**Management report on the results of 2014**

To date, the Company is the largest diversified energy holding company that has successfully integrated into the international power balance, forming a highly efficient power supply, as well as providing sustainable development of all sectors of Kazakhstan.

In 2014 Company’s operations in power and coal industries were carried out in accordance with approved plans. Below is an overview of the electricity and coal industries.

**I. Electricity market**

Electricity production in the Republic of Kazakhstan following the results of 2014 amounted to 93 935, 2 million kWh which is higher than the outcome for 2013 by 2, 1%, power generation by power plant types was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Power generation, mln.kWh** | **2013** | **2014** | **2014 against 2013** |  **%** |
| TPP | 77 622,0 | 78 772,9 | 1 150,9 | 101,5 |
| HPP | 7 701,0 | 8 235,8 | 534,8 | 106,9 |
| GTPP | 6 645,8 | 6 915,9 | 270,1 | 104,1 |
|  WPP | 3,1 | 9,4 | 6,3 | 303,2 |
| SPP | 0,8 | 1,2 | 0,4 | 150,0 |
| **Total** | **91 972,7** | **93 935,2** | **1 962,5** | **102,1** |

**RK electricity market geographically divided into three zones:**

North Zone - Akmola, Aktobe, East Kazakhstan, Karaganda, Kostanay, Pavlodar,North Kazakhstan and Astana city. Up to 77% of electricity of the total production in the Republic of Kazakhstan is produced in the northern znoe. Major coal deposits and hydropower resources are located in the northern zone.

As a consequence the cost of electricity generation is low enough in the northern zone.

Excess electricity is transmitted to southern regions experiencing power shortage and exported to the Russian Federation.

Southern zone - Almaty, Zhambyl, Kyzylorda, South Kazakhstan regions and Almaty city. This zone is characterized by a deficiency of electricity and high electricity prices. The shortage is covered by supplies from the northern zone and partly from Central Asia’s UES.

Western Zone - Mangystau, Atyrau, West Kazakhstan region. It has significant hydrocarbon reserves. In spite of this, this area is energy deficient and covers the deficit through supplies from the Russian Federation.

Lately, companies that are part of large industrial holdings compete with “Samruk-Energy” Group’s companies. To a large extent this is influenced by two factors:

1. Reduction of production of industrial groups and the emergence of surplus electricity for sale on the domestic market of the Republic of Kazakhstan.

2. The lower price of electricity from competitors, as they are interested in maintaining a low level of electricity prices to ensure competitiveness of main products (mainly metals) on world markets.

**Competitive environment in electricity market**

The largest competitors in the wholesale electricity market in 2014 were the following power producing organizations:

|  |  |
| --- | --- |
| **Competitive companies**  | **Power production volume in 2014** |
| **Mln.kWh** | **% of production in the RK** |
|  “Eurasian power corporation” JSC  | 16 401 | 17,5 % |
| Karagandinskaya GRES-2 (KazakhmysEnergy) | 4 604,5 | 5 % |
| “Karaganda Energocenter” LLP  | 3 519,3 | 3,7 % |
| “SevKazEnergo” JSC  | 2 732,7 | 3 % |

**Coal market in the RK**

 The coal industry is one of the most important resource sectors of Kazakhstan.

Coal constitutes the major share in the current fuel generating structure - 74% of total consumption of reference fuel in tons. In Kazakhstan, all the main segments of the coal industry are available; production and use of energy coal are well developed. As of 2013, the Republic of Kazakhstan is ranked seventh in the world in terms of proven coal reserves.

The share of lignite and long-flame coal has increased in the structure of power generating coal mining – from 20% in 2008 to 27% in 2012. Kazakhstan is ranked 10th in the world for coal extraction owing to considerable volume of power generation coal.

Steam coal market in Kazakhstan is relatively fragmented - "Bogatyr Komir" LLP("Samruk-Energy" and "RUSAL" 20% for each company) is the largest player providing about 40% of total production and “ENRC” Company provides up to 30% of total production ("Vostochnyi "," Shubarkol Komir” mines), followed by "Kazakhmys" (8%), "Karazhyra" (6%), "Angrensor Energo" (5%) and others.

The main share of extracted steam coal goes towards the needs of power industry of the Republic of Kazakhstan and is exported (51% and 31%, respectively), the rest volume – goes to the household needs of the population and industrial enterprises (13% and 5%, respectively).

**Operating performance of “Samruk-Energy” JSC group (separately for each producer)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the Subsidiary or affiliated company** | **Fact 2012** | **Fact 2013** | **Fact 2014** | **Deviation 2014 against 2013 %** | **Forecast****2015** | **Forecast****2016** |
|  **Power generation volumes, mln.kWh** |
| “Almaty power plants” JSC |  5 311  | 5 228 | 5 036 | 96% |  5 022  |  5 020  |
| “Aktobe CHP” JSC  |  631  | 628 | 667 | 106% |  786  |   |
| “Ekibastuz GRES-1” LLP |  2 890  | 13 492 | 14 096 | 104% |  11 175  |  12 596  |
| “Ekibastuz GRES-2 Station” JSC  |  6 134  | 6 280 | 4 755 | 76% |  4 790  |  5 104  |
|  “ZHGRES” JSC  |  1 378  | 1 595 | 2 521 | 158% |  1 009  |   |
| “Shardarinskaya HPP” JSC  |  569  | 465 | 565 | 122% |  397  |  384  |
| “Moynak HPP” JSC  |  504  | 899 | 577 | 64% |  861  |  906  |
|  “Samruk-Green Energy” LLP |   |   | 0,4 |   |  4  |  4  |
| “First wind power plant” LLP  |   |   |   |   |  108  |  172  |
| **Total**  | **17 418** | **28 587** | **28 216** | **99%** | **24 152** | **24 186** |
| **Power transmission volumes, mln.kWh** |
| “AZHC” JSC  |  5 917  | 5 818 | 6 235 | 107% |  6 546  |  6 685  |
| ‘EK REC” JSC |  -  | 3 443 | 3 391 | 98% |  3 605  |   |
| “MDPGC” JSC |  2 478  | 2 598 | 2 718 | 105% |  2 551  |   |
| **Total**  |  **8 395**  |  **11 859**  |  **12 344**  | **104%** |  **12 702**  |  **6 685**  |
|  **Power sale volumes, mln.kWh** |
|  “AlmatyEnergoSbyt” LLP  |  5 626  | 5 556 | 5 946 | 107% | 6 199 | 6 401,21 |
| “Shygysenergotrade” LLP  |   | 2 577 | 2 659 | 103% | 2 760 |   |
| **Total**  |  **5 626**  |  **8 133**  |  **8 605**  | **106%** |  **8 958**  |  **6 401**  |
|  **Heat production volumes, thous.Gcal** |
| “Almaty power plants” JSC  |  5 532  | 4 960 | 5 580 | 113% |  5 203  | 5 621,51 |
|  “Aktobe CHP” JSC  |  1 835  | 1 760 | 1 868 | 106% |  1 780  |   |
| “Ekibastuz GRES-2 Station” JSC |  71  | 63 | 103 | 165% |  76  | 76 |
|  “ZHGRES” JSC  |  32  | 10 | 10 | 94% |  8  |   |
| **Total:**  |  **7 471**  |  **6 792**  |  **7 561**  | **111%** |  **7 067**  |  **5 698**  |
| **Coal extraction volumes, mln.tons**  |  **44**  | **42** | **38** | **91%** | **37** | **39** |

The decline in **electricity production** **volumes** in 2014 in comparison with the volumes of 2013 by 1% (or 371 million kWh) is due to decreased production of electricity at the following power plants:

- “GRES-2" JSC, due to a decrease of electricity sale in Kazakhstani market;

- "MHPP" JSC, in connection with reduction in the inflow of r.Sharyn in Bestyubinsk reservoir in 2014 lower than forecasted values.

The **increase in heat production volumes** in 2014 by 11% (769 thous.Gcal), due to the extension of the heating season and lower ambient air temperatures in the first quarter of the reporting year.

The **increase in electricity transmission** by 4% (or 485 million kWh) and electricity sale by power supplying companies by 6% or 472 million kWh against the fact of 2013 is due to a decrease in temperature in Almaty region in the 1st quarter of the reporting year, respectively, increase in transmission and supply of electricity to consumers in Almaty.

The **decrease in volume of coal production** by 9% (or 3,7 million tons) due to lower demand by Russia’s power plants.

**The forecast for the future**

Volumes of production of electricity in the forecast for 2015 were lowered against the fact 2014 by 14%. Reasons for the decrease in production was limiting the electricity supply by "EGRES-1" LLP to the Russian Federation in November 2014 and a decrease in the total consumption of electricity in Kazakhstan due to the crisis.

Volumes of heat production in the plan for 2015 is at the level of 2014 year. In the plan for 2016 they are reduced in connection with the sale of "Aktobe CHP".

The increase is expected in terms of transmission and distribution of electricity in 2015 due to growth of applications of "AZhC" JSC and "EK REC" JSC consumers. In the forecast for 2016 transmission and distribution volumes will reduce in connection with the planned sale of "EK REC” and “MDPGC” JSCs.

The volume of coal sale in the forecast for 2015 is lower by 1 mln.tons or lower than 3% of the 2014 fact due to reduction of coal consumption forecast by key customers such as Ekibastuz GRES-1 and power plant of the Russian Federation, taking into account the RF power plants’ plans for removing from service of boilers which uses Ekibastuz coal. In the forecast for 2016 coal sale volume is increased by 5% or 2 million tons by 2015. Volumes of production and sale of coal for 2015-2016 are provided taking into account the forecast volumes of electricity generation in Kazakhstan and Russia.

**"Samruk-Energy" JSC Tariff policy**

Depending on the type of activity of energy companies, tariff regulation pertains to the competence of the Committee on Regulation of Natural Monopolies and Protection of Competition of the Republic of Kazakhstan Ministry of National Economy (hereinafter - the Committee) or the Ministry of Energy of the Republic of Kazakhstan.

**Tariffs for power generating companies (PGC)** approved by the Government for 2009-2015 which provides for investment component based on “tariffs in exchange for investments" mechanism.

The adoption of the program of ceiling tariffs in 2009 increased the investment attractiveness of the power industry of Kazakhstan, providing a massive update, reconstruction and modernization of existing power plants’ assets.

Tariffs not exceeding the ceiling value are set on the basis of Investment Agreements executed annually with the Ministry of Energy of the Republic of Kazakhstan.

From 2016 Kazakhstan plans to introduce capacity market, according to it power generating companies in addition to electricity will sell the service on maintenance of the capacity availability.

Electricity tariff will include all costs directly attributable to the production of electricity without the costs on maintaining existing assets in operating and good technical condition, as well as their expansion, renovation, reconstruction and modernization.

The costs for maintaining the existing assets in operating and good technical condition as well as expansion, renovation, reconstruction and modernization of existing assets will be included in the tariff for the service on maintaining the availability of capacity.

Tariffs of power transmission companies are regulated by the Committee for the long term (5 years). The method of comparative analysis (benchmarking) has been introduced from January 2013 for power transmission companies ((RECs), this method implies the approval of tariffs based on an analysis of 20 RECs in accordance with 8 factors. Factor X is determined according to the results of the comparative analysis on the basis of which the tariff is formed.

Tariffs for power supply companies (PSC) which are the objects of a regulated market are subject to compulsory approval by the Committee and are formed of the following costs: purchase from sources, services of System Operator (KEGOC) on the transfer, balancing, dispatching and services of RECs, PSC expenses (supply surcharge).

**Management’s analysis of financial and economic activity results of the company**

 **“**Samruk-Energy” JSC companies group use the equity method in for the purposes of a common approach in the preparation of the report on the results of financial and economic performance. In addition, in accordance with current accounting policies fixed assets and intangible assets are reflected at the initial cost, i.e. without revaluation.

Based on the above, at using the equity method turnovers of large companies such as "SEGRES-2" JSC, coal assets company «Forum Muider BV» 50% of ownership interest of which belong to "Samruk-Energy" were excluded in the consolidated balance sheet.

At the formation of "Samruk-Energy" JSC consolidated financial result share of profits of these companies are reflected in the article “Share of profit / loss of companies accounted using the equity method"

The results of financial and economic performance of "Zhambyl GRES named after T.I.Baturov" are not included in the consolidated statement of "Samruk-Energy" JSC connection with assets impairment.

In addition, in accordance with the Government Resolution on a comprehensive plan for privatization and the standard No.5 of IFRS "Non-current Assets held for sale and discontinued operations", assets subject for sale ( "Aktobe CHP" JSC, "MEDC" JSC, "EK REC” JSC, "ShET" LLP) have been considered in the line income from discontinued operations.

Significant events of the reporting year was the acquisition of “GRES-1" LLP The acquisition cost amounted to 236,6 billion tenge.

In addition, the transaction on acquisition of 49% of "Moynak HPP" JSC was carried out. The acquisition cost was 18,5 bln.tenge.

**Financial and economic performance**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Indicator, mln.tenge** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **actual** | **actual** | **actual** | **forecast** | **forecast** |
| **1** | **Income from sale of products and services delivery** | **94 558** | **135 844** | **178 085** | **194 442** | **120 729** |
|  | **including by type of activity without considering the elimination**  |
| 1.1. | Electricity generation | 125 346 | 47 017 | 115 904 | 126 970 | 118 238 |
| 1.2. | sale of electricity by power supplying organizations | 88 435 | 99 014 | 85 042 | 96 418 | 0 |
| 1.3. | heat production | 14 029 | 14 224 | 14 699 | 14 577 | 0 |
| 1.4. | electricity transmission and distribution | 34 167 | 45 927 | 31 156 | 34 080 | 0 |
| 1.5. | sale of chemically purified water | 998 | 955 | 1 792 | 1 897 | 0 |
| 1.6. | construction and installation works and repair work | 0 | 2 239 | 0 | 0 | 0 |
| 1.7. | rent | 1 537 | 1 907 | 2 050 | 2 039 | 2 041 |
| 1.8. | others | 8 532 | 9 754 | 20 682 | 566 | 450 |
| **2** | **Cost of goods sold and services rendered** | **77 064** | **104 944** | **120 135** | **140 991** | **61 613** |
|  | **including by type of activity without considering the elimination** |
| 2.1. | the cost of electricity generation | 57 638 | 30 371 | 66 122 | 83 219 | 61 604 |
| 2.2. | the cost of electricity sale by power supplying organizations | 85 303 | 97 312 | 85 072 | 95 817 | 0 |
| 2.3. | head production cost | 16 812 | 14 735 | 14 407 | 15 580 | 0 |
| 2.4. | Electricity transmission cost | 30 335 | 34 208 | 25 400 | 26 490 | 0 |
| 2.5. | cost of sale of chemically purified water | 1 006 | 1 671 | 1 742 | 1 883 | 0 |
| 2.6. | the cost of construction and installation works as well as repair works | 0 | 2 311 | 0 | 0 | 0 |
| 2.7. | the cost of other core activities  | 3 | 7 | 7 | 9 | 9 |
|  | *depreciation of fixed assets and intangible assets* | *8 146* | *11 794* | *25 303* | *36 509* | *26 819* |
| **3** | **Gross profit (Gross operating profit=1-2)** | **17 494** | **30 900** | **57 950** | **53 451** | **59 116** |
| 4 | Income from financing | 1 702 | 3 294 | 4 064 | 1 407 | 3 159 |
| 5 | Other income | 6 577 | 3 799 | 70 435 | 787 | 7 |
| 6 | expenses for goods sale and delivery of services | 153 | 105 | 2 416 | 2 883 | 3 488 |
| 7 | General and administrative expenses | 6 770 | 10 718 | 11 287 | 12 761 | 9 732 |
| 8 | Income for financing  | 5 300 | 8 377 | 23 993 | 19 530 | 18 315 |
| 10 | Other expenses from non-core operations | 4 632 | 1 314 | 87 438 | 1 312 | 41 |
| 11 | The share of profit/loss of organizations accounted using equity method | 13 177 | 30 106 | 12 956 | 11 447 | 12 339 |
| 12 | The profit (loss) from discontinued operations | 60 | -92 | 2 987 | 3 822 | 6 382 |
| 13 | Expenses on corporate income tax  | 3 522 | 5 618 | 10 009 | 9 036 | 10 135 |
| 14 | Minority share | -126 | 1 023 | -2 696 | 104 | 101 |
| **15** | **Total profit** | **18 758** | **40 853** | **15 947** | **25 289** | **39 190** |

**Income from sale of products and services delivery for “Samruk-Energy” JSC**  group of companies amounted to 178 085 mln. Compared with the same period of last year it has increased by 131%, due to the inclusion in the consolidation of new asset "Ekibastuz GRES - 1" LLP from April 2014 with the volume of electricity sale amounting to 14 billion kWh.

However, when comparing the results of the previous year it should be noted that in accordance with Government Resolution on a comprehensive plan for privatization and the IFRS standard No.5 "Non-current assets held for sale, and discontinued operations" the assets intended for sale including: power plant “Aktobe CHP" JSC, power transmission companies "MDPGC" JSC, "EK REC" JSC and power supplying “SHET” LLP were not considered in 2014 income.

Revenue from sale of products and services delivery from these assets is 39 924 mln.tenge. These assets are reflected in the line “profit from discontinued operations” in the amount of 2 987 million tenge.

Most of revenues are generated by means of proceeds from the sale of electricity by power generating companies of "Samruk-Energy" production volume in 2014 amounted to over 28 billion kWh

Also, a significant share of income was income from sales of electricity supply authorities the volume of which in 2014 amounted to over 8.6 billion kWh and from the provision of services for power transmission and distribution 12,3 billion kWh.

**The forecast for the future income from the sale of products and services delivery**.

In the forecast for 2015 the income from sale is planned in the amount of 194 442 million tenge with growth in 2014 by 9%, due to an increase in tariffs. In the forecast for 2016 a decline is planned due to expected sale of power supplying companies and companies associated with the transfer of power.

**Revenue from sales of products and services, in the breakdown of producers**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator, mln.tenge** | **actual 2012** | **actual 2013** | **Actual 2014** | **forecast 2015** | **forecast 2016** |
| **Income from sale of products and services delivery**  | **94 558** | **135 844** | **178 084** | **194 442** | **120 729** |
| “Samruk-Energy” JSC  |   |  9 094  |  20 399  |  18 888  |  20 928  |
| "Green Energy" LLP |   |  -  |  15  |  125  |  132  |
| “Bukhtarminskaya HPP” JSC  |  1 495  |  1 883  |  2 048  |  2 039  |  2 041  |
| “Shardarinskaya HPP” JSC |  1 975  |  1 806  |  2 422  |  1 763  |  1 823  |
| “Moynak HPP” JSC  |  413  |  6 595  |  4 264  |  6 632  |  8 935  |
|  “Almatyenergosbyt” LLP |  67 368  |  74 737  |  85 042  |  96 418  |   |
| “Samruk-Energostroyservice” LLP  |  11 000  |  2 346  |   |   |   |
|  “MDPGC” JSC  |  5 853  |  7 831  |   |   |   |
|  “AZHC” JSC  |  22 393  |  28 493  |  31 431  |  34 229  |   |
|  “APP” JSC  |  47 014  |  48 694  |  51 909  |  53 298  |   |
| “Aktobe CHP” JSC  |  4 520  |  5 110  |   |   |   |
| “East Kazakhstan REC” JSC  |  -  |  10 170  |   |   |   |
|  “Shygysenergotrade” LLP  |  -  |  24 277  |   |   |   |
|  “EGRES-1” LLP  |   |   |  73 792  |  79 633  |  103 949  |
|  “FWPP” LLP  |   |   |   |  2 406  |  3 850  |
| “Tegis Munay” LLP  |   |   |   |  5  |   |
| **intracompany balance (elimination)**  | **- 67 472**  | **- 85 192**  | **- 93 239**  | **- 100 992**  | **- 20 928**  |

“AlmatyEnergoSbyt" LLP, "GRES -1" LLP, "APP" JSC and "AZhC" JSC occupy the main share of the income from the main activities of the Company. In addition to that, when consolidating the intercompany balance is excluded from the total amount.

**Financial income**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator, mln.tenge** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Actual**  | **Actual**  | **Actual**  | **Forecast**  | **Forecast**  |
| Interest income on bank deposits  | 1 698 | 3 106 | 3 230 | 237 | 67 |
| Other  | 3 | 188 | 407 | 1 170 | 3 092 |
| **Total:** | **1 702** | **3 294** | **3 638** | **1 407** | **3 159** |

According to results of 2014 financial income amounted to 3 230 million tenge, which is higher than the fact of 2013 by 4%. Financial income includes income from temporarily available funds on deposits and revenues from granting intercompany loans to Company’s subsidiaries.

**Forecast for future period in respect of financial income**

In the forecast until 2016 income generation from placing funds on deposits is not planned, interest on loans granted are provided in accordance with the schedule for repayment of loans by subsidiaries.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Actual**  | **actual** | **Actual**  | **plan** | **plan** |
| Fuel  | 20 599 | 19 574 | 32 388 | 34 085 | 18 243 |
| Labor remuneration and associated costs  | 13 706 | 19 749 | 17 978 | 19 904 | 3 365 |
| the cost of purchased electricity  | 12 582 | 24 068 | 14 272 | 14 117 | 296 |
| depreciation of fixed assets and amortization of intangible assets  | 8 146 | 11 798 | 25 303 | 36 509 | 26 819 |
| repair and maintenance  | 5 542 | 6 025 | 7 074 | 7 556 | 4 856 |
| electricity transmission services and other services  | 3 631 | 8 296 | 7 886 | 7 657 | 42 |
| Materials  | 3 026 | 1 591 | 1 756 | 923 | 55 |
| Water supply | 1 870 | 2 482 | 3 941 | 4 553 | 1 935 |
| Loss in grids  | 2 109 | 3 836 | 212 | - | - |
| taxes other than income tax | 1 742 | 2 601 | 5 101 | 6 091 | 3 722 |
| Services of third-party organizations | 1 631 | 81 | 1 718 | 3 179 | 1 466 |
| other | 2 481 | 4 564 | 3 368 | 6 416 | 816 |
| **TOTAL:** | 77 064 | 104 665 | 120 997 | 140 991 | 61 613 |

According to results of 2014 the cost amounted to 120 997 million tenge, which is 16% above the fact of 2013. The main growth on actual expenses in 2014 compared with 2013 year occurred in respect to articles: depreciation, fuel, taxes, which is due to inclusion "GRES 1” power plant to consolidation.

Due to exclusion of assets held for sale there was a decrease in respect of a number of articles, including: technological losses in the grids, purchased electricity, expenses for wages, and other expenses.

**Forecast for future period on the cost of products and services delivery**

In the forecast for 2015 the cost will increase by 19 994 million tenge. The main increase is due to growth of expenses for depreciation because of the accrual resulted in revaluation of fixed assets of “GRES-1” LLP. Also, a growth is connected with the annual increase of wages of production personnel by inflation rate and the increase in the price of fuel purchased and services rendered by third parties as a result of inflation processes.

In the forecast for 2016 the cost will reduce because of excluding the assets intended for sale.

**Expenses for sale**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **actual** | **actual** | **actual** | **forecast** | **forecast** |
| Expenses for labor remuneration and personnel’s social payments associated with the sale process  | 47 | 84 | 15 | 17 | 19 |
| Taxes, other than income tax | 5 | - | - | - | - |
| Other works and services associated with the sale  | 96 | 18 | 2 399 | 2 865 | 3 470 |
| business trip expenses  | 1 | 2 | 0 | - | - |
| other expenses related to sale  | 5 | 1 | 1 | - | - |
| **TOTAL:** | **153** | **105** | **2 416** | **2 883** | **3 488** |

Expenses for sale according to the results of 2014 increased due to inclusion of a new asset “GRES-1” LLP to consolidation. These changes have had an impact on the dynamics in the forecast for 2015-2016.

**Administrative expenses**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator**  | **2012** | **2013** | **2014** | **2015** | **2016** |
| **actual** | **actual** | **actual** | **plan** | **plan** |
| Labor remuneration and associated costs | 3 279 | 5 048 | 5 009 | 5 615 | 3 915 |
| Consulting and other professional services  | 677 | 1 046 | 851 | 1 661 | 676 |
| Taxes, other than income tax | 459 | 365 | 41 | 102 | 45 |
| Rent expenses  | 28 | 511 | 545 | 659 | 546 |
| Depreciation and amortization of intangible assets | 384 | 393 | 1 102 | 1 120 | 894 |
| Travel and hospitality expenses | 153 | 261 | 234 | 250 | 223 |
| Bank fees  | 129 | 155 | 130 | 142 | 21 |
| Communication costs | 85 | 134 | 93 | 150 | 100 |
| other | 1 576 | 2 378 | 3 282 | 3 061 | 3 311 |
| **TOTAL:** | **6 770** | **10 291** | **11 287** | **12 761** | **9 732** |

Administrative expenses according to results of 2014 amounted to 11 287 million tenge, which is 10% above the fact of 2013. The main growth on actual costs in 2014 compared with 2013 year occurred in respect of items: Depreciation and other expenses, due to the inclusion of “GRES-1” LLP power plant in the consolidation. For other items expenses decreased due to exclusion of assets held for sale and cost optimization.

**The forecast for the future period on administrative costs**

In the forecast for 2015 administrative expenses will increase by 13% due to the inclusion of costs for implementing business transformation program. In the forecast for 2016 administrative expenses decreased due to the implementation of programs aimed at reducing costs and excluding assets held for sale.

**Financial costs**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator, mln.tenge** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **actual** | **actual** | **actual** | **forecast** | **forecast** |
| Expenses on interest on loans | 1 781 | 5 869 | 20 648 | 16 975 | 16 054 |
| Other financial costs | 3 519 | 2 453 | 2 919 | 2 555 | 2 261 |
| **TOTAL:** | **5 300** | **8 322** | **23 567** | **19 530** | **18 315** |

Financial expenses according to results of 2014 amounted to 23 567 million tenge, which is two times higher than the actual value for 2013. The increase was due to the servicing of the loan (100 bn.tenge) on the purchase of a second share of Ekibastuz GRES-1.

**Forecast for future period on financial expenses**

In the forecast until 2016 costs for financing were taken into account in accordance with the charts of funding for existing loans.

As a result of financial and economic activity during the reporting period the company earned a net profit of 15,9 billion tenge. at the fact of 2013 40,9 bn.tenge. In the draft for 2015-2016 it is planned to increase up to 39 bln. tenge.

In respect of other major financial and economic indicators there is a positive trend. Thus, the indicator EBITDA margin was 39,7%, while the fact of 2013 was 23,8%. The improvement of the indicator is due to growth of revenues from main activity and, accordingly, the growth of EBITDA indicator. In the forecast for 2016 the figure is planned at a rate of 61%, an improvement is due to the implementation of the program on privatization of assets, under which all non-core, low-profit assets (power transmission and power supplying companies) will be sold.

EBITDA is almost 2 times higher than the data of the previous year, due to growth in operating income, due to the inclusion of the new asset "Ekibastuz GRES - 1" LLP in the consolidation. The improvement of the indicator is planned in the dynamics until 2016, in connection with the planned sale of low-margin assets.

Indicator Profitability of activity in 2014 amounted to 6,5%. An increase the profitability of up to 42% is planned until 2016, this is expected to be accomplished owing to growth in net profit of the Company.

|  |
| --- |
| **Main financial and economic figures**  |
| **description** | **Measurement unit** | **2012** | **2013** | **2014** | **2014against 2013** | **2015** | **2016** |
| **actual** | **actual** | **actual** | **Deviation %** | **forecast** | **forecast** |
| Net profit | Bln.tenge | 18,76 | 40,85 | 15,94 | 39% | 25,29 | 39,19 |
| EBITDA  | Mln.tenge | 19 100 | 32 259 | 70 621 | 219% | 75 437 | 73 608 |
| EBITDA Margin |   | 20,2 | 23,8 | 39,7 | 167% | 38,8 | 61,0 |
| Activity’s profitability  | % | 20 | 33 | 6,5 | 20% | 14,2 | 42,1 |

**Indicators of liquidity and financial stability.**

**Debt / EBITDA** ratio was 4.52, compared with last year’s data the indicator has improved due to the growth of EBITDA indicator more than 2 times. A slight increase of this indicator up to 4,88 is planned in 2015 in connection with financing of company’s investment projects.

The indicator **Interest coverage** for the reporting period amounted to 3,0. The decline of the indicator in comparison with the fact of 2013 (3,85) was due to the receiving a loan for the acquisition of Ekibastuz GRES-1, respectively, an increase in financing costs. Improvement of the indicator in connection with the growth in operating profit is planned for 2015-2016

Indicator **Current liquidity** amounted to 1,39 , which is within the established covenant. (not less than 1). Further improvement of this indicator is planned in the dynamics until 2016

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description**  | **2012** | **2013** | **2014** | **2015** | **2016** |
| **actual** | **actual** | **actual** | **forecast** | **forecast** |
| Debt/EBITDA | 4,43 | 5,50 | 4,52 | 4,88 | 5,66 |
| EBIT/expenses on interest payments | 1,99 | 2,40 | 1,86 | 2,57 | 3,35 |
| Current liquidity | 2,31 | 2,01 | 1,4 | 1,35 | 1,72 |