

CREATION ENERGY

“Almatygasservice-Holding” JSC





АЛМАТЫГАЗСЕРВИС

КОЛДИНГ

1. History of development of the Company

Dynamic development of the gas field in Kazakhstan is one of the indicators of the all-round development of the economy of the country.

The functions of security of the strategically important product, which the natural gas is, the facilities, located within Almatinskaya oblast, are at present the responsibility of “Almatygasservice-Holding” JSC, established primarily as a Partnership with Limited Liability on 22 September 2003.

The main business activities of the Company are the transportation and realization of the natural gas to Consumers of three categories.

In September 2007, “Almatygasservice” LLP as a legal entity was transformed into “Almatygasservice-Holding” JSC, having provided for a subsequent opportunity of attracting of additional investments to the assets of the Company by placement shares in the securities market. “Almatygasservice-Holding” JSC is an absolute successor at law of property, all rights and responsibilities of the transformed Partnership with Limited Liability. The equity capital of the Partnership in the amount of 522 970 059 Tenge was transformed to the share capital of the Joint Stock Company, amounting to 5 229 700 shares. There were issued in total 17 000 000 ordinary shares, being registered with the Agency for Financial Supervision on 15.01.2008. The shares were assigned to Bolat Abenovich Umrallyev, Sole Shareholder (a founder of “Almatygasservice” LLP) by a preemptive subscription right.

On 26 January 2008, by a Decision of a Sole Shareholder of “Almatygasservice-Holding” JSC there was **formed a management body of the Joint Stock Company – a Board of Directors**, there was established an Internal Audit Service. During the first meeting of the Board of Directors, held on 04.02.2008, there was elected a President, representing the executive body of the Company.

On 14.05.2008, the Agency for Natural Monopolies Regulation of the Republic of Kazakhstan issued a **license** for operation of the systems of gas supply. Based on Order No. 132-ОД as of 18.06.2008, the Antimonopoly Agency for Almatinskaya oblast and Almaty **included the Company into the Register of Market Entities, enjoying a monopoly** in the relevant commodity market.

History of development

Registration of all changes and additions to the Prospectus of share issue, connected with establishment of the management body of the Joint Stock Company, acted as a logical finalization of all reorganizations.

In 2008, there was signed with “ISKER COMPANY” LLP a Debt Restructuring Arrangement in respect of debts, arose at the Joint Stock Company in front of “ISKER COMPANY” LLP, as a result of which the shares of the Issuer of “Almatygasservice-Holding” JSC in the amount of 1 698 000 shares were transferred to the account of “ISKER COMPANY” LLP. Based on the results of transfer of shares of the Joint Stock Company, the Agency for Financial Supervision approved a report on floating of shares, showing **the primary public offering in the informal market** of securities, taken place within the period from 15.01.2008 up to 15.07. 2008.

“Registrar Zerde” JSC was selected as a registrar of shares of the Issuer. As of 01.04.2011 there was place 6 927 700 shares in total out of 17 000 000 authorized shares.

Without doubt the taken place reorganization has not influenced in any way the objectives and goals, set in front of gas entities. “Almatygasservice-Holding” JSC remains committed to a main principle of its socially responsible business and continues to provide an uninterrupted and accident-free supply with the natural gas to three categories of Consumer: subscribers – individuals, small public utilities companies, including socially important establishments and large industrial enterprises, using the natural gas in their products manufacturing, being located in the territories of Karassaisky, Zhambylsky and Iliysky districts of Almaty oblast.

As of today, “Almatygasservice-Holding” JSC provides for:

- more than 170 working places;
- fixed assets, being on the balance of the Company and totaling to 7 800 000 US Dollars;
- development of the gas gas-distributing systems, the length of which amounts as of 01.01.2011 to 462.3 km of gas pipelines;
- continuous growth of the volume of realized by the Company natural gas, that increased for the last six month by 150 %. The existing portfolio of orders for 2011-12 allows saying about the stable demand for the natural gas, supplied by our Company. Based on the results of 2010 the volume of realization of the natural gas made 115 million cubic meters that is 7 million cubic meters more to compare with the last year.

“Almatygasservice-Holding” JSC

Diagram of development of the gas-distributing systems

Diagram 1. **Length of gas pipelines, being on the balance of the auto-gas filling station, km:**

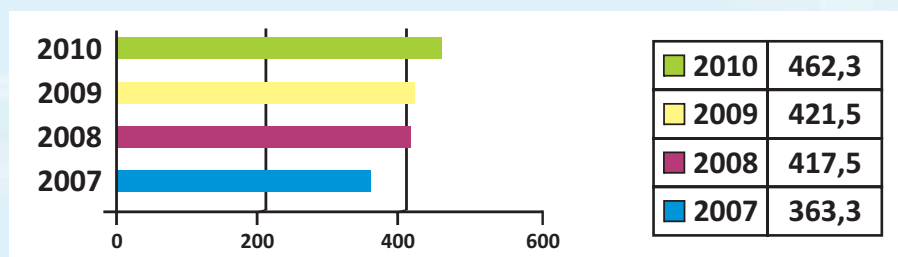
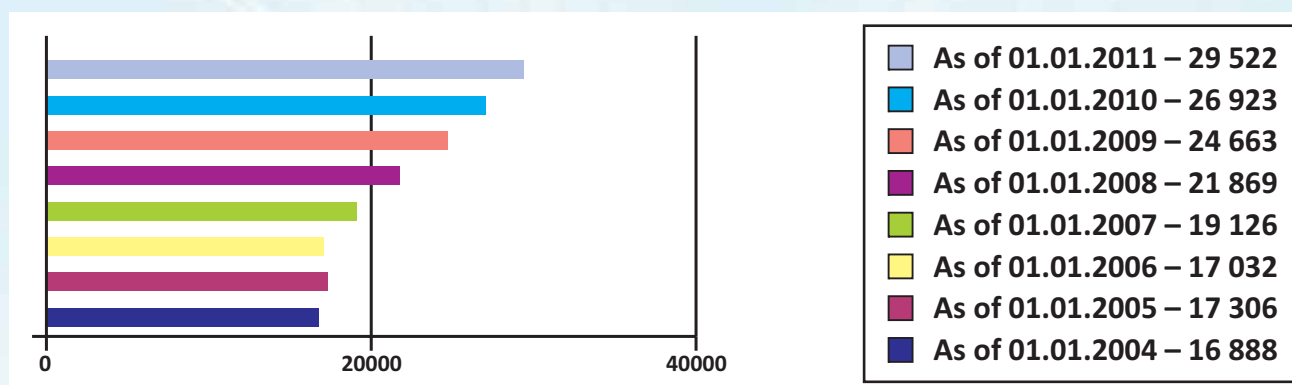


Diagram 2. **Increase of consumption of the natural gas**

Information in terms of number of consumers – legal entities:



Information in terms of number of consumers – small public utility companies:

As of 01.05.2010 – 565 organizations

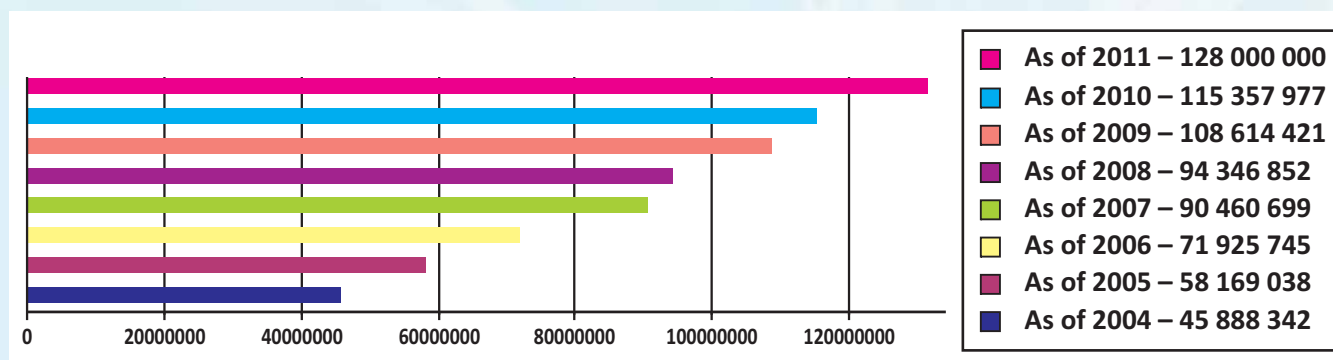
As of 01.03.2011 – 663 organizations

Information in terms of number of consumers – large industrial enterprises

As of 01.05.2010 – 61 organizations

As of 01.03.2011 – 67 organizations

Diagram 3. **Transportation of the natural gas in figures for the diagram, data are shown in cubic meters:**

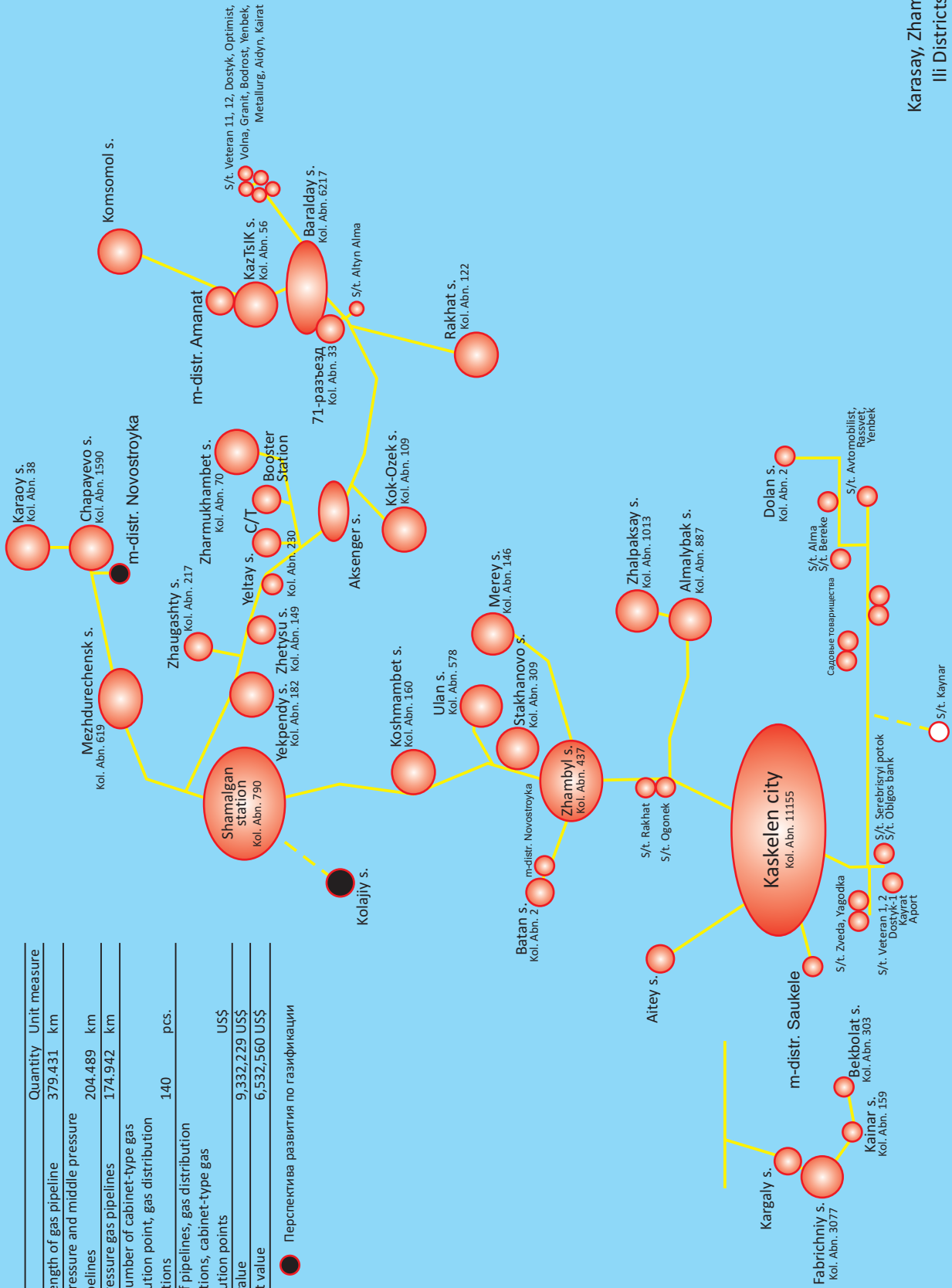


History of development

As well, there will be placed a situational scheme of gas pipelines of the Company.

Name	Quantity	Unit measure
Total length of gas pipeline	379,431	km
High pressure and middle pressure gas pipelines	204,489	km
Low pressure gas pipelines	174,942	km
Total number of cabinet-type gas distribution point, gas distribution substations	140	pcs.
Cost of pipelines, gas distribution substations, cabinet-type gas distribution points	9,332,229	US\$
Book value	6,532,560	US\$

● Перспектива развития по газификации

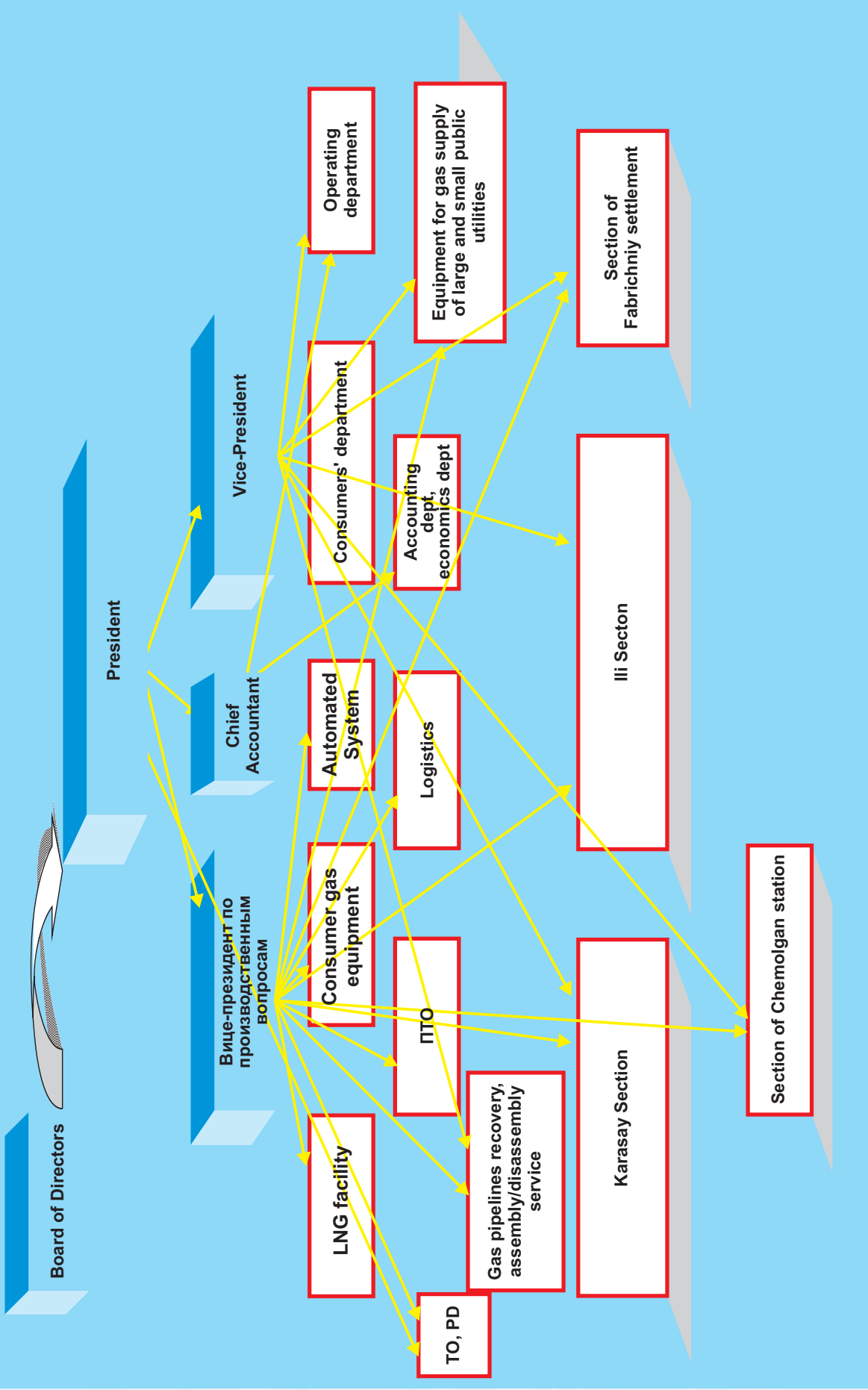


Karasay, Zhambyl,
Ili Districts

“Almatygasservice-Holding” JSC

“Almatygasservice-Holding” JSC continuously is improving the structure of the department and units for increasing the productive and economic efficiency of their business activity.

Here you may find a structure of the Company, it is available on a particular sheet of paper as well.



Strategy of business and development

2. Strategy of business and development of “Almatygasservice-Holding” JSC

The functional areas of business activity of the Company include:

- Ensuring transportation and supply of the natural gas to the end Consumer;
- Arrangement of receipt of the gas from the supplier – “Almatygastrade” LLP – according to the agreements entered into;
- Operation of the gas pipelines, gas-distributing plants, gas control units and other structures of gas-handling facilities, being on the balance of the Company;
- Issuance to organizations of technical specifications for facilities supplying with the gas, approval of the above facilities, taking part in their commissioning;
- Maintenance in an established procedure of gas pipelines and other gas equipment, auxiliary engine generators, being on the balance of Consumers – legal entities, carrying out on a contractual basis of preventive works, repairing and start up and adjustment works;
- Reconstruction and designing of systems of gas supply, their assembling;
- Assembling of measuring units for accounting the natural gas consumed;
- Investments to constructed gas pipelines and other types of movable and immovable property.

Therefore, “Almatygasservice-Holding” JSC has concentrated in its activity all functions of gas industry locally that results in increase of profitability from rendering various services to Consumers of the natural gas and, therefore, compliance with the interests of shareholders of the Company.

In its further development the Company has defined the priorities as follows:

- reconstruction of existing gas pipelines at its own cost and expense and attraction of additional investments;
- development of gas-distributing systems by connection of new Consumers, both individuals and legal entities;
- improvement of the system of accounting of gas consumption;
- increase of the level of profitability for account of increase of volumes of the realized natural gas as well as cut in technical and normative losses.

The Company plans for the nearest two years:

- to construct the gas pipelines of medium and low pressure of up to 75 km;
- to supply gas to Dulan settlement, Batan settlement, Aitey settlement, and Karaoi settlement;
- to gasify 100% the horticultural societies and summer cottages, located in the territory of Karassaisky and Illyiski districts;
- To reconstruct the gas pipelines of medium and low pressure of up to 35 km.

The investment program provides for the annual investments into the reconstruction of gas-distributing systems and construction of new gas pipelines mainly by attraction of own and borrowed funds. Carrying out of technical expert examination of the condition of all facilities of the gas-distributing system and basing on its results development of the Program of rehabilitation, modernization and technical re-equipment will allow to determine the volumes of required investments for increasing the transmission capacity of gas pipelines, to increase the number of Consumers of the natural gas in the districts served. The ratio of gas consumption for the last years inclines towards increase of volumes of gas consumption by both individuals and legal entities. The tariff of realization of the natural gas includes attainment of a **15% profit**.

As it is seen from the above mentioned data, the attractiveness of investments to development of provision of gas supply of our local sector is very high, guaranteeing a 100% investment recovery.

Main principles of carrying out of financial accounting and pricing policy

Financial accounting of the Company is carried out in accordance with the international accounting standards (IAS and IFRS), including all accepted IAS standards and interpretations of the KM SFO (KMCΦO).

The standard in a new wording gets delimited the changes in the equity, broken down by operations with the owners, and other changes in the equity will be submitted for verification of each equity component. The standard introduces a requirement for issuance of the statement of comprehensive income, which should include all items of recognized income and expense, which may be provided in one statement.

As per the requirements of the Law of the Republic of Kazakhstan “Concerning Natural Monopolies And Regulated Markets”, the Company **has introduced a separate accounting of income, expenses and operational assets** broken down by each type of regulated services. The segment-related accounting discloses information, allowing the user of its financial accounts to analyze the nature and financial consequence of those types of activities, which it conducts, as well as the economic conditions, in which it operates. The activity of the Company includes four segments: Realization of the natural gas, transportation, maintenance of gas-distributing plants and gas pipelines, Installation of gas service, Other.

Tariff rate increase crucially influences the income of the Company. Since 2004 up to 2008 the tariff rate to the natural gas has increased by 60%. The absolute transparency of forming the tariff rate to realization and transportation of the natural gas to Consumers allows forecasting the level of income for the nearest future.

The elements of the tariff rate are the price to the gas and the cost of its transportation. Tariff forming takes place in full compliance with the requirements of the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan.

Fixed assets are accounted at the fair price and in money terms as of January 2011 and amount to 7 800 000 US Dollars.

The credit history of “Almatygasservice-Holding” JSC starts from 2004, JSC ATF Bank rendered financial support to the Company for the first time, the borrowed funds were directed towards purchase, formation or production of assets, meeting the criteria of capitalization.

From then on, considering a positive credit history, the Company more than once has refinanced borrowed funds in the second-tier banks, in particular in JSC Alfa Bank, JSC NefteBank, for a long time it was financed in JSC Kazkommertsbank (2008) and starting from 2010 it is again financed in JSC ATF Bank. The short-term loans were provided to the Company in JSC Kaspi Bank.

Social Activity. A crowning glory of the Company is a monument – the eternal light, flared up in tribute of the Victory Day in the center of Kaskelen. Notwithstanding a financial crisis, embraced global economics, including Kazakhstan as well, “Almatygasservice-Holding” JSC do not stop cooperation with the local authorities, helping to increase the level of social protection of population.







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