTRICITY
HEAT



Generation of electricity and heat

Distribution of electricity



Distribution of heat

Sales of electricity and heat

KEY EVENTS OF THE YEAR

In September 2015, new turbo generator No. 1 K-63-90 with annual generating capacity of more than 500 mln kWh entered service at SEVKAZENERGO's Petropavlovsk CHP-2. The new turbine increased the plant's installed and available capacity by 21 MW and 63 MW respectively. With the new turbine, the plant's total power generating capacity reached 455 MW.

In 2015, turbo generator No. 7 T-76-90/2.5 was reconstructed, which increased the TA-7 capacity by 24 MW (to 100 MW). As of January 2016, the plant's total capacity after the turbine remarking was 479 MW.

In 2015, Petropavlovsk heat networks launched modernization of the heat supply infrastructure as part of the government's Nurlu Zhol program and using the government subsidies. Construction of the heat pipeline No. 1 2Du 1020 mm between the Central Heat Distribution Facility and the existing heat network No. 3 was completed, including different parts of the utility infrastructure of Zhas Orken residential complex. A total of 28.16 km of heat network was built using PPU foam-insulated pipes. Furthermore, thanks to government funding, works have been performed on single-pipe heat networks with a total length of 11 km.

In December 2015, Petropavlovsk heat networks celebrated its 50th anniversary. Today, it is a modern enterprise providing heat to 68 thous. households and more than 2 thous. industrial and commercial organizations, public amenities and other objects in the city of Petropavlovsk.

In May 2015, SEVKAZENERGO JSC inaugurated the Victory Park dedicated to the 70th anniversary of victory in the World War II. Also, to commemorate the anniversary, a memorial plate was put inside the Customer Service Center of North-Kazakhstan regional electric distribution company JSC.

In December 2015, the grand opening of Alaqai kindergarten for 320 children took place in Petropavlovsk. The project became a reality thanks to a public-private partnership with the participation of SEVKAZENERGO JSC. The construction was funded by Central-Asian power-energy company (CAPEC) JSC.



PRIORITIES AND OUTCOMES

The priorities of SEVKAZENERGO include modernization and reconstruction to help the Company's dynamic growth.

INVESTMENT PROGRAM

In 2015, investment spending reached 8.0 KZT bln. This includes 6.5 KZT bln spent by SEVKAZENERGO JSC on generation projects in 2015.

Announced by the Government of the Republic of Kazakhstan in 2009, The Ceiling tariffs Program ended in the reporting year. The program allowed to include investment costs in electricity generation tariffs, which was extremely helpful for attracting investments in modernization projects aimed at upgrading old or adding new equipment at Kazakhstan's energy companies. A total of 30.7 KZT bln was invested by SEVKAZENERGO JSC between 2009 and 2015 under this program.

UPGRADING OLD AND ADDING NEW EQUIPMENT

According to the schedule, a replacement turbo generator No. 1 entered service at SEVKAZENERGO's Petropavlovsk CHP-2 in September 2015. As a result, the installed electricity generating capacity reached 455 MW. The new turbo generator improved the plant's reliability and efficiency and reduced the generation equipment's wear and tear by 14%. A total of 5.3 KZT bln were invested.

Furthermore, reconstruction of turbo generator No. 7 was completed at Petropavlovsk CHP-2, which removed the turbine's capacity limit of 3 MW, cut fuel consumption and increased the plant's electricity generation capacity to 479 MW (as of January 2016) after the turbine remarking by the manufacturer. A total of 641.47 KZT mln was spent on the turbo generator's reconstruction in 2015.

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

RECONSTRUCTION OF POWER FACILITIES

In 2015, North-Kazakhstan regional electric distribution company JSC completed an investment program with a total budget of 1.6 KZT bln (actual spending amounted to 1.4 KZT bln).

The program included the reconstruction of 45.757 km of overhead power lines and underground cables with 10-0.4 kV voltage class. The completed projects include reconstruction of 25.3 km of 0.4 kV overhead power lines with bare wire replaced with SIP-4 (self-supporting insulated) wire in Petropavlovsk and Beskol village in Kyzylzhar district, installation of 4,158 AMR (automat meter reading) low-level electricity meters in the city of Petropavlovsk, Beskol, Sokolovka and Peterfeld

villages, as well as 17 top-level AMR meters at substations in the region. Further, in the reporting year, the company spent a total of 448.335 KZT mln borrowed from the European Bank for Reconstruction and Development (EBRD). This helped to finance the installation of 7,166 meters in Petropavlovsk with remote connection to the AMR system and replacement of 46.136 km of 0.4 kV overhead power lines using self-supporting insulated wire with costs totaling 263.93 KZT mln.

RECONSTRUCTION OF HEAT NETWORKS

In 2015, Petropavlovsk heat networks LLP spent a total of 122 KZT bln as part of its capital investment plan and thanks to a loan provided by the European Bank for Reconstruction and Development (EBRD). Pipe isolation was restored at 5.078 km of pipelines.



PROSPECTS OF THE 2020 INVESTMENT PROGRAM

SEVKAZENERGO JSC plans to invest a total of 99 KZT bln by the end of the 2009-2020 period.

- The investment program will focus on three areas:
- Increased output;
 - Energy efficiency, including reduction of electricity and heat losses during transmission;
 - Better environmental performance.

As a result of the investment program, by 2020 equipment wear at the generation facility (Petropavlovsk CHP-2) will fall from 89.2% to 69,5%, fully renovated equipment will make up 36.84% of production assets, installed electricity generation capacity will increase by 42.37% (from 380 MW to 541 MW), whereas heat generation capacity will decline by 16.99% (from 858.9 Gcal to 713 Gcal) (reduction in the installed heat generation capacity will be caused by the replacement of the cogeneration turbine with a condensing turbine (TA-1). The amount of harmful emissions will be reduced by 69.2%. The Company will completely eliminate excessive losses.



LETTER OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders and partners,

In the reporting year, SEVKAZENERGO JSC continued to move towards its strategic goals. First and foremost, this includes projects aimed at modernization, reconstruction, revamping and upgrading of the existing assets in order to improve stability and performance in generation, transmission and distribution of energy in geographical areas where we operate. The government's Ceiling tariffs Program ended in 2015: it helped to increase investment in the industry by forcing every company in the energy sector to develop and implement investment programs. A total of 30.7 KZT bln was invested by SEVKAZENERGO JSC between 2009 and 2015 under this program.

8.0 KZT bln were spent in 2015 to promote the company's growth. In the course of investment projects, energy companies introduce the most advanced technology, install modern energy- and resource-saving equipment and implements automated solutions. Upgraded infrastructure helps to increase operating and business performance, reduce wear and tear and energy losses. SEVKAZENERGO JSC has long-term investment programs planned up to 2020 to upgrade the energy infrastructure. Investments will total 39.5 KZT bln.

SEVKAZENERGO's new initiative to support and promote educational projects aimed at young workers and undergraduate energy majors was an important step for nurturing a qualified talent pool. The project offers paid internships for undergraduates, employment during

summer vacations, as well as a personal corporate scholarship for winners of SEVKAZENERGO's student competition.

In 2015, within the framework of corporate social responsibility and public-private partnership, Alaqai kindergarten opened in Petropavlovsk with the participation of SEVKAZENERGO JSC.

In 2016, Petropavlovsk CHP-2 will celebrate its anniversary. For over 55 years, the station has been accomplishing its goals with honor, being a worthy successor of the founders of the energy industry in the north of Kazakhstan. Today, SEVKAZENERGO JSC is the largest energy company in Northern Kazakhstan, whose primary mission is to ensure comfort and well-being of its customers. Responsibility and high quality of services, competence, continuous professional development and commitment to goals are the main principles of energy professionals of Northern Kazakhstan.

I am sure that the future of SEVKAZENERGO JSC is full of remarkable achievements in the realization of its goals.

YERKYN AMIRKHANOV
CHAIRMAN OF THE BOARD OF DIRECTORS
OF SEVKAZENERGO JSC



LETTER OF THE GENERAL DIRECTOR

Dear partners and colleagues,

SEVKAZENERGO JSC today is a modern, rapidly growing company well-functioning at the electricity and heat market. The company provides high quality services to the largest industrial enterprises of the region and Petropavlovsk city, as well as household consumers – population of North-Kazakhstan region.

In 2015, SEVKAZENERGO JSC successfully fulfilled all of its repair, reconstruction and equipment modernization plans to improve operating and business performance of its energy facilities.

In the reporting year, Petropavlovsk CHP-2 produced a total of 2,809 mln kWh of electricity, a 2.7% increase compared to 2014. As of 1 January 2016, the plant's installed capacity reached 479 MW. Compared to 2014, this is an increase of 45 MW, or 10.4% of today's installed capacity. This occurred thanks to the launch of turbo generator No. 1 after complete replacement with an increase of 21 MW in installed capacity, as well as entry into service of the revamped turbo generator No. 7 with capacity increase by 24 MW.

The policy of SEVKAZENERGO JSC is aimed at implementation of advanced energy efficiency technologies, allowing to increase environmental indicators along with production ones and as the main – to significantly reduce technical losses by virtue of lowering deterioration of obsolete equipment.

At the moment, construction of a new turbine to replace the dismantled turbo generator No. 5 and reconstruction of boiler unit No. 12 are currently under way at

Petropavlovsk CHP-2. The new equipment will increase the plant's installed capacity to 541 MW (12.9%) by the end of 2016. Electricity output planned for 2016 is 3,233 mln kWh (a 15.1% increase).

All in all, approximately 92 km of 10-0.4 kV voltage class power lines and 13.6 km of heat networks were renovated as part of the investment program aimed at modernization of power network infrastructure. These activities have greatly reduced electricity and heat losses in the Company's networks.

SEVKAZENERGO JSC is a socially responsible company, which significantly contributes to its labor resources and social infrastructure.

In 2016, SEVKAZENERGO JSC will continue its steady development in accordance with the set objectives. Ensuring reliable high-quality and uninterrupted supply of energy has been and will be our first and foremost priority. The realization of the Company's investment and social programs will contribute to the development of the energy sector both in the geographical areas of operation and in the Republic of Kazakhstan as a whole.

LEONID LARICHEV
GENERAL DIRECTOR
OF SEVKAZENERGO JSC

COMPANY OVERVIEW

SEVKAZENERGO JSC - vertically integrated company, including enterprises of North-Kazakhstan region for generation, transmission and sales of electricity and heat energy. The enterprise is united to the group of companies Central-Asian Electric Power Corporation JSC (CAEPCO JSC).

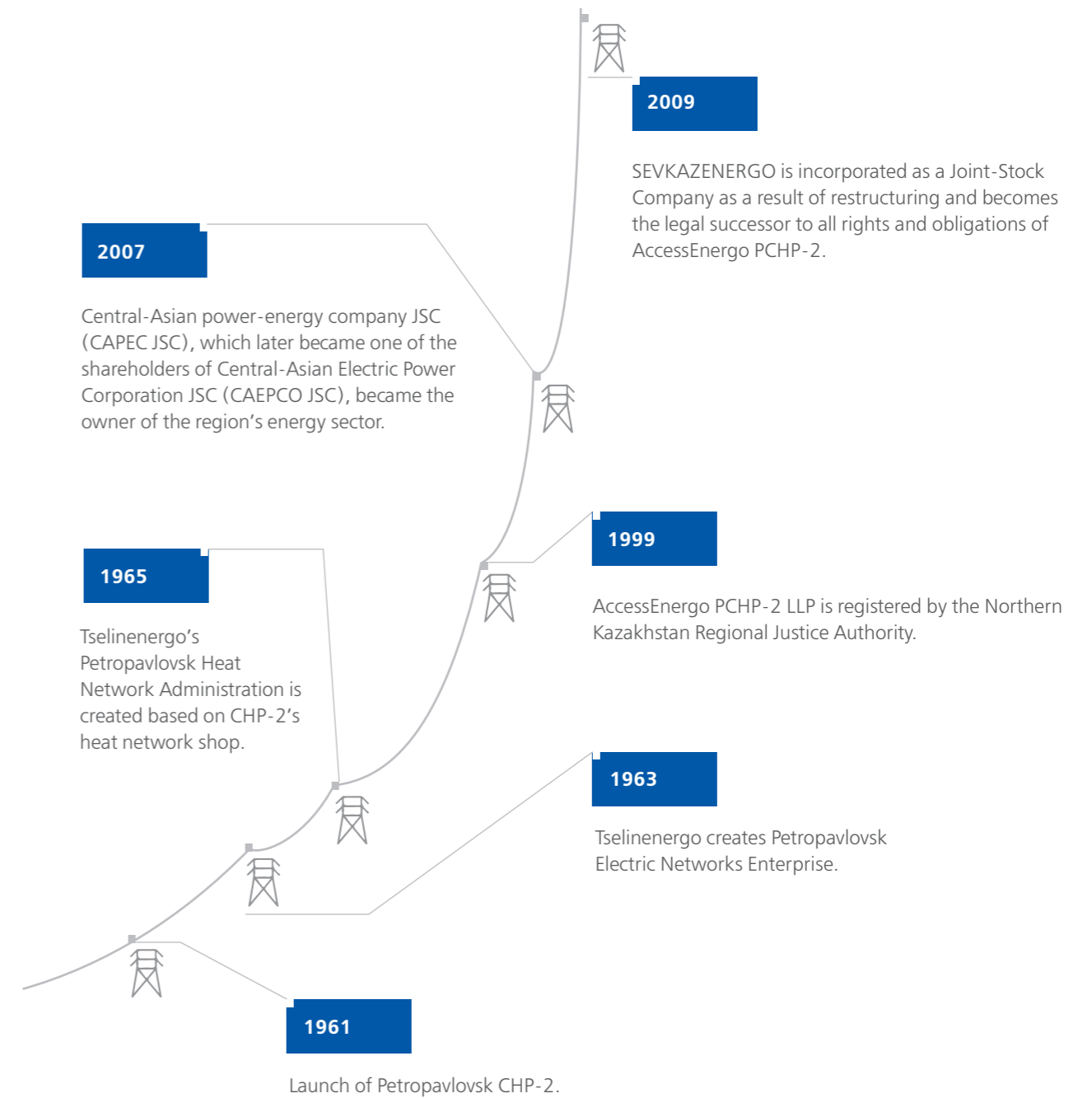


SEVKAZENERGO JSC

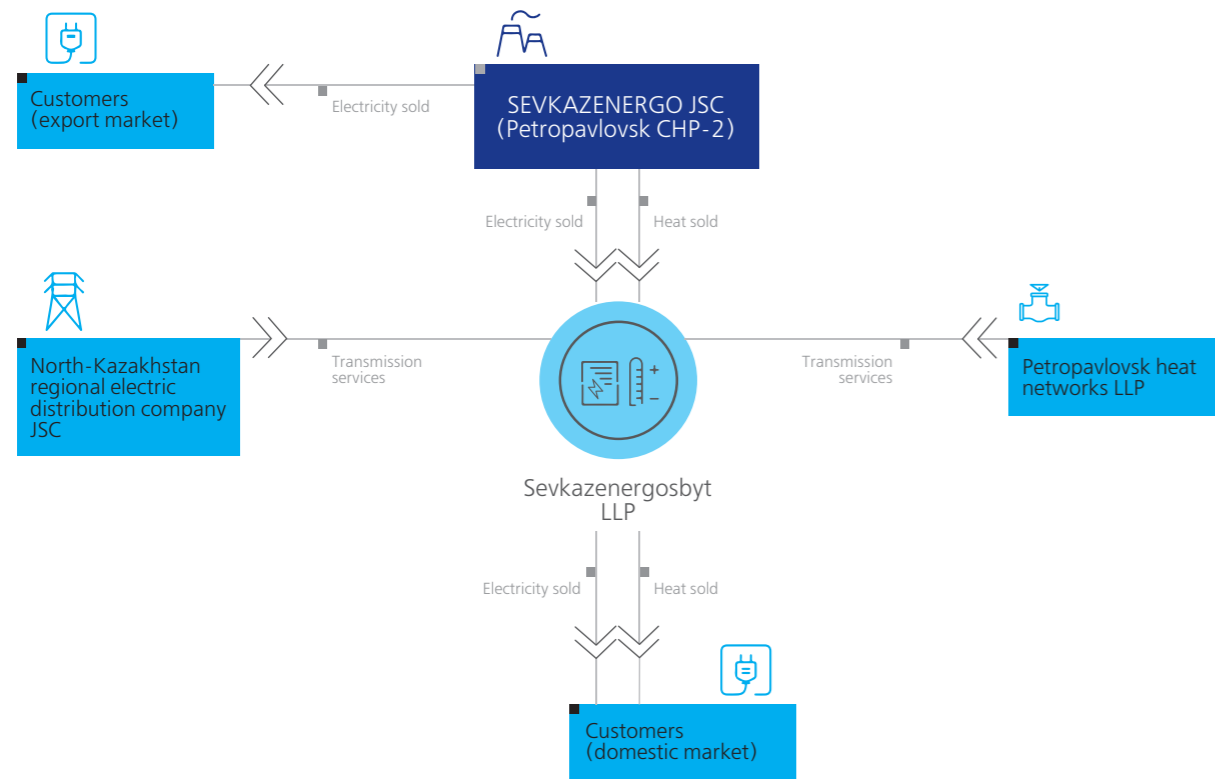


is the only energy company in North-Kazakhstan region. The Company operates in harsh weather conditions, while successfully combining dynamism and flexibility of a small business with stability and reliability of a large holding group. The most advanced technologies, modern energy and resources saving equipment and automated systems are used in the course of gradual performance of investment projects at the enterprises of energy complex. Renovated assets guarantees to the Company growth of production and economic indicators, reduction of equipment wear portion and accordingly energy losses.

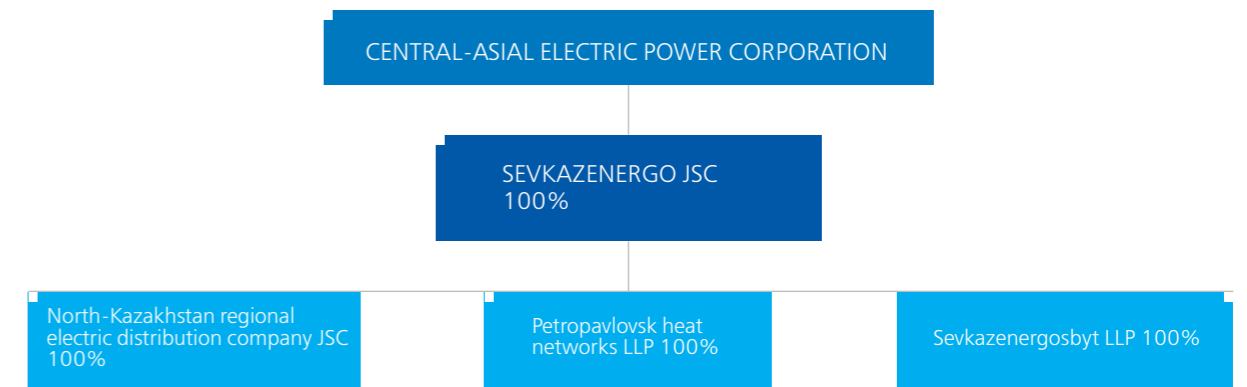
HISTORY



BUSINESS MODEL



COMPANY STRUCTURE



MAIN PRODUCTION HIGHLIGHTS

Installed capacity

Installed electricity capacity, MW	479
Installed heat capacity, Gcal/h	678

Number of customers

Electricity	Heat
161,196	70,561

Power lines

Power line types	Length, km
220 kV	84.8
110 kV	1,327.1
35 kV	2,852.5
6-10 kV	4,574.3
0.4 kV	4,601.3
Total	13,440.1

Heat networks length

Petropavlovsk heat networks LLP	233.3 km
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Substations

Substation types	Quantity
220 kV	4
110 kV	38
35 kV	121
6-10 kV	2,293
Total	2,456

SUBSIDIARIES

SEVKAZENERGO has a vertically integrated structure which includes generation, transmission and distribution facilities in North-Kazakhstan region.

SEVKAZENERGO JSC consists of:

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

SEVKAZENERGO's total installed electricity generation capacity is 478 MW, and its total installed heat generation capacity is 678 Gcal/h. The total power line and heat network length is 13,440 km and 233.3 km respectively. The Company provides electricity to 161,196 customers in North-Kazakhstan region and heat to 70,561 customers in the city of Petropavlovsk.

PETROPAVLOVSK CHP-2

Petropavlovsk CHP-2 focuses on the production of heat and electricity. The plant's installed capacity in 2015 was 479 MW (electricity) and 678 Gcal/h (heat), with available capacity of 444 MW and 598 Gcal/h.

The plant consists of the following shops: fuel and transport, boiler, turbine, electric and chemical. Auxiliary shops: thermal automatics and measurements, maintenance, oxygen station, repairs and construction.

The plant is connected to the national grid of the Republic of Kazakhstan using 220 kV HV power lines: 2711, 2721 and Siberia 110 kV HV power lines, plus outdoor switchgear units with 220/110/35 kV voltage class and six connection transformers. Electricity is transmitted through the networks of the North-Kazakhstan regional electric distribution company and KEGOC JSC. The North-Kazakhstan regional electric distribution company JSC supplies electricity to the Petropavlovsk branch of the South-Ural Railway, Kazakhstan Temir Zholy and other industrial customers.

Heat is transmitted through the following heat networks: Gorod DU-1000, Sever DU-1000, SVPZ DU-600.

SEVKAZENERGO uses coking caking slightly metamorphized Ekibastuz coal as its primary fuel. It uses M-100 fuel oil for boiler starting.

NORTH-KAZAKHSTAN REGIONAL ELECTRIC DISTRIBUTION COMPANY JSC

North-Kazakhstan regional electric distribution company JSC (hereinafter – NK REDC) is an energy transmission organization, operating as a natural monopoly and providing regulated services in electric power transmission and distribution through power lines. The area served is 45 km², with 399 settlements and 4 cities.

NK REDC transmits electricity to consumers in the city Petropavlovsk and eight districts of North-Kazakhstan region: Akkaiyn, Esil, Mamlyutsk, Zhumabaev, Zhambyl, Kyzylzhar, Timiryazev and Shal-Akyn.

The Company operates 0.4-220 kV voltage class power lines in the northern part of North-Kazakhstan region, which the Company has on its balance sheet.

NK REDC includes 8 network areas (Magzhan Zhumabaev PDS; Kyzylzhar PDS; Mamlyutsk PDS; Akkaiyn PDS; Shal-Akyn PDS; Esil PDS; Zhambyl PDS; Timiryazev PDS), including 4 unit distribution substations (Sokolovsk UDS, Vozvyshensk UDS, Korneyevsk UDS and Blagoveschensk UDS), the Southern Part of the Main Power Lines and Substations (SPMPL&S), City Power Lines Administration (CPLA), which corresponds to the number of rural districts of the North-Kazakhstan regional electric distribution company JSC.

In September 2012, to make its services more accessible to customers, NK REDC JSC opened a customer service center providing the following services:

- Issues related to land and easement;
- Providing technical specifications for connecting to electricity and heat supply;
- Connecting to/disconnecting from electricity supply;
- Sealing electricity meters;
- Other advisory and operational services.

PETROPAVLOVSK HEAT NETWORKS LLP

Petropavlovsk heat networks LLP (hereinafter – PHN) focuses on the transmission and distribution of heat to customers from SEVKAZENERGO's CHP-2, heat network maintenance, ensuring uninterrupted heat supply to the city of Petropavlovsk. In addition, the company is upgrading the city's transmission and distribution networks, constantly searching and introducing new energy-efficient technologies capable of meeting modern standards for heat supply.

The total length of heat networks that PHN has on its balance sheet is 233.3 km, including 148.7 km of distribution pipelines and 84.6 km of main pipelines.

The heat network's equipment wear and tear rate as of December 31 2015 was 71.81%, with a 84.19% rate for main pipelines and a 58% rate for distribution pipelines.

The Company has 52 pumping stations on its balance sheet, including 5 main stations, 46 subscriber stations and one Central Heat Exchanger (CHE).

Total installed (rated) capacity of the pumping stations, including heat exchangers, is 12,129.4 kWh.

To ensure proper transmission and distribution of electricity and heat, Petropavlovsk heat networks LLP has operation and maintenance, occupational health and safety departments.

SEVKAZENERGOSBYT LLP

Sevkazenergosbyt LLP supplies electricity and heat to customers in the city of Petropavlovsk and North-Kazakhstan region.

It focuses on ensuring reliable and uninterrupted supply of energy in amounts that meet the people's needs. The total number of customers of Sevkazenergosbyt as of December 31, 2015 was: electricity – 161,196, heat – 70,561.

The regional center has three customer service and payment locations for the public and 12 such locations in the Region's district centers. The company has agreements with 10 banks for payment processing through self-service terminals and internet banking. A Customer Service Center was launched in December 2013. The new and modern facility helps to ensure the high quality and efficiency of customer service.

To promote the idea of energy saving among its customers, Sevkazenergosbyt LLP is implementing time-of-day electricity pricing and educates the public on the importance of having energy meters.

Average rates

(KZT incl. VAT/Gcal)

	as of January 1, 2013	as of October 1, 2013	as of July 1, 2014	as of July 1, 2015
Heat	3,096.02	3,374.54	3,364.13	3,374.54

(KZT incl. VAT/kWh)

	January 1, 2013	January 1, 2014	January 1, 2015	April 1, 2015	July 1, 2015
Electricity	11.272	12.557	13.824	13.779	13.858

DEVELOPMENT STRATEGY

VISION

SEVKAZENERGO JSC is the only energy company in North-Kazakhstan region.

The Company operates in harsh weather conditions, while successfully combining dynamism and flexibility of a small business with stability and reliability of a large holding group.

The Company's staff are a team of professionals constantly reaching for higher goals. The Company builds partnerships with customers and suppliers based on respect and mutual responsibility.

STRATEGY

SEVKAZENERGO's strategic goal is to build an advanced energy company, ensuring a balanced and sustainable development of the energy system of North-Kazakhstan region, promoting economic growth. The Company strives to achieve international standards in the field of production, environmental protection, occupational health and social responsibility.

Major targets as part of achieving SEVKAZENERGO's strategic goal



Efficiency

Increasing production efficiency through technical improvement of production, upgrading main production facilities and infrastructure



Management

Introduction of promising projects through cautious innovation development



Innovation

Introduction of best management practices through continuous employee training on new efficient technologies in manufacturing and enterprise management

RATINGS

In 2015, International rating agency Fitch Ratings affirmed the long-term issuer default rating (IDR) of SEVKAZENERGO JSC (subsidiary of CAEPCO JSC) in foreign currency at "BB-". Outlook stable.

TO ACHIEVE THIS STRATEGIC GOAL, THE COMPANY IS IMPLEMENTING THE FOLLOWING PROJECTS:



Equipment reconstruction and modernization at power generation facilities through investment programs, reducing accident risks and eliminating downtime



Reducing excessive losses during transmission of heat and electricity



Minimizing per-unit production costs for heat and electricity



Introduction of energy-saving and energy-efficient technologies in energy production and transmission



Maintaining certification for compliance with international environmental, occupational health and safety standards



Continuous learning to enhance employee professionalism



Introduction of an automated enterprise management system



MARKET ENVIRONMENT OVERVIEW

At the energy market of North-Kazakhstan region the Company supplies about 85% of electricity and 100% of heat energy to Petropavlovsk city. Share of SEVKAZENERGO JSC in total volume of generation of electric energy within the Republic of Kazakhstan amounts to 3%.



UPON THE RESULTS OF 2015



volume of produced electric energy in North-Kazakhstan region significantly exceeds the demand of the region, thus SEVKAZENERGO JSC is a supplier of electric energy to the wholesale market of the Republic of Kazakhstan.

ECONOMIC OVERVIEW

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

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

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

A sharp drop in the added-value sector occurred in such energy-intensive industries as mechanical engineering (-29.6%), metal products (-3.3%) and petroleum products (-3.2%). The sector showed positive

growth thanks to increased output of the steel industry (14.4%) which occurred due to increased production of non-ferrous metals (23.6%).

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

MONETARY POLICY

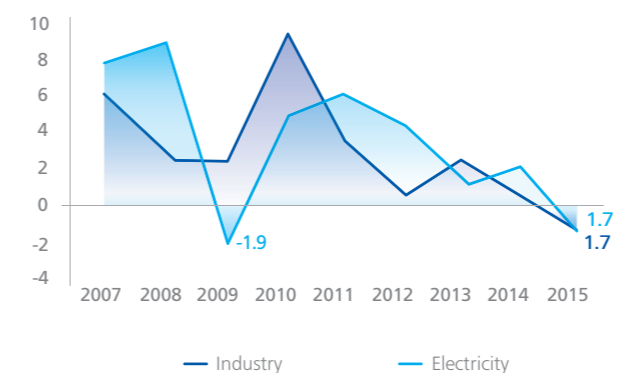
In 2015, Kazakhstan's monetary policy went through some radical changes, such as the introduction of floating exchange rate, inflation targeting and de-dollarization of the economy. Therefore, the year can be separated into two periods.

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

The second period, from the 20th of August until the end of 2015, was the time of a floating exchange rate and transition from currency to inflation targeting. There was a sharp increase in volatility in the foreign exchange market: tenge lost 54% of its value, with USD-KZT exchange rate dropping from 185 KZT in August to 344 KZT per dollar in December. The share of deposits denominated in foreign currency increased from 56%

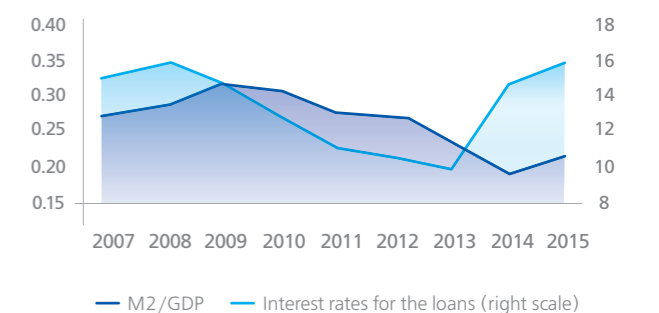
Dynamics of production in the industry, %

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



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

Source: National bank of the RK





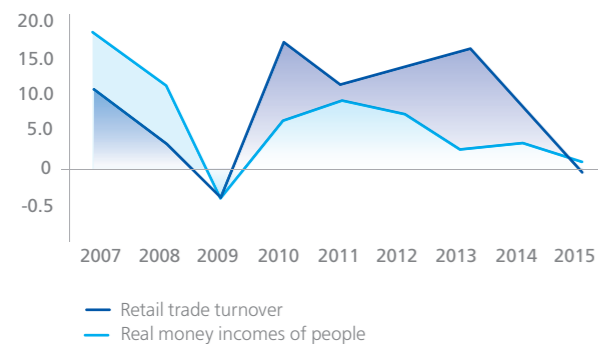
in December 2014 to 69% in December 2015, while the share of loans denominated in foreign currency rose from 29% to 34%. 2015 was the time of insufficient tenge volume liquidity, with the ratio of money supply to GDP almost reaching a historical low.

CONSUMER MARKET

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

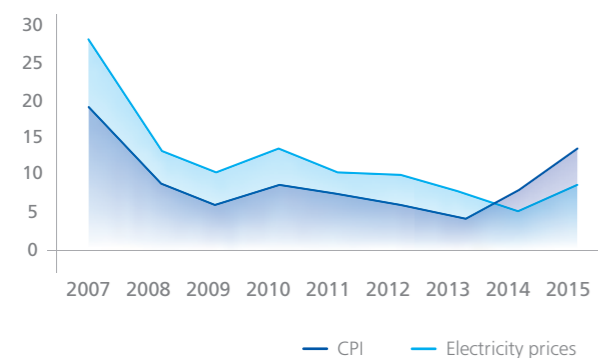
Dynamics of retail sales and real incomes of people, %

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



Dynamics of inflation and prices for electric energy, %

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



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

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

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

FORECAST FOR 2016

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

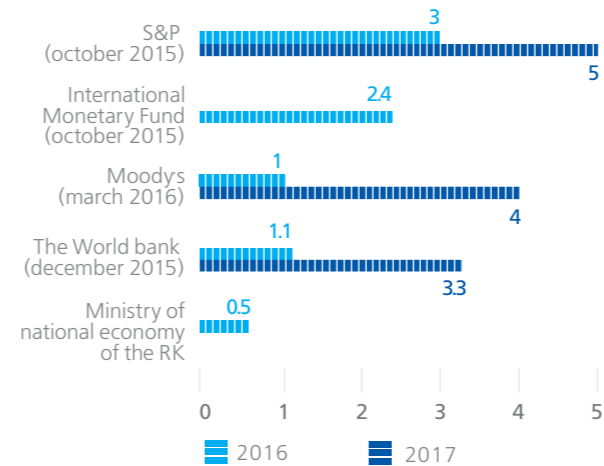
According to analysts of the World Bank, economic slowdown in Kazakhstan will be affected by limited growth of external and internal demand caused by reduced oil prices and economic recession in the Russian Federation. Additional pressure on the domestic market will come from the volatile exchange rate.

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

Faster economic growth is expected in 2017–2018. The Current Forecast of socio-economic development of Kazakhstan in 2016–2020 prepared by the Ministry of National Economy (published in March 2016) describes three scenarios for the world economy whose growth rates will determine Kazakhstan's GDP growth. According to the optimistic scenario, economic growth in the United States and the EU, more dynamic than it used to be in the past, will have a positive impact on the global GDP – up to 4% annually during 2016–2017; the price of Brent oil will be 40 US dollars per barrel. The baseline scenario takes into account the global GDP growth of 3.7% with the Brent oil price of 30 US dollars per barrel. According to the pessimistic scenario, the world economy will grow by 3%, while the price of Brent oil will drop to 20 US dollars per barrel.

Forecast of Kazakhstan GDP growth, %

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



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

ENERGY SECTOR OVERVIEW

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

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

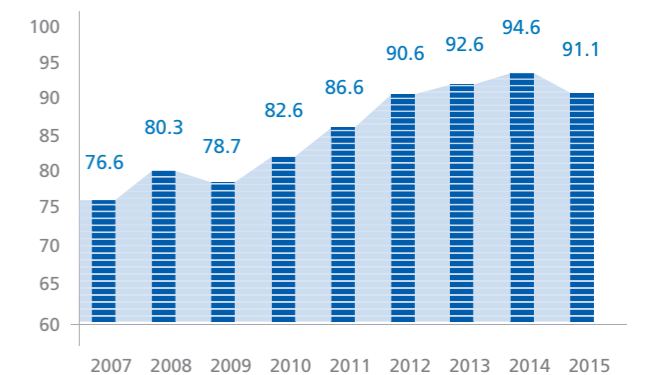
The country's largest power plants are Eurasian Energy Corporation, Ekibastuz CHP-1 (Samruk-Energo),

ELECTRICITY OUTPUT

Kazakhstan has 111 power plants (total installed capacity – 21,307 MW, available capacity – 17,503 MW). The structure of this market is as follows. The first group includes heat power stations (TPSs, including gas turbine heat power stations, or GTTPSs). TPSs account for about 89% of electricity generation in Kazakhstan. Coal-fired and gas turbine heat power stations account for 80% and 9% respectively.

Production of electric energy in Kazakhstan, bln kWh

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





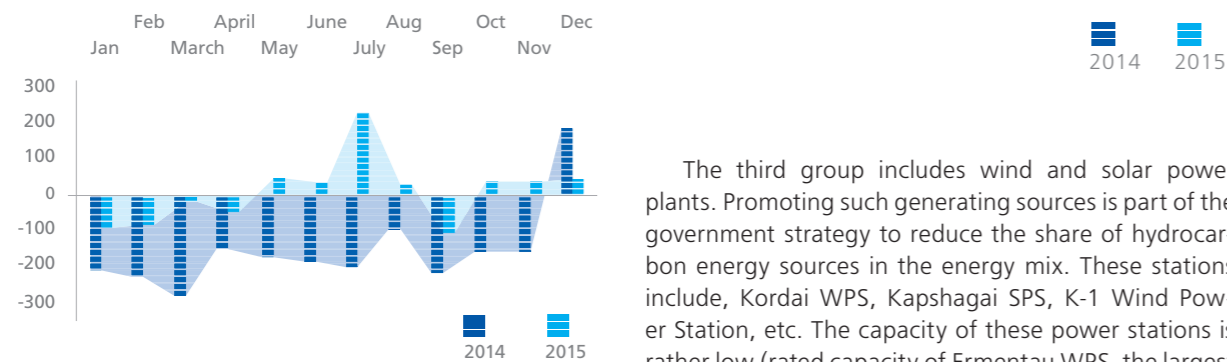
Ekibastuz CHP-2 (Samruk-Energo and Inter RAO UES), Topar CHP (Kazakhmys Energy), and Zhambyl CHP are coal-fired heat power stations with multiple high power units that generate 40-50% of all electricity in Kazakhstan. These enterprises are also key suppliers on the wholesale electricity market. Ekibastuz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

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

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

Net power flow in IES of Kazakhstan, mln kWh

Source: KOECM



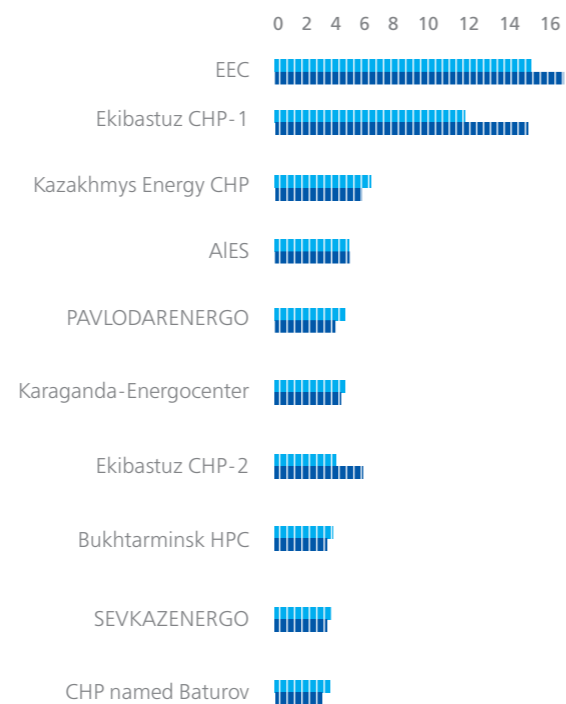
Gas turbine heat power stations (in Kazakhstan these are medium power stations) focused on supplying electricity to industrial customers (oil and gas fields) and nearby communities. This group also includes Zhanazhol GTTPS, Tengizchevroil GTTPS and Akshabulak GTTPS.

The second group includes hydroelectric power stations (HPS) used for load adjustment in the National

Electrical Grid (responding to peak demand). The biggest stations are Buhtarminsk Hydroelectric Power Complex, AES Ust-kamenogorsk HPS, AES Shulbi HPS and Moinak HPS. They accounted for up to 11% of electricity generation.

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

Source: KOECM



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

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

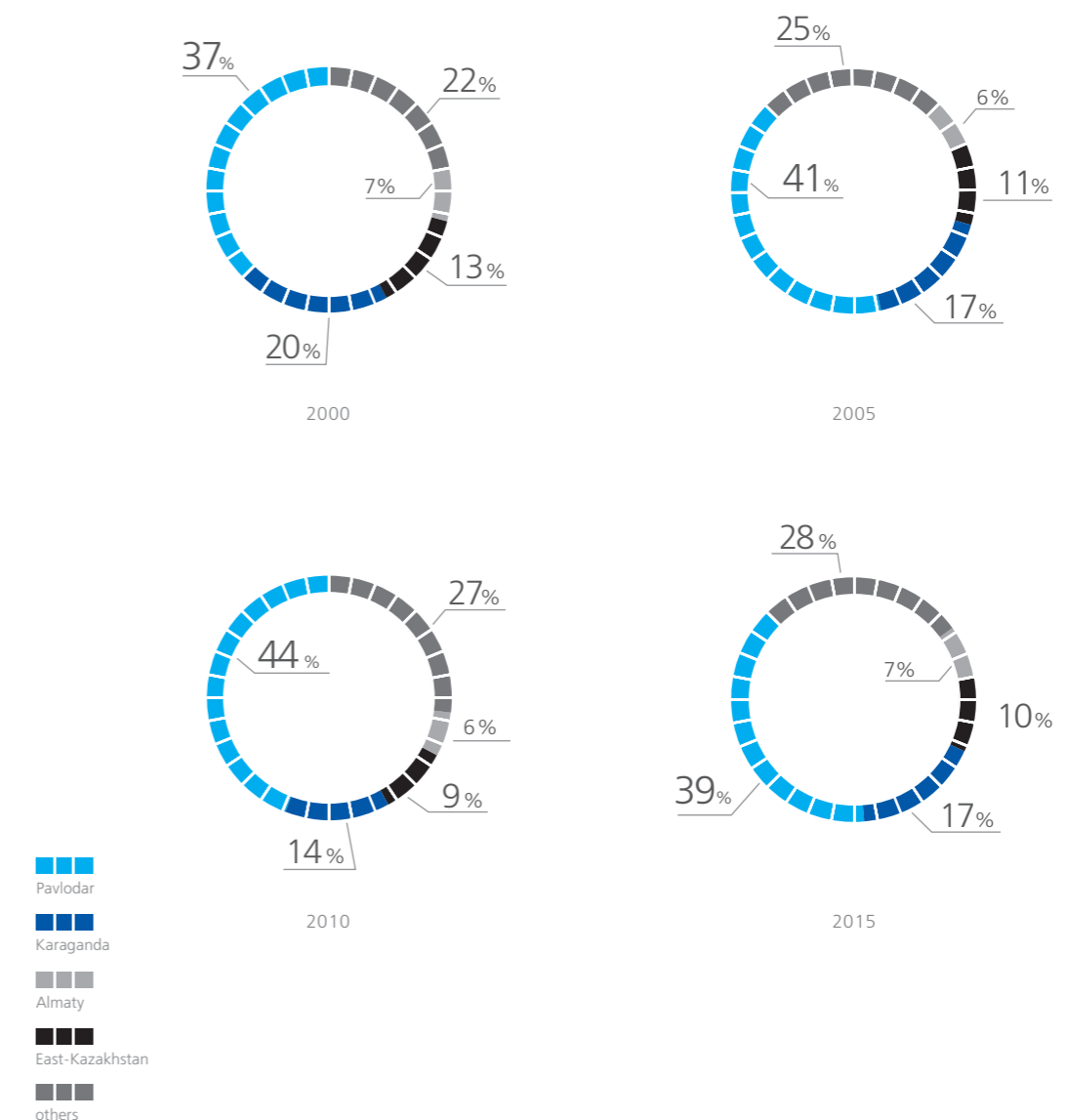
Less energy was produced by such large energy generating facilities are Ekibastuz CHP-1, Ekibastuz CHP-2, Eurasian Energy Corporation. More energy was produced by the CHP of Kazakhmys Energy, PAVLODARENERGO, SEVKAZENERGO, Karaganda-Energocenter and Almaty Power Stations.

The regional structure of energy production remained unchanged. Up to 40% of electricity is produced in Pavlodar region, where the country's two largest

power plants, Ekibastuz CHP-1 and Ekibastuz CHP-2, as well as Aksu power plant and three CHP plants in Pavlodar. Karaganda region accounts for 17%, whereas 10% of electricity is produced by heat and hydroelectric power stations of the East-Kazakhstan region, and 7% by power plants in Almaty region and the city of Almaty. The remaining 10 regions account for less than 30% of electricity generation.

Structure of energy production by regions of Kazakhstan, %

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





TRANSMISSION, DISTRIBUTION AND SUPPLY OF ELECTRICITY

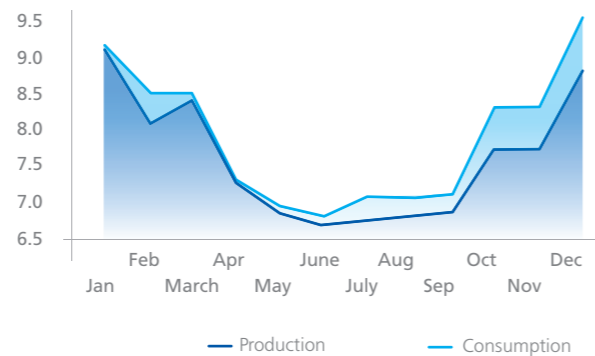
The main networks connecting Kazakhstan's National Electrical Grid with the grids of neighboring countries, as well as regions within Kazakhstan, are owned by KEGOC JSC, system operator of the energy market in Kazakhstan (90% is owned by Samruk-Kazyna sovereign wealth fund). KEGOC operates 355 overhead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

Distribution is carried out by 20 regional energy companies (RECs) and 150 small transmission companies that control regional electrical networks with voltage range of 0.4-220 kV. Among RECs there are both public and private companies. Households get electricity from more than 200 energy suppliers.

Peak loads occur in autumn and winter. In 2015, 52.8% of electricity was generated and 53.6% was consumed during the period between September and February. The consumption peaked in December

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

Source: KOECM



reaching 9.32 bln kWh, and the lowest point was 6.68 bln kWh in June.

PRODUCTION, DISTRIBUTION AND CONSUMPTION OF HEAT

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

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

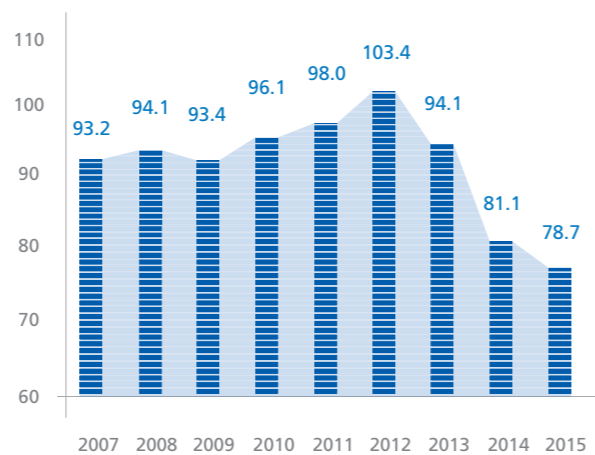
In 2015, Kazakhstan's CHP plants and boiler stations produced 78.74 mln Gcal of heat, which is 3% less than in 2014.

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

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

Production of heat energy in Kazakhstan, mln Gcal

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



Heating season in Kazakhstan begins in September-November and ends in April-May (depending on how soon the average daily temperature goes below or above 8-10°C). Normally, peak demand in the

consumption of heat and electricity occur at the same time. In 2015, heat consumption peaked in January (11.6 mln Gcal).

PRICES FOR ELECTRICITY AND HEAT

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

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

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

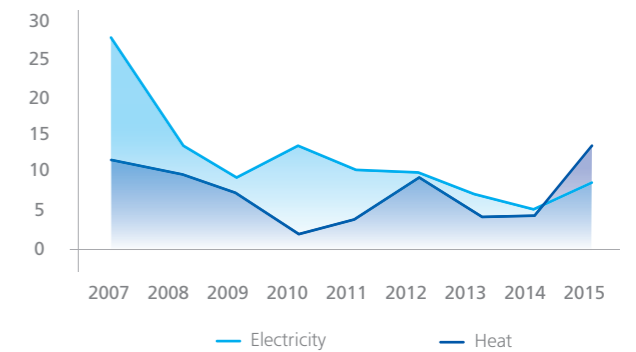
Starting from 2016, electricity and heat suppliers base their pricing on 5-year ceiling tariffs. This approach is aimed at enhancing the investment attractiveness, transition of natural monopolies into competitive businesses and providing greater certainty to all market

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

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

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

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



INVESTMENT PROJECTS

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

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

In 2015, several significant projects were completed in Kazakhstan's energy sector. Turbo generator K-63-90 was put into operation at Petropavlovsk CHP-2, increasing the installed capacity by 21 MW to 455 MW. Two turbo generators were put into operations at Pavlodar CHP-3: PT-65/75-130-13 and T-120/130-130PR2, bringing the installed capacity of the plant to 540 MW, while the share of upgraded basic equipment reached 67%.

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



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

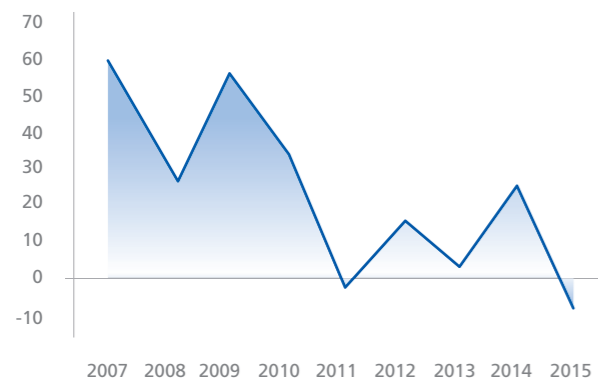
Some major projects are taking place in the network sector. In 2015, KEGOC continued the construction of the 500 kV line "Ekibastuz – Shulbi HPS – Ust-Kamenogorsk" stretching 600 km (218 km were built in one year with a total of 348 km completed), construction

and installation works began at 500 kV substation "Semei", 500 kV substation "Ust-Kamenogorsk" and 1,150 kV substation "Ekibastuz".

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

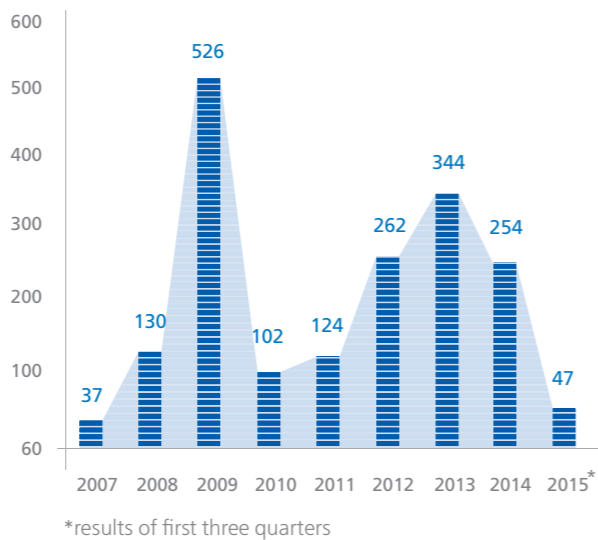
Dynamics of the investments to the power sector of Kazakhstan, %

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



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

Source: National bank of the RK



*results of first three quarters

MARKET PROSPECTS

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

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

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

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

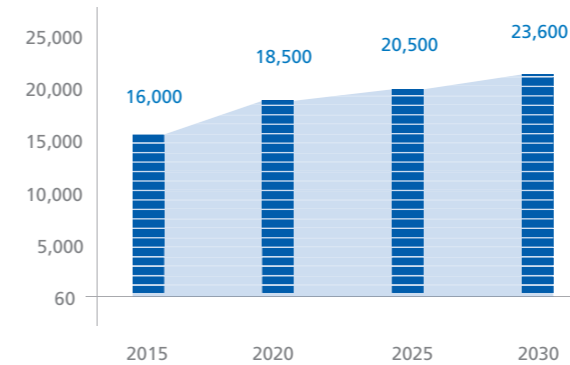
project). The goal of these projects is to increase the transmission capacity of the national grid from North to South (North has excess energy, while South faces energy deficit) from today's 1,350 MW to 2,100 MW, create conditions for electrification of railway sections Aktogai–Moiynty, Aktogai–Almaty, Aktogai–Dostyk, provide access to large amounts of electricity to existing and newly built metallurgical enterprises in East-Kazakhstan Region (Aktogai Mining and Concentration Complex of KAZ Minerals, etc.).

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

Further, the second phase of Kazakhstan's 2011–2020 housing and utility infrastructure modernization program will be implemented during 2016–2020, and one of its goals is to upgrade the country's utilities, including electric power and heating infrastructure. The program should significantly reduce fuel consumption for electricity and heat generation. Energy-saving

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

Source: Ministry of Energy of the RK



technologies are used during the modernization. During the second phase of the program between 2016 and 2020, the share of objects in need of repair should drop from 50% to 40% for heat networks and from 63% to 53% for the transmission network.

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



PERFORMANCE AND DEVELOPMENT PROSPECTS OVERVIEW

The Company is implementing an investment program at its facilities aimed at modernization and renovation of fixed assets, whose goal is to increase capacity, reduce equipment wear and tear, reduce energy losses, increase energy efficiency and energy savings, improve environmental performance and reliability of the energy infrastructure.

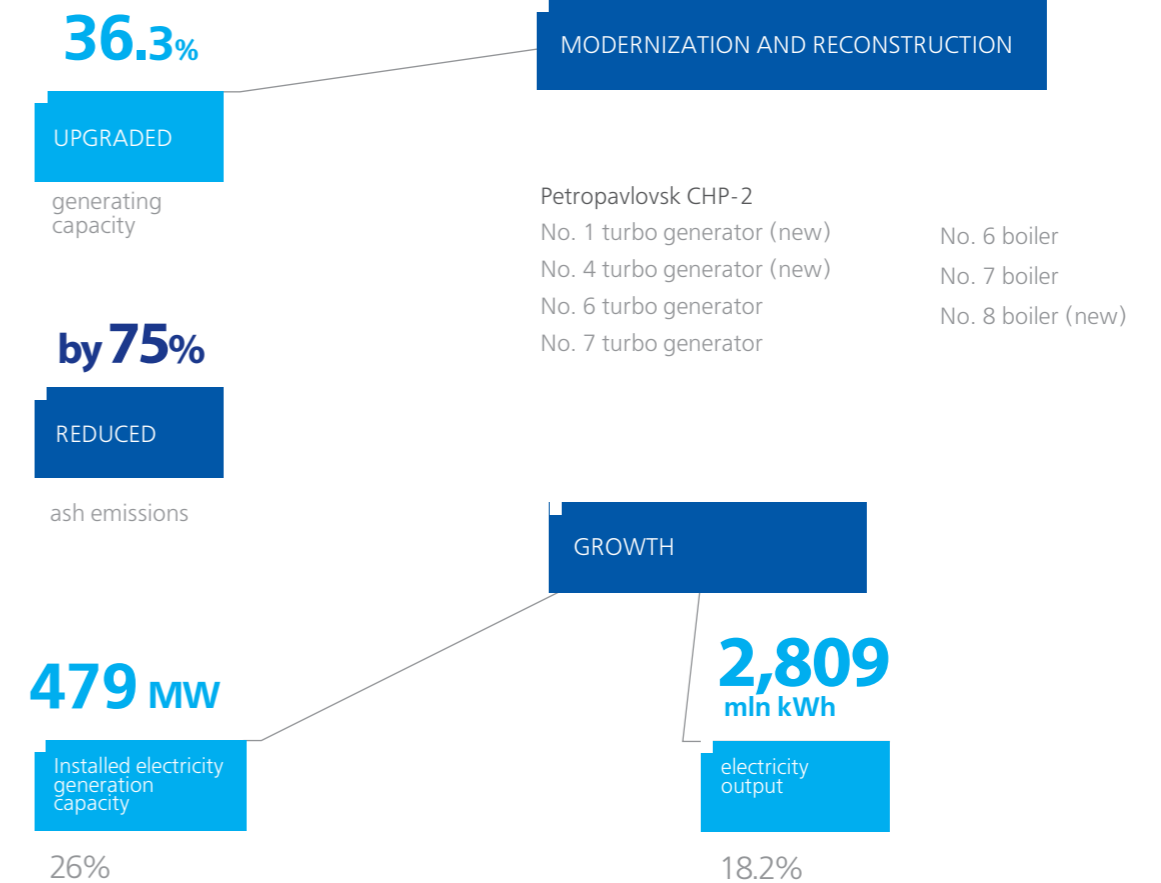


RESULTS OF INVESTMENT PROJECTS DURING THE CEILING TARIFFS PROGRAM (2009–2015)

One of the key aspects of the strategic development of SEVKAZENERGO JSC is to increase production efficiency by upgrading its PP&E infrastructure. The Company is implementing a large-scale investment program aimed at

modernization and reconstruction of its fixed assets. A total of 30.7 KZT bln were invested by SEVKAZENERGO JSC during 2009–2015 under the Ceiling tariffs Program.

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



IN 2015



volume of electric energy generation amounted to 2,809 mln kWh, being 2.7% higher compared to 2014. Commissioning of turbine unit No. 1 and reconstruction of turbine unit No. 7 has significantly impacted to growth of electricity generation volumes of Petropavlovsk CHP-2. Besides that turbines provided additional 45 MW of electric capacity to the region and Petropavlovsk city. Thus the capacity increased by 10.4% compared to 2014.



RESULTS OF INVESTMENT PROJECTS

The main activities under the program include:

- reconstruction of boiler units No.6 and 7 (2011–2012), which reduced deficit in steam generation capacity by 100tons per hour;
- entry into service of the new boiler unit No. 8 (2011–2014), which increased the plan's steam generation capacity by 270 tons per hour;
- entry into service of the new turbo generator No. 4 (2011–2013), which increased the plant's installed capacity by 30 MW;
- entry into service of the new turbo generator No. 1 (2014–2011), which increased the plant's installed capacity by 21 MW;
- modernization of turbo generator No.3 (2013–2014), which narrowed the gap between the installed and available capacity by 2 MW and reduce reference fuel consumption;
- reconstruction of turbo generator No.7 (2014–2015), which increased the plant's installed capacity by 24 MW and reduced reference fuel consumption.

Measures taken under the Ceiling tariffs Program allowed the following:

- increase the plant's installed capacity by 99 MW;
- reduce PP&E wear and tear by 26.76% (62.48% down from 89.24%), for boiler units – by 24.37% (67.27% down from 91.64%), for turbo generators – 31.84% (54.26% down from 86.1%);
- reduce consumption of electricity for the plant's own needs by 1.96% (12.08% down from 14.04%);
- reduce consumption of reference fuel for electricity generation by 13.4 g/kWh (410.1 g/kWh down from 423.5 g/kWh), and for heat generation by 3.64 kg/Gcal (196.4 kg/Gcal down from 200.0 kg/Gcal);
- increase electricity generation by 18.16% with a 12.23% increase in fuel consumption.

RESULTS IN 2015

The Company is implementing an investment program at its facilities aimed at modernization and renovation of fixed assets, whose goal is to increase capacity, reduce

equipment wear and tear, reduce energy losses, increase energy efficiency and energy savings, improve environmental performance and reliability of the energy infrastructure.

INCREASED GENERATION

In September 2015, Petropavlovsk CHP-2 launched a revamped turbo generator No. 7 and a new turbo generator No. 1. Thanks to these two turbo generators, the city of Petropavlovsk and the Region have additional 45 MW of capacity. Thus, as of January 1 2016, the capacity increased by 10.4% compared to 2014.

In 2015, the Company produced 2.7% more electricity compared to 2014. Petropavlovsk CHP-2 was able to increase electricity output mostly thanks to the entry into service of turbo generators Nos. 1 and 7. The increase in electricity generation amounted to 223.6 mln kWh per year after the launch of turbo generator No. 1, and 29.824 mln kWh per year after the launch of turbo generator No. 7. Earlier, the plant completed the reconstruction of boiler units Nos. 6 and 7 in 2012 and turbo generator No. 4 in 2013; in 2014, a new boiler unit No.8 was put into operation at

Petropavlovsk CHP-2. All the above facilities use an advanced Automated Process Control System (APCS).

Also, in 2015 Petropavlovsk CHP-2 continued the projects aimed at replacement of turbo generator No.5 and reconstruction of boiler unit No.12. The plant's capacity increases considerably thanks to the introduction of new equipment, allowing to fulfill the region's growing needs in heat and electricity and creating a foundation for consistent development of business projects and the manufacturing sector in North-Kazakhstan region.

According to the Concept of Expansion and Reconstruction of SEVKAZENERGO CHP-2, 7 turbo generators and 6 boiler units are to be replaced or renovated during 2012–2020: as a result, 71.4% and 50% of equipment at turbine and boiler shops respectively will be upgraded.

Operational highlights

Item	2013	2014	2015
Installed electricity generation capacity, MW	397	434	455
Electricity output, mln kWh	2,603	2,733	2,809
Share in Kazakhstan's total electricity generation, %	2.8%	2.9%	3.1%
Electricity transmitted, mln kWh	1,182	1,225	1,187
Electricity sold, mln kWh	2,080	2,207	2,308
Installed heat generation capacity, Gcal/h	874.8	791.65	717.65
Heat generated, thous. Gcal	1,791	1,946	1,861
Heat transmitted, thous. Gcal	1,262	1,333	1,330
Heat sold, thous. Gcal	1,249	1,319	1,316

REDUCTION OF ELECTRICITY AND HEAT LOSSES

Thanks to the introduction of modern energy saving technologies, the North-Kazakhstan regional electric distribution company JSC has no excessive losses, while technical losses dropped from 10.2% to 9.7% (with planned 13.43% from the distributed power). Furthermore, measures taken under the investment program helped to reduce wear and tear of fixed assets from 72.5% at the beginning of 2015 to 71.1% at the end of the reporting year, as well as reduce the number of technological violations and lost load, thereby improving the reliability of electricity supply to customers.

Losses have been reduced largely thanks to the ongoing installation of AMR systems and reconstruction of power lines using SIP wire.

The AMR system is intended to improve the accuracy of accounting and power quality monitoring, detect and localize losses, identify theft and ensure transparency of electricity distribution. The principle on which retail AMR systems are based is automatic readings from the customers' meters and their transfer online to the servers of the energy company. This helps to reduce energy losses, simplifies the collection of meter readings and time-of-use accounting of electricity consumption.

SIP technology is the most innovative and promising, as its purpose is to improve the quality of services provided to customers, reduce production costs (energy losses during transmission, power line and energy equipment repair costs and emergency relief costs). Moreover, SIP wire virtually eliminates the possibility of energy theft,

ensures high reliability of power supply with technical losses reduced to a minimum.

In the Construction and Reconstruction section of the investment program, the following activities have been implemented: reconstruction of the distribution point RP No.4, replacement of 16.4 km of CL 10-0.4 kV cables in Petropavlovsk, reconstruction of the equipment and buildings of 5 transformation substations TP 10/0.4 kV, reconstruction of 4 km of VL 10 kV overhead power lines in Petropavlovsk; reconstruction of OSU-110 kV outdoor switchgear units at substations Liteinaya PS 110/35/10 kV, Timiryazev PS 220/110/35/10 kV and PS No.5 110/10 kV (plus, 110 kV oil circuit breakers were replaced with 110 kV vacuum circuit breakers); reconstruction of Bishkul substation 110/35/10 kV, where KRUN-10 kV cells with oil circuit breakers were replaced with KRU-10 kV cells with vacuum circuit-breakers in the modular building and RRZ device was also replaced; overhaul of transformers, replacing oil-filled bushings with high-voltage bushings with RIP-insulation at substations Sergeevka 110/35/10 kV and Bulayev-Neft 110/35/6 kV; replacing 7,000 porcelain insulators with glass insulators, chain I and II, at VL-110 kV PCHP-2-Bulayev-Neft;

In the Modernization of Fixed Assets section, high-frequency connection was installed at substations Sergeevka 110/35/10 kV and Timiryazev PS 220/110/35/10 kV.

As for Replacement of Electrical Equipment, the following items were purchased under the 2015 investment program: 2,500 kVA power transformer to replace the



one at Molodogvardeisk substation 110/35/10 kV, three factory-assembled outdoor transformer substations with a capacity of 250 kVA and 400 kVA, high-voltage bushings with RIP-insulated substations for the reconstruction of substations in the Region.

As part of the investment program, Petropavlovsk heat networks LLP continues to reduce heat losses. For instance, during 2010–2015, a reduction of 2.8% was achieved (70.015 thous. Gcal) from 30.67% (583.648 thous. Gcal) to 27.87% (513.633 thous. Gcal) with heat distribution increased from 1,319.134 thous. Gcal in 2010 to 1,329.586 thous. Gcal in 2015.

During 2015, the Company performed scheduled maintenance of the main and distribution networks with replacing pipes with a total length of 13.6 km (4.2 km of main networks and 9.4 km of distribution networks). Damaged thermal insulation was restored or replaced using glass wool panels with a total length of 5.2 km.

For the reconstruction of its heat networks, Petropavlovsk heat networks LLP used pre-insulated pipes which are superior to conventional pipes (pipe – glass wool insulation - sheet iron shell) thanks to their high thermal insulation characteristics (the insulation layer is waterproof, wear-resistant and doesn't require replacement throughout the service life), offering lower heat losses during transmission, higher equipment reliability, rated service life of 25 years, high corrosion-resistance of the pipe surface thanks to high-density polyethylene waterproof coating. Moreover, the installation of such pipes does not require concrete trays, and there is an alarm system informing about the leaks and showing their exact location.

Another technology that has been used is pipe insulation using polyurethane (PU) foam shell to eliminate heat losses in networks. What makes this material stand out is the stability of its thermal insulation properties throughout the entire service life (up to 30 years). This is how Petropavlovsk heat networks LLP solves the problem of old and partially destroyed isolation.

ENERGY SAVING

SEVKAZENERGO's Petropavlovsk CHP-2 is implementing a special five-year energy efficiency program developed based on recommendations of the energy audit of 2014. In 2015, savings achieved thanks to this program amounted to 50.7 thous. tons of coal.

An important event for the CHP was the launch of type K-63-8.8 turbogenerator No. 1 in September 2015. The new turbine helped to improve reliability and efficiency of the plant, increasing its installed capacity by 21 MW and annual electricity output by 223.6 mln kWh. It is expected that fuel savings per year will amount to 37.3 thous. tons of coal per turbine. Further, modernization of type

T-76-90/2.5 turbo generator No.7 was completed in 2015, increasing the capacity to 100 MW (the plant's installed capacity increased by 24 MW). Projected savings will be 13,000 tons of coal per year.

Thanks to the energy saving initiatives, coal savings at Petropavlovsk CHP-2 in 2015 reached 32.1 thous. tons compared to 2014. In 2015, Petropavlovsk CHP-2 produced 2,809 mln kWh of electricity. In 2016, the plant expects to produce 3,233 mln kWh of electricity, or 15% more compared with 2015. The plant's installed electricity generation capacity as of January 1, 2016 was 479 MW which should be raised to 541 MW by the end of 2016.

IMPROVED ENVIRONMENTAL PERFORMANCE

To improve environmental performance, in 2015 SEVKAZENERGO's Petropavlovsk CHP-2 launched turbo generator No.1, reducing harmful emissions by 287.9 tons per year. Thanks to rotor replacement on the low-pressure cylinder of turbo generator No.7, the amount of harmful emissions was cut by 41.816 tons per year. All in all, emissions in 2015 totaled 34,158.66 tons. After reconstruction and modernization of its main and auxiliary equipment, the plant reduced its total harmful emissions by 25% (2015 vs. 2008).

Every year, Petropavlovsk CHP-2 repairs worn elements fly ash collectors to eliminate technical problems and ensure continued smooth operation of the filtering equipment.

In order to meet the environmental requirements of the Republic of Kazakhstan, in 2015 SEVKAZENERGO JSC started to reclaim the abandoned ash dump No.3. Reclamation project has an area of 32.8 hectares. To accomplish this project, a Permit for Emissions into the Atmosphere №KZ79VDD00033585 of October 8, 2015 was received and will be valid from 2015 up to 2018. Which means that by 2018 SEVKAZENERGO JSC expects to complete all the stages of reclaiming ash dump No. 3.

In 2014, SEVKAZENERGO JSC obtained a Certificate for Greenhouse Gas Emissions in the amount of 7,754.6 tons for the period between 2014 and 2015. Since a new source of greenhouse gas emissions (turbo generator No. 1) entered into service but had not been included in the Quotas for the Emission of Greenhouse Gases, in 2015 SEVKAZENERGO JSC obtained a new certificate for the emission of greenhouse gases in the amount of 8,215,640 tons.

A number of measures have been taken to reduce energy consumption:

- Optimization of electrical equipment at workplaces, as well as household power consumers (reducing no-load operation);

- Minimizing the blowing magnitude for boiler units Nos. 1, 2 and 3;
- Directing MNS-3 condensate the plant's drain extender;
- Replacing the branch of the circulation pipeline connecting the main collector with TG-1 condenser;
- Replacement of the brass PND-2 tube on turbo generator No. 7;
- Rotor replacement on the low-pressure cylinder of turbo generator No. 7;
- Replacement of condensate pumps on turbo generator No. 1;
- Replacement of turbo generator No. 1;
- Refrigerant pump replacement on the turbo generator.

The above measures helped to reduce total greenhouse gas emissions by 78.7 thous. tons, or 13.5 thous. tons more than in 2014 (reduced fuel consumption helped to reduce harmful emissions by 65.3 thous. tons compared with 2014).

In 2015, public hearings were held to discuss environmental projects:

- The Environmental Impact Assessment project to the working project "Reconstruction of CHP-2 with the replacement of turbo generator No. 1";
- Environmental action plan for the reconstruction of CHP-2 with the replacement of turbo generator No. 1;
- 2016-2018 Environmental Action Plan of SEVKAZENERGO JSC with a view to obtaining authorization for emissions into the environment.

FINANCIAL AND ECONOMIC HIGHLIGHTS

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

The Company's financial and business highlights demonstrate effectiveness and efficiency of its operational and financial activities, as well as movement in line with the Company's strategic development targets.

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

ITEMS	2013	2014	2015
Income from core activities	20,962	24,079	26,608
Net cost, including expenses of the period	(15,915)	(18,316)	(20,462)
Profit from operating activities	5,047	5,763	6,146
Total EBITDA for the year*	7,650	8,857	10,487*
Total EBITDA for the year, margin in %	36.5	36.8	39.4
Income tax expenses	(1,022)	(1,194)	(110)
Net profit for the year	2,790	3,181	(303)
Assets	61,845	92,948	99,261
Equity	29,713	52,264	51,118
Capital expenditures on fixed assets	9 855	11,327	10,739

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



INCOME FROM SALE OF PRODUCTS/SERVICES

Based on the results of 2015 the Company produced electrical and heat energy, including transmission and sale of purchased energy, for a total amount of KZT 26,608 KZT mln, which is 10.5% more than in 2014. This change was due to the increase in sale of electrical energy.

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

- Amount of electrical energy sold increased by 2,507 KZT mln or by 15.6% vs. 2014 due to increase of electricity sales by 100,9 mln kWh (4.6%), caused by commissioning of new generation facilities as a part of investment program and a positive trend in the external market demand.
- The revenues from transmission of electric energy increased by 40 KZT mln or 1% due to increase of tariff by 4.2%.
- Revenues from the sales of heat energy, taking into account the transmission services, amounted to 3,913 KZT mln, which corresponds to the level of 2014.
- Average weighted tariffs for all types of energy increased by KZT 0.70/kWh or by 6.1% for electrical energy, and the tariffs for heat energy remained at the same level.

COST OF SOLD GOODS/SERVICES

Cost of sold electrical and heat energy in 2015 was 18 260 KZT mln, increase by 2,730 KZT mln or by 17.6% vs. 2014 was caused by increase of operating expenses under such cost items as "Fuel", "Wear and Depreciation", "Remuneration of labor", "Purchased Energy" and the "Third Parties' Services".

In the cost structure of the Company the largest specific ratio (40%) has the "Fuel" item. Value appreciation for this item amounted to 282 KZT mln or 4%, mainly due to increase of the coal price by 3.7%, including the coal transportation.

With the growth of electricity production by 100.9 mln kWh or 4.6%, the coal consumption increased in the volume terms by 6.3 thous. tonnes or 0.3%, which is the result of increased efficiency of the fuel consumption per unit of production.

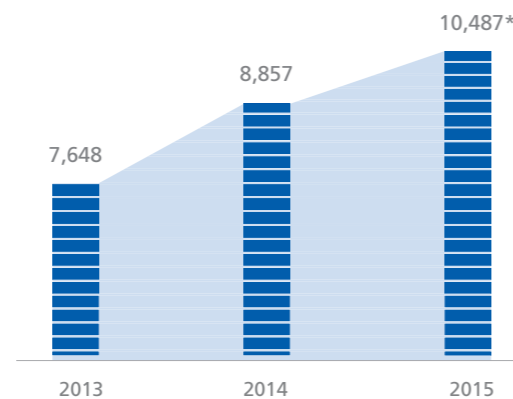
Depreciation deductions increased by 1,133 KZT mln due to the reevaluation of the assets, carries out as of 31.12.2014 and introduction of new fixed assets in 2015 for an amount of 10,739 KZT mln. The increase in remuneration by 649 KZT mln or 34% occurred due to the revised classification of the personnel and merger of administrative and production processes. Cost of "Production-type services" increased by 494 KZT mln or by 24% due to increase of expenses for technical dispatching

control and balancing by KEGOC, and expenses for re-cultivation of ash dump.

TOTAL EBITDA TREND

The EBITDA indicator for 2015 excluding exchange rate difference-related loss was 10,487 KZT mln, it increased by 1,629 KZT mln or by 18.4% vs. 2014. Main factors of the growth of the operational efficiency indicator are establishment of cap rates for electricity generation with a growth of 13% and increase in the amount of captive production of electrical energy by 100.9 mln kWh or by 4.6%

Total EBITDA for a year, KZT mln



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

OPERATING EBITDA BY SEGMENT

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

Operating EBITDA indicator of the Company was 10,127 KZT mln in 2015, it increased by 1,527 KZT mln or by 1.8% vs. 2014. In the structure of the operating EBITDA indicator the leading (priority) marginal segment is production of electrical and heat energy (10,709 KZT mln), where in 2015 there was an increase by 1,924 KZT mln or by 22% due to 100,9 mln kWh or 4.6% increase in additionally produced electrical energy, efficiency of operation of commissioned facilities, as well as increase of cap rates for electricity generation.

Financial and business results by segment for 2015, KZT mln

Indicators	Production of heat and electrical energy	Electrical energy transmitted and distributed	Heat energy transmitted and distributed	Sale of heat and electrical energy	Others	Total
Income from sales	20,666	4,107	1,793	32	11	26,608
Costs	(12,272)	(3,534)	(1,959)	(285)	(211)	(18,260)
Gross profit	8,394	573	(165)	(253)	(201)	8,348
Expenses of the period	(768)	(510)	(519)	(406)		(2,202)
Profit from operating activities	627	63	(685)	(659)	(201)	6,146
Financial expenses, net	(1,242)	(19)	(53)			(1,314)
Other income	95	41	20	3		158
Losses from exchange rate difference	(3,367)	(1,304)	(512)			(5,183)
Income tax expenses	(644)	218	184	132		(110)
Profit/(loss) for the year	2,468	(1,001)	(1,045)	(524)	(201)	(303)
Operating EBITDA by segment	10,709	612	(350)	(643)	(201)	10,127

TREND OF NET INCOME/LOSS

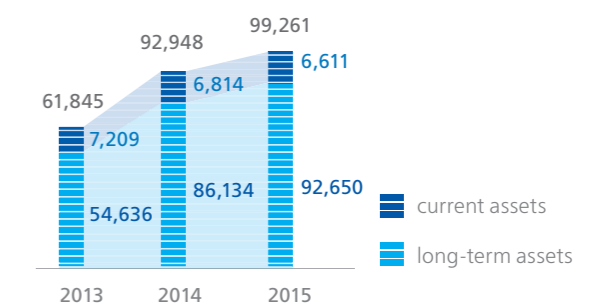
Profit from operating activity in 2015 was 6,146 KZT mln (23.1% margin to the income from sales), profit increased by 383 KZT mln; it was caused by increase in the amount of electrical energy production by 10.5%.

Net finance costs decreased by 150 KZT mln or 10% due to the repayment of long-term investment loan and reduction of turnover lines. Due to the shift of the National Bank of the Republic of Kazakhstan to the new monetary policy based on inflation targeting and setting up a freely floating tenge exchange rate since August 20, 2016 the Company incurred a loss from exchange rate difference due to the loans taken in foreign currency in the amount of 5,183 KZT mln, correspondingly, the financial results of the year 2015 was minus 303 KZT mln. Compensating effect of the national currency devaluation is recognition of tax assets at the expense of loss from currency exchange difference, as a result corporate income tax including deferred one for the reporting period was 110 KZT mln, which is less by 1,083 KZT mln than in 2014.

ASSETS AND LIABILITIES

Total assets of the Company as of December 31, 2015 were 99,261 KZT mln, which is 6.4% more than in 2014.

Assets, KZT mln



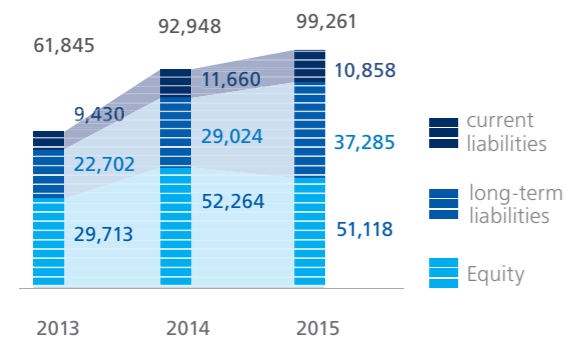
As of December 31, 2015, the value of fixed assets amounted to 91,887 KZT mln, or 92.6% of the value of all assets. As a part of the large-scale investment program for 2015, 10,739 KZT mln was spent for construction in progress and acquisition of fixed assets, and commissioning of new and upgraded facilities of the current period and carry-over of the previous years amounted to



8,815 KZT mln. In particular, it is connected to the commissioning of a new turbine No. 1 at Petropavlovsk CHP-2 in September 2015.

Other financial assets are the deposits in amount of 155 KZT mln with flexible partial replenishment and exemption conditions. The deposits are represented by the funds accumulated for the loan servicing, financing of the investment program and maintenance of working capital.

Liabilities, KZT mln



Stated equity capital of the Company is 143,9 mln of ordinary shares. As of December 31, 2015, the value of completely paid ordinary shares was 16,292 KZT mln.

The Company placed the bonds of SEVKAZENERGO JSC in amount of 2,726 KZT mln to be repaid by January 10, 2020. These tools are aimed at financing of the investment programs and development projects in line with the Company's strategy.

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

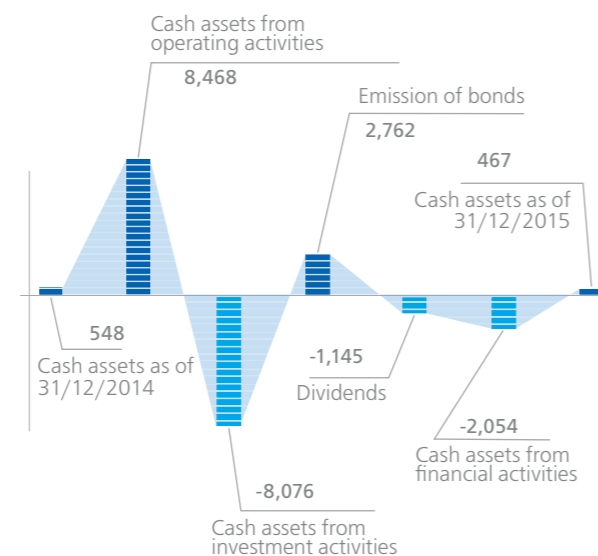
Shift of the Kazakhstan's economy to freely floating tenge exchange rate since August 20, 2015 caused increase of financial liabilities by 5,086 KZT mln. Management of the Company thinks that efficiency of the investment program together with low interests in loan agreements in currency, and terms of loans repayments of more than 10 years will allow to smoothen depreciation of KZT in future and ensure return of investments.

Total financial debt as of the end of the reporting year was 27,398 KZT mln, thereat the Company maintains its financial stability and liquidity position. The Company received the waivers of the rights to request an early performance of loans-related obligations from the EBRD due to minor violation of financial covenants as of 31.12.2015.

CASH FLOWS

In 2015 there was a trend of cash flows increase in operating activity, which was caused by increase of sale amount and planned increase of rates for electrical energy. Net inflow related to operating activity including the impact of exchange rate change on the balance of cash assets in currency was 8,468 KZT mln. Change in working capital is due to increase of inventory and trade receivables. Increase in the accounts payable mainly related to large supplies for actions of the investment program lead to increase of the working capital.

Cash Flows, KZT mln



The most significant cash outflows related to investment activity in 2015 were related to the accelerated investment program of the current year.

In 2015, the Company received funding through placement of bonds in amount of 2,726 KZT mln.

Cash assets and deposits as of the end of the year was 622 KZT mln, sufficient reserve of cash assets enables the Company to maintain required level of liquidity and internal reserves for servicing the debt.

MAJOR GOALS AND OBJECTIVES FOR 2016

In 2016, SEVKAZENERGO JSC plans to spend 80.4 KZT bln on investment projects. Under the investment program, the company will continue its large-scale equipment modernization projects aimed at increasing output, reduction of losses of electricity and heat during transmission and improving environmental performance.

Petropavlovsk CHP-2 will continue the construction of type T-95/105-8.8 turbo generator No. 5. The new turbine is scheduled to enter into service in November 2016, which will increase the plant's installed capacity by 62 MW and 35 Gcal. Furthermore, reconstruction of boiler unit No. 12 at Petropavlovsk CHP-2 began in February 2015 with the launch scheduled for June 2016. The reconstruction will increase steam generation capacity by 50 tons per hour, improve the boiler's reliability and efficiency and provide fuel savings in the amount of 4.2 thous. tons of coal. The new equipment will bring the plant's installed capacity to 541 MW. Electricity generation in 2016 is expected to grow by 3.233 mln kWh or 13.1% compared with 2015.

In 2016, North-Kazakhstan regional electric distribution company JSC will spend 1.3 KZT bln on investment projects. The Company has a long-term investment program "Reconstruction and Modernization of Fixed Assets at North-Kazakhstan regional electric distribution company JSC during 2016–2020" with a budget of 5.34 KZT bln. The program will include replacement and construction of 75 km of class 0.4-10 kV cable lines, reconstruction of 42 km of class 10 kV overhead power lines in Petropavlovsk,

equipment reconstruction at 12 substations with voltage class of 35 kV and higher, 66 class 10/0.4 kV transformation substations (including 33 with the reconstruction of buildings), major overhaul of 13 transformers with the replacement of high-voltage bushings. Further, the company plans to renovate class 0.4 kV overhead power lines in Petropavlovsk and North-Kazakhstan region replacing 180 km of bare wire with SIP wire.

In 2016, Petropavlovsk heat networks LLP plans to use its own funds to replace 12.9 km of pipelines, including 8.8 km of distribution networks and 4.1 km of main networks. Under the investment program, in 2016 the company plans heat network construction using pre-insulated pipes with length totaling 8.1 km, in addition to the restoration of 1.114 km of isolation using PU foam insulation shell. The company has signed agreements with KazNPIEnergoprom Institute for the development of 11 heat network reconstruction projects in Petropavlovsk using pre-insulated pipes with a total length of 31 km. These plans are part of the 2016–2020 investment program which will be funded from both the company's own budget, the new investment loan from the EBRD and government subsidies from the Ministry of National Economy of the Republic of Kazakhstan under the "Nurly Zhol" program.

CORPORATE GOVERNANCE

SEVKAZENERGO JSC's corporate governance system regulates the interaction between the management bodies, the Company's internal control body, its shareholders and other stakeholders, ensuring a balance between the interests of all the parties. Corporate governance in SEVKAZENERGO JSC is based on the principle of protection of and respect for the rights and legitimate interests of the Company's shareholders, including promoting the growth of assets and maintaining the financial stability and profitability of the Company.



IN 2015



the Company's corporate governance practices were fully consistent with the provisions of the Corporate Governance Code, that are consistent with international standards and contribute to creating 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 improve their awareness about the Company, as well as to control and reduce the risks, maintain sustainable improvement of the Company's financial performance and successful pursuit of its statutory goals.

SEVKAZENERGO JSC has an effective and transparent corporate governance framework meeting Kazakhstani and international standards. The purpose of this

framework is to create and maintain trustful relationships with investors and shareholders, making the Company more attractive to investors.

SHAREHOLDER STRUCTURE

Based on financial statements, the Company's share capital as of December 31, 2015 was 16,291,512 KZT

thousand. The sole shareholder owning 100% of the shares is Central-Asian Electric Power Corporation JSC.

Shareholder	Common stock		Preferred stock	Total shares	
	number	percentage		number	percentage
CAEPCO JSC	143,863,799	100%	–	143,863,799	100%

RESULTS OF THE GENERAL MEETING OF SHAREHOLDERS

In 2015, decisions that are within the authority of the General Meeting of Shareholders of SEVKAZENERGO JSC were made by the General Meeting of Shareholders of CAEPCO JSC on the following subjects:

- Decision on the election of members of the Board of Directors of SEVKAZENERGO JSC, determining the term of office, size and conditions for the

remuneration paid to the members of the Board of Directors of SEVKAZENERGO JSC;

- Distribution of net income of SEVKAZENERGO JSC for 2014 fiscal year;
- Adoption of the corporate governance code of SEVKAZENERGO JSC;
- Adoption of the Board of Directors Statute of SEVKAZENERGO JSC.

DIVIDENDS

The Company policy regarding distribution, announcement, size, form and timing of dividend payments is set out in the Charter.

The basic principles of the Company's Dividend policy include:

- Balance between the interests of the Company and its shareholders in determining dividend payouts.
- Increasing investment attractiveness, financial sustainability, capitalization and liquidity of the Company.
- Ensuring market returns on invested capital.
- Respect for and strict observance of the rights of shareholders and promoting their well-being.

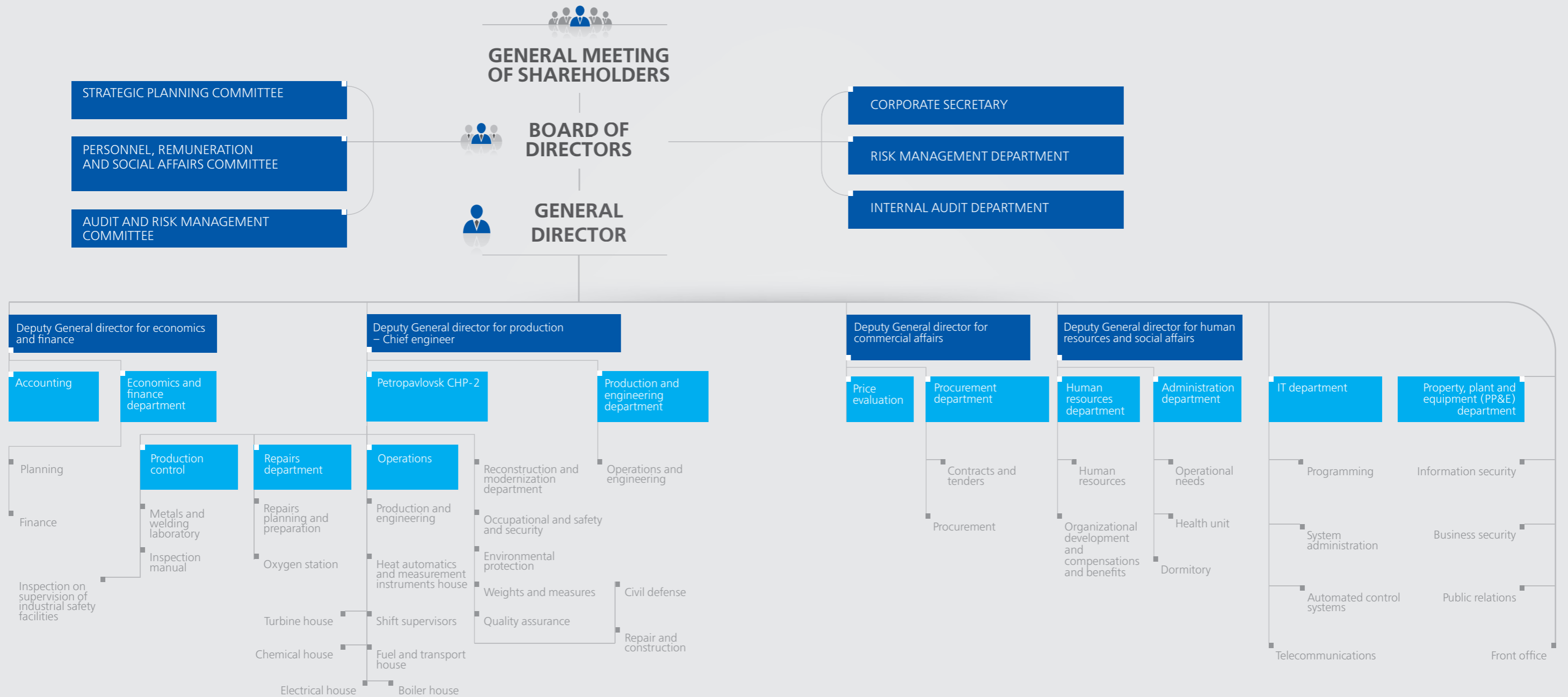
The decision on the payment of annual dividends is made by the General Meeting of Shareholders based on the recommendation from the Board of Directors of the Company. If there are unforeseen negative circumstances affecting the Company, the Board of Directors shall advise the Company's General Meeting of Shareholders against payment (distribution) of dividends.

DIVIDEND PAYOUTS

In 2015, the annual General Meeting of Shareholders decided to pay dividends to the shareholders of SEVKAZENERGO JSC for 2014 in the amount of 843,253.5 KZT thous. between July 10, 2015 and December 31, 2015. Dividends were paid on time and in full.

The Company intends to allocate a certain part of its net income for dividend payouts in the amount that allows the Company to keep enough funds for its further development.

ORGANIZATIONAL STRUCTURE



BOARD OF DIRECTORS

The Board of Directors of SEVKAZENERGO JSC is responsible for overall management of the Company, except for the issues that are within the exclusive authority of the General Meeting of Shareholders in accordance with the Charter and the Joint-Stock Companies Act, and it is also responsible for forming and controlling the executive body of the Company. To achieve these goals, the Board of Directors is guided by the following principles:

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

Furthermore, the Board of Directors of SEVKAZENERGO JSC makes decisions on the activities that are within the authority of the General Meeting of Shareholders (members) of the following legal entities: North-Kazakhstan regional electric distribution company JSC, Sevkazenergosbyt LLP, Petropavlovsk heat networks LLP, in which SEVKAZENERGO JSC is the owner of 100% of shares. The Board of Directors of the North-Kazakhstan regional electric distribution company (subsidiary of SEVKAZENERGO JSC) is also responsible for the management of the power distribution company. Remuneration for members of the Board of Directors is determined by the decision of the General Meeting of Shareholders of the Company. A total of KZT 17,690,600 was paid as remuneration to the Board of Directors in 2015.

MEMBERS OF THE BOARD OF DIRECTORS

As of December 31, 2015, the Board of Directors of Joint-Stock Companies included:

Name, legal form of business organization	Members of the Board of Directors	Title	Date of election/end of tenure
SEVKAZENERGO JSC	Yerkyn Amirkhanov	Chairman of the Board of Directors	17.04.2015 – 16.04.2017
	Gulnara Artambayeva	Member of the Board of Directors	17.04.2015 – 16.04.2017
	Eldar Tabanov	Independent Director	17.04.2015 – 16.04.2017
North-Kazakhstan regional electric distribution company JSC	Yerkyn Amirkhanov	Chairman of the Board of Directors	13.06.2015 – 13.06.2017
	Leonid Larichev	Member of the Board of Directors	13.06.2015 – 13.06.2017
	Eldar Tabanov	Independent Director	13.06.2015 – 13.06.2017



YERKYN AMIRKHANOV (1967)

Chairman of the Board of Directors

President of CAEPCO JSC, shareholder, member of the BoD of CAPEC JSC.

- 01.07.2001** – Chairman of the BoD of PAVLODARENERGO JSC;
- 30.06.2004** – Member of the BoD of Eximbank Kazakhstan JSC;
- 20.08.2007** – Member of the BoD of CAPEC JSC;
- 16.03.2009** – Member of the BoD of CAEPCO JSC;
- 28.05.2009** – Chairman of the BoD of Caustic JSC;
- 22.04.2011** – President of CAEPCO JSC;
- 25.10.2011** – Chairman of the BoD of SEVKAZENERGO JSC;
- 25.02.2013** – Chairman of the BoD of AEDC JSC;
- 13.11.2013** – Chairman of the BoD of NK REDC JSC;
- 20.01.2014** – Chairman of the BoD of PREDC JSC.



GULNARA ARTAMBAYEVA (1969)

Member of the Board of Directors

President of CAPEC JSC, shareholder, member of the BoD of CAPEC JSC;

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



ELDAR TABANOV (1968)

Independent Director at SEVKAZENERGO JSC and North-Kazakhstan regional electric distribution company JSC

May 2012 – Vice-President of Strategic Military Research Center JSC;

03.01.2013 – Member of the BoD (Independent Director) of CAPEC JSC;

01.01.2014 – Independent Director of North-Kazakhstan regional electric distribution company JSC.



LEONID LARICHEV (1969)

Member of the Board of Directors of North-Kazakhstan regional electric distribution company JSC

22.08.2014 – Member of the BoD of North Kazakhstan regional electric distribution company JSC;

10.09.2014 – General Director of SEVKAZENERGO JSC.

COMMITTEES OF THE BOARD OF DIRECTORS AND THEIR FUNCTIONS

Board Committees were created on March 11, 2013 to look into the most important issues and make recommendations to the Board of Directors. As of December 31, 2015, there are three Committees:

- Strategic Planning Committee,
- Audit and Risk Management Committee;
- Personnel, Remuneration and Social Affairs Committee.

Strategic Planning Committee is a permanent working body of the Board of Directors. The Committee is responsible for dealing with all matters pertaining to the determination and implementation of the Company's priorities and its development strategy, effectiveness of corporate governance, implementation of investment projects and strategy implementation monitoring.

Audit and Risk Management Committee is a permanent working body of the Board of Directors. It is responsible for dealing with issues relating to the improvement

and strengthening of risk management and internal control procedures, preparing recommendations to the Board of Directors and the executive body.

Personnel, Remuneration and Social Affairs Committee is a permanent working body of the Board of Directors. It is responsible for the election/appointment of candidates for positions in the executive body, internal audit department, risk management department, Corporate Secretary, and other bodies and subsidiary bodies of the Company, determining the amount and payment of remuneration, determining the human resources policy and its implementation, the policy on social support provided to the employees of the Company and resolving social issues.

Name of the committee	Members of the committees of the Board of Directors	Date of election/End of tenure
Strategic Planning Committee	Eldar Tabanov / Committee Chairman	17.04.2015–16.04.2017
	Yerkyn Amirkhanov	17.04.2015–16.04.2017
	Leonid Larichev	17.04.2015–16.04.2017
Audit and Risk Management Committee	Eldar Tabanov / Committee Chairman	17.04.2015–16.04.2017
	Gulnara Artambayeva	17.04.2015–16.04.2017
	Leonid Larichev	17.04.2015–16.04.2017
	Zhanar Rakhimberlinova	17.04.2015–16.04.2017
	Ayzhan Stanbayeva	17.04.2015–16.04.2017
Personnel, Remuneration and Social Affairs Committee	Eldar Tabanov / Committee Chairman	17.04.2015–16.04.2017
	Yerkyn Amirkhanov	17.04.2015–16.04.2017
	Leonid Larichev	17.04.2015–16.04.2017
	Natalia Konstantinova	17.04.2015–16.04.2017

THE BOARD OF DIRECTORS PERFORMANCE OVERVIEW

In 2015, the Board of Directors held 11 meetings. The Board of Directors focused on the following key issues:

- Pledging movable property, boiler unit no. 8, as a collateral to the EBRD;
- Election of the Chair of the Board of Directors of SEVKAZENERGO JSC;
- Election of members of the Committees of the Board of Directors of SEVKAZENERGO JSC and determining their terms of office;
- Preliminary approval of the annual consolidated financial statements of SEVKAZENERGO JSC for 2014;
- Approval of internal policies and procedures of the structural units reporting to the Board of Directors;
- Approval of the financial statements of North-Kazakhstan regional electric distribution company JSC for 2014 and distribution of net income;
- Extension of the term of office of the Board of Directors of North-Kazakhstan regional electric distribution company JSC;
- Pledging movable property as a collateral to Sberbank SB JSC;
- Changing the terms of financing of SEVKAZENERGO JSC by Sberbank SB JSC under the line of credit agreement;
- On the terms of remuneration for employees of SEVKAZENERGO JSC's companies.
- Related-party transactions of SEVKAZENERGO JSC;
- Appointment of employees reporting to the Board of Directors of SEVKAZENERGO JSC;
- Approval of the schedule for physical meetings of the Board of Directors and its Committees in 2016.

EXECUTIVE BODY

General Director is the sole executive body of SEVKAZENERGO JSC. The General Director manages day-to-day operations of the Company and implements the decisions of the Board of Directors and the General Meeting of Shareholders.

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

The General Director of SEVKAZENERGO JSC is Leonid Larichev. He has no share in the charter capital of the joint stock company, subsidiaries or affiliated organizations.

BRIEF BIOGRAPHY

Started his career in the energy sector as a centralized repair foreman at Karaganda CHP-3. Held management positions at Karaganda CHP-3, Astana-Energia JSC and PAVLODARENERGO JSC. On August 22, 2014, appointed Chairman of the Executive Board of SEVKAZENERGO JSC by the decision of the Board of Directors. As of September 10, 2014, General Director of SEVKAZENERGO JSC.

Leonid Larichev was awarded The Distinguished Energy Professional of the Republic of Kazakhstan badge of honor, and "For Labor Excellence" medal. In 2011, Mr. Larichev was named The Distinguished Energy Professional of the CIS.

Executive bodies of the Company's subsidiaries include: North-Kazakhstan regional electric distribution company JSC, Petropavlovsk heat networks LLP and Sevkazenergosbyt LLP are separate entities each having its own General Director.

Name, legal form of business organization	Sole executive body	Title	Date of election/end of tenure
SEVKAZENERGO JSC	Leonid Larichev	General Director	10.09.2014–09.09.2016
North-Kazakhstan regional electric distribution company JSC	Anatoly Kazanovsky	General Director	16.10.2015–15.10.2017
Petropavlovsk heat networks LLP	Igor Rybas	General Director	16.09.2014–15.09.2016
Sevkazenergosbyt LLP	Magawiya Sagandykov	General Director	12.06.2014–11.06.2016

INTERNAL CONTROLS AND AUDIT

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

The Company's Office of Internal Audit (OIA) reports directly to the Board of Directors of the Company and is supervised by the Audit and Risk Management Committee which monitors decisions and processes to ensure the reliability of financial reporting and coordinate internal controls and risk management procedures.

The OIA operates in accordance with an action plan approved by the Board of Directors for every year. The OIA presents annual and quarterly progress reports to the Internal Audit Department of CAEPCO JSC (IAD), the Board of Directors and the Audit Committee.

The OIA operates in accordance with International Standards on Auditing (ISA) developed by the Institute of Internal Auditors Inc., as well as in accordance with the current laws and regulations of the Republic of Kazakhstan and the Code of Ethics of Internal Auditors of SEVKAZENERGO JSC.

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

The activities of the OIA conform to the requirements of the IAD and are consistent with the audit methodology and practice adopted by the Company. In 2015, the IAD had a team of 3 auditors.

In 2015, the Office of Internal Audit carried out routine audits in SEVKAZENERGO JSC Group of Companies in the following areas:

- Evaluation of the effectiveness of the internal controls procedures for business processes:
 - Repairs management at SEVKAZENERGO Petropavlovsk CHP-2.
 - Management of specifications issuance at North-Kazakhstan regional electric distribution company JSC and Petropavlovsk heat networks LLP.
- Spot inventory reconciliations for fixed assets and stocks inventory fixed assets and stocks at SEVKAZENERGO Petropavlovsk CHP-2 JSC.
- Monitoring of corrective measures to follow up on the recommendations of the Office of Internal Audit and Deloitte LLP audit firm;
- Analysis of draft internal regulations and recommendations, recruitment.

In 2015, the main documents regulating the activities of the OIA were updated, including: The Statute of the OIA, Internal Audit Policy and Guidelines of SEVKAZENERGO JSC, auditors' job descriptions.

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT

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

SEVKAZENERGO JSC's corporate governance system regulates the interaction between the management bodies, the Company's internal control body, its shareholders and other stakeholders, ensuring a balance between the interests of all the parties.

Corporate governance is regulated by the Corporation's internal by-laws and is summarized in SEVKAZENERGO JSC's Corporate Governance Code. The Code complies with laws and regulations of the Republic of Kazakhstan "On joint-stock companies": the document is based on the current international practices in the field of corporate governance and recommendations on the use of corporate governance principles by Kazakhstani joint stock companies.

KEY PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

Key principles of the Corporate Governance Code	Adherence to the principles	Comments
JUSTICE Equal treatment of all shareholders, regardless of the percentage of ownership and whereabouts, provision of opportunities for the effective protection of their rights.	Followed	Corporate governance in SEVKAZENERGO JSC is based on the principle of protection of and respect for the rights and legitimate interests of the Company's shareholders, including promoting the growth of assets and maintaining the financial stability and profitability of the Company.
ACCOUNTABILITY The Board of Directors of the Company reports to its shareholders, executive bodies report to the Board of Directors and employees report to the management (General Director of the Company). This principle ensures accountability and determines the lines of authority, as well as full accountability of the Company to its shareholders, which is achieved through the provision to the shareholders.	Followed	This principle of the Corporate Governance Code is followed by introducing the Company's organizational structure in accordance with the Charter and the Joint-Stock Companies Act of the Republic of Kazakhstan. Furthermore, the principle of accountability is reflected in the statutes of all management bodies/structural units, which allows to determine the lines of authority of the Company's management bodies and ensure full accountability of the Company to the shareholders.
RESPONSIBILITY Responsibility of the Company to its shareholders, employees, customers and partners, close cooperation with them in order to grow the assets of the Company, increasing its stability and reliability. This principle determines the ethical standards for the Company's shareholders and employees, as well as outlines the liability of the Company officers for their illegal, wrongful actions (willful or ignorant) or inaction, as provided by the current legislation.	Followed	In 2011, the Company adopted a Code of Business Conduct comprising business relationship standards. The Company has developed and adopted an action plan for interaction with stakeholders, based on which the Company prepares annual progress reports.

Key principles of the Corporate Governance Code	Adherence to the principles	Comments
TRANSPARENCY Timely disclosure of accurate information about all material facts relating to the Company's activities, including its financial situation, performance, ownership structure and management, in the amounts prescribed by the legislation and internal policies, as well as ensuring the free access of all interested parties to such information by publishing it so as to make it easily accessible to the public, as provided by the legislation and the Company's internal policies.	Followed	The main objectives of the Company with respect to the implementation of the principle of transparency include: <ul style="list-style-type: none"> • Timely provision of information on all significant matters related to the Company; • Ensuring availability of public information about the Company to all interested persons; • Increasing openness and trust between the Company and interested parties; • Improving the Company's corporate governance; • Creating a favorable image of the Company.
ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY The Corporation treats the environment responsibly and rationally, operating as a socially responsible business.	Followed	SEVKAZENERGO JSC has developed and adopted an action plan on environmental and social initiatives, which governs the Company's policy in the field of environmental protection and social responsibility.
EFFECTIVENESS The Company's General Director and its Board of Directors have to ensure that the Company is managed in a sensible and responsible manner, promoting a steady growth of its financial performance and shareholder wealth, as well as effective human resources policy, employee training, motivation and social security, and protection of the interests of the Company's employees.	Followed	The principle of effectiveness is regulated by the Statute of the General Director. The General Director is the sole executive body of the Company responsible for managing its day-to-day operations and implementing the strategy determined by the Board of Directors and Shareholders.
CONTROL Control over financial and business activity of the Company to protect the rights and legitimate interests of its shareholders, supervision of senior managers over junior managers in accordance with the policies and procedures approved by the Board of Directors of the Company, as well as the efficient use of internal and external auditors along with the establishment of an effective risk-based internal controls system.	Followed	Control over financial and business activity of the company is the responsibility of the General Director of SEVKAZENERGO JSC in accordance with the provisions set forth in the Company's internal by-laws. The Company has an Audit and Risk Management Committee which is an advisory body of the Board of Directors of SEVKAZENERGO JSC.

RISK MANAGEMENT

The Company has an enterprise risk management (ERM) system, aimed at identification, assessment and monitoring of all significant risks, as well as risk minimization measures. Internal controls standards (ICS) have been implemented. In improving its risk management and internal control systems, the Company is guided by the international standards in the field of corporate risk management and internal controls, developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the International Organization for Standardization (ISO).



The Office of Risk Management reports to the Audit and Risk Management Committee of the Company's Board of Directors. The Office operates based on the annual work plan approved by the Board of Directors.

In 2015, the Office of Risk Management conducted the following major activities:

- Analysis and testing of the ICS effectiveness in business processes:
 - Maintenance and repairs management (for power lines and heat networks)

- Management of specifications issuance for connecting to power and heat networks
- Management of environmental protection (for electricity and heat generation);
- Updating the Risk Register and Risk Mapping;
- Monitoring the activities aimed at improving the ICS framework and risk management practices.

ANALYSIS OF SIGNIFICANT RISKS AFFECTING PERFORMANCE

Based on the results of the updating the Risk Register and Risk Mapping in 2015 in accordance with the approved Risk Management Policy, the risks associated with a lack of qualified engineering staff and inefficient procurement procedures, hitherto Critical, became

Major. At the same time, the risks of liquidity (cash deficiency) and changes in the exchange rate of the national currency (currency risk), hitherto Considerable, became Major, while environmental risks (water resource management) increased to Critical up from Major.

Migration of risks during 2014-2015 on SEVKAZENERGO JSC's risk mapping

Risk	2014	2015	Trend
LACK OF QUALIFIED ENGINEERING STAFF	■■■	■■■■	↻
INEFFICIENT PROCUREMENT PROCEDURES	■■■	■■■■	↻
LIQUIDITY DEFICIT	■■■■	■■■	↻
CHANGES IN THE EXCHANGE RATE OF THE NATIONAL CURRENCY	■■■■	■■■	↻
VIOLATION OF WATER RESOURCE MANAGEMENT REGULATIONS	■■■	■■■	↻

IN 2015



the enterprises of the Company passed through analysis of their activity including the system of internal control of the business process "Management of process for issuing technical specifications for connection to heat and electricity networks" with the view of control of risks in the sphere of issuing technical specifications for connection to heat and electricity networks and timely provision of such specifications.

OPERATIONAL RISKS

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

- Maintenance and repairs (risk: "Delays in construction and installation works during investment projects");
- Management of specifications issuance for connection to the grid (risk: "Causing damage to the Company through negligence of employees or third parties" and risk "Undermining the Company's reputation");
- Human resources management (risk: "Lack of qualified engineering staff");
- Environmental management (risk: "Violation of water resource management regulations").

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

In order to control the risks related to issuing specifications for connection to heat and power networks, as well as to reduce the risk of fraud and to ensure the timely issue of specifications in accordance with the internal controls system, the business process called "Management of the specifications issuance for connection to heat and power networks" was analyzed. Automation of the paperwork for specifications issuance by the entities of the Corporation is currently under consideration, also the websites of affiliated organizations are being filled with information on the workload of the power supply areas, also the possibility of filing applications online and load calculation by customers is currently under review.

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

FINANCIAL RISKS

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

Risk of higher prices for procured equipment, raw materials and supplies. The company is exposed to the risk of higher prices for procured coal, since the CHP equipment is designed to burn a particular type of coal bought from the same source, however, the Company's ability to monitor this risk and the extent of its impact on the operating profit are guaranteed by the government's regulation of coal prices and compensation of price increases through the mechanism of emergency regulatory measures.

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

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

The interest rate on the EBRD loans is based on Kaz-Prime and LIBOR interbank rates. The fact that the Company's liabilities are long term allows the Company to hedge this risk group naturally, as loans were made as an investment.

Credit risk. Arising as a result of the counterparties' failure to perform their contractual obligations associated with the Company's financial instruments, credit risk is normally limited to the difference between the liabilities of a counterparty to the Company and the Company's liabilities to this counterparty.

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

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

LEGAL RISKS

Violation of environmental regulations is a significant risk that is identified by the Company management as a legal risk. In order to control environmental risks and to reduce harmful emissions, SEVKAZENERGO's Petropavlovsk CHP-2 has reviewed the effectiveness of control procedures to ensure compliance with ISO 14001 international environmental management standard adopted by the Company. Based on the ICS analysis, recommendations have been provided on how to improve business process from the point of view of environmental protection.



SUSTAINABLE DEVELOPMENT

SEVKAZENERGO JSC adheres to the principles of sustainable development. Realizing high consequence of its operations the Company implements complex of activities aimed at expansion and increasing efficiency of interaction with all stakeholders.



IN 2015



the Company has prepared the report under Stakeholders Engagement Plan (SEP). In the course of report preparation a snap poll of SEVKAZENERGO JSC management was performed. Based on that ranking map of stakeholders was compiled and analyzed. Ensuring sustainable development and achievement of strategic targets of the Company is provided upon condition of observance of interests and responsible interaction with all stakeholders.

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

MATERIAL ASPECTS AND BOUNDARIES

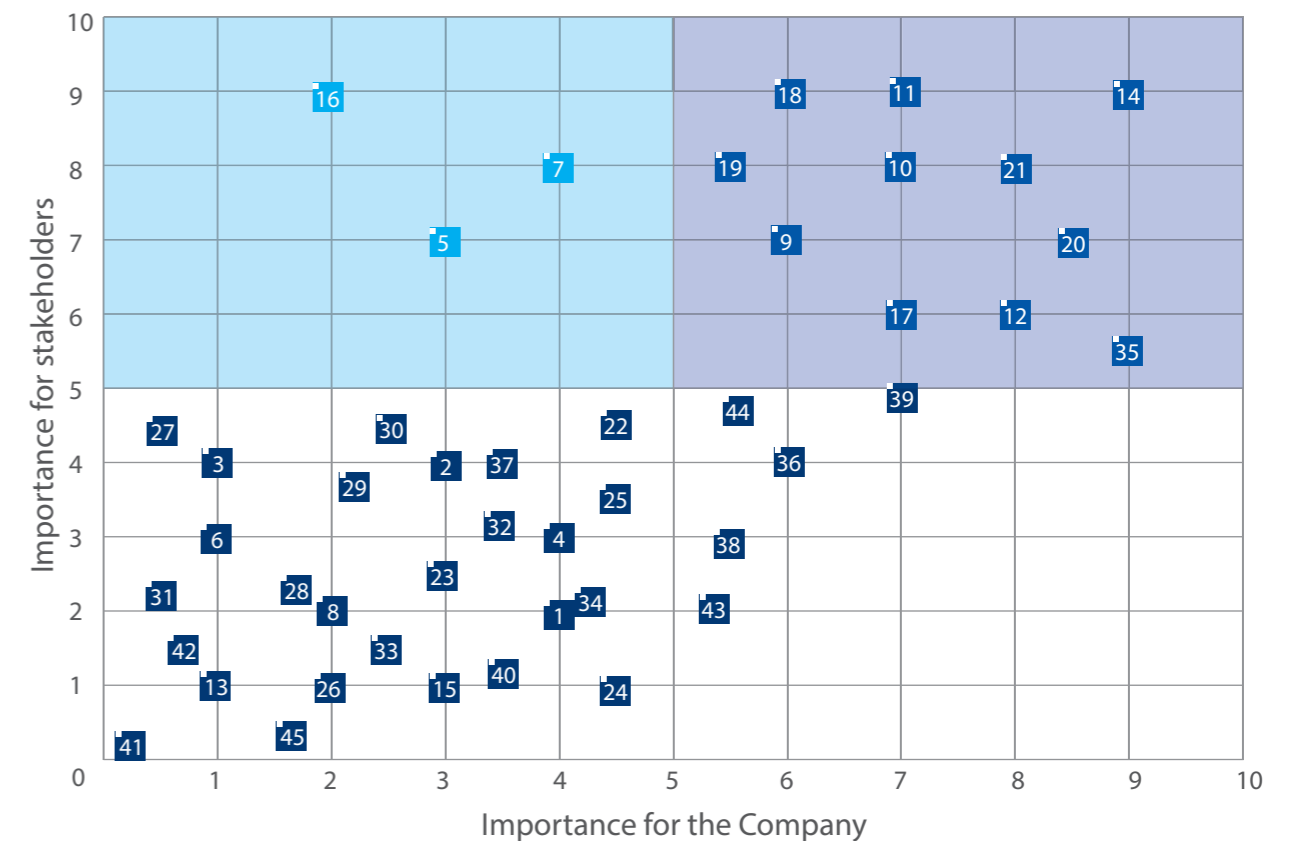
In accordance with the Principles for Defining Report Content of the GRI G4 Guidelines the materiality of the topics disclosed in the Report was assessed. The procedure of materiality assessment includes the following main stages:

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

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

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

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



List of Aspects

No.	Aspects	No.	Aspects
1	Economic Performance	24	Labor Practices Grievance Mechanisms
2	Market Presence	25	Investment
3	Indirect Economic Impacts	26	Non-discrimination
4	Procurement Practices	27	Freedom of Association and Collective Bargaining
5	Materials	28	Child Labor
6	Energy	29	Forced or Compulsory Labor
7	Water	30	Security Practices
8	Biodiversity	31	Indigenous Rights
9	Emissions	32	Assessment
10	Effluents and Waste	33	Supplier Human Rights Assessment
11	Products and Services	34	Human Rights Grievance Mechanisms
12	Compliance	35	Local Communities
13	Transport	36	Anti-corruption
14	Overall	37	Public Policy
15	Supplier Environmental Assessment	38	Anti-competitive Behavior
16	Environmental Grievance Mechanisms	39	Compliance
17	Employment	40	Supplier Assessment for Impacts on Society
18	Labor/Management Relations	41	Customer Health and Safety
19	Occupational Health and Safety	42	Product and Service Labeling
20	Training and Education	43	Marketing Communications
21	Diversity and Equal Opportunity	44	Customer Privacy
22	Equal Remuneration for Women and Men	45	Compliance
23	Supplier Assessment for Labor Practices		

STAKEHOLDER ENGAGEMENT

An important item of the sustainable development system is stakeholder engagement. Principles of stakeholders' identification and selection are governed by a regional aspect. Ensuring sustainable development and the achievement of strategic goals of the Company is possible, provided that the interests of all stakeholders are taken into account and that all stakeholders are treated responsibly. In 2015 the Company drafted a report the Plan of work with stakeholders - Stakeholder Engagement Plan (SEP). During

preparation of the Report management of SEVKAZENERGO JSC was snap polled and based on results of the poll a Company stakeholders ranking map was prepared and analyzed. Primarily cooperation is established with those stakeholders that significantly affect activity of the Company and those that can significantly affect it in medium term if the Company implements its strategic initiatives. In addition to the impact of the Company's activity on stakeholders was taken into consideration. **G4-SO1**

Key Stakeholders	Engagement Process	Issues Raised
Employees	Ensured via corporate newsletters and websites. Email addresses for employee queries and helpline. Group management hold meetings with employees. Labor disputes are resolved by the Conciliation Commission with participation of representatives of both the employer and the employee.	<ul style="list-style-type: none"> Occupational safety and health standards are respected; Employees are kept informed about the Company's activities; Support in professional development.
Communities	The Company has a comprehensive system for processing customer quarries and providing feedback with the help of Internet sites and email. Public hearings, round tables and other events are held.	<ul style="list-style-type: none"> Requests for rates for monopoly-controlled services are processed and approved; Implementation of investment program; The quality of services provided to customers, monitoring of following the requirements, for example, installing household energy meters and receiving technical specifications.
Government and regulatory authorities	Requests from the government and regulatory authorities are processed: some are answered, others are for notification purposes only. Employees participating in specialized and general meetings of the Group of Companies. Meeting official delegations.	<ul style="list-style-type: none"> Mitigation of the negative impact of industrial facilities on the city and region; Preparation for a heating season; Meeting investment obligations; Compliance with laws and regulations, including those on environmental issues.
Suppliers, contractors, customers	Tenders are organized and held, as well as meetings with contractors and customers. There is a feedback section on corporate websites of the Group Companies.	<ul style="list-style-type: none"> Creating a mutually beneficial partnership; Ensuring transparency of tender process.
Educational Institutions	There are meetings with representatives of the higher education institutions of the regions where the Company operates. Employees of the Group Companies participate in admission boards, qualifying commissions and accreditation of educational programs.	<ul style="list-style-type: none"> Hiring for industrial facilities; Internship and jobs for graduates.

Key Stakeholders	Engagement Process	Issues Raised
Mass Media	Every year, the companies within the Company arrange press tours, media briefings, press conferences, issue press releases and quickly answer queries.	<ul style="list-style-type: none"> Building up cooperation; Informing about implementation of the investment program to modernize and upgrade assets; Implementation of environmental regulations; Implementation of social projects.
Non-governmental organizations (NGOs)	NGOs representatives are regularly invited to participate in press tours and public hearings held during the year. Employees of the Group Companies participate in public meetings with representatives of small and medium-sized businesses. Meetings are held with leaders of NGOs that support socially vulnerable people, with participation of representatives from consumer right protection associations.	<ul style="list-style-type: none"> Assistance in addressing environmental and social issues.
Trade union	Interaction with trade unions is carried out through the organization of meetings and processing requests during operations.	<ul style="list-style-type: none"> Implementation of the collective bargaining agreement; Assistance in arrangement of leisure time and recreational activities for the employees.

ENVIRONMENTAL POLICY

ENVIRONMENTAL IMPACT MANAGEMENT G4-СПМ*

Environmental protection, consistent improvement of environmental performance and energy efficiency are key strategic priorities of SEVKAZENERGO JSC and an integral part of the sustainable development process. In 2015 the Company generated 2,809 mln kWh of electric energy and 1,860.7 thous. Gcal of heat energy. For energy generation 2,461.5 thous. tons of Ekibastuz coal and 3.3 thousand tons of mazut were consumed.

In order to minimize environmental impact the SEVKAZENERGO JSC Group of Companies consistently implements the environmental policy provided for by the Strategy of Company's Development in order to comply with the requirements of the environmental law and use the latest achievements in science and technology. **G4-EN1**

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

- emissions of pollutants into the atmosphere;

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

- emissions of greenhouse gas (CO₂) into the atmosphere;
- impact on water bodies due to water consumption;
- industrial wastes disposal.

Significant environmental aspects are managed through regular monitoring of environmental performance, assessment of compliance with the legislative and corporate requirements. Responsibility for monitoring, recording and analysis of listed environmental impacts of SEVKAZENERGO JSC assigned to environmental protection designated persons.

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

In addition, The Company informs the subsidiaries of the applicable legislative and normative requirements by including such requirements in agreements, specifications and requirements for contractors.

SEVKAZENERGO JSC intends to do its best to prevent a negative environmental impact and implement operating methods complying with the requirements of the

ISO 14001 international standard in all spheres of its activity.

Starting from 2009 SEVKAZENERGO JSC has been implementing an Environmental and Social Action Plan (ESAP) as a part of its Investment Program and in accordance with the Environmental Protection Policy of the

ATMOSPHERIC AIR PROTECTION G4-EN27

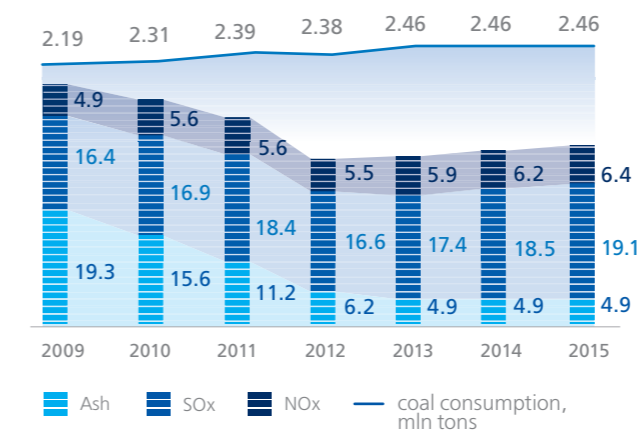
Emissions are one of the main environmental impacts. Replacement of the obsolete generating facilities having low energy and environmental efficiency by the new facilities complying with modern environmental protection requirements has the highest impact on emissions reduction by the Company. In order to improve its environmental performance from 2009 to 2014 SEVKAZENERGO JSC upgraded its fly ash collectors adding 2nd generation battery wet-type fly ash

European Bank for Reconstruction and Development in regard of the EBRD-financed projects. Actions of the Environmental and Social Action Plan are aimed at the improvement of the environmental attributes of the production process, as well as of the Health and Safety Policy in the companies of SEVKAZENERGO JSC.

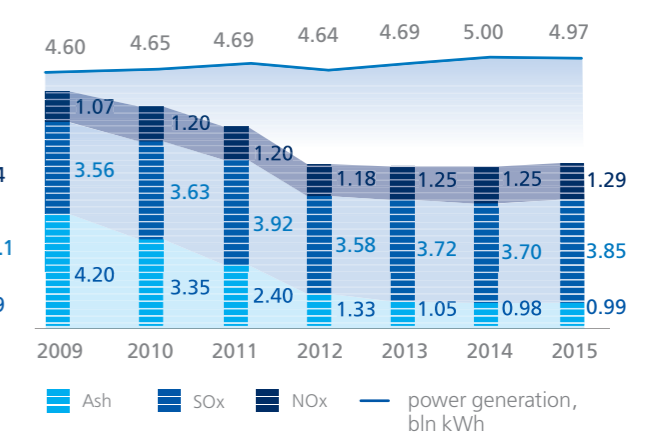
collectors on all boiler units, which increased the degree of purification of flue gases and ensured lower costs of enterprises. The actual purification rate after installing centrifugal wet dust collectors reached 99.5% up from 95.9%. This action allowed to reduce total annual coal ash emissions from 19,3 thousand tons to 4.9 thousand tons per annum (75%). Over the course of 2015 at Petropavlovsk CHP-2 SEVKAZENERGO JSC introduced additional capacities in the form of a single turbine.

G4-EN1

Gross pollutant emissions in 2009–2015, thous. tons



Specific pollutant emissions in 2009–2015, mg/MWh



MITIGATION OF ENVIRONMENTAL IMPACTS, ENVIRONMENTAL MEASURES

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

- replacement, reconstruction and modernization of main equipment ensuring efficient removal, disposal, neutralization, rejection and decontamination of pollutants in the gas from pollutant emission sources, reduction of energy consumption for internal needs, better accounting of fuel consumption, reduction of specific fuel indicators per a unit of generated product;
- capital and current repairs of dedusting units are carried out (repair of ash collectors worn elements;

- a number of actions for reconstruction of boilers (dismantling of obsolete boilers with high concentration of hazardous substances in combustion gas, replacement of burners), which resulted in reduction of hazardous substances emissions into the atmosphere;
- current repairs for maintaining main equipment operation in compliance with the Technical Regulations of the RK (No. 1232 dated 14.12.2007);
- installation of automated process control system (APCS) at boilers of power plant No. 63-90 K-1 No. 1 of SEVKAZENERGO JSC.

GREENHOUSE GAS (CO₂) EMISSIONS
G4-EN15

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

For greenhouse gas monitoring in accordance with the guideline regulatory documents a calculation method is used; it provides for accounting of emissions from normal (regular) production activity, special practices (commissioning works, process shutdown, repair and maintenance) and emergencies. Greenhouse gas emissions are assessed in accordance with normative documents.

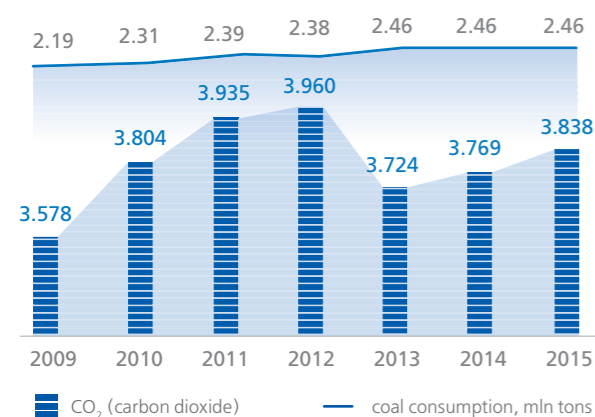
On March 26, 2011 a loan agreement between the Petropavlovsk heat networks LLP and the European Bank of Reconstruction and Development (EBRD) with attraction of investments from the Clean Technology Fund (CTF) was signed. The project aims at reconstruction and modernization of district heating networks during the period 2011–2015 in Petropavlovsk in order to improve

energy efficiency, reduce losses and improve environmental performance (reduction of CO₂ emissions by coal consumption reduction due to reduction of heat losses during transmission over pipelines).

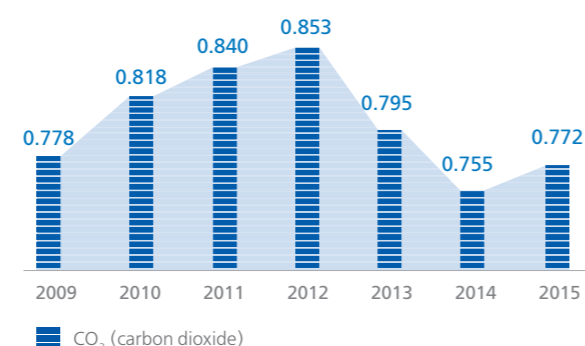
A tool for greenhouse gas reduction at the SEVKAZENERGO JSC is an Energy Saving Program and the improvement of overall fuel efficiency associated with increase in the share of the energy generated by new power generating units, as well as implementation of the ISO 50001 Energy Management Systems standard (energy saving actions) at the companies; these actions aim at both increase of energy efficiency of production processes and reduction of greenhouse gas emissions (CO₂). The gross greenhouse gas emissions slightly increased in 2015, compared to 2014 (1.8%) and amounted to 68.070 mln tons CO₂, due to increase of burnt fuel (coal, mazut). Specific indicators of greenhouse gas emissions, associated with generation of heat and electricity also show a slight rise in 2015. **G4-EN19**

G4-EN18

Gross emissions of CO₂ in 2009–2015, mln tons



Specific CO₂ emissions per unit of generated energy in 2009–2015, ton/MWh



ENVIRONMENTAL EXPENDITURES

In order to improve efficiency of environmental protection, SEVKAZENERGO JSC increases financing of environmental actions. Total amount of the expenditures in 2015 was 3,424.4 KZT mln that is 1,81% more than in 2014 (62.1 KZT mln). The amount in 2014 equaled to 3,362.3 KZT mln. For all new construction and reconstruction projects an Environmental Impact Assessment

(EIA) project is prepared; its information is communicated to local communities and interested people through public hearings. To confirm compliance with the environmental standards of the Republic of Kazakhstan all projects pass state environmental examination in the territorial environmental regulatory authorities.

G4-EN31 Environmental expenditures, KZT mln

Expense name	Expense amount, KZT mln		
	2013	2014	2015
Investment expenditures	2,999.9	2,911.7	3,000
Expenses for capital repair of environmental fixed assets	259.5	212.9	131.5
Working expenses	29.9%	237.7	292.9
Total	3,289.3	3,362.3	3,424.4

A common component of the Company's activities is the compliance with legislation in the field of environmental protection and power generation. In 2015, the state authorized bodies found no significant violations of the environmental law and other regulations in the environmental activity of the company (one random check of

SEVKAZENERGO JSC was carried out by the Department of Ecology of the North-Kazakhstan region, Republican State Body) The total amount of the fines has decreased by 89%, compared to 2014 and amounted to 396 KZT thous. **G4-EN29**

WATER MANAGEMENT AND WATER RESOURCES CONSERVATION
G4-EN8

Water resources use is an integral part of production process of the companies and it plays a key role in the process of equipment cooling. For energy production process the Petropavlovsk CHP-2 have to use water from the pond created in 1959–1961 partially within the boundaries of the Bolshoye Beye lake (8 km away from the city); this lake does not belong to the protected nature sites or the sites of national and/or international significance, and it is not valuable from the point of view of biodiversity. In accordance with the design data, surface area of the cooling pond is 10 km², volume of water at full reservoir level is 20.187 mln m³, the pond is used at 130–131 m level that corresponds to the volume of 15.3 mln m³. In order to minimize damage to the environment and at the same time to ensure smooth-running operation of the company, laboratory of SEVKAZENERGO JSC arranged a production monitoring of hydrochemical parameters of water and the water bodies where water is discharged. Control of relevant pollutants in water depends on peculiarities of hydrochemical parameters, changes in their trend by seasons

and during the year for water bodies of the Ishim river, Bolshoye Beye lake, as well as character and peculiarities of formation of quantitative and qualitative indicators under conditions of a landlocked body of water (cooling pond). Composition and pollution rate of discharged waters is monitored by a specialized accredited laboratory on a weekly basis.

Key role in water use management is to use water more efficiently, that provides for reduction of negative impact on the environment. The enterprise has drinking water supply systems, storm and domestic sewerage systems. Water for domestic, drinking, fire-fighting needs is supplied and discharged in a centralized manner, via city water supply and sewage networks based on an agreement. Production water supply system is a closed-circuit water system.

In 2015 SEVKAZENERGO JSC consumed 11,159 thous. m³ of water for water supply, main part of that was water of the closed-circuit water system.

G4-EN9, G4-EN10 Total water consumption by sources, thous. m³

Indicator	2013	2014	2015
Total water used, including:	13,404	11,690	11,159
from surface-water bodies	14,309	11,562	11,032
from third-party suppliers	116	128.8	127
From subterranean water bodies	-	-	-
From closed-circuit water systems	0	0	0
from water reuse	0	0	0

G4-EN22 Volume of discharged waste water, thous. m³ (discharged to third parties)

Indicator	2013	2014	2015
Total generation of waste water	116.1%	128.8	126.9
Discharged to third parties	116.1%	128.8	126.9
Discharged to surface water bodies, including			
Normatively clean	0	0	0
Normatively treated	0	0	0
Insufficiently treated	0	0	0
Impurities without treatment	0	0	0

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

- modernization of industrial water closed-circuit systems, water recycling, system preventing contamination and depletion of water resources (current repair of 3 drainage pumps and maintenance of 2 deep-well pumps were performed);
- monitoring of qualitative and quantitative characteristics of water (water was analyzed in accordance with the approved schedule);
- actions for improvement of qualitative composition of discharges water, improvement of efficiency of effluent treatment facilities (cleaning of the installed Rubezh 45 floating booms) are carried out on an annual basis;

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

- since 2011 at SEVKAZENERGO JSC a fish protection structure is installed in order to prevent fish from entering the water intake are; grid's cross-section at water-intake valve and cage is at least 3*3 mm, this device is cleaned on an annual basis;
- floating booms at discharge channel are cleaned on an annual basis in order to prevent oil-products penetration into a water body;
- for improvement of biological state of the lake part of discharge channel, bottom cleaning works are carried out on an annual basis for water temperature reduction and water aeration.

EFFICIENT MANAGEMENT AND DISPOSAL OF PRODUCTION WASTES
G4-EN23

Ash wastes, which represent 99% of the total amount of SEVKAZENERGO JSC wastes, are stored in specially equipped water development facilities of plane type – ash dumps. Compliance with the environmental law of the Republic of Kazakhstan during creation of new reservoirs for ash wastes storing allows to prevent

environment contamination by ash production wastes and ensure stable operation of CHPPs. Total volume of wastes generation at the plant in 2015 amounted to 1,035.6 thousand tons, including 1,029 thousand tons of ash wastes, 6.7 thousand tons of industrial and domestic wastes. Increase in waste generation vs. 2014

is by 10.6 thous. tons is due to increase of share of ash wastes of the green hazard list in the general structure of wastes. It is caused, in its turn, by increase in share of coal in the fuel balance of SEVKAZENERGO JSC.

Other wastes, generated in the result of production activity of the company are transferred for further processing, recycling or final disposal to the specialized companies operating at the territory of the republic. The most significant action related to soil protection from production and consumption wastes is compliance with the rules on waste temporary storage and disposal methods.

Efficient management of ash dumps and gradual increase of share of ash wastes efficient use is one of the key areas of waste management activity of the Company. Thus, in 2015 based on concluded agreements 14.04 thous. tons of ash wastes (fly ash light fraction) were sold for usage in road construction.

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

- recultivation of ash dump No.3;
- management of sites for storage of the wastes generated during modernization and construction of power facilities (preparation of sites, installation of containers).

It's worth noting that during construction of new ash disposal pits an innovative technology – Canadian poly-synthetic geomembrane – was used. Use of the special film – geomembrane – allows to achieve 100% water proofing. It is a reliable and durable impervious screen ensuring protection of soil and ground water against contamination due to the chemical components contained in clarified water of the hydraulic ash removal (HAR) closed-circuit system.

Total weight of generated wastes, thous. tons

Indicator	2013	2014	2015
Ash wastes	1,024	1,022	1,029
Other types of wastes	2.8	2.9	6.7

Wastes by hazard levels, thous. tons

Indicator	2013	2014	2015
Wastes generation:	1,027	1,025	1,036
Green list	1,027	1,025	1,036
Amber list	0.012	0.011	0.014
Red list	-	-	-

Wastes by method of handling, thous. tons

Indicator	2013	2014	2015
Wastes generation	1,027	1,025	1,036
including ash wastes	1,024	1,022	1,029
Wastes used at the company	1.8	1.4	0.651
Wastes decontaminated	0.019	0.018	0.009
Wastes transferred to third parties	0.988	1.6	6.0
Wastes disposed at company's own sites	1,026	1,023	1,016
including ash and slag wastes	1,024	1,022	1,015

**ENVIRONMENTAL MANAGEMENT SYSTEM**

Subsidiaries of SEVKAZENERGO JSC were among the first in the Northern Kazakhstan region that obtained a certificate of compliance with the ISO 14001 international environmental management standard.

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

During the reporting period the TÜV Rheinland Inter Cert company (leader in the independent examination and certification industry) carried out supervisory and re-certification audits of compliance of the subsidiaries of SEVKAZENERGO JSC with the international standards ISO 14001 (Environmental Management System), ISO 9001 (Quality Management System), OHSAS 18001 (Occupational Health and Safety Management System). As a result, the Company obtained the certificates of integrated management system (IMS), proving its efficiency, effectiveness and focus on improvement.

**GRIEVANCE MECHANISM
G4-EN34**

The units of the Company that work directly with customers and the population keep records of submitted complaints and grievances as follows:

- by a hotline;
- by recording of grievances of natural persons and legal entities in special log books;

- by audio recording and keeping records for 30 days (all appeals are considered, they are replied in written and required actions are taken);
- by holding public hearing with population of the city with attendance of mass media (local TV-channels) and publishing information in local print press before starting implementation of the projects related to modernization and reconstruction of power facilities;
- by daily receiving claims from the customers concerning insufficient heating supply by phone and in written form;
- in order to improve grievance mechanisms, on the official website the following columns were created: "Customer Service Headquarter", "Anti-corruption", "Questions-Answers", "Feedback"; they are used to receive the grievances submitted by external stakeholders, published in mass media, posted in blog of city and region akimat's management, received through monitoring of the information field in external environment.

During the reporting period the Company received 26,097 appeals from customers, 328 of them were of "complaint" type or mentioned negative fact, including 24 grievances received via hotline. All the appeals were replied, all grievances were considered, and the actions were taken to remedy negative consequences. Companies of SEVKAZENERGO group received 4,001 letters and appeals from governmental and regulatory authorities, out of them 1,783 were replied in written, other were for information only.

No grievances related to the environmental impact were received.

INFORMATION POLICY

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

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

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

The principles of the Company's information policy include:

- equal accessibility to information for all stakeholders, investors and other stakeholders;
- Equal rights for all shareholders and their representatives with respect to access to information;
- Providing information in a regular and timely manner;
- Accuracy and completeness of information;
- Prompt disclosure and accessibility of the information disclosed;
- Observation of privacy in relation to information, considered as a state, official or business secret;
- Monitoring the use of insider information.

The purpose of the Information Policy is to ensure effective interaction with various groups, including:

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

In 2015, SEVKAZENERGO regularly informed the above groups about its activities by publishing fresh data on its corporate website, placing information in the media, responding to inquiries, organizing public hearings, press tours, round tables and other events.

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

HUMAN RESOURCES AND SOCIAL POLICY

HUMAN RESOURCES MANAGEMENT POLICY

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

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

The Company is strengthening its Human Relations Policy by engaging professional employees of various level, retaining highly qualified employees, providing continuous professional training and development for

employees, opening up opportunities for professional growth of initiative young employees, creating a talent pool and managing talents.

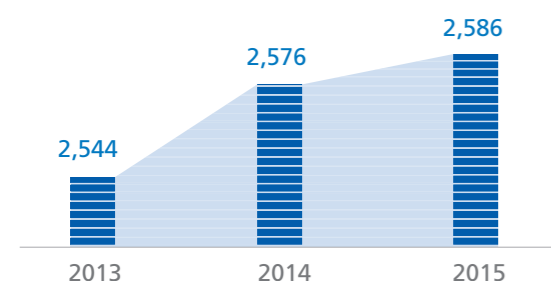
The Human Rights Policy of the Company is based on the following principles:

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

EMPLOYEE HEADCOUNT AND QUALITY

Payroll headcount of the Company was 2,586 persons as of December 31, 2015 vs. 2,576 persons in 2014 and 2,544 persons in 2013. This headcount increase of 0,4%

Payroll headcount trend, pers.



vs. 2014 is due to reduction of personnel turnover and hiring persons for vacant positions.

Number of employees on payroll by companies within the Group of Companies of SEVKAZENERGO JSC for year 2015 G4-LA1

Company name	Number of employees
SEVKAZENERGO JSC	841
North-Kazakhstan regional electric distribution company JSC	1,235
Petropavlovsk heat networks LLP	286
Sevkazenergosbyt LLP	224
Total:	2,586

EMPLOYEE STRUCTURE BY CATEGORY AND GENDER

Due to the nature of the business, the Company's employee structure is dominated by men, with a share of 64.3%. Production personnel are mostly blue-collar workers, with men occupying 72.2%.

In 2015, the "managers" made up 14% of the total employee headcount, which is an optimal rate. At the same time, the share of male employees in this employee category is 72.9% and share of female employees is 27.1%.

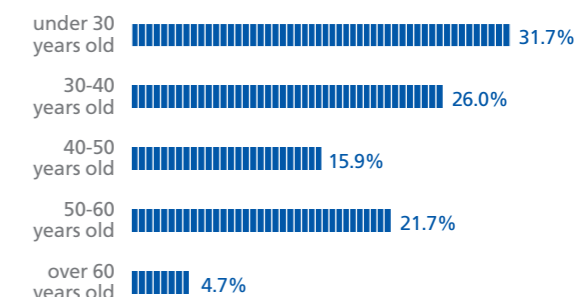
Employee category	Total		including men		women	
	persons	%	persons	%	persons	%
Payroll Headcount	2,586	100	1,663	64.3	923	35.7
managers	361	14	263	72.9	98	27.1
white-collar workers	691	26.7	292	42.3	399	57.7
blue-collar workers	1,534	59.3	1,108	72.2	426	27.8

EMPLOYEE STRUCTURE BY AGE G4-LA1, G4-LA12

There is a high proportion of the Company's workers in the most productive age bracket – under 40 years old – they make up 57.7% of the total headcount. Employees over 60 years old make up 4.7%.

In order to maintain optimal balance between young and highly qualified employees as a part of the Young Personnel Management Policy the Company carries out actions aimed at good-quality planning, attraction and retention of skilled employees of various levels, provision of continuous professional training and development for employees, opening up opportunities for professional growth of initiative young employees.

Employee structure by age



EMPLOYEE EDUCATION LEVELS G4-LA10

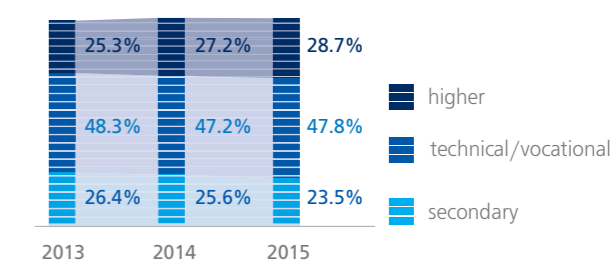
In general, in 2013–2015 the Company has an increasing trend in the share of the employees with higher education.

In 2015, 22 employees completed higher education correspondence training, including 15 employees in their job related fields; 12 employees completed technical/vocational correspondence training.

In total in 2015 share of employees with a higher education in the Company made up 28.7% of the total headcount: this is an increase of 1.5% vs. 2014, and 3.4% vs. 2013.

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

Educational level trend



TRAINING AND DEVELOPMENT OF PERSONNEL G4-LA10

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

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

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

In 2015, 2,001 persons (77,4% of the total headcount) were trained, including 1,392 persons of production personnel (53.8%) on a compulsory basis.

In order to develop professional and managerial skills 121 employees from top-managers and all executive-level managers received corporate training in 2015.

In 2015 in order to enhance professional profile of employees of the company and prepare them for related occupations 288 persons were trained

Item	2013	2014	2015
The number of employees who received training, retraining, or professional development, including:	1,275	1,537	2,001
Safety precautions, fire safety guidelines and operating procedures (initial training, qualification, certification/re-certification), courses for managers	985	1,162	1,392
ISO9001, ISO14001, OHSAS1800 quality management system training (including questions on environmental protection, internal audit and risk management)	26	17	2
Related occupations training	150	250	288
Civil defense and emergency training	0	1	2
Other (professional development, seminars, workshops, etc.)	114	107	317

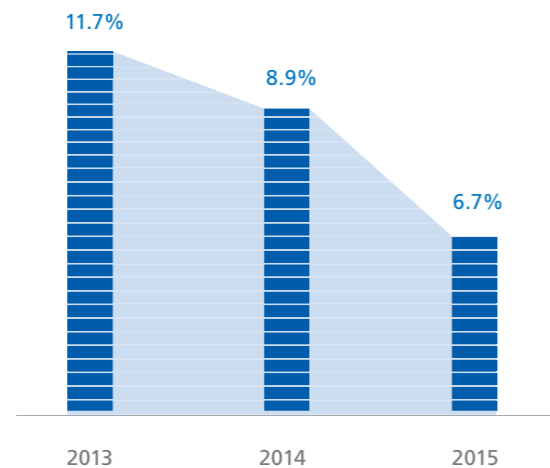
EMPLOYEE TURNOVER G4-LA1

In 2015, employee turnover rate of the Company in general was 6.7%, that is 2.2% lower than in 2014 and 5% lower than in 2013. Turnover rate reduction is due to implementation of a number of improvement initiatives aimed at improvement of this indicator:

- Annual differentiated increase of salary level;
- Promoting mentoring and incentives for young specialists;
- Training, professional development and corporate training on the account of the Company;
- Tangible and intangible incentives for employees. Talent Pool G4-LA10

In order to ensure availability of required personnel reserves for managerial positions of various levels the subsidiaries of SEVKAZENERGO JSC in 2015 created a talent pool of 317 managers for senior, middle and junior management positions. Succession planning is based on individual programs of professional and management training, including training in the own training centers, skills improvement, internships, mentoring, performing management functions and temporary employee relocation. In 2015, 14 people from the talent pool were appointed to management positions. The company carries

Turnover Rate



out work for external talent pool creation, also including graduates of educational institutions. Thus, in 2015 the company arranged 10 field trips, 147 students had vocational training.

ATTRACTING YOUNG SPECIALISTS G4-LA12

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

On November 30, 2015 a social partnership three-party agreement between SEVKAZENERGO JSC, higher and vocational educational institutions and the National Chamber of Entrepreneurs of the North-Kazakhstan region was signed; it is aimed at identifying key areas of works, rights and duties of the parties under the Program

for support of young specialists. The PROFENERGY project has many benefits for students and it will be implemented in 2016.

This Program includes the following actions aimed at attraction of students to the Company:

- payment for vocational training;
- competition of scientific papers;
- participation in examination boards.
- temporary employment during vacation periods;
- granting educational scholarship.

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

- providing student loans for passing correspondence training in the job-related fields;
- payment for an educational leave;
- reimbursement of expenses for transport to the place of training for those who studies outside Petropavlovsk;

- bonus for successful graduation.

61 young specialists work at the SEVKAZENERGO group of companies, 22 of them were hired in 2015. Thereat number of hired employees with technical/vocational education is 21 persons (95.5%), with higher education – 1 person (4.5%).

60 employees are enrolled in higher education programs via correspondence, including 48 employees in their job related fields, that is 80%, 57 employees are enrolled in technical/vocational training programs via correspondence, including 56 employees in their job related fields, that is 98%.

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

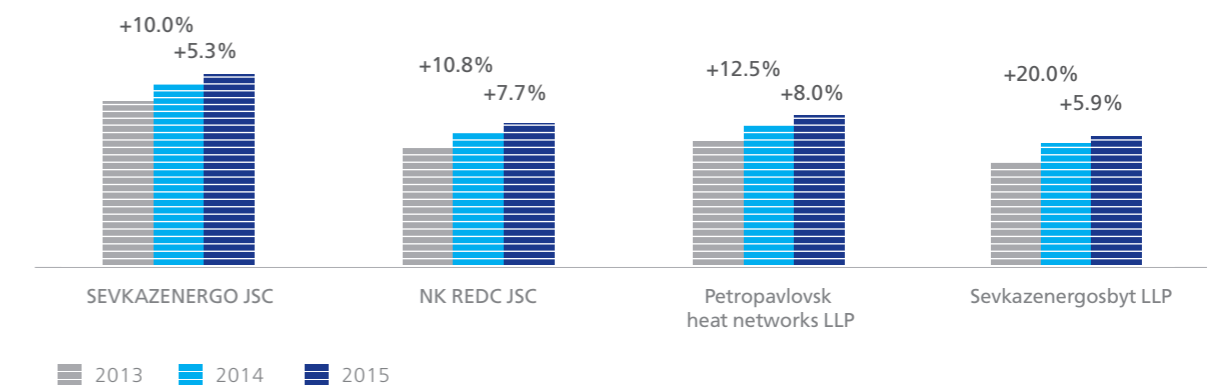
EMPLOYEE MOTIVATION AND REMUNERATION

The goal of the Company’s motivation and remuneration system is to attract, retain and motivate employees to ensure the Company can achieve its mission and business targets at an optimal cost. Average income in the companies of the SEVKAZENERGO group in 2015 increased by 6.7% vs. 2014 and by 18.7% vs. 2013.

In 2015 actions for transition to a Unified Remuneration System in subsidiaries of SEVKAZENERGO JSC were taken; they aim at creation of flexible tangible incentives taking into consideration internal and external

factors, including remuneration distribution based on type of participation in the production process, analysis of social factors and labor market in the regions where the Company operates. The new remuneration system provides for the use of a comprehensive approach for identifying remuneration level depending on a complexity of the job and a level of professional and personal skills of an employee; it aims at intensifying employee’s motivation to improving labor productivity, professional skills and qualification.

Average earnings growth rate by subsidiary of SEVKAZENERGO JSC



INTANGIBLE INCENTIVES

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

Based on performance in 2015, 28 employees received corporate awards for operational excellence, 12 employees and veterans received state awards, 2 employee received awards from the CIS Electric Power Council, 4 employees received awards from the Kazakhstan Energy Association.

INTERACTION WITH TRADE UNIONS G4-LA4

At companies of the SEVKAZENERGO group a Unified Collective Bargaining Agreement for 2014–2016 is concluded, they also have active trade unions. The Company’s social policy is determined together with the workers and trade unions representing them.

retirees and veterans of the companies. When designing a Collective Bargaining Agreement for the Group of Companies SEVKAZENERGO, the principles of economic feasibility, sufficiency, joint responsibility and transparency were taken into account.

Collective bargaining agreements provide social guarantees and benefits for employees, their families,

Item	2013	2014	2015
Number of employees in trade unions, pers.	1,862	1,844	1,822
Percentage of total headcount, %	73.2	71.5	70.5

OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY STRATEGIC GOALS AND IMPLEMENTED ACTIONS

Health and Safety of employees is one of the most important priority tasks under the Company’s Strategic Development Program. Occupational injuries and diseases prevention is has priority importance when making any decision on operational activity for electrical and heat energy production.

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

- injury reduction;
- improving workplace safety and the occupational safety and health management system;
- improving working conditions;
- preventing unsafe actions of employees through systematic training and drills on safe techniques and skills;
- improving employee incentive system in the field of occupational health and safety;
- development and implementation of uniform corporate standards on occupational health and safety;

- study and communication of modern best practices, best practices in occupational health and safety.

In 2015 a supervisory audit for compliance with the OHSAS 18001 international occupational health and safety standard was carried out in SEVKAZENERGO JSC. The company confirmed its compliance with the system’s requirements.

The fundamental liabilities in the health and safety area are the following:

- protection of health and life of the employees of the SEVKAZENERGO group of companies and the representatives of third parties present at its territory;
- compliance with the relevant legislative and normative requirements, related to risks and performance in the sphere of occupational health and safety;
- provision of required resources in order to achieve set tasks and objectives;

- performing activities aimed at reducing and preventing accidents;
- continuous improvement of the quality of operation and maintenance, reducing injuries, improving working conditions, reducing emissions and waste from energy production, improving ecological conditions and occupational safety. **G4-LA5**

In order to achieve fulfillment of these liabilities the following documents were developed and implemented in 2015:

- Regulation on the procedure of medical examination of employees of CHP-2 of SEVKAZENERGO JSC;
- Regulations on carrying out qualification knowledge checks in the sphere of health and safety, power plants and networks operation, providing premedical care to injured persons, fire safety, special rules;
- Regulations on the procedure for investigation and accounting if incidents at companies of the SEVKAZENERGO group;
- IMS 06.06/01 Guidelines. Occupational health and safety management.

In addition to that, the following practices were implemented:

- Introductory, initial at work place and periodical safety trainings are carries out using teaching aids and visualization by presentation slides and films; after introductory the training obtained knowledge of each employee is assessed by means of check-lists.
- Three-stage control: The 1st control stage is performed on a daily (shift) basis by a line manager of works (team leader, person in charge of the plant, shift foreman, etc.) both in the beginning and in the end of a work day (shift). The 2nd control stage is performed by a manager of a subdivision (head of section, shop, senior foreman, etc.) at least once per month with participation of the persons in charge of health and safety. The 3rd control stage is performed by a committee headed by one or head of the company at least once per month and covering all production subdivisions. The third stage is performed independently on spring/autumn technical checks of buildings, structures, vehicle that are carried out

- for preparation to supper and winter operation conditions.
- Carrying out Health and Safety Days that allow to check compliance with normative requirements deeper and in more details.
- Daily checks of work places compliance with the work-permit system requirements by technical inspectors.
- Qualification knowledge checks in the sphere of health and safety, power plants and networks operation, providing premedical care to injured persons, fire safety, special rules is carried out in two stages – testing and oral interviews based on question cards. Its introduction allows to deeper check knowledge of normative requirements in the sphere of health and safety, power plants and networks operation, providing premedical care to injured persons, fire safety, special rules of employees.
- The Company has a developed list of hazards for each work place in the subdivision, which includes dangerous and hazardous industrial factors impacting each work place, conditions of their appearance, object of impact, undesirable events, risks assessments and measures of control. Heads of structural subdivisions develop actions for mitigation of hazards and risks, implement and carry out impact monitoring and analysis.



TYPES AND RATES OF OCCUPATIONAL INJURIES

During the reporting year there was 1 incident in the companies of the SEVKAZENERGO group (Petropavlovsk CHP-2, SEVKAZENERGO JSC).

Type of the incident that caused injury is exposure to moving pieces and elements.

Causes of the incidents were:

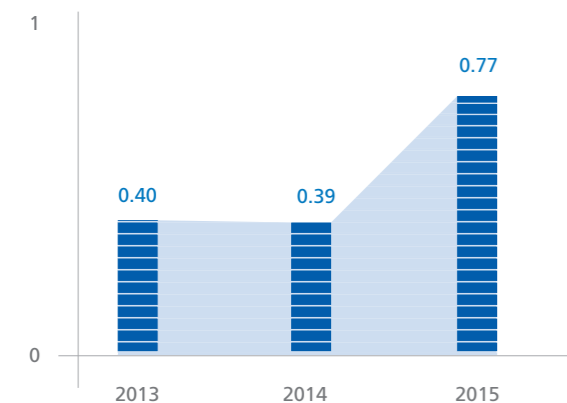
- gross negligence of the injured person;
- unsatisfactory organization of works.

It is important to note that there were no fatalities in 2015. The production injury rates of the Company are presented in the Table and charts below. **G4-LA6**

Types and Rates of Occupational Injuries

	2013	2014	2015
Payroll Headcount	2,544	2,576	2,586
Number of injury cases	1	1	1
Number of injured persons / number of women among them	1/0	1/0	1/0
Number of fatalities	1	1	0

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

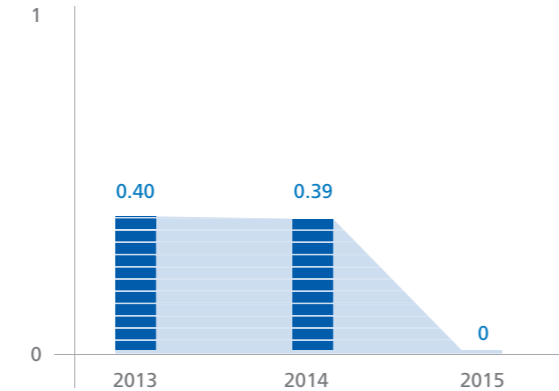


Total Incident Frequency Rate (TIFR) per 1,000 of employees was calculated in accordance with the following formula:

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

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

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



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

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

n₁ – total number of fatalities in the reporting period;
N – average payroll headcount.

In 2015 the Company implemented the following practice:

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

For occupational injuries prevention, monitoring and accounting of health and safety violations the Company carries out the following work:

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

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

Main health and safety preventive measures performance indicators

	2013	2014	2015
Number of occupational health and safety meetings held	226	184	190
Number of Occupational Health and Safety Days held	76	76	86

In 2015, the actual cost of occupational safety and health activities for the Company totaled 68.4 million tenge.

Employees were provided, as per norms, with personal protective equipment, including electric safety devices, special fats and medical supplies.

EMPLOYEES OF THE COMPANY WHOSE PROFESSIONAL ACTIVITY BEARS HIGH INJURY RISK G4-LA7

Works related to maintenance and repair of power equipment bears high injury risk. A particular for employees is the electric current, therefore for the employees of the Company, whose professional activity involves a high risk of injury, are electricians/electric fitters.

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

- personnel is trained;

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

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

PLANS FOR THE FORTHCOMING PERIOD

In 2016, the company intends to conduct the certification of working conditions of production facilities.

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

CORPORATE EVENTS



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

During the year 2015 employees of SEVKAZENERGO JSC retained honorable second place in the Densaulyk annual sports event in various sport contests.

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

In 2015 to celebrate the 50-years anniversary the Petropavlovsk heat networks LLP arranged a concert where the employees were solemnly awarded. As a part of celebration events a child picture competition among the children of company's employees and the Zhuldyzdar sponsored family of the State Institution Regional child boarding school for orphans and children without parental support of the North-Kazakhstan region was held, winners of this competition wer awarded with prizes and certificates.



CHARITY AND SPONSORSHIP

SEVKAZENERGO JSC for many year has been providing sponsorship to children of the Zhuldyzdar sponsored family – pupils of the State Institution Regional child boarding school for orphans and children without parental support of the North-Kazakhstan region. The company congratulates pupils on holidays, birthdays and other events, gives presents and organizes their leisure.

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

Every year, all companies of the Company honor the WWII and labor veterans, providing material support to the non-working retirees in the form of food packages, cash rewards and coal supplies. On the eve of anniversaries and celebrations, representatives of the company visit retirees, then articles about the their biography and employment at the company are published in the corporate newspaper.

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



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

Table of Report's Compliance with the GRI G4 Guidelines

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
Strategy and Analysis				
1.	G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Completely	Section: Letter of the Chairman of the Board of Directors, page 10-11 Section: Letter of the General Director, page 12-13
2.	G4-2	Description of key impacts, risks, and opportunities	Completely	Section: Analysis of the risks having significant impact on performance, page 55-57
Organizational Profile				
3.	G4-3	Name of the organization	Completely	Section: Company's profile, page 3
4.	G4-4	Primary brands, products, and/or services	Completely	Section: Company's profile, page 3 Section: Business model, page 16
5.	G4-5	Location of the organization's headquarters	Completely	Section: Contacts, page 96
6.	G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the Report	Completely	Section: Geography of operations, page 6
7.	G4-7	Nature of ownership and legal form	Completely	Section: Company structure, page 17
8.	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Completely	Section: Geography of operations, page 6 Section: Subsidiaries, page 18-19
9.	G4-9	Scale of the organization, including: <ul style="list-style-type: none"> total number of employees; total number of operations; net sales; total capitalization broken down in terms of debt and equity; quantity of products or services provided 	Completely	Section: Personnel and social policy, page 70-74 Section: Key performance indicators for 2013-2015, page 5 Section: Results in 2015, page 34-37 Section: Financial and economic indicators, page 37-40
10.	G4-10	Total number of employees by employment contract and gender; <ul style="list-style-type: none"> total number of permanent employees by employment type and gender; total workforce by employees and supervised workers and by gender; total workforce by region and gender; portion of the work performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors; seasonal variations in employment numbers 	Partially	Section: Personnel and social policy, page 70-74
11.	G4-11	Percentage of all employees covered by collective bargaining agreements	Completely	63% of employees are covered by a collective bargaining agreement.
12.	G4-12	Organization's supply chain	Completely	Section: Business model, page 16

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
13.	G4-13	Significant changes during the reporting period regarding the organization's size, structure or ownership, including: <ul style="list-style-type: none"> changes in the location of, or changes in, operations, including facility openings, closings, and expansions; changes in the share capital structure and other capital formation, maintenance, and alteration operations; changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	Partially	Section: Organizational structure, page 44-45 Section: Share capital structure, page 43
14.	G4-14	Application of the precautionary approach	Completely	Section: Environmental expenditures, page 64-65
15.	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Completely	Section: Environmental Impact Management, page 62-63 Section: Greenhouse gas emissions, page 64 Section: Environmental management system, page 68
16.	G4-16	Memberships of associations, industry and/or national and international advocacy organizations in which the organization: <ul style="list-style-type: none"> holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic 	Partially	The Company is a member of the Kazakhstan Electricity Association.
Identified Material Aspects and Boundaries				
17.	G4-17	List of the legal entities included in the organization's consolidated financial statements	Completely	Section: About the report, page 3
18.	G4-18	Methods of defining the report content and the Aspect Boundaries; Explanation of how the organization has implemented the Reporting Principles for Defining Report Content	Completely	Section: Material aspects and boundaries, page 59-60
19.	G4-19	List of all the material Aspects identified in the process for defining report content	Completely	Section: Material aspects and boundaries, page 59-60
20.	G4-20	Description of each material Aspect, the Aspect Boundary within the organization (including list of entities or groups of entities specified in clause 3.2 and for which the Aspect is material)	Partially	Section: Material aspects and boundaries, page 59-60
21.	G4-21	Description of each material Aspect, the Aspect Boundary outside the organization (including a list of entities, groups of entities, elements and geographical regions for which the Aspect is material)	Partially	Section: Material aspects and boundaries, page 59-60

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
22.	G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Completely	Indicators were not changed and are comparable with the data provided in previous annual reports of the Company.
23.	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Completely	A Sustainable Development report is prepared for the first time.
Stakeholder Engagement				
24.	G4-24	List of stakeholders engaged by the organization	Completely	Section: Stakeholder engagement, page 61-62
25.	G4-25	Basis for identification and selection of stakeholders with whom to engage	Completely	Section: Stakeholder engagement, page 61-62
26.	G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group; indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Partially	Section: Stakeholder engagement, page 61-62
27.	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Completely	So far the Company does not include stakeholders in the process of annual report preparation directly, however it is planned to be done in future. In particular as a part of this Sustainable Development Report a Feedback form was prepared in order to get a feedback from stakeholders.
Report Profile				
28.	G4-28	Reporting period for the information provided	Completely	Section: About the report, page 3
29.	G4-29	Date of the most recent previous Sustainability Development Report	Completely	Section: About the report, page 3
30.	G4-30	Reporting cycle	Completely	Section: About the report, page 3
31.	G4-31	Contact point for questions regarding the report or its contents	Completely	Section: Contacts, page 96
32.	G4-32	Information about the 'in accordance' option the organization has chosen during preparation of the report in accordance with the GRI guidelines. GRI Content Index for the chosen option of report preparation. Certificate of the public (external) report assurance, if the report has been externally assured.	Partially	Section: About the report, page 3 Section: Table of Report's Compliance with the GRI G4 Guidelines, page 80-85
33.	G4-33	Organization's policy and current practice with regard to seeking public (external) assurance for the sustainable development report	Completely	No external assurance was used for this report. The Company does not find it reasonable in medium term.
Governance				
34.	G4-34	The governance structure of the organization, including committees of the highest governance body in charge of economic, environmental and social impacts of the organization	Completely	Section: Organizational structure, page 44-45 Section: Committees of Board of Directors, page 49
Ethics and Integrity				
35.	G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Completely	Section: Corporate governance code compliance report, page 52

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
Category: Environmental				
Aspect: Materials				
36	G4-CPM	Disclosures on Management Approach	Completely	Section: Environmental Impact Management, page 62-63
37	G4-EN1	Materials used by weight or volume	Completely	Section: Environmental Impact Management, page 62-63
Aspect: Water				
38	G4-CPM	Disclosures on Management Approach	Completely	Section: Water management and water resources conservation, page 65-66
39	G4-EN8	Total water withdrawal by source	Completely	Section: Water management and water resources conservation, page 65-66
40	G4-EN9	Water sources significantly affected by withdrawal of water	Completely	Section: Water management and water resources conservation, page 65-66
41	G4-EN10	Percentage and total volume of water recycled and reused	Completely	Section: Water management and water resources conservation, page 65-66
Aspect: Emissions				
42	G4-CPM	Disclosures on Management Approach	Completely	Section: Greenhouse gas emissions, page 64
43	G4-EN15	Direct greenhouse gas emissions	Completely	Section: Greenhouse gas emissions, page 64
44	G4-EN18	Greenhouse gas emissions intensity	Completely	Section: Greenhouse gas emissions, page 64
45	G4-EN19	Reduction of greenhouse gas (CO ₂) emissions	Completely	Section: Greenhouse gas emissions, page 64
46	G4-EN21	NOx, SOx, and other significant air emissions	Completely	Section: Atmospheric air protection, page 63
Aspect: Effluents and Waste				
47	G4-CPM	Disclosures on Management Approach	Completely	Section: Efficient management and disposal of production wastes, page 66-67
48	G4-EN22	Total water discharge by quality and destination	Completely	Section: Efficient management and disposal of production wastes, page 66-67
49	G4-EN23	Total weight of waste by type and disposal method	Completely	Section: Efficient management and disposal of production wastes, page 66-67
Aspect: Products and Services				
50	G4-CPM	Disclosures on Management Approach	Completely	Section: Atmospheric air protection, page 63
51	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Completely	Section: Atmospheric air protection, page 63

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
Aspect: Compliance				
52	G4-CPM	Disclosures on Management Approach	Completely	Section: Environmental expenditures, page 64-65
53	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Completely	Section: Environmental expenditures, page 64-65
Aspect: Overall				
54	G4-CPM	Disclosures on Management Approach	Completely	Section: Environmental expenditures, page 64-65
55	G4-EN31	Total environmental protection expenditures and investments by type	Completely	Section: Environmental expenditures, page 64-65
Aspect: Environmental Grievance Mechanisms				
56	G4-CPM	Disclosures on Management Approach	Completely	Section: Grievance mechanism, page 68
57	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Completely	Section: Grievance mechanism, page 68
Category: Social – Sub-Category: Labor Practices and Decent Work				
Aspect: Employment				
58	G4-CPM	Disclosures on Management Approach	Completely	Section: Human resources management policy, page 70
59	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Completely	Section: Employee headcount and quality, page 70 Section: Payroll headcount by company, page 70 Section: Employee structure by age, page 71 Section: Employee structure by category and gender, page 70 Section: Employee turnover, page 72
Aspect: Labor/Management Relations				
60	G4-CPM	Disclosures on Management Approach	Completely	Section: Interaction with trade unions, page 74
61	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Completely	Section: Interaction with trade unions, page 74
Aspect: Occupational Health and Safety				
62	G4-CPM	Disclosures on Management Approach	Completely	Section: Strategic goals related to Occupational Health and Safety and implemented actions, page 74-75
63	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Completely	Section: Strategic goals related to Occupational Health and Safety and implemented actions, page 74-75
64	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Completely	Section: Types and rates of occupational injuries, page 76-77

No.	Indicator Index	Indicator Name	Disclosed	Provision of the Report and Comments
65	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Completely	Section: Employees whose professional activity bears high injury risk, page 77
Aspect: Training and Education				
66	G4-CPM	Disclosures on Management Approach	Completely	Section: Training and development of personnel, page 71
67	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Completely	Section: Training and development of personnel, page 71 Section: Employee structure by education, page 71 Section: Talent pool, page 72 Section: Attraction of young specialists, page 73
Aspect: Diversity and Equal Opportunity				
68	G4-CPM	Disclosures on Management Approach	Completely	Section: Human resources management policy, page 70
69	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Completely	Section: Employee structure by age, page 71
Category: Social – Sub-Category: Society				
Aspect: Local communities				
70	G4-CPM	Disclosures on Management Approach	Completely	Section: Stakeholder engagement, page 61-62
71	G4-SO1	Percentage of units with implemented programs to interact with local communities, evaluation of the impact of the activity on the local communities and development of local communities	Completely	Section: Stakeholder engagement, page 61-62
Power industry protocol				
Overall				
72	G4-EU1	Rated capacity	Completely	Section: About the company, page 14
73	G4-EU2	Power generation	Completely	Section: Key performance indicators for 2013–2015, page 5
74	G4-EU3	Number of residential, industrial, institutional and commercial customer accounts	Completely	Section: Geography of operations, page 6
75	G4-EU4	Length of above and underground transmission and distribution lines by regulatory regime	Completely	Section: Main operations indicators, page 16-17
76	G4-EU5	Allocation of CO ₂ E emissions allowances or equivalent	Completely	Section: Greenhouse gas emissions (CO ₂), page 64

FINANCIAL STATEMENTS

Consolidated financial statement of SEVKAZENERGO JSC for 2015 was prepared in accordance with International standards of financial reporting and includes financial reports of the company from the moment of its acquisition.



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

	December 31, 2015	December 31, 2014
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	91,887,276	85,242,272
Intangible assets	138,199	55,050
Advances paid	614,328	832,261
Other financial assets	10,000	5,000
Total non-current assets	92,649,803	86,134,583
CURRENT ASSETS:		
Inventories	2,320,134	3,219,115
Trade accounts receivable	2,852,890	1,397,037
Advances paid	502,830	400,492
Income tax prepaid	80,304	91,269
Other current assets	242,491	991,532
Other financial assets	145,019	166,285
Cash	467,229	548,100
Total current assets	6,610,897	6,813,830
TOTAL ASSETS	99,260,700	92,948,413
EQUITY AND LIABILITIES		
EQUITY:		
Share capital	16,291,512	16,291,512
Additional paid-in capital	277,168	277,168
Property, plant and equipment revaluation reserve	23,007,667	24,599,582
Retained earnings	11,541,439	11,096,051
Total equity	51,117,786	52,264,313
NON-CURRENT LIABILITIES:		
Bonds issued	8,396,699	5,731,854
Loans	15,028,831	9,395,678
Deferred tax liabilities	13,380,146	13,269,664
Deferred revenue	166,982	178,028
Long-term accounts payable	-	73,173
Ash dump restoration liability	259,189	326,349
Employee benefit obligations	53,374	49,434
Total non-current liabilities	37,285,221	29,024,180

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

	December 31, 2015	December 31, 2014
CURRENT LIABILITIES:		
Current-portion of the bonds issued	472,015	324,339
Trade accounts payable	5,344,850	2,873,319
Short-term loans and current portion of long-term loans	3,500,093	6,715,160
Advances received	418,302	541,124
Current portion of ash dump restoration liability	53,587	-
Current portion of employee benefit obligations	4,859	5,003
Other liabilities and accrued expenses	1,063,987	1,200,975
Total current liabilities	10,857,693	11,659,920
TOTAL EQUITY AND LIABILITIES	99,260,700	92,948,413

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

	2015	2014
REVENUE	26,608,473	24,079,186
COST OF SALES	(18,260,240)	(15,530,326)
GROSS PROFIT	8,348,233	8,548,860
Selling expenses	(305,170)	(270,590)
General and administrative expenses	(1,897,284)	(2,515,269)
Loss from property, plant and equipment impairment	-	(71,574)
Finance costs	(1,514,938)	(1,645,386)
Finance income	201,249	181,588
Foreign exchange loss, net	(5,183,006)	(96,580)
Other income, net	158,124	243,504
(LOSS)/PROFIT BEFORE INCOME TAX	(192,792)	4,374,553
INCOME TAX EXPENSE	(110,482)	1,193,715
NET (LOSS)/PROFIT FOR THE YEAR	(303,274)	3,180,838
OTHER COMPREHENSIVE, INCOME NET OF TAX:		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of property, plant and equipment	-	20,178,932
Other comprehensive income, net of tax	-	20,178,932
Total comprehensive (loss)/income for the year	(303,274)	23,359,770
(Loss)/earnings per share		
Basic (tenge per share)	(2.11)	22.11
Diluted (tenge per share)	(2.11)	22.11

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

	Share capital	Additional paid-in capital	Property, plant and equipment revaluation reserve	Retained earnings	Total equity
As at January 1, 2014	16,291,512	277,168	4,885,166	8,259,120	29,712,966
Profit for the year	-	-	-	3,180,838	3,180,838
Other comprehensive income, net of income tax	-	-	20,178,932	-	20,178,932
Total comprehensive income for the year	-	-	20,178,932	3,180,838	23,359,770
Dividends	-	-	-	(776,319)	(776,319)
Amortization of revaluation reserve	-	-	(464,516)	464,516	-
Adjustment to fair value, net of deferred tax	-	-	-	(32,104)	(32,104)
As at December 31, 2014	16,291,512	277,168	24,599,582	11,096,051	52,264,313
Loss for the year	-	-	-	(303,274)	(303,274)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(303,274)	(303,274)
Dividends	-	-	-	(843,253)	(843,253)
Amortization of revaluation reserve	-	-	(1,591,915)	1,591,915	-
As at December 31, 2015	16,291,512	277,168	23,007,667	11,541,439	51,117,786

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

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss)/profit before income tax	(192,792)	4,374,553
Adjustments for:		
Depreciation and amortization	3,981,665	2,837,541
Finance costs	1,514,938	1,645,386
Recovery of allowance for doubtful debts	(8,049)	(52,051)
(Recovery)/accrual of provision for obsolete inventories	(25,745)	26,505
Loss from disposal of property, plant and equipment and intangible assets	7,802	13,603
Employee benefit expense	13,351	17,195
(Recovery)/accrual of unused vacation reserve	(8,124)	12,157
Loss from property, plant and equipment impairment	-	71,574
Foreign exchange loss	5,183,006	96,580
Finance income	(201,249)	(181,588)
Cash flow before working capital changes	10,264,803	8,861,455
Change in inventories	1,032,890	(672,811)
Change in trade accounts receivable	(1,444,005)	(210,992)
Change in advances paid for acquisition of current assets	(104,247)	421,490
Change in other current assets	(99,557)	366,049
Change in trade accounts payable	788,663	897,529
Change in advances received	(122,822)	(70,896)
Change in other liabilities and accrued expenses	53,418	46,329
Change in ash dump restoration liability	(12,710)	-
Change in employee benefit obligations	(9,555)	(7,024)
Cash generated by operating activities	10,346,878	9,631,129
Income tax paid	(10,969)	(28,553)
Interest paid	(1,925,528)	(2,015,997)
Net cash generated by operating activities	8,410,381	7,586,579

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

	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	(8,430,755)	(10,755,443)
Change in advances paid for acquisition of property, plant, and equipment	217,933	1,886,286
Purchase of intangible assets	(85,692)	(40,731)
Placement of deposits	(3,103,664)	(1,545,819)
Proceeds from interest accrued on the deposits placed	94,969	471
Withdrawal of deposits	3,119,930	1,857,547
Proceeds from disposal of property, plant and equipment	111,111	75,400
Net cash used in investing activities	(8,076,168)	(8,522,289)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	5,531,600	8,309,948
Repayment of loans	(8,430,937)	(7,530,517)
Repurchase of bonds	-	(564,839)
Placement of bonds	2,726,336	-
Dividends paid	(1,144,790)	-
Proceeds from related party	844,790	550,300
Net cash (used)/generated by financing activities	(473,001)	764,892
NET DECREASE IN CASH	(138,788)	(170,818)
CASH at the beginning of the year	548,100	659,289
Effect of changes in foreign exchange rates on cash balances in a foreign currency	57,917	59,629
CASH at the end of the year	467,229	548,100

GLOSSARY

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

Overhead transmission lines are used for electricity transmission through wires.

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

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

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

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

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

Insider information is any information about securities and related transactions, as well as information about the issuer of those securities and its activities that is not known to third parties, whose disclosure can have a significant impact on the market value of these securities.

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

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

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

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

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

Waste are material resources lost during the production process. Waste and by-products (useful products of processing raw materials produced unintentionally) can serve as secondary raw materials.

General Meeting of Shareholders is the supreme management body of the company consisting of shareholders, who own common registered stock of the company. To resolve issues within their competence according to the Charter, the company's shareholders gather for general meetings periodically, but not less than once a year (annual general meeting of shareholders).

Substation is an electricity installation for conversion and distribution of electricity, consisting of transformers and other energy converters, distribution and control devices and auxiliary facilities.

Executive Board is the executive collegiate body responsible for day-to-day operations of the company.

Industrial monitoring is a comprehensive system of environmental monitoring, assessment and forecasting environmental changes as a result of production factors.

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

Disclosure is providing information about the company's activities to target audiences as often as required by organizations responsible for regulating the activities of issuers, in accordance with the needs of those interested in this information and based on best corporate disclosure practices.

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

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

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

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

Average rate is sales revenue divided by useful output.

Combined heat and power plant (CHPP) is a thermal power plant, which generates not only electricity, but also heat supplied to consumers in the form of steam and hot water.

Titanium wet fly ash collectors are devices made of titanium and designed for removing fly ash particulates from flue gases.

Turbine is a prime mover with rotational movement of the working body, the rotor, that converts mechanical work into kinetic energy of the working steam, gas or water.

Turbo generator is a combination of a steam turbine generator, electric generator and initiator all united by a shaft train; converts potential energy of steam into electricity.

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

Emissions control is the collection, transport, processing and re-use or disposal of waste from the production process and control of the entire process.

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

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

Target audience includes groups inside and outside the company, with which it comes in contact while carrying out its activities.

ABBREVIATIONS

AMRE Automatic meter reading system for electricity
AMRH Automatic meter reading system for heat
ARCS Automated remote control system
ISO International Organization for Standardization
OHSAS Occupational Health and Safety Management Systems
JSC Joint-stock company
AMRH Automatic meter reading system for heat
AMRE Automatic meter reading system for electricity
GDP Gross domestic product
OL Overhead line
OPL Overhead power line
Gcal – gigacalorie
Gcal·h gigacalories per hour
GPFIID Government Program of Fast Industrial and Innovation Development
ND nominal diameter
EBRD European Bank for Reconstruction and Development European Bank for Reconstruction and Development (EBRD)
FAC – fly ash collector
IIF Islamic Infrastructure Fund
Blr Boiler
kWh Kilowatt per hour
kV Kilovolt
kVA Kilovolt-ampere
CL Cable line
SG Switchgear
PTS Packaged transformer substation for outdoor installation

EPL Electric power line
MVA Megavolt ampere
MW Megawatt
MP Minimum penalty
VAT Value added tax
PS Pumping station
EP Environment Protection
PP Percentage point
SS Substation
PCHPP-2 Petropavlovsk Combined Heat and Power Plant No. 2
PHP Petropavlovskie Heating Pipelines LLP
PLA Power line area
SSIW Self-supporting insulated wire
NKPDC North-Kazakhstan regional electric distribution company
SKE SEVKAZENERGO JSC
MM Mass media
QMS Quality management systems
EMS Environmental management system
RMS Risk management system
TG Turbo generator
HC Heating chamber
HP Heating pipeline
CHPP Combined heat and power plant
ON Operational needs
CAPEC Central-Asian power-energy company
CAEPCO Central-Asian Electric Power Company

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AUDITOR

SEVKAZENERGO's auditor is Deloitte Limited Liability Partnership (license for conducting auditing activities No. 0000015, series MFU-2, of September 13, 2006, issued by the Ministry of Finance of the Republic of Kazakhstan, the license is perpetual).
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REGISTRAR

SEVKAZENERGO's registrar is Integrated Securities Registrar Joint-Stock Company (state registration certificate No. 1678-1910-02-JSC, issued on January 11, 2012). Legal address of Integrated Securities Registrar JSC: 141, Ablai-Khan Ave, Almaty.

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