



Management Report of Samruk-Energy JSC on the performance results for 2018

Content

1. Group Overview	2
2. Macroeconomic factors	3
3. Tariff policy	6
4. Operational KPI (broken down by producers).....	7
5. Key events during the reporting period.....	11
6. The main directions of the company's development	12
7. Principles of accounting policy	13
8. Financial and economic indicators.....	14
9. Created and distributed economic value	20
10. State tariff regulation of the company's activities.....	21
11. Achievement of strategic KPI.....	24
12. Analysis of capital expenditures.....	25
13. Liquidity and financial sustainability indicators.....	26
14. Contingent and contractual liabilities and operating risks	28
15. Benchmarking results.....	32

1. Group Overview

For development and implementation of a long-term state policy on upgrading of existing and commissioning of new generating capacities, “Samruk-Energy” joint-stock company (hereinafter – the Company) was established on April 18, 2007 by the decision of the general meeting of founders. The founders of the Company at the time of its establishment were “Kazakhstan Holding for Management of State Assets “Samruk” JSC and “KazTransGas” JSC. The Company was registered in Almaty on May 10, 2007.

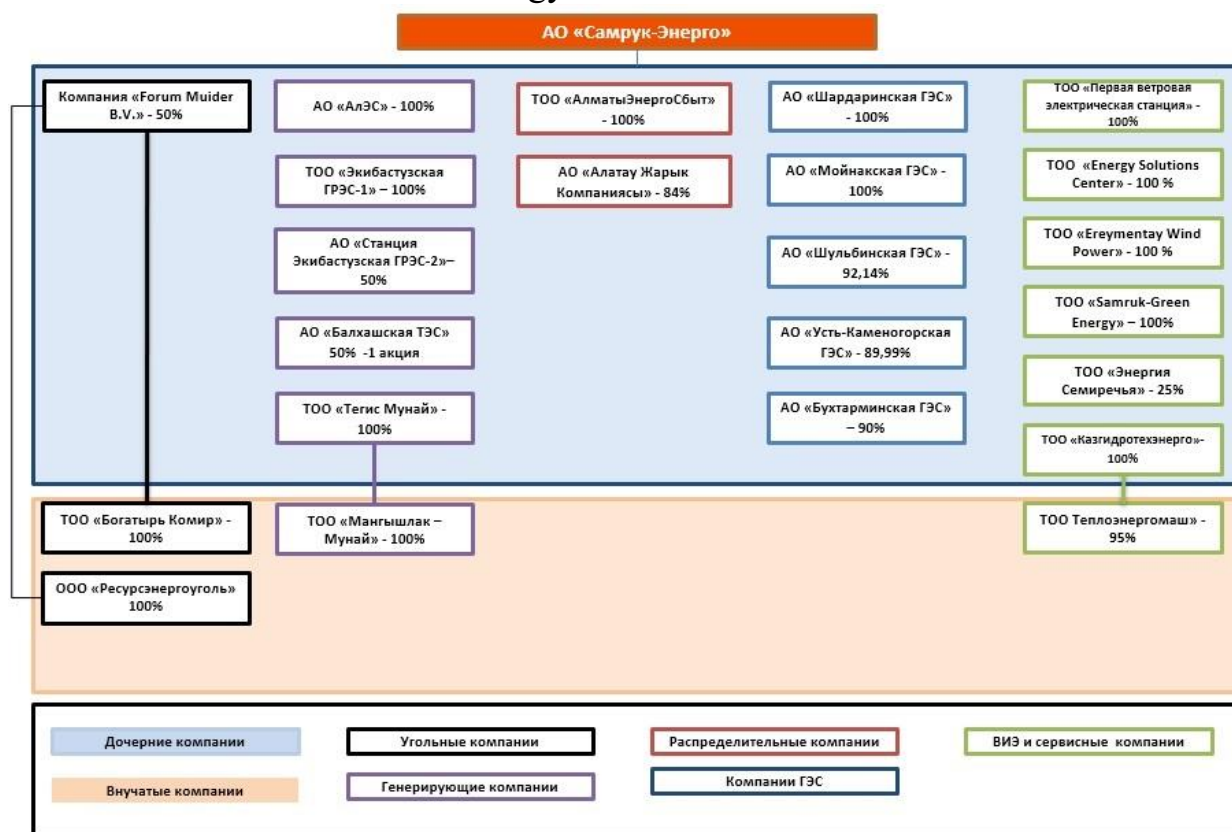
As a result of reorganization effected by the merger of “Kazakhstan holding on management of state assets “Samruk” and “Kazyna” Sustainable Development Fund JSC, on November 3, 2008, the Company’s shareholder became “Samruk-Kazyna” Sovereign Wealth Fund” JSC which is assignee of “Kazakhstan Holding on management of state assets “Samruk” .

To date, the Company is the largest diversified power holding company successfully integrated into the international energy mix, which forms a highly efficient energy supply system, and also ensures sustainable development of all sectors of Kazakhstan.

The Group is mainly engaged in production of electricity, heat and hot water based on coal, hydrocarbons and water resources and sales to the population and industrial enterprises, transportation of electricity and technical distribution of electricity in grids, construction of hydropower plants and thermal power plants, construction and operation of renewable energy sources, coal mining , as well as rental of property complexes of hydro power plants.

The Company's assets include the largest power producing companies, including power plants of national importance, such as Ekibastuz SDPP-1 and SDPP-2, as well as the plant that produces electricity and heat that is of regional importance in the Almaty region; Irtysh Cascade of HPPs There are main hydropower plants of the Republic that are included in the Irtysh cascade of HPPs, as well as hydropower plants in the southern regions of the country (Shardarinsk HPP and Moynak HPP). Also, the Company's assets include regional distribution grids and a sales company in the Almaty region and the largest coal mining enterprise in Kazakhstan “Bogatyr Komir” LLP. The enterprise supplies coal to the generating facilities of the Group and third parties located both in Kazakhstan and in the Russian Federation.

Current structure of “Samruk-Energy” JSC:

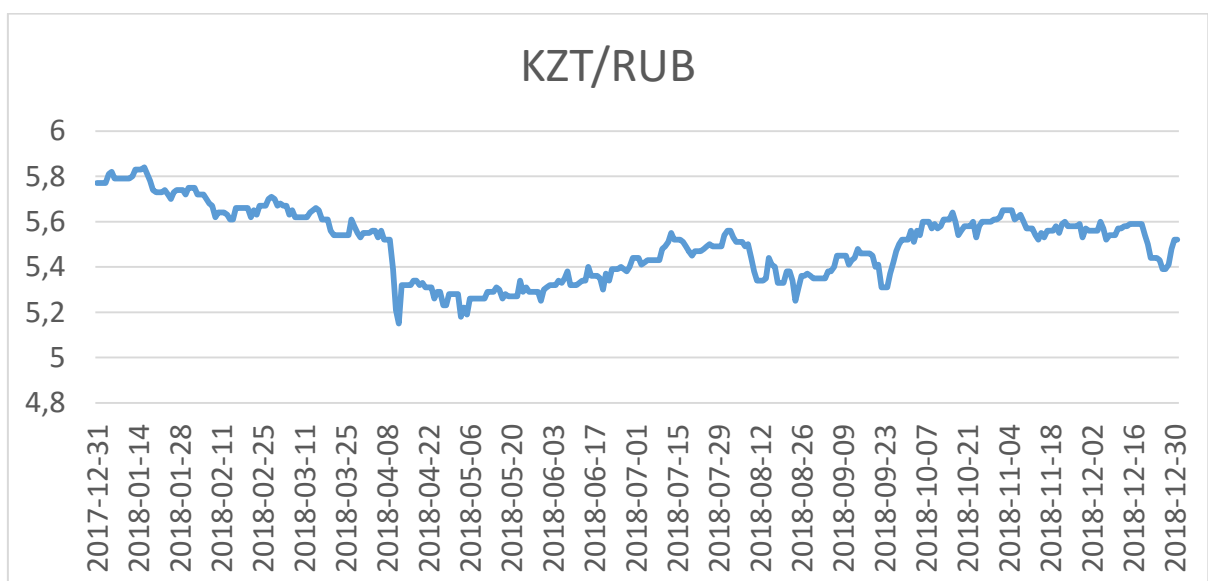
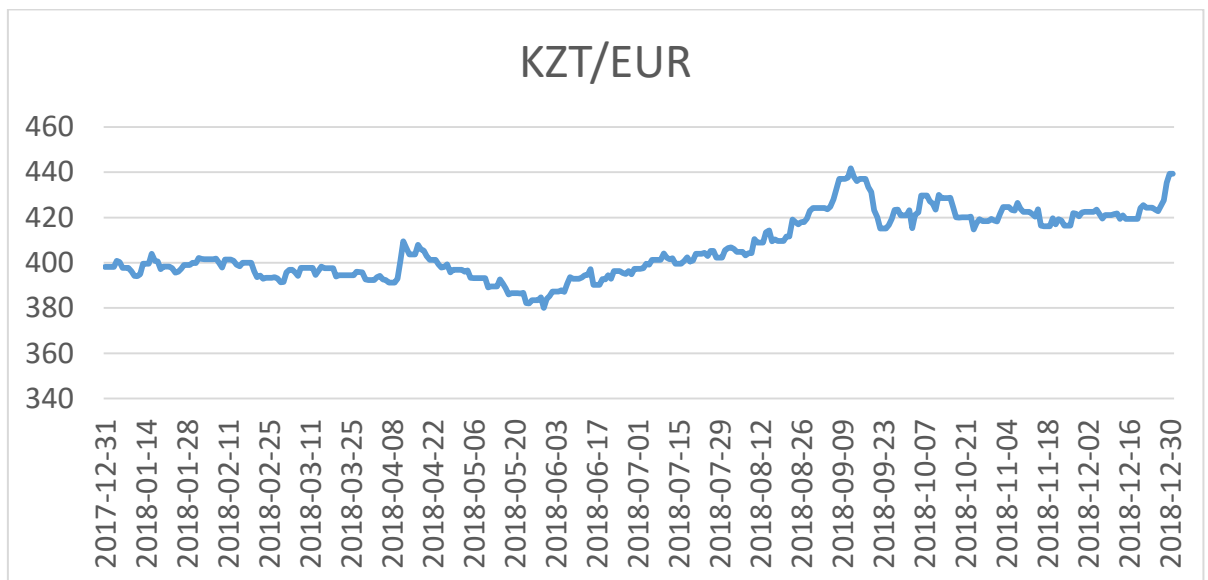
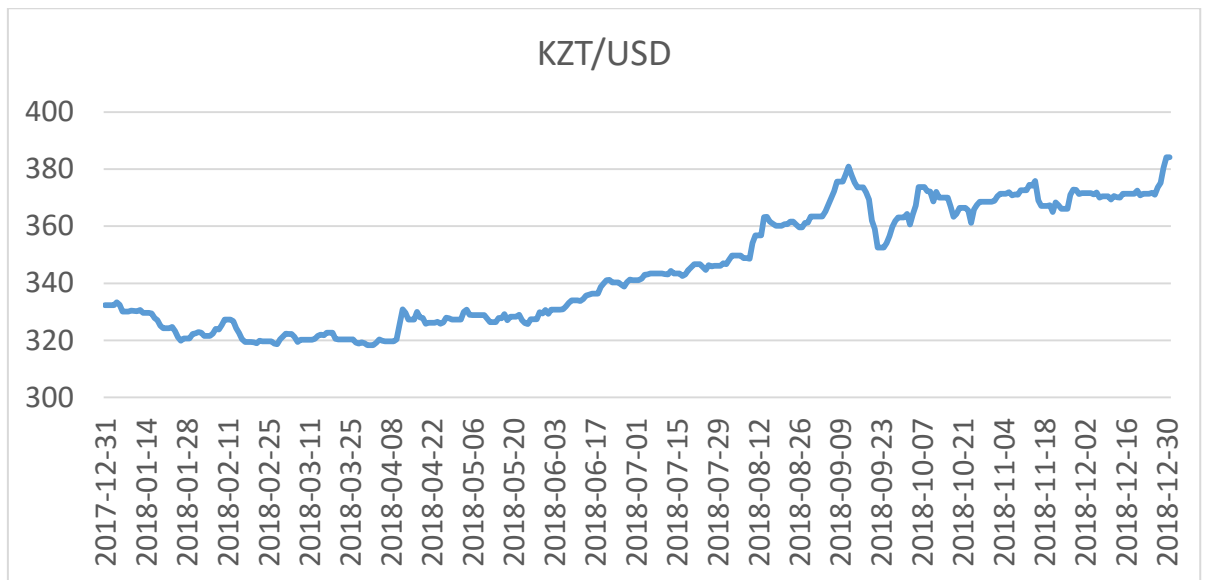


2. Macroeconomic factors

According to the Committee on Statistics, consumer inflation in December 2018 slowed down compared with the previous month and amounted to 0.7% (0.9% in November), reaching a minimum of 5 years in annual terms and amounted to 5.3% (7, 1% in 2017). The main contribution to the annual increase in prices was provided by food and non-food products + 1.9% separately, as well as services + 1.5%. (source NB RK).

Dynamics of currency exchange rates:

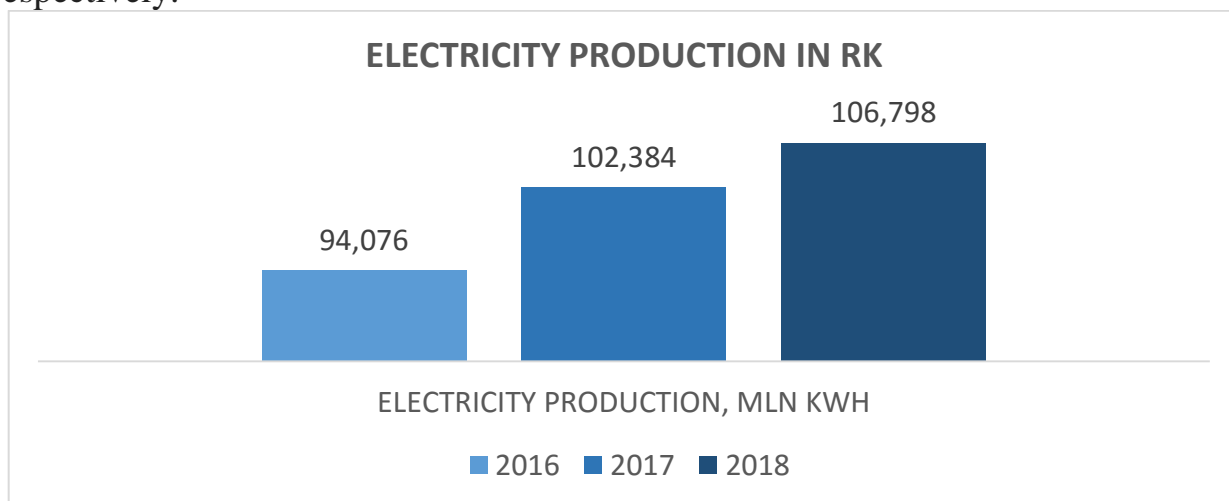
	31.12.2017	31.12.2018	%
KZT/USD	332.33	384.2	116%
KZT/EUR	398.23	439.37	110%
KZT/RUB	5.77	5.52	96%



According to the data from System Operator, Kazakhstan's power plants produced 106,798 mln. kWh of electricity in 2018, which is 4.3% more than 2017 figure. Production growth was observed in the North and West zones of Kazakhstan.

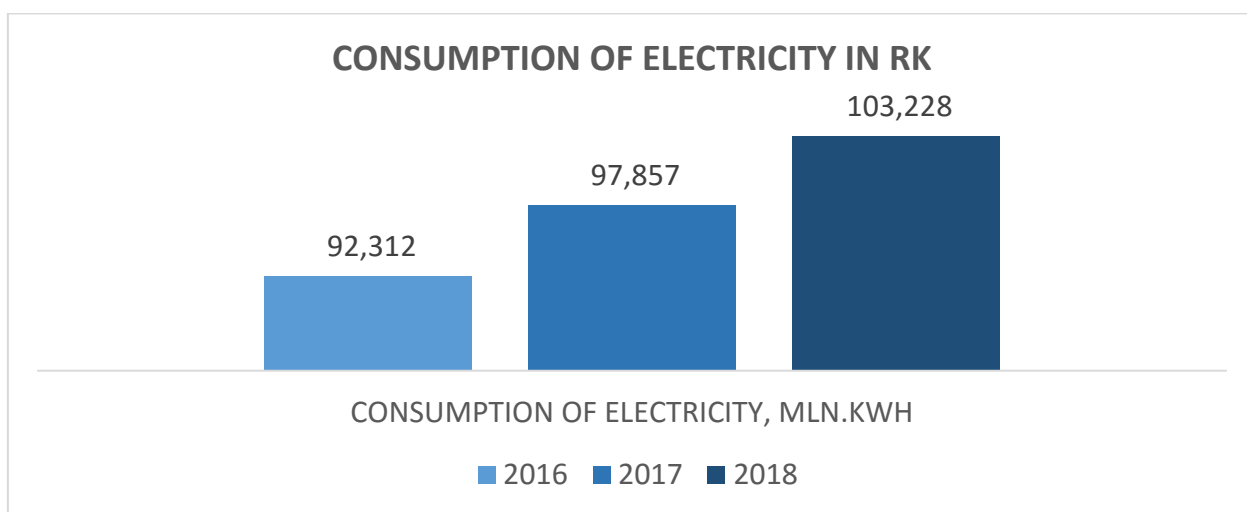
In comparison with the same period of 2017, electricity generation at hydropower plants of Kazakhstan decreased by 815 mln. kWh (7.3%). The operation mode of the stations was determined by the water balance and hydrological situation.

The production of electricity at thermal power plants and gas turbines of Kazakhstan increased by 4,370 million kWh (5.3%) and by 747 million kWh (8.9%), respectively.



According to the data from System Operator in 2018, there is an increase in the dynamics of electricity consumption throughout the Republic of Kazakhstan in comparison with the figures for 2017. Thus, in the northern zone of the Republic of Kazakhstan, consumption increased by 4.6%, in the western zone by 8.1% and in the southern zone by 6.8%.

During the reporting period of 2018, compared to the same period of 2017, the maximum increase in electricity consumption was in Almaty region by 532 mln. kWh (5.1%), Zhambyl region - by 519 mln. kWh (13.6%), Pavlodar region - by 779 mln. kWh (4.2%), Karaganda region - by 621 mln. kWh (3.7%).



3. Tariff policy

The laws of the Republic of Kazakhstan “On Electricity”, “On Natural Monopolies and Regulated Markets” and “On Competition” govern the operations of the Group’s subsidiaries and joint ventures, which are natural monopoly and regulated markets entities and entities with a dominant position in a competitive market. Tariff regulation, depending on the type of energy companies, falls within the competence of the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of Kazakhstan (hereinafter - the Committee) or industry-specific ministry - the Ministry of Energy (hereinafter - ME).

Electricity tariffs for energy producing organizations approved by the Decree of the Minister of Energy No.160 "On approval of ceiling tariffs for electricity for the group of energy-producing organizations" dated February 27, 2015 for 2016-2018. Tariffs for the supply of electricity produced by facilities that use renewable energy sources are fixed and approved by the Resolution of the Government of the Republic of Kazakhstan, depending on RES technology (separately for wind, solar and other sources) and are subject to annual indexation. At this, the financial and settlement center acts as a buyer, and power generation company act as a seller. The Committee regulates tariffs for transmission and distribution of electricity for power transmission companies, for production of heat and power supply (ESO). The Committee regulates and controls the mentioned activities in strict accordance with the legislative and regulatory acts.

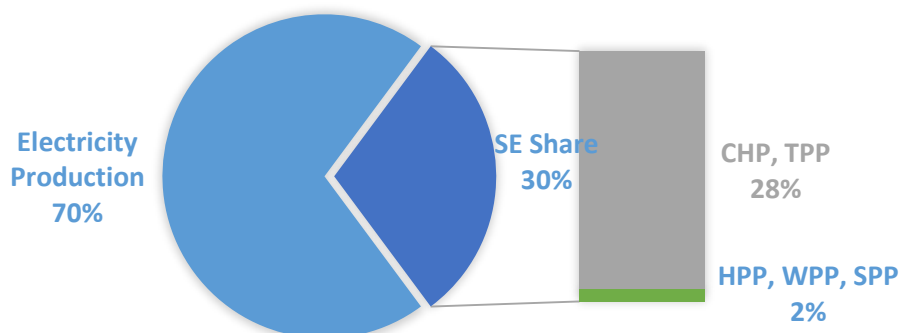
In order to implement the 50th and 52th steps, the action plan for the implementation of the five institutional reforms, the Law of the Republic of Kazakhstan No. 394-V “On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Electric Power Industry Issues” dated November 12, 2015, approved amendments to Law of RK “On Electric Power Industry”.

According to the amendments, from January 1, 2019, the Single Buyer model is being introduced with the operation of the electricity and capacity market. The operation of the markets for electrical energy (centralized and decentralized trading in electrical energy) and electrical power (short-term and long-term) of the balancing market is assumed.

Decentralized market is a market where power plants enter into contracts for the sale and purchase of electricity directly with consumers. A centralized market involves the sale of electricity on a single platform in order to conclude contracts for the sale and purchase of electricity. The function of the balancing market is the regulation by the system operator of deviations of the actual volumes of supply and consumption of electricity from the planned ones in real time.

Social and political issues significantly influence tariff decisions. Economic, social and other policies of the Government of the Republic of Kazakhstan may have a significant impact on the Group's operations.

THE SHARE OF "SAMRUK-ENERGY" JSC IN THE OVERALL ELECTRICITY PRODUCTION ACROSS THE RK FOR 2018



The share of “Samruk-Energy” JSC in total power generation in the Republic of Kazakhstan in 2018 was 30%, compared to 2017, the share increased by 2%.

4. Operational KPI (broken down by producers)

Subsidiary and affiliate name	2016 (actual)	2017 (actual)	2018 (actual)	2018 deviation from 2017	2019 (forecast)	2020 (forecast)
Electricity production volume, mln.kWh¹						
“Almaty Power Plants” JSC	5,911.4	5,712.4	5,599.1	98%	5,382.4	5,382.4
Basic capacity, MW		-	-	-	670.0	670.0
“Ekibastuz SDPP-1” LLP	9,037.3	14,797.0	19,121.6	129%	18,975.3	20,315.1
Incl.export	133.2	4,705.5	3,757.9	80%	-	-
Basic capacity, MW		-	-	-	2,596.3	2,596.3
“Ekibastuz SDPP-2 Plant” JSC	4,976.1	5,495.5	5,436.5	99%	5,884.8	6,011.3
Basic capacity		-	-	-	800.0	800.0
“Shardarinsk HPP” JSC	334.0	359.4	348.7	97%	378.0	550.6
Basic capacity, MW		-	-	-	43.2	62.9
“Moynak HPP” JSC	1,165.5	1,226.5	1,036	84%	906.0	906.0
Basic capacity, MW		-	-	-	298.0	298.0
“Samruk-Green Energy” LLP	3.2	3.2	3.2	100%	21.9	22.2
“FWPP” LLP	151.8	166.4	157.9	95%	167.2	172.2
Total	21,579.4	27,760.3	31,703.1	114%	31,715.6	33,359.8
Electricity transmission volumes, mln.kWh²						
“Alatau Zharyk Company” JSC	6,252.0	6,527.9	6,795.9	104%	6,945.9	7,120.0
Total	6,252.0	6,527.9	6,795.9	104%	6,945.9	7,120.0
Electricity sales volumes, mln.kWh³						
“AlmatyEnergoSbyt” LLP	5,766.8	5,767.5	5,904.3	102%	5,745.0	5,854.1
Total	5,766.8	5,767.5	5,904.3	102%	5,745.0	5,854.1
Heat production volumes, thous.Gcal¹						
“Almaty Power Plants” JSC	4,970.5	5,223.3	5,616.8	108%	5,142.5	5,142.5
“Ekibastuz SDPP-2 Plant” JSC	70.8	66.5	78.6	118%	76	76
“Ekibastuz SDPP-1” LLP		8.2	59.9	734%	307.3	307.3

Total	5,041.4	5,298.0	5,755.3	109%	5,525.8	5,525.8
Coal sales volumes, mln.tons	35.1	40.9	45.2	110%	42.3	42.9

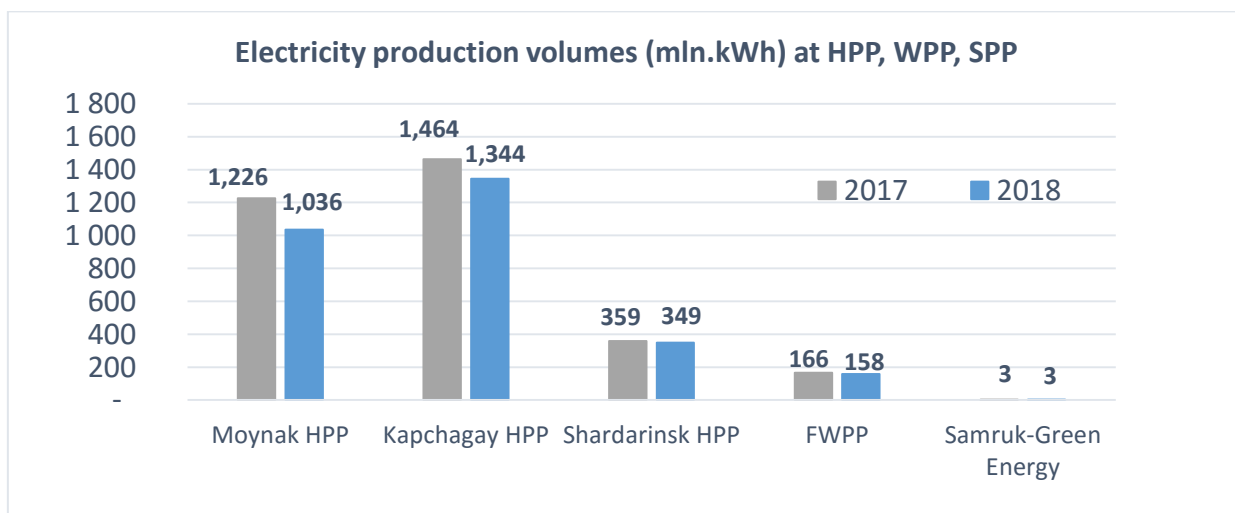
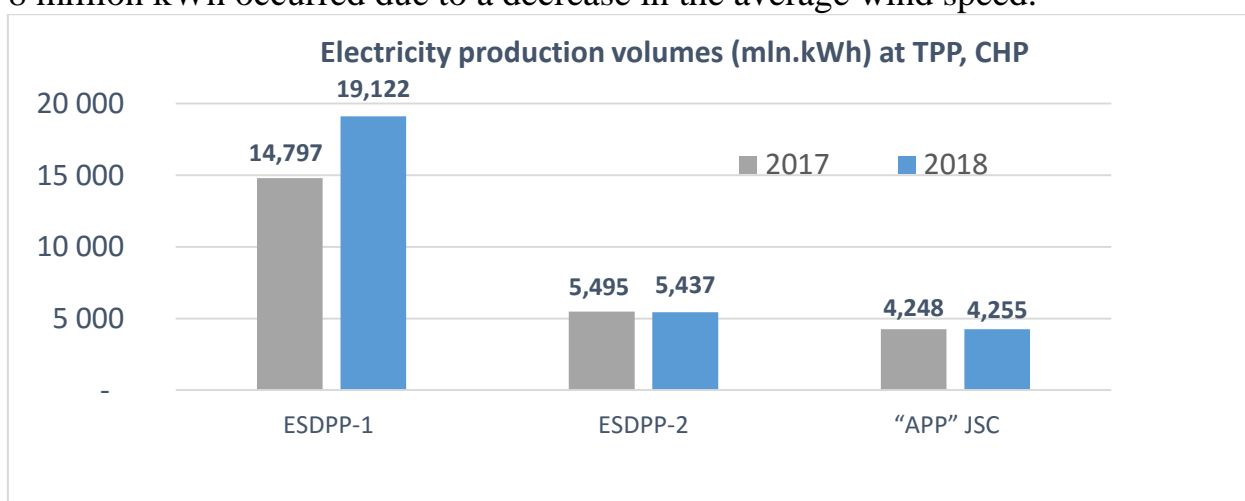
Note ¹: for comparison reasons, electricity and heat outputs in 2017 do not include “Aktobe CHP” JSC, which was sold in 2017.

² for comparison reasons, electricity transmission volumes in 2017 do not include “EK REC” JSC and “MDPGC” JSC, which were sold in 2017.

³ for comparison reasons, electricity sales volumes in 2017 do not include “ShET” LLP, which was sold in 2017.

The volume of electricity production in 2018 amounted to 31,703.1 mln.kWh (an increase of 3,943 million kWh or 14% compared with 2017). The main increase in electricity production was owing to an increase in the “Ekibastuz SDPP-1” LLP output by 4,325 mln.kWh.

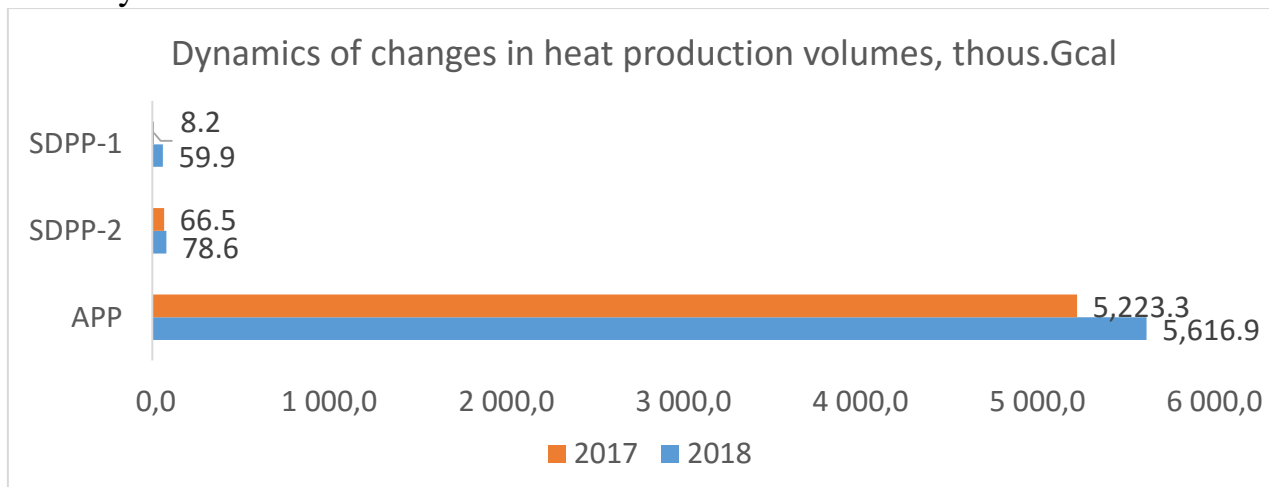
The decrease in output of HPP by 320 mln.kWh was driven by the decrease in water inflow at the Moynak hydro power plant, Kapchagai hydro power plant and the Shardara hydro power plant. Decrease in the sale of FWPP electricity by 8 million kWh occurred due to a decrease in the average wind speed.



Forecast for the future period:

The **volume of electricity production** in the forecast for 2019 is projected with a gradual increase in relation to the actual figure of 2018. The increase in the volume of electricity production in 2019 by 12.5 mln. kWh is mainly driven by the growth in the volumes of electricity production by “Ekibastuz SDPP-2 Plant” JSC. At the same time, “Ekibastuz SDPP-1” LLP plans to replace electricity supplies from exports to the Russian Federation to the domestic market in 2019.

Heat production volumes in 2018 amounted to 5,775 thous.Gcal; it increased as compared to the volume of 2017 (an increase of 457 thousand Gcal or 9%) mainly due to an increase in heat production by 394 thous. Gcal or 7.5% at “Almaty Power Plants” JSC.

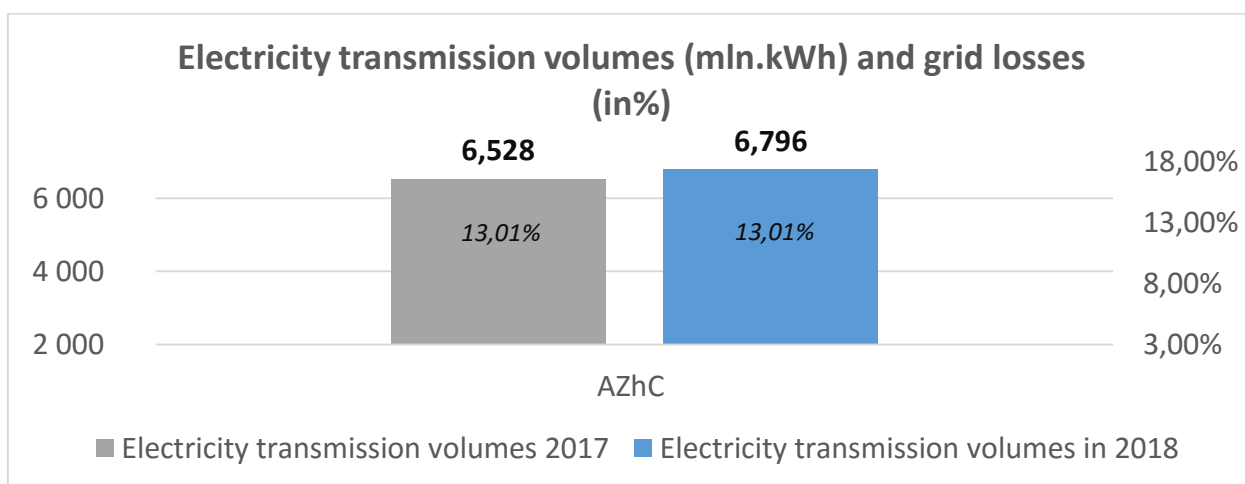


Forecast for the future period:

Heat production volumes in the plan for 2019 is expected to decrease by 4% against the actual figure of 2018 mainly due to reduction of heat production volumes at “Almaty Power Plants” JSC.

Electricity transmission volumes amounted to – 6,796 mln. kWh, increased as compared to 2017 volumes (a 268 mln. kWh increase). The increase in the volume of electricity transmission at "Alatau Zharyk Company" JSC was driven by the growth of consumption of Almaty region in connection with lower temperatures in January-February, December 2018 and higher temperatures in August 2018.

Grid losses according to results of 2018 remained at the same level as compared with the same period of 2017. As a whole, loss rate of “Alatau Zharyk Company” JSC is lower than the standard established by CRNM and PC.



Forecast for the future period:

The **volume of transmission and distribution of electricity** in 2019 is expected to increase by 2% compared with the actual figure of 2018, mainly due to the growth of electricity transmission volumes at “Alatau Zharyk Company” JSC.

The **volume of electricity sales volume** at power supply organizations for the reporting period amounted to 5,904 mln. kWh, which is 137 mln.kWh higher than 2017 or 2% compared with 2017 in connection with the growing number of consumers at “AlmatyEnergoSbyt” LLP.

Description	Actual 2016	Actual 2017	Actual 2018	Deviation	%
AlmatyEnergoSbyt					
Number of consumers, incl.:	781,734	800,448	817,025	16,577	2,1%
<i>Population</i>	752,711	770,245	785,393	15,148	2,0%
<i>Corporate entities</i>	29,023	30,203	31,632	1,429	4,7%
Sales volume, mln.kWh	5,767	5,767	5,904	137	2,4%

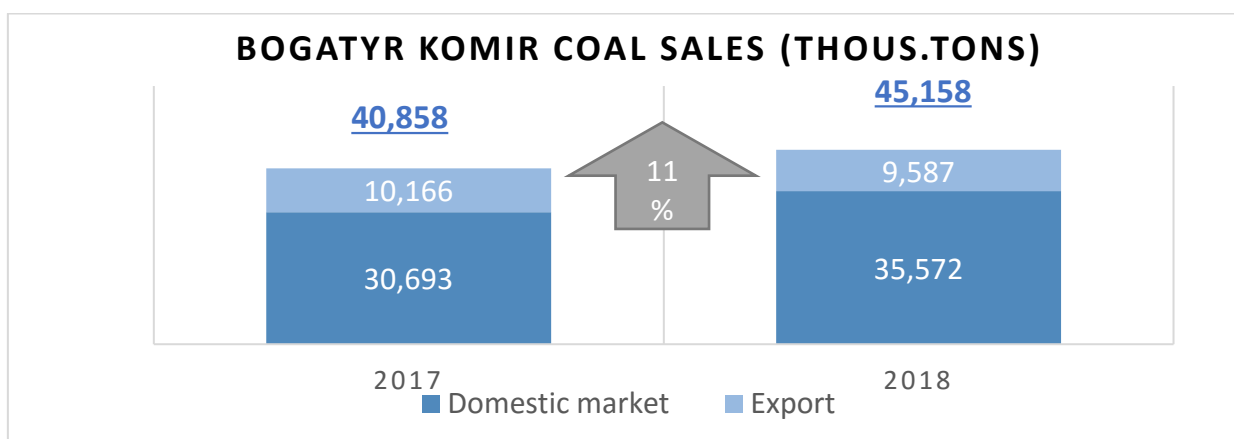
Forecast for the future period:

Electricity sales volume in the forecast for 2019 decreases by 3% from the actual figure of 2018. In the forecast for 2020, the volume of electricity sales increases by 2% compared with the forecast for 2019.

Following the results of 2018, **coal sales volume** amounted to 45,158 thous. tons, which is 11% or 4,302 thousand tons higher than the same period.

The increase in coal sales in the domestic market amounted to 4,879 thous. tons (16%), which is driven by the growth in demand of “Ekibastuz SDPP-1” LLP, “Pavlodarenergo” JSC, and shipment to a new consumer – Karaganda SDPP-2.

The decrease in coal sales for export by 579 thous. tons or 6% is connected with a decrease in demand from the Troitsk GRES, Reftinskaya GRES, Kurgan CHP and Serovskaya GRES.



Forecast for the future period:

Coal sales volume in the forecast for 2019 will decrease by 2.9 mln. tons or by 6.4% as compared to the actual figure of 2018. In the forecast for 2020, coal sales will increase by 1.5% or by 0.6 mln. tons against 2019.

5. Key events during the reporting period

Date	Event
March 5	The rating agency Fitch Ratings downgraded the long-term default rating of the Company in foreign and local currency from "BB+" to "BB", national long-term rating from "AA(kaz)" to "A+(kaz)" and confirmed the short-term default rating of the Company in foreign currency on level B.
April 23	Deputy Chairman of the Management Board - Member of the Management Board of Samruk-Kazyna JSC Alik Serikovich Aidarbayev was elected as Chairman of the Board of Directors of Samruk-Energy JSC.
May 25	Bakitzhan Tolevzhanovich Zhulamanov was appointed as Acting Chairman of the Board of JSC Samruk-Energy by the decision of the Board of Directors.
June 30	New substation of the closed type "Turksib" was put into operation In Almaty city under the supervision of the head of the Samruk-Kazyna, Akhmetzhan Yessimov. The launch of a new power facility allowed the completion of the Almaty Sustainable Electricity Supply Program.
August 2	The import of electricity from "Ekibastuz SDPP-1" LLP was stopped at the initiative of "Inter RAO" PJSC; at the opinion of the Russian company, this was done because of the need to revise the relationship model under the agreement between "Inter RAO" PJSC and "Ekibastuz SDPP-1" LLP. "Inter RAO" PJSC also initiated the revision of the Regulation on the planning of parallel operation modes of the UES of Kazakhstan and the UES of Russia in terms of synchronizing the results of competitive procedure a day ahead in the export-import section of Russia-North Kazakhstan + Aktobe" and "KEGOC" JSC.
August-December	In order to fulfill instructions of the RK President and the RK Government's ongoing work aimed at reducing tariffs for housing and utility services for 2019. Tariffs for 2019 for entities regulated by CRNM and PC under MNE were reduced, among such entities: "APP" JSC (heat tariffs), "AlmatyEnergoSbyt" LLP, "Alatau Zharyk Company" JCS. The reasons for a decrease were cutting costs and the exclusion of entities' profits, the decrease in gas prices, the introduction of compensating tariffs
October 25	Samruk-Energy JSC received a letter of consent (waiver) from the European Bank for Reconstruction and Development (EBRD) for Debt / EBITDA covenant and EBITDA / Interest as of December 31, 2018
November 19	Samruk-Energy JSC received a letter of consent (waiver) from Halyk Bank of Kazakhstan (HBK) for EBITDA / Interest as of December 31, 2018
November 28	The RK Ministry of Energy amended the "Rules for approving the ceiling tariff for electricity..." in part of supplementing the composition of costs taken into account at setting ceiling tariffs for electricity
November 29	The RK Ministry of Energy, in connection with the introduction of the Capacity Market, approved a single ceiling tariff for the service to maintain the availability of electric capacity in the amount of 590 thousand tenge / MW * month
November 30	"Samruk-Energy" JSC placed bonds of the third issue as part of the first bond program in the amount of 21.7 bln. tenge

November 8 and December 5	“Samruk-Energy” JSC signed loan agreements with the Asian Development Bank for a total amount of 120 mln. USD in tenge equivalent
December 14	In connection with the introduction of the Capacity market, the RK Ministry of Energy approved the ceiling capacity tariffs for 43 groups of EPO for the period of 2019-2025. Tariffs are approved for the period 2019-2025
December 14	The RK Ministry of Energy amended the “Methodology for determining fixed profit taken into account when approving ceiling tariffs for electricity ...” in terms of eliminating previously fixed profits taken into consideration when calculating ceiling tariffs for electricity for EPO (previously the fixed profit level in the approved Methodology was 12 %)

6. The main directions of the company's development

Currently, the basis of the Company's generating capacity (over 70%) consists of coal-fired condensing units. In the near future, despite the Company's participation in renewable energy projects, coal generation will remain the main competence of Samruk-Energy.

In this regard, the main focus in the development of generation will be aimed at improving the operating efficiency of existing facilities, including: optimization of production costs, productive operation and repair of equipment, innovative development and effective implementation of investment programs

6.1. Improving the operational efficiency of existing facilities

In terms of cost reduction, produced by power plants is underway and in the future work will be done to reduce the cost of used fuel. The Company solves this task by implementing a number of events, including:

1. Optimization of power unit operation modes
2. Reducing the cost of water for technological needs
3. Implementation of the program on energy saving and energy efficiency
4. Other events

6.2. Innovative development and digitalization

To date, as part of the implementation of the Company's innovative development program, several projects are being implemented aimed at increasing the efficiency of activities, including:

1. Digital power station. The project provides for the possibility of introducing a centralized collection of production and technological data, remote monitoring and forecasting of production processes and the technical condition of components, assemblies, equipment and systems for monitoring production processes of subsidiaries and affiliates (digital control room) based on production and technical platforms. This will allow to obtain reliable data and ensure the autonomy of the processes, excluding the human factor in the workplace.

2. Together with Nazarbayev University, studies are being conducted on the possibility of using fluidized bed and circulating fluidized bed technologies for

burning high-ash coal (50% ash or more coal - layer No. 3 of Ekibastuz deposit and depleted coal / coal preparation waste).

3. The system of oil-free kindling of boiler units implies the equipping of a plasma-fuel system (PTS). This technology is successfully used in the People's Republic of China, the Russian Federation, Indonesia, etc. at power units from 200 to 1000 MW.

4. The implementation of the “Digital Section” project provides for automatic monitoring of the working parameters of the mining and mining equipment of the mine (weight of the cargo being transported, location, technological condition, speed, pressure and temperature in tires, etc.), automation and analytics of the daily performance of dump trucks: number of hauls, freight turnover, engine hours, mileage, fuel consumption, automatic control and analysis of the production discipline of drivers and mining and mining operators transport equipment: downtime, start and finish time.

6.3. Increase financial sustainability

In the medium term, the Company will strengthen measures to preserve and strengthen financial sustainability. This strategic initiative will allow Samruk-Energy to effectively manage its debt and achieve an optimal capital structure.

7. Principles of accounting policy

The Company's operations power and coal sectors were carried out in accordance with the approved plans.

For the purposes of a single approach to preparing a report on business and financial performance, “Samruk-Energy” JSC group of companies uses the equity method in consolidation. In addition, in accordance with existing accounting policies, fixed assets and intangible assets are reported at initial cost, that is, without taking into account revaluation. Subsidiaries are included in the consolidated financial statements using the acquisition method. Acquired identifiable assets, as well as liabilities and contingent liabilities received at a business combination are stated at fair value at the date of acquisition, irrespective of the amount of the non-controlling interest.

Based on the foregoing, when using the equity method in the consolidated balance sheet, turnovers of such large companies as “Ekibastuzs SDPP-2 Plant” JSC, coal assets company ForumMuiderB.V., 50% of interest of which belong to “Samruk-Energy” JSC were excluded

When forming the consolidated financial result of Samruk-Energy, the share of profit on these companies is presented in the item "share of profit / loss of organizations accounted for using the equity method and impairment of investments".

8. Financial and economic indicators

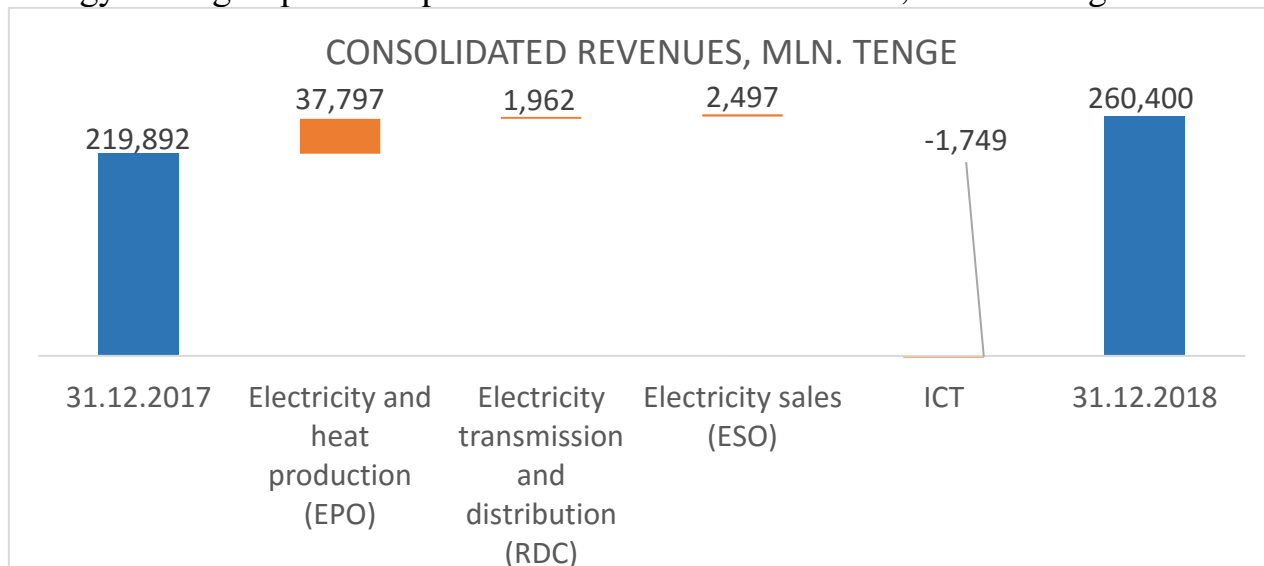
№	Indicator, mln.tenge	2016 (actual)	2017 (actual)	2018 (actual)	2019 (forecast)	2020 (forecast)
1	Income from sales of goods and services delivered	181,310	219,892	260,400	255,094	286,085
1.1.	Electricity production	124,085	151,861	185,355	170,870	195,569
1.2.	Sale of electricity by energy supplying organizations	90,284	94,458	96,955	95,854	103,327
1.3.	Heat production	13,991	17,370	21,674	20,015	20,005
1.4.	Transmission and distribution of electricity	33,448	38,058	40,020	38,384	42,364
1.5.	Sale of chemically purified water	1,662	1,672	1,824	1,790	1,827
1.6.	Lease	3,504	3,289	3,542	3,502	3,502
1.7.	other	778	1,701	1,597	3,790	3,865
2	Cost of goods sold	(136,127)	(159,611)	(188,356)	(205,395)	(219,707)
2.1.	Cost of electricity production	(91,658)	(107,795)	(129,110)	(132,047)	(142,070)
2.2.	Cost of electricity sales by energy supplying organizations	(88,644)	(91,817)	(95,938)	(95,014)	(102,133)
2.3.	Cost of heat production	(13,699)	(17,122)	(20,023)	(20,036)	(21,039)
2.4.	Cost of electricity transmission	(26,506)	(28,337)	(30,068)	(33,181)	(34,601)
2.5.	Cost of sale of chemically purified water	(1,614)	(1,644)	(1,736)	(1,766)	(1,823)
2.6.	Cost of other types of core business	(215)	(443)	(640)	(977)	(965)
	<i>Amortization of fixed and intangible assets</i>	<i>(41,053)</i>	<i>(43,824)</i>	<i>(52,364)</i>	<i>(50,868)</i>	<i>(54,474)</i>
3	Gross profit	45,184	60,281	72,044	49,699	66,378
4	Financing income ⁽¹⁾	3,396	2,805	2,333	341	794
5	Other income	6,061	3,224	5,347	787	760
6	Expenses for sale of products and services	(3,017)	(15,145)	(14,340)	(6,316)	(8,005)
7	General administrative expenses	(12,26)	(12,709)	(13,018)	(15,274)	(13,385)
8	Operating profit	29,341	32,427	44,686	28,109	44,987
9	Earnings before amortization, interest and CIT (EBITDA)	71,581	77,328	97,825	80,061	100,575
10	Finance costs ^{(2) (3)}	(19,218)	(29,182)	(33,129)	(30,804)	(28,032)
11	Other expenses from non-core operations ⁽⁴⁾	(2,056)	(5,959)	(16,549)	(692)	(362)
12	Share of profit / loss of organizations accounted for using the equity method and investments impairment	4,895	(26,636)	9,752	12,981	13,992
13	Profit (loss) from discontinued operations	2,494	1,670	(1,584)	2,292	0
	Profit (loss) from disposal of subsidiaries			287		
14	Profit (loss) before tax	24,912	(21,650)	11,143	13,014	32,139
15	Corporate income tax expenses	(6,521)	(5,553)	(7,718)	(5,953)	(7,710)
16	Total profit before minority interest	18,391	(27,203)	3,425	7,061	24,429
17	Minority interest	632	681	184	282	282
18	Total profit attributable to the Group's Shareholders	17,759	(27,884)	3,241	6,779	24,147

(1) in FS forex gains for 2018 were reported in "other income" section

(2) in FS balance from the exchange rate difference of 2017 was reported in "financial expenses" section

(3) in FS forex loss for 2018 was reported in “finance costs” section
 (4) in FS impairment loss (NET) was recognized in “other expenses” item
 Note: interpretation of income and cogs was presented with a breakdown by types of activities (not by segments) and was mentioned without elimination.

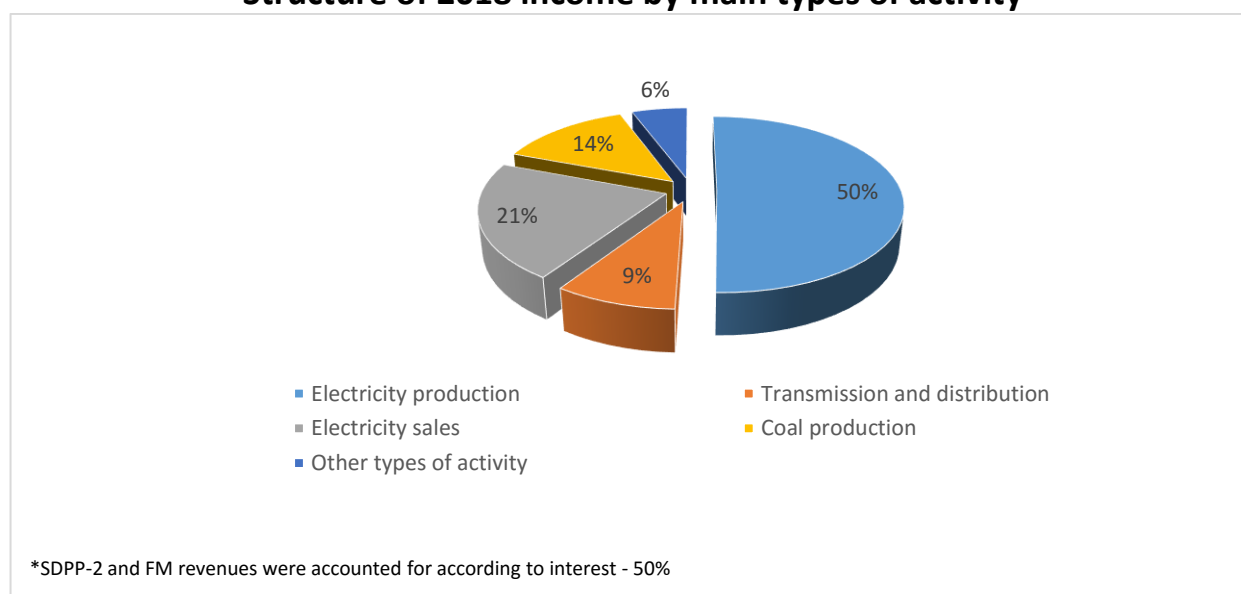
Revenues from sales of products and services provided across “Samruk-Energy” JSC group of Companies in 2018 amounted to 260,400 mln.tenge:



The growth of consolidated revenue occurred in the segment of electricity generation owing to the growth in electricity sales volumes and tariffs. The main increase occurred at “Ekibastuz SDPP-1” LLP owing to an increase in electricity sales from 14,113 mln. kWh to 18,340 mln. kWh and an increase in the weighted average tariff from 6.39 tenge/kWh to 6.8 tenge/kWh.

As regards distribution and sales segments, the revenue growth is driven by an increase in volumes and tariffs.

Structure of 2018 income by main types of activity



Forecast for future period: in the forecast for 2019, revenue from sales is planned at 255,094 mln. tenge, which is 5,306 mln. tenge or 2% lower than 2018

actual figure. The decrease was caused by reduction of tariff for electricity transmission and production.

Revenue increases in the forecast for 2020 compared to the forecast for 2019, this is because of growth of revenues from electricity production mainly owing to “Ekibastuz SDPP-1” LLP. Also, the growth in revenues from electricity transmission and sale are expected because of an increase in volumes and tariffs.

Revenues from sales of products and services rendered detailed per producer

Indicator, mln.tenge	2016 (actual)	2017 (actual)	2018 (actual)	2019 (forecast)	2020 (forecast)
Income from sales of products and services rendered	181,310	219,892	260,400	255,094	286,085
“ESDPP-1” LLP	62,729	90,177	125,598	114,861	125,812
“AlmatyEnergoSbyt” LLP	90,284	94,458	96,955	95,854	103,327
“Almaty Power Plants” JSC	60,761	62,349	65,542	68,114	72,892
“Alatau Zharyk Company” JSC	33,848	38,658	40,258	38,572	42,555
“Moynak HPP” JSC	9,919	10,889	10,217	8,842	14,647
“FWPP” LLP ⁰	3,435	4,388	4,460	0	0
“Shardarinsk HPP” JSC	3,157	3,405	3,318	2,731	5,924
“Bukhtarminsk HPP” JSC	3,503	3,288	3,541	3,502	3,503
Energy Solution center	334	666	937	1,391	1,391
“Green Energy” LLP	113	131	141	339	409
Intercompany turnover (elimination)	-86,773	-88 517	-90,567	-79,112	-84,374

¹ The sale of 75% interest in “FWPP” LLP is expected in 2019

The major share in the Company's operating income comes from “Ekibastuz SDPP -1” LLP, “Almaty Power Plants” JSC, “Alatau Zharyk Company” JSC, “AlmatyEnergoSbyt” LLP. At the same time, at consolidation of revenues, intercompany turnover mainly in respect of energy producing and distribution companies is excluded from total amount.

Cost of goods and services

Indicator, mln.tenge	2016 (actual)	2017 (actual)	2018 (actual)	2019 (forecast)	2020 (forecast)
Fuel	31,626	43,363	56,768	56,684	61,043
Remuneration of labor and related expenses	22,316	24,035	25,231	26,331	27,268
Cost of purchased electricity	4,679	7,256	10,178	12,770	13,841
Depreciation of property, plant and equipment and amortization of intangible assets	41,053	43,824	52,364	50,868	54,474
Maintenance & repair	6,416	6,517	6,344	9,191	9,599
Services for electricity transmission and other services	7,444	8,506	10,019	10,769	12,417
Materials	1,880	1,762	1,773	2,510	2,629

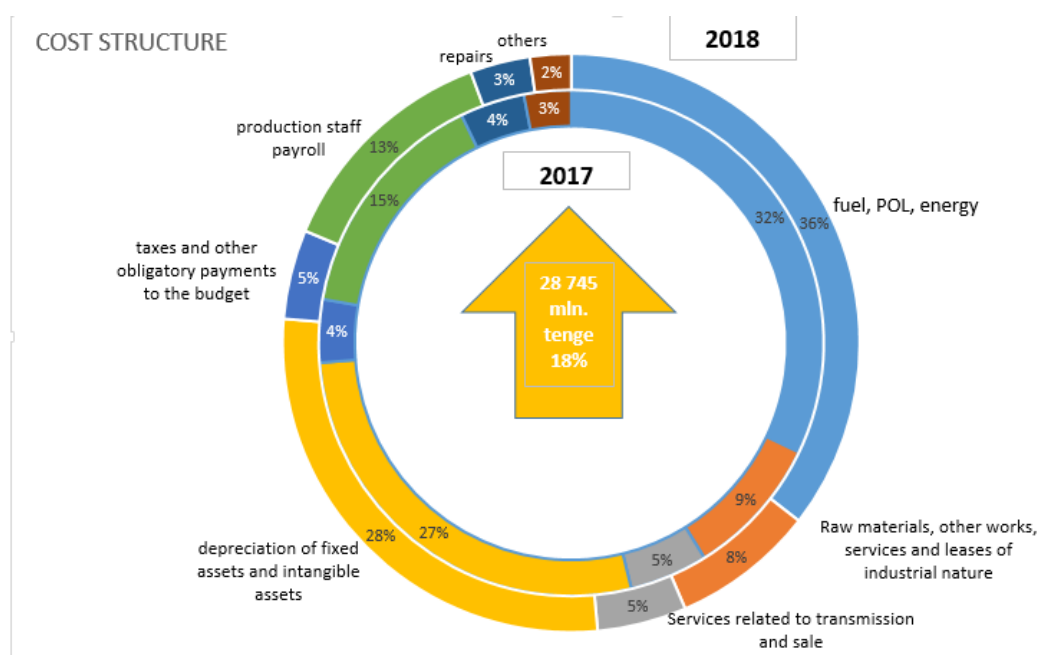
Water supply	3,835	4,455	4,664	4,758	5,651
Grid losses	198	205	193	1,317	1,363
Taxes other than income tax	3,971	4,143	4,876	5,687	5,948
Emission charges	1,984	2,909	4,036	4,468	4,976
Outsourced services	7,528	7,394	8,219	17,048	17,416
Other	3,198	5,241	3,690	2,993	3,083
TOTAL	136,127	159,611	188,356	205,395	219,707

(1) in FS emission charges for 2017 were recorded in “Others” item

(2) in FS emission charges for 2018 were recorded “Taxes other than income tax” item

According to results of 2018, **Cost of goods sold** amounted to 188,356 mln.tenge, which is 18% higher than 2017 actual figure. Mainly variable costs grew due to an increase in production and sales volumes, as well as due to an increase in prices for goods and services. There is also an increase in depreciation by 19% due to a revision of property, plant and equipment service life (mainly at “Ekibastuz SDPP-1” LLP).

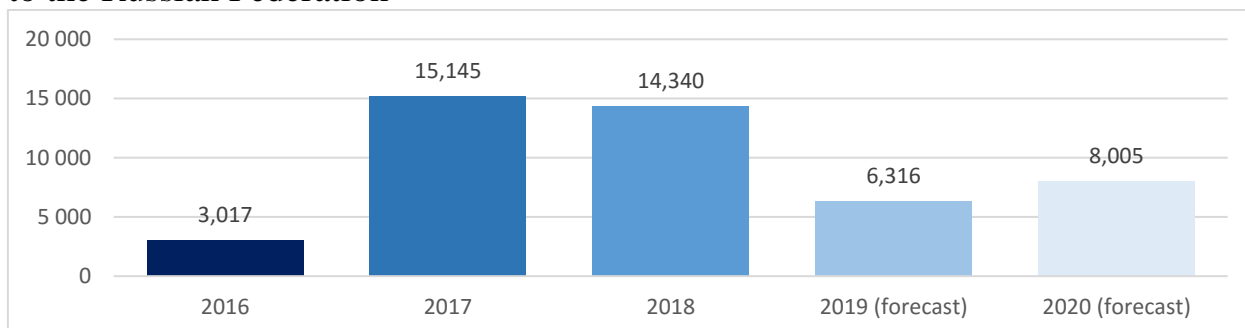
The structure of cost of goods sold by main types of activity



Forecast for the future period: in the forecast for 2019, the cost of goods sold and services rendered increases due to an increase in prices for goods and services. In particular, there is a significant increase in costs for third-party services and grid losses due to the emergence of services for maintaining the availability of electric capacity to bear the load caused by the introduction of a capacity market (the single operator is a third party and therefore the Company's intercompany turnover will decrease). In the forecast for 2020, costs for goods sold increases in connection with the growth of variable costs, which is driven by increase in output and sales, as well as because of goods and services' prices escalation.

Sales costs, mln.tenge

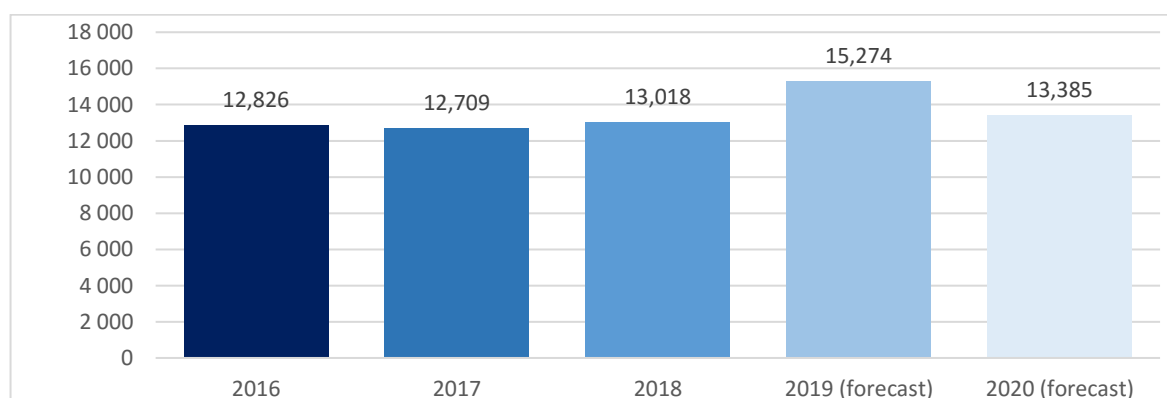
Sales costs in 2018 decreased by 805 mln. tenge compared with 2017 and amounted to 14,340 mln. tenge. This deviation is caused by the introduction of a temporarily decreasing coefficient at the level of 0.87 for the transfer of exported electricity, as well as a decrease in Ekibastuz SDPP-1's volume of electricity exports to the Russian Federation



In the forecast for 2019, sales costs reduction compared to the actual figure of 2018 is 56% due to the lack of electricity exports to the Russian Federation.

Administrative expenses, mln. tenge

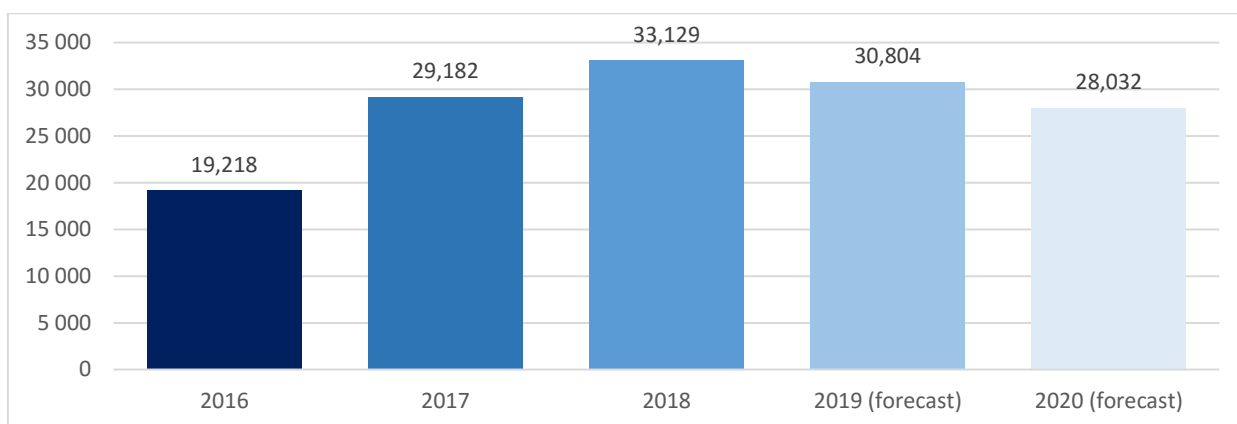
At the end of 2018, administrative expenses amounted to 13,018 mln. tenge, which is 309 mln. tenge or 2% more in comparison with the same period in 2017.



Forecast for the future period: Administrative expenses in the forecast for 2019 are higher than in 2018 and amount to 15,274 mln. tenge. The increase is mainly caused by the planned transformation costs and the annual indexation of inflation. In the forecast for 2020, administrative expenses reduce by 1,888 mln. tenge compared with the forecast for 2019 and amount to 13,385 mln. tenge because transformation costs reduce.

Finance costs, mln.tenge

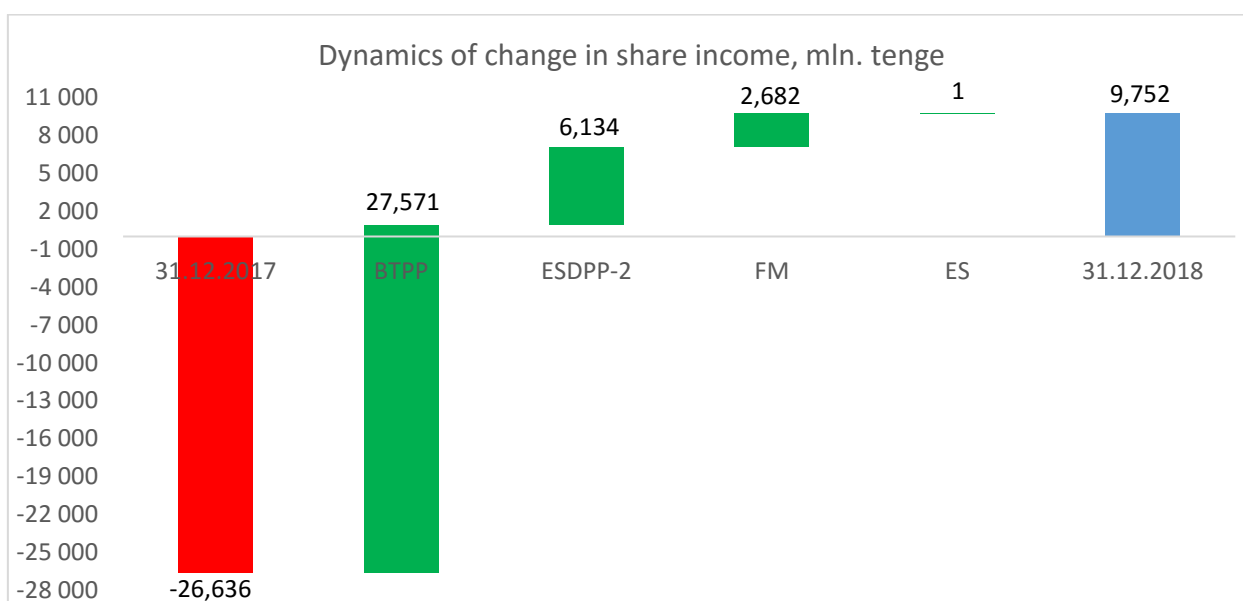
According to 2018 results, finance costs amounted to 33,129 mln. tenge, which is 3,947 mln.tenge higher than 2017 actual figure. Finance costs increased mainly due to refinancing of a portion of dollar Eurobonds during 2017 by using borrowed funds denominated in tenge with higher borrowing rate.



Forecast for the future period: In the forecast for 2019-2020, finance costs decreases owing to annual repayment of loans.

Share of profits of joint ventures and associates and impairment of investments

Indicator mln.tenge	2016 (actual)	2017 (actual)	2018 (actual)	2019 (forecast)	2020 (forecast)
Share of profits of joint ventures and associates	4,895	(26,636)	9,752	12,981	13,992



Share income for 2018 amounted to 9,752 mln.tenge, an increase of 36,388 mln.tenge compared to the same period.

The main changes occurred with respect to the following assets:

"Ekibastuz SDPP-2 Plant" JSC – loss reduction by 6,134 mln.tenge in comparison with the previous year was caused because of the below factors:

- increase in operating profit by 1,841 mln. tenge (an increase in the weighted average tariff for electricity from 6.6 tenge / kWh to 7.53 tenge / kWh);
- assets impairment losses were not available (losses from impairment of assets in the amount of 5,844 mln. tenge were recognized in 2017;
- an increase in foreign exchange losses in the amount of 2,997 mln.tenge.

Forum Muider – an increase in profit by 2,682 mln.tenge was mainly driven by an growth of coal sales volumes at “Bogatyr-Komir” LLP in the domestic market by 4 859 thous.tons (16%) and an increase in export prices by 6,7%.

"Balkhash TPP" JSC – loss reduction by 27 571 mln. tenge in 2018 is because in 2017 “Samruk-Energy” JSC recognized the loss of impairment in investments in the BTTP under IAS 36 “ Assets impairment”.

In the plan for 2019, the share of profit is 12 981 mln. tenge, 13 992 mln. tenge in 2020.

Profit/ (loss) from discontinued operations

Indicator, mln.tenge	2016 (actual)	2017 (actual)	2018 (actual)	2019 (forecast)	2020 (forecast)
Profit from discontinued operations	2 494	1 670	(1 584)	2 292	-

According to results of 2018, the loss from discontinued operations for 1000 mln. tenge occurred due to adjusting the value of “Mangyshlak Munay” LLP and “Tegis Munay” LLP assets to market value. In addition, payments liabilities for the social and economic development of the region were accrued in “Mangyshlak Munay” LLP under IFRS 37.

In the forecast for 2019, the assets of “Mangyshlak Munay” LLP, “Tegis Munay” LLP, “FWPP” LLP and “EWP” LLP were attributed to the discontinued operations

9. Created and distributed economic value

Economic performance of the Company is shown in created and distributed economic value table.

The created economic value present the main sources of the Company's income, namely, income from electricity production, transmission and sale, as well as from the sale of coal and obtained remuneration.

The created value is distributed between suppliers and contractors, employees of the Company, shareholders and lenders, the state, as well as local communities.

<i>Distributed economic value</i>	
<i>Payments to suppliers and contractors</i>	<i>Operating expenses – payments to counterparties for materials, product components, equipment and services, rental payments</i>
<i>Payments to employees</i>	<i>Payroll, social taxes and contributions, pension and insurance payments, expenses for medical services for employees and other forms of employee support</i>
<i>Payments to capital suppliers</i>	<i>Dividends to all categories shareholders and interest paid to lenders</i>
<i>Payments to the Government</i>	<i>Tax payments</i>
<i>Investments to local communities</i>	<i>Donations to charitable and non-governmental organizations and research institutions, expenses for supporting public infrastructure, as well as direct funding for social programs, cultural and educational activities</i>

According to results of 2018, the created economic value amounted to 353 bln. tenge and the distributed economic value amounted to 273 bln. tenge, as a result, the undistributed economic value amounted to 80 bln. tenge. According to the approved Development Plan for 2019-2023, the created and distributed economic value is planned to be increased in 2019 and 2020.

mln.tenge

Indicator*	2017	2018	2019	2020
	Actual	Actual	Forecast	Forecast
Created economic value	349,242	352,681	366,548	370,773
Sales proceeds	346,563	351,100	366,209	369,586
Interest received	2,679	1,581	338	1,187
Distributed economic value	280,258	272,860	319,526	325,656
Payments to suppliers and contractors	174,610	161,571	186,122	201,408
Payments to employees	40,964	37,210	36,652	37,415
Payments to capital suppliers	31,033	34,047	45,967	34,884
Payments to the government	33,531	39,617	50,497	51,768
Investments in local communities	121	415	289	181
Undistributed economic value	68,984	79,822	47,021	45,117

* - Previously indicators were calculated on an accrual basis. In order to exclude non-cash transactions and depreciation, current indicators were calculated using the data of the cash flow statement. Ownership interests in joint ventures were taken into account in the figures.

10. State tariff regulation of the company's activities

The laws of the Republic of Kazakhstan “On Electricity”, “On Natural Monopolies and Regulated Markets” and “On Competition” govern operations of the Group’s subsidiaries and its joint ventures that are entities of a natural monopoly and regulated markets and entities that dominate the competitive market. Tariff regulation, depending on the type of activity of energy companies, falls within the competence of the Committee on Regulation of Natural Monopolies and Protection of Competition under the RK Ministry of National Economy (hereinafter - the Committee) or sector ministry - the Ministry of Energy (hereinafter - ME).

Weighted average tariffs for electricity generation

Description	Measurement unit	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast
“Ekibastuz SDPP-1” LLP	Tenge/kWh	7.33	6.39	6.85	6.27	6.42
Electricity tariff, kWh					5.25	5.43
Capacity tariff, thous.tenge/MW*month					590	611
“Ekibastuz SDPP-2 Plant” JSC	Tenge/kWh	6.68	6.60	7.53	7.08	7.29
Electricity tariff, tenge/kWh					6.07	6.27
Capacity tariff, thous.tenge/MW*month					590	611
“Almaty Power Plants” JSC	Tenge/kWh	8.60	8.60	8.60	9.90	10.87
Electricity tariff, tenge/kWh					8.89	9.20

Capacity tariff, thous.tenge/MW*month					590	980
“Shardarinsk HPP” JSC	Tenge/kWh	9.50	9.50	9.50	7.35	10.92
Electricity tariff, tenge/kWh.					6.52	6.74
Capacity tariff, thous.tenge/MW*month					590	3 000
“Moynak HPP” JSC	Tenge/kWh	8.25	8.65	9.51	9.46	15.96
Electricity tariff, tenge/kWh					7.10	7.35
Capacity tariff, thous.tenge/MW*month					590	2,151
“Samruk-Green Energy” LLP	Tenge/kWh	36.13	42.12	45.11	47.37	49.02
“First Wind Power Plant” LLP	Tenge/kWh	22.68	26.44	28.31	29.73	30.77

The following tariffs were in effect during the reporting period:

- for energy producing organizations (EPOs), after expiration of the term of ceiling tariffs established for 2009-2015, tariffs for power plants for 2016 to 2018 are maintained at the level of 2015 tariffs. Taking into account the instruction of the Government of the Republic of Kazakhstan on supporting the national economy, “Ekibastuz SDPP-1” LLP and “Ekibastuz SDPP-2 Plant” JSC have sold electricity at tariffs not exceeding 8,42 KZT / kWh during 2017 and up to the present time. Actual tariffs of 1st group EPO, which includes subsidiaries such as “Ekibastuz SDPP-1” LLP and “Ekibastuz SDPP-2 Plant” JSC, are way below than those approved because of electricity sales in centralized auction and electricity exports to the Russian Federation.

The average weighted tariff of “Ekibastuz SDPP-1” LLP for 2018 was 6.85 KZT / kWh, which is lower than 2017 level (6.39 KZT / kWh) by 0.46 KZT / kWh. The weighted average tariff was reduced because of electricity sales at centralized auction at market prices.

The average weighted tariff of “Ekibastuz SDPP-2” JSC for 2018 was 7.53 tenge / kWh, which is higher than 2017 level (6.60 tenge / kWh) by 0.93 tenge / kWh. The weighted average tariff was reduced as a result of electricity sales at centralized auction.

The individual and estimated tariffs in the amount of 9.50 KZT / kWh were approved for “Moynak HPP” JSC and “Shardarinsk HPP” JSC taking into account the implementation of large-scale investment programs, however the actual tariffs of “Moynak HPP” JSC for 2017 and 2018 were below approved, due to the sale of part of electricity through centralized auction.

The Capacity market was introduced in 2019 based on the Concept of Development of the Fuel and Energy Sector (FES) of Kazakhstan until 2030, which was adopted in 2014, The introduction of a capacity market changes the structure of tariffs for energy producing organizations. Ceiling electricity tariffs for EPO (for 43 groups) were approved, and a single ceiling tariff for all EPO in the amount of 590 thousand tenge/MW* month was approved for the service for maintaining the availability of capacity. Tariffs were approved for 2019-2025. However, the approved tariffs do not provide for profitability and indexation by years. At the same time, in accordance with paragraph 2 of Article 12-1 of the RK Law “On Power

Industry”, electricity tariffs are adjusted annually when needed. Because the approved ceiling tariff for electricity does not cover all the expenses of the Company, management plans to adjust the tariff from 2020 in accordance with the specified methodology. From 2021 and onwards tariffs are forecasted relying upon on consumer price index. In addition, it is planned to receive an individual capacity tariff from 2020 for “Moynak HPP”, JSC, “Almaty Power Plants” JSC and “Shardarinsk HPP” JSC.

Tariffs for the supply of electricity, which is produced by entities using renewable energy sources, are set and approved by the resolution of the RK Government depending on renewable energy technology (separately for wind, solar and other sources) and are subject to annual indexation.

Tariffs for heat production

Company name	Measurement unit	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast
“Almaty Power Plants” JSC	Tenge/Gcal	2,872	3,363	3,917	3,871	3,869
“Ekibastuz SDPP-2 Plant” JSC	Tenge/Gcal	683	740	816	831	849
“Ekibastuz SDPP-1” LLP	Tenge/Gcal	-	352	446	555	555

The legislation envisages the approval of long-term (5+ years) ceiling tariff levels for organizations producing heat, with the inclusion of the investment component and annual cost indexation. The Committee for the Regulation of Natural Monopolies and the Protection of Competition approves ceiling tariffs. However, an increase in tariffs is made no more than once a year and there are risks that tariffs remain unincreased in case a power plant’s costs grow for objective reasons.

Tariffs for electricity transmission services

Company name	Measurement unit	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast
“Alatau Zharyk Company” JSC	Tenge/kWh	5.35	5.83	5.89	5.53	5.95

Approved ceiling long-term tariffs based on tariff estimates with investment component for 2016-2020 for regional power transmission companies (RPTC) are adjusted by the authorized body when necessary. However, tariffs are increased no more than once a year, in the event of an increase in expenses of PDZ (power distribution zones) due to objective reasons (recognition of ownerless power grids and equipment, etc.). Risks that tariffs remain unincreased are also available.

Tariffs for selling electricity by ESO

Company name	Measurement unit	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast
“AlmatyEnergoSbyt” LLP	Tenge/kWh	15.66	16.38	16.42	16.68	17.65

Energy supplying organizations are also subject to monopoly regulation. The tariff calculation includes operating, financial and investment components. There are

risks that the Regulator may artificially restrain the growth of tariffs in order to maintain the social stability of the population in regions. In 2017, taking into account changes in legislation, ESO cancelled differentiated tariffs for the zones of the day. Differentiation for individuals according to consumption rates was preserved, electricity to corporate entities is supplied according to average selling tariffs.

Tariffs for coal mining

Company name	Measurement unit	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast
“Bogatyr Komir” LLP	Tenge/tons	1,779	1,944	2,013	2,019	2,081

Coal mining tariffs of “Bogatyr Komir” LLP are approved independently by a price list for the RK consumers for 3 consumer groups (power sector at KTZh connecting station, power sector at the coal collecting station, public utility needs). Regulation is performed on the basis of the Entrepreneur Code of CRNM PC under MNE.

11. Achievement of strategic KPI

No.	Description	2016 actual	2017 actual	2018 actual	2019 actual	2020 actual
1	Economic value added (EVA), mln.tenge*	(44,355)	(47,130)	(31,791)	-	-
2	Debt/EBITDA (ratio)	5.41	4.64	3.18	3.82	2.56
3	Available funds for development and dividends, mln.tenge*	24,201	36,742	57,203	-	-
4	NAV, mln.tenge	412,874	382,946	385,304	397,228	421,374
5	Transformation Program Implementation, %	-	65	76.5		
6	Corporate governance rating	-	B	BB	----	BBB
7	Electricity market share in the Republic of Kazakhstan	23.9%	28.0%	29.7%	29.0%	30.0%
8	Net profit, mln.tenge**	17,759	(27,884)	3,241	6,779	24,147
9	ROACE**	3.87%	-1.20%	2.99%	4.02%	6.2%
10	LTIFR**	0.23	0.17	0.28	0.24	0.23

*was removed from the list of Strategic KPI from 2019.

** was included into the list of Strategic KPI from 2019

In general, the Company's strategic indicators tend to improve from 2016 to 2020. An increase in sales of electricity and capacity in the domestic market, obtaining individual capacity tariffs, reducing unit consumption of fuel and water for process needs, optimizing the cost of energy efficiency, as well as reducing debt load are the main growth drivers.

At the same time, negative factors influencing the strategic indicators are negative exchange difference, the rise of prices for production works and services, as well as a decrease in the weighted average tariff for electricity from 2019.

12. Analysis of capital expenditures

No.	“Samruk Energy” JSC group of companies	2016	2017	2018	2019	2020
		Actual	Actual	Actual	Forecast	Forecast
	Total	79,061	72,418	41,689	69,998	105,527
1	Investment projects, including	41,810	25,177	8,075	31,587	55,026
1.1	Rehabilitation of Power unit#1 with installation of new ESP	5,296	3,962	2,156	3,802	
1.2	Retrofit of 500 kV open switchgear	9,805				
1.3	Expansion and reconstruction of Ekibastuz SDPP-2 with installation of power unit No. 2 (50%)	4,008	-36		14,228	27,440
1.4	Transition to cyclical-and-continuous method of mining, transportation, blending and loading of coal at the "Bogatyr" open-pit coal mine (50%)	30	30	113	4,798	23,607
1.5	Transfer of load of 220/110/10kV SS # 131A "Gorny Gigant" to 220-kV 110 / 10kV Substation # 160A "Yermensay" via 110kV grids followed by dismantling of SS-131A	340	5,079	137		
1.6	Expansion of CHP-1 with installation of the new power source based on gas turbine technologies		492			
1.7	Reconstruction of heat main of Almaty CHP-2 - WHC				80	
1.8	Construction of Moynak HPP	79	2			
1.9	Modernization of Shardarinsk HPP	8,988	11,263	4,482	4,280	3,979
1.10	Construction of 50 MW Ereymentau WPP (2nd stage)	145	100	21	2,006	
1.11	Construction of a gas turbine power plant based on Pridorozhnoe gas field	426	140	758	986	
1.16	Other projects	12,693	4,146	408	1,407	
2	Maintenance of production assets	35,731	46,042	31,534	33,853	47,542
2.1	“Bogatyr Komir” LLP (50%)	1,439	3,508	4,242	4,690	6,454
2.2	“ESDPP-2 Plant” JSC (50%)	17	224	439	967	1,220
2.3	“ESDPP-1” LLP	16,787	17,919	10,238	12,318	18,914
2.4	“Alatau Zharyk Company” JSC	9,312	13,580	11,501	11,541	12,251
2.5	“Almaty Power Plants” JSC	1,681	4,848	4,411	3,179	7,877
2.6	“Aktobe CHP” JSC	392	374			
2.7	“Moynak HPP” JSC	1,084	304	369	848	717
2.8	“Shardarinsk HPP” JSC	124	120	251	8	30
2.9	“Mangistau REC” JSC	2,027	2,251			
2.10	“AlmatyEnergoSbyt” LLP	68	35	75	81	77
2.11	“Samruk-Green Energy» LLP	3	0,3	1	2	1
2.12	“First Wind Power Plant” LLP	24	3	8	219	

No.	“Samruk Energy” JSC group of companies	2016	2017	2018	2019	2020
		Actual	Actual	Actual	Forecast	Forecast
2.13	“EK REC” JSC	2,740	2,861			
2.14	“Shygysenergotrade” LLP	33	16			
3	Maintenance of administrative assets	1,411	1,145	1,307	2,126	954
4	Other	109	54	773	2,431	2,005

Projects implemented in 2017

The project of construction of 110/10 kV substation "Turksib" was completed in December 2017, in order to ensure reliable and uninterrupted power supply for increasing load in the northern part of Almaty city with a transformer capacity of 80 MVA.

Projects implemented in 2018

On December 22, 2018, the load transfer from Substation “Gorny Gigant” to substation “Yermansay” via 110 kV networks was completed. The objectives of the project have been achieved. Dismantling of the Substation “Gorny Giant” will be carried out after autumn-winter period in 2019.

On November 30, 2018, a solemn opening ceremony of a 1 MWt solar power station was held on the territory of the Special Economical Zone “Industrial technology park “Alatau” in Almaty and a 5 MW wind farm in the area of Nurly, Almaty region, built under the Agreement between the Government of the Republic of Kazakhstan and the Government of the People’s Republic of China on technical assistance as gratuitous assistance to the Government of the Republic of Kazakhstan by the Government of the People’s Republic of China.

Projects to be completed by 2019

In 2019, it is planned to complete construction and installation works and commissioning of a solar power station of 416 kW in the city of Kapshagay. Competition procedures are currently underway to determine the project contractor.

Projects to be completed by 2020

In the first quarter of 2020, work will be completed on the project “Modernization of the Shardara hydroelectric station”. The project will increase the installed capacity of the plant from 100 MW to 126 MW.

Also, it is planned to complete the project “Construction of a wind farm in the Shelek corridor with a capacity of 60 MW with the prospect of expansion up to 300 MW”.

13. Liquidity and financial sustainability indicators

Fulfillment of external lenders’ covenants:

Covenant	Standard	2018 Actual	Deviation actual 2018/standard	Note
Debt/EBITDA (EBRD, HBK)	No more than 4,5	3.18	-1.32	<i>Is met</i>

EBITDA/interest (EBRD)	No less than 3	2.95	-0.05	<i>Is met *</i> <i>According to the lender's methodology of calculation, the value of the covenant is - 3.77. (Additionally, the Company received the letter of consent (waiver) from the EBRD for the covenant EBITDA / interest dated 10.25.2018)</i>
Debt/Equity (EDB and KDB)	No more than 2	0.65	-1.35	<i>Is met</i>

Description	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast
Debt/EBITDA	5.41	4.64	3.18	3.82	2.56
Debt/Equity	0.75	0.75	0.65	0.65	0.53
Current liquidity	0.66	1.36	1.04	1.21	0.90

The Company's financial stability in 2018 improved because of an increase in production volumes and tariffs, as well as a decrease in the debt burden and asset sales. By the end of 2018, the Company's consolidated debt compared to 2017 decreased by 53 bln.tenge and amounted to 383 bln. tenge.

Actions taken “Samruk-Energy” JSC group of companies in order to improve financial sustainability

As of December 31, 2018, loans for total amount of 48.7 bln. tenge were early repaid, including:

- EBRD, 4.4 bln. tenge;
- “Halyk Bank” JSC, 38.5 bln.tenge;
- “Sberbank” SB JSC, 5.75 bln.tenge.

As part of work aimed at reducing finance costs, interest rates of existing loans across “Samruk-Energy” JSC group have decreased by 1-1,5%.

Savings on interest expenses resulted from reduction of interest rates and early repayment of loans in 2018 amounted to 3 bln. tenge.

In addition, as required by the Debt and Financial Stability Management Policy of “Samruk-Kazyna” JSC, the Company developed an Action Plan for the Company's entry into the green risk zone (hereinafter - the Action Plan). This Action Plan involves the implementation of certain activities from 2017 to 2022, which aim to improve EBITDA, reduce costs and debt burden.

These events allowed to ensure the execution of the financial covenant and financial stability in general.

By the end of 2018, the Company provided a way out of the red to the yellow risk zone.

14. Contingent and contractual liabilities and operating risks

Political and economic situation in the Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices on for oil and gas prices and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region, volatility of exchange rate volatility have caused and may continue to cause a negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing funding.

On 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implement of the new monetary policy, which is based on an inflation-targeting regime, cancellation of exchange rate trading band and start transition to a free-floating exchange rate. However, the National Bank's exchange rate policy allows it to intervene to prevent dramatic fluctuations of the Tenge exchange rate and to ensure financial stability.

On 20 March 2019 the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 376.4 per USD 1, compared to Tenge 384,20 per USD 1 as at 31 December 2018 (31 December 2017: Tenge 332.33 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge and future action of the National Bank and the Government of the Republic of Kazakhstan and the impact of the factors on the economy of the Republic of Kazakhstan.

In September 2018 Standard & Poor's, the international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan – “BBB-” and the short-term foreign and local currency sovereign credit ratings – “A-3”, and the Kazakhstan national scale – “kzAAA”. The outlook is stable (for long-term ratings). The stable outlook is supported by the government's strong balance sheet, built on past budgetary surpluses accumulated in the National Fund of the Republic of Kazakhstan and also by liquid external assets exceeding relatively low government debt over the next two years.

Increase in oil production and firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. This operating environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Additionally, the power and utilities sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Kazakhstan are largely

dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control. Management has assessed the potential impairment of long-term assets of the Group, taking into account the current economic situation and its prospects. Future economic situation and regulatory environment may differ from the current expectations of management.

Management is unable predict the extent and duration of changes in the Kazakhstani economy nor quantify their impact, on the Company's financial position in the future. The management believes it is taking all the necessary measures to maintain the stability and growth of the Company's activities in the current circumstances.

The Group has the strategic importance for the Republic of Kazakhstan, since it combines the entities of power sector supplying power energy to the population and industrial entities. The Government of the Republic of Kazakhstan has adopted the long-term energy sector development program envisaging the construction of new and reconstruction of the existing power stations. Management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the power sector is a strategically important part of the national economy.

For the purpose of measurement of expected credit losses ("ECL") the Company uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Tax legislation

The tax conditions in the Republic of Kazakhstan are changeable and subject to inconsistent application, and interpretation. Discrepancies in the interpretation of Kazakh laws and regulations by the Group and Kazakhstan's authorized bodies may result in imposition of additional taxes, fines and penalties. This applies to Group's contracts for transportation signed with non-residents. As a result, tax authorities may challenge deals, and the Group may be imposed additional taxes of Tenge 2,996,869 thousand.

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In some cases, in order to determine the taxable base, the tax law refers to the provisions of IFRS, and the interpretation of the relevant provisions of IFRS by Kazakhstani tax authorities may differ from the accounting policies, judgments and estimates applied by management in the preparation of these financial statements, which may lead to additional tax liabilities of the Group. Fiscal periods remain open to review by the authorities in respect of taxes for five years after the end of the fiscal year.

The Group management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained. In the opinion of the Group management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

Legal proceedings

ALES JSC's review by the Prosecutor's Office

In July 2018 the Prosecutor's Office of Almaty initiated a review of ALES JSC's activities in terms of compliance with the laws on natural monopolies, protection of competition, electric power industry, Procurement Rules for goods, works and services for the period of 2015-2017 and 6 months of 2018.

On 24 September 2018 the Prosecutor of Almaty filed a claim with the Bostandykskiy District Court for invalidation of the sale-purchase agreement of the Corporate Training Centre dated 9 January 2017 between the Company and Superior KZ LLP in the amount of Tenge 230,000 thousand, subsequent sale and purchase agreements between Superior KZ LLP and Mrs. G. Sh.Baygazinova, the decision of ALES JSC Tender Committee; and cancellation of the state registration of these contracts.

On 12 February 2019 the Bostandykskiy District Court of Almaty city decided to recognise as invalid the above-mentioned agreement and decision of ALES JSC Tender Committee. At the date of approval of these consolidated financial statements, the court judgement has not come into legal force. The Group's management plans to appeal against the court decision.

Legal proceedings on violation of investment liabilities by Ekibastuz GRES-1 LLP

In accordance with the amendment agreement No.498 dated 18 December 2015 On Amendments and Supplements to Contract No.422 dated 20 December 2014 for investment liabilities of Ekibastuz GRES-1 LLP for 2015, concluded with the Ministry of Energy of the Republic of Kazakhstan, the Company's investment liabilities for 2015 amount to Tenge 56,481,100 thousand, VAT not included.

However, the investment liabilities for 2015 were not performed in full, and Ekibastuz GRES-1 LLP assumed to fulfil such liabilities in 2016. According to the Addendum concluded with the Ministry of Energy of the Republic of Kazakhstan, the Company's investment liabilities for 2016 were Tenge 12,004,800 thousand, VAT not included. As at 31 December 2016 investment liabilities to the competent authority were fully performed.

On 6 April 2017 the Prosecutor's Office of Ekibastuz city submitted a protest to the Specialised Administrative Court of Pavlodar city against Decision No. 5 dated 16 June 2016 to terminate the administrative proceedings.

27 April 2017 the Specialised Administrative Court of Pavlodar city determined to cancel Decision No. 5 dated 16 June 2016. Ekibastuz GRES-1 LLP was charged with the penalty of 10% of outstanding investment liabilities, being Tenge 775,800 thousand.

On 31 May 2017 Ekibastuz GRES-1 LLP filed an application for reconsideration of the case due to newly discovered evidences.

On 12 June 2017 the Court considered the application and decided to uphold Decision No. 5 dated 16 June 2016 (on termination of the administrative proceedings in relation to Ekibastuz GRES-1 LLP). The protest of the Prosecutor's Office was dismissed. As at 31 December 2018 the Group did not create provision for penalties for investment liabilities since the Company has reasons and documents to support performance of the investment liabilities in full.

Insurance

The insurance market in the Republic of Kazakhstan is at the stage of early development, and many types of insurance that are widespread in other countries are not available in Kazakhstan. The Group does not have full insurance protection with respect to its production premises, losses caused by stoppage of operations or liabilities payable to third parties due to damage caused to real estate or environment as a result of accident or Group's operations. Unless the Group has a full insurance coverage, there is a risk that loss or damage of particular assets might have material adverse effect on the Group's operations and financial position.

Environmental matters

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage in addition to the amounts already accrued and recorded in these consolidated financial statements that could adversely affect operational results or financial position of the Group.

Provision for liquidation of ash dump

In accordance with the environmental regulations the Group has a legal obligation to liquidate ash dumps that are disposal polygons of waste of operations of the Group. At 31 December 2018 the carrying amount of ash dump liquidation provision was Tenge 2,891,877 thousand (31 December 2017: Tenge 2,404,270 thousand). Ash dump liquidation provision is estimated based on the Group's interpretation of current environmental legislation in the Republic of Kazakhstan supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques. This estimate may change upon completion of subsequent environmental investigation works and revision of the existing restoration and reclamation programmes.

Capital commitments

As at 31 December 2018 the Group had long-term contractual commitments to purchase the property, plant and equipment for Tenge 163,374,052 thousand (31 December 2017: Tenge 189,610,926 thousand).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

Compliance with covenants

The Group has certain covenants on loans and bonds. Failure to comply with these covenants may result in negative consequences for the Group, including the growth of borrowing costs and the announcement of a default. Based on the 2018-year results, the Group complied with the regulatory values of the loan covenants and received waivers in case of any violation.

Balkhash Thermal Power Plant

On 16 November 2018 the settlement agreement with Samsung C&T was concluded. In accordance with this agreement, Kazakh side, Government and Samruk-Energy are jointly obliged to pay the agreed upon amount to Samsung C&T by 30 November 2019. Upon receipt of the payment, Samsung C&T shall transfer 50% + 1 shares in BTPP to Samruk-Energy. In this regard, at 31 December 2018 the Company recognised provision for the total amount of liability. The Government made a decision to provide the Company with necessary funds to settle the obligation to Samsung C&T. Since it is assumed that the costs required to settle the obligation to Samsung C&T will be fully recoverable, in line with IAS 37, as at 31 December 2018 the recoverable amount was recognised as a separate asset equal to the provision amount (Note 13). The relevant loss from liability recognition and gain from asset recognition were offset in profit or loss according to IAS 37.




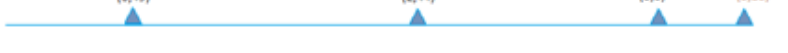

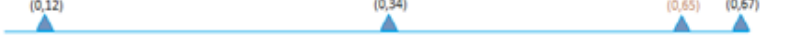

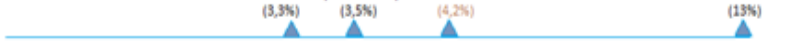
15. Benchmarking results




Benchmarking is one of the important elements of control of Samruk-Energy JSC. The purpose of the benchmarking is to compare the operating and financial performance with foreign companies - counterparts to identify the strengths and weaknesses of Samruk-Energy JSC. For benchmarking the following indicators were used:

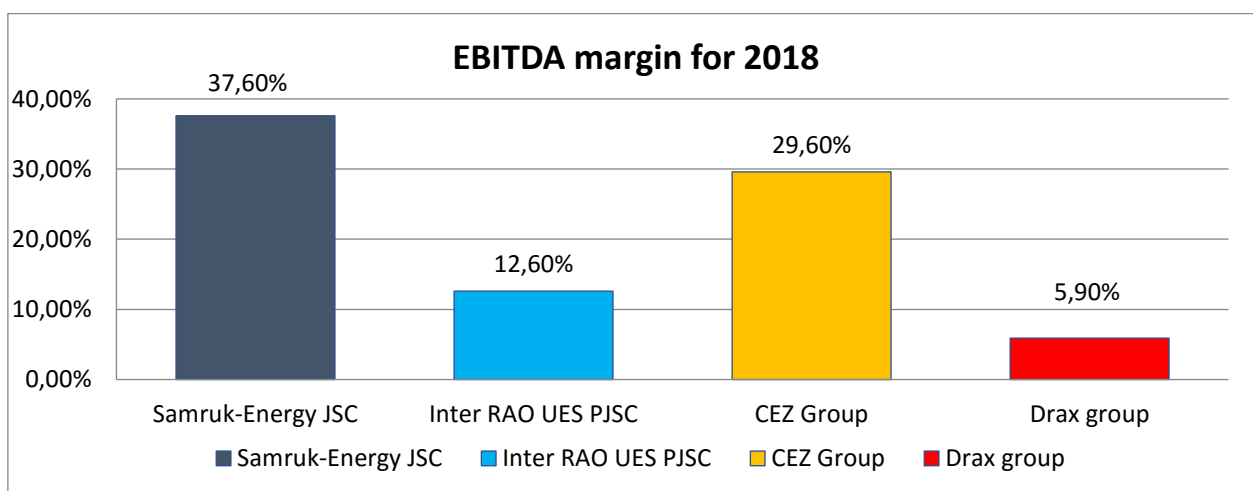
- EBITDA margin;
- Return on invested capital (ROIC);
- Ratio of the share of borrowed funds (Debt / Equity)
- Debt / EBITDA

For benchmarking, data from the following analog companies were used:

- Inter RAO UES PJSC (Russia);
- CEZ Group (Czech Republic);
- Drax Group (Great Britain).

Критерий	Мера	Статус	Min -----Бенчмаркинг-----Max
EBITDA margin	%		 <p>Drax Group (5,9%) Inter RAO (12,6%) CEZ Group (29,6%) C3 (37,6%)</p>
Долг/EBITDA	коэффициент		 <p>Inter RAO (0,49) Drax Group (2,44) Cez Group (3,0) C3 (3,18)</p>
Долг/СК	коэффициент		 <p>Inter RAO (0,12) Drax Group (0,34) C3 (0,65) Cez Group (0,67)</p>
ROIC	%		 <p>Drax Group (3,3%) CEZ Group (3,5%) C3 (4,2%) Inter RAO (13%)</p>

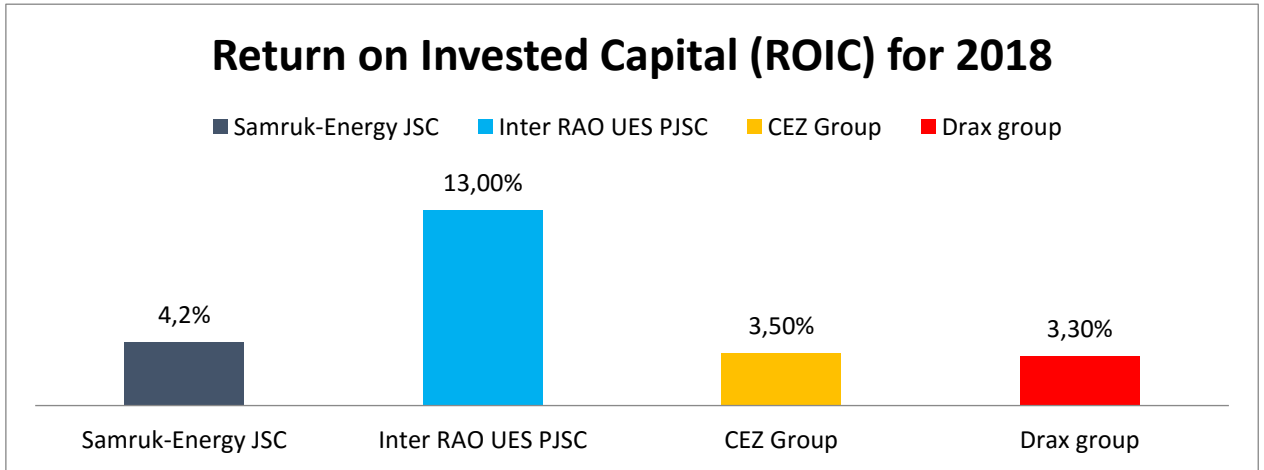
 Лучшее среднего показателя по аналогам
 Соответствует среднему показателю по аналогам
 Хуже среднего показателя по аналогам



At present, in comparison with foreign peer companies, “Samruk-Energy” JSC is inferior in respect to certain indicators.

Financial stability indicators show that “Samruk-Energy” JSC fully uses available financial leverage.

At the same time, according to **EBITDA margin**, “Samruk-Energy” JSC outcompetes its peers. This indicator demonstrates a high profitability of sales.

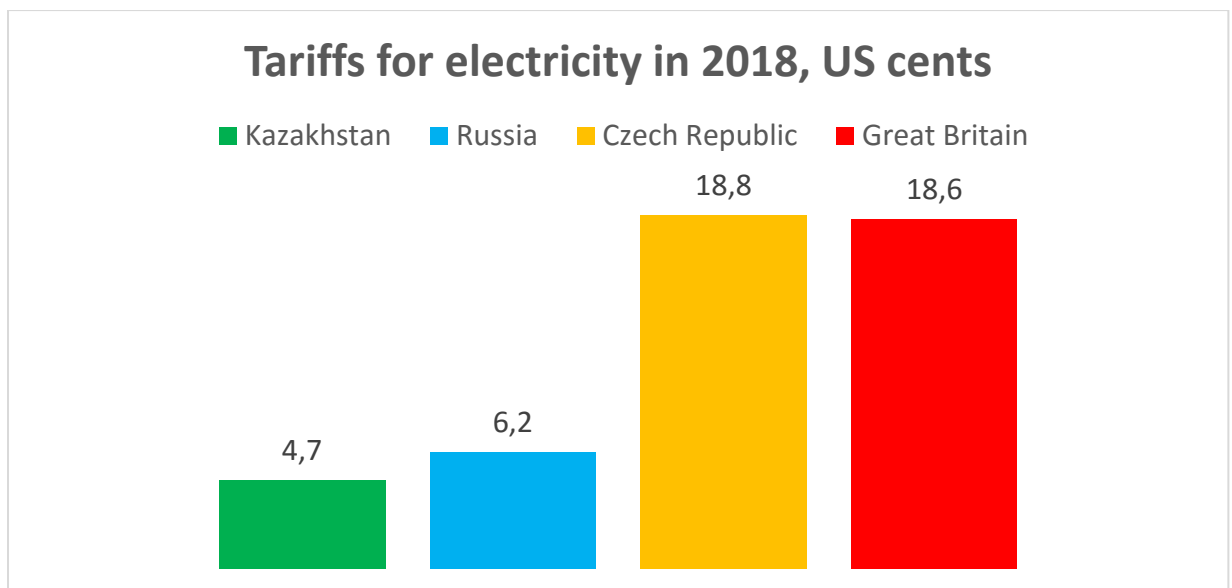


Source: Bloomberg

As regards **ROIC** (return on long-term invested capital), “Samruk-Energy” JSC slightly outcompetes its European counterparts. However, in terms of this indicator, “Samruk-Energy” JSC is significantly inferior to the Russian holding company, characteristics of business of which are identical due to the similarity of economic conditions of operations, which indicates about the need to increase the efficiency (profitability, return) of investments.

At the same time, it should be noted that, unlike the public peer companies, “Samruk-Energy” JSC belongs to the Government of the Republic of Kazakhstan, therefore, the Company is an agent of the state policy in power sector. In this connection, as well as with a high degree of depreciation of energy sector, socially significant investment projects (aimed at reliability and continuity of the energy system of the Republic of Kazakhstan) have been implemented since 2009, which led to a significant increase in invested capital and respectively decreased the company's return on investments indicator.

An additional factor that influences on the return on investment indicators is the low level of the electricity tariff in the Republic of Kazakhstan in comparison with the countries of peer companies.



Country	Tariff/kWh	In US cents	Average exchange rate of USD over 2018
Kazakhstan	16,25 tenge	4,7	344,8 tenge
Russia	3,9 rouble	6,2	62,7 rouble
Czech Republic	0,16 euro	18,8	0,85 euro
Great Britain	0,14 pound	18,6	0,75 pounds