IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Base Prospectus (the ''**Base Prospectus**'') attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Base Prospectus. In accessing the attached Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: By accessing the attached Base Prospectus you have confirmed to The Royal Bank of Scotland plc, SIB (Cyprus) Limited and Troika Dialog Kazakhstan JSC (together, the ''**Arrangers**'' and the ''**Dealers**'') and ''Samruk-Energy'' Joint Stock Company (the ''**Issuer**'') that (i) you have understood and agree to the terms set out herein, (ii) you are either (a) not a U.S. person (within the meaning of Regulation S of the United States Securities Act 1933, as amended (the ''**Securities Act**'')), or acting for the account or benefit of any U.S. person, and that the electronic mail address you have given to us is not located in the United States, its territories and possessions, or (b) a person that is ''Qualified Institutional Buyer'' within the meaning of Rule 144A under the Securities Act (a ''**QIB**''), (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Arrangers and the Dealers, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

You are reminded that the attached Base Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Base Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

ANY NOTES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB WITHIN THE MEANING OF RULE 144A THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT, IF AVAILABLE, OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

Under no circumstances shall the attached Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The attached Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of this Base Prospectus is only being made to those persons falling within Article 19(5) or Article 49 of the Financial Services and Markets Act 2000 (Financial

Promotion) Order 2005, or to other persons to whom the attached Base Prospectus may otherwise be distributed without contravention of sections 21 or 238 of the Financial Services and Markets Act 2000, or any person to whom it may otherwise lawfully be made. This communication is being directed only at persons having professional experience in matters relating to investments and any investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

The attached Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers nor the Dealers, any person who controls any of the Arrangers or the Dealers, the Issuer, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Arrangers or the Dealers.

"SAMRUK-ENERGY" JOINT STOCK COMPANY

(a joint stock company registered in the Republic of Kazakhstan)

U.S.$680,000,000

Global Medium Term Note Programme

Under the Global Medium Term Note Programme (the "**Programme**") described in this Base Prospectus (the "**Base Prospectus**"), "Samruk-Energy" Joint Stock Company ("**Samruk-Energy**" or the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$680,000,000 (or its equivalent in other currencies).

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application will be made to the Irish Stock Exchange for the Notes, which are issued within 12 months of the date of this Base Prospectus, to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area (the "**EEA**").

In addition, with respect to each issue of Notes under the Programme, the Issuer will make an application to the Kazakhstan Stock Exchange (the "**KASE**") for such Notes to be admitted to the official list of the KASE. In order for payments of interest to be made on the Notes exempt of Kazakhstan withholding tax, it will be necessary for the Notes to be admitted to the official list of the KASE. In addition, no Notes may be issued or placed without the prior permission of the Committee for the Control and Supervision of the Financial Market and the Financial Organisations of the National Bank of the Republic of Kazakhstan (the "**FMSC**"). Simultaneously with the offer of the Notes outside the Republic of Kazakhstan ("**Kazakhstan**"), not less than 20 per cent. of the Notes must be offered and placed on the KASE on terms substantially similar to the offer of the Notes outside Kazakhstan. If there is not sufficient investor interest to take up all or part of the above-mentioned 20 per cent. of the Notes in Kazakhstan, then all or any remaining part of those Notes (after take-up by investors in Kazakhstan) may be offered and placed outside Kazakhstan. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by a competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, except that all Notes shall be listed on the KASE. The relevant final terms (the "**Final Terms**") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Main Securities Market and/or admitted to the official list of KASE (or any other stock exchange or quotation system).

Investing in the Notes involves substantial risks. Prospective investors should have regard to the risks described under the section entitled "Risk Factors" in this Base Prospectus.

The Programme is expected to be rated by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and by Fitch Ratings Limited ("**Fitch**"). Both are established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). Tranches of Notes to be issued under the Programme (each, a "**Tranche**") may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (1) in accordance with Rule 144A under the Securities Act ("**Rule 144A**") to a person that the holder and any person acting on its behalf reasonably believes is a "**qualified institutional buyer**" within the meaning of Rule 144A (each, a "**QIB**") that is acquiring the Notes for its own account or for the account of one or more QIBs, (2) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act ("**Regulation S**"), or (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder, if available, in each case in accordance with any applicable securities laws of any state of the United States. No representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of the Notes. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Base Prospectus, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Arrangers and Dealers

The Royal Bank of Scotland **Sberbank CIB**

Kazakhstan Arranger and Dealer

Troika Dialog Kazakhstan

Base Prospectus dated 27 November 2012

IMPORTANT NOTICE

This Base Prospectus comprises a Base Prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its subsidiaries (the "**Group**") and the Notes which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Group.

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers, the Dealers or the Trustee (each, as defined in "*Overview of the Programme*").

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale, or delivery of any Note shall, under any circumstances, create any implication that the information contained in this Base Prospectus is accurate subsequent to the date hereof or that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In general, the Notes of each series (each, a "**Series**") issued in bearer form ("**Bearer Notes**") will initially be represented by a temporary global note in bearer form, without interest coupons (each a "**Temporary Global Note**"), and will be sold in "offshore transactions" within the meaning of Regulation S. Interests in Temporary Global Notes generally will be exchangeable for interests in permanent global notes (each a "**Permanent Global Note**" and, together with the Temporary Global Notes, the "**Global Notes**"), or if so stated in the Final Terms, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the completion of the distribution of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part in the limited circumstances described under "*Summary of Provisions relating to the Notes while in Global Form*". Global Notes may be deposited on the issue date with a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") or such other clearing systems as shall be agreed between the Issuer and the relevant Dealers (as defined herein). Bearer Notes are subject to U.S. tax law requirements.

The Notes of each Series to be issued in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series and may be represented by a Global Certificate (as defined below. Registered Notes which are sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by a permanent registered global certificate (each a "**Regulation S Global Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, with a Common Depositary and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealers. Registered Notes which are sold in the United States to QIBs (the "**Rule 144A Notes**") under the Securities Act will initially be represented by a permanent registered global certificate (each a "**Rule 144A Global Certificate**" and, together with the Regulation S Global Certificates, the "**Global Certificates**"), without interest coupons, which may be deposited on the relevant issue date with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**").

The provisions governing the exchange of interests in the Global Certificates for individual Certificates in certain limited circumstances are described in "*Summary of Provisions relating to the Notes while in Global Form*".

In the case of any Notes which are to be admitted to trading on a regulated market within the EEA (the "**EEA**") or offered to the public in a Member State of the EEA in circumstances which require the publication of a Base Prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Arrangers, the Dealers and the Trustee to inform themselves about and to observe any such restriction. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the Securities Act, and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or to U.S. persons. Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A. Prospective purchasers of Notes are hereby notified that sellers of Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers, the Dealers or the Trustee to subscribe for, or purchase, any Notes.

None of the Arrangers, the Dealers or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers or the Trustee that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers or the Trustee undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers or the Trustee.

Any website referred to in this Base Prospectus does not form part of this Base Prospectus.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States in reliance on Rule 144A under the Securities Act and the admission of the Notes to the Official List and to trading on the Main Securities Market. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIB and to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED

STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a joint stock company registered under the laws of Kazakhstan and all of its officers and directors and certain other persons referred to in this Base Prospectus are residents of Kazakhstan apart from two members of its Board of Directors, Mr. Luca Sutera and Mr. Anatoly Spitsyn. All or a substantial portion of the assets of the Issuer and most of such persons are located in Kazakhstan. As a result, it may not be possible (a) to effect service of process upon the Issuer or any such person outside Kazakhstan, (b) to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or (c) to enforce against any of them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained on the Trust Deed in the courts of England.

The Notes and the Trust Deed are governed by the laws of England and the Issuer has agreed in the Trust Deed that disputes arising thereunder or in respect of the Notes are subject to arbitration in London, England or, at the election of the Trustee or, in certain circumstances, a Noteholder, to the jurisdiction of the English courts. Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom. However, each of Kazakhstan and the United Kingdom are parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**Convention**") and, accordingly, such an arbitration award should be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention and the rules of civil procedure of Kazakhstan and the legislation of Kazakhstan on commercial arbitration for the enforcement of arbitration decisions are met.

SUPPLEMENTAL BASE PROSPECTUS

The Issuer will, in connection with the listing of the Notes on the Official List and admission to trading on the Main Securities Market, so long as any Note remains outstanding and listed on such exchange, in the event of any material change in the condition of the Issuer which is not reflected in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Official List and admitted to trading on the Main Securities Market.

The Issuer may agree with any Dealer that a Series may be issued in a form not contemplated by the terms and conditions of the Notes (the "**Conditions**") herein, in which event a supplemental Base Prospectus, if appropriate, will be published which will describe the effect of the agreement reached in relation to such Series.

AVAILABLE INFORMATION

The Issuer is not required to file periodic reports under Section 13 of the U.S. Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"). The Issuer has agreed that, for so long as any Notes are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, it will during any period that it is neither subject to section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of Notes or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Base Prospectus and any related supplement may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Issuer and certain of the plans, intentions, expectations, assumptions, goals and beliefs of the Issuer regarding such items. These statements include all matters that are not historical fact and generally, but not always, may be identified by the use of words such as ''believes,'' ''expects,'' ''are expected to,'' ''anticipates,'' ''intends,'' ''estimates,'' ''should,'' ''will,'' ''will continue,'' ''may,'' ''is likely to,'' ''plans'' or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Issuer's actual results of operations and financial condition and the development of the industry in which it operates may differ significantly from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Issuer's results of operations, financial condition and business and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from the Issuer's expectations are contained in cautionary statements in this Base Prospectus and include, among other things, the following:

- changes in the political, social, legal or economic conditions in Kazakhstan or changes in global economic or political conditions affecting Kazakhstan;
- changes in the tariffs for the generation, transmission and distribution and sale and purchase of electricity and for heat generation;
- changes in the operating costs of the Group, including fuel costs and the costs of labour;
- changes in the ability of the Group to fund its capital expenditure plans, including through external borrowings and capital-raising activities on the international debt and equity capital markets;:
- changes in the ability of the Group to integrate its businesses, including soon-to-be-acquired businesses;
- expectations regarding the growth of demand for electricity in Kazakhstan;
- the effects of regulatory and fiscal developments and legal proceedings;
- expectations about the adequacy of the cash balances of the Group and cash flow from operations to support operations for specified periods of time;
- developments in, or changes to, the laws, regulations and governmental policies governing the Group's businesses, including changes impacting environmental liabilities;
- inflation, interest rate and exchange rate fluctuations; and
- the success of the Group in identifying other risks to its businesses and managing the risks of the aforementioned factors.

The sections of this Base Prospectus entitled ''*Risk Factors*'' and ''*Operating and Financial Review of the Group*'' contain a more complete discussion of the factors that could affect the Issuer's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Base Prospectus may not occur.

The Issuer does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on their behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The financial information set out in this Base Prospectus with respect to the Group has, except where expressly stated otherwise, and subject to rounding, been extracted, as presented under "*Impact of Changes in Presentation*", from the consolidated financial statements of the Group as at and for the years ended 31 December 2011 and 31 December 2010, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") and from the consolidated interim financial statements of the Group as at and for the six months ended 30 June 2012, prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**").

The financial information set out in this Base Prospectus with respect to LLP Ekibastuzskaya GRES-1 has, except where expressly stated otherwise, subject to rounding, been extracted from the financial statements of LLP Ekibastuzskaya GRES-1 as at and for the year ended 31 December 2011, prepared in accordance with IFRS and from the interim condensed financial information of LLP Ekibastuzskaya GRES-1 as at and for the six months ended 30 June 2012, prepared in accordance with IAS 34.

The consolidated interim financial statements of the Group as at and for the six months ended 30 June 2012 and the consolidated financial statements of the Group as at and for the year ended 31 December 2010 included in this Base Prospectus have been audited by PricewaterhouseCoopers LLP ("**PwC**"), independent auditor, as stated in its reports appearing herein. The consolidated financial statements of the Group as at and for the year ended 31 December 2011 included in this Base Prospectus have been audited by KPMG Audit LLC ("**KPMG**"), independent auditor, as stated in its report appearing herein.

The interim condensed financial information of LLP Ekibastuzskaya GRES-1 as at and for the six months ended 30 June 2012 included in this Base Prospectus have been reviewed by KPMG, as stated in its report appearing herein. The financial statements of LLP Ekibastuzskaya GRES-1 as at and for the year ended 31 December 2011 included in this Base Prospectus have been audited by Ernst & Young LLP, independent auditor, as stated in its report appearing herein.

The consolidated financial statements of the Group as at and for the year ended 31 December 2011 (the "**Group's 2011 Consolidated Financial Statements**"), together with the independent auditor's report, are set out on pages F-67 through F-134 of this Base Prospectus. The consolidated financial statements of the Group as at and for the year ended 31 December 2010 (the "**Group's 2010 Consolidated Financial Statements**"), together with the independent auditor's report, are set out on pages F-135 through F-198 of this Base Prospectus. The Group's 2011 Consolidated Financial Statements and the Group's 2010 Consolidated Financial Statements are herein collectively referred to as the "**Group's Annual Consolidated Financial Statements**". The consolidated interim financial statements of the Group as at and for the six months ended 30 June 2012 (the "**Group's Interim 2012 Consolidated Financial Statements**" and, together with the Group's Annual Consolidated Financial Statements, the "**Group's Consolidated Financial Statements**"), together with the independent auditor's report, are set out on pages F-2 through F-66 of this Base Prospectus.

The condensed interim financial information of LLP Ekibastuzskaya GRES-1 as at and for the six months ended 30 June 2012 (the "**Ekibastuzskaya GRES-1 2012 Interim Financial Statements**"), together with KPMG's review report, are set out on pages F-199 to F-216 of this Base Prospectus. The financial statements of LLP Ekibastuzskaya GRES-1 as at and for the year ended 31 December 2011 (the "**Ekibastuzskaya GRES-1 2011 Financial Statements**" and together with the Ekibastuzskaya GRES-1 2012 Interim Financial Statements, the "**Ekibastuzskaya GRES-1 Financial Statements**"), together with the independent auditor's audit report, are set out on pages F-217 to F-255 of this Base Prospectus.

Impact of changes in presentation

See "*Impact of Changes in Presentation*" for a description of the changes in presentation in the Group's Consolidated Financial Statements.

Ekibastuzskaya GRES-1 and Unaudited Pro forma Financial Information

This Base Prospectus includes unaudited pro forma condensed consolidated financial information (the "**Unaudited Pro forma Financial Information**") comprising (i) an unaudited pro forma condensed consolidated interim statement of financial position as at 30 June 2012; and (ii) unaudited pro forma condensed consolidated statements of comprehensive income for the year ended 31 December 2011 and the six months ended 30 June 2012 to illustrate the effect of transfer of Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 to the Group (the "**GRES-1 Acquisition**") as if the 50 per cent. participatory interest in Ekibastuzskaya GRES-1 had been transferred by Samruk-Kazyna to the Issuer and the ordinary and preference shares had been issued by the Issuer as purchase consideration as at 30 June 2012 (with respect to the unaudited pro forma condensed consolidated interim statement of financial position as at 30 June 2012) and as at 1 January 2011 (with respect to the unaudited pro forma condensed consolidated statement of comprehensive income for the year ended 31 December 2011 and the six months ended 30 June 2012).

The Unaudited Pro forma Financial Information reflects the impact of the purchase of Ekibastuzskaya GRES-1 on the Group's historical financial position and results of operations using the equity method of accounting. Under the equity method of accounting, the investment in Ekibastuzskaya GRES-1 is recorded at the Issuer's purchase consideration under "Investments in joint ventures and associates" in the asset section of the unaudited pro forma condensed consolidated statement of financial position. The Group's share in the profit of Ekibastuzskaya GRES-1 is recorded under "Share in profit of joint ventures and associates" within the profit before income tax of the unaudited pro forma condensed consolidated statement of comprehensive income.

The Unaudited Pro forma Financial Information is based on estimates and assumptions deemed appropriate by the Group. The Unaudited Pro forma Financial Information has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or operating results had the GRES-1 Acquisition and the issue of the ordinary and preference shares occurred as of these dates.

The Unaudited Pro forma Financial Information has been prepared based on the Group's historical consolidated financial data and Ekibastuzskaya GRES-1's historical financial data which has been extracted from the Group's Consolidated Financial Statements and the Ekibastuzskaya GRES-1 Financial Statements, respectively, included elsewhere in this Base Prospectus.

The Unaudited Pro forma Financial Information should not be relied upon as an indication of the financial position or operating results that would have been achieved nor should it be used as an indication of the results that the Group will achieve following the Group's acquisition of Ekibastuzskaya 1 and the issue of the ordinary and preference shares.

The Unaudited Pro forma Financial Information presented in the section "*Unaudited Pro forma Condensed Consolidated Financial Information*" should be read in conjunction with (i) "*Operating and Financial Review of the Group*", (ii) the Group's Consolidated Financial Statements, and (iii) the Ekibastuzskaya GRES-1 Financial Statements included elsewhere in this Base Prospectus.

The Unaudited Pro forma Financial Information in this Base Prospectus is compiled in a manner consistent with the accounting policies that are used by the Group in preparing the Group's Consolidated Financial Statements. All pro forma adjustments are directly attributable to the transactions, factually supportable and are expected to have a continuing impact on the Group.

Non-IFRS Financial Information

"**Adjusted EBITDA**" is calculated by the Group as profit/(loss) for the period before accounting for finance income and finance expense, income tax expenses, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property, plant and equipment and investment property, impairment of goodwill, share of profit/(loss) of associates and effects related to acquisitions, such as excess of fair value of interest in identifiable assets and liabilities over cost of investment and other similar effects and by excluding discontinued operations and the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event and by excluding the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

"**Adjusted EBITDA excluding share of profit or loss of joint ventures**" is also presented in this Base Prospectus, which is calculated by excluding from Adjusted EBITDA the share of profit or loss of joint ventures.

"**Pro Forma Adjusted EBITDA**" is also presented in this Base Prospectus, which is calculated on the same basis as Adjusted EBITDA, when applied to the line items shown in the Unaudited Pro forma Financial Information (as defined above). See "*Unaudited Pro forma Condensed Consolidated Financial Information*".

Adjusted EBITDA is presented because the Group considers it an important supplemental measure of the Group's operating performance and financial position and believes it is used by securities analysts, investors and other interested parties in the evaluation of companies in the Group's industry. Moreover, Adjusted EBITDA as presented herein is equal to "Consolidated Adjusted EBITDA" as defined in the Conditions. As a measure of performance, Adjusted EBITDA presents some limitations, and should not be considered in isolation, or as a substitute for analysis of the Group's operating results and financial position as reported under IFRS, for example for the following reasons:

(a) it does not reflect the impact of the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;

(b) it does not reflect the impact of foreign exchange gains or losses;

(c) it does not reflect the impact of income taxes on the Group's operating performance;

(d) it does not reflect the impact of depreciation and amortisation. The assets being depreciated and amortised will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements;

(e) it does not reflect the Group's cash expenditures or future requirements for capital expenditures or contractual commitments;

(f) the same adjustments which are made to the Group's profits or losses are not made to those of the Group's share of the profits or losses of its joint ventures, which are added to the Group's Adjusted EBITDA on a non-adjusted basis and without adjustment for interest, tax, depreciation and amortisation; and

(g) other companies in the Group's industry may calculate Adjusted EBITDA or similarly entitled measures differently from the way in which the Group does, limiting its usefulness as comparative measures.

The Group compensates for the limitations of Adjusted EBITDA by relying primarily on its IFRS operating results and using Adjusted EBITDA only supplementally. See the Group's Consolidated Financial Statements and information for the Group included elsewhere in this Base Prospectus.

For a reconciliation of Adjusted EBITDA and Adjusted EBITDA excluding share of profit or losss of the joint ventures of the Group to the Group's profit for the period, and for a reconciliation of the Pro Forma Adjusted EBITDA of the Group to the Group's profit for the period referred to in the Unaudited Pro Forma Financial Information, see "*Selected Financial and Other Information*".

Currency

In this Base Prospectus, the following currency terms are used:

"**Euro**" means the lawful currency of the European Union;

"**KZT**", "**Tenge**" or "**Kazakhstan Tenge**" means the lawful currency of Kazakhstan;

"**Russian Rouble**" means the lawful currency of the Russian Federation; and

"**U.S. dollar**", "**U.S.$**" or "**US$**" means the lawful currency of the United States of America.

Shareholders and Group Companies

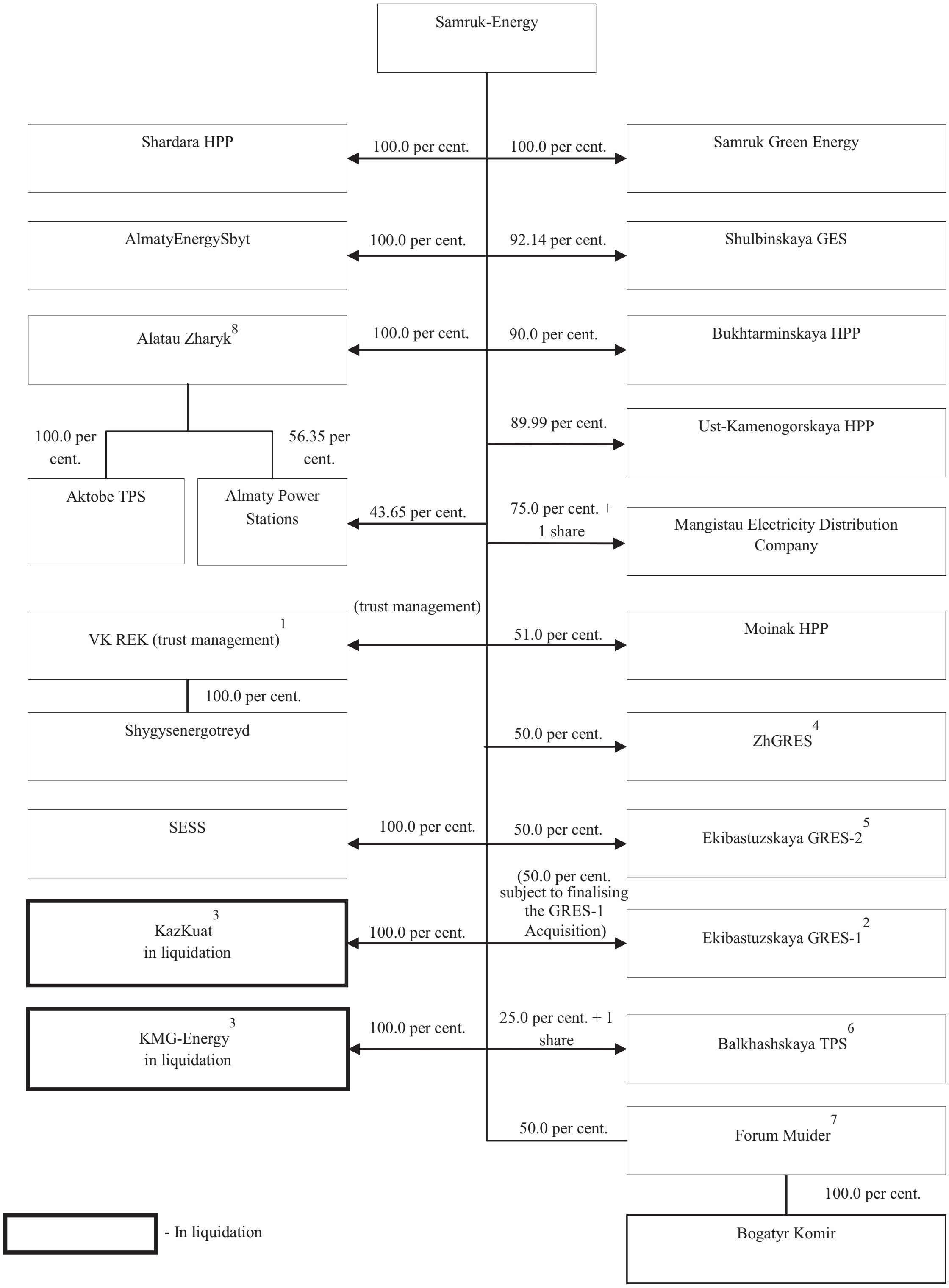
The Issuer's shareholders are JSC Sovereign Wealth Fund "Samruk-Kazyna" ("**Samruk-Kazyna**") and JSC KazTransGas ("**KazTransGas**"), respectively holding 95.5 per cent. and 4.5 per cent. of the Issuer's shares. KazTransGas is indirectly 100 per cent. owned by Samruk-Kazyna. See "*Principal Shareholders*". The Issuer is planning an initial public offering in 2013. See "*Risk Factors – Risks Relating to the Group's Operations and Business – Samruk-Kazyna plans to sell 5-15 per cent. of its shareholding in the Issuer through an initial public offering in 2013*". On 24 October 2012 KazTransGas and Samruk-Kazyna entered into an exchange agreement pursuant to which all of KazTransGas' shares (241,928 ordinary shares) in the Issuer would be transferred to Samruk-Kazyna. The Issuer expects the transfer to be completed by 31 December 2012. See "*Principal Shareholders*".

The Issuer is the holding company of the Group. The chart and list on the following pages show the entities included in the Group as at the date of this Base Prospectus, the joint venture interests owned by the Group and other entities in which the Group holds an interest. The chart and list on page xi below also show certain companies which are not considered as part of the Group but which the Group manages on a trust management basis. All of these entities are incorporated in Kazakhstan unless otherwise stated. We note that the entities shown on the chart on page xi below are shown using the defined term for such entities as set out in the list on the subsequent three pages. See ''*The Group's Major Subsidiaries and Joint Ventures*'' for further operational and financial details on the companies listed below.

From 18 May 2011 until 31 October 2012, the Group managed Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 through a trust management arrangement. On 14 August 2012 the board of directors of the Issuer adopted a decision that new ordinary shares of the Issuer would be provided to Samruk-Kazyna in consideration for Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1. On 17 August 2012, the management board of Samruk-Kazyna adopted a decision to exchange Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 for 355,798 new ordinary shares of the Issuer. Pursuant to an act of transfer and acceptance executed on 31 October 2012, as the first step in the GRES-1 Acquisition, the Issuer placed 355,798 ordinary shares with Samruk-Kazyna on 1 November 2012 in consideration for Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1, which was valued at KZT 101,620.1 million. As the second step in the GRES-1 Acquisition by 31 December 2012 the Issuer expects to issue preference shares with a guaranteed minimum annual dividend of KZT 2,041.0 million (which will be paid starting from 2014 and the first year for which the dividend will be paid will be the year ended 31 December 2013) to Samruk-Kazyna in exchange for a portion of the new ordinary shares that it placed with Samruk-Kazyna.

In connection with the GRES-1 Acquisition, the foundation agreement and charter of Ekibastuzskaya GRES-1 need to be amended to reflect the transfer of ownership from Samruk-Kazyna to the Issuer. As at the date of this Base Prospectus, the Issuer expects the foundation agreement and charter to be amended by 31 December 2012, subject to the Issuer and Ekibastuzskaya GRES-1 passing the required corporate approval. Ekibastuzskaya GRES-1 can only be re-registered with the Ekibastuz Justice Department in connection with the transfer from Samruk-Kazyna to the Issuer of the 50 per cent. participatory interest after its foundation agreement and charter have been amended. Prior to this, the Issuer cannot transfer its 50 per cent. participatory interest to third parties or confirm that its 50 per cent. participatory interest in Ekibastuzskaya GRES-1 is free and clear of any liens or encumbrances.

Historical references to the Group in this Base Prospectus do not include Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-1's financial results will be included, starting from the date of the GRES-1 Acquisition into the Group's consolidated financial statements for the year ended 31 December 2012. See ''*– Ekibastuzskaya GRES-1 and Unaudited Pro forma Financial Information*'' above and ''*Unaudited Pro forma Condensed Consolidated Financial Information*'' for Unaudited Pro forma Financial Information illustrating the effect of the GRES-1 Acquisition as if the 50 per cent. participatory interest in Ekibastuzskaya GRES-1 had been transferred by Samruk-Kazyna to the Issuer and the ordinary and preference shares had been issued by the Issuer as purchase consideration as at 30 June 2012 (with respect to the Unaudited Pro forma condensed consolidated interim statement of financial position as at 30 June 2012) and as at 1 January 2012 (with respect to the unaudited pro forma condensed consolidated statement of comprehensive income for the year ended 31 December 2011 and the six months ended 30 June 2012).



1. VK REK was transferred to the Issuer under trust management on 7 May 2012 and is not considered as part of the Group.
2. 50 per cent. owned by Kazakhmys plc, a London Stock Exchange -listed company whose main assets are located in Kazakhstan.
3. These subsidiaries are in liquidation because they are dormant.
4. 50 per cent. owned by Kazakhstan company Tarazenergo.
5. 50 per cent. owned by Inter RAO.
6. 75 per cent. minus one share owned by Samsung.
7. 50 per cent. owned by Rusal.
8. The Issuer is planning to acquire Alatau Zharyk's stakes in Aktobe TPS and Almaty Power Stations.

“Aktobe Thermal Power Plant” Joint Stock Company (“**Aktobe TPS**”) is indirectly 100 per cent. owned by the Issuer and is principally engaged in the production of electricity and heat energy in the form of hot water in the city of Aktobe. See “*The Group’s Major Subsidiaries and Joint Ventures – Aktobe TPS*”.

“Alatau Zharyk Company” Joint Stock Company (“**Alatau Zharyk**”) is 100 per cent. owned by the Issuer and is engaged in transmission and distribution of electricity in Almaty and the Almaty region. Alatau Zharyk owns 100 per cent. of Aktobe TPS and 56.35 per cent. of Almaty Power Stations (see below). See “*The Group’s Major Subsidiaries and Joint Ventures – Alatau Zharyk*”.

“AlmatyEnergoSbyt” Limited Liability Partnership (“**AlmatyEnergySbyt**”) is 100 per cent. owned by the Issuer and is engaged in the sale and purchase of electricity (purchased mainly from Almaty Power Stations and Alatau Zharyk) in Almaty and the Almaty region. AlmatyEnergySbyt sells electricity to both corporate and retail customers. See “*Description of the Group’s Business – Principal Operations and Operating Segments – Sale and purchase of electricity*”.

“Almaty Electric Stations” Joint Stock Company (“**Almaty Power Stations**”) is indirectly 100 per cent. owned by the Issuer and is mainly engaged in the production of electricity, heat energy and hot water in Almaty and the Almaty region. Almaty Power Stations owns coal-fired power stations which also use gas and fuel oil, Thermal Power Station 1, Thermal Power Station 2 and Thermal Power Station 3 (“**TPS-1**”, “**TPS-2**” and “**TPS-3**” respectively). Almaty Power Stations also operates several hydropower plants, including the Kapchagay hydropower plant (“**Kapchagay HPP**”) and the Cascade hydropower plant (“**Cascade HPP**”) and is also building the Kerbulak hydropower plant (“**Kerbulak HPP**”) to act as a counter-regulatory station for Kapchagay HPP. Almaty Power Stations also operates a complex which produces hot water only (the “**Western Thermal Complex**”), as well as support divisions in Almaty, such as Energo Remont that is involved in repairing Almaty Power Stations’ plants (“**Energo Remont**”). The Issuer indirectly holds 56.35 per cent. of Almaty Power Stations through Alatau Zharyk and holds 43.65 per cent. directly.

“Balkhash Thermal Power Plant” Joint Stock Company (“**Balkhashskaya TPS**”) is 25 per cent. (plus one share) owned by the Issuer and was established by the Group in 2008 for the construction of the Balkhash heat power station. In April 2012 the Group sold 755,691 shares in Balkhashskaya TPS to South Korean company Samsung C&T Corporation (“**Samsung**”) for the total amount of KZT 7,557 million representing a 75 per cent. less one share. See “*Expansion Plans and Projects – Balkhashskaya TPS*”.

Bogatyr Coal Limited Liability Partnership (“**Bogatyr Komir**”) is indirectly 50 per cent. owned by the Issuer through Forum Muider BV (“**Forum Muider**”), incorporated in the Netherlands, a joint venture with United Company RUSAL (“**Rusal**”). Bogatyr Komir is engaged in the production of coal at the Bogatyr and Severny mines near Ekibastuz. See “*Description of the Group’s Business – Principal Operations and Operating Segments – Coal mining*”.

“Bukhtarminskaya Hydro Power Plant” Joint Stock Company (“**Bukhtarminskaya HPP**”) is 90 per cent. owned by the Issuer and is the owner of the Bukhtarminskaya hydropower station, which has been transferred under a lease arrangement to Kazastur Zinc AG (“**Kazastur Zinc**”). The Group does not substantially bear the risks or receive the rewards associated with the Bukhtarminskaya hydropower station. The information contained in this Base Prospectus concerning the Group’s electricity generation production volumes and other operational information excludes Bukhtarminskaya HPP. The financial results of Bukhtarminskaya HPP are reflected in the Group’s Consolidated Financial Statements only to the extent that the Group receives periodic lease payments from Kazastur Zinc. See “*Operating and Financial Review of the Group – Results of Operations for the Six Months Ended 30 June 2012 and 30 June 2011 and the Years Ended 31 December 2011, 2010 and 2009 – Revenue – Income from the lease of investment property*”. Although, upon expiration of the lease agreement with Kazastur Zinc in 2022, the Group will be entitled to receive back the Bukhtarminskaya hydropower station, significant investment will be necessary for the reconstruction of the hydropower station to extend its useful life and restore its production potential and the Group’s management believes the carrying amount of the assets to be returned will be insignificant. See Note 4 to the Group’s Interim 2012 Consolidated Financial Statements and see “*Description of the Group’s Business – Principal Operations and Operating Segments – Electricity generation – Hydropower stations*”. See “*Ekibastuzskaya GRES-1 and Unaudited Pro forma Financial Information*” and “*Shareholders and Group Companies*” above.

“Station Ekibastuz GRES-1” Limited Liability Partnership (“**Ekibastuzskaya GRES-1**”) is a joint venture, 50 per cent. owned each by the Issuer and Kazakhmys plc (“**Kazakhmys**”) and is engaged principally in the production of electricity, although it also generates a relatively small amount of heat energy. The Issuer acquired its 50 per cent. participatory interest in Ekibastuzskaya GRES-1 on

1 November 2012, subject to certain registration formalities, the corporate approval of the Issuer and the approval of the participants of Ekibastuzskaya GRES-1, all of which are expected to be completed by 31 December 2012. See "*Recent Developments – Acquisition of Ekibastuzskaya GRES-1*", "*– Ekibastuzskaya GRES-1 and Unaudited Pro forma Financial Information*'" and "*– Shareholders and Group Companies*". Prior to the acquisition, the Issuer managed Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 pursuant to a trust management agreement concluded on 18 May 2011. The information contained in this Base Prospectus concerning the Group's electricity and heat energy generation volumes and other operational information excludes Ekibastuzskaya GRES-1, although this Base Prospectus does include similar information regarding Ekibastuzskaya GRES-1 on a standalone basis. See "*The Group's Major Subsidiaries and Joint Ventures – Ekibastuzskaya GRES-1*".

"Station Ekibastuzkaya GRES-2" Joint Stock Company ("**Ekibastuzskaya GRES-2**") is 50 per cent. owned by the Issuer as a joint venture with OJSC Inter-RAO UES ("**Inter RAO**") and is engaged principally in the production of electricity, although it also generates a relatively small amount of heat energy. See "*The Group's Major Subsidiaries and Joint Ventures – Ekibastuzskaya GRES-2*".

"KazKuat" Joint Stock Company ("**KazKuat**") is 100 per cent. owned by the Issuer and is a dormant entity. As at 30 June 2012 this entity was in the process of liquidation. The Issuer previously held its shares in Shardara HPP through KazKuat, before such shares were transferred directly to the Issuer, leaving KazKuat as a dormant entity afterwards.

"KMG-Energo" Joint Stock Company ("**KMG-Energy**") is 100 per cent. owned by the Issuer and is a dormant entity. As at 30 June 2012 this entity was in the process of liquidation. The Issuer previously held its shares in AlmatyEnergySbyt and SESS (see below) through KMG-Energy, before such shares were transferred directly to the Issuer, leaving KMG-Energy as a dormant entity afterwards.

"Mangistauskaya Electricity Distribution Company" Joint Stock Company ("**Mangistau Electricity Distribution Company**") is 75 per cent. plus one share owned by the Issuer and is engaged in the transmission and distribution of electricity to the Mangistau region, in particular to oil and gas companies and other companies operating in the region and also to remote rural districts. Certain other shareholders in Mangistau Electricity Distribution Company are the Otan Pension Fund, which holds a 9.4 per cent. shareholding and the Ular Umit Pension Fund, which holds a 6.23 per cent. shareholding. See "*The Group's Major Subsidiaries and Joint Ventures – Mangistau Electricity Distribution Company*".

"Moinakskaya Hydro Power Plant" Joint Stock Company ("**Moinak HPP**") is a joint venture 51 per cent. owned by the Issuer and 49 per cent. owned by JSC "AK Birlik" ("**AK Birlik**"). AK Birlik is controlled by Kazakh citizens. Moinak HPP is fully consolidated within the Group's Consolidated Financial Statements and the operational and financial information included within this Base Prospectus, including information presented on an equity-adjusted basis, includes the full operational and financial information of Moinak HPP. Moinak HPP owns a hydropower station on the Charyn river that was commissioned in August 2012. See "*The Group's Major Subsidiaries and Joint Ventures – Moinak HPP*".

"Samruk-Green Energy" Limited Liability Partnership ("**Samruk Green Energy**") is 100 per cent. owned by the Issuer and was established by the Issuer in 2012 to engage in the production of electricity. See "*Description of the Group's Business – Principal Operations and Operating Segments – Other*".

"Samruk-Energy Stroy Service" Limited Liability Partnership ("**SESS**") is 100 per cent. owned by the Issuer and provides construction services and assembles and repairs power generation equipment.

"Shardarinskaya Hydro Power Plant" Joint Stock Company ("**Shardara HPP**") is 100 per cent. owned by the Issuer and owns a hydropower station in the south of Kazakhstan. See "*The Group's Major Subsidiaries and Joint Ventures – Shardara HPP*".

JSC "Shulbinsk HPP" ("**Shulbinskaya HPP**") is 92.14 per cent. owned by the Issuer and is the owner of the Shulbinskaya hydropower station which has been transferred to a third party under a concession agreement. Since the transfer of the hydropower station under this concession, Shulbinskaya HPP has been considered dormant by the Issuer, which receives no revenues and will not receive back the right to exploit the hydropower station upon the termination of the concession. The information contained in this Base Prospectus concerning the Group's electricity generation production volumes and other operational information excludes Shulbinskaya HPP. See Note 4 to the Group's Interim 2012 Consolidated Financial Statements. See "*Description of the Group's Business – Principal Operations and Operating Segments – Electricity generation – Hydropower stations*".

"TPEP" LLP ("**TPEP**") is 25 per cent. owned by SESS and is engaged in the rendering of construction services.

"Ust-Kamenogorskaya Hydro Power Plant" Joint Stock Company ("**Ust-Kamenogorskaya HPP**") is 89.99 per cent. owned by the Issuer and is the owner of the Ust-Kamenogorskaya HPP hydropower station which has been transferred to a third party under a concession agreement. Since the transfer of the hydropower station under this concession agreement, Ust-Kamenogorskaya HPP has been considered dormant by the Issuer, which receives no revenues and will not receive back the right to exploit the hydropower station upon the termination of the concession. The information contained in this Base Prospectus concerning the Group's electricity generation production volumes and other operational information excludes Ust-Kamenogorskaya HPP. See Note 4 to the Group's Interim 2012 Consolidated Financial Statements. See "*Description of the Group's Business – Principal Operations and Operating Segments – Electricity generation – Hydropower stations*".

"Eastern Kazakhstan Regional Energy Company" Joint Stock Company ("**VK REK**") is a transmission and distribution company which the Group manages on the basis of a trust management agreement on behalf the Committee of State Property and Privatisation under the Ministry of Finance of Kazakhstan. The Group obtains a management fee for its services but does not receive the revenues or incur the costs of VK REK, nor does it own the assets of VK REK and nor is it liable for the liabilities of VK REK. The information contained in this Base Prospectus concerning the Group's electricity transmission and distribution volumes and other operational information excludes VK REK. VK REK is the 100 per cent. owner of the sale and purchase of electricity company LLP "Shygysenergotreyd" ("**Shygysenergotreyd**"). The information contained in this Base Prospectus concerning the Group's electricity sale and purchase volumes and other operational information excludes Shygysenergotreyd.

"Zhambylskaya GRES" named after T.I. Baturov" Joint Stock Company ("**ZhGRES**") is 50 per cent. owned by the Issuer as a joint venture with Tarazenergo-2005 LLP ("**Tarazenergo**") and is engaged principally in the production of electricity, although it also generates a relatively small amount of heat energy. See "*The Group's Major Subsidiaries and Joint Ventures – ZhGRES*".

Measurements

In this Base Prospectus all references to:

"**Gcal**" are to gigacalories;

"**Gcal/h**" are to gigacalories per hour;

"**Gcal/kg**" are to gigacalories per kilogramme;

"**GW**" are to gigawatts;

"**Kcal/kg**" are to kilocalories per kilogramme;

"**KV**" are to kilovolts;

"**KW**" are to kilowatts;

"**KWH**" are to kilowatt-hours;

"**m^3**"are to cubic metres;

"**mg/Nm^3**" are to milligrams per normal cubic metre;

"**MVA**" are to megavolt-amperes; and

"**MW**" are to megawatts.

Certain Other Terms

In this Base Prospectus, all references to:

"**Almaty Power Institute**" are to Almaty Power Institute or Almaty University of Power and Communications, non-commercial joint stock company;

"**Almaty Thermal Networks**" are to LLP Almaty Thermal Networks;

"**Anti-Monopoly Agency**" are to the Agency of the Republic of Kazakhstan for the Regulation of Natural Monopolies;

"**CHP**" are to combined heat and power stations;

"**Competition Agency**" are to the Agency of the Republic of Kazakhstan for the Protection of Competition;

"**Ekibastuz Justice Department**" are to the Justice Department of Ekibastuz city under the Ministry of Justice of Kazakhstan;

"**GDP**" are to gross domestic product;

"**GES**" are to hydropower plants;

"**Government**" are to the government of the Republic of Kazakhstan;

"**HPP**" are to hydropower plants;

"**Kazakh National University**" are to the Kazakh National University named after Al-Farabi State Enterprise;

"**Kazakhstan Temir Zholy**" are to JSC National Company Kazakhstan Temir Zholy, the largest railways operator in Kazakhstan;

"**KazMunayGas**" are to JSC National Company KazMunayGas, the largest oil and gas company in Kazakhstan;

"**KEGOC**" are to Kazakhstan Electricity Grid Operating Company;

"**KOREM**" are to JSC KOREM, an operator of the electricity power and capacity market in Kazakhstan;

"**MINT**" are to the Ministry of Industry and New Technologies of the Republic of Kazakhstan;

"**National Technical University**" are to the Kazakh Polytechnical Institute named after V.I. Lenin or the Kazakh National Technical University named after K.I. Satpaev State Enterprise;

"**NSA**" are to the National Statistical Agency of the Republic of Kazakhstan;

"**Q1**", "**Q2**", "**Q3**" and "**Q4**" are to the first, second, third and fourth quarters of a year, respectively;

"**TemirjolEnergo**" are to LLP "TemirjolEnergo", a company engaged in the sale and purchase of electricity; and

"**TPS**" are to thermal power stations.

Market Share and Industry Data

This Base Prospectus contains estimates and projections regarding market and industry data that were obtained from internal company surveys; official governmental sources of Kazakhstan, including the NSA and MINT; KEGOC; KOREM; market research; consultant surveys; publicly available information; and industry publications and surveys. See "*Risk Factors – Risk Factors Relating to Kazakhstan and Emerging Markets Generally – The members of the Group cannot ensure the accuracy of official statistics and other data in this Base Prospectus published by Kazakhstan authorities.*"

This Base Prospectus also contains management's estimates and projections regarding (i) market and industry data based on data from various third party sources and internally generated data, as well as assumptions made by the Issuer and (ii) certain other financial and performance metrics relating to the Group's business. The Issuer believes the information provided or made available by these third parties is generally reliable. However, market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey, interpretation or presentation of market data and management's estimates and projections. In addition, projections are often wrong. As a result, you should be aware that market data set forth herein, and estimates, projections and beliefs (i) based on such data and (ii) relating to certain financial and performance metrics presented herein, may not be reliable. The Issuer has not independently verified any of the data from third party sources, nor has it ascertained the underlying economic assumptions relied upon therein and the Issuer cannot guarantee its accuracy or completeness. Similarly, internal surveys, which the Issuer believes to be reliable, are based upon management's knowledge of the industry as of the date of such surveys and have not been verified by any independent sources. Accordingly, whilst the Issuer accepts responsibility for accurately reproducing such information, the Issuer cannot guarantee the accuracy or completeness of any such information and prospective buyers should not place undue reliance on such information when making their investment decision. So far as the Issuer is aware and able to ascertain from such information, no facts have been omitted which would render any reproduced information inaccurate or misleading.

Reserves Reporting

In determining the feasibility of developing and operating Bogatyr Komir's coal mines, Bogatyr Komir's coal reserves are estimated based on its legal right to mine specified coal mines pursuant to the subsoil use contract it holds.

In Kazakhstan, all coal reserves belong to the Government. Coal miners obtain the right to mine coal on the basis of a subsoil use contract entered into with MINT. MINT and the Government have the right to terminate subsoil use contracts on the occurrence of certain circumstances, in particular on the occurrence of more than two breaches of the subsoil use contract, upon the expiry of relevant grace periods. In addition, MINT has the right to amend any subsoil use contract on the occurrence of an event adversely affecting Kazakhstan's national interests. See "*Regulatory Review – Mining Regulations*".

Bogatyr Komir's coal reserves were last classified by the State Commission on Reserves of Mineral Resources of the Republic of Kazakhstan as at 1 January 2012 using the Kazakhstan reserves classification, which is based on the previous Soviet system, in which coal reserves are divided into the groups A, B, C1, C2, P1, P2 and P3. The Kazakhstan reserves classification systems differs significantly from both (i) the internationally accepted reserve estimation standards under the Petroleum Resources Management System sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, World Petroleum Council and the Society for Petroleum Evaluation Engineers and (ii) the reserves classifications permitted by the Securities and Exchange Commission (the "**SEC**").

Kazakhstan's reserves requirements are implemented by taking the original amount of reserves estimated by the State Commission on Reserves of Mineral Resources of the Republic of Kazakhstan when Bogatyr Komir's subsoil use contract was signed and deducting the amount of reserve coal extracted by Bogatyr Komir in each subsequent year and losses incurred upon coal extraction. The classification relies exclusively on the State Commission on Reserves of Mineral Resources of the Republic of Kazakhstan's initial estimates of coal mine reserves when the subsoil use contract was signed and subsequent adjustments are made as set forth above after taking into account the knowledge, experience and industry practice of the specialist organisation approved by the Government which calculates the adjustments.

The following table provides an approximate comparison of the Kazakhstan reserves system against another common international system of classification of reserves, the Australian JORC classification.

Classification of reserves (Kazakhstan system)	JORC classification of reserves
Category A – a detailed study of the reserves has been undertaken. The quality, quantity of reserves and conditions of development have been determined reliably.	Proven reserves – fully explored reserves, ready for mining.
Category B – a study of the reserves has been undertaken with sufficient detail. The quality, quantity of reserves and conditions of development are determined in sufficient detail.	Identified resources – proved reserves, ready for mining.
Category C1 – a study of the reserves has been undertaken. The quantity of reserves is estimated with an average level of accurately. The quality of reserves and conditions of development are determined by experimental studies and by analogy.	Identifiable resources – previously explored resources. The quantity of the reserves are identified with a reasonable level of reliability.

The reserves data contained in this Base Prospectus, unless otherwise stated, is taken from the State Commission on Reserves of Mineral Resources of the Republic of Kazakhstan's initial survey before Bogatyr Komir's subsoil use contract was signed in 2002, after having subsequently been adjusted by reserves analysis prepared by a specialist organisation approved by the Government in accordance with Kazakhstan law. Bogatyr Komir's coal reserves estimates may require future revision based upon actual production experience, changes in operating or extraction costs, changes in world coal prices and other factors that the Issuer is unable to foresee. As a result, certain adjustments that appear valid when made may change in the future when new information becomes available. See *"Risk Factors – Risks Relating to the Group's Operations and Business – The Group's coal reserves are calculated in accordance with the Kazakhstan reserves classification, which differs significantly from the reserves classification methodologies used in Western countries"*.

Samruk-Energy has a 50 per cent. shareholding in Bogatyr Komir, which is held through a joint venture with Rusal, Forum Muider. However, the Issuer presents all of the information on reserves and production under development presented in this Base Prospectus on a total basis, without deduction for Rusal's economic interest in the assets of Bogatyr Komir.

Cautionary Note to United States Investors Concerning Coal Reserve Data

There are differences between reporting regimes for reserve estimates in the United States compared to Kazakhstan. In the United States, reserves are estimated under the requirements as adopted by the SEC in its Industry Guide 7 – Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations ("**Industry Guide 7**"), which provides that only proved (measured) or probable (indicated) reserves can be reported.

The SEC has applied the following reporting definitions to coal reserves under Industry Guide 7:

a "reserve" is "that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves are customarily stated in terms of "ore" when dealing with metalliferous minerals; when other materials such as coal, oil, shale, tar, sands, limestone, etc. are involved, an appropriate term such as "recoverable coal" may be substituted."

"Proven (measured) reserves" are "reserves for which:

(a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and

(b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established."

"Probable (indicated) reserves" are "reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation."

Presentation of Operational Results of Joint Ventures

Certain operational information regarding the Group has been expressed also on an "**equity-adjusted basis**" where labelled as such. This information has been adjusted to reflect the fact that Ekibastuzskaya GRES-2, Forum Muider (the parent of Bogatyr Komir) and ZhGRES are joint ventures which are not controlled by and consolidated within the Group, but are accounted for under the equity method of accounting, and this information regarding the Group only includes 50 per cent. of the total operational information attributable to these companies. Where operational information regarding the Group is not stated to have been provided on an equity-adjusted basis, such information excludes operational information from Ekibastuzskaya GRES-2, Forum Muider (the parent of Bogatyr Komir) and ZhGRES. For the avoidance of doubt, where operational information regarding Bogatyr Komir is expressed by reference to Bogatyr Komir rather than the Group, such information is provided on a total, rather than equity-adjusted basis, unless indicated otherwise.

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OVERVIEW OF THE GROUP

This overview should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in this Base Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Notes. Accordingly, any decision by a prospective investor to invest in the Notes should be based on a consideration of this Base Prospectus as a whole. Prospective investors should read this entire Base Prospectus carefully, including the Group's Consolidated Financial Statements included elsewhere in this Base Prospectus and the information set out under the headings "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements".

Certain operational information regarding the Group has been expressed also on an "equity-adjusted basis" where labelled as such. This information has been adjusted to reflect the fact that Ekibastuzskaya GRES-2, Forum Muider (the parent of Bogatyr Komir) and ZhGRES are joint ventures which are not controlled by or consolidated within the Group, but are accounted for under the equity method of accounting, and this information regarding the Group only includes 50 per cent. of the total operational information attributable to these companies. Where operational information regarding the Group is not stated to have been provided on an equity-adjusted basis, such information excludes operational information from Ekibastuzskaya GRES-2, Forum Muider (the parent of Bogatyr Komir) and ZhGRES. For the avoidance of doubt, where operational information regarding Bogatyr Komir is expressed by reference by Bogatyr Komir rather than the Group, such information is provided on a total, rather than equity-adjusted basis, unless indicated otherwise.

Overview of the Group's Business

The Group's core businesses are the generation, transmission, distribution, sale and purchase of electricity in Kazakhstan, the mining and sale of coal and the generation of heat energy in Almaty, the Almaty region and Aktobe. The Group operates a number of subsidiaries and joint ventures, sells electricity and coal to customers throughout Kazakhstan and also exports electricity and coal to Russia. The Group is vertically integrated, giving it greater control over its supply chain and distribution channels and the Group benefits from being an affiliate of many of its customers and contractors through Samruk-Kazyna, Kazakhstan's sovereign wealth fund, as common shareholder.

In the six months ended 30 June 2012 and 30 June 2011, the Group had revenues of KZT 47,529 million and KZT 44,095 million, respectively. In the years ended 31 December 2011, 2010 and 2009, the Group had revenues of KZT 85,550 million, KZT 76,940 million and KZT 64,454 million, respectively.

For further detail on the Group's historical share in the profit or loss of the Group's joint ventures, see "*Operating and Financial Review of the Group – Results of Operations for the Six Months Ended 30 June 2012 and 30 June 2011 and the Years Ended 31 December 2011, 2010 and 2009 – Share in profits and losses of joint ventures and associates*" and "*Operating and Financial Review of the Group – Analysis of Certain Other Balance Sheet Items – Non-current assets – Investments in joint ventures and associates*".

Electricity generation

As at 31 August 2012, the aggregate installed power generation capacity of the Group was 1,741 MW, or 2,856 MW on an equity-adjusted basis, which consisted of approximately 8.5 per cent. of the total installed power generation capacity in Kazakhstan or 14.0 per cent. on an equity-adjusted basis, according to KEGOC.

In the six months ended 30 June 2012, the Group generated 3,610 million KWH of electricity (5,606 KWH on an equity-adjusted basis), which represents approximately 7.9 per cent. of the total electricity generated in Kazakhstan during that period (or 12.3 per cent. on an equity-adjusted basis), according to KEGOC. In the years ended 31 December 2011, 2010 and 2009, the Group generated 6,611 million KWH, 6,789 million KWH and 5,806 million KWH of electricity (or 10,004 million KWH, 9,737 million KWH and 8,717 million KWH on an equity-adjusted basis) respectively, which represents approximately 7.7 per cent., 8.2 per cent. and 7.4 per cent. of total electricity generated in Kazakhstan in these years, respectively (or 11.6 per cent., 11.9 per cent. and 11.1 per cent. on an equity-adjusted basis, respectively), according to KEGOC.

Coal and gas-fired power stations

Coal and gas-fired power stations represented 66.7 per cent. of the Group's electricity output in 2011 (78.0 per cent. on an equity-adjusted basis). The Group owns a 50 per cent. shareholding in Ekibastuzskaya GRES-2, a coal-fired power station operated as a joint venture with the Russian electricity company Inter RAO. In August 2012, the transfer of a 50 per cent. participatory interest in Ekibastuzskaya GRES-1, a coal-fired power station operated as a joint venture with Kazakhmys, from Samruk-Kazyna to the Group was approved by the board of directors of the Issuer, and the management board of Samruk-Kazyna, and this transfer was effected on 1 November 2012, subject to certain formalities, all of which are expected to be completed by 31 December 2012. See "*Risk Factors – Risks Relating to the Group's Operations and Business – The transfer of Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 to the Issuer, has not been completed as at the date of this Base Prospectus*". The Group also has a 50 per cent. stake in ZhGRES, a gas-fired power station operated as a joint venture with Tarazenergo.

As at 31 August 2012, the installed capacity of Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and ZhGRES was 4,000 MW, 1,000 MW and 1,230 MW, respectively, while the production capacity of Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and ZhGRES was 2,200 MW, 922 MW and 1,084 MW, respectively. The installed capacity of Ekibastuzskaya GRES-2 and ZhGRES represented 12.6 per cent. and 15.5 per cent. of the Group's total installed capacity as at 31 August 2012, on an equity-adjusted basis. Ekibastuzskaya GRES-1, ZhGRES and Ekibastuzskaya GRES-2 were the first, third and fourth largest power stations in Kazakhstan by installed capacity as at 31 August 2012, respectively, according to KEGOC. Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-2 are used in particular to cover power shortages throughout Kazakhstan and ZhGRES is used to make up for electricity shortfalls at seasonal peak times in Kazakhstan.

Almaty Power Stations and Aktobe TPS are power generating companies, which are 100 per cent. owned by the Group. Almaty Power Stations generates electricity and heat energy in Almaty and the Almaty region in the south east of Kazakhstan. Aktobe TPS generates electricity and heat energy in Aktobe in the north west of Kazakhstan. In 2011, Almaty Power Stations and Aktobe TPS generated 59.8 per cent. and 17.8 per cent. of the electricity consumed in the Almaty and Aktobe regions, respectively, according to the Group's own calculations and the NSA.

The total installed capacity of the coal-fired power stations of Almaty Power Stations (which also use fuel oil and gas) and the gas-fired Aktobe TPS power station was 828 MW and 102 MW respectively, representing approximately 47.6 per cent. and 5.9 per cent. of the Group's total installed capacity, respectively, as at 31 August 2012, or 29.0 per cent. and 3.8 per cent., respectively, on an equity-adjusted basis. Almaty Power Stations and Aktobe TPS both generate electricity for transmission and distribution in the region in which they are situated.

See "*Description of the Group's Business – Principal Operations and Operating Segments – Electricity generation – Coal and gas-fired power stations*".

Hydropower stations

Shardara HPP and Moinak HPP are hydropower generating companies and Almaty Power Stations also operates hydropower stations. All of the hydropower stations the Group operates are located in the Southern zone of Kazakhstan. Together they generated approximately 2,200 million KWH, or 33.3 per cent. of the electricity output of the Group (22.0 per cent. on an equity-adjusted basis) in 2011 and approximately 28.0 per cent. of the hydropower electricity output of Kazakhstan in 2011, according to KEGOC.

Moinak HPP has an installed capacity of 300 MW and was commissioned in August 2012. Shardara HPP has been in operation since 1967 and has an installed capacity of 100 MW. Almaty Power Stations operates Kapchagay HPP and Cascade HPP, which have been in operation since 1980 and the late 1940s, respectively and which have installed capacities of 364 MW and 47 MW, respectively. The installed capacity of the Group's hydropower stations as at 31 August 2012 was 811 MW, representing 46.6 per cent. of the Group's total installed capacity, or 28.4 per cent. of the Group's total installed capacity on an equity-adjusted basis.

Almaty Power Stations is building Kerbulak HPP on the Ili river to act as a counter-regulatory station for Kapchagay HPP. See "*Expansion Plans and Projects – Almaty Power Stations*".

The Group also owns several other hydropower generating companies, Bukhtarminskaya HPP, Ust-Kamenogorskaya HPP and Shulbinskaya HPP, the power plants of which have been transferred under concession contracts to Kazastur Zinc AG (in the case of Bukhtarminskaya HPP) and Tau Power B.V (an affiliate of AES Power Suntry Limited) (in the case of Ust-Kamenogorskaya HPP and Shulbinskaya HPP). These operate along the Irtysh river in the Northern zone of Kazakhstan, near the city of Ust-

Kamenogorsk. Under such concessions, the Group does not receive any revenue from such power stations, other than lease payments from Kazastur Zinc for the use of Bukhtarminskaya HPP.

See "*Description of the Group's Business – Principal Operations and Operating Segments – Electricity generation – Hydropower stations*".

Coal mining

Bogatyr Komir is a joint venture between the Group and Rusal owned through the Netherlands-registered Forum Muider. According to the NSA, Bogatyr Komir is the largest coal producer in Kazakhstan, and the Bogatyr mine which it operates is, according to the same source, in terms of production capacity, the largest open-pit coal mine in Kazakhstan and one of the largest in the world. The Bogatyr mine was established in 1970 and Bogatyr Komir operates this together with the nearby smaller Severny mine, established in 1954. Bogatyr Komir has total coal mine reserves of approximately 2,852 million tonnes, as calculated by the State Commission on Reserves of Mineral Resources when Bogatyr Komir's licence was granted in 2002 and subsequently adjusted by Bogatyr Komir, according to the Kazakhstan reserves classification system (see "*Presentation of Financial and Other Information – Reserves Reporting*" and "*Presentation of Financial and Other Information – Cautionary Note to United States Investors Concerning Coal Reserve Data*"). According to the Group's expectations of future production rising to 45 million tonnes by 2015 and to 50 million tonnes by 2020 and remaining at that level for future periods, Bogatyr Komir's coal reserves will allow Bogatyr Komir to maintain expected levels of coal production for approximately the next 58 years. Bogatyr Komir has a 45-year subsoil use contract, signed on 29 June 2002 with the Government's Ministry of Energy and Natural Resources, to extract coal from the Bogatyr and Severny mines. See "*Regulatory Review – Mining Regulations – Subsoil use contracts*".

Bogatyr Komir sells coal to the Group's power generating facilities and to third party power generating facilities located both in Kazakhstan and in Russia on market terms. Bogatyr Komir's coal mines are located 30 km from Ekibastuzskaya GRES-1 and 50 km from Ekibastuzskaya GRES-2, which minimises coal transportation costs for the Group. Most of the coal-fired power stations in Kazakhstan use the type of coal produced by Bogatyr Komir.

In 2011, Bogatyr Komir extracted 40.6 million tonnes of coal, representing 37 per cent. of the total volume of extracted coal in Kazakhstan and 62 per cent. of the volume extracted in the Ekibastuz coal basin, according to MINT. See "*Description of the Group's Business – Principal Operations and Operating Segments – Coal mining*".

As at the date of this Base Prospectus, Bogatyr Komir is investing in new extraction technologies and aims to increase output to approximately 45 million tonnes and to 50 million tonnes of coal annually by 2015 and 2020, respectively. See "*Expansion Plans and Projects – Bogatyr Komir*".

Heat energy generation

Almaty Power Stations and Aktobe TPS generate heat energy, which is sold to distribution networks in the form of hot water. Almaty Thermal Networks is the sole heat energy customer of Almaty Power Stations and Aktobe TPS sells 85 per cent. of its heat energy to Transenergo JSC (a heat energy distribution company based in Aktobe). Almaty Power Stations and Aktobe TPS are combined cycle power stations that produce both electricity and heat energy and in addition Almaty Power Stations operates the Western Thermal Complex, whose only activity is to generate hot water from a series of boilers. Almaty Power Stations also sells chemically treated water (hot water which comes out of a tap and is used for baths, showers washing and other similar purposes).

Almaty Power Stations operates coal-fired power stations which also use gas and fuel oil, whereas Aktobe TPS is a gas-fired power station. The coal-fired power station Ekibastuzskaya GRES-2 and gas-fired power station ZhGRES also generate small amounts of heat energy, though together this represented less than one per cent. of the Group's heat energy output, on an equity-adjusted basis, in the six months ended 30 June 2012 and 30 June 2011 and the years ended 31 December 2011 and 2010.

In 2011, the Group generated 7.8 million Gcal of heat energy, representing 8.0 per cent. of the heat energy generated in Kazakhstan according to the Group's calculations and the NSA. See "*Description of the Group's Business – Principal Operations and Operating Segments – Heat energy generation*".

Electricity transmission and distribution

The Group owns and operates electricity transmission and distribution networks in certain regions of Kazakhstan, in particular Almaty and Mangistau, operated by Alatau Zharyk and Mangistau Electricity Distribution Company, respectively. As at 31 August 2012, the majority of the Group's transmission and distribution lines were overhead lines, consisting of 30,454 km or 88.3 per cent. of the Group's total transmission and distribution lines. A small portion of the Group's transmission and distribution lines are power cable transmission lines operated by Alatau Zharyk, consisting of 4,034 km or 11.7 per cent. of the Group's total transmission and distribution lines as at 31 August 2012. As at 31 August 2012, the total length of Samruk-Energy's transmission and distribution lines was 30,454 km or 6.9 per cent. of the total of approximately 442,000 km lines in Kazakhstan, according to KEGOC.

The Group also manages electricity transmission and distribution company VK REK pursuant to a trust management agreement. VK REK is not part of the Group and the Group manages VK REK for a fee and is not entitled to any of its revenues. See "*Presentation of Financial and Other Information – Shareholders and Group Companies*".

See "*Description of the Group's Business – Principal Operations and Operating Segments – Electricity transmission and distribution*".

Sale and purchase of electricity

AlmatyEnergySbyt has a dominant position in the market for the sale and purchase of electricity in Almaty and the Almaty region and in 2011 provided electricity to approximately 677,000 households (or 2.6 million individuals) and 25,000 legal entities. AlmatyEnergySbyt purchases over 80 per cent. of its electricity from within the Group and is the largest customer of Almaty Power Stations and Alatau Zharyk.

The Group also manages the electricity sale and purchase operations of Shygysenergotreyd, which is a subsidiary of VK REK, which the Group manages on a trust management basis. The information contained in this Base Prospectus concerning the Group's electricity sale and purchase volumes and other operational information excludes Shygysenergotreyd, which the Group only manages on a trust management basis and from which the Group does not enjoy the benefits or incur the associated risks.

See "*Description of the Group's Business – Principal Operations and Operating Segments – Sale and purchase of electricity*".

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Some of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring or not occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. If any of the risks described below actually materialises, the Group's business, prospects, financial condition, cash flows or results of operations may be materially adversely affected. If that were to happen, the trading price of the Notes may decline, or the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes, and investors may lose all or part of their investment. Furthermore, Notes issued under the Programme may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily, or at prices that will provide them with a yield comparable to the yield on the Notes.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes, or otherwise perform its obligations under any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to them or for reasons which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

The order in which the risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer's business, prospects, financial condition, cash flows or results of operations.

Risks Relating to the Group's Operations and Business

The power sector in Kazakhstan is subject to ongoing reform and there are uncertainties relating to the tariff regulation system

The power sector in Kazakhstan is subject to ongoing reform. As part of this reform, the Government has introduced new types of electricity sales markets such as the balancing market and centralised spot market, established KEGOC, which is the national high-voltage power grid operator and the system operator for the electricity market, and established, through Samruk-Kazyna, the Issuer as a platform for consolidation of Kazakhstan's major power-generating assets.

The prices for the electricity and heat energy sold by the Group are subject to tariff regulation. As at the date of this Base Prospectus, tariffs are set by the Government and Government bodies (namely, MINT and the Anti-Monopoly Agency). Tariffs for electricity transmission and distribution and heat energy production are based on a "cost plus" formula to allow the Group to generate a return on its investments and to fund capital expenditure. The electricity generation tariff system was last substantially revised in 2009 pursuant to the adoption of the Law of Kazakhstan "On Electricity Industry" No. 588 dated 9 July 2004 (the "**Electricity Industry Law**") and subsequent amendments, which with effect from 2009 divided all electricity-generating power stations of Kazakhstan into thirteen groups and introduced a capped tariff for each group for each year until the end of 2015. The Electricity Industry Law also introduced estimated and individual tariffs for individual generating companies.

Tariffs for electricity sold by electricity-generating companies are generally set on a capped basis and as at the date of this Base Prospectus, the tariff regulation system is effective for electricity generation until 2015. The tariff system for heat energy generation is approved on an annual basis, which means that until 2015 the heat energy tariff is less predictable than the electricity generation tariff. The Group is not certain what its heat energy generation tariffs will be from 2013 or what its electricity generation tariffs will be from 2015. It is envisaged that the next step of the tariff system reform will be the elimination of capped, estimated and individual tariffs for electricity and the division of tariffs into tariffs for capacity and tariffs for electricity, which should be set, in each case, according on the current capital expenditure requirements and operational expenses requirements of the power generating company in question. See "*Regulatory Review – Price Regulation*".

If the Group's tariffs are lower than the Group's projections and do not provide for the Group's planned capital expenditure, the Group will be obliged to source additional funding from other sources, and there is no guarantee that the Group will be able to obtain such additional funding, or that it will be able to obtain the required additional funding on commercially acceptable terms, and any of the above factors could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and on the value of the Notes.

Although the Group is 100 per cent. owned (directly and indirectly) by Samruk-Kazyna and participates in discussion regarding tariff reforms in the power sector with the Government, the Group cannot know with certainty what the new electricity generation tariff system will be. Therefore, the Group has to adapt to the changing regulatory environment and the Government's policy towards the power sector, and to adjust its development plans accordingly. If the Group is unable to adjust its development plans in accordance with the new regulatory requirements or has to incur substantial costs in order to comply with new requirements, faces increased competition, or is negatively affected by tariff regulation changes, this could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group relies on a single source of coal supply for its coal-fired power stations

The Group operates coal-fired, hydro and gas-fired power stations. The majority of electricity produced by the Group and the joint ventures is produced by coal-fired power stations, in particular Ekibastuzskaya GRES-2 and the power plants of Almaty Power Stations. Most of the largest coal-fired power stations in Kazakhstan use coal produced at the open-pit coal mines Bogatyr and Severny located in the Northern zone of Kazakhstan and operated by Bogatyr Komir, which is 100 per cent. owned by Forum Muider, a 50/50 joint venture between the Issuer and Rusal. In the Soviet period, most coal-fired power stations in Kazakhstan and certain coal-fired power stations in the neighbouring Russian regions were designed to use primarily the type of coal produced at the Bogatyr and Severny mines.

Bogatyr Komir operates the Bogatyr and Severny mines under a 45-year subsoil use contract signed in 2002. MINT has the right to terminate this contract for reasons including breaches of environmental and health and safety regulations, failures to meet performance or output targets, other breaches of the subsoil use contract, for national security reasons and also unilaterally in certain cases provided for in applicable legislation. Should MINT terminate Bogatyr Komir's subsoil use contract, in addition to materially adversely affecting the business of Bogatyr Komir, it is unlikely that the Group could obtain coal of equal suitability for its plants and the Group would face logistical difficulties in procuring the delivery of coal from alternative sources. Any of these factors could lead to a shortage of coal to fuel the Group's electricity generating activities, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group cannot exclude the possibility that Bogatyr Komir's subsoil use contract could be amended or withdrawn, which would prevent Bogatyr Komir from continuing to operate the mine in accordance with past practice or at all. See also "*The Group's operations depend upon obtaining and maintaining licences and permits necessary for the operation of its business*". Further, any disruptions at either or both mines, including any major accident or labour strike, would be likely to interrupt the supply of coal and the Group may not be able to find alternative sources of coal, and, as a result, may have to suspend operations at its coal-fired power stations. Any of the above factors could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See "*Description of the Group's Business – Employees*" and "*Description of the Group's Business – Principal Operations and Operating Segments – Coal mining*".

The Group's coal reserves are calculated in accordance with the Kazakhstan reserves classification, which differs significantly from the reserves classification methodologies used in Western countries

The aggregate reserves of Bogatyr Komir, as at the date of this Base Prospectus, are estimated at approximately 2,852 million tonnes, as calculated by the State Commission on Reserves of Mineral Resources of the Republic of Kazakhstan before Bogatyr Komir signed its subsoil use contract in 2002 and subsequently adjusted annually, according to the Kazakhstan reserves classification system. Bogatyr Komir produces most of the coal used by Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and Almaty Power Stations. The Group believes that the reserves of Bogatyr Komir will allow Bogatyr Komir to maintain its expected levels of production for the next 58 years. See "*Description of the Group's Business – Principal Operations and Operating Segments – Coal mining*". However, this assumption is based on the Kazakhstan reserves classification, which differs significantly from the reserves classification methodologies used in Western countries. (see "*Presentation of Financial and Other Information – Reserves Reporting*" and "*Presentation of Financial and Other Information – Cautionary Note to United*

States Investors Concerning Coal Reserve Data''). Accordingly, the coal reserves of the Bogatyr and Severny mines may require revision based on actual production, changes in operating or extraction costs, and other unforeseen factors. As a result, the Group's estimates of coal reserves may change significantly in the future when new information becomes available and if new classification methodologies are adopted.

The coal reserves estimates included in this Base Prospectus are only estimates of the coal deposits in the Bogatyr and Severny mines and numerous uncertainties exist in estimating the quantity and value of coal reserves, including factors beyond the control of the Group. As a result, estimates of reserves are, by their nature, uncertain. Actual factors may vary considerably from the assumptions that have been used in estimating reserves. For these reasons, actual recoverable and marketable reserves, together with the actual production, costs, revenue and expenditure of the Group's reserves may vary materially from the Group's estimates. The Group's estimates may not accurately reflect the Group's actual reserves or be indicative of future production, costs, revenue or expenditure. If the actual reserves and quality of coal are significantly less, and lower (as the case may be) than the estimates on which the Group relies, the Group will be obliged to obtain coal from other sources at different locations and/or spend more than anticipated to extract coal from its mines. Any of the above factors could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group's recovery rates will vary from time to time, which will result in variations in the volumes of coal that can be extracted, sold and supplied. For example, as at the date of this Base Prospectus, the Bogatyr Komir mine is being modernised to significantly increase coal production and to improve transport infrastructure. See ''*Expansion Plans and Projects – Bogatyr Komir*''. Any failure of the modernisation process to increase volumes of coal production to forecast levels could prevent Bogatyr Komir from meeting its obligations under its supply contracts with the Group's coal-fired power stations (and with third parties) and maintaining and developing its business further in accordance with its strategy, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations, and on the value of the Notes.

The Group's results of operations and financial condition are significantly influenced by general economic conditions in Kazakhstan and the global economy

The Group's results of operations are significantly influenced by the general economic conditions in Kazakhstan, which in turn are influenced by global economic conditions. Specifically, the level of power consumption is strongly correlated to Kazakhstan's GDP and industrial production, in particular due to the presence of heavy industries in Kazakhstan that require substantial power resources. Prior to mid-2008, Kazakhstan's GDP had experienced strong growth, increasing from US$16.8 billion in 1999 to US$132.2 billion in 2008, according to the NSA. However, beginning in the fourth quarter of 2008, Kazakhstan experienced a sharp decline in GDP (down to US$107.0 billion in 2009, according to the NSA), industrial production and trade due to the financial downturn in global markets. The Group was affected by these trends, as the consumption of electricity in Kazakhstan decreased in 2009. Although Kazakhstan's economy began to recover in 2009 and its GDP grew to US$183.9 billion in 2011 (compared to US$145.9 billion in 2010), there can be no assurance that Kazakhstan's economy and, in turn, the Group's markets will continue to grow in the future. If the Kazakhstan economy ceases to grow or experiences another downturn and, as a result, demand for the Group's output and services decreases, the Group's revenues could be adversely affected, which would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See ''*Operating and Financial Review of the Group – Key Factors Affecting Results of Operations – The Kazakhstan and global economy*''.

Maintenance and modernisation of the Group's infrastructure requires significant ongoing investment, and there can be no assurance that the Group will receive the funding necessary to make such investments

The Group's infrastructure requires significant ongoing investment, see ''*Expansion Plans and Projects*''. As at the date of this Base Prospectus, total capital expenditure of the Group for its investment programme for the period from 2012 to 2015 is estimated at approximately KZT 308.3 billion. Capital requirements for the investment programme have been considered and are embedded into the capped, estimated and individual tariffs for electricity generation approved by the Government for a period until the end of 2015. In addition, the Group obtains third-party financing for its investment programme, the cost of which is also embedded in the capped tariff. See ''*Regulatory Review – Price Regulation*''.

However, if the Group's estimated capital expenditure increases, or if the Government decides to decrease the capped tariffs or otherwise revise the tariff regulation system in a way that reduces the Group's income, the Group may require substantial additional funding in order to be able to continue to finance its investment programme. See ''– *The power sector in Kazakhstan is subject to ongoing reform and there are uncertainties relating to the tariff regulation system*''.

There is no assurance that the Group will be able to obtain the required funding to maintain, develop and modernise its infrastructure on commercially acceptable terms, and any failure to do so could adversely affect the Group's operations. This in turn may significantly increase expenditure and could also affect the performance of the Group by disrupting the Group's business operations and cause the Group's output and revenues to decrease, all of which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See ''– *A large part of the Group's plant and equipment requires replacement, repair or modernisation and may be susceptible to technical failures, or emergencies, increased maintenance costs and reduced reliability and efficiency, and it is in certain geographical locations, susceptible to natural disasters*''.

The Group has historically received and continues to rely on support from the Government, which indirectly controls the Group and may cause it to engage in business practices that conflict with the Group's interests and the interests of the Noteholders

The Government, through Samruk-Kazyna, is the main and controlling shareholder of the Issuer and, indirectly, of the other members of the Group. Historically, the Group has received most of its assets in the form of capital contributions from Samruk-Kazyna. The Government and Samruk-Kazyna have also provided subsidies, low-interest loans, financial guarantees, tax relief and other forms of support to the Group. As at the date of this Base Prospectus, KZT 69,508 million (or 72.4 per cent.) of the Group's total borrowings of KZT 95,979 million is either provided by, or guaranteed by the Government or Samruk-Kazyna. The Group continues to rely on Samruk-Kazyna and the Government to finance its operations and to fund its capital expenditure. Neither Samruk-Kazyna nor the Government have an obligation to provide financial support to the Group, whether in the form of capital contributions, loans, guarantees or otherwise, and no assurance can be given that the Group will continue to receive the same level of such support, or at all, that it has received to date. If Samruk-Kazyna or the Government reduces or discontinues its financial support of the Group, whether in the form of capital contributions, loans, guarantees or otherwise, or if the current regulatory regime, which is generally supportive to the Group with the overall aim of developing Kazakhstan's power sector were to change in a way adverse to the interests of the Group, (see ''*Regulatory Review – Overview of Important Laws – State Support*''), it would have a material adverse effect on the Group's ability to finance its investment programme, as well as generally on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

Further, as the Government's national management holdings company, with the goal of supporting and diversifying Kazakhstan's economy, the interests of Samruk-Kazyna may differ significantly from the interests of the Noteholders, which may cause the Group to engage or expand in business areas that may materially and adversely affect the Group's ability to operate on a commercial basis or may cause the Group to operate in a way that is inconsistent with the best interests of the Noteholders. In addition, the Group could be forced by the Government to engage in activities outside its core business and/or acquire assets for its business in transactions that are not on an arm's length basis. Government interference in the operations of the Group may require the Group to reconsider its strategy and to re-allocate management and other resources, which, in turn, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

Although the Issuer and the Group are indirectly controlled by the Government, the Issuer and the Group are separate from the Government. The Notes and interest due or to become due in respect of the Notes, constitute obligations only of the Issuer. The Notes do not constitute obligations of, nor are they guaranteed by the Government, any agency thereof, or any other Group company. See also ''– *Samruk-Kazyna plans to sell 5-15 per cent. of its shareholding in the Issuer through an initial public offering in 2013*''.

Samruk-Kazyna plans to sell 5-15 per cent. of its shareholding in the Issuer through an initial public offering in 2013

Under the programme for the flotation of shares of subsidiaries and dependent companies of Samruk-Kazyna, approved by Resolution No. 1027 of the Government on 8 September 2011, the Issuer expects to launch an initial public offering of 5-15 per cent. of its share capital on the KASE in 2013. The timing of the proposed initial public offering will depend, amongst other considerations, on market conditions, and given the proportion of the Issuer's share capital to be floated, Samruk-Kazyna will remain the majority shareholder in the Issuer after the proposed initial public offering.

While the Government and Samruk-Kazyna are expected to continue to support the Issuer and the Group following the initial public offering, the new shareholders of the Issuer may seek to take an active role in developing the Group's strategy and in influencing the way in which the Group is run and there is no assurance that the views of the new shareholders will be aligned with those of the Government and Samruk-Kazyna. Should the initial public offering result in a significant change to the strategy, management and risk profile of the Group, or in conflicts between the Government and Samruk-Kazyna, on the one hand, and the new shareholders, on the other, this could give rise to material disruptions in the Group's business, leading to difficulty in managing its operations and could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, and on the value of the Notes.

The obligation of the Group companies to pay dividends may put pressure on the respective Group companies and prevent the Group from reinvesting in the modernisation and development of its Group companies

Pursuant to the Group's dividend policy (adopted on 2 October 2012), the Issuer shall pay dividends at a minimum of 15 per cent. of its annual consolidated net profit to Samruk-Kazyna. The main driver behind this policy is to balance the interests of Samruk-Kazyna and the Issuer and to guarantee the payment of dividends to Samruk-Kazyna and to compensate Samruk-Kazyna for the financial support it provides to the Group. Generally the amount of the dividends should cover the cash requirements of Samruk-Kazyna relating to its activities, the dividends paid by Samruk-Kazyna to the Government, and to allow Samruk-Kazyna sufficient funds to realise various other investment projects: See ''Description of the Group's Business – Dividend Policy''.

The Issuer is obliged to issue preference shares to Samruk-Kazyna in exchange for a portion of the ordinary shares that were transferred to Samruk-Kazyna in respect of the GRES-1 Acquisition. See ''*Recent Developments – Acquisition of Ekibastuzskaya GRES-1*''. Under the terms of the preference shares, the Issuer will be obliged to pay a guaranteed annual minimum dividend of KZT 2,041.0 million to Samruk-Kazyna which will be paid starting from 2014 and the first year for which the dividend will be paid will be for the year ended 31 December 2013. In addition, the dividend policy of the Group may also require the Group companies to pay dividends on ordinary shares, outside the Group at times when the Group considers that it would be more efficient to reinvest profit in improving the facilities or efficiency of the respective Group companies. The payment by the Group to Samruk-Kazyna of the guaranteed minimum annual dividend on the preference shares and of dividends on its ordinary shares may result in underinvestment in the Group and the Group companies, which could lead to increased production costs and accidents, and could prevent the Group companies from growing as planned or competing in the market, any of which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group's major assets are operated as joint ventures with third parties

Four of the Group's major assets, namely power stations Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2, Bogatyr Komir and ZhGRES are operated by the Group through joint ventures. The Group has a 50 per cent. interest in each of these entities (in the case of Ekibastuzskaya GRES-1 since 1 November 2012, and subject to the corporate approval of the Issuer, the approval of the participants of Ekibastuzskaya GRES-1 and the amendment of the foundation agreement and charter relating to Ekibastuzskaya GRES-1 and the registration of the amended foundation agreement and charter with the Ekibastuz Justice Department, which the Group expects to occur in 2012). The remaining 50 per cent. interest in Ekibastuzskaya GRES-1 belongs to Kazakhmys, in Ekibastuzskaya GRES-2 to Inter RAO, in Bogatyr Komir to Rusal and in ZhGRES to Tarazenergo. The Issuer is a party to a shareholders agreement in respect of Bogatyr Komir, and will be subject to a foundation agreement in respect of Ekibastuzskaya GRES-1. Procedures for joint shareholder control in relation to Ekibastuzskaya GRES-2 are provided for under its charter and in the regulations governing the operation of the board of directors and the management board. The rights of the shareholders of ZhGRES are provided for under the Law on Joint Stock Companies dated 13 May 2003 No. 415-II (the "**Joint Stock Companies Law**"). The shareholders agreement in respect of Bogatyr Komir provides for a system of rotation of management and controlling functions between the two partners each five years. If the interests of the Group's partners in the joint ventures become inconsistent with the interests of the Group, the Group may not be able to continue to operate the relevant assets in the same manner as they were operated previously, as a result of which the Group's business, prospects, financial condition, cash flows and/or results of operations, and the value of the Notes could be materially adversely affected. See "*Description of the Group's Business – Principal Operations and Operating Segments – Coal mining – History and Development", "The Group's Major Subsidiaries and Joint Ventures – Ekibastuzskaya GRES-1 – Management and Employees*" and "*The Group's Major Subsidiaries and Joint Ventures – Ekibastuzskaya GRES-2*" for further details on the shareholders' and other agreements to which the Group is party with respect to its major joint ventures.

The demand for electricity in Kazakhstan may not increase at the same rate or by the same volume as the Government has assumed

The Group's investment programme (see "*Expansion Plans and Projects*") is generally based on forecasts of growth in Kazakhstan's electricity and heat energy consumption, which in turn are based on data from third parties, including The World Bank and the Ministry of Economic Development and Trade of Kazakhstan. The formulation of this programme includes the use of long-term forecasting models, which contain a number of forecasts relating to future consumption patterns and prices. Due to the risk of inaccuracy that is inherent in these models, there is no assurance that demand for electricity in Kazakhstan will grow in accordance with the forecasts and assumptions on which the Group's investment programme is based. If the actual growth in demand for electricity and heat energy in Kazakhstan is lower than forecast, the market share and forecasts of the Group may not increase in line with forecasts, and may decrease. As a result, the Group may be unable to realise the expected returns on its investments in facilities and infrastructure, or change its investment programme on a short-term basis to respond to market conditions, all of which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The position of the Group as a monopolistic or a dominant entity in certain markets may result in adverse regulatory interference in the Group's operations

The Group has a monopolistic or a dominant position in certain markets and regions where it operates and as such is regulated by the Anti-Monopoly Agency in respect of tariffs and the Competition Agency in respect of unlawful actions. In particular, the Group has a dominant position in Kazakhstan's coal production market with Bogatyr Komir's coal production accounting for 37 per cent. of Kazakhstan's aggregate coal production according to MINT. The Group also has a dominant position in the electricity distribution market in the Mangistau and Almaty regions and a monopolistic position in the electricity sale and purchase market in the Almaty region. Entities with a monopolistic position are prohibited from performing actions, that may have a detrimental effect on competition, restrict access to the market or infringe the rights of consumers, including predatory or discriminatory pricing, unjustified resale restrictions, insisting on unreasonable terms, refusing to supply or halting supplies for unjustified reasons. As a result, the Anti-Monopoly Agency and/or the Competition Agency may interfere with the Group's operations, or take other measures that may be inconsistent with the Group's strategy, and require the Group to allocate substantial resources to fulfil these requirements. Moreover, other circumstances may arise in the future in which it would be in the commercial interests of the Group to discontinue unprofitable operations and the Group may not be permitted to do so by the Government, which would mean that the Group would have to continue to perform such operations at a loss to the Group, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See "*Regulatory Review – Overview of Important Laws – The Natural Monopolies and Regulated Markets Law*", "*Regulatory Review – Overview of Important Laws – The Competition Law*", "*Regulatory Review – Major Regulation Bodies – The Anti-Monopoly Agency*", "*Regulatory Review Competition Agency*, "*Regulatory Review – Price Regulation*", "*Regulatory Review – Price Regulation – Tariffs for natural monopoly companies*".

The Group is an amalgamation of newly-acquired entities and interests and continues to acquire new entities and interests, which may not be integrated or managed successfully

The Group was established in 2007 and consists of the Issuer and its subsidiaries taken as a whole, whose operating activities include coal mining, the production of electricity and heat energy, electricity distribution and transmission, electricity sales and purchases and certain other activities (see "*Description of the Group's Business – History and Development*").

The Group continues to acquire entities, and stakes in entities, and may undertake new acquisitions and acquire new stakes in entities to take advantage of opportunities to further expand its business. The acquisition and integration of entities by the Group requires a large amount of management resource and pose risks for the Group insofar as it needs to ensure the compliance of such entities with Group-wide policies and the roll-out of modernisation policies (see "*Expansion Plans and Projects*"). There is no assurance that any acquired businesses will achieve the levels of revenue, profits or productivity that the Group anticipates or that in such businesses will otherwise perform as the Group expects.

The acquisition of businesses involves particular risks, including the potential assumption of unanticipated liabilities and contingencies and difficulties in integrating acquired businesses (for example, management cultures and styles, strategies and partners' expectations may differ, the due diligence may not have successfully disclosed all material liabilities of any business being acquired, and the acquirer may encounter difficulties in integrating different accounting methods and information technology systems and difficulty in establishing control over cash flows). In particular, further acquisitions could increase the overall complexity of the Group's business and may require the Group to incur significant expenditure to implement Group-wide standards, integrate such acquisitions, modernise and repair production facilities and appoint new qualified management and other key personnel.

Further, there is no assurance that the entities acquired by the Group will operate as the Group has forecast or that they will otherwise meet the Group's operational or strategic expectations. If the Group is not able to successfully integrate and/or manage any acquired company or assess fully the risks associated with any particular business it acquires, such acquisition may fail to achieve the anticipated results. The Group may be unable to manage these risks and management's attention may be diverted away from other ongoing business concerns. Any of the above factors could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group relies on KEGOC for the transmission of electricity and certain other services

In 1997, the Government established KEGOC, a national high-voltage power grid operator and a system operator for the Kazakhstan electricity market. KEGOC transmits electricity through the national power grid and is also responsible for technical dispatching, balancing electricity generation and consumption on a nationwide basis, the adjustment of electricity shortfalls and surpluses, and the provision of certain other services. KEGOC is also responsible for the maintenance and operation of the national power grid. KEGOC provides services at tariffs set by the Government. A single tariff applies to the transmission of electricity through the national power grid throughout the whole country. See "*Regulatory Review – Price Regulation*". The Group relies on KEGOC for the transmission of electricity to most of its wholesale customers and for balancing electricity demand and consumption. It has been the case in the past that KEGOC has failed to adjust energy shortfalls and surpluses on a timely basis and this led to certain parts of the national power grid being inoperable, as a result of which the Group was either unable to adjust its electricity production volumes or deliver electricity to its customers. If any similar failures on the part of KEGOC occur in the future, this may have a material adverse impact on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group may be limited in its ability to increase its generating output by the fact that the carrying capacity of the transmission grids is limited

The Group's ability to increase its generating output depends on the ability of the carrying capacity of the transmission grid expanding accordingly. Although KEGOC plans to develop and expand the national power grid pursuant to an approved strategy to 2025, and the Group and KEGOC work together to ensure that the required transmission capacity is available, there is no guarantee that they will be successful. Any failure on the part of KEGOC to expand its transmission network to satisfy the Group's plans to increase its transmission volumes will limit the Group's ability to transmit increased amounts of electricity, and will prevent the Group from expanding its business in accordance with its strategy, and will prevent the Group from obtaining the projected return on its investments to expand the capacity of the Group, any which factors could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects and on the value of the Notes. See "*The Group relies on KEGOC for transmission of electricity and certain other services*".

A large part of the Group's plant and equipment requires replacement, repair or modernisation and may be susceptible to technical failures or emergencies, increased maintenance costs and reduced reliability and efficiency, and it is located in certain geographical locations, susceptible to natural disasters

As at the date of this Base Prospectus, approximately 70 per cent. of the Group's plant and equipment requires replacement, repair or modernisation. Some of the Group's power units have exceeded their useful lives, see, for example, "*Expansion Plans and Projects – Aktobe TPS*" and "*Expansion Plans and Projects – Shardara HPP*". These facilities generally have lower reliability and efficiency than newer facilities and require more costly ongoing maintenance and repair works. The Group's 2012-2015 investment programme aims to modernise and renovate these facilities. See "*Description of the Group's Business – Investment Plans*" and "*Expansion Plans and Projects*". Such facilities may be particularly susceptible to technical failures and emergencies, which could result in the Group becoming unable to provide a steady supply of electricity and heat energy, deterioration in the Group's performance, and an increased risk of industrial accidents and unfavourable environmental consequences. In June 2011, an accident occurred at Alatau Zharyk's Sayabak substation due to the failure of the safety system at the substation. Although no lives were lost in connection with the accident, the Sayabak substation remains under repair and the loss connected with the accident was uninsured, which led to the Group incurring an expense of KZT 535.4 million to cover the cost of replacing the damaged equipment and construction and assembly works. Such problems, if they occur, can lead to interruptions in the operations of the Group, resulting in significant losses, as well as significant costs for the reconstruction of the facilities damaged as a result of any such failures and emergencies. In these cases, the damage may not be insured (as in the case of the Sayabak substation), or, the proceeds of insurance may not be sufficient to compensate the Group adequately for the loss or damage incurred. See "*Insurance carried by the Group may not protect it adequately against the risks that it faces*". Any of the above factors could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group may not be able to address daily, seasonal or annual fluctuations in demand for electricity

Demand for electricity and heat energy in Kazakhstan may vary significantly on a daily, seasonal or annual basis due to weather conditions and other factors. Demand for electricity and heat energy is generally higher during the period from October to April due to longer nights and colder weather. Demand may also fluctuate from year to year due to weather conditions and the condition of the global, regional and national economies. For example, demand for electricity and heat energy dropped in 2009 with the onset of the global economic crisis and its repercussions on the economy of Kazakhstan. Although the Group carefully plans its electricity and heat generation activities to allow it to satisfy seasonal swings in demand for electricity and heat energy, respectively, there is no assurance that its forecasts will be accurate. See "*Operating and Financial Review of the Group – Key Factors Affecting Results of Operations – Seasonality*".

Further, the Group's ability to generate electricity and heat energy is also affected by seasonal variations, see "*The hydropower generated electricity of the Group depends significantly on the water flow in the rivers where it operates as well as on the operating regimes of reservoirs, and further, any substantial increase in payments for water use could adversely affect the Group*".

If the Group is unable to accurately forecast seasonal demand for electricity and heat energy, it will fail to achieve expected levels of revenue during the periods when its generation, transmission and distribution capacities are operating at their maximum levels, and it may be unable to compensate for lost revenue during periods when demand for electricity and heat energy is lower. Any failure on the part of the Group to address or accurately forecast fluctuations in demand for electricity and heat energy could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group could incur significant costs for violations of applicable environmental laws and regulations

The Group's operations are subject to extensive national and local environmental laws and regulations and in carrying out its environmental policies, the Group seeks to adhere to international standards and best practices of environmental protection. These laws and regulations govern, among other things, the use of water, waste disposal, emissions, noise and the protection of endangered species. Compliance with environmental regulations is an ongoing process and although the capped tariff takes account of the requirement for the Group to improve its environmental standards, the imposition of tougher requirements, increasingly strict enforcement or new interpretations of existing environmental laws may require the Group to modify its operations, incur substantial unbudgeted costs, or incur penalties for environmental violations, all of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and on the value of the Notes. See "*Description of the Group's Business – Environmental Policy*" and "*Regulatory Review – Environmental Regulation*".

On 3 December 2011, amendments were made to the State regulation of emissions and the absorption of greenhouse gases and the Government periodically amends the national plan for the allocation of quotas for emission of greenhouse gases and plans to implement an emissions quota system on a trial basis from 2013. There are differences of interpretation of the current legislation on how such quotas should be allocated and there is a risk that according to the allocation plan, insufficient quotas for the emission of greenhouse gases will be allocated to the Group's companies, which could restrict their ability to operate at their projected capacity, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See "*Regulatory Review – Greenhouse gas regulation*".

The Group is exposed to foreign currency risk

Certain borrowings and restricted cash of the Group are denominated in foreign currencies (U.S. dollars and Euros). The Group's revenue and operating expenses are mainly denominated in Kazakhstan Tenge. Due to the fact that the variety of financial derivative instruments on the Kazakhstan market is limited and the fact that those instruments are relatively expensive, the Group's management has chosen not to hedge the Group's foreign currency risk as it considers that the benefits outweigh the costs.

As at the date of this Base Prospectus, approximately one quarter of the Group's liabilities are denominated in foreign currency and the Group plans to increase the proportion of its funding obtained through third party financing, the majority of which is likely to be denominated in foreign currency.

If the Group maintains or increases the proportion of funding it obtains in foreign currency without hedging its foreign currency risk, this will expose the Group to fluctuations in exchange rates between the Kazakhstan Tenge and the foreign currencies that make up part of its liabilities.

If the foreign currencies in which the Group obtains third-party financing strengthen significantly against the Kazakhstan Tenge, this could lead to the Group having to use a significantly larger amount of its Kazakhstan Tenge revenue to service and repay such indebtedness, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group's operations depend upon obtaining and maintaining licences and permits necessary for the operation of its business

The Group is required to conduct its operations under various licences and permits. In particular, the Group's electricity sale and purchase companies are required to obtain a licence for electricity sale and purchase, which is granted without limitation of term and prohibits the licencee from engaging in any other activities. Many power stations operated by the Group are required to maintain permits for emissions into the environment, and a number of permits, approvals and reports on examinations are required for the operation of hazardous facilities. See "*Regulatory Review — Licences and permits*". As a result, the Group's activities are dependent upon the grant, renewal and validity of these licences and permits, which in certain circumstances may be valid only for a defined period of time, may be subject to limitations and may provide for withdrawal in certain circumstances. Although as at the date of this Base Prospectus, the Group has all the licences it requires to conduct its business, there can be no assurance that new licences and permits will be granted, or that the Group's existing licences will be renewed or remain valid and, if so, on what terms. Any failure to maintain and/or obtain the necessary licences and permits, and any suspension or termination of the Group's existing licences or permits could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group may be unable to retain key personnel or attract and retain highly-qualified personnel

The Group's ability to conduct its operations is dependent upon the services of its human resources, including key engineering, managerial, financial, commercial, marketing and processing staff, and the maintenance of good labour relations. Competition for qualified personnel, especially for managerial and engineering positions, is high in Kazakhstan, due to the small pool of qualified individuals and strong demand for such individuals.

The loss of the services of key employees, any inability to attract and retain sufficient qualified staff, and any disputes with employees on an individual or collective basis, or with the trade unions within the Group companies, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See, also "*The Group's ability to operate the Bogatyr Komir mine, Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-2 and other plants that rely on the coal from Bogatyr Komir is heavily dependent upon the workforce of Ekibastuz*".

The Group's ability to operate the Bogatyr Komir mine, Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-2 and other plants that rely on the coal from Bogatyr Komir is heavily dependent upon the workforce of Ekibastuz

Three of the Group's joint ventures are the largest employers in and around the city of Ekibastuz (Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and Bogatyr Komir) and Bogatyr Komir produces most of the coal used by Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and Almaty Power Stations. The Group is therefore heavily dependent upon the population of Ekibastuz continuing to work for the Group's joint ventures and any social problems and strikes in Ekibastuz or any problems with the regional or municipal authorities could have a serious impact on the Group's coal mining and electricity generation capabilities, which in turn would have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See "*Description of the Group's Business – Employees*".

The transfer of Samruk- Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 to the Issuer has not been completed as at the date of this Base Prospectus

As at the date of this Base Prospectus, the transfer of Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 remains subject to the amendment of the foundation agreement and charter of Ekibastuzskaya GRES-1 (which are subject to the corporate approval of the Issuer and the approval of the general participants meeting of Ekibastuzskaya GRES-1) and the registration of the amended charter with the Ekibastuz Justice Department. If the Issuer is unable to procure the amendment of the foundation agreement and the charter and subsequent re-registration of Ekibastuzskaya GRES-1 with the Ekibastuz Justice Department, it may be unable to exercise joint control over Ekibastuzskaya GRES-1 in respect of the 50 per cent. participatory interest that it has acquired, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See "*Recent Developments – Acquisition of Ekibastuzskaya GRES-1*".

The Group is dependent upon third parties in its business operations

The Group is reliant on third parties to distribute much of its electricity, in particular on the national grid operated by KEGOC, and coal, in particular on the railways operated by Kazakhstan Temir Zholy, to its customers. The Group is also reliant on external suppliers of gas and fuel oil for certain of its power stations. Although in some cases, a failure by third party providers may result in the Group being entitled to compensation, there is no guarantee that such compensation will in all cases cover the Group's consequential loss, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See "*The Group relies on KEGOC for the transmission of electricity and certain other services".*

Customers may delay or fail to make payments to the Group for the electricity supplied by it to retail customers

Although the Group receives payment in advance from corporate customers, retail customers must pay for electricity within 60 days of receipt. As at 30 June 2012, the main part of the Group's impaired receivables was related to overdue payments from retail customers. Although as at the date of this Base Prospectus, retail customers form the minority of the Group's customers compared to corporate customers, which form the majority, there is a risk that the Group will not be able to collect outstanding receivables from its retail customers and that it will continue to experience delays in payments for electricity it has supplied to retail customers and regular payment failures by retail customers and substantial amounts of uncollected receivables could adversely affect the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group may be unable to generate electricity and heat energy as required under its supply contracts and therefore may need to purchase additional volumes of electricity at higher prices on the spot market

The amount of electricity and heat energy that the Group is required to provide under its supply contracts is based on its forecast annual output. If the Group is unable to generate electricity and heat energy to satisfy its contractual obligations, or to procure alternative supplies from its back-up reserves and from other Group companies, it may have to purchase additional volumes of electricity at market prices, should such volumes be available, and there is no possibility for the Group to purchase heat energy on the market. If the cost of purchasing electricity on the free market is higher than the cost which the Group had forecast, the Group will incur additional expenditure, which it will not be able to pass on to the customer. If the Group is unable to satisfy its obligations through purchases on the free market as is the case in respect of heat energy due to the absence of a free market for heat energy, the Group may incur liability under its supply contracts and its business, prospects, financial condition, cash flow and/or results of operations may be materially adversely affected, as may the value of the Notes. For a description of Kazakhstan's electricity spot market, see ''*Industry Overview – Overview of Kazakhstan's Electricity Market*''.

The Group's operational and financial history is short and its Board of Directors is relatively new

The Group was established in 2007. As a result, the Group has a short operating history and this limits the ability of investors to review historical trends in the Group's aggregate business, financial condition and results of operations. In addition, some members of the Group's Board of Directors and Management Board have limited experience in managing the Group, and the composition of the Board of Directors changed at the start of 2012 with a new chairman appointed in addition to two new independent directors. See ''*Management and Corporate Governance – Board of Directors*''. Any failure on the part of the Group's management to understand and manage the Group's business (including its associated risks) could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects and on the value of the Notes.

Any shortcomings in the Group's accounting systems and internal control could have a material adverse effect on its business, financial condition, results of operations, and prospects

Since 2008 the Group has been implementing an automated system of management accounting, one of the aims of which is the automisation of the preparation of consolidated financial statements. As at the date of this Base Prospectus, the Group is in process of completing the automation of its reporting process and it is expected that Q1 2013 consolidated reports will be generated automatically. As at the date of this Base Prospectus, the consolidation of the Group's financial statements is undertaken manually through excel spreadsheets. At head office level, the Group has created a ''reporting group'' with the goal of improving both the reporting process, and its ability to control and monitor the Group accounting process. The Group prepares its financial statements on a timely basis, with a limited number of audit adjustments. The Group is required by Samruk-Kazyna to enter financial reports into Samruk-Kazyna's SAP system which assists the Group in identifying misstatements in relation to the consolidated financial statements of the Group. However, if the Group's accounting systems fail to operate as expected and the Group is unable to produce accurate financial statements on a timely basis, the Group may not be able to have an accurate overview of the Group's financial position, and result of operations which could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects, and on the value of the Notes. Notwithstanding anything in this risk factor, this risk factor should not be seen as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Group has engaged in, and may continue to engage in transactions with related and affiliated parties that may give rise to conflicts of interest

The Group engages in transactions with related parties, including intra-Group transactions such as between Bogatyr Komir and the Group's power generating entities and with other affiliated entities in which Samruk-Kazyna has a stake, such as Kazakhstan Temir Zholy for the transportation of coal by rail, and KEGOC for the transmission of electricity. Conflicts of interest may arise between the Group and its affiliates resulting in the conclusion of transactions that are not in the best interests of the Group, which could have a material adverse effect on the Group's business, financial condition, results of operation, and prospects and the value of the Notes. See ''*Related Party Transactions*''.

The Group may incur material costs to comply with health and safety laws and regulations, and changes to such laws and regulations may materially adversely affect the Group

The Group is involved in an industry that uses high-voltage and other plant and equipment, which involves health and safety risks. As a result, the activities of the Group are subject to various health and safety laws and regulations. These laws and regulations govern, among other things, work conditions and the training of employees. It may not be possible for the Group to accurately assess the risks and liabilities to which it is subject.

In the event that such laws and regulations become more onerous, the Group will be required to incur further expenditure to comply with such laws and regulations. There is no assurance that the Group would be able to comply with any future changes to the various health and safety laws and regulations, or that it would be able recover any increased costs of having to comply with such laws and regulations from its customers, or that its business, prospects, financial condition, cash flows and/or results of operations would not be materially affected by such laws and regulations, which may in turn have a material adverse effect on the value of the Notes.

The hydropower-generated electricity output of the Group depends significantly on the water flow in the rivers where it operates as well as on the operating regimes of reservoirs

The generation of hydropower-generated energy is heavily influenced by weather conditions. For example, the volume of electricity that can be produced by the Group's hydropower stations depends significantly on the waterflow in the rivers from which it extracts water for its hydropower generating facilities. Adverse weather conditions, including sub-zero temperatures, drought, and insufficient precipitation, may limit the Group's capacity to generate electricity at such facilities. If unforeseen weather conditions limit the Group's capacity to generate electricity, this may affect the Group's ability to satisfy its contractual obligations, and reduce the Group's revenues, or otherwise risk failing to satisfy its commitments under its supply contracts, any of which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

Insurance carried by the Group may not protect it adequately against the risks that it faces

The insurance market is still in the early stages of development in Kazakhstan 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 plant and equipment, losses caused by stoppage of operations or liabilities payable to third parties due to damage caused to real estate or the environment as a result of accidents or the Group's operations. In the case of the accident at Alatau Zharyk's Sayabak substation referred to above, the losses and costs of repairing the substation were not insured and as a result the Group incurred expenses of KZT 535.4 million to cover the cost of replacing the damaged equipment and construction and assembly works, see "*A large part of the Group's plant and equipment requires replacement, repair or modernisation and may be susceptible to technical failures or emergencies, increased maintenance costs and reduced reliability and efficiency, and it is located in certain geographical locations, susceptible to natural disasters.*" Accordingly, the Group may be subject to claims not covered, or not sufficiently covered, by insurance, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes. See "*Description of the Group's Business – Insurance*".

The Group relies heavily on information technology systems to operate its business and any failure of these systems could harm its business

The Group relies heavily on information technology systems to operate its business. The hardware and software that is used by the Group may be damaged by human error, natural disasters, power loss, sabotage, computer viruses and other events. The Group's operations may also be vulnerable to system failures of other companies with whom such operations are closely linked, such as utility providers, telecommunications service providers and financial institutions. Any failure of the Group's information technology systems to support its operations could result in accidents and power outages, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group is involved in several ongoing disputes and may have to create and maintain reserves in connection with these disputes

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, as well as regulatory and administrative investigations, enquiries and actions regarding tax, labour, environmental and other matters, which, in the past, have resulted in awards, settlements or administrative sanctions, including fines against the Group. See ''*Description of the Group's Business – Litigation*''.

Due to uncertainties and changes in the legal and regulatory process, there can be no assurance that the Group will not become subject to proceedings or adjudications in the future, any of which could require the Group to create and maintain reserves, pay fines, costs, and compensation, and change the way in which it operates, any of which actions may not be covered by insurance and could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

Risk Factors Relating to Kazakhstan and Emerging Markets Generally

The Group's operations are almost exclusively conducted and almost all of its assets are located in Kazakhstan, which causes the Group to be subject to Kazakhstan specific risks, including, but not limited to, those described below. The occurrence of any of the factors described below could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations.

Emerging markets are generally subject to greater risk than more developed markets, and actual and perceived risks associated with investing in emerging economies could dampen foreign investment in Kazakhstan

The disruptions recently experienced in international and Kazakhstan capital markets have led to reduced liquidity and increased credit risk for certain market participants and have resulted in a reduction of available financing. Companies located in emerging markets, such as Kazakhstan, may be particularly susceptible to these disruptions, which could result in financial difficulties. In addition, the availability and the cost of credit to entities operating within the emerging markets are significantly influenced by levels of investor confidence in these markets generally, and, as such, any factors that impact market confidence, for example, a decrease in credit ratings or state or central bank intervention in one market could affect the price or availability of funding for entities within any of the emerging markets.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

As has happened in the past, the occurrence of financial problems or an increase in the perceived risks associated with investing in emerging economies may dampen foreign investment in Kazakhstan and adversely affect Kazakhstan's economy. In addition, during such times, companies operating in emerging markets may face severe liquidity constraints as foreign funding resources are withdrawn. Accordingly, whether or not Kazakhstan's economy is relatively stable, financial turmoil in any emerging market country, in particular countries in the Commonwealth Independent States (the ''**CIS**'') or Central Asian regions, could seriously disrupt the Group's business. In addition, a number of CIS and Central Asian countries have recently experienced political instability and terrorism, which can lead to the withdrawal of foreign investment and deter future investment. Any such disruption could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The Group is largely dependent on the economic and political conditions prevailing in Kazakhstan

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has experienced significant changes as it emerged from a centrally controlled command economy to a market-oriented economy. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment. Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of government-owned enterprises and deregulation. However, as with any transition economy, there can be no assurance that these reforms will continue or they will achieve any or all of their intended aims.

Kazakhstan's President, Nursultan Nazarbayev, is 72 years old and has been in his position since 1991. During President Nazarbayev's leadership, Kazakhstan has moved to a market-oriented economy, and to the Chairmanship of the OSCE for the calendar year 2010. In May 2007, Kazakhstan's Parliament voted to amend Kazakhstan's constitution to allow Mr Nazarbayev to run in an unlimited number of elections. While this amendment will allow President Nazarbayev to seek re-election at the end of his term, there is no guarantee that he will remain in position, and there is, as at the date of this Base Prospectus, no clear indication as to succession of the Presidency. If the current administration changes its outlook or, in the event of a change in administration, with the corresponding potential for the implementation of a political and economic outlook different from that currently pursued, the economy in Kazakhstan could be adversely affected. Changes to Kazakhstan's economy, including property, tax or regulatory regimes or other changes could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations. In addition, while Kazakhstan's political situation, as at the date of this Base Prospectus, appears to be stable, the potential for political instability resulting from the global financial and economic crisis, and the potential for the deterioration of the general economic situation in Kazakhstan along with a decline in standards of living precipitated by the global financial and economic crisis should not be underestimated. Political uncertainty represents greater financial risk for investment and, thus, companies operating in Kazakhstan may face severe liquidity constraints if foreign funding resources are withdrawn in response to changes in the political environment in Kazakhstan. Any political instability could negatively affect the economic and political environment.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including uranium, oil, natural gas, steel, copper, ferrous alloys, iron ore, aluminium, coal, lead, zinc and wheat. Therefore, Kazakhstan is dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in regional markets may adversely impact Kazakhstan's economy.

All of the above factors could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations, and on the value of the Notes.

Kazakhstan's currency control law may affect the Group's foreign currency dealings

In July 2009, President Nazarbayev signed various amendments to Kazakhstan's currency control legislation. The amendments empower the President, by special action and under circumstances when the economic stability of Kazakhstan is threatened, to introduce a special temporary currency regime that may include the following limitations: (i) require the compulsory sale of foreign currency received by Kazakhstan residents; (ii) require the placement of a certain portion of funds resulting from currency transactions into a non-interest bearing deposit account in an authorised bank or the National Bank of Kazakhstan; (iii) restrict the use of accounts in foreign banks; (iv) limit the volumes, amounts and currency of settlements under currency transactions; and (v) require a special permit from the National Bank of Kazakhstan for conducting currency transactions. Moreover, the President may impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

In order for Kazakhstan to remain in compliance with its membership obligations under the Charter of the International Monetary Fund (the "**IMF**"), the new currency regime cannot restrict residents from repaying foreign currency-denominated obligations. As at the date of this Base Prospectus, the President has not invoked the provisions of these amendments. Accordingly, it is unclear how any implementation of this currency regime would ultimately impact the Group. However, significant restrictions on the Group's foreign currency dealings could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

The outcome of the implementation of further market-based economic reforms in Kazakhstan is uncertain

The need for substantial investment in many enterprises has driven the Government's privatisation programme. The programme has excluded certain enterprises deemed strategically significant by the Government, although major privatisations in key sectors have taken place, such as full or partial sales of certain large oil and gas producers, mining companies and the national telecommunications company.

However, there remains a need for substantial investment in many sectors of Kazakhstan's economy and there are areas in which economic performance in the private sector is still constrained by an inadequate business infrastructure. Further, the significant size of the shadow economy (or black market) in Kazakhstan may adversely affect the implementation of reforms and hamper the efficient collection of taxes. The Government has stated that it intends to continue the privatisation process and to address these problems by improving the business infrastructure.

However, there can be no assurance that these measures will be effective and any failure to implement them could materially and adversely affect the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

Kazakhstan is heavily dependent upon export trade and commodity prices, and weak demand for its export products and low commodity prices may adversely affect Kazakhstan's economy in the future

Kazakhstan is negatively affected by low commodity prices, particularly its oil and gas sector, which accounted for more than 60 per cent. of the country's exports in 2010, and by economic instability elsewhere in the world. Consequently, the Government has promoted economic reform, inbound foreign investment and the diversification of the economy.

Notwithstanding these efforts, weak demand in its export markets and low commodity prices, especially with respect to the oil and gas industry, or a general downturn in the economies of any significant market for oil or other commodities may adversely affect Kazakhstan's economy in the future, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations. In addition, any fluctuations in the value of the U.S. dollar relative to other currencies may cause volatility in earnings from U.S. dollar denominated oil exports and the weakening of the U.S. dollar relative to other currencies could have a material adverse effect on Kazakhstan economy, which, in turn, could have an adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations.

Kazakhstan's legislative, judicial, tax and regulatory framework is developing and evolving

Although a large volume of legislation has been enacted since early 1995, including tax codes in January 2002 and January 2009, laws relating to foreign arbitration and foreign investment, additional regulations of the banking sector, other legislation pertaining to such matters as securities exchanges, economic partnerships and companies, along with State enterprise reform and privatisation, the legal framework in Kazakhstan is still developing and evolving compared to countries with established market economies.

The judicial system, judicial officials and other government officials in Kazakhstan may not be fully independent of external social, economic and political forces. For example, there have been cases of improper payments being made to public officials. Therefore, court decisions and administrative decisions can be difficult to predict and have on occasion been inconsistent. Kazakhstan is a civil law-based jurisdiction and, as such, judicial decisions in individual cases have no binding effect on subsequent decisions.

Further, due to ambiguities in Kazakhstan's legislation, legal and tax authorities may make arbitrary judgments and assessments of tax liabilities and challenge previous judgments and tax assessments. All these factors make it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, in particular, the uncertainty surrounding judgments rendered under the Law of Kazakhstan "On Taxes and Other Mandatory Payments into a Budget" No. 99-IV dated 10 December 2008 that became effective on 1 January 2009, as amended (the "**Tax Code**"), as well as the absence of an established system of precedent or consistency in legal interpretation, the legal and tax risks involved in doing business in Kazakhstan are relatively more significant than those in jurisdictions with a more developed legal and tax system.

In particular, it is expected that tax legislation in Kazakhstan will continue to evolve, which may result in the imposition of additional taxes, the abolishment of tax reliefs or the increase in tax rates or tax liability. Any substantial increase in tax exposure of the Group could have a material adverse effect on its business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

A perception of public corruption within Kazakhstan could adversely affect the Group

Despite the changes in the political, legal and economic environment in Kazakhstan since it became an independent country in 1991, cases of private and governmental corruption occurring in Kazakhstan have been reported in the international media. International press reports have also contained allegations that Government officials have engaged in selective investigations and prosecutions of businesses and their management, boards of directors and shareholders in order to further pursue the interests of the Government, certain Government officials or other business groups. According to the Corruption Perceptions Index published by Transparency International, which measures the perceived level of public corruption in 180 countries, during 2011 Kazakhstan was ranked number 120, indicating that a perception of corruption in the country remains widespread despite improvement made in the past years. As the Kazakhstan political system is dominated by one political party, there is a risk of lack of effective scrutiny or opposition to the activities of the Government or its officials. The perception of corruption in Kazakhstan, could negatively impact the business climate in Kazakhstan and customers' willingness to do business in Kazakhstan, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

Exchange rate policy could have an adverse impact on the Group and Kazakhstan's public finances and economy

The KZT is convertible for current accounting transactions, although it is not a fully convertible currency for capital accounting transactions outside Kazakhstan. Since the National Bank of Kazakhstan adopted a floating rate exchange policy for the KZT in April 1999, the KZT has fluctuated significantly. Until its recent devaluation, the KZT had generally appreciated in value against the U.S. dollar over the past several years. Exchange rates may also be affected by the levels of inflation in Kazakhstan as high rates of inflation tend, over time, to lead to a depreciation of currency.

On 4 February 2009, the National Bank of Kazakhstan devalued the KZT by 18 per cent. to KZT 143.98 per U.S. $1.00. This devaluation was due in part to pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas) in the international markets. Devaluation of the KZT was also intended to enhance the export competitiveness of Kazakhstan goods. As at 31 December 2011, the official KZT/U.S.$ exchange rate reported by the National Bank of Kazakhstan was KZT 148.40 per U.S.$1.00. Since 31 December 2009, the KZT has depreciated against the U.S. dollar by approximately 0.03 per cent.

Because a significant majority of the Group's revenues are denominated in the KZT and the borrowings of the Issuer under the Notes are denominated in U.S. dollars and a further significant portion of the Group's borrowings are denominated in foreign currencies (U.S. dollars, Euro and Russian Roubles) the ability of the Issuer to pay sums owing under the Notes as they fall due is sensitive to currency exchange rate fluctuations, and the devaluation of the KZT against such foreign currencies may have an overall adverse effect on the Group.

There can be no assurance that the National Bank of Kazakhstan will continue a managed exchange rate policy, which could have an adverse impact on Kazakhstan's public finances and economy generally, and which could, in turn, adversely affect the Group's business, prospects, financial condition, cash flows and/or results of operations and on the value of the Notes.

Kazakhstan has a less developed securities market than the United States, the United Kingdom and the rest of Western Europe, which may hinder the development of Kazakhstan's economy and adversely affect the value of the Notes

An organised securities market was established in Kazakhstan in the mid-1990s, but procedures for settlement, clearing and registration of securities transactions continue to be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are not as well developed or as strictly enforced in Kazakhstan as they are in the United States, the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. Taking into account that the level of disclosure in Kazakhstan is much lower than in United States, the United Kingdom or other Western European countries, less information relating to Kazakhstan entities, such as the members of the Group, may be publicly available. These factors may impair foreign investment in Kazakhstan, which may hinder the development of Kazakhstan's economy. Further, the Issuer intends to list the Notes issued under the Programme on both the Irish Stock Exchange and the KASE. Kazakhstan's existing securities laws and regulations, including official interpretation and application thereof, are relatively new and subject to change at any point. While the Issuer believes it is complying with all applicable securities laws in connection with the listing of the Notes issued under the Programme on the KASE, no assurances can be given that securities regulators may decide that the Issuer needs to comply with additional or different regulations. As at the date of this Base Prospectus, the consequences of non-compliance with such additional regulations, are unclear. Accordingly, any such consequences could have a material adverse impact on the Issuer and/or the value of the Notes.

In addition, the corporate governance regime in Kazakhstan is less developed than in the United States, the United Kingdom and other western European countries. Although recent legislative developments have occurred in this area, the duties and liabilities of the members of board of directors and management board of joint stock companies under Kazakhstan law are different, in particular in scope and application, from those generally applicable to corporations and companies organised in the United States, the United Kingdom and other western European countries. The adoption of corporate governance codes is more formalistic, and the level of conformity with corporate governance standards by local companies is low. These factors may hinder the transparency and performance of legal entities in Kazakhstan.

The crisis in the global financial markets and the deterioration of general economic conditions has materially and adversely affected Kazakhstan's banking sector and could continue to do so

Factors outside Kazakhstan have also had an impact on Kazakhstan's economy, specifically the finance and banking sectors. The global economy and the global financial system have experienced a period of significant turbulence and uncertainty, exemplified by the severe disruption of the financial markets around the world that began in August 2007, substantially worsened in 2008 and continued through most of 2009 and 2010, with adverse consequences for many large global commercial and investment banks, insurance companies and other financial institutions, including the ones in Kazakhstan. In Kazakhstan, the crisis produced increased inflation, higher unemployment, reduced corporate profitability, and increased corporate and personal insolvency rates. The crisis also resulted in increased volatility in market interest rates and foreign exchange rates and increased volatility and reduced liquidity in the equity and bond markets, which both limited the availability of and increased the cost of funding, along with heightening counterparty risk, all of which undermined business and consumer confidence.

Governments around the world, including Kazakhstan, have sought to inject liquidity into their national banking systems and to recapitalise their banking sectors both to reduce the risk of systemic failure and to increase confidence in the financial markets. Kazakhstan has been slowly recovering from the recent financial crisis primarily due to high oil prices in the international markets. However, in the first half of 2012 the Government expressed concern about the potential impact of the second wave of the global financial crisis which Kazakhstan's economy may experience throughout 2012 and 2013. The Government has stated that, as at the date of this Base Prospectus, it is planning measures to address the second wave of the continuing financial crisis. However, there is no assurance that such measures will be successful. These factors may hinder the development of Kazakhstan's economy and could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations and on the value of the Notes.

The members of the Group cannot ensure the accuracy of official statistics and other data in this Base Prospectus published by Kazakhstan authorities

Official statistics and other data published by Kazakhstan authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. The Issuer has not independently verified such official statistics or other data and any discussion of matters relating to Kazakhstan in this Base Prospectus is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this Base Prospectus has been extracted from official Government sources and was not prepared in connection with the preparation of this Base Prospectus.

In addition, certain information contained in this Base Prospectus is based on the knowledge and research of the management of the Issuer using information obtained from non-official sources. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the reliability or completeness of such information. This information was not prepared in connection with the preparation of this Base Prospectus and therefore remains subject to uncertainties and cannot be assured.

Risks relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour or any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Change of law may adversely affect the Notes

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Definitive Notes will not be issued in integral multiples of less than €100,000

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Although application may be made to list the Notes, there is no prior market for the Notes

An active trading market in the Notes may not develop or be maintained after any listing. In addition, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The trading price of the Notes may be volatile

In recent years stock markets have experienced significant price fluctuations. These fluctuations often were unrelated to the operating performance of the companies whose securities are traded on such stock markets. Market fluctuations as well as adverse economic conditions have negatively affected the market price of many securities and may affect the market price of the Notes. In particular, the markets for securities bearing emerging market risks, such as risks relating to Kazakhstan, may be volatile. Markets for such securities are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including Kazakhstan.

The Notes may be subject to exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the ''**Investor's Currency**'') other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Credit ratings of the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The Issuer may offer further issues of Notes with original issue discount

The Issuer may offer further Notes with original issue discount for United States federal income tax purposes (''**OID**'') as part of a further issue of Notes to be consolidated with and form a single Series therewith. Purchasers of Notes after the date of consolidation of any further issue of Notes will not be able to differentiate between the Notes sold as part of the further issue and previously issued Notes. If the Issuer were to issue further Notes with OID, purchasers of Notes after such a further issue of Notes may be required to accrue OID (or greater amounts of OID than they would otherwise have accrued) with respect to their Notes. These OID consequences may affect the price of outstanding Notes following a further issue. Prospective purchasers of Notes should consult their own tax advisers with respect to the implications of any future decision by the Issuer to undertake a further issue of Notes with OID.

There are risks in relation to modifications, waivers and substitutions

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions stipulate defined majorities required to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, or (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Notes or the Trust Deed that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders, as further described in Condition 11 (Meetings of Noteholders, Modification and Waiver).

The EU Savings Directive may result in withholding on the Notes

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other counties). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying and Transfer Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying and Transfer Agent, the Issuer will be required to maintain a Paying and Transfer Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other non-U.S. financial institutions to which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 pursuant to the foreign account tax compliance provisions (''**FATCA**'') of the Hiring Incentives to Restore Employment Act of 2010. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (''**FFI**'') (as defined in FATCA) which enters into an agreement with the U.S. Internal Revenue Service (''**IRS**'') to provide certain information on its account holders (making the Issuer a ''**Participating FFI**''), (ii) the Issuer has a positive ''passthru percentage'' (as defined in FATCA), and (iii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS, or (c) any FFI to or through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding. The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

The application of FATCA to Notes issued or materially modified on or after 1 January 2013 may be addressed in the Final Terms or a supplementary Base Prospectus, as applicable.

FATCA is particularly complex and its application to the Issuer, the Notes and the Holders of the Notes is uncertain at this time. Each Noteholder should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each Holder in its particular circumstance.

Delisting of the Notes from the official list of the KASE may subject interest and gains on the Notes to tax in Kazakhstan

The Notes are admitted to the official list of the KASE. It is expected that payments of interest and gains on the Notes would be exempt from withholding tax due to the favourable treatment available for securities listed on the KASE under Kazakhstan legislation in effect as of the date of this Base Prospectus (as furhter described in ''*Taxation – Kazakhstan Taxation*''). No assurance can be given that the Notes will be listed on the KASE as at each Interest Payment Date or during the term of the Notes, or that the tax and securities laws in Kazakhstan will not change materially, resulting in such tax relief no longer being available.

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of any Notes is likely to limit the market value of such Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

OVERVIEW OF THE PROGRAMME

Issuer:	''Samruk-Energy'' Joint Stock Company
Description:	Global Medium Term Note Programme
Size:	Up to U.S.$680,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arrangers:	The Royal Bank of Scotland plc, SIB (Cyprus) Limited and Troika Dialog Kazakhstan JSC
Dealers:	The Royal Bank of Scotland plc, SIB (Cyprus) Limited and Troika Dialog Kazakhstan JSC The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to ''**Permanent Dealers**'' are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to ''**Dealers**'' are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Deutsche Trustee Company Limited
Principal Paying Agent and Exchange Agent:	Deutsche Bank AG, London Branch
Non-U.S. Registrar, Paying Agent and Transfer Agent:	Deutsche Bank Luxembourg S.A.
U.S. Registrar, Paying Agent and Transfer Agent:	Deutsche Bank Trust Company Americas
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant Conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.
FMSC Permission:	No Notes may be issued or offered without the prior permission of the FMSC.
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be Bearer Notes or Registered Notes. Each Tranche of Bearer Notes will be represented by a Temporary Global Note if (i) Definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in ''*Overview of the Programme – Selling Restrictions*''). Otherwise such Tranche will be represented by a Permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of

	Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as ''**Global Certificates**''. Registered Notes sold in an ''offshore transaction'' within the meaning of Regulation S will initially be represented by a Regulation S Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Rule 144A Global Certificate.
Clearing Systems:	Euroclear and Clearstream for Bearer Notes. Euroclear, Clearstream and DTC for Registered Notes or as specified in the Final Terms. JSC Central Securities Depositary (Kazakhstan) in relation to any Notes trading or to be traded on the KASE. Such other clearing systems as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination:	Definitive Notes will be in such denominations (each, as ''**Specified Denomination**'') as may be specified in the Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in an EEA Member State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); (ii) in the case of any Notes to be sold in the United States to QIBs, the minimum Specified Denomination shall be U.S.$200,000; and (iii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the Final Terms.
Floating Rate Notes:	Floating Rate Notes (as defined in the Conditions) will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be specified in the Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in the Conditions) may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual

	periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the Final Terms.
Redemption:	The Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Tax Redemption:	Except as described in "*Optional Redemption*" above, and subject as described in "*Redemption*" above, early redemption of any Notes will only be permitted for tax reasons as described in Condition 6(c) (*Redemption for Taxation Reasons*).
Noteholder Put Option upon Change of Control:	If the Government ceases to own (directly or indirectly) 80 per cent. of the issued share capital of the Issuer or ceases to control, directly or indirectly, the Issuer, save as approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, then each Note in respect of which the Final Terms specifies that the Change of Control Put Option is applicable will be redeemable at the option of the holder at the Change of Control Redemption Amount set out in the Final Terms, together with (if applicable) interest accrued to but excluding the relevant Put Date (as defined in the Conditions) if such option is exercised within the period of 30 days after the relevant Change of Control Notice (as defined in the Conditions) is given.
Status of the Notes:	Subject as set out in Condition 4(a) (*Negative Pledge*) below, the Notes are direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer which rank *pari passu*, without any preference among themselves and, subject as aforesaid, with all other present and future unsecured and unsubordinated indebtedness of the Issuer and other monetary obligations of the Issuer.
Taxation:	All payments of principal and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by or within the jurisdiction of organisation of the Issuer, or any jurisdiction from or through which payment is made and (if different) any jurisdiction in which the payor is resident for tax purposes at the time of payment, and any political subdivision or taxing authority thereof or therein, unless such withholding or deduction is required by law. In that event, the Issuer will, subject to customary exceptions, pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. See Condition 8 (*Taxation*).
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 4(a) (*Negative Pledge*).
Cross Default:	The Notes will have the benefit of a cross-default provision as described in Condition 10(c) (*Cross-Default*).

Covenants:	The Conditions contain certain covenants by the Issuer, *inter alia*, limiting disposals, mergers and acquisitions, incurrence of indebtedness, payment of dividends, transactions with affiliates and changes of business, all as further described in Condition 4 (*Covenants*).
Ratings:	The Programme is expected to be rated by S&P and by Fitch. Tranches of Notes may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Governing Law:	English.
Listing and Admission to Trading:	Application has been made to the Irish Stock Exchange for the Notes, which are issued within 12 months of the date of this Base Prospectus, to be admitted to the Official List and to trading on the Main Securities Market, or as otherwise specified in the Final Terms and references to listing shall be construed accordingly. In addition, with respect to each issue of Notes under the Programme, the Issuer will make an application to the KASE for such Notes to be admitted to the official list of the KASE. In order for payments of interest to be made on the Notes exempt of Kazakhstan withholding tax it will be necessary for the Notes to be admitted to the official list of the KASE. As specified in the relevant Final Terms, a Series of Notes may be listed only on KASE.
Selling Restrictions:	The United States, the EEA (in respect of Notes having a specified denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, Kazakhstan, and Japan. See "*Subscription and Sale*". Bearer Notes will be issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the Final Terms states that Notes are issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act 1982 ("**TEFRA**"), which circumstances will be referred to in the Final terms as a transaction to which TEFRA is not applicable.

EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. Prior to 5 April 1999, the National Bank of Kazakhstan (the "**NBK**") maintained a managed floating exchange rate system with the rate being determined on the basis of market developments and the NBK's role in setting the exchange rate was limited to interventions in the domestic currency market in order to prevent exchange rate volatility caused by short term changes in supply and demand. In April 1999, the NBK and the Government publicly announced that the NBK would cease to establish fixed exchange rates for the Tenge and permit the exchange rate to float freely, and that the NBK would continue to intervene in the foreign exchange market only where necessary to support the Tenge. This decision was supported by international financial organisations such as the IMF. As a result, the Tenge depreciated from a pre-announcement rate of KZT 88.00 per U.S. dollar to a rate of approximately KZT 130.00 per U.S. dollar by May 1999. For the next three years the Tenge generally continued to depreciate in nominal terms against the U.S. dollar, although from 2002 to 2008 it strengthened overall against the U.S. dollar as a result of export proceeds from oil, agricultural products and other commodities. On 4 February 2009, the NBK reduced its level of support for the Tenge/U.S. dollar exchange rate from KZT 117 – KZT 123 per U.S. dollar to KZT 150 per U.S. dollar (+/-5 per cent.). This devaluation was due in part to recent pressure on the balance of payments of Kazakhstan as a result of a decline in commodity prices (in particular oil and gas) in the international markets and to prevent a significant decrease of Kazakhstan's gold and currency reserves. It was also intended to enhance export competitiveness. In February 2011, the NBK cancelled this exchange rate fluctuation corridor and changed to a new currency support regime. This new "managed floating exchange rate" regime generally allows the NBK to intervene when necessary to support the Tenge, without any reference to a formal fluctuation corridor or specific parameters. NBK officials believe this will help strengthen the Tenge.

The following table sets out the period-end, average and low and high rates for Tenge, each expressed in Tenge and based on the KZT/U.S. dollar exchange rates on the KASE, as reported by the NBK:

Period Ended	Period End	Average	High	Low
31 December 2005	133.77	132.88	136.12	129.83
31 December 2006	127.00	126.07	133.85	117.25
31 December 2007	120.30	122.55	127.00	118.79
31 December 2008	120.77	120.29	120.87	119.48
31 December 2009	148.36	147.50	151.40	120.79
31 December 2010	147.40	147.34	148.46	146.41
31 December 2011	148.40	146.62	148.40	145.17
31 January 2012	148.60	148.36	148.61	148.08
29 February 2012	147.65	148.25	148.72	147.62
31 March 2012	147.77	147.80	147.99	147.51
30 April 2012	147.89	147.82	148.29	147.50
31 May 2012	147.91	147.87	148.06	147.62
30 June 2012	149.42	148.84	149.42	148.02
31 July 2012	149.93	149.72	150.03	149.29
31 August 2012	149.41	149.52	150.22	148.86
30 September 2012	149.86	149.77	150.15	149.34
31 October 2012	150.66	150.38	150.68	149.86

The above rates may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this Base Prospectus. The inclusion of these exchange rates is not intended to suggest that the Tenge amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, or at all.

Exchange Controls

Kazakhstan has accepted the conditions of paragraphs 2, 3 and 4 of Article VIII of the IMF Charter and, as a result, has agreed not to introduce or increase any exchange rate restrictions, introduce or modify any practice of multiple exchange rates, enter into any bilateral agreements violating Article VIII or impose any import restrictions. In accordance with Article VIII, a new law on currency regulation was adopted in 1996. According to this law, all current account operations, including transfers of dividends, interest and other investment income, may be made without restriction. Only certain outflowing and inflowing capital account operations require notification to, or registration with, the NBK. Capital inflows are registered and monitored for statistical purposes only, but are not restricted.

Following the influx of U.S. dollars into Kazakhstan due to, among other things, rising oil prices, a number of steps aimed at liberalising the currency control regime were undertaken in Kazakhstan from 2002 to 2004. The Law on Currency Regulation and Currency Control and supporting regulations came into effect at the end of 2005, representing a significant milestone towards achieving the liberalisation of currency operations, extension of export of capital and elimination of double control in Kazakhstan. Among other things, the new currency control rules substantially expanded the classes of Kazakhstan investors that can invest abroad and eased the requirements for international financing in Kazakhstan.

Since 1 January 2007, when certain provisions of the Law on Currency Regulation and Currency Control came into effect, it has become unnecessary to obtain an NBK licence for any foreign currency transactions, including the opening by Kazakhstan residents of accounts with foreign banks. Further, since 1 January 2007, most foreign currency transactions only require notification to the NBK, or are not subject to currency control at all. Only financial loans (with a non-bank local counterparty), direct investments and certain other capital account operations require registration with the NBK. With respect to most of their offshore operations, Kazakhstan banks are only obliged to notify the NBK as to the existence of such operations.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used by the Issuer for its general corporate purposes.

CAPITALISATION

The following table sets out the Group's consolidated cash and cash equivalents and total capitalisation on an actual basis as at 30 June 2012. This information should be read in conjunction with "*Selected Financial and Other Information*", "*Operating and Financial Review of the Group*" and the Group's Consolidated Financial Statements, included elsewhere in this Base Prospectus.

	As at 30 June 2012
	(in thousands of Kazakhstan Tenge)
Cash and cash equivalents	**52,655,801**
Borrowings	
Current borrowings[1]	12,181,541
Non-current borrowings[2]	83,797,844
Total Borrowings	**95,979,385**
Equity	
Share capital (5,062,715 shares issued and outstanding)	121,248,892
Other reserves	29,471,162
Retained earnings	26,110,998
Equity attributable to the Group's equity holders	**176,831,052**
Non-controlling interest	**2,185,343**
Total Equity	**179,016,395**
Total capitalisation[3]	**272,810,437**

On 1 November 2012, the Issuer placed 355,798 new ordinary shares with a value of KZT 101,620.1 million with Samruk-Kazyna pursuant to the first step of the GRES-1 Acquisition. See "*Recent Developments*".

1 Current borrowings include the current portion of non-current borrowings

2 Non-current borrowings exclude the current portion of non-current borrowings

3 Total capitalisation is calculated as the sum of total borrowings and equity attributable to the Group's equity holders.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables present selected consolidated financial information and should be read in conjunction with the Group's Consolidated Financial Statements included in this Base Prospectus, as well as with the sections entitled "*Presentation of Financial and Other Information*" and "*Operating and Financial Review of the Group*".

The financial information as at and for the year ended 31 December 2011 has been extracted from the Group's 2011 Consolidated Financial Statements except for the statement of comprehensive income, financial position and cash flows items for which the presentation was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's Interim 2012 Consolidated Financial Statements. The financial information as at and for the year ended 31 December 2010 has been extracted from the Group's 2010 Consolidated Financial Statements except for the financial information for which the presentation of was changed in the Group's 2011 Consolidated Financial Statements and which has been extracted from the comparative columns in the Group's 2011 Consolidated Financial Statements and except for the statement of comprehensive income, financial position and cash flows items for which the presentation was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's Interim 2012 Consolidated Financial Statements. The financial information as at and for the year ended 31 December 2009 has been extracted from the comparative columns in the Group's 2010 Consolidated Financial Statements except for the statement of comprehensive income, financial position and cash flows items for which the presentation was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's 2011 Consolidated Financial Statements and Group's Interim 2012 Consolidated Financial Statements. See "*Impact of Changes in Presentation*" for reconciliations to the Group's Consolidated Financial Statements of the comprehensive income, financial position and cash flows data presented herein for the years ended December 2011, 2010 and 2009.

The following table sets out the principal components of the Group's consolidated statement of comprehensive income for the periods indicated.

	Six months ended 30 June		**Year ended 31 December**		
	2012	**2011**	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)				
Revenue	47,528,892	44,094,694	85,549,944	76,939,880	64,454,276
Cost of sales	(36,198,072)	(33,242,098)	(68,823,661)	(60,932,911)	(42,212,649)
Gross profit	**11,330,820**	**10,852,596**	**16,726,283**	**16,006,969**	**22,241,627**
Other income/(expenses)	1,579,532	(106,013)	1,444,122	745,124	1,424,914
Distribution costs	(74,308)	(65,140)	(112,733)	(124,375)	(94,606)
General and administrative expenses	(3,595,360)	(2,646,411)	(6,405,338)	(4,881,940)	(5,124,649)
Share in profit of joint ventures and associates	5,238,629	6,904,340	10,024,877	3,449,023	511,809
Finance income	824,213	755,636	834,330	2,654,737	1,432,883
Finance costs	(2,564,418)	(2,686,968)	(5,365,512)	(5,553,261)	(20,684,200)
Profit/(loss) before income tax	**12,739,108**	**13,008,040**	**17,146,029**	**12,296,277**	**(292,222)**
Income tax expense	(2,064,143)	(2,011,930)	(2,219,436)	(1,214,688)	(2,436,420)
Profit/(loss) for the period	**10,674,965**	**10,996,110**	**14,926,593**	**11,081,589**	**(2,728,642)**
Profit is attributable to:					
Equity holders of the Group	10,631,910	10,721,679	14,794,171	10,862,599	(1,429,656)
Non-controlling interest	43,055	274,431	132,422	218,990	(1,298,986)
Total comprehensive income (loss) for the period	**10,674,965**	**10,996,110**	**14,926,593**	**11,081,589**	**(2,728,642)**

The following table sets out consolidated statement of financial position data for the periods indicated.

	As at 30 June	As at 31 December		
	2012	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)			
Assets				
Non-current assets				
Property, plant and equipment	173,406,524	164,025,004	116,876,601	70,653,268
Investment property	979,620	1,031,179	1,134,297	1,237,415
Intangible assets	700,469	711,149	331,676	164,620
Investments in joint ventures and associates	59,466,739	55,703,630	53,736,079	54,780,386
Other non-current assets	9,500,537	11,901,377	27,190,622	24,152,046
Total non-current assets	**244,053,889**	**233,372,339**	**199,269,275**	**150,987,735**
Current assets				
Inventories	7,570,467	10,604,059	7,922,951	5,794,665
Trade and other receivables	6,164,579	6,704,174	11,078,282	8,440,254
Other current assets	14,553,645	11,294,781	6,521,568	1,674,016
Income tax prepaid	370,462	382,415	362,156	216,889
Cash and cash equivalents	52,655,801	49,844,147	14,988,160	11,983,674
Assets classified as held for sale and assets of disposal group	–	10,126,416	3,906,929	3,900,972
Total current assets	**81,314,954**	**88,955,992**	**44,780,046**	**32,010,470**
Total assets	**325,368,843**	**322,328,331**	**244,049,321**	**182,998,205**
Equity				
Share capital	121,248,892	120,294,884	76,715,078	32,255,100
Other reservers	29,471,162	29,471,162	26,833,774	11,745,568
Retained earnings	26,110,998	19,917,339	6,771,848	(4,086,756)
Equity attributable to the Group's equity holders	**176,831,052**	**169,683,385**	**110,320,700**	**39,913,912**
Non-controlling interest	2,185,343	2,142,287	1,981,484	1,687,219
Total equity	**179,016,395**	**171,825,672**	**112,302,184**	**41,601,131**
Liabilities				
Non-current liabilities				
Ash dump restoration provision	369,609	352,350	362,234	175,742
Employee benefit obligations	886,236	889,962	240,558	48,121
Borrowings	83,797,844	83,506,212	77,411,510	79,557,179
Other non-current liabilities	7,813,889	7,550,074	8,106,869	8,730,675
Deferred income tax liabilities	5,710,999	5,154,614	5,035,181	2,769,715
Total non-current liabilities	**98,578,577**	**97,453,212**	**91,156,352**	**91,281,432**
Current liabilities				
Borrowings	12,181,541	16,060,628	9,079,618	23,013,082
Employee benefit obligations	54,467	59,025	42,577	4,114
Provisions for liabilities and charges	7,342,179	8,312,179	8,244,672	7,274,672
Trade and other payables	27,257,237	27,361,186	22,428,521	18,779,241
Taxes payable and other payables to budget	709,085	678,769	692,621	667,173
Income tax payable	229,362	448,150	55,263	342,818
Liabilities of disposal group, classified as held-for-sale	–	129,510	47,513	34,542
Total current liabilities	**47,773,871**	**53,049,447**	**40,590,785**	**50,115,642**
Total liabilities	**146,352,448**	**150,502,659**	**131,747,137**	**141,397,074**
Total liabilities and equity	**325,368,843**	**322,328,331**	**244,049,321**	**182,998,205**

The following table sets out the principal components of the Group's cash flows from operating, investing and financing activities for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Net cash from operating activities	9,126,041	9,539,749	26,430,633	12,553,754	9,720,160
Net cash used in investing activities	(4,526,268)	(11,378,892)	(47,023,255)	(54,764,699)	(22,106,813)
Net cash (used in)/from financing activities	(1,788,119)	1,876,226	55,448,609	45,215,431	11,603,367
Net increase/(decrease) in cash and cash equivalents	**2,811,654**	**37,083**	**34,855,987**	**3,004,486**	**(783,286)**
Cash and cash equivalents at the beginning of the year	49,844,147	14,988,160	14,988,160	11,983,674	12,766,960
Cash and cash equivalents at the period end	**52,655,801**	**15,025,243**	**49,844,147**	**14,988,160**	**11,983,674**

The following table sets out the Adjusted EBITDA excluding share of profit or loss of joint ventures of the Group for the periods indicated by reporting segment and on a total basis.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Adjusted EBITDA excluding share of profit or loss of joint ventures from the production of electric energy and heating energy	8,873,098	9,664,305	15,378,975	10,173,971	7,991,150
Adjusted EBITDA excluding share of profit or loss of joint ventures from electric energy transmission and distribution	3,343,045	2,799,129	3,851,768	4,423,681	4,702,092
Adjusted EBITDA excluding share of profit or loss of joint ventures from the sale of electric energy	353,197	(497,225)	(592,116)	567,978	220,279
Adjusted EBITDA excluding share of profit or loss of joint ventures from other segments	(271,347)	(407,730)	43,886	1,767,601	(449,531)
Total Adjusted EBITDA excluding share of profit or loss of joint ventures for the period[1]	**12,297,993**	**11,558,479**	**18,682,513**	**16,933,231**	**12,463,990**

1 Non-IFRS financial information presented as supplemental measures of the Group's operating performance. These supplemental measures have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of the Company's operating results as reported under IFRS. For the definition of these measures and additional information see "*Presentation of Financial and Other Information-Non-IFRS Financial Information*".

The following table sets out the Adjusted EBITDA of the Group (which includes the Group's share of profit or loss from joint ventures) for the periods indicated by reporting segment and on a total basis.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Adjusted EBITDA from the production of electric energy and heating energy	12,198,558	13,546,116	21,284,134	13,653,526	8,239,507
Adjusted EBITDA from electric energy transmission and distribution	3,343,045	2,799,129	3,851,768	4,423,681	4,702,092
Adjusted EBITDA from the sale of electric energy	353,197	(497,225)	(592,116)	567,978	220,279
Adjusted EBITDA from other segments (including coal mining)	1,736,304	2,609,423	3,940,635	1,735,556	(186,079)
Total Adjusted EBITDA[1,2] for the period	**17,631,104**	**18,457,443**	**28,484,421**	**20,380,741**	**12,975,799**

1 Adjusted EBITDA of the Group (which includes the Group's share of profit or loss of joint ventures) is a key financial metric for the Group and a key financial metric for the Notes as it is equal to ''Consolidated Adjusted EBITDA'' as defined in the Conditions.

2 Non-IFRS financial information presented as supplemental measures of the Group's operating performance. These supplemental measures have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of the Company's operating results as reported under IFRS. For the definition of these measures and additional information see ''*Presentation of Financial and Other Information-Non-IFRS Financial Information*''.

The following table presents a reconciliation of Adjusted EBITDA, and Adjusted EBITDA excluding share of profit or loss of the joint ventures of the Group, to the Group's profit for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Profit/(loss) for the period	10,674,965	10,996,110	14,926,593	11,081,589	(2,728,642)
Income tax expense	2,064,143	2,011,930	2,219,436	1,214,688	2,436,420
Finance costs	2,564,418	2,686,968	5,365,512	5,553,261	20,684,200
Finance income	(824,213)	(755,636)	(834,330)	(2,654,737)	(1,432,883)
Depreciation and amortisation	4,080,415	2,988,029	6,663,942	5,187,453	3,543,872
Impairment (reversal of impairment) on property, plant, and equipment	–	535,418	366,237	–	(9,527,168)
Share of profit or loss of associates	94,482	(5,376)	(222,969)	(1,513)	–
Income from legal claims	(1,023,106)	–	–	–	–
Adjusted EBITDA	**17,631,104**	**18,457,443**	**28,484,421**	**20,380,741**	**12,975,799**
Share of profit of joint ventures	**(5,333,111)**	**(6,898,964)**	**(9,801,908)**	**(3,447,510)**	**(511,809)**
Adjusted EBITDA excluding share of profit or loss of joint ventures	**12,297,993**	**11,558,479**	**18,682,513**	**16,933,231**	**12,463,990**

The following table sets out Pro Forma Adjusted EBITDA of the Group for the periods indicated.

	Six months ended 30 June 2012	Year ended 31 December 2011
	(in thousands of Kazakhstan Tenge)	
Pro Forma Adjusted EBITDA[1,2]	**26,745,209**	**42,215,320**

1 Non-IFRS financial information presented as supplemental measures of the Group's operating performance. These supplemental measures have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of the Company's operating results as reported under IFRS. For the definition of these measures and additional information see "*Presentation of Financial and Other Information-Non-IFRS Financial Information*".

2 Starting from the date of the GRES-1 Acquisition and going forward, "Consolidated Adjusted EBITDA", as defined in the Conditions, will include the Group's proportionate share of profit or loss of Ekibastuzskaya GRES-1 for the period.

The following table presents a reconciliation of the Pro Forma Adjusted EBITDA of the Group to the pro forma Group's profit referred to in the unaudited pro forma condensed consolidated statements of comprehensive income for the six months ended 30 June 2012 and the year ended 31 December 2011. See "*Unaudited Pro Forma Condensed Consolidated Financial Information*".

	For the six months ended 30 June 2012	For the year ended 31 December 2011
	(in thousands of Kazakhstan Tenge)	
Profit for the period	18,810,570	26,616,492
Income tax expense	2,022,143	2,219,436
Finance costs	3,584,918	7,406,512
Finance income	(824,213)	(834,330)
Depreciation and amortisation	4,080,415	6,663,942
Impairment on property, plant, and equipment	–	366,237
Share of profit or loss of associates	94,482	(222,969)
Income from legal claims	(1,023,106)	–
Pro Forma Adjusted EBITDA	**26,745,209**	**42,215,320**

The following table sets out certain key line items from the Group's Consolidated Financial Statements for the periods indicated, each translated into U.S. dollars at the NBK exchange rate as of 30 June 2012, which was KZT 149.42 to U.S.$ 1.0.

	Six months ended 30 June 2012	Year ended 31 December 2011
	(in millions of U.S. dollars)	
Revenue	318.1	572.5
Cost of sales	(242.3)	(460.6)
Gross profit	75.8	111.9
Profit for the period	71.4	99.9
Total assets	2,177.5	2,157.2
Total liabilities	979.5	1,007.2

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following Unaudited Pro forma Financial Information is presented to illustrate the effect of the transaction between the Issuer and Samruk-Kazyna as if the 50 per cent. participatory interest in Ekibastuzskaya GRES-1 had been transferred by Samruk-Kazyna to the Issuer and the ordinary and preference shares had been issued by the Issuer as purchase consideration as at 30 June 2012 (with respect to the unaudited pro forma condensed consolidated interim statement of financial position as at 30 June 2012) and as at 1 January 2011 (with respect to the unaudited pro forma condensed consolidated statement of comprehensive income for the year ended 31 December 2011 and the six months ended 30 June 2012).

The Unaudited Pro forma Financial Information reflects the impact of the purchase of Ekibastuzskaya GRES-1 on the Group's historical financial position and results of operations using the equity method of accounting. Under the equity method of accounting, the investment in Ekibastuzskaya GRES-1 is recorded at the Issuer's purchase consideration under ''*Investments in joint ventures and associates*'' in the asset section of the unaudited pro forma condensed consolidated statement of financial position. The Group's share in profit of Ekibastuzskaya GRES-1 is recorded under ''*Share in profit of joint ventures and associates*'' within the profit before income tax of the unaudited pro forma condensed consolidated statement of comprehensive income.

The Unaudited Pro forma Financial Information is based on estimates and assumptions deemed appropriate by the Group. The Unaudited Pro forma Financial Information has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or operating results had the GRES-1 Acquisition and the issue of the ordinary and preference shares occurred as of these dates.

The Unaudited Pro forma Financial Information has been prepared based on the Group's historical consolidated financial data and Ekibastuzskaya GRES-1's historical financial data which has been extracted from the Group's Consolidated Financial Statements and Ekibastuzskaya GRES-1's financial statements, respectively, included elsewhere in this Base Prospectus.

The Unaudited Pro forma Financial Information should not be relied upon as an indication of the financial position or operating results that would have been achieved nor should it be used as an indication of the results that the Group will achieve following the Group's acquisition of Ekibastuzskaya GRES-1 and the issue of the ordinary and preference shares.

The Unaudited Pro forma Financial Information presented below should be read in conjunction with (i) ''*Operating and Financial Review of the Group*'', (ii) the Group's Consolidated Financial Statements, and (iii) the Ekibastuzskaya GRES 1 Financial Statements included elsewhere in this Base Prospectus.

The Unaudited Pro forma Financial Information is compiled in a manner consistent with the accounting policies that are used by the Group in preparing the Group's Consolidated Financial Statements. All pro forma adjustments are directly attributable to the transactions, factually supportable and are expected to have a continuing impact on the Group.

Unaudited Pro forma Condensed Consolidated Statement of Financial Position as at 30 June 2012

	Historical Group	Pro forma adjustments for Ekibastuzskaya GRES-1	Notes	Pro forma Group
	(in thousands of Kazakhstan Tenge)			
Assets				
Non-current assets				
Property, plant and equipment	173,406,524	–		173,406,524
Investment property	979,620	–		979,620
Intangible assets	700,469	–		700,469
Investments in joint ventures and associates	59,466,739	101,620,065	A	161,086,804
Other non-current assets	9,500,537	–		9,500,537
Total non-current assets	**244,053,889**	**101,620,065**		**345,673,954**
Current assets				
Inventories	7,570,467	–		7,570,467
Trade and other receivables	6,164,579	–		6,164,579
Other current assets	14,553,645	–		14,553,645
Income tax prepaid	370,462	–		370,462
Cash and cash equivalents	52,655,801	–		52,655,801
Total current assets	**81,314,954**	**–**		**81,314,954**
Total assets	**325,368,843**	**101,620,065**		**426,988,908**
Equity				
Share capital	121,248,892	81,210,065	C	202,458,957
Other reserves	29,471,162	–		29,471,162
Retained earnings	26,110,998	–		26,110,998
Equity attributable to the Group's equity holders	**176,831,052**	**81,210,065**		**258,041,117**
Non controlling interest	2,185,343	–		2,185,343
Total equity	**179,016,395**	**81,210,065**		**260,226,460**
Liabilities				
Non-current liabilities				
Ash dump restoration provision	369,609	–		369,609
Employee benefit obligations	886,236	–		886,236
Borrowings	83,797,844	–		83,797,844
Preference shares of the Issuer	–	20,410,000	B	20,410,000
Other non-current liabilities	7,813,889	–		7,813,889
Deferred income tax liabilities	5,710,999	–		5,710,999
Total non-current liabilities	**98,578,577**	**20,410,000**		**118,988,577**
Current liabilities				
Borrowings	12,181,541	–		12,181,541
Employee benefit obligations	54,467	–		54,467
Provisions for liabilities and charges	7,342,179	–		7,342,179
Trade and other payables	27,257,237	–		27,257,237
Taxes payable and other payables to budget	709,085	–		709,085
Income tax payable	229,362	–		229,362
Total current liabilities	**47,773,871**	**–**		**47,773,871**
Total liabilities	**146,352,448**	**20,410,000**		**166,762,448**
Total liabilities and equity	**325,368,843**	**101,620,065**		**426,988,908**

Unaudited Pro forma Condensed Consolidated Statement of Comprehensive Income for the Six Months ended 30 June 2012

	Historical Group	Pro forma adjustments for Ekibastuzskaya GRES-1	Notes	Pro forma Group
		(in thousands of Kazakhstan Tenge)		
Revenue	47,528,892	–		47,528,892
Cost of sales	(36,198,072)	–		(36,198,072)
Gross profit	**11,330,820**	**–**		**11,330,820**
Other income, net	1,579,532	(210,000)	F	1,369,532
Distribution costs	(74,308)	–		(74,308)
General and administrative expenses	(3,595,360)	–		(3,595,360)
Share in profit of joint ventures and associates	5,238,629	9,324,105	E	14,562,734
Finance income	824,213	–		824,213
Finance costs	(2,564,418)	(1,020,500)	D	(3,584,918)
Profit before income tax	**12,739,108**	**8,093,605**		**20,832,713**
Income tax expense	(2,064,143)	42,000	F	(2,022,143)
Profit for the period	**10,674,965**	**8,135,605**		**18,810,570**
Other comprehensive income	–	–		–
Total comprehensive income for the period	**10,674,965**	**8,135,605**		**18,810,570**
Profit is attributable to:				
Equity holders of the Group	10,631,910	8,135,605		18,767,515
Non-controlling interest	43,055	–		43,055
Profit for the period	**10,674,965**	**8,135,605**		**18,810,570**

Unaudited Pro forma Condensed Consolidated Statement of Comprehensive Income for the Year ended 31 December 2011.

	Historical Group	Pro forma adjustments for Ekibastuzskaya GRES-1	Notes	Pro forma Group
		(in thousands of Kazakhstan Tenge)		
Revenue	85,549,944	–		85,549,944
Cost of sales	(68,823,661)	–		(68,823,661)
Gross profit	**16,726,283**	**–**		**16,726,283**
Other income, net	1,444,122	–		1,444,122
Distribution costs	(112,733)	–		(112,733)
General and administrative expenses	(6,405,338)	–		(6,405,338)
Share in profit of joint ventures and associates	10,024,877	13,730,899	E	23,755,776
Finance income	834,330	–		834,330
Finance costs	(5,365,512)	(2,041,000)	D	(7,406,512)
Profit before income tax	**17,146,029**	**11,689,899**		**28,835,928**
Income tax expense	(2,219,436)	–		(2,219,436)
Profit for the period	**14,926,593**	**11,689,899**		**26,616,492**
Other comprehensive income	–	–		–
Total comprehensive income for the period	**14,926,593**	**11,689,899**		**26,616,492**
Profit is attributable to:				
Equity holders of the Group	14,794,171	11,689,899		26,484,070
Non-controlling interest	132,422	–		132,422
Total comprehensive income for the period	**14,926,593**	**11,689,899**		**26,616,492**

The Purchase of Ekibastuzskaya GRES-1

On 14 August 2012, the board of directors of the Issuer adopted a decision to issue new ordinary shares in consideration for Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1.

On 17 August 2012, the management board of Samruk-Kazyna approved the transfer of its 50 per cent. participatory interest in Ekibastuzskaya GRES-1, a joint venture with Kazakhmys, to the Issuer, which the Group had previously managed on behalf of Samruk-Kazyna through a trust management arrangement. As the first step in the GRES-1 Acquisition, the Issuer placed 355,798 new ordinary shares of the Issuer with a value of KZT 101,602.1 million, with Samruk-Kazyna on 1 November 2012. The Group and Samruk-Kazyna executed an act of transfer and acceptance in respect of the new ordinary shares on 31 October 2012. As the second step in the GRES-1 Acquisition, the Issuer will exchange a portion of the new ordinary shares placed with Samruk-Kazyna for preference shares in the Issuer with a guaranteed minimum annual dividend of KZT 2,041.0 million (which will be paid starting from 2014 and the first year for which the dividend will be paid will be the year ended 31 December 2013). The transfer remains subject to the corporate approval of the Issuer, the approval of the participants of Ekibastuzskaya GRES-1 and certain registration formalities, which are expected to be completed by 31 December 2012. *See "Risk Factors – Risks Relating to the Group's Operations and Business – The Transfer of Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 to the Issuer has not been completed as at the date of this Base Prospectus*", "*Presentation of Financial and Other Information – Shareholders and Group Companies*" and "*Recent Developments – Acquisition of Ekibastuzskaya GRES-1*".

Ekibastuzskaya GRES-1 will be accounted for using the equity method of accounting. Under the equity method of accounting, Ekibastuzskaya GRES-1 is initially recorded at the Issuer's purchase consideration, representing the fair value of Ekibastuzskaya GRES-1. Subsequently, the carrying amount of Ekibastuzskaya GRES-1 will be increased or decreased to recognise the Group's share in profit or loss of Ekibastuzskaya GRES-1 after the transfer of Ekibastuzskaya GRES-1. The profit distributions of Ekibastuzskaya GRES-1 are not subject to income tax to the Group.

The preference shares will be recorded as liabilities at fair value, determined as the present value of the minimum dividend payments in perpetuity assuming the minimum annual dividend is set at a market rate. The first dividend on the preference shares will be paid in 2014 for the year ended 31 December 2013.

After the execution of the issuance of the preference shares, the purchase consideration will be allocated as follows:

	Value
	(in thousands of Kazakhstan Tenge)
Residual ordinary shares	81,210,065
Preference shares	20,410,000
Purchase consideration	**101,620,065**

Prior to 31 October 2012 (the date of the act of transfer and acceptance of both the transfer of Ekibastuzskaya GRES-1 and the placement of 355,798 new ordinary shares), the Group managed Ekibastuzskaya GRES-1 through a trust management agreement concluded on 18 May 2011 between Samruk-Kazyna and the Issuer. The management fees under this agreement represent 5 per cent. of the dividends distributed by Ekibastuzskaya GRES-1 to Samruk-Kazyna, subject to a certain level of distributable dividends is being achieved. The only management fees distributed to the Group under this agreement were for the six month ended 30 June 2012. For the purposes of the Unaudited Pro forma Financial Information the management fee on the trust management agreement was eliminated.

For the purposes of the Unaudited Pro forma Financial Information the difference between the purchase consideration and the Group's 50 per cent. participatory interest in Ekibastuzskaya GRES-1's IFRS carrying amounts of its identifiable assets and liabilities is preliminarily allocated to property, plant and equipment (KZT 48,269.8 million) and the related tax effect at the 20 per cent. statutory rate (KZT 9,654.0 million), as follows:

	50 per cent. participatory interest in historical IFRS carrying amounts	Purchase consideration	Fair value difference
	(in thousands of Kazakhstan Tenge)		
Property, plant and equipment	62,314,671	110,584,424	48,269,753
Deferred tax liability	(4,821,341)	(14,475,292)	(9,653,951)
Other net assets	5,510,933	5,510,933	–
Total	**63,004,263**	**101,620,065**	**38,615,803**

The fair values of the identifiable assets and liabilities acquired will be determined after the finalisation of the purchase price allocation and may be different.

Pro Forma Adjustments

A Purchase consideration of KZT 101,620.1 million, representing the value at which the initial ordinary shares were issued.

B Fair value of the preference shares to be issued of KZT 20,410.0 million, determined as the present value of the minimum dividend payments in perpetuity at the estimated market interest rate of 10 per cent. per annum. The fair value of the preference shares has been determined on the basis that the preference shares are non-redeemable, which is consistent with the status of preference shares under Kazakhstan law. Kazakhstan law does not include the concept of redeemable preference shares. Preference shares are presented as non-current liabilities as the first dividend on the preference shares will be paid in 2014 for the year ended 31 December 2013.

A change by 1 per cent. in the market interest rate for the minimum dividend payments will result in a change of KZT 1,855.5 million in the fair value of the preference shares and an offsetting change in the residual value of the remaining ordinary shares.

C Residual value of the remaining ordinary shares after the exchange with the preference shares of KZT 81,210.1 million, determined as the purchase consideration of KZT 101,620.1 million, preliminarily assessed to approximate the fair value of Ekibastuzskaya GRES-1, less the fair value of the preference shares to be issued of KZT 20,410.0 million.

D Interest charge on the preference shares to be issued for the respective periods. Annual interest charge equals the minimum annual dividend payable on the preference shares of KZT 2,041.0 million.

E Share in the profit of Ekibastuzskaya GRES-1 of KZT 10,180.0 million and KZT 15,442.5 million for the six months ended 30 June 2012 and for the year ended 31 December 2011, respectively, adjusted for the depreciation charge (net of related tax effect) of KZT 855.8 million and KZT 1,711.6 million, respectively, that relates to the step up to fair value of the property, plant and equipment, assuming an average remaining useful life of 23 years.

A change by 2 years of the average remaining useful life for the property, plant and equipment would result in a change (net of related tax effect) of KZT 83.5 million and KZT 167.0 million for the six months ended 30 June 2012 and for the year ended 31 December 2011, respectively, in the share in the profit of Ekibastuzskaya GRES-1.

F Elimination of management fee on the trust management agreement for Ekibastuzskaya GRES-1 of KZT 210.0 million and related tax effect of KZT 42.0 million.

IMPACT OF CHANGES IN PRESENTATION

In connection with the preparation of the Group's 2011 Consolidated Financial Statements, the Group changed the presentation of certain statements of comprehensive income and financial position items compared to the presentation in the Group's 2010 Consolidated Financial Statements. The Group's 2010 Consolidated Financial Statements were not required to be, and were not, restated for these changes in the presentation. Accordingly, certain items in the Group's 2010 Consolidated Financial Statements are not presented on a directly comparable basis to the current presentation in the Group's 2011 Consolidated Financial Statements. The presentation of the statements of comprehensive income and financial position items for 2009 was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's 2011 Consolidated Financial Statements.

In connection with the preparation of the Group's Interim 2012 Consolidated Financial Statements, the Group changed the presentation of certain statements of comprehensive income, financial position and cash flows items compared to the presentation in the consolidated interim financial statements of the Group as at and for the six months ended 30 June 2011. These interim financial statements and the Group's 2011 Consolidated Financial Statements and Group's 2010 Consolidated Financial Statements were not required to be, and were not, restated for these changes in the presentation. The presentation of these statements of financial position and cash flows items for 2011, 2010 and 2009 was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's Interim 2012 Consolidated Financial Statements.

The financial information as at and for the year ended 31 December 2009 presented in this Base Prospectus has been extracted from the comparative columns in the Group's 2010 Consolidated Financial Statements except for the statements of comprehensive income, financial position and cash flows items for which the presentation was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's 2011 Consolidated Financial Statements and Group's Interim 2012 Consolidated Financial Statements, as set forth below.

The financial information as at and for the year ended 31 December 2010 presented in this Base Prospectus has been extracted from the Group's 2010 Consolidated Financial Statements except for the financial information for which the presentation of was changed in the Group's 2011 Consolidated Financial Statements and which has been extracted from the comparative columns in the Group's 2011 Consolidated Financial Statements and except for the statements of comprehensive income, financial position and cash flows items for which the presentation was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's Interim 2012 Consolidated Financial Statements.

The financial information as at and for the year ended 31 December 2011 presented in this Base Prospectus has been extracted from the Group's 2011 Consolidated Financial Statements except for the statement of comprehensive income, financial position and cash flows items for which the presentation was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's Interim 2012 Consolidated Financial Statements.

The following tables set forth the changes in presentation of the comprehensive income, financial position and cash flows items for the years ended December 2011, 2010 and 2009 which the Group's management believes are material for the understanding of the impact of these changes in presentation for the respective years.

Consolidated statement of comprehensive income and related notes to the financial statements

The presentation of certain items of the consolidated statements of comprehensive income for the year ended 31 December 2011 was changed starting from 2012 going forward to better present the nature of the underlying transactions, as set forth below.

Revenue note

	Year ended 31 December 2011		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Sale of electricity	63,262,560	–	63,262,560
Sale of heat energy	14,175,765	–	14,175,765
Electricity transmission	5,562,105	–	5,562,105
Income from lease investment property	1,437,871	–	1,437,871
Sale of chemically treated water[1]	–	1,073,711	1,073,711
Other[1]	1,111,643	(1,073,711)	37,932
Total revenue	**85,549,944**	**–**	**85,549,944**

1 ''Sale of chemically treated water'' line was reclassified from the ''Other'' line to consistently present this financial information with the Group's Interim 2012 Consolidated Financial Statements.

The presentation of certain items of the consolidated statement of comprehensive income for the year ended 31 December 2010 was changed starting from 2011 or 2012 going forward to better present the nature of the underlying transactions, as set forth below.

Consolidated statement of comprehensive income

	Year ended 31 December 2010		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Revenue	76,939,880	–	76,939,880
Cost of sales	(60,932,911)	–	(60,932,911)
Gross profit	**16,006,969**	**–**	**16,006,969**
Other operating expenses[1]	(449,884)	449,884	–
Other income (expenses)[1]	1,195,008	(449,884)	745,124
Distribution costs	(124,375)	–	(124,375)
General and administrative expenses	(4,881,940)	–	(4,881,940)
Share in profit of joint ventures and associates	3,449,023	–	3,449,023
Finance income[2]	2,154,047	500,690	2,654,737
Finance costs	(5,553,261)	–	(5,553,261)
Foreign exchange gains less losses/(losses less gains)[2]	500,690	(500,690)	–
Profit before income tax	**12,296,277**	**–**	**12,296,277**
Income tax expense	(1,214,688)	–	(1,214,688)
Profit for the period	**11,081,589**	**–**	**11,081,589**
Other comprehensive income	–	–	–
Total comprehensive income for the period	**11,081,589**	**–**	**11,081,589**
Profit is attributable to:			
Equity holders of the Group	10,862,599	–	10,862,599
Non-controlling interest	218,990	–	218,990
Profit for the period	**11,081,589**	**–**	**11,081,589**
Total comprehensive income attributable to:			
Equity holders of the Group	10,862,599	–	10,862,599
Non-controlling interest	218,990	–	218,990
Total comprehensive income for the period	**11,081,589**	**–**	**11,081,589**

1 ''Other operating expenses'' line was aggregated with ''Other income (expenses)'' line to consistently present this financial information with the Group's 2011 Consolidates Financial Statements.

2 ''Foreign exchange gains and losses/(losses less gains)'' line was aggregated with ''Finance income'' line to consistently present this financial information with the Group's 2011 Consolidated Financial Statements.

Revenue note

	Year ended 31 December 2010		
	As reported	Reclassification	Reclassified
	(in thousands of Kazakhstan Tenge)		
Sale of electricity	55,277,465	–	55,277,465
Sale of heat energy	13,796,389	–	13,796,389
Electricity transmission	5,321,699	–	5,321,699
Income from lease investment property	1,408,475	–	1,408,475
Sale of chemically treated water[1]	–	1,050,041	1,050,041
Other[1]	1,135,852	(1,050,041)	85,811
Total revenue	**76,939,880**	**–**	**76,939,880**

1 ''Sale of chemically treated water'' line was reclassified from ''Other'' line to consistently present this financial information with the Group's Interim 2012 Consolidated Financial Statements.

Cost of sales note

	Year ended 31 December 2010		
	As reported	Reclassification	Reclassified
	(in thousands of Kazakhstan Tenge)		
Fuel	14,183,545	–	14,183,545
Payroll and related expenses	11,213,359	–	11,213,359
Cost of purchased electricity	8,357,652	–	8,357,652
Depreciation of property plant and equipment	4,988,441	–	4,988,441
Repairing and maintenance[1]	–	5,168,233	5,168,233
Electricity transmission and other services	5,442,613	–	5,442,613
Materials[1]	4,005,631	(2,276,043)	1,729,588
Water supply	4,854,195	–	4,854,195
Electricity losses on transmission	1,755,428	–	1,755,428
Taxes other than on income	966,337	–	966,337
Third party services[1]	3,796,702	(2,764,439)	1,032,263
Rent services[2]	–	111,897	111,897
Reversal of provision on obsolete and slow-moving inventories[3]	(430,628)	(948)	(431,576)
Other[1,2,3]	1,799,636	(238,700)	1,560,936
Total cost of sales	**60,932,911**	**–**	**60,932,911**

1 ''Repairing and maintenance'' were derived and reclassified from ''Materials'', ''Third party services'' and ''Other'' lines and presented as a separate line consistently with the Group's 2011 Consolidated Financial Statements.

2 ''Rent services'' were reclassified from ''Other'' line and presented as a separate line consistently with the Group's 2011 Consolidated Financial Statements.

3 Reclassification from ''Other'' line.

The presentation of certain items of the consolidated statement of comprehensive income for the year ended 31 December 2009 was changed starting from 2011 or 2012 going forward to better present the nature of the underlying transactions, as set forth below.

Consolidated statement of comprehensive income

	Year ended 31 December 2009		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Revenue	64,454,276	–	64,454,276
Cost of sales	(42,212,649)	–	(42,212,649)
Gross profit	**22,241,627**	**–**	**22,241,627**
Other operating expenses[1]	(54,436)	54,436	–
Other income (expenses)[1]	1,479,350	(54,436)	1,424,914
Distribution costs	(94,606)	–	(94,606)
General and administrative expenses	(5,124,649)	–	(5,124,649)
Share in profit of joint ventures and associates	511,809	–	511,809
Finance income	1,432,883	–	1,432,883
Finance costs[2]	(6,155,635)	(14,528,565)	(20,684,200)
Foreign exchange gains less losses/(losses less gains)[2]	(14,528,565)	14,528,565	–
Profit before income tax	**(292,222)**	**–**	**(292,222)**
Income tax expense	(2,436,420)	–	(2,436,420)
Profit for the period	**(2,728,642)**	**–**	**(2,728,642)**
Total comprehensive income for the period	**(2,728,642)**	**–**	**(2,728,642)**
Profit is attributable to:			
Equity holders of the Group	(1,429,656)	–	(1,429,656)
Non-controlling interest	(1,298,986)	–	(1,298,986)
Profit for the period	**(2,728,642)**	**–**	**(2,728,642)**
Total comprehensive income attributable to:			
Equity holders of the Group	(1,429,656)	–	(1,429,656)
Non-controlling interest	(1,298,986)	–	(1,298,986)
Total comprehensive income for the period	**(2,728,642)**	**–**	**(2,728,642)**

1 "Other operating expenses" line was aggregated with "Other income (expenses)" line to consistently present this financial information with the Group's 2011 Consolidated Financial Statements.

2 "Foreign exchange gains and losses/(losses less gains)" line was aggregated with "Finance costs" line to consistently present this financial information with the Group's 2011 Consolidated Financial Statements.

Revenue note

	Year ended 31 December 2009		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Sale of electricity	45,284,233	–	45,284,233
Sale of heat energy	12,145,050	–	12,145,050
Electricity transmission	4,793,972	–	4,793,972
Income from lease investment property	1,463,975	–	1,463,975
Sale of chemically treated water[1]	–	659,581	659,581
Other[1]	767,046	(659,581)	107,465
Total revenue	**64,454,276**	**–**	**64,454,276**

1 "Sale of chemically treated water" line was reclassified from "Other" line to consistently present this financial information with the Group's Interim 2012 Consolidated Financial Statements.

Cost of sales note

	Year ended 31 December 2009		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Fuel	11,310,703	–	11,310,703
Payroll and related expenses	9,568,555	–	9,568,555
Cost of purchased electricity	9,594,429	–	9,594,429
Depreciation of property plant and equipment	3,370,936	–	3,370,936
Repairing and maintenance[1]	–	4,479,169	4,479,169
Electricity transmission and other services	4,356,062	–	4,356,062
Materials	2,336,387	–	2,336,387
Water supply	1,578,918	–	1,578,918
Electricity losses on transmission	1,434,898	–	1,434,898
Taxes other than on income	440,199	–	440,199
Third party services[1,2]	7,067,683	(5,734,759)	1,332,924
Reversal of provision on obsolete and slow-moving inventories	292,427	–	292,427
Rent services[3]	–	85,935	85,935
Reversal of impairment of property, plant and equipment	(9,527,168)	–	(9,527,168)
Other[2,3]	388,620	1,169,655	1,558,275
Total cost of sales	**42,212,649**	**–**	**42,212,649**

1 "Repairing and maintenance" was derived and reclassified from "Third party services" line and presented as a separate line consistently with the Group's 2011 Consolidated Financial Statements.

2 Reclassification of other expenses.

3 Reclassification from "Other" line item.

Consolidated statement of financial position and related notes to the financial statements

The presentation of certain items of the consolidated statement of financial position as at 31 December 2011 was changed starting from 2012 going forward to better present the nature of the underlying transactions, as set forth below.

Consolidated statement of financial position – current assets caption

	As at 31 December 2011		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Inventories	10,604,059	–	10,604,059
Trade and other receivables[1]	8,726,712	(2,022,538)	6,704,174
Other current assets[1]	9,272,243	2,022,538	11,294,781
Income tax prepaid	382,415	–	382,415
Cash and cash equivalents	49,844,147	–	49,844,147
Assets classified as held for sale and assets of disposal group	10,126,416	–	10,126,416
Total current assets	**88,955,992**	–	**88,955,992**

1 ''Advances paid to suppliers'' balances were reclassified from ''Trade and other receivables'' line to "Other current assets" line for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

Cash and cash equivalents note

	As at 31 December 2011		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Demand deposits[1]	3,010,901	2,516,000	5,526,901
Cash at current bank accounts	44,297,870	–	44,297,870
Cash on hand	19,376	–	19,376
Restricted cash[1]	2,516,000	(2,516,000)	–
Total cash and cash equivalents	**49,844,147**	–	**49,844,147**

1 ''Restricted cash'' balances were reclassified to ''Demand deposits'', as they represent bank deposits with less than 3 month maturity, for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

The presentation of certain items of the consolidated statement of financial position as at 31 December 2010 was changed starting from 2011 or 2012 going forward to better present the nature of the underlying transactions, as set forth below.

Consolidated statement of financial position – current assets and current liabilities captions

	As at 31 December 2010		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Current assets			
Inventories	7,922,951	–	7,922,951
Trade and other receivables[1,2]	11,755,409	(677,127)	11,078,282
Other current assets[1]	6,206,597	314,971	6,521,568
Income tax prepaid[2]	–	362,156	362,156
Cash and cash equivalents	14,988,160	–	14,988,160
Assets classified as held for sale and assets of disposal group	3,906,929	–	3,906,929
Total current assets	**44,780,046**	**–**	**44,780,046**
Current liabilities			
Borrowings	9,079,618	–	9,079,618
Employee benefit obligations	42,577	–	42,577
Provisions for liabilities and charges[3]	970,000	7,274,672	8,244,672
Payables to Almaty Akimat[3]	7,274,672	(7,274,672)	–
Trade and other payables	22,428,521	–	22,428,521
Taxes payable and other payables to budget[4]	747,884	(55,263)	692,621
Income tax payable[4]	–	55,263	55,263
Liabilities of disposal group, classified as held-for-sale	47,513	–	47,513
Total current liabilities	**40,590,785**	**–**	**40,590,785**

1 "Advances paid to suppliers" balances were reclassified from "Trade and other receivables" line to "Other current assets" line for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

2 "Income tax prepaid" balance was reclassified from "Trade and other receivables" line and presented separately for consistent presentation with the Group's 2011 Consolidated Financial Statements.

3 "Payables to Almaty Akimat" line was reclassified to "Provisions for liabilities and charges" line to aggregate the similar in nature transaction and for consistent presentation with the Group's 2011 Consolidated Financial Statements.

4 "Income tax payable" balance was reclassified from "Taxes payable and other payables to budget" and presented as a separate line to better present the nature of underlying transaction and for consistent presentation with the Group's 2011 Consolidated Financial Statements.

Borrowings note

	As at 31 December 2010		
	As reported	Reclassification	Reclassified
	(in thousands of Kazakhstan Tenge)		
Non-current portion			
Bank term loans[1]	28,357,096	14,051,655	42,408,751
Loan from Samruk-Kazyna[1]	42,408,751	(14,051,655)	28,357,096
Loans from customers	4,041,144	–	4,041,144
Bonds issued	2,341,867	–	2,341,867
Notes payable	262,652	–	262,652
Total borrowings – non-current portion	**77,411,510**	**–**	**77,411,510**
Current portion			–
Bank term loans	7,245,626	–	7,245,626
Bonds issued	874,866	–	874,866
Loan from Samruk-Kazyna	836,453	–	836,453
Loans from customers	122,673	–	122,673
Financial aid received from shareholders	–	–	–
Financial aid from NC KazMunaiGas	–	–	–
Total borrowings – current portion	**9,079,618**	–	**9,079,618**
Total borrowings	**86,491,128**	**–**	**86,491,128**

1 Reallocation of loans for consistent presentation with the Group's 2011 Consolidated Financial Statements.

Cash and cash equivalents note

	As at 31 December 2010		
	As reported	Reclassification	Reclassified
	(in thousands of Kazakhstan Tenge)		
Demand deposits[1]	–	9,145,393	9,145,393
Cash at term deposits[1]	9,145,393	(9,145,393)	–
Cash at current bank accounts[2]	–	5,815,414	5,815,414
Cash at current bank accounts in Tenge[2]	5,721,289	(5,721,289)	–
Cash at current bank accounts in foreign currency[2]	94,125	(94,125)	–
Cash on hand	27,353	–	27,353
Total cash and cash equivalents	**14,988,160**	–	**14,988,160**

1 "Cash at term deposits" line was renamed to "Demand deposits" line for consistent presentation with the Group's 2011 Consolidated Financial Statements.

2 "Cash at current bank accounts in Tenge" line and "Cash at current bank accounts in foreign currency" were aggregated and presented as "Cash at current banks accounts" line for consistent presentation with the Group's 2011 Consolidated Financial Statements.

The presentation of certain items of the consolidated statement of financial position as at 31 December 2009 was changed starting from 2011 or 2012 going forward to better present the nature of the underlying transactions, as set forth below.

Consolidated statement of financial position – current assets and current liabilities captions

	As at 31 December 2009		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Current assets			
Inventories	5,794,665	–	5,794,665
Trade and other receivables[1,2]	9,509,760	(1,069,506)	8,440,254
Other current assets[1]	821,399	852,617	1,674,016
Income tax prepaid[2]	–	216,889	216,889
Cash and cash equivalents	11,983,674	–	11,983,674
Assets classified as held for sale and assets of disposal group	3,900,972	–	3,900,972
Total current assets	**32,010,470**	–	**32,010,470**
Current liabilities			
Borrowings	23,013,082	–	23,013,082
Employee benefit obligations	4,114	–	4,114
Provisions for liabilities and charges[3]	–	7,274,672	7,274,672
Payables to Almaty Akimat[3]	7,274,672	(7,274,672)	–
Trade and other payables	18,779,241	–	18,779,241
Taxes payable and other payables to budget[4]	1,009,991	(342,818)	667,173
Income tax payable[4]	–	342,818	342,818
Liabilities of disposal group, classified as held-for-sale	34,542	–	34,542
Total current liabilities	**50,115,642**	–	**50,115,642**

1 "Advances paid to suppliers" balances were reclassified from "Trade and other receivables" line to "Other current assets" line for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

2 "Income tax prepaid" balance was reclassified from "Trade and other receivables" line and presented separately for consistent presentation with the Group's 2011 Consolidated Financial Statements.

3 "Payables to Almaty Akimat" line was reclassified to "Provisions for liabilities and charges" line to aggregate the similar in nature transaction and for consistent presentation with the Group's 2011 Consolidated Financial Statements.

4 "Income tax payable" balance was reclassified from "Taxes payable and other payables to budget" and presented as a separate line to better present the nature of underlying transaction and for consistent presentation with the Group's 2011 Consolidated Financial Statements.

Cash and cash equivalents note

	As at 31 December 2009		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Demand deposits[1]	–	6,580,157	6,580,157
Cash at term deposits[1]	6,580,157	(6,580,157)	–
Cash at current bank accounts[2]	–	5,382,533	5,382,533
Cash at current bank accounts in Tenge[2]	4,930,529	(4,930,529)	–
Cash at current bank accounts in foreign currency[2]	452,004	(452,004)	–
Cash on hand	20,984	–	20,984
Total cash and cash equivalents	**11,983,674**	–	**11,983,674**

1 "Cash at term deposits" line was renamed to "Demand deposits" line for consistent presentation with the Group's 2011 Consolidated Financial Statements.

2 "Cash at current bank accounts in Tenge" line and "Cash at current bank accounts in foreign currency" were aggregated and presented as "Cash at current banks accounts" line for consistent presentation with the Group's 2011 Consolidated Financial Statements.

Consolidated Statement of Cash Flows

The presentation of certain items of the consolidated statement of cash flows the year ended 31 December 2011 was changed starting from 2012 going forward to better present the nature of the underlying transactions, as set forth below.

	For the year ended 31 December 2011		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Cash flows from operating activities			
Profit before income tax	17,146,285	–	17,146,285
Adjustments for:			
Impairment of property, plant and equipment	366,237	–	366,237
Depreciation and amortisation	6,894,402	–	6,894,402
Losses on disposal of property, plant and equipment	900,214	–	900,214
Gain on sale of assets held for sale	(6,969)	–	(6,969)
Charge / (reversal) of provision for impairment of trade and other receivables	(88,711)	–	(88,711)
Reversal of provision for impairment of other non-current assets	(85,000)	–	(85,000)
(Reversal) / charge of provision on obsolete and slow-moving inventories	(13,348)	–	(13,348)
Amortisation of income from connection of additional capacities	(537,262)	–	(537,262)
Unrealised foreign exchange gains less losses	121,877	–	121,877
Current service cost and actuarial losses on employee benefits	488,862	–	488,862
Provisions for liabilities and charges	67,507	–	67,507
Finance costs	5,365,512	–	5,365,512
Finance income	(880,562)	–	(880,562)
Share in loss of joint ventures and associates	(10,024,877)	–	(10,024,877)
Recognition of unrecognised employee benefit obligations	242,174	–	242,174
Other reserves	44,372	–	44,372
Operating cash flows before working capital changes:	**20,000,713**	**–**	**20,000,713**
(Increase)/decrease in trade and other receivables and other current assets	1,903,577	–	1,903,577
(Increase)/decrease in inventories	(2,668,139)	–	(2,668,139)
Increase/(decrease) in trade and other payables	4,632,355	–	4,632,355
Increase/(decrease) in taxes payable	12,922	–	12,922
Cash generated from operations	**23,881,428**	**–**	**23,881,428**
Income tax paid	(2,174,713)	–	(2,174,713)
Interest paid	(3,333,408)	–	(3,333,408)
Dividends received[1]	–	8,057,326	8,057,326
Net cash from operating activities	**18,373,307**	**8,057,326**	**26,430,633**

1 Dividends received from joint ventures were reclassified starting 2012 from investing activities to operating activities. The Group's management concluded that the presentation of dividends received from joint ventures as part of operating activity most appropriately discloses the nature of operations as the Group. The financial information for the year ended 31 December 2011 was changed for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

	For the year ended 31 December 2011		
	As reported	Reclassification	Reclassified
	(in thousands of Kazakhstan Tenge)		
Cash flows from investing activities			
Purchase of property, plant and equipment	(54,587,067)	–	(54,587,067)
Acquisition of intangible assets	(500,059)	–	(500,059)
Proceeds from disposal of property, plant and equipment	6,748	–	6,748
Prepayments for purchase of long-term assets, net	13,192,320	–	13,192,320
Interest income received	933,613	–	933,613
Proceeds from sale of interest in associates,	61,902	–	61,902
Net changes in assets and liabilities of disposal group	9,180	–	9,180
(Placement)/repayment of bank deposits[1]	(2,834,997)	(1,694,392)	(4,529,389)
Dividends received[2]	8,057,326	(8,057,326)	–
Financial aid to related parties	(1,315,615)	–	(1,315,615)
Financial aid to unrelated parties	(588,888)	–	(588,888)
Repayment of financial aid to unrelated parties	294,000	–	294,000
Cash of disposal group classified as held for sale	–	–	–
Net cash used in investing activities	**(37,271,537)**	**(9,751,718)**	**(47,023,255)**
Cash flows from financing activities:			
Proceeds from issue of shares	43,579,806	–	43,579,806
Proceeds from borrowings	21,171,950	–	21,171,950
Financial aid received from shareholders	7,000,000	–	7,000,000
Repayment of borrowings	(10,915,594)	–	(10,915,594)
Repayment of financial aid from shareholders	(2,381,109)	–	(2,381,109)
Repayment of bonds	(700,000)	–	(700,000)
Dividends paid to shareholders	(1,629,350)	–	(1,629,350)
Dividends paid to non-controlling interest holders	(12,449)	–	(12,449)
Proceeds from loans from customers	6,896	–	6,896
Repayment of loans from customers	(693,041)	–	(693,041)
Sale of shares in subsidiaries	21,500	–	21,500
Net cash (used in)/from financing activities	**55,448,609**	**–**	**55,448,609**
Net increase in cash	**36,550,379**	**(1,694,392)**	**34,855,987**
Cash at the beginning of the year[1]	16,085,352	(1,097,192)	14,988,160
Cash at the year end	**52,635,731**	**(2,791,584)**	**49,844,147**
Cash of disposal group[1]	(2,791,584)	2,791,584	–
Cash at the year end	**49,844,147**	**–**	**49,844,147**

1 Cash and cash equivalents of the disposal group for the year ended 31 December 2011 were presented separately in the Group's 2011 Consolidated Financial Statements and were reclassified to placement of bank deposits of the investing activities.

2 Dividends received from joint ventures were reclassified starting 2012 from investing activities to operating activities. The Group's management concluded that the presentation of dividends received from joint ventures as part of operating activity most appropriately discloses the nature of operations as the Group. The financial information for the year ended 31 December 2011 was changed for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

The presentation of certain items of the consolidated statement of cash flows the year ended 31 December 2010 was changed starting from 2012 going forward to better present the nature of the underlying transactions, as set forth below.

	For the year ended 31 December 2010		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Cash flows from operating activities			
Profit before income tax	12,296,277	–	12,296,277
Adjustments for:			
Depreciation and amortisation	5,187,453	–	5,187,453
Losses on disposal of property, plant and equipment	404,248	–	404,248
Charge/(reversal) of provision for impairment of trade and other receivables	(734,567)	–	(734,567)
(Reversal)/charge of provision on obsolete and slow-moving inventories	(431,576)	–	(431,576)
Amortisation of income from connection of additional capacities	(518,732)	–	(518,732)
Unrealised foreign exchange gains less losses	(424,109)	–	(424,109)
Current service cost and actuarial losses on employee benefits	275,976	–	275,976
Provisions for liabilities and charges	970,000	–	970,000
Finance costs	5,553,261	–	5,553,261
Finance income	(2,154,047)	–	(2,154,047)
Share in loss of joint ventures and associates	(3,449,023)	–	(3,449,023)
Operating cash flows before working capital changes:	**16,975,161**	**–**	**16,975,161**
(Increase)/decrease in trade and other receivables and other current assets	(6,415,847)	–	(6,415,847)
(Increase)/decrease in inventories	(1,696,710)	–	(1,696,710)
Increase/(decrease) in trade and other payables	3,416,567	–	3,416,567
Increase/(decrease) in taxes payable	(173,971)	–	(173,971)
Cash generated from operations	**12,105,200**	**–**	**12,105,200**
Income tax paid	(2,069,968)	–	(2,069,968)
Interest paid	(3,506,772)	–	(3,506,772)
Dividends received[1]	–	6,025,294	6,025,294
Net cash from operating activities	**6,528,460**	**6,025,294**	**12,553,754**

1 Dividends received from joint ventures were reclassified starting 2012 from investing activities to operating activities. The Group's management concluded that the presentation of dividends received from joint ventures as part of operating activity most appropriately discloses the nature of operations as the Group. The financial information for the year ended 31 December 2010 was changed for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

	For the year ended 31 December 2010		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Cash flows from investing activities			
Purchase of property, plant and equipment	(51,057,828)	–	(51,057,828)
Acquisition of intangible assets	(225,012)	–	(225,012)
Proceeds from disposal of property, plant and equipment	2,324	–	2,324
Prepayments for purchase of long-term assets, net	(852,371)	–	(852,371)
Interest income received	1,224,761	–	1,224,761
(Placement)/repayment of bank deposits	(2,324,609)	–	(2,324,609)
Dividends received[1]	6,025,294	(6,025,294)	–
Acquisition of an associate	(31,964)	–	(31,964)
Capital contribution	(1,500,000)	–	(1,500,000)
Net cash used in investing activities	**(48,739,405)**	**(6,025,294)**	**(54,764,699)**
Cash flows from financing activities:			
Proceeds from issue of shares	42,459,978	–	42,459,978
Proceeds from issue of bonds	17,678	–	17,678
Proceeds from borrowings	60,667,829	–	60,667,829
Financial aid received from shareholders	32,346,834	–	32,346,834
Repayment of borrowings	(47,142,830)	–	(47,142,830)
Repayment of financial aid from shareholders	(42,459,952)	–	(42,459,952)
Repayment of bonds	(489,225)	–	(489,225)
Dividends paid to non-controlling interest holders	(31,234)	–	(31,234)
Proceeds from loans from customers	26,989	–	26,989
Repayment of loans from customers	(283,150)	–	(283,150)
Sale of shares in subsidiaries	102,514	–	102,514
Net cash (used in)/from financing activities	**45,215,431**	**–**	**45,215,431**
Net increase in cash	**3,004,486**	**–**	**3,004,486**
Cash at the beginning of the year	11,983,674	–	11,983,674
Cash at the year end	**14,988,160**	**–**	**14,988,160**

1 Dividends received from joint ventures were reclassified starting 2012 from investing activities to operating activities. The Group's management concluded that the presentation of dividends received from joint ventures as part of operating activity most appropriately discloses the nature of operations as the Group. The financial information for the year ended 31 December 2010 was changed for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

The presentation of certain items of the consolidated statement of cash flows the year ended 31 December 2009 was changed starting from 2012 going forward to better present the nature of the underlying transactions, as set forth below.

	For the year ended 31 December 2009		
	As reported	**Reclassification**	**Reclassified**
	(in thousands of Kazakhstan Tenge)		
Cash flows from operating activities			
Profit before income tax	(292,222)	–	(292,222)
Adjustments for:			
Impairment of property, plant and equipment	(10,807,258)	–	(10,807,258)
Depreciation and amortisation	4,458,255	–	4,458,255
Losses on disposal of property, plant and equipment	127,814	–	127,814
Charge/(reversal) of provision for impairment of trade and other receivables	556,827	–	556,827
(Reversal)/charge of provision on obsolete and slow-moving inventories	292,427	–	292,427
Amortisation of income from connection of additional capacities	(1,271,807)	–	(1,271,807)
Unrealised foreign exchange gains less losses	14,551,708	–	14,551,708
Losses on write-off of housing expenses	–	–	–
Current service cost and actuarial losses on employee benefits	21,523	–	21,523
Finance costs	6,155,635	–	6,155,635
Finance income	(1,432,883)	–	(1,432,883)
Share in loss of joint ventures and associates	(511,809)	–	(511,809)
Operating cash flows before working capital changes:	11,848,210		11,848,210
(Increase)/decrease in trade and other receivables and other current assets	(3,729,039)	–	(3,729,039)
(Increase)/decrease in inventories	2,778,443	–	2,778,443
Increase/(decrease) in trade and other payables	1,317,105	–	1,317,105
Increase/(decrease) in taxes payable	224,976	–	224,976
Cash generated from operations	12,439,695	**–**	12,439,695
Income tax paid	(1,241,181)	–	(1,241,181)
Interest paid	(4,302,657)	–	(4,302,657)
Dividends received[1]	–	2,824,303	2,824,303
Net cash from operating activities	**6,895,857**	**2,824,303**	**9,720,160**

1 Dividends received from joint ventures were reclassified starting 2012 from investing activities to operating activities. The Group's management concluded that the presentation of dividends received from joint ventures as part of operating activity most appropriately discloses the nature of operations as the Group. The financial information for the year ended 31 December 2010 was changed for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

	For the year ended 31 December 2009		
	As reported	Reclassification	Reclassified
	(in thousands of Kazakhstan Tenge)		
Cash flows from investing activities			
Purchase of property, plant and equipment	(16,061,666)	–	(16,061,666)
Acquisition of intangible assets	(141,202)	–	(141,202)
Proceeds from disposal of property, plant and equipment	162	–	162
Prepayments for purchase of long-term assets, net	(6,610,091)	–	(6,610,091)
Interest income received	1,026,435	–	1,026,435
(Placement)/repayment of bank deposits	2,213,517	–	2,213,517
Dividends received[1]	2,824,303	(2,824,303)	–
Cash of disposal group classified as held for sale	(2,533,968)	–	(2,533,968)
Net cash used in investing activities	**(19,282,510)**	**(2,824,510)**	**(22,106,813)**
Cash flows from financing activities:			
Proceeds from issue of shares	9,496,273	–	9,496,273
Proceeds from issue of bonds	784,594	–	784,594
Proceeds from borrowings	58,277,182	–	58,277,182
Financial aid received from shareholders	10,113,118	–	10,113,118
Repayment of borrowings	(63,660,853)	–	(63,660,853)
Repayment of financial aid from shareholders	(2,700,000)	–	(2,700,000)
Repayment of bonds	(270,665)	–	(270,665)
Dividends paid to non-controlling interest holders	(7,112)	–	(7,112)
Proceeds from loans from customers	478,696	–	478,696
Repayment of loans from customers	(853,093)	–	(853,093)
Sale of shares in subsidiaries	(54,773)	–	(54,773)
Net cash (used in)/from financing activities	**11,603,367**	**–**	**11,603,367**
Net increase in cash	**(783,286)**	**–**	**(783,286)**
Cash at the beginning of the year	12,766,960	–	12,766,960
Cash at the year end	**11,983,674**	**–**	**11,983,674**

1 Dividends received from joint ventures were reclassified starting 2012 from investing activities to operating activities. The Group's management concluded that the presentation of dividends received from joint ventures as part of operating activity most appropriately discloses the nature of operations as the Group. The financial information for the year ended 31 December 2010 was changed for consistent presentation with the Group's Interim 2012 Consolidated Financial Statements.

OPERATING AND FINANCIAL REVIEW OF THE GROUP

The following operating and financial review of the consolidated financial position and operating results of the Group covers the six month periods ended 30 June 2012 and 30 June 2011 and the years ended 31 December 2011, 2010 and 2009. This section should be read in conjunction with the Group's Consolidated Financial Statements and the other financial information included elsewhere in this Base Prospectus, as well as the section entitled ''Presentation of Financial and Other Information'' and ''Selected Financial and Other Information''. This section contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under ''Risk Factors'' and ''Forward-Looking Statements''.

In connection with the preparation of the Group's 2011 Consolidated Financial Statements, the Group changed the presentation of certain statements of comprehensive income and financial position items compared to the presentation in the Group's 2010 Consolidated Financial Statements. The Group's 2010 Consolidated Financial Statements were not required to be, and were not, restated for these changes in the presentation. The presentation of the statements of comprehensive income and financial position items for 2009 was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's 2011 Consolidated Financial Statements. In connection with the preparation of the Group's Interim 2012 Consolidated Financial Statements, the Group changed the presentation of certain statements of comprehensive income, financial position and cash flows items compared to the presentation in the consolidated interim financial statements of the Group as at and for the six months ended 30 June 2011. These interim financial statements and the Group's 2011 Consolidated Financial Statements and Group's 2010 Consolidated Financial Statements were not required to be, and were not, restated for these changes in the presentation. The presentation of these statements of financial position and cash flows items for 2011, 2010 and 2009 was changed in this Base Prospectus to be on a directly comparable basis to the current presentation in the Group's Interim 2012 Consolidated Financial Statements. See ''Impact of Changes in Presentation'' for a discussion on the source of information and the reconciliations to the Group's Consolidated Financial Statements of the comprehensive income, financial position and cash flows data presented herein for the years ended December 2011, 2010 and 2009.

The Group's shares in joint ventures (Ekibastuzskaya GRES-2, Forum Muider (parent of Bogatyr Komir) and ZhGRES) and associates (Balkhashskaya TPS and TPEP) are accounted for using the equity method of accounting and are not consolidated within the Group. See Note 2 to the Group's Interim 2012 Consolidated Financial Statements. The profits and losses of the Group's joint ventures and associates attributable to the Group's interests in such joint ventures and associates are included in the Group's consolidated profit and loss for the periods covered under ''Share in profit of joint ventures and associates''. The carrying value of the Group's investments in its joint ventures and associates as at the dates provided are included in the balance sheet item ''Investments in joint ventures and associates''.

Overview

In the six months ended 30 June 2012, the Group generated 3,610 million KWH of electricity and had revenues of KZT 47,529 million. The equivalent figures were 6,611 million KWH and KZT 85,550 million in the year ended 31 December 2011, 6,789 million KWH and KZT 76,940 million in the year ended 31 December 2010 and 5,806 million KWH and KZT 64,454 million for the year ended 31 December 2009. See ''*Description of the Group's Business – Principal Operations and Operating Segments – Electricity generation*''.

Key Factors Affecting Results of Operations

A number of external factors affect the results of operations of the Group, including the Kazakhstan and global economy, Government policies, tariffs and regulation and seasonality. See *''Results of Operations for the Six Months ended 30 June 2012 and 2011 and the Years ended 31 December 2011, 2010 and 2009''* for a description of the extent to which those external factors have affected the Group's results of operations. See also *''Risk Factors''*.

The Kazakhstan and global economy

The Group's revenues and output are closely correlated with the health of Kazakhstan's economy, which in turn is heavily influenced by global demand for commodities and in turn, by the health of the global economy. Although the Group's relatively short history makes it more difficult to present the effect the global economic crisis has had on the Group's results of operations, the global economic crisis negatively affected demand for electricity in 2009.

Both Kazakhstan's GDP and its population have been growing steadily since 2003, which has increased demand from industry for the Group's electricity, coal and heat energy and has also increased consumer demand for electricity, although consumer demand plays a less significant role than industry demand on the Group's electricity sales.

With the exception of 2009, the consumption and generation of electricity in Kazakhstan has increased year-on-year since 2003 and because the majority of the electricity power stations in Kazakhstan are coal-fired, such increases in electricity generation have led to increases in the demand for coal from electricity generating companies. See "*Risk Factors – Risks Relating to the Group's Operations and Business – The Group's results of operations and financial condition are significantly influenced by general economic conditions in Kazakhstan and the global economy*".

Government policies, tariffs and regulation

The policies of the Government have a significant effect on the Group. The Government views the Issuer as an integral part of its energy policy and changes to such energy policy may significantly affect the Group's business. Furthermore, the Government's policy of developing Kazakhstan's industrial base is a driver in the growth of the Group's business.

The Group sells the majority of the electricity it generates, transmits and supplies and the heat energy it generates at tariff rates, which are controlled by the Government. In 2009, the Government divided all power stations into thirteen groups and set capped tariffs for electricity generation for each group for each year through to 2015, although if their planned capital expenditures are sufficiently high, electricity generation companies can apply to MINT or the Anti-Monopoly Agency for a higher "estimated" or "individual" tariff. Moinak HPP has applied and received the right to an individual tariff for the next nine years but otherwise the Group's subsidiaries and joint ventures have not charged tariffs other than capped tariffs since the system was introduced. See "*Regulatory Review – Price Regulation*".

Starting from 2016, electricity generation tariffs will be split into tariffs for electricity and tariffs for capacity and the Group is unclear how this will affect electricity generation tariffs from 2016 onwards. See "*Risk Factors – Risks Relating to the Group's Operations and Business – The power sector in Kazakhstan is subject to ongoing reform and there are uncertainties relating to the tariff regulation system*". The electricity generation sector has also recently been reformed with the introduction of a balancing market. See "*Regulatory Review – Electricity and Heat Energy Industry Regulations*".

The Group also pays contractors at tariff rates set by the Government, including KEGOC for the transmission of electricity, Kazakhstan Temir Zholy for the transportation of coal by railway and LLP "AlmatyGasTrade" for natural gas used by Almaty Power Stations' power plants. The Government and its regulatory agencies are responsible for regulating the markets in which the Group operates.

The Government is also reviewing Kazakhstan's environmental laws and in December 2011 amendments were made to the state regulation and absorption of greenhouse gases. See "*Risk Factors – Risks Relating to the Group's Operations and Business – The Group could incur significant costs for violations of applicable environmental laws and regulations*" and "*Regulatory Review – Environmental Regulation*"

Seasonality

The demand for electricity in Kazakhstan may vary significantly on a daily, seasonal and annual basis due to weather conditions and other factors. Demand for electricity is usually higher during the period from October to March due to longer nights and colder weather, and it is generally lower in the period from April to September due to longer days and warmer weather. In addition, demand for electricity is usually higher during normal business hours during the day. Demand may also fluctuate from year to year due to changes in weather patterns. Therefore, the generation capacities of the Group may be fully utilised during certain parts of the day or during certain months, and under-utilised during other parts of the day and year. The effect of seasonality is partially offset by the Group selling electricity to Russia during periods when less power is required in Kazakhstan (typically in the warmer months of the year).

Hydropower, which was the source of 33.3 per cent. of the Group's electricity output in 2011 (or 22.0 per cent on an equity-adjusted basis), is heavily influenced by weather conditions. The electricity volume that can be produced by the Group's hydropower stations depends significantly on the available water flow in the river systems which supply its hydropower stations. In addition, the electricity output at hydropower plants varies significantly during the year. Output is usually higher in spring-summer due to higher water flows and is lower in autumn-winter. See "*Risk Factors – Risks Relating to the Group's Operations and*

Business – The Group may not be able to address daily, seasonal or annual fluctuations in demand for electricity''.

Results of Operations for the Six Months Ended 30 June 2012 and 30 June 2011 and the Years Ended 31 December 2011, 2010 and 2009

The following table sets out the principal components of the Group's consolidated statement of comprehensive income for the periods indicated.

	Six months ended 30 June		**Year ended 31 December**		
	2012	**2011**	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)				
Revenue	47,528,892	44,094,694	85,549,944	76,939,880	64,454,276
Cost of sales	(36,198,072)	(33,242,098)	(68,823,661)	(60,932,911)	(42,212,649)
Gross profit	**11,330,820**	**10,852,596**	**16,726,283**	**16,006,969**	**22,241,627**
Other income/(expenses)	1,579,532	(106,013)	1,444,122	745,124	1,424,914
Distribution costs	(74,308)	(65,140)	(112,733)	(124,375)	(94,606)
General and administrative expenses	(3,595,360)	(2,646,411)	(6,405,338)	(4,881,940)	(5,124,649)
Share in profit of joint ventures and associates	5,238,629	6,904,340	10,024,877	3,449,023	511,809
Finance income	824,213	755,636	834,330	2,654,737	1,432,883
Finance costs	(2,564,418)	(2,686,968)	(5,365,512)	(5,553,261)	(20,684,200)
Profit/(loss) before income tax	**12,739,108**	**13,008,040**	**17,146,029**	**12,296,277**	**(292,222)**
Income tax expense	(2,064,143)	(2,011,930)	(2,219,436)	(1,214,688)	(2,436,420)
Profit/(loss) for the period	**10,674,965**	**10,996,110**	**14,926,593**	**11,081,589**	**(2,728,642)**
Profit is attributable to:					
Equity holders of the Group	10,631,910	10,721,679	14,794,171	10,862,599	(1,429,656)
Non-controlling interest	43,055	274,431	132,422	218,990	(1,298,986)
Total comprehensive income (loss) for the period	**10,674,965**	**10,996,110**	**14,926,593**	**11,081,589**	**(2,728,642)**

Revenue

The Group derives revenue primarily from the sale of electricity and heat energy and the transmission of electricity. The Group also derives limited revenue from the leasing of investment property, the sale of chemically treated water and other revenue sources.

The following table sets out the principal components of the Group's total revenue for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)				
Sale of electricity	35,015,619	31,891,133	63,262,560	55,277,465	45,284,233
Sale of heat energy	8,162,827	8,222,480	14,175,765	13,796,389	12,145,050
Electricity transmission	3,078,479	2,674,717	5,562,105	5,321,699	4,793,972
Income from lease of investment property	743,676	737,691	1,437,871	1,408,475	1,463,975
Sale of chemically treated water	528,291	535,108	1,073,711	1,050,041	659,581
Other	–	33,565	37,932	85,811	107,465
Total revenue	**47,528,892**	**44,094,694**	**85,549,944**	**76,939,880**	**64,454,276**

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's total revenue for the six months ended 30 June 2012 increased by 7.8 per cent. to KZT 47,529 million, compared to KZT 44,095 million for the six months ended 30 June 2011. This increase resulted principally from a 9.8 per cent. increase in revenue from the sale of electricity in the first six months of 2012, compared to the first six months of 2011, as a result of capped tariff rate increases for Almaty Power Stations, Aktobe TPS and Shardara HPP and an overall 7.7 per cent increase in the combined volume of electricity generated by the power stations of those subsidiaries. The increase in electricity generated was a result of the Group's expansion programme to increase electricity generation in accordance with Government policy to reduce the electricity generation shortage and consequential dependence on electricity imports in Kazakhstan.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's total revenue for the year ended 31 December 2011 increased by 11.2 per cent. to KZT 85,550 million, compared to KZT 76,940 million for the year ended 31 December 2010. This increase resulted principally from a 14.4 per cent. increase in revenue from the sale of electricity in the year ended 31 December 2011, compared to the year ended 31 December 2010, as a result of capped tariff rate increases for Almaty Power Stations and Shardara HPP, which increased to KZT 7.1 per KWH and KZT 3.3 per KWH in 2011, from KZT 5.9 per KWH and 3.0 per KWH in 2010, respectively.

The Group's total revenue for the year ended 31 December 2010 increased by 19.4 per cent. to KZT 76,940 million compared to KZT 64,454 million for the year ended 31 December 2009. This increase resulted principally from a 22.1 per cent. increase in revenue from the sale of electricity in the year ended 31 December 2010, compared to the year ended 31 December 2009, partially as a result of capped tariff rate increases for Almaty Power Stations, Aktobe TPS and Shardara HPP, which increased to KZT 5.9 per KWH and KZT 4.9 per KWH and KZT 3.0 per KWH in 2010, from KZT 5.0 per KWH, KZT 3.6 per KWH and 2.8 per KWH in 2009, respectively. This increase was also partially a result of a 17.0 per cent increase in the combined volume of electricity generated by Almaty Power Stations, Aktobe TPS and Shardara HPP in the year ended 31 December 2010, compared to the year ended 31 December 2009. The increase in electricity generated was a result of the Group's expansion programme to increase electricity generation in accordance with Government policy to reduce the electricity generation shortage and consequential dependence on electricity imports in Kazakhstan.

Revenue from the sale of electricity

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's revenue from the sale of electricity for the six months ended 30 June 2012 increased by 9.8 per cent. to KZT 35,016 million, compared to KZT 31,891 million for the six months ended 30 June 2011. This increase resulted principally from capped tariff rate increases for Almaty Power Stations, Aktobe TPS and Shardara HPP and an overall 7.7 per cent increase in the combined volume of electricity generated by the power stations of those subsidiaries. The increase in electricity generated was a result of the Group's expansion programme to increase electricity generation in accordance with Government policy to reduce the electricity generation shortage and consequential dependence on electricity imports in Kazakhstan.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's revenue from the sale of electricity for the year ended 31 December 2011 increased by 14.4 per cent. to KZT 63,263 million, compared to KZT 55,277 million for the year ended 31 December 2010. This increase resulted from capped tariff rate increases for Almaty Power Stations and Shardara HPP, which increased to KZT 7.1 per KWH and KZT 3.3 per KWH in 2011, from KZT 5.9 per KWH and 3.0 per KWH in 2010, respectively.

The Group's revenue from the sale of electricity for the year ended 31 December 2010 increased by 22.1 per cent. to KZT 55,277 million, compared to KZT 45,284 million for the year ended 31 December 2009. This increase resulted partially from capped tariff rate increases for Almaty Power Stations, Aktobe TPS and Shardara HPP, which increased to KZT 5.9 per KWH and KZT 4.9 per KWH and KZT 3.0 per KWH in 2010, from KZT 5.0 per KWH, KZT 3.6 per KWH and 2.8 per KWH in 2009, respectively. This increase was also partially a result of a 17.0 per cent increase in the combined volume of electricity generated by Almaty Power Stations, Aktobe TPS and Shardara HPP in the year ended 31 December 2010, compared to the year ended 31 December 2009. The increase in electricity generated was a result of the Group's expansion programme to increase electricity generation in accordance with Government policy to reduce the electricity generation shortage and consequential dependence on electricity imports in Kazakhstan.

Revenue from the sale of heat energy

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's revenue from the sale of heat energy for the six months ended 30 June 2012 decreased by 0.7 per cent. to KZT 8,163 million, compared to KZT 8,222 million for the six months ended 30 June 2011. This decrease resulted principally from a decrease in the consumption of heat energy amongst the Group's customers in the first six months of 2012, compared to the first six months of 2011, reflecting the milder winter in the early months of 2012, compared to the winter in the early months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's revenue from the sale of heat energy for the year ended 31 December 2011 increased by 2.7 per cent. to KZT 14,176 million, compared to KZT 13,796 million for the year ended 31 December 2010. This increase resulted from general growth in demand for heat energy related to the growth of the Kazakhstan economy and growth in Kazakhstan's population in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's revenue from the sale of heat energy for the year ended 31 December 2010 increased by 13.6 per cent. to KZT 13,796 million, compared to KZT 12,145 million for the year ended 31 December 2009. This increase resulted principally from an increase in the tariff for the sale of heat energy for Almaty Power Stations to KZT 2,245 per Gcal in the year ended 31 December 2010, compared to KZT 1,928 per Gcal the year ended 31 December 2009.

Revenue from electricity transmission

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's revenue from electricity transmission for the six months ended 30 June 2012 increased by 15.1 per cent. to KZT 3,078 million, compared to KZT 2,675 million for the six months ended 30 June 2011. This increase resulted principally from higher tariffs and an 8.3 per cent. increase in electricity transmitted in the first six months of 2012, compared to the first six months of 2011, reflecting an increase in demand from the growth of the Kazakhstan economy.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's revenue from electricity transmission for the year ended 31 December 2011 increased by 4.5 per cent. to KZT 5,562 million, compared to KZT 5,322 million for the year ended 31 December

2010. This increase resulted principally from a 5.5 per cent. increase in electricity transmitted in the year ended 31 December 2011, compared to the year ended 31 December 2010, reflecting an increase in the demand from the growth of the Kazakhstan economy, in addition to an increase in the tariff charged by Mangistau Electricity Distribution Company to KZT 2.2 per KWH in 2011, from KZT 2.0 per KWH in 2010.

The Group's revenue from electricity transmission for the year ended 31 December 2010 increased by 11.0 per cent. to KZT 5,322 million, compared to KZT 4,794 million for the year ended 31 December 2009. This increase resulted principally from the electricity transmission tariff for Alatau Zharyk increasing to KZT 3.4 per KWH in 2010 compared to KZT 2.8 per KWH in 2009 and an increase in electricity transmitted in the year ended 31 December 2010, compared to the year ended 31 December 2009, reflecting an increase in demand from the growth of the Kazakhstan economy.

Income from the lease of investment property

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's income from the lease of investment property for the six months ended 30 June 2012 increased by 0.8 per cent. to KZT 744 million, compared to KZT 738 million for the six months ended 30 June 2011. This increase resulted from an increase in the U.S.$ rental rate for the lease in the year ended 31 December 2011, due to foreign exchange movements.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's income from the lease of investment property for the year ended 31 December 2011 increased by 2.1 per cent. to KZT 1,438 million, compared to KZT 1,408 million for the year ended 31 December 2010. This increase resulted from an increase in the U.S.$ rental rate for the lease in the year ended 31 December 2011, due to foreign exchange movements.

The Group's income from the lease of investment property for the year ended 31 December 2010 decreased by 3.8 per cent. to KZT 1,408 million, compared to KZT 1,464 million for the year ended 31 December 2009. This decrease resulted from a decrease in the U.S.$ rental rate for the lease in the year ended 31 December 2011, due to foreign exchange movements.

Sale of chemically treated water

Chemically treated water is hot water used in baths, showers, for washing and other similar purposes.

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's revenue from the sale of chemically treated water for the six months ended 30 June 2012 decreased by 1.3 per cent. to KZT 528 million, compared to KZT 535 million for the six months ended 30 June 2011. This decrease resulted from a 1.3 per cent. decrease in chemically treated water generated in the first six months of 2012 to 18.4 million tonnes from 18.7 million tonnes in the first six months of 2011. This was a result of a decrease in demand for chemically treated water due to an increase in the efficiency of Almaty Thermal Networks (the sole heat energy customer of Almaty Power Stations), which led to less water being lost in transmission by Almaty Thermal Networks and therefore less water being required by Almaty Thermal Networks per unit of chemically treated water provided to customers, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's revenue from the sale of chemically treated water for the year ended 31 December 2011 increased by 2.3 per cent. to KZT 1,074 million, compared to KZT 1,050 million for the year ended 31 December 2010. This increase resulted from a 2.2 per cent. increase in chemically treated water generated in the first six months of 2012 to 37.4 million tonnes from 36.6 million tonnes in the first six months of 2011, which in turn resulted from increased customer demand for chemically treated water.

The Group's revenue from the sale of chemically treated water for the year ended 31 December 2010 increased by 59.2 per cent. to KZT 1,050 million, compared to KZT 660 million for the year ended 31 December 2009. This increase resulted from a tariff increase in the year ended 31 December 2010, as a result of which the tariff for chemically treated water was KZT 28.7 per tonne in the year ended 31 December 2010, compared to KZT 15.7 per tonne in the year ended 31 December 2009.

Other revenue

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's other revenue for the six months ended 30 June 2012 decreased by 100 per cent. to nil, compared to KZT 34 million for the six months ended 30 June 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's other revenue for the year ended 31 December 2011 decreased by 55.8 per cent. to KZT 38 million, compared to KZT 86 million for the year ended 31 December 2010.

The Group's other revenue for the year ended 31 December 2010 decreased by 20.2 per cent. to KZT 86 million, compared to KZT 107 million for the year ended 31 December 2009.

Cost of sales

The Group's cost of sales for the periods indicated consisted primarily of fuel expenses, payroll and related expenses, the cost of purchased electricity, depreciation and amortisation and electricity transmission and other services. In the year ended 31 December 2009, the Group's cost of sales were reduced by a one-off reversal of a previously recognized impairment charge. The Group also incurs more limited cost of sales from repairing and maintenance expenses, materials expenses, water supply expenses, electricity loss on transmission expenses, taxes other than on income expenses, third party services expenses, rent services expenses, reversal or charge of provision on obsolete and slow-moving inventories and other costs and expenses, as set out below.

Fuel expenses accrue from coal (including coal from Bogatyr Komir), gas and fuel oil purchased by Almaty Power Stations and Aktobe TPS for their electricity-generating and heat energy-generating operations. Payroll and related expenses accrue from salaries and benefits attributable to the Group's non-managerial workers and technicians. The cost of purchased electricity accrues from the electricity purchased by AlmatyEnergySbyt for sale to customers. Depreciation and amortisation accrue on the Group's property, plant and equipment and intangible assets. Electricity transmission and other services expenses accrue from certain transmission, balancing and other services performed by KEGOC. Repairing and maintenance expenses accrue from repair and maintenance services purchased by the Group for the repair and maintenance of its property, plant and equipment. Materials expenses accrue from materials purchased by the Group for use in repairing and maintenance activities performed by the Group on its own property, plant and equipment and for other uses. Water supply expenses accrue from water purchased by the Group to be heated by the Group so it can be sold to customers in the form of heating energy and chemically treated hot water. Electricity loss on transmission expenses accrue from electricity lost by Alatau Zharyk and Mangistau Electricity Distribution Company in the course of transmission, for which such companies must provide compensation. Taxes other than on income include, *inter alia*, property taxes and environmental emissions taxes. Third party services expenses include, *inter alia*, communications, insurance, data centre, utilities, training, security, underwater inspection and fuel transportation (from point of delivery to power stations) expenses. Rent services expenses accrue primarily from the rental of retail premises by AlmatyEnergySbyt. Reversal or charge of provision on obsolete and slow-moving inventories accrue from reassessments to provisions on obsolete or slow-moving inventories. The one-off reversal of a previously recognized impairment charge in the year ended 31 December 2009 related to the property, plant and equipment of Alatau Zharyk.

The following table sets out the principal components of the Group's cost of sales for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)				
Fuel	10,634,516	8,772,086	16,746,996	14,183,545	11,310,703
Payroll and related expenses	6,394,805	5,980,370	13,076,988	11,213,359	9,568,555
Cost of purchased electricity	6,263,374	6,249,400	11,728,998	8,357,652	9,594,429
Depreciation of property, plant and equipment and amortisation of intangible assets	3,868,405	2,953,823	6,607,741	4,988,441	3,370,936
Electricity transmission and other services	2,850,104	2,828,429	4,972,508	5,442,613	4,356,062
Repairing and maintenance	1,817,964	1,921,684	5,224,455	5,168,233	4,479,169
Materials	1,206,439	761,893	2,534,458	1,729,588	2,336,387
Water supply	1,015,054	1,429,613	1,770,157	4,854,195	1,578,918
Electricity losses on transmission	826,486	995,157	1,814,889	1,755,428	1,434,898
Taxes other than on income	784,111	466,581	876,681	966,337	440,199
Third party services	386,250	393,326	1,605,230	1,032,263	1,332,924
Rent services	46,638	52,123	112,487	111,897	85,935
(Reversal) or charge of provision on obsolete and slow-moving inventories	(195,057)	142,991	(13,348)	(431,576)	292,427
Reversal of impairment	–	–	–	–	(9,527,168)
Other	298,983	294,622	1,765,421	1,560,936	1,558,275
Total cost of sales	**36,198,072**	**33,242,098**	**68,823,661**	**60,932,911**	**42,212,649**

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's cost of sales for the six months ended 30 June 2012 increased by 8.9 per cent. to KZT 36,198 million, compared to KZT 33,242 million for the six months ended 30 June 2011. This increase resulted principally from a 21.2 per cent. increase in fuel expenses and a 31.0 per cent. increase in the depreciation of property, plant and equipment and the amortisation of intangible assets in the first six months of 2012, compared to the first six months of 2011, for the reasons set out below.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's cost of sales for the year ended 31 December 2011 increased by 12.9 per cent. to KZT 68,824 million, compared to KZT 60,933 million for the year ended 31 December 2010. This increase resulted principally from an 18.1 per cent. increase in fuel expenses, a 16.6 per cent. increase in payroll and related expenses and a 40.3 per cent. increase in the cost of purchased electricity in the year ended 31 December 2011, compared to the year ended 31 December 2010, for the reasons set out below.

The Group's cost of sales for the year ended 31 December 2010 increased by 44.4 per cent. to KZT 60,933 million, compared to KZT 42,213 million for the year ended 31 December 2009. This increase resulted principally from the existence of a one-off reversal of impairment of property, plant and equipment in the year ended 31 December 2009, in addition to a 25.4 per cent. increase in fuel expenses, a 17.2 per cent. increase in payroll and related expenses and a 207.4 per cent. increase in water supply expenses in the year ended 31 December 2010, compared to the year ended 31 December 2009, for the reasons set out below. This increase was partially offset by a 22.6 per cent. decrease in third party service costs and a 25.9 per cent. decrease in the cost of materials, for the reasons set out below.

Fuel expenses

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's fuel expenses for the six months ended 30 June 2012 increased by 21.2 per cent. to KZT 10,635 million, compared to KZT 8,772 million for the six months ended 30 June 2011. This increase resulted principally from increases in fuel prices in the first six months of 2012, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's fuel expenses for the year ended 31 December 2011 increased by 18.1 per cent. to KZT 16,747 million, compared to KZT 14,184 million for the year ended 31 December 2010. This increase resulted principally from increases in fuel prices in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's fuel expenses for the year ended 31 December 2010 increased by 25.4 per cent. to KZT 14,184 million, compared to KZT 11,311 million for the year ended 31 December 2009. This increase resulted principally from increases in fuel prices and in the volume of fuel used in Almaty Power Stations' and Aktobe TPS's electricity generation operations in the year ended 31 December 2010, compared to the year ended 31 December 2009, as a result of an increase in electricity generated during this period.

Payroll and related expenses

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's payroll and related expenses for the six months ended 30 June 2012 increased by 6.9 per cent. to KZT 6,395 million, compared to KZT 5,980 million for the six months ended 30 June 2011. This increase resulted principally from the growth of the salaries of the Group's non-managerial employees in the first six months of 2012, compared to the first six months of 2011, which reflects the link to inflation of the salaries of the Group's employees, respectively. This increase was also a result to a limited extent of the growth in non-managerial employee numbers during this period, which reflects the growth of the Group's business.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's payroll and related expenses for the year ended 31 December 2011 increased by 16.6 per cent. to KZT 13,077 million, compared to KZT 11,213 million for the year ended 31 December 2010. This increase resulted principally from the growth of the salaries of the Group's non-managerial employees in the year ended 31 December 2011, compared to the year ended 31 December 2010, which in turn resulted from the link to inflation of the salaries of the Group's employees. This increase was also a result to a limited extent of the growth in employee numbers during this period, which reflects the growth of the Group's business.

The Group's payroll and related expenses for the year ended 31 December 2010 increased by 17.2 per cent. to KZT 11,213 million, compared to KZT 9,569 million for the year ended 31 December 2009. This change resulted principally from the growth of the salaries of the Group's non-managerial employees in the year ended 31 December 2010, compared to the year ended 31 December 2009, which in turn resulted from the link to inflation of the salaries of the Group's employees. This increase was also a result to a limited extent of the growth in non-managerial employee numbers during this period, which reflects the growth of the Group's business.

Cost of purchased electricity

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's cost of purchased electricity for the six months ended 30 June 2012 increased by 0.2 per cent. to KZT 6,263 million, compared to KZT 6,249 million for the six months ended 30 June 2011. This increase resulted principally from higher electricity tariffs in the first six months of 2012, compared to the first six months of 2011. This increase was partially offset by a decrease in the proportion of electricity purchased from companies outside the Group to 36 per cent. of purchased electricity in the first six months of 2012, compared to 40 per cent. in the first six months of 2011, reflecting Group companies purchasing more electricity from other Group companies, which as a whole generated higher amounts of electricity in the first six months of 2012.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's cost of purchased electricity for the year ended 31 December 2011 increased by 40.3 per cent. to KZT 11,729 million, compared to KZT 8,358 million for the year ended 31 December 2010. This increase resulted principally from higher electricity tariffs in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's cost of purchased electricity for the year ended 31 December 2010 decreased by 12.9 per cent. to KZT 8,358 million, compared to KZT 9,594 million for the year ended 31 December 2009. This decrease resulted principally from a decrease in the proportion of purchased electricity from companies outside the Group to 49 per cent. of electricity purchased in the year ended 31 December 2010, compared to 53 per cent. in the year ended 31 December 2009, reflecting in particular an increase in electricity purchased by AlmatyEnergySbyt from Almaty Power Stations.

Depreciation of property, plant and equipment and amortisation of intangible assets

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's depreciation of property, plant and equipment and amortisation of intangible assets for the six months ended 30 June 2012 increased by 31.0 per cent. to KZT 3,868 million, compared to KZT 2,954 million for the six months ended 30 June 2011. This increase resulted principally from the Group's depreciation expenses accruing on a higher carrying balance in the first six months of 2012, compared to the first six months of 2011, reflecting the Group's capital expenditure through its investment programme.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's depreciation of property, plant and equipment and amortisation of intangible assets for the year ended 31 December 2011 increased by 32.5 per cent. to KZT 6,608 million, compared to KZT 4,988 million for the year ended 31 December 2010. This change resulted principally from the Group's depreciation expenses accruing on a higher carrying balance in the year ended 31 December 2011, compared to the year ended 31 December 2010, reflecting the Group's capital expenditure through its investment programme and the reversal of impairment which occured in the year ended 31 December 2009.

The Group's depreciation of property, plant and equipment and amortisation of intangible assets for the year ended 31 December 2010 increased by 48.0 per cent. to KZT 4,988 million, compared to KZT 3,371 million for the year ended 31 December 2009. This change resulted principally from the Group's depreciation expenses accruing on a higher carrying balance in the year ended 31 December 2010, compared to the year ended 31 December 2009, reflecting the Group's capital expenditure through its investment programme.

For further discussion on the growth of the Group's property, plant and equipment carrying balances, see "*Analysis of Certain Other Balance Sheet Items – Non-current assets – property, plant and equipment*".

Electricity transmission (and other) services

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's electricity transmission and other services expenses for the six months ended 30 June 2012 increased by 0.8 per cent. to KZT 2,850 million, compared to KZT 2,828 million for the six months ended 30 June 2011. This change resulted principally from a 1.4 per cent. increase in the KEGOC tariff in the first six months of 2012, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's electricity transmission services expenses for the year ended 31 December 2011 decreased by 8.6 per cent. to KZT 4,973 million, compared to KZT 5,443 million for the year ended 31 December 2010. This change resulted principally from a 20.4 per cent decrease in the volume of electricity transmitted through the KEGOC network in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's electricity transmission and other services expenses for the year ended 31 December 2010 increased by 24.9 per cent. to KZT 5,443 million, compared to KZT 4,356 million for the year ended 31 December 2009. This change resulted principally from a 12.0 per cent increase in the KEGOC tariff in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Repairing and maintenance

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's repairing and maintenance expenses for the six months ended 30 June 2012 decreased by 5.4 per cent. to KZT 1,818 million, compared to KZT 1,922 million for the six months ended 30 June 2011. This decrease resulted from a greater proportion of repair and maintenance activities being scheduled in the second six months of 2012, rather than in the first six months of 2012.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's repairing and maintenance expenses for the year ended 31 December 2011 increased by 1.1 per cent. to KZT 5,224 million, compared to KZT 5,168 million for the year ended 31 December 2010. This increase resulted from an increase in repairing and maintenance works performed in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's repairing and maintenance expenses for the year ended 31 December 2010 increased by 15.4 per cent. to KZT 5,168 million, compared to KZT 4,479 million for the year ended 31 December 2009. This increase resulted from an increase in repairing and maintenance works in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Materials

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's materials expenses for the six months ended 30 June 2012 increased by 58.3 per cent. to KZT 1,206 million, compared to KZT 762 million for the six months ended 30 June 2011. This increase resulted principally from an increase in materials purchased by Alatau Zharyk for repair and maintenance that Alatau Zharyk undertook on itself in the first six months of 2012, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's materials expenses for the year ended 31 December 2011 increased by 46.5 per cent. to KZT 2,534 million, compared to KZT 1,730 million for the year ended 31 December 2010. This increase resulted principally from an increase in materials purchased by Alatau Zharyk for repair and maintenance that Alatau Zharyk undertook itself in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's materials expenses for the year ended 31 December 2010 decreased by 26.0 per cent. to KZT 1,730 million, compared to KZT 2,336 million for the year ended 31 December 2009. This change resulted from a decrease in materials purchased by the Group for repair and maintenance that the Group undertook itself as opposed to engaging outside contractors in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Water supply

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's water supply expenses for the six months ended 30 June 2012 decreased by 29.0 per cent. to KZT 1,015 million, compared to KZT 1,430 million for the six months ended 30 June 2011. This decrease resulted from Almaty Power Stations not provisioning for additional water supply expenses arising from pipe leakages during the transmission of hot water to customers by Almaty Thermal Networks in the first half of 2012. This was because such expenses were not realised in 2011, as they had been in prior periods, so the Group did not consider that there was a need to provision for such expenses in the first half of 2012. Such expenses accrued in prior periods despite Almaty Power Stations not having responsibility for these leakages, such responsibility being with Almaty Thermal Networks. Nevertheless Almaty Power Stations incurred extra costs in prior periods due to having to purchase increased volumes of cold water from Bastau Subsidiary Public Utility Company under Almaty SU Holding State Utility Company ("**Bastau**"), a water utilities company, in order to generate sufficient quantities of hot water for Almaty Thermal Networks to provide to customers.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's water supply expenses for the year ended 31 December 2011 decreased by 63.5 per cent. to KZT 1,770 million, compared to KZT 4,854 million for the year ended 31 December 2010. This decrease resulted from there being no extraordinary expenses in the year ended 31 December 2011, compared to the year ended 31 December 2010 when the Group paid KZT 2,985 million to Bastau. See "*Description of the Group's Business – Litigation – Dispute with Bastau*".

The Group's water supply expenses for the year ended 31 December 2010 increased by 207.4 per cent. to KZT 4,854 million, compared to KZT 1,579 million for the year ended 31 December 2009. This increase resulted from the Group paying KZT 2,985 million to Bastau in the year ended 31 December 2010 as a result of litigation.

Electricity losses on transmission

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's electricity losses on transmission for the six months ended 30 June 2012 decreased by 16.9 per cent. to KZT 826 million, compared to KZT 995 million for the six months ended 30 June 2011. This decrease resulted from improvements in the quality of transmission and connection equipment in place in the first six months of 2012, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's electricity losses on transmission for the year ended 31 December 2011 increased by 3.4 per cent. to KZT 1,815 million, compared to KZT 1,755 million for the year ended 31 December 2010. This increase resulted from an increase in the value per unit of electricity lost in the year ended 31 December 2011, compared to the year ended 31 December 2010, which reflects higher electricity tariffs.

The Group's electricity losses on transmission for the year ended 31 December 2010 increased by 22.3 per cent. to KZT 1,755 million, compared to KZT 1,435 million for the year ended 31 December 2009. This increase resulted from an increase in the value per unit of electricity lost in the year ended 31 December 2010, compared to the year ended 31 December 2009, which reflects higher electricity tariffs.

Taxes other than on income

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's taxes other than on income for the six months ended 30 June 2012 increased by 68.1 per cent. to KZT 784 million, compared to KZT 467 million for the six months ended 30 June 2011. This increase resulted from an increase in the value of the Group's property as a result of its capital expenditure programme which led to the Group being liable for higher property taxes (which are levied at a percentage of the value of property) and the end of a temporary favourable tax treatment regime on property tax on the Almaty Power Stations ash dump in the first six months of 2012, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's taxes other than on income for the year ended 31 December 2011 decreased by 9.3 per cent. to KZT 877 million, compared to KZT 966 million for the year ended 31 December 2010. This decrease resulted from a temporary favourable tax treatment regime related to property taxes on the Almaty Power Stations ash dump in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's taxes other than on income for the year ended 31 December 2010 increased by 119.5 per cent. to KZT 966 million, compared to KZT 440 million for the year ended 31 December 2009. This increase resulted from an increase in the value of the Group's property as a result of its capital expenditure programme, an approximately 600 per cent. increase in the tariff on the use of water by hydropower plants and an increase in environmental emission payments (reflecting an increase in electricity generated by the coal-fired power plants of Almaty Power Stations), in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Third party services

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's third party services expenses for the six months ended 30 June 2012 decreased by 1.8 per cent. to KZT 386 million, compared to KZT 393 million for the six months ended 30 June 2011. This decrease resulted from there being no requirement in the first six months of 2012 for underwater inspection services related to the construction of hydropower plants, as there had been in the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's third party services expenses for the year ended 31 December 2011 increased by 55.5 per cent. to KZT 1,605 million, compared to KZT 1,032 million for the year ended 31 December 2010. This increase resulted principally from higher transportation costs and security costs in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's third party services expenses for the year ended 31 December 2010 decreased by 22.5 per cent. to KZT 1,032 million, compared to KZT 1,333 million for the year ended 31 December 2009. This decrease resulted from lower transportation costs and the Group procuring less services from third parties in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Rent services

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's rent services expenses for the six months ended 30 June 2012 decreased by 10.5 per cent. to KZT 47 million, compared to KZT 52 million for the six months ended 30 June 2011. This decrease resulted from AlmatyEnergySbyt moving to lower-rent premises in the first six months of 2012, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's rent services expenses for the year ended 31 December 2011 increased by 0.5 per cent. to KZT 112.5 million, compared to KZT 111.9 million for the year ended 31 December 2010.

The Group's rent services for the year ended 31 December 2010 increased by 30.2 per cent. to KZT 112 million, compared to KZT 86 million for the year ended 30 December 2009, resulting from AlmatyEnergySbyt moving to higher-rent premises and renting additional premises in the year ended 31 December 2010.

Reversal or charge of provision on obsolete and slow-moving inventories

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's reversal or charge of provision on obsolete and slow-moving inventories for the six months ended 30 June 2012 consisted of a reversal of KZT 195 million, compared to a charge of KZT 143 million for the six months ended 30 June 2011. This change resulted principally from a reassessment of the Group's obsolete and slow-moving inventories in the first six months of 2012.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's reversal of provision on obsolete and slow-moving inventories for the year ended 31 December 2011 decreased by 96.9 per cent. to KZT 13 million, compared to KZT 432 million for the year ended 31 December 2010. This decrease resulted from a reassessment of reversal of provision on obsolete and slow-moving inventories in the year ended 31 December 2011.

The Group's reversal of provision on obsolete and slow-moving inventories for the year ended 31 December 2010 increased by 47.6 per cent. to KZT 432 million, compared to KZT 292 million for the year ended 31 December 2009. This change resulted principally from a reassessment of the Group's obsolete and slow moving inventories in the year ended 31 December 2010.

Reversal of impairment of property, plant and equipment

Year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's reversal of impairment of property, plant and equipment for the year ended 31 December 2010 decreased by 100 per cent. to nil, compared to KZT 9,527 million for the year ended 31 December 2009. This decrease resulted from a one-off reversal of impairment of KZT 9,527 million in the year ended 31 December 2009, resulting from a positive reassessment of the impairment of Alatau Zharyk's property following an increase in the tariffs it could charge for its transmission and distribution services.

Other cost of sales

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's other cost of sales expenses for the six months ended 30 June 2012 increased by 1.5 per cent. to KZT 299 million, compared to KZT 295 million for the six months ended 30 June 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's other cost of sales expenses for the year ended 31 December 2011 increased by 13.1 per cent. to KZT 1,765 million, compared to KZT 1,561 million for the year ended 31 December 2010. This increase resulted from increased employee health and safety expenses, business trips expenses, communication expenses and training expenses in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's other cost of sales expenses for the year ended 31 December 2010 increased by 0.2 per cent. to KZT 1,561 million, compared to KZT 1,558 million for the year ended 31 December 2009.

Other income or expense

The Group's other income or expense is calculated on a net basis and consists of income from legal claims, a management fee on the trust management of Ekibastuzskaya GRES-1, income from the connection of additional capacities, liability write-offs, Sayabak substation impairment expenses and other income and expense items.

The following table sets out the Group's other income or expense for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Income from legal claims	1,030,000	–	–	–	–
Income from connection of additional capacities/facilities	238,088	289,200	537,262	518,732	1,271,807
Management fee on trust management of Ekibastuzskaya GRES-1	210,000	–	–	–	–
Liability write-off	–	–	765,827	147,208	–
Increase from sale of inventories	–	–	215,747	219,164	21,541
''Sayabak'' station impairment expenses	–	(535,418)	(366,237)	–	–
Income on fines and penalties	–	–	–	–	95,633
Other income	174,407	207,423	523,463	309,904	90,369
Other expenses	(72,963)	(67,218)	(231,940)	(449,884)	(54,436)
Total other income/(expense)	**1,579,532**	**(106,013)**	**1,444,122**	**745,124**	**1,424,914**

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's other income or expense for the six months ended 30 June 2012 consisted of income of KZT 1,580 million, compared to expense of KZT 106 million for the six months ended 30 June 2011. This change resulted principally from the receipt of KZT 1,030 million in April 2012 from Almaty Thermal Networks, following the decision in November 2011 by an appeal panel of judges to uphold the award made by the Inter-district Economic Court of Almaty to the Group in September 2011, in respect of a counterclaim relating to losses from litigation with Bastau in 2009. See Note 31 to the Group's Interim 2012 Consolidated Financial Statements and ''*Description of the Group's Business Litigation Dispute with Bastau.*'' This was also a result of a KZT 210 million management fee from Samruk-Kazyna in the first six months of 2012 for the Group's trust management of Samruk-Kazyna's stake in Ekibastuzskaya GRES-1 and the Group incurring impairment expenses of KZT 535 million related to the partial destruction of the Sayabak substation by fire in the first six months of 2011. See ''*Risk Factors – Risks Relating to the Group's Operations and Business – A large part of the Group's plant and equipment requires replacement, repair or modernisation and may be susceptible to technical failures or emergencies, increased maintenance costs and reduced reliability and efficiency, and it is located in certain geographical locations, susceptible to natural disasters.*''

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's other income or expense for the year ended 31 December 2011 increased by 93.8 per cent. to KZT 1,444 million, compared to KZT 745 million for the year ended 31 December 2010. This increase resulted principally from a 421 per cent. increase in the write-off of liabilities in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's other operating income or expense for the year ended 31 December 2010 decreased by 47.7 per cent. to KZT 745 million, compared to KZT 1,425 million for the year ended 31 December 2009. This decrease resulted principally from a 59.2 per cent. decrease in income from the connection of additional capacities in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Distribution costs

The Group's distribution costs accrue from certain transmission and technical control services performed by KEGOC.

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's distribution costs for the six months ended 30 June 2012 increased by 14.1 per cent. to KZT 74 million, compared to KZT 65 million for the six months ended 30 June 2011. This increase resulted from an increase in electricity transmission expenses payable to KEGOC in the first six months of 2012, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's distribution costs for the year ended 31 December 2011 decreased by 9.4 per cent. to KZT 113 million, compared to KZT 124 million for the year ended 31 December 2010. This decrease resulted principally from a 19.9 per cent. decrease in electric power transmission services expenses payable to KEGOC in the year ended 31 December 2011, compared to the year ended 31 December 2010, reflecting a decrease in the volume of electricity produced by Shardara GES for distribution in the year ended 31 December 2010.

The Group's distribution costs for the year ended 31 December 2010 increased by 31.5 per cent. to KZT 124 million, compared to KZT 95 million for the year ended 31 December 2009. This increase resulted principally from a 352.6 per cent. increase in other distribution costs and a 25 per cent. increase in electricity transmission service expenses payable to KEGOC in the year ended 31 December 2010, compared to the year ended 31 December 2009, reflecting an increase in the volume of electricity produced by Shardara GES for distribution in the year ended 31 December 2009.

General and administrative expenses

The Group incurs general and administrative expenses from expenses not included within the Group's cost of sales, although a number of line items are split between cost of sales and general and administrative expenses. The Group principally incurs general and administrative expenses from payroll and related expenses, taxes other than on income, and consulting and other professional services. The Group also incurs limited general and administrative expenses from state duties (arising in connection with litigation procedures), depreciation of property, plant and equipment and amortisation of intangible assets, business trip and representative expenses, rent expenses, materials expenses, bank charges and communication expenses, as well as a number of other expenses.

The following table sets out the principal components of the Group's administrative and other expenses for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Payroll and related expenses	1,612,456	1,245,601	2,616,851	2,505,358	2,236,925
Taxes and other than on income	347,168	390,949	849,007	919,512	527,967
State duties	253,545	–	–	–	–
Consulting and other professional services	247,075	75,791	681,312	423,737	417,460
Depreciation of property, plant and equipment and amortisation of intangible assets	203,032	137,429	258,949	191,536	160,326
Business trip and representative expenses	66,870	64,214	156,848	132,063	101,539
Rent expense	137,443	146,855	291,311	353,857	480,587
Materials	51,739	59,778	112,585	112,210	108,704
Bank charges	45,689	58,878	120,590	123,094	120,157
Communication expenses	25,521	34,742	85,545	62,910	86,968
Transportation	10,253	11,513	17,127	8,616	19,806
Insurance	8,219	13,442	35,984	15,491	11,786
Repair and maintenance	6,219	25,650	89,687	95,764	67,963
Charity	11,809	269,319	351,487	116,041	83,801
Security services	4,579	17,153	35,741	33,315	22,351
Write-off of prepaid expenses related to loan from EBRD	–	–	327,335	–	–
Reversal of impairment of property, plant and equipment	–	–	–	–	(365,707)
Charge/(reversal) of provision for impairment of trade and other receivables and other current assets	322,234	(60,068)	(88,711)	(643,145)	556,827
Other	241,509	155,165	463,690	431,581	487,189
Total general and administrative expenses	**3,595,360**	**2,646,411**	**6,405,338**	**4,881,940**	**5,124,649**

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's general and administrative expenses for the six months ended 30 June 2012 increased by 35.9 per cent. to KZT 3,595 million, compared to KZT 2,646 million for the six months ended 30 June 2011. This increase resulted principally from a 29.5 per cent. increase in payroll and related expenses, arising from an increase in average salaries and a 225.0 per cent. increase in consulting and other professional service expenses, arising from increased legal fees from external legal support for certain projects in the first six months of 2012, compared to the first six months of 2011. This increase was also a result of a new expense of KZT 254 million for state duties in the first six months of 2012 related to litigation against LLP "AlmatyGasTrade" (see "*Description of the Group's Business – Litigation*") and a charge of provision for impairment of trade and other receivables and other current assets of KZT 322 million in the first six months of 2012, compared to a reversal of impairment of trade and other receivables and other current assets in the first six months of 2011 of KZT 126 million.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's general and administrative expenses for the year ended 31 December 2011 increased by 31.2 per cent. to KZT 6,405 million, compared to KZT 4,882 million for the year ended 31 December 2010. This increase resulted from increases in most of the components of general and administrative expenses related to the growth of the Group's management and administrative functions, in addition to the write-off of prepaid expenses in the amount of KZT 327 million in respect of a loan from European

Bank of Reconstruction and Development ("**EBRD**") and a 202.9 per cent. increase in charity expenses in the year ended 31 December 2011, compared to the year ended 31 December 2010.

The Group's general and administrative expenses for the year ended 31 December 2010 decreased by 4.7 per cent. to KZT 4,882 million, compared to KZT 5,125 million for the year ended 31 December 2009. This decrease resulted principally from a reversal of provision for impairment of trade and other receivables and other current assets of KZT 735 million in the year ended 31 December 2010, compared to a charge of provision for impairment of trade and other receivables and other current assets of KZT 557 million in the year ended 31 December 2009.

Share in profits and losses of joint ventures and associates

The Group derives profits and incurs losses with respect to its investments in its joint ventures and associates.

The following table sets out the principal components of Group's share in the profits and losses of its joint ventures and associates for the periods indicated.

	Joint Ventures			Associates		
	Ekibastuzskaya GRES-2	**Forum Muider**	**ZhGRES**	**Balkhashskaya TPS**	**TPEP**	**Total**
	(in thousands of Kazakhstan Tenge)					
The Group's share in profit/(loss) for the six months ended 30 June 2012	3,325,460	2,007,651	–	30,000	(124,482)	5,238,629
The Group's share in profit/(loss) for the six months ended 30 June 2011	3,881,811	3,017,153	–	–	5,376	6,904,340
The Group's share in profit for the year ended 31 December 2011	5,905,159	3,896,749	0	–	222,969	10,024,877
The Group's share in profit for the year ended 31 December 2010	3,479,555	(32,045)	0	–	1,513	3,449,023
The Group's share in profit for the year ended 31 December 2009	248,357	263,452	–	–	–	511,809

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's share in the profits and losses of joint ventures and associates for the six months ended 30 June 2012 decreased by 24.1 per cent. to KZT 5,239 million, compared to KZT 6,904 million for the six months ended 30 June 2011. This change resulted principally from a 14.3 per cent. decrease in the Group's share in the profit of Ekibastuzskaya GRES-2 and a 33.5 per cent. decrease in the Group's share in the profit of Forum Muider in the first six months of 2012 compared to the first six months of 2011 and the Group's share in the loss of TPEP of KZT 124 million in the first six months of 2012, compared to a share in the profit of KZT 5 million in the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009.

The Group's share in the profits and losses of joint ventures and associates for the year ended 31 December 2011 increased by 190.7 per cent. to KZT 10,025 million compared to KZT 3,449 million for the year ended 31 December 2010. This change resulted principally from a 69.7 per cent. increase in the Group's share in the profit of Ekibastuzskaya GRES-2 in the year ended 31 December 2011 compared to the year ended 31 December 2010 and the Group's share in the profit of Forum Muider of KZT 3,897 million in the year ended 31 December 2011 compared to a share in the loss of Forum Muider of KZT 32 million in the year ended 31 December 2010. This was also a result of an increase in the Group's share in the profit of TPEP of KZT 223 million in the year ended 31 December 2011, compared to KZT 1.5 million in the year ended 31 December 2010.

The Group's share in the profits and losses of joint ventures and associates for the year ended 31 December 2010 increased by 573.9 per cent. to KZT 3,449 million, compared to KZT 512 million for the year ended 31 December 2009. This change resulted principally from a 1,301 per cent. increase in the Group's share in the profit of Ekibastuzskaya GRES-2 in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Finance income

The Group derives finance income from interest income on bank deposits and foreign exchange gains.

The following table sets out the principal components of Group's finance income for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Interest income on bank deposits	821,399	423,838	834,012	1,274,923	970,323
Revision of maturity of loan from the shareholder	–	–	–	863,875	–
Foreign exchange gains less losses	–	331,798	–	500,690	–
Gains from change of interest rate on bank loan	–	–	–	–	348,156
Other	2,814	–	318	15,249	114,404
Total finance income	**824,213**	**755,636**	**834,330**	**2,654,737**	**1,432,883**

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's finance income for the six months ended 30 June 2012 increased by 9.1 per cent. to KZT 824 million, compared to KZT 756 million for the six months ended 30 June 2011. This increase resulted principally from a 93.8 per cent. increase in interest income on bank deposits in the first six months of 2012, compared to the first six months of 2011, which was partially offset by a 100 per cent. decrease in foreign exchange gains less losses in the first six months of 2012, compared to KZT 332 million in the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's finance income for the year ended 31 December 2011 decreased by 68.6 per cent. to KZT 834 million, compared to KZT 2,655 million for the year ended 31 December 2010. This decrease resulted principally from a 34.6 per cent. decrease in interest income on bank deposits in the year ended 31 December 2011, compared to the year ended 31 December 2010 and the Group having previously recorded income of KZT 864 million from the revision of the maturity of a loan from the Group's shareholder and a net foreign exchange gain of KZT 501 million in 2010, compared to no income from these sources in 2011.

The Group's finance income for the year ended 31 December 2010 increased by 85.3 per cent. to KZT 2,655 million, compared to KZT 1,433 million for the year ended 31 December 2009. This increase resulted principally from a KZT 864 million gain related to the revision of the loan repayment schedule for a loan to Samruk-Kazyna that was recorded in 2010, but for which no such gain was recorded in 2009. This increase was also a result of a 31.4 per cent. increase in interest income in bank deposits in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Finance costs

The Group's finance costs consist primarily of interest expense on borrowings, dividends on the preference shares of subsidiaries and the unwinding of the Group's present value discount on various liabilities, particularly loans and financial aid from shareholders and loans from customers.

The following table sets out the principal components of Group's finance costs for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)				
Interest expense on borrowings	(1,304,362)	(1,481,332)	(2,501,074)	(3,397,146)	(5,628,689)
Foreign exchange losses less gains	(56,819)	–	–	–	(14,528,565)
Dividends on preference shares of subsidiaries	–	(134,723)	(134,724)	(135,379)	(107,331)
Unwinding of the present value discount					
– loans and financial aid from shareholders	(844,911)	(821,646)	(1,823,635)	(1,673,414)	–
– notes payable	(16,754)	(15,026)	(30,053)	(28,279)	(24,173)
– employee benefit payable	(18,071)	(21,292)	(37,626)	(21,969)	(3,485)
– ash dump restoration provision	(13,389)	(16,160)	(29,722)	(37,001)	(12,824)
– loans from customers	(292,569)	(158,878)	(642,179)	(253,898)	(320,165)
– Bonds issued	(16,231)	(20,035)	(44,623)	(2,153)	(57,790)
Other	(1,312)	(17,876)	(121,876)	(4,022)	(1,178)
Total finance costs	**(2,564,418)**	**(2,686,968)**	**(5,365,512)**	**(5,553,261)**	**(20,684,200)**

As at 30 June 2012 compared to as at 31 December 2011

The Group's finance costs as at 30 June 2012 decreased by 4.6 per cent. to KZT 2,564 million, compared to KZT 2,687 million as at 30 June 2011. This change resulted principally from an 11.9 per cent. decrease in interest expense on borrowings as a result of a decrease in the average balance of borrowings from banks in the six months to 30 June 2012, compared to the six months to 30 June 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's finance costs as at 31 December 2011 decreased by 3.4 per cent. to KZT 5,366 million, compared to KZT 5,553 million as at 31 December 2010. This change resulted principally from a 26.4 per cent. decrease in interest expense on borrowings as at 31 December 2011, compared to as at 31 December 2010.

The Group's financial costs as at 31 December 2010 decreased by 73.2 per cent. to KZT 5,553 million, compared to KZT 20,684 million as at 31 December 2009. This change resulted principally from a 39.6 per cent. decrease in interest expense on borrowings as at 31 December 2010 compared to as at 31 December 2009 and a KZT 14,529 million foreign exchange loss in the year ended 31 December 2009.

Income tax expense

The Group's income tax expense derives from current income tax, offset by certain deferred tax assets. In addition, the Group's income tax expense can be derived from a theoretical tax expense based on the statutory rate applied to its profits, subject to a number of adjustments, including with respect to the share of profit of joint ventures not subject to income tax and non-deductible expenses.

The following tables set out the principal components of the Group's income tax expense for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Current income tax	1,507,758	1,732,048	2,540,139	2,108,357	1,310,096
Deferred income tax	556,385	279,882	(320,703)	(893,669)	1,126,324
Total income tax expense	**2,064,143**	**2,011,930**	**2,219,436**	**1,214,688**	**2,436,420**

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
	(in thousands of Kazakhstan Tenge)				
Profit before tax under IFRS	**12,739,108**	**13,008,040**	**17,146,029**	**12,296,277**	**(292,222)**
Theoretical tax expense at statutory rate of 20% (2011: 20%)	2,547,822	2,601,608	3,429,206	2,459,255	(58,444)
Adjustments for:					
Tax amortisation	–	–	–	–	(25,609)
Share of profit of joint ventures not subject to income tax	(1,047,726)	(1,380,868)	(2,004,976)	(689,502)	(102,362)
Non-deductible expenses	255,022	273,335	441,528	498,971	229,557
Adjustment of prior years' income tax	8,969	163,154	279,038	156,787	171,286
Withholding tax	43,540	36,451	23,893	317,111	(114,847)
Changes in unrecognised deferred income tax assets	256,516	318,250	50,747	(2,698,024)	2,591,435
Effect of changes in rates of corporate income tax	–	–	–	1,170,090	(254,596)
Total income tax expense	**2,064,143**	**2,011,930**	**2,219,436**	**1,214,688**	**2,436,420**

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's income tax expense for the six months ended 30 June 2012 increased by 2.6 per cent. to KZT 2,064 million, compared to KZT 2,012 million for the six months ended 30 June 2011. This change resulted principally from a 98.8 per cent. increase in deferred income tax expense in the first six months of 2012, compared to the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's income tax expense for the year ended 31 December 2011 increased by 82.7 per cent. to KZT 2,219 million, compared to KZT 1,215 million for the year ended 31 December 2010. This change resulted principally from a 39.4 per cent. increase in profit before income tax and a 64.1 per cent. decrease in the offset of deferred tax assets from current income tax expense in the year ended 31 December 2011 compared to the year ended 31 December 2010.

The Group's income tax expense for the year ended 31 December 2010 decreased by 50.1 per cent. to KZT 1,215 million, compared to KZT 2,436 million for the year ended 31 December 2009. This decrease resulted principally from a KZT 894 million offset of deferred tax assets which reduced total income tax expense in the year ended 31 December 2010, compared to a KZT 1,126 million deferred tax expense in the year ended 31 December 2009 due to changes in future income tax rates, which increased total income tax expense.

Liquidity and Capital Resources

Capital expenditure and requirements

The Group makes significant capital expenditures to increase its production capacity for generating electricity and heat energy, to improve and expand its electric energy transmission and distribution network and for other purposes. Historically, the funding of the Group's capital requirements has come from the proceeds of the issue of shares and from borrowings from shareholders and banks. The Group intends to continue to fund its capital expenditures from these sources and to expand its funding from the international debt and equity capital markets.

In the six months ended 30 June 2012 and the years ended 31 December 2011, 2010 and 2009, the Group received funds from the issue of shares of KZT 954 million, KZT 43,580 million, KZT 44,460 million and KZT 9,496 million, respectively. In the same periods the Group also received funds from loans (including interest-free shareholder loans (accounted for as financial aid received from shareholders)) of KZT 6,307 million, KZT 28,172 million, KZT 93,015 million and KZT 68,390 million, respectively.

The electricity and heat energy generation and electricity transmission, distribution, sale and purchase businesses are capital-intensive and some of the Group's facilities are old and necessarily require periodic upgrading and improvement. For the six months ended 30 June 2012 the Group's capital expenditure (defined as cash paid for purchases of property, plant and equipment and acquisition of intangible assets) was KZT 10,730.0 million and for the years ended 31 December 2011, 2010 and 2009, the Group's capital expenditure was KZT 55,087.1 million, KZT 51,282.8 million and KZT 16,202.9 million, respectively.

The Group used the capital expenditure amounts referred to above in the respective periods primarily for the ongoing construction of new generation facilities and transmission and distribution networks. See *"Expansion Plans and Projects"* and *"Risk Factors – A large part of the Group's plant and equipment requires replacement, repair or modernisation and may be susceptible to technical failures or emergencies, increased maintenance costs and reduced reliability and efficiency, and it is located in certain geographical locations, susceptible to natural disasters"*. The Group expects the required investments will have a significant effect on its cash flows and future results of operations.

Liquidity and working capital

Historically, the Group has relied on cash from the proceeds of share issues, bank loans and shareholder loans (including interest-free shareholder loans (accounted for as financial aid received from shareholders)), in addition to cash from its operating activities, as its main source of liquidity. The Group's historical cash flows from share sales, bank loans and shareholder loans (including interest-free shareholder loans (accounted for as financial aid received from shareholders)) are set out in the second paragraph under the heading "*Capital expenditure and requirements*" above. In the six months ended 30 June 2012 and the years ended 31 December 2011, 2010 and 2009, the Group's net cash received from operating activities was KZT 9,126 million, KZT 26,431 million, KZT 12,554 million and KZT 9,720 million respectively.

The Group had cash and cash equivalents of KZT 52,656 million as at 30 June 2012, KZT 49,844 million as at 31 December 2011, KZT 14,988 million as at 31 December 2010 and KZT 11,984 million as at 31 December 2009. Substantially all of the Group's cash was held in current accounts or in demand deposits as at 30 June 2012. The Group's cash as at 30 June 2012 was held primarily in Kazakhstan Tenge.

The liquidity and working capital requirements of the Group are subject to variations depending on the payment trends of the Group's customers.

Historical cash flows

The Group both receives and uses cash from its operating, investing and financing activities.

The following table sets out the principal components of the Group's cash flows from operating, investing and financing activities for the periods indicated.

	Six months ended 30 June		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)				
Net cash from operating activities	9,126,041	9,539,749	26,430,633	12,553,754	9,720,160
Net cash used in investing activities	(4,526,268)	(11,378,892)	(47,023,255)	(54,764,699)	(22,106,813)
Net cash (used in)/from financing activities	(1,788,119)	1,876,228	55,448,609	45,215,431	11,603,367
Net increase/(decrease) in cash and cash equivalents	**2,811,654**	**37,083**	**34,855,987**	**3,004,486**	**(783,286)**
Cash and cash equivalents at the beginning of the year	49,844,147	14,988,160	14,988,160	11,983,674	12,766,960
Cash and cash equivalents at the period end	**52,655,801**	**15,025,243**	**49,844,147**	**14,988,160**	**11,983,674**

Net cash from operating activities

Net cash provided by operating activities to the Group primarily consists of profit before income tax adjusted for certain items, including depreciation and amortisation, finance income and costs and the Group's share in the profit or loss of joint ventures and associates.

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's net cash from operating activities for the six months ended 30 June 2012 decreased by 4.3 per cent. to KZT 9,126 million, compared to KZT 9,540 million for the six months ended 30 June 2011. This decrease resulted principally from the Group placing an increased amount of its liquidity in term deposits (with maturities of over three months) in the first six months of 2012, compared to a decrease in trade and other receivables and other current assets in the first six months of 2011.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's net cash from operating activities for the year ended 31 December 2011 increased by 110.5 per cent. to KZT 26,431 million, compared to KZT 12,554 million for the year ended 31 December 2010. This increase resulted principally from an increase in profit before tax and the receipt payments for accounts receivable in the year ended 31 December 2011, compared to lower profit before tax and the accumulation of accounts receivable in the year ended 31 December 2010.

The Group's net cash from operating activities for the year ended 31 December 2010 increased by 29.2 per cent. to KZT 12,554 million, compared to KZT 9,720 million for the year ended 31 December 2009. This decrease resulted principally from increases in trade receivables, VAT receivables and prepaid taxes and term deposits in the year ended 31 December 2010 compared to the year ended 31 December 2009.

Net cash used in investing activities

Net cash used in investing activities primarily consists of cash used for the purpose of investing in property, plant and equipment and cash placed in bank deposits, and is offset by cash from dividends received, cash from the sale of investments in associates (in the six months ended 30 June 2012) and net changes in advances paid for the acquisition of current assets (in the year ended 31 December 2011).

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's net cash used in investing activities for the six months ended 30 June 2012 decreased by 60.2 per cent. to KZT 4,526 million, compared to KZT 11,379 million for the six months ended 30 June

2011. This decrease resulted principally from the Group receiving proceeds of KZT 7,557 million from the sale of a 75 per cent. minus one shareholding in Balkhashskaya TPS to Samsung in April 2012, representing a cash inflow, which reduced the overall net cash outflow of cash used in investing activities.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's net cash used in investing activities for the year ended 31 December 2011 decreased by 14.1 per cent. to KZT 47,023 million, compared to KZT 54,765 million for the year ended 31 December 2010. This decrease resulted principally from an increase in cash from advances for the acquisition/sale of non-current assets in the year ended 31 December 2011.

The Group's net cash used in investing activities for the year ended 31 December 2010 increased by 147.7 per cent. to KZT 54,765 million, compared to KZT 22,107 million for the year ended 31 December 2009. This increase resulted principally from an increase in cash used for the purchase of property, plant and equipment in the year ended 31 December 2010, compared to the year ended 31 December 2009.

Net cash used in/from financing activities

Net cash used in or from financing activities consists mainly of the proceeds of share issues, the proceeds and repayments of borrowings and financial aid in the form of interest-free loans from shareholders and dividends paid to shareholders.

Six-month period ended 30 June 2012 compared to six-month period ended 30 June 2011

The Group's net cash used in/from financing activities for the six months ended 30 June 2012 changed to net cash used in financing activities of KZT 1,788 million, compared to net cash from financing activities of KZT 1,876 million for the six months ended 30 June 2011. This change resulted principally from an increase in cash used for the repayment of borrowings in the first six months of 2012 and a decrease in the receipt of cash from financial aid (through interest-free loans) received from shareholders in the first six months of 2012.

Year ended 31 December 2011 compared to year ended 31 December 2010 and the year ended 31 December 2010 compared to the year ended 31 December 2009

The Group's net cash from financing activities for the year ended 31 December 2011 increased by 22.6 per cent. to KZT 55,449 million, compared to KZT 45,215 million for the year ended 31 December 2010. This increase resulted principally from decreases in cash used to repay borrowings and to repay financial aid (through interest-free loans) from shareholders in the year ended 31 December 2011, which was only partially offset by decreases in cash proceeds from borrowings and financial aid (through interest-free loans) received from shareholders.

The Group's net cash from financing activities for the year ended 31 December 2010 increased by 289.7 per cent. to KZT 45,215 million, compared to KZT 11,603 million for the year ended 31 December 2009. This increase resulted principally from an increase in proceeds from the issue of shares in the year ended 31 December 2010.

Cash and cash equivalents

The Group's cash and cash equivalents consist of demand deposits, restricted cash, term deposits, cash at current bank accounts and cash on hand.

The following table sets out the principal components of the Group's cash and cash equivalents as at the dates indicated.

	As at 30 June	As at 31 December		
	2012	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)			
Demand deposits and restricted cash	29,758,437	5,526,901	9,145,393	6,580,157
Cash at current bank accounts	22,877,570	44,297,870	5,815,414	5,382,533
Cash on hand	19,794	19,376	27,353	20,984
Total cash and cash equivalents	**52,655,801**	**49,844,147**	**14,988,160**	**11,983,674**

As at 30 June 2012 compared to as at 31 December 2011

The Group's cash and cash equivalents as at 30 June 2012 increased by 5.6 per cent. to KZT 52,656 million, compared to KZT 49,844 million as at 31 December 2011 for the reasons described in "*Historical cash flows*" above. This increase resulted in a 438.4 per cent. increase in demand deposits as at 30 June 2012, compared to as at 31 December 2011. This increase was partially offset by a 48.4 per cent. decrease in cash in current bank accounts.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's cash and cash equivalents as at 31 December 2011 increased by 232.6 per cent. to KZT 49,844 million compared to KZT 14,988 million as at 31 December 2010 for the reasons described in "*Historical cash flows*" above. This increase resulted in a 661.7 per cent. increase in bank balances as at 31 December 2011 compared to as at 31 December 2010. This increase was partially offset by a 67.1 per cent. decrease in demand deposits.

The Group's cash and cash equivalents as at 31 December 2010 increased by 25.1 per cent. to KZT 14,988 million, compared to KZT 11,984 million as at 31 December 2009 for the reasons described in "*Historical cash flows*" above. This increase resulted in a 39.0 per cent. increase in cash in demand deposits and a 16.0 per cent. increase in cash in current bank accounts in Kazakhstan Tenge as at 31 December 2010 compared to as at 31 December 2009. This increase was partially offset by a 79.2 per cent. decrease in cash in current bank accounts in foreign currencies.

Working Capital

The table below sets forth the components of the Group's working capital for the periods indicated, the components of which are discussed elsewhere in this *Operating and Financial Review of the Group*.

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
	(in thousands of Kazakhstan Tenge)			
Current Assets				
Inventories	7,570,467	10,604,059	7,922,951	5,794,665
Trade and other receivables	6,164,579	6,704,174	11,078,282	8,440,254
Other current assets	14,553,645	11,294,781	6,521,568	1,674,016
Income tax prepaid	370,462	382,415	362,156	216,889
Cash and cash equivalents	52,655,801	49,844,147	14,988,160	11,983,674
Total Current Assets	**81,314,954**	**78,829,576**	**40,873,117**	**28,109,498**
Current liabilities				
Borrowings	12,181,541	16,060,628	9,079,618	23,013,082
Employee benefit obligations	54,467	59,025	42,577	4,114
Provisions for liabilities and charges	7,342,179	8,312,179	8,244,672	7,274,672
Trade and other payables	27,257,237	27,361,186	22,428,521	18,779,241
Taxes payable and other payables to budget	709,085	678,769	692,621	667,173
Income tax payable	229,362	448,150	55,263	342,818
Total Current Liabilities	**47,773,871**	**52,919,937**	**40,543,272**	**50,081,100**
Working capital	**33,541,083**	**25,909,639**	**329,845**	**(21,971,602)**

Total borrowings

The Group's borrowings consist of bank term loans, a loan from Samruk-Kazyna, loans from customers to construct or reconstruct power lines and infrastructure to provide additional capacity to such customers, bonds issued and (as at 31 December 2009) interest-free shareholder loans (accounted for as financial aid received from shareholders).

The following table sets out the principal components of the Group's total borrowings as at the dates indicated.

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
	(in thousands of Kazakhstan Tenge)			
Non-current portion				
Bank term loans	49,148,656	48,237,146	42,408,751	40,951,950
Loan from Samruk-Kazyna	29,812,406	29,647,724	28,357,096	31,535,308
Loans from customers	3,727,323	3,499,257	4,041,144	3,833,914
Bonds issued	800,000	1,829,380	2,341,867	3,001,634
Notes payable	309,459	292,705	262,652	234,373
Total borrowings – non-current portion	**83,797,844**	**83,506,212**	**77,411,510**	**79,557,179**
Current portion				
Bank term loans	9,815,772	12,187,869	7,245,626	7,053,600
Bonds issued	1,143,222	651,206	874,866	698,386
Loan from Samruk-Kazyna	888,779	2,597,834	836,453	3,258,836
Loan from customers	333,768	623,719	122,673	2,758
Financial aid received from shareholders	–	–	–	11,999,502
Total borrowings – current portion	**12,181,541**	**16,060,628**	**9,079,618**	**23,013,082**
Total borrowings	**95,979,385**	**99,566,840**	**86,491,128**	**102,570,261**

As at 30 June 2012 compared to as at 31 December 2011

The Group's total borrowings as at 30 June 2012 decreased by 3.6 per cent. to KZT 95,979 million, compared to KZT 99,567 million as at 31 December 2011. This decrease resulted principally from a 24.2 per cent. decrease in the current portion of total borrowings, particularly bank term loans and a loan from Samruk-Kazyna, as at 30 June 2012 compared to as at 31 December 2011. This decrease was also driven by a 13.9 per cent. decrease in the total borrowings of Alatau Zharyk and its subsidiaries, which resulted particularly from a decrease in the carrying amount of loans from Kazkommertsbank, HSBC Kazakhstan and Kazinvestbank.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's total borrowings as at 31 December 2011 increased by 15.1 per cent. to KZT 99,567 million, compared to KZT 86,491 million as at 31 December 2010. This increase resulted principally from a 7.9 per cent. increase in the non-current portion of total borrowings and a 76.9 per cent. increase in the current portion of total borrowings as at 31 December 2011 compared to as at 31 December 2010. This increase was also driven by increases of 23.1 per cent., 16.2 per cent. and 10.5 per cent. in the total borrowings of Alatau Zharyk and its subsidiaries, Moinak HPP and Samruk-Energy, respectively.

The Group's total borrowings as at 31 December 2010 decreased by 15.7 per cent. to KZT 86,491 million, compared to KZT 102,570 million as at 31 December 2009. This decrease resulted principally from a 60.5 per cent. decrease in the current portion of total borrowings and a 2.7 per cent. decrease in the non-current portion of total borrowings as at 31 December 2010 compared to as at 31 December 2009. This decrease was also driven by a 48.1 per cent. decrease in the total borrowings of Samruk-Energy.

Further analysis

As at 30 June 2012, 40.4 per cent. of the Group's total indebtedness (excluding its joint ventures Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2, Bogatyr Komir and ZhGRES) was owed by Moinak HPP and 24.4 per cent. was owed by Alatau Zharyk.

As at 30 June 2012, 62.2 per cent. of the Group's borrowings were denominated in Kazakhstan Tenge, with the remaining 37.8 per cent. of the Group's borrowings denominated in U.S. dollars. As at the same date, 61.5 per cent. of the Group's borrowings were secured or guaranteed and 38.5 per cent. of the Group's borrowings were neither secured nor guaranteed. 34.0 per cent. of the Group's secured or guaranteed borrowings as at 30 June 2012 were guaranteed by the Issuer and 93.6 per cent. of the Group's unsecured borrowings were loans provided by Samruk-Kazyna to the Issuer. As at the same date, 57.3 per cent. of the Group's borrowings had a fixed rate of interest and 42.7 per cent. of the Group's borrowings had a floating rate of interest.

As at the date of this Base Prospectus, the Group is in compliance with the covenants contained in its third party financing agreements. Many of such covenants refer directly to financial ratios of the Group companies which are a party to such agreements (rather than to financial ratios applying to the Group). Financial ratios included in the Group's third party financing agreements include debt/earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), debt/equity, EBITDA/sales, EBITDA/finance costs, limits on the reduction of equity share capital, financial debt/EBITDA, minimum quarterly volumes of sales proceeds and a limit on the outstanding amount of short term loans.

The following table sets out the Group's total borrowings as at 30 June 2012.

Type of borrowing	**Carrying Amount**
	(in millions of Kazakhstan Tenge)
Bank term loans	58,964
Loan from Samruk-Kazyna	30,701
Loans from customers	4,061
Bonds issued	1,943
Notes payable	309
Total	**95,979**

The following table sets out the Group's bank lenders as at 30 June 2012.

Name of bank	**Carrying Amount**
	(in millions of Kazakhstan Tenge)
State Development Bank of China	28,952
Development Bank of Kazakhstan	12,413
Halyk Bank	6,438
ATF Bank	5,511
VTB Bank Kazakhstan	4,011
Kazkommertsbank	1,388
Alfa Bank	251
Total	**58,964**

The following table sets out the Group's principal (excluding interest) debt repayment schedule for the periods indicated, translated into U.S. dollars at the NBK exchange rate as of 30 June 2012, which was KZT 149.42 to U.S.$1.0.

	2012		**2013**				**2014**				**2015**				**2016**			
	Q3	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
	(in millions of U.S. dollars)																	
Debt payments (principal) due	6.7	2.8	63.4	17.9	9.4	11.7	25.4	12.4	9.4	7.0	22.6	7.0	11.2	7.0	25.4	7.0	9.7	7.0

	2017				**2018**				**2019**				**2020**				**After 2020**
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	
	(in millions of U.S. dollars)																
Debt payments (principal) due	21.7	5.4	3.4	5.4	14.4	5.4	3.4	5.4	14.4	5.4	3.4	5.4	14.4	5.4	3.4	5.4	370.1

See Note 19 to the Group's Interim 2012 Consolidated Financial Statements for further details of the Group's borrowings as at 30 June 2012. See "*Expansion Plans and Projects – Planned Capital Expenditure by Group Company*" for details of the Group's historical and planned capital expenditure until 2015.

See "*Quantitative and Qualitative Disclosure About Market Risks – Liquidity risk*" for further information on the maturity of the Group's total borrowings and see Note 19 to the Group's Interim 2012 Consolidated Financial Statements for further information on the Group's total borrowings.

Analysis of Certain Other Balance Sheet Items

Total assets

The Group's total assets consist of property, plant and equipment, investments in joint ventures and associates, cash and cash equivalents, inventories, trade and other receivables and other assets.

As at 30 June 2012, 29.0 per cent., 28.4 per cent., 1.2 per cent. and 41.4 per cent. of the Group's reportable segment assets were in the Group's production of electric energy and heating energy segment, electric energy transmission and distribution segment, sale of electric energy segment and the Group's other segment, respectively.

The following table sets out the principal components of Group's total assets as at the dates indicated.

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
	(in thousands of Kazakhstan Tenge)			
Assets				
Non-current assets				
Property, plant and equipment	173,406,524	164,025,004	116,876,601	70,653,268
Investment property	979,620	1,031,179	1,134,297	1,237,415
Intangible assets	700,469	711,149	331,676	164,620
Investments in joint ventures and associates	59,466,739	55,703,630	53,736,079	54,780,386
Other non-current assets	9,500,537	11,901,377	27,190,622	24,152,046
Total non-current assets	**244,053,889**	**233,372,339**	**199,269,275**	**150,987,735**
Current assets				
Inventories	7,570,467	10,604,059	7,922,951	5,794,665
Trade and other receivables	6,164,579	6,704,174	11,078,282	8,440,254
Other current assets	14,553,645	11,294,781	6,521,568	1,674,016
Income tax prepaid	370,462	382,415	362,156	216,889
Cash and cash equivalents	52,655,801	49,844,147	14,988,160	11,983,674
Assets classified as held for sale and assets of disposal group	–	10,126,416	3,906,929	3,900,972
Total current assets	**81,314,954**	**88,955,992**	**44,780,046**	**32,010,470**
Total assets	**325,368,843**	**322,328,331**	**244,049,321**	**182,998,205**

As at 30 June 2012 compared to as at 31 December 2011

The Group's total assets as at 30 June 2012 increased by 0.9 per cent. to KZT 325,369 million, compared to KZT 322,328 million as at 31 December 2011. This increase resulted principally from a 4.6 per cent. increase in non-current assets, particularly property, plant and equipment and investments in joint ventures and associates as at 30 June 2012, compared to 31 December 2011. This increase was partially offset by an 8.6 per cent. decrease in total current assets, particularly current assets held for sale, as at 30 June 2012.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's total assets as at 31 December 2011 increased by 32.1 per cent. to KZT 322,328 million, compared to KZT 244,049 million as at 31 December 2010. This increase resulted principally from a 17.1 per cent. increase in non-current assets, particularly property, plant and equipment and a

98.7 per cent. increase in current assets, particularly cash and cash equivalents as at 31 December 2011, compared to as at 31 December 2010.

The Group's total assets as at 31 December 2010 increased by 33.4 per cent. to KZT 244,049 million, compared to KZT 182,998 million as at 31 December 2009. This increase resulted principally from a 32.0 per cent. increase in non-current assets, particularly property, plant and equipment and a 39.9 per cent. increase in current assets, particularly cash and cash equivalents, inventories, trade and other receivables and other current assets (including VAT receivables and prepaid taxes and term deposits), as at 31 December 2010, compared to as at 31 December 2009.

Non-current assets

Property, plant and equipment

The Group's property, plant and equipment consist of buildings and construction, machinery and equipment, construction in progress and other items.

As at 30 June 2012 compared to as at 1 January 2012

The following table sets out the changes to the carrying amount of the Group's property, plant and equipment between 1 January 2012 and 30 June 2012.

	Buildings and construction	**Machinery and equipment**	**Other**	**Construction in progress**	**Total**
	(in thousands of Kazakhstan Tenge)				
Cost at 1 January 2012	38,395,111	84,169,197	3,666,713	68,812,376	195,043,397
Accumulated depreciation and impairment	(9,775,903)	(19,958,591)	(1,283,899)	–	(31,018,393)
Carrying amount at 1 January 2012	**28,619,208**	**64,210,606**	**2,382,814**	**68,812,376**	**164,025,004**
Additions	186,174	539,337	148,787	11,724,551	12,598,849
Capitalised borrowing costs	–	–	–	1,019,809	1,019,809
Transfers	2,982,980	5,279,709	42,456	(8,305,145)	–
Depreciation	(1,415,329)	(2,292,133)	(238,814)	–	(3,946,276)
Disposals	(79,845)	(97,466)	(7,082)		(184,393)
Transfer to other assets	–	–	–	(106,469)	(106,469)
Carrying amount at 30 June 2012	**30,293,188**	**67,640,053**	**2,328,161**	**73,145,122**	**173,406,524**
Cost at 30 June 2012	41,423,394	89,773,858	3,690,868	73,145,122	208,033,242
Accumulated depreciation and impairment	(11,130,206)	(22,133,805)	(1,362,707)	–	(34,626,718)
Carrying amount at 30 June 2012	**30,293,188**	**67,640,053**	**2,328,161**	**73,145,122**	**173,406,524**

The Group's property, plant and equipment as at 30 June 2012 increased by 5.7 per cent. to KZT 173,407 million, compared to KZT 164,025 million as at 31 December 2011. This change resulted principally from a 6.3 per cent. increase in construction in progress, a 5.3 per cent. increase in machinery and equipment and a 5.8 per cent. increase in buildings and constructions as at 30 June 2012, compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The following table sets out the changes to the carrying amount of the Group's property, plant and equipment between 1 January 2011 and 31 December 2011.

	Buildings and construction	Machinery and equipment	Other	Construction in progress	Total
	(in thousands of Kazakhstan Tenge)				
Cost at 1 January 2011	26,048,812	74,249,021	3,388,113	37,753,418	141,439,364
Accumulated depreciation and impairment	(4,932,631)	(18,500,859)	(1,129,273)	–	(24,562,763)
Carrying amount at 1 January 2011	**21,116,181**	**55,748,162**	**2,258,840**	**37,753,418**	**116,876,601**
Additions	400,626	1,773,455	296,126	52,501,556	54,971,763
Transfers	9,341,529	11,383,921	13,193	(20,738,643)	–
Depreciation	(2,198,803)	(4,244,431)	(220,708)	–	(6,663,942)
Disposals	(40,325)	(450,501)	(35,363)	(487,398)	(942,861)
Transfer to other assets	–	–	–	(216,557)	(216,557)
Carrying amount at 31 December 2011	**28,619,208**	**64,210,606**	**2,382,814**	**68,812,376**	**164,025,004**
Cost at 31 December 2011	38,395,111	84,169,197	3,666,713	68,812,376	195,043,397
Accumulated depreciation and impairment	(9,775,903)	(19,958,591)	(1,283,899)	–	(31,018,393)
Carrying amount at 31 December 2011	**28,619,208**	**64,210,606**	**2,382,814**	**68,812,376**	**164,025,004**

The Group's property, plant and equipment as at 31 December 2011 increased by 40.3 per cent. to KZT 164,025 million, compared to KZT 116,877 million as at 31 December 2010. This change resulted principally from an 82.3 per cent. increase in construction in progress, a 35.5 per cent. increase in buildings and constructions and a 15.2 per cent. increase in machinery and equipment as at 31 December 2011, compared to as at 31 December 2010.

The following table sets out the changes to the carrying amount of the Group's property, plant and equipment between 1 January 2010 and 31 December 2010.

	Buildings and construction	Machinery and equipment	Other	Construction in progress	Total
	(in thousands of Kazakhstan Tenge)				
Cost at 1 January 2010	20,209,688	51,027,664	2,669,585	16,926,633	90,833,570
Accumulated depreciation and impairment	(3,693,953)	(15,630,701)	(855,648)	–	(20,180,302)
Carrying amount at 1 January 2010	**16,515,735**	**35,396,963**	**1,813,937**	**16,926,633**	**70,653,268**
Additions	1,776,753	1,162,864	761,157	47,955,510	51,656,284
Transfers	4,224,985	22,794,673	64,667	(27,084,325)	–
Depreciation	(1,359,053)	(3,323,947)	(343,675)	–	(5,026,675)
Disposals	(42,239)	(282,391)	(37,246)	(44,400)	(406,276)
Carrying amount at 31 December 2010	**21,116,181**	**55,748,162**	**2,258,840**	**37,753,418**	**116,876,601**
Cost at 31 December 2010	26,048,812	74,249,021	3,388,113	37,753,418	141,439,364
Accumulated depreciation and impairment	(4,932,631)	(18,500,859)	(1,129,273)	–	(24,562,763)
Carrying amount at 31 December 2010	**21,116,181**	**55,748,162**	**2,258,840**	**37,753,418**	**116,876,601**

The Group's property, plant and equipment as at 31 December 2010 increased by 65.4 per cent. to KZT 116,877 million, compared to KZT 70,653 million as at 31 December 2009. This change resulted principally from a 123.0 per cent. increase in construction in progress, a 57.5 per cent. increase in machinery and equipment and a 27.9 per cent. increase in buildings and constructions as at 31 December 2010, compared to as at 31 December 2009.

Investment property

The Group's investment property consists of the Bukhtarminskaya hydropower station, which has been transferred under a concession agreement to Kazastur Zinc which the Group has treated as an operating lease for accounting purposes.

As at 30 June 2012 compared to as at 31 December 2011

The Group's investment property as at 30 June 2012 decreased by 5.0 per cent. to KZT 980 million, compared to KZT 1,031 million as at 31 December 2011. This decrease resulted from a KZT 52 million increase in accumulated depreciation as at 30 June 2012, compared to as at 31 December 2011, which reflects the periodic depreciation of the Group's investment property.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's investment property as at 31 December 2011 decreased by 9.1 per cent. to KZT 1,031 million, compared to KZT 1,134 million as at 31 December 2010. This decrease resulted from a KZT 103 million increase in accumulated depreciation as at 31 December 2011 compared to as at 31 December 2010, which reflects the periodic depreciation of the Group's investment property.

The Group's investment property as at 31 December 2010 decreased by 8.3 per cent. to KZT 1,134 million, compared to KZT 1,237 million as at 31 December 2009. This change resulted principally from a KZT 103 million increase in accumulated depreciation as at 31 December 2010 compared to as at 31 December 2009, which reflects the periodic depreciation of the Group's investment property.

Intangible assets

Intangible assets consist primarily of software and research and development items.

As at 30 June 2012 compared to as at 31 December 2011

The Group's intangible assets as at 30 June 2012 decreased by 1.5 per cent. to KZT 700 million, compared to KZT 711 million as at 31 December 2011. This decrease resulted from the amortisation of intangible assets as at 30 June 2012, compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's intangible assets as at 31 December 2011 increased by 114.4 per cent. to KZT 711 million, compared to KZT 332 million as at 31 December 2010. This change resulted principally from the addition of new software and research and development items as at 31 December 2011, compared to as at 31 December 2010.

The Group's intangible assets as at 31 December 2010 increased by 101.5 per cent. to KZT 332 million, compared to KZT 165 million as at 31 December 2009. This increase resulted principally from the addition of new software and research and development items as at 31 December 2010, compared to as at 31 December 2009.

Investments in joint ventures and associates

The Group's investments in joint ventures and associates include 50 per cent. shareholdings in Ekibastuzskaya GRES-2, Forum Muider and ZhGRES and included a 25 per cent. shareholding in TPEP as at 30 June 2012 and 31 December 2011 and 2010 and a 25 per cent. plus one shareholding in Balkhashskaya TPS as at 30 June 2012.

The following tables set out the Group's carrying balances for its investments in joint ventures and associates as at the dates indicated.

	Joint Ventures			**Associates**		
	Ekibastuzskaya GRES-2	**Forum Muider**	**ZhGRES**	**Balkhashskaya TPS**	**TPEP**	**Total**
	(in thousands of Kazakhstan Tenge)					
Balance at 1 January 2012	**23,766,364**	**31,680,820**	**–**	**–**	**256,446**	**55,703,630**
Additions	–	–	–	2,518,990	–	2,518,990
Share in profit/ (loss) for the period	3,325,460	2,007,651	–	30,000	(124,482)	5,238,629
Dividend received	–	(3,994,510)	–	–	–	(3,994,510)
Balance at 30 June 2012	**27,091,824**	**29,693,961**	**–**	**2,548,990**	**131,964**	**59,466,739**

	Joint Ventures			**Associates**	
	Ekibastuzskaya GRES-2	**Forum Muider**	**ZhGRES**	**TPEP**	**Total**
	(in thousands of Kazakhstan Tenge)				
Balance at 1 January 2011	**19,361,205**	**34,341,397**	**–**	**33,477**	**53,736,079**
Contributions	–	–	–	–	–
Share in profit for the year	5,905,159	3,896,749	–	222,969	10,024,877
Dividend received	(1,500,000)	(6,557,326)	–	–	(8,057,326)
Balance at 31 December 2011	**23,766,364**	**31,680,820**	**–**	**256,446**	**55,703,630**

	Joint Ventures			Associates	
	Ekibastuzskaya GRES-2	Forum Muider	ZhGRES	TPEP	Total
	(in thousands of Kazakhstan Tenge)				
Balance at 1 January 2010	**14,754,711**	**40,025,675**	**–**	**–**	**54,780,386**
Acquisition of share	–	–	–	31,964	31,964
Contributions	1,500,000	–	–	–	1,500,000
Share in profit for the year	3,479,555	(32,045)	–	1,513	3,449,023
Dividend received	(373,061)	(5,652,233)	–	–	(6,025,294)
Balance at 31 December 2010	**19,361,205**	**34,341,397**	**–**	**33,477**	**53,736,079**

	Joint Ventures			Associates	
	Ekibastuzskaya GRES-2	Forum Muider	ZhGRES	Kambaratinskaya GES	Total
	(in thousands of Kazakhstan Tenge)				
Balance at 1 January 2009	**15,120,883**	**41,971,997**	**–**	**54,933**	**57,147,813**
Transfer to non-current assets held for sale	–	–	–	(54,933)	(54,933)
Share in profit/(loss) for the period	248,357	263,452	–	–	511,809
Dividend received	(614,529)	(2,209,774)	–	–	(2,824,303)
Balance at 31 December 2009	**14,754,711**	**40,025,675**	**–**	**–**	**54,780,386**

The following tables set out the Group's ownership and shares of the assets, liabilities, revenue and profit or loss of its investments in joint ventures and associates as at the dates indicated and for the periods indicated.

	Ownership	Total assets	Total liabilities	Net assets/ (liabilities)	Revenue	Profit (loss) for the period
			(in thousands of Kazakhstan Tenge)			
30 June 2012						
Forum Muider	50%	47,024,981	17,331,019	29,693,962	20,007,873	2,007,651
Ekibastuzskaya GRES-2	50%	35,452,326	8,360,503	27,091,823	8,997,662	3,325,460
ZhGRES	50%	710,295	629,236	81,059	2,629,540	503,197
TPEP	25%	2,067,643	1,935,679	131,964	1,470,981	316,230
Balkhashskaya TPS	25%	2,589,038	40,048	2,548,990	–	30,000
31 December 2011						
Forum Muider	50%	47,954,822	16,274,004	31,680,818	38,614,391	3,896,749
Ekibastuzskaya GRES-2	50%	29,810,922	6,044,558	23,766,364	15,879,087	5,905,159
ZhGRES	50%	1,057,712	1,486,014	(428,302)	2,783,446	125,926
TPEP	25%	1,979,638	1,751,393	228,245	3,347,153	222,969
31 December 2010						
Forum Muider	50%	45,247,978	10,906,581	34,341,397	62,614,462	(32,045)
Ekibastuzskaya GRES-2	50%	25,054,270	5,693,065	19,361,205	12,076,783	3,479,555
ZhGRES	50%	259,469	817,204	(557,735)	1,389,671	(2,127)
TPEP	25%	3,151,690	3,146,406	5,284	86,419	1,513
31 December 2009						
Forum Muider	50%	56,428,681	16,403,006	40,025,675	27,579,889	263,452
Ekibastuzskaya GRES-2	50%	20,430,568	5,675,857	14,754,711	6,736,531	248,357
ZhGRES	50%	1,072,192	1,627,800	(555,608)	3,435,419	(106,470)

As at 30 June 2012 compared to as at 31 December 2011

The Group's investments in joint ventures and associates as at 30 June 2012 increased by 6.8 per cent. to KZT 59,467 million, compared to KZT 55,704 million as at 31 December 2011. This increase resulted principally from the effect of the Group's share of the profit of Ekibastuzskaya GRES-2 and Forum Muider for the six months ended 30 June 2012 on the carrying amount of the Group's investments in these companies on its balance sheet and the addition of Balkhashskaya TPS as an associate during this period, after 755,691 shares in Balkhashskaya TPS (representing 75 per cent. less one share of its share capital) were sold to Samsung in April 2012 for KZT 7,557 million. This increase was partially offset by a dividend received from Forum Muider during the year ended 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's investments in joint ventures and associates as at 31 December 2011 increased by 3.7 per cent. to KZT 55,704 million, compared to KZT 53,736 million as at 31 December 2010. This increase resulted principally from the effect of the Group's share of the profit of Ekibastuzskaya GRES-2 and Forum Muider for the year ended 31 December 2011 on the carrying amount of the Group's investments in these companies on its balance sheet, which was partially offset by the dividends received from Ekibastuzskaya GRES-2 and Forum Muider during the year ended 31 December 2011.

The Group's investments in joint ventures and associates as at 31 December 2010 decreased by 1.9 per cent. to KZT 53,736 million, compared to KZT 54,780 million as at 31 December 2009. This decrease resulted principally from a 14.2 per cent. decrease in the carrying amount of the Group's investment in Forum Muider as a result of dividends received during this period and was partially offset by a 31.2 per cent. increase in the carrying amount of the Group's investment in Ekibastuzskaya GRES-2, as a result of the Group's share of the profit of Ekibastuzskaya GRES-2 and a contribution to Ekibastuzskaya GRES-2 during this period.

Other non-current assets

The Group's other non-current assets consist primarily of prepayments for non-current assets and non-current VAT recoverable. The Group's other non-current assets also consist of receivables from employees, restricted cash, long-term prepaid employee benefits for the years ended 31 December 2011, 2010 and 2009 and other non-current asset line items, less impairment provision.

The following table sets out the Group's non-current assets as at periods indicated.

	As at 30 June	As at 31 December		
	2012	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)			
Prepayments for non-current assets	6,855,355	8,056,976	21,249,296	20,396,925
Non-current VAT recoverable	2,489,667	3,292,097	2,035,897	675,556
Receivables from employees	129,522	373,526	424,349	–
Restricted cash	8,253	7,108	2,959,136	3,238,374
Other	23,562	177,492	612,766	260
Less: impairment provision	(5,822)	(5,822)	(90,822)	(159,069)
Total other non-current assets	**9,500,537**	**11,901,377**	**27,190,622**	**24,152,046**

As at 30 June 2012 compared to as at 31 December 2011

The Group's other non-current assets as at 30 June 2012 decreased by 20.2 per cent. to KZT 9,501 million, compared to KZT 11,901 million as at 31 December 2011. This decrease resulted principally from a 14.9 per cent. decrease in prepayments for non-current assets as at 30 June 2012, compared to as at 31 December 2011, which reflects a 51.4 per cent. decrease in prepayments for the construction and reconstruction of substations in Almaty and the Almaty region, partially offset by a 23.6 per cent. increase in prepayments for property, plant and equipment and services related to the reconstruction and expansion of TPS-2, and a KZT 791 million increase in other prepayments. The decrease in other non-current assets as at 30 June 2012 was also as a result of a 24.4 per cent. decrease in non-current VAT recoverable, compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's other non-current assets as at 31 December 2011 decreased by 56.2 per cent. to KZT 11,901 million, compared to KZT 27,191 million as at 31 December 2010. This decrease resulted principally from a 62.1 per cent. decrease in prepayments for non-current assets as at 31 December 2011, compared to as at 31 December 2010, which reflects a 55.6 per cent. decrease in prepayments for the construction and reconstruction of electrical substations in Almaty and the Almaty region, a 96.1 per cent. decrease in prepayments for Moinak HPP and a 100 per cent. decrease in prepayments for the reconstruction of ash dumps and the construction of a combined system of ash slag disposal of TPS-1, partially offset by a 305.7 per cent. increase in prepayments for property, plant, equipment and services related to the reconstruction and expansion of TPS-2. The decrease in other non-current assets as at 31 December 2011 was also a result of a 99.8 per cent. decrease in restricted cash (representing a special deposit placed until the completion of the construction of Moinak HPP), compared to as at 31 December 2010.

The Group's other non-current assets as at 31 December 2010 increased by 12.6 per cent. to KZT 27,191 million, compared to KZT 24,152 million as at 31 December 2009. This increase resulted principally from a 201.4 per cent. increase in VAT recoverable and a 4.2 per cent. increase in prepayments for non-current assets as at 31 December 2010, compared to as at 31 December 2009, the latter of which primarily reflects a 60.7 per cent. increase in prepayments for the construction and reconstruction of substations in Almaty and the Almaty region, which was partially offset by a 30.4 per cent. decrease in prepayments for the construction of Moinak HPP.

Current assets

Inventories

The Group's inventories consist of auxiliary production materials, spare parts, fuel, raw materials and other materials, less provision for write down to net realisable value and provision for slow-moving and obsolete inventories.

The following table sets out the principal components of the Group's inventories as at the dates indicated.

	As at 30 June	**As at 31 December**		
	2012	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)			
Auxiliary production materials	2,881,021	2,174,802	2,335,515	1,896,450
Spare parts	2,477,871	2,339,522	2,444,848	2,486,867
Fuel	1,818,126	5,901,931	3,314,146	2,254,845
Raw materials	537,231	432,478	337,208	272,593
Other materials	995,335	1,097,935	855,573	719,178
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,139,117)	(1,342,609)	(1,364,339)	(1,835,268)
Total inventories	**7,570,467**	**10,604,059**	**7,922,951**	**5,794,665**

As at 30 June 2012 compared to as at 31 December 2011

The Group's inventories as at 30 June 2012 decreased by 28.6 per cent. to KZT 7,570 million, compared to KZT 10,604 million as at 31 December 2011. This decrease resulted principally from a 69.2 per cent. decrease in fuel inventories as at 30 June 2012, compared to as at 31 December 2011. This decrease was partially offset by a 32.5 per cent. increase in auxiliary production materials inventories.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's inventories as at 31 December 2011 increased by 33.8 per cent. to KZT 10,604 million, compared to KZT 7,923 million as at 31 December 2010. This increase resulted principally from a 78.1 per cent. increase in fuel inventories as at 31 December 2011, compared to as at 31 December 2010.

The Group's inventories as at 31 December 2010 increased by 36.7 per cent. to KZT 7,923 million, compared to KZT 5,795 million as at 31 December 2009. This increase resulted principally from a 47.0 per cent. increase in fuel inventories and a 23.2 per cent. increase in auxiliary production materials inventories as at 31 December 2010, compared to as at 31 December 2009.

Trade and other receivables

The Group's trade and other receivables include trade receivables, a loan provided to Energosberezhenie PUC, a receivable from Almaty Thermal Networks and other financial receivables, less impairment provision.

The following table sets out the principal components of the Group's trade and other receivables as at the dates indicated.

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
	(in thousands of Kazakhstan Tenge)			
Trade receivables	6,285,484	6,226,953	11,184,915	8,981,396
Loan provided to Energosberezhenie PUC	3,281,556	3,281,556	3,281,556	3,281,556
Receivable from Almaty Thermal Networks	1,058,982	1,058,982	1,058,982	1,058,982
Other financial receivables	73,422	44,650	51,321	–
Less: impairment provision	(4,762,061)	(4,446,291)	(4,506,359)	(5,034,424)
Total financial receivables	**5,937,383**	**6,165,850**	**11,070,415**	**8,287,510**
Other receivables	258,816	657,728	155,552	334,490
Less: impairment provision	(31,620)	(119,404)	(147,685)	(181,746)
Total trade and other receivables	**6,164,579**	**6,704,174**	**11,078,282**	**8,440,254**

As at 30 June 2012 compared to as at 31 December 2011

The Group's trade and other receivables as at 30 June 2012 decreased by 8.0 per cent. to KZT 6,165 million, compared to KZT 6,704 million as at 31 December 2011. This increase resulted principally from a 7.1 per cent. increase in impairment provisions (which decreased the carrying amount of total financial receivables) and a 60.6 per cent. decrease in other receivables as at 30 June 2012, compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's trade and other receivables as at 31 December 2011 decreased by 39.5 per cent. to KZT 6,704 million, compared to KZT 11,078 million as at 31 December 2010. This decrease resulted principally from a 44.3 per cent. decrease in trade receivables as at 31 December 2011, compared to as at 31 December 2010.

The Group's trade and other receivables as at 31 December 2010 increased by 31.3 per cent. to KZT 11,078 million, compared to KZT 8,440 million as at 31 December 2009. This increase resulted principally from a 24.5 per cent. increase in trade receivables as at 31 December 2010, compared to as at 31 December 2009.

Other current assets

The Group's other current assets consist primarily of term deposits, VAT receivables and prepaid taxes, dividends receivable and advances paid to suppliers. The Group's other current assets also consist of accrued interest, interest free loans to third parties and to related parties and other current asset items, less provisions.

The following table sets out the principal components of Group's other current assets as at the dates indicated.

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
	(in thousands of Kazakhstan Tenge)			
Term deposits	6,610,682	4,181,872	2,714,847	111,000
VAT recoverable and prepaid taxes	4,308,028	3,457,667	3,418,201	470,123
Dividends receivable	2,357,539	–	–	–
Advances to suppliers	668,523	2,022,538	314,971	1,069,506
Accrued interest	133,359	23,088	73,549	23,387
Interest free loans to third parties	220,500	294,000	–	–
Interest free loans to related parties	–	1,315,616	–	–
Provisions	(6,464)	–	–	–
Other	261,478	–	–	–
Total other current assets	**14,553,645**	**11,294,781**	**6,521,568**	**1,674,016**

As at 30 June 2012 compared to as at 31 December 2011

The Group's other current assets as at 30 June 2012 increased by 28.9 per cent. to KZT 14,554 million, compared to KZT 11,295 million as at 31 December 2011. This increase resulted principally from a 58.1 per cent. increase in term deposits and a 24.6 per cent. increase in VAT recoverable and prepaid taxes as at 30 June 2012, compared to as at 31 December 2011 and also resulted from the Group's dividends receivable in the amount of KZT 2,358 million as at 30 June 2012, compared to the Group having no dividends receivable as at 31 December 2011. This increase was partially offset by a 66.9 per cent. decrease in advances to suppliers and a 100 per cent. decrease in interest free loans to related parties as at 30 June 2012, compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's other current assets as at 31 December 2011 increased by 73.2 per cent. to KZT 11,295 million, compared to KZT 6,522 million as at 31 December 2010. This increase resulted principally from a 54.0 per cent. increase in term deposits with a maturity of over three months and a 542.1 per cent. increase in advances paid to suppliers as at 31 December 2011, compared to as at 31 December 2010 and also resulted from the Group's KZT 1,316 million and KZT 294 million interest free loans to related and unrelated parties, respectively, as at 31 December 2011, compared to no such loans as at 31 December 2010.

The Group's other current assets as at 31 December 2010 increased by 289.6 per cent. to KZT 6,522 million, compared to KZT 1,674 million as at 31 December 2009. This increase resulted principally from a 397.5 per cent. increase in VAT recoverable and prepaid taxes and a KZT 2,604 million increase in term deposits as at 31 December 2010, compared to as at 31 December 2009.

Prepaid income tax

As at 30 June 2012 compared to as at 31 December 2011

The Group's prepaid income tax as at 30 June 2012 decreased by 3.1 per cent. to KZT 370 million, compared to KZT 382 million as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010

The Group's prepaid income tax as at 31 December 2011 increased by 5.6 per cent. to KZT 382 million, compared to KZT 362 million as at 31 December 2010.

The Group's prepaid income tax as at 31 December 2010 increased by 67.0 per cent. to KZT 362 million, compared to KZT 217 million as at 31 December 2009. This increase resulted principally from an increase in withholding tax on demand deposits due to an increase in the Group's demand deposits as at 31 December 2010, compared to as at 31 December 2009.

Assets classified as held for sale and assets of a disposal group

The Group's assets classified as held for sale and assets of a disposal group have historically principally consisted of the Group's ownership of Balkhashskaya TPS, which was classified as held for sale from 2009 until April 2012.

As at 30 June 2012 compared to as at 31 December 2011

The Group's assets classified as held for sale and assets of a disposal group as at 30 June 2012 decreased by 100 per cent. to nil, compared to KZT 10,126 million as at 31 December 2011. This decrease resulted principally from the Group's sale of a 75 per cent. less one shareholding in Balkhashskaya TPS in April 2012 to Samsung for KZT 7,557 million, which resulted in the reclassification of Balkhashskaya TPS, from non-current assets held for sale, to an associate. See ''*Net current assets – Investments in joint ventures and associates.*''

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's assets classified as held for sale and assets of a disposal group as at 31 December 2011 increased by 159.2 per cent. to KZT 10,126 million, compared to KZT 3,907 million as at 31 December 2010. This increase resulted from 159.2 per cent. increase in the assets of Balkhashskaya TPS as at 31 December 2011, compared to as at 31 December 2010, which reflects a 154.4 per cent. increase in cash and cash equivalents and a KZT 4,320 million increase in term deposits, respectively, of Balkhashskaya TPS.

The Group's assets classified as held for sale and assets of a disposal group as at 31 December 2010 increased by 0.2 per cent. to KZT 3,907 million, compared to KZT 3,900 million as at 31 December 2009. This increase resulted principally from a 0.2 per cent. increase in the assets of Balkhashskaya TPS as at 31 December 2010, compared to as at 31 December 2009, which reflects a 108.2 per cent. increase in the property, plant and equipment of Balkhashskaya TPS, which was partially offset by a 56.7 per cent. decrease in the cash and cash equivalents of Balkhashskaya TPS.

Total liabilities

The Group's liabilities consist of borrowings, trade and other payables, provisions for liabilities and charges, deferred income tax liabilities and other liabilities.

The following table sets out the principal components of the Group's liabilities as at the dates indicated.

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
	(in thousands of Kazakhstan Tenge)			
Liabilities				
Non-current liabilities				
Ash dump restoration provision	369,609	352,350	362,234	175,742
Employee benefit obligations	886,236	889,962	240,558	48,121
Borrowings	83,797,844	83,506,212	77,411,510	79,557,179
Other non-current liabilities	7,813,889	7,550,074	8,106,869	8,730,675
Deferred income tax liabilities	5,710,999	5,154,614	5,035,181	2,769,715
Total non-current liabilities	**98,578,577**	**97,453,212**	**91,156,352**	**91,281,432**
Current liabilities				
Borrowings	12,181,541	16,060,628	9,079,618	23,013,082
Employee benefit obligations	54,467	59,025	42,577	4,114
Provisions for liabilities and charges	7,342,179	8,312,179	8,244,672	7,274,672
Trade and other payables	27,257,237	27,361,186	22,428,521	18,779,241
Taxes payable and other payables to budget	709,085	678,769	692,621	667,173
Income tax payable	229,362	448,150	55,263	342,818
Liabilities of disposal group, classified as held-for-sale	–	129,510	47,513	34,542
Total current liabilities	**47,773,871**	**53,049,447**	**40,590,785**	**50,115,642**
Total liabilities	**146,352,448**	**150,502,659**	**131,747,137**	**141,397,074**

As at 30 June 2012 compared to as at 31 December 2011

The Group's total liabilities as at 30 June 2012 decreased by 2.8 per cent. to KZT 146,352 million, compared to KZT 150,503 million as at 31 December 2011. This decrease resulted principally from a 9.9 per cent. decrease in current liabilities, particularly borrowings and provisions for liabilities and charges as at 30 June 2012 compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's total liabilities as at 31 December 2011 increased by 14.2 per cent. to KZT 150,503 million, compared to KZT 131,747 million as at 31 December 2010. This increase resulted principally from a 30.7 per cent. increase in current liabilities, particularly loans and borrowings and trade and other payables, and a 6.9 per cent. increase in non-current liabilities, particularly loans and borrowings and employee benefit obligations as at 31 December 2011, compared to as at 31 December 2010.

The Group's total liabilities as at 31 December 2010 decreased by 6.8 per cent. to KZT 131,747 million, compared to KZT 141,397 million as at 31 December 2009. This decrease resulted principally from a 19.0 per cent. decrease in current liabilities, particularly borrowings, as at 31 December 2010, compared to as at 31 December 2009.

Non-current liabilities

Ash dump restoration provision

As at 30 June 2012 compared to as at 31 December 2011

The Group's ash dump restoration provision as at 30 June 2012 increased by 4.9 per cent. to KZT 370 million, compared to KZT 352 million as at 31 December 2011. This increase resulted from the unwinding of a present value discount and changes in estimates adjusted against property, plant and equipment as at 30 June 2012, compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's ash dump restoration provision as at 31 December 2011 decreased by 2.7 per cent. to KZT 352 million, compared to KZT 362 million as at 31 December 2010. This decrease resulted from provisions and changes in accounting estimates charged to property, plant and equipment as at 31 December 2011 compared to as at 31 December 2010.

The Group's ash dump restoration provision as at 31 December 2010 increased by 106.1 per cent. to KZT 362 million, compared to KZT 176 million as at 31 December 2009. This increase resulted from changes in estimates adjusted against property, plant and equipment and the unwinding of a present value discount as at 31 December 2010 compared to as at 31 December 2009.

Employee benefit obligations (including both non-current and current employee benefit obligations)

As at 30 June 2012 compared to as at 31 December 2011

The Group's employee benefit obligations (including both non-current and current employee benefit obligations) as at 30 June 2012 decreased by 0.9 per cent. to KZT 941 million, compared to KZT 949 million as at 31 December 2011. This decrease resulted principally from benefits paid of KZT 105 million in the first six months of 2010, partially effect by actuarial losses of KZT 62 million during this period.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's employee benefit obligations (including both non-current and current employee benefit obligation) as at 31 December 2011 increased by 235.2 per cent. to KZT 949 million, compared to KZT 283 million as at 31 December 2010. This increase resulted principally from actuarial losses of KZT 415 million and a recognition of previously unrecognised liabilities in the amount of KZT 242 million in the year ended 31 December 2011.

The Group's employee benefit obligations (including both non-current and current employee benefit obligation) as at 31 December 2010 increased by 442.0 per cent. to KZT 283 million, compared to KZT 52 million as at 31 December 2009. This increase resulted principally from actuarial losses of KZT 264 million in the year ended 31 December 2010.

Borrowings

See "*Liquidity and Capital Resources – Total borrowings*" for discussion of the non-current and current borrowings of the Group.

Other non-current liabilities

The Group's other non-current liabilities consist of deferred income for Alatau Zharyk and Mangistau Electricity Distribution Company, trade payables liabilities related to preference shares of subsidiaries and other liabilities.

The following table sets out the principal components of the Group's other non-current liabilities as at the dates indicated.

	As at 30 June	**As at 31 December**		
	2012	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)			
Deferred income:				
– Alatau Zharyk	5,334,480	5,641,505	6,131,398	6,711,944
– Mangistau Electricity Distribution Company	1,764,866	1,798,430	1,865,545	1,910,045
Trade payables	496,224	–	–	–
Liabilities related to preference shares of subsidiaries	44,000	107,737	107,737	107,737
Other	174,319	2,402	2,189	949
Total other non-current liabilities	**7,813,889**	**7,550,074**	**8,106,869**	**8,730,675**

As at 30 June 2012 compared to as at 31 December 2011

The Group's other non-current liabilities as at 30 June 2012 increased by 3.5 per cent. to KZT 7,814 million, compared to KZT 7,550 million as at 31 December 2011. This change resulted principally from the recording of KZT 496 million of non-current trade payables as at 30 June 2012, compared to no such balance as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's other non-current liabilities as at 31 December 2011 decreased by 6.9 per cent. to KZT 7,550 million, compared to KZT 8,107 million as at 31 December 2010. This decrease resulted principally from a 8.0 per cent. decrease in deferred income of Alatau Zharyk as at 31 December 2011 compared to as at 31 December 2010.

The Group's other non-current liabilities as at 31 December 2010 decreased by 7.1 per cent. to KZT 8,107 million, compared to KZT 8,731 million as at 31 December 2009. This decrease resulted principally from a 8.6 per cent. decrease in deferred income of Alatau Zharyk as at 31 December 2010 compared to as at 31 December 2009.

Deferred income tax liabilities

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases which have created deferred income tax liabilities in the periods under review.

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax benefits of other companies of the Group, and accordingly, taxes can be assessed even in case of a consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only if they related to the same taxable company.

The Group has not recognised deferred income tax assets in the periods under review in respect of carried forward tax losses incurred by entities of the Group for which no taxable profits are expected in the foreseeable future.

The Group's recognised deferred income tax liabilities, after the offset of deferred income tax assets, were KZT 5,711 million, KZT 5,155 million, KZT 5,035 million and KZT 2,770 million as at 30 June 2012 and 31 December 2011, 2010 and 2009, respectively.

Current liabilities

Borrowings

See "*Liquidity and Capital Resources – Total borrowings*" for a discussion of the non-current and current borrowings of the Group.

Employee benefit obligations

See "*Non-current liabilities – Employee benefit obligations including both non-current and current employee benefit obligations*" for a discussion of the non-current and current employee benefit obligations of the Group.

Provisions for liabilities and charges.

As at 30 June 2012 compared to as at 31 December 2011

The Group provisions for liabilities and charges as at 30 June 2012 decreased by 11.7 per cent. to KZT 7,342 million, compared to KZT 8,312 million as at 31 December 2011. This decrease resulted from a 93.5 per cent. decrease in provisions for a legal claim from Bastau as at 30 June 2012, compared to as at 31 December 2011, which reflects the repayment of charges for abnormal water losses of KZT 970 million to Almaty Thermal Networks in the first six months of 2012.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's provisions for liabilities and charges as at 31 December 2011 increased by 0.8 per cent. to KZT 8,312 million, compared to KZT 8,245 million as at 31 December 2010. This increase resulted from a 7.0 per cent. increase in provision for a legal claim from Bastau as at 31 December 2011, compared to as at 31 December 2010, which reflects a new provision in the amount of KZT 68 million being created in contemplation of future litigation with Bastau.

The Group's provisions for liabilities and charges as at 31 December 2010 increased by 13.3 per cent. to KZT 8,245 million, compared to KZT 7,275 million as at 31 December 2009. This increase resulted from the Group recording a provision of KZT 970 million for a legal claim from Bastau as at 31 December 2010.

Total trade and other payables

The Group's trade and other payables include trade payables, dividends payable, advances received from suppliers and contractors, salaries payable, accrued provisions for unused vacations, other financial payables, other payables and a payable to Samruk-Kazyna as at 30 June 2012.

The following table sets out the principal components of Group's total trade and other payables as at the dates indicated.

	As at 30 June	As at 31 December		
	2012	**2011**	**2010**	**2009**
	(in thousands of Kazakhstan Tenge)			
Trade payables	15,191,097	22,773,519	17,298,817	14,418,366
Payable to Samruk-Kazyna	3,990,000	–	–	–
Dividends payable	3,449,216	419,485	495,892	446,852
Other financial payables	527,097	557,285	534,397	515,833
Total financial payables	**23,157,410**	**23,750,289**	**18,329,106**	**15,381,051**
Advances received from suppliers and contractors	2,716,878	1,908,757	1,555,463	1,774,469
Salaries payable	592,596	889,671	694,746	610,110
Accrued provisions for unused vacations	421,486	395,654	441,512	349,340
Other payables	368,867	416,815	1,407,694	664,271
Total trade and other payables	**27,257,237**	**27,361,186**	**22,428,521**	**18,779,241**

As at 30 June 2012 compared to as at 31 December 2011

The Group's total trade and other payables as at 30 June 2012 decreased by 0.4 per cent. to KZT 27,257 million, compared to KZT 27,361 million as at 31 December 2011. This decrease resulted principally from a 33.3 per cent. decrease in trade payables and 33.4 per cent. decrease in salaries payable as at 30 June 2012, compared to as at 31 December 2011. The decrease was partially offset by a KZT 3,990 million payable to Samruk-Kazyna, a 722.3 per cent. increase in dividends payable and a 42.3 per cent. increase in advances received from suppliers and contractors, as at 30 June 2012.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's total trade and other payables as at 31 December 2011 increased by 22.0 per cent. to KZT 27,361 million, compared to KZT 22,429 million as at 31 December 2010. This increase resulted principally from a 28.0 per cent. increase in trade payables and a 22.7 per cent. increase in advances received from suppliers and contractors as at 31 December 2011, compared to as at 31 December 2010.

The Group's total trade and other payables as at 31 December 2010 increased by 19.4 per cent. to KZT 22,429 million, compared to KZT 18,779 million as at 31 December 2009. This increase resulted principally from a 20.0 per cent. increase in trade payables and a 11.9 per cent. increase in other payables as at 31 December 2010, compared to as at 31 December 2009.

Taxes payable and other payables to budget

As at 30 June 2012 compared to as at 31 December 2011

The Group's taxes payable and other payables to budget as at 30 June 2012 increased by 4.5 per cent. to KZT 709 million, compared to KZT 679 million as at 31 December 2011. This increase resulted principally from a 47.6 per cent. increase in VAT payable as at 30 June 2012, compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's taxes payable and other payables to budget as at 31 December 2011 decreased by 2.0 per cent. to KZT 679 million, compared to KZT 693 million as at 31 December 2010.

The Group's taxes payable and other payables to budget as at 31 December 2010 increased by 3.8 per cent. to KZT 693 million, compared to KZT 667 million as at 31 December 2009. This change resulted principally from a 43.6 per cent. decrease in VAT payable and an 81.3 per cent. decrease in environmental taxes payable as at 31 December 2010, compared to as at 31 December 2009, such taxes having been paid by the Group during the course of December 2010.

Income tax payable

As at 30 June 2012 compared to as at 31 December 2011

The Group's income tax payable as at 30 June 2012 decreased by 48.8 per cent. to KZT 229 million, compared to KZT 448 million as at 31 December 2011. This decrease resulted from a decrease in taxable income arising from the Group utilising deductible depreciation charges on its increased balance of property, plant and equipment to reduce its taxable income as at 30 June 2012, compared to as at 31 December 2011.

As at 31 December 2011 compared to as at 31 December 2010 and as at 31 December 2009

The Group's income tax payable as at 31 December 2011 increased by 710.9 per cent. to KZT 448 million, compared to KZT 55 million as at 31 December 2010. This increase resulted from the Group's subsidiaries not carrying forward a significant amount of losses to reduce their taxable income as at 31 December 2011, which had occurred as at 31 December 2010.

The Group's income tax payable as at 31 December 2010 decreased by 83.9 per cent. to KZT 55 million, compared to KZT 343 million as at 31 December 2009.

Capital and Investment Commitments

See Note 31 to the Group's Interim 2012 Consolidated Financial Statements for information on the Group's and its share of its joint ventures' capital and investment commitments.

Contingencies

See Note 31 to the Group's Interim 2012 Consolidated Financial Statements for information on the Group's contingencies.

Segment Analysis

See Note 5 to the Group's Interim 2012 Consolidated Financial Statements and to the Group's 2011 Consolidated Financial Statements for details on the results of the Group's operating segments for those periods.

Significant Accounting Policies and Critical Accounting Estimates and Assumptions

See Notes 2 and 4 to the Group's Interim 2012 Consolidated Financial Statements for information on the Group's significant accounting policies and critical accounting estimates and assumptions, respectively.

Recent Accounting Pronoucements

Recent accounting pronouncements are described in Note 3 to the Group's Interim 2012 Consolidated Financial Statements.

Quantitative and Qualitative Disclosure about Market Risks

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk, currency risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies set by the Group's ultimate parent who provides principles for risk management, covering specific areas, such as credit risk, liquidity risk and market risk.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a transaction will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents. The carrying amount of restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents represent the maximum amount exposed to credit risk. Further information is provided in relation to credit risk in Notes 12 and 13 to the Group's Interim 2012 Consolidated Financial Statements.

Certain Group entities hold a dominant position and/or are natural monopolists in providing electricity and heat energy in relevant regions. Thus these entities have a limited range of consumers and are forced to sell their products without regard to the creditworthiness of the consumer. The Group does not have a system of assessing the creditworthiness of consumers, a policy for assigning internal ratings or credit limits for counterparties.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In accordance with the Group policy on the formation and monitoring of development plans, the Group manages liquidity risk using short-term (one month) forecasts and also mid-term forecasts for the next five years. In addition the Group has developed and approved a ten-year development strategy (see "*Description of the Group's Business – Strategy*"). In planning cash flows the Group also accounts for income from temporary excess cash using bank deposits.

The following table separates the Group's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date as at 30 June 2012.

	On demand and within 1 month	Between 1 and 3 months	From 3 to 12 months	Between 12 months and 5 years	Over 5 years
	(in thousands of Kazakhstan Tenge)				
At 30 June 2012					
Borrowings	7,619,598	582,880	18,991,216	40,540,092	73,689,864
Payable to Almaty Akimat	7,342,179	–	–	–	–
Other non-current financial liabilities	–	–	–	496,224	44,000
Trade and other payables	6,393,782	14,876,266	1,415,485	74	–
Total financial liabilities	**21,355,559**	**15,459,146**	**20,406,701**	**41,036,390**	**73,733,864**

Currency risk

Certain borrowings and restricted cash of the Group are denominated in foreign currencies (U.S. dollars and Euros) and as a result the Group is exposed to foreign exchange risk. The Group's foreign exchange exposure due to cash and cash equivalents is insignificant because cash and cash equivalents are mainly denominated in Kazakhstan Tenge. Due to the fact that the variety of financial derivative instruments on the Kazakhstan market is limited and the fact that those instruments available are rather expensive, the Group's management has chosen not to hedge the Group's foreign exchange risk, due to benefits from implementing such instruments being outweighed by the costs. Nevertheless the Group continues to monitor changes in the financial derivatives market in order to implement a hedging structure in the future if needed.

The following table shows the total amounts of the Group's foreign-currency denominated assets and liabilities that gave rise to foreign exchange exposure as at the dates indicated:

	U.S.$	Euro	Other currencies	Total
	(in thousands of Kazakhstan Tenge)			
At 30 June 2012				
Assets	2,988,608	–	438	2,989,046
Liabilities	(41,799,967)	(93,530)	–	(41,893,497)
Net position	**(38,811,359)**	**(93,530)**	**438**	**(38,904,451)**
At 31 December 2011				
Assets	4,200,262	–	300	4,200,562
Liabilities	(42,528,092)	(49,883)	–	(42,577,975)
Net position	**(38,327,830)**	**(49,893)**	**300**	**(38,377,413)**
At 31 December 2010				
Assets	3,384,239	166	–	3,384,405
Liabilities	(31,595,912)	–	–	(31,595,912)
Net position	**(28,211,673)**	**166**	**–**	**(28,211,507)**
At 31 December 2009				
Assets	3,804,883	205,491	–	4,010,374
Liabilities	73,528,603	–	–	(73,528,603)
Net position	**(69,723,720)**	**205,491**	**–**	**(69,518,229)**

At 30 June 2012 and 31 December 2011, 2010 and 2009, if Kazakhstan Tenge had weakened/strengthened by 10 per cent. against the U.S. dollar with all other variables held constant, the post-tax profit for the period would have decreased/increased by KZT 3,881 million, KZT 3,061 million, KZT 2,257 million and KZT 6,972 million respectively, mainly as a result of foreign exchange losses/gains on translation of U.S. dollar-denominated borrowings.

Interest rate risk

Interest rate risk arises from long-term and short-term borrowings. In the case of floating interest rate borrowings, the Group is exposed to the potential market risk of LIBOR quotes. A LIBOR increase would have an adverse effect on the Group's cash flows. The Group closely monitors changes to LIBOR.

At 30 June 2012 and 31 December 2011, 2010 and 2009, if LIBOR on floating rate borrowings had been 2 per cent. higher/lower with all other variables held constant, post-tax profit for the period would have been decreased/increased by KZT 6.5 million, KZT 0.4 million, KZT 472 million and KZT 1,071 million respectively

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net borrowings.

The following table shows the principal components of the Group's total capital and gearing ratio as at the dates indicated

	As at 30 June	As at 31 December		
	2012	2011	2010	2009
	(in thousands of Kazakhstan Tenge)			
Total borrowings	95,979,385	99,566,840	86,491,128	102,570,261
Less:				
Cash and cash equivalents	(52,655,801)	(49,844,147)	(14,988,160)	(11,983,674)
Net borrowings	43,323,584	49,722,693	71,502,968	90,586,587
Total equity	179,016,395	171,825,672	112,302,184	41,601,131
Total capital	**222,339,979**	**221,548,365**	**183,805,152**	**132,187,718**
Gearing ratio	**19.5%**	**22.4%**	**38.9%**	**68.5%**

RECENT DEVELOPMENTS

Acquisition of LLP "Tegis Munay"

On 30 October 2012, the Issuer signed a contract with Mr. E.A. Ustimentko, Mr. I.M. Khurshudov, Rada Corporation and Haswell Impex Limited to acquire a 100 per cent. interest in LLP "Tegis Munay" for total consideration of KZT 8,940 million. LLP "Tegis Munay" indirectly owns a subsoil use contract to mine the Pridorozhnoe gas field in the Southern zone of Kazakhstan. According to an assessment made by TOO "Petroleum Geo Services (Kazakhstan)" and "MX Consulting Limited" in 2012, the gas reserves of the field according to the Petroleum Resources Management System were 7,133.4 million cubic metres. The Issuer expects that gas produced at the field will solely fuel a gas-fired power station which the Issuer plans to construct. The new gas-fired power station is expected to have an installed capacity of 100 MW.

Payment will be in several tranches. The first tranche will amount to KZT 1,395.8 million and must be paid before 1 December 2012. The remaining tranches are due to be paid after the sellers complete all the necessary legal and financial obligations they are subject to. The Group expects the shares in LLP "Tegis Munay" to be transferred to the Issuer in the first half of 2013. The estimated cost of purchasing and developing the gas field and constructing the nearby gas-fired power plant is estimated by the Group at KZT 38,862.5 million, of which 83.5 per cent. is intended to be sourced from borrowings. However, as no project documentation has been prepared as at the date of the Base Prospectus, the Group cannot estimate the required capital expenditure with a sufficient degree of accuracy to include this amount in its capital expenditure plans set out in the "*Expansion Plans and Projects*".

Acquisition of Ekibastuzskaya GRES-1

From 18 May 2011 until 31 October 2012, the Group managed Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 through a trust management arrangement. On 14 August 2012 the board of directors of the Issuer adopted a decision that new ordinary shares of the Issuer would be placed with Samruk-Kazyna in consideration for Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1. On 17 August 2012, the management board of Samruk-Kazyna adopted a decision to exchange Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 for the 355,798 ordinary shares of the Issuer. Pursuant to an act of transfer and acceptance executed on 31 October 2012, as the first step in the GRES-1 Acquisition, the Issuer placed 355,798 ordinary shares with Samruk-Kazyna on 1 November 2012, in consideration for Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1, which was valued at KZT 101,620.1 million. As the second step in the GRES-1 Acquisition by 31 December 2012, the Issuer expects to issue preference shares with a guaranteed minimum annual dividend of KZT 2,041.0 million (which will be paid starting from 2014 and the first year for which the dividend will be paid will be the year ended 31 December 2013) to Samruk-Kazyna, in exchange for a portion of the new ordinary shares that it issued to Samruk-Kazyna.

In connection with the GRES-1 Acquisition, the foundation agreement and charter of Ekibastuzskaya GRES-1 need to be amended to reflect the transfer of ownership from Samruk-Kazyna to the Issuer and then registered with the Ekibastuz Justice Department, and the Issuer needs to pass the required corporate approval and the approval of the participants of Ekibastuzskaya GRES-1 must be obtained. As at the date of this Base Prospectus, the Issuer expects the foundation agreement and charter to be amended and registered with the Ekibastuz Justice Department by 31 December 2012. Ekibastuzskaya GRES-1 can only be re-registered with the Ekibastuz Justice Department in connection with the change in its participants (from Samruk-Kazyna to the Issuer) after its foundation agreement and charter have been amended. Prior to this, the Issuer cannot transfer its participatory interest to third parties or confirm that its 50 per cent. participatory interest in Ekibastuzskaya GRES-1 is free and clear of any liens or encumbrances. See "*Presentation of Financial and Other Information – Shareholders and Group Companies*".

EBRD loan to Shardara HPP

Shardara HPP entered into loan agreement with EBRD on 24 August 2012 pursuant to which EBRD agreed to provide a 10 year loan in the amount of KZT 9,150 million for the modernisation of Shardara HPP, subject to a guarantee from the Issuer. Shardara HPP plans to make a drawdown under the loan agreement in 2013. The interest under the loan is payable at an aggregate fixed rate of 3.9 per cent. in addition to EBRD's funding costs which are equal to 2 per cent. as at the date of this Base Prospectus. The plan for modernisation of Shardara HPP is included in the National Programme for Accelerated

Industrial and Innovation Development of the Republic of Kazakhstan for the period from 2010 to 2014. The main goal of such modernisation is to increase Shardara HPPs capacity up to 116 MW. For more information on Shardara HPP, see "*The Group's Major Subsidiaries and Joint Ventures – Shardara HPP*".

DESCRIPTION OF THE GROUP'S BUSINESS

This summary highlights selected information about the Group. This summary does not contain all of the information that you should consider before investing in the Notes. You should read this entire Base Prospectus, including ''Risk Factors'', ''Operating and Financial Review of the Group'', ''The Group's Major Subsidiaries and Joint Ventures'', ''Expansion Plans and Projects'', the Final Terms and the Group's Consolidated Financial Statements and the related notes included elsewhere in this Base Prospectus.

Certain operational information regarding the Group has been expressed also on an ''equity-adjusted basis'' where labelled as such. This information has been adjusted to reflect the fact that Ekibastuzskaya GRES-2, Forum Muider (the parent of Bogatyr Komir) and ZhGRES are joint ventures which not controlled by and consolidated within the Group, but accounted for under the equity method of accounting, and this information regarding the Group only includes 50 per cent. of the total operational information attributable to these companies. Where operational information regarding the Group is not stated to have been provided on an equity-adjusted basis, such information excludes operational information from Ekibastuzskaya GRES-2, Forum Muider (the parent of Bogatyr Komir) and ZhGRES. For the avoidance of doubt, where operational information regarding Bogatyr Komir is expressed by reference by Bogatyr Komir rather than the Group, such information is provided on a total, rather than equity-adjusted basis, unless indicated otherwise.

Overview of the Group's Business

The Group's core businesses are the generation, transmission, distribution, sale and purchase of electricity in Kazakhstan, the mining and sale of coal and the generation of heat energy in Almaty, the Almaty region and Aktobe. The Group operates a number of subsidiaries and joint ventures, sells electricity and coal to customers throughout Kazakhstan and also exports electricity and coal to Russia. The Group is vertically integrated, giving it greater control over its supply chain and distribution channels and the Group benefits from being an affiliate of many of its customers and contractors through Samruk-Kazyna, Kazakhstan's sovereign wealth fund, as common shareholder.

In the six months ended 30 June 2012 and 30 June 2011, the Group had revenues of KZT 47,529 million and KZT 44,095 million, respectively. In the years ended 31 December 2011, 2010 and 2009, the Group had revenues of KZT 85,550 million, KZT 76,940 million and KZT 64,454 million, respectively.

For further detail on the the Group's historical share in the profit or loss of the Group's joint ventures, see ''*Operating and Financial Review of the Group – Results of Operations for the Six Months Ended 30 June 2012 and 30 June 2011 and the Years Ended 31 December 2011, 2010 and 2009 – Share in profits and losses of joint ventures and associates*'' and ''*Operating and Financial Review of the Group – Analysis of Certain Other Balance Sheet Items – Non-current assets – Investments in joint ventures and associates*''.

Electricity generation

As at 31 August 2012, the aggregate installed power generation capacity of the Group was 1,741 MW, or 2,856 MW on an equity-adjusted basis, which consisted of approximately 8.5 per cent. of the total installed power generation capacity in Kazakhstan or 14.0 per cent. on an equity-adjusted basis, according to KEGOC.

In the six months ended 30 June 2012, the Group generated 3,610 million KWH of electricity (5,606 KWH on an equity-adjusted basis), which represents approximately 7.9 per cent. of the total electricity generated in Kazakhstan during that period (or 12.3 per cent. on an equity-adjusted basis), according to KEGOC. In the years ended 31 December 2011, 2010 and 2009, the Group generated 6,611 million KWH, 6,789 million KWH and 5,806 million KWH of electricity (or 10,004 million KWH, 9,737 million KWH and 8,717 million KWH on an equity-adjusted basis) respectively, which represents approximately 7.7 per cent., 8.2 per cent. and 7.4 per cent. of total electricity generated in Kazakhstan in these years, respectively (or 11.6 per cent., 11.9 per cent. and 11.1 per cent. on an equity-adjusted basis, respectively), according to KEGOC.

Coal and gas-fired power stations

Coal and gas-fired power stations represented 66.7 per cent. of the Group's electricity output in 2011 (78.0 per cent. on an equity-adjusted basis). The Group owns a 50 per cent. shareholding in Ekibastuzskaya GRES-2, a coal-fired power station operated as a joint venture with the Russian electricity company Inter RAO. In August 2012, the transfer of a 50 per cent. participatory interest in Ekibastuzskaya GRES-1, a coal-fired power station operated as a joint venture with Kazakhmys, from Samruk-Kazyna to the Group was approved by the board of directors of the Issuer, and the management board of Samruk-Kazyna, and this transfer was effected on 1 November 2012, subject to certain formalities, which are expected to be completed by 31 December 2012. See ''*Risk Factors – Risks Relating to the Group's Operations and Business – The transfer of Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 to the Issuer, has not been completed as at the date of this Base Prospectus*''. The Group also has a 50 per cent. stake in ZhGRES, a gas-fired power station operated as a joint venture with Tarazenergo.

As at 31 August 2012, the installed capacity of Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and ZhGRES was 4,000 MW, 1,000 MW and 1,230 MW, respectively, while the production capacity of Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and ZhGRES was 2,200 MW, 922 MW and 1,084 MW, respectively. The installed capacity of Ekibastuzskaya GRES-2 and ZhGRES represented 12.6 per cent. and 15.5 per cent. of the Group's total installed capacity as at 31 August 2012, on an equity-adjusted basis. Ekibastuzskaya GRES-1, ZhGRES and Ekibastuzskaya GRES-2 were the first, third and fourth largest power stations in Kazakhstan by installed capacity as at 31 August 2012, respectively, according to KEGOC. Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-2 are used in particular to cover power shortages throughout Kazakhstan and ZhGRES is used to make up for electricity shortfalls at seasonal peak times in Kazakhstan.

Almaty Power Stations and Aktobe TPS are power generating companies, which are 100 per cent. owned by the Group. Almaty Power Stations generates electricity and heat energy in Almaty and the Almaty region in the south east of Kazakhstan. Aktobe TPS generates electricity and heat energy in Aktobe in the north west of Kazakhstan. In 2011, Almaty Power Stations and Aktobe TPS generated 59.8 per cent. and 17.8 per cent. of the electricity consumed in the Almaty and Aktobe regions, respectively, according to the Group's own calculations and the NSA.

The total installed capacity of the coal-fired power stations of Almaty Power Stations (which also use fuel oil and gas) and the gas-fired Aktobe TPS power station was 828 MW and 102 MW respectively, representing approximately 47.6 per cent. and 5.9 per cent. of the Group's total installed capacity, respectively, as at 31 August 2012, or 29.0 per cent. and 3.8 per cent., respectively, on an equity-adjusted basis. Almaty Power Stations and Aktobe TPS both generate electricity for transmission and distribution in the region in which they are situated.

See ''*Description of the Group's Business – Principal Operations and Operating Segments – Electricity generation – Coal and gas-fired power stations*''.

Hydropower stations

Shardara HPP and Moinak HPP are hydropower generating companies and Almaty Power Stations also operates hydropower stations. All of the hydropower stations the Group operates are located in the south of Kazakhstan. Together they generated approximately 2,200 million KWH, or 33.3 per cent. of the electricity output of the Group (22.0 per cent. on an equity-adjusted basis) in 2011 and approximately 28.0 per cent. of the hydropower electricity output of Kazakhstan in 2011, according to KEGOC.

Moinak HPP has an installed capacity of 300 MW and was commissioned in August 2012. Shardara HPP has been in operation since 1967 and has an installed capacity of 100 MW. Almaty Power Stations operates Kapchagay HPP and Cascade HPP, which have been in operation since 1980 and the late 1940s, respectively and which have installed capacities of 364 MW and 47 MW, respectively. The installed capacity of the Group's hydropower stations as at 31 August 2012 was 811 MW, representing 46.6 per cent. of the Group's total installed capacity, or 28.4 per cent. of the Group's total installed capacity on an equity-adjusted basis.

Almaty Power Stations is building Kerbulak HPP on the Ili river to act as a counter-regulatory station for Kapchagay HPP. See ''*Expansion Plans and Projects – Almaty Power Stations*''.

The Group also owns several other hydropower generating companies, Bukhtarminskaya HPP, Ust-Kamenogorskaya HPP and Shulbinskaya HPP, the power plants of which have been transferred under concession contracts to Kazastur Zinc AG (in the case of Bukhtarminskaya HPP) and Tau Power B.V (an affiliate of AES Power Suntry Limited) (in the case of Ust-Kamenogorskaya HPP and Shulbinskaya HPP). These operate along the Irtysh river in the Northern zone of Kazakhstan, near the city of Ust-Kamenogorsk. Under such concessions, the Group does not receive any revenue from such power stations, other than lease payments from Kazastur Zinc for the use of Bukhtarminskaya HPP.

See ''*Description of the Group's Business – Principal Operations and Operating Segments – Electricity generation – Hydropower stations*''.

Coal mining

Bogatyr Komir is a joint venture between the Group and Rusal owned through the Netherlands-registered Forum Muider. According to the NSA, Bogatyr Komir is the largest coal producer in Kazakhstan, and the Bogatyr mine which it operates is, according to the same source, in terms of production capacity, the largest open-pit coal mine in Kazakhstan and one of the largest in the world. The Bogatyr mine was established in 1970 and Bogatyr Komir operates this together with the nearby smaller Severny mine, established in 1954. Bogatyr Komir has total coal mine reserves of approximately 2,852 million tonnes, as calculated by the State Commission on Reserves of Mineral Resources when Bogatyr Komir's licence was granted in 2002 and subsequently adjusted by Bogatyr Komir, according to the Kazakhstan reserves classification system (see ''*Presentation of Financial and Other Information – Reserves Reporting*'' and ''*Presentation of Financial and Other Information – Cautionary Note to United States Investors Concerning Coal Reserve Data*''). According to the Group's expectations of future production rising to 45 million tonnes by 2015 and to 50 million tonnes by 2020 and remaining at that level for future periods, Bogatyr Komir's coal reserves will allow Bogatyr Komir to maintain expected levels of coal production for approximately the next fifty-eight years. Bogatyr Komir has a 45-year subsoil use contract, signed on 29 June 2002 with the Government's Ministry of Energy and Natural Resources, to extract coal from the Bogatyr and Severny mines. See ''*Regulatory Review – Mining Regulations – Subsoil use contracts*''.

Bogatyr Komir sells coal to the Group's power generating facilities and to third party power generating facilities located both in Kazakhstan and in Russia on market terms. Bogatyr Komir's coal mines are located 30 km from Ekibastuzskaya GRES-1 and 50 km from Ekibastuzskaya GRES-2, which minimises coal transportation costs for the Group. Most of the coal-fired power stations in Kazakhstan use the type of coal produced by Bogatyr Komir.

In 2011, Bogatyr Komir extracted 40.6 million tonnes of coal, representing 37 per cent. of the total volume of extracted coal in Kazakhstan and 62 per cent. of the volume extracted in the Ekibastuz coal basin, according to MINT. See ''*Description of the Group's Business – Principal Operations and Operating Segments – Coal mining*''.

As at the date of this Base Prospectus, Bogatyr Komir is investing in new extraction technologies and aims to increase output to approximately 45 million tonnes and to 50 million tonnes of coal annually by 2015 and 2020, respectively. See ''*Expansion Plans and Projects – Bogatyr Komir*''.

Heat energy generation

Almaty Power Stations and Aktobe TPS generate heat energy, which is sold to distribution networks in the form of hot water. Almaty Thermal Networks is the sole heat energy customer of Almaty Power Stations and Aktobe TPS sells 85 per cent. of its heat energy to Transenergo JSC (a heat energy distribution company based in Aktobe), Almaty Power Stations and Aktobe TPS are combined cycle power stations that produce both electricity and heat energy and in addition Almaty Power Stations operates the Western Thermal Complex, whose only activity is to generate hot water from a series of boilers. Almaty Power Stations also sells chemically treated water (hot water which comes out of a tap and is used for baths, showers washing and other similar purposes).

Almaty Power Stations operates coal-fired power stations which also use gas and fuel oil, whereas Aktobe TPS is a gas-fired power station. The coal-fired power station Ekibastuzskaya GRES-2 and gas-fired power station ZhGRES also generate small amounts of heat energy, though together this represents less than one per cent. of the Group's heat energy output, on an equity-adjusted basis, in the six months ended 30 June 2012 and 30 June 2011 and the years ended 31 December 2011 and 2010.

In 2011, the Group generated 7.8 million Gcal of heat energy, representing 8.0 per cent. of the heat energy generated in Kazakhstan according to the Group's calculations and the NSA. See ''*Description of the Group's Business – Principal Operations and Operating Segments – Heat energy generation*''.

Electricity transmission and distribution

The Group owns and operates electricity transmission and distribution networks in certain regions of Kazakhstan, in particular Almaty and Mangistau, operated by Alatau Zharyk and Mangistau Electricity Distribution Company, respectively. As at 31 August 2012, the majority of the Group's transmission and distribution lines were overhead lines, consisting of 30,454 km or 88.3 per cent. of the Group's total transmission and distribution lines. A small portion of the Group's transmission and distribution lines are power cable transmission lines operated by Alatau Zharyk, consisting of 4,034 km or 11.7 per cent. of the

Group's total transmission and distribution lines as at 31 August 2012. As at 31 August 2012, the total length of Samruk-Energy's transmission and distribution lines was 30,454 km or 6.9 per cent. of the total of approximately 442,000 km lines in Kazakhstan, according to KEGOC.

The Group also manages electricity transmission and distribution company VK REK pursuant to a trust management agreement. VK REK is not part of the Group and the Group manages VK REK for a fee and is not entitled to any of its revenues. See "*Presentation of Financial and Other Information – Shareholders and Group Companies*".

See "*Description of the Group's Business – Principal Operations and Operating Segments – Electricity transmission and distribution*".

Sale and purchase of electricity

AlmatyEnergySbyt has a dominant position in the market for the sale and purchase of electricity in Almaty and the Almaty region and in 2011 provided electricity to approximately 677,000 households (or 2.6 million individuals) and 25,000 legal entities. AlmatyEnergySbyt purchases over 80 per cent. of its electricity from within the Group and is the largest customer of Almaty Power Stations and Alatau Zharyk.

The Group also manages the electricity sale and purchase operations of Shygysenergotreyd, which is a subsidiary of VK REK, which the Group manages on a trust management basis. The information contained in this Base Prospectus concerning the Group's electricity sale and purchase volumes and other operational information excludes Shygysenergotreyd, which the Group only manages on a trust management basis and from which the Group does not enjoy the benefits or incur the associated risks.

See "*Description of the Group's Business – Principal Operations and Operating Segments – Sale and purchase of electricity*".

Competitive Strengths

The Group believes that it has a number of principal strengths that distinguish it from its competitors.

Strong position in the electricity generation and coal markets in Kazakhstan

The Group has a strong position in the Kazakhstan electricity generation and coal production markets. In 2011, the Group had a 7.7 per cent. share of the electricity generation market in Kazakhstan (11.6 per cent. on an equity-adjusted basis) according to KEGOC, and Bogatyr Komir mined 37 per cent. of the coal output of Kazakhstan according to MINT. See "*Principal Operations and Operating Segments – Electricity generation*" and "*Principal Operations and Operating Segments – Coal mining*".

It is part of the Group's development strategy to establish leading positions in these sectors. See "*Strategy*". The Government is the Group's ultimate indirect shareholder and the Group was established to carry out the Government's policies in Kazakhstan's power generation industry, and in particular to increase electricity supplies to the domestic electricity market through the modernisation of existing facilities and the creation of new power generation units. Due to the electricity deficit in Kazakhstan, particularly in the Southern zone of Kazakhstan, there is a high utilisation rate for the electricity produced by the Group. See "*Strong support from the Government which indirectly owns 100 per cent. of the shares in the Issuer*". Further, the Group has been involved in some high profile projects, such as providing electricity to the 7th Asian Winter Games in 2011 (Aziada 2011). The Group has been able to use support from the Government to build its strong position in the electricity generation and coal markets in Kazakhstan.

In certain regions, the Group has a dominant position in particular markets. For example, Almaty Power Stations generated approximately 59.8 per cent. of the electricity consumed in the Almaty region in 2011, according to the Group's own calculations and the NSA. See "*The Group's Major Subsidiaries and Joint Ventures – Almaty Power Stations*". In addition, AlmatyEnergySbyt has a leading position in the electricity sale and purchase market in Almaty and the Almaty region.

Vertical integration

The Group operates a vertically-integrated model, extending from coal mining to the generation, transmission, distribution and sale and purchase of electricity and the generation of heat energy. This vertical integration enables the Group to maximise the efficiency of its operations and reduce its dependency on third parties. The Group believes that the integration of the operations of its coal mining and its power generating businesses, as well as its ownership of power distribution and transmission networks and power sale and purchase companies, puts it in a unique position in the Kazakhstan power market.

The Group has vertical integration with respect to its coal mining and electricity generation activities, through the production and sale of coal by its joint venture Bogatyr Komir, which is purchased and used as fuel for its coal-fired power stations located in the Northern (its joint venture Ekibastuzskaya GRES-2) and Southern (Almaty Power Stations) zones of Kazakhstan. Most of the coal for Ekibastuzskaya GRES-2 and Almaty Power Stations is supplied by Bogatyr Komir and Almaty Power Stations. Ekibastuzskaya GRES-1 also purchases most of its coal from Bogatyr Komir and is located near the mines of Bogatyr Komir in the Northern zone of Kazakhstan, which further enhances the Group's vertical integration.

The Group has also vertical integration with respect to its electricity generation, transmission, distribution, sale and purchase activities in Almaty and the Almaty region, through its ownership of Almaty Power Stations and Alatau Zharyk. Almaty Power Stations sells 82.5 per cent. of its output to either Alatau Zharyk or AlmatyEnergySbyt and Alatau Zharyk sells 94.7 per cent. of its transmission and distribution services to AlmatyEnergySbyt. See "*Principal Operations and Operating Segments – Sale and purchase of electricity*".

Geographical diversification

The Group's geographical presence offers it certain advantages. For example, Bogatyr Komir's proximity to the Urals region of Russia provides close access to the coal market of this industrial region of Russia. Similarly, the close proximity of Bogatyr Komir to Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-2 (30 km and 50 km, respectively) allows the costs of transporting coal to these power generating plants to be minimised.

Further, the location of Almaty Power Stations, Moinak HPP and Alatau Zharyk near to or in Almaty, Kazakhstan's most popular city and a key industrial region, allows the Group to minimise the costs and logistical work associated with the transport of power and provides a large customer base for its power. The Group has a dominant or monopolistic position (as the case may be) in certain regions of Kazakhstan, which means that it faces limited or no competition in such areas.

The Group's established presence in eight regions of Kazakhstan, including in the Southern zone which is home to 46.5 per cent. of Kazakhstan's population, according to the NSA and where there is a power deficit serves as a strong platform for the Group to serve the power needs of Kazakhstan in many of its regions and to expand its business in accordance with the growth of population and industry that is forecast in Kazakhstan. See "*– Principal Operations and Operating Segments – Geographical features*".

Operational diversification

The Group's operational diversification reduces the risks associated with negative developments in single sub-sectors of the power and coal mining industries. The Group operates coal-fired and gas-fired power stations and hydropower stations, thereby reducing its reliance on a single source of fuel for its electricity generating activities. 66.7 per cent. of electricity produced by the Group in 2011 was attributable to coal-fired and gas-fired power stations (78.0 per cent. on an equity-adjusted basis) and the remaining 33.3 per cent. was attributable to hydropower stations (22.0 per cent. on an equity-adjusted basis). Amongst its coal-fired and gas-fired power stations, the Group and its joint ventures operate power stations that produce only electricity in commercially significant volumes (but which also produce small quantities of heat energy), such as Ekibastuzskaya GRES-2 (Ekibastuzskaya GRES-1 also falls into this category) and the Group also operates combined cycle power stations that produce electricity and heat in commercially significant volumes, such as Almaty Power Stations and Aktobe TPS.

The Group indirectly owns 50 per cent. of Bogatyr Komir, which is the largest coal mining company in Kazakhstan in terms of both output and reserves, according to the NSA, extracting 37 per cent. of the Group's coal output in 2011. Bogatyr Komir is the largest supplier of coal to the Group's coal-fired power stations, as well as being a supplier of coal to other power stations in Kazakhstan and to a number of power stations in the Urals region of Russia.

In the Almaty region, as well as being the dominant participant in the electricity generation sector the Group also demonstrates operational diversification by selling heat energy and chemically treated water (hot tap water used for baths, showers, washing and similar purposes), selling and purchasing electricity and operating an electricity transmission and distribution network.

The Group has recently started expanding into the clean energy segment through establishment of Samruk Green Energy, which is developing wind and solar power generation. See "*– Principal Operations and Operating Segments – Other*".

Strong support from the Government which indirectly owns 100 per cent. of the shares in the Issuer

As at the date of this Base Prospectus, the Issuer is indirectly 100 per cent. owned by Samruk-Kazyna, a holding company for a number of strategic entities and development institutions in Kazakhstan, including KazMunayGas, Kazakhstan Temir Zholy, the Development Bank of Kazakhstan and KEGOC. Samruk-Kazyna was established in November 2008 in order to manage the Government's shareholdings in companies that are strategically important for Kazakhstan's economy, to maximise their long-term value and enhance their competitiveness in the global markets. Although Samruk-Kazyna plans to sell, subject to market conditions, between five and 15 per cent. of the share capital of the Issuer in the second half of 2013, the Group expects its relationship with Samruk-Kazyna and the Government to remain otherwise unchanged.

The Group benefits from the participation of Samruk-Kazyna in its share capital in various ways. In particular, the Group receives financial support from Samruk-Kazyna and the Government in the form of subsidies, equity injections, assets contributions, low-interest loans, financial guarantees, tax reliefs and others. Since the creation of the Issuer in 2007, the Government has contributed a total of KZT 89 billion of equity directly into the Issuer, of which KZT 28.6 billion was provided in the form of cash injections for the construction of substations and electricity lines in Almaty operated by Alatau Zharyk. Since 2007 subsidies in the amount of KZT 4.4 billion have been provided by Samruk-Kazyna or the Government to the Group. As at 1 October 2012, Samruk-Kazyna or the Government had disbursed loans with a principal amount of KZT 55.2 billion and had provided guarantees over disbursed loans or unutilised loan facilities with a principal amount of KZT 73 billion. The Group also benefits from Samruk-Kazyna's participation in its share capital through easier access to services of other entities in which Samruk-Kazyna has a stake, such as Kazakhstan Temir Zholy and KEGOC.

The Government also supports the Group's projects at the inter-governmental level, for example the Government supported the construction of Moinak HPP through the provision of guarantees of loans provided by the State Development Bank of China. On 27 March 2012, during a visit of the President of Kazakhstan to South Korea, the Issuer signed a memorandum of understanding with Hyundai Corporation regarding future cooperation in relation to the exchange of expertise and information. The Issuer and Hyundai Corporation agreed to cooperate for their mutual benefit regarding the construction of, modernisation of, and supply of equipment for, power plants, transmission lines and substations.

In 2009, the Government introduced a system of capped, estimated or individual tariffs for electricity generation which will be in effect until 2015 and which are expected to cover a substantial portion of the Group's capital expenditure. See "*Regulatory Review – Price Regulation – Tariffs for electricity generating companies*".

The Government has a policy for further industrialising Kazakhstan by 2030, part of which involves the modernisation of existing and the construction of new power generation stations to cover Kazakhstan's electricity generation shortages, which requires certain regions of Kazakhstan, particularly Southern Kazakhstan, to import electricity from neighbouring regions. The Group's facilities are included in this programme and the Group expects to continue to benefit from the Government's support.

The support of the Government and Samruk-Kazyna for the Group's borrowings is also demonstrated by KZT 69,508 million out of KZT 95,979 million (or 72.4 per cent.) of the Group's total borrowings as at 30 June 2012 as set out in the Group's Interim 2012 Consolidated Financial Statements being either provided by or guaranteed by the Government or Samruk-Kazyna.

Debt service costs are embedded in electricity generation tariffs. See "*Regulatory Review – Price Regulation*".

Strong financial profile, balanced debt portfolio and sound liquidity management

The Group enjoys visibility with respect to its future returns and expects to benefit from stable returns until 2015, particularly due to the electricity generation tariff plan of Kazakhstan which is set until 2015. The Group's financial profile is strong, with moderate leverage demonstrated by the Group's gearing ratio of 19.5 per cent. as at 30 June 2012 and a net borrowings (as at 31 December 2011) to Adjusted EBITDA (for the year ended 31 December 2011) ratio of 1.75 per cent. The Group also has a visible cost structure, with 89.1 per cent. of the coal the Group purchased as fuel for its power stations in 2011 purchased from the Group's joint venture Bogatyr Komir.

The Group adheres to a conservative financial policy and the Group considers its debt redemption profile to be balanced with 65.0 per cent. of the Group's borrowing liabilities being repayable after more than 5 years as at 30 June 2012. As at 30 June 2012, the Group held cash and cash equivalents of KZT 52,655 million, or an amount worth 54.9 per cent. of the amount of the Group's total borrowings.

The Issuer has a long-term corporate credit rating of BB+ from S&P (with outlook stable) and has a long-term foreign currency rating of BBB from Fitch (with outlook stable).

Favourable industry regulation

The Group benefits from favourable tariff regulation, as Kazakhstan's tariff regime allows electricity generating companies to include both operating costs and capital expenditures in electricity generation tariffs and to generate a profit on investments made, (subject to receiving approval from MINT or the Anti-Monopoly Agency, in cases where the capped tariff of an electricity generating company does not provide for it to make a profit). This allows the Group to maintain a healthy operating margin, which is somewhat protected from the effects of external economic factors. See "*Regulatory Review – Price Regulation*".

In 2009, long-term price caps were introduced by the Government for the period from 2009 until 2015. The price cap levels account for the operating costs of power generating companies, including debt servicing, and capital expenditures. The Group expects that after 2015, electricity generation tariffs will be composed of a tariff for electricity as a product, and a separate tariff for capacity as a service. Although there is no guarantee that the post-2015 electricity tariff regime will be implemented as the Group expects, if the post-2015 tariff regime is implemented as the Group expects, this will allow electricity-generating companies to secure operating cash flow as well as to cover their capital expenditure programmes. See "*Regulatory Review – Price Regulation*".

Local monopolies

The Group operates as a monopoly in certain business segments in certain regions of Kazakhstan. In particular, it has a dominant position in the power transmission and distribution segment in the Almaty and Mangistau regions, which guarantees its revenue streams in these regions and protects the Group from the effects of competition. Further, in the case of Aktobe TPS and Almaty Power Stations, the Group benefits from a discount in excess of 50 per cent. of the market price of gas (and in respect of Almaty Power Stations the Group benefits from subsidised fuel oil) pursuant to the policy of the Anti-Monopoly Agency.

Experienced management team

The Group devotes time and resources to ensuring that it has an experienced management team and a strong corporate governance system in place. The Group's management team has a proven track record of generating free cash flows, increasing productivity and reducing costs and longstanding experience in the electricity sector. Samruk-Energy's most senior management personnel, Mr Bektemirov and Mr Satkaliyev, currently occupy senior posts at KEGOC.

Samruk-Energy has a Board of Directors, a Management Board and various sub-committees, including a Nomination and Remuneration Committee, an Audit Committee, a Strategic Planning Committee and an Internal Audit Service. In addition, Samruk-Energy acts under a Code of Corporate Governance. See "*Management and Corporate Governance*".

Two members of the Board of Directors, Mr Bektemirov and Mr Ogai, are part of the management of Samruk-Kazyna, which has stakes in other companies in the electricity sector in Kazakhstan, including KEGOC, Kazakhmys and ENRC.

Strategy

The Group's development strategy for 2011-2020 was approved by the Company's Board of Directors on 6 December 2011. The key aspects of the Group's development strategy are set out below.

- The Group's mission is to ensure a reliable electricity and heat energy supply to industrial and household customers. A key part of this is the reconstruction and modernisation of the Group's existing, and the construction of new power stations and electricity distribution and transmission networks.

- The Group's vision is to establish itself as the leading electricity generation company and coal mining company in Kazakhstan with no less than a 40 per cent. share of Kazakhstan's electricity generation and coal mining markets.
- The Group should use innovative technologies to reduce its level of hazardous emissions and to improve the operational efficiency and performance of its stations.

The Group's core medium-term objectives are as follows:

- to rebuild and modernise its electricity generation facilities in Almaty and the Almaty region;
- to increase the power capacity of Ekibastuzskaya GRES-2 through the construction of a new electricity generation unit 3, and to introduce technological process automation systems at electricity generation units 1 and 2; and
- to construct Kerbulak HPP on the Ili river.

See "*Expansion Plans and Projects*".

In addition, the Group has the following three main strategic goals set for 2020 (although no assurance is given as to whether or not these targets will be achieved):

- increasing its electricity production capacity to 7,968.8 MW, with up to four per cent. of electricity generated from renewable energy sources;
- increasing investment in the development and implementation of new technologies including for burning coal and the purification of gases; and
- increasing the share of local content in the implementation of its activities by prioritising the proportion of goods, works and services bought from local (Kazakh) suppliers pursuant to Government policy.

The Group plans to refine its current strategy, by amending the roll-out period to 2012 – 2022 and determining and elaborating the specific actions to be taken by the Group to allow it to realise its strategy.

History and Development

The Group was established on 18 April 2007 by JSC Kazakhstan State Assets Management Holding Samruk and JSC KazTransGas. On 3 November 2008, JSC Kazakhstan State Assets Management Holding Samruk merged with the JSC Sustainable Development Fund Kazyna to create Samruk-Kazyna, which became a shareholder of the Issuer. As at the date of this Base Prospectus, Samruk-Kazyna holds 95.5 per cent. of the shares of the Issuer and KazTransGas holds 4.5 per cent. of the shares of the Issuer and given that KazTransGas is an indirect wholly-owned subsidiary of Samruk-Kazyna, Samruk-Kazyna indirectly owns 100 per cent. of the shares of the Issuer. See "*Principal Shareholders*".

In 2008 and 2009, Samruk-Kazyna and KazTransGas transferred shareholdings in a number of power-generating companies to the Group (primarily through contributions to the share capital of the Issuer), including a 50 per cent. shareholding in Ekibastuzskaya GRES–2, a 100 per cent. shareholding in Aktobe TPS, a 50 per cent. shareholding in ZhGRES, a 100 per cent. shareholding in Almaty Power Stations and a 100 per cent. shareholding in Shardara HPP. Shareholdings in power transmission and distribution companies, including a 100 per cent. shareholding in Alatau Zharyk and a shareholding of 75 per cent. plus one share in Mangistau Electric Distribution Grid Company, were also transferred to the Issuer by means of contributions to its share capital. In 2008, the Group formed Forum Muider as a joint venture with Rusal to operate the Bogatyr and Severny coal mining assets in the Ekibastuz coal basin through Bogatyr Komir.

On 14 August 2012, the board of directors of the Issuer adopted a decision to place new ordinary shares of the Issuer to Samruk-Kazyna in consideration for Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1.

On 17 August 2012, the management board of Samruk-Kazyna adopted a decision to exchange Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1, a joint venture with Kazakhmys, for ordinary shares of the Issuer. The Group had previously managed Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 on behalf of Samruk-Kazyna through a trust management arrangement. As the first step in the GRES-1 Acquisition, 355,798 new ordinary shares of the Issuer with a value of KZT 101,602.1 million were placed with Samruk-Kazyna on 1 November

2012 and the Group and Samruk-Kazyna executed an act of transfer and acceptance in respect of the new ordinary shares on 31 October 2012. As the second step in the GRES-1 Acquisition by 31 December 2012, the Issuer expects to exchange a portion of the newly-issued ordinary shares for preference shares in the Issuer with a guaranteed minimum annual dividend of KZT 2,041.0 million. The transfer remains subject to certain registration formalities and the Issuer passing the required corporate approval and the participants of Ekibastuzskaya GRES-1 approving the transfer, all of which are expected to be completed by 31 December 2012. See ‘‘*Risk Factors – Risks Relating to the Group's Operations and Business – The transfer of Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1 to the Issuer has not been completed as at the date of this Base Prospectus*'' and ‘‘*Presentation of Financial and Other Information – Ekibastuzskaya GRES-1 and Unaudited Pro-forma Financial Information*''.

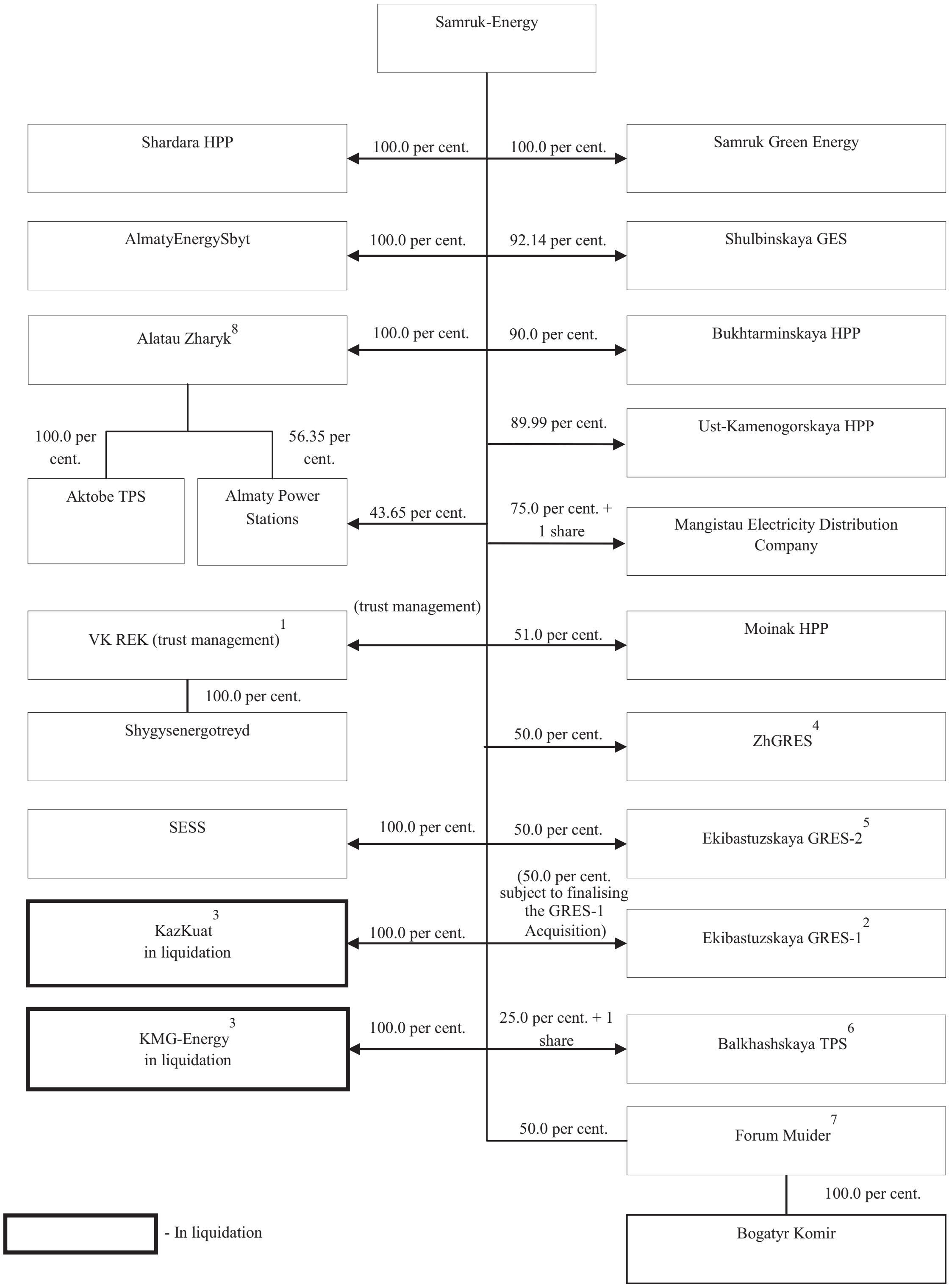
In 2011, the Issuer was awarded an international quality management system conformance certificate, to the requirements of the ISO 9001:2008 international standard.

Charter Capital

As at 30 June 2012, the charter capital of the Issuer was KZT 121,249 million and consisted of 5,062,715 shares, each of which had been fully paid and each of which carried one vote. The Issuer does not have any preference shares.

Organisational Structure

The below chart summarises the organisational structure of the Group as at 30 June 2012.



1. VK REK was transferred to the Issuer under trust management on 7 May 2012 and is not considered as part of the Group.
2. 50 per cent. owned by Kazakhmys plc, a London Stock Exchange -listed company whose main assets are located in Kazakhstan.
3. These subsidiaries are in liquidation because they are dormant.
4. 50 per cent. owned by Kazakhstan company Tarazenergo.
5. 50 per cent. owned by Inter RAO.
6. 75 per cent. minus one share owned by Samsung.
7. 50 per cent. owned by Rusal.
8. The Issuer is planning to acquire Alatau Zharyk's stakes in Aktobe TPS and Almaty Power Stations.

Principal Operations and Operating Segments

Scope of Operations

The Group's activities are divided into the following operating segments (which do not correspond fully to the Group's financial reporting operating segments):

- the generation of electricity;
- coal mining;
- the generation of heat energy;
- electricity transmission and distribution;
- the purchase and sale of electricity; and
- other (including clean energy).

The following table sets out the Group's and Bogatyr Komir's output for the periods indicated:

		Six months ended 30 June	Year ended 31 December		
	Measurement	**2012**	**2011**	**2010**	**2009**
Electricity generated	KWH millions	3,610	6,611	6,789	5,806
Electricity generated (on an equity-adjusted basis)	KWH millions	5,606	10,004	9,737	8,717
Heat energy output	Gcal thousands	4,306	7,668	7,375	7,489
Heat energy output (on an equity-adjusted basis)	Gcal thousands	4,332	7,712	7,418	7,553
Electricity transmitted or distributed	KWH millions	4,219	7,961	7,547	7,382
Electricity purchased and sold	KWH millions	2,829	5,330	4,993	4,950
Coal produced by Bogatyr Komir	tonnes millions	–	41	39	35

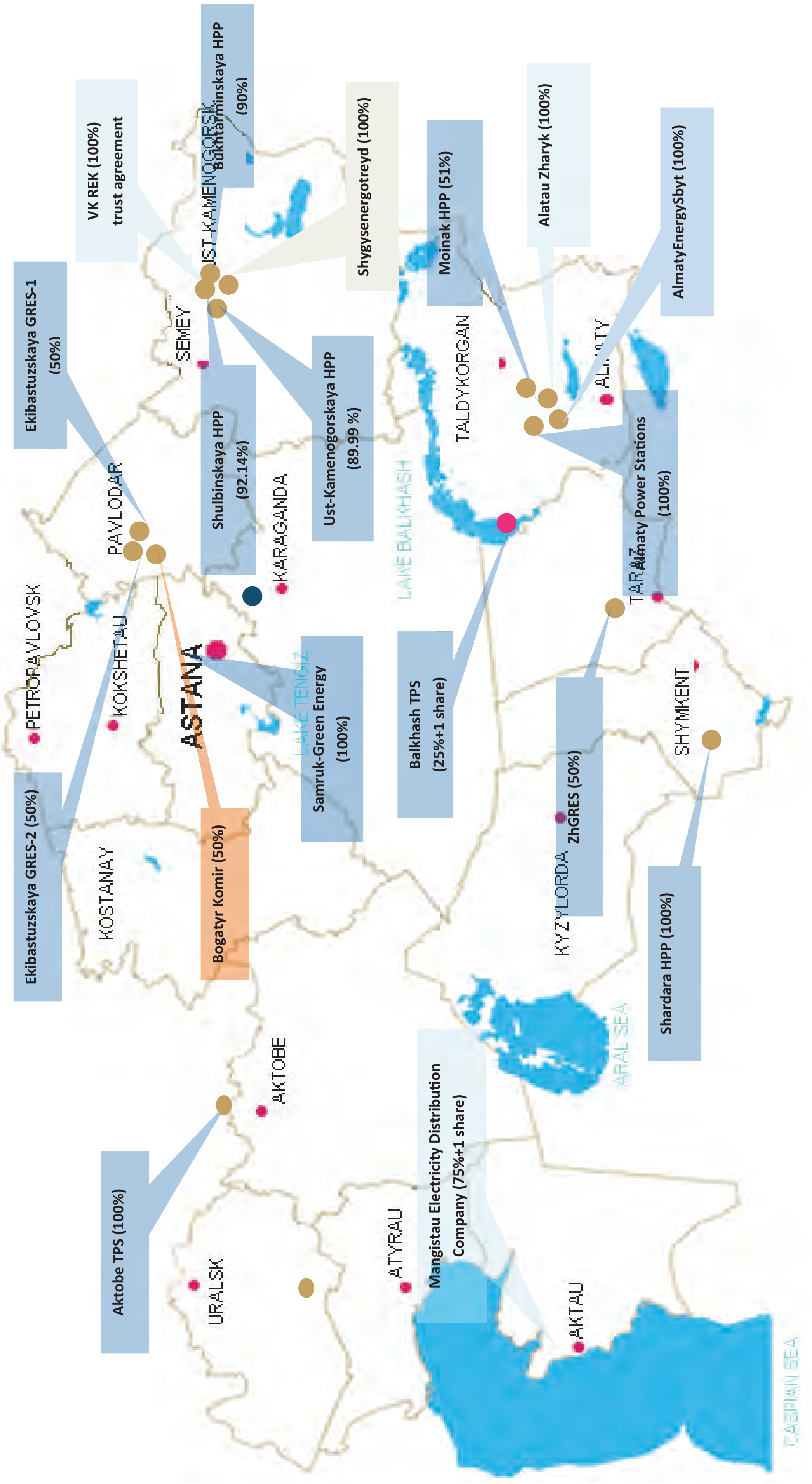
In the six months ended 30 June 2012, Ekibastuzskaya GRES-1 generated 7,445 million KWH of electricity and in the years ended 31 December 2011, 2010, 2009 and 2008 it generated 13,402 million KWH, 11,703 million KWH, 10,319 million KWH and 11,038 million KWH of electricity, respectively.

Geographical features

Each geographical region of Kazakhstan has specific generation and consumption patterns:

- the Western zone comprises the Atyrau, Western Kazakhstan and Mangistau regions. This area contains most of the country's oil and gas projects;
- the Northern zone comprises the Akmola, Aktobe, Eastern Kazakhstan, Karaganda, Kostanai, Northern Kazakhstan and Pavlodar regions. As at the date of this Base Prospectus, almost 80 per cent. of Kazakhstan's total electricity is generated within this zone. Excess power produced in this zone is exported to the Southern zone and to Russia; and
- the Southern zone comprises the Almaty, Zhambyl, Kyzylorda regions together with Southern Kazakhstan. This zone contains 37 per cent. of Kazakhstan's population. The deficit in power-generating resources in this area means that this area encounters electricity shortages and has higher electricity prices than elsewhere in Kazakhstan.

The following map shows the locations of the Group's operating facilities and facilities under construction:



Electricity generation

As at 31 August 2012, the aggregate installed power generation capacity of the Group was 1,741 MW, or 2,856 MW on an equity-adjusted basis, which consisted of approximately 8.5 per cent. of the total installed power generation capacity in Kazakhstan or 14.0 per cent. on an equity-adjusted basis, according to KEGOC.

In the six months ended 30 June 2012, the Group generated 3,610 million KWH of electricity (5,606 KWH on an equity-adjusted basis), which represents approximately 7.9 per cent. of the total electricity generated in Kazakhstan during that period (or 12.3 per cent. on an equity-adjusted basis), according to KEGOC. In the years ended 31 December 2011, 2010 and 2009, the Group generated 6,611 million KWH, 6,789 million KWH and 5,806 million KWH of electricity (or 10,004 million KWH, 9,737 million KWH and 8,717 million KWH on an equity-adjusted basis) respectively, which represents approximately 7.7 per cent., 8.2 per cent. and 7.4 per cent. of total electricity generated in Kazakhstan in these years, respectively (or 11.6 per cent., 11.9 per cent. and 11.1 per cent. on an equity-adjusted basis, respectively), according to KEGOC.

Coal and gas-fired power stations

Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-2 are power stations that principally produce electricity rather than significant volumes of heat energy and were designed in particular to cover power shortages throughout the country. They produce electricity supplied to the majority of the regions in Kazakhstan. In contrast, Almaty Power Stations and Aktobe TPS are combined cycle power stations that produce both electricity and heat energy and provide electricity to the local regions in which they operate. Coal and gas-fired power stations generated approximately 66.7 per cent. (or 78.0 per cent. on an equity-adjusted basis) of the electricity output of the Group in 2011.

From 18 May 2011 until 31 October 2012, the Group managed Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1, a coal-fired power station operated as a joint venture with Kazakhmys, through a trust management arrangement. On 31 October 2012, the Issuer and Samruk-Kazyna executed an act of transfer and acceptance pursuant to which the Issuer placed 355,798 new ordinary shares to Samruk-Kazyna on 1 November 2012, in exchange for Samruk-Kazyna's 50 per cent. participatory interest in Ekibastuzskaya GRES-1, as the first step in the GRES-1 Acquisition. As the second step in the GRES-1 Acquisition, by 31 December 2012 the Issuer expects to exchange a portion of the newly-issued ordinary shares of the Issuer for preference shares with a guaranteed minimum annual dividend of KZT 2,041.0 million. The transfer remains subject to certain registration formalities, the Issuer passing the required corporate approval and the approval of the participants of Ekibastuzskaya GRES-1, all of which are expected to be completed by 31 December 2012. Ekibastuzskaya GRES-1 is the largest power station in Kazakhstan by installed capacity, according to KEGOC. When the Group acquires Ekibastuzskaya GRES-1, the Group will be the largest electricity generating company operating in Kazakhstan in terms of both output and capacity. See "*Industry Overview – Power Sector Structure – Electricity generation sector*".

The Group also owns a 50 per cent. shareholding in Ekibastuzskaya GRES-2, a joint venture with the Russian electricity company Inter RAO, which is the fourth largest power station in Kazakhstan by installed capacity, according to KEGOC. See "*The Group's Major Subsidiaries and Joint Ventures – Ekibastuzskaya GRES-1*" and "*The Group's Major Subsidiaries and Joint Ventures – Ekibastuzskaya GRES-2*".

Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-2 generate excess capacity to cover local electricity shortages throughout Kazakhstan. Ekibastuzskaya GRES-2 is in the process of constructing a third electricity generation unit and Ekibastuzskaya GRES-1 is restoring several out-of-operation 500 MW capacity units, as part of their respective development plans. See "*Expansion Plans and Projects – Ekibastuzskaya GRES-1*" and "*Expansion Plans and Projects –Ekibastuzskaya GRES-2*".

The Group also has a 50 per cent. stake in ZhGRES, a joint venture with Tarazenergo. ZhGRES is a gas-fired power station which is used to make up for electricity shortfalls at seasonal peak times in Kazakhstan and which is the third largest power station in Kazakhstan by installed capacity, according to KEGOC. See "*The Group's Major Subsidiaries and Joint Ventures – ZhGRES*".

The installed capacity of Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and ZhGRES as at 31 August 2012 were 4,000 MW, 1,000 MW and 1,230 MW, respectively and the production capacity of Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and ZhGRES were 2,200 MW, 922 MW and 1,084 MW, respectively. The installed capacity of Ekibastuzskaya GRES-2 and ZhGRES represented

12.6 per cent. and 15.5 per cent. of the Group's total installed capacity on an equity-adjusted basis as at 31 August 2012.

Almaty Power Stations and Aktobe TPS are power generating companies which are 100 per cent. owned by the Group. Almaty Power Stations generates electricity and heat energy in Almaty and the Almaty region in the Southern zone of Kazakhstan. Aktobe TPS generates electricity and heat energy in Aktobe in the Northern zone of Kazakhstan. In 2011, Almaty Power Stations and Aktobe TPS generated 59.8 per cent. and 17.8 per cent. of the electricity consumed in the Almaty and Aktobe regions, respectively, according to the Group's own calculations and the NSA. The total installed capacity of the coal-fired power stations of Almaty Power Stations (which also use fuel oil and gas) and the gas-fired Aktobe TPS power station as at 31 August 2012 was 828 MW and 102 MW respectively, representing approximately 47.6 per cent. and 5.9 per cent. of the Group's total installed capacity, respectively, as at 31 August 2012, or 29.0 per cent. and 3.8 per cent., respectively, on an equity-adjusted basis. Almaty Power Stations and Aktobe TPS both generate electricity for transmission and distribution in the region in which they are situated.

The Group holds a 25 per cent. plus one share stake in Balkhashskaya TPS, which is constructing a new coal-fired 1,320 MW power station for estimated completion in 2018, to be located between Almaty and the mines of Bogatyr Komir. See "*Expansion Plans and Projects – Balkhashskaya TPS*".

Hydropower stations

Shardara HPP and Moinak HPP are hydropower generating companies and Almaty Power Stations also operates Kapchagay HPP and Cascade HPP, all of which are located in the Southern zone of Kazakhstan. Together they generated approximately 2,200 million KWH, or 33.3 per cent. of the electricity output of the Group (22.0 per cent. on an equity-adjusted basis) in 2011 and approximately 28.0 per cent. of the hydropower electricity output of Kazakhstan in 2011, according to KEGOC.

See "*The Group's Major Subsidiaries and Joint Ventures – Shardara HPP*", "*The Group's Major Subsidiaries and Joint Ventures – Moinak HPP*" and "*The Group's Major Subsidiaries and Joint Ventures – Almaty Power Stations*".

Moinak HPP has a capacity of 300 MW and was commissioned in August 2012. The Group expects Moinak HPP to be operating at full capacity by early 2013. Shardara HPP has been in operation since 1967 and has an installed capacity of 100 MW. Kapchagay HPP and Cascade HPP have been in operation since 1980 and the late 1940s respectively, and have installed capacities of 364 MW and 47 MW, respectively. The installed capacity of the Group's hydropower stations as at 31 August 2012 was 811 MW, representing 46.6 per cent. of the Group's total installed capacity, or 28.4 per cent. of the Group's total installed capacity on an equity-adjusted basis. Almaty Power Stations is also building Kerbulak HPP on the Ili river to act as a counter-regulatory station for Kapchagay HPP.

The Group also owns several other hydropower stations, Bukhtarminskaya HPP, Ust-Kamenogorskaya HPP and Shulbinskaya HPP, the power plants of which have been transferred under concession contracts to Kazastur Zinc (in the case of Bukhtarminskaya HPP) and Tau Power B.V (an affiliate of AES Power Suntry Limited) (in the case of Ust-Kamenogorskaya HPP and Shulbinskaya HPP). These operate along the Irtysh river in the Northern zone of Kazakhstan, near the city of Ust-Kamenogorsk. Pursuant to these concessions, the Group does not receive any revenue from such power stations, other than lease payments from Kazastur Zinc for the use of Bukhtarminskaya HPP.

Kazastur Zinc uses the Bukhtarminskaya HPP hydropower plant to satisfy its own electricity needs rather than to produce electricity for sales to third parties. Kazastur Zinc originally entered into the concession agreement in 1997 with Bukhtarminskaya HPP, under which Kazastur Zinc agreed to undertake technical renovation and reconstruction work to the hydropower plant. The original concession agreement was entered into in 1997 for a ten-year term and was extended for a further fifteen years in 2007. Upon expiration of the concession agreement in 2022, Bukhtarminskaya HPP will obtain the right to use, operate and exploit the hydropower plant transferred to Kazastur Zinc, although the ownership right to the hydropower plant remains with Bukhtarminskaya HPP during the life of the concession agreement. Despite the renovation and reconstruction works performed by Kazastur Zinc under the terms of the concession agreement, the Group's management believes that upon expiration of the concession agreement in 2022, significant investment will be required for the reconstruction of the hydropower plant to extend its useful life and restore its production potential, and the carrying amount of assets to be returned will be insignificant. See Note 4 to the Group's Interim 2012 Consolidated Financial Statements.

The Ust-Kamenogorskaya HPP and Shulbinskaya HPP hydropower plants were transferred to Tau Power B.V (an affiliate of AES Power Suntry Limited) in 1997 by the Government under a twenty-year concession agreement which can be extended for a further ten years. These entities earn no revenue from the concession agreements and the Group believes that these entities are dormant as at the date of this Base Prospectus.

Capacity and production volumes

As at 31 August 2012, the aggregate installed power generation capacity of the Group was 1,741 MW, or 2,856 MW on an equity-adjusted basis, which constituted approximately 8.5 per cent. (or 14.0 per cent. on an equity-adjusted basis) of the total installed power generation capacity in Kazakhstan, according to KEGOC.

The following table sets out the total installed capacity and equity-adjusted installed capacity of the Group's power stations in comparison with the total installed capacity of all the power stations in Kazakhstan.

	As at 31 December			**As at 31 August**
	2009	**2010**	**2011**	**2012**
Total installed capacity of power plants of the Group (MW)	1,441	1,441	1,441	1,741
Equity-adjusted installed capacity of the power plants of the Group	2,556	2,556	2,556	2,856
Total power plants in Kazakhstan (MW)	19,128	19,441	19,798	20,411
The Group's share of Kazakhstan's installed electricity capacity	7.5%	7.4%	7.3%	8.5%
The Group's share of Kazakhstan's installed electricity capacity on an equity-adjusted basis	13.4%	13.1%	12.9%	14.0%

Source: KEGOC

The following table sets out the production capacity of the Group's power stations in comparison with the production capacity of all the power stations in Kazakhstan.

	As at 31 December			**As at 31 August**
	2009	**2010**	**2011**	**2012**
Total production capacity of power plants of the Group (MW)	1,044	1,044	1,051	1,372
Equity-adjusted production capacity of the power plants of the Group	2,041	2,041	2,062	2,378
Total power plants in Kazakhstan (MW)	14,821	15,291	15,765	16,462
The Group's share of Kazakhstan's electricity production capacity	7.0%	6.8%	6.7%	8.3%
The Group's share of Kazakhstan's electricity production capacity on an equity-adjusted basis	13.8%	13.3%	13.1%	14.4%

Source: The Group's internal calculations and KEGOC

The following table sets out the installed and production capacities of the companies within the Group and the Group's joint ventures (including equity-adjusted basis adjustments) as at 31 August 2012.

Name of Power Station	Installed Capacity (total)	Installed Capacity (equity-adjusted)	Production Capacity (total)	Production Capacity (equity-adjusted)
	(MW)	*(MW)*	*(MW)*	*(MW)*
Almaty Power Stations	1,239	1,239	922	922
Ekibastuzskaya GRES-2	1,000	500	927	464
Aktobe TPS	102	102	76	76
ZhGRES	1,230	615	1,084	542
Moinak HPP	300	300	300	300
Shardara HPP	100	100	57	57

Source: The Group's internal calculations

Ekibastuzskaya GRES-1 had a total installed capacity of 4,000 MW (2,000 MW on an equity-adjusted basis) and a production capacity of 2,200 MW (1,100 MW on an equity-adjusted basis) as at 31 August 2012.

The following table sets out the electricity generated by the companies within the Group and the Group's joint ventures (including equity-adjusted basis adjustments) for the periods indicated.

	Year ended 31 December				Six months ended 30 June	
	2008	**2009**	**2010**	**2011**	**2011**	**2012**
			(KWH millions)			
ZhGRES	4,205	1,348	458	868	476	811
Ekibastuzskaya GRES-2	6,199	4,474	5,439	5,918	3,214	3,174
Shardara HPP	403	524	670	496	309	336
Almaty Power Stations	4,835	4,631	5,442	5,438	2,730	2,820
Aktobe TPS	656	646	677	677	313	339
Moinak HPP	–	–	–	–	–	115
Total *(excluding ZhGRES and Ekibastuzskaya GRES-2)*	**5,892**	**5,806**	**6,789**	**6,611**	**3,352**	**3,610**
Total *(on an equity-adjusted basis)*	**11,094**	**8,717**	**9,737**	**10,004**	**5,197**	**5,606**
Approximate total in Kazakhstan	80,000	78,434	82,296	86,203	–	–

Source: The Group's internal calculations and KEGOC

The following table sets out the fuel costs by Group company or joint venture and by type of fuel for the year ended 31 December 2011.

	Total Fuel Cost	**Coal Cost**	***Coal***	**Gas Cost**	***Gas***	**Fuel Oil Cost**	***Fuel oil***
	(KZT million)	*(KZT million)*	*(%)*	*(KZT million)*	*(%)*	*(KZT million)*	**(%)**
ZhGRES	4,027	–	–	3,390	*84.2*	636	*15.8*
Ekibastuzskaya GRES-2	4,380	4,121	*94.1*	–	–	259	*5.9*
Almaty Power Stations	9,471	4,991	*52.7*	3,104	*32.8*	1,370	*14.5*
Aktobe TPS	1,024	–	–	1,024	*100*	–	–
Total *(excluding ZhGRES and Ekibastuzskaya GRES-2)*	**10,495**	**4,991**		**4,128**		**1,370**	
Total *(on an equity-adjusted basis)*	**14,699**	**7,052**		**5,823**		**1,818**	

Source: The Group's internal calculations and KEGOC

In the year ended 31 December 2011, the total fuel costs of Ekibastuzskaya GRES-1 amounted to KZT 11,960 million, of which KZT 11,715 million (or 97.9 per cent.) was attributable to coal and KZT 245 million (or 2.1 per cent.) was attributable to fuel oil.

The following table sets out the load factors of each Group company or joint venture in 2011 (the electricity output of each Group company or joint venture divided by the maximum level of output that each Group company could produce in that period by reference to their installed capacities).

Name of Power Station	**Load Factor**
	(%)
Almaty Power Stations	50.1
Ekibastuzskaya GRES-2	67.6
Aktobe TPS	76.0
ZhGRES	8.0
Shardara HPP	56.6

Source: The Group's internal calculations

In 2011, Ekibastuzskaya GRES-1 had a load factor of 38.2 per cent.

Tariffs

The electricity each Group company or joint venture generates is sold at a tariff set by either MINT or the Anti-Monopoly Agency, depending on the circumstances. In 2009 MINT approved a "capped tariff" schedule until 2015 which sets out a maximum tariff that electricity companies can charge until this date, subject to various exceptions including if a company's capital expenditure or other costs lead it to require a higher tariff to generate profit. Capped tariffs are split into different tariffs for thirteen categories of electricity company and the Group's companies and joint ventures fall into various categories across this range. See "*Regulatory Review – Price Regulation – Tariffs for electricity generating companies – Capped tariffs for electricity generation companies in Kazakhstan as applicable to the Group*". The capped tariff schedule has been amended several times since 2009, most recently on 29 December 2011. The capped tariff can also be exceeded if agreed so by MINT or the Anti-Monopoly Agency, in which case either an "estimated tariff" or an "individual tariff" can be set by MINT and the Anti-Monopoly Agency, respectively, which is set on a "cost plus" basis taking into account the company's capital expenditures. Since the capped tariff system was introduced, the Group companies have not sold generated electricity at a price higher than their capped tariffs, with the exception of Moinak HPP, which has agreed an individual tariff with the Anti-Monopoly Agency for the next nine years. After 2015, it is expected that a new tariff system will be introduced in Kazakhstan which will include a split tariff system divided into output and capacity. See "*Risk Factors – Risks Relating to the Group's Operations and Business – The power sector in Kazakhstan is subject to ongoing reform and there are uncertainties relating to the tariff regulation system*."

The table below sets out the electricity generation tariff of the Group companies and joint ventures in 2008 and the electricity generation tariff of the Group companies approved by the Government for the period 2009 to 2015, with the exception of the Moinak HPP tariff, which is based on an individual tariff which has been set for Moinak HPP for nine years. We note that the 2008 figures are based on the previous tariff system. The table below also contains historical and projected electricity generation tariffs for Ekibastuzskaya GRES-1. We also note that the projected tariffs in the below table are likely to be subject to further change in the future.

	Year ended 31 December							
	2008	2009	2010	2011	2012	2013	2014	2015
						(projected)	(projected)	(projected)
	(Kazakhstan Tenge per KWH)							
ZhGRES	5.0	5.9	6.6	6.9	7.3	8.3	8.5	8.7
Ekibastuzskaya GRES-1	2.4	3.2	4.5	5.4	6.0	7.3	8.0	8.8
Ekibastuzskaya GRES-2	2.6	3.2	4.7	5.6	6.2	7.3	8.0	8.8
Shardara HPP	2.4	2.8	3.0	3.3	3.5	3.9	4.3	4.5
Almaty Power Stations	4.4	5.0	5.9	7.1	7.3	7.8	8.2	8.6
Aktobe TPS	3.6	3.6	4.9	4.9	5.8	6.7	7.0	7.3
Moinak HPP	–	–	–	–	7.4	7.4	7.4	7.4

Coal mining

The Group indirectly owns a 50 per cent. stake in Bogatyr Komir through the Netherlands-registered company Forum Muider, a joint venture with the Russian mining and metals conglomerate Rusal.

History and Development

According to NSA, Bogatyr Komir is the largest coal producer in Kazakhstan, and the Bogatyr mine (established in 1970) which it operates is, according to the same source, in terms of both output and reserves, the largest open-pit coal mine in Kazakhstan and is one of the largest in the world in terms of output. Bogatyr Komir also operates the smaller nearby Severny mine (established in 1954). Bogatyr Komir has total coal mine reserves of approximately 2,852 million tonnes, according to the Kazakhstan reserves classification (see "*Presentation of Financial and Other Information – Reserves Reporting*" and "*Presentation of Financial and Other Information – Cautionary Note to United States Investors Concerning Coal Reserve Data*"). According to the Group's expectations of future production rising to 45 million tonnes by 2015 and 50 million tonnes by 2020 and remaining at this level for future periods, Bogatyr Komir's coal reserves will allow Bogatyr Komir to maintain expected levels of production for approximately the next fifty-eight years.

The mines operated by Bogatyr Komir were originally intended to supply coal to the southern Urals region of the USSR (now in Russia). Bogatyr Komir was privatised in 1996, with a 70 per cent. stake bought by the U.S. company Access Industries, which later sold its stake to Rusal. The Group and Rusal entered into the current joint venture in 2008, the Group paying Rusal US$345 million for its 50 per cent. stake. Bogatyr Komir is managed by both the Group and Rusal. The shareholders agreement in relation to Bogatyr Komir is governed by English law. See "*The Group's Major Subsidiaries and Joint Ventures – Bogatyr Komir*" for details on the material terms of the shareholders agreement.

Operations and Production

Bogatyr Komir has a 45-year subsoil use contract, signed in 2002 with the Government, to extract coal from the Bogatyr and Severny mines. See "*Regulatory Review – Mining Regulations – Subsoil use contract*". In 2011, Bogatyr Komir extracted 40.6 million tonnes of coal, representing 37 per cent. of the total volume of extracted coal in Kazakhstan and 62 per cent. of the total volume of coal extracted in the Ekibastuz coal basin, according to MINT. The number of employees employed by Bogatyr Komir as at 31 August 2012 was 7,132, of which 564 were management and administrative employees and 6,568 were workers and technical employees.

Bogatyr Komir supplies coal to the Group's power generating facilities and to third party power generating facilities located both in Kazakhstan and in Russia, at market prices and conditions. Bogatyr Komir's coal mines are located near to Ekibastuzskaya GRES-2 and Ekibastuzskaya GRES-1, which are located 50 km and 30 km away, respectively, which minimises coal transportation costs for the Group. Coal is transported to Ekibastuzskaya GRES-2, to the other power stations of the Group and to Ekibastuzskaya GRES-1 by the railway network operated by Kazakhstan Temir Zholy.

Bogatyr Komir uses excavators produced by international manufacturers including TAKRAF GmbH, the Liebherr Group and several Russian manufacturers, vehicles produced by international manufacturers including Caterpillar, Hyundai, BelAZ and KAMAZ, bulldozers produced by international manufacturers including Caterpillar, KOMATSU and several Russian manufacturers, railway equipment, traction units, locomotives, dump cars and other equipment to produce coal.

As at the date of this Base Prospectus, the Bogatyr and Severny coal mines have an annual production capacity of 32 million tonnes and 10 million tonnes, respectively. Since 2000, the highest volume of coal extracted was 46 million tonnes in 2008 and the lowest was 29 million tonnes in 2002. The calorific value of coal produced by Bogatyr Komir is 4,000 kcal/kg.

Bogatyr Komir's 2,852 million tonnes of coal reserves as at 1 January 2012 have been classified using the Kazakhstan reserves classification, which is based on the previous Soviet system, in which coal reserves are divided into the groups A, B, C1, C2, P1, P2 and P3. The following table sets out the classification of Bogatyr Komir's reserves under the Kazakhstan reserves classification, which are all in the higher quality categories as at the date of this Base Prospectus, the A, B and C1 categories. The information in the following table should be read in conjunction with "*Presentation of Financial and Other Information – Reserves Reporting*" and "*Presentation of Financial and Other Information –Cautionary Note to United States Investors Concerning Coal Reserve Data*".

Classification of reserves *(Kazakhstan system)*	**Reserves of Bogatyr Komir** *(as at 1 January 2012)*
Category A – a detailed study of the reserves has been undertaken. The quality, quantity of reserves and conditions of development have been determined reliably.	987 million tonnes
Category B – a study of the reserves has been undertaken with sufficient detail. The quality, quantity of reserves and conditions of development are determined in sufficient detail.	1,403 million tonnes
Category C1 – a study of the reserves has been undertaken. The quantity of reserves is estimated with an average level of accurately. The quality of reserves and conditions of development are determined by experimental studies and by analogy.	462 million tonnes

See "*Competition*" for a breakdown of Bogatyr Komir's competitors in the coal mining sector in Kazakhstan.

Revenue

In years ended 31 December 2011, 2010 and 2009, Bogatyr Komir had revenues of KZT 50,402 million, KZT 44,505 million and KZT 35,447 million, respectively, of which KZT 25,201 million, KZT 22,253 million and KZT 17,724 million can be attributed to the Group's indirect 50 per cent. shareholding in Bogatyr Komir.

Investment Programme

The three-phase investment programme to modernise Bogatyr Komir was launched in 2001 and is expected to be completed in 2017. Bogatyr Komir is shortly to begin the third phase of its investment programme and plans to use new extraction technologies to increase production capacity to 50 million tonnes of coal by 2020 and to further improve its loading and transportation infrastructure. "*Expansion Plans and Projects – Bogatyr Komir*". The first phase lasted from 2001 to 2004 and included the upgrading of Bogatyr Komir's existing transportation infrastructure at the time. The second phase lasted from 2005 to 2008 and developed the use of hydraulic extraction techniques and introduced the use of dump trucks (with a capacity of 90-130 tonnes) to coal stacks, which in turn are loaded into railcars by rotary excavators. Some of the equipment for this investment programme was procured from several major international producers, including Caterpillar.

Customers and sales

Most of the largest coal-fired power stations in Kazakhstan use the type of high-ash coal produced by Bogatyr Komir, reducing competition from foreign producers in the Kazakhstan coal supply market. Bogatyr Komir produces coal type of a local classification "KCH", which means coking, low-caking and low metamorphosed coal. As at the date of this Base Prospectus, Bogatyr Komir does not sell its coal as coking coal in large quantities, although it may do so in the future. Bogatyr Komir does not sell its coal at a lower price to Group companies compared to other companies in Kazakhstan, but it sells its coal to companies in Russia and Kyrgyzstan at a higher price. In 2011, 37.7 per cent. of the coal sold by Bogatyr Komir was exported to Russia and Kyrgyzstan, according to the Group's calculations. Bogatyr Komir also sells higher quality coal to households and companies for the heating of buildings, representing 3.8 per cent. of the coal sold by Bogatyr Komir in 2011, according to the Group's calculations. In 2011, the Group purchased 89.1 per cent. of the coal used in its coal-fired power stations from Bogatyr Komir, or 93.1 per cent. on an equity-adjusted basis.

The following table sets out the volume of coal sold by Bogatyr Komir to its major customers in the years ended 31 December 2011 and 31 December 2010. Reftinskaya GRES and JSC Troitskaya GRES are power stations located in the Urals region of Russia.

Customer	**2010**	**2011**	**2011 (%) share**
	(in thousands of tonnes)		
Reftinskaya GRES	8,087	9,603	23.3
Ekibastuzskaya GRES-1	5,659	6,600	16.0
Ekibastuzskaya GRES-2	3,136	3,655	8.9
Almaty Power Stations	2,495	3,595	8.7
Troitskaya GRES	4,936	2,617	6.3
Karaganda Energy Centre	2,098	2,540	6.2
SevKazEnergo	2,246	2,471	6.0
Others	9,932	10,166	24.6
Total	**38,589**	**41,247**	**100.0**

The table below sets out Bogatyr Komir's coal extraction volumes and the average sale price of the coal produced by Bogatyr Komir since 2000.

Year	**Coal extracted by Bogatyr Komir**	**Average sale price**
	(in millions of tonnes)	*(KZT/tonne)*
2000	35.8	395
2001	33.8	429
2002	28.6	499
2003	33.0	509
2004	35.8	511
2005	35.5	553
2006	41.6	612
2007	38.4	705
2008	46.1	914
2009	34.7	1,037
2010	38.9	1,147
2011	41.3	1,214

The table below sets out in more detail the volumes, costs and tariffs of Bogatyr Komir's coal production by country and customer (in the case of Kazakhstan) in the year ended 31 December 2011.

	Volume	Total Costs (excluding rail transportation costs)	Price
	(In thousands of tonnes)	*(In Kazakhstan Tenge)*	*(In Kazakhstan Tenge)*
Russia	**15,521**	**20,375,174**	**1,312.72**
Kazakhstan	**25,180**	29,092,551	**1,155.39**
Astana – Energy	2,670	3,041,137	1,139.00
Ekibastuzskaya GRES-2	3,655	4,162,186	1,135.75
Ekibastuzskaya GRES-1	6,600	7,517,878	1,139.00
SevKazEnergo Petropavlovsk	2,471	2,813,795	1,138.79
Jet 7	815	928,648	1,139.00
Bassel Group	376	428,812	1,139.00
Karaganda Energy Centre	2,540	2,892,533	1,139.00
Kokshetay Zhily	160	182,583	1,139.00
Pavlodar Energy TES-2	205	233,134	1,139.00
Pavlodar Energy TES-3	609	693,595	1,139.00
Pavlodar Energy ETES	500	549,712	1,139.00
Almaty Power Stations	3,595	4,085,726	1,136.50
Household and non-commercial use including hospitals and schools	1,483	2,112,523	1,424.22
Kyrgyzstan	**45**	**69,721**	**1,558.98**
Kazakhstan *(without VAT)*	**25,680**	**29,642,264**	**1,177.22**
Total *(without VAT)*	**41,247**	**50,087,159**	**1,229.25**

Heat energy generation

Almaty Power Stations and Aktobe TPS generate heat energy which is sold to distribution networks in the form of hot water. Almaty Thermal Networks is the sole heat energy customer of Almaty Power Stations and Aktobe TPS sells 85 per cent. of its heat energy to Transenergo JSC (a heat energy distribution company based in Aktobe). Almaty Power Stations and Aktobe TPS are combined cycle power stations that produce both electricity and heat energy and in addition Almaty Power Stations operates the Western Thermal Complex, whose only activity is to generate hot water from a series of boilers. Almaty Power Stations also sells chemically treated water (hot water that comes out of a tap and is used for baths, showers washing and other similar purposes).

Almaty Power Stations operates coal-fired power stations which also use gas and fuel oil, whereas Aktobe TPS is a gas-fired power station. The coal-fired power station Ekibastuzskaya GRES-2 and gas-fired power station ZhGRES also generate small amounts of heat energy which are used for their own purposes (heating their production buildings and offices) as well as being sold to consumers. However in total the heat energy generated by Ekibastuzskaya GRES-2 and ZhGRES represents less than 1 per cent. of the Group's heat energy output, on an equity-adjusted basis, in the six months ended 30 June 2012 and 30 June 2011 and the years ended 31 December 2011 and 2010. Ekibastuzskaya GRES-1 also generates heat energy which is used for its own purposes (heating its production buildings and offices).

Capacity

The following table sets out the Group companies installed heat generating capacity as at the date of this Base Prospectus:

Name of Power Station	**Capacity**
	(Gcal/h)
Almaty Power Stations	3,479
Aktobe TPS	1,139
Ekibastuzskaya GRES-2	514
ZhGRES	18
Total *(excluding ZhGRES and Ekibastuzskaya GRES-2)*	**4,618**
Total *(on an equity-adjusted basis)*	**4,884**

Source: The Group's internal calculations

Ekibastuzskaya GRES-1 has an installed heat energy capacity of 1022.4 Gcal/h as at the date of this Base Prospectus.

Generation volumes

In the first six months of 2012, the Group's heat energy output was 4.3 million Gcal, compared to 4.4 million Gcal in the first six months of 2011.

The Group's heat energy output was 7.7 million Gcal, 7.4 million Gcal and 7.5 million Gcal for the years ended 31 December 2011, 2010 and 2009, respectively, representing 8.0 per cent. of the heat energy sold in Kazakhstan in 2011 according to the Group's own calculations and the NSA.

The following table sets out the heat energy output of Group companies for the periods indicated.

	Year ended 31 December		**Six months ended 30 June**	
	2010	**2011**	**2011**	**2012**
	(Gcal thousands)			
ZhGRES	14	12	6	13
Ekibastuzskaya GRES-2	71	76	46	39
Almaty Power Stations	5,460	5,749	3,273	3,271
Aktobe TPS	1,915	1,918	1,106	1,035
Total *(excluding ZhGRES and Ekibastuzskaya GRES-2)*	**7,375**	**7,668**	**4,378**	**4,306**
Total *(on an equity-adjusted basis)*	**7,418**	**7,712**	**4,404**	**4,332**

Source: The Group's internal calculations

In 2011, Ekibastuzskaya GRES-1 generated 485,200 Gcal of heat energy.

Revenue

In the six months ended 30 June 2012 and 30 June 2011, the Group (excluding its joint ventures Ekibastuzskaya GRES-2 and ZhGRES) had revenues of KZT 8,162 million and KZT 8,222 million, respectively, from the sale of heat energy, which represented 17.2 per cent. and 18.6 per cent. of the Group's consolidated revenues for these periods, respectively. In years ended 31 December 2011, 2010 and 2009, the Group (excluding its joint ventures Ekibastuzskaya GRES-2 and ZhGRES) had revenues of KZT 14,176 million, KZT 13,796 million and KZT 12,145 million, respectively, from the sale of heat energy, which represented 16.6 per cent., 17.9 per cent. and 18.8 per cent. of the Group's consolidated revenues for these periods, respectively. See "*Operating and Financial Review of the Group – Results of Operations for the Six Months Ended 30 June 2012 and 30 June 2011 and the Years Ended 31 December 2011, 2010 and 2009 – Revenue – Revenue from the sale of heat energy*".

Tariffs

The heat energy each Group company generates is sold at a tariff set by the Anti-Monopoly Agency on an annual basis, in accordance with a "cost-plus" formula. See "*Regulatory Review – Price Regulation – Tariffs for electricity transmission companies and heat energy generation companies*".

The following table sets out the historical heat energy tariff for the Group's heat energy generation companies and joint ventures for the years indicated.

	Year ended 31 December				
	2008	2009	2010	2011	2012
					(projected)
	(Kazakhstan Tenge per Gcal)				
ZhGRES	1,050	1,050	1,050	1,050	1,050
Ekibastuzskaya GRES-2	786	759	707	694	676
Almaty Power Stations	1,756	1,929	2,245	2,245	2,298
Aktobe TPS	845	845	845	845	845

Chemically treated water

Almaty Power Stations also sells chemically treated water, which is hot water which comes out of a tap and is used for baths, showers, washing and other similar purposes, to a sole customer, Almaty Thermal Networks, which sells chemically treated water to customers. The following table sets out the chemically treated water sales of Almaty Power Stations for the periods indicated.

	Year ended 31 December				Six months ended 30 June	
	2008	2009	2010	2011	2011	2012
	(in thousands of tonnes)					
Almaty Power Stations	46,039	42,159	36,633	37,449	18,665	18,427

Source: The Group's internal calculations

See "*The Group's Major Subsidiaries and Joint Ventures – Aktobe TPS*" and "*The Group's Major Subsidiaries and Joint Ventures – Almaty Power Stations*". In the first six months of 2012, the Group earned revenues of KZT 528 million from the sale of chemically treated water, compared to KZT 535 million in the first six months of 2011.

Electricity transmission and distribution

The Group owns and operates electricity transmission and distribution networks in certain regions of Kazakhstan, in particular Almaty and Mangistau. The Group also manages VK REK (a transmission and distribution company) pursuant to a trust management agreement. VK REK is not part of the Group and the Group manages VK REK for a fee and is not entitled to any of its revenues. See "*Presentation of Financial and Other Information – Shareholders and Group Companies*".

The Group transmitted and distributed 4,219 million KWH of electricity in the six months ended 30 June 2012 and 7,961 million KWH, 7,547 million KWH and 7,382 million KWH of electricity in the years ended 31 December 2011, 2010 and 2009, respectively.

Group companies and geography

Mangistau Electricity Distribution Company is engaged in the transmission and distribution of electricity to oil and other companies and remote rural districts of the Mangistau region in the Western Kazakhstan. Mangistau Electricity Distribution Company has a 55.0 per cent. market share of the transmission and distribution market in the Mangistau region (according to KEGOC) and is the only company in the region carrying out these activities outside the city of Aktau. The Issuer is the holder of a 75 per cent. plus one share in the share capital of Mangistau Electricity Distribution Company. See "*The Group's Major Subsidiaries and Joint Ventures – Mangistau Electricity Distribution Company*".

Alatau Zharyk distributes electricity to households, industrial and agricultural customers in Almaty and the wider Almaty region in the Southern zone of Kazakhstan. Alatau Zharyk is fully owned by the Issuer. See ''*The Group's Major Subsidiaries and Joint Ventures – Alatau Zharyk*''.

The Group also operates VK REK under a trust management agreement, pursuant to which it receives a management fee. See ''*Presentation of Financial and Other Information – Shareholders and Group Companies*''.

Operations

The majority of the Group's transmission and distribution lines are overhead lines with a total length of 30,454 km or 88.3 per cent. of the total transmission and distribution lines of the Group as at 31 August 2012. A small portion of the Group's transmission and distribution lines are power cable transmission lines operated by Alatau Zharyk, with a total length of 4,034 km or 11.7 per cent. of the total transmission and distribution lines of the Group as at 31 August 2012.

The Group operates 265 electricity substations with a voltage of between 35 and 220 KV and total transforming capacity of 7,952 MVA and 7,299 transforming substations with a voltage of 0.4-10 KV and a total transforming capacity of 2,270 MVA.

The following table sets out the electricity distribution and transmission network of the Group companies as at 31 August 2012.

	Alatau Zharyk	**Mangistau Electricity Distribution Company**	**Total**
		(in km)	
Overhead lines (110 – 220 kV)	3,007	2,981	5,988
Overhead lines (0.4 – 35 kV)	21,264	3,202	24,466
Total	**24,271**	**6,183**	**30,454**
		(in km)	
Underground cables (110 – 220 KV)	69	0	69
Underground cables (0.4 – 35 KV)	3,965	1,715	5,680
Total underground cables	**4,034**	**1,715**	**5,749**

Source: The Group's internal calculations

Market position and customers

The Group enjoys a dominant position in the transmission and distribution of electricity in Mangistau and Almaty.

Mangistau Electricity Distribution Company has a number of major customers, including JSC ''OzenMunaiGas'' (28.2 per cent. of its total sales volume in 2011), JSC ''MangistauMunaiGas'' (20.8 per cent. of its total sales volume in 2011), LLP ''KAZ GPP'' (9.3 per cent. of its total sales volume in 2011), JSC ''KazazhanbasMunai'' (8.9 per cent. of its total sales volume in 2011), and LLP ''KaradukukMunai'' (5.7 per cent. of the total sales volume in 2011), all of which are involved in the Caspian Sea oil and gas sector. Contracts with all the major customers are concluded for one year.

The major customer of Alatau Zharyk is AlmatyEnergySbyt, which accounts for 94.7 per cent. of Alatau Zharyk's sales as at the date of this Base Prospectus. In 2011, Alatau Zharyk transmitted 61.9 per cent of the electricity consumed in the Almaty region, according to the Group's own calculations and the NSA.

Trade and other receivables in the amount of KZT 1,203 million of Alatau Zharyk (or 54.5 per cent. of the total trade and trade receivables of Alatau Zharyk) were overdue but not impaired as at 30 June 2012, of which KZT 161 million were overdue by more than 90 days. Trade and other receivables in the amount of KZT 24 million of Mangistau Electricity Distribution Company (or 15.3 per cent. of the total trade and trade receivables of Mangistau Electricity Distribution Company) were overdue but not impaired as at 30 June 2012, of which KZT 6 million were overdue by more than 90 days.

The following table sets out the electricity distributed and transmitted by the specified Group companies for the periods indicated.

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	(KWH millions)			
Mangistau Electricity Distribution Company	2,287	2,332	1,185	1,243
Alatau Zharyk	5,261	5,629	2,840	2,976
Total	**7,548**	**7,961**	**4,024**	**4,358**

Source: The Group's internal calculations

Tariffs

The electricity each Group company distributes and transmits is distributed and transmitted at a tariff set by the Anti-Monopoly Agency on an annual or two-to-three year basis, in accordance with a ''cost-plus'' formula which takes into account investments and expenses. See ''*Regulatory Review – Price Regulation – Tariffs for electricity transmission companies and heat energy generation companies*''.

The below table sets out the historical electricity distribution and transmission tariffs of the Group's electricity distribution and transmission companies for the years indicated.

	Year ended 31 December			
	2008	**2009**	**2010**	**2011**
	(Kazakhstan Tenge per KWH)			
Mangistau Electricity Distribution Company	1.7	1.9	2.0	2.2
Alatau Zharyk	2.4	2.8	3.4	3.4

Sale and purchase of electricity

History and operations

AlmatyEnergySbyt is the only company within the Group whose business is the sale and purchase of electricity. AlmatyEnergySbyt was established in June 2006 in accordance with the Electricity Industry Law. See ''*Regulatory Review – Electricity and Heat Energy Industry Regulations*''.

AlmatyEnergySbyt purchases over 80 per cent. of its electricity from sources within the Group. AlmatyEnergySbyt is the largest customer of Almaty Power Stations (purchasing 63.9 per cent. of its electricity output in 2011) and Alatau Zharyk (purchasing 94.7 per cent. of its electricity transmission and distribution services in 2011).

The Group also manages the electricity sale and purchase operations of Shygysenergotreyd, which is a subsidiary of VK REK, which the Group manages on a trust management basis. In 2011, Shygysenergotreyd sold electricity to 99 per cent. of the households in the Eastern Kazakhstan region. The information contained in this Base Prospectus concerning the Group's electricity sale and purchase volumes and other operational information excludes Shygysenergotreyd.

The following table sets out the amount of electricity sold by AlmatyEnergySbyt in the periods indicated.

	Year ended 31 December				Six months ended 30 June	
	2008	**2009**	**2010**	**2011**	**2011**	**2012**
	(KWH millions)					
AlmatyEnergySbyt	4,937	4,957	4,993	5,330	2,690	2,829
Total	**4,937**	**4,957**	**4,993**	**5,330**	**2,690**	**2,829**

Source: The Group's internal calculations

Market position and sales

AlmatyEnergySbyt has a dominant position on the market for the sale and purchase of electricity in Almaty and the Almaty region and in 2011 provided electricity to approximately 677,000 households (or 2.6 million individuals) and 25,000 legal entities. In 2011, AlmatyEnergySbyt sold 58.6 per cent. of the electricity consumed in the Almaty region, according to the Group's own calculations and the NSA. In 2011, AlmatyEnergySbyt sold electricity to all the households of Almaty and the majority of the households in the Almaty region according to the Group's own calculations. See ''*Regulatory Review – Regulation of Competition*''.

Trade and other receivables in the amount of KZT 2,230 million of AlmatyEnergySbyt (or 65.8 per cent. of the total trade and trade receivables of AlmatyEnergySbyt) were overdue but not impaired as at 30 June 2012, of which KZT 259 million were overdue by more than 90 days.

The following table sets out AlmatyEnergySbyt's customer structure in terms of KWH supplied in 2011 and in the first six months of 2012.

Structure of customers	Year ended 31 December 2011	Share of total sales	Six months ended 30 June 2012	Share of total sales
	(in millions of KWH)	*(%)*	*(in millions of KWH)*	*(%)*
Population	1,789	34	959	34
Industry	1,371	26	683	24
Non-profit organisations	264	5	131	5
Other	1,907	36	1,056	37
Total	**5,331**	**100**	**2,829**	**100**

AlmatyEnergySbyt is focused on improving customer service and has a number of customer service centres in Almaty and the Almaty region.

Tariffs

AlmatyEnergySbyt sells electricity at a tariff set by the Anti-Monopoly Agency on an annual basis, in accordance with a ''cost-plus'' formula, which takes into account electricity generation, transmission and distribution tariffs. In 2011, 56.3 per cent. of AlmatyEnergySbyt's tariff was derived from electricity generation tariffs payable by AlmatyEnergySbyt and 38.3 per cent. from electricity transmission and distribution tariffs payable by AlmatyEnergySbyt. See ''*Regulatory Review – Price Regulation – Tariffs for electricity transmission companies and heat energy generation companies*''.

The below table sets out AlmatyEnergySbyt's historical electricity sale tariffs for the years indicated.

	Year ended 31 December			
	2008	**2009**	**2010**	**2011**
	(Kazakhstan Tenge per KWH)			
AlmatyEnergySbyt	7.4	8.2	9.9	10.7

Other

The Group has recently started expansion into the renewable energy segment through the establishment of Samruk Green Energy on 25 January 2012, which is primarily developing wind and solar power generation power stations and small-scale hydropower stations and is also considering developing geothermal electricity generation stations and manufacturing wind turbine parts and components. The vision of Samruk Green Energy is to become a leader in the renewable energy sector in Kazakhstan and its mission is to generate a reliable supply of electricity through renewable sources.

Samruk Green Energy plans to construct a wind farm in the Yereimentau district of the Akmola region that will have an initial installed capacity of 45 MW, but will be designed to provide the option to expand its capacity to 300 MW in the future. A feasibility study has been approved by the State authorities, a power distribution scheme has been approved by KEGOC and Samruk Green Energy has been monitoring the weather conditions at the site since November 2011. Samruk Green Energy plans to sign an agreement with a contractor to construct the wind farm on a ‘‘turnkey’’ basis in the first quarter of 2013.

Another planned wind farm in the Shelek district in the Almaty region will have an initial installed capacity of 60 MW, and will be designed with the option to expand its capacity to 300 MW in the future. A feasibility study is under development and the technical requirements for the connection of the wind farm to the Alatau Zharyk transmission and distribution network have been ascertained.

Pursuant to an agreement at the State level between the People’s Republic of China and Kazakhstan, signed in 2009, the Department of Foreign Aid of the Ministry of Finance of the People’s Republic of China has agreed to provide wind turbines and solar power panels free of cost to Samruk Energy and to cover all engineering, manufacturing and construction expenses for the construction of a wind farm with 5 MW installed capacity wind farm in the Shelek district in the Almaty region and a 1 MW capacity solar power plant in the ‘‘Alatau IT-City’’ park in Almaty, respectively.

These power stations will be owned by Samruk Green Energy when constructed.

Samruk Green Energy is also looking to make a number of acquisitions of wind farm companies and is exploring potential sites for the construction of further wind farms in the Mangistau and Atyrau regions. In addition, Samruk Green Energy is evaluating the opportunity to construct a mixed source solar and wind power station in co-operation with another Kazakhstan company and a foreign company.

The Issuer intends to transfer the Kapchagay Solar Power Plant to Samruk Green Energy before the Kapchagay Solar Power Plant is completed in 2013. Once completed, the Kapchagay Solar Power Plant will have an installed capacity of 2 MW. See ‘‘*Expansion Plans and Projects – The Issuer (Kapchagay Solar Power Plant)*’’.

Samruk Green Energy intends to develop and construct small-scale hydropower stations, which would benefit from a long operational life and a favourable tariff regime. Samruk Green Energy is considering entering into a joint venture for the design and construction of small-scale hydropower plants in Kazakhstan and is exploring the potential of various sites for the construction of small-scale hydropower plants in Kazakhstan.

Samruk Green Energy is also considering plans to assemble wind generator parts and components in Kazakhstan, in co-operation with one of the world’s leading wind turbine generators.

Samruk Green Energy is reviewing various locations in Kazakhstan as potential sites for geothermal power stations, in particular sites in Almaty, the Almaty region, the Ili river valley and in the Zhambyl and Kyzylorda regions in the Southern zone of Kazakhstan.

Investment Plans

The Group plans to expand its electricity generating capabilities in the future according to its development plans, and has made and will continue to make capital expenditure for this purpose. As at the date of this Base Prospectus, the Group is involved in various investment projects aimed primarily at the:

- modernisation and reconstruction of the Group’s existing power generating facilities and power distribution networks;
- construction of new power generating facilities;
- introduction of new plant and machinery to allow the Group to achieve higher environmental standards; and
- research and development relating to the use of renewable energy sources, particularly wind energy.

See ‘‘*Expansion Plans and Projects*’’ and ‘‘*Risk factors Relating to the Group’s Operations and Business – Maintenance and Modernisation of the Group’s infrastructure requires significant ongoing investment, and there can be no assurance that the Group will receive the funding necessary to make such investments’’. ‘‘Risk Factors – Risks Relating to the Group’s Operations and Business – A large part of the Group’s plant and equipment requires replacement, repair or modernisation and may be susceptible to technical failures or emergencies, increased maintenance costs and reduced reliability and efficiency, and is located in certain geographical locations, susceptible to natural disaster’’.*

Competition

Bogatyr Komir is the largest coal producer in the coal mining sector with 40.6 million tonnes of coal extracted in 2011, compared to 27.6 million tonnes of coal produced by Eurasian Natural Resources Company (''**ENRC**'') (which is also active in the Ekibastuz coal basin), 13.6 million tonnes of coal produced by Kazakhmys and 28.2 million tonnes of coal produced by other coal producers (one of which, ''Angrensor'' LLP, is also active in the Ekibastuz coal basin), according to the Group's own calculations and the NSA.

The following table sets out the leading coal producers in Kazakhstan in 2011 by share of output.

Name of Coal Producer	Share of Kazakhstan Output in 2011
Bogatyr Komir	37%
JSC ''ENRC'', Vostochny Mine	18%
JSC ''ArcelorMittal Temirtau''	10%
JSC ''Shubarkol-Komir''	7%
Borly Mines	7%
LLP ''Karazhyra''	6%
LLP ''Maikuben-Vest''	5%
LLP ''Angrensor''	4%
LLP ''On-Olzha''	2%
Other	4%

Source: MINT

As at the date of this Base Prospectus, there are no third party demands competing with those of the Group for coal from Bogatyr Komir, although Bogatyr Komir does sell coal to third parties.

The leading companies in the electricity generation sector in Kazakhstan are Kazakhmys, ENRC and the Group. In 2011, Kazakhmys, ENRC and the Group generated approximately 16.0 per cent., 15.3 per cent. and 12.9 per cent. of the total electricity generated in Kazakhstan, on an equity-adjusted basis, respectively, according to KEGOC.

The Group's heat energy output was 7.8 million Gcal, 7.4 million Gcal and 7.5 million Gcal for the years ended 31 December 2011, 2010 and 2009, respectively, representing 8.0 per cent. of the heat energy sold in Kazakhstan in 2011 according to the Group's own calculations and the NSA. The heat energy market is fragmented and localised, with no dominant enterprise throughout Kazakhstan but instead there are a number of local enterprises in particular regions, some of which have a dominant position in such regions.

In the electricity transmission and distribution sector, Samruk-Energy's market share has historically been limited by the presence of KEGOC and a number of regional dominant enterprises. As at the date this Base Prospectus, the total length of Samruk-Energy's transmission and distribution lines is 30,454 km or 6.9 per cent. of the total of approximately 442,000 km lines in Kazakhstan, according to KEGOC.

Dividend Policy

Pursuant to the adoption of the new dividend policy of Samruk-Kazyna and the companies in which Samruk-Kazyna has direct or indirect ownership of a 50 per cent. or more (the ''**Samruk-Kazyna Group**'') on 2 October 2012, the Issuer is required to pay dividends in 2013 at a minimum of 15 per cent. of its consolidated net profit in 2012. The amount of dividends for 2013 and any consequent years shall be determined according to methodology described in the Samruk-Kazyna Group's dividend policy. The dividend policy has two different approaches for amounts of dividends for (i) stable companies; and (ii) growing companies. At the date of this Base Prospectus, the Issuer is in a category of stable companies. As a stable company, the Issuer shall pay dividends within the range of 15 to 100 per cent. of its consolidated net profit according to the formula described in the Samruk-Kazyna Group's dividend policy. Growing companies are required to pay fixed dividend in an amount equal to 15 per cent. of their consolidated net profit.

Under the laws of Kazakhstan, a company is considered to be a stable company if it has a constant net profit, stable cash flow and sources of income as well as permanent share on the market. A company (i) with deficit of funds required for stable operations, expansion of activities and increase of its value or (ii) without constant net profit, is considered to be a growing company.

The main driver behind the Group's dividend policy is to balance the interests of Samruk-Kazyna and the Issuer and to guarantee the payment of dividends to Samruk-Kazyna and to compensate Samruk-Kazyna for the financial support it provides to the Group. Generally the amount of the dividends should cover the cash requirements of Samruk-Kazyna relating to its activity, the dividend paid by Samruk-Kazyna to the Government, payments and expenses for the activities based on the Government instructions and allow Samruk-Kazyna to realise various other investment projects.

The payment of dividends by the Issuer on its shares is subject to approval by a simple majority of shareholders. Shareholders' approval is not required for the payment of dividends on the Issuer's preference shares.

The minimum level of the Group and subsidiary dividends in the Group's previous dividend policy for 2009 – 2011 was 30 per cent. of consolidated net profit in 2011 and 15 per cent. of consolidated net profit in 2010. The Group did not declare any dividends for year ended 31 December 2009. The Issuer is planning to adopt a dividend policy for 2012-2015 in relation to its subsidiaries and dependent companies. This dividend policy will be in compliance with the Samruk-Kazyna Group's new dividend policy.

The Group declared dividends for the year ended 31 December 2011 in the amount of KZT 4,438.3 million compared to KZT 1,629.4 million for the year ended 31 December 2010.

As the first step of the GRES-1 Acquisition, on 1 November 2012, the Issuer placed 355,798 ordinary shares with Samruk-Kazyna as consideration for the 50 per cent. participatory interest in Ekibastuzskaya GRES-1. As the second step of the GRES-1 Acquisition, by 31 December 2012 the Issuer expects to issue preference shares with a guaranteed minimum annual dividend of KZT 2,041.0 million to Samruk-Kazyna, in exchange for a portion of the ordinary shares it placed with Samruk-Kazyna in respect of the GRES-1 Acquisition.

Environmental Policy

General

The Group recognises the importance of protecting the environment and the efficient use of natural resources. Therefore, one of the Group's overriding objectives is to improve the environmental and operational efficiency of its power plants through the adoption of modern technologies. See *"Description of the Group's Business – Strategy"*. The Group has planned the implementation of an environmental management system, which will become an integral part of its corporate governance system and an essential component of its non-financial risk management system. The Group maintains cooperation with international governmental and non-governmental organisations, scientific research centres and educational institutions efficiently working in this field. The Group cooperates with engineering company Lahmeyer International GmbH in the development and implementation of new burning, storage and processing technologies for high-ash and low-ash coal, with U.S. based Corolina Engineering on research for coal extraction technologies, with Almaty University on innovations and energy efficiency, with the China-based HEAG Corporation on new wind power technologies. The Group is also planning to cooperate with Asuka Green Investment Co. Ltd on the modernisation of existing thermal power plants of the Group.

In this respect, the key focus areas of the Group are:

- Technical upgrades and step-by-step decommissioning of out-of-date equipment;
- Improving practices and processes of electrical power generation, transmission and distribution;
- Implementation of energy-efficiency and electric loss saving measures;
- Minimisation of waste and implementation of measures for waste disposal and recycling;
- Implementation of measures to increase efficiency of fuelling;
- Development of non-traditional or alternative and renewable energy sources;
- Stream flow regulation and control by water storage reservoirs for the hydraulic power systems;
- Prevention of water pollution and conservation of biological resources; and
- Introduction at thermal power stations of new innovative technologies.

The enforcement of environmental regulation in Kazakhstan is evolving and the enforcement policy of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under applicable environmental regulations. As obligations are determined, they are recognised immediately. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

The Group is subject to various environmental laws and regulations in the course of its operations, see "*Regulatory Review – Environmental Regulation*". The Group believes that it is in material compliance with these environmental laws and regulations.

Ash dump

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities. In order to minimise the pollution the Group has adopted a strategy and policy on protecting the environment and modernisation of the technological processes. In relation to ash dumping, the planned works are:

- To install electric filters at all units of the Ekibastuzskaya GRES-1 plant in 2013; and
- To install second generation emulsifiers at TPS-2 and TPS-3 of Almaty Power Stations.

As at the date of this Base Prospectus, Ekibastuzskaya GRES-2 has installed an electric filter to prevent the emission of a significant portion of the solid particles produced by it.

Other plans

In accordance with the strategy and policy on protecting the environment and the modernisation of technological processes, the Group is planning to implement the following further improvements:

- The use of low-emission burners in order to reduce the emission of nitrogen oxides to 500 mg/Nm^3 (the norm of emission of nitrogen oxides in accordance with the applicable technical regulations in Kazakhstan is 650 mg/Nm^3). The future plan is to reduce the emission of nitrogen oxides to 200 mg/Nm^3 by using the method of recovery of nitrogen oxides (a system of selective non-catalytic reduction);
- The construction of wind power plants in the city of Yereymentau (the Akmolinsk region) and in Shelek (the Almaty region); and
- The creation of an experimental research facility on the basis of pilot solar power plant with the capacity up to 2 MW.

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, as well as regulatory and administrative investigations, enquiries and actions regarding tax, labour, environmental and other matters, which, in the past, have resulted in awards, settlements or administrative sanctions, including fines against the Group.

There can be no assurance that the Group will not become subject to proceedings or adjudications in the future that could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects, and on the value of the Notes. See "*Risks Factors – Risks Relating to the Group's Operations and Business – The Group is involved in several ongoing disputes and may have to create and maintain reserves in connection with these disputes*".

Dispute with Akimat

On 30 June 2005, Alatau Zharyk, KazTransGas and JSC Halyk Bank of Kazakhstan ("**Halyk Bank**") signed an agreement pursuant to which KazTransGas accepted and paid off an amount payable by Alatau Zharyk to Halyk Bank in the amount of USD 46,600 and KZT 1.94 billion. In addition, in accordance with the terms of this agreement, KazTransGas obtained a collateral right over the property of the principal divisions of Almaty Power Stations, which had been previously pledged to Halyk Bank as collateral for the debt of Alatau Zharyk.

Subsequently KazTransGas released the collateral right over the property of Almaty Power Stations and Akimat (the local government authority of Almaty) ("**Akimat**"), which was then the owner of Alatau Zharyk, provided the buildings of Hotel Kazakhstan and Hotel Almaty located in Almaty as collateral for the amount payable by Alatau Zharyk to KazTransGas.

In 2005 KazTransGas held an auction to sell the above-mentioned hotel buildings. The transaction was accounted for by KazTransGas as repayment of an equivalent amount payable by Alatau Zharyk to

KazTransGas. However, no formal agreement regarding the repayment of the debt was signed between Alatau Zharyk, KazTransGas and Akimat.

On 14 August 2008 Alatau Zharyk and Akimat signed an agreement for the repayment of the debt of KZT 7.27 billion. According to the repayment schedule, the debt should have been settled no later than March 2010.

In 2009 Akimat filed claim to the Specialised Inter-District Economic Court of Almaty city to claim from Alatau Zharyk an amount of principal debt of KZT 7.27 billion and a penalty for delay of payment of KZT 2.03 billion as well as a state duty of KZT 279,475. In a decision dated 6 January 2010, the Specialised Inter-District Economic Court of Almaty city left the claim as unconsidered due to the absence of officials from Akimat in the court. However, Akimat is entitled to file the claim repeatedly as under Kazakhstan law the notion of ''leaving the claim as unconsidered'' does not restrict Akimat from bringing the same claim in the future. However, currently there are no existing claims by Akimat against Alatau Zharyk.

In 2011, the Issuer brought an action against the former management of Alatau Zharyk on the grounds of an excessive exercise of power when signing the above mentioned agreement with Akimat in 2008 for the repayment of the debt. The Inter-District Economic Court of Astana has rejected this claim.

Currently, the management of the Group and Akimat are in the process of negotiation and legal proceedings in respect to the settlement of the debt in the amount of KZT 7.3 billion.

Dispute with Bastau

In 2010 Bastau, which supplies cold water to Almaty Power Stations, filed a claim with a request to force Almaty Power Stations to apply Bastau's method of charging tariffs for the provision of cold water starting from 1 January 2009. The claim was brought on the basis of an order of the Anti-Monopoly Agency that approved differentiated tariffs for the supply of cold water, depending on the usage of such cold water. As a result of such order and further clarifications issued by the Anti-Monopoly Agency, Bastau started to apply three different methods of calculating tariffs to be charged to Almaty Power Stations. The three different methods were applied to the supply of heat energy to end customers; expected losses of heat energy; and unexpected losses of heat energy. Bastau applies differentiated tariffs for the supply of cold water to its various groups of customers. The tariffs are regulated by the Anti-Monopoly Agency. Almaty Power Stations generates hot water by heating cold water supplied by Bastau and supplies such hot water to Almaty Thermal Networks for further distribution to customers.

On 2 April 2010, the Special Inter-District Economic Court of Almaty issued a decision to satisfy the claim of Bastau in full with respect to tariffs charged in 2009 and ordered Almaty Power Stations to pay a total amount of KZT 1,030 million. Almaty Power Stations' appeals against this decision were unsuccessful.

On 30 September 2011, the Special Inter-District Economic Court of Almaty issued a decision to satisfy the claim of Bastau in full with respect to tariffs charged in 2010, and ordered Almaty Power Stations to pay a total amount of KZT 1,413.8 million. Almaty Power Stations filed an appeal to Almaty City Court against this decision. In a court order dated 2 December 2011, an appeal panel of judges of the Almaty City Court rejected the appeal, leaving the decision of the Specialised Inter-District Economic Court of Almaty unchanged. On 6 January 2012, Almaty Power Stations filed an appeal against the judgment of the appellate judicial panel of Almaty City Court. The appellate panel of judges of Almaty City Court decided to leave the previous court decisions unchanged.

In 2011, Almaty Power Stations filed a counter-claim against Almaty Thermal Networks on the basis of the judgments in the case with Bastau, and claimed compensation in the amount of KZT 1,030 million in respect of direct losses arising from the litigation with Bastau relating to 2009 tariffs. The basis for the claim was losses arising as a result of applying Bastau's method of charging for cold water. On 23 September 2011, the Specialised Inter-District Economic Court of Almaty satisfied Almaty Power Stations' claim in full. Almaty Thermal Networks filed an appeal but on 21 November 2011 the appeal panel of judges decided to leave the court's decision of 23 September 2011 unchanged. In April 2012, Almaty Thermal Networks made a payment to Almaty Power Stations of KZT 1,030 million in respect of the Bastau 2009 claim.

On 8 May 2012 the Specialised Inter-District Economic Court of Almaty issued a decision according to which Almaty Power Stations must pay to Bastau a fine in the amount of KZT 20 million for the delay in the reimbursement of its debt to Bastau and state duty in the amount of KZT 37.25 million. As at the date of this Base Prospectus, Almaty Power Stations plans to file a counter-claim pursuant to which Almaty Thermal Networks will be required to reimburse Almaty Power Stations for its direct losses related to the litigation with Bastau for 2010.

Dispute with Department of Customs Control of Almaty region

On 24 September 2012 the court hearing was held at the Specialised Inter-district Economic Court of Taldykorgan regarding a claim by the Department of Customs Control of the Almaty region against Moinak HPP to pay the customs duties and penalties for a total amount of KZT 1,590 million.

The Specialised Inter-District Economic Court of Taldykorgan dismissed the claim and ruled that Investment Committee of MINT of the Republic of Kazakhstan shall enter into the investment agreement with Moinak HPP pursuant to which Moinak HPP shall receive customs preferences for imported equipment for a period until 31 December 2014. However, as at the date of this Base Prospectus, the ruling of the Specialised Inter-District Economic Court of Taldykorgan has not entered into legal force.

Dispute with AES Group

AES Group has initiated court proceedings in the Commercial Court (England and Wales) against Ust-Kamenogorskaya GES and Kazakhstan in order to challenge the jurisdiction of the courts of the Republic of Kazakhstan in a dispute related to a concession contract. Because the dispute relates to assets transferred under a concession contract, management believes the dispute will not materially adversely affect the Group.

On 16 April 2010 the Commercial Court held that English courts have jurisdiction to consider the dispute, except for the disputes in connection with the tariffs and the Court of Appeal (England and Wales) has upheld the decision of the Commercial Court.

Insurance

In June 2012, the Group adopted a general insurance policy for itself and its subsidiaries (in cases where it owns more than 50 per cent. of such companies), which provides for limited insurance protection against damage to assets, liability to third parties, construction-related risks, ecological risks and risks associated with terrorism, civil strife and riots. In addition, all Group companies have insurance policies in place to the extent required by applicable legislation, for example, mandatory environmental insurance, compulsory insurance for owners of facilities for damage to third parties and compulsory employee accident insurance. The insurance market is still in the early stages of development in Kazakhstan. 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 the environment as a result of accidents or the Group's operations. Voluntary insurance expenses are not included in the Group's tariffs or in its products and services, so maintaining such insurance leads to the Group incurring additional costs that it cannot pass on to its customers. See "*Risk Factors-Risks Relating to the Group's Business-Insurance carried by the Group may not protect it adequately against the risks that it faces*".

Employees

As at 1 August 2012, the Group had 9,359 employees and the following number of employees in previous years as at 31 December of each relevant year as shown in the below table.

Year	Number of employees	Management and administrative personnel	Workers and technical personnel
2009	8,595	942	7,653
2010	8,863	902	7,961
2011	9,237	917	8,320
2012	9,359	844	8,515

As at 31 August 2012, the Group had 13,936 employees on an equity-adjusted basis and the following number of employees in previous years as at 31 December of each relevant year as shown in the below table in each case on an equity-adjusted basis.

Year	Number of employees on an equity-adjusted basis	Management and administrative personnel	Workers and technical personnel
2009	13,212	1,349	11,863
2010	13,348	1,319	12,029
2011	13,778	1,327	12,451
2012	13,936	1,221	12,715

The main drivers for the increase in the number of workers and technical personnel in the Group on an equity-adjusted basis between 2009 to 2012 are the increase in production volumes and the growth in the Group's operations.

The Group provides salaries and benefits to its employees in accordance with the laws of Kazakhstan and in accordance with collective agreements entered into by the companies of the Group with their respective employees. The Law No. 1468-XII On Social Protection of Citizens Suffering of Ecological Disaster in Priaralye Region dated 30 June 1992 provides the population of the Aral Sea ecological disaster zone with social support in the form of increased salaries, pensions and additional annual paid leave. In accordance with Kazakhstan legislation, the Group provides paid holidays to its employees and provides increased salaries to employees in regions with harsh environmental conditions, and in particular, to the employees of the Shardara HPP who work in the Aral Sea ecological disaster zone.

The Group does not provide defined benefit pension plans to its employees and has no unfunded pension liabilities. Pensions are State-run in Kazakhstan, and as such, the Group is obliged to pay 10 per cent. of the salary of every employee into the State pension fund. The Group provides medical insurance to a limited number of employees and provides life insurance only to cover death and certain injuries related to its employees' work. If an employee dies through a work-related accident, the Group provides compensation to his or her family.

The Group provides training on a periodic basis to employees and technical personnel and workers receive training and take an associated exam once per year. When an employee is assigned a new role or must use a new piece of equipment, the Group provides training for these purposes. The Group provides training to employees who are willing to learn new skills which would be utilised elsewhere in the Group.

The Group provides health and safety training to all of its new employees in accordance with the laws of Kazakhstan. Employees working in the mines of Bogatyr Komir receive special health and safety training.

Most of the Group's employees are members of trade unions. The Group's joint ventures are the dominant employers in and around the town of Ekibastuz, which provides a key part of the workforce for Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and Bogatyr Komir, and therefore the Group monitors social developments in the town closely (see "*Risks Factors – Risks Relating to the Group's Operations and Business – The Group may be unable to retain key personnel or attract and retain highly-qualified personnel*" and "*Risk Factors – Risks Relating to the Group's Operations and Business – "The Group's ability to operate the Bogatyr Komir mine, Ekibastuzskaya GRES-1 and Ekibastuzskaya GRES-2 and other plants that rely on the coal from Bogatyr Komir is heavily dependent upon the workforce of Ekibastuz*"*).* A substantial portion of the Group's employees also work in Almaty and the Almaty region.

The below table sets out the employees of the Group's subsidiaries, joint ventures and Balkhashskaya TPS, broken down by company and by role, as at 31 August 2012.

	Total	**Management and administrative personnel**	**Technicians and Workers**
Samruk-Energy	91	91	0
Alatau Zharyk	3,803	264	3,539
Almaty Power Stations	3,309	251	3,058
Aktobe TPS	635	68	567
Balkhashskaya TPS	32	32	0
ZhGRES	515	87	428
Mangistau Electricity Distribution Company	621	43	578
Moinak HPP	78	20	58
SES	96	17	79
AlmatyEnergySbyt	565	62	503
Shardara HPP	154	21	133
Ekibastuzskaya GRES-2	1,508	103	1,405
Bogatyr Komir	7,132	564	6,568
Samruk Green Energy	7	7	0
Group total *(excluding joint ventures and associates)*	**9,359**	**844**	**8,515**
Group total *(on an equity adjusted basis)*	**13,936**	**1,221**	**12,715**

As at 31 August 2012, Ekibastuzskaya GRES-1 had 1,277 employees, of which 155 were management and administrative personnel and 1,122 were technicians and workers.

THE GROUP'S MAJOR SUBSIDIARIES AND JOINT VENTURES

This summary highlights selected information about the Group's major subsidiaries and joint ventures. This summary does not contain all of the information that you should consider before investing in the Notes. You should read this entire Base Prospectus, including "Risk Factors", "Operating and Financial Review of the Group", "Description of the Group's Business", "Expansion Plans and Projects", the Final Terms and the Group's Consolidated Financial Statements and the related notes included elsewhere in this Base Prospectus.

The Group's operations are conducted through a number of subsidiaries and joint ventures, the most significant of which are described below.

Aktobe TPS

Aktobe TPS is located in the Aktobe region and has heat energy capacity of 1,139 Gcal/h and an installed electricity capacity of 102 MW. Aktobe TPS is principally engaged in the production of electricity and heat energy (in the form of hot water) in the city of Aktobe through a combined cycle power station that produces both electricity and heat energy in significant volumes. Aktobe TPS is a gas-fired power station. In 2011, the installed electricity capacity of the Aktobe TPS was 102 MW and its production capacity was 83.4 MW. Aktobe TPS generated 677.2 million KWH of electricity in 2011, compared to 677 million KWH in 2010 and 646 million KWH in 2009.

The construction of Aktobe TPS began in 1942. It has six turbine units, nine steam boilers and five water-heating boilers. There is a KZT 6,769 million reconstruction and modernisation programme under implementation at Aktobe TPS. See "*Expansion Plans and Projects – Aktobe TPS*".

Alatau Zharyk

Alatau Zharyk is 100 per cent. owned by the Issuer. Its main activity is the transmission and distribution of electricity. Alatau Zharyk distributes electricity to households, industrial and agricultural customers in Almaty and the wider Almaty region.

Alatau Zharyk transmitted 61.9 per cent. of the electricity consumed in Almaty and the Almaty region in 2011, according to the Group's own calculations and the NSA. Alatau Zharyk transmitted 5,629 million KWH in 2011, compared to 5,263 million KWH and 5,229 million KWH in 2010 and 2009, respectively. Alatau Zharyk operates 28,304 km of overhead lines and underground cables within which it operates high voltage 35-220 KV electric networks and distribution networks of 0.4-10 KV.

Between 2009 and 2011, in the course of implementing its investment programme of a value of KZT 67,995 million, Alatau Zharyk constructed, reconstructed, and modernised part of its infrastructure, including the construction and reconstruction of substations and the modernisation of existing power lines. Alatau Zharyk is also engaged in the construction of three new substations. See "*Expansion Plans and Projects – Alatau Zharyk*".

Alatau Zharyk had 3,803 employees in total as at 31 August 2012, 264, of which were management and administrative personnel and the remaining 3,539 were workers and technicians.

AlmatyEnergySbyt

AlmatyEnergySbyt is 100 per cent. owned by the Issuer and is the only company within the Group whose business is the sale and purchase of electricity. AlmatyEnergySbyt purchases electricity mainly from Almaty Power Stations and Alatau Zharyk in Almaty and the Almaty region. AlmatyEnergySbyt sells electricity to both corporate and retail customers.

AlmatyEnergySbyt has a dominant position on the market for the sale and purchase of electricity in Almaty and the Almaty region and in 2011 provided electricity to approximately 677,000 households (or 2.6 million individuals) and 25,000 legal entities. In 2011, AlmatyEnergySbyt had a 58.6 per cent. market share of the electricity sold in the Almaty region, according to Group's own calculations and the NSA. AlmatyEnergySbyt purchases over 80 per cent. of its electricity from within the Group and is the largest customer of Almaty Power Stations and Alatau Zharyk, purchasing 94.7 per cent of Alatau Zharyk Company's sales as in 2011.

AlmatyEnergySbyt had 565 employees in total as at 31 August 2012, 62 were management and administrative personnel and the remaining 503 were workers and technicians. See "*Description of the Group's Business – Principal Operations and Operating Segments – Sale and purchase of electricity*".

Almaty Power Stations

Almaty Power Stations is 100 per cent. owned by the Issuer and is engaged in the generation of electricity and heat energy (in the form of hot water) in Almaty and the Almaty region. Almaty Power Stations owns and operates TPS-1, TPS-2 and TPS-3, as well as Kapchagay HPP and Cascade HPP, all of which are located in the Almaty region. Almaty Power Stations also operates support divisions in Almaty, such as Energo Remont that is involved in repairing its plants, and another support division to manage its fuel supplies. The thermal power stations operated by Almaty Power Stations are coal-fired combined cycle power stations that produce both electricity and heat in significant volumes. In addition to coal, Almaty Power Stations uses gas and fuel oil in the power generation process.

As at 31 August 2012, the aggregate installed electricity capacity of the power stations of Almaty Power Stations was 1,239 MW and their production capacity was 922 MW. Almaty Power Stations generated 5,439 million KWH of electricity in 2011, compared to 5,442 million KWH in 2010 and 4,631 million KWH in 2009. In 2011, Almaty Power Stations' revenue was KZT 47,284 million, compared to KZT 41,334 million in 2010 and KZT 30,955 million in 2009. In 2011, 2010 and 2009, respectively, Almaty Power Stations generated 59.8 per cent., 64.7 per cent. and 55.5 per cent. of electricity consumed in the Almaty region, respectively, according to the Group's own calculations and the NSA. Almaty Power Stations has two major electricity customers, both of which are Group companies: AlmatyEnergySbyt, which purchased 3,272 million KWH of electricity in 2011 (or 69.3 per cent. of the total output of Almaty Power Stations), and Alatau Zharyk, which purchased 1,215 KWH of electricity in 2011 (or 25.7 per cent. of the total output of Almaty Power Stations).

Construction began on TPS-1 in 1931 and it became operational in 1935. Additional boilers and turbines were added between 1940 and 1980. Following the break-up of the Soviet Union, TPS-1 was not used until 2007, when it was recommissioned. TPS-1 has an installed electricity capacity of 145 MW and an installed heat energy capacity of 1,203 Gcal/h. Construction began on TPS-2 in 1974 and it became operational in 1980. Additional steam turbines and boilers were added to TPS-2 in the 1980s. TPS-2 has an installed electricity capacity of 510 MW and an installed heat energy capacity of 1176 Gcal/h. Construction began on TPS-3 in 1957, and it became operational in 1962. Additional turbines and boilers were added between 1962 and 1985. TPS-3 has an installed electricity capacity of 173 MW and an installed heat energy capacity of 336.3 Gcal/h. TPS-1, TPS-2 and TPS-3 generated 441.7 million KWH, 2401.6 million KWH and 889.6 million KWH of electricity and 1,540 million Gcal, 3,010 million Gcal, and 90 million Gcal of heat energy in 2011.

In addition to generating electricity, Almaty Power Stations also generates heat energy through the Western Thermal Complex, which was designed to supply hot water to the western districts of Almaty. Construction of the Western Thermal Complex began 1963 and additional boilers were added until 1990. The Western Thermal Complex has an installed heat energy capacity of 1,100 Gcal/h and a production capacity of 830 Gcal/h as at the date of this Base Prospectus and generated 855 million Gcal heat energy in the year ended 31 December 2011.

Almaty Power Stations also sells chemically treated water, in the form of hot water for cleaning and washing purposes, to Almaty Thermal Networks, which transmits and distributes this to households and businesses in Almaty.

Repair services for Almaty Power Stations are undertaken by its division Energo Remont, which is based at TPS-2. Energo Remont is responsible for repairing the equipment used by Almaty Power Stations, including fuel equipment, chemical equipment, turbine equipment, lifting equipment, electric motors, oil switches, pumping stations, insulation equipment and transformers.

The construction of Kapchagay HPP began in 1965 and it was completed in 1980. Kapchagay HPP is located on the Ili River and has four individual turbines, each with an installed capacity of 91 MW. Kapchagay HPP has an installed capacity of 364 MW and generated 1,485 million KWH of electricity in 2011.

The construction of Cascade HPP began in 1943 and it became operational later in the 1940s. Further construction was undertaken in the 1950s and 1960s. Cascade HPP has an installed capacity of 47 MW and generated 220.3 million KWH of electricity in 2011.

Almaty Power Stations generated 5.8 million Gcal of heat energy in 2011, compared to 5.5 million Gcal in 2010 and 5.6 million Gcal in 2009. Almaty Power Stations has one major customer for heat energy and chemically treated water, being, Almaty Thermal Networks. Almaty Thermal Networks purchased

5.8 million Gcal of heat energy and 37.42 m^3 of chemically treated water in 2011, compared to 5.5 million Gcal of heat energy and 36.60 m^3 of chemically treated water in 2010.

In 2011, 52.8 per cent of Almaty Power Stations' fuel expenses consisted of the purchase of coal, 32.8 per cent. from the purchase of gas and 14.5 per cent. from the purchase of fuel oil. As at 31 August 2012, Almaty Power Stations employed 3,309 personnel, 251 of which were management and administrative personnel and the remaining 3,058 were workers and technicians.

Balkhashskaya TPS

Balkhashskaya TPS is a joint venture between the Group and Samsung established in 2008, in which the Group owns a 25 per cent. plus one share of the share capital and Samsung owns the remaining 75 per cent. less one share.

The Balkhashskaya TPS power plant (which is under construction) will be located between Almaty and Ekibastuz and will use coal produced by the Bogatyr Komir coal mines as fuel and is expected to have a 1,320 MW installed capacity. In August 2011, an agreement was signed between Kazakhstan and the Republic of Korea to develop, finance, design, construct, operate and maintain the Balkhashskaya TPS plant. The purpose of the construction is to eliminate energy shortages in Kazakhstan, particularly in the Southern zone of Kazakhstan. The project is scheduled to be completed by 2018 and the plant's maximum annual output is expected to be 9.2 billion KWH.

In April 2012, the Group sold 755,691 shares in Balkhashskaya TPS, representing 75 per cent. less one share of Balkhashskaya TPS's share capital, to Samsung for KZT 7,557 million. As a result of the sale, the Group's shareholding reduced to 25 per cent. plus one share. Relations between the Group and Samsung are regulated by a shareholders agreement.

The shareholders agreement in relation to Balkhashskaya TPS regulates the following main points:

- in respect of the board of directors, the Issuer has the right to appoint its one director and Samsung has the right to nominate two directors. Each of the Issuer and Samsung has the right to nominate an independent director to the board of directors;
- the management board is composed of two members, the chief executive officer and a first deputy chairman with the Issuer having the right to recommend the appointment of the first deputy chairman; and
- all documents and instructions executed on behalf of Balkhashskaya TPS are to be executed by both members of the management board.

Further, the Issuer has the right to receive dividends and an option to buy the controlling stake in Balkhashskaya TPS 10 years after the capacity purchase agreement is signed and 6 years after the plant has been in commercial operation.

Bogatyr Komir

50 per cent. of Bogatyr Komir is owned indirectly by the Group through a 50/50 joint venture with Rusal, Forum Muider. Bogatyr Komir is engaged in the production of coal at the Bogatyr and Severny mines near Ekibastuz. See *"Description of the Group's Business – Principal Operations and Operating Segments – Coal mining"*.

According to the NSA, Bogatyr Komir is the largest coal producer in Kazakhstan, and the Bogatyr mine is the largest open-pit mine in Kazakhstan and one of the largest in the world. The Bogatyr mine was established in 1970 and the Severny mine was established in 1954. Bogatyr Komir has total coal reserves of approximately 2,852 million tonnes, according to the Kazakhstan reserves classification system (See "*Presentation of Financial and Other Information – Reserves Reporting*")

According to the Group's forecasts, annual coal production will rise to 45 million tonnes by 2015 and 50 million tonnes by 2020. Bogatyr Komir's coal reserves will allow Bogatyr Komir to maintain expected levels of coal production for approximately fifty-eight years. Bogatyr Komir has a 45-year subsoil contract signed on 29 June 2002 with the Ministry of Energy and Natural Resources, to extract coal from the Bogatyr and Severny mines.

Bogatyr Komir sells coal on market terms to the Group's power-generating facilities and to third-party generating facilities in Kazakhstan and Russia. Bogatyr Komir's coal mines are located 30 km from Ekibastuzskaya GRES-1 and 50 km from Ekibastuzskaya GRES-2. Bogatyr Komir sold 41.2 million tonnes, 38.6 million tonnes and 34.0 million tonnes of coal in the years ended 31 December 2011, 2010 and 2009, respectively.

As at the date of this Base Prospectus, Bogatyr Komir is investing in new extraction technologies, see "*Expansion Plans and Projects – Bogatyr Komir*".

Bogatyr Komir's coal production accounts for 37 per cent. of Kazakhstan's total coal production according to MINT.

The Group and Rusal operate Bogatyr Komir as a joint venture pursuant to a shareholders agreement, which provides for the rotation of management and controlling functions between the two partners every five years. The shareholders agreement in relation to Bogatyr Komir is governed by English law and contains the following material terms:

- The board of directors conducts the day-to-day management of Bogatyr Komir. The board consists of four directors nominated equally by both shareholders. The board of directors has an obligation to adopt a business plan for Bogatyr Komir for the next financial year and the shareholders shall procure the preparation of accounts and audit for each financial year.
- The shareholders agreement provides that in the event of deadlock and if the parties are unable to resolve the deadlock amicably, each party has a right to purchase 50 per cent. of the coal of Bogatyr Komir by sending a notice to the other party (the "**Purchase Notice**"). A deadlock situation may occur if the board is unable to adopt a business plan for the next financial year, amongst other scenarios.
- If parties have exhausted all methods of resolving a deadlock in an amicable way and the deadlock event has occurred more than two times in one calendar year and a Purchase Notice has been validly served in the same calendar year, the party voting against a proposed settlement in respect of a third deadlock event, that has occurred within the same calendar year, shall within thirty calendar days either vote in favour of the proposed settlement of such third party deadlock events or buy all of the other party's shares in Bogatyr Komir for a price set out in the Purchase Notice. The selling shares shall be sold free from any encumbrances and the selling party shall do all acts and things as may be necessary to transfer the shares. The selling party shall procure that all directors appointed by such party shall resign from their positions. The selling party shall also repay all debts and loans that it has incurred as a party towards Forum Muider, Bogatyr Komir and any other legal entity controlled by Forum Muider. Each party also has a right to sell all of its shares to the third party investor. However, the other party has a pre-emption right to purchase all the shares of the selling party before that party can offer the shares to the third party investor on the same terms as set out above.

Bogatyr Komir produces most of the coal used by Ekibastuzskaya GRES-1, Ekibastuzskaya GRES-2 and Almaty Power Stations. See *"Description of the Group's Business – Principal Operations and Operating Systems – Coal mining".*

As at the date of this Base Prospectus, the Bogatyr and Severny coal mines have an annual production capacity of 32 million tonnes and 10 million tonnes, respectively, and both mines are operating at full capacity.

The three phase investment programme to modernise Bogatyr Komir was launched in 2001 and is expected to be completed in 2017, see "*Expansion Plans and Projects – Bogatyr Komir*".

As at 31 August 2012, Bogatyr Komir employed 7,132 personnel, of which 564 were management and administrative employees and the remaining 6,568 were workers and technician employees.

Ekibastuzskaya GRES-1

Overview and History

Ekibastuzskaya GRES-1 is a coal-fired power station which uses coal from the mines of Bogatyr Komir 30 km to the east. As at the date of this Base Prospectus, Ekibastuzskaya GRES-1 has an installed capacity of 4,000 MW, although it is operating at a production capacity of 2,200 MW due to the closure of several power-generating units. The construction of Ekibastuzskaya GRES-1 began in 1974, with eight 500 MW units completed between 1980 and 1984. The electricity capacity of the power station dropped to 655 MW in June 1996 as a large proportion of its power-generating units had fallen into disrepair due to lack of maintenance. In August 1996, Ekibastuzskaya GRES-1 was acquired by the U.S. company AES Group. On 30 May 2008, Ekibastuzskaya GRES-1 was sold to Kazakhmys and became a part of

Kazakhmys' power division. In February 2010 Samruk-Kazyna acquired a 50 per cent. participatory interest in Ekibastuzskaya GRES-1 from Kazakhmys for US$681 million.

On 1 November 2012 Samruk-Kazyna transferred to the Issuer its 50 per cent. participatory interest in Ekibastuzskaya GRES-1 in exchange for 335,798 ordinary shares of the Issuer with an estimated fair value of KZT 101,620.1 million. The Issuer and Samruk-Kazyna will exchange a portion of such ordinary shares for preference shares of the Issuer with a guaranteed minimum annual dividend of KZT 2,041.0 million, which the Issuer expects to occur by 31 December 2012. Ekibastuzskaya GRES-1 will be accounted for using the equity method of accounting. Under the equity method of accounting, Ekibastuzskaya GRES-1 is initially recorded at the Issuer's purchase consideration, representing the fair value of Ekibastuzskaya GRES-1. Subsequently, the carrying amount of Ekibastuzskaya GRES-1 will be increased or decreased to recognize the Group's share in profit or loss of Ekibastuzskaya GRES-1 after the transfer of Ekibastuzskaya GRES-1. The profit distributions of Ekibastuzskaya GRES-1 are not subject to income tax to the Group.

The preference shares will be recorded as liabilities at fair value, determined as the present value of the minimum dividend payments in perpetuity assuming the minimum annual dividend is set at a market rate. The first dividend on the preference shares will be paid in 2014 for the year ended 31 December 2013.

Prior to 31 October 2012 (the date of the act of transfer and acceptance of both the transfer of Ekibastuzskaya GRES-1 and the placement of 355,798 new ordinary shares), the Group managed Ekibastuzskaya GRES-1 through a trust management agreement concluded on 18 May 2011 between Samruk-Kazyna and the Issuer.

Ekibastuzskaya GRES-1 does not hold any shares or participatory interest in any subsidiaries or subsidiary undertakings.

Business operations

Ekibastuzskaya GRES-1 supplies electrical power to all regions of Kazakhstan (except for the Western zone of Kazakhstan). Further, approximately 10 per cent. of output is exported abroad to Russia. The market share of the electricity output of Ekibastuzskaya GRES-1 in Kazakhstan was 16.3 per cent. in the first half of 2012, compared to 15.5 per cent., 14.2 per cent. and 13.2 per cent. in the years ended 31 December 2011, 2010 and 2009, respectively, according to KEGOC. Ekibastuzskaya GRES-1 is the largest power station by installed capacity in Kazakhstan, according to KEGOC.

The revenues of Ekibastuzskaya GRES-1 were KZT 68,369 million in 2011, KZT 49,974 million in 2010 and KZT 31,102 million in 2009. Ekibastuzskaya GRES-1's major customers include the Group company AlmatyEnergySbyt (11 per cent. of total sales volume in 2011), Inter RAO (10 per cent. of total sales volume in 2011), LLP ''Kazphosphat'' (8 per cent. of total sales volume in 2011) and TemirjolEnergo (6 per cent. of total sales volume in 2011). The Ekibastuzskaya GRES-1 site is spread over 25 square km and includes two chimneys with a height of 330 metres each. Ekibastuzskaya GRES-1 does not stockpile significant volumes of coal. A lake and a connecting channel supplies water to the plant.

As at the date of this Base Prospectus, only six of Ekibastuzskaya GRES-1's eight units are operational. Ekibastuzskaya GRES-1 is planning to renovate, modernise and conduct major reconstruction of three of its units by 2017. The total amount of investment required to carry out the renovation, modernisation and reconstruction is estimated at KZT 49.8 billion. These works are intended to restore the production capacity of Ekibastuzskaya GRES-1 to its installed capacity of 4,000 MW. See ''*Expansion Plans and Projects – Ekibastuzskaya GRES-1*''. In June 2010, Emerson Electric Corporation was awarded a contract to repair the control systems on several units.

Management and Employees

Svambaev Ryskan Tishpekovich is the general director of Ekibastuzskaya GRES-1. A supervisory role in the management of Ekibastuzskaya GRES-1 is conducted by its supervisory board. Ekibastuzskaya GRES-1 also has an audit commission.

Until 2015, the management of Ekibastuzskaya GRES-1 will be appointed by Kazakhmys and after 2015 the Group will have the right to appoint the management until 2020, with this right alternating between Kazakhmys and the Group every five years. The foundation agreement in relation to Ekibastuzskaya GRES-1 (which contains certain clauses similar to those found in shareholders agreements) is governed by Kazakh law and contains the following terms.

- The management bodies of Ekibastuzskaya GRES-1 are the general meeting of Ekibastuzskaya GRES-1's founders, the general director, who is a sole executive body, the supervisory board and the audit commission.
- The foundation agreement provides that the day-to-day management of Ekibastuzskaya GRES-1 shall be conducted in accordance with the charter and other rules and other internal regulations adopted from time to time.
- The foundation agreement does not provide for any restriction on transfer of participatory interests and third parties can become participants by executing a deed of adherence.
- The participants have the right to receive dividends as may be decided at the general meeting.

Ekibastuzskaya GRES-1 had 1,277 employees as at 31 August 2012, 155 of which were management and administrative personnel and 1,122 of which were workers and technicians. The number of employees of Ekibastuzskaya GRES-1 has grown in recent years and reflects the increased volume of renovation, modernisation and major reconstruction that is required to be carried out at Ekibastuzskaya GRES-1 as part of its modernisation plan, see "*Expansion Plans and Projects – Ekibastuzskaya GRES-1*" and Ekibastuzskaya GRES-1 expects the number of its employees to continue to increase to support its renovation, modernisation and major construction works over the next few years.

Ekibastuzskaya GRES-2

Ekibastuzskaya GRES-2 is a 50/50 joint venture between Samruk-Energy and Inter RAO engaged in the production of electricity and heat energy using the coal produced by Bogatyr Komir. Ekibastuzskaya GRES-2 does not stockpile significant volumes of coal and most of its coal is supplied by rail by Bogatyr Komir, which is located 50 km away. Ekibastuzskaya GRES-2 is a coal-fired power station with an installed capacity of is 1,000 MW. Its estimated deterioration ratio is 30 years of remaining useful asset life. Construction of Ekibastuzskaya GRES-2 began in 1979 and its first 500 MW unit was completed in 1990, with the second 500 MW unit completed in 1993. A lake and a connecting channel supplies water to the plant. See "*Expansion Plans and Projects – Ekibastuzskaya GRES-2*" for further details on the proposed construction of a new 500 MW power unit at Ekibastuzskaya GRES-2.

According to KEGOC, Ekibastuzskaya GRES-2 had a market share of Kazakhstan's total electricity output of 7.0 per cent. in the first half of 2012, compared to 6.9 per cent., 6.6 per cent and 5.7 per cent. in the years ended 31 December 2011, 2010 and 2009, respectively. The major customers of Ekibastuzskaya GRES-2 are TemirjolEnergo, KEGOC and Bogatyr Komir, accounting for 33.2 per cent., 33.7 per cent. and 6 per cent., respectively of its total sales in 2011. The revenues of Ekibastuzskaya GRES-2 were KZT 31,758 million in 2011, KZT 24,154 million in 2010 and KZT 13,573 million in 2009. Ekibastuzskaya GRES-2 is the fourth largest power station by installed capacity in Kazakhstan, according to KEGOC.

Ekibastuzskaya GRES-2 had 1,508 employees in total as at 31 August 2012, 103 of which were management and administrative personnel and 1,405 were workers and technicians.

Mangistau Electricity Distribution Company

Mangistau Electricity Distribution Company is engaged in the transmission and distribution of electricity to companies (mainly in the oil and gas sector) in the Mangistau region of Kazakhstan, as well as to companies and retail customers in remote rural districts in the Mangistau region. This is due to the fact that Mangistau Electricity Distribution Company is the only company in the Mangistau region carrying out electricity transmission and distribution activities outside Aktau. Mangistau Electricity Distribution Company holds a 55.0 per cent. market share in the Mangistau region's electricity transmission and distribution market, according to KEGOC. Its market share in the overall transmission and distribution market of Kazakhstan is 2.5 per cent., according to KEGOC.

The Issuer owns 75 per cent. plus one share of the share capital of Mangistau Electricity Distribution Company. The transmission capacity of Mangistau Electricity Distribution Company is 6,183 km. Its estimated remaining asset life is 12 years.

Mangistau Electricity Distribution Company had 621 employees in total as at 31 August 2012, 43 of which were management and administrative personnel and the remaining 578 were workers and technicians.

Moinak HPP

Moinak HPP is a hydropower station located in the Almaty region on the Charyn river with an installed capacity of 300 MW. It is expected to generate 1,027 million KWH of electricity per year. The construction of Moinak HPP was one of the Group's largest investment projects and the hydropower station was commissioned in August 2012, with further work to be performed in 2013. Moinak HPP was constructed to reduce domestic electricity shortages and Kazakhstan's dependency on electricity imports from neighbouring countries (where demand is increasing) in the Southern zone of Kazakhstan. The construction of Moinak HPP was funded by the State Development Bank of China and the Kazakhstan Development Bank. Moinak HPP is 51 per cent. owned by the Group and 49 per cent. owned by JSC ''AK Birlik'', which is owned by Kazakh citizens. See ''*Expansion Plans and Projects – Moinak HPP*''.

Shardara HPP

Shardara HPP is a hydropower station, which began its operations in 1967 and is engaged in the generation of electricity in the Southern zone of Kazakhstan. Shardara HPP is a wholly-owned subsidiary of the Issuer. The installed capacity of Shardara HPP is 100 MW.

In 2011 the output market share in the Southern zone of Kazakhstan of Shardara HPP was 16 per cent. The major customer of Shardara HPP is LLP ''Ontustik Zharyk Transit''. The share of LLP ''Ontustik Zharyk Transit'' of the total volume of sales of Shardara HPP is 64 per cent.

Shardara HPP's electricity sales amounted to 489 million KWH in 2011, 661 million KWH for 2010 and 523 million KWH in 2009. Shardara HPP's revenues were 1,614 million in 2011, KZT 1,984 million in 2010 and KZT 1,445 million in 2009.

As at the date of this Base Prospectus, Shardara HPP is engaged in an ongoing refurbishment and modernisation program, which is scheduled to run to 2016. Its estimated remaining asset life following this refurbishment and modernisation program is expected to be between 30 to 40 years. See ''*Expansion Plans and Projects – Shardara HPP*''.

Shardara HPP had 154 employees in total as at 31 August 2012, of which 21 were management and administrative personnel and the remaining 133 were workers and technicians.

ZhGRES

The Group has a 50 per cent. stake in ZhGRES, a joint venture with a Kazakhstan company Tarazenergo, which is located in the Southern zone of Kazakhstan. Construction of ZhGRES began in 1964, with the intention of supplying the chemical industry in the Southern zone of Kazakhstan, with electricity. ZhGRES was further expanded in the 1960s and 1970s and by 1976 had a capacity of 1,230 MW. ZhGRES is fully impaired on the Group's balance sheet and operates only in a limited state with its principal function being to cover electricity shortages at seasonal peak times (especially in winter) or at times of failures elsewhere in the electricity network. In 2011, the production capacity of ZhGRES was 1,084 MW and ZhGRES generated 868 million KWH of electricity. ZhGRES is the third largest power station in Kazakhstan by installed capacity, according to KEGOC.

EXPANSION PLANS AND PROJECTS

This summary highlights selected information about the Group's expansion plans and projects. This summary does not contain all of the information that you should consider before investing in the Notes. You should read this entire Base Prospectus, including ''Risk Factors'', ''Operating and Financial Review of the Group'', ''Description of the Group's Business'', ''The Group's Major Subsidiaries and Joint Ventures'', the Final Terms and the Group's Consolidated Financial Statements and the related notes included elsewhere in this Base Prospectus.

One of the overall drivers behind the creation of the Group was to develop and implement the Government's long-term policy of modernising existing power-generating facilities and plants, and commissioning new ones.

The Group's investment plans for the period from 2012 to 2015 focus on:

- the modernisation and reconstruction of its power-generating facilities and its power-distribution facilities;
- the construction of new power-generating facilities for the Group; and
- the introduction of modern plant and machinery and innovative technology to allow the Group to achieve higher environmental standards and to increase the efficiency of its operations.

The total amount of investment for the period from 2012 to 2015 is estimated at KZT 308.3 billion, of which KZT 147.0 billion is expected to be obtained through third-party financing, including bank loans and the debt capital markets, KZT 107.1 billion is expected to be financed from the Group's own funds and KZT 54.2 billion is expected to be financed by the Government from budgetary funds in the form of equity contributions. In 2009, 2010, 2011, and the six months ended 30 June 2012 the Group spent KZT 19.7 billion, KZT 58.2 billion, KZT 63.5 billion and KZT 19.4 billion, respectively, on modernising existing power facilities and plants, and on commissioning new ones.

The following table sets out the funding sources for the planned capital expenditure of the companies within the Group, the Group's joint ventures and Balkhashskaya TPS (in which the Group holds a 25 per cent. plus one share) between 2012 and 2015.

Source of funds	**Estimated percentage of capital expenditure between 2012 and 2015**
Own Funds	35%
Borrowings	48%
State budget	17%

The following table sets out the estimated planned capital expenditure of the companies within the Group, the Group's joint ventures and Balkhashskaya TPS (in which the Group holds a 25 per cent. plus one share) by type of funding source for each year between 2012 and 2015.

	2012	**2013**	**2014**	**2015**	**Total**
	(in millions of Kazakhstan Tenge)				
Borrowings	13,725	47,472	44,958	40,796	146,951
State Budget	22,418	14,472	11,517	5,792	54,199
Own Funds	33,472	27,237	26,593	19,819	107,121
Total	**69,615**	**89,181**	**83,068**	**66,407**	**308,271**

Of the borrowings in the above table, the Group's lenders have as at the date of this Base Prospectus committed to providing KZT 57,407 million, or 39.1 per cent. of total borrowings included in the Group's capital expenditure plan until 2015. As at the date of this Base Prospectus, the Group has received KZT 7,841 million of the borrowings included in the Group's capital expenditure plan until 2015.

The following table sets out the estimated planned capital expenditure of the companies within the Group, the Group's joint ventures and Balkhashskaya TPS (in which the Group holds a 25 per cent. plus one share), between 2012 and 2015.

Name of Group Company	Estimated planned capital expenditure by Group company between 2012 and 2015
	(in millions of Kazakhstan Tenge)
Aktobe TPS	5,671
Alatau Zharyk	46,082
Almaty Power Stations	62,410
Ekibastuzskaya GRES-2	79,822
Samruk-Energy[1]	3,045
Bogatyr Komir	27,228
Balkhashskaya TPS	63,926
Moinak HPP	6,641
Shardara HPP	7,478
Mangistau Electricity Distribution Company	3,097
ZhGRES	589
Samruk Green Energy	1,908
AlmatyEnergySbyt	373
Total	**308,271**

1. The capital expenditure for the Issuer includes the acquisition of new capital assets and investment in the Kapchagay Solar Power Plant, see below.

Through the realisation of these investment plans, the Group aims to increase its installed capacity by 659 MW, Bogatyr Komir's annual coal production by 2 million tonnes and the Group's transportation capacity by 1,329 MVA by 2015. The Group does not expect its heat production to increase by 2015. See "*Risk Factors – Maintenance and modernisation of the Group's infrastructure requires significant ongoing investment, and there can be no assurance that the Group will receive the funding necessary to make such investments.*"

During the period 2012-2020, the Group plans to implement the following significant investment projects:

Aktobe TPS

Aktobe TPS is a gas-fired power station located in the Aktobe region and as at the date of this Base Prospectus has heat energy capacity of 1,139 Gcal/h and 102 MW electricity capacity. Aktobe TPS is mainly engaged in the production of electricity, heat energy and hot water in the city of Aktobe. The reasons for its reconstruction and modernisation are to increase its efficiency and output.

The reconstruction and modernisation of Aktobe TPS project includes the replacement of a turbine unit to increase installed capacity by 15 MW from 102 MW to 117 MW. Replacement of the new turbine unit project started in 2010. Aktobe TPS investment programme is scheduled to be completed in 2014 with a total estimated cost of KZT 5,671 million.

Alatau Zharyk

One of the key projects of Alatau Zharyk is the construction of three electricity substations in the Almaty region near the city of Almaty. The projected completion date is 2013 and the new substations will be used to supply electricity to housing in Almaty to cover existing electricity shortages. The total budget for the project is KZT 7,931 million and the project is expected to generate new electricity transportation capacity of 332 MVA upon completion. The sources of the capital expenditure are expected to be KZT 7,535 million from the state budget and KZT 397 million from Alatau Zharyk's own funds.

Almaty Power Stations

The Group has three key projects for Almaty Power Stations.

The first project is the construction of Kerbulak HPP on the Ili River in a project scheduled to be completed in 2017. The Group plans that Kerbulak HPP will become a counter-regulatory station of Kapchagay HPP and will allow Kapchagay HPP to increase its production capacity by 112 MW to 300 MW. This project will cost approximately KZT 28,047 million, with 70 per cent. of the project costs to be obtained through third-party financing, including bank loans and the debt capital markets, and the remaining 30 per cent. to be financed from Almaty Power Stations' own funds. As at October 2012, the feasibility study of the project (performed by LLP ''Kazgidro'') has been completed and approved by the state expertise of Kazakhstan.

The second project is the reconstruction and expansion of the third-phase boiler of TPS-2. The aim of this project is to ensure the supply of heat energy by transferring heat energy from TPS-2 to TPS-1 and to increase heat energy production to 2,995.2 million Gcal per year. The scheduled completion date of this project is 2013. The total amount of the investment is approximately KZT 13,167 million, 99 per cent. of which is expected to be obtained from the budget of Kazakhstan in the form of budget allocations or state contributions to Almaty Power Stations' equity capital and the remaining 1 per cent. from Almaty Power Stations' own funds.

The third project is the reconstruction of TPS-1 with the installation of a steam gas unit to replace old generating equipment and reduce emissions. The project, which is scheduled to be completed in 2016, is not expected to result in an increase of annual production of electricity at TPS-1. The total amount of the investment is estimated at approximately KZT 18,200 million, of which 70 per cent. is expected to be obtained through third-party financing, including bank loans and the debt capital markets, and the remaining 30 per cent. is expected to be financed from Almaty Power Stations' own funds.

Balkhashskaya TPS

The Balkhashskaya TPS heat energy plant (which is under construction) will be located between the Northern and Southern regions of Kazakhstan and will use coal produced by the Bogatyr Komir coal mines as fuel and is expected to have a 1,320 MW installed capacity. In August 2011, an agreement was signed between Kazakhstan and the Republic of Korea to develop, finance, design, construct, operate and maintain the Balkhashskaya TPS plant. The purpose of the construction is to eliminate energy shortages in Kazakhstan, particularly in Southern Kazakhstan. The project is scheduled to be completed by 2018 and the plant's maximum annual output is expected to be 9.2 billion KWH.

In April 2012, the Group sold 755,691 shares in Balkhashskaya TPS, representing 75 per cent. less one share of Balkhashskaya TPS's share capital, to Samsung for KZT 7,557 million. As a result of the sale, the Group's shareholding reduced to 25 per cent. plus one share. Relations between the Group and Samsung are regulated by a shareholders' agreement.

Bogatyr Komir

Bogatyr Komir, a 100 per cent. subsidiary of Forum Muider, is a joint venture between the Group and Rusal and operates the Bogatyr and Severny mines located in the Pavlodar region. Bogatyr is the largest open-pit coal mine in Kazakhstan. The Bogatyr mine is being modernised in three stages and as at the date of this Base Prospectus, the modernisation of the mine is about to enter into its third and final stage, the aim of which is the transition to cyclic-line extraction technology. The modernisation project is expected to significantly increase coal production at the mine, which the Group expects would increase Bogatyr Komir's overall production capacity to 45 million tonnes per year by 2015. The modernisation project also extends to improving transportation infrastructure through the building, commissioning and operating of a coal handling line at the Bogatyr mine to receive, crush, transport, store, blend and transfer coal to railway cars for transportation to coal users both in Kazakhstan and Russia. In addition to increasing coal production, the Group expects its modernisation project to reduce extraction and transportation costs. Bogatyr Komir aims to make the extraction and transportation process quicker and more efficient involving updated trucks, shovel excavators, crushing and transhipment points and loading machines. The Severny mine is repaired and maintained on a regular basis, but plans to modernise it are uncertain as at the date of this Base Prospectus. The total amount of the investment is approximately KZT 74,160 million, of which 70 per cent. is expected to be obtained through third-party financing, including bank loans and the debt capital markets and the remaining 30 per cent. is expected to be financed from Bogatyr Komir's own funds.

Ekibastuzskaya GRES–1

Ekibastuzskaya GRES-1 is a power plant engaged in the generation of electricity from coal mined at the Bogatyr and Severny mines operated by Bogatyr Komir and is located in the Pavlodar region in close proximity to the above coal mines and has an installed capacity of 4,000 MW.

As at the date of this Base Prospectus, only six of the original eight units are operational. Ekibastuzskaya GRES-1 is planning to renovate, modernise and conduct major reconstruction of three of its units by 2017. The total amount of investment currently is estimated at KZT 229.7 billion, KZT 161.7 billion of which is planned to be spent on investment projects and KZT 66.8 billion of which is planned to be spent on repair and maintenance. KZT 219.4 billion of capital expenditure is planned to be sourced from Ekibastuzskaya GRES-1's own funds. These works are intended to increase the producing capacities of to Ekibastuzskaya GRES-1 back up to its installed capacity of 4,000 MW. The Issuer does not have direct commitments (including guarantees) related to Ekibastuzskaya GRES-1 existing financing nor does it plan to enter into any similar commitments related to planned future financing.

Ekibastuzskaya GRES-2

Ekibastuzskaya GRES-2 is being expanded and modernised through the construction of a third electricity generation unit and through the introduction of a process automation system for generation units 1 and 2 within the framework of an investment project that was started in 2010 and is expected to be completed in 2015.

As at the date of this Base Prospectus, Ekibastuzskaya GRES-2 is constructing a third electricity generation unit to increase the plant's electricity-generating capacity by 660 MW and its annual electricity output by 4.5 billion KWH by 2015. The anticipated project cost as at the date of this Base Prospectus is KZT 113,530 million. Within the framework of an agreement between Kazakhstan and Russia, Vnesheconombank and the Eurasian Bank of Development provided 97 per cent. of the financing for this project in equal shares in two loans of approximately KZT 56.0 billion each, guaranteed by Samruk-Kazyna and Inter RAO. The reason for the expansion is the electricity shortage in Kazakhstan and the expected growth of demand for electricity in Kazakhstan due to future growth of its economy. The third unit is also expected to use coal from Bogatyr Komir.

In 2013, a feasibility study for the construction of a fourth electricity generation unit at Ekibastuzskaya GRES-2 will be performed, pursuant to a memorandum of understanding signed by Russia and Kazakhstan on 19 September 2002 with respect to Samruk Energy and Inter RAO. However, no financing plans or project documentation have been prepared by the Group in this respect and the financing of this potential project is not included in the capital expenditure plans for Ekibastuzskaya GRES-2 set out above, apart from expenses related to the performance of the feasibility study.

Moinak HPP

Moinak HPP is a hydropower station located in the Almaty region on the Charyn River with an installed capacity of 300 MW. The construction of Moinak HPP was one of the Group's largest investment projects and was commissioned in August 2012 to serve as an adjustable source of electricity to prevent further electricity shortages arising as a result of Southern Kazakhstan's requirement to import electricity from neighbouring regions where demand is increasing.

The Issuer engaged China International Water and Electric Corporation as the EPC contractor for the construction of Moinak HPP project.

The Development Bank of Kazakhstan, a related party of the Group, provided funding in the form of loans of US$25 million, US$26.06 million and KZT 12,29 million in 2005, 2008 and 2011, respectively. These loans are secured by guarantees of the Kazakhstan Ministry of Finance and Samruk-Kazyna in the total amount of US$25 million and by security over certain constructions, property, plant and equipment, and a pledge over 20 per cent. of Moinak HPP's receivables from electricity sales.

Shardara HPP

The Shardara hydro-electric power plant is located in the Southern zone of Kazakhstan and is involved in the generation and distribution of electricity in the Southern zone of Kazakhstan. Its installed capacity as at the date of this Base Prospectus is 100 MW. There is a programme to modernise Shardara HPP, which is scheduled to be completed by 2016. The principal objectives of the modernisation programme are the repairing of existing equipment, improving the efficiency of operations at the plant and raising its annual capacity and annual output by 16 MW, and 57 million KWH, respectively. The investment programme, in particular, will involve replacing certain hydro-unit parts, improving the performance of mechanical works of the hydroelectric operator, the replacement of trash-rack equipment (which prevents waterborne debris from entering equipment) and the reconstruction and relocation of the 110 KW substation. The total amount of the investment is approximately KZT 15,213 million, of which 62 per cent. will be provided by EBRD pursuant to a loan agreement dated 24 August 2012, with the first disbursement to be made within 18 months of the signing date, and the remaining 38 per cent. is expected to be financed from Shardara HPP's own funds.

The Issuer (Kapchagay Solar Power Plant)

The Issuer is in the process of constructing the Kapchagay Solar Power Plant at Kapchagay city in the Almaty region, which when completed, will be involved in the generation of electricity in the Southern zone of Kazakhstan. The project cost is expected to be KZT 1,700 million (funded out of the Issuer's own funds) and is scheduled for completion in 2013. When completed the plant is expected to have an installed capacity of 2 MW, an annual electricity output of 3.6 million KWH and will be operated by 5 employees. Alatau Zharyk will transmit and distribute the electricity generated by the Kapchagay Solar Power Plant within the Almaty region. The Issuer intends to transfer the ownership of the Kapchagay Solar Power Plant to Samruk Green Energy before the Kapchagay Solar Power Plant is completed in 2013.

Planned Capital Expenditure by Group company

The table below sets out the planned capital expenditure of the companies within the Group, the Group's joint ventures and Balkhashskaya TPS (in which the Group holds a 25 per cent. plus one share) for the periods indicated, with a breakdown of the source of funds (borrowings, state budget or own funds) for such capital expenditure.

Company	Source of funds	2012F	2013F	2014F	2015F	2012F-2015F
		(in thousands of Kazakhstan Tenge)				
Bogatyr Komir	**Total**	**4,945,562**	**7,980,000**	**6,540,000**	**7,762,500**	**27,228,062**
	Borrowings	2,653,273	4,710,000	3,502,500	4,192,500	15,058,273
	State budget	–	–	–	–	–
	Own funds	2,292,289	3,270,000	3,037,500	3,570,000	12,169,789
Ekibastuzskaya GRES-2	**Total**	**13,721,233**	**38,402,685**	**24,882,232**	**2,815,511**	**79,821,661**
	Borrowings	2,648,829	30,240,102	15,595,406	–	48,484,337
	State budget	–	–	–	–	–
	Own funds	11,072,405	8,162,584	9,286,827	2,815,511	31,337,325
Alatau Zharyk	**Total**	**19,895,756**	**10,870,407**	**7,914,678**	**7,401,195**	**46,082,037**
	Borrowings	2,538,896	1,023,484	1,904,790	1,802,687	7,269,857
	State budget	14,098,172	4,050,381	–	–	18,148,553
	Own funds	3,258,688	5,796,542	6,009,888	5,598,508	20,663,626
Almaty Power Stations	**Total**	**16,262,079**	**15,636,185**	**14,782,785**	**15,728,823**	**62,409,872**
	Borrowings	–	8,927,072	8,600,714	9,614,335	27,142,121
	State budget	7,722,475	474,359	–	–	8,196,834
	Own funds	8,539,604	6,234,754	6,182,071	6,114,488	27,070,917
Aktobe TPS	**Total**	**1,969,332**	**1,333,600**	**1,141,773**	**1,266,145**	**5,670,849**
	Borrowings	–	–	–	–	–
	State budget	–	–	–	–	–
	Own funds	1,969,332	1,333,600	1,141,773	1,226,145	5,670,849
Moinak HPP	**Total**	**6,640,673**	**–**	**–**	**–**	**6,640,673**
	Borrowings	5,884,449	–	–	–	5,884,449
	State budget	–	–	–	–	–
	Own funds	756,224				756,224
Balkhashskaya TPS	**Total**	**1,586,655**	**12,518,763**	**23,744,716**	**26,075,681**	**63,925,814**
	Borrowings	–	2,571,753	12,227,394	20,283,538'	35,082,685
	State budget	596,981	9,947,010	11,517,322	5,792,143	27,853,457
	Own funds	989,674	–	–	–	989,674

Company	Source of funds	2012F	2013F	2014F	2015F	2012F-2015F
		(in thousands of Kazakhstan Tenge)				
Shardara HPP	**Total**	**467,627**	**591,968**	**2,067,642**	**4,350,351**	**7,477,588**
	Borrowings	–	–	1,573,747	4,113,082	5,686,829
	State budget	–	–	–	–	–
	Own funds	467,627	591,968	493,895	237,269	1,790,759
Mangistau Electricity Distribution Company	**Total**	**472,020**	**157,719**	**1,612,782**	**853,979**	**3,096,499**
	Borrowings	–	–	1,552,980	789,393	2,342,373
	State budget	–	–	–	–	–
	Own funds	472,020	157,719	59,802	64,586	754,126
ZhGRES	**Total**	**142,929**	**145,703**	**148,532**	**151,418**	**588,581**
	Borrowings	–	–	–	–	–
	State budget	–	–	–	–	–
	Own funds	142,929	145,703	148,532	151,418	588,581
AlmatyEnergySbyt	**Total**	**121,885**	**17,897**	**208,871**	**24,094**	**372,747**
	Borrowings	–	–	–	–	–
	State budget	–	–	–	–	–
	Own funds	121,885	17,897	208,871	24,094	372,747
Samruk Green Energy	**Total**	**831,731**	**1,076,173**	**-**	**-**	**1,907,904**
	Borrowings	–	–	–	–	–
	State budget	–	–	–	–	–
	Own funds	831,731	1,076,173	–	–	1,907,904
The Issuer	**Total**	**2,557,077**	**449,274**	**22,628**	**15,681**	**3,044,659**
	Borrowings	–	–	–	–	–
	State budget	–	–	–	–	–
	Own funds	2,557,077	449,274	22,628	15,681	3,044,659
Total	**Total**	**69,615,070**	**89,181,373**	**83,067,639**	**66,406,376**	**308,270,459**
	Borrowings	13,725,448	47,472,411	44,957,531	40,795,535	146,950,924
	State budget	22,417,628	14,471,750	11,517,322	5,792,143	54,198,843
	Own funds	33,471,995	27,237,213	26,592786	19,818,698	107,120,692

The table below sets out the planned capital expenditure of the companies within the Group, the Group's joint ventures and Balkhashskaya TPS (in which the Group holds a 25 per cent. plus one share) for the periods indicated, with a breakdown of the use of funds (investment projects, repair and maintenance or other) for such capital expenditure.

Company	Use of funds	2012F	2013F	2014F	2015F	2012F-2015F
		(in thousands of Kazakhstan Tenge)				
Bogatyr Komir	**Total**	**4,945,562**	**7,980,000**	**6,540,000**	**7,762,500**	**27,228,062**
	Investment Projects	2,337,611	4,335,000	3,102,500	3,342,500	13,157,611
	Repair and Maintenance	2,567,951	3,645,000	3,437,500	4,420,000	14,070,451
	Other	–	–	–	–	–
Ekibastuzskaya GRES-2	**Total**	**13,721,233**	**38,402,685**	**24,882,232**	**2,815,511**	**79,821,661**
	Investment Projects	5,843,231	36,045,283	24,352,361	–	66,240,874
	Repair and Maintenance	7,864,894	2,357,403	529,871	2,815,511	13,567,678
	Other	13,109	–	–	–	13,109
Alatau Zharyk	**Total**	**19,895,756**	**10,870,407**	**7,914,678**	**7,401,195**	**46,082,037**
	Investment Projects	15,493,293	6,251,831	995,199	–	22,740,323
	Repair and Maintenance	4,402,464	4,618,576	6,919,479	7,401,195	23,341,714
	Other	–	–	–	–	–
Almaty Power Stations	**Total**	**16,262,079**	**15,636,185**	**14,782,785**	**15,728,823**	**62,409,872**
	Investment Projects	11,692,052	12,709,185	13,415,542	12,593,956	50,410,835
	Repair and Maintenance	4,570,027	2,927,000	1,367,143	3,134,867	11,999,037
	Other	–	–	–	–	–
Aktobe TPS	**Total**	**1,969,332**	**1,333,600**	**1,141,773**	**1,266,145**	**5,670,849**
	Investment Projects	1,713,066	1,050,000	838,322	903,3220	4,504,709
	Repair and Maintenance	256,266	283,600	303,451	322,823	1,166,140
	Other	–	–	–	–	–
Moinak HPP	**Total**	**6,640,673**	**–**	**–**	**–**	**6,640,673**
	Investment Projects	6,487,179	–	–	–	6,487,179
	Repair and Maintenance	–	–	–	–	–
	Other	153,494	–	–	–	153,494
Balkhashskaya TPS	**Total**	**1,586,655**	**12,518,763**	**23,744,716**	**26,075,681**	**63,925,814**
	Investment Projects	1,586,655	12,518,763	23,744,716	26,075,681	63,925,814
	Repair and Maintenance	–	–	–	–	–
	Other	–	–	–	–	–

Company	Use of funds	2012F	2013F	2014F	2015F	2012F-2015F
		(in thousands of Kazakhstan Tenge)				
Shardara HPP	**Total**	**467,627**	**591,968**	**2,067,642**	**4,350,351**	**7,477,588**
	Investment Projects	429,435	586,392	2,062,898	4,345,752	7,424,477
	Repair and Maintenance	38,192	5,576	4,744	4,599	53,111
	Other	–	–	–	–	–
Mangistau Electricity Distribution Company	**Total**	**472,020**	**157,719**	**1,612,782**	**853,979**	**3,096,499**
	Investment Projects	334,063	102,400	1,552,980	789,393	2,778,836
	Repair and Maintenance	137,958	55,319	59,802	64,586	317,664
	Other	–	–	–	–	–
ZhGRES	**Total**	**142,929**	**145,703**	**148,532**	**151,418**	**588,581**
	Investment Projects	–	–	–	–	–
	Repair and Maintenance	142,929	145,703	148,532	151,418	588,581
	Other	–	–	–	–	–
AlmatyEnergySbyt	**Total**	**121,885**	**17,897**	**208,871**	**24,094**	**372,747**
	Investment Projects	–	–	–	–	–
	Repair and Maintenance	121,885	17,897	208,871	24,094	372,747
	Other	–	–	–	–	–
Samruk Green Energy	**Total**	**831,731**	**1,076,173**	**–**	**–**	**1,907,904**
	Investment Projects	821,124	1,076,173	–	–	1,897,297
	Repair and Maintenance	–	–	–	–	–
	Other	10,607	–	–	–	10,607
The Issuer	**Total**	**2,557,077**	**449,274**	**22,628**	**15,681**	**3,044,659**
	Investment Projects	2,336,500	340,000	–	–	2,676,500
	Repair and Maintenance	140,557	109,274	22,628	15,681	288,159
	Other	80,000	–	–	–	80,000
Total	**Total**	**69,615,070**	**89,181,373**	**83,067,639**	**66,406,376**	**308,270,459**
	Investment Projects	49,114,209	75,015,026	70,064,618	48,050,603	242,244,456
	Repair and Maintenance	20,396,636	14,165,347	13,002,021	18,354,773	65,918,776
	Other	104,226	1,000	1,000	1,000	107,226

MANAGEMENT AND CORPORATE GOVERNANCE

Overview

The management and corporate governance of the Issuer are regulated by the Joint Stock Companies Law. This applies to the Issuer's Charter, Corporate Code and other internal documents. Pursuant to the Charter of the Issuer, the Issuer's main corporate bodies are the General Meeting of Shareholders, the Board of Directors, the Management Board and the Internal Audit Service.

General Meeting of Shareholders

The General Meeting of Shareholders is the Issuer's supreme governing body. The Board of Directors convenes the General Meeting of Shareholders at least once a year.

The exclusive functions of the General Meeting of Shareholders include, among others, (i) approving any amendments to the Issuer's Charter, as well as approving new versions of the Charter, (ii) approving the Issuer's corporate governance code as well as any amendments to the code, (iii) approving a voluntary reorganisation or liquidation of the Issuer, (iv) appointing the Issuer's auditors, (v) approving the distribution of net income and payment of dividends by the Issuer, (vi) approving the Issuer's annual financial statements, (vii) approving the number, the term of authority and the members of the Board of Directors of the Issuer, (viii) appointing the Chairman of the Management Board and the Chairman of the Board of Directors and (ix) approving any decision by the Issuer to participate in the establishment or the activity of legal entities where a transfer of a part or several parts of the Issuer's assets amounts to a sum greater than or equal to 25 per cent. of the total amount of the Issuer's assets.

Upon the completion of the transfer of the shares in the Issuer held as at the date of this Base Prospectus by KazTransGas to Samruk-Kazyna (see "*Principal Shareholders*"), Samruk-Kazyna will become the sole shareholder of the Issuer and will exercise all powers of the General Meeting of Shareholders as described in the preceding paragraph. As a result, under the Law on Sovereign Wealth Fund dated 1 February 2012 No. 550-IV (the "**SK Law**"), Samruk-Kazyna may transfer all or part of its powers as the sole shareholder to the Board of Directors of the Issuer, except for the functions set out under (i), (ii) and (vii) above, and approving the remuneration of the members of the Board of Directors members and any introduction of a golden share. Further, under the SK Law, upon the completion of any such transfer, certain powers of the Board of Directors may be transferred to the Management Board of the Issuer.

Board of Directors

The Board of Directors is responsible for general management matters, with the exception of those matters designated by the Joint Stock Companies Law and the Charter of the Issuer as falling within the exclusive remit of the General Meeting of Shareholders.

In particular, the powers of the Board of Directors include, amongst others, (i) setting the priorities of the Issuer's activities, (ii) approving the terms of bonds and derivatives to be issued by the Issuer, (iii) appointing the members of the Management Board, except for the Chairman of the Management Board, (iv) approving the remuneration of the members of the Management Board, (v) selecting a registrar of the Issuer, (vi) approving all interested party transactions and major transactions, except for interested party transactions within the Samruk-Kazyna Group of companies, (vii) the approval and control of the Issuer's budget, risk management, and internal audit processes; (viii) the approval of the allocation of the Issuer's authorised shares and their buy-back; (ix) the approval of purchases of 10 per cent. or more of shares in other legal entities, (x) the approval of the Issuer placing 10 per cent. or more of shares in other legal entities into trust management and (xi) the increase of the Issuer's debts in an amount equal to 10 per cent. or more of its operating capital.

The Board of Directors must comprise of at least six members. The Chairman of the Board of Directors is appointed by the General Meeting of Shareholders and members of the Board of Directors are appointed for a term up to a maximum of three years, as determined by the General Meeting of Shareholders and can be re-elected an unlimited number of times and the maximum aggregate term for the appointment of an Independent Director is seven years, subject to being re-elected. At least one-third of the members of the Board of Directors must be Independent Directors. The current members of the Board of Directors were elected on 8 May 2012. The business address for each of the Directors is Block E, 17, Kabanbay Batyr street, Astana 010000, Kazakhstan. There are no potential conflicts of interest between the duties of the members of the Board of Directors and their private interests or other duties.

The following table sets out name, year of birth and position of each member of the Board of Directors

Name	Year of Birth	Position
Mr Kuanysh Bektemirov	1970	Chairman of the Board of Directors of the Issuer. Managing director of Samruk-Kazyna
Mr Almasadam Satkaliyev	1970	Member of the Board of Directors of the Issuer. Chairman of the Management Board of the Issuer
Mr Alexey Ogai	1970	Member of the Board of Directors of the Issuer. Director of electric power asset management of Samruk-Kazyna
Mr Gumarbek Daukeev	1948	Independent Director of the Issuer. President of Almaty Power Institute
Mr Luca Sutera	1971	Independent Director of the Issuer. Group vice president and chief financial officer of the Global Power & Water Division of Abu Dhabi National Energy Company
Mr Anatoly Spitsyn	1939	Independent Director of the Issuer. Director of the Institute for Strategic Studies of Integration Problems of the Eurasian Economic Community

Mr Kuanysh Bektemirov

Mr Kuanysh Bektemirov was born in 1970. In 1993 he graduated from the Kazakh National University specialising in physics. In 2004 Mr Bektemirov graduated from Kazakh National Agricultural University specialising in electrical engineering. On 31 January 2012 Mr Bektemirov was appointed as a Chairman of the Board of Directors of the Issuer and on 8 May 2012 he was re-appointed to the same position. As at the date of this Base Prospectus, Mr Bektemirov holds various managerial positions. Since January 2012 Mr Bektemirov has served as managing director of Samruk-Kazyna. In 2012 Mr Bektemirov was appointed as chairman of the board of directors of KEGOC, ''National Mining Company ''Tau-Ken Samruk'' JSC, Forum Muider and Ekibastuzskaya GRES-2. Mr Bektemirov also serves as chairman of the supervisory board of Ekibastuzskaya GRES-1 and as a member of the board of directors of ''National Atomic Company ''Kazatomprom'' JSC. Between January 2000 and October 2000 Mr Bektemirov worked as the deputy general director of ''Taldykorgankommunenergo'' GKPO. In 2000 Mr Bektemirov joined ''Taldykorganteploservice'' as first deputy director. During 2003 Mr Bektemirov was deputy for the maslikhat (local representative body) in Taldykorgan city. From April 2004 to December 2004 Mr Bektemirov worked as deputy chairman of the management board of ''Astanaenergoservice''. From 2004 to June 2008 Mr Bektemirov was director of ''Astanaenergosbyt'' LLP. In June 2008 Mr Bektemirov was appointed as head of the State Agency ''Managing Energy and Utilities in South Kazakhstan region''. In April 2009 he joined state enterprise ''Kazhydromet" as deputy general director. From January 2011 to January 2012 Mr Bektemirov worked as general director of ''Astanaenergocontract'' LLP.

Mr Almasadam Satkaliyev

Mr Almasadam Satkaliyev was born in 1970. In 1992 he graduated from the Kazakh National University specialising in mechanics and applied mathematics. Mr Satkaliyev also holds a PhD in economics and was awarded the title as an honoured power engineer of the CIS. Mr Satkaliyev has served as a member of the Issuer's Board of Directors since 4 July 2007 and as a member of the board of directors of KEGOC since December 2009. Further, since January 2012 Mr Satkaliyev has served as Chairman of the Issuer's Management Board, member of the board of directors of Forum Muider, member of the board of directors of Ekibastuzskaya GRES-2 and member of the supervisory board of Ekibastuzskaya GRES-1. In September 1997 Mr Satkaliyev joined ''KazTransOil'' JSC as a manager and in August 1998 became vice president for economics. Mr Satkaliyev joined KEGOC as finance director in March 2001 and was promoted to first vice president in November 2003. Mr Satkaliyev left KEGOC in May 2006 to serve as a director of the department of JSC ''Kazakhstan Holding on State Assets Management'' ''Samruk'' JSC, supervising KEGOC's activities. Between December 2006 and January 2007 Mr Satkaliyev was a director of electric power asset management at JSC ''Kazakhstan Holding on State Assets Management'' ''Samruk'' JSC. From January 2007 to September 2007 Mr Satkaliyev was Deputy Minister of Energy and Mineral Resources of the Republic of Kazakhstan. In September 2007 Mr Satkaliyev returned to KEGOC as president and from October 2008 he ceased to be president and served as first vice president. From December 2009 to June 2011 Mr Satkaliyev was chairman of the management board of KEGOC.

In June 2011 Mr Satkaliyev joined Samruk-Kazyna as managing director and held this position until January 2012.

Mr Alexey Ogai

Mr Alexey Ogai was born in 1970. In 1995 he graduated from the Almaty Power Institute specialising in electric power stations as an electrical engineer. Mr Ogai has served as a member of the Board of Directors of the Issuer since 22 January 2008. Mr Ogai has served as chairman of the board of directors of KOREM since November 2007 and he has been a senior expert and acting director of electric power asset management at Samruk-Kazyna since October 2008. Between 1995 and 1997 Mr Ogai worked as a research assistant at the ''Laboratory of Kazakhstan Fuel and Gas Complex Research'' LLP. Between 1997 and 2002 Mr Ogai worked as a senior specialist at the economics department of KEGOC. Between 2002 and 2006 Mr Ogai worked as head of the planning and economic analysis department of KEGOC. Between June 2006 and October 2008 Mr Ogai worked as deputy director for electric power asset management of JSC ''Kazakhstan Holding on State Assets Management'' ''Samruk'' JSC.

Mr Gumarbek Daukeev

Mr Gumarbek Daukeev was born in 1948. In 1971 he graduated from the National Technical University located in Almaty specialising in power engineering. Mr Daukeev also holds a PhD in technical sciences (1982) and has been a professor since 1999. Mr Daukeev has served as a member of the Board of Directors of the Issuer (Independent Director) since 22 January 2008. As at the date of this Base Prospectus, Mr Daukeev is a member of the advisory council on the tariff policy in power area at Akimat in Almaty and a member of management board of the Union of Power Engineers of Kazakhstan and member of the advisory council on the tariff policy in electricity and power system area at Anti-Monopoly Agency. Since May 2006 Mr Daukeev has served as a member of the board of directors (independent director) of KEGOC. Mr Daukeev has been president of Almaty Power Institute since April 1997. Mr Daukeev started his career in 1971 as an assistant at the general thermotechnics cathedra in National Technical University. Between 1975 and 1988 Mr Daukeev was a post-graduate, an assistant, a senior lecturer, a Chairman of professional committee and an associated professor at Almaty Power Institute. From 1988 to 1994 Mr Daukeev held the position of the secretary of the Communist Party Committee and vice president of Almaty Power Institute. In 1994 Mr Daukeev was appointed head of the division of the Higher Advisory Council on Science and Technology of the Administrative office of the Cabinet of the Ministers of the Republic of Kazakhstan. From 1996 to 1997 Mr Daukeev was the director of the educational-scientific complex on power and telecommunications of National Technical University.

Mr Luca Sutera

Mr Luca Sutera was born in 1971. Mr Sutera holds a bachelor degree in business administration with a specialisation in finance from the ''L. Bocconi'' University of Milan (1996) and a global executive MBA from the I.E. Business School of Madrid (2012). Mr Sutera has more than 15 years of experience in the power and utilities sector. Mr Sutera has been an Independent Director of the Board of Directors of the Issuer since 8 May 2012. Since March 2011 Mr Sutera has been Group Vice President and Chief Financial Officer of the Global Power & Water Division of Abu Dhabi National Energy Company (the ''**TAQA**''), a global energy company whose majority shareholder is the government of Abu Dhabi. Prior to joining TAQA, from October 2007 to March 2011, Mr Sutera was Chief Financial Officer and Deputy General Director of Enel OGK-5, a Russian power and heat generating company. From January 2005 to September 2007, Mr Sutera was Deputy Chief Financial Officer of the European Division of Endesa, a Spanish power and gas multinational. As at the date of this Base Prospectus, Mr Sutera serves as a member of the board of directors of Jorf Lasfar Energy Company (a subsidiary of Abu Dhabi National Energy Company). Commencing in April 2011 Mr Sutera has been a member of the Russian Association of Independent Directors.

Mr Anatoly Spitsyn

Mr Anatoly Spitsyn was born in 1939. In 1962 Mr Spitsyn graduated from Odessa Civil Engineering Institute specialising in civil engineering. Mr Spitsyn has been an Independent Director of the Board of Directors of the Issuer since 8 May 2012. Mr Spitsyn is member of the Union of Architects of the Russian Federation and an active member of the Russian Academy of Natural Science. Since 2011 Mr Spitsyn has served as a member of the board of directors (independent director) of KEGOC. In 2010 Mr Spitsyn became a professor of Russian Academy of National Economy and Civil Service under the President of the Russian Federation. From 1994 to 2010 Mr Spitsyn was a professor of Russian Academy of Civil Service under the President of the Russian Federation, and between 1992 and 1994 he worked as professor in Centre of Problems of the Market Economy under the Russian Academy of Management. Between 1992 and 1998 Mr Spitsyn was an adviser to the President of Kazakhstan. Between 1998 and 2003 Mr Spitsyn was a consultant to the Committee on Economics of State Duma of Russian Federation.

Committees of the Board of Directors

The Charter of the Issuer provides for the constitution of certain committees by the Board of Directors, along with the election of the chairman and members of such newly created committees by the Board of Directors.

As at the date of this Base Prospectus, the Board of Directors has established a Nomination and Remuneration Committee, an Audit Committee and a Strategic Planning Committee.

The committees are composed of members of the Board of Directors and experts. Two-thirds of the members of such committees are required to be Independent Directors, and only an Independent Director can be a chairman of such committees.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is an advisory body of the Board of Directors. The Nomination and Remuneration Committee is responsible for the preparation and presentation of recommendations to the Board of Directors on issues concerning:

- the election or appointment of candidates as Independent Directors, members of the Management Board and Corporate Secretary appointments;
- the remuneration of members of the Board of Directors, Management Board and the Corporate Secretary in accordance with the objectives, mission, and current regulations of the Issuer; and
- the structure and transparency of the remuneration system of the directors, the Management Board members, and the Corporate Secretary.

The members of the Nomination and Remuneration Committee, as appointed by the Board of Directors, are as follows:

Name	Date of appointment	Position
Mr Gumarbek Daukeev	28 May 2012	Independent Director, Chairman of the Nomination and Remuneration Committee
Mr Anatoly Spitsyn	28 May 2012	Independent Director, member of the Nomination and Remuneration Committee
Ms Aigul Ordabayeva	28 May 2012	Chief manager of the human resources department of Samruk-Kazyna, the Nomination and Remuneration Committee's expert (without voting rights)

Audit Committee

The Audit Committee is an advisory body of the Board of Directors established mainly for the purpose of supporting the Board of Directors in its supervision of the Issuer's financial and economic operations. The Audit Committee is responsible for the preparation and provision of recommendations to the Board of Directors in relation to internal and external audit issues, and internal control and risk management systems. The members of the Audit Committee, as appointed by the Board of Directors, are as follows:

Name	Date of appointment	Position
Mr Luca Sutera	28 May 2012	Independent Director, Chairman of the Audit Committee
Mr Anatoly Spitsyn	28 May 2012	Independent Director, member of the Audit Committee
Mr Vladimir Kuzmin	28 May 2012	Chief manager of the department of audit and control of Samruk-Kazyna, the Audit Committee's expert (with voting rights)

Strategic Planning Committee

The Strategic Planning Committee is the advisory body of the Board of Directors established to formulate and assess recommendations relating to the strategy of the Issuer.

The members of the Strategic Planning Committee, as appointed by the Board of Directors, are as follows:

Name	Date of appointment	Position
Mr Anatoly Spitsyn	28 May 2012	Independent Director, Chairman of the Strategic Planning Committee
Mr Gumarbek Daukeev	28 May 2012	Independent Director, member of the Strategic Planning Committee
Mr Yerzhan Yelekeyev	25 October 2012	Chief manager of the strategy department of Samruk-Kazyna, the Strategic Planning Committee's expert (without voting rights)

The Strategic Planning Committee was established for the first time on 22 December 2011.

Internal Audit Service

In addition to the Audit Committee, the Issuer exercises control over its financial and business activities through its Internal Audit Service, which is supervised by the Audit Committee.

The principal duties of the Internal Audit Service are:

- conducting the internal audit of the Issuer;
- exercising control over the financial and business activities of the Issuer, the evaluation of internal control, risk management, the execution of documentation pertaining to corporate governance and advising generally on the development of the Issuer's activities in these spheres;
- monitoring the compliance of the Issuer's financial and business transactions with the laws of Kazakhstan and the Charter of the Issuer. This extends to monitoring the Issuer's adherence to the internal documents of the Issuer, the instructions of governmental bodies, recommendations of the external auditor and the resolutions of corporate bodies of the Issuer, along with supervising the internal audit services of the Issuer's subsidiaries; and
- evaluating information on the Issuer's financial condition.

The Board of Directors appoints the members of the Internal Audit Service. Employees of the Issuer's Internal Audit Service cannot be elected to the Issuer's Board of Directors or the Issuer's Management Board. There are no potential conflicts of interest between the duties of the members of the Internal Audit Service and their private interests or other duties.

The members of the Internal Audit Service, as appointed by the Board of Directors, are as follows:

Name	Date of appointment	Position
Ms Akmaral Seidigaliyeva	7 March 2012	Head of Internal Audit Service
Mr Nursultan Baltabayev	7 March 2012	Auditor of Internal Audit Service
Mr Ruslan Almussin	7 September 2012	Chief auditor of Internal Audit Service
Mr Chingiz Dossalin	28 May 2012	Chief auditor of Internal Audit Service
Mr Saken Kozhabekov	28 May 2012	Auditor of Internal Audit Service

Management Board

The Management Board is responsible for the day-to-day activities of the Issuer and may take decisions on any questions related to the Issuer, with the exception of those matters designated by the Joint Stock Companies Law and the Charter of Issuer as being the responsibility of other bodies and officials of the Issuer.

The Management Board's responsibilities include, among others, (i) implementing the decisions of the General Meeting of Shareholders and the Board of Directors, (ii) implementing the Issuer's development strategy and development plan, and the Issuer's key performance indicators and their target values approved by the Board of Directors, (iii) implementing the Issuer's business strategy and budget, (iv) considering, approving and submitting to the Board of Directors proposals and recommendations related to the Issuer's dividend policy, the procedure for distributing the net income of the Issuer for any reporting financial year, the determination and payment of dividends due in respect of the ordinary shares of the Issuer, (v) approving the Issuer's management structure, (vi) approving any increase in the liabilities of the Issuer that is equal to or greater than two per cent. and less than ten per cent. of its equity capital, (vii) approving transactions with intangible assets and transactions resulting in the Issuer purchasing or selling property equal to or greater than two per cent. and less than ten per cent. of its equity capital, (viii) approving interested party transactions with the companies within the Samruk-Kazyna Group and (ix) approving other decisions relating to the business of the Issuer that are not within the exclusive authority of the Board of Directors or the General Meeting of Shareholders.

The Chairman of the Management Board is appointed by the Issuer's Board of Directors and performs the duties of the chief executive. Among other duties, the Chairman of the Management Board represents the Issuer in relations with third parties, grants powers of attorney, executes any transactions that amount to less than two per cent. of the Issuer's equity capital, approves and signs employment agreements and allocates powers and responsibilities of the Issuer' employees.

As at the date of this Base Prospectus, the Management Board consists of six members as follows. There are no potential conflicts of interest between the duties of the members of the Management Board and their private interests or other duties.

Name	Year of Birth	Position
Mr Almasadam Satkaliyev	1970	Chairman of the Management Board of the Issuer
Mr Serik Ospanov	1973	First Deputy Chairman of the Management Board of the Issuer
Ms Gulbanu Pazylkhairova	1972	Deputy Chairman of the Management Board of the Issuer
Mr Kairat Maxutov	1970	Managing director of the Issuer
Mr Valery Lee	1951	Managing director of the Issuer
Ms Saltanat Shunayeva	1974	Director of the department of project management of the Issuer

Mr Almasadam Satkaliyev

See "*Board of Directors of the Issuer*"

Mr Serik Ospanov

Mr Serik Ospanov was born in 1973. In 1997 Mr Ospanov graduated from Semey State University specialising in mechanical engineering. In 1999 Mr Ospanov also graduated from Kazakh Academy of Management specialising in economics. On 13 February 2012, Mr Ospanov was appointed First Deputy Chairman of the Management Board. From 1993 to 1994, Mr Ospanov worked as engineer for the production of FSC "Zhetysu" RAO "Agropromenergo". In 1994 Mr Ospanov was appointed executive director of "Nazar" JSC and in 1997 he became general director of "Sapar" LLP. From 1998 to 2000, Mr Ospanov worked as director of marketing at "Electrim" LLP. From 2000 to 2001 Mr Ospanov worked as vice president of Marketing and Finance Corporation "TSC–group". In 2001 Mr Ospanov joined KEGOC as the deputy director of the commercial department and in 2006 he was appointed first vice president of KEGOC. From 2008 to 2009 Mr Ospanov became president of Alatau Zharyk. From September 2009 to December 2009 Mr Ospanov served as chairman of the supervisory board of "Saiman" JSC. From December 2009 to February 2012 Mr Ospanov served as first deputy chairman of the management board of KEGOC.

Ms Gulbanu Pazylkhairova

Ms Gulbanu Pazylkhairova was born in 1972. In 1994 she graduated from Kazakh National University specialising in economics. Also Ms Pazylkhairova graduated from Adilet Law School in 1997 specialising in law. Ms Pazylkhairova holds a PhD in economics. As at the date of this Base Prospectus, Ms Pazylkhairova holds various managerial positions. Ms Pazylkhairova has served as a member of the Management Board of the Issuer since 13 February 2012. Ms Pazylkhairova is head of the Issuer's credit committee and the committee for planning and evaluation activities. Further, Ms Pazylkhairova is a member of the board of directors of the Kazakhstan Electricity Association and chairman of the Committee on Renewable Energy of Kazakhstan Power Association. Ms Pazylkhairova started her professional career in 1994 as assistant of the department of the market economy of Kazakh National University. From 1995 to 1997 Ms Pazylkhairova worked as head of the evaluation and implementation of the collateral department and as head of the internal regulatory acts analysis department of Halyk Bank. In 1997 Ms Pazylkhairova joined ''Kazkommerts Securities'' JSC as a senior financial analyst. From 1998 to 2001 Ms Pazylkhairova worked as vice president of ''Pension Assets Management Company ''Ak niet'' JSC. From 2002 to 2010, Ms Pazylkhairova was vice president of corporate development at ''Ordabasy'' Corporation'' JSC and served as a member of the board of directors and chairman of the management board of ''Ordabasy'' Corporation'' JSC. In 2007 Ms Pazylkhairova joined ''Kazakh Utility Systems'' LLP as president and head of the supervisory board. Between 2008 and 2010 Ms Pazylkhairova served as chairman of the board of directors of ''Insurance Company ''Amanat Insurance'' JSC. Between 2010 and 2012 Ms Pazylkhairova was general director of ''New Smart Energy'' LLP.

Mr Kairat Maxutov

Mr Kairat Maxutov was born in 1970 and graduated from Karagandinskiy cooperative institute of Kazpotrebsoyuz in 1991 specialising in economics. Mr Maxutov has been a member of the Management Board since 2009. Mr Maxutov started his career in 1991 as an auditor of the account and control division of Karaganda's oblpotrebsoyuz. In 1992 Mr Maxutov joined the Karaganda branch of ''Igilik-bank'' AKB as chief expert of the investments and innovations department and became deputy director in 1995. Between 1997 and 1999 Mr Maxutov held the positions of financial adviser of ''Kamrau-Karaganda'' LLP, deputy chairman of the Administrative Council Zhayrem Attassuiskiy special economic zone and deputy Akim of Karazhal city. In 1999 Mr Maxutov joined the Karaganda branch of ''Alfa Bank subsidiary bank'' JSC as deputy director of the branch. From 2005 to 2008 Mr Maxutov worked as vice-president of economics at mining holding company ''Gefest''. Between 2008 and 2009 Mr Maxutov worked as managing director of ''Eurasian holding company'' LLP. Between 2009 and February 2012 Mr Maxutov served as deputy chairman on finance and economics of the Issuer's Management Board. Since February 2012 Mr Maxutov has been managing director of the Issuer. As at the date of this Base Prospectus, Mr Maxutov is also a member of the board of directors of Alatau Zharyk and a member of the board of directors of ZhGRES.

Mr Valery Lee

Mr Valery Lee was born in 1951. In 1974 he graduated from Moscow Power Engineering University specialising in mechanical engineering and in 1993 he graduated from the Almaty Institute of National Economy specialising in economics. Mr Lee has served as a member of the Management Board of the Issuer since 13 February 2012. Mr Lee started his professional career as master of start and adjuster unit at the trest (a form of company) ''Sredazenergomontazh'' in 1974. In 1981 Mr Lee became head of unit for the trest ''Sredazenergomontazh'' company. Between 1989 and 1992 Mr Lee worked as an engineer adjuster at ''Kazcommunoenergonaladka'' enterprise. From 1992 Mr Lee worked as deputy director on economics at ''Aiu'' company, and as deputy general director of ''Kazmetallstrahovanie'' JSC and as director of ''Lira'' LLP. Mr Lee returned to ''Sredazenergomontazh'' company as chief engineer in 1995 and in 1996 moved to NES ''Kazakhstan energo'' as chief specialist. In 1997 Mr Lee joined KEGOC and held various managerial positions.

Ms Saltanat Shunayeva

Ms Saltanat Shunayeva was born in 1974. In 1995 Ms Shunayeva graduated from the Kazakh State Academy of Management specialising in international economics. Ms Shunayeva has been a member of the Management Board of the Issuer since 13 February 2012. From 1993 to 1994 she worked as manager for external affairs of ''KOMPEKS-Atameken'' Trade House. From 1994 to 1995 Ms Shunayeva worked for ''Kazmetallbank'' AB as a leading specialist of the non-trading operations division. During 1995 Ms Shunayeva was an economist at the foreign trade department of KAB ''Turanbank''. In 1995 Ms

Shunayeva joined ''Eurasian Bank'' JSC and held various positions, which included serving as a member of the management board and as a managing director. From 2008 to 2010 Ms Shunayeva worked with ''Kazyna Capital Management'' JSC and held various managerial positions. In 2010 Ms Shunayeva joined the Issuer as managing director of investments and in February 2012 was appointed as a director of the Issuer's projects management department.

Proceedings Against the Directors and Management

At the date of this Base Prospectus, no member of the Board of Directors or Management Board has for at least the previous five years:

- had any convictions in relation to fraudulent offences;
- held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Corporate Governance

The Issuer believes that compliance with high corporate governance standards is one of the key factors in improving the efficiency of its operations and one of the main methods of protecting the rights and observing the interests of its shareholders. The Issuer strives to continue to improve its standard of corporate governance. The corporate governance of the Issuer is designed to establish a positive practice of interaction between the Issuer and its management bodies and shareholders, as well as to identify and minimise corporate governance risks.

The corporate governance of the Issuer has historically been carried out in accordance with the Joint Stock Companies Law, other regulatory acts governing operations of joint stock companies in Kazakhstan, the Charter of the Issuer and other corporate governance standards of the Issuer.

The Issuer complies with the corporate governance regime of Kazakhstan. Many concepts of corporate governance that are prevalent in the United States, the United Kingdom and other western European countries are considerably less developed in Kazakhstan. See ''*Risk Factors – Risks relating to Kazakhstan securities markets and the laws and regulations governing them – Corporate governance standards in the Republic of Kazakhstan are less developed than those in western Europe or the United States, and there is only limited protection of minority shareholders in the Republic of Kazakhstan*''.

The Issuer's Code of Corporate Governance

The Issuer's Code of Corporate Governance (the ''**Code**'') was adopted by order No.165-P dated 12 November 2007 of Samruk-Kazyna.

The Code covers, among other things, the following areas.

- Protection of the rights and interests of shareholders, including participation in the management of the Issuer.
- Transparency and objectiveness in the disclosure of information concerning the Issuer's activities, including its financial status, social and environmental impact, the results of its activities and its ownership and management structure, as well as free access to the above information.
- Legal and ethical compliance, including compliance with all applicable legislation, generally accepted business and ethical principles and practice, the Charter of the Issuer, the provisions of the Code, and the Issuer's contractual obligations.
- The Issuer's dividend policy, including maintaining a simple and transparent mechanism for identifying the rate of dividends payable and any conditions attaching to their payment.
- Human resources, including the protection of statutory rights available to the Issuer's employees, and aimed at developing a partnership-style relationship between the Issuer and its employees in resolving social issues and the regulation of labour conditions.

- Environmental protection, including compliance with all relevant legislation and generally accepted market standards of compliance and operations.
- The regulation of corporate conflicts and conflicts of interests, including the requirement that the members of the Board of Directors and the Management Board, as well as the Issuer's employees must perform their professional functions in good faith and reasonably, with due care and attention, in the interests of the Issuer and its shareholders, avoiding conflicts.

The Issuer aims to manage its subsidiaries and affiliates based on its corporate governance framework.

The Issuer exercises (i) its shareholder rights in general meetings of shareholders and (ii) its rights on boards of directors and/or supervisory boards of subsidiaries and affiliates in accordance with the requirements of current legislation, its Charter, internal documents and the foundation documents of its subsidiaries and affiliates.

The main objectives of interaction of the Issuer with its subsidiaries and affiliates are:

- to ensure sustainable financial development, revenue, increasing investment in the Issuer and its subsidiaries and affiliates;
- to secure the protection of rights and interests of shareholders;
- to improve relations between shareholders, officials and employees of the Issuer and its subsidiaries and affiliates, to make consistent arrangements in order to prevent conflicts between such groups and participants; and
- to develop and implement the strategic and investment policies of the Issuer and its subsidiaries and affiliates.

Management Remuneration

In accordance with the Issuer's Charter, the General Meeting of Shareholders determines the remuneration of the members of the Board of Directors, while the Board of Directors determines the remuneration of the Management Board and the Internal Audit Service.

Remuneration of the members of the Board of Directors

The Chairman of the Management Board has no right to remuneration as a member of the Board of Directors in the case that he is appointed to the Board of Directors of the Issuer. Representatives of Samruk-Kazyna on the Board of Directors are not entitled to remuneration for this role.

On 22 May 2009, the Management Board of Samruk-Kazyna adopted resolution ''On Remuneration Paid to the Independent Directors'' which stipulates that independent directors will receive remuneration for their services on a semi-annual basis. Such remuneration comprises of annual fixed fees and Board meeting attendance fees. Mr Sutera and Mr Spitsyn for 2012 each will receive annual fixed remuneration in the total amount of US$ 40,000 and additional remuneration for participation in each meeting of the Board of Directors' Committee in an amount of US$ 1,400. In 2012 Mr Daukeev will receive annual fixed remuneration in the total amount of KZT 3,400,000 and additional remuneration for participation in each meeting of the Board of Directors' Committee in an amount of KZT 200,000. Mr Sutera and Mr Spitsyn are paid their remuneration in U.S. dollars.

Remuneration is not paid to Independent Directors who participate in less than half of the meetings of the Board of Directors during the reporting period without a reasonable excuse.

Remuneration of the members of the Management Board

The Board of Directors of the Issuer determines the wages, payment conditions, and the payment of bonuses for the Chairman and members of the Management Board. The amount of remuneration paid to members of the Management Board depends on the level of difficulty and the volume of responsibility required for assigned tasks and specificity of work.

According to remuneration rules approved by the Board of Directors, the bonuses are not paid to the members of the Management Board in case of overruns of the current and capital expenditure budgets. The amount of the bonuses of the members of the Management Board depends on: (i) the actual growth rate of the Company's net income for the current year compared to the previous year; (ii) the implementation of the plan of the return on average capital employed (''**ROACE**''); (iii) the implementation of individual key performance indicators. The total amount of wages paid to members of the Management Board amounted to KZT 53.5 million and KZT 53.0 million for the years ended 31 December 2011 and 31 December 2010, respectively. According to the Decree of Samruk-Kazyna No. 23-P dated 7 April 2009 to reduce expenses in the Samruk-Kazyna Group as anti-recessionary measures the Management Board was prohibited from receiving bonuses between 2008 and 2010 and accordingly, no bonuses were paid during that period. The total amount of bonuses paid to members of the Management Board in 2011 amounted to KZT 99.57 million.

RELATED PARTY TRANSACTIONS

The following describes transactions that the Group has entered into with related parties as defined in IAS 24 ''Related Party Disclosures''. Parties are generally considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence or joint control over the other party in making financial and operational decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The related parties include the companies under the control of Samruk-Kazyna, key management of related companies and the companies controlled by such key management and the Government. Transactions with state-owned entities are not disclosed when they are entered into in the ordinary course of business with terms consistently applied to all public and private entities (i) when they are not significant; and (ii) if the Group's services are provided on the standard terms available for all customers; or (iii) where there is no choice of supplier of such services (as is the case for the supply of electricity and telecommunications). The Group has elected to disclose transactions with the entities of Samruk-Kazyna Group, joint ventures, associated entitites and shareholders. See also Note 6 to the Interim 2012 Consolidated Financial Statements, Note 31 to the 2011 Consolidated Financial Statements and Note 5 to the 2010 Consolidated Financial Statements.

Samruk-Kazyna Group companies are subject to specific procurement rules approved by Samruk-Kazyna. Under such rules, Samruk-Kazyna Group of companies should generally purchase goods and services through tender if the amount of the contract exceeds by 4,000 times the monthly calculated indicator (for 2012, one monthly calculated indicator equals KZT 1,618). Further, Samruk-Kazyna Group companies should generally purchase goods and services based on fee proposals if the amount of the contract is between 1,000 and 4,000 times the monthly calculated indicator. The rules, however, provide certain preferences to suppliers from Samruk-Kazyna Group companies, including the possibility to make direct procurement without tender or price quotation, from companies related to the Samruk-Kazyna Group as set out in the procurement rules. See ''*Regulatory Review – Procurement Regulations of Samruk-Kazyna*''.

The income and expense items with related parties for the six month ended 30 June 2012 and 2011 were as follows:

	Six month ended 30 June		**Year ended 31 December**		
	2012	**2011**	**2011**	**2010**	**2009**
	(In millions of Kazakhstan Tenge)				
Revenues	1,726	2,842	3,099	3,053	2,822
Other Income	211	–	1	–	8
Expenses[1]	14,058	12,273	23,964	43,940	12,970

1 The expenses line item consists of cost of sales, general and administrative expenses, distribution costs, other expenses, finance costs net of finance income, loss on foreign exchange, gain on origination on loan from shareholders recorded in equity, loss on early redemption of loan previous loan recorded in equity.

The amount due from and amount due to related parties for the six month ended 30 June 2012 and for the years ended 31 December 2011, 2010 and 2009 were as follows:

	As at 30 June	**As at 31 December**		
	2012	**2011**	**2010**	**2009**
	(In millions of Kazakhstan Tenge)			
Amounts due from related parties[1]	5,332	5,002	11,087	49
Amounts due to related parties[2]	52,498	54,080	38,229	63,980

1 Amounts due from related parties consists of trade and other receivables, other current assets, loans given and other non-current assets.

2 Amounts due to related parties consists of trade and other payables, other payables, loans received and provisions for liabilities and charges.

Part of the Group's cash and cash equivalents are kept at the banks that are under common control with the Group. The below are presented the amounts that are kept in such banks as at 30 June 2012 and the years ended 31 December 2011, 2010 and 2009:

	As at 30 June		As at 31 December	
	2012	2011	2010	2009
	(In millions of Kazakhstan Tenge)			
Cash and cash equivalents, deposits kept at banks under common control	5,921	52,938	4,989	24

The material related party transactions entered into by the Issuer during 2010 – 2012 and described below can be considered as transactions entered into not on an arm's length basis. The majority of such material related party transaction are loans, financial aids and guarantees between Samruk-Kazyna Group companies, the Issuer and its Group. For the purpose of this table material means transactions with a value in excess of US$ 1 million.

No	Counterparty	Date	Description	Amount
1	JSC KazMunaiGas Refining and Marketing	25.01.2012	The Issuer provided two guarantees in relation to the liabilities of ZhGRES	KZT 485 mln and KZT 388 mln
2	Samruk-Kazyna	14.01.2011	Loan facility to the Issuer for construction of power substations of Alatau Zharyk	KZT 7 bln
3	Alatau Zharyk	31.01.2011	The Issuer provided a loan for construction of power substations of Alatau Zharyk	KZT 7 bln
4	Moinak HPP	04.03.2011	The Issuer provided financial aid	KZT 858.9 mln
5	Moinak HPP	25.04.2011	The Issuer provided financial aid	KZT 853.1 mln
6	Moinak HPP	27.05.2011	The Issuer provided financial aid	KZT 473.9 mln
7	Almaty Power Stations	03.06.2011	The Issuer provided financial aid	KZT 720 mln
8	Moinak HPP	17.06.2011	The Issuer provided financial aid	KZT 1.186 bln
9	Almaty Power Stations	17.06.2011	The Issuer provided financial aid	KZT 450 mln
10	Almaty Power Stations	29.07.2011	The Issuer provided financial aid	KZT 4.237 bln
11	Almaty Power Stations	21.10.2011	The Issuer provided financial aid	KZT 1 bln
12	Shardara HPP	26.01.2011	The Issuer provided financial aid	KZT 1 bln
13	Samruk-Kazyna	17.03.2010	Refinancing of a loan for the acquisition of 50 per cent. of the shares of Forum Muider	KZT 47.622 bln
14	Samruk-Kazyna	18.03.2010	The Issuer received financial aid	KZT 11.546 bln
15	Alatau Zharyk	09.11.2010	The Issuer provided financial aid	KZT 503 mln
16	Almaty Power Stations	09.11.2010	The Issuer provided financial aid	KZT 395 mln
17	Almaty Power Stations	21.10.2010	The Issuer provided financial aid	KZT 341 mln
18	Alatau Zharyk	21.09.2010	The Issuer provided financial aid	KZT 1.136 bln
19	SESS	21.09.2010	The Issuer provided financial aid	KZT 217 mln
20	Alatau Zharyk	18.05.2010	The Issuer provided financial aid	KZT 600 mln
21	Samruk-Kazyna	21.06.2010	The Issuer received financial aid	KZT 20.8 bln
22	Alatau Zharyk	09.07.2010	The Issuer provided financial aid	KZT 340 mln
23	Almaty Power Stations	18.11.2010	The Issuer provided financial aid	KZT 1.1 bln
24	Alatau Zharyk	02.02.2010	The Issuer provided financial aid	KZT 208 mln

Contribution to the Group's Revenues

As a result of the foregoing, the Group derived 3.6 per cent. and 6.4 per cent. of its revenue from transactions with related parties for the six month periods ended 30 June 2012 and 30 June 2011 respectively, and 3.6 per cent., 4.0 per cent. and 4.4 per cent. for the years ended 31 December 2011, 31 December 2010 and 31 December 2009 respectively.

INDUSTRY OVERVIEW

The information contained in this section has been extracted from publicly available sources and other publications. There is not necessarily any uniformity of views among such sources as to the information provided therein. In the case of statistical information presented herein, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. The Issuer confirms that the information contained in this section has been accurately reproduced and that, so far as the Issuer is aware, and is able to ascertain from information published by publically available sources and other publications, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Publicly available information provided by MINT, the NSA, KEGOC, KOREM, EBRD, the State Programme for Electricity Development in Kazakhstan for the period 2010-2014, the National Programme for Accelerated Industrial and Innovation Development of the Republic of Kazakhstan for the period 2010-2014, the official website of the President of Kazakhstan and the United Nations Development Programme has been incorporated into this section.

Overview

Since independence Kazakhstan has made significant strides in reforming its power sector. Almost all power-generating stations were privatised in order to improve the overall efficiency of the sector. The privatisation process was implemented in tandem with the introduction of market reforms to reduce the price of electricity.

According to NSA, the power sector accounts for over 10 per cent. of the total industrial production of Kazakhstan, and the average annual growth rate of power consumption in Kazakhstan is 5-6 per cent. In 2011 electricity generation in Kazakhstan accounted for 86,203 million KWH, whereas the consumption of electricity was 88,136 million KWH, according to KEGOC. The shortfall was covered through imports of electricity from Russia, Kyrgyzstan and other Central Asian countries.

Kazakhstan has the potential to further develop its power sector because of its abundant natural resources, including large coal and uranium reserves, substantial quantities of natural gas and underexplored petroleum deposits. According to the official website of the President of the Republic of Kazakhstan, as at the date of this Base Prospectus, Kazakhstan has the world's eighth largest reserves of coal, the second largest reserves of uranium and the ninth largest reserves of oil.

According to the State Programme for Electricity Development in Kazakhstan for the period 2010-2014, more than 74 per cent. of total power generation in Kazakhstan comes from coal-fired plants, many of which are located in the coal producing regions of Northern Kazakhstan. Kazakhstan's hydroelectric facilities are another source of power generation comprising approximately 12 per cent. of total generation and located primarily along the river Irtysh, which flows from China across northeast Kazakhstan. The remaining 14 per cent. comes from power stations fuelled by oil, gas and renewable sources other than hydropower.

Kazakhstan's large territory presents challenges to power transmission and distribution. Long distances between cities (on average 300 – 500 km) cause transmission losses and raise the cost of production. Moreover, a significant part of the capital assets in the power sector are old and in need of repair. According to KEGOC, 65 per cent. of the equipment contained within Kazakhstan's power stations is more than 20 years old, 30 per cent. of the equipment is more than 30 years old and the remaining 5 per cent. of the equipment is less than 20 years old. According to MINT approximately 36 per cent. of Kazakhstan's gas turbines, almost 27 per cent. of its hydro turbines, and 23 per cent. of its steam boilers operate in excess of the regulatory period established by the manufacturer. According to KEGOC, electricity transmission networks are also inefficient, with losses during transmission and distribution estimated at around 20 per cent. of electricity produced. Kazakhstan's power-generating facilities and infrastructure are in an urgent need of upgrade. Therefore, the improvement of the electricity grid and existing power stations is a current priority of the Kazakhstan authorities.

The power industry remains a key factor in Kazakhstan's industrial development and economic growth. The Government has a national programme for the development of Kazakhstan's power sector through to 2015. This includes a list of power plants that require reconstruction and modernisation in addition to contemplating the construction of new facilities.

The Unified Power System of Kazakhstan

The Unified Power System of Kazakhstan is a set of power plants, power grids and related facilities that provides power to the consumers of Kazakhstan. The Unified Power System of Kazakhstan occupies a large area and is located in the centre of the Eurasian continent's electricity grid. Kazakhstan has 24,100 km of 35-1,150 KV high voltage electricity transmission lines and 74 electric power substations with an established transmission capacity of 34,409 MVA. This ensures cross-border electric power flows, the supply of electricity from power plants and the connection between the regional power companies and major consumers.

The Unified Power System of Kazakhstan consists of three major power zones: Western, Northern and Southern, according to KEGOC.

The Western zone comprises the Atyrau, Western-Kazakhstan and Mangistau regions. This area contains most of the country's oil and gas assets and the majority of power supplied in this region is imported from Russia.

The Northern zone comprises the Akmola, Aktobe, Eastern-Kazakhstan, Karaganda, Kostanai, Northern-Kazakhstan and Pavlodar regions. As at the date of this Base Prospectus, almost 80 per cent. of Kazakhstan's total electricity production is located within this zone, according to KEGOC. This zone exports excess power to the Southern zone and Russia. The cost of generating power is lower here because of a proximity to coal reserves, reducing transportation costs.

The Southern zone comprises the Almaty, Zhambyl, Kyzylorda regions, together with Southern Kazakhstan. According to the NSA, this zone contains 46.5 per cent. of Kazakhstan's population. The deficit in power generating resources in this zone means that it encounters electricity shortages, has higher electricity prices than elsewhere in Kazakhstan and imports power from other Central Asia countries.

According to KEGOC, more than half of the power stations in Kazakhstan (52 per cent.) are located in the Northern zone, 25 per cent. in the Southern zone and 23 per cent. in the Western zone.

Electricity Capacity and Output

The aggregate installed electricity capacity in Kazakhstan as of 31 December 2011 was 19,798.1 MW and the production capacity was 15,765 MW (due to the age and disrepair of some of the assets and losses in the transmission system). Electricity in Kazakhstan is generated by 68 power plants.

As at the date of this Base Prospectus, 84.7 per cent. of Kazakhstan's electricity production comes from coal-fired plants, 9.1 per cent. from hydropower plants and 6.2 per cent. from gas turbine stations. There is no nuclear power in Kazakhstan at present.

The table below shows the installed and production electricity capacity of Kazakhstan as at the dates indicated:

	As at 31 December		
Electricity capacity (MW)	**2011**	**2010**	**2009**
Installed electricity capacity	19,798.1	19,440.5	19,127.9
Production electricity capacity	15,765.0	15,291.0	14,821.0

Source: KEGOC

According to the NSA, Kazakhstan produced its highest ever volume of electricity in 1990 with 104.7 billion KWH. According to the NSA, the deterioration of the economy between 1992 and 1999 led to a reduction in electricity production and consumption, with electricity consumption falling to a low of 50.3 billion KWH in 1999.

Electricity generation and consumption increased in Kazakhstan between 2000 and 2007 as Kazakhstan's economy stabilised and grew on average 10 per cent. per year during this period according to the NBK. According to KEGOC, in 2003, electricity generation for the first time exceeded consumption and Kazakhstan began exporting electricity to Russia.

According to KEGOC, the impact of the global economic crisis on Kazakhstan's economy led to a decrease in electricity generation of 3.3 per cent. in 2009 to 78.4 billion KWH, compared to 2008. In 2010, economic recovery led to growth in electricity generation to 82.3 billion KWH, although Kazakhstan's annual power generation has not yet reached the level of 1990, according to KEGOC.

According to KEGOC, in 2011 the volume of electricity generated in Kazakhstan was 86,203.0 million KWH including: coal-fired plants – 73,031.3 million KWH, hydropower plants – 7,849.0 million KWH, and gas turbine stations – 5,322.7 million KWH.

The table below shows the production of electric power in Kazakhstan for the periods indicated:

	Year ended 31 December		
Electricity output (million KWH)	**2011**	**2010**	**2009**
Kazakhstan	**86,203.0**	**82,295.6**	**78,433.7**
by type:			
Coal-fired power plants	73,031.3	69,463.3	67,096.7
Hydro-electric power plants	7,849.0	7,989.6	6,859.4
Gas turbine stations	5,322.7	4,842.7	4,477.6
by zone:			
Northern zone	68,313.5	65,204.0	59,723.7
Southern zone	8,484.2	8,229.4	8,161.1
Western zone	9,405.3	8,862.2	10,548.9

Source: KEGOC

As at the date of this Base Prospectus, a dominant position on the market in terms of electricity production is occupied by the four highest-generating power plants, which have the following share of Kazakhstan's total electricity production:

- EEC power station with 16.2 per cent.;
- Ekibastuzskaya GRES-1 with 15.5 per cent.;
- Ekibastuzskaya GRES-2 with 6.9 per cent.;
- Karaganda GRES-2 with 5.4 per cent.

The total share of electricity production by the aforementioned stations for 2011 amounted to 38,010.3 million KWH or 44.1 per cent. of the total electricity production in Kazakhstan.

The table below illustrates the list of 10 largest electricity producers in Kazakhstan by volume of power generation in 2011, according to KEGOC:

Position	Power station	Shareholder	Electricity output, million KWH	Share in total electricity generation, per cent.	Installed capacity, MW	Production capacity, per cent. of installed
1	Power station EEC JSC	ENRC	13,993	16.2	2,425	98.6
2	Ekibastuzskaya GRES-1	50/50 Issuer and Kazakhmys	13,402	15.5	4,000	57.4
3	Ekibastuzskaya GRES-2	50/50 Issuer and Inter RAO	5,918	6.9	1,000	94.0
4	Karaganda GRES-2	Kazakhmys	4,698	5.4	663	100.0
5	Bukhtarminskaya GES	90 per cent. – owned by Issuer	2,541	2.9	675	100.0
6	Petropavlovsk CHP-2	SevKazEnergo Petropavlovsk LLP	2,513	2.9	347	98.0
7	CHP MAEK	MAEK-Kazatomprom JSC	2,502	2.9	625	72.0
8	CHP of Aluminium Kazakhstan JSC	ENRC	2,488	2.9	350	97.1
9	Karaganda CHP-3	Karaganda-Energocentr JSC	2,469	2.9	440	89.8
10	Almaty TPP-2	Almaty Power Stations	2,402	2.8	510	80.6
	Other stations		33,277	38.7	8,763	78.3
	TOTAL		**86,203**	**100 %**	**19,798**	**79.6 %**

As at the date of this Base Prospectus, there is an increasing risk of electricity shortages in Kazakhstan, especially in the Southern zone. There is less excess electricity supply available from neighbouring countries (Russia and Central Asian countries) than in previous years due to an increase in internal demand in these countries. Growing electricity demand in Kazakhstan may lead to a future electricity capacity deficit. The fluctuating nature of electricity demand, which varies widely both on a seasonal and daily basis, requires Kazakhstan's power system to cover peak levels of demand in every region to avoid blackouts.

Energy Sources for Power Generation

Fossil Fuels

According to KEGOC, as at the date of this Base Prospectus, around 90 per cent. of Kazakhstan's electricity comes from fossil fuel-powered stations. Fossil fuel-powered stations can be categorised, both by the type of fuel used and by the type of generated product into condensing power plants (which only generate electricity) and co-generation power plants (which generate both electricity and heat).

According to KEGOC, the installed capacity of condensing power plants in Kazakhstan is 9.3 GW, of which 7.1 GW is coal based (76 per cent.); and 6.9 GW is generated by co-generation power plants (77 per cent. of which are coal-fired). According to KEGOC, co-generation power plants in Kazakhstan meet about 40 per cent. of domestic heat demand and 48 per cent. of electricity demand.

Coal-fired power plants constitute a considerable part of the country's energy sector, owing to Kazakhstan's abundant coal reserves and a developed coal industry. According to the Issuer, Kazakhstan contains Central Asia's largest recoverable coal reserves, with 33.6 billion short tonnes of mostly anthracitic and bituminous coal.

Hydropower

According to KEGOC, hydropower accounts for approximately 9 per cent. of Kazakhstan's total generating capacity. According to EBRD, average annual hydropower generation in Kazakhstan amounts to 7.78 billion KWH. According to the same source, Kazakhstan ranks third out of all CIS countries in terms of potential hydropower resources. Hydropower resources are spread throughout the country, with three major concentrations: the Irtysh River basin, with its main tributaries (Bukhtarma, Uba, Ulba, Kurchum, Kardzhil), the Ili River basin in the Southern zone, and the basins of Syrdaria, Talas and Chu rivers in the Southern zone.

HPP developments in Kazakhstan include the reconstruction and renovation of existing small hydropower stations (‘‘**Small HPP**’’), and the construction of new Small HPP to supply power to users in the outlying districts of the power network.

Favourable factors for the development of Small HPP are:

- the interest of the regional authorities in Small HPP;
- private investors in Small HPP are provided with state short-term loans; and
- privileges (tax reliefs) in the realisation of investment projects.

In addition to the development of Small HPP, Kazakhstan, as at the date of this Base Prospectus, has several hundred MW of capacity under construction in the form of large hydropower plants.

Wind

According to the United Nations Development Programme in Kazakhstan, approximately 50 per cent. of Kazakhstan’s territory has an average wind speed of approximately 4-5 metres per second at a height of 30 metres. The wind power generating potential of Kazakhstan is at around 1,820 billion KWH per year, spread over most of the country. Wind sites are mostly located in the Caspian Sea area of the Atyrau and Mangistau regions, and in central and southern Kazakhstan. According to the Committee on Renewable Energy Sources of the Kazakhstan Electricity Association, due to the density of wind capacity approximating 10 MW/km^2, there is significant potential to install wind farms in Kazakhstan. The development of the wind energy sector in Kazakhstan is largely dependent on the availability of reliable meteorological data on wind potential in a given area. Such measurements were recorded for the Djungar Gates and Shelek Corridor sites in the frame of the United Nations Development Program (UNDP)/ Global Environment Facility (GEF) project ‘‘Kazakhstan – Wind Power Market Development Initiative’’. According to this project, in Djungar Gates, potential of wind power capacity for electricity generation is estimated to be 525 W/m^2. In Shelek Corridor, it is approximately 240 W/m^2. Both sites are considered ideal for large wind farm construction.

Solar

Kazakhstan also has the potential to develop a solar power production industry. According to the Center for Energy Research of ‘‘Nazarbayev University’’, the number of daylight hours is usually between 2,200-3,000 per year, and the energy from solar radiation is estimated to be 1,300-1,800 KW/m^2 per year. Despite the very favourable conditions for solar energy, there is little use of the resource. However, as at the date of this Base Prospectus, JSC ‘‘Kazatomprom’’ is building a plant for the production of solar batteries in Astana.

Electricity Consumption

According to KEGOC, electricity consumption for the year 2011 in Kazakhstan amounted to 88,136 million KWH, representing an increase of 4,368.9 million KWH (5.2 per cent.) compared to the same period in 2010. In 2009, the electricity consumption was approximately 78 billion KWH, according to the same source.

The table below shows electricity consumption in Kazakhstan for the periods indicated:

	Year ended 31 December		
Electricity consumption (million KWH)	**2011**	**2010**	**2009**
Kazakhstan	**88,136.0**	**83,767.1**	**77,959.7**
Northern zone	60,588.7	58,327.2	50,813.5
Southern zone	17,965.7	16,176.4	15,016.2
Western zone	9,581.6	9,263.5	12,130.0

Source: KEGOC

According to KEGOC, as a percentage of total electricity consumption, industry accounts for approximately 69.6 per cent, construction for 1.3 per cent., agriculture for 2.5 per cent., transportation and logistics for 6.3 per cent., and other sectors of economy account for 11.6 per cent. Household consumption accounts for the remaining 8.7 per cent.

The table below shows electricity consumption and production in Kazakhstan for the periods indicated:

Electricity consumption and production (million KWH)	Year ended 31 December 2008	2007	2006	2005
Electricity consumption	80,626.6	76,273.8	73,248.6	68,490.8
Electricity production	80,341.2	76,621.5	71,656.6	67,916.3

Source: NSA

Import/Export of Electricity

According to KEGOC, the trade balance of electricity export/import flow of Kazakhstan in 2011 amounted to net imports of 1,933 million KWH, representing an increase of 461.5 million KWH (31.4 per cent.) compared to 2010. In 2009 electricity production exceeded domestic consumption, and Kazakhstan's net exports of electricity amounted to 474.0 million KWH.

The table below illustrates the import and export of electricity for the periods indicated:

Import and export of electricity (million KWH)	Year ended 31 December 2011	2010	2009
Import	**2,633.1**	**2,035.2**	**1,771.7**
Russia	176.3	401.3	584.6
Kyrgyzstan (Central Asia)	2,456.8	1,633.9	1,187.1
Export	**700.1**	**563.7**	**2,245.7**
Russia	382.2	563.7	2,157.3
Uzbekistan (Central Asia)	-17.9	0	88.4
Total trade balance	**1,933.0**	**1,471.5**	**(474.0)**
Russia	(205.9)	(162.4)	(1,572.7)
Central Asia	2,138.9	1,633.9	1,098.7

Source: KEGOC

Owing to the fact that Kazakhstan's electricity transmission and distribution network was constructed as a part of the Soviet Union's electricity system and is concentrated in the Northern zone of Kazakhstan closest to the main sources of power generation, Kazakhstan is forced to import electricity to serve the Southern and the Western zone of Kazakhstan. Kazakhstan imports electricity from Russia in the Western zone and from the Kyrgyzstan and Uzbekistan in the Southern zone, due to these zones' lack of installed generating capacity.

The table below shows the import and export of electricity in Kazakhstan for the periods indicated:

Import and export of electricity (million KWH)	Year ended 31 December 2008	2007	2006	2005
Import	2,768.0	3,268.7	4,880.4	4,522.3
Export	2,482.6	3,616.4	3,288.4	3,977.8

Source: NSA

Power Sector Framework

Electricity Industry Law

The Electricity Industry Law is dated 9 July 2004. This law regulates the general rules and conditions of using electricity, and has established the framework for the regulation of the electricity industry (see "*Regulatory Review*").

Renewable Energy Sources Law

In July 2009 Kazakhstan's President signed the final amendments to the Law "On Promotion of Use of Energy from Renewable Sources", which established a full regulatory framework for the division. The law obliges all electricity transmission companies to allow the renewables sector to connect to the grid. In addition, the legislation states that 5 per cent. of Kazakhstan's total energy balance must be renewable by 2024 (see "*Regulatory Review*").

Energy Efficiency Law

The Law of Kazakhstan "On Energy Conservation and Energy Efficiency" dated 13 January 2012 regulates the general rules and conditions of using electricity, and has established the framework for the regulation of energy efficiency (see "*Regulatory Review*").

Kyoto Protocol

Kazakhstan signed the Kyoto Protocol in March 1999 and it was approved by the Kazakhstan Parliament in February 2009. The President of Kazakhstan ratified the document in June 2009. Kazakhstan is able to sell emission rights to countries that have exceeded their pollution quotas. According to the country's own latest assessment (2009) for the UN Framework Convention on Climate Change (UNFCCC), its total greenhouse gas emissions in 2005 amounted to the equivalent of 237 million tonnes of carbon dioxide, or about 74 per cent. of the level in 1990. The energy industry accounted for 83 per cent. of the total, up from 80 per cent. in 1990. According to this assessment, most of the proposed reductions in greenhouse gas emissions over the forecast period can be achieved by upgrading existing generating capacity to make it more fuel-efficient and cleaner, a process that will require substantial investment. The assessment also envisions greater use of coal from 2015 onwards, because of its cost advantages over other fuels, including natural gas (see "*Regulatory Review – Greenhouse gases regulation*").

The National Programme for Accelerated Industrial and Innovation Development of the Republic of Kazakhstan for the period from 2010 to 2014

One of the main targets of the National Programme for Accelerated Industrial and Innovation Development of Kazakhstan for the period from 2010 to 2014 (the "**National Programme**") is to reduce the energy intensity of industry in order to make Kazakhstan's economy more competitive. The National Programme also has the goal of producing one per cent. of total electricity from renewable energy sources by 2015.

According to the National Programme agenda, the Government plans to spend approximately 6.8 billion U.S. dollars (or 11 per cent. of its total investment funds) to improve power producing sites and to develop infrastructure. Half of this funding is to be allocated to the reconstruction of Ekibastuzskaya GRES-2 and the construction of Balkhashskaya TPS. These two electricity producing stations will allow Kazakhstan to reduce its imports of electricity in the south from the Kyrgyzstan and Uzbekistan and in the west of the country, from Russia.

State Programme for Electricity Development in Kazakhstan for the period 2010-2014.

The electricity development programme plans to invest over KZT 2.3 trillion in Kazakhstan's electricity sector between 2010 and 2014. In particular, KZT 1.6 trillion is to be allocated to the construction of generating capacity, KZT 368 billion to the construction and reconstruction of power facilities, KZT 107 billion to projects in the field of renewable energy sources, and KZT 235.91 billion to the development of the coal industry. The Government plans to increase electricity generation to 97.9 billion KWH by 2015, thus completely covering Kazakhstan's projected electricity consumption of 96.8 billion KWH for 2015.

State Regulatory and Supervisory Bodies

The State Energy Supervision Committee under MINT supervises:

- compliance with the technical requirements of the regulatory legal acts of Kazakhstan in the power sector;
- the operation and technical conditions of the power equipment at the power plants, electric and heat networks as well as the electrical and heating installations of consumers;
- compliance with the technical specifications for quality of electrical and heat energy;
- rules on using the electric and heat energy within the competency of the State Energy Supervision Committee;
- the efficient and economic usage, optimisation of generation, transmission and consumption of electric and heat energy; and

- the availability of power plants and electric and heat networks for operation during winter seasons.

The Anti-Monopoly Agency is the governmental authority responsible for the regulation of natural monopolies and regulated markets, including the electricity sector, in accordance with procedures established by the Laws of Kazakhstan.

The Competition Agency is responsible for the control and supervision of market participants' operations, the protection and development of competition and the protection of consumer's rights in the particular commodity market (including the electricity market).

Power Sector Structure

The power industry of Kazakhstan contains the following sectors:

- the generation of electricity;
- the transmission of electricity;
- the supply of electricity; and
- other activities (such as the construction, commissioning and repairing of power facilities) in the electricity sector.

Electricity generation sector

There are 68 organisations in Kazakhstan engaged in the generation and sale of electricity to wholesale consumers and power supply organisations. The table below represents the largest 9 power-generation companies in Kazakhstan by market share on an equity adjusted basis and the Group and the Group's joint ventures (including equity-adjusted basis adjustments) as at 31 December 2011:

Rank	Company name	Installed capacity, MW	Market share (by capacity), %	Electricity output, million KWH	Market share (by electricity output), %
1	The Group (excluding its share of joint ventures)	1,441	7.3	6,611	7.7
2	The Group (on an equity adjusted basis)	2,556	12.9	10,004	11.6
3	ENRC Plc	3,177	16.0	19,352	22.4
4	Kazakhmys	3,025	15.3	13,154	15.3
5	"Arcelor Mittal Temirtau" JSC	567	2.9	2,059	2.4
6	"Pavlodarenergo" JSC	562	2.8	3,152	3.7
7	"Karaganda Energy Centre" LLP	472	2.4	2,533	2.9
8	"Astana-Energy" JSC	382	1.9	2,375	2.8
9	"SevKazEnergo Petropavlovsk" JSC	347	1.8	2,513	2.9
10	"Jet-7" LLP	180	0.9	556	0.6
11	Others	8,530	43.1	30,505	35.4
	Total	**19,798**	**100.0**	**86,203**	**100.0**

Source: KEGOC

Power stations are divided into stations of national importance, industrial stations and stations of regional importance.

Power stations of national importance include large heat energy plants, which are essential to ensure the production and sale of electricity to customers in the wholesale electricity market and include:

- Ekibastuzskaya GRES-1;
- Ekibastuzskaya GRES-2;
- "Eurasian Energy Corporation" (Aksu GRES);
- "GRES "Kazakhmys" Corporation"; and
- ZhGRES.

The following large hydroelectric power stations are additionally used to control the production schedule of the Unified Power System of Kazakhstan:

- Bukhtarminskaya GES;
- Ust-Kamenogorskaya GES; and
- Shulbinskaya GES.

Industrial power stations consist of gas turbine stations owned by oil and gas entities solely focused on satisfying their own energy needs.

CHP, which produce both electricity and heat are used for electricity supply and the heating of large industrial enterprises and nearby communities. This category includes the following power stations:

- Hydro Thermal Power Plant of "Tengizchevroil";
- Hydro Thermal Power Plant of "PetroKazakhstan Kumkol Resources";
- Hydro Thermal Power Plant of "Karachaganak Petroleum Operating Company";
- CHP-3 of "Karaganda Zhylu";
- CHP of "Arcelor Mittal Temirtau";
- Rudnenskii CHP ("SSGPO");
- Balkhash CHP, Zhezkazgan CHP of Kazakhmys;
- Pavlodar CHP-1 of "Kazakhstan Aluminium";
- Shymkent CHP-3 ("Yuzhpolimetal") and others.

Power stations of regional importance are CHP integrated in certain areas to supply electricity through a network of Regional Electricity Companies ("**RECs**") and Electricity Transmission Organisations ("**ETOs**") in order to heat nearby towns.

Electricity transmission sector

The electricity transmission network of Kazakhstan is a complex of substations and distribution facilities. According to KEGOC, it connects 4.4-1,150 KV electricity transmission lines, used for the transmission and distribution of electricity.

The national power grid plays an instrumental role by underpinning the network of the Unified Power System of Kazakhstan. It provides electricity connections between the regions of Kazakhstan and with the power systems of the neighbouring countries (Russia, Kyrgyzstan and Uzbekistan), as well as electricity transmission from power plants to the wholesale consumers.

KEGOC is the system operator that owns the substations, switchgear installations, interregional and cross-border transmission lines, as well as the transmission lines for the delivery of power from power plants, all of which are 220 KV or higher and comprising of the national power grid.

The main types of KEGOC's services are as follows:

- the electricity transmission via the interregional networks;
- the technical dispatching of electricity supply to network and consumption; and
- the balancing of electricity production and consumption.

According to KEGOC, KEGOC owns 74 electric power substations with an installed transmission capacity of 34,408.65 MVA and 293 power transmission lines consisting of varying voltage levels in the range of 35 – 1,150 KV. KEGOC ensures cross-border electricity flows, the supply of electricity from power plants and ensures there are connections between regional electricity companies and major consumers. The total length of power lines is 24,101.19 km, including: 1,421.225 km of 1,150 KV lines, 6,419.677 km of 500 KV lines, 1,759.482 km of 330 KV lines, 14,104.895 km of 220 KV lines, 351.781 km of 110 KV lines, and 44.13 km of 35 KV lines.

RECs own and operate the networks on a regional level. They provide electrical lines in the region and deliver electricity to retail consumers.

ETOs perform the contractual transmission of electricity via their own or rented electrical networks to customers of the wholesale and retail electricity markets or electricity purchase and sale companies.

The National Dispatch Centre of System Operator (''**NDC SO**'') is KEGOC's branch responsible for the centrally-managed dispatcher control of the Unified Power System of Kazakhstan. NDC SO regulates the operation modes of power plants and electricity networks of Kazakhstan's Unified Power System, and cross-border connections in cooperation with the dispatchers of ''SO UES'' OJSC (Russia: Siberia Dispatch Control, Ural Dispatch Control, Mid Volga Dispatch Control, South Dispatch Control) and the ''Energiya'' Coordinating Dispatch Control (the power system of Uzbekistan).

Power supply sector

The power supply sector of Kazakhstan's electricity market consists of electricity purchase and sale companies (''**EPSCs**'') engaged in the purchase and sale of electricity. EPSCs purchase electricity from either power-generating organisations or through centralised auctions and then re-sell electricity to end consumers.

Other Activities in the Power Sector

The provision of services for the construction and commissioning of power facilities, individual power plants and specialised repair services for the participants of the electricity market are performed by construction organisations and specialist maintenance companies.

The challenges of developing efficient and environmentally-friendly technologies for the generation and supply of electricity to consumers are addressed by the following scientific research centres: ''KazNIPIEnergoprom'', the ''Energy'' Institute, the ''Almaty Hydro Project'', the ''Kazselenergoproyekt'', the ''KazNIIEnergetiki'', and other design and survey institutes.

The Kazakhstan Electricity Association brings together power generation, transmission and supply organisations and participants of the Kazakhstan wholesale electricity market.

The main objectives of the association are:

- to support all organisations whose operations are associated with the power industry;
- to participate in the development of the Government programmes, laws and regulations relating to the power sector; and
- to support and protect its members when the interests of the industry depend on decisions of the Government, judicial and other bodies.

In 1999, the Kazakhstan electricity market participants (generating companies, REC, KEGOC and the wholesale electricity purchasers) established the Kazakhstan Reserve Capacity Pool (''**KRC Pool**''). The main objective of the KRC Pool is to provide capacity reserves on a contractual basis to secure an uninterrupted supply from the KRC Pool founders. The KRC Pool is designed to address any unexpected failures of generating capacity and transmission lines in Kazakhstan.

Electricity market of Kazakhstan

Power supply in Kazakhstan is carried out by way of the electricity and heat energy markets, in which electricity and heat energy are considered commodities. The electricity market operates on both a wholesale and retail level, whereas the heat energy market is a single-level retail market.

Wholesale electricity market

The functional structure of the wholesale electricity market of Kazakhstan includes:

- a decentralised market, functioning on the basis of sale and purchase agreements executed by market participants at prices within the capped tariff and on terms of supply determined by agreement amongst the participants;
- a centrally-managed electricity market of short-term (spot), medium-term (weekly or monthly) and long-term (quarterly or annual) transactions. The management of centralised market operations is undertaken by KOREM, acting as the operator of a centrally-managed electricity market;
- a real-time balancing market for physical and further financial settlement of hourly imbalances during the course of the day. Such imbalances occur when there is a discrepancy between the actual

and contractual values of the generation and consumption of electricity in the Unified Power System of Kazakhstan; and

- a market of systematic and incidental services, where KEGOC offers system services and purchases incidental services from market participants to meet the established national standards of the operational reliability of the Unified Power System of Kazakhstan and the quality of electricity.

In the wholesale market, organisations and customers (large corporates, RECs, trade and intermediary organisations) obtain the rights to sell and buy electricity through the conclusion of direct bilateral contracts of sale.

According to procedures established by the Anti-Monopoly Agency, KEGOC as the system operator and RECs as well as other organisations, which own the electricity networks, are obliged to provide free access to the electricity market for all participants. Wholesale market participants also have free access to the national power grid for the transportation of purchased and sold electricity.

In response to the request of the Government, in February 2002 KOREM started to conduct centralised electronic trading of electricity in the ''day ahead'' market which became the basis of the ''spot electricity market'' in Kazakhstan.

In addition, according to the Electricity Industry Law, the balancing electricity market of Kazakhstan started to operate from 1 January 2008.

The management of the wholesale market of Kazakhstan is carried out by KOREM as the centralised trade market operator and by KEGOC as the system operator of the Unified Power System of Kazakhstan.

KOREM performs the following main functions:

- providing a daily schedule of electricity delivery/consumption based on applications received from market participants;
- providing the actual balance based on the results of the billing period;
- identifying imbalances in the volume of non-contractual supply and consumption of electricity, and providing the regulation of imbalances;
- organising spot-trading, and the regulation of centralised trading in the medium and long-term.

KOREM's remit also extends to providing equal terms of access for wholesale market participants in the centralised trading market along with providing participants with information on indicative electricity prices obtained from such trading.

Conditions for access to the centralised market include:

- the filing of a statement of intent to participate in trading;
- the provision of a copy of the contract between the company and a designated bank, which renders banking services to market participants;
- the registration of the participant on the market operator's system, including the completion of an application for registration and the provision of registration bidder cards in duplicate (the form of these documents is determined by the market operator); and
- compliance with the trading rules.

Power-generating companies are prohibited from selling electricity to individuals or legal entities who are not participants in either the wholesale or retail market, with the exception of sales for export purposes. Utility companies are prohibited from selling electricity to other utility companies otherwise than on the balancing market.

Buyers and sellers of electricity or capacity that meet the criteria (a licence, the necessary technical means and control centres, purchasing or selling power higher than a minimum of 1 MW) required for the right to buy or to sell electricity in the wholesale market and pass it through KEGOC networks, are obliged to sign a tripartite agreement establishing their mutual rights and obligations with KEGOC as the system operator and KOREM as the centralised trade market operator.

According to KEGOC, at the date of this Base Prospectus, more than 100 organisations have become participants of the wholesale electricity market by signing such tripartite agreement, namely:

- all power plants transmitting generated electricity to their customers through the electricity grids of KEGOC;
- the majority of large and energy-intensive industries individually purchasing electricity on the wholesale market;
- all regional network companies who buy electricity on the wholesale market to supply to consumers connected to their networks; and
- traders who do not have their own power grids and buy electricity on the wholesale market with a view to resale.

The centralised "day ahead" trading system of electricity allows wholesale market participants to balance the supply and consumption regimes provided by bilateral agreements. The balancing of the trade results with their short-term forecasts is carried out through the remote purchase or sale of electricity for each hour of the next day. KOREM as the centralised trade market operator does not buy or sell electricity itself, but rather organises market sales by way of auction. The bidding process is conducted on the basis of applications filed by both sellers and buyers of electricity. By virtue of the process the equilibrium market price for each hour of the day is then subsequently determined. The price is used for the settlement of transactions concluded by auction.

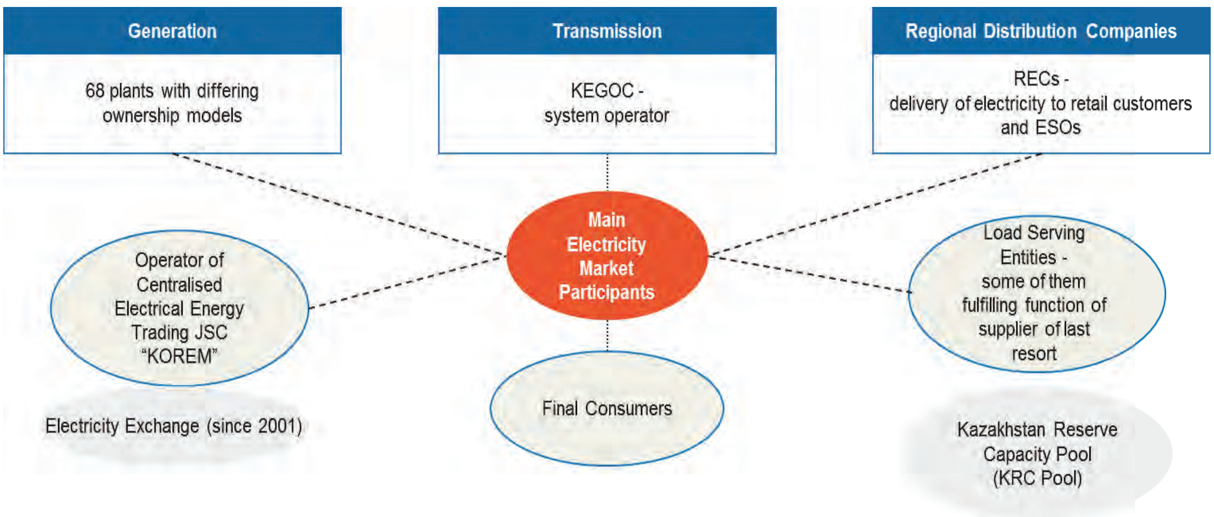
The settlement mechanism between bidders through an authorised bank provides a guarantee for the performance of parties' monetary obligations in auctions. The bidder may be any participant of the wholesale electricity market who has signed both a trading agreement with KOREM and an agreement with a bank authorised to service a centralised auction.

Retail markets of electricity

The participants of the retail market are regional power plants, which do not participate in the wholesale market; namely RECs, traders and consumers who did not yet obtain the right to buy electricity on the wholesale market.

The retail market consists of individual regional markets with their own power plants, electricity grids, traders and consumers. The Electricity Industry Law authorises competition in the retail market between suppliers but in practice the supply of electricity to retail customers is exclusively performed by RECs based on power contracts.

The chart below illustrates the structure of the electricity market in Kazakhstan:



The structure provides for competition in the wholesale electricity market and provides incentives for power producers to improve their performance. However, the regulation of electricity prices by the Anti-Monopoly Agency means that there is an absence of competition in the retail market, and this adversely affects the potential profit of participants. It also limits consumers' choice of electricity supplier.

According to KOREM, 223 transactions were concluded in 2011 as the result of centralised electricity trading (including spot trading in the "day ahead", "operating within days" markets and the medium-and long-term markets) in the amount of KZT 14,375 million (2,615 million KWH), comprising following operations:

- for spot-trading in the ''day ahead'' market 55 transactions were concluded in the amount of 18 million KWH for a total of KZT 107 million. The minimum price for spot trades was 4.4 KZT / KWH (including VAT), and the maximum price was approximately 7 KZT / KWH (including VAT);
- for spot-trading in the ''operating day'' market 121 transactions were concluded in the amount of approximately 1.7 million KWH for a total of KZT 11 million. The minimum price was 6.05 KZT / KWH (including VAT), and the maximum price was 6.72 KZT / KWH (including VAT);
- for the trading in the medium and long term 47 transactions were concluded in the amount of 2,6 billion KWH for a total of KZT 14.3 billion. The minimum price for this type of centralised trading totalled 1.23 KZT / KWH (including VAT), and the maximum price was 16.45 KZT / KWH (including VAT).

The volume of transactions in 2011 increased compared to the same period in the previous year. In 2011, the volume of transactions amounted to 2.61 billion KWH, which was 17 per cent. more than the volume of transactions concluded in 2010 (2.23 billion KWH) and was 39.5 per cent. more than in 2009.

Between 2009 and 2011, the proportion of the volume of the centralised trading transactions in the total electricity supply in Kazakhstan was approximately 4 per cent. The results are shown in the table below.

	2011	**2010**	**2009**
		(billion KWH)	
The total volume of transactions in the centralised trade market	2.61	2.23	1.87
The total volume of electricity supply	68.5	55.6	50.24
The proportion of the volume of the centralised trading transactions in the total electricity supply	3.81%	4.01%	3.72%

Source: KOREM

The table below shows the minimum and maximum prices based on the results of centralised trading between 2009 and 2011.

	2011		**2010**		**2009**	
	Minimum price	**Maximum price**	**Minimum price**	**Maximum price**	**Minimum price**	**Maximum price**
			(KZT/KWH)			
January	12.3424	12.3424	5.6	5.6	3.136	4.3703
February	12.3424	13.7536	8.37	13.4848	3.528	4.4103
March	6.272	14.5376	6.944	11.38	2.688	4.928
April	1.232	3.696	1.12	3.36	1.008	3.248
May	6.832	6.832	5.6	5.6	3.248	3.8972
June	6.832	14.5376	5.6	13.4848	3.472	5.6
July	6.832	6.832	5.6	5.6	3.976	4.032
August	–	–	5.6	5.6	4.032	11.5696
September	6.832	13.9776	5.6	12.3648	5.8464	11.5696
October	–	–	5.2416	5.6	4.032	4.032
November	–	–	4.665	5.6	4.032	4.032
December	3.92	16.4528	5.6	14.6496	4.032	13.5296
Total	**1.232**	**16.4528**	**1.12**	**14.6496**	**1.008**	**13.5296**

Source: KOREM

The minimum price of centralised trading was recorded in April in each year and the maximum was recorded in December in each year.

REGULATORY REVIEW

Below is a summary of Kazakhstan regulatory matters that are applicable to the Group's operations in Kazakhstan. The summary includes a brief overview of the following: the electricity and heat energy generation, electricity transmission, distribution and sale and purchase and coal mining industries, including pricing, licenses and permits, environmental matters, technical standards, health and safety, real estate and land use rights, currency control, employment and certain other issues.

Electricity and Heat Energy Industry Regulations

The legal and regulatory framework of Kazakhstan's electricity and heat energy industries has undergone various amendments in recent years. Generally, the applicable laws and regulations focus on three main areas:

- the establishment of a legal framework for the electricity industry and market;
- the regulation of the electricity and electricity capacity wholesale and retail markets; and
- the establishment of applicable tariffs.

As at the date of this Base Prospectus, the main laws and regulations relevant to the Group and its business are:

- the Agreement ''On Harmonisation of Custom Procedures in Moving Electrical Energy through the Custom Borders of the State Parties of the Commonwealth of Independent States'' (Ashgabat, 22 November 2007);
- the Law of Kazakhstan ''On Competition'' No. 112-IV dated 25 December 2008 (the ''**Competition Law**'');
- the Electricity Industry Law;
- the Law of Kazakhstan ''On Energy Conservation and Energy Efficiency'' No. 541-IV dated 13 January 2012 (the ''**Energy Efficiency Law**'');
- the Law of Kazakhstan ''On Natural Monopolies and Regulated Markets'' No. 272-I dated 9 July 1998 (the ''**Natural Monopolies and Regulated Markets Law**'');
- the Law of Kazakhstan ''On Promotion of Use of Energy from Renewable Sources '' no. 165-IV dated 4 July 2009 (the ''**Renewable Energy Sources Law**''); and
- other laws and regulations that have been promulgated in accordance with the above.

Overview of Important Laws

The Electric Industry Law, the Energy Efficiency Law and Renewable Energy Sources Law

The Electricity Industry Law regulates the general rules and conditions of using electricity and establishes the framework for the regulation of the electricity industry. State regulation in the field of electricity comprises:

- the establishment of an electricity market. See ''*Industry Overview*'';
- the establishment of tariffs for electricity generation companies. See ''– *Price Regulation*'' below;
- licensing the sale and purchase of electricity. See ''– *Licences and Permits – Licensing of the Sale and Purchase of Electricity''* below;
- the state regulation of the reliability, safety and efficiency of the production, transmission, technical control and consumption of electricity;
- the regulation of prices of electricity-generating companies;
- technical regulation in the field of electricity.

The Energy Efficiency Law regulates the general rules and conditions of electricity use and establishes the framework for the regulation of energy efficiency.

The Renewable Energy Sources Law defines objectives, forms and the areas of support of qualified power generating companies. A qualified power-generating company (''**QGC**'') is defined as a company that uses renewable energy sources (wind, solar, hydropower stations with capacity less than 35 MW and certain other sources) to produce electricity and/or heat energy. The support includes the reservation by the local executive authorities of land which has potential for renewable energy sources. Other areas of support include imposing statutory duties on transmission and distribution companies and requirements on KEGOC to use electricity and heat energy produced by QGCs and to give preferential treatment to QGCs.

An electricity and heat energy transmission and distribution company has the duty to connect power stations of a QGC to its transmission or distribution systems on a priority basis, if their transmission and distribution systems have limited capacity. Capital expenditure incurred by transmission and distribution companies for the construction of connectivity points are permitted to be included in the tariffs applicable to such company. Regional transmission and distribution companies, whose distribution systems have been directly connected to a power station of a QGC, have the duty to purchase electricity produced by such QGC in the amount of not less than 50 per cent. of losses of electricity in their transmission and distribution systems. The balance of electricity which has not been purchased by a regional transmission and distribution company, must be purchased by KEGOC if and to the extent KEGOC suffers electricity network losses in the national power grid. If a QGC is directly connected to the national power grid, then KEGOC has the duty to purchase all the electricity produced by the QGC, if and to the extent KEGOC suffers electricity network losses. An electricity purchase agreement between a QGC and a regional transmission and distribution company and/or KEGOC must be for a term of not less than the pay-back period as determined in the feasibility study report for the construction of the relevant power station that uses renewable sources. Transmission and distribution companies may not charge for the transmission and distribution of electricity or heat energy produced by a QGC and should include the respective expenses in the tariff charged on their customers. A QGC may sell its electricity or heat energy directly to end customers.

The Natural Monopolies and Regulated Markets Law

The Natural Monopolies and Regulated Markets Law has the following main objectives:

- the state regulation and supervision of activity in the spheres of natural monopolies as well as state regulation and control over pricing in regulated markets; and
- achieving a balance between the interests of consumers, natural monopolies and regulated market entities.

The Natural Monopolies and Regulated Markets Law provides for a number of applicable tariff regulation regimes:

- natural monopolies, which are heat energy generating companies, heat energy transmission and distribution companies, heat energy sale and purchase companies, and electricity transmission and distribution companies, which are not regional electricity companies;
- natural monopolies, which are regional electricity companies; and
- regulated market entities having a dominant or monopolistic position in the relevant market.

Tariffs must be approved by the Anti-Monopoly Agency in accordance with the procedures set out in the law. See "– *Price Regulation*".

Alatau Zharyk and Mangistau Electricity Distribution Company are regional electricity transmission and distribution companies, which are natural monopolies. Almaty Power Stations and Aktobe TPS are heat generating companies, which are natural monopolies; however, in respect of the generation of electricity, Almaty Power Stations and Aktobe TPS are electricity-generating companies having dominant positions. AlmatyEnergySbyt is a regional electricity sale and purchase company having a dominant position. Shardara GES, Almaty Power Stations, Aktobe TPS, Shulbinskaya HPP, Ekibastuzskaya GRES-2, ZhGRES Ekibastuzskaya GRES-1 and Bogatyr Komir are in the state register of entities having a dominant or monopolistic position. See "*The Competition Law – Dominant and monopolistic positions*".

The Natural Monopolies and Regulated Markets Law also provides for a number of limitations on the activities of natural monopolies, including a prohibition on:

- undertaking non-core activities and owning shares in other companies engaged in a business not incidental to their core activities (subject to several carve-outs and approvals of the Anti-Monopoly Agency);
- selling or otherwise alienating assets used in the production of the products or services produced or rendered by natural monopolies without the approval of the Anti-Monopoly Agency; and

- discriminating against customers.

Natural monopolies are obliged to follow special procurement rules set out in the Natural Monopolies and Regulated Markets Law, other than in the case of natural monopolies in which 50 per cent. or more of voting shares (or participatory interests) are directly or indirectly owned by Samruk-Kazyna, which are subject to Samruk-Kazyna's procurement rules (see ''– *Procurement regulations of Samruk-Kazyna*'').

State Support

Investment preferences

Investment preferences were introduced to provide incentives for investors to invest in areas that are important for Kazakhstan's economy under the investments law dated 8 January 2003 No. 373-II (the ''**Investment Law**''). As at the date of this Base Prospectus, investment preferences may be granted to projects in important areas or to strategic investment projects, which in both cases appear on Government-approved lists. Grant of the investment preferences is documented by an investment contract concluded between an investor and MINT which is different from an investment agreement concluded for the purpose of price regulation (see ''– *Price Regulation – Tariffs for electricity-generating companies*''). In return for the grant, the investor will commit itself as to investment obligations under the relevant investment agreement.

Electricity generation and the transmission and distribution of electricity are examples of such important areas and an investor engaged in such areas is entitled to apply and benefit from investment preferences such as: (a) a full exemption from customs duties (for a term of up to five years) on the import of equipment, components, raw materials and spare parts required to implement an investment project; (b) grants in the form of a transfer by the state of land plots, buildings, structures, machinery and equipment, meters, vehicles and inventories without consideration for them.

Strategic investment projects are entitled to benefit from the investment preferences applicable to investment projects in important areas and, in addition, to tax exemptions and so-called industrial benefits. Tax exemptions include exemptions from land tax (for a term not exceeding seven years) and property tax (for a term not exceeding seven years). These tax exemptions were introduced by legislative amendments to the Investment Law that came into force in 2012 and will take effect from 1 January 2013. As at the date of this Base Prospectus, it is not clear whether tax exemptions that come into force on 1 January 2013 will be applicable to strategic investment projects included in the list of the strategic investment projects prior to 2012. There had been tax exemptions from corporate tax, property tax and land tax and these tax exemptions were abolished on 1 January 2009. Since then there have been no tax exemptions available under the Investment Law, but investors which had obtained the tax exemptions before the abolition in 2009 continue to enjoy the tax exemptions until the expiration of the relevant investment contract. Moinak HPP is a party to the investment agreement dated 31 December 2005 pursuant to which it obtained exemptions from corporate tax for a term of 10 years, property and land taxes for a term of five years and customs duties for a term of five years.

Budget support

Legal entities in Kazakhstan may receive support from the state by way of contributions to their share capital, subsidies or loans, which are funded out of State or local budget funds. Alternatively, legal entities in Kazakhstan may receive funds to be drawn from the reserve fund of the Government. The Government may also provide guarantees to secure the obligations of a person in respect of borrowings.

The Government has the power to use funds from its reserve fund for urgent expenditure where there is a threat to the political, social or economic stability of Kazakhstan or any part of it. The Government has the discretion to consider the supply of electricity as one of the important factors required to preserve economic or social stability in a particular local region. For example, during the period from October 2011 to March 2012, the Government disbursed KZT 3,865 million from its reserve fund to ZhGRES to allow it to purchase fuel in winter.

The Competition Law

The Competition Law prohibits monopolistic activities and unfair competition. Monopolistic activities are defined as anti-competitive agreements and concerted practices or the abuse of a dominant or monopolistic position.

The Competition Law prohibits agreements or concerted practices that have, or are likely to have, a restrictive effect on competition, including fixing prices or non-price trading conditions, sharing markets or sources of supply, unreasonable restrictions on the production or supply of goods, imposing supplementary obligations and certain other actions. Such limitations are not applicable to transactions within a group, or if imposed by an investment contract and in certain other cases.

Dominant and monopolistic positions

A dominant or monopolistic position is a position of one or more undertakings in a relevant market that affords it or them the possibility to control the relevant market, including to significantly affect trading conditions. A position of one undertaking is deemed to be dominant if it has a 35 per cent. or more share of the relevant market. Two or more undertakings have a dominant position if the aggregate market share of three undertakings (that have the biggest market share among other undertakings in the same group) is 50 per cent. or more of the market or if the aggregate market share of four undertakings (that have the biggest market share among other undertakings in the same group) is 70 per cent. or more of the market, provided that, in either case, no market participant shall be deemed to have a dominant position if its own market share does not exceed 15 per cent. of the relevant market. A monopolistic position is a position of a natural monopoly, a state monopoly or an undertaking having a 100 per cent. of the share in the market. All natural monopolies and state monopolies are treated by law as having a monopolistic position.

Undertakings with a dominant or monopolistic position are prohibited from doing, or omitting to do anything, which results in, or may result in, restricting access to (or has or may have a restrictive effect on competition in) a relevant market, or infringes the rights of consumers, including:

- imposing high or low monopoly prices;
- discriminating between customers;
- setting restrictions on the re-sale of goods by reference to territory, customers, trading conditions, quantity or price;
- imposing supplementary obligations on a counterparty;
- refusing without justification to conclude a contract with and/or to supply goods/services to a particular purchaser.

The Competition Law requires the mandatory prior approval of the Competition Agency for an 'economic concentration'. An 'economic concentration' is:

- the reorganisation of an undertaking by way of merger or amalgamation;
- the acquisition by a person (or a group of persons) of more than 25 per cent. of the voting shares (or participatory interests or units) in the capital of an undertaking, provided that such person (or such group of persons) has not previously held such shares (or such participatory interests or units) or has previously held 25 per cent. (or less) of such voting shares (or such participatory interests or units);
- the acquisition of a right of ownership, or a right of possession, and use in respect of plant, machinery and equipment ("**PME**") or intangible assets of another undertaking, if the balance sheet value of such assets exceeds 10 per cent. of the balance sheet value of the total PME and intangible assets of the undertaking disposing of or transferring the property;
- the acquisition by an undertaking of rights, which enable it to give mandatory instructions to another undertaking in the course of carrying on its business, or the power to perform the functions of its executive body;
- the membership of the same persons in the executive bodies, boards of directors, supervisory councils or other corporate bodies of two or more undertakings, provided they actually engage in management functions,

provided that in each case, the aggregate balance sheet value of the assets, or the value of the annual revenues for the preceding financial year of the undertakings involved in the merger or amalgamation or the acquiring person (or the group of the acquiring persons) and the target undertaking exceeds, as at the date of this Base Prospectus, KZT 3,236 million (or an equivalent sum in another currency), or one of the undertakings involved in the transaction is an undertaking with a dominant or monopolistic position.

Major Regulation Bodies

The Government

The Government:

- develops Government programmes for the development of the electricity industry;
- approves model agreements and various rules in the sphere of the electricity industry, including rules governing the functioning of the balancing market, trading on the centralised electricity market, wholesale and retail electricity and heat energy trading, the capacity market, and activities of the system operator;
- approves capped (maximum) tariffs for energy generation companies;
- appoints the system operator (which is KEGOC as at the date of this Base Prospectus);
- approves operational and safety rules; and
- undertakes other activities in accordance with legislation.

MINT

Within the framework of the Energy Efficiency and Renewable Energy Law, MINT:

- realises Government policy in the field of the power sector, electricity energy and energy efficiency improvement;
- prepares the power industry development programme and exercises control over its implementation, including of use of renewable energy resources;
- elaborates the legal framework in the field of electricity and energy efficiency improvement; and
- compiles and maintains the State energy register, which contains information on individuals and legal entities whose annual consumption of energy resources exceeds 500 tonnes of fuel equivalent.[1]

Within the framework of the Electricity Industry Law, MINT:

- enters into agreements and investment contracts with electricity generation companies;
- develops programmes for the development of the power industry and monitors their execution;
- develops and adopts Kazakhstan's secondary legislation within its competence in the sectors of the generation, transmission and the consumption of heat energy and electricity;
- provides State monitoring on compliance with the requirements of the laws of Kazakhstan;
- appoints an operator for the centralised trade of electricity (which is KOREM as at the date of this Base Prospectus);
- establishes rules for the functioning of the wholesale electricity market in regions that do not have electricity grids with a unified power system crossing the territory of Kazakhstan; and
- investigates major technological disturbances in the operation of power plants and heat and power networks.

The Anti-Monopoly Agency

The Anti-Monopoly Agency:

- approves individual tariffs for electricity-generating companies;
- approves tariffs for natural monopolies and regulated market entities, and approves their investment programmes;
- issues approvals of certain actions of natural monopolies; and
- undertakes state monitoring on tariff compliance and compliance with other requirements of the applicable legislation.

1 Fuel equivalent is a technical metric measure to measure the amount of the energy content of organic (fossil) fuel. One kilogram of fuel equivalent equals to 7,000,000 calories.

The Competition Agency

The Competition Agency:

- controls economic concentrations;
- investigates and eliminates abuses of dominant or monopolistic positions, other than violations falling under the competence of the Anti-Monopoly Agency, and investigates and eliminates anti-competitive agreements and concerted practices and unfair competition; and
- issues regulations within its competence.

Disclosure of Information

The Electricity Industry Law sets out special rules for the disclosure of information by power-generating companies. Pursuant to the Electricity Industry Law, power-generating companies must disclose the following information on:

- the cost of the production and sale of electricity, the volume of the production and sale of electricity for the preceding calendar year on an annual basis and not later than 31 March of the subsequent year;
- the annual publication in the mass media of information on the amount and the items of capital commitments required by the relevant investment agreement for the coming year not later than 31 December of the year before the coming year;
- the annual publication in the mass media of information on the performance of their investment obligations (as set out in the relevant investment agreement) for preceding year and not later than 1 May of the subsequent year.

Legislative developments

The most recent legislative development is the amendment of a number of laws, including the Electricity Industry Law, introduced on 4 July 2012. The amendments relate mainly to the introduction of:

- the regulatory framework for a capacity market for contracting electricity production capacities aimed at ensuring there will be sufficient reliable capacity in place to meet demand; and
- new capacity tariff regulation for electricity generation companies (the tariff for capacity), which will provide incentives to electricity generation companies to invest in new electricity production capacity or for existing electricity production capacity to remain open.

The amendments, which shall fully come into force in 2017 (provisions concerning tariffs regulations, capacity purchase agreements will come in force in 2016), establish a regulatory framework for services in the wholesale electricity market in relation to the capacity of generating facilities. With effect from 2016 there will be two capped (maximum) tariffs – one for electricity, which will not cover investment requirements, and another for the capacity of generating facilities, which will cover investments for the renovation, support and reconstruction of existing assets. Newly-created electricity-generating facilities must be established and operated on the basis of a capacity purchase agreement, as described below. The practice in place as at the date of this Base Prospectus of estimated and individual tariffs and agreements and investment contracts with electricity generation companies will be eliminated with effect from 1 January 2016. See ''– *Price Regulation*''.

The amendments provide that capped tariffs for electricity and the capped tariff for the capacity of generating facilities should be approved for groups of electricity-generating companies for a term of seven years, subject to annual revision to ensure that the tariffs remain attractive to investors. In respect of the capped tariffs for electricity, electricity-generating companies will be grouped by the Government by type, installed capacity, type of fuel, and distance from fuel locations. In respect of the capped tariffs for the capacity of generating facilities, companies will be grouped by the Government by type, and installed capacity. During the first year of the application of the amendments (2016), the capped tariff for electricity will be based on the maximum actual price of the relevant group to which an electricity-generating company relates for the preceding year and the capped tariff for the capacity of generating facilities will be based on return of capital invested into the renovation, support, reconstruction and re-equipping of electricity generating facilities over an expected holding period of seven years and actually received by the relevant group in the preceding year.

The Electricity Industry Law envisages two types of capacity purchase agreements (the regulation of which will come into force in 2016):

- long-term capacity purchase agreements to be concluded between KEGOC as system operator and investors to cover deficits of electricity in demand. These agreements will be based on a standard form adopted by the Government with the term, contracted capacity volume and pricing for such agreements to be approved by MINT. MINT will annually establish projected shortages of electricity supply based on annual forecasts of KEGOC and will develop an industrial allocation scheme for future generating facilities. Priority will be given to the generating facilities selected through an open tender process conducted by MINT. Investors will be required to conclude a construction agreement with MINT and to undertake to build a power station by a certain date, failing which they will incur a contractual liability; and
- short-term capacity purchase agreements for all existing power plants and new plants, which do not have the long-term capacity purchase agreement. These agreements will be concluded based on centralised capacity trading conducted by KEGOC every year.

In turn, every electricity sale and purchase company, transmission and distribution company and customer that participates in the electricity wholesale market, must enter into an agreement with KEGOC for services relating to the maintenance of capacity of generating facilities to produce electricity to meet peak demands. Electricity-generating companies will not be permitted to sell electricity to electricity transmission and distribution companies, electricity sale and purchase companies and wholesale customers that are not party to such agreements with KEGOC, although they will still be able to sell electricity to retail customers. In the case that sums paid by wholesale participants to KEGOC under the relevant agreements for services relating to the maintenance of capacity of generating facilities are not sufficient to discharge KEGOC's obligations owing by it to owners of generating facilities under the relevant capacity purchase agreements, the Government should provide KEGOC with financial support either by way of a loan, subsidy or otherwise as the Government may decide.

The amendments also introduce new statutory definitions and detailed rules concerning reporting obligations of electricity-generating companies in respect of the implementation of investment programmes and investment agreements, competence of the Government, MINT and KEGOC and the consequences of violations of the price regulation. For example, if an electricity-generating company does not conclude an agreement or investment contract with MINT or the Anti-Monopoly Agency (as the case may be), it may only charge a price not exceeding its production costs, and excluding depreciation costs and profit (such amendments will cease to have effect in 2016).

The amendments to the Natural Monopolies Law set out the rules controlling the expenditure of natural monopolies and the rules that control prices of entities having dominant or monopolistic positions relating to regulated services (these include selling electricity) by applying the 'cost plus' principle to such entities.

Price Regulation

General

Electricity-generating companies, natural monopolies (which include heat energy generating companies, electricity and heat energy transmission and distribution companies, and heat energy sale and purchase companies) and electricity sale and purchase companies that have dominant or monopolistic positions are subject to different sets of price regulation as briefly outlined below.

Tariffs for electricity-generating companies

The Energy Industry Law sets out the framework for the regulation of tariffs for electricity produced by electricity-generating companies (this includes combined cycle plants producing electricity and heat energy). The Electricity Industry Law establishes three types of price regulation schemes: (i) capped tariffs, (ii) estimated tariffs and (iii) individual tariffs. With effect from 1 January 2016 the capped tariffs, estimated tariffs and individual tariffs will be abolished and replaced with two capped (maximum) tariffs: one for electricity, which will not cover investment requirements, and another for the capacity of generating facilities, which will cover investment requirements for the renovation, support and reconstruction of existing assets (see "– *Legislative developments*").

An electricity-generating company may not sell electricity at prices above the maximum levels of the capped tariff, estimated tariff or individual tariffs, except for spot trades (of no more than 10 per cent. of its total electricity production) made on the centralised electricity trading system operated by KOREM or sales in the balance market or export sales.

Capped tariffs

Capped tariffs are established by the Government via MINT for all electricity-generating companies operating in Kazakhstan. As at the date of this Base Prospectus, there are 13 groups of electricity generation companies in Kazakhstan, and different tariffs apply to each group of companies. The capped tariffs are established for a term of not less than seven years applicable for each such year and annual adjustments (to improve the attractiveness of investing in the energy sector in Kazakhstan) and are based on the prices of energy in the preceding year, the inflation rate and the expenses of electricity-generating companies for capital assets, expansion, renovation, reconstruction and re-equipping. Pursuant to the Decree of the Government "On Approval of Capped Tariffs" No. 392 dated 25 March 2009, the Government fixed the capped tariffs, which are provided in the table below.

Capped tariffs for electricity generation companies in Kazakhstan as applicable to the Group

	Year ended 31 December							
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
						(projected)	*(projected)*	*(projected)*
	(Kazakhstan Tenge per KWH)							
ZhGRES	5.0	5.9	6.6	6.9	7.3	8.3	8.5	8.7
Ekibastuzskaya GRES-1	2.4	3.2	4.5	5.4	6.0	7.3	8.0	8.8
Ekibastuzskaya GRES-2	2.6	3.2	4.7	5.6	6.2	7.3	8.0	8.8
Shardara HPP	2.4	2.8	3.0	3.3	3.5	3.9	4.3	4.5
Almaty Power Stations	4.4	5.0	5.9	7.1	7.3	7.8	8.2	8.6
Aktobe TPS	3.6	3.6	4.9	4.9	5.8	6.7	7.0	7.3

One of the aims of price regulation is to facilitate foreign investment into Kazakhstan's energy sector by providing a stable, long-term price structure for power companies. At the same time, the maximum tariff levels may be amended over time and their level will depend on many factors, including forecasted inflation rates and expenses on expansion, renovation, reconstruction and re-equipping of the electricity-generating companies and the projected growth of basic expenses for electricity generation.

Under the capped tariff scheme, an electricity-generating company is free to fix its own price for the electricity it generates within the capped tariff applicable to the group of companies into which it is grouped, provided that it concludes an agreement with MINT. Such agreement is made for a term of one year and contains capital commitments for the generating company. Capital commitments may include the creation of capital assets and the expansion, renovation, reconstruction and re-equipping of the relevant company. Before an agreement is concluded, an electricity-generating company proposes, subject to MINT's approval, the terms of its capital commitments under the proposed investment agreement. Disagreements on the terms of a proposed investment agreement (including capital commitments) may be resolved through the courts of Kazakhstan. Without an agreement with MINT, the electricity-generating company will be permitted to sell energy it produces for a price not exceeding the cost of production and excluding depreciation costs and profit and as such will not be able to generate profit. If an electricity-generating company does not perform its capital commitments under the applicable agreement, the amounts, which were not invested in any year, may be carried forward to the next year, but not in subsequent years.

Estimated Tariffs

If the capped tariff scheme does not allow an electricity-generating company to meet the investment obligations set out in the applicable investment agreement, then it may apply to MINT for an estimated tariff, to be fixed on an individual basis. In order to obtain an estimated tariff, the electricity-generating company should submit a technical specification to MINT for approval. Following MINT's approval, the company must then conduct a feasibility study (to justify the proposed tariff) and develop an investment programme. The estimated tariff comes into effect once an investment agreement has been concluded, which incorporates the investment programme, agreed between the generating company, MINT and the Anti-Monopoly Agency for the term set out in the investment programme (subject to the discontinuation of the estimated tariff scheme in 2016). The tariff will apply until the investment programme has been completed.

Individual Tariff

The Anti-Monopoly Agency may, on the application of a particular electricity-generating company, approve an individual tariff in the case that the company's costs for the implementation of an investment programme have increased or are set to increase above the initially agreed costs under the estimated tariff scheme. Such tariff is normally higher than estimated tariffs applicable to electricity-generating companies and is based on the investment programme, taking account of changes in project and construction documentation (such as feasibility study reports, design drawings, process flow diagrams, engineering designs, specifications, building layouts, power supply and electrical drawings, layouts and specifications, water supply and drainage drawings, layouts and specifications, and schedules of rates).

Tariffs for natural monopoly companies

Electricity and heat transmission and distribution companies, heat energy generating companies, and heat energy sale and purchase companies (''**Natural Monopoly Companies**'') are treated by the Natural Monopolies and Regulated Markets Law as natural monopolies and, as such, are subject to the tariff regulation set out in the Natural Monopolies and Regulated Markets Law and the subordinate legislation.

Generally, tariffs are fixed by the Anti-Monopoly Agency on an individual basis for each Natural Monopoly Company, at such company's request, for a term of not less than 12 months. The determination of the tariffs is based on the ''cost plus'' principle. This includes the cost of raw materials and supplies, professional fees, operating costs of repair, wages, professional fees, taxes and statutory duties, costs of mandatory insurance and general and administrative costs, excluding such costs as are specified by the relevant subordinate legislation (the ''**Production Costs Regulation**''). The Production Costs Regulation sets out limitations beyond which estimated or actual costs (including production losses) will not be taken into account for the determination of the tariff. The limits for some components of the costs require the approval from the Anti-Monopoly Agency (for example, the operating costs of repair, and some professional fees). Capital expenditure is not allowable for the purpose of the determination of the tariff, as it is financed from retained earnings, recognised depreciation and by capital providers. The tariff allows for profit regulated by a formula defined as committed assets multiplied by an applicable rate of return. Rates of return and committed assets are further controlled by the subordinate legislation of the Anti-Monopoly Agency.

Under recently-introduced amendments to the Natural Monopolies and Regulated Markets Law, depreciation and amortisation costs, and interest on loans (excluding any fees) may be included in the determination of the tariff on the basis of an investment programme developed by a Natural Monopoly Company and approved by the Anti-Monopoly Agency. Such investment programme will set out the capital commitments of the Natural Monopoly Company. The Anti-Monopoly Agency will not approve the investment programme if, among other things, it considers that the investment programme is not economically efficient or if there are no available funding sources. If the investment programme is approved, the Natural Monopoly Company has to report annually to the Anti-Monopoly Agency on the implementation of the investment programme. If the Anti-Monopoly Agency finds that such Natural Monopoly Company fails to perform its obligations as set out in the relevant investment programme (for example, it fails to invest a sum it committed itself to invest pursuant to the relevant investment programme), it must order the company to charge a temporary reduced tariff (the official term is ''compensating tariff'') fixed by the agency. The purpose of a compensating tariff is to provide economic compensation to customers for overpayments charged by the relevant Natural Monopoly Company.

With effect from 1 January 2013, regional transmission and distribution companies will be subject to a tariff established with the application of the comparative analysis method. The comparative analysis method takes into account the cost of services of (such as general and administrative costs, employee benefits, transportation costs and others, except for certain costs of services, the official term of which is ''uncontrolled cost of services'') and prices charged by other regional transmission and distribution companies and certain qualitative factors as are set out in the Order of the Anti-Monopoly Agency No. 152-OD dated 27 June 2012. The uncontrolled cost of services are the cost of services of KEGOC, depreciation and amortisation costs, the cost of technical losses, taxes, interest on loan (excluding any fees) incurred in conducting the investment programme (see above) and costs incurred in connection with a force majeure event (which need not to be described in the investment programme). The uncontrolled costs of services and profit are regulated by the Production Costs Regulation on the same basis as the costs of other Natural Monopolies Companies (see above). A tariff determined under the comparative analysis method is established by the Anti-Monopoly Agency in consultation with MINT for each of the three years following the determination and will be adjusted in each of such years based on two formulas set out in the regulation (Order of the Anti-Monopoly Agency No. 152-OD dated 27 June 2012). The first formula that is used for the determination of the tariff for the first year takes account of, among other things, costs of a regional transmission and distribution company determined under the Production Costs Regulation. The second formula that is used for the estimation of the tariff for the next years takes account of, among other things, actual costs incurred in a previous year, the estimated forecasts of depreciation and amortisation costs, the uncontrolled cost of services, the rate of return and the volume of transmission and distribution of electricity for the next year.

Price regulation for electricity sale and purchase companies

The majority of the electricity sale and purchase companies in Kazakhstan which have dominant positions charge tariffs to their customers approved by the Anti-Monopoly Agency. Such tariffs are differentiated either by reference to time zones or the volume of electricity consumed (the official term is ''differentiated tariff''). The main source of subordinate legislation in this respect is the Order of the Anti-Monopoly Agency No. 57-OD dated 20 February 2009, which sets out formulas for the calculation of differentiated tariffs. Differentiated tariffs must be approved by the Anti-Monopoly Agency before they can be charged to customers by an electricity sale and purchase company. Individual customers may elect one method of the differentiation of prices either by reference to a time zone or to the volume of electricity consumed. In respect of legal entities, prices may be differentiated by reference to a time zone only. The differentiation of prices by time zones means that an electricity sale and purchase company will charge different prices for electricity consumed in different time zones (a company may elect to utilise two or three time zones in a day and different lengths of each time zone). To charge a time zone tariff, specific meters must be installed to record electricity consumed in different time zones. The differentiation of price by the volume of electricity consumed means that an electricity sale and purchase company may charge higher prices if a customer consumes electricity beyond the estimated maximum threshold of electricity consumption and will charge lower prices if a customer consumes less electricity than set out in the threshold. Such threshold must be approved by the Anti-Monopoly Agency in consultation with the relevant local executive authority separately for individual customers with electric stoves, and separately for individual customers with gas stoves.

The Anti-Monopoly Agency monitors the prices charged by electricity sale and purchase companies that have dominant positions in the market based on information periodically filed by the relevant companies. Where circumstances indicate or a complaint is made that the prices of a company which has a dominant position, are unjustified, the Anti-Monopoly Agency scrutinises the prices of that company. Following this, the Anti-Monopoly Agency produces either a letter of 'no objections', or a conclusion ordering the relevant company to reduce its prices to a justified level, the 'justified price'.

The determination of a justified price is based on the 'cost plus' principle, as further detailed by the Rules on Pricing in Regulated Markets, approved by the Resolution of the Government No. 238 dated 3 March 2009. The costs include documented direct costs, operating costs of repairs, wages, depreciation costs, capital expenditure, professional fees, taxes and statutory duties, the costs of mandatory insurance, excluding such costs as are specified by the price regulation. The Anti-Monopoly Agency may undertake a comparative analysis of costs and prices. A justified price may include the profit margin of such level of return of capital as would enable the relevant company to maintain and develop its business.

Where an electricity sale and purchase company, which has a dominant position, intends to increase its prices for electricity it must justify such increase by giving the Anti-Monopoly Agency 30 calendar days' prior notice accompanied by supporting arguments and documentation. Following the Anti-Monopoly Agency's scrutiny of the proposed price, it will either give a notice of 'no objections', or produce a conclusion prohibiting the relevant company from increasing its prices setting out the reasons for its conclusion.

The prices of electricity-generating companies, even though they are included in the list of the register of entities having dominant and monopolistic positions, and prices of natural monopolies, are not regulated on the same basis as electricity sale and purchase companies,which have dominant or monopolistic positions, as they are expressly exempted from the relevant regulations.

Mining Regulations

General

In Kazakhstan, all subsoil resources belong to the state. Subsoil users obtain the right to use subsoil resources on the basis of a subsoil use contract entered into with the authorised state body, specifically MINT in respect of solid minerals, including coal, and the Ministry of Oil and Gas of Kazakhstan in the case of hydrocarbons (the "**Authorised State Body**"). Until 12 March 2010 the Ministry of Energy and Mineral Resources regulated subsoil use rights, after which this function was transferred to the newly-established Ministry of Oil and Gas of Kazakhstan for hydrocarbons and to MINT for solid minerals including coal. This reorganisation did not have any impact on the rights and obligations of parties under subsoil use contracts.

Subsoil Use Contract

In Kazakhstan, the main law regulating mining operations, including the production of coal, is the Law of Kazakhstan "On Subsoil and Subsoil Use" No. 291-IV dated 24 June 2010, as amended (the "**Subsoil Law**").

An Authorised State Body is empowered pursuant to the Subsoil Law to grant exploration and production rights in relation to coal on behalf of the state (see "*– The Authorised State Bodies and Other Regulatory Authorities*" below). The grant of rights is documented in subsoil use contracts between an Authorised State Body and the relevant subsoil user. Subsoil use rights for exploration (which includes prospecting, exploration, discovery and advanced exploration) are, as at the date of this Base Prospectus, granted for a fixed term of up to six years. Subsoil use rights for production (which includes development and construction of mines) are granted for a fixed term, as projected in relevant project design documentation for mining operations in a given field (project design documentation is developed by a prospective subsoil user before the conclusion of the relevant subsoil use agreement) but not exceeding 25 years (or 45 years for large and/or unique deposits). The terms of subsoil use contracts may be further extended at the application of the subsoil user, subject to certain conditions before the expiration of the relevant subsoil use agreement.

An Authorised State Body may terminate subsoil use contract, and the related subsoil use rights if, among other things, a subsoil user (a) fails to remedy more than two breaches of its obligations under the applicable subsoil use contract, or project documents, within the time specified by an Authorised State Body or (b) does not obtain consent of an Authorised State Body for a transaction involving the disposition of subsoil use rights or shares (direct or indirect) in the relevant subsoil user. Breaches include, but are not limited to, the underperformance by a subsoil user of its annual financial and technical obligations, the non-performance of other contractual obligations or a breach of mining, environmental, and health and safety requirements. A subsoil use contract may be unilaterally terminated by an Authorised State Body on other grounds specified by statute.

Certain coal mines and other assets are also included in a list of strategically important mining fields adopted by the Governmental Resolution No. 1137 dated 4 October 2011. The Bogatyr and Severny mines owned by Bogatyr Komir are included in such list. In relation to such mines, the Subsoil Law provides that if the subsoil operations of a subsoil user of a strategically important mining field lead to an adverse change in the economic interests of Kazakhstan, which in turn may lead to the threat to national security, an Authorised State Body is entitled to require amendments to the respective subsoil use contract for the purpose of restoring the economic interests of Kazakhstan. Under the Law of Kazakhstan "On National Security of the Republic of Kazakhstan" No. 527-IV dated 6 January 2012, "a threat to national security" is broadly defined as external and internal factors that hinder or may hinder the realisation of the national interests (including political, economic and social interests) of Kazakhstan. This right to amend a subsoil use contract exists in relation to contracts executed both prior to and after the date when the Subsoil Law entered into effect (July 2010). If a subsoil user of a strategically important mining field does not cooperate with the Authorised State Body on the introduction of relevant amendments according to the procedure set out by the Subsoil Law, the Authorised State Body is entitled to terminate the subsoil use contract.

Local Content Requirements

The Subsoil Law generally requires subsoil users to comply with certain local content requirements, including the use of Kazakhstan suppliers and Kazakhstan personnel. These general requirements are usually set out with separate percentages for goods, works, services and categories of personnel in subsoil use contracts.

In 2002, the Government introduced a policy aimed at substituting imports and at procuring the greater involvement, support and further encouragement of local producers. This policy was further developed in 2009 when the Government authorities set out local content requirements in respect of the Subsoil Law and other related laws and regulations to increase the local content of goods, work and services of public authorities, national companies and subsoil users.

Since mid-2010, when the Subsoil Law entered into force, subsoil users have been obliged to procure goods, work and services in accordance with special procurement rules, approved by the Government and if subsoil users fail to comply with the procurement rules, they face the risk that their expenses for goods, work or services would not count towards the performance of the annual financial obligations, which the subsoil users are committed to under their subsoil use contracts. In practice, failure to comply with annual financial commitments frequently leads to the unilateral termination of subsoil use contracts by an Authorised State Body. The procurement rules under the Subsoil Law do not apply to subsoil users in which 50 per cent. or more of voting shares (or participatory interests) are directly or indirectly owned by Samruk-Kazyna, and such subsoil users are instead subject to Samruk-Kazyna's procurement rules (see ''– *Procurement regulations of Samruk-Kazyna*'').

The Kazakhstan's Pre-emptive (priority) Right and Consent to the Transfer of Subsoil Use Rights

In accordance with the Subsoil Law, Kazakhstan has the pre-emptive right to acquire (a) subsoil use rights, and/or (b) equity interests in a subsoil user, in the case that a person (whether Kazakh or foreign) wishes to transfer its subsoil use right or interests therein or equity interests in the subsoil user. This pre-emptive right also applies to the disposition of an equity interest in an entity, which may directly or indirectly make the decisions for a subsoil user or exert influence on the decision-making of a subsoil user, if the main activity of such entity is related to the use of subsoil resources in Kazakhstan. The pre-emptive right is exercised, on behalf of Kazakhstan, by the relevant Authorised State Body through national holding companies (which is normally, at as the date of this Base Prospectus, Samruk-Kazyna) or national companies (which, as at the date of this Base Prospectus, are National Atomic Company Kazatomprom JSC in respect of uranium deposits, KazMunayGas in respect of gas and oil deposits and National Mining Company Tau-Ken Samruk JSC in respect of mining deposits). This pre-emptive right enables Kazakhstan to purchase any subsoil use rights or equity interests offered for transfer or sale on terms no less favourable than those offered to other transferees or purchasers. A waiver of the Kazakhstan's pre-emptive right and consent of an Authorised State Body is required for all transactions involving the disposition of the subsoil use rights or shares (direct or indirect) in a subsoil user, except for certain cases such as (i) the sale of 0.1 per cent. of shares in a subsoil user, (ii) the sale of shares traded on a stock exchange and (iii) the transfer of rights between subsidiary companies where not less than 99 per cent. of shares are held by a single person or entity, provided that the acquirer is not registered in an offshore country. An Authorised State Body has the right to terminate a subsoil use agreement if a transaction takes place in breach of the Kazakhstan's pre-emptive right.

In addition to the requirement to obtain a waiver of the Kazakhstan's pre-emption right (pursuant to article 12 of the Subsoil Law), prior consent of an Authorised State Body is required (pursuant to article 37 of the Subsoil Law) for the disposition of subsoil use rights from a subsoil user to a third party, or the disposition of any interest (direct or indirect) in a subsoil user, or the creation of an encumbrance (for example, a charge) over the subsoil user right or shares in a subsoil user. The Subsoil Law prescribes the term of up to 70 working days to obtain a waiver of the Kazakhstan's pre-emptive right and consent of an Authorised State Body to the disposition of subsoil use right or shares (direct or indirect) in a subsoil user after the filing of an application, however, in practice, due to the right of the State authorities to request additional information, it normally takes up to 6 months or more.

The Authorised State Bodies and Other Regulatory Authorities

General

The Government plays a major role in three areas of subsoil use management. The Government is responsible for organising and managing Kazakhstan-owned reserves, defining boundaries of subsoil deposits, defining the procedures for the conclusion of subsoil use contracts, approving model contracts and appointing the ''competent authority'' (as at the date of this Base Prospectus, MINT in respect of solid minerals and the Ministry of Oil and Gas of Kazakhstan in the case of hydrocarbons). In the event of war or the declaration of an emergency situation, the Government has the right to requisition all or part of the mineral resources owned by a subsoil user, subject to providing compensation in kind or in cash at a price not exceeding the price for mineral resources sold by such subsoil user pursuant to its transactions on the day of requisition, less transportation and sales expenses. Local executive authorities have responsibility for, among other things, the allotment of land plots to subsoil users, supervising the protection of the land and participating in negotiations with subsoil users for environmental and social protection.

The Authorised State Bodies

MINT in respect of solid minerals and the Ministry of Oil and Gas of Kazakhstan in respect of hydrocarbons are designated by the Government as the Authorised State Bodies to enter into subsoil use contracts on behalf of the Government. In addition, the Subsoil Law provides that the Authorised State Bodies are responsible for:

- organising tenders for subsoil use rights for the exploration and/or production of minerals;
- executing and registering subsoil use contracts;
- monitoring the compliance of the subsoil users with the terms and conditions of subsoil use contracts;
- issuing consents for the transfer of subsoil use rights according to article 37 of the Subsoil Law and registering transactions involving creation of charges over subsoil use rights;
- monitoring the compliance with the procedure for purchasing goods, works or services for subsoil use operations.

Other Regulatory Authorities

Other Government ministries and authorities, which regulate aspects of mineral extraction in Kazakhstan include:

- the Ministry of Environmental Protection, which is responsible for environmental protection and the preservation of mineral resources;
- the Ministry of Emergency Situations, which, among other things, supervises safety in mining operations;
- the Committee on Geology and Subsoil Use (under MINT), which, among other things, approves and supervises mining operations;
- the Committee on State Control of Emergency Situations and Industry Safety (under the Ministry of Emergency Situations), which, among other things, supervises health and safety matters;
- the Agency of Construction and Housing Matters, which exercises Government control over the quality of construction and construction materials;
- various Government authorities responsible for the approval of construction projects and the use of water and land resources;
- the Committee for State Sanitary and Epidemiological Supervision (under the Ministry of Public Health), which is responsible for monitoring compliance with health standards;
- the Ministry of Labour and Social Protection of the Population, which is responsible for investigating labour disputes and complaints from individual employees and which monitors compliance by subsoil users with the obligations to employ the necessary percentage of Kazakhstan nationals and ensures that Kazakhstan employees are not discriminated against in the sphere of remuneration;
- the Committee for Technical Regulation and Metrology (under MINT), which is responsible for testing of equipment;
- regional and municipal regulatory authorities, which are responsible for registering properties, pledges and mortgages; and
- national and regional tax authorities.

Procurement regulations of Samruk-Kazyna

Pursuant to the Law of Kazakhstan ''On the National Welfare Fund'' No. 550-IV, dated 1 February 2012, the Group is not subject to the general procurement rules (established by the Law of Kazakhstan ''On State Procurement'' No. 303 III ZRK dated 21 July 2007 or the Natural Monopolies and Regulated Markets Law), but instead conducts its procurements in accordance with the specific procurement rules approved by Samruk-Kazyna.

Samruk-Kazyna's rules are generally similar to the general procurement rules and provide mandatory procedures for the procurement of goods and services by the Samruk-Kazyna Group. As at the date of this Base Prospectus, the Samruk-Kazyna procurement rules generally require such Samruk-Kazyna Group companies to conduct formal public tenders if the amount of planned expenditures exceed 4,000 times the monthly calculation indicator[1], subject to certain limited exceptions. The Samruk-Kazyna procurement rules provide certain preferences to domestic producers. The rules further provide for the possibility of centralised procurement pursuant to which a member of the Samruk-Kazyna Group may procure goods or services for or on behalf of other members of the Samruk-Kazyna Group. Samruk-Kazyna exercises overall supervision over compliance with its procurement rules.

Licences and Permits

The Group is required to obtain and maintain licences, authorisations and permits from Governmental authorities for its operations. Licences and permits are not transferable and are granted either for a specific period of time, a specific one-off purpose or for unlimited period of time.

A licence terminates on the occurrence of specified events, including the liquidation of the licencee, the voluntary cancellation of the licence by a licencee, and the revocation of the licence. If a licencee commits an administrative offence in the course of performing licencable activities, or breaches the terms of its licence, the licensing authorities may seek a court order to revoke or suspend the licencee's licence. A licence can be revoked if a licencee fails to comply with qualification requirements applicable to it, or the terms and conditions of the licence.

Licensing of the Sale and Purchase of Electricity

The Anti-Monopoly Agency issues licences for the purchase of electricity for the purpose of on-selling to customers. Under the Licensing Law and the subordinate legislation of the Government, the Anti-Monopoly Agency issues one-off licences for a prescribed term or, normally, general licences. General licences are not limited by reference to a term and remain effective until their termination. Such licences are subject to the same general rules as briefly outlined above.

In December 2011 legislative amendments came into effect which abolished the need for licences for the generation of electricity or heat energy and for operating power stations, electric lines and substations. The requirement to have a licence for the transmission and distribution of electricity or heat energy was abolished in August 2012.

Licensing of Mining

MINT issues licences for mining operations. The scope of a licence for mining operations may include, among other things, design and engineering, the extraction of solid minerals, surface mining, sub-surface mining, carrying out engineering works in mines, operating explosion in mines and mine reclamation. Licences for mining operations are subject to the same general rules as briefly outlined above.

Use of Surface Water

The Water Code of Kazakhstan No. 481-II dated 9 July 2003 requires a permit for:

- the collection and/or use of surface water to produce electricity;
- the discharge of waste or drainage into surface water; and
- the use of groundwater for drinking and production purposes.

The Committee for Water Resources of the Ministry of Agriculture of Kazakhstan, together with its branches (the "**Water Resources Committee**"), grants two types of such permits: a short-term permit for a term up to five years, and a long-term permit for a term from five years to 49 years, depending on the resource potential and the environmental condition of the relevant water source.

A company's permit can be suspended for breaching applicable water and environmental legislation. If the company fails to remedy the breach within the time fixed in the notice of the Water Resource Committee, then the committee may file a claim with a court to revoke the company's permit.

Technical Regulation

The Law of Kazakhstan "On Technical Regulation" No. 603-II dated 9 November 2004 (the "**Technical Regulation Law**") establishes the regulatory framework for:

1 A monthly calculation indicator is a measure used to determine fines, some statutory duties and reliefs payable out of the budget funds of the Government or the local executive authorities. The Parliament of Kazakhstan determines the amount of a monthly calculation indicator in its financial bill for a relevant year. In 2012, one monthly calculation indicator is equal to KZT 1,618.

- the development, enactment, application and enforcement of mandatory and voluntary requirements concerning the quality and safety of products, services, processes (these include the design, manufacture, operation, storage, transportation, selling, and utilisation of products);
- the certification, accreditation and control in the area of technical regulation.

The Technical Regulation Law is elaborated through technical regulations and standards. Technical regulations set out the minimal level of mandatory requirements for products, services and processes. The objective of the technical regulations is to facilitate the protection of public health, human life, the environment, Kazakhstan's flora and fauna, to ensure national security, to prevent misleading consumers as to the safety and quality of services and products and to eliminate technical barriers to trade. Technical regulations are required to be proportional. In other words, they may not impose restrictive measures that go beyond those that are necessary to achieve the objective referred to above.

In contrast with the framework for technical regulations, compliance with standards (these include international standards, standards applicable in foreign jurisdictions and non-governmental standards) are primarily voluntary. These standards apply in Kazakhstan so far as, among other things, they conform with the minimum requirements set out in the technical regulations. However, statutes or technical regulations in Kazakhstan may require mandatory compliance with standards adopted by the Committee for Technical Regulation under MINT.

A company's compliance with the requirements of technical regulations, standards and terms of contracts is confirmed by mandatory or voluntary 'conformity assessment'.

Mandatory 'conformity assessment'

Mandatory 'conformity assessments' are given either through the issuance by a manufacturer of a declaration of compliance or the certification by a legal entity authorised to conduct a 'conformity assessment' of a certain type of product. It confirms compliance only with the requirements of a technical regulation and only where the relevant technical regulation requires a mandatory 'conformity assessment'. Following a positive assessment, the relevant legal entity authorise to conduct a 'conformity assessment' issues a compliance certificate and grants the applicant the right to use a compliance mark. In the case of a negative assessment, a manufacturer, seller or contractor may not sell or offer to sell products or services which are negatively assessed.

As at the date of this Base Prospectus, such technical regulations, which requires mandatory 'conformity assessment' have been adopted, among other things, for some types of paintwork materials, construction materials and products. In addition, the list of products and services subject to mandatory certification has been set out by the Decree of the Government ''On Mandatory Product Compliance Certification in the Republic of Kazakhstan'' No. 367 dated 20 April 2005, as amended. Electricity, heat energy, distribution, and transmission of electricity are not included in this list.

Voluntary 'conformity assessment'

By contrast, voluntary 'conformity assessments' are carried out at the request of a particular company or a consumer and are done to confirm the compliance of products, services or processes of the company with the requirements of standards and the terms of a contract between the company and consumer. In the same way as for mandatory 'conformity assessments', voluntary 'conformity assessments' are conducted by a legal entity authorised conduct a 'conformity assessment', which, following a positive assessment, issues a compliance certificate and grants the applicant the right to use a compliance mark. A negative assessment may give rise to liability in contract depending on the circumstances of the case.

Specific rules on mutual recognition are applicable to 'conformity assessment' within the Customs Union between Belarus, Kazakhstan and Russia.

Environmental Regulation

The business of the Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites and the protection of Kazakhstan's flora and fauna.

The Environmental Code of Kazakhstan as amended (the ''**Environmental Code**'') is the primary source of environmental protection and regulation in Kazakhstan, together with a number of other legislations, codes, regulations and local legal acts.

Environmental permits

The discharge of pollutants, the release of emissions into the air or water and the disposal of waste and sulphur requires permits, which are allocated for the period until the production process or the conditions of use of the environment (for example, the use of water, drainage or land) are changed, but not exceeding five years. Such permits set out the permissible level of emissions and discharge of pollutants and set out limits on waste disposal.

''*Pay-to-pollute*'' *regime*

The Environmental Code and the Tax Code have established a ''pay-to-pollute'' regime according to which holders of environmental permits have to pay fees for discharges and disposals at the rate set out in schedule of rates in the Tax Code (the ''**environmental fees**''). The environmental fees may be doubled by arbitrary decisions of local representative authorities (*Maslikhats*) of regions, the cities of Almaty and Astana. However, local representative authorities may not increase environmental fees in respect of objects subject to energy efficiency agreements. Such agreements are optional and are concluded between MINT, the local executive authority and persons consuming 100,000 or more tonnes of fuel equivalent.[1] Under such agreements, the relevant person commits to reduce energy consumption by not less than 25 per. cent within five years of the date of the agreement by implementing energy efficient measures.

If a company with an average annual number of employees of more than 250, or total assets in any given year exceeding, as at the date of this Base Prospectus, KZT 525.9 million (or an equivalent sum in another currency) discharges or disposes of waste in excess of the limits set out in the relevant environmental permit then it will be required to pay a penalty at a rate of 1,000 per cent. of the rate set out in schedule of rates in the Tax Code or decision of the local representative authority per tonne, kilogramme or gigabecquerel of waste disposed of or discharged in excess of the threshold set out in the permit. In addition, the Environmental Control Committee (or its territorial body) may bring a claim against the company for any damages, caused to the environment and may impose additional fines for administrative offences.

Environmental Impact Assessment

A company intending to conduct activities that may have a direct or indirect impact on the environment must perform an environmental impact assessment of those activities in three stages in accordance with the Environmental Code and certain subordinate legislation. One of the purposes of such assessment is to develop limits for the permissible level of emissions into the environment. At the end of such assessment an environmental impact assessment report should be prepared on behalf of the relevant company. Such report, together with other project, engineering, design and construction documentation, is subject to scrutiny by the Ministry of Environmental Protection of Kazakhstan or the relevant local authorities (depending on the class of the project) as a part of a state ecological examination and may be subject to a public hearing. The company may commence the intended activities, after a positive examination documented by an opinion in respect of the state ecological examination of an authorised body.

Environmental Protection Plans and Environmental Control Programmes

Certain holders of permits for the emission, discharge and disposal of pollutants into the environment are required to implement environmental protection plans and environmental control programmes. The environmental protection plans should comply with the Model List of Measures for Protection of the Environment, approved by the Order of the Ministry for Environmental Protection No. 119 – dated 24 April 2007.

A company intending to obtain an emissions permit (see ''– *Environmental permits*'' above) must establish environmental control programmes to be reviewed by the Environmental Control Committee before making the application for the relevant permits. Companies are required to report to the Environmental Control Committee on the realisation of such programmes on a quarterly basis.

Environmental Liability

If a company breaches applicable environmental regulations or causes harm to the environment, or any individual or legal entity, the relevant competent authority, the injured party or the public prosecutor may commence an action for damages for environmental damage and personal damage caused by the relevant breach. The statute of limitations for such actions is three years. Liability for damage to the environment does not exclude the liability of the company, its directors, officers and employees from

1 Fuel equivalent is a technical metric measure to measure the amount of the energy content of organic (fossil) fuel. One kilogram of fuel equivalent equals to 7,000,000 calories.

other administrative or criminal offences. As a general rule, the measure of damages for damage to the environment is the cost of remedying the damage (the official term is the ''direct method''). If the direct method measure cannot be used to measure damages, then an indirect method may be employed. Such measure of the damages must be made in accordance with the Government's mandatory guidelines, for example, the Rules of Environmental Assessment of Damages caused by Contamination of the Environment, approved by the Decree of the Government No. 535 dated 27 June 2007. Damages for personal and property damage are measured in accordance with the Civil Code.

As an alternative to compensation for damages, a defendant company may, with the approval of a court, elect to restore the environment to the position which existed before the breach of the environmental legislation. Any remedial works undertaken do not absolve the company, its directors, officers and employees from administrative or criminal charges.

Greenhouse gases regulation

The regulation of greenhouse gases in Kazakhstan is made at the international and domestic level.

Under the Kyoto Protocol (the ''**Protocol**'') and the United Nations Framework Convention on Climate Change (the ''**Convention**''), governments have been grouped into developed nations (who have accepted greenhouse gases emission reduction obligations) and developing nations (who have no greenhouse gases emission reduction obligations). The Protocol includes ''flexible mechanisms'' which allow developed nations to meet their greenhouse gases emission reduction obligations by purchasing greenhouse gases emission allowances from elsewhere. These can be bought on financial exchanges, from projects which reduce emissions in developing nations under the clean development mechanism, the joint implementation scheme or from developed nations with excess allowances. Parties to the Protocol not listed in Annex I of the Convention participate in the Kyoto Protocol through the clean development mechanism. Kazakhstan is a party to the Protocol[1] but is not a party to the Convention. Kazakhstan has declared that it wishes to be bound by the commitments of Annex I Parties under the Convention. As it had not made this declaration when the Protocol was adopted, Kazakhstan does not have an emissions target listed for it in Annex B to the Protocol, which lists quotas for greenhouse gases for each contracting state.

The Environmental Code sets out the framework of climate change control in Kazakhstan, which comes into force on 1 January 2013. No person may carry on a specified activity (this includes energy activities) without quotas set out in the relevant greenhouse gas emissions permit to be issued annually by the Environmental Control Committee, although legal entities not emitting more than 20,000 tonnes of carbon dioxide in a year are exempted from this prohibition. Provisions have been made in relation to applications for a greenhouse gas emission permit, including the required information relating to the installation in respect of which the permit is sought, the programme for the reduction of emissions and the planned arrangements for the implementation of the programme, including the grounds on which an application may be refused.

Emissions quotas are allocated pursuant to a national allocation plan. The quotas in a national allocation plan for existing installations are established at the level of emissions made in a previous year pursuant to the Resolution of the Government No. 586 dated 7 May 2012. As at the date of this Base Prospectus, the quotas have not been allocated. The first national allocation plan for 2013 has been submitted to the Government for its approval, and will be implemented on a trial basis from 1 January 2013 till 31 December 2013. According to the draft plan, the benchmark emission level in the energy industry is proposed to be 83,961,283 quota units, being the level of the emissions made in Kazakhstan in 2010, and the quotas will be allocated between 55 applicants for greenhouse gas emissions permit without charge. Although it is not envisaged that applicants will commit themselves to reduce their greenhouse emissions, the Issuer believes that in 2013 the Group might exceed the prospective quota units allocated to its members pursuant to the draft national allocation plan,[2] as the 2010 benchmark might be less than the increased production forecast for 2013. An additional 22,596,328 quota units were reserved by the Government for new installations in priority sectors (to be determined by the Government). If a company's emissions exceed the quota of a greenhouse gas emissions allocated to it under its permit, it

1 By the Law of Kazakhstan no. 144-IV dated 26 March 2009, the Parliament of Kazakhstan has ratified the Protocol.

2 According to the draft national allocation plan Aktobe TPP will receive 929,574 quota units, Almaty Power Stations will receive 849,230 for TPS-1, 3,094,722 for TPS-2 and 1,192,969 for TPS-3, Balkhashskaya TPS (together with Kazakhmys, Zhezgazgankaya TES and other entities) will receive 9,933,744 quota units, Ekibastuzskaya GRES-2 will receive 5,028,632 quota units.

will be liable to pay a fine in the amount of 10 monthly calculation indicators[3] for each emission unit that exceeds its quota. These fines apply with effect from 1 January 2013.

Quotas in greenhouse gas emissions permits may be changed by the Environmental Control Committee at the application of a holder in the case of changes in the characteristics or functioning of the relevant installations or in the case of new installations. Holders that have a surplus of quota units are permitted to trade their quota units in Kazakhstan's domestic market only with effect from 1 January 2013. A registry of quota units must be established and maintained by a department of the Environmental Control Committee. The purpose of the registry is to register grants and transactions in respect of quota units.

Under the Environmental Code, emission reduction units and certified emission reduction units may be traded domestically or internationally; however, emission reduction units and certified emission reduction units are regulated by different rules. An emission reduction unit is an emissions unit issued under a joint implementation project in terms of Article 6 of the Protocol and trading in emission reduction units and certified emission reduction units will not commence until Kazakhstan commits itself as to emission targets under the Protocol.

Health and Safety

The Group's operations are subject to various health and safety regulations applicable in Kazakhstan. The principal regulations concerning health and safety are:

- the Labour Code of Kazakhstan No. 251-III dated 15 May 2007 (the "**Labour Code**");
- the Law of Kazakhstan "On Emergencies of Natural and Technologic Character" No. 19-I dated 5 July 1996;
- the Law of Kazakhstan "On Industrial Safety on Hazardous Production Facilities" No. 314-II dated 3 April 2002;
- the Law of Kazakhstan "On Mandatory Insurance of an Employee against Accidents in the course of Employment" no. 30-III dated 7 February 2005;
- the Law of Kazakhstan "On Mandatory Insurance against Liability of Owners of Dangerous Facilities" no. 580-II dated 7 July 2004;
- the Code of Kazakhstan "On Health of Population and Health Care System" No. 193-IV dated 18 September 2009; and
- the Technical Regulation Law.

The Regulation of Real Estate

The regulation of real estate in Kazakhstan is mainly performed on the basis of the following: the Civil Code, the Land Code of Kazakhstan No. 442-II dated 20 June 2003 (the "**Land Code**") and the Law of Kazakhstan "On State Registration of Interests in Immovable Property" No. 310-II dated 26 July 2007 (the "**Immovables Registration Law**").

Land Use Rights

General

By presumption all land in Kazakhstan is owned by Kazakhstan through the Government, the local executive authorities and other authorised State bodies unless an estate over a land plot is enjoyed by other person. The Land Code recognises the following estates that may be enjoyed by other persons:

- right of ownership (freehold); and
- land use right (leasehold).

The local executive authorities may, on behalf of Kazakhstan and within their competence, sell freehold, grant leasehold or gift or otherwise grant a freehold or leasehold over a piece of land to a person through public auction, tender or private negotiations. A leasehold over land may be either perpetual or for a fixed term, assignable or non-assignable, free of rent or subject to rent.

3 A monthly calculation indicator is a measure used to determine fines, some statutory duties and reliefs payable out of the budget funds of the Government or the local authorities. The Parliament of Kazakhstan determines the amount of a monthly calculation indicator in its financial bill for a relevant year. In 2012, one monthly calculator indicator is equal to KZT 1,618.

The Agency of Kazakhstan for the Administration of Land Resources, together with its territorial bodies, maintains the state land cadastre (the ''**Land Cadastre**''), which contains information, among other things, on the location, permitted purpose, size, boundaries and cadastral numbers (a unique number assigned to every piece of land) of pieces of land. Such information forms the basis of the legal cadastre for the purpose of the registration of estates and interests over land and buildings on such land (the ''**Legal Cadastre**''). The Land Cadastre is used for the administration of land resources and for the planning purposes, while the Legal Cadastre is used to confirm a legal estate and interest of a person over a land plot, buildings and structures on the land plot (see ''– *State Registration of Title to Real Estate and Transactions Involving Registered Real Estate*'').

The Land Code categorises all land by its permitted purposes, for example, agricultural, urban and residential land, land for motor vehicles, pipelines, airlines, land for industry, communication and energy industry, land for military purposes, forestry land, etc. The permitted purpose of a particular piece of land is established on the basis of zoning (namely, regional/spatial planning) and land surveys. The owner of a freehold or leasehold estate may only use land for its permitted purpose, although local authorities have discretion to change the permitted purpose at an application by the owner.

Local authorities may sell or grant a lease over land they own to entities and individuals domiciled in Kazakhstan and, with some exceptions, to foreign entities and individuals.

A freehold estate over a land must be registered, normally, by an owner in the Legal Cadastre. An estate of leasehold for a fixed term not supported by consideration (namely, rent free) may be granted by the State for a term of not more than five years. A lease for a fixed term supported by consideration may be granted for a term of up to 49 years. Lessees have a priority right to renew their ownership of leasehold when the fixed term expires. Leasehold for a term of more than one year is a registrable estate and must be registered, normally, by a lessee in the Legal Cadastre.

Stations, transmission and distribution systems

Power stations, regardless of the type of energy source used at the station, transformers, transmission systems (for example, overhead lines, underground cables of high voltage and substations), grid supply transformers (that connect transmission systems with distribution systems), distribution systems (networks of overhead wires, underground cables of low voltage and substations constructed to bring electricity to end customers), district heating, heat supply networks (including pumping stations, district heating substations) and other related infrastructure (the ''**energy infrastructure**'') must be situated on land broadly categorised by the Land Code as land for the industry, communication and energy industry. Such land may be owned by a private company as an estate of freehold or leasehold land and may only be used by the owner of such estate for the purpose of operating, maintaining, repairing, refurbishing and constructing energy infrastructure.

Land plots on which electricity lines of high or low voltage, district heating and other related infrastructure situated must be surrounded by protected areas (the official term is ''protective zones'') for health and safety reasons and to safeguard the existence and functioning of the electricity lines and district heating. The owner of the relevant object is responsible for the maintenance of the surrounding protective zones and is empowered to fell and lop obstructing or interfering trees. No one is permitted to do anything within or near protective zones, which could damage the electricity lines or district heating pipes to which the zones relate, or obstruct or interfere with working of or access to the lines or pipes. The size of a protective zone is determined, in particular, by reference to applicable building regulations and the Regulation of the Government No. 1436 dated 10 October 1997. In addition, land plots occupied by cogeneration plants, hydropower stations and electricity lines of high voltage (above 1000 volts) must be surrounded by protected areas (the official term is ''sanitary protection zones'') in order to protect the health and safety of local inhabitants by reducing the impact of the relevant infrastructure to permissible level of risks. The regulations prohibit any act in sanitary protection zones that is inconsistent with the permitted purpose of the land that the zone surrounds (this includes, among other things, building residential property, property for sport events, entertainment, institutions for education and medical services). Land comprising the whole or a part of protective zones and sanitary protection zones from third party owners does not need to be acquired to become a protective or sanitary protection zone, as the case may be (see ''– *Compulsory acquisitions*'').

A public easement may be granted by local executive authorities over land under their control in favour of an owner of electricity lines (normally, an electricity distribution company) or a heat supply network, to install and keep installed an electric line or heat supply pipe and related infrastructure. Such easements include access to the land for the purpose of inspecting, adjusting, repairing, altering replacing or removing the relevant object. Such public easements are granted where it is necessary to ensure the interests of the State and local inhabitants without exercising the State's statutory power of compulsory acquisition over land. Owners of land plots affected by a public easement are entitled to compensation if such public easement materially affects their enjoyment of the piece of land. If as a result of the grant of a public easement it becomes impossible to use a piece of land, owners are entitled to have their land purchased by the relevant local executive authority and to claim the full recovery of damages from the local executive authority. Where the creation of an easement does not advance the interest of the State and local inhabitants, an owner, for example, of landlocked land may privately negotiate an easement in its favour with a neighbouring owner.

Mining land

A subsoil user that has concluded a subsoil use contract with MINT is entitled to acquire a leasehold estate over a land plot over mines covered by the subsoil use contract. The Subsoil Use Law stipulates that a subsoil use contract is the basis for the grant of a piece of land for such a term and of such size as set out in the subsoil use contract. The grant of a piece of land for the purpose of the subsoil use operations is not discretionary. The grant of a piece of land must be completed by local executive authorities within 30 days of a subsoil user's application except where the grant to be made in respect of land to be acquired from third party owners is on a compulsory basis (see ''– *Compulsory acquisitions*''). The termination of a subsoil use contract automatically leads to the termination of an estate of leasehold.

Compulsory acquisitions

A company which is engaged in heat energy or electricity generation, transmission, distribution or sale and purchase of electricity, or a subsoil user does not have power to acquire land on a compulsory basis. The power to acquire third party land on a compulsory basis for the construction of energy infrastructure or granting a leasehold to a subsoil user vests in the local executive authorities. The purchase price and damages to an owner of land subject to compulsory acquisition are paid by the local executive authorities. A company that intends to construct energy infrastructure or a subsoil user is not required to acquire land comprising, in whole or in part, protective zones or sanitary protection zones owned by third party owners. Accordingly, the powers of compulsory acquisition are not generally exercised in respect of such land. As an alternative to the compulsory acquisition, local executive authorities may grant a public easement for the purpose of installing an electric line or heat supply pipe and related infrastructure.

State Registration of Title to Real Estate and Transactions Involving Registered Real Estate

The authorised territorial registration authorities of the Ministry of Justice of Kazakhstan maintain the Legal Cadastre which contains information on subsisting estates and interests in immovable property, their identity, their owners, encumbrances in favour of third parties and enquires in respect of such property made by third parties. Entries made in the Legal Cadastre are binding and confirm the existence of estates and interests in real estate. Under the Immovables Registration Law, a registrable estate and interest in an immovable property becomes effective only if it is registered in the Legal Cadastre. Registrable estates and interests include, among others, freehold, leasehold over a land for a term of one year or more, an easement for a term of one year or more, the right of use for a term of one year or more, trust management, charge, freezing order and other encumbrances. Other interests in real estate become effective when they are created.

Under the Land Code, it is not possible for the ownership rights to a building and the land on which the building is situated to be held by separate persons or entities. Generally, a person may not acquire an estate over land without acquiring the ownership right to building situated on such land and vice versa.

Currency Regulations

The Group's operations are subject to certain currency control restrictions, which are set out in the Law of Kazakhstan ''On Currency Regulation and Currency Control'' No. 57-II dated 13 June 2005 (the ''**Currency Law**'') and the respective regulations of the NBK. Pursuant to the Currency Law, residents and non-residents may settle transactions either in Kazakhstan Tenge or in a foreign currency. Under the Currency Law, residents conducting foreign trade must, subject to certain exemptions stipulated by the Currency Law, repatriate all Kazakhstan Tenge and foreign currency payable to them under foreign trade contracts to accounts at authorised Kazakhstan banks. In addition, a resident must repatriate any sum paid by it to a non-resident if the non-resident fails to perform its obligations, whether in whole or in part, under an export-import contract. In order to ensure compliance with the repatriation requirements, a resident should register its export-import contract with, and obtain an individual reference number for the contract from, its commercial bank or the NBK (if payments involve a foreign bank account of the resident). Non-residents may freely repatriate hard currency proceeds out of Kazakhstan.

The Currency Law provides that certain specific types of currency transactions may be subject to registration or notification. If the payment obligations under a transaction in respect of the export (or import) of goods (including heat energy and electricity) between a non-resident and a resident are deferred for a term of more than 180 days and exceed an applicable amount specified in the regulations of the NBK, then such transaction has to be registered with the NBK. Generally, such registration should be effected before a party commences the performance of its obligations. In most of the other cases, the Currency Law requires notice to be given to the NBK of any currency transaction between residents or non-residents if an applicable amount set out in the regulations of the NBK is exceeded by the relevant transaction.

Employment Law

The Labour Code of Kazakhstan No. 251-III dated 15 May 2007 (the ''**Labour Code**''), which regulates the establishment and termination of labour relations and the rights and duties of employees and employers, primarily governs labour matters in Kazakhstan. In addition to this core legislation, various laws, such as the Law of Kazakhstan ''On the Employment of Population'' No. 149-II dated 23 January 2001, as amended, contain regulations that govern the relationship between employers and employees.

Employment contracts

As a general rule, employers conclude employment contracts for an indefinite term with all employees. The labour legislation expressly limits the possibility of entering into a fixed term employment contract, which cannot be for a term of less than one year. However, employers may enter into an employment contract for fixed terms in three cases: (i) for specific work, (ii) for the replacement of a temporarily absent employee, or (iii) for seasonal work. Any renewal of a fixed term employment contract gives the contract an indefinite term. In addition, employees have the right to terminate an employment contract on giving a minimum of one month's notice. An employer may terminate an employment contract only on the grounds specified by the Labour Code, including incompetence due to the lack of qualification, absenteeism, breach of industrial safety rules and certain other serious breaches of employment duties, including but not limited to:

- the repeated failure to perform employment duties after being subject to disciplinary proceedings;
- misrepresentation by an employee when a contract is made;
- participation in an unlawful strike;
- appearance at work in a drunken, narcotic or other intoxicated condition; or
- theft or intentional property damage.

Employees can also conclude a collective employment contract between a group of employees and an employer to regulate social and labour relations. Such contracts must contain particulars of the forms and systems of remuneration, wage rates and salaries, overtime pay, allowances, the indexation of wages, benefits and compensation, including compensation for accidents, an allowable ratio between maximum and minimum wages in the profession, position in the organisation, job evaluation factors, work and rest hours, vacation, the provisions relating to safety of working conditions, the amount of funding for health and safety measures and improvement of health care. Other conditions may be included depending on negotiations.

Work Permit

In order to for an employer in Kazakhstan to employ a foreign national as an employee, it has to obtain a work permit.

A work permit is issued to an employer by an authorised state body at its application, accompanied by supporting documents, subject to a quota set out annually by the Government for a relevant year and provided further that the ratio of foreign employees to Kazakhstan employees would not be exceeded if the work permit is granted. Such ratio is specified in the Rules and Terms for the Issue of Permits to Foreign Employee for Employment and to Employer for Engaging Foreign Labour to Kazakhstan, approved by the Resolution of the Government No. 45 dated 13 January 2012 (the ''**Rules**'').

The Rules set out dispensations from obtaining a work permit in certain circumstances. Such circumstances include:

- the employment of a foreign national as a head of a branch or representative offices of a foreign legal entity;
- the employment of a foreign national (a) as a head of a company that is a party to an agreement with the Government in respect of investments for an amount of more than U.S.$ 50 million, or (b) as a head of a company that invests into certain priority sectors and has concluded an agreement with the authorised state body for that purpose (see ''– *Overview of Important Laws – State Support – Investment preferences*'');
- a business trip, the period of which does not exceed 120 calendar days in one calendar year.

Employees' Rights

The Labour Code provides employees with certain minimum rights, which an employment contract may supplement, including the right to:

- working conditions that comply with applicable health and safety requirements; and
- receive a salary on a timely basis;

In addition, the Labour Code requires an employer to make redundancy payments in the case of the employer's redundancy or its liquidation. The amount of the redundancy payment shall be equal to the employee's salary for one month. An employer has to pay a sum equal to the average salary of an employee for three months in the case of misleading the employee as to working conditions or in the case of a breach by the employer of labour legislation, terms of the employment contract or a collective bargaining agreement.

The Labour Code also provides protections for specified categories of employees. For example, except under a limited number of circumstances, an employer cannot dismiss expectant mothers, mothers with a child under the age of three, single mothers with a child under the age of 14 (or a disabled child under the age of 18) or other persons caring for a child without a mother. If an employee becomes unsuitable for the position held by him or her due to his or her health condition, the employment terminates.

A court may invalidate any termination by an employer that is inconsistent with the Labour Code, and order the employer to reinstate and compensate the employee. Where a court reinstates an employee, the employer must compensate the employee for its unpaid salary for the period between the wrongful termination and the reinstatement, for emotional distress and the court may order the employee to pay a sum equal to the average salary for three months for a breach of an employment contract.

Working time

The Labour Code generally sets the regular working week at 40 hours. As a general rule, any time worked beyond 40 hours per week, as well as work on public holidays and weekends, must be compensated at a higher rate. Annual paid vacation under the law is generally 24 calendar days. The retirement age in Kazakhstan is 63 years for males and 58 years for females.

Salary

The minimum monthly salary in Kazakhstan, as established by the law, is KZT 16,000 as at the date of this Base Prospectus. Although Kazakhstan law requires that the minimum wage be at or above the minimum subsistence level, the minimum wage as at the date of this Base Prospectus is generally considered to be less than such minimum.

Strikes

The Labour Code provides employees with the right to strike if:

- a collective labour dispute has not been settled;
- an employee has failed to participate in mediation to settle a collective labour dispute; or
- an employee has failed to comply with a compromise agreement made following the settlement of a collective labour dispute.

The Labour Code sets out conditions pursuant to which a strike may commence: for example, a meeting of employees representing more than half of all employees of an employer passes a resolution to strike acting by majority. An employer may not terminate the employment of an employee for his or her participation in a strike, except with actual knowledge of a court order declaring that such strike is unlawful. The Labour Code states that an employer is not required to pay wages to striking employees for the duration of the strike, except when the strike arises out of the of non-payment or overdue payment of wages.

Trade Unions

Trade unions in Kazakhstan are regulated by the Labour Code and the Law of Kazakhstan "On Trade Unions" No. 2107-XII dated 9 April 1993 (the "**Trade Union Law**"). Trade unions have the following statutory powers to:

- represent and defend the rights and interests of their members against state and private bodies, entrepreneurs and their associations; commence litigation to protect the rights and interests of their members and to provide legal advice;
- seek judicial review of the decisions and regulations of state bodies that violate the rights and interests of their members;
- carry on public hearings within the legislative framework in respect of compliance with labour, housing, pension and trade union legislation in relation to employees;
- have access to undertakings and work places of their members;
- participate in collective labour disputes and to enter into collective bargains;
- organise and conduct public meetings, pickets, public demonstrations and strikes and to engage in publishing.

Trade unions may apply to the State authorities and labour inspectors and prosecutors to ensure that an employer does not violate labour legislation. Trade unions may also participate in collective labour disputes, which may lead to strikes, and may represent employees in that dispute. To initiate a collective labour dispute, employees must present their demands to their employer. The Labour Code then obliges the employer to consider the demands and to notify the trade union of its decision in response. If the dispute remains unresolved, a reconciliation commission (consisting of the representatives of the employer and employees) can attempt to end the dispute. If this proves unsuccessful, the employer and the trade union will usually refer the collective labour dispute to mediation or labour arbitration. The Trade Union Law requires that if an employer intends to liquidate its undertaking or its department or suspend its business, whether in whole or in part, which may result in the redundancy of its employees, or the deterioration of working conditions, the employer has to give a notice to a trade union not less than two months in advance and to conduct negotiations with the trade union in respect of compliance with the rights and interests of the employees. Finally, although the Trade Union Law provides that those who violate the legal rights granted to trade unions and their officers may be subject to disciplinary, administrative or criminal liability, no specific sanctions for these violations are set forth in the legislation.

PRINCIPAL SHAREHOLDERS

The following table shows the name and shareholding of each registered shareholder of the Issuer as at 5 November 2012 based on information received from the Issuer's registrar, JSC Fondoviy Center registrar and JSC Central Securities Depository:

Name of the registered shareholder	Total number of shares	Percentage of share in share capital, %
Samruk-Kazyna[1]	5,176,585	95.5352
KazTransGas[2]	241,928	4.4648
Total		**100.00**

1 The shares owned by Samruk-Kazyna are held by JSC Central Securities Depository who acts in the capacity of nominal holder.

2 From 31 December 2011, the shares owned by KazTransGas JSC were transferred to the trust management of Samruk-Kazyna.

The Government, through Samruk-Kazyna, is the controlling shareholder of the Issuer. See "*Risk Factors – Risks Relating to the Group's Operations and Business – The Group has historically received and continues to rely on support from the Government, which indirectly controls the Group and may cause it to engage in business practices that conflict with the Group's interests of the Noteholders*".

When the Issuer was established, the shares were paid in cash by Samruk-Kazyna and KazTransGas. All other subsequent shares issuances were paid by shareholders in cash, by shares in entities, which were transferred to the Group and other types of contributions.

As the first step in the GRES-1 Acquisition, Samruk-Kazyna has transferred its 50 per cent. participatory interest in Ekibastuzskaya GRES-1 to the Issuer on 1 November 2012, in return for 355,798 new additional ordinary shares of the Issuer, with a value of KZT 101,620.1 million. As the second step of the GRES-1 Acquisition, by 31 December 2012 Samruk-Kazyna expects to exchange a portion of the ordinary shares for preference shares in the Issuer with a guaranteed minimum annual dividend of KZT 2,041.0 million. On 31 October 2012, the act of transfer and acceptance of Ekibastuzskaya GRES-1 was executed. The transfer remains subject to certain registration formalities, the corporate approval of the Issuer and the approval of the participants of Ekibastuzskaya GRES-1, all of which are expected to be completed by 31 December 2012. See "*Recent Developments – Acquisition of Ekibastuzskaya GRES-1*".

Under the programme for the flotation of shares of subsidiaries and dependent companies of Samruk-Kazyna on the securities market, approved by Resolution No. 1027 of the Government on 8 September 2011, the Issuer expects Samruk-Kazyna to launch an initial public offering of 5 – 15 per cent. of its total share capital on the KASE in 2013. See *"Risk Factors – Risks Relating to the Group's Operations and Business – Samruk-Kazyna plans to sell 5-15 per cent. of its shareholding in the Issuer through an initial public offering in 2013".* The Issuer is not aware of any arrangements in existence as at the date of this Base Prospectus, which could reasonably be expected to result in a change of control of the Issuer, subject to Samruk-Kazyna's plans to launch an initial public offering of the Issuer in 2013.

According to Government Decree No. 651 dated 30 June 2008, the Issuer's shares are included in the list of strategic objects which means that the Government's consent is required for any transfer of the Issuer's shares in an amount equal to, or more than 5 per cent. Government Decree No. 1103 dated 29 August 2012 provided that KazTransGas' shareholding in the Issuer would be transferred to Samruk-Kazyna (because KazTransGas does not focus on the power generation sector) and this Decree No. 1103 is the Government's consent to the transfer of KazTransGas' shareholding in the Issuer to Samruk-Kazyna. On 24 October 2012 KazTransGas and Samruk-Kazyna entered into an exchange agreement pursuant to which all of KazTransGas' shares (241,928 ordinary shares) in the Issuer would be transferred to Samruk-Kazyna. The Issuer expects the transfer to be completed by 31 December 2012. In exchange for KazTransGas' shares in the Issuer, Samruk-Kazyna will transfer gas pipelines located in Zhambyl, Aktobe, Almaty city and eastern Kazakhstan to KazTransGas.

None of the Issuer's shareholders has voting rights that are different from the voting rights of any other holders of its shares.

As at the date of this Base Prospectus only ordinary shares had been issued by the Issuer. As mentioned above, the Issuer plans to issue preference shares to be exchanged for a portion of the ordinary shares that it issued to Samruk Kazyna as part of the GRES-1 Acquisition.

Samruk-Kazyna

Samruk-Kazyna is wholly owned by the Government through the Ministry of Finance's Committee of State Property and Privatisation on behalf of Kazakhstan and is the national managing holding company for substantially all state enterprises in Kazakhstan. Samruk-Kazyna was created in 2008 pursuant to Presidential Edict No. 669, dated 13 October 2008, and Governmental Resolution No.962, dated 17 October 2008, by a merger of JSC ''Kazakhstan Holding on State Assets Management'' ''Samruk'' and JSC ''Sustainable Development Fund ''Kazyna''.

Samruk-Kazyna's primary objective is to manage its interests in the legal entities it owns with a view to maximising their long-term value and increasing their competitiveness.

The Government, as the sole shareholder of Samruk-Kazyna constitutes its supreme governing body, the board of directors constitutes its managing body, and the management board constitutes its executive body. Members of Samruk-Kazyna's board of directors are appointed by the Government, and its members are, amongst others; the Minister of Economic Development and Trade, the Minister of Finance, the Minister of Oil and Gas, the Minister of Industry and New Technologies, three independent directors (Mr Alexander Mirchev, Sir Richard Harry Evans, Ms Gulzhan Moldazhanova) and the chairman of the management board of Samruk-Kazyna. In addition, the board of directors is chaired by the Prime Minister of Kazakhstan.

KazTransGas

KazTransGas was established pursuant to Governmental Resolution No.173 dated 5 February 2000 for the purpose of streamlining the operations in the oil and gas sector in Kazakhstan.

KazMunaiGas owns 100 per cent. of the shares of KazTransGas. The sole shareholder of KazMunaiGas is Samruk-Kazyna.

In compliance with Governmental Resolution No.914 dated 5 July 2012, KazTransGas will become Kazakhstan's national operator of the gas sector and the gas supply industry.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as varied in accordance with the provisions of Part A of the relevant Final Terms, which will be incorporated by reference into each Global Note or Global Certificate, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these terms and conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these terms and conditions to ''Notes'' are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a trust deed (as amended or supplemented as at the Issue Date, the ''**Trust Deed**'') dated 27 November 2012 between Samruk-Energy JSC (the ''**Issuer**'') and Deutsche Trustee Company Limited (the ''**Trustee**'', which expression shall include all Persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below).

An Agency Agreement (as amended or supplemented as at the Issue Date, the ''**Agency Agreement**'') dated 27 November 2012 between the Issuer, Deutsche Bank AG, London Branch as principal paying agent, exchange agent and transfer agent, and each of Deutsche Bank Luxembourg S.A. as Non-U.S. registrar, paying agent and transfer agent and Deutsche Bank Trust Company Americas as U.S. registrar (and together with the Non-U.S. Registrar, the ''**Registrars**'' and each, a ''**Registrar**''), U.S. paying agent and U.S. transfer agent. The principal paying agent, the paying agents, the transfer agents, the exchange agent, the registrars and the calculation agent(s) for the time being (if any) are referred to below respectively as the ''**Principal Paying Agent**'', the ''**Paying Agents**'' (which expression shall include the Principal Paying Agent), the ''**Exchange Agent**'', the ''**Registrars**'', the ''**Transfer Agents**'' and the ''**Calculation Agent(s)**'', and which expressions include any successor principal paying agent, exchange agent, registrar, paying agent, transfer agent and calculation agent or additional agent appointed from time to time in connection with the Notes. References herein to the ''**Agents**'' are to the Principal Paying Agent, the Exchange Agent, the Registrars, the Paying Agents, the Transfer Agents and any references to an ''**Agent**'' are to any one of them.

Capitalised terms have the meanings given to them in the Final Terms or in Condition 19 (*Definitions*), the absence of any such meaning indicating that such term is not applicable to the Notes.

The Noteholders and the Couponholders are bound by, and are deemed to have notice of the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (currently at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom) and at the specified offices of each of the Paying Agents, the Exchange Agent, the Registrars and the Transfer Agents.

1. Form, Denomination and Title

The Notes may be Bearer Notes or Registered Notes as specified in the Final Terms in each case in the Specified Denomination(s) shown in the Final Terms provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the Issue Date of the relevant Notes). All Registered Notes shall have the same Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by Certificates and, save as provided in Condition 2 (*Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder. Each

Certificate will be numbered serially with an identifying number which will be recorded in the relevant Register.

Title to the Bearer Notes, the Coupons and the Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the relevant Register maintained by the relevant Registrar in accordance with the provisions of the Agency Agreement. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate), other than the endorsed form of transfer, in the case of Registered Notes, and no Person shall be liable for so treating the holder.

2. Registered Notes

(a) **Transfer of Registered Notes:** Subject to Conditions 2(e) (*Regulations Concerning Transfers and Registration*) and 2(f) (*Closed Periods*), Registered Notes may be transferred upon the surrender (at the specified office of the relevant Registrar or any Transfer Agent) of the relevant Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided,* however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a Person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(b) **Exercise of Options or Partial Redemption in respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a redemption of, some only of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the relevant Registrar or any Transfer Agent.

(c) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(a) (*Transfer of Registered Notes*) or (b) (*Exercise of Options or Partial Redemption in respect of Registered Notes*) shall be available for delivery within five business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e) (*Redemption at the Option of Noteholders*)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the relevant Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business (including dealings in foreign currencies) in the place of the specified office of the relevant Transfer Agent or the relevant Registrar, as the case may be.

(d) **Exchange and Transfer Free of Charge**: The exchange and transfer of Registered Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the relevant Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Registrar or the relevant Transfer Agent may require).

(e) **Regulations Concerning Transfers and Registration**: All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrars. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d) (*Redemption at the Option of the Issuer*), (iii) after any such Note has been called for redemption by the Issuer pursuant to Condition 6(d) (*Redemption at the Option of the Issuer*) or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b) (*Registered Notes*)).

3. Status

The Notes and the Coupons relating to them constitute direct, general, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 4(a) (*Negative Pledge*), at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated indebtedness and other monetary obligations of the Issuer.

4. Covenants

(a) **Negative Pledge**: So long as any Note or Coupon remains outstanding, the Issuer shall not, and shall ensure that none of its Subsidiaries shall, create, incur, assume, or permit to arise, any Security Interest, other than a Permitted Security Interest, upon the whole or any part of their respective present or future undertakings, assets or revenues to secure any Indebtedness for Borrowed Money (save for those that have been accorded preferential rights by law) of the Issuer, any Subsidiary or any other Person, or any Indebtedness Guarantee in respect of such Indebtedness for Borrowed Money, unless, at the same time or prior thereto, the Issuer's obligations under the Notes, the Coupons and the Trust Deed are secured, to the satisfaction of the Trustee, equally and rateably with any such Indebtedness for Borrowed Money or Indebtedness Guarantee or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution of the Noteholders or as the Trustee in its discretion shall deem to be not materially less beneficial to the Noteholders.

(b) **Limitation on Disposals:** So long as any Note or Coupon remains outstanding, except as permitted by Condition 4(c) (*Limitation on Mergers and Consolidations*), the Issuer will not, and will procure that its Material Subsidiaries will not, either in a single transaction or in a series of transactions, whether related or not and whether voluntary or involuntary, sell, assign, convey, transfer, grant or otherwise dispose of to any Person all or any of its or their assets or property, the aggregate value of which exceeds at any time 10% of the value of Consolidated Total Assets as shown in the Issuer's then most recent audited consolidated financial statements prepared in accordance with IFRS, except for disposals of assets or property to any Subsidiary of the Issuer (each, a "**Transferee Subsidiary**"), *provided however that* after giving effect to such disposal and any related transactions, the Transferee Subsidiary remains a Subsidiary of the Issuer and no Event of Default or Potential Event of Default has occurred and is continuing.

(c) **Limitation on Mergers and Consolidations:** So long as any Note or Coupon remains outstanding, the Issuer shall not consolidate with or merge into any Person unless:

(i) the Person formed by the consolidation or into which the Issuer is merged (the "**Successor Company**") agrees in writing to assume the obligation to make due and punctual payment of all amounts payable under the Notes and all other obligations of the Issuer under the Notes and the Trust Deed;

(ii) immediately after giving effect to the transaction, no Event of Default will have occurred and be continuing;

(iii) the Issuer has delivered to the Trustee (A) an Officers' Certificate stating that the consolidation or merger complied with this Condition 4(c) and that all requirements set out herein relating to the transaction have been complied with; and (B) an opinion of independent legal counsel of recognised standing in form and substance satisfactory to the Trustee that the Successor Company has validly assumed the obligations to be assumed by it pursuant to sub-paragraph (i) above and that the Trust Deed and the Notes constitute legal, valid, binding and enforceable obligations of the Successor Company, and the Trustee shall be entitled to rely upon such Officers' Certificate and opinion and shall not be responsible for any loss occasioned by acting (or not acting) on any such Officers' Certificate or opinion, as the case may be; and

(iv) the Successor Company expressly agrees (A) to pay such additional amounts as may be necessary in order that the net amounts received by each Noteholder shall, after any deduction or withholding of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Taxing Jurisdiction of the Successor Company equal the amounts that would have been received by such Noteholder in respect of the Notes held by it in the absence of the consolidation or merger; and (B) to indemnify and hold harmless each Noteholder from and against, and reimburse each such Noteholder for, the amount of any such taxes withheld or deducted from, or paid by such Noteholder in respect of payments made under or with respect to the Notes or the Trust Deed in circumstances where the said obligation to pay additional amounts is or may have become illegal, unenforceable or otherwise invalid.

Upon any consolidation, merger, conveyance or transfer in accordance with this Condition 4(c), the Successor Company shall succeed to and be substituted for, may exercise every right and power of, and shall be bound by every obligation of, the Issuer under the Notes and the Trust Deed with the same effect as if the Successor Company had been named as the Issuer.

(d) **Limitation on Indebtedness:** So long as any Note or Coupon remains outstanding, the Issuer will not, and will not permit any Material Subsidiary to incur, directly or indirectly, any Indebtedness, *provided however* that the Issuer and any such Material Subsidiary will be entitled to incur Indebtedness if:

(i) after giving effect to any such incurrence and the application of the proceeds thereof, on a pro forma basis, no Potential Event of Default or Event of Default would occur and be continuing; and

(ii) the ratio of Consolidated Adjusted EBITDA as of any date of determination on a pro forma basis to the aggregate amount of Consolidated Net Finance Charges for the most recent annual financial period for which consolidated financial statements have been delivered pursuant to Condition 4(n) (*Financial and Other Information*) (or, prior to delivery of the first consolidated financial statements following the Issue Date, the Consolidated Net Finance Charges for the financial year most recently ended), does not fall below 3.0 to 1.0.

For purposes of calculating the ratio described in this Condition 4(d), acquisitions that have been made by the Issuer or any Material Subsidiary, including through mergers or consolidations and including any related financing transactions (including, without limitation, any acquisition giving rise to the need to make such calculation as a result of the incurrence or assumption of Indebtedness), (a) for the most recent two annual financial periods for which consolidated financial statements have been delivered pursuant to Condition 4(n) (*Financial and Other Information*), or (b) subsequent to such annual financial periods and on or prior to the date on which the ratio is calculated, will be given pro forma effect as if they had occurred on the first day of the measurement period used in the calculation of Consolidated Adjusted EBITDA; *provided, however,* that (i) any such pro forma Adjusted EBITDA in respect of an acquisition may only be so included in the calculation of Consolidated Adjusted EBITDA if such pro forma Adjusted EBITDA shall have been derived from financial statements of, or relating to or including, such acquired entity and (ii) such financial statements have been prepared in accordance with IFRS, U.S. GAAP or any body of accounting principles that has been determined by the European Commission to be equivalent to IFRS (without regard to any modification to such principles that may be required after the date of such financial statements in connection with or pursuant to such determination).

This Condition 4(d) will not prohibit the incurrence of any of the following items of Indebtedness:

(i) refinancings (including successive refinancing) of Indebtedness of the Issuer or any Material Subsidiary outstanding on the Issue Date (including the Notes issued on the Issue Date) or permitted to be incurred under sub-paragraph (ii) above; *provided however* that the aggregate principal amount is not thereby increased by more than the expenses incurred by the Issuer or its Material Subsidiaries in connection with such refinancing together with the amount of any premium to be paid in connection with such refinancing;

(ii) intercompany debt (A) between the Issuer and any Material Subsidiary and (B) between any Material Subsidiary and another Material Subsidiary; *provided however* that any subsequent issue or transfer of any Capital Stock which results in any such Material Subsidiary ceasing to be a Material Subsidiary or any subsequent disposition, pledge or transfer of such Indebtedness (other than to the Issuer or a Material Subsidiary) shall be deemed, in each case, to constitute the incurrence of such Indebtedness by the obligor thereon; and

(iii) Indebtedness arising out of interest rate agreements or currency hedging agreements for the benefit of the Issuer or any Material Subsidiary; *provided however* that such interest rate agreements do not exceed the aggregate principal amount of the related Indebtedness and such currency hedging agreements do not increase the obligations of the Issuer or any Material Subsidiary other than as a result of fluctuations in interest or foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder.

(e) **Limitation on Payment of Dividends:** So long as any Note or Coupon remains outstanding, the Issuer will not pay any dividends, in cash or otherwise, or make any other distribution of any sort (whether by way of redemption, acquisition or otherwise) in respect of its share capital or by way of management or other similar fees payable to its direct or indirect shareholders at any time when there exists a Potential Event of Default or an Event of Default, provided that the Issuer will not permit any Material Subsidiary to make any dividends or other distributions in respect of any series of Capital Stock of such Material Subsidiary unless such dividends or distributions are made on a pro rata basis to holders of such series of Capital Stock or such dividends or distributions are made on a basis that results in the Issuer or a Material Subsidiary receiving dividends or other distributions of greater value than would result on a pro rata basis.

(f) **Transactions with Affiliates:** So long as any Note or Coupon remains outstanding, the Issuer shall not, and shall ensure that none of its Material Subsidiaries, directly or indirectly, shall enter into or permit to exist any Affiliate Transaction including, without limitation, intercompany loans, disposals or acquisitions, unless the terms of such Affiliate Transaction are no less favourable to the Issuer or such Material Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's length transaction with a Person that is not an Affiliate of the Issuer or such Material Subsidiary.

This Condition 4(f) shall not apply to (A) compensation or employee benefit arrangements with any officer or director of the Issuer or any of its Subsidiaries arising as a result of their employment contract, (B) Affiliate Transactions pursuant to agreements or arrangements entered into prior to the Issue Date, the terms of which were disclosed to Noteholders, (C) any sale of Capital Stock of the Issuer, (D) Affiliate Transactions between the Issuer and a Material Subsidiary, transactions between the Issuer and/or a Material Subsidiary and a Subsidiary or transactions between Material Subsidiaries, (E) Affiliate Transactions in the ordinary course of business provided such Affiliate Transactions could not, individually or in the aggregate, have a Material Adverse Effect, and (F) Affiliate Transactions involving an aggregate amount not exceeding U.S.$10,000,000 in any one calendar year.

(g) **Change of Business:** So long as any Note or Coupon remains outstanding, the Issuer shall, and shall ensure that its Material Subsidiaries shall, not make any change to the general nature of the business of the Group as conducted as at the date hereof.

(h) **Maintenance of Authorisations:** So long as any Note or Coupon remains outstanding (i) the Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of its corporate existence, business and operations, and (ii) the Issuer shall take all necessary action to obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in any relevant jurisdiction for the execution, delivery and performance of the Notes, the Trust Deed and the Agency Agreement and for the validity and enforceability thereof.

(i) **Payment of Taxes and Other Claims:** So long as any Note or Coupon remains outstanding, the Issuer shall, and shall ensure that its Material Subsidiaries shall, pay or discharge or cause to be paid or discharged before the same shall become overdue all taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of, the Issuer and its Material Subsidiaries, provided that none of the Issuer or any Material Subsidiary shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment or governmental charge, (i) the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made, or (ii) if a failure to pay or discharge or cause to be paid or discharged such amount, together with all such other unpaid or undischarged taxes, assessments, charges and claims, would not have a Material Adverse Effect.

(j) **Compliance with Laws**: So long as any Note or Coupon remains outstanding, the Issuer shall, and shall ensure that its Material Subsidiaries shall, comply in all respects with all laws to which it is subject, except where the failure so to comply could not have a Material Adverse Effect.

(k) **Maintenance of Property:** So long as any Note or Coupon remains outstanding, the Issuer shall, and shall ensure that its Material Subsidiaries shall, cause all property used in the carrying on by it of its business for the time being be kept in good repair and working order as may be reasonably necessary so that the business may be carried on in accordance with applicable laws of the Republic of Kazakhstan.

(l) **Environmental Laws:** So long as any Note or Coupon remains outstanding, the Issuer shall, and shall ensure that its Material Subsidiaries shall, comply in all respects with all Environmental Laws and Environmental Approvals applicable to it, save where any such non-compliance would not have a Material Adverse Effect.

(m) **Maintenance of Insurance:** So long as any Note or Coupon remains outstanding, the Issuer shall, and shall ensure that its Material Subsidiaries shall, insure its business and assets with insurance companies to such an extent and against such risks as companies engaged in a similar business would normally insure, as required by applicable laws of the Republic of Kazakhstan.

(n) **Financial and Other Information:** So long as any Note or Coupon remains outstanding, the Issuer will furnish to the Trustee:

(i) in each case in the English language: (A) a copy of the Issuer's audited consolidated financial statements for each financial year prepared in accordance with IFRS consistently applied, including a report thereon by the Issuer's certified independent accountants, as soon as such are completed and available, but in any event not later than 180 days after the end of each financial year of the Issuer; and (B) to the extent prepared and available, a copy of the Issuer's unaudited consolidated financial statements for the first half of each financial year prepared in accordance with IFRS consistently applied as soon as the same are completed and available, but in any event where the same are completed and available, not later than 120 days after the end of the first half year of each financial year of the Issuer; and

(ii) without undue delay, such additional information regarding the financial position or the business of the Issuer and any Material Subsidiary as the Trustee may reasonably request.

(o) **Minimum Tangible Net Worth:** So long as any Note or Coupon remains outstanding, the Issuer shall ensure that at all times the Consolidated Tangible Net Worth of the Group equals or exceeds at least U.S.$1,000,000,000.

(p) **Officer's Certificates:** So long as any Note or Coupon remains outstanding:

(i) Within 14 days of any request by the Trustee, the Issuer shall deliver to the Trustee written notice in the form of an Officers' Certificate stating whether any Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred and, if it has occurred and is continuing, what action the Issuer is taking or proposes to take with respect thereto and that the Issuer is in compliance with its obligations under the Trust Deed.

(ii) The Issuer will, at the same time as delivering any financial statements pursuant to Condition 4(n) (*Financial and Other Information*) and within 30 days of any request by the Trustee, deliver to the Trustee and Officers' Certificate specifying those companies which were, at a date no more than 10 days before the date of such Officers' Certificate, Material Subsidiaries.

5. Interest and Other Calculations

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f) (*Calculations*).

If a Fixed Coupon Amount or a Broken Amount is specified in the Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Final Terms.

(b) **Interest on Floating Rate Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f) (*Calculations*).

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as the sum of the Margin and the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as a Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the Final Terms

(y) the Designated Maturity is a period specified in the Final Terms and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Final Terms.

For the purposes of this sub-paragraph (A), "Floating Rate", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) If the Relevant Screen Page is not available or if sub-paragraph (x)(l) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request the office of each Reference Bank located in the Relevant Financial Centre to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the inter-bank market of the Relevant Financial Centre, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time, on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the inter-bank market in the Relevant Financial Centre, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes**: If the Redemption Amount of a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, or improperly withheld or refused, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(b)(i) (*Zero Coupon Notes*)).

(d) **Accrual of Interest**: Interest shall cease to accrue on each Note from the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which event it shall continue to bear interest in accordance with Condition 5 (*Interest and Other Calculations*) (after as well as before judgment) at the Rate of Interest in the manner provided in this Condition 5 (*Interest and Other Calculations*) to the Relevant Date (as defined in Condition 8 (*Taxation*)).

(e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding**:

(i) If any Margin is specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) (*Interest on Floating Rate Notes*) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes ''unit'' means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.

(f) **Calculations**: The amount of interest payable in respect of each Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Final Terms, and the Day Count Fraction for such Interest Accrual Period, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such note divided by the Calculation Amount. For this purposes, a ''**sub-unit**'' means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. provided that where an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any other determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other competent authority so require, such exchange or other competent authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii) (*Business Day Convention*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment with the consent of the Trustee) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the Final Terms and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer with the consent of the Trustee shall appoint a leading bank or investment banking firm engaged in the interbank market that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(i) **Definitions**: In these Conditions:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**") and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period Of Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/365**" or "**Actual/Actual-ISDA**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified in the Final Terms, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360 , calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] - D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(v) if "**30E/360**" or "**Eurobond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360 , calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] - D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

(vi) if "**30E/360 (ISDA)**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] - D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_2 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "**Actual/Actual-ICMA**" is specified in the Final Terms,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year and

(a) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Calculation Amount**" means the amount, if any, specified in the Final Terms.

"**Determination Date**" means the date specified as such in the Final Terms or, if none is so specified, the Interest Payment Date.

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Euro-zone**" means the region comprised of member states of the European Union (each, a "**European Union Member State**") that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Fixed Coupon Amount**" means the amount, if any, specified in the Final Terms.

"**Fixed Interest Payment Date**" means the date, if any, specified in the Final Terms.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the Final Terms.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the First Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the Final Terms.

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the relevant Series (as specified in the Final Terms)) as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Final Terms.

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to euro, it means the principal financial centre of such European Union Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of this Note and that is either specified in the Final Terms or calculated or determined in accordance with the provisions in the Final Terms.

"**Reference Banks**" means four major banks in the interbank market most closely connected with the Reference Rate selected by the Calculation Agent.

"**Reference Rate**" means one of the following benchmark rates (as specified in the Final Terms) in respect of the Specified Currency and Interest Period specified in the Final Terms: LIBOR or EURIBOR.

"**Relevant Financial Centre**" means the financial centre specified in the Final Terms.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Time**" means the time specified in the Final Terms.

"**Specified Currency**" means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

6. Redemption, Purchase and Options

(a) Final Redemption:

Unless previously redeemed, or purchased and cancelled, each Note will be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount.

(b) **Early Redemption**:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) shall be the Amortised Face Amount (defined and calculated as provided below) of such Note unless otherwise specified in the Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount (the "**Amortised Face Amount**") of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d) (*Accrual of Interest*).

Where such calculation is to be a made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Final Terms.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*), shall be the Final Redemption Amount unless otherwise specified in the Final Terms.

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b)(ii) (*Other Notes*)) (together with interest accrued to the date fixed for redemption), if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) the Issuer has or will become obliged to pay additional amounts as described under Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided, however, that*:

(A) where the Notes may be redeemed at any time, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due , or

(B) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee an Officers' Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal counsel of recognised standing in form and substance satisfactory to the Trustee to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which case it shall be conclusive and binding on Noteholders.

(d) **Redemption at the Option of the Issuer**: If Call Option is specified in the Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms) redeem all or, if so provided, part of the Notes on any Optional Redemption Date (Call). Any such redemption of Notes shall be at their Optional Redemption Amount (Call) together with interest accrued (if any) to such date.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or, in the case of Registered Notes in definitive form, will be selected individually by lot and shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements, or, in the case of Registered Notes in global form, will be selected by lot in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg, as applicable.

(e) **Redemption at the Option of Noteholders**:

(i) *Put Option:* If Put Option is specified in the Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Final Terms), redeem such Note on the Optional Redemption Date(s) (Put) specified in the relevant Put Option Notice at its Optional Redemption Amount together (if applicable) with interest accrued (if any) to the date fixed for redemption.

(ii) *Change of Control:* If a Change of Control Event occurs, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving notice to the Issuer at any time during the Redemption Period, redeem such Note on the Redemption Date at its principal amount (or such other amount as may be specified in the Final Terms) together (if applicable) with interest accrued to the date fixed for redemption.

Immediately upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a ''**Change of Control Notice**'') to the Noteholders in accordance with Condition 16 (*Notices*) specifying the nature of the Change of Control Event.

(iii) *Exercise Notice:* In order to exercise the option contained in Condition 6(e)(i) (*Put Option*) or 6(e)(ii) (*Change of Control*), the holder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put) deposit (in the case of a Bearer Note) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of a Registered Note) the Certificate representing such Note(s) with the relevant Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (''**Exercise Notice**'') in the form obtainable from any Paying Agent, any Registrar or any Transfer Agent (as applicable) within the relevant period. No Note, Coupon or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases:** The Issuer and any Subsidiary may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Notes so purchased, while held by or on behalf of the Issuer or any Subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating the quorum at any meeting of Noteholders or for the purposes of Conditions 10 (*Events of Default*) and 11(a) (*Meetings of Noteholders*).

(g) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any Subsidiary may be surrendered for cancellation, in the case of a Bearer Note by surrendering such Note together with all unmatured Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of a Registered Note, by surrendering the Certificate representing such Notes to the relevant Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. For the purpose of this Condition 7, ''**Bank**'' means a bank in the Principal Financial Centre for such currency.

(b) **Registered Notes**:

(i) *Principal:* Payments of principal in respect of Registered Notes shall be made against presentation and surrender or, in the case of part payment of any sum due, endorsement, of the relevant Certificates at the specified office of any of the Transfer Agents or of the relevant Registrar and in the manner provided in paragraph (ii) below.

(ii) *Interest:* Interest on Registered Notes shall be paid to the Person shown on the relevant Register at the close of business on the fifteenth day before the due date for payment thereof (the ''**Record Date**''). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the relevant Register. Upon application by the holder to the specified office of the relevant Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to fiscal laws**: All payments are subject in all cases to any (i) applicable fiscal laws or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of FATCA or otherwise imposed pursuant to Sections 1471 through 1474 of FATCA, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Agents initially appointed by the Issuer and their respective specified offices are listed below. The Agents act solely as agents of the Issuer and, in certain limited circumstances, the Trustee, and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time, with the approval of the Trustee, to vary or terminate the appointment of any of the Agents and to appoint additional or Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a non-U.S. Registrar and a U.S. Registrar, as applicable, in relation to Registered Notes,

(iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case as approved by the Trustee and (vi) a Paying Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, (vii) an Exchange Agent in relation to Registered Notes registered in the name of DTC or its nominee which are denominated in a Specified Currency other than U.S. dollars and (viii) a Paying Agent in New York City in respect of any Bearer Notes denominated in US dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9 (*Prescription*)).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Floating Rate Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may reasonably require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9 (*Prescription*)).

(h) **Non-Business Days**: If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, ''**business day**'' means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in the relevant place of presentation, in such jurisdictions as shall be specified as ''**Financial Centres**'' in the Final Terms and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Relevant Taxing Jurisdiction other than the mere holding of the Note or Coupon; or

(b) presented or (if applicable) surrendered (or (if applicable) in respect of which the relevant Certificate is presented or (if applicable) surrendered) for payment more than 30 days after the Relevant Dare except to the extent that the holder of it would have been entitled to such additional amounts on presenting or, as the case may be, surrendering it for payment on such thirtieth day; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented or (if applicable) surrendered (or (if applicable) in respect of which the relevant Certificate is presented or (if applicable) surrendered) for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting or, as the case may be, surrendering the relevant Note or Coupon (or (if applicable) the relevant Certificate) to another Paying Agent in a European Union Member State.

Notwithstanding anything to the contrary in this Condition 8, none of the Issuer, any Paying Agent or any other Person shall be required to pay any additional amounts with respect to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of FATCA or otherwise imposed pursuant to Sections 1471 through 1474 of FATCA, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

9. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together with accrued interest to the date of redemption:

(a) **Non-Payment**: default is made in the payment on the due date of principal in respect of any of the Notes, or default is made for more than five Business Days in the payment on the due date of interest in respect of any of the Notes; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 calendar days (or such longer period as the Trustee may in its sole discretion determine) after written notice of such default has been given to the Issuer or, as the case may be, the Trustee; or

(c) **Cross-Default**: (i) any Indebtedness for Borrowed Money of the Issuer or any Material Subsidiary becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default or the like (howsoever described), or (ii) any such Indebtedness for Borrowed Money is not paid when due or, as the case may be, within any applicable grace period, or (iii) any Indebtedness Guarantee given by the Issuer or any Material Subsidiary in respect of any Indebtedness for Borrowed Money of any other Person is not honoured when due and called, save in each case where the liability in respect of the principal amount outstanding under such Indebtedness for Borrowed Money does not exceed U.S.$15,000,000 (or its equivalent in other currencies); or

(d) **Invalidity or Unenforceability:** (i) the validity of the Notes or the Trust Deed is contested by the Issuer, or the Issuer denies any of its obligations under the Notes, the Trust Deed or the Agency Agreement (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise), (ii) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, the Trust Deed or the Agency Agreement or (iii) all or any of the Issuer's obligations set out in the Notes, the Trust Deed or the Agency Agreement shall be or become unenforceable or invalid; or

(e) **Insolvency or Bankruptcy:** (i) a proceeding shall have been instituted or a decree or order shall have been entered for the appointment of a receiver, administrator, liquidator or other similar officer in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar arrangements involving the Issuer or any Material Subsidiary or all or, in the opinion of the Trustee, substantially all of any of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days or (ii) the Issuer or any Material Subsidiary shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, administrator or liquidator or trustee or assignee in bankruptcy or liquidation of it or in respect of its property or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or is (or could be deemed by law or a court to be) insolvent or bankrupt or commences proceedings with a view to the general adjustment of its Indebtedness; or

(f) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a substantial part, in the opinion of the Trustee, of the property, assets or revenues of the Issuer or any Material Subsidiary and is not discharged or stayed within 90 days; or

(g) **Security Enforced:** any Security Interest, present or future, created or assumed by the Issuer or any Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar Person) and the aggregate amount secured by any such Security Interests so enforced exceeds U.S.$15,000,000 (or its equivalent in any other currency); or

(h) **Judgments:** a final judgment or judgments for the payment of money have been entered by a court or courts of competent jurisdiction against the Issuer or any Material Subsidiary and remain undischarged or waived for a period of at least 90 days without stay of execution of the relevant judgment or judgments during the period and the aggregate amount of all such judgments at any time outstanding (to the extent not paid or to be paid by insurance) exceeds U.S.$15,000,000 or the equivalent in any other currency (for this purpose, any deductibles, self-insurance or retention shall not be treated as covered by insurance); or

(i) **Winding-Up:** an order is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or any Material Subsidiary or the Issuer or any Material Subsidiary ceases to carry on all or, in the opinion of the Trustee, a material part, of its business or operations, except (i) for the purpose of and followed by a merger or consolidation which is permitted by Condition 4(c) (*Limitation on Mergers and Consolidations*) or (ii) on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders or (iii) in the case of a Material Subsidiary, but not arising out of the insolvency of such Material Subsidiary, where all or substantially all of its assets are transferred to another member or members of the Group or to a transferee or transferees which immediately upon such transfer become(s) a member of the Group; or

(j) **Analogous Events:** any event occurs, which, under the laws of the Republic of Kazakhstan, has an analogous effect to any of the events referred to in paragraphs (e) to (i) above; or

(k) **Authorisations and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration, the entering into of all necessary agreements or other documents and the compliance in all material respects (in the opinion of the Trustee) with any applicable laws or regulations (including any foreign exchange rules or regulations pertaining to the Issuer's ability to make payments in respect of the Notes or otherwise under the Trust Deed) of any governmental or other regulatory authority) which is at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed or (ii) to ensure that those obligations are legally binding and enforceable is not done, lapses and is not renewed or is cancelled or otherwise ceases to be maintained in full force and effect; or

(l) **Maintenance of Business:** the Issuer or any Material Subsidiary fails to take any action as is required of it under applicable regulations in the Republic of Kazakhstan to maintain in effect any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations and such failure is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Trustee and is materially prejudicial (in the opinion of the Trustee) to the interests of the Noteholders; or

(m) **Government Intervention:** (i) all or, in the opinion of the Trustee, a substantial part of the undertaking, assets and revenues of the Issuer or any Material Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government, or (ii) the Issuer or any Material Subsidiary is prevented by any such Person from exercising normal control over all or, in the opinion of the Trustee, a substantial part of its undertaking, assets and revenues.

11. Meetings of Noteholders, Modification, and Waiver

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more Persons holding or representing a clear majority in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes a consideration of certain Reserved Matters (as defined in the Trust Deed), in which case the necessary quorum shall be two or more Persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed also provides that a resolution in writing and signed (or where the Notes are held through a clearing system, an electronic consent by or on behalf of relevant accountholders to a resolution provided in accordance with the standard procedures of such clearing system) (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed, or (ii) if such Noteholders have been given at least seven days notice of such resolution, by or on behalf of Persons holding not less than 75 per cent. in aggregate nominal amount of the outstanding Notes shall take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification**: The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Notes or the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or, in the case of Noteholders, the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed or the Notes but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or tax jurisdiction.

14. Replacement of Notes, Coupons and Talons

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent in London (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificate, Coupons or further Coupons) and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Certificate, Coupons or Talons must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed or any deed supplemental to it. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to the Noteholders shall be sent by first class mail of (if posted overseas) by airmail to them (or, in the case of joint holders, to the first-named in the Register) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. In addition, so long as any Notes are listed on a stock exchange, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of such stock exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

17. Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

18. Governing Law, Arbitration and Jurisdiction

(a) **Governing Law**: The Trust Deed, the Notes, the Coupons and the Talons, including any non-contractual obligations arising out of or in connection therewith, are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration and Jurisdiction**: The Issuer has in the Trust Deed:

(i) agreed that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed (including a claim, dispute or difference regarding its existence, termination or validity or regarding any non-contractual obligation arising out of or in connection with the Trust Deed) shall be referred to and finally settled by arbitration in accordance with the Rules of the London Court of International Arbitration as at present in force and as modified by the Trust Deed;

(ii) agreed that at any time before the Trustee has nominated an arbitrator to resolve any such claim, dispute or difference, the Trustee may, at its sole option, elect by notice in writing to the Issuer that any such claim, dispute or difference shall instead be heard by the courts of England or by any other court of competent jurisdiction;

(iii) submitted irrevocably to the jurisdiction of the courts of England for the purposes of hearing and determining any such claim, dispute or difference;

(iv) waived any objection which it might have now or hereafter to the courts of England being nominated as the forum to hear and determine any such claim, dispute or difference and agreed not to claim that any such court is not a convenient or appropriate forum;

(v) designated Jordans Trust Company Limited at 20-22 Bedford Row, London WC1R 4JS to accept service of any process on its behalf in England;

(vi) consented to the enforcement of any judgment;

(vii) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction; and

(viii) consented generally in respect of any arbitration or proceedings to the giving of any relief or the issue of any process in connection with such arbitration or proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order judgment or award which may be made or given in such arbitration or proceedings

19. Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

''**Affiliate**'' of any specified Person means any other Persons, directly or indirectly, controlling or controlled by or under direct or indirect control with such specified Person.

''**Affiliate Transaction**'' means a transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate.

''**Attributable Indebtedness**'' in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded semi annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended).

''**Bearer Notes**'' means Notes in bearer form.

''**Capital Stock**'' of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

''**Capitalised Lease Obligations**'' means an obligation that is required to be classified and accounted for as a capitalised lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation will be the capitalised amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

''**Certificate(s)**'' means registered certificates representing Registered Notes.

a ''**Change of Control Event**'' will occur if at any time the Government of the Republic of Kazakhstan ceases to own, directly or indirectly 80 per cent. of the issued share capital of the Issuer or ceases to control, directly or indirectly, the Issuer, save as approved by an Extraordinary Resolution of the Noteholders.

''**Change of Control Notice**'' has the meaning given to it in Condition 6(e)(ii) (*Change of Control*).

''**Consolidated Adjusted EBITDA**'' means Adjusted EBITDA of the Issuer and its Material Subsidiaries on a consolidated basis in accordance with IFRS as shown in the then most recent financial statements delivered pursuant to Condition 4(n) (*Financial and Other Information*).

''**Consolidated Income Taxes**'' means any income tax expense or credit of the Issuer and its Material Subsidiaries on a consolidated basis in accordance with IFRS as shown in the then most recent financial statements delivered pursuant to Condition 4(n) (*Financial and Other Information*).

''**Consolidated Interest Expense**'' means, for any period, the total interest expense of the Issuer and its Subsidiaries, on a consolidated basis in accordance with IFRS, whether paid or accrued, plus as calculated in accordance with the then most recent financial statements delivered pursuant to Condition (4n) (*Financioal and Other Information*), to the extent not included in such interest expense:

(i) interest expense attributable to Capitalised Lease Obligations and the interest portion of rent expense associated with Attributable Indebtedness in respect of the relevant lease giving rise thereto, determined as if such lease were a capitalised lease in accordance with IFRS and the interest component of any deferred payment obligations;

(ii) amortisation of debt discount and debt issuance cost;

(iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(iv) interest actually paid by the Issuer or any such Material Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person;

(v) net costs associated with Hedging Obligations;

(vi) all dividends paid or payable in cash, temporary cash investments or Indebtedness or accrued during such period on any series of Disqualified Stock of such Person or on Preferred Stock of its Material Subsidiaries payable to a party other than the Issuer or a Material Subsidiary; and

(vii) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Issuer) in connection with Indebtedness incurred by such plan or trust.

For purposes of the foregoing, total interest expense will be determined after giving effect to any net payments made or received by the Issuer and its Subsidiaries, on a consolidated basis, with respect to interest rate agreements.

"**Consolidated Interest Income**" means, for any period, the total interest income of the Issuer and its Material Subsidiaries, on a consolidated basis in accordance with IFRS, whether paid or accrued as calculated in accordance with the then most recent financial statements delivered pursuant to Condition 4(n) (*Financial and Other Information*).

"**Consolidated Net Finance Charges**" means, for any period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of Indebtedness whether paid or payable by any member of the Issuer and its Material Subsidiaries in respect of that period:

(i) excluding any such obligations owed to any other member of the Group;

(ii) including the interest element of leasing and hire purchase payments;

(iii) including any accrued commission, fees, discounts and other finance payments payable by the Issuer and its Material Subsidiaries under any interest rate hedging arrangement;

(iv) deducting any accrued commission, fees, discounts and other finance payments owing to the Issuer and its Material Subsidiaries under any interest rate hedging instrument; and

(v) deducting any accrued interest owing to the Issuer and its Material Subsidiaries on any deposit or bank account.

in each case on a consolidated basis and determined in accordance with IFRS.

"**Consolidated Net Income**" means, for any period, the net profit (loss) of the Issuer and its Material Subsidiaries, on a consolidated basis, determined in accordance with IFRS as shown in the then most recent financial statements delivered pursuant to Condition 4(n) (*Financial and Other Information*).

"**Consolidated Tangible Net Worth**" means, at any date of determination, with respect to the Issuer and its Subsidiaries determined on a consolidated basis in accordance with IFRS, the aggregate of:

(i) the amount paid up or credited as paid up on the Issuer's charter capital; and

(ii) the amount otherwise standing to the credit of its equity, based on its most recent audited consolidated balance sheet but adjusted by:

  (A) adding any amount standing to the credit of its profit and loss account for the period ending on the date of the Original Financial Statements or, as the case may be, the financial statements delivered to the Trustee pursuant to Condition 4(n)(i) or 4(n)(ii) (*Financial and Other Information*) to the extent not included in paragraph (ii) above;

  (B) deducting any dividend or other distribution declared or payable by the Issuer;

  (C) deducting any amount standing to the debit of its profit and loss account for the period ending on the date of the Original Financial Statements or, as the case may be, the financial statements delivered to the Trustee pursuant to Condition 4(n)(i) or 4(n)(ii) (*Financial and Other Information*);

  (D) deducting any amount attributable to goodwill and intangible assets;

  (E) deducting any amount attributable to any upward revaluation of assets after the date of the Original Financial Statements;

  (F) reflecting any variation in the amount of its charter capital, additional paid-in capital and retained earnings, by deducting the amount of any negative change and adding the amount of any positive change taking place during the period from the date of the Original Financial

Statements or, as the case may be, the financial statements delivered to the Trustee pursuant to Condition 4(n)(i) or 4(n)(ii) (*Financial and Other Information*); and

(G) excluding any amount attributable to deferred tax assets.

"**Consolidated Total Assets**" means, at any date of determination, the amount of the consolidated total assets of the Issuer and its Material Subsidiaries, as calculated in accordance with the then most recent financial statements delivered pursuant to Condition 4(n) (*Financial and Other Information*).

"**control**" when used with respect to any Person means (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) having the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of another Person or otherwise controlling, or having the power to control, the affairs and policies of such other Person.

"**Coupons**" means the interest coupons relating to interest bearing Notes in bearer form.

"**Couponholders**" means the holders of Coupons and, where applicable in the case of such Notes, Talons.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option to the holder) or upon the happening of any event:

(i) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

(ii) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or

(iii) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part.

"**Adjusted EBITDA**" means the Consolidated Net Income for such period of the Issuer and its Material Subsidiaries, on a consolidated basis, determined in accordance with IFRS, adjusted for the following to the extent not adjusted in calculating such Consolidated Net Income:

(i) plus Consolidated Interest Expense;

(ii) plus (or minus) Consolidated Interest Income;

(iii) plus Consolidated Income Taxes;

(iv) plus consolidated depreciation expense;

(v) plus consolidated amortisation of intangibles; and

(vi) plus other non-cash charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period or amortisation of a prepaid cash expense that was paid in a prior period not included in the calculation) less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period);

taking account of any exceptional or non-recurring items or taking no account of the share of profit or loss of Joint Ventures and taking account of the share of profit or loss of associates, in each case on a consolidated basis and determined in accordance with IFRS.

"**Environmental Approval**" means any authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the business of the Group conducted on or from properties owned or used by the Group.

"**Environmental Law**" means any applicable Kazakh law of regulation or, in respect of assets held outside the Republic of Kazakhstan, any applicable law or regulation relating to the pollution or protection of the environment, the harm to or the protection of human health, or any emission or substance capable of causing harm to any living organism or the environment.

"**Event of Default**" has the meaning given to it in Condition 10 (*Events of Default*).

"**Exercise Notice**" has the meaning given to it in Condition 6(e)(iii) (*Exchange Notice*).

"**Extraordinary Resolution**" has the meaning given to it in the Trust Deed.

"**FATCA**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Fixed Rate Note**" means a Note paying a fixed rate of interest.

"**Floating Rate Note**" means a Note paying a floating rate of interest.

"**Group**" means the Issuer and its Subsidiaries taken as a whole.

"**Hedging Obligation**" of any Person means the obligation of such Person pursuant to any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, foreign exchange contract, currency swap agreement, forward, futures, spot-deferred or option contract or other similar agreement to which the Person is a party or a beneficiary.

"**IAS**" means International Accounting Standards.

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time), as consistently applied.

"**Indebtedness**" means any indebtedness in respect of monies borrowed and (without double counting) guarantees given (other than those given in the ordinary course of business), whether present or future, actual or contingent.

"**Indebtedness for Borrowed Money**" means any Indebtedness of any Person for or in respect of (i) moneys borrowed, (ii) amounts raised by acceptance under any acceptance credit facility, (iii) amounts raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instruments, (iv) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with generally accepted accounting standards in the jurisdiction of incorporation of the lessee, be treated as finance or capital leases, (v) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred primarily as a means of raising finance or financing the acquisition of the relevant asset or service and (vi) amounts raised under any other transaction (including any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing.

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness.

"**interest**" shall (except as provided in Condition 7(a) (*Bearer Notes*)) include all Interest Amounts and all other amounts payable pursuant to Condition 5 (*Interest and Other Calculations*) or any amendment or supplement to it, and shall be deemed to include any additional amounts that may be payable under Condition 8 (*Taxation*).

"**Joint Venture(s)**" means any Person in which the Issuer owns directly or indirectly at least a 50% interest in the Capital Stock, but over which Person the Issuer does not exercise control for the purposes of IFRS and therefore accounts for such Person's financial results pursuant to the equity method of accounting (unless the Person is exempted from applying the equity method as specified in IAS Standard 28) for purposes of preparing the Issuer's then most recent financial statements delivered pursuant to Condition 4(n) (*Financial and Other Information*).

"**Material Adverse Effect**" means a material adverse effect on (i) the business, operations, property or condition (financial or otherwise) or prospects of the Group taken as a whole, or (ii) the Issuer's ability to perform or comply with its obligations under the Notes or the Trust Deed.

"**Material Subsidiary**" means, at any given time, any Subsidiary of the Issuer whose gross assets or gross revenues represent at least 10 per cent. of the consolidated gross assets, or, as the case may be consolidated gross revenues of the Issuer and its consolidated Subsidiaries and, for these purposes:

(i) the gross assets and gross revenues of such Subsidiary shall be determined by reference to its then most recent audited consolidated financial statements prepared based on IFRS (or, if none, its then the most recent management accounts); and

(ii) the consolidated gross assets and consolidated gross revenues of the Issuer and its consolidated Subsidiaries shall be determined by reference to its then most recent audited consolidated financial statements prepared based on IFRS.

"**Noteholder**" means the bearer of any Bearer Note or the Person in whose name a Registered Note is registered (as the case may be), and "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or, as the case may be, the Person in whose name a Registered Note is registered in the relevant Register, as defined below (or, in the case of a joint holding, the first named thereof).

"**Officer**" means, with respect to any Person, any managing director, director, general director, the chairman of the board, the president, any vice president, principal executive officer, deputy general director, the chief financial officer, principal accounting officer, the controller, the treasurer or the secretary of such Person or any general partner or other Person holding a corresponding or similar position of responsibility.

"**Officers' Certificate**" means a certificate signed by two Officers of the Issuer at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Issuer.

"**Original Financial Statements**" means the audited consolidated financial statements of the Issuer as at and for the six months ended 30 June 2012.

"**outstanding**" has the meaning given to it in the Trust Deed.

"**Permitted Security Interest**" means, without duplication:

(i) Security Interests existing as at the Issue Date of the Notes;

(ii) Security Interests granted in favour of the Issuer or any Subsidiary;

(iii) Security Interests on property acquired (or deemed to be acquired) under a financial lease, or claims arising from the use or loss of or damage to such property; *provided* that any such Security Interest secures Indebtedness only under such lease;

(iv) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary or becomes a Subsidiary; *provided* that such Security Interests were not created in contemplation of such merger or consolidation or event and do not extend to any assets or property of the Issuer already existing or any Subsidiary other than those of the surviving Person and its Subsidiaries or the Person acquired and its Subsidiaries;

(v) Security Interests already existing on assets or property acquired or to be acquired by the Issuer or any Subsidiary; *provided* that such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than proceeds of such acquired assets or property);

(vi) Security Interests granted upon or with regard to any property hereafter acquired or constructed in the ordinary course of business by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition and repairs related to such property; *provided* that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property and related transactional expenses;

(vii) any Security Interests arising by operations of law;

(viii) Security Interests for *ad valorem*, income or property taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings and for which the Issuer or any Subsidiary has set aside in its books of account appropriate reserves;

(ix) easements, rights of way, restrictions (including zoning restrictions), reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances, and Security Interests arising under leases or subleases granted to others, in each case not interfering in any material respect with the business of the Group and existing, arising or incurred in the ordinary course of business;

(x) statutory landlords' Security Interests (so long as such Security Interests do not secure obligations constituting Indebtedness for Borrowed Money and such Security Interests are incurred in the ordinary course of business);

(xi) a right of set off, right to combine accounts or any analogous right which any bank or other financial institution may have relating to any credit balance of any member of the Group;

(xii) any Security Interest granted in favour of a Person providing Project Financing if the Security Interest is solely on the property, income, assets or revenue of the project for which the financing was incurred provided (A) such Security Interest is created solely for the purpose of securing Indebtedness incurred by the Issuer or a Subsidiary of the Issuer in compliance with Condition 4(d) (*Limitation on Indebtedness*) (and (ii) no such Security Interest shall extend to any other property, income assets or revenue of the Issuer or any Subsidiary or their respective Subsidiaries;

(xiii) any Security Interests on the property, income or assets of any member of the Group securing Indebtedness to the extent that at the time of incurrence of such Indebtedness, such Indebtedness together with the aggregate principal amount of other Indebtedness subject to any Security Interest granted in accordance with this paragraph (xiii) does not exceed in the aggregate 15 per cent. of Consolidated Total Assets at any one time outstanding. For the avoidance of doubt, this paragraph (xiv) does not include any Security Interest created in accordance with paragraphs (i) to (xiii) above; and

(xiv) any Security Interests arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, provided that the Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest.

''**Person**'' means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity.

''**Potential Event of Default**'' means any event or circumstance which could with the giving of notice or the lapse of time become an Event of Default.

''**Preferred Stock**'' means as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

''**principal**'' includes any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 (*Redemption, Purchase and Options*) or any amendment or supplement to it, and shall include any additional amounts payable under Condition 8 (*Taxation*).

''**Project Financing**'' means any financing of all or part of the costs of the acquisition, construction or development of any asset or project where: (i) the revenues derived from such asset or project are the principal source of repayment for the monies advanced and (ii) the Person or Persons providing such financing have been provided with a feasibility study prepared by competent independent experts on the basis of which it is reasonable to conclude that such project would generate sufficient operating income to serve the Indebtedness incurred in connection with such project.

''**Prospectus Directive**'' means Directive 2003/71/EC, as amended.

''**Record Date**'' has the meaning given to it in Condition 7(b)(ii) (*Payments – Registered Notes – Interest*).

''**Redemption Date**'' means, in respect of any Redemption Period, the date which falls 14 days after the date on which the relevant holder exercises its option in accordance with Condition 6(e)(iii) (*Exercise Notice*).

''**Redemption Period**'' means, in relation to a Change of Control Event, the period from and including the date on which a Change of Control Event occurs (whether or not the Issuer has given the notice referred to in the second paragraph of Condition 6(e)(iii) (*Exercise Notice*) in respect of such event) to and including the date falling 60 days after the date on which any such notice is given, provided that if no such notice is given, the Redemption Period shall not terminate.

''**Register**'' means, in respect of Regulation S Notes the register maintained by Deutsche Bank Luxembourg S.A., and, in respect of Rule 144A Notes, the register maintained by Deutsche Bank Trust Company Americas which the Issuer shall procure to be kept by the relevant Registrar in accordance with the provisions of the Agency Agreement, and ''**Registers**'' means all of them.

''**Registered Notes**'' means Notes in registered form.

''**Relevant Date**'' means, in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation or, as the case may be, surrender of the Note or Coupon (or (if applicable) the relevant Certificate) being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

''**Relevant Taxing Jurisdiction**'' means the jurisdiction or organisation of the Issuer, or any jurisdiction from or through which payment is made and (if different) any jurisdiction in which the payor is resident for tax purposes at the time of payment, and any political subdivision or taxing authority thereof or therein.

''**Sale/Leaseback Transaction**'' means an arrangement relating to property now owned or hereafter acquired whereby the Issuer or a Material Subsidiary transfers such property to a Person and the Issuer or a Material Subsidiary leases it from such Person.

''**Security Interest**'' means any mortgage, charge, pledge, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person.

''**Series**'' means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Date, Interest Commencement Date and/or Issue Price.

''**Specified Denomination**'' means the minimum required denomination of any Notes, which in accordance with the Prospectus Directive must be equal to €100,000 (or its equivalent in any other currency as at the Issue Date of the relevant Notes) and in integral multiples in excess thereof.

''**Subsidiary**'' means, in relation to any Person (the ''**first Person**'') at a given time, any other Person (the ''**second Person**'') (i) whose affairs and policies the first Person directly or indirectly controls or (ii) as to whom the first Person owns directly or indirectly more than 50 per cent. of the capital, voting stock or other right of ownership.

''**Successor Company**'' has the meaning given to in Condition 4(c) (*Limitation on Mergers and Consolidations*).

''**Talons**'' means talons for further Coupons.

''**Tranche**'' means Notes which are identical in all respects (including as to listing).

''**Transferee Subsidiary**'' has the meaning given to in Condition 4(b) (*Limitation on Disposals*).

''**Zero Coupon Note**'' means a Note paying no interest.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche is set out below:

Final Terms dated [•]

"SAMRUK-ENERGY" JOINT STOCK COMPANY

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.$680,000,000

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 27 November 2012 [and the supplemental Base Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the registered office of the Issuer at 17 Kabanbay Batyr ave., Astana 010000, Kazakhstan and at the Issuer's website www.samruk-energy.kz.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 27 November 2012 [and the supplemental Base Prospectus dated ●] which are incorporated by reference into the Base Prospectus dated 27 November 2012. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and must be read in conjunction with this Base Prospectus dated 27 November 2012 [and the supplemental Base Prospectus dated ●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated ● and 27 November 2012 [and the supplemental Base Prospectuses dated ● and ●]. The Base Prospectus [and the supplemental Base Prospectus] are available for viewing at the registered office of the Issuer at 17 Kabanbay Batyr ave., Astana 010000, Kazakhstan and at the Issuer's website www.samruk-energy.kz.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

1.	Issuer:	"Samruk-Energy" Joint Stock Company
2.	[(i)] Series Number:	[●]
	[(ii) Tranche Number:	[●]
	[(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with [*insert description of relevant Series*] on [*insert date*/the Issue Date].]
3.	Specified Currency or Currencies:	[●]

4.	Aggregate Nominal Amount of Notes:		
	[(i)]	Series:	[●]
	[(ii)	Tranche:	[●]]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i)	Specified Denominations:	[●] *[Where multiple denominations above €100,000 (or the equivalent in another currency) are being used, the following sample wording should be used: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000".]*
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:		[● per cent. Fixed Rate] +/- [●] per cent. [LIBOR] [EURIBOR] (further particulars specified below)
10.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11.	Change of Interest Basis:		[Applicable/Not Applicable] (*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there*)
12.	Put/Call Options:		[Investor Put] [Issuer Call] [Change of Control Put Option] [(further particulars specified below)]
13.	(i)	Status of the Notes:	Senior
	[(ii)]	[Date approval for issuance of Notes obtained:	[●] [and [●], respectively]] (*Only relevant where separate approval is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable in arrear on each Interest Payment Date]
(ii)	Interest Payment Date(s):	[●] in each year
(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
(iv)	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment date falling [in/on] [●]
(v)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360 / 360/360 / Bond Basis] [30E/360 / Eurobond Basis] [30E/360 – ISDA] Actual/Actual – ICMA]
(vi)	[Determination Dates:	[●] in each year] (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/ Actual (ICMA)*)]

15. Floating Rate Note Provisions: [Applicable/Not Applicable]

(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Interest Period(s):	[●]
(ii)	Specified Interest Payment Dates:	[[●] in each year, subject to adjustment in accordance with the Business Day Convention set out in (iv) below]
(iii)	First Interest Payment Date	[●]
(iv)	Business Day Convention:	[Floating Rate Business Day Convention] [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]]
(v)	Business Centre(s):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination] [ISDA Determination]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(viii)	Screen Rate Determination:	
	– Reference Rate:	[LIBOR] [EURIBOR]
	– Interest Determination Date(s):	[●]
	– Relevant Time	[11.00a.m.] [●] [London] [Brussels][[●] time
	– Relevant Screen Page:	[●]
	– Relevant Financial Centre	[●]
(ix)	ISDA Determination:	
	– Floating Rate Option:	[●]

	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– ISDA Definitions:	2006
	(x) Margin(s):	[+/-] [●] per cent. per annum
	(xi) Minimum Rate of Interest:	[●] per cent. per annum
	(xii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiii) Day Count Fraction:	[●]
16.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Day Count Fraction in relation to Early Redemption:	[Actual/Actual / Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360 / 360/360 / Bond Basis] [30E/360 / Eurobond Basis] [30E/360 – ISDA] Actual/Actual – ICMA]

PROVISIONS RELATING TO REDEMPTION

17.	Call Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●]
18.	Put Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) Notice period:	[●]
19	Change of Control Put Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Change of Control Put Date:	[●]
	(ii) Change of Control Redemption Amount:	[●] per Calculation Amount

	(iii) Change of Control Put Period:	[●]
20.	Final Redemption Amount of each Note:	[●] per Calculation Amount
21.	Early Redemption Amount	[●] per Calculation Amount
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same:	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]. [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Registered Notes: [●]]
23.	Financial Centre(s):	[[●]/Not Applicable]
24.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms

Signed on behalf of the Issuer:

By: ________________________________

Duly authorised

By: ________________________________

Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i) Listing and admission to trading:	[Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its Main Securities Market with effect from [●].] [Application is expected to be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its Main Securities Market with effect from [●].] [Insert details of listing on Kazakh Stock Exchange, if applicable.] [Not Applicable.]
(ii) Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

Ratings:

[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally:

[Standard & Poor's Credit Market Services Europe Limited: ●]

[Fitch Ratings Limited: ●]

(The exact legal name of the rating agency entity providing the rating should be specified-for example ''Standard & Poor's Credit Market Services Europe Limited'', rather than just Standard and Poor's.)

Insert one (or more) of the following options: as applicable:

Option 1: Credit Rating Agency (''CRA'') is (i) established in the EEA and (ii) registered under the CRA Regulation:

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the ''**CRA Regulation**'').

Option 2: CRA is (i) established in the EEA, (ii) not registered under the CRA regulation; but (iii) has applied for registration:

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the ''**CRA Regulation**''), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and Markets Authority.

Option 3: CRA is (i) established in the EU and (ii) has not applied for registration and is not registered under the CRA regulation):

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 4: CRA is not established in the EEA but the relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation:

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the Notes but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 5: CRA is not established in the EEA and the relevant rating is not endorsed under the CRA Regulation, but the CRA is certified under the CRA Regulation:

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

Option 6: CRA is not established in the EEA nor certified under the CRA Regulation and the relevant rating is not endorsed under the CRA Regulation:

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interests, including conflicting ones, that are material to the issue/ offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer". *[Amend as appropriate if there are other interests.]*

4. **[Fixed Rate Notes only – YIELD**

Indication of yield:	[●] The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. **OPERATIONAL INFORMATION**

ISIN:	[●]
Common Code:	[●]
Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and/or The Depository Trust Company and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying and Transfer Agent(s) (if any):	[●]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Upon:

(a) in the case of Bearer Notes, the initial deposit of a Global Note with a Common Depositary; or

(b) in the case of Registered Notes, the registration of Registered Notes in the name of any nominee for Euroclear and Clearstream and delivery of the relevant Global Certificate to the Common Depositary, Euroclear or Clearstream will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, DTC or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, DTC or such clearing system (as the case may be) for its share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, DTC or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable free of charge to the holder, on or after its exchange date (the "**Exchange Date**"):

(i) if the Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (see "*Subscription and Sale – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole but not in part and on a day after the expiry of 40 days after its issue upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the Final Terms, for Definitive Notes.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part (except as provided under "*– Partial Exchange of Permanent Global Notes*"), for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Regulation S Global Certificates

If the Final Terms state that the Notes are to be represented by a Regulation S Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(a) *(Transfer of Registered Notes)* may only be made:

(i) in whole, but not in part, if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) in whole, or in part, with the Issuer's consent, provided that, in the case of any transfer pursuant to (i) above, the Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer.

Rule 144A Global Certificates

If the Final Terms state that the Rule 144A Notes are to be represented by a Rule 144A Global Certificate on issue, the following will apply in respect of transfers of Notes held in DTC. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of DTC, but will limit the circumstances in which the Notes may be withdrawn from DTC. Transfers of the holding of Notes represented by that Rule 144A Global Certificate pursuant to Condition 2(a) *(Transfer of Registered Notes)* may only be made:

(i) in whole, but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Rule 144A Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(ii) in whole, or in part, with the Issuer's consent, provided that, in the case of any transfer pursuant to (i) above, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Rule 144A Global Certificate shall bear the legend applicable to such Notes as set out in "*Transfer Restrictions*".

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may, in the case of an exchange in whole, surrender such Global Note or, in the case of a partial exchange, present it for endorsement to, or to the order of, the Principal Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or (in the case of a Permanent Global Note) Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

Exchange Date means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, after that on which the notice requiring exchange is given or, where applicable, after the 15th day on which a clearing system is closed for business, and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Trust Deed. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) and Condition 8(d) will apply to the Definitive Notes only.

Record Date

Each payment in respect of a Global Certificate will be made to the person shown as the Noteholder in the Register at the close of business on the Clearing System Business Day before the due date for such payment (the ''**Record Date**''), where ''**Clearing System Business Day**'' means a day on which each clearing system for which the Global Certificate is being held is open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by a reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Principal Paying Agent for endorsement in the relevant schedule of such Permanent Global Note or, in the case of a Global Certificate, by a reduction in the aggregate principal amount of the Certificates in the register of the Certificateholders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a Permanent Global Note or a Global Certificate may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

Issuer's Option

Any option provided to the Issuer in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that the Issuer's option is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, DTC or any other clearing system (as the case may be).

Noteholders' Option

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or a Global Certificate may be exercised by the holder of the Permanent Global Note or Global Certificate, as the case may be, by giving notice to the Principal Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent or Transfer Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent or Transfer Agent, as the case may be, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Principal Paying Agent, or to a Paying Agent acting on behalf of the Principal Paying Agent, for notation or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificate in the register of the Certificateholders.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

CLEARING AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

We may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons may be deposited with the Common Depositary for Euroclear and/or Clearstream or an Alternative Clearing System as agreed between the Issuer and the Dealer. Transfers of interests in such Temporary Global Notes or Permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Euroclear and Clearstream or, if appropriate, the Alternative Clearing System.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Regulation S Global Certificate. Each Regulation S Global Certificate deposited with the Common Depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream will have an ISIN and a Common Code.

The Issuer, and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Rule 144A Global Certificate. Each such Rule 144A Global Certificate will have a CUSIP number. Each Rule 144A Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under ''Transfer Restrictions''. In certain circumstances, as described below in ''Transfers of Registered Notes'', transfers of interests in a Rule 144A Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Rule 144A Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Rule 144A Notes held within the DTC system. Investors may hold their beneficial interests in a Rule 144A Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Rule 144A Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Rule 144A Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Rule 144A Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payment by DTC participants to owners of beneficial interests in such Rule 144A Global Certificate held through such DTC participant will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer, the Trustee, the Principal Paying Agent or any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Rule 144A Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of a Regulation S Global Certificate and/or a Rule 144A Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by a Regulation S Global Certificate, in amounts specified in the Final Terms, and, in the case of Notes initially represented by a Rule 144A Global Certificate, in minimum amounts of U.S.$200,000 (or its equivalent rounded upwards as agreed between us and the relevant Dealer(s), or higher integral multiples of U.S.$1,000, in certain limited circumstances described below.

Payments through DTC

Payments in U.S. dollars of principal and interest in respect of a Rule 144A Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than U.S. dollars in respect of Notes evidenced by a Rule 144A Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Issuer by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participant entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into U.S. dollars and deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfer of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Rule 144A Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Rule 144A Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in a Regulation S Global Certificate may only be held through Euroclear or Clearstream. In the case of Registered Notes to be cleared through Euroclear, Clearstream and/or DTC, transfers may be made at any time by a holder of an interest in a Regulation S Global Certificate to a transferee who wishes to take delivery of such interest through a Rule 144A Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in ''*Subscription and Sale*'') relating to the Notes represented by such Regulation S Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear or Clearstream, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Regulation S Global Certificate will only be made upon request through Euroclear or Clearstream by the holder of an interest in the Regulation S Global Certificate to the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the Rule 144A Global Certificate. Transfers at any time by a holder of any interest in the Rule 144A Global Certificate to a transferee who takes delivery of such interest through an Regulation S Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting out compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under ''*Transfer Restrictions*'', cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Principal Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, on the other, transfers of interests in the relevant Global Certificates will be effected through the Principal Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see ''*Transfer Restrictions*''.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Rule 144A Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Rule 144A Global Rule 144A are credited and only in respect of such portion of the aggregate nominal amount of the relevant Rule 144A Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Rule 144A Global Certificates for exchange for Individual Certificates (which will, in the case of Rule 144A Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a ''banking organisation'' under the laws of the State of New York, a member of the U.S. Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although Euroclear, Clearstream and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Rule 144A Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream and Euroclear or for DTC will be permitted only (i) in the case of Rule 144A Global Certificates in the circumstances set out in ''Summary of Provisions Relating to the Notes while in Global Form—Exchange—Rule 144A Global Certificates'' or (ii) in the case of Regulation S Global Certificates in the circumstances set out in ''Summary of Provisions Relating to the Notes while in Global Form—Exchange—Regulation S Global Certificates''. In such circumstances, we will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as we and the Registrar may require to complete, execute and deliver such Individual Certificates; and

(ii) in the case of a Rule 144A Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within three business days ("**T+3**"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

TAXATION

The following summary of certain United States, Kazakhstan and European Union consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set out herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not constitute a legal opinion or tax advice. In addition this summary does not purport to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as at the date of this Base Prospectus, and of any actual changes in applicable tax laws after such date.

United States

The discussion of tax matters in this Base Prospectus is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal, state or local tax penalties, and was written to support the promotion or marketing of the Programme. Each taxpayer should seek advice based on such person's particular circumstances from an independent tax adviser.

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Registered Notes issued pursuant to Rule 144A. Except as specifically noted below, this discussion applies only to:

- Registered Notes purchased on original issuance at their ''issue price'' (as defined below);
- Registered Notes held as capital assets; and
- U.S. holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a holder's particular circumstances or to holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding Registered Notes as part of a hedging transaction, ''straddle,'' conversion transaction or other integrated transaction;
- U.S. holders whose functional currency is not the U.S. Dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the ''**Code**''), administrative pronouncements, published rulings, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described below. Persons considering the purchase of the Registered Notes should consult the applicable pricing supplement for any additional discussion regarding U.S. federal income taxation and should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

This summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant limitations on U.S. holders of Bearer Notes.

As used herein, the term ''**U.S. holder**'' means a beneficial owner of a Registered Note that is for United States federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation) created or organised in or under the laws of the United States or any state thereof (including the District of Columbia);
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust over which administration a court within the United States is able to exercise primary supervision and all of the substantial decisions of which one or more U.S. persons have the authority or control.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Registered Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Registered Notes should consult with their tax advisers.

Payments of Stated Interest

Interest paid on a Registered Note will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the holder's method of accounting for U.S. federal income tax purposes, provided that the interest is ''qualified stated interest'' (as defined below). Interest income earned by a U.S. holder with respect to a Registered Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisers about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount Registered Note, and foreign currency Registered Notes (''**foreign currency Registered Notes**'') are described under ''– *Original Issue Discount*,'' ''– *Contingent Payment Debt Instruments*'' and ''– *Foreign Currency Registered Notes*''.

Original Issue Discount

A Registered Note that has an ''issue price'' that is less than its ''stated redemption price at maturity'' will be considered to have been issued at an original discount for U.S. federal income tax purposes (and will be referred to as an ''**original issue discount Registered Note**'') unless the Registered Note satisfies a *de minimis* threshold (as described below) or is a short-term Registered Note (a ''**short-term Registered Note**'') (as defined below). The ''issue price'' of a Registered Note generally will be the first price at which a substantial amount of the Registered Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The ''stated redemption price at maturity'' of a Registered Note generally will equal the sum of all payments required to be made under the Registered Note other than payments of ''qualified stated interest''. ''Qualified stated interest'' is stated interest unconditionally payable in cash or in property (other than in debt instruments of the issuer) at least annually during the entire term of the Registered Note and equal to the outstanding principal balance of the Registered Note multiplied by a single fixed rate of interest. In addition, qualified stated interest includes, among other things, stated interest on a ''variable rate date instrument'' that is unconditionally payable in cash or in property (other than in debt instruments of the issuer) at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Registered Note is denominated.

If the difference between a Registered Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity, the Registered Note will not be considered to have original issue discount. U.S. holders of Registered Notes with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a pro rata basis as principal payments are made on the Registered Note.

A U.S. holder of original discount Registered Notes will be required to include any qualified stated interest payments in income in accordance with the holder's method of accounting for U.S. federal income tax purposes. U.S. holders of original issue discount Registered Notes that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

A U.S. holder may make an election to include in gross income all interest that accrues on any Registered Note (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and may revoke such election only with the permission of the IRS (a "**constant yield election**").

A Registered Note that matures one year or less from its date of issuance, a short-term Registered Note, will be treated as being issued at a discount and none of the interest paid on the Registered Note will be treated as qualified stated interest. In general, a cash method U.S. holder of a short-term Registered Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. Holders who so elect and certain other holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Registered Note will be ordinary income to the extent of the discount accrued on a straightline basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Registered Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

The Issuer may have an unconditional option to redeem, or U.S. holders may have an unconditional option to require the Issuer to redeem a Registered Note prior to its stated maturity date. Under applicable regulations, if the Issuer has an unconditional option to redeem a Registered Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilising any date on which the Registered Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Registered Note as the stated redemption price at maturity, the yield on the Registered Note would be lower than its yield to maturity. If the U.S. holders have an unconditional option to require the Issuer to redeem a Registered Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set out in the previous sentence, the yield on the Registered Note would be higher than its yield to maturity. If this option is not in fact exercised, the Registered Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Registered Note were issued, on the presumed exercise date for an amount equal to the Registered Note's adjusted issue price on that date. The adjusted issue price of an original issue discount Registered Note is defined as the sum of the issue price of the Registered Note and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Market Discount

If a U.S. holder purchases a Registered Note (other than a short-term Registered Note) in the secondary market for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Registered Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. holder will be required to treat any principal payment (or, in the case of an original issue discount Registered Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Registered Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Registered Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. holder pursuant to an election by the holder to include market discount in income as it accrues, or pursuant to a constant yield election by the holder as described under "– *Original Issue Discount*" above. In addition, the U.S. holder may be required to defer, until the maturity of the Registered Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Registered Note.

If a U.S. holder makes a constant yield election (as described under "– *Original Issue Discount*") for a Registered Note with market discount, such election will result in a deemed election for all market discount bonds acquired by the holder on or after the first day of the first taxable year to which such election applies.

Acquisition Premium and Amortisable Bond Premium

A U.S. holder who purchases a Registered Note for an amount that is greater than the Registered Note's adjusted issue price but less than or equal to the sum of all amounts payable on the Registered Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Registered Note at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. holder must include in its gross income with respect to the Registered Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. holder purchases a Registered Note for an amount that is greater than the amount payable (other than payments of qualified stated interest) at maturity, or on the earlier call date, in the case of a Registered Note that is redeemable at the Issuer's option, the holder will be considered to have purchased the Registered Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The holder will not be subject to the original issue discount rules and may elect to amortise this premium, using a constant yield method, over the remaining term of the Registered Note (where the Registered Note is not optionally redeemable prior to its maturity date). If the Registered Note may be optionally redeemed prior to maturity after the holder has acquired it, the amount of amortisable bond premium is determined by substituting the call date for the maturity date and the call price for the amount payable at maturity only if the substitution results in a smaller amount of premium attributable to the period before the redemption date. A holder who elects to amortise bond premium must reduce his tax basis in the Registered Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the holder and may be revoked only with the consent of the IRS.

If a U.S. holder makes a constant yield election (as described under "– *Original Issue Discount*") for a Registered Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the holder's debt instruments with amortisable bond premium.

Sale, Exchange or Retirement of the Registered Notes

Upon the sale, exchange or retirement of a Registered Note, a U.S. holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the holder's adjusted tax basis in the Registered Note. A U.S. holder's adjusted tax basis in a Registered Note generally will equal the acquisition cost of the Registered Note increased by the amount of OID and market discount included in the Holder's gross income and decreased by the amount of any payment received from the Issuer other than a payment of qualified stated interest and the amount of any amortisable bond premiums that the U.S. holder took into account. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Registered Note. Amounts attributable to accrued interest are treated as interest as described under "– *Payments of Stated Interest*".

Except as described below, gain or loss realised on the sale, exchange or retirement of a Registered Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Registered Note has been held for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Registered Note, to the extent of any accrued discount not previously included in the holder's taxable income. See "*Original Issue Discount*" and "*Market Discount*". In addition, other exceptions to this general rule apply in the case of foreign currency Registered Notes, and contingent payment debt instruments. See "*Foreign Currency Registered Notes*" and "*Contingent Payment Debt Instruments*".

Contingent Payment Debt Instruments

If the terms of the Registered Notes provide for certain contingencies that affect the timing and amount of payments (including Registered Notes with a variable rate or rates that do not qualify as "variable rate debt instruments" for purposes of the original issue discount rules) they will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Registered Notes qualifies as qualified stated interest. Rather, a U.S. holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the Registered Note and the Registered Note's "projected payment schedule" as described below. The comparable yield is determined by the Issuer at the time of issuance of the Registered Notes. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Registered Notes. Solely for the purpose of determining the amount of interest income that a U.S. holder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a ''projected payment schedule'' that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. holder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments in respect of an optionally exchangeable Registered Note, unless the holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. holder, regardless of the holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment instrument (as set out below).

A U.S. holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a holder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of the amount of all previous interest inclusions under the contingent payment debt instrument over the total amount of the U.S. holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to off-set future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the holder's adjusted basis in the contingent payment debt instrument. A U.S. holder's adjusted basis in a Registered Note that is a contingent payment debt instrument generally will be the acquisition cost of the Registered Note, increased by the interest previously accrued by the U.S. holder on the Registered Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Registered Note. A U.S. holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a holder recognises loss above certain thresholds, the holder may be required to file a disclosure statement with the IRS (as described under ''– *Reportable Transactions*'').

A U.S. holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument including in satisfaction of a conversion right or a call right equal to the fair market value of the property, determined at the time of retirement. The holder's holding period for the property will commence on the day immediately following its receipt.

Foreign Currency Registered Notes

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. holder of the ownership and disposition of Registered Notes that are denominated in a specified currency other than the U.S. Dollar or the payments of interest or principal on which are payable in a currency other than the U.S. Dollar (foreign currency Registered Notes). The rules applicable to foreign currency Registered Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Registered Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Registered Notes are complex and may depend on the holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a holder should make any of these elections may depend on the holder's particular U.S. federal income tax situation. U.S. holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Registered Notes.

A U.S. holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Registered Note will be required to include in income the U.S. Dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. Dollars at the time, and this U.S. Dollar value will be the U.S. holder's tax basis in the foreign currency. A cash method holder who receives a payment of qualified stated interest in U.S. Dollars pursuant to an option available under such Registered Note will be required to include the amount of this payment in income upon receipt.

An accrual method U.S. holder will be required to include in income the U.S. Dollar value of the amount of interest income (including original issue discount or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Registered Note during an accrual period. The U.S. Dollar value of the accrued income will be determined by translating the income at the average rate of exchange in effect during the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. Dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a holder receives U.S. Dollars, the amount of the payment in respect of the accrual period) and the U.S. Dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount or market discount.

An accrual method U.S. holder may elect to translate interest income (including original issue discount) into U.S. Dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount, market discount, acquisition premium and amortisable bond premium on a foreign currency Registered Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. Dollars on the basis of the average rate in effect during the accrual period (or portion thereof within the U.S. holder's taxable year). Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the foreign currency Registered Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Registered Note with amortisable bond premium by a U.S. holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

A U.S. holder's tax basis in a foreign currency Registered Note, and the amount of any subsequent adjustment to the holder's tax basis, will be the U.S. Dollar value amount of the foreign currency amount paid for such foreign currency Registered Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. holder who purchases a foreign currency Registered Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. holder's tax basis in the foreign currency and the U.S. Dollar fair market value of the foreign currency Registered Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Registered Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. Dollar value of the foreign currency principal amount of the Registered Note, determined on the date the payment is received or the Registered Note is disposed of, and (ii) the U.S. Dollar value of the foreign currency principal amount of the Registered Note, determined on the date the U.S. holder acquired the Registered Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Registered Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the holder on the sale, exchange or retirement of the foreign currency Registered Notes. The source of the foreign currency gain or loss will be determined by reference to the residence of the holder or the ''qualified business unit'' of the holder on whose books the Registered Note is properly reflected. Any gain or loss realised by these holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of short-term Registered Note, to the extent of any discount not previously included in the holder's income. Holders should consult their own tax advisor with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Registered Notes accrue.

A U.S. holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Registered Note equal to the U.S. Dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Registered Note is required to translate units of foreign currency paid or received into U.S. Dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations provided that the Registered Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realised by a U.S. holder on a sale or other disposition of foreign currency (including its exchange for U.S. Dollars or its use to purchase foreign currency Registered Notes) will be ordinary income or loss.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Registered Notes and the proceeds from a sale or other disposition of the Registered Notes. A U.S. holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle them to a refund, provided that the required information is furnished to the IRS.

Tax Reports

A U.S. taxpayer that participates in a ''reportable transaction'' will be required to disclose its participation to the U.S. IRS. The scope and application of these rules is not entirely clear. A U.S. holder may be required to treat a foreign currency exchange loss from the Registered Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. older is an individual or trust, or higher amounts for other U.S. holders. In the event the acquisition, ownership or disposition of Registered Notes constitutes participation in a ''reportable transaction'' for purposes of these rules, a U.S. holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. In addition, the Issuer and its advisors may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. holders, and to furnish this list and certain other information to the IRS upon written request.

U.S holders should consult their own tax advisers regarding any filing or reporting requirements that may apply to their acquisition, ownership and disposition of Registered Notes. Failure to make certain filings can result in significant penalties.

Kazakhstan Taxation

The following is a general summary of Kazakhstan tax consequences as at the date hereof in relation to payments of interest made under the Notes and in relation to the sale or transfer of the Notes. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes.

Interest

Payments of interest on the Notes to an individual who is not a resident of Kazakhstan for tax purposes or to a legal entity that is neither established under Kazakhstan law, nor has its actual governing body (place of actual management), nor maintains a permanent establishment in Kazakhstan or otherwise has no legal taxable presence in Kazakhstan (together, "**Non-Kazakhstan Holders**") will be subject to withholding tax at a rate of 15 per cent. unless reduced by an applicable double taxation treaty. Payments of interest on the Notes to Non-Kazakhstan Holders registered in countries with a favourable tax regime and which appear in a list published from time to time by the Government (these countries currently include Cyprus, Liechtenstein, Luxembourg, Nigeria, Malta, Monaco, Belize and others) will be subject to withholding of Kazakhstan tax at a rate of 20 per cent. unless reduced by an applicable double taxation treaty.

Payment of interest on the Notes to residents of Kazakhstan or to non-residents who either have a registered branch or representative office in Kazakhstan or maintain a permanent establishment in Kazakhstan (together, "**Kazakhstan Holders**"), other than to individuals (who are exempt) and Kazakhstan investment funds and certain other entities, will be subject to Kazakhstan withholding tax at a rate of 15 per cent.

Under Kazakhstan legislation in effect as of the date of this Base Prospectus, the withholding tax on interest mentioned above would not apply if the Notes are, as at the date of accrual of interest, in the official list of a stock exchange operating in Kazakhstan (such as the KASE).

Gains

Gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes will be subject to withholding tax at a rate of 15 per cent. If the transferor is registered in a country with a favourable tax regime, as referred to above, gains derived from such a disposal are subject to withholding tax in Kazakhstan at the rate of 20 per cent. Pursuant to amendments to the Tax Code made in July 2011, with effect from 1 January 2012, a foreign legal entity purchasing securities (including debt securities) from a Non-Kazakhstan Holder may be considered as a tax agent for withholding tax purposes and certain procedures for the registration of a tax agent in such cases have been established.

Withholding tax on the gains realised by a Non-Kazakhstan Holder may be reduced or eliminated under an applicable double taxation treaty.

Any gains realised by Non-Kazakhstan Holders in relation to the Notes which are listed as of the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan or a foreign stock exchange and sold through open trades on such stock exchanges are not subject to withholding tax.

Any gains derived by Kazakhstan Holders in relation to the Notes which are listed as at the date of sale on the official list of a stock exchange operating in the territory of Kazakhstan and sold through open trades on such stock exchange are not subject to Kazakhstan income tax.

European Union

EU Savings Directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. Under such withholding system, tax will be deducted unless the recipient of the payment elects instead for an exchange of information procedure. The rate of withholding is 35 per cent. Belgium had previously operated a withholding system in relation to such payments, but has elected to apply the provision of information provisions that apply to the Member States (other than Austria and Luxembourg during the transitional period), with effect from 1 January 2010. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual resident in, or certain limited types of entity established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in a Member State to an individual resident in, or certain limited types of entity established in, one of those countries or territories.

On 13 November 2008, the European Commission published a proposal for amendments to the EU Savings Directive. The proposal included a number of suggested changes which, if implemented, would broaden the scope of the rules described above.

Prospective investors in the Notes should consult their professional advisers if they have concerns about the potential impact of the EU Savings Directive.

ERISA AND CERTAIN OTHER U.S. CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (''**ERISA**''), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the ''**Code**''), impose certain requirements on (i) ''employee benefit plans'' (as defined in Section 3(3) of ERISA) that are subject to ERISA, (ii) ''plans'' (as defined in Section 4975(e)(1) of the Code), including individual retirement accounts and Keogh plans, that are subject to Section 4975 of the Code, and (iii) any entities whose underlying assets include ''plan assets'' of any such employee benefit plan or plan by reason of 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA, or otherwise, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, ''**Plans**'') and on those persons who are fiduciaries with respect to such Plans.

Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of a Plan or the management or disposition of the assets of a Plan, or who renders investment advice (directly or indirectly) for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan. In accordance with ERISA's general fiduciary requirements, when considering an investment in the Notes of a portion of the assets of any Plan that is subject to ERISA, a fiduciary should determine, among other things, whether the investment is in accordance with the documents and instruments governing the Plan and the prudence, diversification, and delegation of control provisions of ERISA.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an Plan and certain persons (referred to as ''**parties in interest**'' or ''**disqualified persons**'') having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which any of the Issuer, the Arrangers or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. When considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment could result in a violation of the prohibited transaction provisions of ERISA or the Code.

Governmental plans, foreign and certain church and other U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA or Section 4975 of the Code, may nevertheless be subject to U.S. federal, state or local laws, or non-U.S. laws that are substantially similar to ERISA and the Code (collectively, ''**Similar Laws**''). Fiduciaries of any such Plans should consult with their counsel before purchasing any Notes.

Unless otherwise provided in a supplementary prospectus or the relevant Final Terms, by its purchase of any Notes (or any interest in a Note), each purchaser (whether in the case of the initial purchase or in the case of a subsequent transfer) will be deemed to have represented and agreed either that (i) it is not and for so long as it holds a Note (or any interest therein) will not be a Plan that is subject to the fiduciary provisions of ERISA or the prohibited transaction provisions of ERISA or the Code, or a governmental or other employee benefit plan that is subject to any Similar Laws, and it is not acquiring the Notes (or interest in a Note) directly or indirectly for, or on behalf of such a Plan or employee benefit plan, or (ii) its purchase and holding of the Notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Laws. Any purported purchase of a Note that does not comply with the foregoing shall be null and void *ab initio*.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary that proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the potential applicability of ERISA, the Code or Similar Laws to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA, the Code or Similar Laws.

The sale of Notes to a Plan is in no respect a representation by the Issuer, the Arrangers or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 27 November 2012 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their respective affiliates have, in the past, performed investment banking and advisory services for, and provided credit facilities to, the Issuer for which they have received customary fees and expenses. Each of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. The Issuer may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities.

The Dealer Agreement makes provision for the resignation or termination of the appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer or sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Inland Revenue Code of 1986, as amended, and regulations thereunder.

(A) Where the D Rules are specified in the Final Terms as being applicable in relation to any Tranche of Notes, each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

(i) except to the extent permitted under the D Rules (a) it has not offered or sold, and during the restricted period will not offer or sell, any Bearer Notes to a person who is within the United States or its possessions or to a U.S. person, and (b) it has not delivered and will not deliver within the United States or its possessions Bearer Notes in definitive form that are sold during the restricted period;

(ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules;

(iii) if it is a U.S. person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and, if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulations §1.163-5(c)(2)(i)(D)(6);

(iv) with respect to each affiliate (if any) that acquires from such Dealer Bearer Notes for the purposes of offering or selling such Notes during the restricted period, such Dealer either repeats and confirms the representations, undertakings and agreements contained in sub-clauses (i), (ii) and (iii) above on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the Issuer the representations, undertakings and agreements contained in such sub-clauses (i), (ii) and (iii); and

(v) shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii) and (iv) of this paragraph from any person other than its affiliate with whom it enters into a written contract (a "**distributor**" as defined in United States Treasury Regulations §1.163-5(c)(2)(i)(D)(4)), for the offer or sale during the restricted period of the Bearer Notes.

(B) In addition, where the C Rules are specified in the Final Terms as being applicable in relation to any Tranche of Notes, such Notes must in their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer will be required to represent, undertake and agree (and each additional Dealer will be required to represent, undertake and agree) that, in connection with the original issuance of the Notes:

(i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Bearer Notes within the United States or its possessions; and

(ii) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or such Dealer is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Bearer Notes.

Terms used in sub-clauses (A) and (B) have the meanings given to them by the Code and the regulations thereunder, including the C Rules and the D Rules.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Kazakhstan

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will only offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Kazakhstan in compliance with the laws of Kazakhstan and KASE regulations.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the ''**FIEL**'') and each of the Dealers has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Russian Federation

The Notes will not be, nor are they intended to be, offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law. Neither the Notes nor this Base Prospectus or other documents relating to them have been or are intended to be registered in Russia with any state authorities that may from time to time be responsible for such registration. The Notes are not eligible for ''placement'' and ''circulation'' in the Russian Federation (as defined under Russian law) unless and to the extent otherwise permitted by Russian law. The information provided in this Base Prospectus is not an offer, or an invitation to make offers, sell, purchase, exchange or otherwise transfer the Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed (and each further Dealer appointed under the Programme will be required to agree) that it will comply with all relevant laws, regulations and directives in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes or publishes this Base Prospectus, any other offering material or any Final Terms (in all cases at its own expense) and neither the Issuer nor any other Dealer shall have responsibility therefor. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expenses.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Issuer and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. The Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

3. The purchaser of the Notes (or any interest therein) will be deemed to represent, warrant and agree that either (A) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an ''employee benefit plan'' (as defined in Section 3(3) of ERISA) that is subject to the fiduciary provisions of ERISA, (ii) a ''plan'' (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan or plan, or (iv) a governmental or other benefit plan that is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, and it is not acquiring the Note (or interest in a Note) directly or indirectly for, or on behalf of such a plan or employee benefit plan, or (B) its purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, a violation of any such substantially similar U.S. or non-U.S. law).

4. The Rule 144A Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend substantially to the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE ''SECURITIES ACT'') OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (''RULE 144A'') TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A ''QIB''), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

   EACH PURCHASER OF THIS NOTE (OR ANY INTEREST THEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN ''EMPLOYEE BENEFIT PLAN'' (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (''ERISA'')) THAT IS SUBJECT TO THE FIDUCIARY PROVISIONS OF ERISA, (II) A ''PLAN'' (AS DEFINED IN SECTION 4975(E)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ''CODE'')) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S.

LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, AND IT IS NOT ACQUIRING THE NOTE (OR INTEREST IN A NOTE) DIRECTLY OR INDIRECTLY FOR, OR ON BEHALF OF SUCH A PLAN OR EMPLOYEE BENEFIT PLAN, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. OR NON-U.S. LAW).

4. It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

5. It understands that the Rule 144A Notes will be evidenced by a Rule 144A Global Certificate. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Trust Deed) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes pursuant to resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and is purchasing the Notes in an offshore transaction pursuant to Regulation S.

(ii) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) The purchaser of the Notes (or any interest therein) will be deemed to represent, warrant and agree that either (A) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to the fiduciary provisions of ERISA, (ii) a "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code, (iii) an entity whose underlying assets include the assets of any such employee benefit plan or plan, or (iv) a governmental or other benefit plan that is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, and it is not acquiring the Note (or interest in a Note) directly or indirectly for, or on behalf of such a plan or employee benefit plan, or (B) its purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, a violation of any such substantially similar U.S. or non-U.S. law).

(iv) It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

EACH PURCHASER OF THIS NOTE (OR ANY INTEREST THEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN ''EMPLOYEE BENEFIT PLAN'' (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (''ERISA'')) THAT IS SUBJECT TO THE FIDUCIARY PROVISOINS OF ERISA, (II) A ''PLAN'' (AS DEFINED IN SECTION 4975(E)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ''CODE'')) THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN, OR (IV) A GOVERNMENTAL OR OTHER BENEFIT PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, AND IT IS NOT ACQUIRING THE NOTE (OR INTEREST IN A NOTE) DIRECTLY OR INDIRECTLY FOR, OR ON BEHALF OF SUCH A PLAN OR EMPLOYEE BENEFIT PLAN, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. OR NON-U.S. LAW).

(iv) It understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(v) It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Trust Deed) as to compliance with applicable securities laws.

LEGAL MATTERS

Certain matters of Kazakh law will be opined on for the Issuer by Oris, the Issuer's Kazakh counsel. In respect of any Rule 144A Series of Notes, certain matters of U.S. law will be opined on for the Issuer by Hogan Lovells (CIS), the Issuer's English counsel.

Certain matters of Kazakh law will be opined on for the Arrangers and the Dealers by Grata Law Firm LLP, the Arrangers' and the Dealers' Kazakh counsel. Certain matters of English law will be opined on for the Arrangers and the Dealers by Latham & Watkins (London) LLP, the Arrangers' and the Dealer' English counsel.

GENERAL INFORMATION

(1) **Listing:** It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes or Global Certificates in respect of each Tranche. The approval of the Programme in respect of the Notes is expected to be granted on or about 27 November 2012. Prior to official listing and admission to trading, however, dealings will be permitted.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with Notes to be issued under the Programme and is not itself seeking admission of the Notes to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

In addition, with respect to each issue of Notes under the Programme, the Issuer will make an application to the KASE for such Notes to be admitted to the official list of the KASE. In order for interest payments to be made on the Notes exempt of Kazakh withholding tax, it will be necessary for the Notes to be admitted to the official list of the KASE. No Notes may be issued without the prior permission of the FMSC.

(2) **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 7 September 2012.

(3) **Significant/Material Change:** There has been no material adverse change in the prospects of the Issuer or the Issuer and its subsidiaries (taken as a whole) since 31 December 2011 nor, since 30 June 2012 has there been any significant change in the financial or trading position of the Issuer or of the Issuer and its subsidiaries (taken as a whole).

(4) **Legal and Arbitration Proceedings:** Save as set out under "*Description of the Group's Business – Litigation*" in this Base Prospectus, neither the Issuer nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had during the 12 months preceding the date of this Base Prospectus a significant effects on the financial position or profitability of the Issuer and its subsidiaries (taken as a whole).

(5) **Clearing Systems:** Notes have been accepted for clearance through the Euroclear, Clearstream and/or DTC systems (which are the entities in charge of keeping the records) and, if applicable the JSC Central Securities Depositary (Kazakhstan). The Common Code, the ISIN and/or the CUSIP Number and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be specified in the Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream is 42 Avenue J.F. Kennedy, L-1855 Luxembourg. The address of the DTC is 55 Water Street, New York, NY 10041. The address of any alternative clearing system will be specified in the Final Terms.

(6) **Bearer Notes:** Each Bearer Note issued in compliance with the D Rules, Coupon and Talon will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code of 1986, as amended."

(7) **Issue Price:** The issue price and the amount of the relevant Notes will be determined, before filing of the Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(8) **Documents Available:** For so long as Notes may be issued pursuant to this Base Prospectus, hard copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Issuer:

(i) the Trust Deed (which includes the forms of the Notes and the Certificates);

(ii) the Agency Agreement;

(iii) the Dealer Agreement;

(iv) the constitutional documents of the Issuer;

(v) the Group's Interim 2012 Consolidated Financial Statements;

(vi) the Group's 2011 Consolidated Financial Statements and the Group's 2010 Consolidated Financial Statements;

(vii) the Ekibastuzskaya GRES-1 Financial Statements;

(viii) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the EEA nor offered in the EEA in circumstances where a Base Prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Principal Paying as to its holding of Notes and identity); and

(ix) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus.

This Base Prospectus and each Final Terms for Notes that are listed on the Official List and admitted to trading on the Main Securities Market will be published on the website of the Irish Stock Exchange.

(9) **Auditors:** The Group's Interim 2012 Consolidated Financial Statements and the Group's 2010 Consolidated Financial Statements included in this Base Prospectus have been audited by PwC. The Group's consolidated financial statements as at and for the year ended 31 December 2011 included in this Base Prospectus have been audited by KPMG.

The Ekibastuzskaya GRES-1 2012 Interim Financial Statements have been reviewed by KPMG. The Ekibastuzskaya GRES-1 2011 Financial Statements have been audited by Ernst & Young LLP.

Each of PwC and KMPG and Ernst & Young LLP are independent auditors as stated in their audit reports included in this Base Prospectus. The registered office of PwC is 34 Al-Farabi Avenue, Building A, 4th floor, 050059 Almaty, Republic of Kazakhstan and the registered office of KPMG is Koktem Business Centre, 180 Dostyk Avenue, 050051 Almaty, Republic of Kazakhstan. KPMG, Ernst & Young LLP and PwC are members of The Chamber of Auditors of the Republic of Kazakhstan. The registered office by Ernst & Young LLP is the Esentai Tower, Al-Farabi Avenue, 77/7, Almaty, Kazakhstan.

(10) **Language:** The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

(11) **Issuer Disclosure:** The place of registration of the Issuer is Astana city, Kazakhstan and the Issuer's registration number is 26877-1901-AO. The Issuer was incorporated on 10 May 2007 as a joint stock company. The Issuer's legal address is 17, Kabanbay Batyra Ave. Esil district, Astana 010000, and the Issuer's Kazakhstan domicile is block E, 17, Kabanbay Batyra Ave. Esil district, Astana 010000, Republic of Kazakhstan. The Issuer operates under the laws of Kazakhstan. The telephone number of the registered office of the Issuer is + 7 (7172) 55-30-21.

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INDEX TO FINANCIAL STATEMENTS

SAMRUK-ENERGY JSC

International Financial Reporting Standards
Consolidated Interim Financial Statements and Independent Auditor's Report

30 June 2012

(Translated from the Russian original)

Contents

pwc

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Samruk-Energy JSC

Report on the consolidated interim financial statements

We have audited the accompanying consolidated interim financial statements of Samruk-Energy JSC and its subsidiaries (the "Group"), which comprise the consolidated interim statement of financial position as at 30 June 2012 and the consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated interim financial statements

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting", and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our report has been prepared in English and in Russian. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

PricewaterhouseCoopers LLP, 34 Al-Farabi Ave., 4th floor, 050059 Almaty, Kazakhstan
T: +7 (727) 330 32 00, F: +7 (727) 244 68 68, www.pwc.com/

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated interim financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2012, and of their financial performance and cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
20 August 2012

Approved and signed by:	Signed by:
Zhanbota T. Bekenov	Dana Inkarbekova
General Director, PricewaterhouseCoopers LLP	Auditor in charge
(General State License from the Ministry of Finance of the Republic of Kazakhstan	(Qualified Auditor's Certificate
№ 0000005 dated 21 October 1999)	№ 0000492 dated 18 January 2000)

Our report has been prepared in English and in Russian. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

SAMRUK-ENERGY JSC
Consolidated Interim Statement of Financial Position

In thousands of Kazakhstan Tenge	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	7	173,406,524	164,025,004
Investment property	8	979,620	1,031,179
Intangible assets		700,469	711,149
Investments in joint ventures and associates	9	59,466,739	55,703,630
Other non-current assets	10	9,500,537	11,901,377
Total non-current assets		**244,053,889**	**233,372,339**
Current assets			
Inventories	11	7,570,467	10,604,059
Trade and other receivables	12	6,164,579	6,704,174
Other current assets	13	14,553,645	11,294,781
Income tax prepaid		370,462	382,415
Cash and cash equivalents	14	52,655,801	49,844,147
Assets classified as held for sale and assets of disposal group	15	-	10,126,416
Total current assets		**81,314,954**	**88,955,992**
TOTAL ASSETS		**325,368,843**	**322,328,331**

Signed on behalf of management on 20 August 2012.

Almasadam M. Satkaliev
President

Saule B. Tulekova
Head of Finance and Tax Department – Chief Accountant

The accompanying notes on pages 6 to 61 are an integral part of these consolidated interim financial statements.
Translated from the Russian original

In thousands of Kazakhstan Tenge	Note	30 June 2012	31 December 2011
EQUITY			
Share capital	16	121,248,892	120,294,884
Other reserves	16	29,471,162	29,471,162
Retained earnings		26,110,998	19,917,339
Equity attributable to the Group's equity holders		**176,831,052**	**169,683,385**
Non-controlling interest		2,185,343	2,142,287
TOTAL EQUITY		**179,016,395**	**171,825,672**
LIABILITIES			
Non-current liabilities			
Ash dump restoration provision	17	369,609	352,350
Employee benefit obligations	18	886,236	889,962
Borrowings	19	83,797,844	83,506,212
Other non-current liabilities	20	7,813,889	7,550,074
Deferred income tax liabilities	30	5,710,999	5,154,614
Total non-current liabilities		**98,578,577**	**97,453,212**
Current liabilities			
Borrowings	19	12,181,541	16,060,628
Employee benefit obligations	18	54,467	59,025
Provisions for liabilities and charges	21	7,342,179	8,312,179
Trade and other payables	23	27,257,237	27,361,186
Taxes payable and other payables to budget	30	709,085	678,769
Income tax payable	30	229,362	448,150
Liabilities of disposal group, classified as held-for-sale	15	-	129,510
Total current liabilities		**47,773,871**	**53,049,447**
TOTAL LIABILITIES		**146,352,448**	**150,502,659**
TOTAL LIABILITIES AND EQUITY		**325,368,843**	**322,328,331**

Signed on behalf of management on 20 August 2012.

Almasadam M. Satkaliev
President

"Самрук - энерго"

Saule B. Tulekova
Head of Finance and Tax Department – Chief Accountant

In thousands of Kazakhstan Tenge	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenue	24	47,528,892	44,094,694
Cost of sales	25	(36,198,072)	(33,242,098)
Gross profit		**11,330,820**	**10,852,596**
Other income/(expenses)	26	1,579,532	(106,013)
Distribution costs		(74,308)	(65,140)
General and administrative expenses	27	(3,595,360)	(2,646,411)
Share in profit of joint ventures and associates	9	5,238,629	6,904,340
Finance income	28	824,213	755,636
Finance costs	29	(2,564,418)	(2,686,968)
Profit before income tax		**12,739,108**	**13,008,040**
Income tax expense	30	(2,064,143)	(2,011,930)
Profit for the period		**10,674,965**	**10,996,110**
Other comprehensive income		-	-
Total comprehensive income for the period		**10,674,965**	**10,996,110**
Profit is attributable to:			
Equity holders of the Group		10,631,910	10,721,679
Non-controlling interest		43,055	274,431
Profit for the period		**10,674,965**	**10,996,110**
Total comprehensive income attributable to:			
Equity holders of the Group		10,631,910	10,721,679
Non-controlling interest		43,055	274,431
Total comprehensive income for the period		**10,674,965**	**10,996,110**

		Attributable to equity holders of the Group					
In thousands of Kazakhstan Tenge	**Note**	**Share capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2011		**76,715,078**	**26,833,774**	**6,771,848**	**110,320,700**	**1,981,484**	**112,302,184**
Profit for the period		-	-	10,721,679	10,721,679	274,431	10,996,110
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	10,721,679	10,721,679	274,431	10,996,110
Share issue	16	726,720	-	-	726,720	-	726,720
Result of transactions with shareholders on non-market terms	16	-	2,637,388	-	2,637,388	-	2,637,388
Changes in ownership interests in subsidiaries	16	-		(21,768)	(21,768)	43,268	21,500
Dividends	16	-		(1,629,350)	(1,629,350)	(12,449)	(1,641,799)
Balance at 30 June 2011		**77,441,798**	**29,471,162**	**15,842,409**	**122,755,369**	**2,286,734**	**125,042,103**
Balance at 1 January 2012		**120,294,884**	**29,471,162**	**19,917,339**	**169,683,385**	**2,142,287**	**171,825,672**
Profit for the period		-	-	10,631,910	10,631,910	43,055	10,674,965
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	10,631,910	10,631,910	43,055	10,674,965
Share issue	16	954,008	-	-	954,008	-	954,008
Dividends	16	-	-	(4,438,251)	(4,438,251)	-	(4,438,251)
Balance at 30 June 2012		**121,248,892**	**29,471,162**	**26,110,998**	**176,831,052**	**2,185,342**	**179,016,394**

In thousands of Kazakhstan Tenge	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash flows from operating activities			
Profit before income tax		12,739,108	13,008,040
Adjustments for:			
Impairment of property, plant and equipment	7	-	535,418
Depreciation and amortisation		4,080,417	3,077,661
Losses on disposal of property, plant and equipment		103,605	11,215
Gain on sale of assets held for sale		-	(6,969)
Charge / (reversal) of provision for impairment of trade and other receivables		322,234	(98,690)
Reversal of provision for impairment of other non-current assets		-	(85,000)
(Reversal) / charge of provision on obsolete and slow-moving inventories		(195,057)	142,991
Amortisation of income from connection of additional capacities		(238,088)	(285,346)
Unrealised foreign exchange gains less losses		56,819	-
Losses on write-off of housing expenses		272,000	-
Current service cost and actuarial losses on employee benefits		-	16,303
Provisions for liabilities and charges		-	352,392
Finance costs	29	2,507,599	2,686,967
Finance income	28	(824,213)	(755,637)
Share in loss of joint ventures and associates	9	(5,238,629)	(6,904,341)
Income from assets received free of charge		(108,904)	-
Other adjustments		5,382	-
Operating cash flows before working capital changes:		**13,482,273**	**11,695,004**
(Increase)/decrease in trade and other receivables and other current assets		(3,041,503)	3,349,041
Decrease in inventories		3,228,649	868,438
Decrease in trade and other payables		(2,612,743)	(5,325,598)
(Decrease) / increase in employee benefits payable		(8,284)	486,927
Cash generated from operations		**11,048,392**	**11,073,812**
Income tax paid		(1,698,057)	(1,685,502)
Interest paid		(1,882,660)	(1,550,317)
Dividends received		1,658,366	1,701,756
Net cash from operating activities		**9,126,041**	**9,539,749**
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,681,005)	(12,279,372)
Acquisition of intangible assets		(49,261)	-
Capitalised revenue		832,672	-
Proceeds from disposal of property, plant and equipment		-	42,668
Prepayments for purchase of long-term assets, net		(215,644)	-
Interest income received		661,188	485,995
Proceeds from sale of interest in associates	9	7,556,910	61,902
Net changes in assets and liabilities of disposal group		-	28,899
(Placement) / repayment of bank deposits		(2,705,341)	281,016
Others		74,213	-
Net cash used in investing activities		**(4,526,268)**	**(11,378,892)**
Cash flows from financing activities:			
Proceeds from issue of shares	16	954,008	726,720
Proceeds from issue of bonds		-	21,500
Proceeds from borrowings		6,306,755	3,205,805
Sale of interest in subsidiaries		-	21,500
Financial aid received from shareholders		-	7,000,000
Repayment of borrowings		(10,617,671)	(6,492,824)
Repayment of financial aid from shareholders		-	(2,381,109)
Repayment of bonds		(500,000)	-
Dividends paid to shareholders		(1,479,417)	-
Dividends paid to non-controlling interest holders		(54,010)	(12,449)
Proceeds from loans from customers		-	5,413
Repayment of loans from customers		(396,880)	(218,330)
Other receipts attributable to shareholders		3,990,000	-
Others		9,096	-
Net cash (used in)/from financing activities		**(1,788,119)**	**1,876,226**
Net increase in cash		**2,811,654**	**37,083**
Cash at the beginning of the year		49,844,147	14,988,160
Cash at the period end		**52,655,801**	**15,025,243**

1 Samruk-Energy Group and Its Operations

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for six months ended 30 June 2012 for Samruk-Energy JSC (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company, and was set up in accordance with Kazakhstani regulations. The Group was established for the purpose of consolidation of entities in electric power industry of the Republic of Kazakhstan.

The Company's shareholders are Samruk-Kazyna National Welfare Fund JSC ("Samruk-Kazyna") and KazTransGas JSC ("KazTransGas"), respectively holding 95.22% and 4.78% of the Company's shares (Note 16).

The Company's immediate parent company is Samruk-Kazyna. The Company's ultimate controlling party is the Government of the Republic of Kazakhstan.

Principal activity

The Group's principal activities are production of electricity and heat energy and hot water on the basis of coal, hydrocarbons and water resources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, construction of hydro and heat power stations, and lease of property of power stations.

Principal subsidiaries and joint ventures

The following list shows the entities included in the Group, their respective jurisdictions of incorporation, and the percentage ownership held directly or indirectly by Samruk-Energy JSC (the Group's ownership percentage is in brackets):

Samruk-Energy JSC: a parent entity incorporated in the Republic of Kazakhstan exercising management of subsidiaries and joint ventures.

Alatau Zharyk Company JSC ("AZhC") (100%): an entity incorporated in the Republic of Kazakhstan, transferred to the Group in July 2009 from KazTransGaz, and mainly engaged in electricity transmission and distribution in Almaty and the Almaty region. AZhC owns 100% of share capital of Aktobe Thermal Power Station JSC and 62.62% of share capital of Almaty Power Stations JSC. The remaining share capital in Almaty Power Stations JSC is owned by Samruk-Energy JSC.

Almaty Power Stations JSC ("ALES") (100%): an entity incorporated in the Republic of Kazakhstan and mainly engaged in production of electricity, heat energy and hot water in Almaty and the Almaty region. The Company owns thermal power stations TPS-1, TPS-2 and TPS-3 and thermal station in Almaty, Kapchagay hydro power station in Almaty region, Kaskad hydro power station in Almaty, as well as support divisions in Almaty.

Aktobe Thermal Power Station JSC ("Aktobe TPS") *(100%)*: an entity incorporated in the Republic of Kazakhstan and mainly engaged in production of electricity, heat energy and hot water in Aktobe city.

KMG-Energy JSC ("KMG-Energy") (100%): The entity is dormant. As at 31 December 2011 and 30 June 2012 this entity was in the process of liquidation.

AlmatyEnergoSbyt LLP ("AlmatyEnergoSbyt") (100%): an entity incorporated in the Republic of Kazakhstan, and engaged in sale of electricity in Almaty city and region.

Samruk-EnergoStroyService LLP ("SESS") (100%): an entity incorporated in the Republic of Kazakhstan, established by the Group in 2009, rendering construction services and services on designing, producing, assembling and repairing power equipment.

1 Samruk-Energy Group and Its Operations (continued)

KazKuat JSC ("KazKuat") (100%): The entity is dormant. As at 31 December 2011 and 30 June 2012 this entity was in the process of liquidation.

Shardara GES JSC ("Shardara GES") (100%): An entity incorporated in the Republic of Kazakhstan and engaged in production of electricity on the basis of water resources in the Southern Kazakhstan.

Moinak HPS JSC ("Moinak HPS") (51%): An entity incorporated in the Republic of Kazakhstan, and engaged in construction of hydropower station on the Charyn river.

Mangistau Electricity Distribution Company JSC ("MEDC") (78.6%): An entity incorporated in the Republic of Kazakhstan, and engaged in provision of the services on the transmission of electricity, technical distribution of electricity within the network for oil and other companies, and sale of electricity to the remote rural districts of the Mangistau region of the Republic of Kazakhstan.

Stantciya Ekibastuzskaya GRES-2 JSC ("Ekibastuzskaya GRES-2") (50%): Joint venture with Inter-RAO UES OJSC with equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of electricity and heat energy on the basis of coal produced at the coal mines – Bogatyr and Severnyi.

Forum Muider BV («Forum Muider») (50%): Joint venture with United Company RUSAL ("UC RUSAL") with the equal ownership of 50%:50%, incorporated in the Netherlands and holding 100% of charter capital of Bogatyr Komir LLP, Resursenergougol LLC, and a range of companies incorporated in the Russian Federation and the Republic of Cyprus, and not engaged in significant operations.

Bogatyr Komir LLP («Bogatyr Komir») (50%): Joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of power generating coal at coal mines - Bogatyr and Severnyi.

Resursenergougol LLC (50%): Joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Russian Federation, and engaged in sales of power generating coal in the Russian Federation.

Uralenergougol LLC (50%): Joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Russian Federation. In 2011 and in the first half of 2012 Uralenergougol LLC had no significant operations.

Zhambylskaya GRES named after T.I. Baturov JSC ("ZhGRES") (50%): Joint venture with Tarazenergo-2005 LLP with the equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of electricity and heat energy on the basis of hydrocarbons and its sales in the Southern Kazakhstan.

Bukhtarminskaya GES JSC ("Bukhtarminskaya GES") (100%): An entity incorporated in the Republic of Kazakhstan, and the owner of Bukhtarminskaya hydropower station transferred under lease arrangement (Note 4).

Ust-Kamenogorskaya GES JSC (90%) *and Shulbinskaya GES JSC* (92.14%) (together referred to as "Hydropower companies"): entities incorporated in the Republic of Kazakhstan, and are the owners of Ust-Kamenogorskaya and Shulbinskaya hydropower stations transferred under concession agreement. From the moment of transfer of the hydropower stations to concession, these entities are dormant (Note 4).

Samruk Green Energy LLP (100%): An entity incorporated in the Republic of Kazakhstan, established by the Company in 2012 and which will be engaged in production of electricity. The Company is planning to construct a wind power station with a capacity of 60MBt-300MBt in the Almaty region.

Unless otherwise stated, the Group had the same interests in the above-mentioned entities at 31 December 2011.

1 Samruk-Energy Group and Its Operations (continued)

The operations of the Group's subsidiaries and joint ventures, which are dominant entities and natural monopolists in certain areas, are regulated by the Law of the Republic of Kazakhstan on Natural Monopolies and Regulated Markets and the Law on Competition and the Restriction of Monopolistic Activity (the "Antimonopoly legislation"). The tariffs for electricity sold by the energy producing entities are determined in accordance with the Rules for Determination of Tariff and Approval of Cap and Individual Tariffs approved by the Decree of the Government of the Republic of Kazakhstan dated 10 March 2009, and are subject to confirmation and approval by the Ministry of Industry and New Technologies of the Republic of Kazakhstan ("MINT"). The tariffs for heat and electricity supply, transmission and technical distribution services in the grid are determined in accordance with the Pricing Rules on Regulated Markets approved by the Decree of the Government of the Republic of Kazakhstan dated 3 March 2009, and approved by the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies ("ARNM").

The tariffs are based on cost-plus system which means the cost of services, electricity and heat energy and other costs plus profit margin where the cost and other expenses are determined in accordance with the above-mentioned regulations which differ from IFRS basis of accounting. In practice, the tariff related decisions are significantly exposed to the social and the political issues. Therefore, the economic, social and other policies of the Government of the Republic of Kazakhstan may have the significant effect on the Group's operations.

Registered address and place of business

The registered address and place of Company's Head Office is: Block E, 17, Kabanbai Batyr Avenue, Astana, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These consolidated interim financial statements for the six-month period ended 30 June 2012 have been prepared in accordance with IAS 34 under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below and consistent with those of the previous financial year except for accounting for income taxes. These consolidated interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements, unless otherwise stated (Note 3).

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Actual results could differ from those estimates.

Consolidated financial statements

(i) Subsidiaries

Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities/contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

2 Basis of Preparation and Significant Accounting Policies (continued)

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

(ii) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition is accounted for as an adjustment to other reserves within equity.

(iii) Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

(iv) Joint ventures

The Group's shares in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. Carrying value of interests in joint ventures include goodwill identified in the acquisition less accumulated impairment loss, if any. Dividends received from joint ventures reduce the carrying value of the investment in joint ventures. Other post-acquisition changes in Group's share of net assets of joint ventures are recognised as follows: (i) the Group's share of profits or losses of joint ventures is recorded in the consolidated profit or loss for the year as share of result of joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of joint ventures are recognised in profit or loss within the share of result of joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(v) Investment in associates

Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of associates are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 Basis of Preparation and Significant Accounting Policies (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(vi) Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Foreign currency translation

(i) Functional and presentation currency

All amounts in these consolidated interim financial statements are presented in thousands Tenge, unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of subsidiaries, joint ventures and associates and the parent is Tenge.

(ii) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At 30 June 2012 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 149.42 (31 December 2011: US Dollar = Tenge 148.40). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Financial instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value, cost or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

2 Basis of Preparation and Significant Accounting Policies (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount paid by cash or cash equivalents, or the fair value of other consideration given to acquire an asset at the date of acquisition and includes transaction costs. Measurement at cost only applies to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured, and in respect of derivative instruments that are linked to such equity instruments that do not have quotations on the open market, and redeemable by such equity instruments.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately, and are included in the carrying values of related items in the statement of financial position.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

Financial assets of the Group include trade and other receivables, loans and cash and cash equivalents. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. They are included in current assets, except for those with maturity greater than 12 months after the reporting period. These are classified as non-current assets.

(iii) Financial liabilities classification

Financial liabilities of the Group include financial liabilities carried at amortised cost.

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value less transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(v) Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control over such financial assets. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2 Basis of Preparation and Significant Accounting Policies (continued)

(vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and part of production overhead costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in profit or loss for the year within other income or expenses.

(ii) Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives in years
Buildings and constructions	10-100
Machinery and equipment	5-40
Other	5-20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset set equal to zero, if the Group intends to use the object till the end of its physical useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Impairment

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of: an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Intangible assets

All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use. All intangible assets are amortised using the straight-line method over their useful lives, estimated by the management as from 3 to 5 years.

If impaired, the carrying amount of intangible assets is written down to the higher of: value in use and fair value less costs to sell.

Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

2 Basis of Preparation and Significant Accounting Policies (continued)

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the investment property will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Depreciation on investment property is calculated using the straight-line method to allocate its cost to its residual values over their estimated useful lives, as follows:

	Useful lives in years
Dam and hydraulic constructions	100
Other	5-20

Earned rental income is recorded in profit or loss for the year within revenue.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to the profit or loss for the year on a straight-line basis over the period of the lease.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out ("FIFO") basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment to such receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit and loss for the year. The primary factor that the Group considers in determining whether a financial asset is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or any other financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the goods or services relating to the advances are received. If there is an indication that the assets, goods or services relating to advances will not be received, the carrying value of the advances is written down accordingly, and a corresponding impairment loss is recognised in the profit or loss for the year.

2 Basis of Preparation and Significant Accounting Policies (continued)

Prepaid taxes are stated at actual amounts paid less impairment provision.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at current bank accounts. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets, while balances restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale and disposal groups' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets and disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment and intangible assets are not depreciated or amortised.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised as a liability and deducted from equity at the end of reporting period only if they are declared and approved before or on the end of reporting period. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Value added tax

Value-added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is stated in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

2 Basis of Preparation and Significant Accounting Policies (continued)

Ash dump restoration provision

Ash dump restoration provision is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump restoration costs include cost of dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated restoration costs are added to the cost of an item of property plant and equipment when incurred in the accounting period when the obligation arising from the related waste occurs based on the net present value of estimated future costs. Ash dump restoration provision does not include any additional obligations which are expected to arise from current or future disturbance. The costs are estimated on the basis of a restoration plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Although the ultimate cost to be incurred is uncertain, the Group estimates their costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration of waste polygons.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit or loss in each reporting period. The amortisation of the discount is shown as a finance cost.

Employee benefits

(i) Long-term employee benefits

The Group companies provide the long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined post-employment benefit plan. The Group does not have any funded pension plans. The liability recognised for the end of each reporting period represents the present value of defined benefit obligations. Actuarial gains and losses arising in the year are taken to profit and loss for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the present value of defined benefit obligations are recognised in profit and loss for the year, including current service cost.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the personnel turnover assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the profit or loss for the year as finance costs. The personnel turnover assumption is used to estimate the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

These obligations are valued annually by independent qualified actuaries.

(ii) Staff costs and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. For those employees, not covered by Collective Labour Agreement payments, upon retirement of employees, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

2 Basis of Preparation and Significant Accounting Policies (continued)

Borrowings

Borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

In accounting for loans from the shareholders with off market terms, the Group records gain on origination within profit and loss for the year or directly in equity as a capital contribution to the Group. The method used reflects the transaction's economic substance and is applied consistently to all similar transactions and is disclosed in the consolidated interim financial statements.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised. Other borrowing costs are recognised within expenses using the effective interest method. The Group capitalises borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Advances received are stated at actual amounts received from the third parties.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss for the year as other income over the period necessary to match them with the costs that they are intended to compensate.

Revenue recognition

Revenues are recognised when future economic benefits are probably received by the Group, and these benefits could be reliably measured. Revenue is shown net of value-added tax and discounts.

Revenues from sale of electricity, heating power and hot water are recognised by the accrual method based on supply of electricity, heating power and hot water. Revenue from electricity transmission services is recognised on the basis of actual electricity volume transmitted within the reporting period. Revenue amount is determined based on the tariffs for the relevant services approved by MINT and ARNM.

Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. Revenues are measured at the fair value of the consideration received or receivable from sale of the goods and the services during the Group's normal business.

When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time proportion basis using the effective interest method.

Offsetting

A portion of sales and purchases are settled by offset, barter or other non-cash settlements. These transactions are settled generally as the exchange of dissimilar goods and services with the industrial and commercial customers in the form of offset.

2 Basis of Preparation and Significant Accounting Policies (continued)

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on the Group entities' management estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, financial result or assets are ten percent or more of all the segments assets are reported separately.

Income taxes

Income taxes have been provided for in these consolidated interim financial statements in accordance with legislation of the Republic of Kazakhstan enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax, and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the exception for initial recognition, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates, which are expected to apply to the period when the temporary differences will reverse or tax loss carry-forwards will be utilised in accordance with tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

In determining the tax bases of the restoration and closure costs are added to the cost of property plant and equipment and ash dump restoration provision the Group allocates the future tax deductions to the liability. Under this approach the initial recognition exception does not apply. Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs are added to the cost of property plant and equipment and, subject to recognition criteria mentioned above, a deferred tax asset is recognised in respect of the deductible temporary difference on the ash dump restoration provision.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management (the assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues) as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

2 Basis of Preparation and Significant Accounting Policies (continued)

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

(a) Dividends received from joint ventures

The management made an assessment and concluded that presentation of dividends received from joint ventures as part of operating activity within consolidated interim statement of cash flows most appropriately discloses the nature of operations as the Company, together with other venturer, is actively involved in day to day operations of the joint ventures. The reclassifications in the consolidated interim statement of cash flows had no impact on information in notes.

The effect of reclassifications for presentation purposes was as follows as at 30 June 2011:

In thousands of Kazakhstan Tenge	**As originally presented**	**Reclassification**	**As reclassified for 6 months ended 30 June 2011**
Cash flows from operating activities			
- Dividends received from joint ventures	-	1,701,756	1,701,756
Cash flows from investing activities			
- Dividends received from joint ventures	1,701,756	(1,701,756)	-

(b) Property taxes

In 2011 the Group recorded the total property tax expense in general and administrative expenses. In 2012 management revised its approach to presenting such information and included property tax related to the production assets in cost of sales. The comparative data have been restated accordingly. The restatement is presented below.

In thousands of Kazakhstan Tenge	**Note**	**As originally presented**	**Reclassification**	**As reclassified for 6 months ended 30 June 2011**
Cost of sales	25	33,000,310	241,788	33,242,098
General and administrative expenses	27	2,888,199	(241,788)	2,646,411

(c) Advances to suppliers

In 2011 the Group recorded the total advances to suppliers in trade and other receivables. In 2012 management revised its approach to presenting such information and included advances to suppliers in other current assets. The comparative data have been restated accordingly. The restatement is presented below.

In thousands of Kazakhstan Tenge	**Note**	**As originally presented**	**Reclassification**	**As reclassified at 31 December 2011**
Other current assets	13	9,272,243	2,022,538	11,294,781
Trade and other receivables	12	8,726,712	(2,022,538)	6,704,174

2 Basis of Preparation and Significant Accounting Policies (continued)

The revised IAS 1 which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ('opening statement of financial position'), when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. Therefore, an entity that makes such a prior period adjustment or reclassification normally presents, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

Management considered whether omitting the opening statements of financial position at 1 January 2011 and related notes would represent a material omission of information. In management's opinion, the omission of the opening statement of financial position and related notes is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

Seasonality of operations. The Group's operations are exposed to the seasonal fluctuations. Fluctuations in electricity transmission volume, production of heat and electricity relate to heating season from October to April.

Also, the Group's repair and maintenance works are subject to seasonality. Significant amount of maintenance and repair work are expected to be carried out in second half of 2012 that will significantly increase the Group's expenses, downtime of energy blocks and decreased level of electricity production.

3 New Accounting Pronouncements

(i) The following new standards and interpretations became effective for the Group from 1 January 2012:

- ***Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).*** The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

- ***Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012).*** The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment,* was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value.

(ii) Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 July 2012 or later, and which the Group has not early adopted.

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009**,** replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the amended standard on its financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

3 New Accounting Pronouncements (continued)

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

Disclosures—Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs,* retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amendd to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated interim financial statements.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Impairment of non-financial assets

At the end of each reporting period management assesses whether there is any indication of impairment of separate assets or groups of assets, and whether there is any indication that an impairment loss recognised in prior periods for separate assets or groups of assets other than goodwill may no longer exist or may have decreased. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of the management's estimates and judgments which are deemed appropriate under the current circumstances.

At 30 June 2012 and 31 December 2011 the management reviewed property, plant and equipment for existence of impairment indicators and concluded that there are no any impairment indicators at these dates.

Accounting for investment property

On 26 June 1997, Bukhtarminskaya GES signed an agreement with Kazastur Zinc AG ("the Lessee"), whereby the property complex of Bukhtarminskaya GES was transferred to concession for the period of 10 years. In accordance with concession agreement, the lease payment is US dollar 1,100 thousand. Subsequently, the concession period was revised, and is now of 25 years from the agreement signing date.

According to the terms of concession agreement, the Lessee should perform the reconstruction and technical renovation of the station within the investment program agreed with Bukhtarminskaya GES. All property, plant and equipment, including separable and non-separable improvements of leased property are owned by Bukhtarminskaya GES.

On 7 December 2007, Bukhtarminskaya GES and the Lessee signed the additional agreement to the concession agreement, whereby the annual lease payment was increased to US dollar 8,500 thousand plus an additional floating charge determined on the basis of the Lessee's income from rendering services on maintenance of capacity reserves.

The leased property is used mainly to satisfy the Lessee's electricity needs rather than for sale to the residents.

The Group's management believes that the concession constitutes an operating lease of the property of hydropower station and recorded this property as an investment property. In particular, the following factors were considered in determination of the type of lease:

- the ownership right for leased property is not transferred to the Lessee;
- the useful life of main facilities of hydropower station exceeds the effective period of concession agreement.

However, the Group's management believes that upon expiration of the concession agreement in 2022, significant investments will be necessary for the reconstruction of the hydropower station to extend its useful life and restore its production potential, and the carrying amount of assets to be returned will be insignificant.

The Group has selected the cost less accumulated depreciation and impairment provision model for accounting for investment property. At 1 January 2006, the date of the first time adoption of the IFRS by the predecessor (Note 2), the cost of investment property was determined based on the deemed cost of leased property, plant and equipment. Deemed cost was determined based on lease payments according to the concession agreement terms effective at that date and using the estimated discount rate as at 1 January 2006.

At 30 June 2012 the carrying amount of investment property is Tenge 979,620 thousand (31 December 2011: Tenge 1,031,179 thousand) (Note 8).

Based on estimation of fair value of investment property (Note 8) at 30 June 2012 the Group did not identify any indication of impairment of investment property (31 December 2011: no indication).

Accounting for property of Hydropower companies

In 1997 the Government of the Republic of Kazakhstan and AES Suntry Power Limited signed the agreement on concession of Hydropower companies assets. According to the concession agreement, the assets of Ust-Kamenogorskaya hydropower station and Shulbinskaya hydropower station were transferred to AES Suntry Power Limited with the right for ownership, usage and disposal for the period of 20 years, which can be extended for the further period of 10 years. Under the agreement terms, the Government of the Republic of Kazakhstan is entitled to an annual fee. AES Suntry Power Limited established the concession companies to manage the concession assets. The concession companies are fully responsible and liable for the property and operations of the hydropower stations from 31 December 1998 and in further periods under the agreement terms.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Upon expiration of the agreement, AES Suntry Power Limited will transfer its interest in the concession companies to the Government of the Republic of Kazakhstan for a consideration of US dollar 1 plus carrying amount of improvements made by AES Suntry Power Limited and the concession companies. Accordingly, AES Suntry Power Limited will transfer the ownership right for the concession companies to the Government of the Republic of Kazakhstan rather than transferring the property to the Hydropower companies.

Thus, the Group's management believes that the concession companies bear all risks and rewards related to the operations of Ust-Kamenogorskaya hydropower station and Shulbinskaya hydropower station. Accordingly, the cost of the property transferred under the concession agreement was not included in these consolidated interim financial statements.

Ash dump restoration provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities. The provisions are made, based on net present values, for ash dumps restoration as soon as the obligation arises from past operations.

The provision for ash dumps restoration 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 restoration standards and methods and rehabilitation techniques. Provisions are estimated based on the current legal and constructive requirements, technologies and prices level. Since the actual restoration costs can differ from the estimates due to the changes in the requirements and interpretation of legislation, technologies, prices and other terms, and such costs will be incurred in the distant future, the carrying amount of the provisions is regularly reviewed and adjusted to track such changes.

The significant judgments used in such estimates include the estimate of discount rate and cash flows. The discount rate is applied to the nominal cost of works to be incurred by the management for site restoration in the future. Accordingly, management's estimates made on the basis of the current prices are increased using expected long-term inflation rate in Kazakhstan (2012: 6%; 2011: 6%) and subsequently, discounted using discount rate. Discount rate reflects the current market estimate of time value of cash as well as liabilities risk not included into the best estimates of costs (2012: 7.6%; 2011: 7.6%).

At 30 June 2012 the carrying amount of the ash dump restoration provision was Tenge 369,609 thousand (31 December 2011: Tenge 352,350 thousand) (Note 17).

Recognition of revenue from electricity sales

The Group recognises revenue when the electricity is supplied according to the meter readings of the electricity consumers. The meter readings are provided by the customers on a monthly basis and checked by the Group for correctness on a sample basis. Since the procedures for invoicing of the consumed electricity have a cycle nature, the Group sold the significant amount of electricity at the end of the reporting period, for which invoices have not been issued to the customers. The Group recognises revenue for electricity sold from the moment of the last meter reading taking to the end of the reporting period on the basis of estimate. The balance sheet approach for estimation is applied by the Group for measurement of revenue not invoiced to the legal entities at the end of reporting period. According to the Group's approach, the daily amount of purchased electricity consumed but not invoiced is determined as at the end of the reporting month which is then multiplied by the selling price.

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 30 June 2012 would be to increase/decrease it by Tenge 394,628 thousand (30 June 2011: increase/decrease by Tenge 300,020 thousand).

5 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the management board of the Group.

CODM is responsible for decision making on operating activities, assess segment results on the basis of EBITDA, which is calculated as profit/(loss) for the period before accounting for finance income and finance expense, income tax expenses, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property plant and equipment and investment property, impairment of goodwill and provision on bad debt receivables and slow-moving inventories, share of profit/(loss) of associates and effects, related to acquisition, such as excess of fair value of interest in identifiable assets and liabilities over cost of investment and other similar effects. Sequence for identification of EBITDA by Group might be different from sequence used by other companies.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of three main business segments:

- Production of heat power and electricity;
- Transmission and distribution of electricity;
- Sale of electricity.

(b) Performance of operating segments

The CODM evaluates performance of each segment based on a measure of adjusted EBITDA. This measurement basis excludes discontinued operations and the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

5 Segment Information (continued)

	Production of electric energy and heating energy		Electric energy transmission and distribution		Sale of electric energy		Others		Total	
In thousands of Kazakhstan Tenge	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
External revenues	12,305,287	12,056,195	3,078,479	2,674,717	31,401,450	28,592,526	743,676	771,256	47,528,892	44,094,694
Inter-segment revenue	16,629,843	15,959,039	9,783,561	9,173,804	845,605	-	5,970,120	2,534,046	33,229,129	27,666,889
Total revenue	**28,935,130**	**28,015,234**	**12,862,040**	**11,848,521**	**32,247,055**	**28,592,526**	**6,713,796**	**3,305,302**	**80,758,021**	**71,761,583**
Share of profit of joint ventures	3,325,460	3,881,811	-	-	-	-	2,007,651	3,017,153	5,333,111	6,898,964
Adjusted EBITDA	**12,198,558**	**13,546,116**	**3,343,045**	**2,799,129**	**353,197**	**(497,225)**	**1,627,761**	**2,900,266**	**17,522,561**	**18,748,286**
Amortisation	(2,532,375)	(1,690,140)	(1,399,964)	(1,153,477)	(74,330)	(43,074)	(73,746)	(101,338)	(4,080,415)	(2,988,029)
Income from legal claims	1,023,106	-	-	-	-	-	-	-	1,023,106	-
Finance income	185,894	501,208	540,706	180,736	349	4,841	261,470	471,988	988,419	1,158,773
Finance expense	(542,201)	(737,039)	(902,223)	(1,169,822)	(28,831)	(34,024)	(1,146,826)	(1,440,063)	(2,620,081)	(3,380,948)
Impairment on property, plant and equipment and intangible assets	-	-	-	(535,418)	-	-	-	-	-	(535,418)
Share of profit of associates	-	-	-	-	-	-	(94,482)	5,376	(94,482)	5,376
Profit/(loss) before income tax	10,332,982	11,620,145	1,581,564	121,148	250,385	(569,482)	574,177	1,836,229	12,739,108	13,008,040
Reportable segment assets	127,888,064	131,279,480	124,879,183	122,073,588	5,239,577	5,422,391	182,408,243	187,781,520	440,415,067	446,556,979
Capital expenditure	5,482,503	38,093,233	7,937,032	16,326,507	21,525	122,847	63,870	429,176	13,504,930	54,971,763
Reportable segment liabilities	65,991,359	76,039,714	60,336,658	46,975,335	5,089,252	5,417,539	45,766,792	43,841,551	177,184,061	172,274,139

5 Segment Information (continued)

(d) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

In thousands of Kazakhstan Tenge	**30 June 2012**	**30 June 2011**
Total revenues for reportable segments	74,044,225	68,456,281
Revenues from other operations	6,713,796	3,305,302
Total revenue	**80,758,021**	**71,761,583**
Elimination of sales between segments	(33,229,129)	(27,666,889)
Total consolidated revenues	**47,528,892**	**44,094,694**

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Total reportable segment assets	258,006,824	258,775,459
Assets from other operations	182,408,243	187,781,520
Total assets	**440,415,067**	**446,556,979**
Elimination of balances between segments	(115,046,224)	(124,228,648)
Total consolidated assets	**325,368,843**	**322,328,331**

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Total reportable segment liabilities	131,417,269	128,432,588
Liabilities from other operations	45,766,792	43,841,551
Total liabilities	**177,184,061**	**172,274,139**
Elimination of balances between segments	(30,831,613)	(21,771,480)
Total consolidated liabilities	**146,352,448**	**150,502,659**

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 24 (revenue from core activities), Note 28 (interest income) and in Note 26 (other income). Majority of sales of the Group are within Kazakhstan.

(g) Major customers

During six months periods ended 30 June 2012 and 30 June 2011 there were no customers for which sales of the Group represented 10% or more of the total revenues.

6 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's parent entity and ultimate controlling party are disclosed in Note 1.

The related parties include the companies under control of Samruk-Kazyna. Transactions with the state owned entities are not disclosed when they are entered into in the ordinary course of business with terms consistently applied to all public and private entities i) when they are not individually significant, ii) if the Group's services are provided on the standard terms available for all customers, or iii) where there is no choice of supplier of such services as electricity transmission services, telecommunications and etc.

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 30 June 2012 and 31 December 2011 is detailed below.

6 Balances and Transactions with Related Parties (continued)

At 30 June 2012, the outstanding balances with related parties were as follows:

In thousands of Kazakhstan Tenge	Note	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders	Government related entities
Trade and other receivables	12	10,258	2,257,539	12,539	-	-
Cash and cash equivalents	14	5,921,297	-	-	-	-
Other current assets	13	693,739	2,357,539	-	-	-
Borrowings	19	12,931,870	-	-	30,701,185	-
Trade and other payables	23	160,057	1,509,742	2,371	12,282	-
Other payables		231,809	-	-	6,948,834	-
Provisions for liabilities and charges	21	-	-	-	-	7,274,672

At 31 December 2011, the outstanding balances with related parties were as follows:

In thousands of Kazakhstan Tenge	Note	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders	Government related entities
Trade and other receivables	12	369,946	4,630,148	1,683	-	-
Loans given		-	1,315,616	-	-	-
Cash and cash equivalents	14	44,258,933	-	-	-	-
Other current assets	13	8,678,934	-	-	-	-
Borrowings	19	17,733,081	-	-	32,245,558	-
Trade and other payables	23	2,148,412	1,551,987	8,111	-	-
Provisions for liabilities and charges	21	-	-	-	-	7,274,672

The income and expense items with related parties for six months ended 30 June 2012 were as follows:

In thousands of Kazakhstan Tenge	Note	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders
Revenue	24	1,716,637	-	9,567	-
Cost of sales	25	5,194,643	3,921,308	3,673,613	8,708
General and administrative expenses	27	126,218	-	-	-
Distribution costs		50,064	-	-	-
Other expenses	26	127	-	-	-
Other income	26	663	-	-	-
Finance costs	29	157,937	-	-	1,178,182
Finance income	28	303,772	-	-	-
Loss on foreign exchange		51,101	-	-	-
Other income	26	-	-	210,000	-

The income and expense items with related parties for six months ended 30 June 2011 were as follows:

In thousands of Kazakhstan Tenge	Note	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders
Revenue	24	1,584,217	-	-	-
Cost of sales	25	6,675,751	3,584,682	4,071,792	-
Other expenses	26	22,974	-	-	-
Finance income	28	434,734	-	-	-
Finance costs	29	819,914	-	-	1,175,816
Other income		298	-	-	-

6 Balances and Transactions with Related Parties (continued)

Key management compensation is presented below:

In thousands of Kazakhstani Tenge	30 June 2012	30 June 2011
Key management compensation	34,883	36,436
Total key management compensation	**34,883**	**36,436**

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 30 June 2012 include 6 persons (31 December 2011: 5 persons).

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstan Tenge	Buildings and constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2011	26,048,812	74,249,021	3,388,113	37,753,418	141,439,364
Accumulated depreciation and impairment	(4,932,631)	(18,500,859)	(1,129,273)	-	(24,562,763)
Carrying amount at 1 January 2011	**21,116,181**	**55,748,162**	**2,258,840**	**37,753,418**	**116,876,601**
Additions	11,382	668,163	76,260	17,907,174	18,662,979
Capitalised borrowing costs	-	-	-	444,533	444,533
Transfers	293,557	1,375,347	9,999	(1,678,903)	-
Depreciation	(854,317)	(2,053,689)	(92,189)	-	(3,000,195)
Provision	-	(535,418)	-	-	(535,418)
Disposals	(27,711)	(5,806)	(117)	(20,246)	(53,880)
Transfer to other assets	-	-	-	(258,059)	(258,059)
Carrying amount at 30 June 2011	**20,539,092**	**55,196,759**	**2,252,793**	**54,147,917**	**132,136,561**
Cost at 1 January 2012	38,395,111	84,169,197	3,666,713	68,812,376	195,043,397
Accumulated depreciation and impairment	(9,775,903)	(19,958,591)	(1,283,899)	-	(31,018,393)
Carrying amount at 1 January 2012	**28,619,208**	**64,210,606**	**2,382,814**	**68,812,376**	**164,025,004**
Additions	186,174	539,337	148,787	11,724,551	12,598,849
Capitalised borrowing costs	-	-	-	1,019,809	1,019,809
Transfers	2,982,980	5,279,709	42,456	(8,305,145)	-
Depreciation	(1,415,329)	(2,292,133)	(238,814)	-	(3,946,276)
Disposals	(79,845)	(97,466)	(7,082)		(184,393)
Transfer to other assets	-	-	-	(106,469)	(106,469)
Carrying amount at 30 June 2012	**30,293,188**	**67,640,053**	**2,328,161**	**73,145,122**	**173,406,524**
Cost at 30 June 2012	41,423,394	89,773,858	3,690,868	73,145,122	208,033,242
Accumulated depreciation and impairment	(11,130,206)	(22,133,805)	(1,362,707)	-	(34,626,718)
Carrying amount at 30 June 2012	**30,293,188**	**67,640,053**	**2,328,161**	**73,145,122**	**173,406,524**

7 Property, Plant and Equipment (continued)

As at 30 June 2012 the property, plant and equipment with carrying value of Tenge 3,358,708 thousand (31 December 2011: Tenge 3,455,610 thousand) were pledged as collateral for borrowings received by the Group (Moinak) from JSC "Development Bank of Kazakhstan" (Note 19).

During six months ended 30 June 2011 Sayabak substation partially burnt. As a result, expense was recognised in other expenses in the amount of Tenge 535,418 thousand, which covered expenses related to replacement of the burnt equipment and carrying out construction and assembly works.

Additions for the six-month period ended 30 June 2012 include capitalized finance costs in the amount of Tenge 1,019,809 thousand (six-month period ended 30 June 2011: Tenge 444,533 thousand).

For the period six months ended 30 June 2012 the weighted–average rate for capitalisation of borrowings is 5.12%-9.96% (2011: 12.5%).

On 29 June 2011 the Company signed a loan agreement with ATF Bank JSC ("ATF Bank") for opening of a non-renewable credit facility in the amount of Tenge 5,639,301 thousand to reconstruct the power grid in Almaty. The Group represented as a pledger, was obliged to sign contract for property pledge with the ATF Bank within 90 calendar days from the commissioning date. On 30 December 2011 the reconstruction of the 10kv high-voltage cable on RES-4 distribution networks of AZhK JSC of the cost of Tenge 400,259 thousand was completed. The Company is at the stage of signing collateral contract for the commissioned property, plant and equipment.

Depreciation charge is allocated to the following items of profit and loss for the period:

In thousands of Kazakhstan Tenge	**Note**	**Six months ended 30 June 2012**	**Six months ended 30 June 2011**
Cost of sales	25	3,840,871	2,904,098
General and administrative expenses	27	96,426	88,861
Other expenses		8,979	7,236
Total depreciation charge		**3,946,276**	**3,000,195**

8 Investment Property

In thousands of Kazakhstan Tenge	**2012**	**2011**
Cost at 1 January	1,497,162	1,497,162
Accumulated depreciation	(465,983)	(362,865)
Carrying amount at 1 January	**1,031,179**	**1,134,297**
Depreciation	(51,559)	(51,559)
Cost at 30 June	1,497,162	1,497,162
Accumulated depreciation	(517,542)	(414,424)
Carrying amount at 30 June	**979,620**	**1,082,738**

Investment property represents the property of Bukhtarminskaya hydropower station transferred under operating lease according to the concession agreement (Note 4).

8 Investment Property (Continued)

When the Group acts as a lessor, the future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

In thousands of Kazakhstan Tenge	**30 June 2012**	**30 June 2011**
Within 1 year	834,745	1,243,125
Between 1 year and 5 years	4,090,200	4,972,500
Above 5 years	7,601,924	9,160,043
Total future minimum lease payments	**12,526,869**	**15,375,668**

During six months ended 30 June 2012 the Group received income from operating lease of Bukhtarminskaya hydropower station of Tenge 743,676 thousand (six months ended 2011: Tenge 737,691 thousand) (Note 24).

Fair value of the investment property determined as a sum of discounted minimum lease payments, at 30 June 2012 is Tenge 8,816,667 thousand (31 December 2011: Tenge 9,103,456 thousand). For determination of fair value, the Group did not engage an independent appraiser. Fair value of the investment property was determined by discounting future cash flows from lease payments.

9 Investments in Joint Ventures and Associates

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures and associates.

	Joint ventures			Associates		
In thousands of Kazakhstan Tenge	**Ekibastuskaya GRES-2**	**Forum Muider**	**ZhGRES**	**Balkhashskaya TES**	**TPEP**	**Total**
Balance at 1 January 2011	**19,361,205**	**34,341,397**	**-**	**-**	**33,477**	**53,736,079**
Share in profit for the period	3,881,811	3,017,153	-	-	5,376	**6,904,340**
Dividend received	-	(4,552,500)	-	-	-	**(4,552,500)**
Balance at 30 June 2011	**23,243,016**	**32,806,050**	**-**	**-**	**38,853**	**56,087,919**
Balance at 1 January 2012	**23,766,364**	**31,680,820**	**-**	**-**	**256,446**	**55,703,630**
Additions	-	-	-	2,518,990	-	**2,518,990**
Share in profit/(loss) for the period	3,325,460	2,007,651	-	30,000	(124,482)	**5,238,629**
Dividend received	-	(3,994,510)	-	-	-	**(3,994,510)**
Balance at 30 June 2012	**27,091,824**	**29,693,961**	**-**	**2,548,990**	**131,964**	**59,466,739**

The Group has interests in the following jointly controlled entities:

a) Ekibastuskaya GRES-2 – 50%. The remaining 50% interest is owned by Inter-RAO UES OJSC (Note 1).

b) Forum Muider – 50%. The remaining 50% is owned by UC RUSAL (Note 1).

c) ZhGRES– 50%. Remaning 50% interest is owned by Tarazenergo-2005 LLP (Note 1). Group's share in ZhGRES was fully impaired in 2007.

The Group has interests in the following associates:

TPEP LLP ("TPEP") (25%): an entity incorporated in the Republic of Kazakhstan, and mainly engaged in rendering construction services. The Group acquired a 25% interest in the charter capital of TPEP for Tenge 31,964 thousand on 23 June 2010.

Balkhashskaya TES (25% plus one share): an entity incorporated in the Republic of Kazakhstan, established by the Group in 2008 for construction of Balkhash heat power station. In April 2012 the Group sold 755,691 shares in Balkhashskaya TES JSC to South Korean consortium Samsung C&T Corporation for the total amount of Tenge 7,556,910 thousand representing 75% less one share of the subsidiary's share capital. The consideration received was equal to the carrying amount of the investment in the subsidiary. Accordingly no gain or loss was recognized in these consolidated interim financial statements. As a result of this sale the interest of Samruk-Energy JSC in the share capital of Balkhashskaya TES JSC became 25% plus one share and the interest of Samsung C&T Corporation became 75% less one share.

9 Investments in Joint ventures and Associates (continued)

Presented below is summarised financial information of joint ventures and associate at 30 June 2012 and 31 December 2011 and for the periods then ended:

In thousands of Kazakhstan Tenge	Ownership	Total assets	Total liabilities	Net assets / (liabilities)	Revenue	Profit for the period
30 June 2012						
Forum Muider	50%	47,024,981	17,331,019	29,693,962	20,007,873	2,007,651
Ekibastuskaya GRES-2	50%	35,452,326	8,360,503	27,091,823	8,997,662	3,325,460
ZhGRES	50%	710,295	629,236	81,059	2,629,540	503,197
TPEP	25%	2,067,643	1,935,679	131,964	1,470,981	316,230
Balkhashskaya TES	25%	2,589,038	40,048	2,548,990	-	30,000
31 December 2011						
Forum Muider	50%	47,954,822	16,274,004	31,680,818	38,614,391	3,896,749
Ekibastuskaya GRES-2	50%	29,810,922	6,044,558	23,766,364	15,879,087	5,905,159
ZhGRES	50%	1,057,712	1,486,014	(428,302)	2,783,446	125,926
TPEP	25%	1,979,638	1,751,393	228,245	3,347,153	222,969

Contingent liabilities related to the Group's interest in joint ventures are disclosed in Note 31. Transactions and balances with joint ventures are presented in Note 6

10 Other Non-current Assets

In thousands of Kazakhstan Tenge	30 June 2012	31 December 2011
Prepayments for non-current assets	6,855,355	8,056,976
Non-current VAT recoverable	2,489,667	3,292,097
Receivables from employees	129,522	373,526
Restricted cash	8,253	7,108
Other	23,562	177,492
Less: impairment provision	(5,822)	(5,822)
Total other non-current assets	**9,500,537**	**11,901,377**

Prepayments for non-current assets

Gross amount of other non-current assets includes advances and prepayments for the following types of construction and fixed assets:

In thousands of Kazakhstan Tenge	30 June 2012	31 December 2011
Property, plant and equipment and services related to: reconstruction and expansion of TPS-2	3,386,562	2,739,680
Construction and reconstruction of substations in Almaty and Almaty region	2,408,472	4,953,936
Construction of Moinak HPS	161,088	305,963
Construction and reconstruction of substations in Aktau and Mangistau region	61,633	11,623
Other	837,600	45,774
Total prepayments for non-current assets	**6,855,355**	**8,056,976**

10 Other Non-Current Assets (continued)

Non-current VAT recoverable

Non-current VAT recoverable represent asset on input VAT recognised as a result of purchase of goods and services at the territory of the Republic of Kazakhstan. The Group's management believes that this amount will be recoverable in full in the future when the construction of Moinak HPS will be completed and the station will be put into operation.

Long term prepaid employee benefits and receivables from employees

In 2010, due to the relocation of the head office from Almaty to Astana, the Group acquired apartments for housing its employees. These apartments were subsequently sold to the employees with deferred payment terms. The amount receivable from the employees is repayable in equal monthly installments within 15 years and does not bear interest. In December 2011 the Board of Directors decided to sell the apartments at 35 percent of carrying value. The difference between the carrying amount and selling price of Tenge 272,329 thousand was written-off as period expense.

11 Inventories

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Auxiliary production materials	2,881,021	2,174,802
Spare parts	2,477,871	2,339,522
Fuel	1,818,126	5,901,931
Raw materials	537,231	432,478
Other materials	995,335	1,097,935
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,139,117)	(1,342,609)
Total inventories	**7,570,467**	**10,604,059**

12 Trade and Other Receivables

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Trade receivables	6,285,484	6,226,953
Loan provided to Energosberezhenie PUC	3,281,556	3,281,556
Receivable from Almaty Heat Network JSC	1,058,982	1,058,982
Other receivables	73,422	44,650
Less: impairment provision	(4,762,061)	(4,446,291)
Total financial receivables	5,937,383	6,165,850
Other receivables	258,816	657,728
Less: impairment provision	(31,620)	(119,404)
Total trade and other receivables	**6,164,579**	**6,704,174**

12 Trade and Other Receivables (continued)

Loan provided to Energosberezhenie PUC

In 2002 AZhC provided interest-free financial aid to Energosberezhenie Public Utility Company ("Energosberezhenie PUC") in the amount of Tenge 5,229,976 thousand with original maturity on 1 October 2002. As at 30 June 2012 outstanding balance of this financial aid is Tenge 3,281,556 thousand (31 December 2011: Tenge 3,281,556 thousand). In 2004 management concluded that this amount is uncollectible and recorded a provision of 100% of outstanding amount receivable. As at 30 June 2012 the amount of this provision remains unchanged (31 December 2011: unchanged).

Receivable from Almaty Heat Network JSC

This amount represents the outstanding balance of receivable from Almaty Heat Network JSC for property of heating system of Almaty city transferred by the Group as a result of the reorganisation of AZhC performed in 2007 with the purpose of transfer of heat energy transportation and sale functions in accordance with instruction of ARNM. Almaty Heat Network JSC is a state owned entity. In 2008 the Group created provision for impairment of receivable from Almaty Heat Network JSC in the amount of Tenge 1,058,982 thousand. As at 30 June 2012 the amount of this provision remains unchanged (31 December 2011: unchanged).

Financial receivables of the Group at 30 June 2012 and 31 December 2011 are denominated in Tenge.

Presented below is movement in the Group's provision for impairment of financial receivables:

In thousands of Kazakhstan Tenge		**2012**	**2011**
Provision for impairment at 1 January		4,446,291	4,506,359
Provision for impairment charged during the period	27	337,048	71,876
Reversal of provision during the period	27	(21,278)	(132,306)
Receivables written off during the period as uncollectible		-	362
Provision for impairment at 30 June		**4,762,061**	**4,446,291**

Presented below is the analysis of financial receivables by credit quality:

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Current and not impaired	2,328,600	5,764,603
Total current and not impaired	**2,328,600**	**5,764,603**
Past due but not impaired		
- 30 to 90 days overdue	3,575,474	451,022
Total past due but not impaired	**3,575,474**	**451,022**
Total individually impaired (gross)		
- 90 to 180 days overdue	202,802	86,454
- over 180 days overdue	4,592,568	4,310,062
Total individually impaired	**4,795,370**	**4,396,516**
Less: impairment provision	(4,762,061)	(4,446,291)
Total	**5,937,383**	**6,165,850**

13 Other Current Assets

In thousands of Kazakhstan Tenge	Note	30 June 2012	31 December 2011
Term deposits		6,610,682	4,181,872
VAT recoverable and prepaid taxes		4,308,028	3,457,667
Dividends receivable		2,357,539	-
Advances to suppliers		668,523	2,022,538
Accrued interest		133,359	23,088
Interest free loans to 3rd parties		220,500	294,000
Interest free loans to related parties		-	1,315,616
Provision	27	(6,464)	-
Other		261,478	-
Total other current assets		**14,553,645**	**11,294,781**

Term deposits represent bank deposits with maturity more than three months placed at contractual interest rates from 4% to 9% per annum. The effective interest rates approximate the contractual interest rates. Term deposits include a special deposit in the amount of Tenge 2,950,000 thousand, which is restricted in use until the Moinak HES commissioning date scheduled for 2012.

Term deposits include restricted cash, received from sale of electric energy and placed on deposit account under loan agreements in the amount of Tenge 836,657 thousand (31 December 2011: Tenge 0).

Interest-free loans granted to related and unrelated parties are payable on demand. Interest-free loans to related parties were fully repaid to the Company during six-month period ended 30 June 2012.

Dividends receivable of Tenge 2,357,539 thousand represents dividends receivable from Forum Muider B.V.

14 Cash and Cash Equivalents

In thousands of Kazakhstan Tenge	30 June 2012	31 December 2011
Demand deposits	29,758,437	5,526,901
Cash at current bank accounts	22,877,570	44,297,870
Cash on hand	19,794	19,376
Total cash and cash equivalents	**52,655,801**	**49,844,147**

Term deposits and bank deposits have contractual maturity terms less than three months and are receivable on demand.

Cash and cash equivalents balances are denominated in the following currencies:

In thousands of Kazakhstani Tenge	30 June 2012	31 December 2011
Kazakhstani Tenge	52,655,155	49,824,701
US Dollar	208	19,146
Other currencies	438	300
Total cash and cash equivalents	**52,655,801**	**49,844,147**

15 Non-current Assets Held for Sale and Disposal Groups

Presented below are principal categories of non-current assets held for sale at 30 June 2012 and 31 December 2011:

In thousands of Kazakhstan Tenge	Note	30 June 2012	31 December 2011
Non-current assets classified as held for sale			
Property, plant and equipment		-	2,762,953
Cash and cash equivalents		-	2,791,584
Advances paid and other assets		-	250,000
Term deposits		-	4,320,000
Inventories		-	1,635
Intangible assets		-	244
Total non-current assets held for sale		**-**	**10,126,416**
Non-current liabilities classified as held for sale			
Deferred tax liabilities		-	128,852
Trade and other payables		-	658
Total non-current liabilities held for sale		**-**	**129,510**

In April 2012 the Group sold 755,691 shares in Balkhashskaya TES JSC representing 75% less one share of the subsidiary's share capital to South Korean consortium Samsung C&T Corporation for the total amount of Tenge 7,556,910 thousand. As a result of this sale the Group investment in Balkhashskaya TES JSC decreased from 100% to 25% plus one share, which resulted in the reclassification of Balkhashskaya TES JSC from non-current assets held for sale to an associate.

16 Equity

Share capital

	Issue date	Number of authorised and issued shares	Value per share, Tenge	Share capital, (thousands of Tenge)
Balance at 1 January 2011		**4,398,514**		**76,715,078**
Payment of unpaid portion of previous issues: 6th issue of shares		**-**	**-**	726,720
Balance at 30 June 2011		**4,398,514**		**77,441,798**
Payment of unpaid portion of previous issues: 7th issue of shares		-	-	705,394
7th issue of shares (2nd stage)	4 April 2011	247,801	100,000	24,780,100
7th issue of shares (3rd stage)	22 December 2011	394,718	44,000	17,367,592
Balance at 31 December 2011		**5,041,033**		**120,294,884**
Payment of unpaid portion of previous issues: 7th issue of shares (4rd stage)	22 December 2011	21,682	44,000	954,008
Balance at 30 June 2012		**5,062,715**		**121,248,892**

16 Equity (continued)

At 30 June 2012, 5,062,715 issued common shares were fully paid (31 December 2011: 5,041,033 shares). Each ordinary share carries one vote. The Company does not have any preference shares.

	30 June 2012			31 December 2011		
	Samruk-Kazyna	Kaz-Trans Gaz	Total	Samruk-Kazyna	Kaz-Trans Gaz	Total
Number of paid common shares	4,820,787	241,928	5,062,715	4,799,105	241,928	5,041,033
% of ownership	95.22%	4.78%	100%	95.22%	4.78%	100%
Total share capital	**117,316,845**	**3,932,047**	**121,248,892**	**116,362,837**	**3,932,047**	**120,294,884**

Other reserves

In thousands of Kazakhstan Tenge	Merger reserve	Result of transactions with shareholders	Additional paid-in capital	Total
Balance at 1 January 2011	**11,445,568**	**15,388,206**	**-**	**26,833,774**
Transactions with shareholders	-	2,637,388	-	**2,637,388**
Balance at 31 December 2011	**11,445,568**	**18,025,594**	**-**	**29,471,162**
Transactions with shareholders	-	-	-	**-**
Balance at 30 June 2012	**11,445,568**	**18,025,594**	**-**	**29,471,162**

Merger reserve

The merger reserve represents the difference between the carrying amount of net assets of subsidiaries transferred under common control, which also includes value of goodwill recorded by the transferring party, and the consideration for the acquisition of such assets.

Result of transactions with shareholder

In 2011 the Group received a loan of Tenge 7,000,000 thousand from Samruk-Kazyna bearing an interest rate of 2% per annum. To reflect the fact the loan at non market terms was provided by Samruk-Kazyna, acting in the capacity of the principal shareholder, the Group recorded the following amount directly in equity:

In thousands of Kazakhstan Tenge	30 June 2012	31 December 2011
Difference between the fair value of loan at the recognition date and its nominal amount	-	3,296,735
Less: deferred income tax effect	-	(659,347)
Total	**-**	**2,637,388**

16 Equity (continued)

Non-controlling interest

MEDC

In 2011 non-controlling shareholders of MEDC repurchased 19,133 ordinary shares from Group for Tenge 21,500 thousand. Consequently, the Group's interest in the total number of voting shares of MEDC decreased from 79.59% to 78.64%. The Group recognised a loss from transaction with non-controlling interest of Tenge 21,768 thousand, determined as the difference between the amount paid and the carrying amount of the acquired minority interest, directly in equity.

Based on the results of 2011 performance the Group declared dividends during six-month period ended 30 June 2012 in the amount of Tenge 4,438,251 thousand (Tenge 0.877 thousand per share) (31 December 2011: Tenge 1,629,350 thousand (Tenge 0.323 thousand per share)).

17 Ash Dump Restoration Provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities.

Provided below are movements in ash dump restoration provision:

In thousands of Kazakhstan Tenge	**Note**	**2012**	**2011**
Carrying amount at 1 January		352,350	362,234
Unwinding of the present value discount	29	13,389	16,160
Change in estimate due to change in discount rate adjusted against property, plant and equipment		-	10,629
Other changes in estimates adjusted against property, plant and equipment		3,870	609
Utilisation of provision		-	(27,041)
Carrying amount at 30 June		**369,609**	**362,591**

Ash dump restoration obligation will be settled at the end of useful life of each ash dump varying from 2011 to 2016. Uncertainties in such costs estimates include potential changes in regulatory requirements, alternatives to reclamation of ash dumps and discount and inflation rates.

The amount of provision is estimated as at the reporting date using nominal prices effective as at the date and using forecasted inflation rate for the expected period of operations of ash dump and the discount rate as at the reporting dates.

Presented below are principal assumptions used to assess asset retirement obligations:

	30 June 2012	**31 December 2011**
Discount rate	7.60%	7.60%
Inflation rate	6.00%	6.00%

18 Employee Benefit Payable

Employee benefit obligations are provided for in accordance with the terms and conditions set forth in the general labour agreements signed by the Group entities.

Changes in employee benefits obligations are as follows:

In thousands of Kazakhstan Tenge	Note	2012	2011
Present value of defined benefit obligations at 1 January		948,987	283,135
Actuarial losses		62,239	9,261
Unwinding of the present value discount	29	18,071	21,292
Current service cost		16,649	7,042
Benefits paid		(105,243)	(26,515)
Present value of defined benefit obligations at 30 June		**940,703**	**294,215**

Amounts recognised in the consolidated statement of financial position are as follows:

In thousands of Kazakhstan Tenge	30 June 2012	31 December 2011
Short-term portion of defined benefit obligations	54,467	59,025
Long-term portion of defined benefit obligations	886,236	889,962
Total	**940,703**	**948,987**

Amounts recognised in profit and loss for the period are as follows:

In thousands of Kazakhstan Tenge	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Actuarial losses		62,239	9,261
Unwinding of the present value discount	29	18,071	21,292
Current service cost		16,649	7,042
Expense recognised in profit and loss for the period		**96,959**	**37,595**

Actuarial losses and current service costs are allocated to the Group's profit or loss for the period within general and administrative expenses.

Principal actuarial assumptions used at 30 June 2012 and 30 June 2011 were as follows:

	30 June 2012	30 June 2011
Discount rate	4.80% - 5.28%	9.00%
Annual minimum salary and monthly calculation index increase	3.91% - 8.00%	7.00%
Average lapse rate:		
- administrative and management personnel	12.14% - 20.05%	18.71%
- production personnel	8.35% - 11.32%	11.71%

19 Borrowings

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Non-current portion		
Bank term loans	49,148,656	48,237,146
Loan from Samruk-Kazyna	29,812,406	29,647,724
Loans from customers	3,727,323	3,499,257
Bonds issued	800,000	1,829,380
Notes payable	309,459	292,705
Total borrowings – non-current portion	**83,797,844**	**83,506,212**
Current portion		
Bank term loans	9,815,772	12,187,869
Bonds issued	1,143,222	651,206
Loan from Samruk-Kazyna	888,779	2,597,834
Loans from customers	333,768	623,719
Total borrowings –current portion	**12,181,541**	**16,060,628**
Total borrowings	**95,979,385**	**99,566,840**

19 Borrowings (continued)

Presented below are carrying amounts of borrowings by the Group entities:

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Samruk-Energy		
Loan from Samruk-Kazyna	30,701,185	32,245,558
Total Samruk-Energy	**30,701,185**	**32,245,558**
AZhC		
Halyk Bank	6,438,155	6,671,463
ATF Bank	5,511,322	3,845,568
VTB Bank Kazakhstan	4,011,043	4,005,314
Loans from customers	3,205,510	3,246,170
Development Bank of Kazakhstan	2,538,159	2,814,337
Kazkommertzbank	1,388,219	2,799,527
Notes payable	309,459	292,705
HSBC Kazakhstan	-	1,624,750
Kazinvestbank	-	1,877,504
Total AZhC	**23,401,867**	**27,177,338**
Moinak HPS		
State Development Bank of China	28,931,707	27,917,035
Development Bank of Kazakhstan	9,874,892	8,247,281
Total Moinak HPS	**38,806,599**	**36,164,316**
MEDC		
Bonds issued	1,682,065	2,220,710
Loans from customers	855,581	876,806
Total MEDC	**2,537,646**	**3,097,516**
AlmatyEnergoSbyt		
Alfa Bank	250,904	622,236
Bonds issued	281,184	259,876
Total AlmatyEnergoSbyt	**532,088**	**882,112**
Total borrowings	**95,979,385**	**99,566,840**

19 Borrowings (continued)

Samruk-Energy

Samruk-Kazyna

On 17 March 2010 the Group signed a loan agreement with Samruk-Kazyna of Tenge 48,200,000 thousand for the purpose of re-financing of debt arising as the result of acquisition of 50% interest in Forum Muider. The loan carries an interest rate of 1.2% per annum with maturity not later than 15 September 2029. The principal amount is payable in equal annual instalments and interest is payable by semi-annual payments starting from the following reporting year after the receipt of loan.

On 14 January 2011 the Group signed a loan agreement with Samruk-Kazyna of Tenge 7,000,000 thousand for the purpose of financing construction of substation of AZhC. The loan carries an interest rate of 2% per annum with maturity not later than 25 January 2024. The principal amount is payable at maturity and interest is payable by semi-annual payments.

AZhC

Halyk Bank of Kazakhstan JSC

On 29 April 2009 the Group signed a loan agreement with Halyk Bank of Kazakhstan JSC (“Halyk Bank”) for opening of a new credit facility to refinance the outstanding loans in the amount of Tenge 5,198,208 thousand according to the terms of cooperation plan between the Government of the Republic of Kazakhstan, Halyk Bank and Agency for Regulation and Supervision over Financial Market and Financial Organisations of the Republic of Kazakhstan. The agreement envisages interest of 12.5% per annum and repayment of the loan prior to 31 January 2012.

On 1 February 2012 the Group signed an additional agreement with Halyk Bank pursuant to which the maturity of the credit facility was extended to 31 January 2013, and the interest rate was decreased from 12.5% to 11.7% per annum. Subsequently the interest rate was further decreased to 9% per annum based on an additional agreement concluded on 28 April 2012.

ATF Bank

On 29 June 2011 the Group signed a loan agreement with ATF Bank JSC (“ATF Bank”) for opening of a non-renewable credit facility in the amount of Tenge 5,639,301 thousand to reconstruct the power grid in Almaty. Initial term of repayment was 30 November 2011. On 10 November 2011 the Group concluded additional agreement with ATF Bank to extend credit facility terms up to 30 June 2012. The interest rate of this credit facility is 9% (2011: 9%) and payable on a monthly basis. As of 30 June 2012 the Group fully utilized credit facility in the amount of Tenge 5,639,301 thousand. Borrowed funds are to be paid back not later than 29 June 2021 based on the payment schedule specified in each loan agreement.

Notes payable

On 1 August 2005 the Group issued a long-term Notes in the amount of Tenge 450,358 thousand for Powerfin Holding Investment B.V. (“Powerfin”), and paid back the part of the principal debt in the amount of Tenge 1,200 thousand. The note is interest free and mature not later than 1 August 2015. The fair value of the note at initial recognition was determined based on the discounted cash flow method using discount rate 11.5%. Interest is paid on a monthly basis.

Loans from customers

In accordance with the decree of the Government of the Republic of Kazakhstan dated on 21 February 2007 the Group received loans from customers for additional electrical capacity through construction of electric power transmission lines and infrastructure to connect to electricity transmission lines or reconstruction of the existing electric power transmission lines and infrastructure. These loans are interest free and are not secured by any collateral. Loans from customers received by Group are repayable by equal installments within 20 years.

19 Borrowings (continued)

The loans from customers are initially recognized at their fair value applying the discounted cash flow method and using the prevailing market interest rate; subsequently they are carried at amortised cost. Loans from customers on connection of additional capacity as of 30 June 2012 were Tenge 3,205,510 thousand (31 December 2011: Tenge 3,246,170 thousand). The difference between consideration received and its fair value is recognized as deferred income. As of 30 June 2012 deferred income was Tenge 5,334,480 thousand (31 December 2011: Tenge 5,641,505 thousand). Subsequently deferred income is recognized in profit and loss over the useful life of property plan and equipment. For the six months ended 30 June 2012, amortization of deferred income was Tenge 204,524 thousand (six months ended 30 June 2011: Tenge 255,635 thousand).

In accordance with the Law of the Republic of Kazakhstan No.116-IV dated 29 December 2008 “On Making Changes and Additions to Some Legislative Acts of the Republic of Kazakhstan Concerning Activity of Independent Industry Regulators", certain changes were made to the Law "On Electric Power Industry” effective from 1 January 2009, which excludes the obligation of the consumers of electric energy and heating energy to compensate costs incurred on connection of additional capacities.

Almaty Power Station

Kazkommertsbank

On 8 August 2007 the Group entered into agreement with Kazkommertsbank JSC (the “Kazkommertsbank Credit Facility”) for the total amount of Tenge 4,860,000 thousand. The interest is payable on a monthly basis on 12.5% per annum. Repayment of principal is in accordance with the repayment schedule in the contract, which is starting from 2 May 2011 to 29 December 2013. During six-month period ended 30 June 2012 the Group repaid the borrowing in the amount of Tenge 1,415,157 thousand.

Halyk Bank

On 15 July 2010 the Group entered into agreement with Halyk Bank for the total amount of Tenge 1,571,925 thousand. The interest is payable on a monthly basis on 9% per annum. Repayment of principal is in equal monthly instalments starting from 22 September 2011. During six-month period ended 30 June 2012 the Group repaid the borrowing in the amount of Tenge 234,116 thousand.

Development Bank of Kazakhstan

On 11 April 2008 the Group signed the loan agreement with Development Bank of Kazakhstan JSC (“Development Bank of Kazakhstan”) on financing the reconstruction of ventilation cooling towers and ash dumps. Under this loan agreement, the Group received the loan in the amount of Tenge 2,949,150 thousand with maturity on 10 September 2016. Principal amount is repayable by quarterly payments starting from 10 December 2011. Loan agreement bears interest of 12.5% per annum payable on quarterly basis. This loan is secured by future cash inflow under contracts signed between ALES and Almatyenergosbyt, Almaty Heat Network JSC and Almaty SU Holding State Utility Enterprise. During six-month period ended 30 June 2012 the Group repaid the borrowing in the amount of Tenge 280,170 thousand.

Kazinvestbank

On 14 November 2011 the Company entered into short-term agreement with Kazinvestbank. In accordance with the agreement the Company is provided with loans in total not exceeding Tenge 2,516,000 thousand. Loan agreement bears interest of 9% per annum payable on a monthly basis. The maturity of each loan does not exceed six months and principal is repayable at the end of the maturity. The loan is secured with cash on current account in the amount of Tenge 2,516,000 thousand. As of 31 December 2011 the outstanding loan amount was Tenge 1,870,372 thousand which was repaid during January-February 2012.

HSBC Kazakhstan

In 2010 the Group signed the credit line agreement with HSBC Bank Kazakhstan JSC for the total amount of Tenge 2,900,000 thousand with maturity on 28 October 2013 for the purpose of replenishment of the working capital. The funds according to the given contract will be presented in the form of loans and overdrafts. Interest rates on credit line are: on overdrafts - 5.2% per annum, on loans - vary from 7% to 11% per annum, and are payable on a monthly basis. The maturity of overdrafts shall not exceed the maturity of the credit line; the maturity of loans shall not exceed 12 months. Property, plant and equipment of TPS-1 with the carrying amount of Tenge 4,919,670 thousand were pledged as collateral under this credit line agreement. As of 31 December 2011 the outstanding loan amount was Tenge 1,621,938 thousand which was repaid in March-April 2012.

19 Borrowings (continued)

Bank VTB Kazakhstan

On 30 September 2011 the Company signed agreement on the provision of credit line with Bank VTB Kazakhstan JSC for the term of up to 30 September 2016 in order to compensate the investment expenses incurred before. Interest rate was 9% per annum. Principal is repayable semiannual in accordance with the repayment schedule, stipulated by the terms of agreement. Interest is repayable on a monthly basis. The pledge on this credit line is cash to be received in future under contracts between ALES and AZhC, as well as full solidary guarantee of Samruk-Energy.

Four loans were received under this credit line for the total amount of Tenge 3,992,490 thousand with a maturity up to 30 September 2016.

Carrying amount of borrowings as at 30 June 2012 approximates their fair value.

Moinak HPS

Development Bank of Kazakhstan

On 14 May 2005 and 16 January 2008 the Company received loan in the form of two tranches from the Development Bank of Kazakhstan JSC, which is a related party, in the amount of USD 25,000,000 and USD 26,058,000 at the interest rates of 1.15*6MLIBOR+1.15% and 8% per annum, respectively. Loans were provided for 20 years.

On 17 July 2011 the Company signed contract with the Development Bank of Kazakhstan JSC for the provision of the third tranche in the amount of Tenge 12,285,000 thousand at the interest rate of 12% per annum. The loan is provided for 17 years. During six months ended 30 June 2012 the Company received USD 1,704 thousand on the second tranche, and Tenge 1,046,275 thousand on the third tranche.

Bank loans are secured by the following funds:

- Governmental guarantee of Ministry of Finance of Republic of Kazakhstan for the amount of US Dollar 25,000,000. Counter-guarantee of second-tier bank for the amount of Tenge 218,439 thousand.
- Construction in progress items in the amount of Tenge 3,358,708 thousand and also all capitalized expenditures in future.
- Property, plant and equipment with carrying amount of Tenge 256,935 thousand (in 2011: Tenge 226,953 thousand).
- 20% of payments to be received from sale of electric energy in future.
- Corporate guarantee of the Samruk-Kazyna in the amount of Tenge 12,285,000 thousand.

State Development Bank of China

On 14 June 2006 the Company received credit line from the State Development Bank of China in the amount of USD 200,000,000 at an interest rate of 6MLIBOR+1.2%. The loan was provided for 20 years. The Company used this loan in the amount of USD 194,422,873 for HPS construction for the period from 2006 to 30 June 2012, and the remained amount of USD 4,577,127 will be used within the period from 2012 to 2013. The Company received USD 5,482 thousand during six months ended 30 June 2012.

The loan is secured by the following funds:

- Corporate guarantee of the Samruk-Kazyna in the amount of US Dollar 80,000,000.
- Bank deposit for the amount of US Dollar 20,000,000 (Tenge 2,980,400 thousand (2011: Tenge 2,968,000 thousand)).
- 80% of payments to be received from the sale of electric energy in future.

Carrying amount of loans received by Moinak HPS approximates their fair value.

19 Borrowings (continued)

MEDC

Bonds issued

In May 2007, the Company issued and placed third emission of 500,000 thousand Tenge denominated coupon bonds with a discount of 104 thousand Tenge bearing interest at 12% per annum. In February 2008, the Company issued and placed 800,000 thousand Tenge denominated coupon bonds of the fourth emission with a discount of 216 thousand Tenge bearing interest at 16% per annum. In 2009 the Company has issued and placed 800,000 thousand Tenge denominated coupon bonds of the fifth emission with a discount of 15,336 thousand Tenge bearing interest at 16% per annum.

All bonds were issued without collateral on the Kazakhstan Stock Exchange and were sold to pension funds and various financial organizations.

In May 2012 the Company fully repaid third emission of coupon bonds.

Loans from customers

Based on the resolution of the Government of the Republic of Kazakhstan #1044 dated 8 October 2004 the Company obtained funds from customers to help finance the construction of connecting infrastructure to the electricity transmission network or the reconstruction of the existing infrastructure. These funds are interest free and repayable to the customers within twenty five years. The customers' contributions were initially recognised at their fair value, determined by applying the effective interest method, at prevailing market rates (2009: 16%, 2008: 16% and 2007: 12%), then subsequently stated at amortised cost within long-term loans. The difference between the proceeds and the fair value was recognized as deferred revenue. The deferred revenue is subsequently recognized in profit or loss over the useful life of the property, plant and equipment. The Company recognized such income in profit or loss for the six-month period ended 30 June 2012 in the amount of 33,565 thousand Tenge (six-month period ended 30 June 2011: 33,564 thousand Tenge).

In accordance with the Law of Republic of Kazakhstan #116-IV dated 29 December 2008 effective from 1 January 2009 such customer contributions were cancelled.

The Company repaid 97,957 thousand Tenge of loans during six months period ended 30 June 2012.

AlmatyEnergoSbyt

Bonds issued

In September 2008, AlmatyEnergoSbyt placed the coupon bonds with nominal value of Tenge 1 bearing interest of 15% per annum with maturity of 7 years in the amount of Tenge 500,000 thousand with a discount of Tenge 36,102 thousand. In 2009 the Group purchased back 249,250 bonds in the amount of Tenge 269,766 thousand. In April 2010, 16,380 thousand bonds were issued and placed with a premium of Tenge 1,298 thousand. In October 2011 the Company redeemed 100 thousand bonds. As of 30 June 2012 there are 267,030 thousand bonds outstanding each with a nominal par value of Tenge 1 and fixed interest of 15% per annum.

Carrying amount of bonds issued by AlmatyEnergoSbyt approximates their fair value.

JSC SB Alfa-Bank

On 20 August 2010 the Company signed the credit facility agreement with JSC SB Alfa-Bank. Under this credit facility, during six months ended 30 June 2012 AlmatyEnergoSbyt received the borrowings for total amount of Tenge 2,400,000 thousand. The borrowings were provided for working capital replenishment. The average interest rate is 6.3% per annum. Principal amount and interest are repaid according to the schedule established under the agreement. As of 30 June 2012 principal amount and interest was Tenge 250,000 thousand and Tenge 904 thousand, respectively, with the maturity up to 18 July 2012. These borrowings are not secured.

19 Borrowings (continued)

Carrying amount of short-term borrowings as at 30 June 2012 approximates their fair value. Nominal value of short-term borrowings as at 30 June 2012 is Tenge 250,000 thousand. On 9 July 2012 the Group fully repaid loan under the JSC SB Alfa-Bank credit facility.

The Group's borrowings mature as follows:

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Borrowings due:		
- within 1 year	12,181,541	16,060,628
- from 2 to 5 years	21,423,421	7,127,794
- over 5 years	62,374,423	76,378,418
Total borrowings	**95,979,385**	**99,566,840**

The Group's borrowings are denominated in the following currencies:

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Borrowings denominated in:		
- Tenge	59,659,591	63,402,524
- US Dollars	36,319,794	36,164,316
Total borrowings	**95,979,385**	**99,566,840**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

20 Other Non-Current Liabilities

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Deferred income:		
- AZhC	5,334,480	5,641,505
- MEDC	1,764,866	1,798,430
Trade payables	496,224	-
Liabilities related to preference shares of subsidiaries	44,000	107,737
Other	174,319	2,402
Total other non-current liabilities	**7,813,889**	**7,550,074**

Deferred income represents a difference between the nominal value of loans from customers received by AZhC and MEDC for construction of electric power transmission lines and infrastructure to connect to electricity transmission lines or reconstruction of the existing electric power transmission lines and infrastructure (Note 19) and their fair value at initial recognition. Deferred income subsequently recorded to profit and loss over the useful lives of property, plant and equipment.

20 Other Non-Current Liabilities (continued)

Presented below is movement of deferred income:

In thousands of Kazakhstan Tenge	**AZhC**	**MEDC**	**Total**
Balance at 1 January 2011	6,131,398	1,865,545	7,996,943
Change in the carrying amount of loans from customers adjusted against deferred income	3,854	-	3,854
Recognition of income	(255,635)	(33,565)	(289,200)
Balance at 30 June 2011	**5,879,617**	**1,831,980**	**7,711,597**
Balance at 1 January 2012	5,641,505	1,798,430	7,439,935
Change in the carrying amount of loans from customers adjusted against deferred income	(102,501)	-	(102,501)
Recognition of income	(204,524)	(33,564)	(238,088)
Balance at 30 June 2012	**5,334,480**	**1,764,866**	**7,099,346**

21 Provisions for Liabilities and Charges

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Payables to Almaty city Akimat	7,274,672	7,274,672
Legal claim from Bastau	67,507	1,037,507
Total	**7,342,179**	**8,312,179**

Details of legal claim from Almaty Akimat and Bastau is disclosed in Notes 22 and 31 respectively.

22 Payable to Almaty Akimat

On 30 June 2005 AZhC, KazTransGas and Halyk Bank signed an agreement pursuant to which KazTransGas accepted and paid off the amount payable by AZhC to Halyk Bank of Kazakhstan JSC in the amount of US dollar 46,600 thousand and Tenge 1,941,568 thousand. In addition, in accordance with the terms of this agreement as collateral of amount payable by AZhC, KazTransGas obtained the right for the property of principal divisions of ALES (Note 1), which was previously pledged to Halyk Bank as collateral for debt of AZhC.

Subsequently KazTransGas released the above property from pledge and Akimat (local government authority) of Almaty ("Akimat"), being then the owner of AZhC, provided buildings of hotel Kazakhstan and hotel Almaty located in Almaty as collateral for the amount payable by AZhC to KazTransGas.

In 2005 KazTransGas hold an auction to sell the above mentioned hotel buildings. The transaction was accounted for by KazTransGas as repayment of the equivalent amount of payable by AZhC to KazTransGas. However, no formal agreement regarding repayment of the debt was signed between AZhC, KazTransGas and Akimat.

On 14 August 2008 AZhC and Akimat signed agreement on the repayment of the debt of Tenge 7,274,672 thousand. According to the repayment schedule debt should be settled not later than March 2010.

22 Payable to Almaty Akimat (Continued)

In 2009 Akimat filed a claim to demand from AZhC settlement of debt in the amount of Tenge 7,274,672 thousand (Note 31).
At the beginning of 2010, the case was dismissed due to absence of officials from Akimat in the court. In 2011 the Group brought an action against former management of AZhC on the ground of excess of power by the management, when signing the above mentioned agreement in 2008. The Inter-District Economic Court of Astana declined this claim and the management of the Group intends to apply to the Supreme Court of the Republic of Kazakhstan to appeal this decision.

Currently, management of the Group and Akimat are in the process of negotiation and legal proceedings in respect to the settlement of the debt in the amount of Tenge 7,274,672 thousand. The Management believes that the existing liability is the most probable amount to cover the risk existing at the reporting date.

23 Trade and Other Payables

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Trade payables	15,191,097	22,773,519
Payable to Samruk-Kazyna	3,990,000	-
Dividends payable	3,449,216	419,485
Other financial payables	527,097	557,285
Total financial payables	23,157,410	23,750,289
Advances received from suppliers and contractors	2,716,878	1,908,757
Salaries payable	592,596	889,671
Accrued provisions for unused vacations	421,486	395,654
Other payables	368,867	416,815
Total trade and other payables	**27,257,237**	**27,361,186**

Trade payables of Tenge 5,573,703 thousand (2011: Tenge 6,413,659 thousand) are denominated in foreign currency, mainly 98% in US Dollars (31 December 2011: 99%), 2% in Euro (31 December 2011: 1%).

24 Revenue

In thousands of Kazakhstan Tenge	**Six months ended 30 June 2012**	**Six months ended 30 June 2011**
Sale of electricity	35,015,619	31,891,133
Sale of heat energy	8,162,827	8,222,480
Electricity transmission	3,078,479	2,674,717
Income from lease of investment property	743,676	737,691
Sale of chemical water	528,291	535,108
Other	-	33,565
Total revenue	**47,528,892**	**44,094,694**

25 Cost of Sales

In thousands of Kazakhstan Tenge	Six months ended 30 June 2012	Six months ended 30 June 2011
Fuel	10,634,516	8,772,086
Payroll and related expenses	6,394,805	5,980,370
Cost of purchased electricity	6,263,374	6,249,400
Depreciation of property, plant and equipment and amortisation of intangible assets	3,868,405	2,953,823
Repairing and maintenance	1,817,964	1,921,684
Electricity transmission and other services	2,850,104	2,828,429
Materials	1,206,439	761,893
Water supply	1,015,054	1,429,613
Electricity losses on transmission	826,486	995,157
Taxes other than on income	784,111	466,581
Third party services	386,250	393,326
Rent services	46,638	52,123
Reversal of provision on obsolete and slow-moving inventories	(195,057)	142,991
Other	298,983	294,622
Total cost of sales	**36,198,072**	**33,242,098**

26 Other Income / (Expense)

In thousands of Kazakhstan Tenge	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Income from legal claims		1,030,000	-
Management fee on trust management of Ekibastuz GRES-1		210,000	-
Income from connection of additional capacities	20	238,088	289,200
Other income		174,407	207,423
“Sayabak” station impairment expenses		-	(535,418)
Other expenses		(72,963)	(67,218)
Total other income / (expense)		**1,579,532**	**(106,013)**

During the six months ended 30 June 2011 Sayabak substation was partially destroyed by fire. As a result, an expense of Tenge 535,418 thousand was charged to the other expenses.

In 2011 the Group addressed Almaty Heating Networks LLP (AIHN) a counterclaim on the basis of court judgments on claim from Bastau SPUC (Note 31) to demand compensation in the amount of Tenge 1,030,000 thousand, which is related to the direct losses from litigation with Bastau SPUC for the year 2009 and the registration fee in the amount of Tenge 30,900 thousand Tenge. On 23 September 2011 specialized Interdistrict Economic Court of Almaty decided to meet the requirements of the Group in full. AlHN appealed, but on 21 November 2011 the appeals panel of judges decided that the judgment decision dated 23 September 2011 should be upheld. In April 2012 AlHN fulfilled the court's decision and paid ALES Tenge 1,030,000 thousand. This amount has been recognized in other income in the first half of 2012.

27 General and Administrative Expenses

In thousands of Kazakhstan Tenge	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Payroll and related expenses		1,612,456	1,245,601
Consulting and other professional services		247,075	75,791
State duties		253,545	-
Depreciation of property, plant and equipment and amortisation of intangible assets		203,032	137,429
Taxes other than on income		347,168	390,949
Rent expense		137,443	146,855
Business trip and representative expenses		66,870	64,214
Materials		51,739	59,778
Bank charges		45,689	58,878
Communication expenses		25,521	34,742
Transportation		10,253	11,513
Insurance		8,219	13,442
Repair and maintenance		6,219	25,650
Donation and public assistance		11,809	269,319
Security services		4,579	17,153
Charge/(reversal) of provision for impairment of trade and other receivables and other current assets		322,234	(60,068)
Other		241,509	155,165
Total general and administrative expenses		**3,595,360**	**2,646,411**

Payroll and related expenses for six-month period ended 30 June 2012 includes written off receivables from employees of Tenge 272,329 thousand (30 June 2011: 0) (Note 10).

28 Finance Income

In thousands of Kazakhstan Tenge	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest income on bank deposits		821,399	423,838
Foreign exchange gains less losses		-	331,798
Other		2,814	-
Total finance income		**824,213**	**755,636**

29 Finance Costs

In thousands of Kazakhstan Tenge	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest expense on borrowings		(1,304,362)	(1,481,332)
Foreign exchange losses less gains		(56,819)	-
Dividends on preference shares of subsidiaries		-	(134,723)
Unwinding of the present value discount:			
- loans and financial aid from shareholders		(844,911)	(821,646)
- notes payable		(16,754)	(15,026)
- employee benefit payable	18	(18,071)	(21,292)
- ash dump restoration provision	17	(13,389)	(16,160)
- loans from customers		(292,569)	(158,878)
- bonds issued		(16,231)	(20,035)
Other		(1,312)	(17,876)
Total finance costs		**(2,564,418)**	**(2,686,968)**

30 Taxes

In thousands of Kazakhstan Tenge	**Six months ended 30 June 2012**	**Six months ended 30 June 2011**
Current income tax	1,507,758	1,732,048
Deferred income tax	556,385	279,882
Total income tax expense	**2,064,143**	**2,011,930**

Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstan Tenge	**Six months ended 30 June 2012**	**Six months ended 30 June 2011**
Profit before tax under IFRS	**12,739,108**	**13,008,040**
Theoretical tax expense at statutory rate of 20% (2011: 20%)	2,547,822	2,601,608
Adjustments for:		
Share of profit of joint ventures not subject to income tax	(1,047,726)	(1,380,868)
Non-deductible expenses	255,022	273,335
Adjustment of prior years income tax	8,969	163,154
Withholding tax	43,540	36,451
Changes in unrecognised deferred income tax assets	256,516	318,250
Total income tax expense	**2,064,143**	**2,011,930**

30 Taxes (continued)

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate applicable to period of assets realisation or liabilities settlement.

In thousands of Kazakhstan Tenge	**1 January 2011**	**Charged/ (credited) to profit or loss**	**Credited to equity**	**30 June 2011**
Tax effect of deductible temporary differences				
Tax losses carried forward	2,968,826	162,242	-	2,806,584
Employee benefit obligation	56,626	(2,216)	-	58,842
Trade and other payables	190,705	(177,214)	-	367,919
Inventories	274,275	(25,540)	-	299,815
Trade and other receivables	34,540	(5,606)	-	40,146
Provision for unused vacation	86,071	43,170	-	42,901
Accruals	48,163	(118,365)	-	166,528
Other	54,621	(37,048)	-	91,669
Gross deferred income tax assets	**3,713,827**	**160,577**	**-**	**3,874,404**
Less offsetting with deferred income tax liabilities	(3,713,827)	(160,577)	-	(3,874,404)
Recognised deferred income tax assets	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences				
Property, plant and equipment	(5,030,657)	556,826	-	(5,587,483)
Intangible assets	-	8,815	-	(8,815)
Borrowings	(3,718,351)	(125,182)	659,347	(4,252,516)
Gross deferred income tax liabilities	**(8,749,008)**	**(440,459)**	**659,347**	**(9,848,814)**
Less offsetting with deferred income tax assets	3,713,827	160,577	-	3,874,404
Recognised deferred income tax liabilities	**5,035,181**	**279,882**	**659,347**	**5,974,410**

The Group has not recorded a deferred tax liability in respect of temporary differences of Tenge 646,312 thousand (2011: Tenge 695,269 thousand) associated with investments in joint ventures as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

30 Taxes (continued)

In thousands of Kazakhstan Tenge	**1 January 2012**	**Charged/ (credited) to profit or loss**	**Credited to equity**	**30 June 2012**
Tax effect of deductible temporary differences				
Tax losses carried forward	4,318,455	(295,824)	-	4,614,279
Employee benefit obligation	124,939	(14,742)	-	139,681
Trade and other payables	170,790	149,310	-	21,480
Ash dump restoration provision	32,516	(41,406)	-	73,922
Inventories	269,653	53,308	-	216,345
Trade and other receivables	19,899	(8,970)	-	28,869
Taxes other than income tax	-	(13,297)	-	13,297
Provision for unused vacation	111,205	82,295	-	28,910
Other	54,269	44,469	-	9,800
Gross deferred income tax assets	**5,101,726**	**(44,857)**	**-**	**5,146,583**
Unrecognised gross deferred income tax assets	-	256,516	-	(256,516)
Less offsetting with deferred income tax liabilities	(5,101,726)	(211,659)	-	(4,890,067)
Recognised deferred income tax assets	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences				
Property, plant and equipment	(6,543,743)	212,060	-	(6,755,803)
Borrowings	(3,712,597)	92,459	-	(3,805,056)
Other	-	40,207	-	(40,207)
Gross deferred income tax liabilities	**(10,256,340)**	**344,726**	**-**	**(10,601,066)**
Less offsetting with deferred income tax assets	5,101,726	211,659	-	4,890,067
Recognised deferred income tax liabilities	**(5,154,614)**	**556,385**	**-**	**(5,710,999)**

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax benefits of other companies of the Group, and accordingly, taxes can be assessed even in case of consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only if they related to the same taxable company.

The Group did not recognise deferred income tax asset in respect of carried forward tax losses incurred by entities of the Group for which no taxable profits are expected in the foreseeable future.

Taxes payable

In thousands of Kazakhstan Tenge	**30 June 2012**	**31 December 2011**
Income tax	229,362	448,150
Income tax payable	**229,362**	**448,150**
VAT	459,422	311,270
Individual income tax	92,636	145,252
Environmental taxes	86,242	26,230
Social tax	68,975	57,730
Other taxes	1,810	138,287
Taxes payable other than income tax	**709,085**	**678,769**
Total taxes payable	**938,447**	**1,126,919**

31 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display the characteristics of an emerging market. 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.

Additionally, the electricity energy sector is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control.

The recent global financial crisis has had a severe effect on the economy of the Republic of Kazakhstan and the financial situation in the financial, banking and corporate sectors significantly deteriorated since mid-2008. In 2012 the Kazakhstani economy continued to experience a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of Tenge against major foreign currencies, and increased liquidity levels in the banking sector.

Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade and other receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The Group has the strategic importance for the Republic of Kazakhstan, since it combines the entities of electricity and energy complex providing the population and industrial entities with the electricity. 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 current power stations. The management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the electricity energy sector is the strategically important part of the country's economy.

Management is unable to predict all developments which could have an impact on the Kazakhstani economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

Tax legislation

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. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years. In some cases tax reviews might cover the period of more than five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. In the opinion of the Group's 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 interim financial statements.

Legal proceedings

Akimat case

In 2009 Akimat filed claim to the Specialised Inter-regional Economic Court of Almaty city to levy from AZhC the amount of principal debt of Tenge 7,274,672 thousand (Note 22), penalty for delay of payment of Tenge 2,029,985 thousand, as well as state duty of Tenge 279,475 thousand. By the decision dated 6 January 2010 the Specialised Inter-regional Economic Court of Almaty city left the claim without consideration. Akimat is entitled to file the claim repeatedly.

Currently, management of the Group and Akimat are in the process of negotiation and legal proceedings in respect to the further settlement of the dispute and repayment of debt to Akimat.

31 Contingencies, Commitments and Operating Risks (continued)

Bastau SPUC case

In 2010 Bastau Subsidiary Public Utility Company under Almaty SU Holding State Utility Company ("Bastau SPUC"), which supplies cold water to the Group, filed a claim to the court with the request to force the Group to apply the Bastau SPUC method of charging starting from 1 January 2009. Bastau SPUC applies differentiated tariffs for supply of cold water to the customers groups. The tariffs are regulated by the Agency on the Republic of Kazakhstan on Regulation of Natural Monopolies. The Group processes and heats the cold water supplied by Bastau SPUC then transfers it to Almaty Heating Networks LLP (AlHN) for further distribution to the customers.

The data on the consumption of hot water by the consumer groups and the amount of additional charges for 2010 and 2009 were calculated on the basis of data provided by AlHN as only AIHN deals with the ultimate users of hot water.

In 2011, the special inter-district economic court of Almaty took a decision dated 30 September 2011 to satisfy the claim of Bastau SPUC in full. The Group has filed an appeal to Almaty city court on this decision. By the Order dated 2 December 2011, appeal panel of judges of Almaty city court rejected the appeal, leaving the decision of the Specialised Inter-District Economic Court of Almaty unchanged. On 6 January 2012 the Group filed an appeal against the judgment of the appellate judicial panel of Almaty city court. The appellate panel of judges of Almaty City Court decided to leave the previous court decisions unchanged.

In 2011, the Group filed a counter-claim against AlHN on the basis of judgments on the case with Bastau SPUC claiming to compensate the amount of KZT 1,030,000 thousand of direct losses from the litigation with Bastau SPUC in 2009 and the registration fee in the amount of KZT 30,900 thousand. On 23 September 2011, the Specialised Inter-District Economic Court of Almaty made decision to satisfy the Group claim in full. AlHN filed an appeal but on 21 November 2011 the appeal panel of judges decided to leave the court's decision of 23 September 2011 unchanged. In April 2012 AlHN made payment to AZhK of KZT 1,030,000 thousand (amount without VAT Tenge 919,643 thousand) in respect of Bastau SPUC 2009 claim. The amount was recognised as other income in the financial statements for the period ended 30 June 2012. At present, the Company plans to file counter-claim to reimburse from AIHN direct loss related to trials with Bastau SPUC for 2010 as well.

In 2010 the Group paid KZT 1,030,000 thousand a part of total claim according to the decision of the court made on the claim for 2009. During six months period ended 30 June 2012 the Company filed another claim to reimburse additional loss in the amount of Tenge 506,000, remaining for 2009, from AIHN.

A provision of KZT 970,000 thousand was recognised for additional charges for 2010 abnormal water losses in 2010, which was utilised as being paid off in 2012.

In February 2012 AlHN provided information on water consumption by the consumer groups during 2011, detailing quantitative indicators of normative and abnormal water losses. A provision of KZT 67,507 thousand was recognised in respect of additional charges for abnormal losses of 2011 as at 31 December 2011. In addition AIHN confirmed that there were no significant abnormal water losses in six-month of 2012 ended 30 June 2012 and the Group did not create any provision for that period.

Bastau SPUC assessed additional claims for 2011 and 6 months 2012 in the amount of KZT 673,063 thousand and KZT 725,065 thousand respectively however the factual data provided by AlHN differs from assessment of Bastau SPUC in respect of abnormal water losses. Therefore, Management believes that the reserve recognised as at 30 June 2012, estimated on the basis of data provided by AlHN is sufficient and reliable. Any additional successful claim from Bastau SPUC will be compensated by counter-claim against AIHN. In Management's opinion, after appropriate investigation, the outcome of new claims will not give rise to any significant loss beyond the amounts provided for at 30 June 2012.

31 Contingencies, Commitments and Operating Risks (continued)

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.

Other

In the course of normal operations, the Group is subject to litigations and claims. At present, the Group's management believes that final obligations, if any, arising from such litigations and claims will not have any significant adverse effect on the future financial position of the Group.

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 interim financial statements that could adversely affect operational results or financial position of the Group.

Ash dump restoration provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities. At 30 June 2012 the carrying amount of the ash dump restoration provision was Tenge 369,609 thousand (31 December 2011: Tenge 352,350 thousand).

The provision for ash dumps restoration 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 restoration standards and methods and rehabilitation techniques. This estimate may change upon completion of subsequent environmental investigation works and revision of the existing restoration and reclamation programmes.

Capital commitments

As of 30 June 2012 the Group had contractual commitments to purchase the property, plant and equipment for Tenge 19,571,676 thousand (31 December 2011: Tenge 10,979,959 thousand). Management believes that the Group will have sufficient funds to fulfil its capital commitments.

Investment commitments

In accordance with Agreements on Investment Obligations with the Ministry of Industry and New Technologies of the Republic of Kazakhstan (the "MINT"), the Group entities involved in the production of electricity have investment obligations as of 30 June 2012 of Tenge 8,393,149 thousand. As of 30 June 2012 the Group fulfilled its investment obligations under these agreements for the amount of Tenge 1,532,653 thousand.

31 Contingencies, Commitments and Operating Risks (continued)

Investment and capital expenditure commitments of joint ventures

As at 30 June 2012 the Group's share in capital expenditure commitments of Forum Muider and Ekibastuzskaya GRES-2 comprised Tenge 675,756 thousand and Tenge 24,383,177 thousand, respectively (31 December 2011: Tenge 709,970 thousand and Tenge 16,622,631 thousand, respectively). ZhGRES does not have any material capital expenditure commitments as at 30 June 2012.

Aktobe TPS

In accordance with the terms of Agreement with the MINT, Aktobe TPS accepted investment obligations for 2012 for the total amount of Tenge 1,903,749 thousand, including obligations, transferred from 2011 for the amount of Tenge 835,072 thousand, which were provided for the implementation of the project "The Replacement of Turbine Generating Unit of Station No3". In order to cover a part of expenses under investment project, the approved tariff for power energy includes the investment component.

Aktobe TPS fulfilled its obligations for the first six months of 2012 for the amount of Tenge 857,349 thousand. For obligations, transferred from 2011, on the implementation of the project "The Replacement of Turbine Generating Unit of Station No3", the Aktobe TPS signed agreement with the Energo Prom City LLP for the supply of main equipment and made prepayment for the amount of Tenge 837,600 thousand.

Aktobe TPS plans to fulfill all obligations of 2012 using its own funds.

ALES

In accordance with the Agreement on Investment Obligations with the MINT dated 12 December 2011, the investment obligations of ALES for 2012 are Tenge 6,489,400 thousand. As at 30 June 2012 ALES fulfilled the investment plan for the amount of Tenge 675,304 thousand. Management believes that ALES will fulfill all investment obligations within 2012 using its own and borrowed funds, as well as fund, provided by the State budget.

Disputes with contractors

In the course of Moinak HPS construction, Moinak HPS and the General Contractor, Chinese International Water and Electric Corporation (the CTGPC or the Contractor) had the dispute regarding contractual price increase. Moinak HPS was provided with letters containing claims, including losses related to water ingress, breaks in power supply, changes in customs terms and conditions, exchange differences and other. Moinak HPS analysed each item of claims and sent explanations to the Contractor, containing management opinion that the majority of claimed expenses should have been accounted for in the Contractor's estimated cost of construction. The Contractor has not also provided any respective supporting documents. In addition, some expenses are not regulated by contractual terms, but are an integral part of its business.

Taking into account the abovementioned, and in accordance with the legislation of the Republic of Kazakhstan and the terms of agreement, the Group's management does not think that it is possible to reimburse expenses to the Contractor and believes that expenses stated were the result of insufficient risks planning and management by the Contractor. At 30 June 2012 both parties agreed to attract an independent expert for the settlement of this dispute. Since the reimbursement is deemed to be unlikely, these consolidated interim financial statements do not contain any commitments related to this dispute.

Contingencies of joint ventures

As of 30 June 2012 the joint ventures of the Group do not have any material contingencies except for capital expenditure commitments described above (2011: no material contingencies).

32 Financial Instruments by Category

Accounting policies on financial instruments were applied for below listed items:

In thousands of Kazakhstan Tenge	Note	30 June 2012	31 December 2011
Loans and receivables			
Cash and cash equivalents	14	52,655,801	49,824,771
Fixed-term deposit	13	6,610,682	4,181,872
Financial receivables	12	5,937,383	6,121,200
Dividends receivable	13	2,357,539	-
Accrued interest	13	133,359	23,088
Other current financial assets	13	93,922	44,650
Other non-current financial assets	10	8,253	7,108
Interest-free loan	13	-	1,609,616
Total financial assets		**67,796,939**	**61,812,305**
Financial liabilities carried at amortised cost			
Borrowings	19	95,979,385	99,566,840
Financial payables	23	23,157,410	23,750,289
Payable to Almaty Akimat	22	7,274,672	7,274,672
Other financial liabilities		607,731	107,737
Total financial liabilities		**127,019,198**	**130,699,538**

33 Financial Risk Management

Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies set by the Group's ultimate parent (Note 1), who provides principles for risk management, covering specific areas, such as credit risk and liquidity risk market risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents. The carrying amount of restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents represent the maximum amount exposed to credit risk. Further information is provided in relation to credit risk in Notes 12 and 13.

Certain Group entities hold a dominant position and/or are natural monopolists in providing electricity and heat energy in relevant regions. Thus these entities have a limited range of consumers and forced to sell their products without regard to the creditworthiness of the consumer. The Group does not have the system of assessing the creditworthiness of consumers; policy for assigning internal ratings and set credit limits to counterparties.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In accordance the Group policy on formation and monitoring of development plans the Group manages the liquidity risk using short-term (one month) forecasts and also mid-term forecast for the next five years. In addition the Group develops and approves development strategy of the Group for the next ten years (currently until 2022). In planning cash flows the Group also accounts for income from temporary excess cash using the bank deposits.

33 Financial Risk Management (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

In thousands of Kazakhstan Tenge	On demand and within 1 month	Between 1 and 3 months	From 3 to 12 months	Between 12 months and 5 years	Over 5 years
At 30 June 2012					
Borrowings	7,619,598	582,880	18,991,216	40,540,092	73,689,864
Payable to Almaty Akimat	7,342,179	-	-	-	-
Other non-current financial liabilities	-	-	-	496,224	44,000
Trade and other payables	6,393,782	14,876,266	1,415,485	74	-
Total financial liabilities	**21,355,559**	**15,459,146**	**20,406,701**	**41,036,390**	**73,733,864**
At 31 December 2011					
Borrowings	-	13,469,008	4,497,826	44,542,176	92,502,658
Other non-current financial liabilities	-	-	-	-	107,737
Trade and other payables	19,555,537	877,695	1,773,221	479,153	-
Total financial liabilities	**19,555,537**	**14,346,703**	**6,271,047**	**45,021,329**	**92,610,395**

(c) Market risk

Currency risk

The Group's certain borrowings (Note 19) and restricted cash (Note 10) are denominated in foreign currency (US dollars and Euro) and hence the Group is exposed to foreign exchange risk. Foreign exchange exposure due to cash and cash equivalents is insignificant because cash and cash equivalents are mainly denominated in Tenge (Note 14). Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and those instruments are rather expensive the management chooses at the moment not to hedge the Group's foreign exchange risk, as currently benefits from implementing such instruments do not outweigh the costs. Nevertheless the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

The table below shows the total amount of foreign currency denominated liabilities that give rise to foreign exchange exposure:

In thousands of Kazakhstan Tenge	USD	Euro	Other currencies	Total
At 30 June 2012				
Assets	2,988,608	-	438	2,989,046
Liabilities	(41,799,967)	(93,530)	-	(41,893,497)
Net position	**(38,811,359)**	**(93,530)**	**438**	**(38,904,451)**
At 31 December 2011				
Assets	4,200,262	-	300	4,200,562
Liabilities	(42,528,092)	(49,883)	-	(42,577,975)
Net position	**(38,327,830)**	**(49,883)**	**300**	**(38,377,413)**

33 Financial Risk Management (continued)

At 30 June 2012, if Tenge had weakened/strengthen by 10% against the US dollar with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 3,881,136 thousand (31 December 2011: decreased by Tenge 3,061,394 thousand), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated borrowings.

At 30 June 2012, if Tenge had weakened/strengthen by 10% against the Euro with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 9,353 thousand (31 December 2011: decreased by Tenge 3,016 thousand).

Interest rate risk

Interest rate risk arises from long-term and short-term borrowings. In case of floating interest rate borrowings, the Group is exposed to potential market risk of LIBOR quotas at London Stock Exchange. LIBOR increase would have an adverse effect on the Group's cash flows. The Group closely monitors changes to LIBOR.

At 30 June 2012, if LIBOR on floating rate borrowings had been 2% higher/lower with all other variables held constant, post-tax profit for the period would have been decreased/increased by Tenge 6,546 thousand (31 December 2011: decreased/increased by Tenge 367 thousand).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

In thousands of Kazakhstan Tenge	**Note**	**30 June 2012**	**31 December 2011**
Total borrowings	19	95,979,385	99,566,840
Less:			
Cash and cash equivalents	14	(52,655,801)	(49,844,147)
Net borrowings		43,323,584	49,722,693
Total equity		176,831,052	169,683,385
Total capital		**220,154,636**	**219,406,078**
Gearing ratio		**19.68%**	**22.66 %**

34 Fair Value of Financial Instruments

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments

34 Fair Value of Financial Instruments (continued)

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Due to the short-term nature of trade receivables, their carrying amounts approximate fair values.

Financial liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of trade payables, their carrying amount approximates their fair value. The fair value of borrowings and other non-current liabilities is disclosed in the appropriate notes.

35 Events Occurring After the Reporting Period

The tariff in the amount of Tenge 2,299.71/Gcal (without VAT), coming into force from 10 July 2012, was approved by the Joint Order dated 21 June 2012 of the Department of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies (ARNM) on Almaty city and Department of ARNM on Almaty region "Concerning approval of the tariff and tariff estimate of the Almaty Power Stations Joint Stock Company for the services of heating power production as an emergency regulating action".

The tariff in the amount of Tenge 4.42 kW/hour (without VAT), coming into force from 1 September 2012, was approved by the Joint Order dated 24 July 2012 of the Department of ARNM on Almaty city and Department of ARNM on Almaty region "Concerning approval of the tariff and tariff estimate for regulated services on transfer and distribution of electric energy of the Alatau Zharyk Company Joint Stock Company". The tariffs approved by ARNM meet Management assessment made at 30 June 2012.

Based on decision of Board #34/12 dated 17 August 2012, Samruk-Kazyna approved transfer of its 50 percent share in Ekibastuz GRES-1 after Bulat Nurzhanov LLP to the Company, as a contribution to the charter capital, which is currently operated by Samruk-Energy under trust management agreement.

Samruk-Energy JSC

Consolidated Financial Statements
for the year ended 31 December 2011

Contents

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Independent Auditors' Report

To the Board of Directors of Samruk-Energy JSC

We have audited the accompanying consolidated financial statements of Samruk-Energy JSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements of the Group as at and for the year ended 31 December 2010 were audited by other auditors whose report dated 1 April 2011 expressed an unmodified opinion on those statements.

Asel Khairova
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. MF-0000004 of 6 August 2009

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

16 March 2012

'000 KZT	Note	2011	2010
Revenue	7	85,549,944	76,939,880
Cost of sales	8	(68,823,661)	(60,932,911)
Gross profit		**16,726,283**	**16,006,969**
Other income, net	9	1,444,122	745,124
Distribution expenses	10	(112,733)	(124,375)
General and administrative expenses	11	(6,405,338)	(4,881,940)
Results from operating activities		**11,652,334**	**11,745,778**
Finance income	12	834,330	2,654,737
Finance costs	12	(5,365,512)	(5,553,261)
Net finance costs		**(4,531,182)**	**(2,898,524)**
Share of profit of equity accounted investees	16	10,024,877	3,449,023
Profit before income tax		**17,146,029**	**12,296,277**
Income tax expense	13	(2,219,436)	(1,214,688)
Profit for the year		**14,926,593**	**11,081,589**
Other comprehensive income		-	-
Profit and total comprehensive income for the year		**14,926,593**	**11,081,589**
Profit and total comprehensive income attributable to:			
Owners of the Company		14,794,171	10,862,599
Non-controlling interests		132,422	218,990
Profit and total comprehensive income for the year		**14,926,593**	**11,081,589**
Earnings per share			
Basic and diluted earnings per share	22(e)	3.24	3.19

These consolidated financial statements were approved by the management of the Group on 16 March 2012 and were signed on its behalf by:

Satkaliyev A.M.
Chairman of the Board

Tulekova S.B.
Head of the Financial Reporting Department – Chief Accountant

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 68.

’000 KZT	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	164,025,004	116,876,601
Intangible assets		711,149	331,676
Investment property	15	1,031,179	1,134,297
Investments in joint ventures and associates	16	55,703,630	53,736,079
Other non-current assets	17	11,901,377	27,190,622
Total non-current assets		**233,372,339**	**199,269,275**
Current assets			
Inventories	18	10,604,059	7,922,951
Trade and other receivables	19	8,726,712	11,393,253
Other current assets	20	9,272,243	6,206,597
Income tax prepaid		382,415	362,156
Cash and cash equivalents	21	49,844,147	14,988,160
Assets classified as held for sale and assets of disposal group	6	10,126,416	3,906,929
Total current assets		**88,955,992**	**44,780,046**
Total assets		**322,328,331**	**244,049,321**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 68.

'000 KZT	Note	2011	2010
EQUITY AND LIABILITIES			
Share capital	22	120,294,884	76,715,078
Reserves		29,471,162	26,833,774
Retained earnings		19,917,339	6,771,848
Total equity attributable to equity holders of the Company		**169,683,385**	**110,320,700**
Non-controlling interests		2,142,287	1,981,484
Total equity		**171,825,672**	**112,302,184**
Non-current liabilities			
Loans and borrowings	23	83,506,212	77,411,510
Employee benefit obligations	24	889,962	240,558
Ash dump restoration provision	25	352,350	362,234
Deferred tax liabilities	26	5,154,614	5,035,181
Other non-current liabilities	27	7,550,074	8,106,869
Total non-current liabilities		**97,453,212**	**91,156,352**
Current liabilities			
Loans and borrowings	23	16,060,628	9,079,618
Employee benefit obligations	24	59,025	42,577
Trade and other payables	28	27,361,186	22,428,521
Provisions for legal proceedings	29	8,312,179	8,244,672
Other taxes payable		678,769	692,621
Income tax payable		448,150	55,263
Liabilities of disposal group, classified as held-for-sale	6	129,510	47,513
Total current liabilities		**53,049,447**	**40,590,785**
Total liabilities		**150,502,659**	**131,747,137**
Total equity and liabilities		**322,328,331**	**244,049,321**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 68.

'000 KZT	2011	2010
OPERATING ACTIVITIES		
Profit before income tax	17,146,285	12,296,277
Impairment of property, plant and equipment	366,237	-
Depreciation and amortisation	6,894,402	5,187,453
Loss on disposal of property, plant and equipment	900,214	404,248
Gain on sale of assets held for trade	(6,969)	-
Reverse of provision for impairment of accounts receivable	(88,711)	(734,567)
Reverse of provision for impairment of inventories	(13,348)	(431,576)
Provision for impairment of other non-current assets	(85,000)	-
Other reserves	44,372	-
Unrealised foreign exchange loss/(gain)	121,877	(424,109)
Provision for liabilities	67,507	970,000
Recognition of unrecognised employee benefit obligations	242,174	-
Profit from connection of additional facilities	(537,262)	(518,732)
Current services cost and actuarial losses	488,862	275,976
Finance cost	5,365,512	5,553,261
Finance income	(880,562)	(2,154,047)
Share of profit in equity accounted investees	(10,024,877)	(3,449,023)
Cash from operating activities before changes in working capital	**20,000,713**	**16,975,161**
Decrease/(increase) in accounts receivable	1,903,577	(6,415,847)
Increase in inventories	(2,668,139)	(1,696,710)
Increase in accounts payable	4,632,355	3,416,567
Increase/(decrease) in taxes payable	12,922	(173,971)
Cash flows from operating activities before income taxes and interests paid	**23,881,428**	**12,105,200**
Income tax paid	(2,174,713)	(2,069,968)
Interest paid	(3,333,408)	(3,506,772)
Net cash flows from operating activities	**18,373,307**	**6,528,460**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 68.

'000 KZT	2011	2010
INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	(54,587,067)	(51,057,828)
Acquisition of intangible assets	(500,059)	(225,012)
Proceeds from sale of property, plant and equipment	6,748	2,324
Changes in advances paid for acquisition of non-current assets, net	13,192,320	(852,371)
Capital contribution to joint ventures	-	(1,500,000)
Interest income received	933,613	1,224,761
Proceeds from sale of interest in associates	61,902	-
Net changes in assets and liabilities of disposal group	9,180	-
Dividends received	8,057,326	6,025,294
Placement on bank deposits	(2,834,997)	(2,324,609)
Financial aid to related parties	(1,315,615)	-
Financial aid to unrelated parties	(588,888)	-
Repayment of financial aid to unrelated parties	294,000	-
Acquisition of an associate	-	(31,964)
Net cash flows used in investment activities	**(37,271,537)**	**(48,739,405)**
FINANCING ACTIVITIES		
Proceeds from share issue	43,579,806	42,459,978
Proceeds from bonds issue	-	17,678
Financial aid received from shareholders	7,000,000	32,346,834
Repayment of financial aid from shareholders	(2,381,109)	(42,459,952)
Proceeds from borrowings	21,171,950	60,667,829
Repayment of borrowings	(10,915,594)	(47,142,830)
Proceeds from loans from customers	6,896	26,989
Repayment of loans from customers	(693,041)	(283,150)
Sale of shares in subsidiaries	21,500	102,514
Dividends paid to shareholders	(1,629,350)	-
Dividends paid to non-controlling shareholders	(12,449)	(31,234)
Bonds repayment	(700,000)	(489,225)
Net cash flows from financing activities	**55,448,609**	**45,215,431**
Net increase in cash and cash equivalents	36,550,379	3,004,486
Cash and cash equivalents at the beginning of the year	16,085,352	11,983,674
Cash and cash equivalents at the end of the year	**52,635,731**	**14,988,160**
Cash and cash equivalentsof disposal group	(2,791,584)	-
Cash and cash equivalents at the end of the year (Note 21)	**49,844,147**	**14,988,160**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 68.

	Equity					
	Attributable to the equity holders of the Company					
'000 KZT	**Share capital**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	32,255,100	11,745,568	(4,086,756)	39,913,912	1,687,219	41,601,131
Profit and total comprehensive income for the year	-	-	10,862,599	10,862,599	218,990	11,081,589
Transactions with owners recorded directly in equity						
Share capital contributions	44,459,978	-	-	44,459,978	-	44,459,978
Result of transactions with shareholders not at arm's length	-	15,388,206	-	15,388,206	-	15,388,206
Repayment of previously paid-in additional capital	-	(300,000)	-	(300,000)	-	(300,000)
Changes in ownership interests in subsidiaries	-	-	(3,995)	(3,995)	106,509	102,514
Dividends declared	-	-	-	-	(31,234)	(31,234)
Balance at 31 December 2010	**76,715,078**	**26,833,774**	**6,771,848**	**110,320,700**	**1,981,484**	**112,302,184**
Balance at 1 January 2011	76,715,078	26,833,774	6,771,848	110,320,700	1,981,484	112,302,184
Profit and total comprehensive income for the year	-	-	14,794,171	14,794,171	132,422	14,926,593
Transactions with owners recorded directly in equity						
Share capital contributions	43,579,806	-	-	43,579,806	-	43,579,806
Result of transactions with shareholders not at arm's length	-	2,637,388	-	2,637,388	-	2,637,388
Changes in ownership interests in subsidiaries	-	-	(19,330)	(19,330)	40,830	21,500
Dividends declared	-	-	(1,629,350)	(1,629,350)	(12,449)	(1,641,799)
Balance at 31 December 2011	**120,294,884**	**29,471,162**	**19,917,339**	**169,683,385**	**2,142,287**	**171,825,672**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 68.

1 Background

(a) Organisation and operations

Samruk-Energy JSC (the "Company") was incorporated on 18 April 2007 and registered on 10 May 2007. The Company was established as a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Company was established for the purpose of consolidation of entities in the electric power complex of the Republic of Kazakhstan. The list of the Company's principle subsidiaries and operations thereof are disclosed in Note 34.

The Company's registered office is: Block E, 17 Kabanbai Batyr Avenue, Astana, Republic of Kazakhstan.

Principal activities of the Company and its subsidiaries (the "Group") are production of electric energy and heating energy and hot water based on coal, hydrocarbons and water resources and sale thereof to households and industrial enterprises, transmission of electric energy and technical distribution of electric energy input in the network, construction of hydro- and heating energy stations, and lease of property complex of hydroelectric stations.

Operations of the Group's subsidiaries and joint ventures that have a dominating position or are natural monopolies in certain areas are governed by the Law of the Republic of Kazakhstan on Natural Monopolies and Regulated Markets and the Law on Competition and Restriction of the Monopolistic Activity (the "Antimonopoly Legislation"). Prices on electric energy provided by the power-generating companies are determined in compliance with the Rules for Determination of Estimated Tariff and Approval of the Ceiling and Individual Tariffs approved by the Decree of the Government of the Republic of Kazakhstan on 10 March 2009 and are subject to coordination with and approval by the Ministry of Industry and New Technologies of the Republic of Kazakhstan ("MINT"). Tariffs on heating energy and power supply services and services related to transmission of electric energy and technical distribution of electric energy input in the network are determined in compliance with the Rules of Pricing in the Regulated Markets approved by the Decree of the Government of the Republic of Kazakhstan dated 3 March 2009 and are subject to approval by the Agency of the Republic of Kazakhstan for Natural Monopoly Regulation ("ANMR").

Tariffs are based on "cost plus" method, which means that cost of services, electric energy and heating energy and other expenses plus rate of return, where the cost and other expenses are calculated in accordance with the above-mentioned documents, which differ from the IFRS basis of accounting. In practice, tariff-related decisions are strongly influenced by the social and political issues. Thus, the economic, social and other policies of the government of the Republic of Kazakhstan may have significant impact on the Group's operations.

The Company's shareholders are Samruk-Kazyna National Welfare Fund JSC ("Samruk-Kazyna") and KazTransGas JSC ("KazTransGas"), holding 95.2% and 4.8% of the Company's shares respectively. The Company is ultimately controlled by the Government of the Republic of Kazakhstan.

(b) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Kazakhstan. The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis with adjustment for initial recognition of financial instruments at fair value.

(c) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakh tenge ("KZT"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in KZT has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 3(m) – Differed income;
- Note 7 – Revenue;
- Note 15 – Investment property;
- Note 26 – Deferred tax assets and liabilities.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 14(a) – Impairment test;
- Note 24 – Employee benefit obligations;
- Note 25 - Ash dump restoration provision;
- Note 29 – Provision for legal proceedings;
- Note 32 – Contingencies, and
- Note 33 – Related party transactions.

3 Significant accounting policies

Except as disclosed below, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3 Significant accounting policies, continued

(a) First time application of standards and IFRS updates

To prepare these consolidated financial statements the Group has applied the following standards for the first time: IFRS 8 *Operating Segments* and IFRS 33 *Earnings per Share*. Application of these standards had no significant effect on the Group's consolidated financial position and performance, except for disclosure of additional information for the current and comparative periods as required by these standards.

Revised IAS 24 *Related Party Disclosures* (2010) has been in effect since 1 January 2011. The changes made in the standard have introduced an option, which exempts the Group from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. These changes had no significant effect on the Group's consolidated financial statements as the Group has not used this option.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of other reserves. Any cash paid for the acquisition is recognised directly in equity.

(iii) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3 Significant accounting policies, continued

(b) Basis of consolidation, continued

(iv) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(d) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Non-derivative financial instruments, continued

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of assets: trade and other receivables as presented in note 19 and cash and cash equivalents as presented in Note 21.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities at initial recognition of three months or less.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

3 Significant accounting policies, continued

(e) Property, plant and equipment, continued

(i) Recognition and measurement, continued

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss for the period.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- buildings and constructions 10-100 years;
- machinery and equipment 5-40 years;
- other 5-20 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

3 Significant accounting policies, continued

(f) Intangible assets, continued

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Licenses and software 3-5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting year end and adjusted if appropriate.

(g) Investment property

Recognition and measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes.

Investment property is accounted for in accordance with the cost model. Investment property is measured at cost less accumulated depreciation and impairment losses.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

3 Significant accounting policies, continued

(i) Impairment, continued

(i) Non-derivative financial assets, continued

Loans and receivables, continued

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets, continued

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata basis*.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies, continued

(j) Non-current assets held for sale or distribution and disposal group assets

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata basis*, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

(k) Employee benefits

(i) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on high quality credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3 Significant accounting policies, continued

(l) Provisions, continued

Ash dump restoration provision

Ash dump restoration provision is recognised if there is high probability that the respective circumstances arise and it is possible to measure reliably the amount thereof. Ash dump restoration costs shall include the ash dump infrastructure dismantling or removal, environmental clean-up and discharge monitoring. The reserve for estimated site restoration costs is recognised and charged to the cost of property, plant and equipment in that reporting period, in which the liability arises as a result of the respective fact of waste generation based on the net present value of the estimated future costs. The ash dump restoration provision does not include any additional liabilities, which are expected to arise due to the facts of violations and causing damage in future. Costs are estimated on the basis of the site restoration plan. The estimated costs are calculated annually, as exploitation continues, taking into account changes in estimates, for example, updated estimated amounts and revised estimates of lives of operations, or established timing of operations periods, with official inspections being carried out on a regular basis.

Though the exact final amount of costs is not known, the Group measures its costs based on the feasibility and engineering studies in accordance with the current technical rules and standards relating to the waste ground restoration works.

(m) Deferred income

In accordance with the Resolution of the Government of the Republic of Kazakhstan No. 1044 as of 8 October 2004 the consumers reimbursed the Group's expenditures related to construction of the electric energy transmission infrastructure or reconstruction of current infrastructure for connection of additional facilities.

Thereafter the Resolution No.1044 was declared invalid on the basis of the enacted Resolution of the Government of the RK of 21 February 2007. In accordance with this Resolution the Group received funds from consumers for construction of infrastructure facilities to be connected to the electric energy network or for reconstruction of the current infrastructure. Such funds are interest free and payable within twenty five years. The customers' funds are initially recognised at fair value and then are measured at amortised cost. Difference between funds received and their fair value is recognised as deferred income. Deferred income is then recognised in the statement of comprehensive income over the useful lives of underlying property, plant and equipment. In case of change in the expected payments the carrying amount of the liability is recalculated and recognised as change in deferred income. The Group does not apply IFRIC 18 *Transfer of Assets from Customers*, effective from 1 July 2009 as the contracts with customers were entered into and the Program for Attraction of Funds from Customer was completed by 1 July 2009. The Group has applied IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* by analogy as the Group believes that benefits received under this legislation constitute, in fact, the government assistance provided to ensure support in development of the power-distribution companies.

3 Significant accounting policies, continued

(n) Revenue

(i) Goods and services sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Revenues from sale of electric energy and heating energy and hot water is recognised using the accrual methods as the electric energy, heating energy and hot water are supplied. The Group recognised revenue at the time of supply of electric energy based on the readings of electric energy meters. Meter readings are provided by the consumers on the monthly basis and are checked by the Group for accuracy on a sample basis.

(ii) Offsets

A part of the purchase and sale operations is carried out using offsets, barter trade and other non-cash settlements. As a rule, these operations are carried out in the form of exchange of heterogenic goods or services with the industrial and commercial enterprises on the offset basis.

Those purchase and sale operations, which are planned to be settled by means of offsets, barter trade and other non-cash settlements, are recognised on the basis of measurement by the Group companies management of the fair value of those assets, which will be obtained or transferred as a result of non-cash settlements. Fair value is determined on the basis of the available market information.

Non-cash operations are excluded from the statement of cash flows. Investing and financing operations as well as the total result of the operating activities are presented in said report based on the actual cash movements.

(iii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(o) Other income and expenses

Rent proceeds and payments

Proceeds and payments under the operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3 Significant accounting policies, continued

(o) Other income and expenses, continued

Rent proceeds and payments, continued

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement contains a right to use the asset.

(p) Finance income and costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, dividends on preference shares of subsidiaries, unwinding of the discount on provisions and contingent consideration, and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3 Significant accounting policies, continued

(q) Income tax, continued

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Management Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to Group's Management Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

(t) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2011, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

- IAS 28 (2011*) Investments in Associates and Joint Ventures* combines the requirements in IAS 28 (2008) and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12. The amended standard will become effective for annual periods beginning of or after 1 January 2013 with retrospective application required. Early adoption of IFRS 28 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).

3 Significant accounting policies, continued

(t) New Standards and Interpretations not yet adopted, continued

- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC - 12 *Consolidation – Special Purpose Entities*. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 11 *Joint Arrangements* will be effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 Interests in Joint Ventures. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented. Under the new standard all parties to a joint arrangement are within the scope of IFRS 11 even if all parties do not participate in the joint control. Early adoption of IFRS 11 is permitted provided the entity also early-adopts IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

3 Significant accounting policies, continued

(t) New Standards and Interpretations not yet adopted, continued

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- IAS 19 (2011) *Employee Benefits*. The amended standard will introduce a number of significant changes to IAS 19. First, the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur. Secondly, the amendment will eliminate the current ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. Thirdly, the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation. The amended standard shall be applied for annual periods beginning on or after 1 July 2013 and early adoption is permitted. The amendment generally applies retrospectively.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2012. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investment property

For the purpose of information disclosure the Group engages independent valuers as well as own employees having the appropriate recognised qualifications and experience in work related to evaluation of location and category of property being valued. The fair value is based on the market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

When no quoted market prices are available, the measurement is carried out by considering the total estimated cash flows, which are expected to be generated from lease out of the property item. Returns, which reflects risks specific to net cash flows, then are applied to the net cash flows for the year in order to obtain the property value.

(b) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure and initial recognition purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units carry out different activities, mostly in the power energy sector. As these segments offer different services, they are managed separately. For each of the strategic business units, the Group's Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Production of heating and electric energy*
- *Electric energy transmission and distribution*
- *Heating and electric energy sales*

Other operations include lease out of investment property and other activities. None of these activities meets the quantitative criteria of the reporting segments in either 2011 or 2010.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

5 Operating segments, continued

(i) Information about reportable segments

	Production of electric energy and heating energy		Electric energy transmission and distribution		Sale of electric energy and heating energy		Other		Total	
'000 KZT	**2011 г.**	**2010 г.**	**2011 г.**	**2010 г.**	**2011 г.**	**2010 г.**	**2011 г.**	**2010 г.**	**2011 г.**	**2010 г.**
External revenues	21,311,327	20,504,436	5,562,105	5,462,450	57,200,709	49,523,208	1,475,803	1,449,786	85,549,944	76,939,880
Inter-segment revenue	31,895,102	27,135,494	18,179,220	17,083,363	-	-	11,390,804	7,517,967	61,465,126	51,736,824
Reportable segment profit	327,131	360,085	335,345	514,976	5,199	26,527	768,332	8,606,546	1,436,007	9,508,134
Reportable segment costs	1,056,460	1,431,863	1,872,139	1,546,829	64,515	41,546	2,401,520	3,219,815	5,394,634	6,240,053
Amortisation	4,050,739	2,881,459	2,312,075	1,470,164	89,622	99,879	211,506	575,173	6,663,942	5,026,675
Reportable segment profit before income tax	10,447,977	8,239,905	(449,862)	1,921,665	(741,054)	453,080	7,330,665	5,339,796	16,587,726	15,954,446
Share of profit of equity accounted investees	5,905,159	3,479,555	-	-	-	-	4,119,718	(30,532)	10,024,877	3,449,023
Other material non-cash items:										
Impairment on property, plant and equipment and intangible assets	-	-	366,237	-	-	-	-	-	366,237	-
Reportable segment assets	131,279,480	99,700,454	122,073,588	97,937,355	5,422,391	4,595,664	55,835,660	17,972,356	314,611,119	220,205,829
Investment in associates	23,766,364	19,361,205	-	-	-	-	31,937,265	34,374,874	55,703,629	53,736,079
Capital expenditure	38,093,233	25,671,449	16,326,507	24,387,030	122,847	125,669	429,176	598,822	54,971,763	50,782,970
Reportable segment liabilities	76,039,714	62,899,983	46,975,335	43,612,968	5,417,539	3,968,257	43,841,551	44,491,209	172,274,139	154,972,417

Intergroup sales are made at the generally approved tariffs applicable to all consumers of the Group.

5 Operating segments, continued

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

'000 KZT	**2011**	**2010**
Revenue		
Total revenue for reportable segments	134,148,463	119,708,951
Other revenue	12,866,607	8,967,753
Elimination of inter-segment revenue	(61,465,126)	(51,736,824)
Consolidated revenue	**85,549,944**	**76,939,880**
Profit or loss for the year		
Reportable segment profit before income tax	9,257,061	10,614,650
Other profit before income tax	7,330,665	5,339,796
Elimination of inter-segment losses/(profits)	(1,661,133)	(4,872,857)
Consolidated profit from continuing operations for the year	**14,926,593**	**11,081,589**
Assets		
Total assets of reportable segments	258,775,459	202,233,473
Investments in jointly controlled entities of reportable segments	23,766,364	19,361,205
Investments in other jointly controlled entities	31,937,266	34,374,874
Cash and cash equivalents of the Company	17,235,942	2,596,975
Assets classified as held for trade	10,126,416	3,906,929
Prepayments for non-current assets of other operations	4,625,250	11,237,601
Other	23,848,051	230,851
Elimination of inter-group balances	(47,986,417)	(29,892,587)
Consolidated total assets	**322,328,331**	**244,049,321**
Liabilities		
Total liabilities of reportable segments	128,432,588	110,481,208
Loans from the shareholder	33,245,558	29,193,549
Other liabilities	10,595,993	15,297,660
Elimination of inter-group balances	(21,771,480)	(23,225,280)
Consolidated total liabilities	**150,502,659**	**131,747,137**

(iii) Major customer

During the year ended 31 December 2011 no customer represented more than 10% of the Group's total revenue. During the year ended 31 December 2010, revenue from one customer of the Group's electric and heating energy production segment – Almaty Heat Networks JSC represented approximately 10% of the Group's total revenue.

6 Assets classified as held for sale and disposal group assets

(i) Non-current assets available for sale

During 2009 the Group's management made decision to dispose 25% of its share in the charter capital of Kambaratinskaya HES JSC ("Kambaratinskaya HES"). Accordingly, as at 31 December 2009 the Group's investment in Kambartinskaya HES in the amount of KZT 54,933 thousand was classified as non-current asset held for sale in the consolidated statement of financial position. On 4 January 2011 the Group signed agreement with Electric Stations OJSC and Inter-RAO UES OJSC on sale of the Group's share. The sale operation was completed during 2011.

(ii) Disposal group

On 4 September 2009 the Group signed sale and a purchase agreement with Korea Electric Power Corporation ("KEPCo") and Samsung C&T Corporation ("Samsung C&T Co"), under which the Group committed to sell 75% minus one share of Balkhashskaya TES JSC (Balkhashskaya TES). The Group's management has concluded that the sale of the sale share would result in loss of control over Balkhashskaya TES. Therefore, Balkhashskaya TES's assets and liabilities were classified as a disposal group in the Group's consolidated statement of financial position as at 31 December 2009.

During 2010 and 2011 the sale of said share was not finalised as certain conditions were not met. These conditions are beyond the Group's control; however, the Group's management believes that these conditions did not affect the asset readiness for immediate sale in their current condition. Accordingly, Balkhashskaya TES's assets and liabilities were classified as disposal groups in the Group's consolidated statement of financial position as at 31 December 2011. The table below shows the main categories of disposal group assets and liabilities classified as held for sale:

'000 KZT	**2011**	**2010**
Assets classified as held for sale		
Property, plant and equipment	2,762,953	2,523,862
Other non-current assets	-	9,568
Cash and cash equivalents	2,791,584	1,097,192
Advances paid and other assets	250,000	219,920
Term deposits	4,320,000	-
Inventories	1,635	1,256
Intangible assets	244	198
	10,126,416	**3,851,996**
Investments in associates	**-**	54,933
	10,126,416	**3,906,929**
Liabilities classified as held for sale		
Deferred tax liabilities	128,852	3,610
Trade and other payables	658	43,903
	129,510	**47,513**

The management believes that the carrying amount of assets approximates their fair value.

After the balance sheet date the Group signed the final version of the purchase and sale agreement, including the final terms and conditions of the transaction. The terms and conditions of the transaction are expected to be met during 2012.

7 Revenue

’000 KZT	2011	2010
Sale of electric energy	63,262,560	55,277,465
Sale of heat energy	14,175,765	13,796,389
Transmission of electric energy	5,562,105	5,321,699
Income from investment property lease	1,437,871	1,408,475
Other	1,111,643	1,135,852
	85,549,944	**76,939,880**

As a result of cyclic procedures of billing for the electric energy consumed the Group sold the significant volume of electric energy at the end of the reporting period, for which no bills to consumers have been drawn up. The Group recognises revenue from electric energy sold for the period elapsed from the last taking of readings till the end of the reporting period using its estimate.

Balance sheet approach is used by the Group to measure revenue, with regard to which no bills were drawn up to the legal entities as at the end of the reporting period. This approach provides for calculation of daily amount of consumer electric energy, for which no bills are drawn up at the end of the reporting month, and this amount is multiplied by a selling price. Revenue from electric energy transmission services is recognised based on the actual volume of electric energy transmitted during the reporting period. The amount of revenue is determined on the basis of the tariffs for the respective services approved by MINT and ARNM.

8 Cost of sales

’000 KZT	2011	2010
Fuel	16,746,996	14,183,545
Wages and salaries and related expenses purchased	13,076,988	11,213,359
Cost of electric energy	11,728,998	8,357,652
Depreciation of property, plant and equipment and amortisation of intangible assets	6,607,741	4,988,441
Repair and maintenance	5,224,455	5,168,233
Electric energy transmission services	4,972,508	5,442,613
Materials	2,534,458	1,729,588
Electric energy losses on transmission	1,814,889	1,755,428
Industrial water	1,770,157	4,854,195
Third party services	1,605,230	1,032,263
Taxes other than income tax	876,681	966,337
Rent	112,487	111,897
Recovery of provision for material impairment	(13,348)	(431,576)
Other	1,765,421	1,560,936
	68,823,661	**60,932,911**

9 Other income, net

’000 KZT	2011	2010
Liability write-off	765,827	147,208
Income from connection of additional facilities	537,262	518,732
Increase from sale of inventories	215,747	219,164
Other operating income	523,463	309,904
Sayabak station impairment losses	(366,237)	-
Other operating expenses	(231,940)	(449,884)
	1,444,122	**745,124**

10 Distribution expenses

'000 KZT	2011	2010
Electric power transmission services	56,084	70,032
Wages, salaries and related expenses	35,835	35,830
Other	20,814	18,513
	112,733	**124,375**

11 General and administrative expenses

'000 KZT	2011	2010
Wages, salaries and related expenses	2,616,851	2,489,282
Taxes other than income tax	849,007	706,559
Consulting and other professional services	494,907	422,645
Write-off of prepaid expenses related to loan from EBRD	327,335	-
Charity	297,199	87,381
Rent	291,311	353,857
Depreciation of property, plant and equipment and amortisation of intangible assets	258,949	181,232
Other third party services	186,405	34,093
Travel and representation expenses	156,848	130,088
Bank charges	120,590	123,710
Materials	112,585	114,942
Repair expenses	89,687	94,377
Communication	85,545	66,381
Social assistance to employees and maintenance of social infrastructure facilities	54,288	24,698
Training expenses	39,990	23,191
Insurance	35,984	7,181
Security	35,741	33,315
Expenses on festivities and cultural events	26,980	17,863
Fines and penalties	20,102	151,007
Transportation	17,127	13,491
Utilities	13,746	14,219
Expenses on publication information of mass media	1,194	24,689
Reverse of provision for impairment of receivables and other current assets	(88,711)	(734,567)
Other	361,678	502,306
	6,405,338	**4,881,940**

12 Finance income and finance costs

'000 KZT	2011	2010
Finance income		
Interest income on bank deposits	834,012	1,274,923
Revision of maturity of loan from the shareholder	-	863,875
Net foreign exchange gain	-	500,690
Other	318	15,249
	834,330	**2,654,637**

12 Finance income and finance costs, continued

'000 KZT	2011	2010
Finance costs		
Interest expense on borrowings	(2,501,074)	(3,397,146)
Dividends on preferred shares of subsidiaries	(134,724)	(135,379)
Unwinding on discount:		
- loans and financial aid from shareholders	(1,823,635)	(1,673,414)
- loans from customers	(642,179)	(253,898)
- bonds issued	(44,623)	(2,153)
- notes payable	(30,053)	(28,279)
- ash dump restoration provision	(29,722)	(37,001)
- employee benefit obligations	(37,626)	(21,969)
Other	(121,876)	(4,022)
	(5,365,512)	**(5,553,261)**

13 Income tax expense

'000 KZT	2011	2010
Current tax		
Current year	2,497,952	2,108,357
Underprovided in prior years	42,187	-
	2,540,139	**2,108,357**
Deferred tax		
Deferred income tax benefit	(557,554)	(893,669)
Underprovided in prior years	236,851	-
	(320,703)	**(893,669)**
Total income tax expense	**2,219,436**	**1,214,688**

Reconciliation of effective tax rate:

The Group's applicable tax rate in 2011 is the income tax rate of 20% for Kazakhstan companies (2010: 20%). In 2009 the Government announced that the income tax rates for Kazakhstan companies will be 20% in 2009-2012, 17.5% in 2013 and 15% in later years. In November 2010 the Government cancelled the reduction and announced that the income tax rate will remain at 20%.The 20% tax rate has been used in the calculation of deferred tax assets and liabilities as at 31 December 2011 and 2010.

'000 KZT	2011	%	2010	%
Profit before income tax	**17,146,029**	**100**	**12,296,277**	**100**
Income tax at applicable tax rate	3,429,206	20	2,459,255	20
Non-deductible/non-taxable items	441,528	3	498,971	4
Underprovided in prior years	279,038	2	156,787	1
Non-taxable share of profit of associates and joint ventures	(2,004,976)	(12)	(689,502)	6
Withholding tax	23,893	-	317,111	3
Change in unrecognised tax assets	50,747	-	(2,698,024)	(22)
Change in corporate income tax rate	-	-	1,170,090	10
	2,219,436	**13**	**1,214,688**	**10**

14 Property, plant and equipment

'000 KZT	Buildings and constructions	Machinery and equipment	Other	Construction-in-progress	Total
Cost					
Balance at 1 January 2010	19,561,594	53,276,129	1,069,214	16,926,633	90,833,570
Additions	1,776,753	1,162,864	761,157	47,955,510	51,656,284
Transfers	4,828,862	20,598,198	1,657,265	(27,084,325)	-
Disposals	(118,397)	(788,170)	(99,523)	(44,400)	(1,050,490)
Balance at 31 December 2010	**26,048,812**	**74,249,021**	**3,388,113**	**37,753,418**	**141,439,364**
Balance at 1 January 2011	26,048,812	74,249,021	3,388,113	37,753,418	141,439,364
Additions	400,626	1,773,455	296,126	52,501,556	54,971,763
Transfers	11,997,888	8,732,096	8,659	(20,738,643)	-
Disposals	(52,215)	(585,375)	(26,185)	(487,398)	(1,151,173)
Transfer to other assets	-	-	-	(216,557)	(216,557)
Balance at 31 December 2011	**38,395,111**	**84,169,197**	**3,666,713**	**68,812,376**	**195,043,397**
Depreciation and impairment loss					
Balance at 1 January 2010	3,693,953	15,630,701	855,648	-	20,180,302
Depreciation charge for the year	1,359,053	3,323,947	343,675	-	5,026,675
Transfers	(44,217)	51,990	(7,773)	-	-
Disposals	(76,158)	(505,779)	(62,277)	-	(644,214)
Balance at 31 December2010	**4,932,631**	**18,500,859**	**1,129,273**	**-**	**24,562,763**
Balance at 1 January 2011	4,932,631	18,500,859	1,129,273	-	24,562,763
Depreciation charge for the year	2,198,803	4,244,431	220,708	-	6,663,942
Transfers	2,656,359	(2,651,825)	(4,534)	-	-
Disposals	(11,890)	(134,874)	(61,548)	-	(208,312)
Balance at 31 December2011	**9,775,903**	**19,958,591**	**1,283,899**	**-**	**31,018,393**
Carrying amounts					
At 1 January 2010	15,867,641	37,645,428	213,566	16,926,633	70,653,268
At 31 December 2010	21,116,181	55,748,162	2,258,840	37,753,418	116,876,601
At 31 December 2011	**28,619,208**	**64,210,606**	**2,382,814**	**68,812,376**	**164,025,004**

Depreciation expense of KZT 6,414,410 thousand has been charged to cost of goods sold (2010: KZT 4,866,048 thousand), KZT 230,075 thousand to administrative expenses (2010: KZT 148,583 thousand) and KZT 19,457 thousand to other income/expense (2010: KZT 12,044 thousand).

(a) Impairment test

As a result of existence of impairment indicators, management performed an impairment test for non-current assets of an electric power transmission cash-generating unit as at 31 December 2011.

The recoverable amount is the value in use, which is estimated by discounting cash flows generated by each CGU from continuing use of property, plant and equipment and their ultimate disposal. The recoverable amount of the cash-generating unit was estimated to be higher than its carrying amount.

14 Property, plant and equipment, continued

(a) Impairment test, continued

Key assumptions used in the impartment test represent the management's estimate of the future trends in the area of electric power transmission and are based on both the internal and external indicators.

Calculation of the value in use as at 31 December 2011 is based on the following assumptions:

- Future cash flows were projected based on the nine-year investment plan of development of the City of Almaty and Almaty Oblast, approved by the Company's shareholder.
- After-tax discount rate of 12% was estimated based on an industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 50.61 % at a market interest rate of 9.2%.

Projected volumes of electric power transmission and tariffs are as follows:

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Electric power transmission, kWH mln	5,858	6,092	6,336	6,590	6,787	6,991	7,201	7,417	7,639
Electric power transmission tariff, kWh	3.75	4.44	4.44	4.44	5.19	5.19	5.19	5.76	5.76

- Capital expenditures have been determined as equal to 42% of the revenue in 2012, 27% of revenue in 2013, 16-22% for the period 2014-2020 and 19% in the termination period.
- The ratio of electric power losses to the amount of electric power transmitted will decrease from 17.8% in 2011 to 14.14% in 2020 due to capital expenditures that will be used to increase the electric grid efficiency rate and reduce the losses.
- EBIDTA varied from 22.5% to 41.9%. EBIDTA terminal value is 41.5%;
- A terminal value derived at the end of a 9-year forecast period was 4.5%.

The above estimates are particular sensitive to the following areas:

- Decrease in the electric energy transmission growth rate by 1% per year with cumulative effect would result in the impairment loss of KZT 21,518,239 thousand, all other assumptions being equal.
- Decrease in the projected tariff growth rate by 3% points per year as compared to those in the table above, would result in the impairment loss of KZT 9,833,404 thousand, all other assumptions being equal.
- Increase of the discount rate used by 1% point would result in the impairment loss of KZT 8,193,120 thousand, all other assumptions being equal.

(b) Impairment loss

During the reporting period Sayabak substation partially burnt. As a result, provision in the amount of KZT 366,327 thousand was accrued and expense was recognised in other expenses, which covered expenses related to replacement of the burnt equipment and carrying out construction and assembly works.

(c) Construction-in-progress

The capitalised borrowing costs related to construction and acquisition of qualifying assets amounted to KZT 1,309,589 thousand (2010: KZT 873,314 thousand), at capitalisation rate of 12.5% (2010: 12.75%).

14 Property, plant and equipment, continued

(d) Security

At 31 December 2011 property, plant and equipment with a carrying amount of KZT 3,455,610 thousand are subject to a registered debenture to secure bank loans (2010: KZT 21,339,682 thousand).

15 Investment property

	'000 KZT
Balance at 1 January 2010	1,497,162
Accumulated depreciation at 1 January 2010	(259,747)
Carrying amount at 1 January 2010	**1,237,415**
Depreciation charge for 2010	(103,118)
Balance at 31 December 2010	1,497,162
Accumulated depreciation at 31 December 2010	(362,865)
Carrying amount at 31 December 2010	**1,134,297**
Depreciation charge for 2011	(103,118)
Balance at 31 December 2011	1,497,162
Accumulated depreciation at 31 December 2011	(465,983)
Carrying amount at 31 December 2011	**1,031,179**

Contract for concession of Bukhtarma HES assets

On 26 June 1997 the Company's subsidiary – Bukhtarma HES JSC ("Bukhtarma HES") signed a contract with Kazastur Zinc AG (the "Lessee"), under which the property complex of Bukhtarma HES was transferred for concession for the period of 10 years. Under the concession contract the rent was USD 1,100 thousand per year. Subsequently the concession period was revised and extended to 25 years from the contract date. According to the terms and conditions of the concession contract the Lessee is obliged to perform reconstruction and technical upgrading of HES as a part of the investment program to be coordinated with Bukhtarma HES. All property, plant and equipment, including the separable and inseparable improvements of the transferred property complex are owned by Bukhtarma HES.

On 7 December 2007 Bukhtarma HES and the Lessee signed addendum to the concession contract, under which the annual rent was increased to USD 8,500 thousand plus floating rate to be determined depending on the Lessee's revenue from rendering services on power reserve standby.

The property transferred is used mostly to satisfy the production needs of the Lessee in electric energy rather than to sell it to citizens.

The Group's management believes that concession constitutes an operating lease of the HES property and therefore accounted said property as investment property.

At the same time the Group's management believes that upon expiry of the concession contract in 2022 substantial investment will be required to reconstruct HES in order to extend its service life and restore the production potential, while the carrying amount of the assets to be returned will be insignificant.

15 Investment property, continued

Contract for concession of Bukhtarma HES assets, continued

Future minimum lease payments to be received under the operating non-cancellable lease contracts will be as follows:

'000 KZT	**2011**	**2010**
Less than one year	1,246,270	1,252,900
Between one and five years	4,985,080	5,011,600
More than five years	6,854,485	9,858,521
	13,085,835	**16,123,021**

During 2011 the Group earned income from operating lease of the property complex of Bukhtarma HES in the total amount of KZT 1,437,871 thousand (2010: KZT 1,408,475 thousand) (Note 7).

Fair value of the investment property determined as the sum of discounted minimum lease payments as at 31 December 2011 equals to KZT 9,103,456 thousand (31 December 2010: KZT 9,997,641 thousand). The Group has not engaged an independent appraiser to assess the fair value.

Contract for concession of Ust-Kamenogorskaya HES JSC and Shulbinskaya HES JSC assets

In 1997 the Government of the Republic of Kazakhstan and AES Suntry Power Limited signed and contract for concession of assets of the Company's subsidiaries – Ust-Kamenogorskaya HES JSC and Shulbinskaya HES JSC ("Hydroelectric Companies"). Under the contract the Hydroelectric Companies' property complexes were transferred to AES Suntry Power Limited under concession with the right of possession, use and disposal for the period of 20 years, with possible extension for another 10 years.

Under the terms and conditions of the contract the Government of the Republic of Kazakhstan receives annual interest. AES Suntry Power Limited established the concession companies to manage the concession assets. The Concession companies bear full responsibility and liability for the property complexes and business operations related to the use thereof starting form 31 December 1998 and thereafter according to the terms and conditions of the contract. Upon expiry of the contract AES Suntry Power Limited will transfer its share in the concession companies to the Government of the Republic of Kazakhstan for one USD dollar plus carrying amount of the improvements made by AES Suntry Power Limited and concession companies. Therefore, AES Suntry Power Limited shall transfer the right of ownership to the concession companies to the Government of the Republic of Kazakhstan but not return the property complexes to the Hydroelectric Companies.

Thus, the Group's management believes that all risks and benefits associated with operations of Hydroelectric Companies are borne by the concession companies. Accordingly, the value of the property complexes transferred has not been included in these consolidated financial statements.

16 Investments in joint ventures and associates

The below table represents the movements in carrying amount of the Group's investments in joint ventures and associates:

'000 KZT	Joint ventures			Associates	
	Ekibastuzskaya GRES-2	Forum Muider	Zhambylskaya GRES	TPEP	Total
Carrying amount at 1 January 2010	14,754,711	40,025,675	-	-	54,780,386
Acquisition of share	-	-	-	31,964	31,964
Contributions	1,500,000	-			1,500,000
Share in profit for the year	3,479,555	(32,045)	-	1,513	3,449,023
Dividends received	(373,061)	(5,652,233)	-	-	(6,025,294)
Carrying amount at 31 December 2010	**19,361,205**	**34,341,397**	**-**	**33,477**	**53,736,079**
Carrying amount at 1 January 2011	19,361,205	34,341,397	-	33,477	53,736,079
Share in profit for the year	5,905,159	3,896,749	-	222,969	10,024,877
Dividend received	(1,500,000)	(6,557,326)	-	-	(8,057,326)
Carrying amount at 31 December 2011	**23,766,364**	**31,680,820**	**-**	**256,446**	**55,703,630**

Ekibastuzskaya GRES-2 JSC (hereinafter referred to as "Ekibastuzskaya GRES-2") (50%): a joint venture with Inter-RAO UES OJSC, with equal shareholding of 50%:50% registered in the Republic of Kazakhstan, producing electric energy and heating energy, based on coal, mined in Bogatyr and Severnyi open coal pits.

Forum Muider B.V. ("Forum Muider") (50%): a joint venture with United Company RUSAL Plc ("UC RUSAL") with equal shareholding of 50%:50%, registered in the Netherlands, and being a holding company, owing 100% of the interest of the share capital of Bogatyr-Coal LLC, Resursenergougol LLC, Uralenergougol LLC and a number of other companies, registered in Russian Federation and Cyprus Republic, which not engaged in the significant operations.

Bogatyr-Komir LLC ("Bogatyr-Komir") (50%): 100% subsidiary of Forum Muider, registered in the Republic of Kazakhstan, engaged in mining of coal in Bogatyr and Severnyi open coal pits.

Resursenergougol LLC (50%): 100% subsidiary of Forum Muider, registered in Russian Federation, engaged in power station coal disposal on the territory of Russian Federation.

Uralenergougol LLC (50%): 100% subsidiary of Forum Muider, registered in Russian Federation. In 2010-2011 Uralenergougol LLC did not perform any significant transactions.

Zhambylskaya GRES named after T.I.Baturova JSC (hereinafter referred as "Zhambylskaya GRES") (50%): a joint venture with Tarazenergo – 2005 LLC with equal shares 50%:50%, registered in the Republic of Kazakhstan, engaged in production of electric energy and heating energy, based on hydrocarbons and its realisation in the South Kazakhstan. The Group's share in Zhambylskaya GRES named after T.I.Baturova was fully impaired in 2007. Accumulated unrecognised share of accumulated losses of this joint venture at 31 December 2011 was KZT 428,302 thousand (2010: KZT 557,735 thousand).

16 Investments in joint ventures and associates, continued

TPEP LLC ("TPEP") (25%): a company, registered in the Republic of Kazakhstan, which main activity is construction and assembly works. The Group acquired 25% interest in the share capital of TPEP on 23 June 2010.

Below is the general financial information on equity accounted investees, adjusted in accordance with Group's ownership:

'000 KZT	Ownership	Total assets	Total liabilities	Revenues	Profit/loss
31 December 2010					
Zhambylskaya GRES named after T.I.Baturova JSC	50%	259,469	817,204	1,389,671	(2,127)
Ekibaztuzskaya GRES-2 JSC	50%	25,054,270	5,693,065	12,076,783	3,479,555
Forum Muider B. V.	50%	45,247,978	10,906,581	31,307,231	(32,045)
TPEP LLC	25%	3,151,690	3,146,406	86,419	1,513
		73,713,407	**20,563,256**	**44,860,104**	**3,446,896**
31 December 2011					
Zhambylskaya GRES named after T.I.Baturova JSC	50%	1,057,712	1,486,014	2,783,446	125,926
Ekibaztuzskaya GRES-2 JSC	50%	29,810,922	6,044,558	15,879,087	5,905,159
Forum Muider B. V.	50%	47,954,822	16,274,004	38,614,391	3,896,749
TPEP LLC	25%	1,979,638	1,751,393	3,347,153	222,969
		80,803,094	**25,555,969**	**60,624,077**	**10,150,803**

17 Other non-current assets

'000 KZT	2011	2010
Prepayments for non-current assets	8,056,976	21,249,296
Long-term VAT receivable	3,292,097	2,035,897
Long- term receivables from employees	143,149	174,475
Long -term prepaid employee benefits	230,377	249,874
Restricted cash	7,108	2,959,136
Other	177,492	612,766
Less: impairment loss	(5,822)	(90,822)
	11,901,377	**27,190,622**

(a) Prepayment for non-current assts

'000 KZT	2011	2010
Construction and reconstruction of electrical substations in Almaty and Almaty region	4,953,936	11,163,201
Property, plant, equipment and services related to reconstruction and expansion of TETs -2	2,739,680	675,341
Construction of Moinak HES	305,963	7,819,198
Construction and reconstruction of electrical substations in Aktau and Mangistau region	11,623	74,954
Reconstruction of ash dumps and construction of a combined system of ash slag disposal of TETs-1	-	1,081,507
Reconstruction of TETs-2 ventilation coolers	-	375,835
Other	45,774	59,260
	8,056,976	**21,249,296**

(b) Restricted cash

'000 KZT	2011	2010
Special deposit placed until the completion of Moinak HES construction	-	2,950,000
Other	7,108	9,136
	7,108	**2,959,136**

A special deposit held until the completion of Moinak HES construction was placed in accordance with the Loan Agreement with China State Development Bank (Note 23) and is restricted in use until the date of Moinak HES commissioning, which is scheduled for 2012.

(c) Long-term VAT receivable

Long-term VAT receivable is a receivable VAT recognised as the result of purchases of goods and services in the territory of the Republic of Kazakhstan. The management believes that this amount will be completely reimbursed in the future upon the completion of the construction of Moinak HES and its commissioning.

18 Inventories

'000 KZT	2011	2010
Fuel	5,901,931	3,314,146
Spare parts	2,339,522	2,444,848
Auxiliary production materials	2,174,802	2,335,515
Raw materials	432,478	337,208
Other materials	1,097,935	855,573
	11,946,668	**9,287,290**
Provision for write-down to net realisable value and provision for slow moving and obsolete inventories	(1,342,609)	(1,364,339)
Total inventories	**10,604,059**	**7,922,951**

Changes in provision for write-down to net realisable value and provision for slow moving and obsolete inventories are shown below:

'000 KZT	2011	2010
Balance at 1 January	1,364,339	1,835,268
Additional charge for the year	352,636	13,678
Reversal	(339,288)	(445,254)
Inventory write-off	(35,078)	(39,353)
Balance at 31 December	**1,342,609**	**1,364,339**

19 Trade and other receivables

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 30.

'000 KZT	2011	2010
Financial receivables		
Trade receivables of buyers and customers for principal activities	6,226,953	11,184,915
Loan to Energosberezheniye Public Utility Company	3,281,556	3,281,556
Receivable from Almaty Heat Network JSC	1,058,982	1,058,982
Other financial receivables	44,650	51,321
Less: allowance for impairment	(4,446,291)	(4,506,359)
	6,165,850	**11,070,415**
Other receivables		
Advances paid to suppliers	2,022,538	314,971
Other assets	657,728	155,552
Less: allowance for impairment	(119,404)	(147,685)
	2,560,862	**322,838**
	8,726,712	**11,393,253**

Changes in the Group's allowance for financial receivables impairment:

'000 KZT	2011	2010
Balance at 1 January	4,506,359	5,034,424
Charge for the year	71,876	149,295
Reversal	(132,306)	(714,943)
Bad receivables write-off	362	37,583
	4,446,291	**4,506,359**

19 Trade and other receivables, continued

(a) Loan to Energosberezheniye Public Utility Company

In 2002 Alatau Zharyk Kompaniyasy JSC ("AZhK") issued an interest-free financial aid to Energosberezheniye Public Utility Company ("Energosberezheniye" PUC) in the amount of KZT 5,229,976 thousand with the initial maturity on 1 October 2002. As at 31 December 2011 the outstanding balance amounted to KZT 3,281,556 thousand (2010: KZT 3,281,556 thousand). In 2004 the management made the conclusion that this amount is not recoverable and created provision of 100% of outstanding amount. As at 31 December 2011 the amount of this provision remains unchanged (2010: unchanged).

(b) Receivable from Almaty Heat Network JSC

This amount represents the outstanding receivables from Almaty Heat Network JSC arisen from transfer of property complex of heat networks of Almaty city by the Group as part of reorganisation of AZhK, made in 2007 in order to transfer the function of heating energy sale and transportation function according to ANMR instruction. Almaty Heat Network JSC is a state-owned enterprise. In 2008 the Group created provision for impairment of receivable from Almaty Heat Networks JSC in the amount of KZT 1,058,982 thousand. As at 31 December 2011 the amount of the reserve remains unchanged (2010: KZT 1,058,982 thousand).

20 Other current assets

'000 KZT	**2011**	**2010.**
Term deposits (with maturity more than 3 months)	4,181,872	2,714,847
VAT recoverable and prepaid taxes	3,457,667	3,418,201
Interest-free loans to related parties	1,315,616	-
Interest-free loans to unrelated parties	294,000	-
Interest receivable	23,088	73,549
	9,272,243	**6,206,597**

Term deposits are the bank deposits with maturity period of more than three months placed at contractual interest rate from 4% to 10.4% per annum. Term deposits include a special deposit in the amount of KZT 2,950,000 thousand, which is restricted in use until the Moinak HES commissioning date sceduled for 2012.

Interest-free loans granted to related and unrelated parties are payable on demand.

The information on Group's exposure to credit and interest risks and impairment losses from term deposits and interest-free loans receivable is disclosed in Note 30.

21 Cash and cash equivalents

'000 KZT	**2011**	**2010**
Petty cash	19,376	27,353
Bank balances	44,297,870	5,815,414
Restricted cash	2,516,000	-
Demand deposits	3,010,901	9,145,393
	49,844,147	**14,988,160**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 30.

22 Capital and reserves

(a) Share capital

	Issue date	Number of authorised and issued shares	Share par value, KZT	Share capital '000 KZT
1st issue of shares	31 May 2007	5,460	10,000	54,600
2nd issue of shares	22 November 2007	1,377,647	10,000	13,776,470
3rd issue of shares	13 March 2008	541,811	10,000	5,418,110
4th issue of shares	10 October 2008	158,758	10,000	1,587,580
5th issue of shares	5 December 2008	224,256	10,000	2,242,560
Less:				
Unpaid portion of the 3rd issue of shares		-		(356,510)
Unpaid portion of the 4th issue of shares		-		(104,460)
Unpaid portion of the 5th issue of shares		-		(874,280)
Balance at 1 January 2009		**2,307,932**		**21,744,070**
Payment of unpaid portion of the previous issues		-		1,335,250
6th issue of shares	13 May 2009	990,250	10,000	9,902,500
Less:				
Unpaid portion of the 6th issue of shares		-		(726,720)
Balance at 31 December 2009		**3,298,182**		**32,255,100**
7th issue of shares	6 August 2010	1,100,332	41,047	45,165,372
Less:				
Unpaid portion of the 7th issue of shares		-		(705,394)
Balance at 31 December 2010		**4,398,514**		**76,715,078**
Payment of unpaid potion of 6th issue of shares		-		726,720
Payment of unpaid potion of 7th issue of shares		-		705,394
7th issue of shares (2 stage)	4 April 2011	247,801	100,000	24,780,100
7th issue of shares (3 stage)	22 December 2011	394,718	44,000	17,367,592
Balance at 31 December 2011		**5,041,033**		**120,294,884**

22 Capital and reserves, continued

(a) Share capital, continued

Number of shares, if not stated otherwise	**Common shares**	
	2011	**2010**
Authorised shares	5,041,033	4,398,514
Outstanding at the beginning of the year	4,308,657	3,225,510
Paid in cash during the year	732,376	1,083,147
Outstanding at the end of the reporting period, paid in full	**5,041,033**	**4,308,657**

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

(b) Reserves

(i) Results of transactions with the shareholder not at arm's length

In January 2011 the Group received a loan in the amount of KZT 7,000,000 thousand from Samruk-Kazyna bearing an interest rate of 2% per annum. To reflect the fact that Samruk-Kazyna has provided loan not at arm's length but acting in its capacity of the principal shareholder of the Group, the Group, as at 31 December 2011, recognised a discount in the amount of KZT 2,637,388 thousand less correspond deferred tax liability in the amount of KZT 659,347 thousand directly in equity (2010: discount of KZT 15,388,206 thousand less the respective deferred tax liability in the amount of 3,159,135 thousand),

(ii) Additional paid in capital

In 2006 KazKuat JSC ("KazKuat") received cash in the amount of KZT 300,000 thousand from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan as additional paid in capital. However, at 31 December 2009 KazKuat did not issue the additional shares for this amount. Due to the expected liquidation of KazKuat, the Group made decision to repay those funds. Accordingly, as of 31 December 2010 this amount was transferred in liabilities and paid during 2011.

(c) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS or annual profit if there are accumulated losses carry-forward.

In accordance with the dividends distribution policy, approved by the shareholders of the Group and according to the Resolution of the Board of Directors of the Company of 19 July 2011, a decision was made to pay out the dividends based on the results of 2010 in the amount of KZT 1,629,350 thousand. The dividends per share were KZT 372. On 16 August 2011 the Company paid out all declared dividends in full.

(d) Non-controlling interest

Mangistau Electricity Distribution Company JSC

In 2011 the non-controlling shareholders of Mangistau Electricity Distribution Company JSC ("MEOC") acquired 19,133 ordinary shares for consideration of KZT 21,500 thousand. As a result, the share of the Group in the total number of MEOC's voting shares decreased from 79.59% to 78.64%. The Group recognised a loss on operations with non-controlling interest in the amount of KZT 21,768 thousand, which was determined as the difference between the cost of MEOC own shares sold and carrying amount of the acquired non-controlling interest, directly in the equity.

22 Capital and reserves, continued

(d) Non-controlling interest, continued

Moinak HES JSC

In 2010, Birlik Joint Stock Company JSC owning 49% of Moinak HES shares paid the previously unpaid part of share capital in the amount of KZT 96,401 thousand. As the result of this transaction the interest of the Group in Moinak HES did not change.

(e) Earnings per share

The calculation of basic earnings per share as at 31 December 2011 was based on the profit attributable to ordinary shareholders in the amount of KZT 14,794,171 thousand (2010: KZT 10,862,599 thousand), and a weighted average number of outstanding ordinary shares of 4,568,033 (2010: 3,401,974 ordinary shares), calculated as shown below. The Company has no dilutive potential ordinary shares.

Shares	**2011**	**2010**
Outstanding shares at 1 January	4,308,657	3,225,510
Effect of shares issued in April	185,851	-
Effect of shares issued in May	36,336	-
Effect of shares issued in October	4,296	172,404
Effect of shares issued in December	32,893	4,060
Weighted average number of shares for the year	**4,568,033**	**3,401,974**

23 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 30.

'000 KZT	**2011**	**2010**
**Non-current liabilities**		
Secured bank loans	48,237,146	42,408,751
Unsecured bonds issued	1,829,380	2,341,867
Loan from Samruk-Kazyna	29,647,724	28,357,096
Loans from customers	3,499,257	4,041,144
Note payable	292,705	262,652
	83,506,212	**77,411,510**
**Current liabilities**		
Current portion of secured bank loans	12,187,869	7,245,626
Unsecured bonds issued	651,206	874,866
Loan from Samruk-Kazyna	2,597,834	836,453
Loans from customers	623,719	122,673
	16,060,628	**9,079,618**

23 Loans and borrowings, continued

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 KZT	Nominal interest rate	Currency	Year of maturity	Carrying amount 2011	Carrying amount 2010
AZhK					
Halyk Bank of Kazakhstan	12.50%	KZT	2012	5,229,005	5,198,208
Halyk Bank of Kazakhstan	12.50% and 16%	KZT	2012 -2015	1,442,458	4,757,242
Kazkommertsbank	12.50%	KZT	2013	2,799,527	4,158,886
HSBC Bank	From 7 to 11 %	KZT	2013	1,624,750	2,904,786
Development Bank of Kazakhstan	12.50%	KZT	2016	2,814,337	1,510,614
VTB Bank Kazakhstan	9.00%	KZT	2016	4,005,314	-
Kazinvestbank	9.00%	KZT	2012	1,877,504	-
ATF Bank	7% + KAZPRIME 3M	KZT	2021	3,845,568	-
Loans from customers	0%	KZT	2027	3,246,170	3,284,559
Note payable	0%	KZT	2015	292,705	262,652
Total AZhK:				**27,177,338**	**22,076,947**
Moinak HES					
China State Development Bank	6MLIBOR+1.2%	USD	2026	27,917,035	25,280,910
Development Bank of Kazakhstan	6MLIBOR+ 1.15%, 8% и 12%	USD, KZT	2026-2028	8,247,281	5,843,731
Total Moinak HES:				**36,164,316**	**31,124,641**
Samruk-Energy					
Loan from Samruk-Kazyna	1.2% и 2%	KZT	2029 -2024	32,245,558	29,193,549
Total Samruk-Energy:				**32,245,558**	**29,193,549**
AES					
SB Alfa-Bank	6.9%	KZT	2012	622,236	-
Bonds issued	15%	KZT	2015	259,876	276,959
Total AES:				**882,112**	**276,959**
MEOC					
Bonds issued	12-16%	KZT	2014	2,220,710	2,939,774
Loans from customers	0%	KZT	2036	876,806	879,258
Total MEOC:				**3,097,516**	**3,819,032**
				99,566,840	**86,491,128**

23 Loans and borrowing, continued

Terms and debt repayment schedule, continued

On 29 April 2009 the Group concluded a loan agreement with Halyk Bank of Kazakhstan JSC ("Halyk Bank") for opening of a new credit facility to refinance outstanding loans in the amount of KZT 5,198,208 thousand following the terms of the plan of cooperation between the Government of the Republic of Kazakhstan, Halyk Bank and Agency of the Republic of Kazakhstan for Regulation and Supervision of Financial Market and Financial Organisations. The Group provided items of property, plant and equipment of its subsidiary APS as security for the credit facility agreement. The loan is repayable by lump-sum payment before 31 December 2012.

On 29 April 2009 the Group concluded a credit facility agreement with Halyk Bank JSC. According to this credit facility agreement the Group received a loan of KZT 3,800,000 thousand. The loan was issued for the period of 3 years in order to finance the working capital. The loan bears interest of 12.5-16% per annum. Principal is repayable according to the repayment schedule specified in the credit agreement within the period from 1 February 2010 till 30 January 2012. Interest is payable on a monthly basis.

On 15 July 2010 the Group concluded a credit facility agreement with Halyk Bank JSC. According to this credit line the Group received a loan for the amount of KZT 1,571,925 thousand in order to acquire administrative building and a piece of land. The loan matures on 31 July 2015. Interest rate is 12% per annum; interest is payable on a monthly basis. Principal is repaid by equal monthly payments starting from 22 September 2011 and till 31 July 2015. This loan is secured by the guarantee of Samruk-Energy JSC.

On 8 August 2007 the Group signed an agreement with APC and Kazkommertsbank JSC, under which the Group assumed financial liabilities of APC amounting to KZT 4,860,000 thousand with relation to the associated loans, received from Kazkommertsbank JSC. The interest rate was 12.5%. The interest is payable on a monthly basis, while the principal is paid according to the payment schedule, specified by the Loan Agreement during the period from 2 May 2011 to 29 December 2013. This loan is secured by the guarantee of Samruk-Energy JSC.

The Group signed an agreement with HSBC Bank Kazakhstan to provide a credit line for the total amount of KZT 2,900,000 thousand for the period up to 28 October 2013. The purpose of this credit line is to finance working capital in the form of loans and overdrafts. The interest rate on overdrafts is 5.2% per annum, and varies on loans from 7% to 11 % per annum. The loan is repaid on a monthly basis. The overdraft terms should not exceed the term of the credit line; the loans are payable within 12 months. This credit loan is secured by the guarantee of Samruk-Energy JSC.

The loan from Development Bank of Kazakhstan JSC ("DBK") was received on 11 April 2008 for financing of reconstruction of TES-2 ventilation coolers. The total amount of the loan is KZT 2,949,150 thousand and the loan term is 8 years. Loan bears an interest rate of 12.5% per annum and is payable on a quarterly basis. The principal shall be paid quarterly starting from 10 December 2011. The loan is secured by future cash flows to be received under the agreement between the AES JSC and AlmatyEnergoSbyt LLC, Almaty Heat Networks JSC and Almaty SU State Enterprise.

Loan facility from VTB Bank of Kazakhstan was received on 30 September 2011 for the period of 5 years; the purpose of this loan is financing of investment projects. The loan bears interest rate of 9% per annum; according to the payment schedule the principal amount is payable semi-annually, while interest is payable on a monthly basis. The loan facility is secured by the expected cash flows under the contracts signed between AES JSC and AZhK JSC, as well as by a full joint guarantee of Samruk-Energy JSC.

23 Loans and borrowing, continued

Terms and debt repayment schedule, continued

On 14 November 2011 the Group signed the agreement with Kazinvestbank JSC for short-term financing for the period until 14 November 2012.

Under this loan agreement the Group can receive financing provided the total amount of the Group's outstanding loans does not exceed KZT 2,516,000 thousand. The loan was given the purpose of financing the working capital. The loan bears interest at rate of 9% per annum. Loan repayment terms do not exceed 6 months. The principal is repayable at the end of each loan term. Interest is payable on a monthly basis. The loan is secured by cash in the amount of KZT 2,516,000 thousand on the Group's current account with Kazinvestbank JSC.

Under thus loan agreement the Group received tranches for the total amount of KZT 2,670,372 thousand to financing working capital; out of that amount KZT 800,000 thousand were repaid as at 31 December 2011. The total amount of loans outstanding during 2011 did not exceed the limit set in the agreement.

On 29 June 2011 the Group signed a loan facility agreement with ATF Bank JSC; the purpose of this loan facility is reconstruction of the power grid in Almaty. The interest rate was determined to be 7% + KAZPRIME 3M. The borrowed funds shall be paid back not later than 29 June 2021 on the basis of the payment schedule specified in each loan agreement. Interest shall be payable on a quarterly basis.

Loans from customers were received by the Group for the construction of power transmission lines in accordance with the Decree of the Government of the Republic of Kazakhstan dated on 21 February 2007. These loans are interest-free and are repayable by equal instalments during 20 years, starting from 2010. Initially the loans from customers were measured at fair value using the discounted cash flow method and subsequently were recognised at amortised cost. In accordance with the Law of the Republic of Kazakhstan No.116-IV dated 29 December 2008 "On Making Changes and Additions to Some Legislative Acts of the Republic of Kazakhstan Concerning Activity of Independent Industry Regulators", certain changes were made to the Law "On Electric Power Industry" effective from 1 January 2009, which excludes the obligation of the consumers of electric energy and heating energy to compensate costs incurred on connection of additional capacities.

On 1 August 2005 AZhK issued a long-term note for the amount of KZT 450,358 thousand for Powerfin Holding Investment B.V for the period till 1 August 2015 with zero interest rate; the note was initially recognised at fair value using the discounted cash flows method and at of 11.5% per annum.

Moinak HPS

On 14 June 2006 Moinak GES JSC signed a credit faci1ity agreement with State Development Bank of China for the amount of USD 200,000 thousand at the interest rate of 6MLIBOR+1.2%. The loan was issued for the period of 20 years. The Group used the amount of USD 189,940,643 for construction of HPS during 2006-2011; the remaining amount of USD 10,059,357 will be used during 2012-2013.

On 14 December 2005 and 16 January 2008 the Group received loans in the form of two tranches from the Development Bank of Kazakhstan JSC, a related party, in the amount of USD 25,000,000 and USD 26,058,000 at the interest rates of 1.15*6MLIBOR+1.15% and 8% per annum, accordingly. The loans were issued for the period of 20 years.

On 17 July 2011 the Group signed an agreement with Development Bank of Kazakhstan JSC for the third tranche in the amount of KZT 12,285,000 thousand bearing interest rate of 12% per annum. The loan was provided for the period of 17 years. During the second half of the year, the Group received tranche in the amount of KZT 1,401,661 thousand under the loan agreement.

23 Loans and borrowing, continued

Terms and debt repayment schedule, continued

Bank loans are secured by the objects of construction in progress; property, plant and equipment; proceeds from future sales of electricity and the guarantees of the Ministry of Finance, Samruk-Energy JSC and corporate guarantees of NWF Samruk-Kazyna JSC in the amount of USD 80,000,000 to secure the loan received from State Development Bank of China JSC and KZT 12,285,000 to ensure the third tranche from Development Bank of Kazakhstan.

AlmatyEnergoSbyt

On 20 August 2010, the Group signed a loan facility agreement with SB Alfa Bank JSC. Under this loan facility the Group received loans for the total amount of KZT 3,000,000 thousand. The loans were issued to financing working capital. The average interest rate i 6.9% per annum. The principal and interest are payable in accordance with the payment schedule specified by terms and conditions of the agreement. As at 31 December 2011 the principal amount was KZT 600,000 thousand and interest was KZT 2,208 with the maturity before 28 February 2012.

In September 2008 AlmatyEnergoSbyt issued the coupon bonds with nominal value of KZT 1 with fixed coupon rate of 15% per annum and maturity of 7 years inr the amount of KZT 500,000 thousand with discount. In total there were issued 900,000,000 bonds. As at 31 December 2011, 267,030 thousand bonds. The bonds are not convertible.

MEOC

In August 2005, MEOC issued with 500,000 thousand coupon bonds of the second issue with a discount of KZT 456 thousand and interest rate of 13% per annum.

In November 2006 MEOC issued additional 700,000 thousand of KZT denominated coupon bonds with a discount of KZT 25 thousand and interest rate of 12% per annum. In May 2007 MEOC issued additional 500,000 thousand of KZT denominated coupon bonds of 4th issue with a discount of KZT 104 thousand and interest rate of 12% per annum. In February 2008 MEDG issued additional 800,000 thousand of KZT denominated coupon bonds of 5th issue with a discount of KZT 216 thousand and interest rate of 16% per annum. In February 2009 MEOC issued additional 600,000 thousand of KZT denominated coupon bonds of the 5th issue with a discount of KZT 15,336 thousand and interest rate of 16% per annum. All bonds are unsecured and issued at the Kazakhstani Stock Exchange and sold to the pension funds and different financial organisations.

In September 2010 MEOC fully repaid its liabilities on coupon bonds of the 2nd issue. In November 2011 MEOC also repaid the liabilities on the coupon bonds of the 3rd issue.

During 2007-2009 the Group received loans from customer totalling to KZT 2,595,896 thousand, including KZT 51,480 thousand during 2009. Difference between the face value of these loans and their fair values at the initial recognition were charged to deferred income.

24 Employee benefits

Employee benefit obligations are recognised in accordance with the terms and conditions specified in the collective labor contracts signed by the Group companies.

Changes in the employee benefits obligations were as follows:

'000 KZT	2011	2010
Present value at the beginning of the period	283,135	52,235
Actuarial losses	414,748	264,102
Recognition of previously unrecognised liabilities	242,174	-
Unwinding of discount	37,626	21,969
Current service costs	74,114	11,874
Benefits paid	(102,810)	(67,045)
Carrying amount at the end of the period	**948,987**	**283,135**
Long-term portion of benefits	889,962	240,558
Short-term portion of benefits	59,025	42,577
Total	**948,987**	**283,135**

Actuarial losses and current service costs were included in the cost and total administrative expenses.

'000 KZT	2011	2010
Discount rate	4.80%	9.00%
Annual growth of minimum salary and monthly calculation index	7.50%	7.00%
Average labour turnover rate		
- administrative and management personnel	13.75%	25.02%
- production personnel	11.63%	14.59%

25 Ash dump restoration provision

In accordance with environment protection legislation, the Group has a legal obligation to restore ash dump sites, which are areas for disposal of wastes generated by the Group companies.

Below is the change in the reserve for ash dump restoration:

'000 KZT	2011	2010
Carrying amount at the beginning of the period	362,234	175,742
Unwinding of discount	29,722	37,001
Change in estimates due to the change of discount rate, charged to property, plant and equipment	7,134	2,397
Other changes in accounting estimates charged to property, plant and equipment	(15,803)	207,248
Use of provisions	(30,937)	(60,154)
Carrying amount at the end of the period	**352,350**	**362,234**

Ash dump restoration liability shall be paid at the end of the useful life of each ash dump varying from 2011 to 2016. Uncertainties in estimating such expenses include potential changes in the requirements of environment legislation, volumes and alternative methods of ash dumps restoration as well as the discount and inflation rates.

The reserve amount was determined at the end of the reporting period using the nominal prices effective at that date and applying expected inflation rate for the expected period of ash dump use and discount rate at the end of each reporting period.

25 Ash dump restoration provision, continued

Until 2010, based on the interpretations of environmental legislation, the management believed that ash dumps of dry storage do not require any reclamation and accordingly, the management did not create any provisions for restoration thereof. In 2010 the management arrived to a conclusion that the group has a legal obligation related to ash dump restoration and recognised relevant provisions in the amount of KZT 186,134 thousand. As at 31 December 2011 there were no significant changes in the provisions.

Key assumptions applied to the calculation of liabilities on assets disposal and liquidation were as follows

'000 KZT	2011	2010
Discount rate	7.60%	9.0%
Inflation factor	6.00%	6.7%

26 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 KZT	Assets		Liabilities		Net	
	2010	2011	2010	2011	2010	2011
Property, plant and equipment	-	-	(5,030,657)	(6,543,743)	(5,030,657)	(6,543,743)
Inventory	274,275	269,653	-	-	274,275	269,653
Trade and other receivables	34,540	19,899	-	-	34,540	19,899
Loans and borrowings	-	-	(3,718,351)	(3,712,597)	(3,718,351)	(3,712,597)
Trade and other payables	190,705	170,790	-	-	190,705	170,790
Provisions	48,163	32,516	-	-	48,163	32,516
Unused vacation reserve	86,071	111,205	-	-	86,071	111,205
Employee benefits	56,626	124,939	-	-	56,626	124,939
Other items	54,621	54,269	-	-	54,621	54,269
Tax loss carry-forwards	2,968,826	4,318,455	-	-	2,968,826	4,318,455
Net tax assets/(liabilities)	**3,713,827**	**5,101,726**	**(8,749,008)**	**(10,256,340)**	**(5,035,181)**	**(5,154,614)**

26 Deferred tax assets and liabilities, continued

(b) Movement in temporary differences during the year

'000 KZT	1 January 2011	Recognised in profit or loss	Recognised directly in equity	31 December 2011
Property, plant and equipment	(5,030,657)	(1,513,086)	-	(6,543,743)
Inventory	274,275	(4,622)	-	269,653
Trade and other receivables	34,540	(14,641)	-	19,899
Loans and borrowings	(3,718,351)	445,890	(440,136)	(3,712,597)
Trade and other payables	190,705	(19,915)	-	170,790
Provisions	48,163	(15,647)	-	32,516
Unused vacation reserve	86,071	25,134	-	111,205
Employee benefits	56,626	68,313	-	124,939
Other items	54,621	(352)	-	54,269
Tax loss carry-forwards	2,968,826	1,349,629	-	4,318,455
	(5,035,181)	**320,703**	**(440,136)**	**(5,154,614)**

'000 KZT	1 January 2010	Recognised in profit or loss	Recognised directly in equity	31 December 2010
Property, plant and equipment	(3,424,542)	(1,606,115)	-	(5,030,657)
Inventory	304,984	(30,709)	-	274,275
Trade and other receivables	153,274	(118,734)	-	34,540
Loans and borrowings	28,644	(587,860)	(3,159,135)	(3,718,351)
Trade and other payables	15,058	175,647	-	190,705
Provisions	19,659	28,504	-	48,163
Unused vacation reserve	55,742	30,329	-	86,071
Employee benefits	10,447	46,179	-	56,626
Other items	34,105	20,516	-	54,621
Tax loss carry-forwards	32,914	2,935,912	-	2,968,826
	(2,769,715)	**893,669**	**(3,159,135)**	**(5,035,181)**

In 2010 the Group reviewed the probability of utilisation of the unused tax loss carry-forward in future and recognised deferred assets with respect of tax loss unrecognised in prior periods in the amount of KZT 2,698,024 thousand. This amount comprises the amount of tax loss to be realised prior the expiry date by means of offset against taxable temporary differences on the loans.

Deferred tax liabilities recognised in the equity in the amount of KZT 440,755 thousand for 2011 include deferred tax liabilities in the amount of KZT 659,347 on the transactions with shareholders not at arm's length (Note 22(b)) and other amounts.

26 Deferred tax assets and liabilities, continued

(c) Unrecognised deferred tax assets

As at 31 December 2011 the deferred tax assets were not recognised with regard to the tax losses carry-forward in the amount of KZT 1,232,236 thousand (2010: KZT 1,181,489 thousand). The tax losses in the amount of KZT 438,104 thousand expire in 2012; the remaining losses expire in 2019-2020. Deferred tax assets were not recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. In the context of the Group's current structure the tax losses and current tax assets of different companies in the Group may not be offset against current tax liabilities and taxable profit of other Group companies and accordingly, the taxes could be assessed even if a consolidated tax loss is available.

As at 31 December 2011, the temporary differences in the amount of KZT 5,942,480 thousand, related to investments in subsidiaries, joint ventures and associates were not recognised due to the fact that the Group is able to control the period of utilisation of these differences and it is highly probable that these temporary differences would not be realized in the foreseeable future (2010: KZT 5,133,936).

27 Other non-current liabilities

'000 KZT	2011	2010
Deferred income		
- AZhK	5,641,505	6,131,398
- MEOC	1,798,430	1,865,545
Liabilities on preferred shares of subsidiaries	107,737	107,737
Other	2,402	2,189
	7,550,074	**8,106,869**

Deferred income presents difference between the nominal value of the loans from the customers of AZhK and MEOC for the construction of power transmission lines and connection infrastructure facilities to the power transmission network or reconstruction of current power transmission lines and infrastructure and their fair value upon initial recognition. The carrying amount of these loans is disclosed in Note 23. Deferred income will be then recognised in profit or loss during the useful life of property, plant and equipment.

28 Trade and other payables

'000 KZT	2011	2010
Financial payables		
Payables to suppliers and contractors	22,773,519	17,794,161
Other financial payables	557,285	534,397
Dividends payable	419,485	526,030
	23,750,289	**18,854,588**
Other payables		
Advances received from buyers and customers	1,908,757	1,555,463
Wages and salaries payable	889,671	694,746
Provisions accrued for unused vacations	395,654	441,512
Other payables	416,815	882,212
	3,610,897	**3,573,933**
	27,361,186	**22,428,521**

Dividends payable is payables to the non-controlling shareholders of MEOC and Hydroelectric Companies.

The information on Group's exposure to currency risk and liquidity risk related to trade and other payables is disclosed in Note 30.

29 Provisions for legal proceedings

’000 KZT	**2011**	**2010**
Akimat’s claim	7,274,672	7,274,672
Bastau’s claim	1,037,507	970,000
	8,312,179	**8,244,672**

Akimat’s claim

On 30 June 2005 AZhK, KazTransGas and Halyk Bank signed an agreement according to which KazTransGas assumed an obligation and repaid AZhK is liability to Halyk Bank in the amount of USD 46,600 thousand and KZT 1,941,568 thousand. In addition, in accordance with the terms and conditions of the agreement KazTransGas was assigned with the right to the property complex of main business units of Almaty Power Stations JSC as a collateral for AZhK’s indebtedness, the property complex, which was previously used as security against AZhK debt to Halyk Bank.

Later KazTransGas released this property from collateral. At that time Akimat, being then the owner of AZhK, provided to KazTransGas buildings of Kazakhstan and Almaty hotels, located in Almaty. In 2005 KazTransGas held an auction for sale of the above mentioned buildings. This transaction was accounted for by KazTransGas as the repayment of the equivalent amount of AZhK debt to KazTransGas.

In 2009 Akimat claimed in a legal procedure that AZhK should repay the debt in the amount of KZT 7,274,672 thousand (Note 32). In 2010 the case was closed due to the nonappearance of Akimat representatives to court.

The management believes that the existing liability is the most probable amount to cover the risk existing at the reporting date.

Corporate dispute

In 2008 General Manager of AZhK signed an agreement with Akimat, under which AZhK recognised the debt to Akimat. In the current period the Group brought an action against the former management of AZhK on the ground of excess of power by the management, when signing the above mentioned agreement in 2008. The Inter-District Economic Court of Astana declined this claim and the management of the Group intends to apply to the Supreme Court of the Republic of Kazakhstan to appeal this decision.

Bastau’s Claim

In 2010 Bastau Subsidiary Public Utility Company under Almaty SU Holding State Utility Company (“Bastau SPUC”), which provides services of cold water supply to the Group, filed a claim to the court with the request to force AZhK to apply the Bastau SPUC calculation procedure starting from 1 January 2009 when calculating the cost of services on cold water supply. Bastau SPUC calculation procedure provides for the calculation of the cost of services of cold water supply to the Group on the basis of distribution volumes of hot water generated by Almaty Heating Networks JSC (AlHN) by customers groups and application of differentiated tariffs of Bastau SPUC established for the respective customers groups. Bastau SPUC claim for 2010 amounted to KZT 970,000, including a state duty of KZT 100,000 thousand. In 2010 the Company paid KZT 1,030,000 thousand according to the decision of the court made on the similar claim for 2009.

29 Provisions for legal proceedings, continued

Bastau's Claim, continued

Furthermore, Bastau SPUC demands to force AZhK to provide information and supporting documents on distribution of services received by customer groups for the purposes of calculation respective service costs.

AZhK believes that within its operational activity related to chemical processing of the water and making it hot, it does not have any liabilities on covering any quantitative losses, related to normative and above-norm losses of water in the process of its circulation until the point of its distribution to consumers, which is the subject of claim from Bastau SPUC. However, on the analogy with the court decision for 2009, the Company created provision in the amount of KZT 970,000 thousand for 2010.

In 2011, the special inter-district economic court of Almaty took a decision dated 30 September 2011 to satisfy the claim of Bastau SPUC in full. The Company has filed an appeal to Almaty city court on this decision. By the Order dated 2 December 2011, appeal panel of judges of Almaty city court rejected AZhK's claim, leaving the decision of the Specialised Inter-District Economic Court of Almaty unchanged. On 6 January 2012 AZhK filed an appeal against the judgment of the appellate judicial panel of Almaty city court. The appellate panel of judges of Almaty City Court decided to leave the previous court decisions unchanged.

Taking into account the judgments made in 2011 on the claim, the Company left the provision amount for 2010 unchanged as at 31 December 2011.

In February 2012 AlHN provided information on water consumption by consumer groups during 2011, detailing quantitative indicators of normative and above-standard water loss. Data provided by AlHN differ from those calculated by AZhK on the basis of their own measurements, the number of normative AlHN losses and the amount of water used by AlHN for their own needs. AZhK estimated the likelihood of similar litigation with Bastau SPUC for the services on cold water supply for the 2011 in respect of the standard losses by AlHN and the water used by AlHN for their own needs as high, and as at 31 December 2011 created provision in the amount of KZT 67,507 thousand.

However, the data on the consumption of hot water by consumer groups, provided by AlHN also differ from similar data calculated by Bastau SPUC in 2011 and provided AZhK by the amount of above-standard losses not confirmed by AlHN. AZhK Bastau SPUC requested more detailed information on the consumption of hot water from AZhK (on a monthly, with breakdown by contracts and personal accounts).

As it is stated above, the amount of additional charges based on the results of the trials with Bastau SPUC for 2010 and 2009 were calculated on the basis of data provided by AlHN. Therefore, AZhK believes that the reserve for 2011, calculated on the basis of data provided by AlHN is sufficient. AZhK's management also believes that there is a potential risk of additional payment associated with the fact that Bastau SPUC is not completely satisfied according to the information and supporting documents on the distribution of hot water by consumer groups, which AZhK plans to provide on the basis of data obtained from AlHN. AZhK has calculated the amount of potential liability, equal to KZT 673,063 thousand, and this is the difference between the value of consumption of cold water for 2011, calculated by Bastau SPUC and the same amount, calculated by AZhK on the basis of data provided by AlHN.

29 Provisions for legal proceedings, continued

Bastau's Claim, continued

In 2011, AZhK filed a counter-claim against AlHN on the basis of judgments on the case with Bastau SPUC claiming to compensate the amount of KZT 1,030,000 thousand of direct losses from the litigation with Bastau SPUC in 2009 and the registration fee in the amount of KZT 30,900 thousand. On 23 September 2011, the Specialised Inter-District Economic Court of Almaty made decision to satisfy AZhK's claim in full. AlHN filed an appeal but on 21 November 2011 the appeal panel of judges decided to leave the court's decision of 23 September 2011 unchanged. The defendant intends to appeal the decision to the higher courts.

Thus, as at 31 December 2011, AZhK had valid claims to recover the amounts of the losses incurred in the amount of KZT 1,060,900 thousand according to the claim of Bastau SPUC in 2009. In addition, the provisions for 2010 and 2011, if they are satisfied, are treated as counterclaims, which will be re-filed to AlHN. These requirements represent contingent assets, which, as at 31 December 2011 were not recognised due to the current uncertainty about the recovery of this amount.

30 Financial instruments and risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has vested the Treasury Department with the powers to develop and monitor the Group's risk management policies and oversight its implementation. The Department reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular (scheduled) and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

30 Financial instruments and risk management, continued

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group's exposure to credit risk is primarily arises from the payables of electric energy and heating energy consumers. The principal buyers of electric energy in Almaty and Almaty region are individuals, while the principal buyers of electric energy in Aktobe and heating energy buyers in both regions are two major consumers.

The Group provided services to the consumers mentioned above during the whole period since the moment of commencing its operations and has shown no signs of impairment of consumer' receivables during this period, except for the operations in 2002-2008 that were carried out by the Group companies before they were purchases by the Group. Supplies of electric energy and heating energy are strategically important for the regions, and if a credit risk related to the existing consumer base increases, the Group holds negotiations with local authorities to look for the appropriate solution.

Credit risk related to other financial assets such as cash and deposits with the banks arises from the risk of default of the respective banks and financial institutions. The Group monitors on a regular basis the financial standing of the banks and financial institutions and gives preferences to those having stable corporate governance rating.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, mainly whether they are individuals or legal entities.

When payments are overdue, the Group companies cease supplying of electric energy and heating energy for the Group to have the secured right of demand if the customers fail to pay. The Group does not require any security with respect to trade or other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and loans of certain consumers.

(ii) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
'000 KZT	**Note**	**2011**	**2010**
Restricted cash	17	7,108	2,959,136
Trade and other receivables	19	6,121,200	11,019,094
Other financial receivables	19	44,650	51,321
Term deposits	20	4,181,872	2,714,847
Interest-free loans issued	20	1,609,616	-
Cash and cash equivalents	21	49,824,771	14,960,807
		61,789,217	**31,705,205**

30 Financial instruments and risk management, continued

(b) Credit risk, continued

(ii) Exposure to credit risk, continued

Cash and cash equivalents and term deposits were placed on settlement accounts with the banks having credit rating from B-(stable) to BBB (stable) (2010: from B-(stable) to BBB (stable)).

The maximum exposure to credit risk related to trade receivables at the reporting date by types of customers was:

	Carrying amount	
'000 KZT	**2011**	**2010**
Industrial consumers	3,178,394	9,243,454
Individual consumers payables	2,805,943	1,219,130
Other	136,863	556,510
	6,121,200	**11,019,094**

Impairment losses

The aging of trade receivables at the reporting date was:

'000 KZT	**Total carrying amount 2011**	**Impairment 2011**	**Total carrying amount 2010**	**Impairment 2010**
Not past due	5,614,200	-	5,251,488	-
Past due 30- 90 days	451,022	-	3,240,300	-
Past due 90-180 days	86,454	(30,476)	474,377	-
Past due more than 180 days	1,134,259	(1,134,259)	3,277,732	(1,224,803)
	7,285,935	**(1,164,735)**	**12,243,897**	**(1,224,803)**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

'000 KZT	**2011**	**2010**
Balance at 1 January	(1,224,803)	(1,752,868)
Increase during the year	(71,876)	(149,295)
Amounts written off	(362)	-
Decrease due to reversal	132,306	677,360
Balance at the reporting date	**(1,164,735)**	**(1,224,803)**

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 90 days. 100% of trade receivables relate to customers that have a good track record with the Group.

30 Financial instruments and risk management, continued

(b) Credit risk, continued

(ii) Exposure to credit risk, continued

Impairment losses, continued

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2011 the Group does not have any collective impairments (i.e., tested for impairment as portfolio of financial assets) on its trade receivables (2010: nil).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

30 Financial instruments and risk management, continued

(c) Liquidity risk, continued

The following are the contractual maturities of financial liabilities for 2011, including estimated interest payments (2010: excluding) and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

2011 **'000 KZT**	**Carrying amount**	**Contractual cash flows**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities									
Bank loans (Note 23)	60,425,015	81,278,735	10,129,258	3,591,951	8,384,046	7,032,611	6,049,390	5,617,026	40,474,453
Loans from the Parent Company (Note 23)	32,245,558	59,160,325	2,724,111	327,938	3,023,087	2,994,513	2,965,940	2,937,755	44,186,981
Unsecured bond issued (Note 23)	2,480,586	2,833,499	285,028	285,027	565,861	565,861	565,861	565,861	-
Trade and other payables (Note 28)	23,750,289	23,750,289	23,750,289	-	-	-	-	-	-
Liability on preferred shares of subsidiaries (Note 27)	107,737	107,737	-	-	-	-	-	-	107,737
Loans from customers (Note 23)	4,122,976	11,288,753	330,611	293,110	659,942	659,942	752,062	752,062	7,841,024
Note payable (Note 23)	292,705	450,356	-	-	112,589	112,589	112,589	112,589	-
	123,424,866	**178,869,694**	**37,219,297**	**4,498,026**	**12,745,525**	**11,365,516**	**10,445,842**	**9,985,293**	**92,610,195**

2010 **'000 KZT**	**Carrying amount**	**Contractual cash flows**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities									
Bank loans (Note 23)	49,654,377	55,740,508	5,386,780	2,614,443	8,321,892	4,570,293	2,375,410	1,923,148	30,548,542
Loans from the Parent Company (Note 23)	29,193,549	47,622,184	1,190,555	1,190,555	2,381,109	2,381,109	2,381,109	2,381,109	35,716,638
Unsecured bond issued (Note 23)	3,216,733	3,056,924	350,000	350,000	500,000	800,000	400,000	656,924	-
Trade and other payables (Note 28)	18,854,588	18,854,588	18,854,588	-	-	-	-	-	-
Liability on preferred shares of subsidiaries (Note 27)	107,737	107,737	-	-	-	-	-	-	107,737
Loans from customers (Note 23)	4,163,817	11,902,390	301,701	301,701	649,787	743,060	743,060	743,060	8,420,021
Note payable (Note 23)	262,652	262,652	-	-	-	-	-	262,652	-
	105,453,453	**137,546,983**	**26,083,624**	**4,456,699**	**11,852,788**	**8,494,462**	**5,899,579**	**5,966,893**	**74,792,938**

30 Financial instruments and risk management, continued

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group does not buy or sell derivatives, and also does not incur financial liabilities, in order to manage market risks.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Kazakh tenge (KZT). The currencies in which these transactions are denominated are the U.S. Dollars (USD). Interest on borrowings is denominated in the tenge.

Due to limited choice of derivatives on Kazakhstan market, and due to the fact that such instruments are very expensive, the management has decided not to hedge the Group's currency risk, as the benefits from such instruments do not cover the respective costs. Nevertheless, the Group keeps tracking changes on the market of financial derivatives in order to introduce the hedging framework either in the future or when necessary.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

'000 KZT	**USD-denominated 2011**	**USD-denominated 2010**
Assets	4,200,262	3,384,239
Liabilities	(42,528,092)	(31,595,912)
Net exposure	**(38,327,830)**	**(28,211,673)**

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2011	**2010**	**2011**	**2010**
USD 1	146.64	147.23	148.40	147.4
Euro 1	204.21	195.43	191.36	195.23
Russian ruble 1	5.00	4.85	4.61	4.84

30 Financial instruments and risk management, continued

(d) Market risk, continued

(i) Currency risk, continued

Sensitivity analysis

Weakening of the KZT by 10% against the following currencies at the reporting date would have changed equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

'000 KZT	**Profit or loss**
31 December 2011	
USD	(3,061,394)
Euro	(3,016)
Russian ruble	(1,816)
31 December 2010	
USD	(2,256,934)
Euro	-
Russian ruble	-

Strengthening of the KZT by 10% against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments classified by the interest rates, was as follows:

	Carrying amount	
'000 KZT	**2011**	**2010**
Fixed rate instruments		
Financial assets	7,199,881	14,819,376
Financial liabilities	(67,377,110)	(55,435,569)
	(60,177,229)	**(40,616,193)**
Variable rate instruments		
Financial liabilities	(32,189,730)	(31,055,559)
	(32,189,730)	**(31,055,559)**

30 Financial instruments and risk management, continued

(d) Market risk, continued

(ii) Interest rate risk, continued

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss for the period	
'000 KZT	**100 bp increase**	**100 bp decrease**
2011		
Variable rate instruments	(32,189,730)	(32,189,730)
Cash flow sensitivity (net)	(257,518)	257,518
2010		
Variable rate instruments	(31,055,559)	(31,055,559)
Cash flow sensitivity (net)	(248,444)	248,444

(e) Fair values

Except for shown below, the management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

'000 KZT	**Carrying amount**	**Fair value**
2011		
China Development Bank	27,917,035	20,960,327
2010		
China Development Bank	25,280,910	16,922,751

Fair value of financial liabilities was estimated based on the market interest rates of 12% for USD-denominated loans. The basis for determining fair value for all other assets and liabilities is disclosed in Note 4.

(f) Capital management

The policy of the Board of Directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on (invested) capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

30 Financial instruments and risk management, continued

(f) Capital management, continued

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's debt to capital ratio at the end of the reporting period was as follows:

'000 KZT	2011	2010
Loans and borrowings	99,566,840	86,491,128
Less: cash and cash equivalents	(49,844,147)	(14,988,160)
Net debt	**49,722,693**	**71,502,968**
Total equity	**169,683,385**	**110,320,700**
Total capital	**219,406078**	**181,823,668**
Debt to capital ratio at reporting date	22.66%	39.3%

There were no changes in the Group's approach to capital management during the reporting year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(g) Fair value hierarchy

The Group has no financial instruments accounted at fair value.

31 Capital commitments

Ekibaztuzskaya GRES-2

At 31 December 2011 Ekibaztuzskaya GRES-2 JSC has commitments of KZT 33,245,262 thousand (31 December 2010: KZT 2,638,900 thousand) to implements arrangements related to expansion and reconstruction of the station with installation of the Power Unit No.3, with such expansion and reconstruction aimed at increase in the efficiency. The management believes that the Company will have sufficient funds to fulfil its capital commitments.

APS

As at 31 December 2011 the Company has commitments to purchase items of property, plant and equipment and capital services for the total amount of KZT 6,489,400 thousand (2010: KZT 6,595,152 thousand). According to the Agreement on Investment Commitments No.141 with the Ministry of Industry and New Technologies of the Republic of Kazakhstan ("MINT RK") dated 30 November 2010, the Group's investment commitments for 2011 comprised KZT 6,932,253 thousand. Pursuant to the Addendum No. 179 of 12 December 2011 signed with MINT RK, the investment commitments were increased by the amount of investment commitments of KZT 124,078 thousand carried forward from 2010, and the total investment commitments amounted to KZT 7,056,331 thousand. As at 31 December 2011, the Company has met its investment commitments under this agreement in full amount.

AZhK

As at 31 December 2011 the Company has commitments to purchase items of property, plant and equipment for the total amount of KZT 10,745,972 thousand (2010: KZT 16,575,648 thousand). The management believes that the Company will have sufficient funds to perform its capital commitments.

32 Contingencies

(a) Taxation contingencies in Kazakhstan

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(b) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. As set forth by the legislation of the Republic of Kazakhstan, there are several types of mandatory insurances provided by the local insurance companies. Therefore, in 2006 to improve the social security the government introduced mandatory insurance of employees against industrial injuries during the work that may result in disability or death. The Group does not have full coverage for losses caused by business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations.

Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(c) Litigation

Claim of City Administration (Akimat)

As described in Note 29, in 2009 the Akimat filed a claim to the Specialised Inter-District Court of Almaty on recovery from AZhK the debt on principal of KZT 7,274,672 thousand (Note 29), which comprises a forfeit for delay in payment of KZT 2,029,985 thousand and state duty of KZT 279,475 thousand. By the ruling dated 6 January 2010, the Specialised Inter-District Court of Almaty left the claim without consideration. Akimat has the right to file the claim to the court again.

(d) Environmental commitments

Environmental legislation in the Republic of Kazakhstan continues to evolve and position of the state authorities of the Republic of Kazakhstan concerning ensuring of compliance with said legislation keep changing. The Group regularly estimates its environmental commitments. The commitments are recognized in financial statements as identified.

Contingent liability arising from amendments to the current regulations, civil claims or statutory framework cannot be measured, but may appear material. However, proceeding from the existing interpretation of the current legislation, the management believes that the Group has no material liabilities, which may have adverse material effect on operations results or financial position of the Group, in addition to those amounts that have been already accrued and recognised in these consolidated financial statements.

33 Related party transactions

(a) Control relationships

The Company's immediate parent company is Samruk-Kazyna (see Note 1(a)). The Company's ultimate controlling party is the Government of the Republic of Kazakhstan.

Publicly available financial statements are produced by the Company's parent.

(b) Transactions with management and their family members

Management remuneration

Key management received the following remuneration during the reporting year:

'000 KZT	2011	2010
Salaries and bonuses	89,253	84,506
Contributions to the pension fund	6,821	5,589
	96,074	**90,095**

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

'000 KZT	Transaction value		Outstanding balance	
	2011	**2010**	**2011**	**2010**
Sale of goods and services:				
Subsidiaries of Samruk-Kazyna Group	3,089,259	3,052,586	369,946	35,509
Joint ventures	9,622	-	6,582	9,486
Associates	-	-	4,625,249	1,644,761
Other Government-controlled entities	14,716,421	13,857,022	1,423,633	6,681,170
Financial income:				
Subsidiaries of Samruk-Kazyna Group	330,495	495,940	653	9,464
Other income				
Subsidiaries of Samruk-Kazyna Group	519	-	-	-
	18,146,316	**17,405,548**	**6,426,063**	**8,380,390**

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

33 Related party transactions, continued

(c) Transactions with other related parties, continued

(ii) Expenses

'000 KZT	Transaction value		Outstanding balance	
	2011	2010	2011	2010
Purchase of goods and services:				
Subsidiaries of Samruk-Kazyna Group	12,828,379	13,345,657	2,148,412	3,220,682
Joint ventures	1,168,116	6,806,461	146,685	507,505
Associated entities	7,660,277	283,129	1,413,413	-
Other Government-controlled entities	3,776,423	4,116,801	1,857,574	4,977,226
Finance costs:				
Parent company	2,373,357	2,743,414	215,137	163,503
Subsidiaries of Samruk-Kazyna Group	264,134	549,204	177,855	140,759
Other expenses:				
Subsidiaries of Samruk-Kazyna Group	254	-	-	5,088
	28,070,940	**27,844,666**	**5,959,076**	**9,014,763**

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(iii) Loans

'000 KZT	Loan amount		Outstanding balance	
	2011	2010	2011	2010
Loans received:				
Parent Company	7,000,000	45,181,905	32,245,558	29,193,549
Subsidiaries of Samruk-Kazyna Group	3,893,956	8,942,780	17,733,081	17,309,795
	10,893,956	**54,124,685**	**49,978,639**	**46,503,344**

The loans from the Group's parent company are repayable in 2029 and 2024 at the interest rates of 1.2% and 2% per annum, respectively. Upon initial recognition the loans were discounted using a market interest rate of 7.66% and 7.98%. The discount was initially recognised in share premium, net of the respective deferred tax.

The loans from a fellow subsidiary bear interest of 8% and 12.5% per annum for the fixed rate loans and 1.15*6M LIBOR+1.15% for variable rate loans, and are repayable in 2011-2028.

(iv) Loans

'000 KZT	Amount loaned		Outstanding balance	
	2011	2010	2011	2010
Loans issued:				
Joint ventures	1,315,616	-	1,315,616	-
	1,315,616	**-**	**1,315,616**	**-**

The loan to the Company's related party is interest free and is repayable in 2012.

(v) Cash and deposits

'000 KZT	Balances at the end of the year	
	2011	2010
Cash:		
Subsidiaries of Samruk-Kazyna Group	44,258,933	4,748,445
Deposits:		
Subsidiaries of Samruk-Kazyna Group	8,678,934	9,315,929
	52,937,867	**14,064,374**

34 Significant subsidiaries

Subsidiary	Country of incorporation	2011 Ownership/voting	2010 Ownership/voting
Bukhtarma HES JSC	Kazakhstan	100%	100%
KazKuat JSC	Kazakhstan	100%	100%
Shardara HES JSC	Kazakhstan	100%	100%
Moinak HES JSC	Kazakhstan	51%	51%
KMG-Energo JSC	Kazakhstan	100%	100%
AlmatyEnergoSbyt LLC	Kazakhstan	100%	100%
Samruk-EnergoStroyService LLC	Kazakhstan	100%	100%
Mangistau Electricity Distribution Company JSC	Kazakhstan	78.64%	79.40%
Ust-Kamenogorskaya HES JSC	Kazakhstan	90%	90%
Shulbinskaya HES JSC	Kazakhstan	92.14%	92.14%
Alatau Zharyk Kompaniyasy JSC	Kazakhstan	100%	100%
Balkhashskaya TES JSC	Kazakhstan	100%	100%

Alatau Zharyk Kompaniyasy JSC ("AZhK"), an entity incorporated in the Republic of Kazakhstan was transferred to the Group in July 2009 by KazTransGas. Its principal activity is transmission and distribution of electric energy in Almaty and Almaty region. AZhK owns 62.62% of share capital of Almaty Power Stations JSC and Aktobe TES JSC.

Almaty Power Stations JSC ("APS"), an entity incorporated in the Republic of Kazakhstan, is engaged in production of electric energy, heating energy and hot water in Almaty city and the Almaty region. APS owns thermal power stations TPS-1, TPS-2 and TPS-3 and thermal station in Almaty, Kapchagay hydroelectric station in Almaty region, Kaskad hydro power station in Almaty, as well as support divisions in Almaty.

Aktobe TES JSC ("Aktobe TES"), an entity incorporated in the Republic of Kazakhstan and engaged in the production of electric energy, heating energy and hot water in Aktobe.

KMG-Energo JSC ("KMG-Energo"), an entity incorporated in the Republic of Kazakhstan and operating as a holding company with 100% interest in the share capital of AlmatyEnergoSbyt LLC and SamrukEnergoStroyService LLC. On 26 July 2010 the Group's management resolved to wind-up this entity and transfer interests in AlmatyEnergoSbyt LLC and Samruk-EnergoStroyService LLC in the ownership of the Company. At 31 December 2010 and 2011, this entity was in the process of liquidation.

AlmatyEnergoSbyt LLC ("AlmatyEnergoSbyt"), an entity incorporated in the Republic of Kazakhstan and engaged in sale of electric energy in Almaty and Almaty region.

Samruk-EnergoStroyService LLC ("SESS"), an entity incorporated in the Republic of Kazakhstan, established by the Group in 2009 and engaged in construction, design, assembling and repair of electric energy equipment.

KazKuat JSC ("KazKuat"), an entity incorporated in the Republic of Kazakhstan and engaged in management of subsidiaries Shardara HES JSC and Moinak HES JSC. On 12 March 2010, the Group's management resolved to wind-up this entity and transfer shareholding in Shardara HES JSC and Moinak HES JSC in the ownership of the Company. At 31 December 2010 and 2011, this entity was in the process of liquidation.

Shardara HES JSC ("Shardara HES") (100%), an entity incorporated in the Republic of Kazakhstan and engaged in water resources-based electric energy production and distribution in the South Kazakhstan.

Moinak HES JSC ("Moinak HES") (51%), an entity incorporated in the Republic of Kazakhstan and engaged in construction of hydroelectric energy station on Charyn River.

34 Significant subsidiaries, continued

Mangistau Electricity Distribution Company JSC (“MEOC”), an entity incorporated in the Republic of Kazakhstan and engaged in electric energy transportation and technical distribution via the network for oil and other companies, and electric energy sales to remoted rural settlements of Mangistau region of the Republic of Kazakhstan.

Ekibastuz Energy Centre JSC (“Ekibastuz Energy Centre”), an entity incorporated in the Republic of Kazakhstan, which is dormant following transfer to the Company’s ownership of a 50% holding in the share capital of Ekibaztuzskaya GRES-2. At 31 December 2010 this entity was in the process of liquidation. This company was liquidated in the first six months of 2011.

Bukhtarma HES JSC (“Bukhtarma HES”), an entity incorporated in the Republic of Kazakhstan, and is an owner of Bukhtarma hydroelectric station transferred under lease arrangement (Note 15).

Ust-Kamenogorskaya HES JSC (90%) and Shulbinskaya HES JSC (92.14%) (together referred to as "Hydroelectric companies"), entities incorporated in the Republic of Kazakhstan and are the owners of Ust-Kamenogorskaya and Shulbinskaya hydroelectric stations transferred under concession. From the moment of transfer of hydroelectric station to concession, these entities are dormant (Note 15).

Balkhashskaya TES JSC (“Balkhashskaya TES”), an entity incorporated in the Republic of Kazakhstan, established by the Group in 2008 for the construction of the Balkhash heating energy station. In 2009 the Group’s management decided to dispose of a 75% interest in Balkhashskaya TES (Note 6).

35 Events subsequent to the reporting date

Aktobe TES JSC

After the reporting date the Company proceeded with termination of the agreement on borrowings from EBRD. The management expects to accomplish the procedures necessary to settle the issue in 2012.

Bogatyr Coal LLP

Eurasian Development Bank (EDB) and Bogatyr Coal LLP signed a seven-year loan agreement for USD 50 million for purchase of machinery and equipment. Halyk Bank Kazakhstan acts as a settlement bank for this credit facility.

Ekibastuzskaya GRES-2 JSC

On 28 December 2011 Ekibastuzskaya GRES-2 JSC and Kvarz-KZ LLP signed an agreement for KZT 73,960 million (RUB 15,220 million) net of VAT, for delivery of increased productivity equipment for the Power Unit No.3 of Ekibastuzskaya GRES-2, which is under construction. Kvarz-KZ LLP (Astana) has become the supplier of the equipment as the winner of an open two - stage tender. Boiler plant and turbine unit manufactured by Harbin Energy Corporation (PRC) have been selected as the major equipment to be supplied. Electric capacity of the Power Unit No. 3 is 600 MWt.

Samruk-Energy JSC

Changes in the Management Board

On 24 January 2012 the Management Board of WF Samruk-Kazyna JSC by its decision appointed A.M. Satkaliyev as the CEO of Samruk-Energy LLP. Changes also took place in the structure of managing and independent directors of the Group.

SAMRUK-ENERGY JSC

International Financial Reporting Standards
Consolidated Financial Statements and Independent Auditor's Report

31 December 2010

(Translated from the Russian original)

Contents

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Samruk-Energy JSC

We have audited the accompanying consolidated financial statements of Samruk-Energy JSC (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

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INDEPENDENT AUDITOR'S REPORT (continued)

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
1 April 2011

Approved by:

Zhanbota T. Bekenov
Managing Director, PricewaterhouseCoopers LLP
(General State License from the Ministry of Finance of the Republic of Kazakhstan
№ 0000005 dated 21 October 1999)

Signed by:

Dana Inkarbekova
Auditor in charge
(Qualified Auditor's Certificate
№ 0000492 dated 18 January 2000)

Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

In thousands of Kazakhstan Tenge	**Note**	**31 December 2010**	**31 December 2009**	**1 January 2009**
ASSETS				
Non-current assets				
Property, plant and equipment	6	116,876,601	70,653,268	48,908,825
Investment property	7	1,134,297	1,237,415	1,340,533
Intangible assets	8	331,676	164,620	55,780
Investments in joint ventures and associates	9	53,736,079	54,780,386	57,147,813
Other non-current assets	10	27,190,622	24,152,046	18,840,076
Total non-current assets		**199,269,275**	**150,987,735**	**126,293,027**
Current assets				
Inventories	11	7,922,951	5,794,665	8,866,687
Trade and other receivables	12	11,755,409	9,509,760	5,950,847
Other non-current assets	13	6,206,597	821,399	2,107,982
Cash and cash equivalents	14	14,988,160	11,983,674	12,766,960
Non-current assets held for sale and assets of disposal group	15	3,906,929	3,900,972	-
Total current assets		**44,780,046**	**32,010,470**	**29,692,476**
TOTAL ASSETS		**244,049,321**	**182,998,205**	**155,985,503**

Signed on behalf of management on 1 April 2011.

Kairat B. Maksutov
Deputy Chairman of the Board on
Finance and Economy

Saule B. Tulekova
Head of Financial Reporting Department –
Chief Accountant

In thousands of Kazakhstan Tenge	Note	31 December 2010	31 December 2009	1 January 2009
EQUITY				
Share capital	16	76,715,078	32,255,100	21,744,070
Other reserves	16	26,833,774	11,745,568	12,760,325
Retained earnings / (Accumulated deficit)		6,771,848	(4,086,756)	(2,651,598)
Equity attributable to the Group's equity holders		**110,320,700**	**39,913,912**	**31,852,797**
Non-controlling interest		1,981,484	1,687,219	3,042,588
TOTAL EQUITY		**112,302,184**	**41,601,131**	**34,895,385**
LIABILITIES				
Non-current liabilities				
Ash dump restoration provision	17	362,234	175,742	92,300
Employee benefit obligations	18	240,558	48,121	28,134
Deferred income tax liabilities	31	5,035,181	2,769,715	1,643,391
Borrowings	19	77,411,510	79,557,179	27,261,890
Other non-current liabilities	20	8,106,869	8,730,675	9,406,003
Total non-current liabilities		**91,156,352**	**91,281,432**	**38,431,718**
Current liabilities				
Borrowings	19	9,079,618	23,013,082	56,149,541
Provisions for liabilities and charges	21	970,000	-	-
Payable to Almaty Akimat	22	7,274,672	7,274,672	7,274,673
Employee benefit obligations	18	42,577	4,114	1,910
Trade and other payables	23	22,428,521	18,779,241	18,133,016
Taxes payable	31	747,884	1,009,991	1,099,260
Liabilities of disposal group, classified as held-for-sale	15	47,513	34,542	-
Total current liabilities		**40,590,785**	**50,115,642**	**82,658,400**
TOTAL LIABILITIES		**131,747,137**	**141,397,074**	**121,090,118**
TOTAL LIABILITIES AND EQUITY		**244,049,321**	**182,998,205**	**155,985,503**

Signed on behalf of management on 1 April 2011.

Kairat B. Maksutov
Deputy Chairman of the Board on
Finance and Economy

Saule B. Tulekova
Head of Financial Reporting Department –
Chief Accountant

In thousands of Kazakhstan Tenge	Note	2010	2009
Revenue	24	76,939,880	64,454,276
Cost of sales	25	(60,932,911)	(42,212,649)
Gross profit		**16,006,969**	**22,241,627**
Other operating income	26	1,195,008	1,479,350
Distribution costs	27	(124,375)	(94,606)
General and administrative expenses	28	(4,881,940)	(5,124,649)
Other operating expenses		(449,884)	(54,436)
Operating profit		**11,745,778**	**18,447,286**
Share in profit of joint ventures and associates	9	3,449,023	511,809
Foreign exchange gains less losses / (losses less gains)		500,690	(14,528,565)
Finance income	29	2,154,047	1,432,883
Finance costs	30	(5,553,261)	(6,155,635)
Profit / (loss) before tax		**12,296,277**	**(292,222)**
Income tax expense	31	(1,214,688)	(2,436,420)
Profit / (loss) for the year		**11,081,589**	**(2,728,642)**
Other comprehensive income			-
Total comprehensive income / (loss) for the year		**11,081,589**	**(2,728,642)**
Profit / (loss) is attributable to:			
Equity holders of the Group		10,862,599	(1,429,656)
Non-controlling interest		218,990	(1,298,986)
Profit / (loss) for the year		**11,081,589**	**(2,728,642)**
Total comprehensive income / (loss) is attributable to:			
Equity holders of the Group		10,862,599	(1,429,656)
Non-controlling interest		218,990	(1,298,986)
Total comprehensive income / (loss) for the year		**11,081,589**	**(2,728,642)**

In thousands of Kazakhstan Tenge	Note	Attributable to equity holders of the Group: Share capital	Other reserves	Retained earnings / (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance at 1 January 2009		**21,744,070**	**12,760,325**	**(2,651,598)**	**31,852,797**	**3,042,588**	**34,895,385**
Loss for the year		-	-	(1,429,656)	(1,429,656)	(1,298,986)	(2,728,642)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the year		-	-	(1,429,656)	(1,429,656)	(1,298,986)	(2,728,642)
Share issue	16	10,511,030	(1,014,757)	-	9,496,273	-	9,496,273
Change in share in subsidiaries	16	-	-	(5,502)	(5,502)	(49,271)	(54,773)
Dividends	16	-	-	-	-	(7,112)	(7,112)
Balance at 31 December 2009		**32,255,100**	**11,745,568**	**(4,086,756)**	**39,913,912**	**1,687,219**	**41,601,131**
Profit for the year		-	-	10,862,599	10,862,599	218,990	11,081,589
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	10,862,599	10,862,599	218,990	11,081,589
Share issue	16	44,459,978	-	-	44,459,978	-	44,459,978
Result of transaction with the shareholder on non-market terms	16	-	15,388,206	-	15,388,206	-	15,388,206
Repayment of previously paid-in additional capital	16		(300,000)	-	(300,000)	-	(300,000)
Change in share in subsidiaries	16		-	(3,995)	(3,995)	106,509	102,514
Dividends	16	-	-	-	-	(31,234)	(31,234)
Balance at 31 December 2010		**76,715,078**	**26,833,774**	**6,771,848**	**110,320,700**	**1,981,484**	**112,302,184**

In thousands of Kazakhstan Tenge	Note	2010	2009
Cash flows from operating activities			
Profit / (loss) before tax		12,296,277	(292,222)
Adjustments for:			
Reversal of impairment of property, plant and equipment	6	-	(10,807,258)
Depreciation and amortisation		5,187,453	4,458,255
Losses on disposal of property, plant and equipment		404,248	127,814
(Reversal) / charge of provision for impairment of trade and other receivables and other current assets	28	(734,567)	556,827
(Reversal) / charge of provision on obsolete and slow-moving inventories	25	(431,576)	292,427
Amortisation of income from connection of additional capacities	26	(518,732)	(1,271,807)
Unrealised foreign exchange gains less losses / (losses less gains)		(424,109)	14,551,708
Current service cost and actuarial losses on employee benefit	18	275,976	21,523
Provisions for liabilities and charges	21	970,000	-
Finance costs	29	5,553,261	6,155,635
Finance income	30	(2,154,047)	(1,432,883)
Share in profit of joint ventures	9	(3,449,023)	(511,809)
Operating cash flows before working capital changes:		**16,975,161**	**11,848,210**
Increase in trade and other receivables and other current assets		(6,415,847)	(3,729,039)
(Increase) / decrease in inventories		(1,696,710)	2,778,443
Increase in trade and other payables		3,416,567	1,317,105
(Decrease) / increase in taxes payable		(173,971)	224,976
Cash generated from operations		**12,105,200**	**12,439,695**
Income tax paid		(2,069,968)	(1,241,181)
Interest paid		(3,506,772)	(4,302,657)
Net cash from operating activities		**6,528,460**	**6,895,857**
Cash flows from investing activities			
Purchase of property, plant and equipment		(51,057,828)	(16,061,666)
Acquisition of intangible assets		(225,012)	(141,202)
Proceeds from disposal of property, plant and equipment		2,324	162
Prepayments for purchase of long-term assets		(852,371)	(6,610,091)
Interest income received		1,224,761	1,026,435
Contribution to share capital of joint ventures	9	(1,500,000)	-
Cash of disposal group classified as held for sale		-	(2,533,968)
Acquisition of associate	9	(31,964)	-
Dividend received		6,025,294	2,824,303
(Placement) / repayment of bank deposits		(2,324,609)	2,213,517
Net cash used in investing activities		**(48,739,405)**	**(19,282,510)**
Cash flows from financing activities:			
Proceeds from issue of shares	16	42,459,978	9,496,273
Proceeds from issue of bonds		17,678	784,594
Proceeds from borrowings		60,667,829	58,277,182
Sale / (purchase) of treasury shares in subsidiaries	16	102,514	(54,773)
Financial aid received from shareholders	19	32,346,834	10,113,118
Repayment of borrowings		(47,142,830)	(63,660,853)
Repayment of financial aid from shareholders		(42,459,952)	(2,700,000)
Repayment of bonds		(489,225)	(270,665)
Dividends paid to non-controlling interest holders	16	(31,234)	(7,112)
Proceeds from loans from customers		26,989	478,696
Repayment of loans from customers	19	(283,150)	(853,093)
Net cash from financing activities		**45,215,431**	**11,603,367**
Net increase/(decrease) in cash		**3,004,486**	**(783,286)**
Cash at the beginning of the year	14	11,983,674	12,766,960
Cash at the end of the year		**14,988,160**	**11,983,674**

1 Samruk-Energy Group and Its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2010 for Samruk-Energy JSC (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company, and was set up in accordance with Kazakhstani regulations. The Group was established for the purpose of consolidation of entities in electric power industry of the Republic of Kazakhstan.

The Company's shareholders are Samruk-Kazyna National Welfare Fund JSC ("Samruk-Kazyna") and KazTransGas JSC ("KazTransGas"), respectively holding 94.39% and 5.61% of the Company's shares (Note 16). The Company is ultimately controlled by the Government of the Republic of Kazakhstan.

Principal activity

The Group's principal activities are production of electricity and heat energy and hot water on the basis of coal, hydrocarbons and water resources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, construction of hydro and heat power stations, and lease of property of power stations.

Principal subsidiaries and joint ventures

The following list shows the entities included in the Group, their respective jurisdictions of incorporation, and the percentage ownership held directly or indirectly by Samruk-Energy JSC (the Group's ownership percentage in brackets):

Samruk-Energy JSC: a parent entity incorporated in the Republic of Kazakhstan exercising management of subsidiaries and joint ventures.

Alatau Zharyk Company JSC ("AZhC") (100%): an entity incorporated in the Republic of Kazakhstan, transferred to the Group in July 2009 from KazTransGaz, and mainly engaged in electricity transmission and distribution in Almaty and the Almaty region. AZhC owns 100% of share capital of Almaty Power Stations JSC and Aktobe Thermal Power Station JSC.

Almaty Power Stations JSC ("ALES") (100%): an entity incorporated in the Republic of Kazakhstan and mainly engaged in production of electricity, heat energy and hot water in Almaty and the Almaty region. The Company owns thermal power stations TPS-1, TPS-2 and TPS-3 and thermal station in Almaty, Kapchagay hydro power station in Almaty region, Kaskad hydro power station in Almaty, as well as support divisions in Almaty.

Aktobe Thermal Power Station JSC ("Aktobe TPS") *(100%*): an entity incorporated in the Republic of Kazakhstan and mainly engaged in production of electricity, heat energy and hot water in Aktobe city.

KMG-Energy JSC ("KMG-Energy") (100%): an entity incorporated in the Republic of Kazakhstan, is a holding company owning 100% of charter capital of AlmatyEnergoSbyt LLP and Samruk-EnergoStroyService LLP. On 26 July 2010 the Group's management made the decision on liquidation of this entity with the transfer of interest in AlmatyEnergoSbyt LLP and Samruk-EnergoStroyService LLP to the Company. As at 31 December 2010 this entity was in the process of liquidation.

AlmatyEnergoSbyt LLP ("AlmatyEnergoSbyt") (100%): an entity incorporated in the Republic of Kazakhstan, and engaged in sale of electricity in Almaty city and region.

Samruk-EnergoStroyService LLP ("SESS") (100%): an entity incorporated in the Republic of Kazakhstan, established by the Group in 2009, rendering construction services and services on designing, producing, assembling and repairing power equipment.

TPEP LLP ("TPEP") (25%): an entity incorporated in the Republic of Kazakhstan, and mainly engaged in rendering construction services. The Group acquired a 25% share in the charter capital of TPEP on 23 June 2010.

1 Samruk-Energy Group and Its Operations (continued)

KazKuat JSC ("KazKuat") (100%): an entity incorporated in the Republic of Kazakhstan exercising the management of subsidiaries - Shardara GES JSC and Moinak HPS JSC. On 12 March 2010 the Group's management made the decision on liquidation of this entity and transfer of shares of Shardara GES JSC and Moinak HPS JSC to the Company. As at 31 December 2010 this entity was in the process of liquidation.

Shardara GES JSC ("Shardara GES") (100%): an entity incorporated in the Republic of Kazakhstan and engaged in production of electricity on the basis of water resources and distribution of electricity in the Southern Kazakhstan.

Moinak HPS JSC ("Moinak HPS") (51%): an entity incorporated in the Republic of Kazakhstan, and engaged in construction of hydropower station on the Charyn river.

Mangistau Electricity Distribution Company JSC ("MEDC") (79.40%): an entity incorporated in the Republic of Kazakhstan, and engaged in provision of the services on the transmission of electricity, technical distribution of electricity within the network for oil and other companies, and sale of electricity to the remote rural districts of the Mangistau region of the Republic of Kazakhstan. At 31 December 2010, the Group owned 79.59% of share capital of MEDC.

Ekibastuz Energy Centre JSC ("Ekibastuz Energy Centre") (100%): an entity incorporated in the Republic of Kazakhstan, and is being dormant from the date of transfer to the Company of 50% of share capital of Stantciya Ekibastuzskaya GRES-2 JSC. As at 31 December 2010 this entity was in the process of liquidation.

Stantciya Ekibastuzskaya GRES-2 JSC ("Ekibastuzskaya GRES-2") (50%): joint venture with Inter-RAO UES OJSC with equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of electricity and heat energy on the basis of coal produced at the coal mines – Bogatyr and Severnyi.

Forum Muider BV («Forum Muider») (50%): joint venture with United Company RUSAL ("UC RUSAL") with the equal ownership of 50%:50%, incorporated in the Netherlands and holding 100% of charter capital of Bogatyr Komir LLP, Resursenergougol LLC, and a range of companies incorporated in the Russian Federation and the Republic of Cyprus, and not engaged in the significant operations.

Bogatyr Komir LLP («Bogatyr Komir») (50%): a joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of power generating coal at coal mines - Bogatyr and Severnyi.

Resursenergougol LLC (50%): a joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Russian Federation, and engaged in sales of power generating coal in the Russian Federation.

Uralenergougol LLC (50%): a joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Russian Federation. In 2010 Uralenergougol LLC had no significant operations.

Zhambylskaya GRES named after T.I. Baturov JSC ("ZhGRES") (50%): a joint venture with Tarazenergo-2005 LLP with the equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of electricity and heat energy on the basis of hydrocarbons and its sales in the Southern Kazakhstan.

Bukhtarminskaya GES JSC ("Bukhtarminskaya GES") (100%): an entity incorporated in the Republic of Kazakhstan, and the owner of Bukhtarminskaya hydropower station transferred under lease arrangement (Note 4).

Ust-Kamenogorskaya GES JSC (90%) *and Shulbinskaya GES JSC* (92.14%) (together referred to as "Hydropower companies"): entities incorporated in the Republic of Kazakhstan, and are the owners of Ust-Kamenogorskaya and Shulbinskaya hydropower stations transferred under concession agreement. From the moment of transfer of hydropower station to concession, these entities are dormant (Note 4).

Balkhaskaya TES JSC ("Balkhaskaya TES") (100%): an entity incorporated in the Republic of Kazakhstan, established by the Group in 2008 for construction of Balkhash heat power station. In 2009 the Group's management made the decision on sale of 75% of share in Balkhaskaya TES (Note 15).

Unless otherwise stated, the Group had the same interests in abovementioned entities at 31 December 2009.

1 Samruk-Energy Group and Its Operations (continued)

The operations of the Group's subsidiaries and joint ventures, which are dominant entities and natural monopolists in certain areas, are regulated by the Law of the Republic of Kazakhstan on Natural Monopolies and Regulated Markets and the Law on Competition and the Restriction of Monopolistic Activity (the "Antimonopoly legislation"). The tariffs for electricity sold by the energy producing entities are determined in accordance with the Rules for Determination of Tariff and Approval of Cap and Individual Tariffs approved by the Decree of the Government of the Republic of Kazakhstan dated 10 March 2009, and are subject to confirmation and approval by the Ministry of Industry and New Technologies of the Republic of Kazakhstan ("MINT"). The tariffs for heat and electricity supply, transmission and technical distribution services in the grid are determined in accordance with the Pricing Rules on Regulated Markets approved by the Decree of the Government of the Republic of Kazakhstan dated 3 March 2009, and approved by the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies ("ARNM").

The tariffs are based on cost-plus system which means the cost of services, electricity and heat energy and other costs plus profit margin where the cost and other expenses are determined in accordance with the above-mentioned regulations which differ from IFRS basis of accounting. In practice, the tariff related decisions are significantly exposed to the social and the political issues. Therefore, the economic, social and other policies of the Government of the Republic of Kazakhstan may have the significant effect on the Group's operations.

Address and place of business:

The address and place of business of Company's Head Office is: Block E, 17, Kabanbay Batyr Avenue, Astana, the Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Actual results could differ from those estimates.

Consolidated financial statements

(i) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition is accounted for as an adjustment to other reserves within equity.

(ii) Subsidiaries

Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities/contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

2 Basis of Preparation and Significant Accounting Policies (continued)

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. nrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

(iii) Purchases and sales of non-controlling interests.

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

(iv) Joint ventures

The Group's shares in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. Carrying value of interests in joint ventures include goodwill identified in the acquisition less accumulated impairment loss, if any. Dividends received from joint ventures reduce the carrying value of the investment in joint ventures. Other post-acquisition changes in Group's share of net assets of joint ventures are recognised as follows: (i) the Group's share of profits or losses of joint ventures is recorded in the consolidated profit or loss for the year as share of result of joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of joint ventures are recognised in profit or loss within the share of result of joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(v) Investment in associates

Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of associates are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 Basis of Preparation and Significant Accounting Policies (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(vi) Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Foreign currency translation

(i) Functional and presentation currency

All amounts in these consolidated financial statements are presented in thousands Tenge, unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of subsidiaries, joint ventures and associates is Tenge.

The results and financial position of each of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised in other comprehensive income.

(ii) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

At 31 December 2010 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 147.40 (2009: US Dollar = Tenge 148.36). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, the Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Financial instruments

(i) Key measurement terms

Financial instruments of the Group are carried at amortised cost as described below.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately, and are included in the carrying values of related items in the statement of financial position.

2 Basis of Preparation and Significant Accounting Policies (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

Financial assets of the Group include loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. They are included in current assets, except for those with maturity greater than 12 months after the reporting period. These are classified as non-current assets.

(iii) Financial liabilities classification

Financial liabilities of the Group include financial liabilities carried at amortised cost.

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value less transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(v) Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control over such financial assets. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and part of production overhead costs.

2 Basis of Preparation and Significant Accounting Policies (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in profit or loss for the year within other operating income or expenses.

(ii) Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives in years
Buildings and constructions	10-100
Machinery and equipment	5-40
Other	5-20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset set equal to zero, if the Group intends to use the object till the end of its physical useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Impairment

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of: an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Intangible assets

All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use. All intangible assets are amortised using the straight-line method over their useful lives, estimated by the management as from 3 to 5 years.

If impaired, the carrying amount of intangible assets is written down to the higher of: value in use and fair value less costs to sell.

Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the investment property will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

2 Basis of Preparation and Significant Accounting Policies (continued)

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Depreciation on investment property is calculated using the straight-line method to allocate its cost to its residual values over their estimated useful lives, as follows:

	Useful lives in years
Dam and hydraulic constructions	100
Other	5-20

Earned rental income is recorded in profit or loss for the year within revenue.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to the profit or loss for the year on a straight-line basis over the period of the lease.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out ("FIFO") basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment to such receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit and loss for the year. The primary factor that the Group considers in determining whether a financial asset is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or any other financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the goods or services relating to the advances are received. If there is an indication that the assets, goods or services relating to advances will not be received, the carrying value of the advances is written down accordingly, and a corresponding impairment loss is recognised in the profit or loss for the year.

Prepaid taxes are stated at actual amounts paid less impairment provision.

2 Basis of Preparation and Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at current bank accounts. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets, while balances restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale and disposal groups' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets and disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment and intangible assets are not depreciated or amortised.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised as a liability and deducted from equity at the end of reporting period only if they are declared and approved before or on the end of reporting period. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Value added tax

Value-added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is stated in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

2 Basis of Preparation and Significant Accounting Policies (continued)

Ash dump restoration provision

Ash dump restoration provision is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump restoration costs include cost of dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated restoration costs are added to the cost of an item of property plant and equipment when incurred in the accounting period when the obligation arising from the related waste occurs based on the net present value of estimated future costs. Ash dump restoration provision does not include any additional obligations which are expected to arise from current or future disturbance. The costs are estimated on the basis of a restoration plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Although the ultimate cost to be incurred is uncertain, the Group estimates their costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration of waste polygons.

The amortisation or ”unwinding” of the discount applied in establishing the net present value of provisions is charged to the statement of comprehensive income in each reporting period. The amortisation of the discount is shown as a finance cost.

Employee benefits

(i) Long-term employee benefits

The Group companies provide the long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined post-employment benefit plan. The Group does not have any funded pension plans. The liability recognised for the end of each reporting period represents the present value of defined benefit obligations. Actuarial gains and losses arising in the year are taken to profit and loss for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the present value of defined benefit obligations are recognised in profit and loss for the year, including current service cost.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the personnel turnover assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the profit or loss for the year as finance costs. The personnel turnover assumption is used to estimate the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits are considered as other long-term employee benefits. These obligations are valued annually by independent qualified actuaries.

(ii) Staff costs and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. Upon retirement of employees, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

2 Basis of Preparation and Significant Accounting Policies (continued)

Borrowings

Borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

In accounting for loans from the shareholders with off market terms, the Group records gain on origination within profit and loss for the year or a directly in equity as a capital contribution to the Group. The method used reflects the transaction's economic substance and is applied consistently to all similar transactions and is disclosed in the consolidated financial statements.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised. Other borrowing costs are recognised within expenses using the effective interest method. The Group capitalises borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Advances received are stated at actual amounts received from the third parties.

Revenue recognition

Revenues are recognised when future economic benefits are probably received by the Group, and these benefits could be reliably measured. Revenue is shown net of value-added tax and discounts.

Revenues from sale of electricity, heating power and hot water are recognised by the accrual method based on supply of electricity, heating power and hot water. Revenue from electricity transmission services is recognised on the basis of actual electricity volume transmitted within the reporting period. Revenue amount is determined based on the tariffs for the relevant services approved by MINT and ARNM.

Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. Revenues are measured at the fair value of the consideration received or receivable from sale of the goods and the services during the Group's normal business.

When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time proportion basis using the effective interest method.

Offsetting

A portion of sales and purchases are settled by offset, barter or other non-cash settlements. These transactions are settled generally as the exchange of dissimilar goods and services with the industrial and commercial customers in the form of offset.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on the Group entities' management estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

2 Basis of Preparation and Significant Accounting Policies (continued)

Income taxes

Income taxes have been provided for in these consolidated financial statements in accordance with legislation of the Republic of Kazakhstan enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax, and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the exception for initial recognition, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates, which are expected to apply to the period when the temporary differences will reverse or tax loss carry-forwards will be utilised in accordance with tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

In determining the tax bases of the restoration and closure costs are added to the cost of property plant and equipment and ash dump restoration provision the Group allocates the future tax deductions to the liability. Under this approach the initial recognition exception does not apply. Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs are added to the cost of property plant and equipment and, subject to recognition criteria mentioned above, a deferred tax asset is recognised in respect of the deductible temporary difference on the ash dump restoration provision.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management (the assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues) as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

2 Basis of Preparation and Significant Accounting Policies (continued)

Changes in presentation

Certain reclassifications have been made to comparative information to conform to the current year presentation.

(i) Reclassification of the items of the statement of financial position

- Provision for impairment of advances for property, plant and equipment and capital construction services of Tenge 74,069 thousand were reclassified from trade and other receivables to other non-current assets (1 January 2009: nil).
- Current portion of long-term loans at 31 December 2009 of Tenge 2,085,793 thousand was reclassified from non-current borrowings to current borrowings (1 January 2009: nil).
- Prepaid taxes at 31 December 2009 in the amount of Tenge 254,682 thousand were offset with taxes payable as at that date (1 January 2009: nil).

In thousands of Kazakhstan Tenge	**Note**	**31 December 2009**	**1 January 2009**
Increase in:			
Trade and other receivables	12	74,069	-
Borrowings – current portion	19	2,085,793	-
Decrease in:			
Other non-current assets	10	74,069	-
Other current assets	13	254,682	-
Borrowings – non-current portion	19	2,085,793	-
Taxes payable	31	254,682	-

(ii) Reclassification of items of profit and loss

- In 2009 the Group recorded expenses on write-down of obsolete and slow-moving inventories within general and administrative expenses in the amount of Tenge 265,002 thousand and other operating expenses in the amount of Tenge 27,425 thousand. In 2010 management revised its approach to presentation of this information and included this amount within cost of sales as provisions for write-down related to production inventories. The comparative information has been revised accordingly. The effect of reclassification is summarised below.

In thousands of Kazakhstan Tenge	**Note**	**2009**
Increase in:		
Cost of sales	25	292,427
Decrease in:		
General and administrative expenses	28	265,002
Other operating expenses		27,425

The third statement of financial position as of 1 January 2009 is presented in these consolidated financial statements as a result of the above described changes in presentation. This requirement to present the additional opening statement of financial position, when the entity has made a restatement or reclassification, extends to the information in the related notes. Management considered materiality and concluded that it is sufficient for an entity to present such information only in those notes that have been impacted by a restatement or a reclassification and state in the financial statements that the other notes have not been impacted by the restatement or reclassification. The omission of the notes to the additional opening statement of financial position is therefore, in management's view, not material.

The reclassifications in the consolidated statement of financial position had an impact on information in notes and had no impact on any other captions in the consolidated statement of financial position and related note disclosures.

3 New Accounting Pronouncements

(i) Standards, amendments and interpretations effective from 2010 and adopted by the Group

- IAS 27, Consolidated and Separate Financial Statements (revised in January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance. The previous standard required the excess losses to be allocated to the owners of the parent in most cases. The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. Adoption of the revised standard did not have any significant impact on the consolidated financial statements of the Group.

- IFRS 3, Business Combinations (revised in 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the current IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. Adoption of the revised standard did not have any significant impact on the consolidated financial statements of the Group.

- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. These amendments did not have the significant impact on the consolidated financial statements of the Group.

(ii) Standards and interpretations to existing standards which are effective for the annual periods beginning on or after 1 January 2010 and not relevant to the Group's operations

- Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods beginning on or after 30 June 2009).

- IAS 39, (Amendment)- Financial Instruments: Recognition and Measurement - Eligible Hedged Items, effective with retrospective application for annual periods beginning on or after 1 July 2009 with early adoption option.

- IFRIC 17, Distributions of Non-Cash Assets to Owners, effective for annual periods beginning on or after 1 July 2009.

3 New Accounting Pronouncements (continued)

- IFRIC 18, Transfers of Assets from Customers, effective for annual periods beginning on or after 1 July 2009.
- IFRS 1, First-time Adoption of International Financial Reporting Standards, following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009.
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010).
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010).

(iii) Standards, amendments and interpretations to existing standards which are not effective or early adopted by the Group

- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its consolidated financial statements.
- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. At present, the Group estimates the effect of the revised standard on the disclosures in its consolidated financial statements.
- IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features of the standard are as follows**:**

  1. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
  2. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

3 New Accounting Pronouncements (continued)

3. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured and recognised at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

(iv) Standards, amendments and interpretations to existing standards which are not effective or relevant to the Group's operations

Presented below are the amendments and interpretations to the existing standards which are published and obligatory to the Group's accounting periods beginning on or after 1 January 2010 or for the later period but not relevant for the Group's operations:

- Classification of Rights Issues - Amendments to IAS 32, Financial Instruments: Presentation (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010).
- Limited exemption from comparative IFRS 7 disclosures – amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010).
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011).
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 January 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset : the nature, carrying amount and a description of the risks and rewards related to the asset. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.
- Amendment to IFRS 1 First-time adoption of International Financial Reporting Standards (effective for the annual periods beginning on or after 1 July 2011). This amendment represents the guidance how an entity should continue to prepare the financial statements in accordance with the IFRS after the period when an entity cannot comply with the IFRS since its functional currency was exposed to hyperinflation.
- Amendment to IAS 12 Income Tax (effective for the annual periods beginning on or after 1 January 2012). This amendment introduces the exception to the existing principle of measurement of deferred income tax assets and liabilities arising on investment property recognized at fair value.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group's consolidated financial statements.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Impairment of non-financial assets

At the end of each reporting period management assesses whether there is any indication of impairment of separate assets or groups of assets, and whether there is any indication that an impairment loss recognised in prior periods for separate assets or groups of assets other than goodwill may no longer exist or may have decreased. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of the management's estimates and judgments which are deemed appropriate under the current circumstances.

At 31 December 2010 and 2009 the management reviewed property, plant and equipment for existence of impairment indicators and concluded that there are no any impairment indicators at these dates.

Accounting for investment property

On 26 June 1997, Bukhtarminskaya GES signed the agreement with Kazastur Zinc AG ("the Lessee"), whereby the property complex of Bukhtarminskaya GES was transferred to concession for the period of 10 years. In accordance with concession agreement, the lease payment is US dollar 1,100 thousand. Subsequently, the concession period was revised, and is now of 25 years from the agreement signing date.

According to the terms of concession agreement, the Lessee should perform the reconstruction and technical renovation of the station within the investment program agreed with Bukhtarminskaya GES. All property, plant and equipment, including separable and non-separable improvements of leased property are owned by Bukhtarminskaya GES.

On 7 December 2007, Bukhtarminskaya GES and the Lessee signed the additional agreement to the concession agreement, whereby the annual lease payment was increased to US dollar 8,500 thousand plus an additional floating charge determined on the basis of the Lessee's income from rendering services on maintenance of capacity reserves.

The leased property is used mainly to satisfy the Lessee's electricity needs rather than for sale to the residents.

The Group's management believes that the concession constitutes an operating lease of the property of hydropower station and recorded this property as an investment property. In particular, the following factors were considered in determination of the type of lease:

- the ownership right for leased property is not transferred to the Lessee;
- the useful life of main facilities of hydropower station exceeds the effective period of concession agreement.

However, the Group's management believes that upon expiration of the concession agreement in 2022, significant investments will be necessary for the reconstruction of the hydropower station to extend its useful life and restore its production potential, and the carrying amount of assets to be returned will be insignificant.

The Group has selected the cost less accumulated depreciation and impairment provision model for accounting for investment property. At 1 January 2006, the date of the first time adoption of the IFRS by the predecessor (Note 2), the cost of investment property was determined based on the deemed cost of leased property, plant and equipment. Deemed cost was determined based on lease payments according to the concession agreement terms effective at that date and using the estimated discount rate as at 1 January 2006.

At 31 December 2010 the carrying amount of investment property is Tenge 1,134,297 thousand (2009: Tenge 1,237,415 thousand) (Note 7).

Based on estimation of fair value of investment property (Note 7) at 31 December 2010 the Group did not identify any indication of impairment of investment property (2009: no indication).

Accounting for property of Hydropower companies

In 1997 the Government of the Republic of Kazakhstan and AES Suntry Power Limited signed the agreement on concession of Hydropower companies assets. According to the concession agreement, the assets of Ust-Kamenogorskaya hydropower station and Shulbinskaya hydropower station were transferred to AES Suntry Power Limited with the right for ownership, usage and disposal for the period of 20 years, which can be extended for the further period of 10 years. Under the agreement terms, the Government of the Republic of Kazakhstan is entitled to an annual fee. AES Suntry Power Limited established the concession companies to manage the concession assets. The concession companies are fully responsible and liable for the property and operations of the hydropower stations from 31 December 1998 and in further periods under the agreement terms.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Upon expiration of the agreement, AES Suntry Power Limited will transfer its interest in the concession companies to the Government of the Republic of Kazakhstan for a consideration of US dollar 1 plus carrying amount of improvements made by AES Suntry Power Limited and the concession companies. Accordingly, AES Suntry Power Limited will transfer the ownership right for the concession companies to the Government of the Republic of Kazakhstan rather than transferring the property to the Hydropower companies.

Thus, the Group's management believes that the concession companies bear all risks and rewards related to the operations of Ust-Kamenogorskaya hydropower station and Shulbinskaya hydropower station. Accordingly, the cost of the property transferred under the concession agreement was not included in these consolidated financial statements.

Currently, the possibility of early termination of the concession agreement and transfer of the hydropower stations to the state is considered.

Ash dump restoration provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities. The provisions are made, based on net present values, for ash dumps restoration as soon as the obligation arises from past operations.

The provision for ash dumps restoration 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 restoration standards and methods and rehabilitation techniques. Provisions are estimated based on the current legal and constructive requirements, technologies and prices level. Since the actual restoration costs can differ from the estimates due to the changes in the requirements and interpretation of legislation, technologies, prices and other terms, and such costs will be incurred in the distant future, the carrying amount of the provisions is regularly reviewed and adjusted to track such changes.

The significant judgments used in such estimates include the estimate of discount rate and cash flows. The discount rate is applied to the nominal cost of works to be incurred by the management for site restoration in the future. Accordingly, management's estimates made on the basis of the current prices are increased using expected long-term inflation rate in Kazakhstan (2010: 6.7%; 2009: 7%) and subsequently, discounted using discount rate. Discount rate reflects the current market estimate of time value of cash as well as liabilities risk not included into the best estimates of costs (2010: 9%; 2009: 10%).

At 31 December 2010 the carrying amount of the ash dump restoration provision was Tenge 362,234 thousand (2009: Tenge 175.742 thousand) (Note 17).

Recognition of revenue from electricity sales

The Group recognises revenue when the electricity is supplied according to the meter readings of the electricity consumers. The meter readings are provided by the customers on a monthly basis and checked by the Group for correctness on a sample basis. Since the procedures for invoicing of the consumed electricity have a cycle nature, the Group sold the significant amount of electricity at the end of the reporting period, for which invoices have not been issued to the customers. The Group recognises revenue for electricity sold from the moment of the last meter reading taking to the end of the reporting period on the basis of estimate. The balance sheet approach for estimation is applied by the Group for measurement of revenue not invoiced to the legal entities at the end of reporting period. According to the Group's approach, the daily amount of purchased electricity consumed but not invoiced is determined as at the end of the reporting month which is then multiplied by the selling price.

Recoverability of non-current advances to suppliers

The Group has made advance payments to suppliers for construction of Moinak HPS (Note 10). The Chinese International Corporation on Water Management and Energy is appointed as a general contractor on the construction of Moinak HPS. The Group signed a turn-key contract with the general contractor on 9 April 2008. Management monitors the project progress and performance of the contractors. Management has assessed that advances to suppliers are fully recoverable in due course.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Payables to Almaty Akimat

As disclosed in Note 22, the Group has the outstanding payable to Almaty Akimat in the amount of Tenge 7,274,672 thousand. Currently, management of the Group and Almaty Akimat are in the process of negotiation and litigation on further regulation and settlement of such outstanding payables. On the basis of analysis, the management believes that recognition of such payables within current financial liabilities of the Group is legitimate and most accurately reflects the legal terms and current circumstances as at 31 December 2010.

5 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's parent entity and ultimate controlling party are disclosed in Note 1.

The related parties include the companies under control of Samruk-Kazyna. Transactions with the state owned entities are not disclosed when they are entered into in the ordinary course of business with terms consistently applied to all public and private entities i) when they are not individually significant, ii) if the Group's services are provided on the standard terms available for all customers, or iii) where there is no choice of supplier of such services as electricity transmission services, telecommunications and etc.

The nature of relations with those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2010 and 2009 is detailed below.

At 31 December 2010, the outstanding balances with related parties were as follows:

In thousands of Kazakhstan Tenge	**Note**	**Companies under common control**	**Joint ventures**	**Associates**	**Key management personnel**	**Shareholders**
Trade and other receivables	12	102,097	112,695	-	-	-
Cash and cash equivalents	14	4,989,407	-	-	-	-
Other non-current assets	10	-	-	10,872,203	-	-
Borrowings	19	7,982,659	-	-	-	29,193,549
Trade and other payables	23	737,031	315,888	-	-	-

At 31 December 2009, the outstanding balances with related parties were as follows:

In thousands of Kazakhstan Tenge	**Note**	**Companies under common control**	**Joint ventures**	**Associates**	**Key management personnel**	**Shareholders**
Trade and other receivables	12	22,083	26,714	-	-	-
Cash and cash equivalents	14	24,290	-	-	-	-
Borrowings	19	5,096,426	-	-	-	56,210,288
Trade and other payables	23	1,302,266	1,362,866	-	8,304	-

5 Balances and Transactions with Related Parties (continued)

The income and expense items with related parties for the year ended 31 December 2010 were as follows:

In thousands of Kazakhstan Tenge	Note	Companies under common control	Joint ventures	Associates	Key management personnel	Shareholders
Revenue	24	3,052,586	-	-	-	-
Cost of sales	25	13,120,342	6,804,996	-	-	-
General and administrative expenses	28	155,038	1,465	-	60,579	-
Distribution costs	27	70,032	-	-	-	-
Other operating expenses		245	-	-	-	-
Finance income	29	495,940	-	-	-	863,875
Finance costs	30	264,786	-	-	-	3,040,788
Gain on origination on loan from shareholders recorded in equity	16	-	-	-	-	19,288,059
Loss on early redemption of loan previous loan recorded in equity	16	-	-	-	-	740,718
Acquisition of property, plant and equipment		-	-	283,129	-	-
Capitalised borrowing costs	6	284,418	-	-	-	-

The income and expense items with related parties for the year ended 31 December 2009 were as follows:

In thousands of Kazakhstan Tenge	Note	Companies under common control	Joint ventures	Associates	Key management personnel	Shareholders
Revenue	24	2,821,720	-	-	-	-
Cost of sales	25	8,602,811	3,652,303	-	-	-
General and administrative expenses	28	143,979	-	-	51,507	-
Distribution costs	27	44,928	-	-	-	-
Other operating expenses		8,366	-	-	-	-
Finance income	29	-	-	-	-	114,224
Finance costs	30	76,624	-	-	-	283,832
Capitalised borrowing costs	6	189,532	-	-	-	-

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2010 include 5 persons (2009: 5 persons).

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstan Tenge	Buildings and constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2009	18,378,617	40,021,372	2,544,954	14,793,996	72,976,208
Accumulated depreciation and impairment	(3,972,815)	(19,331,958)	(762,610)	(2,762,731)	(24,067,383)
Carrying amount at 1 January 2009	**14,405,802**	**20,689,414**	**1,782,344**	**12,031,265**	**48,908,825**
Additions	152,808	2,667,496	132,013	13,179,967	16,132,284
Capitalised borrowing costs	-	-	-	467,957	467,957
Transfers	1,678,694	8,595,151	57,746	(10,331,591)	-
Depreciation	(925,482)	(2,397,253)	(85,926)	-	(3,408,661)
Reversal of impairment	1,204,218	5,971,189	(45,263)	2,762,731	9,892,875
Transfer to assets of disposal group	-	(15,677)	(12,663)	(1,183,696)	(1,212,036)
Disposals	(305)	(113,357)	(14,314)	-	(127,976)
Cost at 31 December 2009	20,209,688	51,027,664	2,669,585	16,926,633	90,833,570
Accumulated depreciation and impairment	(3,693,953)	(15,630,701)	(855,648)	-	(20,180,302)
Carrying amount at 31 December 2009	**16,515,735**	**35,396,963**	**1,813,937**	**16,926,633**	**70,653,268**
Additions	1,776,753	1,162,864	761,157	47,082,196	50,782,970
Capitalised borrowing costs	-	-	-	873,314	873,314
Transfers	4,224,985	22,794,673	64,667	(27,084,325)	-
Depreciation	(1,359,053)	(3,323,947)	(343,675)	-	(5,026,675)
Disposals	(42,239)	(282,391)	(37,246)	(44,400)	(406,276)
Cost at 31 December 2010	26,048,812	74,249,021	3,388,113	37,753,418	141,439,364
Accumulated depreciation and impairment	(4,932,631)	(18,500,859)	(1,129,273)	-	(24,562,763)
Carrying amount at 31 December 2010	**21,116,181**	**55,748,162**	**2,258,840**	**37,753,418**	**116,876,601**

Additions during 2010 include an increase in ash dump restoration provision of Tenge 209,645 thousand added to the cost of the related assets (2009: Tenge 70,618 thousand) (Note 17).

As at 31 December 2010 property, plant and equipment with carrying value of Tenge 21,339,682 thousand were pledged as collateral for borrowings received by the Group (2009: Tenge 15,532,395 thousand) (Note 19).

In 2010 the weighted–average rate for capitalisation of borrowings varied from 2.84% to 12.75% (2009: 4.73%).

Income from reversal of impairment of property, plant and equipment in 2009 was recognised in profit and loss for the year within cost of sales (Note 25) and other general and administrative expenses (Note 28).

6 Property, Plant and Equipment (continued)

Depreciation charge is allocated to the following items of profit and loss for the year:

In thousands of Kazakhstan Tenge	Note	2010	2009
Cost of sales	25	4,866,048	4,142,943
General and administrative expenses	28	148,583	168,417
Other operating expenses		12,044	11,684
Total depreciation charge		**5,026,675**	**4,323,044**

7 Investment Property

In thousands of Kazakhstan Tenge	2010	2009
Cost at 1 January	1,497,162	1,497,162
Accumulated depreciation	(259,747)	(156,629)
Carrying amount at 1 January	**1,237,415**	**1,340,533**
Depreciation	(103,118)	(103,118)
Cost at 31 December	1,497,162	1,497,162
Accumulated depreciation	(362,865)	(259,747)
Carrying amount at 31 December	**1,134,297**	**1,237,415**

Investment property represents the property of Bukhtarminskaya hydropower station transferred under operating lease according to the concession agreement (Note 4).

When the Group acts as a lesser, the future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

In thousands of Kazakhstan Tenge	2010	2009
Within 1 year	1,252,900	1,022,550
Between 1 year and 5 years	5,011,600	4,090,200
Above 5 years	8,405,548	8,045,997
Total future minimum lease payments	**14,670,048**	**13,158,747**

During 2010 the Group received income from operating lease of Bukhtarminskaya hydropower station of Tenge 1,408,475 thousand (2009: Tenge 1,463,975 thousand) (Note 24).

Fair value of the investment property determined as a sum of discounted minimum lease payments, at 31 December 2010 is Tenge 9,997,641 thousand (2009: Tenge 8,032,587 thousand). For determination of fair value, the Group did not engage an independent appraiser.

8 Intangible Assets

In thousands of Kazakhstan Tenge	Software	Licenses and others	Total
Balance at 1 January 2009	51,820	23,756	75,576
Accumulated depreciation	(12,836)	(6,960)	(19,796)
Balance at 1 January 2009	**38,984**	**16,796**	**55,780**
Additions	141,069	133	141,202
Amortisation	(28,313)	(3,780)	(32,093)
Transfer to assets of disposal group	(269)	-	(269)
Balance at 31 December 2009	186,544	23,889	210,433
Accumulated amortisation	(35,073)	(10,740)	(45,813)
Balance at 31 December 2009	**151,471**	**13,149**	**164,620**
Additions	201,654	23,358	225,012
Amortisation	(54,164)	(3,496)	(57,660)
Disposals	(49)	(247)	(296)
Balance at 31 December 2010	388,148	47,000	435,148
Accumulated amortisation	(89,236)	(14,236)	(103,472)
Balance at 31 December 2010	**298,912**	**32,764**	**331,676**

9 Investments in Joint Ventures and Associates

The table below summarises the movements in the carrying amount of the Group's investment in associates.

	Joint ventures		Associates			
In thousands of Kazakhstan Tenge	Ekibastuskaya GRES-2	Forum Muider	ZhGRES	Kambaratinskaya GES	TPEP	Total
Balance at 1 January 2009	15,120,883	41,971,997	-	54,933	-	57,147,813
Transfer to non-current assets held for sale	-	-	-	(54,933)	-	(54,933)
Share in profit for the year	248,357	263,452	-	-	-	511,809
Dividend received	(614,529)	(2,209,774)	-	-	-	(2,824,303)
Balance at 31 December 2009	**14,754,711**	**40,025,675**	**-**	**-**	**-**	**54,780,386**
Acquisition of share	-	-	-	-	31,964	31,964
Contribution	1,500,000	-	-	-	-	1,500,000
Share in profit for the year	3,479,555	(32,045)	-	-	1,513	3,449,023
Dividends received	(373,061)	(5,652,233)	-	-	-	(6,025,294)
Balance at 31 December 2010	**19,361,205**	**34,341,397**	**-**	**-**	**33,477**	**53,736,079**

9 Investments in Joint ventures and Associates (continued)

The Group has interests in the following jointly controlled entities:

a) Ekibastuskaya GRES-2 – 50%. The remaining 50% interest is owned by Inter-RAO UES OJSC.Forum Muider – 50%. The remaining 50% is owned by UC RUSAL

c) ZhGRES– 50%. Remaning 50% interest is owned by Tarazenergo-2005 LLP.

Group's share in ZhGRES was fully impaired in 2007. Unrecognised share of loss of ZhGRES for 2010 is Tenge 2,127 thousand (2009: Tenge 106,470 thousand). Aggregated unrecognised share of accumulated loss of this joint venture at 31 December 2010 was Tenge 557,735 thousand (2009: Tenge 555,608 thousand).

Investments in associates as of 1 January 2009 consisted of 33% share in the charter equity of Kambaratinskaya GES registered in Kyrgyzstan. These investments represent costs incurred for maintenance purposes by Kambaratinskaya GES along with Electricity Stations JSC and Inter-RAO UES OJSC. In 2009 management of the Group decided to sell its share in the charter capital of Kambartinskaya GES and as of 31 December 2009 it reflected investments in Kambartinskaya GES in the consolidated statement of financial position as non-current asset held for sale (Note 15).

In June 2010 the Group purchased 25% of share in the charter equity of TPEP for Tenge 31,964 thousand. The principal business of TPEP is rendering of construction services.

Presented below is summarised financial information of joint ventures and associate at 31 December 2010 and 31 December 2009 and for the years then ended:

In thousands of Kazakhstan Tenge	**Total assets**	**Total liabilities**	**Net assets / (liabilities)**	**Revenue**	**Profit / (loss) for the year**
2010					
Forum Muider	45,247,978	10,906,581	34,341,397	62,614,462	(32,045)
Ekibastuskaya GRES-2	25,054,270	5,693,065	19,361,205	12,076,783	3,479,555
ZhGRES	259,469	817,204	(557,735)	1,389,671	(2,127)
TPEP	3,151,690	3,146,406	5,284	86,419	1,513
2009					
Forum Muider	56,428,681	16,403,006	40,025,675	27,579,889	263,452
Ekibastuskaya GRES-2	20,430,568	5,675,857	14,754,711	6,736,531	248,357
ZhGRES	1,072,192	1,627,800	(555,608)	3,435,419	(106,470)
Kambaratinskaya GES	-	-	-	-	-

Contingent liabilities related to the Group's interest in joint ventures are disclosed in Note 32.Contingent liabilities related to the Group's interest in joint ventures are disclosed in Note 32.

Transactions and balances with joint ventures are presented in Note 5

10 Other Non-current Assets

In thousands of Kazakhstan Tenge	**31 December 2010**	**31 December 2009**	**1 January 2009**
Prepayments for non-current assets	21,249,296	20,396,925	13,786,834
Restricted cash	2,959,136	3,238,374	4,734,991
VAT recoverable	2,035,897	675,556	318,233
Long term prepaid employee benefits	249,874	-	-
Long term receivables from employees	174,475	-	-
Other	612,766	260	18
Less: impairment provision	(90,822)	(159,069)	-
Total non-current assets	**27,190,622**	**24,152,046**	**18,840,076**

10 Other Non-Current Assets (continued)

Prepayments for non-current assets

Gross amount of other non-current assets includes advances and prepayments for the following types of construction and fixed assets:

In thousands of Kazakhstan Tenge	31 December 2010	31 December 2009	1 January 2009
Construction and reconstruction of substations in Almaty and Almaty region	11,163,201	6,946,258	600,607
Construction of Moinak HPS	7,819,198	11,228,821	11,270,414
Reconstruction of ash dumps and construction of combined system of ash disposal of TPS-2	1,081,507	-	-
Property, plant and equipment and services related to: reconstruction and expansion of TPS-2	675,341	58,718	-
Reconstruction ventilator cooling towers of TPS-2	375,835	690,351	-
Construction and reconstruction of substations in Aktau and Mangistau region	74,954	993,518	1,859,300
Other	59,260	479,259	56,513
Total prepayments for non-current assets	**21,249,296**	**20,396,925**	**13,786,834**

Restricted cash

In thousands of Kazakhstan Tenge	31 December 2010	31 December 2009	1 January 2009
Special deposit until the completion of construction of Moinak HPS	2,950,000	2,969,200	2,415,800
Cash received for connection of additional capacities	-	269,174	2,319,191
Other	9,136	-	-
Total restricted cash	**2,959,136**	**3,238,374**	**4,734,991**

Special deposit until the completion of construction of Moinak HPS is placed in accordance with the loan agreement with the Development Bank of China (Note 19).

Cash received for connection of additional capacities represents cash received from customers of AZhC and MEDC for connection of additional capacities and placed in special bank accounts. In 2009 MEDC fully used this cash.

Non-current VAT recoverable

Non-current VAT recoverable represent asset on input VAT recognised as a result of purchase of goods and services at the territory of the Republic of Kazakhstan. The Group's management believes that this amount will be recoverable in full in the future when the construction of Moinak HPS will be completed and the station will be put into operation.

Long term prepaid employee benefits and receivables from employees

In 2010, due to the relocation of the head office from Almaty to Astana, the Group acquired apartments for housing its employees. These apartments were subsequently sold to the employees with deferred payment terms. The amount receivable from the employees is repayable in equal monthly instalments within 15 years and does not bear interest. The difference between the nominal amount and the fair value of these receivables of Tenge 254,436 thousand is recorded as a prepaid employee benefit including current portion of Tenge 1,716 thousand, and will be charged to profit and loss within the employment period of the employees.

11 Inventories

In thousands of Kazakhstan Tenge	**31 December 2010**	**31 December 2009**
Fuel	3,314,146	2,254,845
Spare parts	2,444,848	2,486,867
Auxiliary production materials	2,335,515	1,896,450
Raw materials	337,208	272,593
Other materials	855,573	719,178
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,364,339)	(1,835,268)
Total inventories	**7,922,951**	**5,794,665**

Presented below is movement in provision for write down to net realisable value and provision for slow-moving and obsolete inventories:

In thousands of Kazakhstan Tenge	**Note**	**2010**	**2009**
Balance at 1 January		1,835,268	1,544,131
(Reversal) / charge of provision for the year	25	(431,576)	292,427
Inventory write-off		(39,353)	(1,290)
Balance at 31 December		**1,364,339**	**1,835,268**

12 Trade and Other Receivables

In thousands of Kazakhstan Tenge	**31 December 2010**	**31 December 2009**	**1 January 2009**
Trade receivables	11,184,915	8,981,396	4,940,597
Loan provided to Energosberezhenie PUC	3,281,556	3,281,556	3,281,556
Receivable from Almaty Heat Network JSC	1,058,982	1,058,982	1,058,982
Other receivables	51,321	-	-
Less: impairment provision	(4,506,359)	(5,034,424)	(4,476,262)
Total financial receivables	*11,070,415*	*8,287,510*	*4,804,873*
Advances to suppliers	314,971	1,069,506	1,092,546
Other receivables	517,708	334,490	592,114
Less: impairment provision	(147,685)	(181,746)	(538,686)
Total trade receivables	**11,755,409**	**9,509,760**	**5,950,847**

Loan provided to Energosberezhenie PUC

In 2002 AZhC provided interest-free financial aid to Energosberezhenie Public Utility Company ("Energosberezhenie PUC") in the amount of Tenge 5,229,976 thousand with original maturity on 1 October 2002. As at 31 December 2010 outstanding balance of this financial aid is Tenge 3,281,556 thousand (2009: Tenge 3,281,556 thousand). In 2004 management concluded that this amount is uncollectible and recorded a provision of 100% of outstanding amount receivable As at 31 December 2010 the amount of this provision remains unchanged (2009: no change).

Receivable from Almaty Heat Network JSC

This amount represents the outstanding balance of receivable from Almaty Heat Network JSC for property of heating system of Almaty city transferred by the Group as a result of the reorganisation of AZhC performed in 2007 with the purpose of transfer of heat energy transportation and sale functions in accordance with instruction of ARNM. Almaty Heat Network JSC is a state owned entity. In 2008 the Group recorded a 100% impairment loss provision on the amount receivable from Almaty Heat Network JSC. As at 31 December 2010 the amount of this provision remains unchanged (2009: no change).

Financial receivables of the Group at 31 December 2010, 31 December 2009 and 1 January 2009 are denominated in Tenge.

12 Trade and Other Receivables (continued)

Presented below is movement in the Group's provision for impairment of financial receivables:

In thousands of Kazakhstan Tenge	2010	2009
Provision for impairment at 1 January	5,034,424	4,476,262
Provision for impairment charged during the year	149,295	622,679
Reversal of provision during the year	(714,943)	(64,359)
Receivables written off during the year as uncollectible	37,583	(158)
Provision for impairment at 31 December	**(4,506,359)**	**5,034,424**

Presented below is the analysis of financial assets by credit quality:

In thousands of Kazakhstan Tenge	31 December 2010	31 December 2009	1 January 2009
Current and not impaired			
Industrial customers	4,405,252	2,932,597	2,799,239
Receivable from residents	581,014	2,108,818	366,630
Other	237,697	511,329	189,271
Total current and not impaired	**5,223,963**	**5,552,744**	**3,355,140**
Past due but not impaired			
- 30 to 90 days overdue	3,240,300	2,081,667	1,191,560
- 90 to 180 days overdue	471,338	328,466	229,439
- 180 to 360 days overdue	785,778	311,973	28,734
- over 360 days overdue	1,349,036	12,660	-
Total past due but not impaired	**5,846,452**	**2,734,766**	**1,449,733**
Total individually impaired (gross)			
- up to 360 days overdue	-	23,304	18,420
- over 360 days overdue	4,506,359	5,011,120	4,457,842
Total individually impaired	**4,506,359**	**5,034,424**	**4,476,262**
Less: impairment provision	(4,506,359)	(5,034,424)	(4,476,262)
Total	**11,070,415**	**8,287,510**	**4,804,873**

13 Other Current Assets

In thousands of Kazakhstan Tenge	Note	31 December 2010	31 December 2009	1 January 2009
VAT recoverable and prepaid taxes		3,418,201	687,012	1,753,983
Term deposits.		2,714,847	111,000	274,500
Accrued interest		73,549	23,387	79,499
Total other current assets		**6,206,597**	**821,399**	**2,107,982**

Term deposits represent bank deposits with maturity more than three months placed at contractual interest rate from 4% to 10.4% per annum. The effective interest rate approximates the contractual interest rate.

14 Cash and Cash Equivalents

In thousands of Kazakhstan Tenge	2010	2009
Cash at term deposits	9,145,393	6,580,157
Cash at current bank accounts in Tenge	5,721,289	4,930,529
Cash at current bank accounts in foreign currency	94,125	452,004
Cash on hand	27,353	20,984
Total cash and cash equivalents	**14,988,160**	**11,983,674**

All bank balances are neither past due nor impaired. Presented below is the analysis of cash at current bank accounts by credit quality:

		31 December 2010		31 December 2009	
In thousands of Kazakhstan Tenge	Rating (Standard & Poor's)	Current bank accounts	Term deposits.	Current bank accounts	Term deposits
Halyk Bank	B+/Stable	4,756,026	100,000	2,877,093	3,106,854
Alliance Bank	B-/Stable/C	236,343	4,720,900	20	-
Kazkommertsbank	B/Stable/C	226,618	3,380,000	1,943,787	1,568,215
ATF Bank	Not available	332,391	410,000	390,768	581,350
Bank CenterCredit	Not available	114,890	400,560	141,140	533,738
Bank TuranAlem	B-/Stable/C	7,466	10,000	5,797	10,000
Citibank Kazakhstan	Not available	85	-	95	-
Other	Not available	141,595	123,933	23,833	780,000
Total		**5,815,414**	**9,145,393**	**5,382,533**	**6,580,157**

Term deposits and bank deposits have contractual maturity terms less than three months and are receivable on demand.

15 Non-current Assets Held for Sale and Disposal Groups

Non-current assets classified as held for sale.

In 2009 management of the Group made a decision to sell its share in the charter capital of Kambaratinskaya GES Accordingly, as at 31 December 2009 the Group's investment in Kambaratinskaya GES was classified in the consolidated statement of financial position as non-current assets held for sale. Transaction on sale was not completed in 2010. On 4 January 2011 the Group entered into an agreement with Electricity Stations JSC and Inter-RAO UES OJSC regarding sales of share of the Group in the partnership. The investment in Kambaratinskaya GES was recorded at its cost as management believes that its fair value less cost to sell assessed on the basis of price stipulated in share purchase agreement exceeds the carrying amount.

15 Non-current Assets Held for Sale and Disposal Groups (continued)

Presented below are principal categories of non-current assets held for sale at 31 December 2010 and 2009:

In thousands of Kazakhstan Tenge	**Note**	**31 December 2010**	**31 December 2009**
Non-current assets classified as held for sale.			
Investment in associate – Kambaratinskaya GES	9	54,933	54,933
Total non-current assets held for sale		**54,933**	**54,933**

Disposal group

On 4 September 2009 the Group entered into the share sale and purchase agreement with Korea Electric Power Corporation ("KEPCo") and Samsung C&T Corporation ("Samsung C&T Co"), pursuant to which the Group had to sell 75% less one share of Balkhashskaya TES. Management of the Group concluded that the sale of the above interest would result in the loss of control over Balkhashskaya TES. Accordingly, in the Group's statement of financial position as at 31 December 2009 the assets and liabilities of Balkhashskaya TES were classified as a disposal group.

During 2010 the sales of abovementioned interest was not completed due to the fact that certain terms of completion of the transaction were not fulfilled. Although these terms are beyond Group's control, the Group concluded that they do not affect the ability of the Group to immediately sell the assets in their current condition. Management expects that the terms will be fulfilled and that the sale of abovementioned interest in Balkhashskaya TES will be completed in 2011. Accordingly, in the Group's consolidated statement of financial position as at 31 December 2010 the assets and liabilities of Balkhashskaya TES were classified as a disposal group.

Presented below are the principal categories of assets and liabilities of the disposal group classified as held for sale:

In thousands of Kazakhstan Tenge	**Note**	**31 December 2010**	**31 December 2009**
Assets of disposal group, classified as held-for-sale			
Property, plant and equipment	6	2,523,862	1,212,036
Intangible assets	8	198	269
Other non-current assets		9,568	13,322
Inventories		1,256	1,152
Other current assets		219,920	85,292
Cash and cash equivalents		1,097,192	2,533,968
Total assets of disposal group, classified as held-for-sale		*3,851,996*	*3,846,039*
Deferred income tax liability		3,610	433
Taxes payable		-	37
Other current liabilities		43,903	34,072
Total liabilities of disposal group, classified as held-for-sale		*47,513*	*34,542*
Net assets of disposal group, classified as held-for-sale		**3,804,483**	**3,811,497**

16 Equity

Share capital

	Issue date	Number of authorised and issued shares	Nominal value per share, Tenge	Share capital, (thousands of Tenge)
1st issue of shares	31 May 2007	5,460	10,000	54,600
2nd issue of shares	22 November 2007	1,377,647	10,000	13,776,470
3rd issue of shares	13 March 2008	541,811	10,000	5,418,110
4th issue of shares	10 October 2008	158,758	10,000	1,587,580
5nd issue of shares	5 December 2008	224,256	10,000	2,242,560
Less				
Unpaid portion of 3rd issue of shares				(356,510)
Unpaid portion of 4th issue of shares				(104,460)
Unpaid portion of 5th issue of shares				(874,280)
Balance at 1 January 2009		**2,307,932**		**21,744,070**
Payment of unpaid portion of previous issues				1,335,250
6th issue of shares	13 May 2009	990,250	10,000	9,902,500
Less				
Unpaid portion of 6th issue of shares				(726,720)
Balance at 31 December 2009		**3,298,182**		**32,255,100**
7th issue of shares	6 August 2010	1,100,332	41,047	45,165,372
Less				
Unpaid portion of 7th issue of shares				(705,394)
Balance at 31 December 2010		**4,398,514**		**76,715,078**

At 31 December 2010, 4,308,657 issued common shares were fully paid (2009: 3,225,510 shares). Each ordinary share carries one vote. The Company does not have any preference shares.

On 30 July 2009, KazTransGas purchased 102,246 issued common shares with a nominal value of Tenge 10,000 per share by transfer of 100% interest in AZhC at a cost of Tenge 1,014,757 thousand determined by an independent appraiser, plus cash consideration of Tenge 7,703 thousand.

On 23 November 2009, Samruk-Kazyna purchased 948,857 issued common shares with a nominal value of Tenge 10,000 per share for cash consideration in the amount of Tenge 9,488,570 thousand.

On 28 October 2010, Samruk-Kazyna purchased 1,034,422 issued common shares with a nominal value of Tenge 41.047 per share for cash consideration in the amount of Tenge 42,459,961 thousand.

On 28 December 2010 KazTransGaz made payments for 48,725 common shares with nominal value of Tenge 41,047 per share by offset of temporary interest-free financial aid previously provided to the Company in the amount of Tenge 2,000,000 thousand plus cash consideration of Tenge 17 thousand.

	31 December 2010			31 December 2009		
	Samruk-Kazyna	**Kaz Trans Gaz**	**Total**	**Samruk-Kazyna**	**Kaz-Trans Gaz**	**Total**
Number of paid common shares	4,066,729	241,928	4,308,657	3,032,307	193,203	3,225,510
% of ownership	94.39%	5.61%	100%	94.01%	5.99%	100.00%
Total share capital	**72,783,031**	**3,932,047**	**76,715,078**	**30,323,070**	**1,932,030**	**32,255,100**

16 Equity (continued)

Other reserves

In thousands of Kazakhstan Tenge	**Merger reserve**	**Result of transactions with shareholders**	**Additional paid-in capital**	**Total**
Balance at 1 January 2009	**12,460,325**	**-**	**300,000**	**12,760,325**
Issue of shares - Transfer of AZhC	(1,014,757)	-	-	(1,014,757)
Balance at 31 December 2009	**11,445,568**	**-**	**300,000**	**11,745,568**
Transactions with shareholders	-	15,388,206	-	15,388,206
Repayment of previously paid-in additional capital	-	-	(300,000)	(300,000)
Balance at 31 December 2010	**11,445,568**	**15,388,206**	**-**	**26,833,774**

Merger reserve

Merger reserve represents difference between the carrying amount of net assets of subsidiaries transferred under common, which also includes value of goodwill recorded by the transferring party, and the consideration for the acquisition.

Result of transactions with shareholder

On 17 March 2010 the Group received a loan from Samruk-Kazyna bearing an interest rate of 1.2% per annum to refinance the loan from Samruk-Kazyna obtained in 2009. To reflect the fact the loan at non market terms was provided by Samruk-Kazyna, acting in the capacity of the principal shareholder, the Group recorded the following amount directly in equity:

In thousands of Kazakhstan Tenge	
Difference between the fair value of loan at the recognition date and its nominal amount	19,288,059
Less: deferred income tax effect	(3,159,135)
Loss on early redemption of the previous loan from Samruk-Kazyna	(740,718)
Total	**15,388,206**

Additional paid-in capital

In 2006 KazKuat received cash in the amount of Tenge 300,000 thousand from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan as additional paid in capital. However, at 31 December 2009 KazKuat did not issue the additional shares for this amount. Due to the expected liquidation of KazKuat, in 2010 the Group made a decision to repay these funds. Accordingly, at 31 December 2010 this amount was classified as a liability.

Non-controlling interest

MEDC

In 2009 the Group purchased 25,711 ordinary shares of MEDC from non-controlling shareholders for Tenge 54,773 thousand. Consequently, the Group's interest in the total number of voting shares of MEDC increased from 78.69% to 79.59%. The Group recognised a loss from transaction with non-controlling interest of Tenge 5,502 thousand, determined as the difference between the amount paid and the carrying amount of the acquired minority interest, directly in equity.

In 2010 the Group sold previously purchased 5,300 common shares of MEDC for Tenge 6,113 thousand. The Group recognized loss from transactions with non-controlling interest in the amount of Tenge 3,995 thousand directly in its equity.

16 Equity (continued)

Dividends to non-controlling shareholders declared by MEDC in 2010 totalled to Tenge 31, 234 thousand (2009: Tenge 7.112 thousand).

Moinak HPS

In 2010 Stock Company Birlik JSC which is the owner of 49% of Moinak HPS made a payment for previously unpaid portion of share capital in the amount of Tenge 96,401 thousand. As a result of this transaction, the Group's interest in Moinak HPS did not change.

17 Ash Dump Restoration Provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities.

Provided below are movements in ash dump restoration provision:

In thousands of Kazakhstan Tenge	**Note**	**2010**	**2009**
Carrying amount at 1 January		175,742	92,300
Unwinding of the present value discount	30	37,001	12,824
Change in estimate due to change in discount rate adjusted against property, plant and equipment		2,397	11,345
Other changes in estimates adjusted against property, plant and equipment		207,248	59,273
Utilisation of provision		(60,154)	-
Carrying amount at 31 December		**362,234**	**175,742**

Ash dump restoration obligation will be settled at the end of useful life of each ash dump varying from 2011 to 2013. Uncertainties in such costs estimates include potential changes in regulatory requirements, alternatives to reclamation of ash dumps and discount and inflation rates.

The amount of provision is estimated as at the reporting date using nominal prices effective as at the date and using forecasted inflation rate for the expected period of operations of ash dump and the discount rate as at the reporting dates.

Until 2010, based on the interpretation of the environmental regulations management believed that dry ash dumps do not require restoration, and accordingly did not record provision on restoration of these areas. In 2010, management concluded that the Group had the legal obligation to perform restoration of dry ash dumps and recognised provision in the amount of Tenge 186,134 thousand.

Presented below are principal assumptions used to assess asset retirement obligations:

	31 December 2010	**31 December 2009**
Discount rate	9.0%	10.0%
Inflation rate	6.7%	7.0%

18 Employee Benefit Payable

Employee benefit obligations are provided for in accordance with the terms and conditions set forth in the general labour agreements signed by the Group entities.

Changes in employee benefits obligations are as follows:

In thousands of Kazakhstan Tenge	Note	2010	2009
Present value of defined benefit obligations at 1 January		52,235	30,044
Unwinding of the present value discount	30	21,969	3,485
Current service cost		11,874	6,265
Actuarial losses		264,102	15,258
Benefits paid		(67,045)	(2,817)
Present value of defined benefit obligations at 31 December		**283,135**	**52,235**

Amounts recognised in the consolidated statement of financial position are as follows:

In thousands of Kazakhstan Tenge	31 December 2010	31 December 2009
Short-term portion of defined benefit obligations	42,577	4,114
Long-term portion of defined benefit obligations	240,558	48,121
Total	**283,135**	**52,235**

Amounts recognised in profit and loss for the year are as follows:

In thousands of Kazakhstan Tenge	Note	2010	2009
Unwinding of the present value discount	30	21,969	3,485
Current service cost		11,874	6,265
Actuarial losses		264,102	15,258
Expense recognised in profit and loss for the year		**297,945**	**25,008**

Actuarial losses and current service costs are allocated to the Group's profit or loss for the year within general and administrative expenses in the amount of Tenge 272,130 thousand and Tenge 3,846 thousand, respectively.

Principal actuarial assumptions used at 31 December 2010 and 2009 were as follows:

	31 December 2010	31 December 2009
Discount rate	9.00%	7.2%
Annual minimum salary and monthly calculation index increase	7.0%	7.0%
Average lapse rate:		
- administrative and management personnel	25.02%	27.55%
- production personnel	14.59%	15.58%

19 Borrowings

In thousands of Kazakhstan Tenge	**31 December 2010**	**31 December 2009**	**1 January 2009**
Non-current portion			
Bank term loans	28,357,096	40,951,950	-
Loan from Samruk-Kazyna	42,408,751	31,535,308	20,478,762
Loans from customers	4,041,144	3,833,914	3,635,323
Bonds issued	2,341,867	3,001,634	2,937,605
Note payable	262,652	234,373	210,200
Total borrowings – non-current portion	**77,411,510**	**79,557,179**	**27,261,890**
Current portion			
Bank term loans	7,245,626	7,053,600	51,292,131
Loan from Samruk-Kazyna	836,453	3,258,836	-
Bonds issued	874,866	698,386	157,410
Loans from customers	122,673	2,758	-
Financial aid received from shareholders	-	11,999,502	2,700,000
Financial aid from NC KazMunaiGas	-	-	2,000,000
Total borrowings – non-current portion	**9,079,618**	**23,013,082**	**56,149,541**
Total borrowings	**86,491,128**	**102,570,261**	**83,411,431**

19 Borrowings (continued)

Presented below are carrying amounts of borrowings by the Group entities:

In thousands of Kazakhstan Tenge	**31 December 2010**	**31 December 2009**	**1 January 2009**
Samruk-Energy			
Loan from Samruk-Kazyna	29,193,549	44,210,786	-
Financial aid received from shareholders	-	11,999,502	2,700,000
Main Syndicated Loan	-	-	39,044,821
Syndicated Bridge Facility	-	-	1,771,814
Total Samruk-Energy	**29,193,549**	**56,210,288**	**43,516,635**
AZhC			
Halyk Bank	9,955,450	9,967,245	9,380,348
Kazkommertzbank	4,158,886	4,895,322	4,895,148
Loans from customers	3,284,559	3,083,175	2,943,137
HSBC Kazakhstan	2,904,786	-	-
Development Bank of Kazakhstan	1,510,614	-	-
Note payable	262,652	234,373	210,200
Financial aid from NC KazMunaiGas	-	-	2,000,000
Total AZhC	**22,076,947**	**18,180,115**	**19,428,833**
Moinak HPS			
State Development Bank of China	25,280,910	18,706,303	13,250,510
Development Bank of Kazakhstan	5,843,731	5,020,038	3,428,252
Total Moinak HPS	**31,124,641**	**23,726,341**	**16,678,762**
MEDC			
Bonds issued	2,939,774	3,443,988	2,596,479
Loans from customers	879,258	753,497	692,186
Total MEDC	**3,819,032**	**4,197,485**	**3,288,665**
AlmatyEnergpSbyt			
Bonds issued	276,959	256,032	498,536
Total Almaty EnergoSbyt	**276,959**	**256,032**	**498,536**
Total borrowings	**86,491,128**	**102,570,261**	**83,411,431**

Samruk-Energy

Borrowings for acquisition of Forum Muider

On 27 November 2008 the Group signed an agreement for a short-term syndicated loan ("Main Syndicated Loan") with a group of foreign banks for the total amount of US dollar 175,000 thousand, Euro 80,000 thousand, and Euro equivalent to US dollar 40,000 thousand (at draw down date is Euro 29,325 thousand), for the period of 12 months . The main syndicated loan was received and used solely for the purchase of a 50% interest in Forum Muider.

On 27 November 2008, the Group also signed an agreement for syndicated bridge facility ("Syndicated Bridge Facility") to pay the transaction costs for the Main Syndicated Loan for the total amount of US dollar 15,000 thousand for the period of 6 months. On 25 May 2009, the Company settled the obligation under the Syndicated Bridge Facility in full.

19 Borrowings (continued)

On 19 June 2009 the lending banks determined the reference rates on the Main Syndicated Loan at level of 1.02% for US dollar-denominated loans and 1.40% for Euro-denominated loans. This change in the expected payments was reflected through the recalculation of the carrying amount of the liability based on revised cash flows discounted using the original effective interest rate. Respective income in the amount of Tenge 348,156 thousand was recorded to profit or loss for the year within finance income (Note 29).

On 23 November 2009 the Group signed a loan agreement with Samruk-Kazyna for the total amount of Tenge 45,300,000 thousand for the purpose of re-financing the Main Syndicated Loan. The principal amount is repayable by semi-annual payments starting from 15 December 2010 to 22 November 2021; interest accrued is payable by semi-annual payments starting from 15 December 2009 to 22 November 2021. The annual interest rate on this loan equals basic rate, determined as 6-month LIBOR plus margin of 4.30%, multiplied by 1.2.

During 2009 the Group received two tranches under the loan agreement: 1) on 23 November 2009 in the amount of Tenge 42,281,594 thousand (equivalent of US dollar 283,960 thousand as at the date of receipt) and 2) on 23 December 2009 in the amount of Tenge 2,741,117 thousand (equivalent of US dollar 18,458 thousand as at the date of receipt).

The currency of loan is Tenge, however, according to the terms of loan agreement payments of principal amount and accrued interest are indexed to the US dollar exchange rate at the date of loan receipt. The index is calculated as the relation of the exchange rate of Tenge to US dollar as at the date of payment to the appropriate exchange rate as at the date of loan receipt. Therefore, management concluded that the loan is denominated in US dollar

Loan from Samruk-Kazyna as of 31 December 2009 is reflected less costs related to transaction in the amount of Tenge 791, 767 thousand.

On 17 March 2010 the Group received a loan from Samruk-Kazyna to refinance the loan from Samruk-Kazyna obtained in 2009. The loan carries an interest rate of 1.2% per annum. The principal amount is payable in equal annual instalments within 19 years; interest is payable by semi-annual payments within this period.

The Group recognised a gain on initial recognition of this financial instrument in the amount of Tenge 19,288,059 thousand less the loss from early repayment of loan received from Samruk-Kazyna in 2009 in the amount of Tenge 740,718 thousand directly in equity (Note 16). The gain on initial recognition of the new loan was determined as the difference between the nominal value of cash received and its fair value as of the date of recognition determined by using discounted cash flow method using discount rate of 7.66% per annum.

In 2010 Samruk-Kazyna and the Group revisited the repayment schedule of loan. According to the adjusted schedule, the date of repayment of principal was extended until September 2029. The Group recognised a gain on the revision of repayment of loan in the amount of Tenge 863,875 thousand in finance income (Note 29).

Financial aid received from shareholders

In 2008 the Group received interest-free financial aid from Samruk-Kazyna in the amount of Tenge 2,700,000 thousand for the purpose of payment of transaction costs on Main Syndicated Loan and Syndicated Bridge Facility. This amount was repaid by the Group in full on 24 December 2009.

On 2 September 2009 the Group signed an agreement with Samruk-Kazyna pursuant to which the Group received interest-free financial aid in the amount of Tenge 10,113,118 repayable by 31 December 2009. The financial aid was received for the purpose of financing of projects on reconstruction and construction of Almaty Energy Complex. Subsequently repayment term of the financial aid was extended to 31 May 2010. The carrying amount of this financial aid at 31 December 2009 approximates its fair value since the effect of discounting is immaterial.

Financial aid from shareholders at 31 December 2009 also includes interest-free financial aid from KazTransGas repayable on 29 December 2010. The fair value of this financial aid was assessed by applying the discounted cash flow method using the discount rate of 6.06%.

In 2010 the Group entered into an agreement with shareholders on repayment of interest-free financial aid received from Samruk-Kazyna and KazTransGas by means of an issue of shares (Note 16).

19 Borrowings (continued)

AZhC

Halyk Bank

In 2005 the Group signed a credit facility agreement with Halyk Bank of Kazakhstan JSC (“Halyk Bank”) in the total amount of US dollar 43,100 thousand initially repayable on 2 February 2007.

On 18 September the Group signed an additional agreement with Halyk Bank of Kazakhstan JSC pursuant to which the credit facility was extended to 1 December 2009. On 23 September 2008 within this credit facility the Group obtained a loan in the amount of US dollar 21,568 thousand (Tenge 2,581,755 thousand) with interest rate at 16% per annum and maturity on 25 March 2009 for the purpose of refinancing of the loan payable to Cargill Financial Services Intl. Inc.

On 9 September 2008 the Group received a new loan from Halyk Bank of Kazakhstan JSC in the amount of Tenge 1,000,000 thousand bearing an interest rate of 16.5% per annum and repayable on 1 June 2009.

On 28 January 2008 the Group signed a credit facility agreement with Halyk Bank. Under this credit facility agreement the Group received a loan in the amount of Tenge 3,800,000 thousand. The loan was provided for 3 years for the purpose of replenishment of working capital. The interest rate is 12.5% per annum. The principal amount and interest are repaid on a monthly basis.

On 29 April 2009 the Group signed a new credit facility agreement for the purpose to refinance the outstanding loans in the amount of Tenge 5,198,208 thousand and Tenge 1,000,000 thousand on the conditions in accordance with the plan of coordinated actions of Government of the Republic of Kazakhstan, Halyk Bank and Agency for Regulation and Supervision over Financial Market and Financial Organisations of the Republic of Kazakhstan. The agreement envisages interest of 12.5% per annum and repayment of the loan prior to 31 January 2012.

The Group provided property, plant and equipment of its subsidiary ALES as collateral under this credit facility agreement. The residual value of assets provided as collateral is Tenge 12,812,443 thousand. (2009: Tenge 10,158,058 thousand) (Note 6).

On 22 September 2010 the Group signed the credit line agreement with Halyk Bank Kazakhstan JSC for the total amount of Tenge 1,600,000 thousand with maturity at 31 July 2015 for the purpose of acquisition of administrative building and land. Interest rate is 16% per annum payable on a monthly basis. Principal amount is paid in equal monthly instalments starting from 22 September 2011 till 31 July 2015.

The collateral for this loan is purchased administrative building with residual value of Tenge 1,552,557 thousand (Note 6).

HSBC Kazakhstan

In 2010 the Group signed the credit line agreement with HSBC Bank Kazakhstan JSC for the total amount of Tenge 2,900,000 thousand with maturity on 28 October 2013 for the purpose of replenishment of the working capital. The funds according to the given contract will be presented in the form of loans and overdrafts. Interest rates on credit line are: on overdrafts - 5.2% per annum, on loans vary from 7% to 11% per annum, and are payable on monthly basis. The maturity of overdrafts shall not exceed the maturity of the credit line; the maturity of loans shall not exceed 12 months. Property, plant and equipment of TPS-1 with the carrying amount of Tenge 4,919,670 thousand were pledged as collateral under this credit line agreement.

Development Bank of Kazakhstan

On 11 April 2008 the Group signed the loan agreement with Development Bank of Kazakhstan JSC (“Development Bank of Kazakhstan”) on financing the reconstruction of ventilation cooling towers and ash dumps. Under this loan agreement, the Group received the loan in the amount of Tenge 1,500,000 thousand with maturity on 10 September 2016. Principal amount is repayable by quarterly payments starting from 10 December 2011. Loan agreement bears interest of 12.5% per annum payable on quarterly basis. This loan is secured by future cash inflow under contracts signed between ALES and Almatyenergosbyt, Almaty Heat Network JSC and Almaty SU Holding State Utility Enterprise.

19 Borrowings (continued)

Kazkommertsbank

On 29 December 2006 the Group entered into the credit facility agreement with Kazkommertsbank JSC (the "Kazkommertsbank Credit Facility") for the total amount of Tenge 4,860,000 thousand. Initially, the loan was repayable in December 2007 and stipulated interest of 12% per annum. Subsequently the Group signed addenda to the agreement on extension of the maturity.

On 10 December the Group signed an addendum to the agreement, according to which the maturity of the loan was extended till 29 December 2013. The principal amount of loan is payable on semi-annual basis. The interest is payable on monthly basis on 12.5% per annum.

Note payable

On 1 August 2005 the Group issued a long-term note for Powerfin Holding Investment B.V. ("Powerfin") in the amount of Tenge 450,358 thousand, and paid off a principal amount of Tenge 1,200 thousand. The note is interest-free and payable on 1 August 2015. The fair value of the note as at the date of initial recognition was determined using the discounted cash flow method under the discount rate of 11.5%.

Loans from customers

In accordance with the resolution of Government of the Republic of Kazakhstan No. 1044 dated 8 October 2004 the Group companies (AZhC and MEDC) received loans from customers to construct electric power transmission lines or reconstruct the existing electric power transmission lines and infrastructure. These loans are interest-free and are not secured by any collateral. Loans from customers received by AZhC are repayable by equal payments within 20 years starting from 2010; loans from customers received by MEDC are repayable within 25 years.

The loans from customers are initially recognised at their fair value applying the discounted cash flow method and using the prevailing market interest rate of 12.5% (2009: 16%); subsequently they are carried at amortised cost. The difference between consideration received and its fair value is recognised as deferred income. Subsequently deferred income is recognised in profit or loss over the useful lives of property, plant and equipment (Note 20).

In accordance with the Law of the Republic of Kazakhstan No. 116-IV dated 29 December 2008, On Incorporation of Amendments and Additions to Certain Legislative Documents of the Republic of Kazakhstan Regarding the Issues of Operations of Independent Industry Regulators", amendment have been incorporated in to the Law On Electric Power Engineering, which became effective from 1 January 2009, and excluded obligations of customers of electric and thermal power to compensate costs of connection of the additional capacities.

During 2010 and 2009 AZhC received additional financing from customers under contracts made prior to 1 January 2009 in the amount of Tenge 26,989 thousand and Tenge 427,216 thousand respectively. The difference between nominal value of loans from customers received by AZhC in 2010 and their fair values in the amount of Tenge 19,837 thousand is recognised as deferred income (2009: Tenge 338.153 thousand) (Note 20).

In 2010 AZhC made repayment of funds to customers in the amount of Tenge 244,506 thousand (2009: Tenge 759.593 thousand). This change of expected future payments has been accounted for by recalculation of the carrying amount of liabilities based on revised cash flows discounted using original effective interest rate. Resulting difference of Tenge 81,651 thousand (2009: 531,783 thousand) was recorded against deferred income (Note 20).

Financial aid from NC KazMunaiGas

On 31 October 2006 AZhC received an interest-free financial aid from National Company KazMunaiGas JSC ("NC KazMunaiGas") in the amount of Tenge 5,598,233 thousand. The purpose of this financial aid was to finance the payment of the significant portion of value added tax and corporate income tax payable to the state budget accrued for previous years. Initially the financial aid was repayable on 31 August 2007. During 2007 the Group repaid Tenge 3,598,233 thousand of the financial aid.

On 15 July 2008 the Group signed an additional agreement to the initial agreement, pursuant to which the repayment of loan was extended to 31 August 2008.

On 29 December 2009 a trilateral agreement between NC KazMunaiGas, Samruk-Energy and AZhC was signed to assign the debt of AZhC under the financial aid agreement in the amount of Tenge 2,000,000 thousand to Samruk-Energy. Subsequently the amount receivable by NC KazMunaiGas from Samruk-Energy under the financial aid agreement was transferred from NC KazMunaiGas to KazTransGas

19 Borrowings (continued)

Moinak HPS

Development Bank of Kazakhstan

On 14 December 2005 the Group entered into a credit facility agreement with the Development Bank of Kazakhstan JSC for the total amount of US dollar 25,000 thousand. The purpose of the loan is to finance the design and exploration works and construction of Moinak HPS.

The loan was provided to the Group for 20 years at an interest rate equal to the base rate comprising 6-month LIBOR multiplied by 1.15 plus an applicable margin of 1.15%. Interest is accrued on a semi-annual basis starting from 22 March 2006 in accordance with the notifications sent by the Development Bank of Kazakhstan. The principal amount and interest are repayable in 32 equal semi-annual instalments starting from 24 September 2010 to 24 March 2026 in accordance with the repayment schedule of the loan agreement.

On 16 January 2008 the Group signed a new loan agreement with the Development Bank of Kazakhstan for US dollar 26,058 thousand. The purpose of the loan is to finance the investment activities of the Group on the construction of Moinak HPS. The loan was provided to the Group for 20 years at the annual interest rate equal to 8%. Interest is accrued on a semi-annual basis starting from 4 March 2008 in accordance with the notifications sent by the Development Bank of Kazakhstan The principal amount and interest are repayable in 32 equal semi-annual instalments starting from 1 February 2013 to 1 August 2028 in accordance with the repayment schedule of the loan agreement.

According to the terms of loan agreement, certain items of property, plant and equipment with a net book value of Tenge 5,374,337 thousand as well as 20% of total future income of Moinak HPS under sales agreements signed with KEGOK JSC and other future agreements were pledged as collateral. Additionally, this loan is secured by guarantee of the Ministry of Finance of the Republic of Kazakhstan in the amount of US dollar 25,000 thousand. The impact of the difference between the contractual and market interest rate, as a result of the guarantee, is insignificant for these consolidated financial statements.

During 2009 under the credit facility agreement dated 16 January 2008 with Development Bank of Kazakhstan the Group received new tranche in the amount of US dollar 2,900 thousand to finance investing activities of the Group to construct Moinak HPS. In 2010 under the credit facility agreement with Development Bank of Kazakhstan the Group received US dollar 4,563 thousand. As of 31 December 2010 these funds were fully utilised by the Group.

State Development Bank of China

In June 2006 the Company entered into a credit facility agreement with State Development Bank of China for US dollar 200,000 thousand. The purpose of loan is the construction of main facilities of Moinak HPS.

In accordance with the subsequent collateral agreement dated 14 June 2006 between the Group and State Development Bank of China, the right for collection of cash from electricity sales of 80% of total revenues is pledged as collateral for this loan. In addition, the Group is obliged to open a special deposit in the amount of US dollar 20,000 thousand until construction of Moinak HPS is completed (Note 10).

The loan was provided to the Group for 20 years at an interest rate equal to the base rate comprising 6-month LIBOR multiplied by 1.15 plus an applicable margin of 1.2%. The principal amount and interest are repayable in 30 equal semi-annual instalments starting from 22 March 2013 to 20 October 2027 in accordance with the repayment schedule of the loan agreement.

In 2009 within loan agreement with Development Bank of China the Group received USD 15,459 thousand. In 2010 within loan agreement with Development Bank of China the Group received USD 42,650 thousand. As of 31 December 2010 these funds were fully utilised by the Group.

Carrying amount of loans received by Moinak HPS approximates their fair value.

19 Borrowings (continued)

MEDC

Bonds issued

In August 2005, MEDC issued and placed: 500,000 thousand second Tenge denominated coupon bonds with a discount of Tenge 456 thousand and interest at 13% per annum. In November 2006 MEDC issued and placed additional 700,000 thousand Tenge denominated coupon bonds with a discount of Tenge 25 thousand and interest at 12% per annum. In May 2007 MEDC issued and placed additional 500,000 thousand Tenge denominated coupon bonds of 4-th issue with a discount of Tenge 104 thousand and interest at 12% per annum. In February 2008 MEDC issued and placed additional 800,000 thousand Tenge denominated coupon bonds of 5-th issue with a discount of Tenge 216 thousand and interest at 16% per annum. In February 2009 MEDC issued and placed additional 800,000 thousand Tenge denominated coupon bonds of 5-th issue with a discount of Tenge 15.336 thousand and interest at 16% per annum. All bonds were issued without collateral at the Kazakhstani Stock Exchange and were sold to pension funds and various financial organisations.

In September 2010 MDEC fully repaid its liabilities related to coupon bonds of second issue.

Loans from customers

During 2007-2009 MDEC received loans from customer totaling Tenge 2,595,896 thousand, including Tenge 51,480 thousand during 2009. Differences between fair value of these loans and their fair values at initial recognition were recorded in deferred income (Note 20). Loans received in 2009 represent liabilities of customers under the contracts signed prior to 1 January 2009

AlmatyEnergoSbyt

Bonds issued

In September 2008, AlmatyEnergoSbyt placed the coupon bonds with nominal value of Tenge 1 bearing interest of 15% per annum with maturity of 7 years in the amount of Tenge 500,000 thousand with a discount. In 2009 the Group purchased back 249,250 bonds in the amount of Tenge 287,707 thousand.

In April 2010 16,380 thousand bonds were placed. As of 31 December 2010 there are 267,130 bonds outstanding with nominal par value of Tenge 1 and fixed interest of 15% per annum. Carrying amount of bonds issued by AlmatyEnergoSbyt approximates their fair value.

The Group's borrowings mature as follows:

In thousands of Kazakhstan Tenge	**31 December 2010**	**31 December 2009**	**1 January 2009**
Loans due:			
- within 1 year	9,079,618	23,013,082	56,149,541
- from 2 to 5 years	27,345,229	32,343,616	6,343,646
- over 5 years	50,066,281	47,213,563	20,918,244
Total borrowings	**86,491,128**	**102,570,261**	**83,411,431**

19 Borrowings (continued)

The Group's borrowings are denominated in the following currencies:

In thousands of Kazakhstan Tenge	31 December 2010	31 December 2009	1 January 2009
Borrowings denominated in:			
- Tenge	55,366,487	34,633,134	23,311,146
- US Dollars	31,124,641	67,937,127	41,775,963
- Euro	-	-	18,324,322
Total borrowings	**86,491,128**	**102,570,261**	**83,411,431**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

The carrying amount and fair value of borrowings are as follows:

	31 December 2010		31 December 2009		1 January 2009	
In thousands of Kazakhstan Tenge	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bank term loans	49,654,377	49,654,377	38,588,908	38,588,908	71,770,893	71,770,893
Loan from Samruk-Kazyna	29,193,549	31,325,794	44,210,786	44,210,786	-	-
Loans from customers	4,163,817	4,263,670	3,836,672	3,846,308	3,635,323	3,029,969
Bonds issued	3,216,733	3,583,607	3,700,020	4,105,749	3,095,015	3,095,015
Note payable	262,652	251,346	234,373	240,824	210,200	171,168
Financial aid received from shareholders	-	-	11,999,502	11,999,502	2,700,000	2,700,000
Financial aid from NC KazMunaiGas	-	-	-	-	2,000,000	2,000,000
Total borrowings	**86,491,128**	**89,078,794**	**102,570,261**	**102,992,077**	**83,411,431**	**82,767,045**

20 Other Non-current Liabilities

In thousands of Kazakhstan Tenge	31 December 2010	31 December 2009
Deferred income		
- AZhC	6,131,398	6,711,944
- MEDC	1,865,545	1,910,045
Liabilities related to preference shares of subsidiaries	107,737	107,737
Other	2,189	949
Total other non-current liabilities	**8,106,869**	**8,730,675**

Deferred income represents a difference between the nominal value of loans from customers received by AZhC and MEDC for construction of electric power transmission lines and infrastructure to connect to electricity transmission lines or reconstruction of the existing electric power transmission lines and infrastructure (Note 19) and their fair value at initial recognition. Deferred income subsequently recorded to profit and loss over the useful lives of property, plant and equipment.

20 Other Non-Current Liabilities (continued)

Presented below is movement of deferred income:

In thousands of Kazakhstan Tenge	Note	AZhC	MEDC	Total
Balance at 1 January 2009		7,422,982	1,874,335	9,297,317
Discount on loans received from customers	19	338,153	43,621	381,774
Change in the carrying amount of loans from customers adjusted against deferred income	19	(531,782)	-	(531,782)
Recognition of income		(517,409)	(7,911)	(525,320)
Balance at 31 December 2009		**6,711,944**	**1,910,045**	**8,621,989**
Discount on loans received from customers	19	19,837	-	19,837
Change in the carrying amount of loans from customers adjusted against deferred income	19	(81,651)	-	(81,651)
Recognition of income		(518,732)	(44,500)	(563,231)
Balance at 31 December 2010		**6,131,398**	**1,865,545**	**7,996,944**

21 Provisions for Liabilities and Charges

In 2010 the Group, in the course of its normal activity, was involved in certain civil cases. As of 31 December 2010, based on past experience and interpretation of the legislation, management concluded that certain cases may be ruled by the court not in favour of the Group.

Management believes that the Group's position will be sustained. However, the management adopted the conservative approach and recorded a provision in the amount of Tenge 970,000 thousand. The provision is recorded in profit and a loss for 2010 within cost of sales. The balance is expected to be utilised by 31 December 2011. In the opinion of management the outcome of these cases will not give rise to any significant loss beyond the accrued amounts.

The details of the disputable items are not presented herewith as it might give rise to adverse implication.

22 Payable to Almaty Akimat

On 30 June 2005 AZhC, KazTransGas and Halyk Bank signed an agreement pursuant to which KazTransGas accepted and paid off the amount payable by AZhC to Halyk Bank of Kazakhstan JSC in the amount of US dollar 46,600 thousand and Tenge 1,941,568 thousand. In addition, in accordance with the terms of this agreement as collateral of amount payable by AZhC KazTransGas obtained the right for the property of principal divisions of ALES (Note 1), which was previously pledged to Halyk Bank as collateral for liability of AZhC.

Subsequently KazTransGas released the above property from pledge and Akimat (local government authority) of Almaty ("Akimat") provided buildings of hotel Kazakhstan and hotel Almaty located in Almaty as collateral for the amount payable by AZhC to KazTransGas.

In 2005 KazTransGas hold an auction to sell the above mentioned hotel buildings. The transaction was accounted for by KazTransGas as repayment of the equivalent amount of payable by AZhC to KazTransGas. However, no formal agreement regarding repayment of the liability was signed between AZhC, KazTransGas and Akimat.

In 2009 Akimat filed a claim to demand from AZhC settlement of liability in the amount of Tenge 7,274,672 (Note 32). At the beginning of 2010, the case was dismissed due to absence of officials from Akimat in the court. Currently, management of the Group is in the process of negotiation with Akimat on signing agreement on repayment of the liability and agreeing the repayment schedule.

23 Trade and Other Payables

In thousands of Kazakhstan Tenge	**31 December 2010**	**31 December 2009**
Trade payables	17,298,817	14,418,366
Dividends payable	114,579	446,852
Other financial payables	534,397	515,833
Total financial payables	*17,947,793*	*15,381,051*
Advances received from suppliers and contractors	1,555,463	1,774,469
Salaries payable	694,746	610,110
Accrued provisions for unused vacations	441,512	349,340
Other payables	1,789,007	664,271
Total trade and other payables	**22,428,521**	**18,779,241**

Dividends payable represent dividends payable to non-controlling shareholders of MEDC and Hydropower companies.

24 Revenue

In thousands of Kazakhstan Tenge	**2010**	**2009**
Sale of electricity	55,277,465	45,284,233
Sale of heat energy	13,796,389	12,145,050
Electricity transmission	5,321,699	4,793,972
Income from lease of investment property	1,408,475	1,463,975
Other	1,135,852	767,046
Total revenue	**76,939,880**	**64,454,276**

25 Cost of Sales

In thousands of Kazakhstan Tenge	**2010**	**2009**
Fuel	14,183,545	11,310,703
Payroll and related expenses	11,213,359	9,568,555
Cost of purchased electricity	8,357,652	9,594,429
Electricity transmission services	5,442,613	4,356,062
Depreciation of property, plant and equipment and amortisation of intangible assets	4,988,441	3,370,936
Water supply	4,854,195	1,578,918
Materials	4,005,631	2,336,387
Third party services	3,796,702	7,067,683
Electricity losses on transmission	1,755,428	1,434,898
Taxes other than on income	966,337	440,199
(Reversal) / charge of provision on obsolete and slow-moving inventories	(430,628)	292,427
Reversal of impairment of property, plant and equipment	-	(9,527,168)
Other	1,799,636	388,620
Total cost of sales	**60,932,911**	**42,212,649**

26 Other Operating Income

In thousands of Kazakhstan Tenge	Note	2010	2009
Income from connection of additional capacities	20	518,732	1,271,807
Income from sale of materials		219,164	21,541
Income on fines and penalties		193,257	95,633
Other		263,855	90,369
Total other operating income		**1,195,008**	**1,479,350**

Income for connecting additional powers in 2009 also include cost of expansion and reconstruction works for substations and connecting additional power equipment financed by funds of customers of AZhC in the amount of Tenge 746,487 thousand.

27 Distribution Costs

In thousands of Kazakhstan Tenge	2010	2009
Electricity transmission services	70,032	59,492
Payroll and related expenses	35,830	31,024
Other	18,513	4,090
Total distribution costs	**124,375**	**94,606**

28 General and Administrative Expenses

In thousands of Kazakhstan Tenge	Note	2010	2009
Payroll and related expenses		2,505,358	2,236,925
Taxes other than on income		919,512	527,967
Consulting and other professional services		423,737	417,460
Rent expense		353,857	480,587
Depreciation of property, plant and equipment and amortisation of intangible assets		191,536	160,326
Business trip and representative expenses		132,063	101,539
Bank charges		123,094	120,157
Materials		112,210	108,704
Repair and maintenance		95,764	67,963
Communication expenses		62,910	86,968
Security services		33,315	22,351
Utilities		12,045	24,910
Transportation		8,616	19,806
Software maintenance		3,671	15,139
Reversal of impairment of property, plant and equipment	6	-	(365,707)
(Reversal) / charge of provision for impairment of trade and other receivables and other current assets		(643,145)	556,827
Other		547,397	542,727
Total general and administrative expenses		**4,881,940**	**5,124,649**

29 Finance Income

In thousands of Kazakhstan Tenge	Note	2010	2009
Interest income on bank deposits		1,274,923	970,323
Gain from revision of loan repayment schedule	19	863,875	-
Gain from change of interest rate on bank loan	19	-	348,156
Other		15,249	114,404
Total finance income		**2,154,047**	**1,432,883**

30 Finance Costs

In thousands of Kazakhstan Tenge	Note	2010	2009
Interest expense on borrowings		3,397,146	5,628,689
Dividends on preference shares of subsidiaries		135,379	107,331
Unwinding of the present value discount			
- loans and financial aid from shareholders		1,673,414	-
- loans from customers		253,898	320,165
- ash dump restoration provision	17	37,001	12,824
- notes payable		28,279	24,173
- employee benefit payable	18	21,969	3,485
- bonds issued		2,153	57,790
Other		4,022	1,178
Total finance costs		**5,553,261**	**6,155,635**

31 Taxes

In thousands of Kazakhstan Tenge	2010	2009
Current income tax	2,108,357	1,310,096
Deferred income tax	(893,669)	1,126,324
Total income tax expense	**1,214,688**	**2,436,420**

Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstan Tenge	2010	2009
Profit / (loss) before tax under IFRS	**12,296,277**	**(292,222)**
Theoretical tax expense / (benefit) at statutory rate of 20% (2009: 20%)	2,459,255	(58,444)
Adjustments for:		
Share of profit of joint ventures not subject to income tax	(689,502)	(102,362)
Non-deductible expenses	498,971	229,557
Effect of accelerated tax depreciation	-	(25,609)
Adjustment of prior years income tax	156,787	171,286
Withholding tax	317,111	(114,847)
Effect of changes in rates of corporate income tax	1,170,090	(114,847)
Changes in unrecognised deferred income tax assets	(2,698,024)	2,591,435
Total income tax expense	**1,214,688**	**2,436,420**

Effect of changes in the rates of corporate income tax is a result of introduction of new adjustments and modifications to tax code (Note 32).

31 Taxes (continued)

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate applicable to period of assets realisation or liabilities settlement.

In thousands of Kazakhstan Tenge	1 January 2009	Charged/ (credited) to profit or loss	31 December 2009	Credited to equity	Charged/ (credited) to profit or loss	31 December 2010
Tax effect of deductible temporary differences						
Tax losses carried forward	438,104	3,474,323	3,912,427	-	237,888	4,150,315
Construction-in-progress	822,156	(822,156)	-	-	-	-
Employee benefit obligation	2,493	7,954	10,447	-	46,179	56,626
Ash dump restoration provision	12,259	7,400	19,659	-	28,504	48,163
Inventories	233,526	71,458	304,984	-	(30,709)	274,275
Trade and other receivables	206,323	(53,049)	153,274	-	(118,734)	34,540
Taxes other than income tax	68,930	(68,213)	717	-	14,570	15,287
Provision for unused vacation	13,305	42,437	55,742	-	30,329	86,071
Accruals	11,078	3,980	15,058	-	175,647	190,705
Other	20,636	14,242	34,878	-	4,456	39,334
Loans from customers	-	28,644	28,644	-	(28,568)	76
Gross deferred income tax assets	**1,828,810**	**2,707,020**	**4,535,830**	**-**	**359,562**	**4,895,392**
Unrecognised gross deferred income tax assets	(1,288,078)	(2,591,435)	(3,879,513)	-	2,698,024	(1,181,489)
Less offsetting with deferred income tax liabilities	(540,732)	(115,585)	(656,317)	-	(3,057,586)	(3,713,903)
Recognised deferred income tax assets	**-**	**-**	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences						
Property, plant and equipment	(2,182,230)	(1,242,312)	(3,424,542)	-	(1,606,115)	(5,030,657)
Borrowings	-	-	-	(3,159,135)	(559,292)	(3,718,427)
Other	(1,893)	403	(1,490)	-	1,490	-
Gross deferred income tax liabilities	**(2,184,123)**	**(1,241,909)**	**(3,426,032)**	**(3,159,135)**	**(2,163,917)**	**(8,749,084)**
Less offsetting with deferred income tax assets	540,732	115,585	656,317	-	3,057,586	3,713,903
Recognised deferred income tax liabilities	**(1,643,391)**	**(1,126,324)**	**(2,769,715)**	**(3,159,135)**	**893,669**	**(5,035,181)**

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax benefits of other companies of the Group, and accordingly, taxes can be assessed even in case of consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only if they related to the same taxable company.

The Group did not recognise deferred income tax asset in respect of carried forward tax losses incurred by entities of the Group for which no taxable profits are expected in the foreseeable future. Tax losses in 2009 mainly relate to foreign exchange losses incurred in respect of borrowings denominated in US dollar and Euro. Major portion of tax loss carry forwards expire in 2019.

In 2010, the Group re-assessed probability of utilisation of unused tax losses in future and recognised previously unrecognised deferred income tax asset in respect of tax losses in the amount of Tenge 2,698,024 thousand. This amount represents amount of tax losses which are expected to be utilised until expiry by offset against taxable temporary differences in respect of borrowings.

31 Taxes (continued)

Taxes payable

In thousands of Kazakhstan Tenge	31 December 2010	31 December 2009	1 January 2009
VAT	176,043	312,340	191,007
Individual income tax	143,989	134,068	108,841
Social tax	66,756	140,215	32,096
Corporate income tax	55,263	88,136	402,381
Environmental taxes	27,659	148,030	107,348
Other taxes	278,174	187,202	257,587
Total taxes payable	**747,884**	**1,009,991**	**1,099,260**

VAT recoverable and prepaid taxes

In thousands of Kazakhstan Tenge	31 December 2010	31 December 2009	1 January 2009
VAT recoverable – current portion	3,004,197	149,692	823,385
Corporate income tax	375,124	756,331	884,809
Other taxes	38,880	35,671	45,789
Total VAT recoverable and prepaid taxes	**3,418,201**	**941,694**	**1,753,983**

32 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display the characteristics of an emerging market. 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.

Additionally, the electricity energy sector is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control.

The recent global financial crisis has had a severe effect on the economy of the Republic of Kazakhstan and the financial situation in the financial, banking and corporate sectors significantly deteriorated since mid-2008. In 2010, the Kazakhstani economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of Tenge against major foreign currencies, and increased liquidity levels in the banking sector.

Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade and other receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The Group has the strategic importance for the Republic of Kazakhstan, since it combines the entities of electricity and energy complex providing the population and industrial entities with the electricity. 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 current power stations. The management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the electricity energy sector is the strategically important part of the country's economy.

Management is unable to predict all developments which could have an impact on the Kazakhstani economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

32 Contingencies, Commitments and Operating Risks (continued)

Tax legislation

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. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years. In some cases tax reviews might cover the period of more than five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. In the opinion of the Group's 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.

On 10 December 2008, the President of the Republic of Kazakhstan signed the new Tax Code effective from 1 January 2009. The key changes included: reduction of the CIT rate from 30% to 20% in the financial year 2009, to 17.5% in 2010, and to 15% in 2011; of the VAT rate to from 13% to 12%; introduction of fixed rate of social tax of 11%; increase of property tax rate from 1% to 1.5% in respect of the tax base represented exclusively by immovable property, and other changes.

Further, on 17 November 2009, the President of the Republic of Kazakhstan approved new changes and amendments to the Tax Code. The key amendment was to keep corporate income tax rate at 20% until 1 January 2013, and to apply the rate of 17.5% in 2013 and 15% onwards.

Further, on 26 November 2010, the President of the Republic of Kazakhstan signed the Law on Amendments and Addenda to Some Legislative Acts of the Republic of Kazakhstan on Taxation, according to which the corporate income tax rate was fixed at 20% without changes in rates in subsequent years.

Legal proceedings

Antimonopoly legislation

In 2007 the ARNM carried out an unscheduled review of AZhC for compliance of its operations with the Antimonopoly legislation. As the result of this review the ARNM concluded that AZhC did not meet the requirements of the Antimonopoly legislation in respect of receipt of funds from customers and handled the case of administration violation to the Specialised Inter-regional Administrative Court of Almaty city.

On 31 December 2008 the ARNM issued a prescription to eliminate violations of the Antimonopoly legislation (the "Prescription"), which prescribed AZhK to return funds received from developers of apartment houses in Almaty city in the amount of Tenge 7,129,511 thousand.

On 7 February 2008 the Specialised Inter-regional Administrative Court of Almaty city concluded that contracts entered into by AZhC to construct access to electric power lines with established capacities (Note 20) with the developers of apartment houses do not represent violations of the Antimonopoly legislation. On 9 September 2008 the ARNM filed an action to force AZhC to execute the Prescription into the Specialised Inter-regional Economic Court of Almaty city. On 16 October 2008 the Specialised Inter-regional Economic Court of Almaty city satisfied the claim of ARNM. AZhC appealed the decision of the Specialised Inter-regional Economic Court of Almaty city. On 26 December 2008 the decision of the Specialised Inter-regional Administrative Court of Almaty city dated 16 October 2008 appealed by AZhC was cancelled and the case was sent for revision.

On 19 February 2009 AZhC filed a cross-application seeking invalidation and cancellation of the Prescription. On 27 February 2009 Specialised Inter-regional Economic Court of Almaty city satisfied the claim of AZhC ARNM appealed the decision of the Specialised Inter-regional Economic Court of Almaty city. Based on the results of consideration of the appeal of ARNM the above decision of the Specialised Inter-regional Economic Court of Almaty city remained unchanged by the resolution of Panel of judges on civil cases of Almaty city dated 21 May 2009.

At present ARNM has not appealed the court decisions and under the legislation of the Republic of Kazakhstan at 31 December 2010, the term for filing appeal against these court decisions has expired.

Management of the Group believes that the contracts to construct access to electric power lines with established capacities are in full compliance with the requirements of legislation of the Republic of Kazakhstan and AZhC has a strong position in this matter. Accordingly, no provisions have been recorded in these consolidated financial statements in respect of this matter.

32 Contingencies, Commitments and Operating Risks (continued)

Akimat case

In 2009 Akimat filed claim to the Specialised Inter-regional Economic Court of Almaty city to levy from AZhC the amount of principal debt of Tenge 7,274,672 thousand (Note 22), penalty for delay of payment of Tenge 2,029,985 thousand, as well as state duty of Tenge 279,475 thousand. By the decision dated 6 January 2010 the Specialised Inter-regional Economic Court of Almaty city left the claim without consideration. Akimat is entitled to file the claim repeatedly.

Currently management of the Group is in the process of negotiations with Akimat on signing of the agreement on debt repayment and agreeing repayment schedule.

Bastau SPUC case

In 2009 Bastau Subsidiary Public Utility Company of Almaty SU Holding State Utility Company ("Bastau SPUC"), providing cold water supply services to the Group, filed a claim to the court with the requirement on forcing ALES to apply the Bastau SPUC calculation procedure starting from 1 January 2009 when calculating the cost of services on cold water supply. Bastau SPUC calculation procedure envisages the calculation of cost of services of cold water supply provided to the Group on the basis of distribution levels of hot water generated by ALES by customers groups and application of differentiated tariffs of Bastau SPUC established for the respective customers groups. Bastau SPUC claim amount was Tenge 1,030,000 thousand, including state duty in the amount of Tenge 30,000 thousand. Furthermore, Bastau SPUC demands to force ALES to provide the information and supporting documents on distribution of services received by customer groups for the purposes of calculation of costs on the respective services.

Almaty City Specialised Inter-district Economic Court issued the ruling on 2 November 2009 whereby it rejected the claim of Bastau SPUC. Bastau SPUC appealed the ruling of Almaty City Specialised Inter-district Economic Court. Under the ruling of Civil Cases Panel of Almaty City Court, the previous ruling was fully rejected and this case was remanded for a new trial.

On 2 April 2010 under the ruling of Almaty City Specialised Inter-district Economic Court, the Bastau SPUC claim was satisfied in full. On 15 April 2010 ALES filed the appeal to Almaty City Court. On 2 June 2010 Appeal Panel of Almaty City Court rejected the appeal of ALES upholding the ruling of Almaty City Specialised Inter-district Economic Court.

On 29 June 2010 ALES filed the cassation appeal on ruling of Appeal Collegium of Almaty City Court. On 5 August 2010 the Cassation Court Panel of Almaty City Court issued a ruling on upholding of the decision of the Almaty City Specialised Inter-district Economic Court dated 2 April 2010 and the ruling of the Appeal Panel of Almaty City Court dated 2 June 2010.

ALES submitted a petition in the Oversight Court Panel for Civil and Administrative Cases of the Supreme Court of the Republic of Kazakhstan to initiate review proceedings on the revision of the above decisions and rulings. On 10 November 2010 the Oversight Court Panel for Civil and Administrative Cases of the Supreme Court of the Republic of Kazakhstan decided to dismiss the petition of ALES for supervisory review of the court decisions.

The Group recognised additional payables to Bastau SPUC for services on the cold water supply for the year 2009 in the amount of Tenge 1,970,348 thousand (excluding VAT) and charged this amount in profit and loss for the year within cost of sales.

Other

In the course of normal operations, the Group is subject to litigations and claims. At present, the Group's management believes that final obligations, if any, arising from such litigations and claims will not have any significant adverse effect on the future financial position of the Group.

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.

32 Contingencies, Commitments and Operating Risks (continued)

Ash dump restoration provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities. At 31 December 2010 the carrying amount of the ash dump restoration provision was Tenge 362,234 thousand (2009: Tenge 175.742 thousand).

The provision for ash dumps restoration 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 restoration standards and methods and rehabilitation techniques. This estimate may change upon completion of subsequent environmental investigation works and revision of the existing restoration and reclamation programmes.

Capital commitments

At 31 December 2010 the Group has contractual commitments to purchase the property, plant and equipment for Tenge 24,340,891 thousand (2009: Tenge 49,179,010 thousand). Management believes that the Group will have sufficient funds to fulfil its capital commitments.

Investment commitments

In accordance with Agreements on Investment Obligations with the Ministry of Industry and New technologies of the Republic of Kazakhstan, the Group entities involved in the production of electricity have investment obligations for 2010 of Tenge 9,967,439 thousand. As of 31 December 2010 the Group fulfilled its investment obligations under this agreement in full.

Contingencies of joint ventures

As at 31 December 2010 the joint ventures of the Group do not have any material contingencies except capital expenditure commitments described below (2009: no material contingencies).

Investment and capital expenditure commitments of joint ventures

As at 31 December 2010 the Group's share in capital expenditure commitments of Forum Muider and Ekibastuzskaya GRES-2 comprised Tenge 172,673 thousand and Tenge 1,319,450 thousand, respectively (2009: Tenge 616,101 thousand and Tenge 805,262 thousand, respectively). ZhGRES does not have any material capital expenditure commitments as at 31 December 2010.

The Group's share in unfulfilled investment obligations of Ekibastuzskaya GRES-2 at 31 December 2010 comprises Tenge 530,152 thousand.

Commitments to supply KEGOC JSC with electricity

At 15 December 2005 Group made a contract with Kazakhstan Electricity Grid operating Company JSC ("KEGOC") for supply of electricity for period from 2011 till 2016. Below are presented the contract terms:

Contract	**Year**	**Volume (in millions of kilowatt-hours**	**Contractual amount**
№ 13-D-987	2012	491.52	2,122,393
№ 13-D-988	2013	490.56	2,193,900
№ 13-D-989	2014	490.56	2,269,551
№ 13-D-990	2015	490.56	2,345,203
№ 13-D-991	2016	491.52	2,425,592
Total sales commitments		**2,454.72**	**11,356,639**

33 Financial Instruments by Category

Accounting policies on financial instruments were applied for below listed items:

In thousands of Kazakhstan Tenge	Note	31 December 2010	31 December 2009	1 January 2009
Loans and receivables				
Other non-current financial assets	10	2,959,136	3,238,374	4,734,991
Financial receivables	12	11,070,415	8,287,510	4,804,873
Other current financial assets	13	6,206,597	134,387	353,999
Cash and cash equivalents	14	14,988,160	11,983,674	12,766,960
Total financial assets		**35,224,308**	**23,643,945**	**22,660,823**
Financial liabilities carried at amortised cost				
Borrowings	19	86,491,128	102,570,261	83,411,431
Other non-current financial liabilities	20	8,106,869	107,737	107,737
Payable to Almaty Akimat	22	7,274,672	7,274,672	7,274,673
Financial payables	23	18,917,793	15,381,051	14,355,947
Total financial liabilities		**120,790,462**	**125,333,721**	**105,149,788**

34 Financial Risk Management

Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies set by the Group's ultimate parent (Note 1), who provides principles for risk management, covering specific areas, such as credit risk and liquidity risk market risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents. The carrying amount of restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents represent the maximum amount exposed to credit risk.

34 Financial Risk Management (continued)

The table below shows credit ratings (where available) at the end of the respective reporting period:

In thousands of Kazakhstan Tenge	**Rating (Standard & Poor's)**	**31 December 2010**	**31 December 2009**	**1 January 2009**
Financial receivables	Not available	*11,070,415*	*8,287,510*	*4,804,873*
Other non-current financial assets				
Halyk Bank	B+/Stable	2,959,136	3,238,374	3,872,242
Kazkommertsbank	B/Stable/C	-	-	826,749
Total other non-current financial assets		*2,959,136*	*3,238,374*	*4,698,991*
Other current financial assets				
Kazkommertsbank	B/Stable/C	885,000	115,173	134,000
Delta Bank	Not available	750,000	-	-
Bank CenterCredit	Not available	629,847	1,874	-
Halyk Bank	B+/Stable	450,000	183	50,500
ATF Bank	Not available	-	574	35,000
BTA Bank	B-/Stable/C	-	270	20,000
KazInvestBank	B-/Negative/C	-	-	35,000
Other	Not available		16,313	79,499
Total other current financial assets		*2,714,847*	*134,387*	*353,999*
Cash and cash equivalents				
Alliance Bank	B-/Stable/C	4,957,243	20	50,293
Halyk Bank	B+/Stable	4,856,026	5,983,947	7,529,687
Kazkommertsbank	B/Stable/C	3,606,618	3,512,002	1,359,433
ATF Bank	Not available	742,391	972,118	2,541,414
Bank CenterCredit	Not available	515,450	674,878	431,462
BTA Bank	B-/Stable/C	17,466	15,797	666,959
Citibank Kazakhstan	Not available	85	95	153,144
Other	Not available	265,528	803,833	14,326
Cash at hand	Not available	27,353	20,984	20,242
Total cash and cash equivalents		*14,988,160*	*11,983,674*	*12,766,960*
Total maximum exposure to credit risk		**31,732,558**	**23,643,945**	**22,624,823**

Certain Group entities hold a dominant position and/or are natural monopolists in providing electricity and heat energy in relevant regions. Thus these entities have a limited range of consumers and forced to sell their products without regard to the creditworthiness of the consumer. The Group does not have the system of assessing the creditworthiness of consumers; policy for assigning internal ratings and set credit limits to counterparties.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages the liquidity risk using short-term (one month) forecasts of the expected cash flows for operating activities. The Group has developed a range of internal regulations, aimed at establishing control procedures for appropriate placing of temporary excess cash, invoice processing and payments, as well as preparation of operational budgets. The Group's objective is to maintain the balance between the continuous financing and flexibility using the bank deposits.

34 Financial Risk Management (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

In thousands of Kazakhstan Tenge	**On demand and within 1 month**	**Between 1 and 3 months**	**From 3 to 12 months**	**Between 12 months and 5 years**	**Over 5 years**
At 31 December 2010					
Borrowings	140,203	8,031,365	5,936,689	36,378,607	88,871,115
Payable to Almaty Akimat	7,274,672	-	-	-	-
Other non-current financial liabilities	-	-	-	-	107,737
Trade and other payables	17,328,432	956,884	632,411	-	-
Total financial liabilities	**24,743,307**	**8,988,249**	**6,569,100**	**36,378,607**	**88,978,852**
At 31 December 2009					
Borrowings	198,362	1,539,837	24,992,146	55,334,521	87,150,926
Payable to Almaty Akimat	7,274,672	-	-	-	-
Other non-current financial liabilities	-	-	-	-	107,737
Trade and other payables	13,556,315	174,094	34,105	-	-
Total financial liabilities	**21,029,349**	**1,713,931**	**25,026,251**	**55,334,521**	**87,258,663**
At 1 January 2009					
Borrowings	339,368	716,237	56,559,654	18,923,620	37,922,174
Payable to Almaty Akimat	7,274,673	-	-	-	-
Other non-current financial liabilities	-	-	-	-	107,737
Trade and other payables	6,105,359	8,250,581	7	-	-
Total financial liabilities	**13,719,400**	**8,966,818**	**56,559,661**	**18,923,620**	**38,029,911**

(c) Market risk

Currency risk

The Group's certain borrowings (Note 19) and restricted cash (Note 10) are denominated in foreign currency (US dollars and Euro) and hence the Group is exposed to foreign exchange risk. Foreign exchange exposure due to cash and cash equivalents is insignificant because cash and cash equivalents are mainly denominated in Tenge (Note 14). Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and those instruments are rather expensive the management chooses at the moment not to hedge the Group's foreign exchange risk, as currently benefits from implementing such instruments do not outweigh the costs. Nevertheless the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

34 Financial Risk Management (continued)

The table below shows the total amount of foreign currency denominated liabilities that give rise to foreign exchange exposure:

In thousands of Kazakhstan Tenge	**USD**	**Euro**	**Total**
At 31 December 2010			
Assets	3,384,239	166	3,384,405
Liabilities	31,595,912	-	31,595,912
Net position	**(28,211,673)**	**166**	**(28,211,507)**
At 31 December 2009			
Assets	3,804,883	205,491	4,010,374
Liabilities	73,528,603	-	73,528,603
Net position	**(69,723,720)**	**205,491**	**(69,518,229)**
At 1 January 2009			
Assets	2,440,237	-	2,440,237
Liabilities	41,850,413	18,324,322	60,174,735
Net position	**(39,410,176)**	**(18,324,322)**	**(57,734,498)**

On 4 February 2009 the National Bank of the Republic of Kazakhstan ceased to maintain the exchange rate of Tenge to other foreign currencies. Tenge weakened by 25% against the US dollar and the closing KASE exchange rate at that date was 1 US dollar = Tenge 150.03 (31 December 2008: US dollar 1 = Tenge 120.77).

At 31 December 2010, if Tenge had weakened/strengthen by 20% against the US dollar with all other variables held constant, the post-tax profit for the year would have decreased/increased by Tenge 5,642,335 thousand (2009: decreased by Tenge 11,155,795 thousand), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated borrowings

Interest rate risk

Interest rate risk arises from long-term and short-term borrowings. In case of floating interest rate borrowings, the Group is exposed to potential market risk of LIBOR quotas at London Stock Exchange. LIBOR increase would have an adverse effect on the Group's cash flows. The Group closely monitors changes to LIBOR.

At 31 December 2010, if LIBOR on floating rate borrowings had been 2% higher/lower with all other variables held constant, post-tax profit for the year would have been decreased/increased by Tenge 471,796 thousand (2009: decreased/increased by Tenge 1,071,389 thousand).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

34 Financial Risk Management (continued)

In thousands of Kazakhstan Tenge	Note	31 December 2010	31 December 2009	1 January 2009
Total borrowings	19	86,491,128	102,570,261	83,411,431
Less:				
Cash and cash equivalents	14	(14,988,160)	(11,983,674)	(12,766,960)
Net borrowings		71,502,968	90,586,587	70,644,471
Total equity		109,539,531	41,601,131	34,895,385
Total capital		**181,042,499**	**132,187,718**	**105,539,856**
Gearing ratio		**39.5%**	**68.5%**	**66.9%**

35 Fair Value of Financial Instruments

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and is best evidenced by an active quoted market priceThe estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. . Management has used all available market information in estimating the fair value of financial instruments

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Due to the short-term nature of trade receivables, their carrying amounts approximate fair values.

Financial liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of trade payables, their carrying amount approximates their fair value. The fair value of borrowings and other non-current liabilities is disclosed in the appropriate notes.

Ekibastuz GRES-1 LLP

Interim Condensed Financial Information
for the six-month period ended
30 June 2012
(unaudited)

Content

KPMG

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Independent Auditors' Report on review of Interim Condensed Financial Information

To the Management of Ekibastuz GRES-1 LLP

Introduction

We have reviewed the accompanying condensed statement of financial position Ekibastuz GRES-1 LLP (the "Company) as at 30 June 2012, and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim financial information (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information as at 30 June 2012 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2011 were audited by other auditors whose report dated 12 March 2012 expressed an unmodified opinion on those statements.

The corresponding figures for the six-month period ended 30 June 2011 are not reviewed.

Sergey Dementyev
Certified Auditor of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No.MF-0000086 of 27 August 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

19 October 2012

'000 KZT	Note	Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Revenue	6	41,051,940	34,299,822
Cost of sales	7	(13,917,826)	(11,831,461)
Gross profit		**27,134,114**	**22,468,361**
Other income		97,793	194,055
Distribution expenses		(1,149,891)	(982,244)
Administrative expenses		(1,445,311)	(1,552,793)
Other expenses		(47,818)	(92,586)
(Impairment losses)/recovery of impairment losses		(39,920)	46,757
Results from operating activities		**24,548,967**	**20,081,550**
Finance income		887,804	151,513
Finance costs		(4,779)	(16,527)
Net foreign exchange gain		119,226	250,768
Net finance income		**1,002,251**	**385,754**
Profit before income tax		**25,551,218**	**20,467,304**
Income tax expense	8	(5,191,359)	(4,134,218)
Profit and total comprehensive income for the period		**20,359,859**	**16,333,086**

This interim condensed financial information was approved by the management of the Company on 19 October 2012 and was signed on its behalf by:

Svambayev K.T.
General Director

Anarbayeva T.I.
Chief Accountant

The interim condensed statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the interim condensed financial information set out on pages 9 – 18.

'000 KZT	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	9	124,629,341	109,707,534
Investment property		178,066	180,340
Intangible assets		44,965	48,948
Other long-term receivables	10	2,520,947	2,062,194
Total non-current assets		**127,373,319**	**111,999,016**
Current assets			
Inventories		3,788,754	3,508,194
Trade and other receivables		1,401,615	1,198,488
Income tax prepaid		-	173,839
Advances paid and other current assets		995,944	375,457
Other financial assets	11	3,738,400	4,558,000
Cash and cash equivalents		16,792,095	17,358,789
Total current assets		**26,716,808**	**27,172,767**
Total assets		**154,090,127**	**139,171,783**
EQUITY AND LIABILITIES			
Equity	12		
Charter capital		31,110,120	31,110,120
Retained earnings		94,898,405	82,939,954
Total equity		**126,008,525**	**114,050,074**
Non-current liabilities			
Borrowings	13	9,971,256	9,966,476
Provisions		104,054	104,054
Deferred tax liabilities		9,642,682	9,642,682
Total non-current liabilities		**19,717,992**	**19,713,212**
Current liabilities			
Trade and other payables	14	6,014,137	4,015,945
Income tax payable		1,020,526	-
Advances received		728,947	792,552
Borrowings	13	600,000	600,000
Total current liabilities		**8,363,610**	**5,408,497**
Total liabilities		**28,081,602**	**25,121,709**
Total equity and liabilities		**154,090,127**	**139,171,783**

The interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the interim condensed financial information set out on pages 9 – 18.

'000 KZT	Charter capital	Retained earnings	Total equity
Balance at 1 January 2011	31,110,120	52,054,857	83,164,977
Total comprehensive income for the period			
Profit and total comprehensive income for the period	-	16,333,086	16,333,086
Balance at 30 June 2011	**31,110,120**	**68,387,943**	**99,498,063**
Balance at 1 January 2012	31,110,120	82,939,954	114,050,074
Total comprehensive income for the period			
Profit and total comprehensive income for the period	-	20,359,859	20,359,859
Transactions with owners			
Dividends to equity holders (Note 12)	-	(8,401,408)	(8,401,408)
Balance at 30 June 2012	**31,110,120**	**94,898,405**	**126,008,525**

The interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the interim condensed financial information set out on pages 9 – 18.

'000 KZT	Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Cash flows from operating activities		
Cash receipts from the customers	41,212,444	35,026,494
Cash paid to suppliers	(6,953,228)	(6,450,342)
Cash paid to employees	(639,051)	(643,203)
Other taxes paid (including VAT)	(4,091,976)	(3,526,357)
Cash flows from operating activities before income tax and interest paid	**29,528,189**	**24,406,592**
Interest received	102,723	-
Interest paid	(600,000)	(600,000)
Income tax paid	(3,971,949)	(2,723,056)
Net cash flows from operating activities	**25,058,963**	**21,083,536**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(18,042,223)	(14,338,786)
Acquisition of intangible assets	(1,626)	(837)
Withdrawal of bank deposits	819,600	-
Net cash flows used in investing activities	**(17,224,249)**	**(14,339,623)**
Cash flows from financing activities		
Dividends paid	(8,401,408)	-
Net cash used in financing activities	**(8,401,408)**	-
Net (decrease)/increase in cash and cash equivalents	**(566,694)**	**6,743,913**
Cash and cash equivalents at the beginning of the period	17,358,789	14,901,199
Cash and cash equivalents at the end of the period	**16,792,095**	**21,645,112**

The interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the interim condensed financial information set out on pages 9 – 18.

1 Background

(a) Organisation and operations

Ekibastuz GRES-1 LLP (the "Company") is limited liability partnership as defined in the Civil Code of the Republic of Kazakhstan. The Company was registered on 28 August 1996 in the Ministry of Justice of the Republic of Kazakhstan as AES Ekibastuz LLP. The Company was re-registered on 24 December 1999 following an increase of the charter capital.

On 29 May 2008 AES Ekibastuz Holdings B.V., a party controlling the parent company AES Suntree Power Ltd, was acquired by Kazakhmys Power B.V. owned by Kazakhmys PLC. Following the acquisition on 3 November 2008 the name of the Company was changed to Ekibastuz GRES-1 LLP and registered in the Ministry of Justice of the Republic of Kazakhstan.

On 26 February 2010 Kazakhmys PLC sold 50% interest in the Company to National Welfare Fund Samruk-Kazyna JSC (the "Samruk-Kazyna"). Kazakhmys PLC and Samruk-Kazyna established a joint Supervisory Board, and management positions are alternated between Kazakhmys PLC and Samruk-Kazyna every five years. During the current five year period Kazakhmys PLC appoints management of the Company, whilst Samruk-Kazyna appoints employees to several oversight positions. After five years the right of appointment of management will be transferred to Samruk-Kazyna.

As at 30 June 2012 the Company's owners are Samruk-Kazyna and Ekibastuz Holdings B.V., a company owned by Kazakhmys PLC. Each of participants owns 50% interest in the Company's charter capital.

The Company's principal activity is operation of a coal-fired power plant with installed capacity of 4,000 megawatt (the "MW") and current operating capacity of 2,500 MW located in the North Kazakhstan, close to the border with the Russian Federation. The Company's registered office is 141202, Ekibastuz, Pavlodar Oblast, Republic of Kazakhstan.

As at 30 June 2012 the Company had 1,262 employees (31 December 2011: 1,156 employees), with majority of them being engaged in production of electricity.

(b) Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Kazakhstan. The interim financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

This interim condensed financial information for the six months ended 30 June 2012 has been prepared in accordance with IAS 34 *Interim Financial Reporting* and does not include all of the information required for full annual financial statements.

This interim condensed financial information is to be read in conjunction with the financial statements of the Company for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards (the , "IFRS").

(b) Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare this interim condensed financial information in conformity with IFRS. Estimates and underlying assumptions are reviewed on an ongoing basis for the need of their changes and are based on the management's previous experience and other factors, including expectations for future events which are considered reasonable under the current circumstances. Actual results may differ from these estimates.

Applied key estimates and judgements were the same as those used in preparation of the financial statements for the year ended 31 December 2011.

3 Significant accounting policies

Except as described below, the significant accounting policies applied by the Company in the preparation of this interim condensed financial information are the same as those applied by the Company in its financial statements for the year ended 31 December 2011.

(a) Income tax

Income tax expense for the interim period is based on the estimated average income tax rate expected for the full financial year.

(b) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2012, and have not been applied in preparing this interim condensed financial information. Described below pronouncements potentially will have an impact on the Company's operations. The Company plans to adopt these pronouncements when they become effective.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement.* The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. The Company recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Company's financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

3 Significant accounting policies, continued

(b) New Standards and Interpretations not yet adopted, continued

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2013. The Company has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2011.

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework.

5 Operating segments

For the management purposes the Company has two reportable segments, which are categorised in accordance with the destination of sales of electricity as described below.

- *Sale of electricity to Kazakhstani segment (the "Kazakhstan").* Sales of electricity on the territory of the Republic of Kazakhstan are considered to be primary activity of the Company. All sales contracts, except for the contact with INTER RAO UES JSC, Russian Federation, have been signed with the customers that carry out their economic activities in the Republic of Kazakhstan. All operations related to the business management as well as resolution of different issues (legal, labor, or those arising with local authorities and other) are related to to the activity in which the Company is engaged in the Republic of Kazakhstan.
- *Sale of electric energy to the Russian segment (the "Russian Federation").* Sales of electricity to the Russian Federation are not considered as the Company's primary activity. Thus, the Company sells only spare capacity when the guaranteed volumes are lower in winter period (peak season) and higher in summer period (minimum load season). Reserve power is analysed on a daily basis. The cost of electricity sold includes the variable costs that are directly attributable to electricity generation. Fixed costs are not included in this calculation based on the management's judgments that net profit earned in excess of variable costs shall constitute the export sales to Russian Federation and that these revenues can be successfully reinvested to cover working capital requirements or to provide maintenance of the equipment.

For the presentation purposes of segments disclosed above not merge of operation segment have not been performed. There is no inter-segment revenue.

5 Operating segments, continued

(i) Major customer

For six-month period ended 30 June 2012 the sales of electricity to a single customer from the Kazakhstan segment represented approximately by 10% or KZT 3,968,096 thousand (six-month period ended 30 June 2011: 6% or KZT 1,919,103 thousand) of the Company's total revenue for the period.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Company's Genera Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

30 June 2012

'000 KZT	**Kazakhstan**	**Russian Federation**	**Unallocated**	**Total**
External revenues	39,836,117	1,215,823	-	41,051,940
Cost of sales	(13,330,727)	(587,099)	-	(13,917,826)
Other operating income /(expenses), net	(2,585,147)	-	-	(2,585,147)
Segment operating results	**23,920,243**	**628,724**	**-**	**24,548,967**
Net finance income	-	-	1,002,251	1,002,251
Income tax expense	-	-	(5,191,359)	(5,191,359)
Profit for the period	**23,920,243**	**628,724**	**(4,189,108)**	**20,359,859**
Reportable segment assets	154,090,127	-	-	154,090,127
Reportable segment liabilities	28,081,602	-	-	28,081,602
Capital expenditure	18,642,225	-	-	18,642,225

5 Operating segments, continued

30 June 2011

'000 KZT	Kazakhstan	Russian Federation	Unallocated	Total
External revenues	30,241,992	4,057,830	-	34,299,822
Cost of sales	(10,149,925)	(1,681,536)	-	(11,831,461)
Other operating income /(expenses), net	(2,386,811)	-	-	(2,386,811)
Segment operating results	**17,705,256**	**2,376,294**	-	**20,081,550**
Net finance income	-	-	385,754	385,754
Income tax expense	-	-	(4,134,218)	(4,134,218)
Profit for the period	**17,705,256**	**2,376,294**	**(3,748,464)**	**16,333,086**
Reportable segment assets	124,424,520	-	-	124,424,520
Reportable segment liabilities	24,926,454	-	-	24,926,454
Capital expenditure	14,927,348	-	-	14,927,348

6 Revenue

The Company's operations related to the sales of electricity are not subject to seasonal fluctuations. The revenue from electricity generation is equally allocated during the year and depends on the heating season in the Republic of Kazakhstan, which occurs primarily from for the period from October to April. For the six-month period ended 30 June 2011 the Company has sold 50% of annual revenues for the year ended 31 December 2011.

7 Cost of sales

'000 KZT	Six-month period ended 30 June 2012	Six-month period ended 30 June 2011
Raw materials	6,987,640	5,946,823
Depreciation and amortisation	3,635,186	3,319,258
Consumables and spare parts	948,810	683,893
Taxes other than income tax	939,325	787,299
Repair and maintenance	704,235	419,899
Personnel expenses	543,375	522,834
Production overheads	142,454	124,832
Cost of the electricity purchased	16,801	26,623
	13,917,826	**11,831,461**

8 Income tax expense

Income tax expense is recognised based on management's best estimate of the annual income tax rate applied to the pre-tax income for the six months. The Company's tax rate for the six months ended 30 June 2012 was 20.32% (2011: 20.32%).

9 Property, plant and equipment

'000 KZT	Land, buildings and constructions	Machinery and equipment	Other property, plant and equipment	Construction in progress	Total
Cost					
Balance at 1 January 2011	83,301,096	73,162,923	516,704	18,898,675	175,879,398
Additions	-	1,645,129	71,978	13,210,241	14,927,348
Disposals	(7,456)	(32,499)	(6,316)	-	(46,271)
Transfers	-	17,231	(1)	(17,230)	-
Balance at 30 June 2011	**83,293,640**	**74,792,784**	**582,365**	**32,091,686**	**190,760,475**
Balance at 1 January 2012	83,825,082	79,783,752	701,569	43,653,014	207,963,417
Additions	-	304,301	693,052	17,644,872	18,642,225
Disposals	-	(9,453)	(1,850)	-	(11,303)
Transfers	212,075	352,941	72	(565,088)	-
Balance at 30 June 2012	**84,037,157**	**80,431,541**	**1,392,843**	**60,732,798**	**226,594,339**
Depreciation					
Balance at 1 January 2011	37,802,863	53,434,981	221,661	-	91,459,505
Depreciation charge	741,376	2,630,552	32,271	-	3,404,199
Disposals	(2,080)	(31,645)	(5,513)	-	(39,238)
Balance at 30 June 2011	**38,542,159**	**56,033,888**	**248,419**	**-**	**94,824,466**
Balance at 1 January 2012	39,288,079	58,671,534	296,270	-	98,255,883
Depreciation charge	778,337	2,879,915	61,677	-	3,719,929
Disposals	-	(9,347)	(1,467)	-	(10,814)
Balance at 30 June 2012	**40,066,416**	**61,542,102**	**356,480**	**-**	**101,964,998**
Carrying amount					
At 1January 2011	45,498,233	19,727,942	295,043	18,898,675	84,419,893
At 30 June 2011	**44,751,481**	**18,758,896**	**333,946**	**32,091,686**	**95,936,009**
At 1 January 2012	44,537,003	21,112,218	405,299	43,653,014	109,707,534
At 30 June 2012	**43,970,741**	**18,889,439**	**1,036,363**	**60,732,798**	**124,629,341**

9 Property, plant and equipment, continued

(a) Depreciation

Depreciation expenses of KZT 3,635,186 thousand has been charged to the cost of sales (six months period ended 30 June 2011: KZT 3,319,258 thousand); KZT 84,743 thousand has been charged to administrative expenses (six months period ended 30 June 2011: KZT 84,941 thousand).

(b) Capitalisation of interest expense

Additions to construction in progress during the six-month period ended 30 June 2012 of KZT 600,000 thousand represent the capitalisation of borrowing costs related to the rehabilitation works for Block #8 using a capitalisation rate of 12% (2011: 12%).

(c) Property, plant and equipment under construction

During six-month period ended 30 June 2012 the Company continued implementing the project for rehabilitation of Block #8. Cost incurred under this project up to the reporting date totalled KZT 14,684,491 thousand (31 December 2011: KZT 10,311,428 thousand).

10 Other long-term receivables

Other long-term receivables are represented by a long-term portion of receivables due from Maikuben-West LLC in accordance with the agreement dated 10 October 2009. Upon initial recognition future expected cash flows were discounted at a rate of 8% to its present value of KZT 2,961,422.

In accordance with the addendum dated 11 April 2012, some additional payments for compensation of lost opportunity were determined and led to change in schedule of future payments and revision of the fair value of the receivables.

As at 30 June 2012 the carrying amount of the receivables of KZT 3,161,850 thousand (31 December 2011: KZT 2,536,226 thousand) represents the present value of the future cash flows discounted at the rate of 8%.

11 Other financial assets

As at 30 June 2012 other financial assets represented by bank deposits with a contractual maturity of one year. The interest on bank deposits is paid at the rate of 4.55% (2011: 4.55%). The effective interest rate approximates the nominal interest rate as per deposit placement agreements.

As at 31 December 2011 other financial assets, along with the bank deposits, included restricted cash represented by the letters of credit for the supply of the goods and services, which have been completed during the six months period ended 30 June 2012.

12 Equity

Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of equity as recorded in the Company's interim condensed financial statements.

On 5 June 2012, during extraordinary meeting of shareholders of the Company, it was decided to distribute the dividends upon the results of 2011 in the amount of KZT 8,401,408 thousand. As at 30 June 2012 the Company paid out all declared dividends in full.

13 Borrowings

In December 2009 the Company registered the issue of unsecured bonds of KZT 10,000,000 thousand on Kazakhstan Stock Exchange. Unsecured bonds have maturity of five years. The interest is payable at the rate of 12% per annum.

The placement of bonds was completed in January 2010. Bonds were placed among a wide range of investors such as pension funds, insurance companies, local investment banks and other financial organisations. The funds received from the placement of the bonds were used to finance the capital projects of the Company. Bond related success fee of KZT 50,000 thousand is amortised for the period of bonds' maturity. Outstanding amount of bonds is measured at amortised cost and presented net of success fee at the end of the reporting period.

Covenants

In accordance with the prospectus for the unsecured bonds issue, the Company is obliged to comply with the following financial covenants on the annual basis:

- EBITDA to revenue should not be less than 20%;
- Debt to equity ratio should not exceed 2;

As at and for six-month period ended 30 June 2012 the Company met all requirements and complied with the covenants, which could have significant impact on the interim condensed financial information (31 December 2011: covenants were complied).

14 Trade and other payables

'000 KZT	30 June 2012	31 December 2011
Trade payables	4,006,049	1,684,812
Other taxes payable	1,074,269	1,259,325
Payables to related parties	765,113	893,939
Salaries and related payments	75,266	89,472
Other payables	93,440	88,397
	6,014,137	**4,015,945**

15 Commitments and contingencies and operating risks

Except as described below, as at 30 June 2012 there were no contingencies and financial risks in addition to those disclosed in the financial statements for the year ended 31 December 2011.

(a) Capital commitments

As at 30 June 2012 the Company had contractual capital commitments in respect of acquisition of the property, plant and equipment in the amount of KZT 70,159,092 thousand (31 December 2011: KZT 36,693,264 thousand).

Capital commitments represent the Company's plans on capital repairs, modernisation and rehabilitation of equipment as well as increase the efficiency. The Company's management has already allocated necessary funds in respect of these liabilities and believes that future net income and funding will be sufficient to cover these and other similar commitments.

(b) Litigation and claims

As at 30 June 2012 the Company is involved into lawsuit with a contractor which has been executed works on the territory of the plant. The subject-matter of the suit initiated by contractor is increase in contract fee for the amount of KZT 606,244 thousand due to performing additional works. The Company, in its turn, filed counterclaim against the contractor for the amount of KZT 1,839,640 thousand applying for quality of materials used during works performed.

Court proceedings have been suspended at the moment until results of independent inspection aimed to determine quality of material used by the constructor are available. The management expects these results to be provided in 4th quarter 2012.

Due to the continuing nature of the court proceedings, the Company's management is unable to estimate the amount of contingent assets/(liabilities) as at 30 June 2012.

(c) Insurance

According to insurance agreement against physical loss or damage to property, equipment failure and production interruption signed with Oil Insurance Company JSC, the Company has full coverage in respect to property, losses caused by production interruption, or liabilities to third parties for potential losses in respect of property or environmental damage arising from accidents of Company's activity.

The object of insurance for the period from 1 May till 31 December 2012 is the Company's property complex related to possession and/or use and/or disposal of the property insured.

(d) Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for ten subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these interim condensed financial information, if the authorities were successful in enforcing their interpretations, could be significant.

16 Related party transactions

(a) Control relationships

As at 30 June 2012 the Company's immediate owners are Kazakhmys PLC (United Kingdom) and Government of the Republic of Kazakhstan through ownership of National Welfare Fund Samruk-Kazyna JSC (Republic of Kazakhstan), each owning 50% interest in the Company's charter capital.

(b) Management remuneration

For six-month period ended 30 June 2012 key management received remuneration including short-term benefits in the form of salaries and bonuses based on the performance for the period in the amount of KZT 14,927 thousand (six-month period ended 30 June 2011: KZT 12,254 thousand).

(c) Transactions with other related parties

The Company's other related party transactions are disclosed below.

(i) Revenue

'000 KZT	Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Outstanding balance as at 30 June 2012	Outstanding balance as at 31 December 2011
Revenues:				
Companies related to Samruk-Kazyna	2,180,794	1,042,067	133,851	46,407
Company related to Kazakhmys PLC	38,244	100,584	55,397	60,973
	2,219,038	**1,142,651**	**189,248**	**107,380**

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

(ii) Expenses

'000 KZT	Six-month period ended 30 June 2012	Six-month period ended 30 June 2011	Outstanding balance as at 30 June 2012	Outstanding balance as at 31 December 2011
Services received :				
Companies related to Samruk-Kazyna	7,773,279	5,891,562	758,128	858,856
Company related to Kazakhmys PLC	50,570	1,265,432	6,985	35,083
	7,823,849	**7,156,994**	**765,113**	**893,939**

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

Ekibastuz GRES-1 LLP

Financial statements for the year ended 31 December 2011

with Independent Auditors' Report

Contents

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INDEPENDENT AUDITORS' REPORT

To the Partner of "Ekibastuz Gres-1" LLP

We have audited the accompanying financial statements of "Ekibastuz Gres-1" LLP (the "Company"), which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Ernst & Young

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of "Ekibastuz Gres-1" LLP as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Paul Cohn
Audit Partner

Aisulu Narbayeva
Auditor

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

Auditor Qualification Certificate No. 0000137 dated 21 October 1994

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

12 March 2012

KZT'000	Note	2011	2010
Revenues		68,369,404	49,974,481
Cost of sales	6	(25,377,444)	(20,422,156)
Gross profit		**42,991,960**	29,552,325
Administrative expenses	7	(2,726,660)	(2,162,856)
Selling and distribution expenses	8	(2,019,326)	(1,502,636)
Other operating income	9	395,122	234,900
Other operating expenses	9	(176,211)	(100,848)
Recovery of / (provision for) impairment losses	10	17,641	(113,073)
Operating profit		**38,482,526**	25,907,812
Finance income	11	323,283	453,391
Finance costs	11	(33,161)	(875,196)
Foreign exchange (loss) / gain, net		(12,175)	63,479
Profit before taxation		**38,760,473**	25,549,486
Income tax expense	12	(7,875,376)	(7,322,843)
Profit for the year		**30,885,097**	18,226,643
Other comprehensive income		–	–
Total comprehensive income for the year, net of tax		**30,885,097**	18,226,643
Profit attributable to:			
Equity holders of the parent		30,885,097	18,226,643
Non-controlling interests		–	–
Total comprehensive income attributable to:			
Equity holders of the parent		30,885,097	18,226,643
Non-controlling interests		–	–

The accounting policies and explanatory notes on pages 5 to 35 are an integral part of these financial statements.

These financial statements were approved by the Management on 12 March 2012 and were signed on its behalf by:

Ryskan Svambayev
General Director
Ekibastuz GRES-1 LLP

Tatjana Anarbaeva
Chief Accountant
Ekibastuz GRES-1 LLP

KZT'000	**Note**	**2011**	2010
ASSETS			
Non-current assets			
Property, plant and equipment	13	**109,707,534**	84,419,893
Investment property	14	**180,340**	184,889
Intangible assets		**48,948**	24,617
Other long-term receivables	15	**2,062,194**	2,315,667
		111,999,016	86,945,066
Current assets			
Inventories	16	**3,508,194**	3,655,966
Trade and other receivables	17	**1,198,488**	1,104,938
Corporate income tax prepaid	12	**173,839**	156,479
Advances paid and other current assets	18	**375,457**	155,538
Other financial assets	19	**4,558,000**	3,136
Cash and cash equivalents	20	**17,358,789**	14,898,063
		27,172,767	19,974,120
TOTAL ASSETS		**139,171,783**	106,919,186
EQUITY AND LIABILITIES			
Equity			
Charter capital		**31,110,120**	31,110,120
Retained earnings		**82,939,954**	52,054,857
Total equity		**114,050,074**	83,164,977
Non-current liabilities			
Bonds	21	**9,966,476**	9,957,742
Provisions	22	**104,054**	30,305
Deferred income tax liability	12	**9,642,682**	10,044,100
		19,713,212	20,032,147
Current liabilities			
Trade and other payables	23	**4,015,945**	2,507,392
Advances received	24	**792,552**	614,670
Bonds	21	**600,000**	600,000
		5,408,497	3,722,062
Total liabilities		**25,121,709**	23,754,209
TOTAL EQUITY AND LIABILITIES		**139,171,783**	106,919,186

The accounting policies and explanatory notes on pages 5 to 35 are an integral part of these financial statements.

These financial statements were approved by the Management on 12 March 2012 and were signed on its behalf by:

Ryskan Svambayev
General Director
Ekibastuz GRES-1 LLP

Tatjana Anarbaeva
Chief Accountant
Ekibastuz GRES-1 LLP

KZT'000	Note	2011	2010
Cash flows from operating activities:			
Cash receipts from customers		68,059,118	48,948,427
Cash paid to suppliers		(12,867,657)	(12,057,934)
Cash paid to employees		(1,357,062)	(1,171,488)
Other taxes paid (including VAT)		(6,859,403)	(6,139,054)
Cash flows from operations before interest and income tax paid		46,974,996	29,579,951
Interest received		102,723	216,476
Interest paid		(1,200,000)	(947,915)
Income tax paid	12	(8,321,664)	(5,500,855)
Net cash flows from operating activities		37,556,055	23,347,657
Cash flows from investing activities:			
Purchases of property, plant and equipment	13	(30,985,689)	(19,396,592)
Purchases of intangible assets		(31,000)	(1,583)
Proceeds from sale of property, plant and equipment	9,13	26,283	–
Placement of bank deposits		(4,769,496)	(3,136)
Withdrawn of bank deposits		223,232	–
Repayment of interest-free loans given to related party	15	–	441,341
Repayment of interest-free loans given to third party	15	441,341	–
Net cash flows used in investing activities		(35,095,329)	(18,959,970)
Cash flows from financing activities:			
Proceeds from issue of bonds	21	–	9,950,000
Repayments of borrowings to related parties		–	(5,026,022)
Net cash flows used in financing activities		–	4,923,978
Net change in cash and cash equivalents		2,460,726	9,311,665
Cash and cash equivalents at the beginning of the year	20	14,898,063	5,586,398
Cash and cash equivalents at the end of the year	20	17,358,789	14,898,063

The reconciliation of profit before taxation to cash flows from operating activities is presented in *Note 25*.

NON-CASH TRANSACTIONS – SUPPLEMENTAL DISCLOSURE:

Non-cash transactions, including the following, have been excluded from the statement of cash flows:

During the year ended 31 December 2011 the Company capitalised borrowing cost for total amount of 1,177,731 thousand Tenge (2010: 341,084 thousand Tenge).

During the year ended 31 December 2011 the Company settled its sales of electricity to certain counteragents against its purchases of goods and services from them of 719,637 thousand Tenge (for the year ended 31 December 2010: 490,577 thousand of Tenge).

The accounting policies and explanatory notes on pages 5 to 35 are an integral part of these financial statements.

These financial statements were approved by the Management on 12 March 2012 and were signed on its behalf by:

Ryskan Svambayev
General Director
Ekibastuz GRES-1 LLP

Tatjana Anarbaeva
Chief Accountant
Ekibastuz GRES-1 LLP

KZT'000	Charter capital	Retained earnings	Total
At 1 January 2010	**31,110,120**	**33,828,214**	**64,938,334**
Net profit for the year	–	18,226,643	**18,226,643**
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	18,226,643	**18,226,643**
At 31 December 2010	**31,110,120**	**52,054,857**	**83,164,977**
Net profit for the year	–	30,885,097	**30,885,097**
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	30,885,097	**30,885,097**
At 31 December 2011	**31,110,120**	**82,939,954**	**114,050,074**

The accounting policies and explanatory notes on pages 5 to 35 are an integral part of these financial statements.

These financial statements were approved by the Management on 12 March 2012 and were signed on its behalf by:

Ryskan Svambayev
General Director
Ekibastuz GRES-1 LLP

Tatjana Anarbaeva
Chief Accountant
Ekibastuz GRES-1 LLP

1. CORPORATE INFORMATION

(a) Organization and operation

Ekibastuz GRES-1 LLP (the "Company") operates a coal-fired power plant with installed capacity of 4,000 mega watts ("MW") and operating capacity of 2,500 MW located in northern Kazakhstan, close to the border with the Russian Federation. The Company's registered address is Ekibastuz, 141202, Pavlodar oblast, the Republic of Kazakhstan.

The Company was initially registered on 28 August 1996 with the Ministry of Justice of Kazakhstan under the name of AES Ekibastuz a limited liability partnership under Kazakhstan law. The Company was re-registered following an increase of the charter capital on 24 December 1999.

On 29 May 2008 AES Ekibastuz Holdings B.V., a party controlling the Parent company (AES Suntree Power Ltd), was acquired by Kazakhmys Power B.V. Following the acquisition, on 3 November 2008 the name of the Company was changed to Ekibastuz GRES-1 LLP upon the registration in the Ministry of Kazakhstan.

On 26 February 2010 Kazakhmys PLC sold 50% stake in the Company to the National Welfare Fund Samruk - Kazyna JSC ("Samruk-Kazyna"). Kazakhmys PLC and Samruk-Kazyna created a joint supervisory board, and management positions are alternated between Kazakhmys PLC and Samruk-Kazyna every five years. In the first five years following the transaction, Kazakhmys PLC appoints the management team whilst Samruk-Kazyna appoints several key oversight positions.

As at 31 December 2010 50 % stake in the company's share capital owned by the National Welfare Fund Samruk - Kazyna JSC, 50 % stake in the company's share capital owned by Ekibastuz Holdings BV (a company owned by Kazakhmys PLC).

The Company staff as at 31 December 2011 was 1,156 people (as at 31 December 2010: 1,088 people), most of them are involved in production of electricity.

The financial statements of the Company for the year ended 31 December 2011 were authorized for issue by the Management of the Company on 12 March 2012.

2. BASIS OF PREPARATION

(a) Basis of measurement

The financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these financial statements.

(b) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan tenge ("KZT" or "Tenge"), which is the Company's functional currency and the currency in which these financial statements are presented. All monetary amounts presented in tenge have been rounded to the nearest thousand ("KZT'000").

(c) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

2. BASIS OF PREPARATION (continued)

(d) Adoption of standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for, discussed below new and revised Standards and Interpretations, effective 1 January 2011:

- *IAS 24 Related Party Disclosures (amendment)* effective 1 January 2011;
- *IAS 32 Financial Instruments: Presentation (amendment)* effective 1 February 2010;
- *IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011;
- *Improvements to IFRSs* (May 2010).

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements in Kazakhstan, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

(e) Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

- *IFRS 7 Financial Instruments — Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Company reflects the revised disclosure requirements in *Note 26*;
- *IAS 1 Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The Company presents the analysis of each component of other comprehensive income in the statement of changes in equity.

2. BASIS OF PREPARATION (continued)

(e) Improvements to IFRSs (continued)

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- *IFRS 3 Business Combinations* (The measurement options available for non-controlling interest (NCI));
- *IFRS 3 Business Combinations (*Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008));
- *IFRS 3 Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards);
- *IAS 27 Consolidated and Separate Financial Statements*;
- *IAS 34 Interim Financial Statements.*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- *IFRIC 13 Customer Loyalty Programmes* (determining the fair value of award credits);
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.*

(f) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

2. BASIS OF PREPARATION (continued)

(f) Standards issued but not yet effective (continued)

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2. BASIS OF PREPARATION (continued)

(f) Standards issued but not yet effective (continued)

Management does not expect the above standards and interpretations to have a material impact on the Company's financial position or results of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The financial statements are presented in Tenge, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The following foreign exchange rates have been used in the preparation of the financial statements:

	2011		2010	
	Year-end	Average	Year-end	Average
US dollar	148.40	146.62	147.40	147.35
Euro	191.72	204.11	195.23	195.67
Great Britain pound	228.80	235.10	228.46	227.86
Russian rouble	4.61	5.00	4.84	4.85

(b) Property, plant and equipment

Recognition and measurement

Property, plant and equipment is stated at cost (or deemed cost) less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs. The 'deemed cost' or cost of property, plant and equipment as at 1 January 2006, the date of the Company's transition to IFRSs, is based on fair value at that date determined by reference to its depreciated replacement cost in accordance with IFRS 1.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting Estimates and Assumptions *(Note 4)* and Provisions *(Note 22)* for further information about the recorded provision on ash decommissioning liability.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life. Estimates of remaining useful lives are made on a regular basis for all buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of the individual asset. Changes in estimates are accounted for prospectively. Depreciation commences on the date the assets are used within the business. Land is not depreciated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment (continued)

Depreciation (continued)

The expected useful lives are as follows:

- Buildings and constructions – 25-100 years;
- Machinery and equipment – 15-50 years;
- Other – 5-20 years.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

Repair and maintenance

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Repair and maintenance expenditure is capitalised if future economic benefits will arise from the expenditure. All other repair and maintenance expenditures are recognised in the statement of comprehensive income as incurred.

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(c) Intangible assets

Intangible assets comprise licences and software. Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation

Intangible assets are amortised on a straight-line basis over their useful economic lives. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. The expected useful lives are as follows:

- Licences – 10 years;
- Software – 7 years.

(d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for alternative purposes. Investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(f) Impairment of non-financial assets

The carrying amounts of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash-generating unit level.

If the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset or cash-generating unit at the lower amount. Impairment losses are recognised in the statement of comprehensive income.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Company's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined based on weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to sell.

(h) Advances paid

Advances paid are recorded at initial cost less impairment provision. Advances given are classified as non-current when goods or services associated with advances are to be received in a year, or if advances are associated with an asset, which at the initial recognition is classified as non-current. Advances for PPE are charged to the cost of these PPE when the Company obtains control over these assets and there is a probability that future economic benefits associated with these assets will flow to the Company. When there are indications of inability to receive goods or services related to advances paid, the carrying amount of advances paid is decreased and related impairment loss is recognized through profit or loss in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the statement of comprehensive income.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Company has not designated any financial assets at fair value through profit or loss.

The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

Loans and trade and other receivables

Loans and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income.

The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans. Provision for decrease of trade and other receivables is formed when there are objective evidences that the Company could not recover all amounts due at original maturity. Significant financial difficulties of a debtor, probability that it will face bankruptcy or financial reorganization; default or failure to pay are considered as the indicators of decrease of trade and other receivable value. Expenses due to impairment are recognized in financial statement in comprehensive income for period.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs. The Company did not have any held-to-maturity investments during the years ended 31 December 2011 and 2010.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with original maturity of three months or less. Cash and cash equivalents are reflected at amortised cost calculated using EIR. Restricted cash balances are excluded from cash and cash equivalents for the purpose of cash flow statement. Cash balances with restriction on exchange transactions or use to repay liabilities during at least twelve months after the reporting date are included in non-current assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of financial assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

(k) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Loans and borrowings are classified as short-term liabilities provided that the Company does not have unconditional right for delay of repayment for, at least, twelve months after the reporting date.

Trade and other payables

Liabilities for trade and other payables are recognized at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(l) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts, and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(m) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Fair value of financial instruments (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 26.*

(n) Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date, proposed, or declared after the reporting date but before the financial statements are authorised for issue.

(o) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provision on ash decommissioning liability

The Company records a provision for site restoration costs for the burned coal ash disposals. Site restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance cost. The estimated future costs of site restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(p) Employee benefits

The Company does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Company has no post-retirement benefits or other compensated benefits requiring accrual.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted in the Republic of Kazakhstan by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxes (continued)

Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. VAT recoverable relates to purchases, which have not been settled at the reporting date. VAT recoverable is reclaimable against VAT related to sales upon payment for the purchases, as well as VAT recoverable is recoupable by claiming of cash refund from tax authorities of the country. In case if norms of current tax legislation postpone a refund or offset of VAT recoverable within the next twelve months after reporting date, then such VAT recoverable is transferred into long-term assets. In the case of non-recoverability, VAT recoverable amount is expensed in the statement of comprehensive income.

(r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of electric power is recognized based on the accrual method when the electric power is transmitted. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually at the moment of shipment of goods. Sale revenue is recorded net of VAT.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

(s) Finance costs

Finance costs comprise interest expense on borrowings and the accumulation of interest on provisions. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs.

(t) Expense recognition

Expenses are recognized as incurred and are reported in the financial statements in the period to which they relate.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Useful life of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognised in the statement of comprehensive income.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

During 2011 and 2010 the Company did not recognize any impairment on non-financial assets.

(c) Allowance for doubtful accounts

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of trade and other receivables balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

(d) Taxes

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe.

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Company would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities.

As at 31 December 2011 and 2010 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(e) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(f) Provision on ash decommissioning liability

In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to restore the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2011 was 104,054 thousand Tenge (31 December 2010: 30,305 thousand Tenge) *(Note 22)*.

5. SEGMENT REPORTING

For management purposes the Company has two separate segments, as shown below, according to the destination of sales. Each of these destinations represents an operating segment in accordance with IFRS 8 'Operating segments.' The segments are:

Electricity sales to Kazakhstan segment. Sales to Kazakhstan are considered as the core activity of the Company. All sales contracts except for one with Inter RAO UES of Russia OJSC are concluded inside of Kazakhstan. All activity related to administering of the business as well as resolving various matters (legal, working with local authorities etc.) are related to business which the Company engaged inside of Kazakhstan.

Electricity sales to Russia segment. Sales to Russia are not considered as the core activity so the Company sells only spare capacity where guaranteed volumes are low in winter (peak season) and high in summer time (dead season). The spare volumes are analysed on a daily basis. Cost of electricity sold includes variable costs that are directly attributable to electricity generation. Fixed costs are not included in this calculation based on management's judgement that net margin earned above variable cost makes export sales to Russia and that these revenues can be successfully re-invested to cover working capital requirements or maintenance work of the equipment.

No operating segments have been aggregated to form the above reportable operating segments.

No transactions between operating segments are exist.

Inter-segment revenues are eliminated and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a company level.

Capital expenditure consists of additions of property, plant and equipment and, intangible assets and investment properties. Inter-segment revenues are eliminated.

Segment operating assets and liabilities do not include inter-segment assets and liabilities.

Cash flows of the Company are managed on a company level and therefore not analyzed on the segment level.

5. SEGMENT REPORTING (continued)

(a) Information on statement of comprehensive income

KZT'000	Kazakhstan	Russia	Total
2011			
Sales to external customers	62,803,573	5,565,831	**68,369,404**
Cost of sales	(22,859,809)	(2,517,635)	**(25,377,444)**
Other operating expenses, net	(4,509,434)	–	**(4,509,434)**
Segment results	**35,434,330**	**3,048,196**	**38,482,526**
Finance income			**323,283**
Finance costs			**(33,161)**
Foreign exchange (loss) / gain, net			**(12,175)**
Income tax expense			**(7,875,376)**
Profit for the year			**30,885,097**
2010			
Sales to external customers	44,457,467	5,517,014	49,974,481
Cost of sales	(18,789,413)	(1,632,743)	(20,422,156)
Other operating expenses, net	(3,644,513)	–	(3,644,513)
Segment results	22,023,541	3,884,271	25,907,812
Finance income			453,391
Finance costs			(875,196)
Foreign exchange (loss) / gain, net			63,479
Income tax expense			(7,322,843)
Profit for the year			18,226,643

(b) Information on statement of financial position

KZT'000	Kazakhstan	Russia	Adjustments and eliminations	Total
2011				
Segment assets	132,311,944	–	–	**132,311,944**
Bank deposits	–	–	6,686,000	**6,686,000**
Corporate income tax prepaid	–	–	173,839	**173,839**
Total assets	**132,311,944**	**–**	**6,859,839**	**139,171,783**
Segment liabilities	4,912,549	–	–	**4,912,551**
Bonds	–	–	10,566,476	**10,566,476**
Deferred income tax liability	–	–	9,642,682	**9,642,682**
Total liabilities	**4,912,551**	**–**	**20,209,158**	**25,121,709**
2010				
Segment assets	101,150,773	366,266	–	**101,517,039**
Bank deposits	–	–	5,245,668	**5,245,668**
Corporate income tax prepaid	–	–	156,479	**156,479**
Total assets	**101,150,773**	**366,266**	**5,402,147**	**106,919,186**
Segment liabilities	3,152,367	–	–	**3,152,367**
Bonds	–	–	10,557,742	**10,557,742**
Deferred income tax liability	–	–	10,044,100	**10,044,100**
Total liabilities	**3,152,367**	**–**	**20,601,842**	**23,754,209**

As of 31 December 2011 segment assets of KZT 132,311,944 thousand include trade and other receivables only from the local market customers. As of 31 December 2010 segment assets allocated to Russia include trade and other receivables from RAO UES of Russia OJSC KZT 366,266 thousand.

5. SEGMENT REPORTING (continued)

(c) Depreciation and amortization, capital expenditure and (recovery of) impairment losses

KZT'000	Kazakhstan	Russia	Total
2011			
Capital expenditure	32,097,632	–	32,097,632
Depreciation and amortisation	6,853,198	–	6,853,198
Recovery of / (provision for) impairment losses	17,641	–	17,641
2010			
Capital expenditure	20,080,343	–	20,080,343
Depreciation and amortisation	5,973,235	–	5,973,235
Recovery of / (provision for) impairment losses	(113,073)	–	(113,073)

As variable cost plus method is applied in calculation of segment cost no fixed cost expenditure is allocated to Russia segment. The Company sells only its residual capacity to Russia so no specific capital expenditure or fixed assets maintenance is being incurred to maintain or increase sales to Russia segment.

Taxes payable are short-term liabilities and, usually, are paid during next reporting period.

6. COST OF SALES

KZT'000	2011	2010
Raw materials	11,960,408	9,447,799
Depreciation and amortisation	6,649,434	5,804,788
Repair and maintenance	1,836,250	1,522,891
Consumables and spares	1,766,621	1,121,170
Taxes other than income tax	1,579,274	1,102,462
Personnel costs	1,157,133	993,406
Production overheads	327,535	166,647
Cost of purchased electricity	100,789	262,993
	25,377,444	20,422,156

7. ADMINISTRATIVE EXPENSES

KZT'000	2011	2010
Taxes other than income tax	730,780	685,518
Personnel costs	510,322	435,770
Charity and sponsorship	478,985	27,099
Insurance	215,114	243,051
Depreciation and amortisation	203,764	164,128
Legal and professional	127,374	124,780
Management fee	120,577	169,813
Security services	120,522	89,679
Supplies	53,989	41,925
Business travel	35,470	26,997
Training and other employee expenses	34,447	43,165
Transportation	30,529	24,830
Communication	26,683	25,377
Bank charges	6,514	14,946
Other	31,590	45,778
	2,726,660	2,162,856

8. SELLING AND DISTRIBUTION EXPENSES

KZT'000	2011	2010
Dispatch and control of electricity	1,489,225	1,210,328
Transmission of electricity	515,146	280,023
Personnel costs	14,413	11,620
Other	542	665
	2,019,326	1,502,636

9. OTHER OPERATING INCOME / (EXPENSES)

KZT'000	2011	2010
Other operating income		
Income from sale of other materials	310,835	202,395
Rental income	15,489	15,781
Other	68,798	16,724
	395,122	234,900
Other operating expenses		
Cost of other materials sold	(160,859)	(80,917)
Loss on disposal of property plant and equipment, net	(7,516)	(10,050)
Other	(7,836)	(9,881)
	(176,211)	(100,848)

10. RECOVERY OF / (PROVISION FOR) IMPAIRMENT LOSSES

KZT'000	2011	2010
Allowance for obsolete and slow moving inventories *(Note 16)*	(28,087)	(72,391)
Impairment of advances paid and other current assets *(Note 18)*	45,654	(46,604)
Allowance for doubtful debts *(Note 17)*	74	5,922
	17,641	(113,073)

11. FINANCE INCOME / (COSTS)

KZT'000	2011	2010
Finance income		
Unwinding of discount on interest-free loans given *(Note 15)*	220,560	236,915
Interest income on bank deposits	102,723	216,476
	323,283	453,391
Finance costs		
Interest expense on bonds	(31,003)	(873,489)
Unwinding of discount on provisions *(Note 22)*	(2,158)	(1,707)
	(33,161)	(875,196)

12. INCOME TAX EXPENSE

KZT'000	**2011**	2010
Current income tax	**8,276,794**	5,700,083
Deferred income tax (benefit) / expense	**(401,418)**	1,622,760
Income tax expense	**7,875,376**	7,322,843

Profit before income tax expense for financial reporting purposes is reconciled to income tax expense as follows:

KZT'000	**2011**	2010
Profit before taxation	**38,760,473**	25,549,486
Income tax rate	**20%**	20%
Theoretical income tax charge at statutory tax rate	**7,752,095**	5,109,897
Effect of change in future tax rate	**-**	2,031,423
Non-deductible coupon interest on bonds	**-**	173,331
Other non-deductible expenses	**123,281**	8,192
Income tax expense	**7,875,376**	7,322,843

Deferred tax balances were as follows:

KZT'000	**1 January 2010**	Change through profit or loss	**31 December 2010**	Change through profit or loss	**31 December 2011**
Deferred tax assets					
Trade and other receivables	**265,427**	(4,325)	**261,102**	(53,194)	**207,908**
Provision	**38,491**	27,295	**65,786**	13,035	**78,821**
Trade and other payables	**9,930**	(9,930)	**-**	11,753	**11,753**
	313,848	13,040	**326,888**	(28,406)	**298,482**
Deferred tax liabilities					
Property, plant and equipment	**(8,735,188)**	(1,635,800)	**(10,370,988)**	429,824	**(9,941,164)**
	(8,735,188)	(1,635,800)	**(10,370,988)**	429,824	**(9,941,164)**
Net tax effect of temporary differences	**(8,421,340)**	(1,622,760)	**(10,044,100)**	401,418	**(9,642,682)**
Net deferred tax liabilities	**(8,421,340)**		**(10,044,100)**		**(9,642,682)**

On 26 November 2010 new Law of the Republic of Kazakhstan was introduced, which abolish previous reduction of CIT rates from 20% in 2010 - 2012 to 17.5% in 2013 and 15% in 2014 and onward, and retains CIT corporate income tax at constant rate of 20% for all subsequent periods. Abolishment of stepped reduction in CIT rates leaded to an increase of deferred income tax expenses in 2010 for 2,031,423 thousand Tenge. In 2011 fixed rate of 20% was applied during calculation of CIT.

The Company's calculation of deferred tax and income tax expense reflects these changes in the tax law.

13. PROPERTY, PLANT AND EQUIPMENT

(a) Fully depreciated assets

At 31 December 2011, the cost of fully depreciated property, plant and equipment within the Company was 22,496,351 thousand Tenge (2010: 16,105,218 thousand Tenge).

(b) Temporary idle property, plant and equipment

At 31 December 2011, the cost of temporary idle property, plant and equipment within the Company was 10,078 thousand Tenge (2010: 12,192 thousand Tenge). The Company has commenced an investment programme for renovation of unused assets in order to reach installed capacity.

(c) Capitalized borrowing costs

The Company started the construction of an energy block No 8 in 1Q 2010. The construction is expected to be completed in December 2012. The construction is partially financed through insurance of corporate bonds in amount of 10,000,000 thousands of Tenge with the coupon rate of 12% *(Note 21)*.

The amount of borrowing costs capitalized during the year ended 31 December 2011 was 1,177,731 thousand Tenge. The rate used to determine the amount of borrowing costs eligible for capitalization was 12.13%, which is the effective interest rate on the specific borrowing.

(d) Roll forward of property, plant and equipment

Property, plant and equipment and related accumulated depreciation consisted of the following:

KZT'000	Land, buildings and constructions	Machinery and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2010	**82,310,157**	**66,788,022**	**358,835**	**6,404,072**	**155,861,086**
Additions	96,161	957,764	172,885	18,851,950	**20,078,760**
Disposals	–	(45,432)	(15,016)	–	**(60,448)**
Transfers	894,778	5,462,569	–	(6,357,347)	–
At 31 December 2010	**83,301,096**	**73,162,923**	**516,704**	**18,898,675**	**175,879,398**
Additions	23,920	2,373,317	199,337	29,566,846	32,163,420
Disposals	(7,456)	(57,473)	(14,472)	–	(79,401)
Transfers	507,522	4,304,985	–	(4,812,507)	–
At 31 December 2011	**83,825,082**	**79,783,752**	**701,569**	**43,653,014**	**207,963,417**
Depreciation					
At 1 January 2010	**36,362,086**	**49,007,121**	**181,615**	–	**85,550,822**
Depreciation charge	1,440,777	4,467,837	54,228	–	5,962,842
Disposals	–	(39,977)	(14,182)	–	(54,159)
At 31 December 2010	**37,802,863**	**53,434,981**	**221,661**	–	**91,459,505**
Depreciation charge	1,487,296	5,272,443	82,241	–	6,841,980
Disposals	(2,080)	(35,890)	(7,632)	–	(45,602)
At 31 December 2011	**39,288,079**	**58,671,534**	**296,270**	–	**98,255,883**
Net book value					
At 31 December 2010	45,498,233	19,727,942	295,043	18,898,675	84,419,893
At 31 December 2011	**44,537,003**	**21,112,218**	**405,299**	**43,653,014**	**109,707,534**

Additions to property, plant and equipment include capitalised ash decommissioning liability *(Note 22)* which is a non-cash item.

14. INVESTMENT PROPERTY

Investment property comprises two office buildings in Astana that are leased to a related party with a non-cancellable period of one year; and industrial building adjacent to the power plant facilities that is leased to a contractor. No contingent rents are charged.

As at 31 December 2011 the management of the Company believes that the carrying value of the investment properties approximates its fair value as at the date.

The Company has no restrictions on the realisability of its investment property and no contractual obligations to either purchase, construct or develop investment property or for repairs, maintenance and enhancements.

Depreciation of the investment property in 2011 amounted to KZT 4,549 thousand (2010: KZT 4,440 thousand). Rental income for the year ended 31 December 2011 amounted to 15,489 thousand Tenge and included into other operating income (2010: 15,781 thousand Tenge).The direct operating expense for the year ended 31 December 2011 associated with rental income comprised 3,173 thousand Tenge (2010: 3,467 thousand Tenge).

15. OTHER LONG-TERM RECEIVABLES

Other long-term receivables are represented by interest-free loan due from Maikuben-West LLP, fully Tenge denominated. The interest free loan is recognised at its fair value and then carried at amortised cost, which comprised 2,062,194 thousand Tenge as at 31 December 2011 (as at 31 December 2010: 2,315,667 thousand Tenge). Unwinding of discount comprised 220,560 thousand Tenge (2010: 236,915 thousand Tenge) (*Note 11*).

16. INVENTORIES

As at 31 December 2011 inventories, comprised the following:

KZT'000	2011	2010
Raw materials (at cost)	1,288,785	903,485
Fuel (at cost)	892,210	894,498
Spare parts (at cost)	764,383	1,239,703
Other (at cost)	852,868	880,245
	3,798,246	3,917,931
Less: allowance for obsolete and slow moving inventories	(290,052)	(261,965)
Total inventories at the lower of cost and net realizable value	**3,508,194**	**3,655,966**

Movements in the allowance for obsolete and slow-moving inventories were as follows for the years ended 31 December 2011 and 2010:

KZT'000	2011	2010
At 1 January	261,965	189,574
Charge for the year	45,996	131,804
Reversal	(17,909)	(59,413)
At 31 December	**290,052**	**261,965**

17. TRADE AND OTHER RECEIVABLES

As at 31 December 2011 trade and other receivables are fully Tenge denominated and comprised the following:

KZT'000	2011	2010
Amounts due from third parties	590,565	426,912
Amounts due from related parties *(Note 28)*	107,380	675,356
Other receivables	522,184	24,385
	1,220,129	1,126,653
Less: allowance for doubtful debts	(21,641)	(21,715)
	1,198,488	1,104,938

For terms and conditions relating to related party receivables, refer to *Note 28*.

Movements in the allowance for doubtful debts were as follows for the years ended 31 December 2011 and 2010:

KZT'000	2011	2010
At 1 January	21,715	25,272
Reversal	(74)	(3,557)
At 31 December	21,641	21,715

As at 31 December, the ageing analysis of trade and other receivables is as follows:

		Neither past due	Past due but not impaired			
KZT'000	Total	nor impaired	30-90 days	90-180 days	180-360 days	>360 days
2011	1,198,488	707,221	–	14,291	476,976	–
2010	1,104,938	651,522	655	3,937	448,824	–

18. ADVANCES PAID AND OTHER CURRENT ASSETS

As at 31 December, advances paid and other current assets comprised:

KZT'000	2011	2010
Advances paid for goods and services	276,930	51,973
Advances paid to related parties *(Note 28)*	103,576	12,393
Receivables from employees	146	196
Other	18,202	160,027
	398,854	224,589
Less: impairment of advances paid and other current assets	(23,397)	(69,051)
	375,457	155,538

For terms and conditions relating to related party advances paid and other current assets refer to *Note 28*.

Movements in the provision for impairment of advances paid and other current assets were as follows for the years ended 31 December 2011 and 2010:

KZT'000	2011	2010
At 1 January	69,051	24,812
Charge for the year	–	44,239
Reversal	(45,654)	–
At 31 December	23,397	69,051

Carrying value of advances paid and other current assets are mainly Tenge denominated.

19. OTHER FINANCIAL ASSETS

Other financial assets as at 31 December 2011 and 2010 comprised of the following:

KZT'000	2011	2010
Bank deposits	3,718,000	–
Restricted cash	840,000	3,136
	4,558,000	3,136

As at 31 December 2011 and 2010 restricted cash was fully represented by the USD denominated letter of credits for future supply of goods and services, which be realised during 2012.

At 31 December 2011, the short-term bank deposits were placed in Kazkommertsbank at interest of 4,55% for a period of no longer than 12 months.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2011 and 2010 comprised of the following:

KZT'000	2011	2010
Cash deposits with maturities of less than three months	2,968,000	5,245,668
Cash at bank	14,390,156	9,649,488
Cash on hand	633	2,907
	17,358,789	14,898,063

As at 31 December 2010 the Company had current bank deposits with maturity of less than three months with average interest rate of 4%. As at 31 December 2011 the Company withdrew current bank deposits with maturity of less than three months to finance its purchases of goods and services.

As at 31 December 2011 cash and cash equivalents are denominated in the following currencies:

KZT'000	2011	2010
KZT	10,121,076	10,337,177
RUR	69,695	2,623,145
USD	7,168,018	1,021,832
GBP	–	915,909
Total	17,358,789	14,898,063

21. BONDS

In December 2009, the Company listed unsecured bonds of KZT 10,000,000 thousand on Kazakhstan Stock Exchange. Bonds have fixed coupon rate of 12% per annum, pay interest semi-annually and have maturity of 5 years. Placement of bonds was completed in January 2010 among wide range of investors: pension funds, insurance companies, local investment banks etc. Funds from the bond placement were used for financing of the Company's capital projects. Bonds related success fee of KZT 50,000 thousand are amortized during the maturity period. Outstanding amount of bonds is represented net of amortization of success fees at the end of reporting period.

KZT'000	Currency	Maturity	Interest rate	Current	Non-current	Amount outstanding
2011						
Bonds	KZT	12/30/2014	12.00%	–	9,966,476	9,966,476
Interest payable				600,000	–	600,000
				600,000	9,966,476	10,566,476
2010						
Bonds	KZT	12/30/2014	12.00%	–	9,957,742	9,957,742
Interest payable				600,000	–	600,000
				600,000	9,957,742	10,557,742

22. PROVISIONS

KZT'000	2011	2010
At 1 January	30,305	29,200
Arising during the year	–	1,939
Utilised	–	(2,129)
Change in estimate	71,591	–
Unwinding of discount *(Note 11)*	2,158	1,295
At 31 December	104,054	30,305
Current	–	–
Non-current	104,054	30,305

Provisions are accrued for the reclamation of the ash disposal area. The Company is obliged to reclaim 100 hectares of land at the ash disposal area every year in accordance with the memorandum signed with Ministry of Environment in 2004.

In accordance with working draft on ash dump reclamation, the Company should make annual deductions to abandonment fund. As at 31 December 2011 the Company created ash disposal provision in amount of KZT 104,054 thousand.

23. TRADE AND OTHER PAYABLES

As at 31 December trade and other payable, comprised the following:

KZT'000	2011	2010
Trade payables	1,684,812	806,478
Other taxes payable	1,259,325	643,991
Amounts payable to related parties *(Note 28)*	893,939	948,165
Salaries and related payables	89,472	50,706
Other payables	88,397	58,052
	4,015,945	2,507,392

Amounts payable to related parties relate to purchase of coal, water and provided management services.

Carrying value of trade and other payable denominated in the following currencies:

KZT'000	2011	2010
KZT	3,737,219	2,389,050
EUR	211,792	–
RUR	44,674	77,673
USD	22,260	40,669
	4,015,945	2,507,392

Other taxes payable are not considered as financial instruments. So for disclosure of financial risk management, financial instruments within trade and other payables amounted to 2,756,618 thousand Tenge (2010: 1,863,401 thousand Tenge).

Terms and conditions of trade and other payables:

- Trade payables (including payables to related parties) are non-interest bearing and are normally settled on 30-day terms
- Salaries and related payables and other payables are normally settled on 5 to 30 day terms.

For explanations on the Company's liquidity risk management processes, refer to *Note 26.*

24. ADVANCES RECEIVED

As at 31 December 2011 and 2010, advances received are mainly represented by the amounts received from third parties for purchase of electricity. These advances received will be settled at the beginning of 2012. As at 31 December 2011 and 2010 advances received are mainly denominated in Tenge.

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

KZT'000	Note	2011	2010
Profit before taxation		38,760,473	25,549,486
Finance income	11	(323,283)	(453,391)
Finance cost	11	33,161	875,196
Depreciation	6,7	6,846,529	5,967,390
Amortisation	6,7	6,669	5,959
Recovery of / (provision for) impairment losses	10	(17,641)	113,073
Loss on disposal of property, plant and equipment	9	7,516	10,050
Provisions	22	71,591	1,104
Unrealised foreign exchange loss		(8,452)	(11,007)
Operating cash flows before changes in working capital		45,376,563	32,057,860
Decrease / (increase) in inventories		119,685	(2,789,996)
Increase in advances paid and other assets		(174,265)	(160,296)
Increase in trade and other receivables		(60,932)	(405,802)
Increase in trade and other payables		1,713,945	878,186
Cash flows from operations before interest and income tax paid		**46,974,996**	29,579,951

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise loans and borrowings, cash and cash equivalents. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company has various other financial assets and liabilities (such as trade and other receivable and trade and other payable), which arise directly from its operations. During the year, the Company did not undertake trading in financial instruments.

(a) Currency Risk

Loans and borrowings denominated in foreign currency result in potential currency risk.

The Company does not have any formal arrangements to mitigate foreign exchange risks arising from the foreign currency loans and borrowings.

Because of significant borrowings and trade and other payable denominated in USD and RUR, the Company's statement of financial position can be affected significantly by movement in USD/RUR/Tenge exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in the USD and RUR to Tenge exchange rates, with all other variables held constant, of the Company's profit before income tax expense (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity.

KZT'000	Increase / decrease in Tenge rate	Effect on profit before income tax
2011		
USD	+10.72%	(1,083,782)
	-10.72%	1,083,782
RUR	+16.01%	(4,007)
	-16.01%	4,007
2010		
USD	+11.56%	(113,422)
	-11.56%	113,422
RUR	+16.05%	(467,334)
	-16.05%	467,334

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk

The Company undertakes transactions only with recognised, creditworthy third parties. It is the Company's policy that all counter parties who wish to operate on credit terms are subject to credit verification procedures. In addition, trade and other receivables of such customer are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Carrying amount represents maximum risk exposure. The Company has no significant concentrations of credit risk.

The Company places deposits with Kazakhstani banks. The Company's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Company's management believes that recent international credit crisis and subsequent changes in credit rating of local banks does not justify extraordinary credit risk. Accordingly, no impairment provision against bank deposits is required.

The table below shows the balances of bank accounts and deposits at the reporting date using the credit ratings:

	2011			2010		
KZT'000	Current accounts	Bank deposits	Restricted cash	Current accounts	Bank deposits	Restricted cash
Sberbank Russia JSC BBB – (Fitch Ratings)	6,264,638	–	–	2,098,761	–	–
Citibank JSC BBB (S&P)	5,147,116	–	–	3,037,656	–	–
Halyk Bank Kazakhstan JSC B (S&P)	2,909,762	1,484,000	840,000	4,423,754	–	–
HSBC JSC BBB (S&P)	59,781	1,484,000	–	2,222	5,245,668	–
Kazkommertzbank B– (Fitch Ratings)	8,186	3,718,000	–	86,356	–	–
BTA Bank JSC C (Fitch Ratings)	663	–	–	728	–	3,136
Alliance Bank JSC B- (S&P)	10	–	–	11	–	–
	14,390,156	6,686,000	840,000	9,649,488	5,245,668	3,136

(c) Interest rate risk

The Company is not exposed to risk of changes in market interest rates, since it does not have loans with floating rates.

(d) Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade and other receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments.

	At 31 December 2011					
KZT'000	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds	–	–	–	9,966,476	–	9,966,476
Trade and other payables	–	89,472	2,667,148	–	–	2,756,620
Interest accruals	–	–	600,000	–	–	600,000
	–	89,472	3,267,148	9,966,476	–	13,323,096

	At 31 December 2010					
KZT'000	On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bonds	–	–	–	9,957,742	–	9,957,742
Trade and other payables	–	50,706	1,812,695	–	–	1,863,401
Interest accruals	–	–	600,000	–	–	600,000
	–	50,706	2,412,695	9,957,742	–	12,421,143

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Fair Value of Financial Instruments

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale.

To identify fair value the following methods and assumptions were used:

- The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, other financial assets approximates their fair value due to the short-term maturity of these financial instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2011, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- The fair value of bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2011 and 2010 the Company did not have financial instruments classified as financial instruments of 1 or 2 level.

(f) Capital management

Capital includes convertible common shares and equity attributable to equity holders.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

As at 31 December 2011 and 2010 the Company has sufficient cash, exceeding its debt as of the reporting date.

27. COMMITMENTS AND CONTINGENCIES

(a) Kazakhstan's taxation contingencies

Inherent uncertainties in interpreting tax legislation

The Company is subject to uncertainties relating to the determination of its tax liabilities. The tax system and tax legislation in Kazakhstan have been in force for only a relatively short time and are subject to frequent changes and varying interpretations. The Management's interpretations of such legislation in applying it to business transactions of the Company may be challenged by the relevant tax authorities and, as a result, the Company may be assessed on additional tax payments including fines, penalties and interest charges, which could have a material adverse effect on the Company's financial position and results of operations.

Period for additional tax assessments

The tax authorities are able to raise additional tax assessments for five years after the end of the relevant tax period concerning all taxes.

Possible additional tax liabilities

The Management believes that the Company is in compliance with the tax laws and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law.

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for the Management to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Company may be liable.

(b) Insurance

The insurance industry in Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company has purchased a catastrophic insurance programme to mitigate the effect of the loss or damage of certain of its assets located at its facilities and the resultant business interruption although such a programme may not provide full cover in the event of a major loss. The Company does not have third party liability coverage in respect of property or environmental damage arising from accidents on Company property or relating to Company operations. There is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(c) Environmental contingencies

Environmental regulations in Kazakhstan are continually evolving and new emissions legislation is expected to become effective from 2012. The outcome of the environmental regulations under proposal or any future environmental legislation cannot be reliably estimated at present. As obligations are determined, they will be provided for in accordance with the Company's accounting policies. The Management believe that there are no significant liabilities under current legislation not accrued for in the Company's financial statements, however recognise that any future changes in legislation may have a significant impact on the Company's results.

(d) Purchase commitments

Commitments of the Company related to purchasing property, plant and equipment as at 31 December 2011 amounted to 36,693,264 thousand Tenge (2010: 47,289,532 thousand Tenge).

(e) Antitrust legislation

The Company's transactions are subject to antitrust legislation control. It is possible, with the evolution of the interpretation of antitrust law in Kazakhstan and the changes in the approach of the Antimonopoly Agency, that such transactions could be challenged in the future. Currently, the impact of such issues on financial statements cannot be reliably estimated and, therefore, no provision for any liability has been made in these financial statements.

27. COMMITMENTS AND CONTINGENCIES (continued)

(f) Long –term debt covenants

According to the bond prospectus issued, the Company is required to comply with certain financial and non-financial covenants with established bond prospectus requirements. Violation of these covenants may lead to penalties or requests by the banks for early repayment of financial obligations. For the purpose of mitigating these risks the Company monitors its compliance with these financial covenants.

As at 31 December 2011 and 2010 the Company complied with all financial and non-financial covenants.

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

In 2006 and 2007 the Company was owned by AES Suntree Power Ltd. with the ultimate controlling party being AES Corporation. On 29 May 2008 the Company was purchased by Kazakhmys Power B.V. from AES Corporation. As a result, the new ultimate controlling party of the Company was Kazakhmys PLC. In accordance with the management contract, after the acquisition the Company has been managed by AES Corporation. In March 2009, management agreement was terminated. On 26 February 2010 the transaction on selling of 50% stake in the company's share capital to "Samruk-Kazyna" was completed. As at 31 December 2010 50 % stake in the company's share capital owned by "Samruk – Kazyna", 50 % stake in the company's share capital owned by Ekibastuz Holdings BV (a company owned by Kazakhmys PLC).

Related parties are all companies of Kazakhmys group from the date of acquisition 29 May 2008 and all companies owned by "Samruk – Kazyna" from the date of transaction on selling 50% stake 26 February 2010.

(a) Compensation of key management personnel

KZT'000	**2011**	2010
Short-term employee benefits	**32,304**	26,976
Termination benefits	**569**	4,190
	32,873	31,166

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

The key management personnel do not receive pension entitlements from the Company. In 2011, an amount of KZT 569 thousand was paid to an executive director who retired from his position at the end of 2011.

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

(b) Transactions and balances with related parties

KZT'000	Sales to related parties	Purchases from related parties	Amounts owed by related parties *(Note 17)*	Advances paid to related parties *(Note 18)*	Amounts owed to related parties *(Note 23)*	Advances received from related parties
2011						
Companies related to Samruk	**9,488,764**	**14,755,380**	**46,407**	**103,576**	**858,856**	**225,075**
Companies related to Kazakhmys	**143,097**	**1,200,124**	**60,973**	**–**	**35,083**	**–**
	9,631,861	**15,955,504**	**107,380**	**103,576**	**893,939**	**225,075**
2010						
Companies related to Samruk	2,976,253	11,088,556	–	–	–	–
Companies related to Kazakhmys	73,976	2,457,253	675,356	12,393	948,165	–
	3,050,229	13,545,809	675,356	12,393	948,165	–

Balances with Maikuben-West LLP as at December 31, 2011 are not balances with related parties anymore, as Kazakhmys Power B.V. (Parent of the Company) has disposed of Maikuben-West LLP on 17 May 2011.

(c) Terms and conditions of transactions with related parties

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, the Company has not recorded impairment of receivables relating to amounts owed by related parties (2010: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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