2017

ANNUAL REPORT

SEVKAZENERGO

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LETTER FROM CHAIRMAN OF THE BOARD OF DIRECTORS

DYUSENBAI TURGANOV

DEAR PARTNERS!

This is the annual report on the activities of SEVKAZENERGO JSC for 2017.

The Company ensures the operation of all the elements for power supply to Petropavlovsk and eight districts of North-Kazakhstan region. Priorities are to improve the quality of supply for the residents of North Kazakhstan region, as well as increasing the performance of energy companies by the way of upgrading and reconstruction of the main equipment, technical modernization and renovation of the existing assets.

From 2009, SEVKAZENERGO JSC implements the projects under the investment program at the Petropavlovsk CHP-2, aimed at reducing the wear and tear of the power equipment of the plant, as well as increasing the fleet resources. Over the past years, within the framework of the implementation of the program of the Government of the Republic of Kazakhstan on the limit tariffs, as well as due to the loan of the European Bank for Reconstruction and Development (EBRD) and own funds of the Company, the heating power plant experienced the major upgrading: the equipment was modernized for 50 % wear rates are reduced to 59.7 %.

SEVKAZENERGO JSC puts a special focus on upgrading the assets of Petropavlovsk Heat Networks LLP. For the second year the Company renovates the heat supply system of Petropavlovsk city in the frameworks of the trilateral agreement, executed back in 2016 between the EBRD, Ministry of National Economy of the Republic of Kazakhstan and the affiliated companies of Central Asian Power Company JSC, under Nurly Zhol Program. During the period from 2016 to 2020, it is planned to allocate more than 12 billion KZT for this project. Special feature of reconstructing the heating networks under the Nurly Zhol program is the application of a new efficient technology, according to which the pipes are placed into a foam shell. This technology allows to extend the service life of the pipelines up to 25 years.

Nowadays, the development of production capacities of any company is impossible without use of an advanced automated systems. SEVKAZENERGO JSC introduced innovative technologies to automate production processes for generating and transporting the energy. Such elements of the smart power system such as Automatic system for commercial accounting of electricity (ASCAE) and connection to the grids are in process of implementation. Over the past year, North Kazakhstan Electric Distribution Company JSC installed and launched a test run of the ASCAE for 409 households using wireless LPWAN technology. In November 2017, the Company implemented the automated system to monitor connection to the electricity grid - THESIS grid-connection monitoring system. In 2018, North Kazakhstan Electric Distribution Company JSC will equip the Central Dispatching Service with SCADA system.

SEVKAZENERGO JSC focuses on the main mission of the Company: to improve the quality of life of the population and creation of conditions for the regional economic development. I am confident that the power engineers of the Company are able to undertake the tasks, goals and objectives and therefore, we are looking towards new achievements in implementation of large-scale projects.

LETTER FROM THE GENERAL DIRECTOR

LEONID LARICHEV

DEAR COLLEAGUES AND PARTNERS!

In 2017, the Company had successfully completed the planned investment projects, as well as the current and major repairs of the equipment and other activities aimed at improving industrial and economic performance companies of SEVKAZENERGO JSC.

In the reported year, SEVKAZNERGO JSC produced 3,226 mln kWh of electricity at Petropavlovsk CHP-2 JSC, which is 18 million kWh more compared to the outcome of 2016.

In 2017 the main projects implemented at the station as a part of the investment program until 2020 included the modernization of an open 110 kV switchgear (OSG), reconstruction of equipment at the fuel and transport workshop and reconstruction of turbine unit of the station No. 2 with installation of automated control systems of technological processes on the basis of "Ovation" integrated equipment & software. In 2018 the heat power plant will finish modernization of 110 kV OSG and it will start replacing the automatic shutter at the turbine unit No. 6. Moreover, the Company plans to extend the dams sat the section No. 3 of the ash dump No. 2 that will increase the usable capacity of the new ash dump and prolong its operation period up to 2023.

The Company continues to implement a large-scale project of upgrading the pipelines of Petropavlovsk Heat Networks LLP. In 2017 as part of loan delivery of the European Bank for Reconstruction and Development (EBRD) and the budget subsidies of the Ministry of investments and development of the Republic of Kazakhstan, more than 8 km of the pipeline were reconstructed with use of the pre-isolated pipes. In particular, the installation of a new 5.8 km long pipeline for the heat mainlines of the HM No. 1 and No. 5. In 2018, the project implementation will continue and the pipes with polyurethane isolation will replace another 5.3 km.

North Kazakhstan EDC JSC is also interested in the advanced technologies. In 2017, the electric distribution network company replaced 83.7 km of bare wires by the aerial bundled conductor lines (ABCL) and installed new electronic meters instead of old induction-type devices within the framework of automated metering system implementation. This work will continue in 2018. In addition, the Company plans to replace the outdated central control panel for a modern SCADA interactive system.

It is worth noting that in 2017 SEVKAZENERGO JSC took the second place in the Republican competition «Paryz 2017» as «The Best Socially Responsible Company». The Company is very active in the area of corporate social responsibility: for the last two years it has implemented two major social projects: construction and commissioning of Alakai kindergarten for 320 children, as well as the opening of a new 90 apartment dormitory for the employees of SEVKAZENERGO JSC and the residents of Petropavlovsk.

In the coming year, SEVKAZENERGO JSC will continue its activities aimed at improving the quality of energy services to the consumers of Petropavlovsk and North Kazakhstan region.

KEY RESOURCES

BUSINESS PROFILE

SEVKAZENERGO Joint-Stock Company is a vertically integrated company composed of generation, transmission and sales facilities in the North-Kazakhstan Region. The Company actively introduces international best practices and operates in accordance with international standards in the field of production, environmental protection, occupational health and social responsibility.

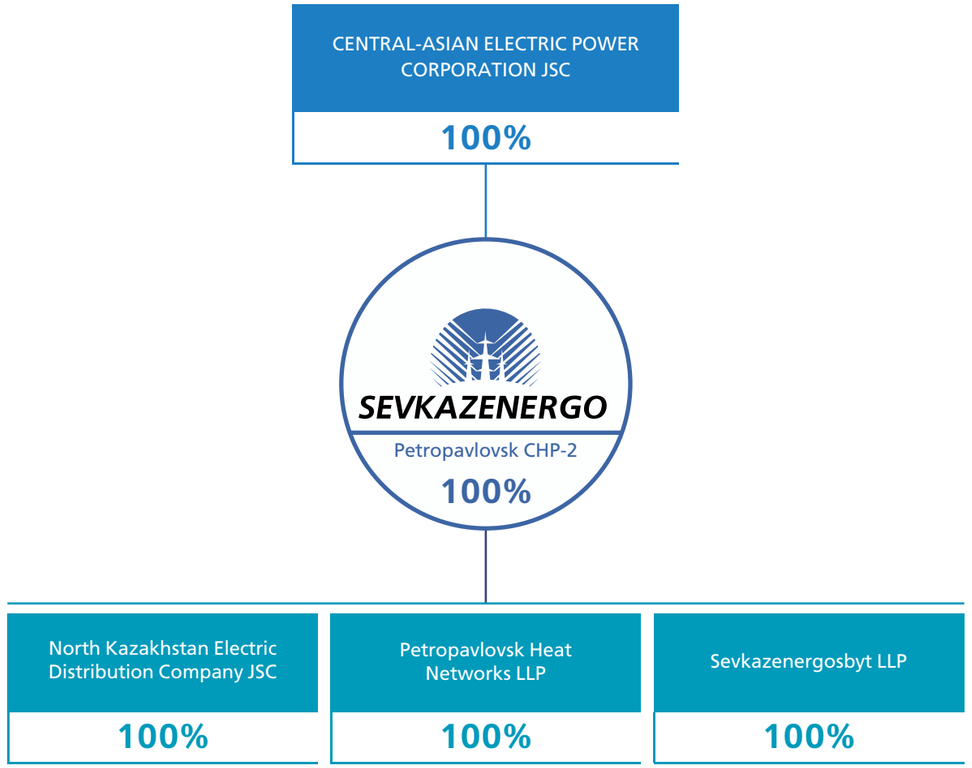
In average, **2,576** employees work for the Group of companies

Over **160,000** consumers

541 MW – installed power generating capacity

713 GCAL/H installed heat generating capacity

COMPANY STRUCTURE



RATINGS

FITCH RATINGS INTERNATIONAL RATING AGENCY

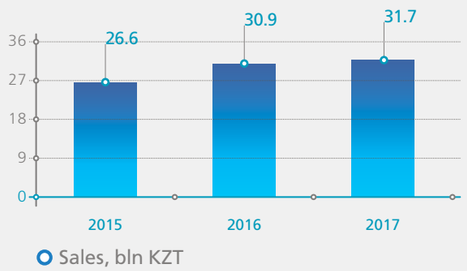
Fitch Ratings

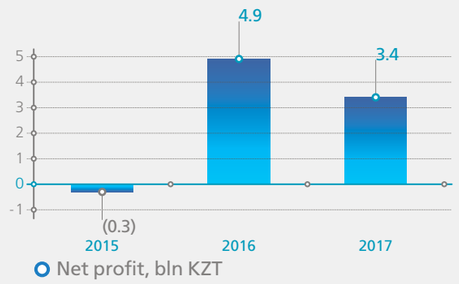
- B+
- Outlook: Stable

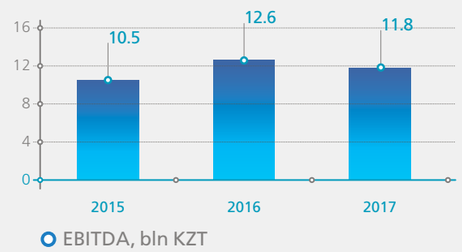
COMPLETE LIST OF RATING ACTIONS

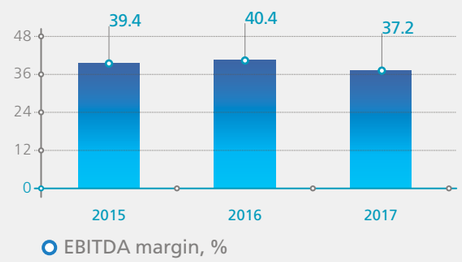
- Long-term IDR in foreign and national currency affirmed at «B +», Stable outlook;
- National long-term rating at "BBB (kaz)", Stable outlook;
- Senior unsecured rating in national currency affirmed at "B+"/recovery rating "RR4.".

OPERATING HIGHLIGHTS

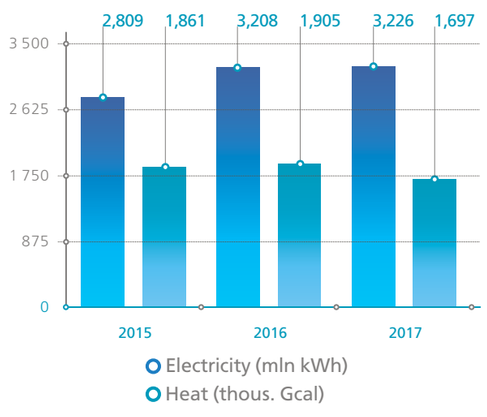




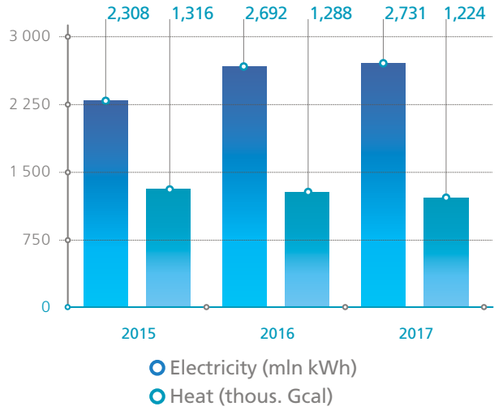




Power generation



Energy supplied to customers (sales)



PERFORMANCE HIGHLIGHTS

Total heat network length - 233.5 km

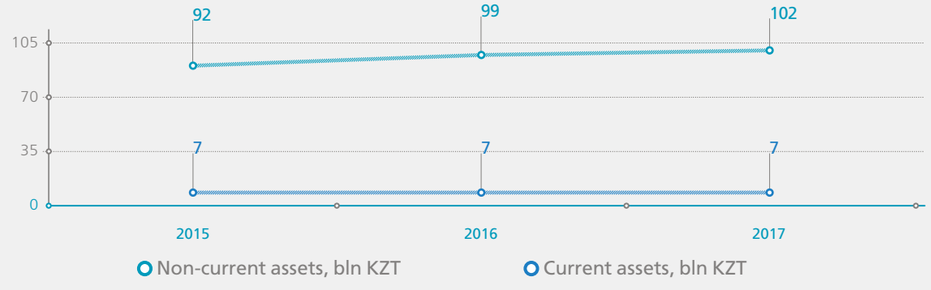
Total power lines length

Types of electrical power lines	Length, km
220 kV	84,84
110 kV	1,327.14
35 kV	2,849.43
6–10 kV	4,512.65
0.4 kV	4,526.03
Total	13,300.39

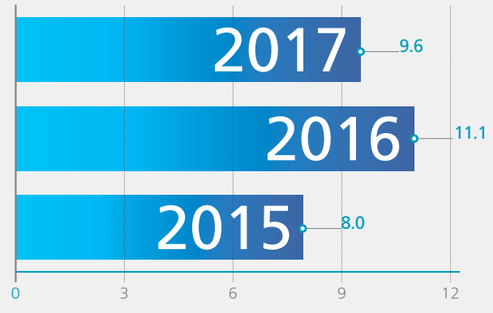
Number of substations by type

Substation types	Number
220 kV	-
110 kV	37
35 kV	121
6–10 kV	2,253
Total	2,411

Assets



Investments, bln KZT



KEY EVENTS AND ACHIEVEMENTS FOR THE REPORTING PERIOD

APRIL

The enterprises of SEVKAZENERGO Group had successfully passed the second mutual audit of the labour safety and protection.

MAY

The members of the Board of Directors of SEVKAZENERGO JSC are elected during the extraordinary general meeting of Central-Asian Power-Energy Company (CAPEC JSC).

JUNE

Within the frameworks of PROFENERGY project, SEVKAZENERGO finalised the results of the scientific works among the students of Petropavlovsk. The contest winner was awarded with a personal scolarship from Petropavlovsk Heat Networks LLP.

JULY

Fitch Ratings international rating agency affirmed the long-term default rating of SEVKAZENERGO JSC in national and foreign currencies at “B+”, stable outlook.

AUGUST–SEPTEMBER

Upon initiative of the European Bank for Reconstruction and Development, the management of the Group of Companies- SEVKAZENERGO JSC took part in the corporate training on occupational health and safety and obtained the IOSH International labour safety certificate.

The first corporate mini-football tournament was held in Astana within the framework of the anniversary events of CAPEC JCS in which the teams of CAEPCO JSC, PAVLODARENERGO JSC, SEVKAZENERGO JSC,AEDC JSC, CAUSTIC JSC, ID Astana-Invest took part.

OCTOBER

SEVKAZENERGO JSC took the second place in the nomination “The Most Socially Responsible Enterprise” at “Paryz-2017” contest.

NOVEMBER

Zozulya family, working at CHP-2, SEVKAZENERGO JSC, was awarded as the best workers’ dynasty of North Kazakhstan region. This honorary title was given to Zozulya family as part of Yenbek Zholy contest, organized by the Ministry of labour and social protection of population of the Republic of Kazakhstan.

In 2017 Petropavlovsk Heat Networks LLP continued the five-year program implementation in Petropavlovsk, including reconstruction of heat mains No. 1 and No. 5 with overall length of 5,828 running meters, due to the loan of the European Bank for Reconstruction and Development (EBRD) and the subsidies the Ministry of investment and development of the Republic of Kazakhstan.

ENERGY

SEVKAZENERGO

1

COMPANY
OVERVIEW

ENERGY MEANS LIFE

We provide electricity and heat to consumers in the North-Kazakhstan region covering an area of nearly 50,000 sq. km.

COMPANY OVERVIEW

COMPANY OVERVIEW

HISTORY

2009

SEVKAZENERGO is incorporated as a Joint-Stock Company because of restructuring and becomes the legal successor to all rights and obligations of **Access Energo PCHP–2 LLP**.

2007

The ownership is transferred to Central-Asian Power Energy Company (CAPEC JSC), which later became one of the shareholders of **Central–Asian Electric Power Corporation (CAEPCO JSC)**.

1999

The Northern Kazakhstan Regional Justice Authority registers **Access Energo PCHP–2 LLP**.

1965

Tselinenergo's Petropavlovsk Heat Network Administration is created based on CHP-2's heat network shop.

1963

Tselinenergo creates **Petropavlovsk Electric Networks Enterprise**.

1961

Launch of **Petropavlovsk CHP–2**.

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.

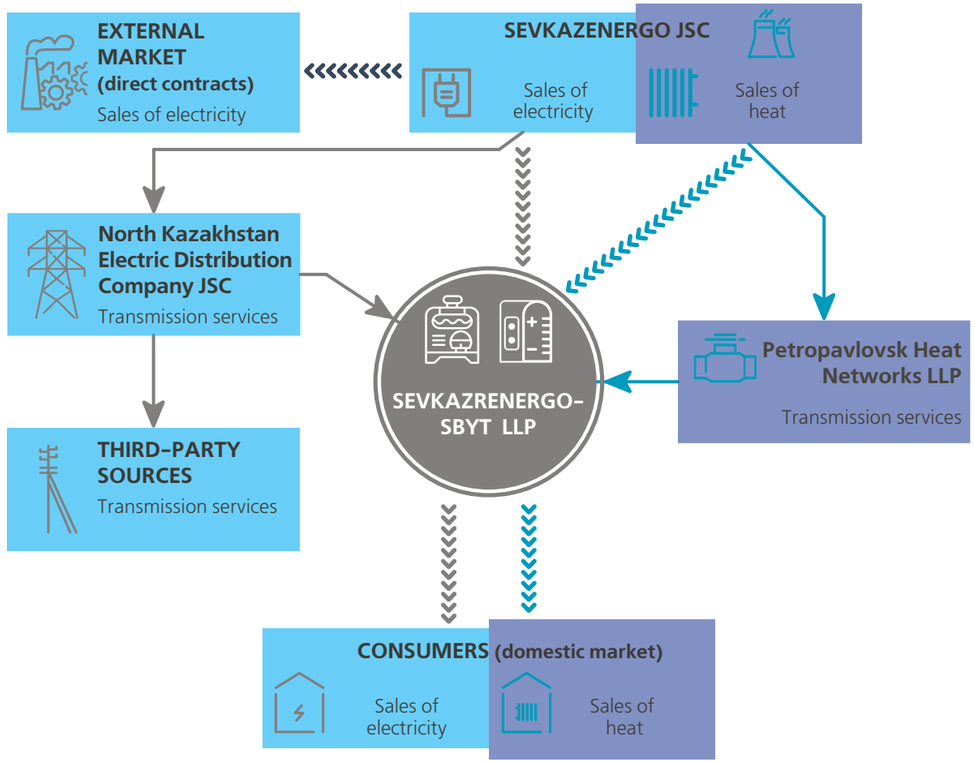
The quality of the services provided implies reliable and uninterrupted energy supply in compliance with all technical requirements, as well as a high level of customer service.

The Company's employees, their high level of professionalism, ensure efficiency teamwork and focus on results allow to move forward successfully.

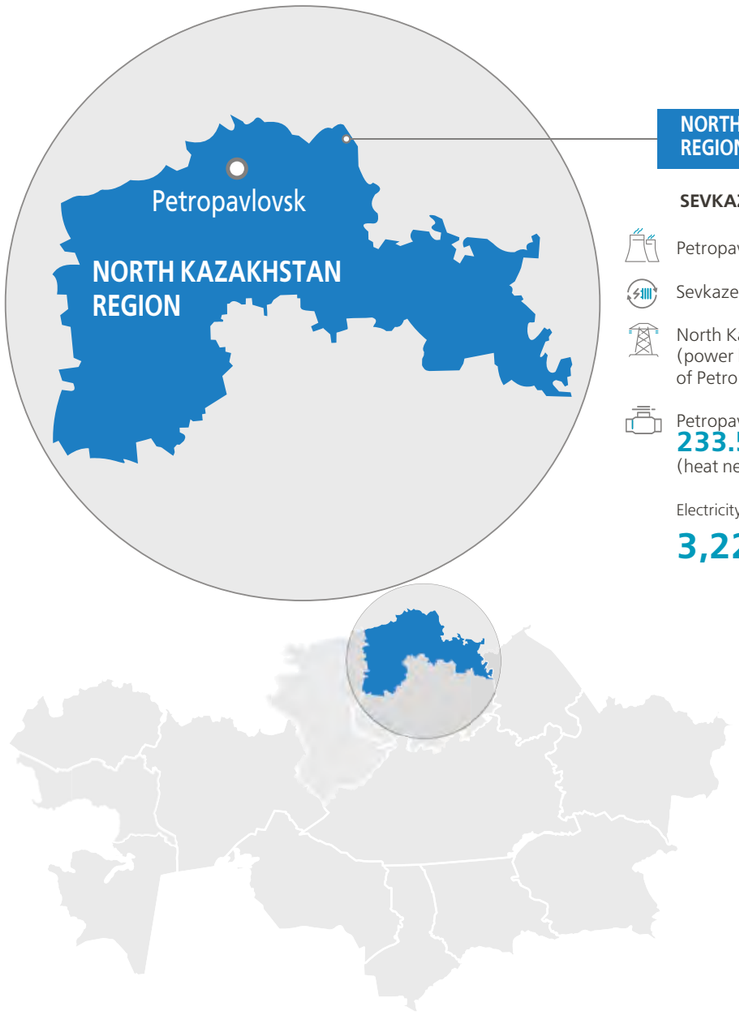
VISION

SEVKAZENERGO JSC is an energy supplying company located in North Kazakhstan region, providing the entire cycle of the produced heat and electricity: from generation to transmission and sales. SEVKAZENERGO JSC is a subsidiary of vertically integrated energy holding - Central-Asian Electric Power Corporation JSC. The principles of respect and mutual responsibility are the basis of the Company's relations with its partners, clients and vendors. The personnel of SEVKAZENERGO JSC is a team of similar-minded people with high level of professional abilities, team orientation and sharing the same goals, which implementation helps the Company to move forward.

BUSINESS MODEL



GEOGRAPHY OF OPERATIONS



NORTH KAZAKHSTAN REGION

SEVKAZENERGO JSC

Petropavlovsk CHP-2

Sevkazenergosbyt LLP

North Kazakhstan Electric Distribution company JSC (power lines in North Kazakhstan Region and the city of Petropavlovsk)

Petropavlovsk heat networks LLP - **233.5 km** (heat networks in the city of Petropavlovsk)

Electricity output in 2017

3,226.2 mln kWh

Number of customers: electricity

163,340

Number of customers: heat

72,621

Average rates, KZT included VAT/ Gcal

	FROM 1.07.2015,	FROM 1.07.2016,	FROM 5.10.2016,	FROM 1.07.2017,	FROM 10.07.2017,	FROM 1.01.2018,
Heat	3,374.54	3,890.56	3,907.18	4,284.06	4,308.05	4,542.97

Average rates, KZT included VAT/ KWh

	1.01.2014	1.01.2015	1.04.2015	1.07.2015	1.01.2016	1.01.2018
Electricity	12.557	13.824	13.779	13.858	14.62	15.326

Petropavlovsk CHP–2 of SEVKAZENERGO JSC

Installed capacity	Equipment upgraded since 2009, %	Year established
541 MW **713 Gcal/h**	49.7	1961

SUBSIDIARIES

PETROPAVLOVSK CHP–2

Petropavlovsk CHP-2 focuses on the production of heat and electricity. The plant's installed capacity in 2017 was 541 MW of electricity and 713 Gcal/h of heat, with available capacity being 535 MW of electricity and 713 Gcal/h of heat.

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.

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

NORTH KAZAKHSTAN ELECTRIC DISTRIBUTION COMPANY JSC

North-Kazakhstan distribution company JSC is a company whose main activity is the transmission and distribution of electric energy.

North-Kazakhstan Distribution Company JSC serves the electricity networks with voltage of 0.4 -220 kV, located in the northern part of the North-Kazakhstan region, which are registered as part of its balance and the length of networks is equal to 13,300.39 km.

The area served is 44,952 sq. km, with 392 settlements and 4 cities. North Kazakhstan Electric Distribution Company JSC transmits electricity to consumers in the city Petropavlovsk and eight districts of North Kazakhstan Region: Akkaiyn, Esil, Mamlyutsk, M.Zhumabaev, Zhambyl, Kyzylzharsk, Timiryazev and Shal-Akyn.

The structure of North Kazakhstan Electric Distribution Company JSC includes 8 grid areas, Department of urban electrical networks (DUEN) that corresponds to the number of rural districts, serviced by North Kazakhstan Electric Distribution Company JSC.

PETROPAVLOVSK HEAT NETWORKS LLP

The main activity of Petropavlovsk Heat Networks LLP 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 Petropavlovsk Heat Networks LLP has on its balance sheet is 233.592 km, including 148.275 km of distribution pipelines and 85.317 km of main pipelines.

The heat network's equipment wear and tear rate as of January 1, 2018 was 65.01 %, with a 70.14 % rate for main pipelines and a 59.88 % rate for distribution pipelines.

The Company's balance has 51 pumping stations, including 5 main and 46 auxiliary ones.

Total installed (rated) capacity of the pumping stations, including heat exchangers, is 11,736 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. On December 31, 2017, total number of consumers of electric energy of Sevkazenergosbyt LLP amounted to 163,340 people and number of heat energy consumers reached 72,621 people.

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.

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

2016–2020 DEVELOPMENT STRATEGY

In 2016, the Company approved the implementation of a long-term corporate strategy for 2016-2020, which determines the main directions of business development, management and technology projects.

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.

Main strategic directions

To achieve this strategic goal, the Company is implementing the projects in the following areas: :

1. **Modernization of equipment in order to improve production capability, reduce the risks of accidents and minimize downtime;**
2. **Introduction of energy-saving and energy-efficient technologies in the production and transmission of energy;**
3. **Minimizing per-unit production costs for heat and electricity;**
4. **Achieving compliance with international, national and industry laws and regulations in the field of environmental protection;**
5. **Adopting stricter occupational health and safety requirements and injury reduction;**
6. **Continuous training to enhance employee professionalism;**
7. **Introduction of an automated enterprise management system.**

PROSPECTS OF THE 2020 INVESTMENT PROGRAM

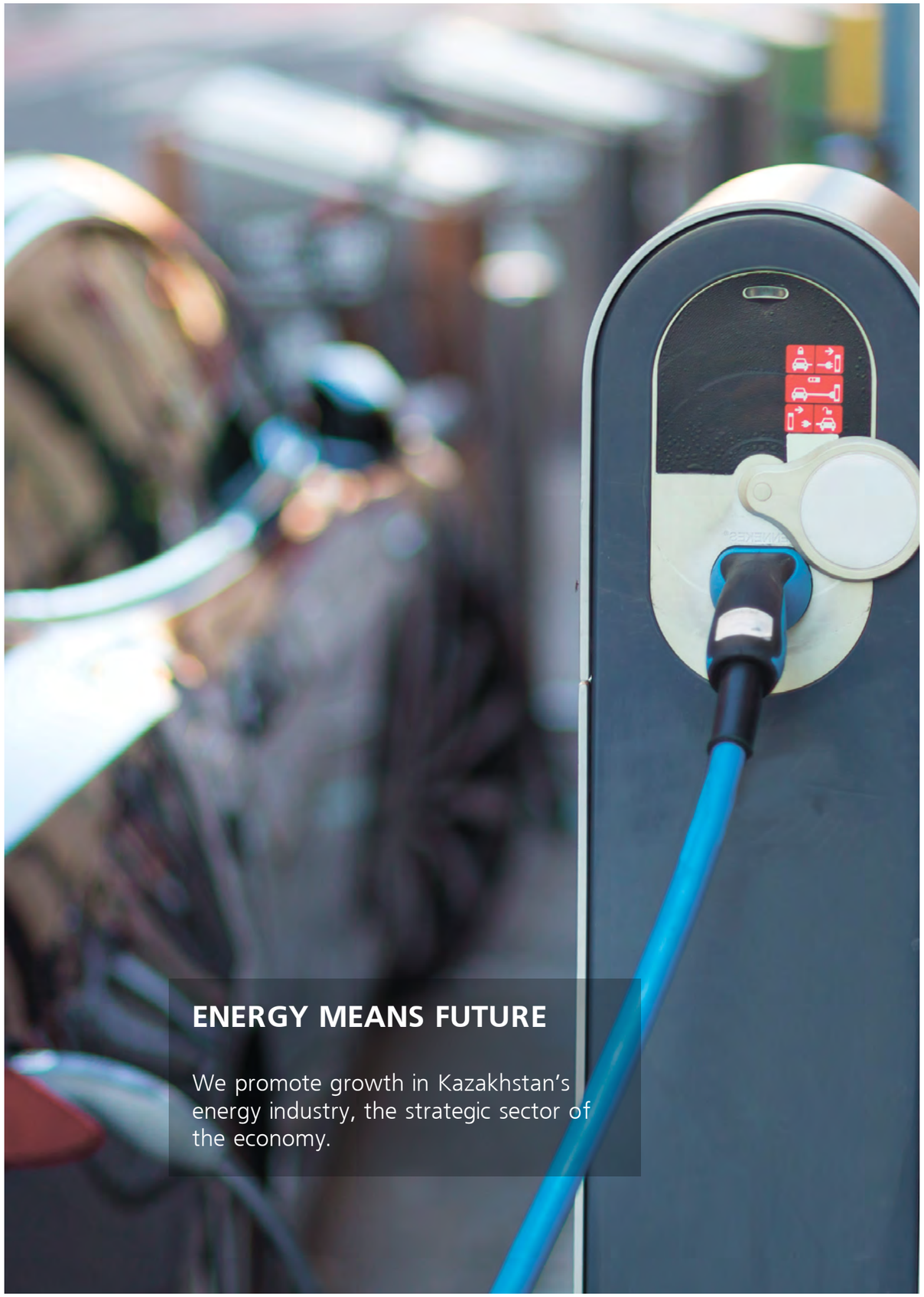
Because of implementing the investment program, the wear of generating station equipment will be reduced to 54.16 % by 2020. Due to the upgrading and replacement of the main equipment, the planned increase in the electrical energy development should reach more than 400 million kWh (an increase of 13 %).

SEVKAZENERGO JSC constantly takes measures to reduce heat and electricity losses during transmission and improve the reliability of supply to consumers. For the period of 2016-2020, it is planned to ensure the heat energy loss reduction for 12.3 % with full removal of excessive losses.

2

SEVKAZENERGO

MARKET OVERVIEW



ENERGY MEANS FUTURE

We promote growth in Kazakhstan's energy industry, the strategic sector of the economy.

MARKET OVERVIEW

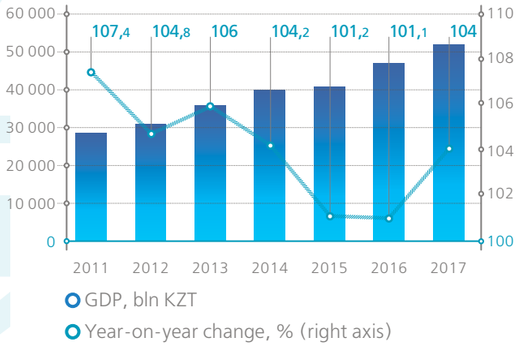
KAZAKHSTAN'S ECONOMIC OVERVIEW

In 2017, the Kazakhstan's economy demonstrated faster growth thanks to increased output of export-oriented industries, higher investment and stronger domestic demand. The growth in output occurred in many industries and in virtually all regions, conducing to growth in the energy sector. The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan reported a 4 % GDP growth in 2017 totaling 51.6 trln KZT. Goods and services accounted for 36.5 % and 57 % of GDP respectively. While industrial production as the largest economic sector made up 26.5 % of GDP in 2017. Increased net exports were the biggest driver of GDP growth thanks to higher global commodity prices. A major drag on the Kazakhstan's economy came from weak household spending.

Macroeconomic factors

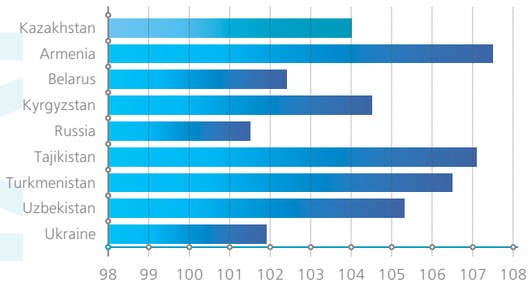
GDP dynamics

Source: Statistics Committee of the MNE RK



YoY GDP change in 2017 in % for selected CIS countries

Source: Statistics Committee of the MNE RK



Manufacturing

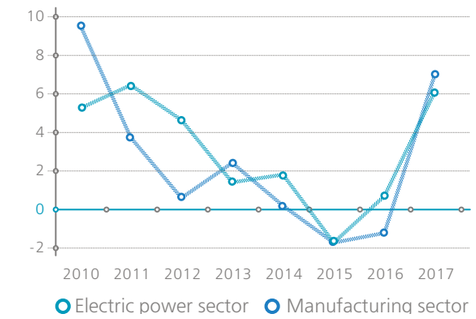
While in decline during 2015–2016, the manufacturing sector showed a 7.1 % growth in 2017. The increase in industrial production occurred in 14 regions of Kazakhstan, with only Kyzylorda region reporting a slide of 4.3 %. The largest increase was in Atyrau region (20.8 %) thanks to increased production of crude oil.

In Astana industrial output grew by 7.8 %, while West-Kazakhstan region increased production of gas condensate, thus achieving a 5.5 % growth. In 2017, Pavlodar region had the fourth fastest growing industrial sector, showing a 5.1 % rise in total output thanks to increased production of coal, gasoline, copper concentrate, raw aluminum and ferrochrome silicon. North-Kazakhstan region produced more food products (milk, butter), as well as PVC pipes, achieving a 4.5 % increase in industrial output.

In 2017, Kazakhstan produced **6.2 %** more electricity compared to the previous year. The situation in the industry is similar to Kazakhstan's manufacturing sector in general.

Output in manufacturing sector and electric power sector, %

Source: Statistics Committee of the MNE RK

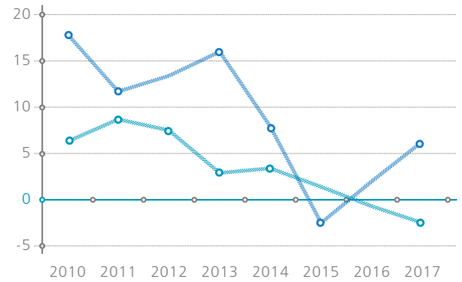


Consumer goods

Once in decline during 2015–2016 due to foreign exchange rate fluctuations and inflation, household spending was on the rise during 2017. According to the Statistics Committee of the MNE RK, retail sales in 2017 grew by 6.3 %, which is considerably higher than in 2016 (2 %), but still behind the pre-2015 period when annual growth rate exceeded 10 % for a number of years. Yet household income continued a negative trend, falling 2.5 % in 2017 compared to 0.7 % in 2016.

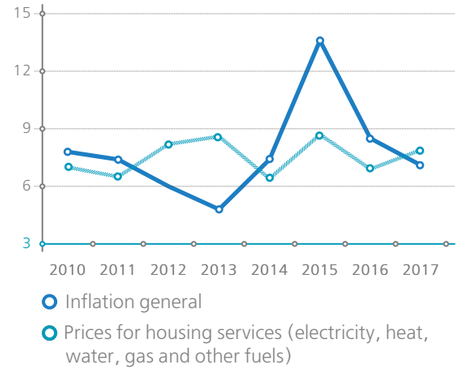
Changes in retail sales and household income, %

Source: Statistics Committee of the MNE RK



Inflation in 2017 was 7.1% compared with 8.5% in 2016. According to the National Bank of of the Republic of Kazakhstan, inflation slowed down thanks to reduced external inflationary pressure, stabilization on the foreign exchange market and appreciation of KZT thanks to favorable trends on commodity markets.

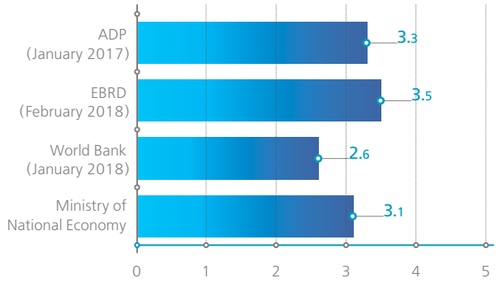
Inflation in Kazakhstan, %
Source: Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan



Market outlook

In 2018, experts expect economic slowdown compared to 2017, pointing out relatively favorable external economic conditions, in particular the growth of major world economies and strong chances oil prices will stay above the 60 dollars per barrel mark. Exports and investments are expected to keep growing, along with household spending.

Kazakhstan economic outlook for 2018, %
Source: Ministry of the National Economy of the Republic of Kazakhstan and international financial institutions



KAZAKHSTAN'S ENERGY SECTOR OVERVIEW

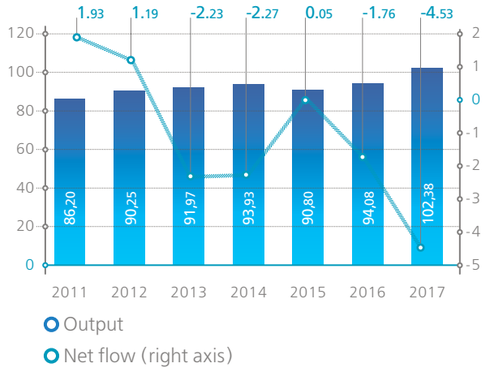
The energy sector continued to grow rapidly thanks to generous investment of major players in modernization of fixed assets and expansion of generating capacities. The fiscal year was record breaking in terms of both production and consumption of electricity.

Production

According to system operator KEGOC, as of January 1, 2018 Kazakhstan had a total of 128 power plants The total installed capacity of 21,672.9 MW and available capacity of 18,791.4 MW.

In 2017, electricity production increased almost 9 %, and output reached 102.38 bln kWh.

Electricity generation in Kazakhstan, bln kWh
Source: KEGOC



In 2017, thermal power plants accounted for 80 % of generated electricity achieving a 10 % increase in total output. Gas turbine and hydropower plants accounted for 8 % and 11% respectively.

In 2017, renewable energy infrastructure continued to expand. First and foremost, this includes wind and solar power stations, as well as small hydropower plants. In 2017, renewable energy sources accounted for a total of 1.1 bln kWh, showing a 19 % year-on-year growth.

PRODUCTION OF ELECTRICITY BY TYPE OF GENERATION, BLN KWH

TYPE OF GENERATION	THERMAL POWER PLANTS	GAS TURBINE POWER PLANTS	HYDROPOWER PLANTS	WIND POWER STATIONS	SOLAR POWER STATIONS
2016	74.70	7.41	11.61	0.27	0.09
2017	82.42	8.37	11.16	0.34	0.09
CHANGE	10 %	13 %	–4 %	24 %	4 %

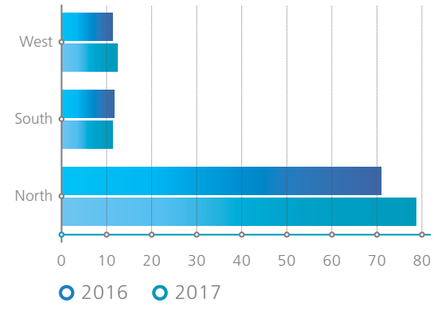
Kazakhstan national electrical grid includes three zones:

- North (Akmola, Aktobe, Atyrau, Pavlodar, North-Kazakhstan, East-Kazakhstan and Karaganda regions);
- South (Almaty, Zhambyl, Kyzylorda and South-Kazakhstan regions);
- West (Atyrau, West-Kazakhstan and Mangystau regions).

In 2017, North accounted for 77 % of electricity produced in Kazakhstan: the country's major power plants are located in the north to benefit from proximity to coal deposits. Eighty-four percent of electricity produced is consumed by customers with many of them being large industrial enterprises. The surplus electricity is exported to other regions of Kazakhstan and to Russia.

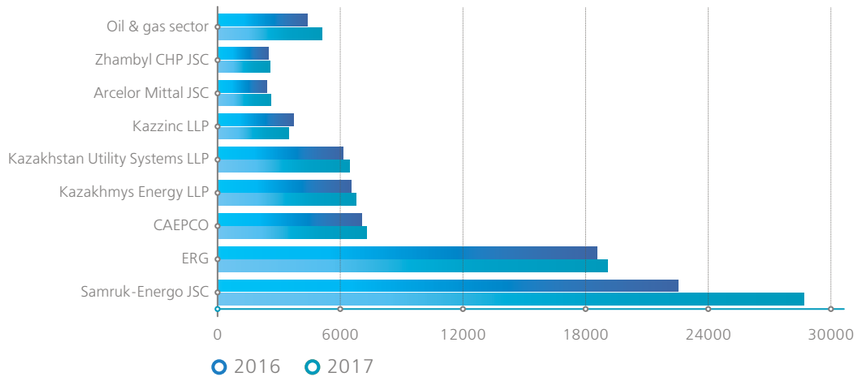
West and South have to import electricity. However, supply almost equals demand in the West, while in the South demand exceeds supply by as much as 80 %.

Production of electricity by zone, bln kWh
Source: KEGOC



Companies in Samruk-Energo state-owned holding accounted for 28 % of electricity produced in Kazakhstan in 2017, with the increase in production reaching 27.5 %. CAEPCO JSC is the third biggest energy producer in Kazakhstan accounting for 7.1 % of the country's total output.

Kazakhstan's biggest energy producers, mln kWh
Source: Samruk-Energo JSC



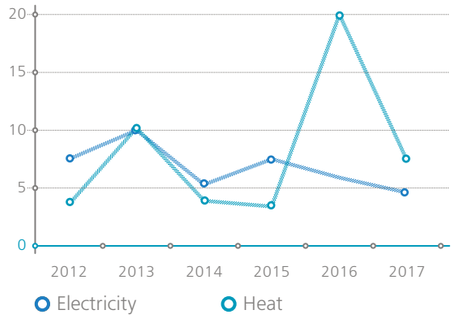
Rates

According to the Statistics Committee of the MNE RK, in 2017 electricity rates rose just **4.6 %**, compared to the previous year, a record low over the last several years.

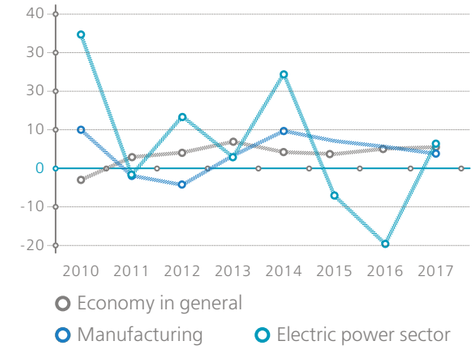
Heating rates increased **7.4 %**.

The country's pricing regulator insists that investments are included in prices to stimulated modernization of fixed assets in the industry. Started in 2009, the rate limiting program for electricity generating companies ended in 2015 but was immediately extended until January 1, 2019. As of 2016, power transmission and heating supply organizations in Kazakhstan switched to 5-year limited rates which can be adjusted.

Changes in electricity and heating rates in Kazakhstan, %
Source: Statistics Committee of the MNE RK



Investments in fixed capital, %
Source: Statistics Committee of the MNE RK

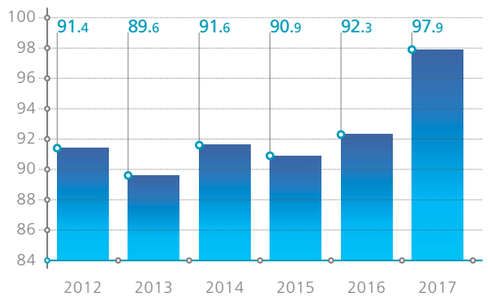


Consumption

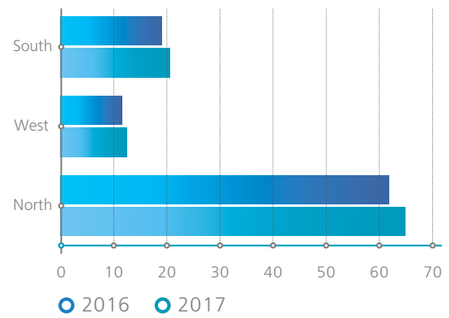
In 2017, Kazakhstan consumed **97.9 bln kWh** of electricity which is **6 %** more than in 2016. This is the country's all-time high over the years of independence.

Virtually all large consumers showed increased consumption. For example, Kazakhstan Aluminum Smelter JSC, the third biggest consumer, showed a growth of 7 %, Arcelor Mittal Temirtau – 4% and Kazchrome – 32 %.

Electricity consumption in Kazakhstan, bln kWh
Source: KEGOC



Electricity consumption by zone, bln kWh
Source: KEGOC



Market outlook

According to the Energy Ministry, in 2018 Kazakhstan will produce 114.5 bln kWh of electricity, including a surplus of 14.3 bln kWh. Renewable energy will account for 2 %. By 2024, Kazakhstan will be producing 128 bln kWh per year with a surplus of 18.8 bln kWh and 32 bln kWh generated by new power plants that are yet to be built.

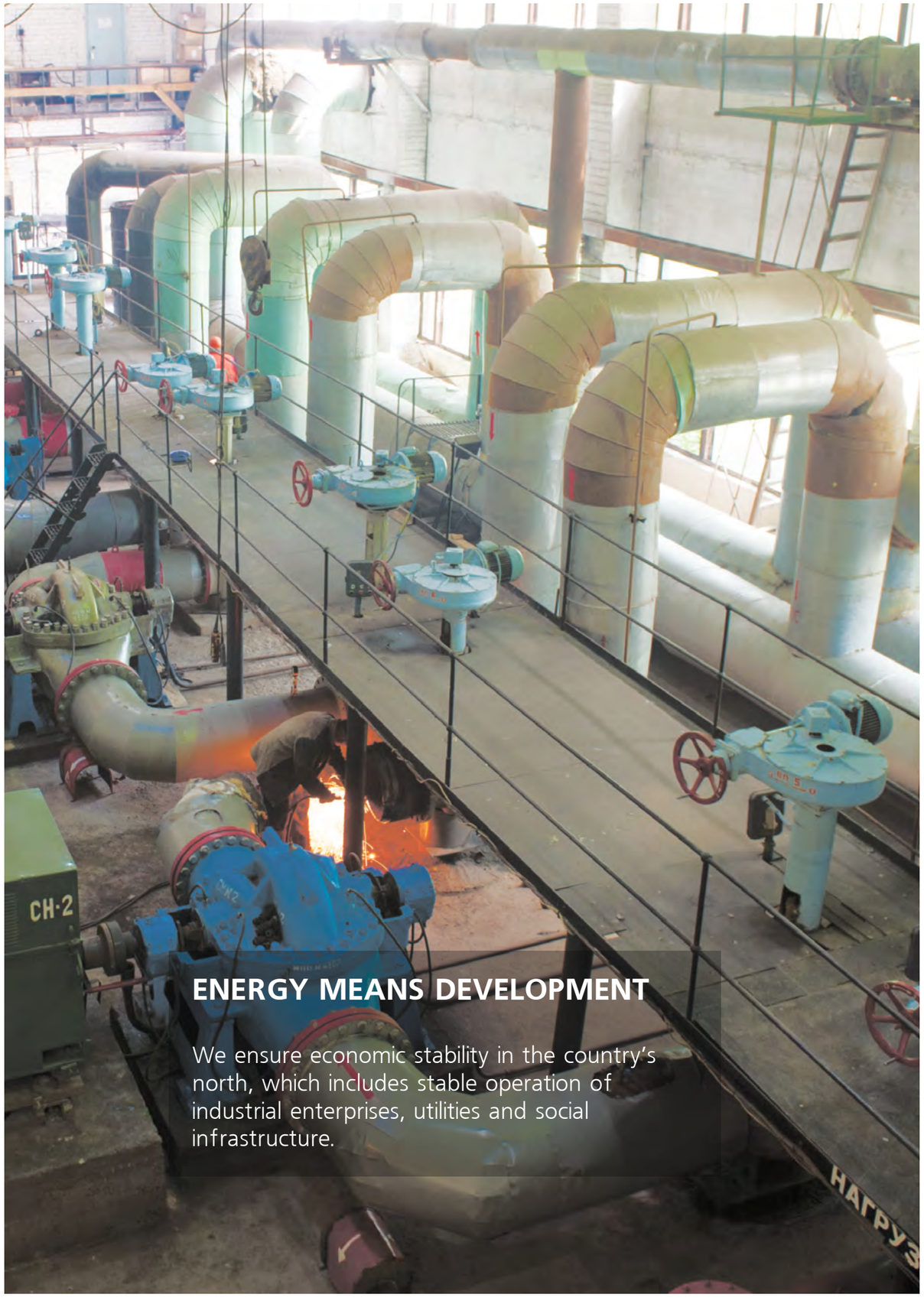
Kazakhstan's national electrical grid outlook, bln kWh

Item	2018	2019	2020	2021	2022	2023	2024
Electricity consumption	100.1	102.6	105.1	106.1	107.2	108.2	109.2
Electricity production	114.5	115	115.6	118	119.9	124.2	128
Existing power plants	105.5	103.3	100.8	100.9	97.3	96.2	96
Planned power plants	9	11.7	14.8	17.2	22.6	28	32
Renewable energy sources	1.4	2.2	2.9	3.8	4.6	5.4	6.3
Surplus	14.3	12.4	10.5	11.9	12.7	16	18.8

3

SEVKAZENERGO

OPERATIONAL RESULTS AND DEVELOPMENT PROSPECTS OVERVIEW



ENERGY MEANS DEVELOPMENT

We ensure economic stability in the country's north, which includes stable operation of industrial enterprises, utilities and social infrastructure.

OPERATIONAL RESULTS AND DEVELOPMENT PROSPECTS OVERVIEW

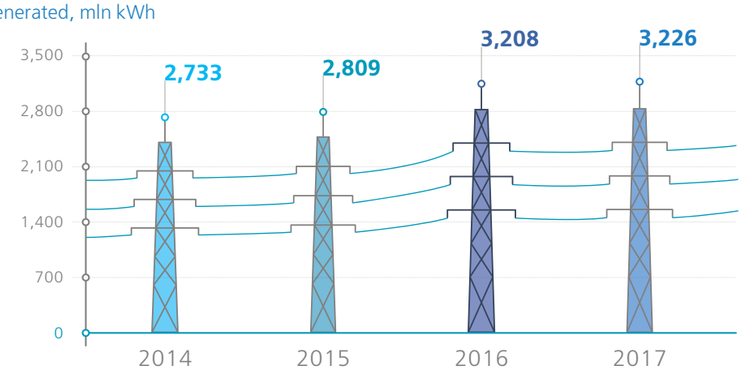
The investment programme which implementation was continued by the Group of Companies SEVKAZENERGO JSC in 2017, which increased the thermal and electrical energy generation, significantly reduced the electrical transmission losses, and improved environmental parameters of the Company's activities. In 2017 the investment projects according to the included 9.6 bln KZT.

INCREASED GENERATION

In 2017 the volume of electricity amounted to 3,226.2 million kWh, showing growth for 18 million kWh compared to 2016.

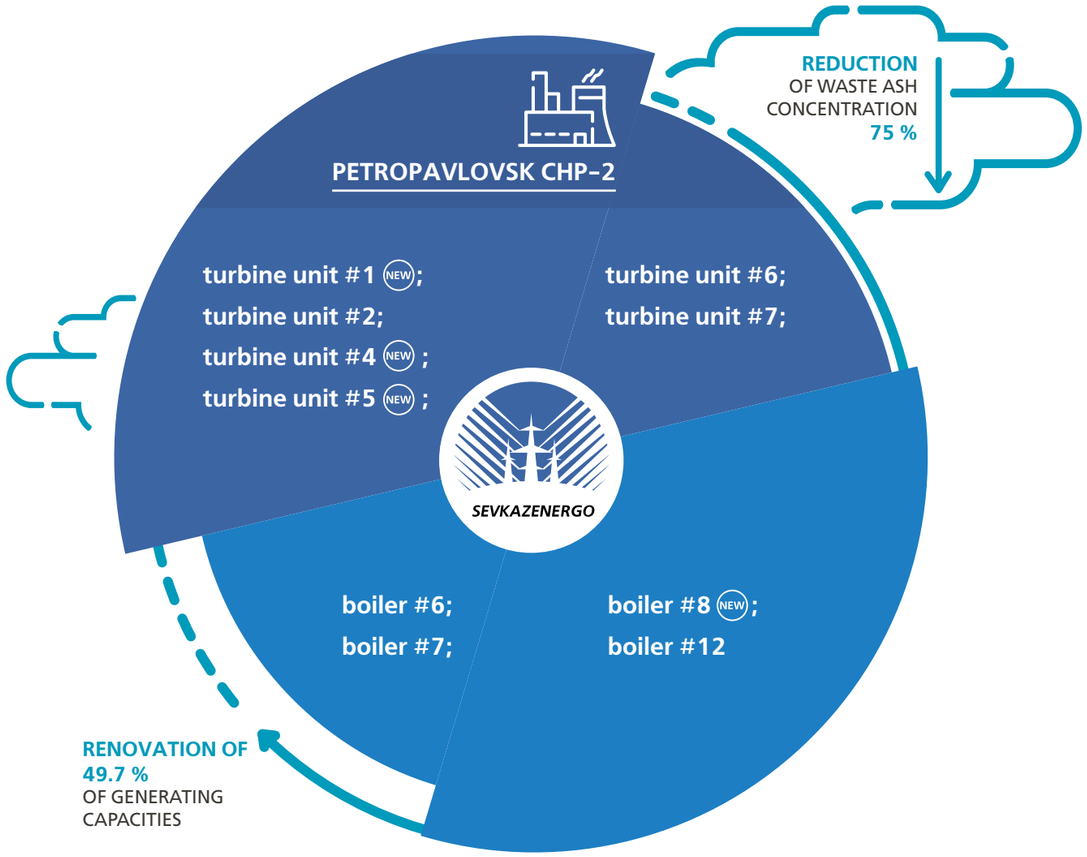
The plant's capacity increases considerably thanks to the introduction of new equipment between 2009-2017, allowing to fulfill the Region's growing needs in heat and electricity and creating a foundation for consistent development of business projects and the manufacturing sector in North-Kazakhstan Region.

Electricity generated, mln kWh



Item	2014	2015	2016	2017
Installed electricity generation capacity as of the year end, MW	434	455	541	541
Share in Kazakhstan's total electricity generation, %	2.8 %	2.9 %	3.1 %	3.4 %
Electricity transmitted, mln kWh	1,225	1,187	1,208	1,235
Electricity sold, mln kWh	2,207	2,308	2,692	2,731
Installed heat generation capacity as of the year end, Gcal	791.65	717.65	713	713
Heat energy generated, thous. Gcal	1,946	1,861	1,905	1,697
Heat transmitted, thous. Gcal	1,334	1,330	1,301	1,237
Heat sold, thous. Gcal	1,319	1,316	1,288	1,224

RESULTS OF THE INVESTMENT PROGRAM FOR 2009–2017



GROWTH DYNAMICS

Installed electric power capacities of the station has grown to **161 MW or 42.4% (2008 –380 MW, 2017–541 MW)**

The installed heat power capacity of the station fell down for **145.8 Gcal or 17 % (2008 –858.8 Gcal, 2017 –713 Gcal)**

Power output increased for **989.19 million kWh (2008 – 2236.98046 mln kWh, 2017 – 3226.17005 mln kWh)**

Heat production decreased by **238.044 thous. GCal (2008– 1935.368 thous. Gcal, 2017– 1697.32431 thous. Gcal)**

PROJECTS COMPLETED IN 2017

PETROPAVLOVSK PCHP–2, SEVKAZENERGO JSC

Petropavlovsk PCHP-2 supplies electricity to the city's enterprises, local businesses, as well as households.

installed capacity of **541 MW**

49.7 % of its generating equipment was upgraded

Modernization of the power plant will continue until 2020.

Modernization of turbine unit # 2 with APCS was completed, bringing the number of such turbine units to 4 out of 7.

In the report year, the plant started building a warm-up device, which will significantly speed up unloading of rail cars with coal in winter, as well as cut costs since diesel fuel will no longer be needed.

Reconstruction of the 110 kV switchgear was completed, thereby improving the reliability of the plant's power distribution diagram.

TRANSMISSION OF ELECTRICITY

In 2017, North Kazakhstan EDC JSC performed construction, renovation and re-equipment of 0.4-10 kV power lines with a total length of 101.143 km, including 83.667 km of aerial bundled conductor wires. Three substations of 10-110 kV are renovated.

NORTH–KAZAKHSTAN EDC JSC

101,143 km, of 0.4-10 kV overhead power lines renovated, including **83,667 km** replaced with aerial bundled conductor lines;

TDTN-10000/110 kVA at 110/35/10 kV Nikolayevka substation completely overhauled with oil-filled bushings replaced with RIP ones;

six KTPN 10/0.4 kV transformer substations replaced;

three maintenance and administration buildings renovated at distribution power station;

it was planned to replace an obsolete panel board with a SCADA solution in the central control room of North Kazakhstan EDC JSC;

2,014 pcs of ASCAE devices installed;

renovation of **three** 10-110 kV substations completed.

In 2017 North Kazakhstan EDC JSC performed reconstruction of 0.4-10 kV power lines with a total length of 83.667 km The works on replacement of bare wire with aerial bundled conductor lines are in process, as well as the works on the ASCAE implementation; In 2017 about 83.667 km of bare wires were replaced and 1,782 induction-type electricity meters were replaced with electronic ones.

SEVKAZENERGO JSC implemented the projects aimed at decreasing the electricity losses during transmission and delivery. In 2017, technical losses reduced from 9.1 % to 8.4 %.

North Kazakhstan EDC JSC has been implementing the project of Automatic system for commercial accounting of electricity (ASCAE) since 2013. The smart ASCAE are provided for 30,780 consumers, which makes 18.9 % of their total number. Modernization of the instruments allows remote customer management, e.g. obtaining meter data, cutting off electricity in case of energy debt.

TRANSMISSION OF HEAT

The main activities to reduce heat losses include restoration and upgrading of central heating pipelines. This project is part of CAEPCO JSC's 2016-2020 investment program, which will be funded with the company's own funds, as well as the investment loan from the EBRD and government subsidies from the Ministry of National Economy under Nurly Zhol program.

The program has a total budget of 12.008 bln KZT with 4.650 bln KZT coming from the loan granted by the European Bank for Reconstruction and Development, another 4.650 bln KZT in government subsidies under Nurly Zhol program, plus 2.708 bln KZT from the Company's own funds.

The goal of the project is to improve reliability of heat supply and energy efficiency, reduce losses and enhance environmental performance (reduction of CO2 emissions by burning less coal thanks to reduced heat transmission losses).

The company uses pre-insulated pipes, which have better insulation characteristics, improved reliability and a useful life of 25 years. As a result, the program with help to save 109,000 tons of fuel and reduce CO2 emissions by 168,000 tons per year.

In 2017, a total of 7.95 km of heat networks were built or renovated using pre-insulated pipes at Petropavlovsk Heat Networks LLP.

The Company's heat transmission facilities install automatic heat use regulators, industrial controllers and modems for connecting mechanisms and instrumentation with the dispatch service. All equipment at heat distribution facilities is connected into a single network, which allows real-time monitoring of water pressure and temperature by dispatchers and faster decision making in case of an accident or emergency.

Furthermore, the Company uses advanced technology to detect the sources of heat losses: thermal imaging devices for pipeline monitoring and diagnostics, as well as ultrasonic flaw detectors. Thanks to the above measures, heat transmission losses by the end of 2020 will be reduced by 9.0 % (from 27, 9 % to 18, 9 %) compared to 2015.

The high level of wear of heating networks in Petropavlovsk leads to a large number of technical failures. However, the use of polyurethane insulation helped to reduced the number of failures from 341 cases in 2014 to 274 in 2016 and 197 cases in 2017. Modernization of heating networks in Petropavlovsk is expected to reduce transmission losses by up to 11,663.36 Gcal/h due to the use of new pre-insulated pipes and by up to 1,138.19 Gcal/h thanks to the addition of polyurethane insulation on renovated pipes; the wear rate of such pipelines is expected to be zero.

EQUIPMENT RENOVATION AND MODERNIZATION IN 2018

As a part of the investment program, 2018 will see a number of equipment modernization projects to increase generation, lower transmission losses for electricity and heat, as well as improve environmental performance.

In 2018, the Company plans to spend 7,1 KZT bln on investment projects.

In 2018 Petropavlovsk CHP-2 of SEVKAZENERGO JSC:

- plans to complete the project of reconstructing the distribution device for 110 kV.
- begins the construction of the dam No. 3 at the ash dump No. 2.
- purchases and installed the automated transformer 7AT.

In 2018, Petropavlovsk Heat Networks LLP plans to build and renovate the heat pipelines with use of pre-isolated pipes with a length of 5.3 km, plus a reconstruction of 11.1 km isolation with polyurethane isolation at the pipelines.

In 2018, the investment projects of NKEDC JSC will include the following:

- construction, reconstruction and technical renovation of 0.4-10 kV electrical lines with length of 71 km.
- construction and reconstruction of 35-110 kV aerial lines with length of 48 km;
- reconstruction of one substation.

PROCESS AUTOMATION

In order to increase productivity, transparency and cost-effectiveness, in 2017 SEVKAZENERGO JSC continued to implement integrated projects for the integral modernization and automation of production, monitoring and related information systems.

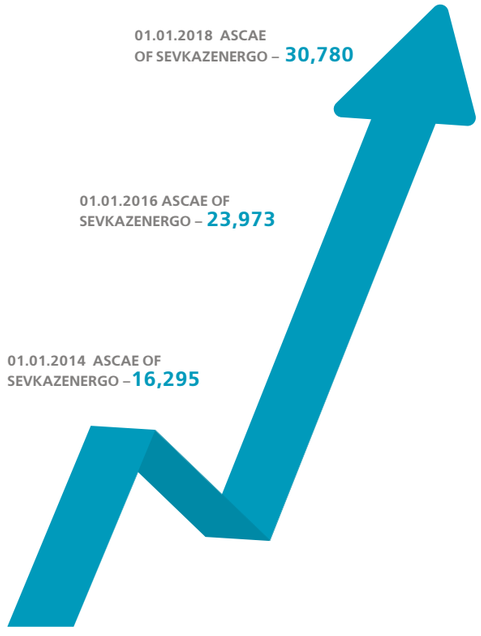
Ellipse

SEVKAZENERGO JSC introduced an automated control system for managing production infrastructure based on Ellipse 8 (Eclipse enterprise resource planning system). The uniform Ellipse system allows planning and conducting maintenance and repair work, including:

- automation devices for failure recovery and emergency works;
- reduction of the number of failures and emergency works through the optimal forecasting of work completion and routine maintenance;
- ensuring shorter repair and emergency work time due to rapid personnel response.

Automatic system for commercial accounting of electricity (ASCAE)

In 2017, the Company continued implementation of ASCAE devices for electricity, specifically, modernization and full automation of on-site metering devices to automatically collect and transfer online various energy transmission and consumption data. This system can automatically detect points of energy losses facilitating timely response. ASCAE devices allow to reduce electricity losses considerably.



In 2017, the Company installed and test launched ASCAE for households using wireless LPWAN technology. For a trial run, North Kazakhstan EDC JSC installed 138 ASCAE devices.

With ASCAE technology, you no longer need to collect and transfer data from each and every transformer substation. There is only one base station for the entire locality, and all meters equipped with a radio module with built-in battery wirelessly transfer readings to this base station once every 24 hours. From the base station, the data is uploaded to a server where it is stored. Customer can log in to their account on the server using their username and password and get readings for the required period. This project will be launched in 2018.

North Kazakhstan EDC JSC has been implementing the project of ASCAE since 2013. At the end of the reporting period, 30,000 consumers had the smart ASCAE devices, i.e.18 % of all customers. Modernization of the instruments allows remote customer management, e.g. obtaining meter data, cutting off electricity in case of energy debt.

THESIS grid-connection monitoring system

In November 2017, NKEC JSC started a test run of an automated system to monitor connection to the electricity grid by new customers. The purpose of the system is to make applying for specifications to connect to the grid more transparent.

The great advantage of the system is the intermediate control where you can see at what stage and who of the participants in the process has the documents. The system will support enterprise operation by introducing accountability and control in such processes as issuing of specifications, approval of engineering documentation and preparation of documents for the consumer.

The project helped new customers connect to the electricity grid faster and made the whole process more transparent and streamlined.

PLANS FOR AUTOMATING PROCESSES IN 2018

ASCAE

In 2018, the Company plans to merge its projects for electricity and heat in order to implement a common management approach and improve organizational and technical activities to achieve better project performance.

The experience gained from the practical operation of dozens different types of meters and ASCAE devices will help to develop a uniform vision of the device's full life cycle, from installation to commissioning to maintenance and support under warranty.

BILLING

In 2018, the Company expects to complete transition to a uniform billing system. This will not only help to automate and standardize recording of heat and electricity consumption data, but also to improve communication with consumers as billing will be based on the actual amount of electricity and heat consumed; plus customers will be able to log in to their account and check consumption data at any time.

CONNECTION TO UTILITIES (ELECTRICITY & HEAT)

Based on successful testing results, in June 2018 the Company plans to introduce the system for automatic processing of applications from new customers in NKEDC JSC. In order to ensure complete and transparent services, by the end of 2018 the Company expects to introduce features where customers will be able to log in to their accounts and check their application status.

PROJECT IMPLEMENTATION BY SEVKAZENERGOSBYT LLP

Improving the quality of customer service in Sevkazenergosbyt LLP is the top priority. In this direction, a number of activities are ongoing, including:

– organization of work with the consumers with disabilities;

– opening of additional consumer service center points;

– introduction of multi-channel telephone contact center functions with «voice mail», allowing the users to leave a voice message for the Company, as well as for the automated calls to the debtors;

– providing consumers with an opportunity to assess the work of the Contact center operators by clicking the corresponding buttons;

– addition of service of 'Personal space' with a function of 'Correspondence with the customer'.

– extension of the list of service providers that are included in a single payment document (SPD), which has been in operation since 2015.

The service centers located in various districts of the city continue their operation for the convenience of customer service.

PLANS FOR 2018

More measures will be taken to improve customer service. Furthermore, it is expected that 1C-based Billing software suite will be implemented before the end of 2018.

PROCUREMENT AND SUPPLY

Building effective procurement remains one of the important goals of the Company with a view to improving operational efficiency. The key priorities of SEVKAZENERGO JSC in the field of procurement include ensuring transparency during tenders, attracting more vendors for better business efficiency and reduced costs.

In 2017, the procurement department started transformation processes to improve the efficiency and transparency. During the year, projects were developed to introduce process automation, improve procurement planning, develop category strategies, and adopt KPIs, among other things. At the end of the reporting period, the following goals were achieved:

- Procurement planning system in the form of the Annual Procurement Plan was developed and implemented;
- A weekly reporting system based on a number of KPIs was developed and implemented;
- Updated organizational structure was approved;
- Approach to procurement centralization was revised;
- Procurement policies and procedures were revised.

PRIORITIES IN PROCUREMENT IN 2018:

- Enhance the transparency of the procurement process;
- Improve financial performance and introduce KPIs;
- Introduce an effective procurement planning system;
- Introduce procedures for assessment and pre-qualification of vendors;
- Automate procurement processes and introduce e-procurement.

FINANCIAL AND ECONOMIC HIGHLIGHTS

Consolidated financial statements of the Company for 2017 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 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 2015–2017, mln KZT

ITEM	2015	2016	2017
Income from core activities	26,608	30,905	31,702
Prime cost, including expenses of the period	(20,462)	(23,026)	(24,737)
Profit from operating activities	6,146	7,879	6,965
Total EBITDA for the year*	10,487*	12,726	11,791
Total EBITDA for the year, margin in %	39.4	41.2	37.2
Income tax expenses	(110)	(1,484)	(1,230)
Net profit for the year	(303)	4,886	3,363
Assets	99,261	105,633	109,793
Equity	51,118	56,004	56,923
Capital expenditures on fixed assets	10,739	10,962	8,433

* Total EBITDA excludes exchange rate differences.

INCOME FROM SALE OF PRODUCTS/ SERVICES

Based on the results of 2017 the Company produced electrical and heat energy, including transmission and sale of purchased energy, for a total amount of 31,702 million KZT, which is 2.6 % more than in 2016. This change was due to the increase in sale of electrical energy.

The main factors which affected revenues in 2017 compared to the previous year are as follows:

- Amount of electrical energy sold increased by 38,8 million KZT or by 0.2 % vs. 2016 due to increase of electricity sales by 39,1 million kWh (1.5 %), caused by commissioning of new generation facilities as a part of investment program and a positive trend in the external market demand.
- Income from transmission of electricity increased by 208 mln KZT or 4.7 % due to a 2.4 % increase of transmission rates and increase of transmission volume by 26.5 million kWh (2.3 %)
- Income from transmission of heat increased by 194 mln KZT or 9.0 % due to a 14.7 % increase of transmission rates.
- Revenues from heat sales, including the sales margin increased by 352 mln KZT or 15.2 % due to differential rates for the consumers, having or not having the meters plus higher rates of generation and higher rates of the selling companies by 21,3 % as a whole.

COST OF GOODS/SERVICES SOLD

Cost of sold electrical and heat energy in 2017 was 22,267 million KZT, increase by 1,367 million KZT or by 6.5 % vs. 2016 was caused by increase of operating expenses under such cost items as "Fuel", "Wear and Deprecation", "Remuneration of labor", "Purchased Energy" and the "Third Parties' Services".

The cost structure of the Company the largest specific ratio (40 %) belong to the "Fuel" item.

The price rise under this item amounted to 384 million KZT, or 4.5 %, including 645 million due to rising prices including transmission for 7.9 % and decrease to 261 million KZT due to reduction of fuel consumption volumes by 3.1 %.

In connection to increased rates of environmental emissions, the related costs had grown by 37 million KZT. Depreciation costs increased by 449 mln KZT or 10.7 % due to the introduction of new fixed assets in 2017, valued at 8,433 mln KZT.

Payroll costs increased by 80 million KZT or 3.3 % due to increased salaries from January 1, 2017.

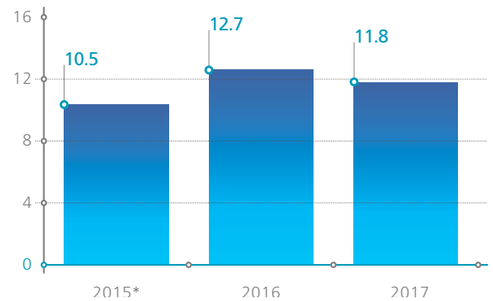
The cost of purchasing electricity from renewable energy sources increased by 125 million KZT, or 30.8 % due to the rise in the procurement scope for 3 million kWh, or 17.9 %.

Cost of "Production-type services" increased by 293 million KZT or by 5.9 % due to increase of expenses for technical dispatching control and balancing by KEGOC and expenses for equipment repair and operation.

TOTAL EBITDA TRENDS*

EBITDA for the year 2017 amounted to 11,791 million KZT. There has been a decline by 935 million, or 7.4 % compared to 2016. The main factors contributing to the operational efficiency decrease are reduced heat energy sales for 63.9 thous. Gcal, or 5.0 % and emergency shutdown of 7 AT transformer, resulting in a subsequent shutdown of the TU station No. 7 and its deactivation since the September and extension of repair term for the TU station No. 2.

Total EBITDA for the year, mln KZT



* Total EBITDA excludes exchange rate losses

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.

The Company's operating EBITDA was 11,783 mln KZT in 2017, growing 443 mln KZT or 3.6 % year on year. The operating EBITDA structure has the leading (first degree) margin segment which is the electric and thermal energy production (10, 303 mln KZT), whereas in 2017 there was a decrease by 1,372 million KZT, or 11.8 % due to emergency shutdown of 7 AT transformer, resulting in a subsequent shutdown of the TU station No. 7 and its deactivation since the September and extension of repair term for the TU station No. 2.

CHANGES IN NET INCOME/LOSS

The operation profit for 2017 amounted to 6,965 million KZT (margin of 22 % compared to the sales income), decrease of profit by 914 million KZT is due to lower sales of thermal energy by 63.9 thous. Gcal, or 5.0 %, as well as the emergency shutdown of 7 AT transformer, resulting in a subsequent shutdown of the TU station No. 7 and its deactivation since the September and extension of repair term for the TU station No. 2.

Net financial expenses increased by 339 million KZT, or 17.7 % due to the accrual of expenses on the investment loan interests due to finalized interest expense capitalization for the commissioned facilities. Income tax expenses decreased by 254 million KZT due to decreased transferable tax loss.

Financial and business indicators by segment for 2017, mln KZT

Indicator	Production of heat and electrical energy	Electrical energy transmitted and distributed	Heat energy transmitted and distributed	Sale of heat and electrical energy	Other	Total
Income from core activities	23,698	4,649	2,341	998	16	31,702
Prime cost	(16,082)	(3,631)	(2,208)	(285)	(61)	(22,267)
Gross profit	7,616	1,018	133	713	(45)	9,435
Expenses of the period	(930)	(539)	(546)	(455)	-	(2,470)
Profit from operating activities	6,686	479	(413)	258	(45)	6,965
Financial expenses, net	(1,973)	(121)	(167)	-	-	(2,261)
Other income	(391)	83	81	67		(160)
Losses from exchange rate difference	25	20	3	2		50
Income tax expenses	(1,075)	(130)	47	(72)		(1,230)
Net profit for the year	(3,272)	331	(448)	254	(45)	3,363
Operating EBITDA by segment	10,348	1,191	13	277	(45)	11,783

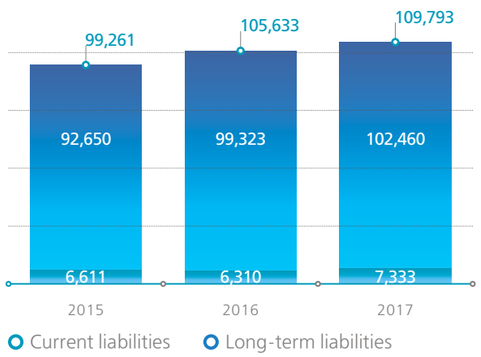
ASSETS AND LIABILITIES

Total assets of the Company as of December 31, 2017 were 109,793 mln KZT, or 3.9 % more compared with 2016.

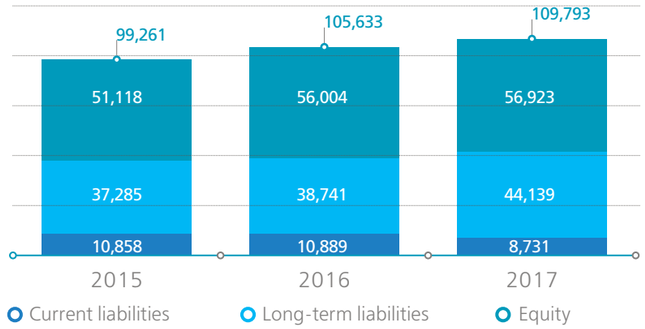
As of December 31, 2017, the value of fixed assets was 101,535 mln KZT, or 92.5 % of the value of all assets. As part of a major investment program for 2017, 8.433 billion KZT were spent on unfinished construction and the acquisition of fixed assets. The introduction of new and renovated facilities for the current period and the facilities, transferred from previous years is amounted to 8,712 million KZT mainly due to the commissioning of the heat mains in December 2017.

Other financial assets include total of 459 mln KZT on deposit accounts with flexible partial top-up and withdrawal terms. The deposits are represented by the funds, accumulated for the loan servicing, financing of the investment program and maintenance of working capital.

Assets, mln KZT



Liabilities, mln KZT



Stated equity capital of the Company is 143.9 million of ordinary shares. As of December 31, 2017, the value of completely paid ordinary shares was 16,292 mln KZT.

In November 2017, SEVKAZENERGO JSC repaid the short-term coupon commercial bonds in amount of 500.1 million KZT with a nominal value of 100 KZT with 13% indexed interest rate.

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

As of the end of the reporting year, total financial liabilities reached 26,178 mln KZT, while the Company maintains financial stability.

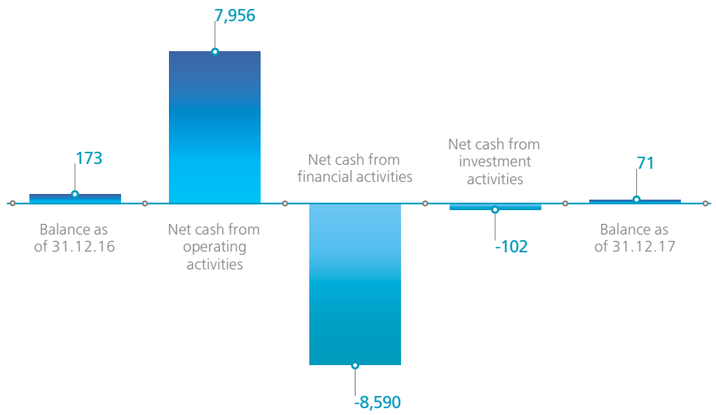
CASH FLOW

In 2017, there was a decrease in cash flows from operating activities due to lower cash flows, resulting from emergency shutdown of 7 AT transformer, resulting in a subsequent shutdown of the TU station No. 7 and its deactivation since the September and extension of repair term for the TU station No. 2. Net inflow from operating activities, considering the impact of changes in exchange rate on foreign exchange assets was 7,956 mln KZT. Change in working capital occurred due to increase in current assets by 903 mln KZT and decrease in current liabilities by 2,157 mln KZT, which resulted in increase in the working capital.

The most significant cash outflows related to investment activity in amount of 8,590 mln KZT were related to the accelerated investment program of the current year.

Cash and deposits as of the end of the year totaled 529 KZT mln: sufficient cash reserves allow the Company to maintain the required level of internal resources for debt servicing.

Cash flow, mln KZT

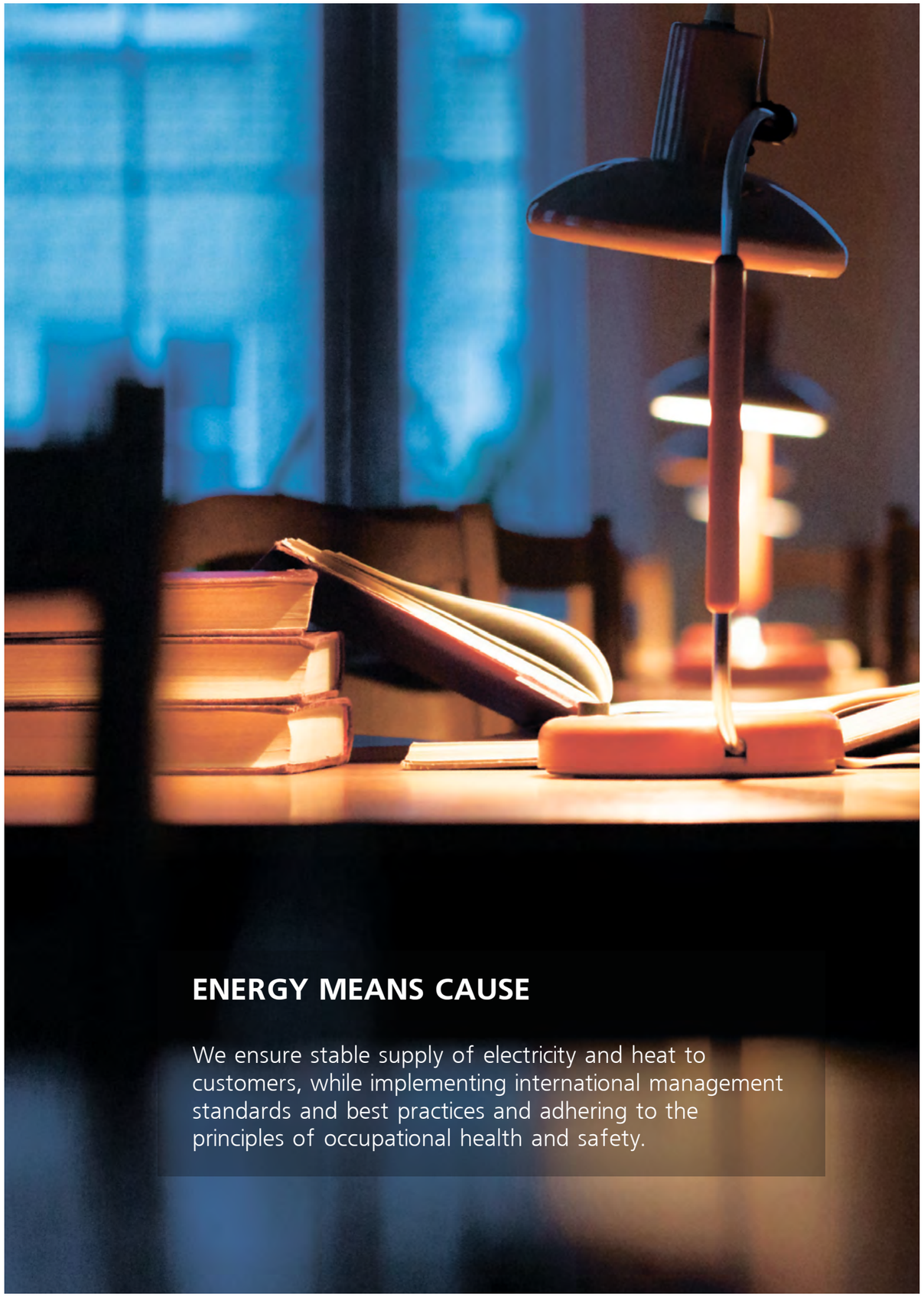


ENERGY

SEVKAZENERGO

4

CORPORATE GOVERNANCE



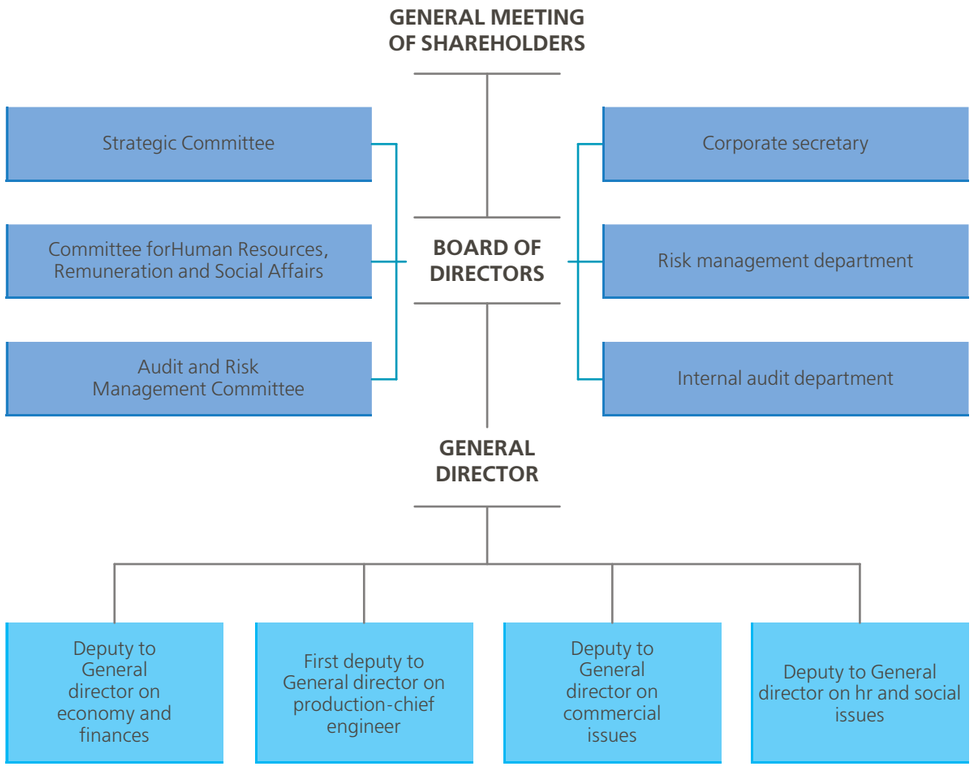
ENERGY MEANS CAUSE

We ensure stable supply of electricity and heat to customers, while implementing international management standards and best practices and adhering to the principles of occupational health and safety.

CORPORATE GOVERNANCE

SEVKAZENERGO JSC has an effective and transparent corporate governance framework meeting Kazakhstani and international standards. Corporate governance promotes transparency of activities, growth of the assets and helps to maintain the financial stability of the Company.

Organizational structure



Based on financial statements, the Company's share capital as of December 31, 2017 was 16,291,512,000 KZT. The sole shareholder owning 100 % of the shares is Central-Asian Electric Power Company Joint-Stock Company.

SHAREHOLDER	COMMON STOCK		COMMON STOCK	TOTAL SHARES	
	NUMBER	PERCENTAGE		NUMBER	PERCENTAGE
Central-Asian Electric Power Company JSC	143,863,799	100 %	–	143,863,799	100 %

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme management body of the Company. The shareholders of the Company may make suggestions to the agenda of the annual General meeting, nominate candidates to the Board of directors and Committees, and convene meetings of the Board of directors.

RESULTS OF THE GENERAL MEETING OF SHAREHOLDERS

In 2017, 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 2017 fiscal year;
- Resolution about a transaction, where SEVKAZENERGO JSC has an interest.

DIVIDENDS

The Company policy regarding distribution, announcement, amount, 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 prosperity.

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.

The decision on the payment of annual dividends is made by the General Meeting of Shareholders of CAEPCO JSC based on the recommendation from the Board of directors of the Company. In case of any unforeseen negative circumstances affecting the Company, the Board of directors has to advise the General meeting of CAEPCO shareholders against payment (declaration) of dividends.

In 2017 at the annual General meeting of CAEPCO shareholders, held on 12.06.2017 (Protocol No. 3), it was decided to proceed with the payment of dividends to SEVKAZENERGO JSC shareholders for 2016 fiscal year in amount of 2,442,864,500 (two billion four hundred and forty-two million eight hundred sixty-four thousand five hundred) KZT at the rate of 16.9804 KZT per share.

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.

The Board of directors creates and supervises the executive body of the Company. To achieve these objectives, the Board of directors is guided by the following principles:

- Decision making based on a collegial and thorough discussion of issues using reliable and complete information on the activities of the Company in accordance with the highest business standards;
- No restrictions on the legitimate interests and rights of shareholders to participate in the management of the Company, 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.

Also the Board of directors of SEVKAZENERGO JSC makes decisions on the matters under the competence of the General meeting of shareholders (participants) of the following legal entities: North Kazakhstan Electric Distribution Company JSC, Sevkazenergosbyt LLP, Petropavlovsk Heat Networks LLP, in which 100 % of shares (shares in the charter capital) belong to SEVKAZENERGO JSC. The Board of directors of the North Kazakhstan 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 44,229 thous KZT was paid as remuneration to the Board of directors and Executive body in 2017.

MEMBERS OF THE BOARD OF DIRECTORS

Current members of the Board of Directors of joint-stock companies:

NAME, LEGAL FORM OF BUSINESS ORGANIZATION	MEMBERS OF THE BOARD OF DIRECTORS	TITLE	DATE OF ELECTION/END OF TENURE
SEVKAZENERGO JSC	Turganov Dyusenbai	Chairman of the Board of directors	15.01.2018 – 14.01.2020
	Karyagin Andrey	Member of the Board of directors	15.01.2018 – 14.01.2020
	Leonid Larichev	Member of the Board of directors	15.01.2018 – 14.01.2020
	Alexander Nigai	Member of the Board of directors	15.01.2018 – 14.01.2020
	Andreyev Gennady	Independent Director	15.01.2018 – 14.01.2020
	Tabanov Eldar	Independent Director	15.01.2018 – 14.01.2020
North Kazakhstan Electric Distribution Company JSC	Zuleyev Mukan	Chairman of the Board of directors	14.06.2017– 13.06.2020
	Leonid Larichev	Member of the Board of directors	14.06.2017– 13.06.2020
	Andreyev Gennady	Independent Director	14.06.2017– 13.06.2020

SEVKAZENERGO JSC

DYUSENBAI TURGANOV (born 1959)

Chairman of the Board of directors .

15.01.2018 – PAVLODARENERGO JSC/Chairman of the Board of directors;
15.01.2018 – Member of the Board of directors of Akmola Electric Distribution Company JSC/Chairman of the Board of directors.

ANDREY KARYAGIN (born 1967)

Member of the Board of directors.

15.01.2018 – PAVLODARENERGO JSC/Member of the Board of Directors;
15.01.2018 – Member of the BOD of Akmola EDC JSC/Member of the Board of directors;
25.12.2017 – Chairman of the Board of directors of Astana Finance Investment House;
06.12.2017 – Central-Asian Electric Power Corporation/Vice President on Finances and Economy.

LEONID LARICHEV (born 1969)

Member of the Board of directors.

10.09.201 – SEVKAZENERGO JSC/General Director;
22.08.2014 – North-Kazakhstan Electricity Distribution Company JSC/Member of the Board of directors.

ALEXANDER NIGAI (born 1984)

Member of the Board of directors.

15.01.2018 – PAVLODARENERGO JSC/Member of the Board of directors ;
15.01.2018 – Member of the BOD of Akmola EDC JSC/Member of the Board of Directors.

GENNADY ANDREYEV (born 1943)

Independent Director.

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

15.01.2018 – APAVLODARENERGO JSC/Member of the Board of directors, Independent director.
15.01.2018 – Akmola Electric Distribution Company JSC/Member of the Board of directors, Independent director.
13.11.2017 – Central-Asian Electric Power Corporation /Member of the Board of Directors, Independent director.
02.07.2015 – Honorary President of KazNIPIEnergoprom Institute JSC.

ELDAR TABANOV (born 1968)

Independent Director.

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

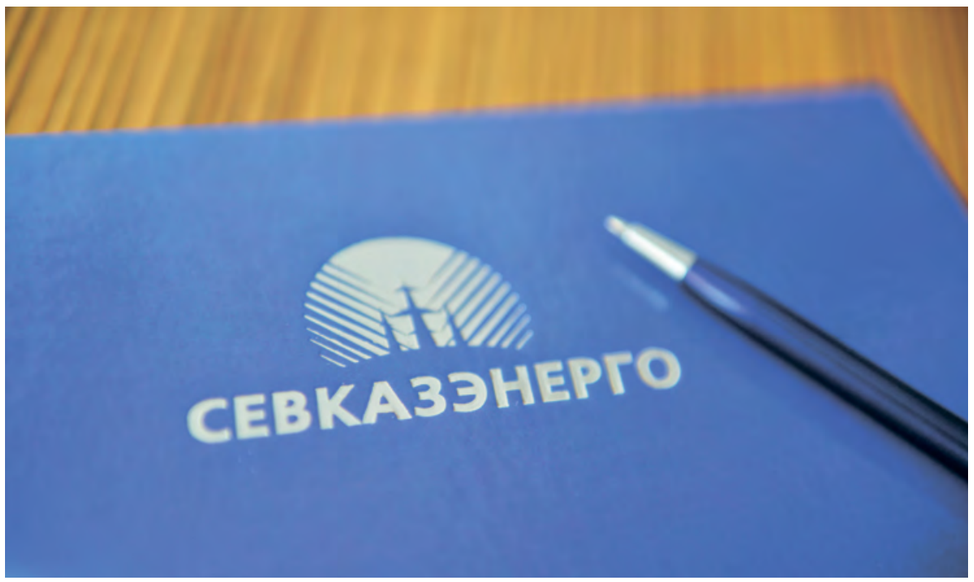
15.01.2018 – PAVLODARENERGO JSC/Member of the Board of directors, Independent director.
15.01.2018 – Akmola Electric Distribution Company JSC/Member of the Board of directors, Independent director.
13.11.2017 – Central-Asian Electric Power Corporation /Member of the Board of Directors, Independent director.
29.09.2017 – Director of City Box LLP.

PERFORMANCE OVERVIEW OF THE BOARD OF DIRECTORS

In 2017 the Board of directors held 12 meetings.

The Board of directors focused on the following key issues:

- On the terms of remuneration for employees of SEVKAZENERGO JSC's companies.
- Related-party transactions of SEVKAZENERGO JSC;
- On the changes in the budget of the Group of companies SEVKAZENERGO JSC in 2017;
- 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 2016;
- Adoption of the provisions on executive body of SEVKAZENERGO JSC and its subsidiaries;
- Approval of internal policies and procedures of the structural units reporting to the Board of directors;
- On the definition of the financing terms offered by Al Hilal Islamic Bank for CAEPCO JSC jointly with PAVLODARENERGO JSC, SEVKAZENERGO JSC, Akmola Electric Distribution Company JSC and Astanaenergosbyt LLP;
- Approval of the financial statements of North-Kazakhstan Electric Distribution Company JSC for 2016 and distribution of net income;
- On determination of quantitative structure of the Board of directors of North Kazakhstan Electric Distribution Company JSC, electing the members of the Board of directors, definition of the dury period, amount and conditions of payment of the remuneration to the members of the Board of directors of the North Kazakhstan Electric Distribution Company JSC;
- On provision of guarantees by SEVKAZENERGO JSC in SB Sberbank JSC as a security for performance of the obligations of PAVLODARENERGO JSC;
- On provision of guarantees by SEVKAZENERGO JSC in SB Sberbank JSC as a security for performance of own obligations under the credit line/loan;
- Appointment of employees reporting to the Board of directors of SEVKAZENERGO JSC.



ACTIVITIES OF THE COMMITTEES OF THE BOARD OF DIRECTORS

As of December 31, 2017, there are four committees under the Board of directors of CAEPCO JSC:

NAME	TASKS	MEMBERS	RESULTS
Strategic Planning Committee	– provision of consulting assistance and recommendations to the Board of Directors of the Company on the issues of determining the priority directions of the Company's activity, its development strategy; developing the Company's budget; planning the Company's financial and economic activities; – identification of existing problems in the area of Company's planning and budgeting activities.	**Gennady Andreyev** **Chairman** Members: Dyusenbai Turganov Leonid Larichev	The Committee had no meetings in 2017.
Audit and Risk Management Committee	– developing and making recommendations to the Board of Directors for taking the management decisions – introduction of modern methods to improve risk-based internal audit, ERM and ICS – implementation of effective programmes for testing the efficiency of ERM and ICS. – monitoring of timely and full implementation of corrective action plans and action plans to improve ERM and ICS.	**Eldar Tabanov** **Chairman** Members: Andrey Karyagin Leonid Larichev Zhanar Rakhimberlinova Ayzhan Stanbayeva	In 2017: 1 meeting of the Committee and 1 meeting with participation of the Committee members.
Nomination, Remuneration and Social Affairs Committee	– provision of consulting assistance and recommendations to the Board of Directors of the Company on the human resources and social issues – development of mechanisms of interaction between the Board of Directors and structural divisions of the Company.	**Gennady Andreyev** **Chairman** Members: Alexander Nigai Leonid Larichev Natalia Konstantinova	In 2017: 1 meeting of the Committee and 1 meeting with participation of the Committee members.

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.

Leonid Larichev, General Director of SEVKAZENERGO JSC has no shares in the equity capital of the joint stock company, subsidiaries or affiliated organizations.

General Director, SEVKAZENERGO JSC

LEONID LARICHEV

BRIEF BIOGRAPHY

Started his career in 1993 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, he was appointed as a Chairman of the Executive Board of SEVKAZENERGO JSC by the decision of the Board of Directors. On September 10, 2014, he becomes the 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, Leonid Larichev was named The Distinguished Energy Professional of the CIS. In 2016 the General Director of SEVKAZENERGO JSC received the Kurmet order. Under the leadership of Leonid Larichev, the Company implements the upgrade projects for electric and thermal power sectors, as well as other programs in accordance with international standards in the area of production and social sphere.

Executive bodies of the Company's subsidiaries include: North Kazakhstan Electric Distribution Company JSC, Petropavlovsk Heat Networks LLP and Sevkazenergosbyt LLP are separate entities each having its own director.

NAME, LEGAL FORM OF BUSINESS ORGANIZATION	SOLE EXECUTIVE BODY	TITLE	DATE OF ELECTION/ END OF TENURE
SEVKAZENERGO JSC	**Leonid Larichev**	General Director	10.09.2016–09.09.2018
North Kazakhstan Electric Distribution Company JSC	**Anatoly Kazanovsky**	General Director	16.10.2015–15.10.2017 (powers extended to October 15, 2019 inclusive on the basis of the decision of the Board of Directors of NKEDC JSC
Petropavlovsk Heat Networks LLP	**Igor Rybas**	General Director	16.09.2014–15.09.2018
Sevkazenergosbyt LLP	**Magawiya Sagandykov**	Acting General Director	from July 1, 2016

Remuneration policy

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

INTERNAL CONTROL AND AUDIT

To improve business processes and enhance the effectiveness of its decisions, the Company has established internal control mechanisms. The Company 's Office for Internal Audit (OIA) reports directly to the Board of directors of the Company and is subject to oversight by the Audit and Risk Management Committee which monitors decisions and processes to ensure the reliability of financial reporting and to coordinate internal controls and risk management procedures.

In 2017, the OIA operated in accordance with the annual plan approved by the Board of Directors: it conducted evaluation of the effectiveness of the internal control system in a number of business processes: "Procurement, contracts and payables," "Connection of consumers to electrical/heat networks," "Revenue accounting and receivables." In addition, the OIA oversaw the issuance of technical specifications, monitored implementation of its recommendations, and conducted random checks to inspect fixed assets and inventory. The OIA submitted annual and quarterly reports to the Board of Directors and the Audit Committee.

The department operates in accordance with International Standards on Auditing (ISA) developed by the Institute of Internal Auditors, as well as in accordance with the current laws and regulations of the Republic of Kazakhstan and the Code of Ethics of internal auditors of SEVKAZENERGO JSC. Internal auditors adhere to such principles as integrity, objectivity, confidentiality and professionalism.

The OIA acts in accordance with the requirements of the Internal Audit Department of CAEPCO JSC and complies with the audit methodology and practice.

Since 2017, the Company has had a functional system of internal controls, which provides reasonable assurance of effectiveness at all control levels, including financial and operational control, compliance with laws and regulations.

CORPORATE GOVERNANCE CODE COMPLIANCE REPORT

The Company's corporate governance practices in 2017 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 Company 's internal by-laws and is summarized in the Corporate Governance Code of SEVKAZENERGO JSC . The Code complies with the Joint-Stock Companies Act of the Republic of Kazakhstan: 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 Kazakhstan's joint stock companies.

Adherence to the principles of the Corporate governance code is aimed at shaping and implementing into the Company's day-to-day operations the principles and traditions of corporate behavior 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's activity, 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.

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.	RESPECTED	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). 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, in a timely manner, of accurate and complete information about the current financial situation of the Company, its financial and business results and its management structure.	RESPECTED	This principle of the Corporate governance code is followed by maintaining the organizational structure of the Company 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 law.	RESPECTED	In 2011, the Company adopted a Code of Business Conduct comprising business relationship standards in four areas: • Business and professional ethics; • Business and professional ethics; • Corporate governance; • Corporate social responsibility. The Code of Business Conduct is a set of guidelines and principles followed by the Company employees when using the principles of business ethics in their work. The Company has developed and adopted an action plan for interaction with stakeholders, based on which the Company prepares annual progress reports.

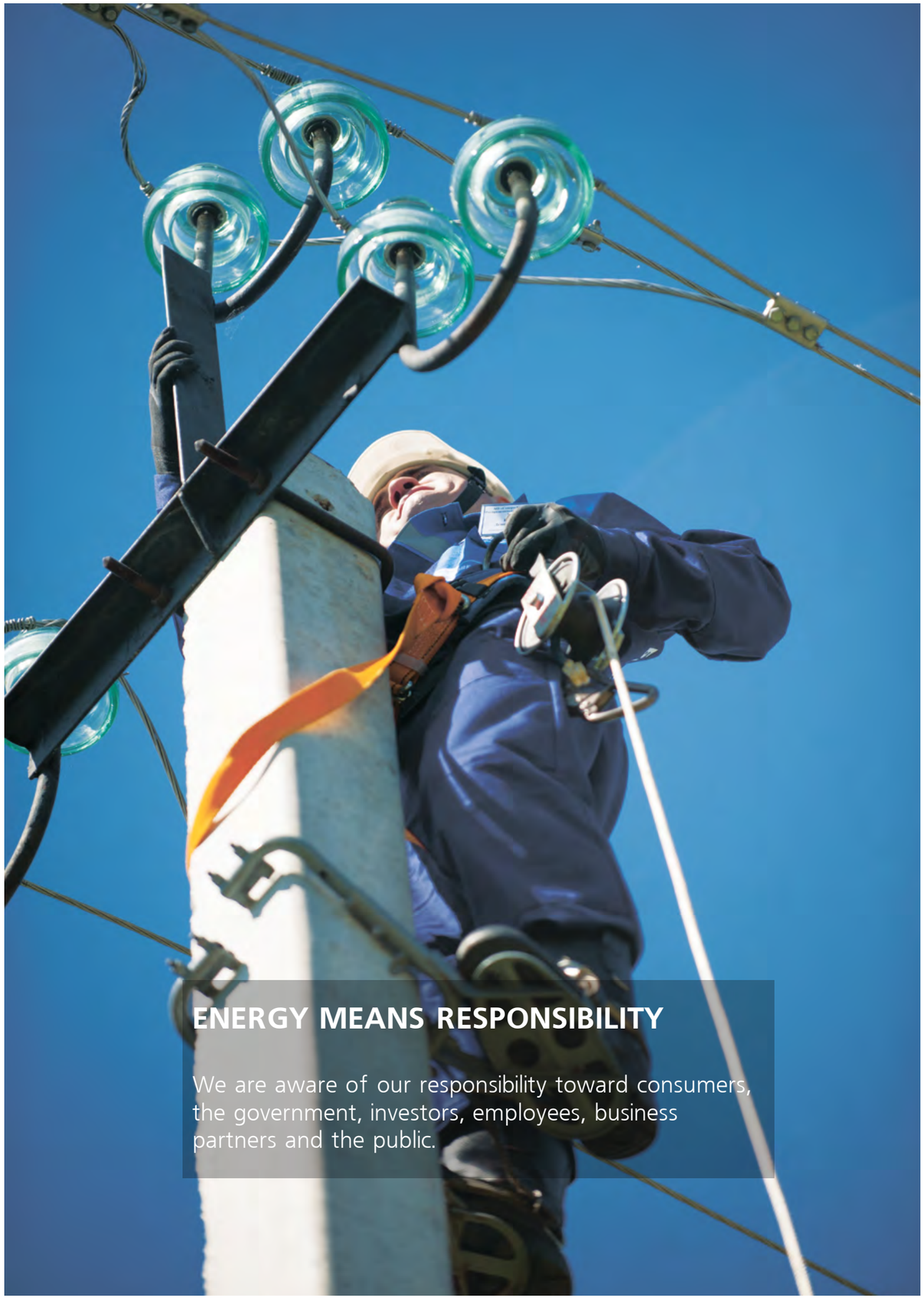
KEY PRINCIPLES OF THE CORPORATE GOVERNANCE CODE	ADHERENCE TO THE PRINCIPLES	COMMENTS
Transparency Timely disclosure of accurate information about all material facts relating to the Company's activities, including its financial situation, performance, ownership and management structure, in the amounts stipulated by the legislation and internal policies, as well as ensuring the free access of all interested parties to such information by publishing it so as to make it easily accessible to the public, as provided by the law and the Company's internal documents.	RESPECTED	The main objectives of the Company with respect to the implementation of the principle of transparency include: • 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 Company treats the environment responsibly and rationally and operates in a socially responsible manner.	RESPECTED	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.	RESPECTED	The principle of effectiveness is regulated by the Statute of the General Director. 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. The objectives of the Board of Directors include ensuring the availability of a well thought-out and long-term strategy, growing the Company's assets, ensuring effectiveness of operations, enforcing the rights and legitimate interests of shareholders and controlling the executive body.
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.	RESPECTED	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, whose goal is to assist the Board of Directors in monitoring the decisions and processes, ensure the reliability of financial reporting and availability of proper internal controls and risk management procedures.

ENERGY

SEVKAZENERGO

5

RISK
MANAGEMENT



ENERGY MEANS RESPONSIBILITY

We are aware of our responsibility toward consumers, the government, investors, employees, business partners and the public.

RISK MANAGEMENT

The main goals of SEVKAZENERGO JSC in the field of risk management include reduction of the negative impact of the events surrounding the activities of the Group, as well as pursuit of interesting opportunities.

CORPORATE RISK MANAGEMENT SYSTEM

The Company has an Corporate risk management (RMS) system aimed at identification, assessment and monitoring of all significant risks, as well as minimization measures. Risk management is performed at all levels: industrial enterprises, departments and at the level of the Group of companies.

Risk groups

STRATEGIC RISKS	FINANCIAL RISKS
• Regulatory risks	• Financial statements
• Investment risks	• Interest rate risks
• Project risks	• Liquidity risk
• Reputational risks	• Credit risks
• Market risks	• Price risks
• Managerial risks	• Foreign exchange
LEGAL RISKS	**OPERATIONAL RISKS**
• Violation of law	• Technological risks
• Litigation risk	• Procurement and sourcing
• Corruption and fraud risk	• Planning and operational decision making
• Property risks	• Human resource management
• Collection risks	• Occupational safety and health
	• Interaction with contractors
	• IT and information security
	• Government relations
	• Emergencies
	• Interaction with consumers
	• Human resources risks
	• Environmental risks

Risks are identified, evaluated and controlled.

Organization of RMS activities

Identification of risks	Risk analysis and assessment	Risk management	Risk monitoring
• Detection of risks and their inCompany the the Company's Corporate Risk Register for further evaluation and management.	• Determining the seriousness of risk impact on production and business performance of the Company.	• Identifying, evaluating and selecting the most effective method of achieving goals by maximizing the positive and minimizing the negative developments that have an impact on the activities of the Company.	• Ensuring that risk management plans are carried out regularly, promptly and properly.

INTERNAL CONTROL STANDARDS

The Company has an Internal Control System (ICS) which is a set of policies, processes, procedures and norms of behaviour and actions combined into a single continuous process that is part of the Company's management process, exercised by the Board of directors, as well as all the executive and supervisory bodies and employees, aimed at providing a reasonable confidence in achieving the operational goals and minimization of risk.

The Company has a three-level Internal Control System:

OPERATIONAL	FINANCIAL	COMPLIANCE
Applies to the business objectives of the organization, including productivity, profitability and safety of resources.	Refers to the preparation of reliable published financial statements, including the interim condensed financial statements, as well as any data derived from these reports (for example, income data) which is published openly.	Focuses on compliance with laws and regulations governing the operations of the organization.

RISK INSURANCE

In order to properly manage the risks inherent in the activities of the Company, SEVKAZENERGO JSC has developed and implemented the Insurance Guidelines formalizing insurance against risks to minimize and eliminate the consequences (damage, losses) from the risks incurred and to reduce (mitigate) the negative impact on the strategic objectives of the Company. Thus, the Guidelines are designed to ensure sustainable operation and development of the Company through cost-effective insurance protection against major risks threatening company operations, employee health, as well as the interests of shareholders and investors.

SEVKAZENERGO JSC Group has all types of compulsory insurance protection in accordance with the regulations of the Republic of Kazakhstan. In addition to the compulsory types of insurance in accordance with the insurance policy and the best international practices, the Company insures property risks voluntarily. Property risks of generating facilities of SEVKAZENERGO JSC are insured in insurance companies of the Republic of Kazakhstan in accordance with the regulations. The Company has high standards regarding insurance of its assets (insurance of property against all risks), which means additional requirements and control over reinsurance of its risks in international reinsurance organizations (such as Munich RE, Hannover RE, etc.) with a minimum credit rating of AA. The Company pursues a policy of openness towards the insurance industry: it occasionally conducts engineering surveys of its generating facilities and implements recommendations of the reinsurers.

ANALYSIS OF SIGNIFICANT RISKS AFFECTING PERFORMANCE

Seventy risks affecting the Group were identified in the new Corporate Risk Register and the Risk Mapping updated in accordance with the approved Risk Management Policy.

RISK	FACTORS	LEVEL	CHANGE	DESCRIPTION OF THE CHANGE	MEASURES TO MINIMIZE THE RISK
Strategic risks					
Damage to the corporate reputation	1. Spreading negative (derogatory), incorrect and/or misleading information about the Company and its activities in all public spheres; 2. Unauthorized distribution of information by the Company's employees.			In 2017, there was an increase in the proportion of negative media coverage in comparison to 2016. The highest number of negative publications took place in the autumn of 2017 and it was due to deviation from the schedule of facility connection to the municipal heating system by Petropavlovsk heat networks LLP, resulted from the fact that construction works on reconstruction and modernization sections of thermal networks have not been completed in full by the beginning of the heating period. These facts have a negative impact on the reputation and image of the Company as a whole.	To reduce the probability and impact of this risk, the Company carried out activities aimed at keeping its image up, including the special media events, publications in the key state and regional mass media, regularly updated information on the corporate website, Facebook group, regularly monitors the media.

RISK	FACTORS	LEVEL	CHANGE	DESCRIPTION OF THE CHANGE	MEASURES TO MINIMIZE THE RISK
Operational risks					
Injuries / accidents	1. Employees' breaches of technological requirements, stipulated by the rules and regulations on health and safety at work; 2. Poor knowledge of regulations, requirements for occupational health and safety among some employees; 3. Unsatisfactory organization of production works; 4. Equipment failures, accidents at work.			In 2017, the Company recorded two cases of occupational accidents: one occurred with an employee of the contractor and one occurred with the employees of North-Kazakhstan distribution company JSC.	Within the frameworks of risk management, the Company ensures number of activities, aimed at reducing the occupational injuries, including: – strict monitoring of technical condition of the equipment, buildings and structures; – continuous monitoring of the equipment safety during its operation; – 100 % supply of the individual protection means for employees; – training and testing of the employees' knowledge on occupational safety and health, as well as the industrial safety; – investigation and deep analysis of accidents with a view to avoiding their recurrence in the future. The internal normative document on interaction with the contractors is being developed in the area of occupational health and safety when working at the Company's facilities (territory).
Above-normal heat losses	1. High level of wear of thermal networks (poor condition); 2. Unauthorized connection of consumers to heat networks; 3. Coolant leakage in the heat networks (including those arising from technological breaches and poor condition of the heat networks in principle); 4. Change in the production volumes (including the cases of changing climatic conditions); 5. Technological imbalance between the actual and potential volume of thermal energy for the hot water distribution to the consumers.			Analysis of the loss indicators as of 2017 shows decrease of the actual value of the normative losses of thermal energy at 0.3 % and 4.4 % over the normative value, compared to the indicators of 2016.	In 2017 a number of large-scale events was to mitigate this risk in the area of modernization and reconstruction of heat supply networks of Petropavlovsk. Such activities are performed within the framework of the implementation of investment programs, financed by the European Bank for Reconstruction and Development, budgetary funds of the Ministry of Investment and Development of the Republic of Kazakhstan, as well as the Company's own funds. According to the results of 2017, the overall network of Petropavlovsk Heat Networks LLP reached 65.01 %. In 2018 Petropavlovsk Heat Networks LLP planned implementing the projects of similar scale equipment renovation and modernization. The main objective of this investment project is to reduce the excessive heat losses to zero by 2020, reducing the wear and tear of heat networks of heat supply system of Petropavlovsk, improving the quality and stability of heat supply to our consumers.

RISK	FACTORS	LEVEL	CHANGE	DESCRIPTION OF THE CHANGE	MEASURES TO MINIMIZE THE RISK
A break in production	1. Natural Disasters; 2. Terrorist threats (acts); 3. Late purchase/ non-delivery of material resources; 4. Delayed oil fuel/ non-delivery of fuels; 5. Fire/flame; 6. Technological malfunctions of equipment (accidents, failures); 7. Military actions, demonstrations, unauthorized strike of the workers.			In 2017, CHP-2 of SEVKAZENERGO JSC had a lockout of automatic transformer due to a failure and it subsequently led to the forced stoppage of a station turbine unit and, accordingly, a failure to execute the plan of electrical energy production (low electricity output) according to the annual results. Implementation of this risk resulted in a lower net income.	The main organizational form for the damage reduction and compensation (in case of such risk) is insurance. Therefore, in the frameworks of the risk management the issue of insurance against the business interruption/production downtime (business insurance availability) was considered. The Board of Directors of Central Asian Electric Power Corporation JSC will take the resolution on this issue.
Delayed replenishment of fuel reserves	1. Failure to comply with the fuel shipment schedule by the provider; 2. Late supply of the open-side cars (by the owner) for the fuel shipment; 3. Delayed trains on the route; 4. Shortage of rolling stock (at the operators/open-side car owners) during the heating season; 5. Down-time of the open-side cars during offloading (at the station) in connection with the necessity of cleaning the cars during the winter season; 6. Accident/failures of vagon dumpers, locomotives (own), heating devices, special-purpose railways. 7. Force majeure, including the bad weather conditions.			During 2017, there was no critical reduction of the operational fuel (coal) reserves. However, due to its potential significance for the production activities of the Company, this risk is under a constant monitoring by the management and the relevant departments.	To minimize a chance of the risk occurrence: – timely and correct conclusion of the contracts; – timely and correct drafting, approval and control of the fuel delivery schedule; – continuous coordination activities with the fuel supplier, operator of open-side cars and other stakeholders, participating in the fuel supply for the station; – control of time during which the open-side cars are unloaded with consideration of the technical standards and regulations; – in-time maintenance and repair works for the car dumpers, locomotives (own), heating devices and special-purpose ways. In case if the risk occurs, a set of measures shall be taken to mitigate the risk: • to consider the additional fuel shipments during the following periods to overcome the operational standards for the fuel reserves; • to develop additional routes for the open-side cars jointly with the operator and owner of the open-side cars; • to draft the schedules with increased daily fuel supply along the routes to the CHP.

RISK	FACTORS	LEVEL	CHANGE	DESCRIPTION OF THE CHANGE	MEASURES TO MINIMIZE THE RISK
Delayed purchase and delivery of goods, works and services	1. Long approval process for the contracts and purchase orders; 2. Failure to perform the vendor-related obligations in-time; 3. Lack of automated electronic approval procedures for documents.			Late purchase and supply of goods, works and services, as well as inadequate organization of procurement procedures had a negative impact on the execution of plans and schedules of equipment repairs, renovation and modernization throughout the year. So, in 2017 in connection with late procurement and supply of certain categories of certain categories of the goods, works and services, the deadlines for reconstruction and modernization were extended for:-separate sites of the heat main pipelines of Petropavlovsk Heat Networks LLP; -turbine unit of the station, which in turn, contributed to the failure of the production plan of electric power (low production of electrical energy) at the year end.	Within the frameworks of the risk management, a set of effective measures are implemented:-introduction of an annual procurement plan specifying deadlines for each stage from application to delivery;-to ensure faster procurement, procedures for management review of vendor quotes, depending on the type of purchase.
Natural disasters (floods, lightning strikes, fire)	Location of economic activities in the areas of potential natural hazards (active flood season, storm activity and other natural disasters).			In the spring of 2017 the copious floods damaged the power lines of North Kazakhstan Electric Distribution Company JSC in several areas of the North Kazakhstan region, which had a negative impact on the quality of the provision of transmission and distribution of electricity to the consumers.	The following measures are taken to mitigate the risk: – operational definition of the scope and causes of equipment damage; – redistribution of material and human resources for the fastest elimination of consequences of the natural disasters; – informing consumers about breaks in electricity supply and their causes in a timely manner.
Financial risks					
Liquidity deficit	1. The decline in production and sale of energy (failure to comply with the Plan); 2. Increase in overdue receivables (non-payment crisis) 3. The high cost of credit and other borrowed funds; 4. Establishment of tariffs below economic levels by the regulatory authorities; 5. The pressure of inflation.			In 2017 the liquidity ratio has worsened due to a decline in revenue from the production and sales of electric energy, failure to comply with the production plan (low production of electrical energy), based on 4th quarter, 2017 and as a result, growth in the accounts payable.	The Company manages the 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	FACTORS	LEVEL	CHANGE	DESCRIPTION OF THE CHANGE	MEASURES TO MINIMIZE THE RISK
Increase in overdue receivables	Some customers fail to comply with the heat and electrical energy contracts in relation to the implementation of timely and full payment for the energy supply services.		←	In 2017, there was a positive trend in payments for the consumed energy. Therefore, according to the annual results, a share of overdue receivables due for more than 3 months declined to less than 10 % in total consumer receivables of Sevkazenergosbyt LLP. However, the risk is significant for the Company.	Within the framework of the risk management, a series of effective measures is taken: -installment payment schedules are developed to collect debt; – court proceedings were initiated for debt recovery; – visits to the debtors are arranged with the bailiffs and the inventory and seizure of household appliances and vehicles are carried out during such visits; – notices about the customers' unpaid bills for utilities are sent to employers. – arrest is imposed on the debtors' property; – debtors are banned to leave the Republic of Kazakhstan; – recovery of debt at the financing source (withholding of wages and pension payments); – debt recovery method is changed and based on it, the assessment of the debtor's property (apartments or vehicles) is being done for their further auction sales.
	Counterparties fail to execute their contractual obligations: slow delivery of goods and works, service provision, resulting in financial losses under the contracts, providing for the advance payments.			In 2017 there is no overdue receivables resulting from such advance payments to the counterparties to the contracts for goods, work or service provision.	In order to minimize the risk of increased receivables, the Company monitors: – procurement procedures in accordance with the adopted internal regulatory documents; – counterparties' compliance with their obligations. – conclusion of the contracts based on minimum pre-payment or no payment at all.
Legal risks					
Damage to the Company due to mischievous acts by its personnel or third parties	Creation of external and internal threats to the interests of the Company as a result of unlawful actions of the employees and/or third parties in respect of the Company's assets, damage resulting from improper, ineffective use of resources.		↔	There are repeated facts of material damage to the Company caused by third parties (theft of electrical equipment in the electrical distribution networks) registered in 2017.	1. Within the frameworks of risk management the following activities are ensured: – measures are developed to prevent and suppress possible threats to the Company's economic security; – detecting the misconduct from the part of employees and third parties by collection, analysis and evaluation of operational information through special (work-related) investigations (fraud), causing the damage. 2. In 2017 in order to create and implement an effective strategy for the prevention of corruption and fraud, as well as to promote integrity among the employees and management of the Group, SEVKAZENERGO JSC decided to join the Fraud and Corruption Prevention Policy of CAEPCO JSC.

↓ risk impact decreased

↑ risk impact increased

← risk probability decreased

↔ risk probability didn't changed

→ risk probability increased

↕ risk probability hasn't changed

 significant risk

 high risk

 critical level

Dealing with risks is the responsibility of the Group's Office for Risk Management which reports to the Board of directors of SEVKAZENERGO JSC. The Office operates based on the work plan for the year, approved by the Board of directors.

WORK PERFORMED IN 2017	WORK PLANNED FOR 2018
Updating the Risk register and Risk mapping of the Company.	Updating the Risk register and Risk mapping of the Company.
Analysis and testing of the effectiveness of internal controls in business processes: – Analysis and testing of the effectiveness of internal controls in business processes: – Supervising compliance with occupational health and safety standards; – Supervising of revenue accounting and accounts receivable; – Supervising inventory accounting (IA) process; – Supervising accounting of fixed assets and intangible assets	– Control of distribution and metering of electricity consumption, energy monitoring; – Control of distribution and metering of heat consumption, energy monitoring; – Human resources management; – Payroll accounting.

SEVKAZENERGO

6

SUSTAINABLE DEVELOPMENT

SUSTAINABLE DEVELOPMENT

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.

TRANSACTIONS WITH RELATED PARTIES

Interaction with stakeholders is an important part of the sustainable development system. Principles of stakeholders' identification and selection are governed by a regional aspect. Ensuring sustainable development and pursuing strategic goals of the Company is achieved upon observance of interests and responsible conduct for all stakeholders. In 2017, the Company has prepared a SEP (Stakeholder Engagement Plan) Report. 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 the stakeholders significantly affecting the Company's operations, and also with those who could have a significant influence in the medium term if the Company implements its strategic initiatives. In addition to that, the impact of the Company's activity on stakeholders was taken into consideration.

The Company communicates with stakeholders on the following subjects:

SOCIAL RESPONSIBILITY	ENVIRONMENTAL PROTECTION	OCCUPATIONAL HEALTH AND SAFETY	ECONOMIC SECURITY
Employees	Non-governmental organizations (NGOs):	Employees	Shareholders
Government agencies and regulators;	Government agencies and regulatory bodies	Vendors, Contractors	Local communities
Local communities	Local communities	Trade union	
Educational institutions			

Stakeholder engagement

KEY STAKEHOLDERS	ENGAGEMENT PROCESS	ISSUES DISCUSSED
Employees	Ensured by means of corporate publication and websites. There are emails and a helpline, which employees can use. Meeting are conducted between company management and employees. Labor disputes are resolved by reconciliation commissions with participation of representatives of both the employer and the employee.	• Respecting occupational health and safety standards; • Informing employees about Company's activities; • Promoting professional development; • Social assistance and support; • Respecting the terms of the collective agreement.
Local communities, Consumers	The Company has a comprehensive system for processing customer queries and providing feedback with the help of Internet sites and email. Public hearings, round tables and other events are held.	• Processing of applications and adoption of rates for monopoly-controlled services; • Implementation of the investment program; • Quality of rendered services, monitoring of meeting with customer requirements..
Government agencies and regulatory bodies	Requests from the government and regulatory authorities are processed: some are answered, others are for notification purposes only. Employees of the Company participate in specialized and general meetings. Visits of official delegations are arranged.	• Mitigation of the negative impact of industrial facilities on the city and region; • Ensuring readiness for the heating season; • Fulfilment of investment commitments; • Compliance with the law, including environmental and nature protection regulations.
Vendors, Contractors, Customers	Tenders are organized and held, as well as meetings with contractors and customers. Corporate website has a special feedback section.	• Promoting a mutually beneficial partnership; • Ensuring transparency during tenders.
Educational institutions	Meetings with representatives of the higher education institutions are held in the regions of operation. Employees of the Company take part in the activities of examination boards and certification commissions, as well as in accreditation of educational programs.	• Recruitment for the enterprises; • Internship and jobs for graduates.
Mass media outlets (media)	Every year, enterprises within the Company conduct press tours, media briefings, press conferences, issue press releases, promptly respond to requests for information.	• Promoting cooperation; • Communication on the status of the investment program aimed at modernization and renovation of the infrastructure; • Compliance with environmental standards; • Implementation of social projects.
Non-governmental organizations (NGOs)	Representatives of NGOs are regularly invited for participation in the press tours and public hearings, which are held throughout the year. Employees of the Company participate in public hearings with representatives of small and medium enterprises. Meetings are held with leaders of NGOs that support socially vulnerable people, with participation of representatives from consumer right protection associations.	• Assistance in addressing environmental and social issues.
Trade union	Interaction with trade unions is carried out through the organization of meetings and processing requests during operations.	• Respecting the terms of the collective labor agreement; • Assistance in arranging leisure and recreation for employees.
Shareholders	Interaction during meetings of shareholders.	• Economy efficiency and financial results • Adherence to the principles of sustainable development in the operations of the Group of companies.

INFORMATION POLICY

SEVKAZENERGO JSC'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 Policy covers internal and external communications. External communication means informing the public about the activities of the Company by publishing reports, messages, documents and other materials. The purpose of internal communications is to inform all employees about the current situation, promote corporate loyalty, regulate access of various employees and divisions to corporate information.

The main goals of information disclosure are as follows:

– Timely provision of information on all substantive matters relating to the Company in order to respect legitimate rights of the shareholders, investors and other interested parties, providing them with appropriate information to make informed decisions or any other action that could affect the financial and business activities of the Company, as well as other information conducive to the fullest understanding of the Company's activities;

– Ensuring availability of public information about the Company to all interested parties;

– Promoting openness and trust between the Company and its shareholders, potential investors, market participants, government agencies and other stakeholders;

– Improving corporate governance of the Company.

CREATING A FAVORABLE IMAGE OF THE COMPANY

In 2017 SEVKAZENERGO regularly informed the stakeholders 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 2017, the Company implemented a Stakeholder Engagement Plan (SEP) in accordance with the policy of the European Bank for Reconstruction and Development. In 2017 1,185 materials on the activities of the Group of companies were published in the media and social networks: 36 events are held, 24 of them- with participation of the mass media, 10 issues of the corporate publication are released.

During the reporting year, the public relations departments of SEVKAZENERGO JSC participated in the preparation, conducting and news coverage of sports, sponsorship, commemorative, celebratory and urban events; developed and released pamphlets, booklets and booths for companies of the Group.

PLANS FOR 2018

Moving in line with the information policy, more measures will be taken to ensure timely and regular disclosure of all material facts of the Company. This includes:

- Awareness-raising measures for customers on popular topics;
- Improving communication channels within the Group of companies;
- Improving external communication channels;
- Improving in-house training/exchange of experience between subsidiaries.

ENVIRONMENTAL POLICY

ENVIRONMENTAL IMPACT MANAGEMENT*

Environmental protection, consistent improvement of nature protection performance and energy efficiency are key strategic priorities of SEVKAZENERGO JSC and an integral part of the sustainable development process.

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 nature protection law and use the latest achievements in science and technology.

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;

– emissions of greenhouse gas (CO_2) into the atmosphere;

– impact on water bodies due to water consumption;

– Disposing of industrial waste.

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 the Environmental and Social Action Plan (ESAP) as a part of its Investment Program and in accordance with the Environmental Protection Policy of the European Bank for Reconstruction and Development which applies to EBRD-financed projects.

PREVENTION OF AIR POLLUTION

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 SEVKAZENERGO JSC. In order to improve its environmental performance from 2009 to 2014 SEVKAZENERGO JSC modernized its fly ash collectors adding 2nd generation battery emulsifiers on all boiler units, which increased the degree of purification of combustion gases and ensured lower costs of enterprises. The actual combustion gas purification rate after installing emulsifiers reached 99.5 % up from 95.9 %. This allowed reducing total annual coal ash emissions from 19,336 thous. tons to 4,878 thous. tons (75 %). Over the course of 2016 the enterprise introduced additional capacities in the

Indicators of 2017:

ELECTRICITY OUTPUT (MLN KWH)	PRODUCED THERMAL ENERGY, GCAL	SPENT COAL, TONS	SPENT FUEL OIL, TONS
3,226.170	1,697.324	2,641.659	2,548

* All quantitative environmental data (except environmental spending) is provided for the Generation section due to its significant impact on the environment. The structure of environmental spending includes expenses of electricity grid companies.

form of a single turbine of SEVKAZENERGO JSC (Turbine #5).

Since the end of 2008 to 2017 pollutant emissions into the atmosphere by the enterprises of SEVKAZENERGO JSC decreased by 20.5 %.

Due to increased production and consequently increased consumption of fuel (coal, heating oil), gross and per-unit emissions of nitrogen oxides (NOx) and sulfur oxide (SOx) associated with the production of heat and electricity decreased slightly in 2017 as compared to 2016 (7.6 % for NOx, 5 % for SOx (t/year), 2.6 % for specific NOx emissions, 0.6% for SOx).

MITIGATION OF ENVIRONMENTAL IMPACT, ENVIRONMENTAL PROTECTION MEASURES

In 2017, the following main measures were implemented to mitigate environmental impact:

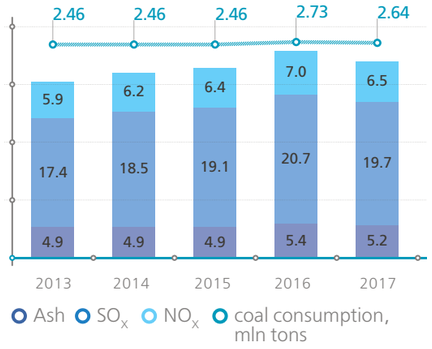
- Restoration of boiler heating surfaces to ensure effective cleaning, recycling, neutralization, suppression and elimination of pollutants in gases from emission sources;
- Repairs of worn elements of the ash dump facilities, air ducts and gas ducts,
- Modernization of industrial closed-circuit water systems, recycled water system, and the system for prevention of contamination and depletion of water resources;
- Reclamation of waste ash dump No. 3, with the aim of returning the land and its timely involvement into economic turnover
- preparatory work for the building of dams, dividing ash dump No. 2, section 3.

GREENHOUSE GAS (CO_2) EMISSIONS

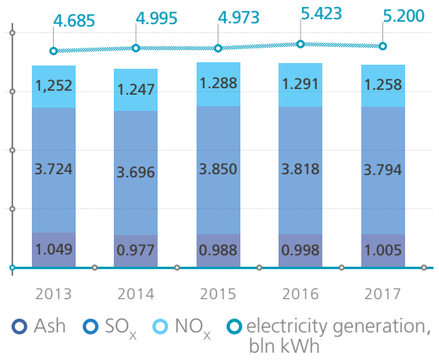
After the Kyoto Protocol entered into force for the Republic of Kazakhstan on 2009, the Company arranged work for preparation to carrying out the inventory of greenhouse gas emissions and ozone-depleting substances consumption.

Thus, a calculation method is used for greenhouse gas monitoring: the idea is to keep a log of emissions from normal (regular) production activities, special processes (commissioning, shutdown, repair, and maintenance) and emergencies. Greenhouse gas emissions are assessed in accordance with normative documents.

Gross volume of emissions into the atmosphere; in 2013-2017, thous.tons



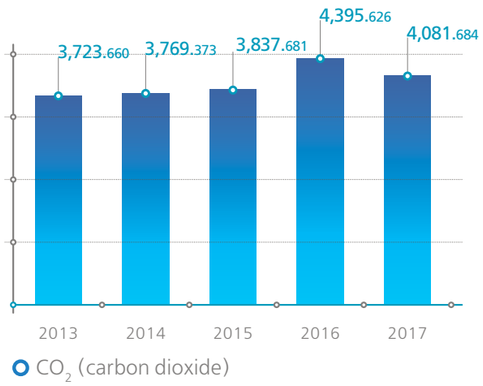
Per-unit emissions of the pollutant into the atmosphere in 2013-2017, mg/MWh



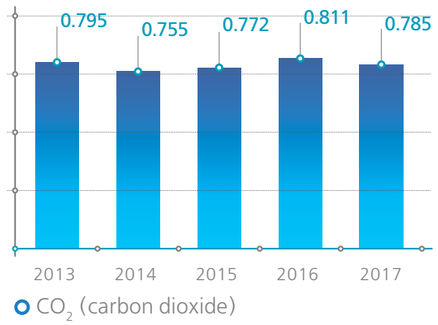
In 2016, the Company signed a tripartite agreement to implement projects on modernization and renovation of district heating systems in Pavlodar, Ekibastuz and Petropavlovsk between the European Bank for Reconstruction and Development (EBRD), the Ministry of National Economy of the Republic of Kazakhstan and the Central-Asian Electric Power Corporation JSC within the framework of Nurly Zhol government program. Under this Agreement, a total of 12.01 bln KZT will be invested in renovating the heating system of Petropavlovsk. These initiatives are aimed at improving energy efficiency, loss reduction and environmental performance (reduction of CO_2 emissions by burning less coal thanks to reduced transmission losses of heat in pipelines).

The gross greenhouse gas emissions slightly increased in 2017, compared to 2016 (7 %) and amounted to 4,081,684.053 mln tons CO_2,due to increase of burnt fuel (coal, fuel oil). Specific indicators of greenhouse gas emissions, associated with generation of heat and electrical energy, also showed a slight decrease in 2017.

Gross CO_2 emissions in 2013–2017, mln tons



CO_2 emissions per unit of produced energy in 2013–2017, ton/MWh



ENVIRONMENTAL SPENDING

In order to improve efficiency of environmental protection, SEVKAZENERGO JSC increases financing of nature protection actions. In 2017, environmental spending totaled 769,266.465 thous. KZT. For all new construction and reconstruction projects the Environmental Impact Assessment (EIA) is prepared; its information is communicated to local communities and stakeholders through public hearings. To confirm compliance with the environmental standards of the Republic of Kazakhstan all projects pass state environmental examination in the territorial environmental regulatory authorities.

ENVIRONMENTAL EXPENDITURES IN 2017 (TOTAL ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS BY TYPE)

NO. ITEM	EXPENSE NAME	EXPENSE AMOUNT, KZT MLN				
		2013	2014	2015	2016	2017
SEVKAZENERGO JSC						
1	Investment expenditures	2,999.9	2,911.7	3,000.0	4,348.9	434.4
2	Expenses for capital repair of the fixed assets intended for nature protection purposes	259.5	212.9	131.5	27.6	152.1
3	Current expenses	29.9	237.7	292.9	189.9	182.8

Structure of environmental expenditures in 2017:

- For atmospheric air protection-252,251.769 thous. KZT
- For water resources protection -178.461 thous. KZT
- For protection and rational use of land -483,248.180 thous. KZT
- For waste management- 10,594.655 thous. KZT
- Other costs-5,993.400 thous. KZT
- Total: 769,266.465 thous. KZT

A common component of the activity of the Company is the compliance with the law in the field of environmental protection and power generation. During 2017, the state authorized bodies found no violations of the nature protection law and other environmental regulations. Inspections by the public authorities were not implemented.

WATER MANAGEMENT AND WATER RESOURCES CONSERVATION

Water resources use is an integral part of production process of the enterprises and it plays a key role in the process of equipment cooling. The main water bodies on which SEVKAZENERGO JSC has an impact, are the river Ishim and Big White Lake in North Kazakhstan region (Petropavlovsk city).

In order to minimize damage to the environment and at the same time to ensure smooth-running operation of the enterprise, 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 Beloye lake, as well as character and peculiarities of formation of quantitative and qualitative indicators under conditions of a landlocked body of water (cooling pond).

Key goal in water use management is to use water more efficiently, ensuring the 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 2017 SEVKAZENERGO used 157,598.8 thous.m³ of water for water supply purposes.

TOTAL WATER CONSUMPTION BY SOURCES, THOUS. M³

ITEM	2013	2014	2015	2016	2017
Total water used,	13,403.858	11,690.468	11,158.997	13,591.0	157,598.8
From surface-water bodies	14,308.827	11,561.703	11,032.316	13,462.6	157,469.7
From third-party suppliers	116.061	128.765	126.681	128.4	129.1
From subterranean water bodies	-	-	-	-	-
From closed-circuit water systems	0	0	0	0	19,606.9
From water reuse	0	0	0	2,418.6	146,695,4

DISCHARGED WASTE WATER, THOUS. M³

ITEM	2013	2014	2015	2016	2017
Total waste water formation	116.061	128.765	126.681	128.4	129.1
Discharged to third parties	116.061	128.765	126.681	128.4	129.1

The most important environmental initiatives related to water use and water discharge in 2017 include the following:

- upgrading the industrial purpose recirculating water system, recycled water systems, which prevent the pollution and depletion of water resources (the oil tanks and filters are purged; drainage pumps 2, 4 of the central pumping station underwent the overhaul; current repairs are ensure for oil coolers, drain pumps 1 and 2, booster pumps 1 and 2 of the onshore pumping station; repair of oil system; maintenance of artesian pumps, circulation pump No. 1, 2, 3, 4, 5, drain pump No. 3 of the central pumping station; cleaning the drain duct);
- 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.

EFFICIENT HANDLING AND DISPOSAL OF PRODUCTION WASTE

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 the creation of new reservoirs for coal ash waste storage prevents contamination and ensures stable operation of CHP. 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.

Total volume of wastes generation at the enterprise in 2017 amounted to 1,100,881.872 tons, including 1,094,293.674 tons of ash wastes, 6,588.198 tons of industrial and domestic was-tes. Decrease in waste generation by 34,569.22. tons vs. 2016 was 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.

In 2017, the most significant waste management measures aimed at improvement of industrial and environmental safety of ash dump sites and other waste disposal facilities included:

- Reclaiming ash dump No. 3 (SEVKAZENERGO JSC);
- Arrangement of the designating areas for storing waste from renovation and construction of energy infrastructure facilities (preparation of sites, installation of containers).

TOTAL WEIGHT OF GENERATED WASTES, THOUS. TONS

ITEM	2013	2014	2015	2016	2017
Coal combustion residuals	1,024.094	1,022.074	1,028.964	1,134.196	1,094.294
Other types of waste	2.828	2.942	6.685	1.255	6.588

WASTE BY HAZARD LEVELS, THOUS. TONS

ITEM	2013	2014	2015	2016	2017
Waste generated	1,026.922	1,025.016	1,035.650	1,135.451	1,100.882
Green list	1,026.910	1,025.005	1,035.636	1,135.416	1,100.841
Amber list	0.012	0.011	0.014	0.035	0.041
Red list	-	-	-	-	-

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 a supervisory and re-certification audits of the compliance 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, certificates of integrated management system (IMS) were granted and the Company 's efficiency, effectiveness and focus on improvement were confirmed.

PUBLIC ASSESSMENT OF ENVIRONMENTAL ACTIVITIES

In order to comply with the environmental requirements, in 2017 SEVKAZENERGO JSC held two public hearings, involving the representatives of local executive bodies: State Enterprise "Energy, Housing and Communal Services Department of North Kazakhstan Region, Republican State Enterprise «Department of Environment Protection of North Kazakhstan Region of the Ecology Regulation Committee of Ministry of Energy of the RoK «and the public on the following environmental projects:

1. "Assessment of environmental impact" project to the working project "Renovation of the heating distribution structure of Petropavlovsk CHP-2";

The main goal of public hearings is to determine the environmental impact from the above projects, ensure an assessment of possible environmental and economic effects, development of emission limits when conducting renovation and construction works. The discussion focused on sources of environmental impact, amounts of harmful emissions during the works, the amount of waste produced. The hearings also discussed a number of remedial measures aimed at minimization of environmental impact during the planned project and construction activities.

2. "Assessment of environmental impact" project to the working project "Heightening of enclosing dams of section 2 of the ash dump site at SEVKAZENERGO JSC's CHP-2";

3. "Assessment of environmental impact" (stage III) project to Roschinka loam deposit pilot development project in Kyzylzhar district of North Kazakhstan region;

PLANS for 2018

In 2018, SEVKAZENERGO JSC will continue to implement measures to reduce its environmental impact.

As part of the investment program, there are plans to further upgrade generating facilities, carry out environmental activities and confirm compliance with international environmental standards.

In 2018, SEVKAZENERGO JSC intends to conduct an independent environmental audit of its generating facilities using the best available technology in order to obtain an objective assessment of its environmental performance and determine opportunities for further improvements in eco-efficiency and pollution control. Based on the results of the audit, the Company intends to develop a long-term action plan to reduce emissions and improve the environmental efficiency of its facilities.

HUMAN RESOURCES AND SOCIAL POLICY

HUMAN RESOURCES MANAGEMENT

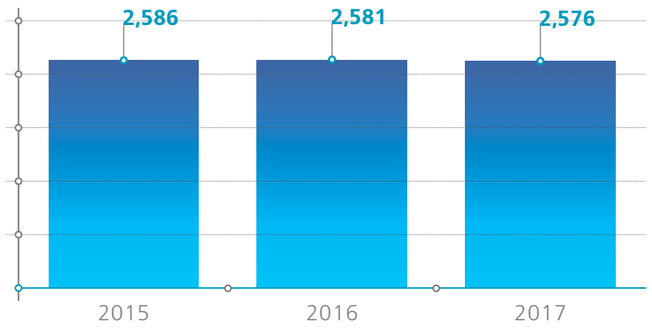
Human resources management policy of SEVKAZENERGO JSC's enterprises is a comprehensive system of interaction with employees to achieve strategic goals of the Company.

The goal of the human resources management policy is to build a company with an efficient corporate governance system, providing opportunities for maximizing employee potential. The Company is strengthening its human resources management 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.

HEAD COUNT AND EMPLOYEE SKILL LEVEL

Headcount of the Company as of December 31, 2017 amounted to 2,576 people, which is 0.2 % less than in 2016 due to the incomplete recruitment. Decline in 2016 of the headcount by 0.2 % compared to 2015 involves the measures to optimize the headcount of the enterprises.

Dynamics of changes in employee head count, persons



DISTRIBUTION OF THE HEADCOUNT WITHIN THE GROUP OF COMPANIES OF SEVKAZENERGO JSC IN 2017

COMPANY NAME	NUMBER OF EMPLOYEES
SEVKAZENERGO JSC	840
North Kazakhstan Electric Distribution Company JSC	1,217
Petropavlovsk heat networks LLP	284
Sevkazenergosbyt LLP	235
Total:	2,576

EMPLOYEE STRUCTURE BY CATEGORY AND GENDER

Due to the nature of the business, men, with a share of 64.3 %, dominate the Company's employee structure. Production personnel are mostly blue-collar workers of whom 73.9 % are men.

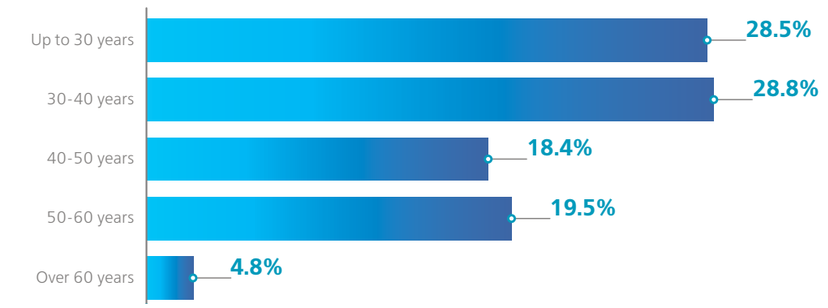
In 2017, the share of "managers" reached 14.2 % of the total head count, which is an optimal indicator.

EMPLOYEE AGE STRUCTURE

There is a high proportion of the Company's workers in the most productive age bracket – under 40 years old – they make up 57.3 % of the total headcount. Employees over 60 years old make up 4.8 %.

In order to maintain optimal balance between young and highly qualified employees as a part of the Human resources 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 age



EMPLOYEE EDUCATION LEVELS

In 2015-2017, the share of employees with professional technical education was growing, while the share of employees who only finished high school was dropping. Because the focus is on filling blue-collar vacancies, the share of employees with university degrees declined slightly by 0.9 % compared to 2016.

In 2017, 17 employees completed distance learning college degree programs, including 15 employees, who studied in company-related fields. Twenty-eight employees completed distance learning college degree programs, including 25 employees, who studied in company-related fields. Twenty-six employees, who completed their studies with an average score of no less than 4.0, received a bonus for the successful graduation. Seventy-nine employees continue their study at the higher educational institutions and at the technical and vocational training institutions.

EMPLOYEE TRAINING AND DEVELOPMENT

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

- compulsory, normative training;
- development of leadership skills;
- development of professional competencies.

In order to improve efficiency of activity and create safe working conditions, the Company's enterprises carry out training in accordance with its corporate format and individual development plans.

In 2017, 1,632 employees had the training, which amounts to 63.4 % of the total number of employees, including compulsory training in the occupational, industrial and fire safety-1,059 persons, which made 41.1 % of the total personnel.

In 2017, in order to enhance the professional profile of the Company's employees and to prepare them for combinational (related) occupations, 414 persons were trained.

In 2017, the Key Personnel Development Program continued as part of the PROFENERGY project. Therefore, in order to enhance the managerial competencies, in May 60 managers of various levels of management participated in the corporate training: "Practical skills of effective management". Thirty-two employees received advanced training in the following areas: occupational health and safety, procurement, international standards of financial reporting, project management in capital construction, lean production.

EMPLOYEE TURNOVER

In 2017, the turnover rate across the Company rose by 3.3 % year-on-year and reached 9.8 %. The turnover increase was due to the following reasons, influencing the turnover rate:

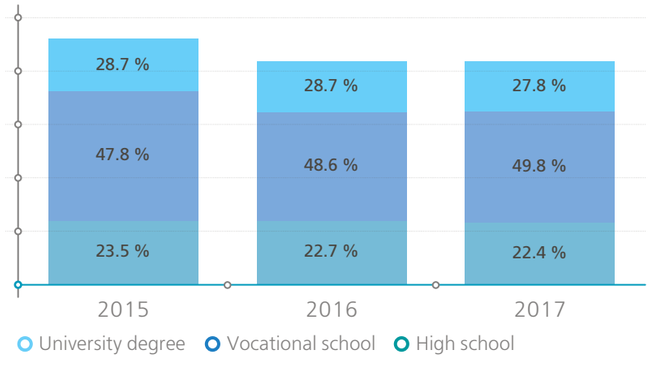
- Violation of labor and production discipline;
- Health reasons;
- Migration (relocation to Russia or other CIS countries);
- Dissatisfaction with compensation.

The Company takes the measures to improve performance:

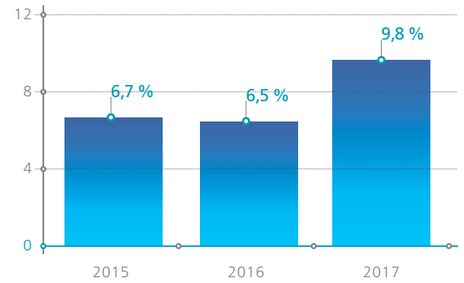
- Annual salary raises;
- Promoting mentoring and incentives for young specialists;
- Training, advanced training and corporate training funded by the Company;
- Tangible and intangible incentives for employees.

ITEM	2015	2016	2017
The number of employees who received training, retraining, or advanced training, including:	2,001	1,477	1,632
Safety precautions, fire safety guidelines and operating procedures (initial training, qualification, certification/re-certification), courses for managers, labour safety trainings	1,392	1,026	1,059
Related occupations training	288	332	414
ISO9001, ISO14001, OHSAS1800 quality management systems trainings (including environmental protection, internal audit and risk management)	2	6	7
Civil defense and emergency training	2	0	0
Other (advanced training, seminars, workshops, etc.)	317	113	152

Changes in education levels



Turnover rate



TALENT POOL

In order to ensure availability of required personnel reserves for managerial positions of various levels, the enterprises of SEVKAZENERGO JSC in 2017 created a talent pool of 236 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 2017, 14 people from the talent pool took the managerial positions. The Company makes efforts for external talent pool creation, also attracting the graduates of educational institutions.

ATTRACTING YOUNG SPECIALISTS

In 2017, as part of PROFENERGY initiative, the Company continued implementation of a special program to support young employees and encourage training. This included the following activities:

1. Competition of scientific works was organized and held by SEVKAZENERGO JSC to award the nominal corporate scholarships and the winner is a student of Petropavlovsk Railway College, majoring in Thermal equipment and heating system.

2. 8 students got their jobs during summer.

3. 113 students passed the internship and pre-graduation training, of whom 11 received payment and signed employment contracts with the Company effective after graduation.

4. The Company's employees took part in examination and state attestation boards responsible for conducting graduation exams and assessment of graduation projects.

In 2017, seventeen visits are held to the Company's production facilities.

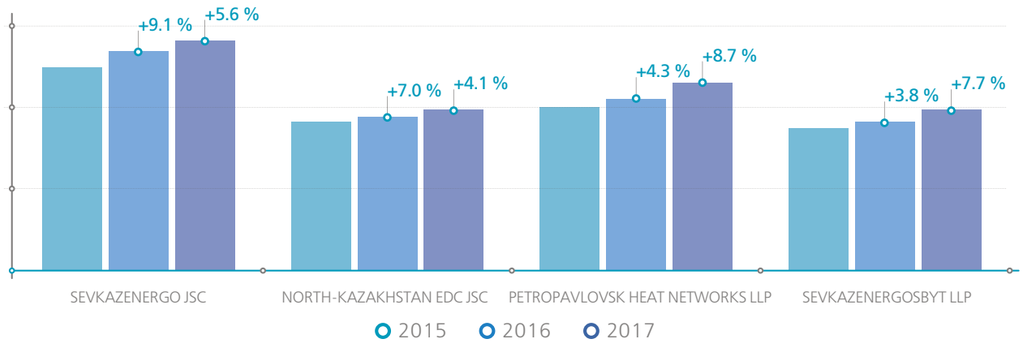
The Company employed 59 young professionals, and of them 27 graduates of colleges and universities were recruited in 2017.

EMPLOYEE MOTIVATION AND REMUNERATION

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

Average income in the enterprises of the SEVKAZENERGO group in 2017 increased by 5.4 % vs. 2016 and by 10.4 % vs. 2015.

Average pay increase rate in subsidiaries 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 2017, 41 employees and veterans received awards for operational excellence: 28 employees received corporate awards, 5 employees and veterans received state awards, 3 employee received awards from the CIS Electric power council, 5 employees received awards from the Kazakhstan energy association.

INTERACTION WITH TRADE UNIONS

In 2017 the proposals from the working teams regarding amendments to the Unified collective agreement of SEVKAZENERGO Group of Companies were analyzed and the agreement was updated according to the new labour law.

Unified collective agreement for 2018-2020 years was drafted and it was submitted for approval by the management and trade unions of the Group.

The main objectives of the agreement are improving the work efficiency of the Group of Companies of SEVKAZENERGO JSC, strengthening social liability of the parties for the results of productive and economic activities, increasing motivation and employee productivity due to the provision of social guarantees, compensation and benefits, stipulated by the agreement.

Trade Unions of the Group of Companies of SEVKAZENERGO shall implement the measures together with the Employer to improve the efficiency of companies, to strengthen the labor and production discipline, to maintain the prestige of working and a sense of professional pride among the employees.

The head of Trade Union assists the Employer in holding the cultural and sport events and providing the summer vacations for the children of employees, as well as implementation of health improvement plan; the trade union also provides the social & material aid to employees, their families and retired persons; ensures a control over the targeted use of funds allocated to labour protection, health improvement for workers and members of their families; it participates in the investigation of work-related accidents and making decisions to establish the degree of guilt of the victims and etc.

ITEM	2015	2016	2017
Number of employees in trade unions	1,822	1,829	1,773
Percentage of total head count, %	**70.5**	**70.9**	**68.8**

SOCIAL SUPPORT, GUARANTEES AND COMPENSATION

Social policy of SEVKAZENERGO JSC Group of enterprises is shaped by the employees and trade unions representing them, and it is financed from budgets of the Group's enterprises.

SPORTS AND RECREATIONAL EVENTS

The Group of SEVKAZENERGO companies conducts the following activities to promote healthy lifestyle:

- Organization of active leisure;
- Developing collective traditions;
- Organization of annual competitions and professional contests;
- conducting sport trainings (basketball, volleyball, mini-football).

In 2017, a 25-strong team of SEVKAZENERGO JSC took part in the first city sports day Kyzylzhar and came 6th out of 17 teams of the city of Petropavlovsk.

The traditional annual sports day are organized for the subsidiaries of the Company. About 293 employees took part in the internal contests in 2017. According to the annual results, the team of North Kazakhstan Electric Distribution Company JSC becomes the champion for the fifth consecutive year. Athletes of this company are the best in volleyball and mini football, as well as in table tennis, darts, athletics, chess, bowling, and skating.

In anticipation of Batyr Day celebration, the Trade Union Committee of North Kazakhstan Electric Distribution Company JSC organized a paintball tournament with participation of 128 employees.

Winners and participants of all types of competitions are traditionally awarded with diplomas and memorable gifts.

GOALS	EXTRA BENEFITS
Motivation for long-term employment	Additional pension contributions at the rate of 5 %; Bonuses for professional competitions; Rewards to celebrate anniversaries and holidays.
Effective compensation and benefits policy	Compensation of utilities costs, providing dormitories and rented housing; Home-to-work and work-to-home shuttle buses for employees; Selling coal at cost to employees living in houses with coal furnaces; Subsidizing camp tours to children under 15; New Year gifts to children.
Support of employee fitness and health	Insurance for the employees against accidents and illnesses in the workplace; Professional health insurance; Regular medical examinations; Material aid for the treatment of severe diseases.
Social support of employees	Financial assistance in case of childbirth; Financial assistance for funeral services; Material assistance to the families with many children and low-income families; Social paid leave; Funding the Council of Veterans; Cash reward upon retirement; Support program for retirees and war, labour and enterprise veterans.
Sports and recreational events	Reimbursement of food expenses to participants of sports competitions Allocation of funds for healthcare and team activities.

CORPORATE EVENTS

In anticipation of 72 anniversary of victory in the Great Patriotic War, a concert was organized for the veterans of the Company. Twenty-one employees organized the concert.

In the run-up to the celebration of the Day of Energy Professionals, an arts contest was held among the employees' children and sponsored family of the orphanage with the topic "EXPO 2017 – Future Energy". In total 44 children participated in the art contest. Fourteen children got prizes in different categories. The winners received the diplomas and memorable personalized gifts (books, games, art kits). Other participants received the complimentary prizes.

SEVKAZENERGO JSC took part in Paryz competition for socially responsible businesses, which is held annually during last decade by the Ministry of Labor and Social Welfare jointly with the Ministry of Energy, Atameken National Chamber of Entrepreneurs and the Trade Union Federation of Kazakhstan.

In 2017 the competition had the motto "Paryz - 10 Years of Success." The purpose of the competition is to promote corporate social responsibility of businesses to further improving the public well-being. At the regional stage, the Company took the second place in the nomination "The Most Socially Responsible Enterprise."

Eleven employees of SEVKAZENERGO JSC took part in the regional competition Yenbek Zholy celebrating the Labor Day. The winners of the regional stage were representatives of PCHP-2 in the nomination "The Best Labor Dynasty" (Zozulya and Nurumov families took 1st and 2nd places respectively), representative of Petropavlovsk Heat Networks LLP (D. Dyusenbayev) came 2nd in the nomination "The Best Young Production Worker," representative of the North-Kazakhstan Electrical Distribution Company JSC (A. Chekunov) came 2nd in the nomination "The Best Tutor of Young Workers." All winners received the gift certificates. Members of the Zozulya family, who took the 1st prize, participated in the republican forum "Society of Universal Labor" held in November 2017 in Astana and attended by the Minister of Labor and Social Welfare of the Republic of Kazakhstan.

PLANS FOR 2018

In 2018, the Company will continue to implement HR policies aimed at employee retention and professional development. To this end, measures will be taken to support the young professionals and to carry out projects for introduction of key performance indicators and automated processes.

This includes:

- Further implementation of PROFENERGY initiative in the following areas:
  - Systematic measures to support young employees and promote employee training and education;
  - Promoting mentoring;
  - Program to develop key employees;
- Development and introduction of key performance indicators (KPIs) to achieve strategic and operational objectives of the Company.
- Further implementation of programs to improve the living conditions of the Company's employees.
- Development and implementation of automated processes for HR records management and labour economics, functional improvement of 1C 8 Enterprise Management software in accordance with the requirements of the documents, regulating the processes of HR- management.
- Preparations for the solemn celebration of 55 anniversary of North Kazakhstan Electric Distribution Company JSC, 10th anniversary of Sevkazenergosbyt LLP.
- A number of activities is dedicated to the World Day for Safety and Health at Work (Safe Day).
- Team building activities (organizing the concert dedicated to 9 May, sporting events, collective visits to recreation areas of North Kazakhstan).
- Improving the system of social support for the employees, conclusion of the Unified collective agreement for 2018-2020.

OCCUPATIONAL HEALTH AND SAFETY

STRATEGIC GOALS AND IMPLEMENTED MEASURES IN THE FIELD OF OCCUPATIONAL HEALTH AND SAFETY

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.

Throughout the year of 2017, a supervisory audit for compliance with the OHSAS 18001 international occupational health and safety standard was carried out in SEVKAZENERGO JSC. The enterprise confirmed its compliance with the system's requirements.

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

- protection of a health and a life of employees of the SEVKAZENERGO Group of Companies and 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.

In order to achieve fulfillment of these liabilities, the Company developed and implemented the following documents in 2017:

- Rules for investigation and registration of the technological violations and other power equipment damage to the electric networks (RG 03.046);
- Book of additional safety signs in the area of energy and security with the requirements was introduced for CAEPCO JSC (order on introduction No. 50 as of 23.01.2017);
- Policy of CAEPCO JSC in the area of occupational health and safety was introduced (regulation on the introduction No. 13 as of 10.02.2017);
- Operational Manual of CAEPCO JSC on application and testing of protective appliances, tools, devices and equipment used in the operation and maintenance of electrical installations (order on introduction No. 118 as of 16.02.2017);
- Rules of drafting the annual plan of HR activities in the area of occupational safety and health were developed (Rules 03.073/01);
- Methodology for organizing the activities of the working groups on workplace certification was developed («Quick wins») (M 03.01);
- Updated Book of special clothes for industrial workers (blue collars and white collars) was introduced in CAEPCO JSC. Corporate style requirements (order on introduction No. 898 as of 15.12.2017);

– RG 28.018/01 Regulations for holding and documenting the results of emergency/fire training;

– RG 28.015/01 Regulations for basic requirements to the occupational safety and health, fire safety, sanitary norms in the territory of Sevkazeenergosbyt LLP;

– RG 28.019.01 Safety Regulations for coordination of vehicles and pedestrians in the territory of Sevkazeenergosbyt LLP;

– LS 08.001/02 Instructions for occupational health and safety for working specialties: «Cleaner of production and office facilities;

– LS 28.002/02 Safety instructions for occupational health and safety for working specialties: "Worker, providing an integrated maintenance and repair of buildings";

– LS 28.003/02 Instructions for occupational health and safety for working specialty: «Janitor»;

– LS 28.004/02 Instructions for occupational health and safety for working specialty: «Sales Department Controller";

– LS 28.005/02 Instructions for occupational health and safety: "Working with personal computer";

– LS 28.001/02 Instructions on fire safety measures at the premises of the administrative buildings of Sevkazenergosbyt LLP.

The newly recruited employees, seconded personnel, as well as the interns get their first idea about the Company, organization of work processes in the Company at the induction training, which takes place in the security and labour safety offices, watching the presentations and videos. The knowledge obtained during the induction course is verified when the test documents are filled by the trainees. Then the employees get the primary instructions and all employees shall have other kinds of trainings in accordance with legislation of the Republic of Kazakhstan and internal regulatory documents of the Company.

The enterprises of the Company organize the monthly Safety Day to identify violations of the requirements of the applicable rules, regulations and instructions. The Safety Day is followed by discussions on the identified observations, accompanied by acts, which stipulate the activities to address the identified observations. Carrying out Health and safety days that allow checking compliance with normative requirements deeper and in more details.

Qualification knowledge checks in the sphere of health and safety, power plant and networks operation, provision of premedical care to injured persons, fire safety, and special rules are carried out in two stages – testing and interview. 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, and special rules for the employees.

The enterprises have the permanent and periodic controls: inspections, technical inspection of the technical condition of the equipment, buildings and structures, responsible persons are assigned to monitor their condition and secure operation, as well as to ensure the technical and technological supervision. Job descriptions are prepared for all categories of specialists and workers, as well as the instructions on safety and health for the working specialties and types of works, operational instructions and other regulatory documentation for the station employees

The Company has a developed list of hazards for each work place in the subdivision, which includes dangerous and hazardous industrial factors affecting each work place, conditions of their appearance, object of impact, undesirable events, risk evaluation and control measures.

OCCUPATIONAL SAFETY AND HEALTH COUNCIL

SKE JSC and its subsidiaries created the Occupational safety and health council. A chairperson, elected among the employees, heads the council. The councils consist of representatives of the employer and the trade union, plus technical labor inspectors.

Occupational safety and health councils perform the following functions:

– Examine the causes of occupational accidents and occupational diseases, analyze the effectiveness of measures related to occupational safety, review information and analytical materials about the actual state of occupational safety in the organization;

– Analyze the results of employee workplace certification; participate in the preparation of structural subdivisions and the organization as a whole for brining work place to compliance with occupational safety regulations;

– Review proposals on remedying the revealed violations in the field of occupational safety and health and creation of safe working conditions in the organization, formulating programs, recommendations, decisions, etc., to preserve the life and health of workers in the course of employment;

– Assist in carrying out timely and quality employee training on occupational safety and health, conducting occupational health and safety tests, regular training of employees and trade union activists on relevant occupational safety regulations;

– Make proposals for the introduction of improved and new technology in order to create safe working conditions and eliminate hard physical labor;

– Inform employees of the organization on activities aimed at creating better working conditions and occupational safety practices, prevention of occupational accidents and occupational diseases, explaining regulations regarding special clothing, footwear and personal protective equipment and correct methods of using them;

– Participate in the review of occupational safety budgets, compulsory social insurance against industrial accidents and occupational diseases; monitors spending aimed at improving occupational safety practices;

SKE JSC and its subsidiaries employ the technical inspectors on occupational safety and health. They interact with department managers, occupational safety and health teams, operational inspectors, industrial safety inspectors, as well as with government labor inspectors.

The main responsibilities of the technical occupational safety inspectors include:

– Protecting the rights and interests of the employees;

– Participation in the development and submission of proposals for the Occupational Safety section of the collective agreement, as well as in integrated programs and plans of priority measures to improve occupational safety practices developed by authorities;

– Monitoring of compliance with occupational safety guidelines at workplaces;

– Representing trade unions in government agencies, NGOs, courts of various instances when dealing with labor disputes where the Occupational Safety section of the Labor Code applies.

TYPES AND INCIDENCE OF OCCUPATIONAL INJURIES

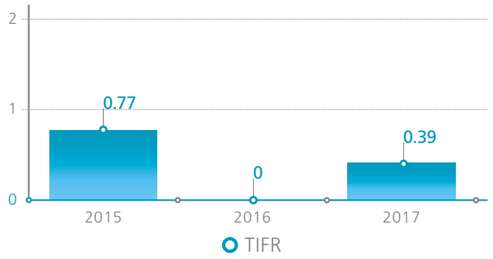
In 2017, the Company registered 1 accident on 28.08.2017, occurred with the electrician on equipment repair, repair and maintenance group of Kyzylzhar PLA substation. The cause of the accident is unsatisfactory technical condition of the support # 111, 10 kV overhead line, feeder line # 5, from Novonikolsk to Novoaleksandrovka, deteriorated because of the floods in 2017. The injury degree is high.

The production injury rates of the Company are present in the Table and charts below.

Workplace injury statistics

	2015	2016	2017
Employee head count	2,586	2,581	2,506
Number of injuries	2	0	1
Number of injured persons / including women	2/0	0	1/0
Number of fatalities	0	0	0

Total injury frequency rate (TIFR) per 1,000 employees



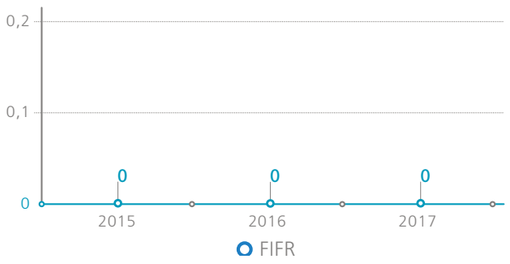
Total injury frequency rate (TIFR) per 1,000 employeeswas calculated using the following formula:

$$Kh = \frac{n \times 1000}{N}$$, where

n – total number of occupational injuries during the reporting period;

N – average head count.

Fatal incident frequency rate (FIFR) per 1,000 employees



Fatal incident frequency rate (FIFR) per 1,000 employeeswas calculated using the following formula:

$$Kh1 = \frac{n1 \times 1000}{N}$$, where

n1 – total number of workplace fatalities during the reporting period;

N – average head count.

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;
- carrying the safety day;
- 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;
- running the test acceptance to work for the brigades when ensuring the acceptance works.

In 2017 the Company implemented the following standards:

- job certification at the production units;
- unified drafting of Annual work plan with the personnel in the area of security and safety;
- determination of requirements on the content and application of the safety means, requirements for tools, devices and instruments used in the operation and maintenance of electrical devices, as well as their testing requirements;
- arrangement and execution of the works at height;
- arrangement of safe traffic of vehicles and pedestrians.

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

Main health and safety preventive measures performance indicators

	2015	2016	2017
Number of occupational health and safety meetings held	190	186	207
Number of Occupational health and safety days held	86	38	44

In 2017, the actual cost of occupational safety and health activities for SEVKAZENERGO JSC and its subsidiaries totaled 100,224.8 thous. KZT.

Employees received the necessary personal protective equipment, including electric safety devices, special fats and medical supplies. The Company purchased information boards, fire safety equipment, print editions of technical regulations and occupational health and safety signs. Additional workplace illumination, ventilation and air-conditioning systems repair, building renovation and other activities were carries out.

Employees of the company whose professional activity bears high injury risk

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

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

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

During the reporting period, there were no cases of electric injury of personnel in the group of companies.

PLANS FOR 2018

In 2018, the Company intends to implement and support the following corporate standards and documents related to occupational health and safety:

- Carrying out behavioral safety audits;
- Standard "Isolation of energy sources" (pilot project for PCHP);
- Guidelines concerning incentives to employees for compliance with occupational safety requirements;
- Guidelines concerning Welcome Training for newly hired employees and contractors;
- Guidelines for contractor relationship.

Petropavlovsk heat networks LLP will conduct the job certification.

CUSTOMER SAFETY

The management of each electrical distribution unit of the Company jointly with occupational safety specialists ensure the awareness campaigns among the public about safety precautions near powered electrical installations and electrical power lines.

At the beginning and end of the school year, campaigns are conducted to prevent electrical injuries among children, where specialists of electrical distribution companies visit schools to explain how to avoid electric injuries.

Special warning signs and texts on the equipment are used to warn the public and the employees about the dangerous nature of all electrical facilities, all equipment is protected against unauthorized access with appropriate fences, locks and disablers.

Regional and district media publish articles to create stronger awareness of safety issues and prevent injuries, especially among children.

AWARENESS CAMPAIGNS

The management of each electrical distribution unit of the Company jointly with occupational safety specialists, ensure the awareness campaigns among the public about safety precautions near powered electrical installations and electrical power lines.

At the beginning and end of the school year, campaigns are conducted to prevent electrical injuries among children, where specialists of electrical distribution companies visit schools to explain how to avoid electric injuries.

Special warning signs and texts on the equipment are used to warn the public and the employees about the dangerous nature of all electrical facilities, all equipment is protected against unauthorized access with appropriate fences, locks and disablers.

Regional and district media publish articles to create stronger awareness of safety issues and prevent injuries, especially among children.

SAFETY GUIDELINES IN CUSTOMER SERVICE CENTERS

The following measures were taken to enhance customer safety and health:

– To prevent injuries, entrances to service centers have anti-slip rubber mats;

– For disabled people, there are ramps or buttons to call personnel for assistance;

– Building of service centers are equipped with video surveillance systems;

– All service centers have first aid kits with all the necessary medicines;

– Inside, there are air-conditioning systems;

– As required by fire safety regulations, the service centers have fire alarms and some basic fire extinguishing equipment;

– Evacuation plans are shown where people can spot them easily, doors of emergency exits allow free access to the outside.

SOCIAL PARTNERSHIP

SEVKAZENERGO JSC is a pro-active participant in the social projects aimed at supporting the population of North-Kazakhstan region.

The dormitory for 90 flats is still providing accommodation for the employees of the Company and residents of Petropavlovsk and it was commissioned back in 2016. Implementation of the project was made possible due to the public-private partnership between SEVKAZENERGO JSC and the Governor's Office of North Kazakhstan region. The availability of dormitory attracts the young and prospective employees to work for the enterprises of power industry.

Alakai kindergarten continues to function, having capacity of 320 places, opened in 2015 within the framework of public-private partnership with the Governor's Office of North Kazakhstan region.

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

CORPORATE EVENTS

In 2017, SEVKAZENERGO JSC actively participated in the celebration of the 20th anniversary of its shareholder -CAPEC JSC.

Group visit to EXPO–2017 by employees of the holding in Astana. EXPO-2017 was an event of global proportions, comparable with international economic forums; it is the symbol of industrialization and an open platform for displaying engineering and technological achievements. Alternative energy sources was the main topic of EXPO-2017: visitors could learn about the history, modern technology and future projects in the field of alternative energy.

First corporate mini–football tournament was held to celebrate the 20th anniversary of CAPEC JSC, the shareholder. This event was held in Astana. Six teams from four regions of Kazakhstan participated in the tournament, including the team of SEVKAZENERGO. According to the tournament results, team of SEVKAZENERGO JSC took the second place.

ABOUT THE REPORT

SEVKAZENERGO JSC has been releasing annual reports since 2013. The previous annual report was published in August 2017.

This Corporate Report contains information on the activities of SEVKAZENERGO JSC and its subsidiaries. The document includes a Sustainable Development Report, which was prepared in accordance with the GRI G4 guidelines. The main type of information disclosure and GRI guidelines adjusted to the electric power industry were used in the preparation.

No substantial changes to the content of the report have been made, while the Company now follows the GRI Standards for information disclosure. Section "Index of GRI elements" contains a table explaining where to find standard reporting elements and performance data. No external assurance review of the Report was performed.

MATERIAL ASPECTS AND BOUNDARIES

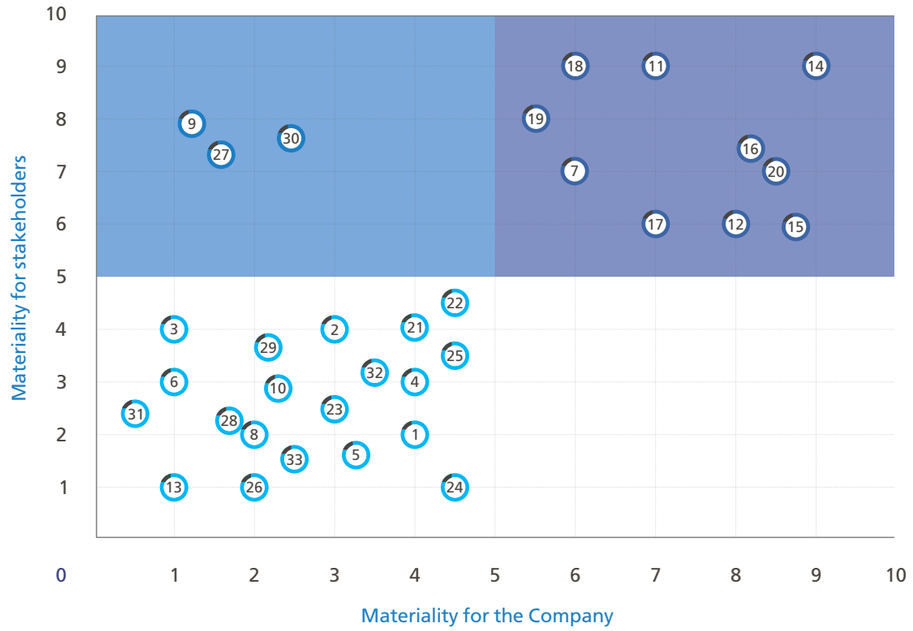
In accordance with the Principles for defining report content as per GRI Standards, the materiality of the topics disclosed in the Report was assessed. The procedure of materiality assessment includes the following main steps:

Step 1. Identification of the widest possible range of potentially important topics related to sustainable development based on GRI Standards.

Step 2. Analysis of the extent of impact of the indicated topics within and beyond the Company. Selection of topics for further disclosure, considering stakeholder engagement. Besides that the priority of topics from the point of view of their impact to the Company's activity and its development strategy were also analyzed.

Step 3. In accordance with the opinion of stakeholders and strategic plans of the Company, key topics were ranked in order to determine priorities and develop Materiality Map. Average score was attributed to each aspect of operations based on the impact on the Company (horizontal axis) and its stakeholders (vertical axis). The highest priority was determined for aspects located in the Medium Blue area: they were given priority during preparation of the Report. In addition, the report partially discloses aspects of the Velvet area.

List of topics and materiality map



List of topics

№	ASPECTS	№	ASPECTS
1.	Economic performance	18.	Training and education
2.	Market presence	19.	Diversity and equal opportunities
3.	Indirect economic impacts	20.	Non-discrimination
4.	Procurement practices	21.	Freedom of association and collective bargaining
5.	Anti-corruption	22.	Child labor
6.	Anti-competitive behavior	23.	Forced or compulsory labor
7.	Materials	24.	Precautions and safety measures
8.	Energy	25.	Rights of indigenous people and minorities
9.	Water	26.	Respect for human rights
10.	Biodiversity	27.	Local communities
11.	Emissions	28.	Assessment of vendor compliance with social criteria
12.	Sewage and waste	29.	Public policy
13	Assessment of vendor compliance with environmental standards	30.	Customer health and safety
14.	Compliance with environmental guidelines	31.	Product and service labeling
15.	Employment	32.	Respect for customer privacy
16.	Relations between employees and management	33.	Violations of social and economic legislation
17.	Occupational health and safety		

GRI ELEMENT INDEX

GRI STANDARD AND THE YEAR OF ITS PUBLICATION	ITEM	PAGE NUMBER, SECTION	EXCEPTIONS/ COMMENTS
GRI 101: Reporting principles (2016)			
GRI 102: General information (2016)	Organization profile		
	102-1 Name of organization	Section «Business profile», p. 8	
	102-2 Areas of business	Section «Business profile», p. 8 and section «Business model», p.17	
	102-3 Location of the head office	Section «Contacts», p. 111	
	102-4 Geography of operations	Section «Geography of operations», p. 18	
	102-5 Form of ownership	Section «Corporate structure», p. 9	
	102-6 Markets	Section «Geography of operations», p. 18 Section «Subsidiaries», p. 19	
	102-8 Information on employees	Section "Human resources and social policy", p. 78	
	102-9 Supply chain	Section "Business model", p. 17	
	102-10 Significant changes in the Company	Section "Organizational structure", p. 46	no changes
	102-11 Principles of precaution	Section "Environmental spending", p. 74	
	102-12 Support of external initiatives	Section "Environmental management", p. 71 Section "Greenhouse gas emissions", p. 72 Section "Environmental management system", p. 77	
	102-13 Memberships	-	The Company is a member of the Kazakhstan Electricity Association (KEA).
	Strategy		
	102-14 Statement of management	Section "Letter of the Chairman of the Board of directors", p. 4 Section "Letter of the President ", p. 6	
	Ethics and integrity		
	102-16 Values, principles, standards and rules of conduct	Section "Corporate governance code compliance report", p. 53	
	Corporate governance		
	102-18 Management structure	Section "Organizational structure", p. 46 Section "Activities of the committees of the Board of Directors", p. 51	
	Stakeholder engagement		
	102-40 List of stakeholders	Section "Stakeholder engagement", p. 68	
	102-41 Collective agreements	Section "Interaction with trade unions", p. 84	
	102-42 Identification and selection of stakeholders	Section "Stakeholder engagement", p. 68	
	102-43 Approaches to engagement	Section "Stakeholder engagement", p. 68-69	
	102-44 Key topics and concerns raised	PSection "Stakeholder engagement", p. 68-69	
	About the report		
	102-45 Basis of consolidation	Section "About the report", p. 94	
	102-46 Determining the content of the report and boundaries	Section "List of topics and materiality map", p. 95	
	102-47 List of material topics	Section "List of topics and materiality map", p. 95	
	102-48 Recalculation of data from past periods	-	Indicators were not changed and are comparable with the data provided in previous annual reports of the Company.
	102-49 Changes in the content of the report	-	Not changed
	102-50 Reporting period	Section "About the report", p. 94	
	102-51 Date of the last publication	Section "About the report", p. 94	
	102-52 Reporting cycle	Section "About the report", p. 94	
	102-53 Contact information for questions about the content of the report	Section «Contacts», p. 111	
	102-54 GRI compliance level	Section "About the report", p. 94	
	102-55 GRI Content Index	GRI Element Index, p. 96	
	102-56 External assurance	Section "About the report", p. 94	

GRI STANDARD AND THE YEAR OF ITS PUBLICATION	ITEM	PAGE NUMBER, SECTION	EXCEPTIONS/ COMMENTS
Significant topics			
Ecology			
GRI 103: Approaches to management (2016)	103-1 Materiality and boundaries	Section "List of topics and materiality map", p. 95	
	103-2 Approaches to management	Section "Environmental impact management", p. 71	Comprehensive environmental impact management policy covers all major topics in this area
	103-3 Management assessment	-	not held
Materials			
GRI 301: Materials (2016)	301-1 Materials used by weight or volume	Section "Environmental impact management", p. 71	
Water			
GRI 303: Water (2016)	303-1 Total water withdrawal by source	Section "Water management and water resources conservation", p. 75	
	303-2 Water sources significantly affected by withdrawal of water	Section "Water management and water resources conservation", p. 75	
	303-3 Percentage and total volume of water recycled and reused	Section "Water management and water resources conservation", p. 75	
Emissions			
GRI 305: Emissions (2016)	305-1 Direct greenhouse gas emissions	Section "Greenhouse gas emissions", p. 72	
	305-4 Intensity of greenhouse gas emissions	Section "Greenhouse gas emissions", p. 72	
	305-2 Reduction of greenhouse gas emissions (COR2R)	Section "Greenhouse gas emissions", p. 72	
	305-7 NOx, SOx, and other significant harmful emissions	Section "Prevention of air pollution", p. 72	
Waste			
GRI 306: Sewage and waste (2016)	306-1 Total sewage by quality and destination	Section "Efficient management and disposal of industrial wastes", p. 76	
	306-2 Total weight of waste by type and disposal method	Section "Efficient management and disposal of industrial wastes", p. 76	

GRI STANDARD AND THE YEAR OF ITS PUBLICATION	ITEM	PAGE NUMBER, SECTION	EXCEPTIONS/ COMMENTS
Compliance			
GRI 307: Compliance (2016)	307-1 Information on non-compliance with environmental laws and regulations	Section "Environmental spending", p. 74	
Social category			
GRI 103: Approaches to management (2016)	103-1 Materiality and boundaries	Section "List of topics and materiality map", p. 94	
	103-2 Approaches to management	Section "Human resources policy", p. 78	Integrated HR policy covers all major topics in this area
	103-3 Management assessment	-	not held
Employment			
GRI 401: Employment (2016)	401-1 Head count and turnover	Section "Employee turnover", p. 81	
Employee/management relations			
GRI 402: Employee/ management relations (2016)	402-1 Minimum notice periods regarding significant operational changes	Section "Human resources and social policy", p. 78	
Health and safety			
GRI 403: Health and safety (2016)	403-1 Representation of employees in the official joint health and safety committees with the participation of representatives of management and employees	Strategic goals of the Company related to occupational health and safety are as follows: Completed activities, p. 87	
	403-2 Type and frequency of workplace injuries, occupational diseases, lost-workday rate, absenteeism rate in the workplace, total number of work-related fatalities	Section "Types and incidence of occupational injuries", p. 90	
	403-3 Workers with high incidence of injury and high risk of work-related diseases	Section "Employees of the Corporation whose professional activity bears high injury risk", p. 91	

GRI STANDARD AND THE YEAR OF ITS PUBLICATION	ITEM	PAGE NUMBER, SECTION	EXCEPTIONS/ COMMENTS
Training			
GRI 404: Training and education (2016)	404-2 Professional development programs	Section "Employee training and development", p. 80	
Diversity and equal opportunities			
GRI 405: Diversity and equal opportunities (2016)	405-1 Composition of the governing bodies	Section "Employee structure by category and age", p. 79	
Local communities			
GRI 103: Approaches to management (2016)	103-1 Materiality and boundaries	Section "List of topics and materiality map", p. 95	
	103-2 Approaches to management	Section "Stakeholder engagement", p. 68-69	
	103-3 Management assessment	-	not held
GRI 413: Local communities (2016)	413-1 Programs aimed at local community engagement, community impact assessment and community development	Section "Stakeholder engagement", p. 69	
Customer health and safety			
GRI 103: Approaches to management (2016)	103-1 Materiality and boundaries	Section "List of topics and materiality map", p. 95	
	103-2 Approaches to management	Section "Customer safety", p. 92	
	103-3 Management assessment	-	not held
GRI 416: Customer health and safety (2016)	416-1 Evaluation of product safety for the consumer	Section "Customer safety", p. 92	
Further Information			
GRI G4 Electric Utilities protocol	G4-EU1 Installed capacity	Section "About the Company ", p. 8	
	G4-EU2 Power generation	Section "Operating highlights", p.10	
	G4-EU3 Number of household, industrial, institutional and commercial customer accounts	Section "Geography of operations", p.18	
	G4-EU4 Length of overhead and underground electrical transmission and distribution lines by control mode	Section "Production highlights," p. 11	
	G4-EU5 Allocation of COR2R emission allowances or their equivalents	Section "Greenhouse gas emissions", p. 72-74	

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL CONDITION REPORT
AS OF **DECEMBER 31, 2017**

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL CONDITION REPORT AS OF **DECEMBER 31, 2017** (THOUS. KZT)

	DECEMBER 31, 2017	DECEMBER 31, 2016
I. LONG-TERM ASSETS:		
Fixed assets	101,534,714	98,437,364
Intangible assets	206,140	202,025
Other long-term assets	302,495	293,673
Advances paid to purchase (construction) of fixed assets	243,469	376,587
Restricted cash	4,515	13,000
Deferred tax asset	168,225	
Total long-terms assets	102,459,558	99,322,649
II. CURRENT ASSETS		
Inventory	2,198,380	1,885,268
Trade receivables	3,366,122	3,281,502
Advances paid for the acquisition of short-term assets	282,992	247,908
Income tax prepayment	69,564	69,663
Other current assets	891,315	460,397
Other financial assets	454,608	192,589
Cash and cash equivalents	70,705	173,045
Total current assets	7,333,686	6,310,372
TOTAL ASSETS	109,793,244	105,633,021
CAPITAL AND LIABILITIES	**December 31, 2017**	**December 31, 2016**
III. CAPITAL		
Share capital	16,291,512	16,291,512
Additional paid-in capital	277,168	277,168
Provision for fixed assets revaluation	20,274,349	21,480,749
Undistributed earnings/loss	20,080,465	17,954,086
Capital, belonging to equity capital of the parent company	56,923,494	56,003,515
Minority interest		
Total capital	56,923,494	56,003,515

CONSOLIDATED FINANCIAL CONDITION REPORT AS OF **DECEMBER 31, 2017** (CONTINUED) (THOUS. KZT)

	DECEMBER 31, 2017	DECEMBER 31, 2016
IV. LONG-TERM LIABILITIES		
Bonds issued	8,251,896	8,324,298
Long-term loans	13,720,381	13,408,554
Finance lease commitments	284,258	302,773
Deferred tax liabilities	16,241,831	14,864,231
Ash dump restoration obligations	349,597	532,213
Accrued employee remuneration	59,086	56,935
Long-term payables	2,127,865	-
Deferred income	3,103,658	1,251,681
Total long-term liabilities	44,138,572	38,740,685
V. CURRENT LIABILITIES		
Bonds currently outstanding	472,015	877,061
Trade payables	3,114,220	4,099,627
Long-term and short-term loans currently outstanding	3,733,303	4,280,883
Current part of ash dump restoration obligations	87,693	97,785
Current part of accrued employee remuneration	5,081	4,727
Advances received	585,813	373,008
Current tax liabilities on income tax	-	-
Current part of finance lease obligations	33,156	21,380
Other liabilities and accrued expenses	699,897	1,134,350
Total current liabilities	8,731,178	10,888,821
TOTAL CAPITAL AND LIABILITIES	**109,793,244**	**105,633,021**

As of December 31, 2017, the current book value of one share is KZT 394.24.
As of December 31, 2016, the current book value of one share is KZT 387.88.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING **DECEMBER 31, 2017**
(THOUS. KZT)

INDICATORS	12 MONTHS OF 2017	Q4 2017	12 MONTHS OF 2016	Q4 2016
INCOME				
Production of electricity and heat	31,701,948	8,103,052	30,904,528	9,403,252
COST OF GOODS SOLD				
Production of electricity and heat	(22,267,150)	(5,620,772)	(20,899,798)	(6,053,131)
GROSS PROFIT/LOSS	9,434,798	2,482,280	10,004,730	3,350,121
General and administrative expenses	(2,167,073)	(769,021)	(1,838,308)	(523,391)
Sales costs	(303,167)	(75,794)	(287,865)	(72,641)
PROFIT (LOSS) FROM OPERATING ACTIVITIES	6,964,558	1,637,465	7,878,557	2,754,089
Other income (expenses), net	(161,097)	(155,594)	259,585	216,888
Income (loss) from foreign exchange gain, net	49,963	272,253	153,099	57,746
Financial income	119,045	43,083	88,113	16,896
Financial expenses	(2,379,735)	(712,341)	(2,009,540)	(452,317)
PROFIT/LOSS FOR THE PERIOD BEFORE TAX	4,592,734	1,084,866	6,369,814	2,593,302
Income tax savings (expense)	(1,229,890)	(759,283)	(1,484,085)	(1,147,034)
PROFIT/LOSS FOR THE PERIOD	3,362,844	325,583	4,885,729	1,446,268
OTHER AGGREGATED INCOME				
Gain from revaluation of fixed assets			-	
The income tax for the component of other comprehensive income			-	
TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD	3,362,844	325,583	4,885,729	1,446,268

Basic and diluted earnings per common share as of 31.12.2017, amounted to 23.38 KZT
Basic and diluted earnings per common share as of 31.12.2016, amounted to 33.96 KZT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDING **DECEMBER 31, 2017**
(THOUS. KZT)

INDICATORS	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	PROVISION FOR FIXED ASSETS RE-VALUATION	UNDISTRIBUTED EARNINGS	TOTAL	TOTAL CAPITAL
Closing balance as of 31.12.16	16,291,512	277,168	21,480,749	17,954,086	56,003,515	56,003,515
Issue of shares					-	-
Share capital increase					-	-
Discount accrual					-	-
Amortization of provision for fixed assets revaluation			(1,206,400)	1,206,400	-	-
Contribution to the share capital					-	-
Dividends				(2,442,865)	(2,442,865)	(2,442,865)
Profit/(loss) for the period				3,362,844	3,362,844	3,362,844
Other aggregated income					-	-
Closing balance as of 31.12.17	16,291,512	277,168	20,274,349	20,080,465	56,923,494	56,923,494
Closing balance as of 31.12.15	16,291,512	277,168	23,007,667	11,541,439	51,117,786	51,117,786
Issue of shares					-	-
Amortization of provision for fixed assets revaluation			(1,526,918)	1,526,918	-	-
Discount accrual					-	-
Dividends					-	-
Profit/(loss) for the period				4,885,729	4,885,729	4,885,729
Closing balance as of 31.12.16	16,291,512	277,168	21,480,749	17,954,086	56,003,515	56,003,515

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDING **DECEMBER 31, 2017** (THOUS. KZT)

Indicators	2017	2016
I. CASH FLOW FROM OPERATING ACTIVITIES:		
1. Income before taxation	4,592,734	6,369,814
Adjusted for:		
Amortization and depreciation	4,818,414	4,347,002
Financial expenses	2,379,735	2,009,540
Recovery/accrual of provision for bad debt	51,769	(1,242)
Recovery/accrual of provision for obsolete inventory	(32,775)	(4,818)
Losses/(income) from disposal of fixed assets and intangible assets	252,230	16,164
Employee remuneration expenses	452	10,071
Accrued/Recovered provision for unused leaves	(2 517)	4,534
Income/expense from exchange rate difference	(49,963)	(153,099)
Income from state subsidy write-off	(35,995)	
Financial income	(119,045)	(88,113)
Cash flow before changes in floating capital	11,855,039	12,509,853
2. Increase (decrease) in working capital, total incl.		
Increase/decrease in inventory	(221,524)	446,867
Increase/(decrease) in trade receivables	(129,977)	(487 535)
Increase/decrease in advances paid for the acquisition of short-term assets	(35,084)	254,922
Increase (decrease) of other current assets	(542,274)	(203,171)
Increase/(decrease) in trade payables	(541,264)	1,072,426
Increase/decrease in advances received	212,805	(45,294)
Increase/decrease in other liabilities and accrued expenses	(242,488)	162,114
Increase/decrease in accrued employee remuneration	2,053	(6,643)
3. Cash flow from operating activities	10,357,286	13,703,539
Income tax paid	(20,515)	-
Interest paid	(2,380,670)	(2,257,541)
4. Net cash flow from operating activities	7,956,101	11,445,998
II. CASH FLOW FROM INVESTING		
Fixed assets acquisition	(8,600,505)	(12,709,097)

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDING **DECEMBER 31, 2017** (CONTINUED) (THOUS. KZT)

Indicators	2017	2016
Acquisition of intangible assets	(42,160)	(67,548)
Cash (placed at the deposits)/taken from deposits and accrued interest	(120,902)	(46,311)
Income from disposal of fixed assets	173,755	431,182
Net cash flow used for investment activities	(8,589,812)	(12,391,774)
III. CASH FLOW FROM FINANCIAL ACTIVITIES:		
Loans taken	5,042,046	5,246,520
Placement of bonds	100,777	400,100
Loans repaid	(5,317,678)	(5,567,198)
Placement of bonds	(500,100)	
Payment of dividends	(684,783)	(105,000)
Proceedings from the state subsidies	1,912,490	750,000
Income from related parties	(21,381)	
Payments to related parties		(72,830)
Net cash generated from/(used in) financial activities	531,371	651,592
TOTAL increase (+), decrease (-) in cash	(102,340)	(294,184)
Cash balance at the beginning of the reporting period	173,045	467,229
Effects of exchange rate changes on cash and cash equivalents		
Cash balance at the beginning of the reporting period	70,705	173,045

GLOSSARY, ABBREVIATIONS

Overhead power line	– is an electric line for electricity transmission through wires located outdoors and attached using isolators and fittings to supports or brackets.
Overhead transmission lines	– are the constructions used for electricity transmission through wires.
Polluting emissions	– are various types of waste released to the environment.
Gigacalorie	– is the unit of thermal energy used for measurements in heat generation, heating systems and utilities.
Ash dump	– is a place for collection and disposal of waste ash and slag generated during combustion of solid fuel at combined heat and power plants.
Ash and slag waste	– is the dust compound (ash), as well as coal slag generated by combustion of an organic part of coals in the form of volatile compounds (smoke and steam), as well as non-flammable mineral part of the fuel released in the form of solid chemical residues.
Investment program	– is a combination of intentions and actions aimed at implementing investments and achieving certain financial, business, production and social targets, 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 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 because 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.
Waste	– is material resources lost during the production process. Waste and by-products (useful products of complex processing of raw materials produced unintentionally) can be used as secondary raw materials.
General meeting of shareholders	– is the supreme management body of the joint stock company consisting of the shareholders that own common registered stock of the company. To resolve issues within their competence according to the Charter, the company's shareholders gather for general meetings periodically, but at least once a year (annual general meeting of shareholders).
Substation	– is an electric installation used for conversion and distribution of electric power and consisting of transformers or other power converters, switchgear, control devices and auxiliary facilities.
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 the environmental changes caused by production factors.
Nature protection activities	– are all types of economic activities of a company aimed at reducing and eliminating the negative impact on the environment, conservation, improvement and rational use of natural resources.
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 shareholders' rights are exercised; a complex of mechanisms enabling shareholders (investors) to control company executives and resolve issues.
Internal control system	– is a set of procedures, institutional arrangements and practices adopted by the company's management to ensure proper and effective financial and business operation.
Board of Directors	– is the management body of the company, which is formed by the election of its members at a general meeting of shareholders.
Average rate	– is a rate calculated as sales revenue divided by useful output.
Combined heat and power plant (CHP)	– is a thermal power plant generating not only electric power, but also heat, heat is distributed to consumers in the form of steam and hot water.
Titanium emulsifiers	– are devices made of titanium and designed for removing ash particulates from combustion gases.
Turbine	– is a prime motor with rotational movement of its working body – the rotor – that converts kinetic energy of the steam, gas or water medium into mechanical operation.
Turbine unit	– is a set of steam turbine, electric generator and exciter, united by one shaft train; it converts potential energy of steam into electric power.
Internal audit department	– is responsible for control over administration and various aspects of the company's operations in line with internal procedures; representatives of a special supervisory body carry out its activity in order to provide assistance to management bodies.
Emissions control	– is a complex of actions for collection, transportation, processing, re-use, or disposal of waste from production process and control of the entire process.
Installed 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.

LIST OF ACRONYMS

ASCAE	– Automatic system for commercial accounting of electric power.
ASCAHE	– Automatic system for commercial accounting of heat energy.
ARCS	– Automated remote control system.
ISO	– International organization for standardization.
OHSAS	– Occupational health and safety management systems.
JSC	– Joint-stock company.
GDP	– Gross domestic product.
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.
PCHP–2	– Petropavlovsk combined heat and power plant No. 2.
PHN	– Petropavlovsk heat networks LLP.
PLA	– Power line area.
ABCL	– aerial bundled conductor lines .
NKEDC	– North-Kazakhstan Electrical distribution company JSC.
SKE	– SEVKAZENERGO JSC.
MM	– Mass media.
QMS	– Quality management systems.
EMS	– Environmental management system.
RMS	– Risk management system.
TU	– Turbo-units.
HM	– Heating main.
HC	– Heating chamber.
HP	– Heating pipeline.
CHP	– Combined heat and power plant.
ON	– Operational needs.
CAPEC	– Central-Asian Power-Energy Company.
CAEPCO	– Central-Asian Electric Power Corporation.

CONTACTS

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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).

Registered office: Deloitte LLP, Almaty, Almaty financial center, Building B, 36 Al-Farabi Ave

REGISTRAR

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

SEVKAZENERGO