

<b>PROJECT CONCEPT</b>	
<b>I. Information on Project</b>	
<b>Project name</b>	Start-up of Second Generator Unit of Kambarata HPP-2
<b>Sector</b>	Power engineering
<b>Type of project</b>	Financing of the project for putting into operation of the second generator unit with installed capacity of 120 MW in December 2015
<b>Project host state</b>	Kyrgyz Republic Jalal-Abad Oblast, Toktogul District
<b>Location and place of registration of investment project</b>	Kyrgyz Republic Eastern part of Ketmen-Tube basin, on the Naryn River, in the transient zone of the Toktogul HPP reservoir
<b>Project Summary</b>	<p>Kambarata HPP-2 is one of hydraulic power plants of the Kambarata HPP cascade.</p> <p>The cascade of Kambarata HPPs is the largest construction project in the country and is its strategic infrastructure facility.</p> <p>The funds to be raised are contemplated to be used for financing installation of the second generator unit of Kambarata HPP-2 in the Kyrgyz Republic.</p>
<b>Purpose of Project</b>	<p>The surplus power generated in the Kyrgyz Republic after the start-up of the HPP will reduce the acute winter power shortages in the country, will improve the reliability and stability of electricity supply to consumers and diminish the country's dependence on fuel imports.</p> <p>Electric power generation at Kambarata HPP-2, which is located upstream of the Toktogul reservoir, will allow to reduce the output of electricity by the existing HPPs in winter and, thus, to decrease water consumption in the Toktogul reservoir to 1.4 billion m<sup>3</sup> per year. This will help to accumulate a larger volume of water for the growing season and, accordingly, will be beneficial to the utilization of the water resources of the Naryn River for irrigation purposes and help settle the contradictions on these matters existing between Central Asian countries.</p>
<b>Project deliverables</b>	<p>The amount of energy produced by the two generator units over a long-time average annual period will be - 1019 GWh, including:</p> <ul style="list-style-type: none"> <li>- in the flood season - 864 million kWh,</li> <li>- in autumn-winter period - 155 million kWh.</li> </ul>
<b>Readiness of project</b>	<p>As commissioned by the Ministry of Energy of the USSR, the National Design Survey and Research Institute "Hydroenergoproekt" (Tashkent) developed a project for Kambarata HPPs.</p> <p>The first generator unit of Kambarata HPP-2, power 120 MW was started up on 27 November 2010.</p> <p>At present, the following operations have been carried out in preparation for the start-up of the second unit:</p> <ul style="list-style-type: none"> <li>- Water conduit # 2,</li> <li>- Powerhouse - Unit 2 block is concreted up to cone of draft tube;</li> <li>- Break-out of upstream berm for water conduit - done 100%,</li> </ul>

	<ul style="list-style-type: none"> <li>- Coarse concreting - done 100%,</li> <li>- Finish concreting - done 60%,</li> <li>- Filling and grouting cementation on laid concrete,</li> <li>- Break-out of downstream berm for water conduit - done 50 %,</li> <li>- Concreting - done 30%,</li> <li>- Hydro turbines #.2 (spiral case) available.</li> </ul>
<b>Structure of project funding</b>	<p>Requested funding availability limit of ACF: US\$ 80 million  Loan maturity, including grace period: 20 years;  Interest rate: One (1) percent per annum  Currency of funding - US dollars;  Grace period: 8 years;  Repayment of the principal shall be carried out in accordance with the schedule, provided if/when the Project is approved.</p> <p>The amount of co-financing by the Project Company is US \$ 20 million, or 20% of the total project cost of US\$ 100 million.</p>
<b>Government support</b>	<p>On May 27, 2012, the Government of the Kyrgyz Republic adopted a medium-term strategy for the development of the electric power industry of the Kyrgyz Republic for 2012-2017. The plan of action for the implementation of the Strategy includes the proposed commissioning of the second generator units at the Kambarata HPP-2 in 2013-2015.</p>
<b>Project financial and economic performance forecasts</b>	<p>The forecasts will be determined after updating of the lending terms.</p>
<b>Environmental impact</b>	<p>Continuation of the construction project will not have any negative impact on the environment.</p>
<b>Sources for debt repayment</b>	<p>Power sales earnings</p>
<b>Presumed collateral</b>	<p>The loan is provided to the Government of the Kyrgyz Republic in accordance with an international agreement. The Kyrgyz Republic does not have overdue debts in terms of repayment and servicing of any foreign debt</p>
<b>Project Company</b>	<p>Open Joint Stock Company "Electric Power Plants" (OAO "Electric Power Plants").</p>
<b>Plans for selection of suppliers</b>	<p>In the course of project implementation</p>
<b>Plans for sale of power</b>	<p>Sales of electricity to domestic and foreign markets.</p>

## II. Information on Project Company

<b>Project Company</b> (additional information in Appendix 1)	Open Joint Stock Company "Electric Power Plants" (hereinafter the Project Company), incorporated and operating under the laws of the Kyrgyz Republic. Form of ownership - private. Re-registration of the legal entity: Certificate of State re-registration # 16312-3300-OA. Date of the State re-registration - 17 January 2008. Registered office address: 326, Zhibek-Zholu Ave., Bishkek city Shareholding status of the Project Company: State Property Fund of the Government of the Kyrgyz Republic - 80.5%; Social Fund of the Kyrgyz Republic - 13.2%; individuals and legal entities - 6.3%.
<b>Project contact persons</b>	Deputy General Director of OAO "Electric Power Plants" - Mr. Nazarov Zholdoshbek Mashyrapovich - on engineering and technological matters. Deputy General Director of OAO "Electric Power Plants" - Kaibaliev Askaraly Kanbolotovich - on financial and economic issues.
Minister of Finance of the Kyrgyz Republic <i>Signed</i> Lavrova Olga Vladimirovna Document certifying the authority - Executive order of the President of the Kyrgyz Republic # 181 of 06.09.2012	

## Appendix 1 – Information on Project Company

Open Joint-Stock Company "Electric Power Plants" (OAO "Electric Power Plants", hereinafter - the Project Company) was established in October 2001 by way of a spin-off of AO "Kyrgyznergo" during its reorganization, and was registered as a legal entity by the Ministry of Justice of the KR on 18 October 2001 as a privately owned company.

OAO "Electric Power Plants" (EPP) carries out the following operations:

- Production and sale of electric power and heat in accordance with the licenses, obtained in accordance with the procedure defined by the legislation of the Kyrgyz Republic.
- Sale of electricity within the territory of the Kyrgyz Republic to wholesale customers and end users;
- Export of electric power outside the Kyrgyz Republic;
- Frequency regulation in the domestic and external electric power markets;
- Purchase of electricity from power producers in other countries;
- Execution of intergovernmental agreements on the use of water and energy resources;
- Ensuring reliability and safety of operation of power generation facilities in accordance with the established standards and regulations;
- Minimization of the impact on the environment during new construction, rehabilitation, operation and maintenance of facilities run by EPP.

At the same time, 93% of shares are owned by the government represented by the State Property Fund of the Kyrgyz Republic and by the Social Fund of the Kyrgyz Republic. The rest of the shares belong to some other legal entities and private individuals.

The size of the authorized capital is equal to KGS 4,428,282.9 thousand.

OAO "Electric Power Plants" has on its books 7 hydroelectric power plants and 2 thermal power plants.

The total installed capacity of the power plants is 3,746 MW, of which 80.9% is provided by the hydroelectric power plants.

The structure of OAO "Electric Power Plants" includes:

Toktogul HPP with a capacity of 1200 MW (4x300MW). The first generator unit was commissioned in 1975. In operation for 36 years.

Kurpsayskaya HPP with a capacity of 800 MW (4x200MW). The first generator unit was commissioned in 1981. In operation for 30 years.

Uch-Kurganskaya HPP with a capacity of 180 MW (4x45MW). The first generator unit was commissioned in 1962. In operation for 49 years. It is the trailblazer in the Naryn cascade.

Tashkumyrskaya HPP with a capacity of 450 MW (3x150MW). The first generator unit was commissioned in 1985. In operation for 26 years. In 2001 it reached its design capacity.

Shamaldysaiskaya HPP with a capacity of 240 MW (3x80MW). The first generator unit was commissioned in 1992. In operation for 19 years. It reached its design production capacity in August 2002.

At-Bashinskaya HPP with a capacity of 40 MW (4x10MW). The first generator unit was commissioned in 1970. In operation for 41 years.

Kambar-Ata HPP-2 with the capacity of the first generator unit 120 MW unit. It was put into operation on 27.11.2010.

TPP of Bishkek. The rated output power is 666 MW; its heat capacity is 1443.9 Gcal/h. In operation for 50 years. It is the main supplier of hot water and steam for the capital city. Coal, natural gas and fuel oil are used for fuel.

TPP of Osh. The rated output power is 50 MW; the heat capacity is 350.7 Gcal/h. In operation for 45 years. It produces heat and power using fuel oil and natural gas.

Its main production facilities include buildings and structures, transmission systems, machinery and equipment, vehicles, and other fixed assets.

The main production fixed assets are depreciated as follows:

- Transmission systems -77.5%;
- Vehicles - 47.0%;
- Machinery and equipment - 38.2%;
- Other fixed assets - 79.0%
- Buildings - 13,2 %;
- Structures - 16.0%.

OAo "Electric Power Plants" transmits electric power via the transportation organization OAo "National Electric Network of Kyrgyzstan" to power distribution companies and large industrial consumers by high-voltage transmission lines of 110, 220, 500 kV.

Distribution companies operate electric power networks at a voltage of 0.4-35 kV.

Heat supply to the cities of Bishkek and Osh is provided by heat pipelines of a total length of 493.2 km.

The heat supply pipelines and electric power networks of 0.4-500 kV, hydropower and thermal plants in aggregate form the energy system of the Kyrgyz Republic.

The Kyrgyz energy system has the ability to produce, transport and distribute electricity not only within the country, but also to export, import and engage in organizing cross flows of electric power supply with the neighboring states, to participate in eliminating power shortages and peak loads in the energy systems of Central Asian countries.

The main risks in the operations of OAo "Electric Power Plants" are contingent on the water flow regime of the Naryn River and the filling capacity of the Toktotul reservoir, as well as on timely and adequate fuel supplies to the Bishkek and Osh TPPs.

OAo "Electric Power Plants" performs its operations in accordance with the national environmental protection legislation:

- Annual development, implementation and analysis of progress reports on the plan of action for the protection of the environment and rational use of natural resources aimed at mitigating and preventing the negative impact of power plants; conservation and improvement of the quality of natural environment; coordination with regional offices of the State Agency for Environmental Protection and Forestry of the Government of the Kyrgyz Republic;
- Development of: (a) Environmental Passports (EP) - a regulatory document containing a set of data expressed through a system of indicators reflecting the level of use of natural resources by the enterprise and the depth of its impact on the environment (term of validity of the EP is 5 years); (b) manuals for control of MPE (maximum permissible emission), which is scientific, technical, sanitary and hygienic regulatory document containing standards to comply with for each specific source of atmospheric pollution, provided that the emissions of pollutants produced by all the sources in the city or any other populated area, given their dispersion and transformation in the atmosphere, as well as the development prospects of these enterprises, DO NOT generate surface concentrations exceeding the established air quality standards; (c) regulatory requirements for control of MPD (maximum permissible discharge), which is the content of specific substances in waste water, permissible for disposal given the effective regime for this specific location of the water course per unit of time, in order to ensure compliance with the water quality standards within the observed range, or non-deterioration of the current water quality, if it is below the standard requirement;
- Coordination with the regional departments of the State Environmental Protection Agency;
- Obtaining in due time permits for emissions, discharges of pollutants into the atmosphere, water bodies and waste disposal in locations, which are subject to mandatory compliance with standards for maximum permissible emissions, discharges of pollutants, as well as other conditions and requirements

ensuring protection of the atmospheric air and water bodies; as well as permits for water uses;

- Monitoring compliance with the requirements for emissions, discharges of pollutants and other harmful impacts on the atmospheric air, on water bodies, and the technical condition and management of wastewater treatment facilities;
- Determination of the amount of pollutants by laboratory techniques and by means of sectoral estimation methods; payments for pollution of the environment;
- Monitoring the compliant and actual emissions and discharges of pollutants into the environment;
- Inspection and verification of compliance with regulatory requirements for toxicity and smoke content of exhaust gases based on the established standards for vehicles;
- Compilation and submission in due time to the National Statistical Committee of reports on protection of the atmospheric air 2 TP - air; on the use of water 2 TP - water management; on expenses for environmental protection 4 OS.

No changes in the production and technological processes of electricity and heat generation have been reported recently.

The main suppliers of coal and fuel oil to the TPP in Bishkek and fuel oil the Osh TPP are coal mining and fuel oil production enterprises of the Republic of Kazakhstan and the Kyrgyz Republic, respectively, which supply coal and fuel oil, based on the outcome of regular competitive selection bidding procedures.

The principal gas suppliers for the Bishkek and Osh TPPs are located in the Republic of Kazakhstan and, as expected, in 2014 the Russian Federation will join in. Gas supplies are carried out on the basis of government-guaranteed agreements.

The key suppliers of power generation and thermal-and-mechanical equipment are Russian equipment manufacturers.

Dependence on the above suppliers is minor; there are alternatives to consider.

Changes are observed in the terms and conditions of government procurement contracts.

## Operations and Financial Analysis

The key financial performance indicators of the Project Company are given in Table 1.

Table 1. Financial Performance of OAO "Electric Power Plants"

Data on OAO "Electric Power Plants" (in KGS thousand)	31 Dec. 10	31 Dec. 11	31 Dec. 12	30 June 13
<b>REPORT ON FINANCIAL POSITION (BALANCE)</b>				
<i>Fixed assets</i>	15,040,342.0	15,708,265.7	15,751,649.2	16,077,344.1
<i>Long-term investments</i>	726,846.5	576,354 (6)	400,762.6	233,401.7
<i>TМЗ</i>	2,138,873.3	1,903,454.1	2,430,193.3	1 869 305.7
<i>Trade and other receivables</i>	2,331,862.2	2,247,951.3	1,583,477.7	628,443.0
<b>Total assets</b>	<b>19,808,810.8</b>	<b>21,379,357.6</b>	<b>21,265,631.4</b>	<b>21,233,893.0</b>
<i>Debentures</i>	9,181,831.3	9,043,996.7	9,103,032.5	9,598,529.3
<i>Deferred income</i>	4,049,277.7	4,010,412.8	3,968,514.6	3,947,988.5
<i>Accounts payable</i>	1,123,798.6	645,677.6	957,763.7	473,506.5
<i>Accrued liabilities</i>	635,071.8	330,828.3	963,470.7	888,663.9
<b>Total liabilities</b>	<b>15,054,180.2</b>	<b>14,390,294.7</b>	<b>15,264,714.1</b>	<b>15,195,618.9</b>
<b>Equity attributable to owners</b>	<b>4,754,630.6</b>	<b>6,989,062.9</b>	<b>6,000,917.3</b>	<b>6,038,274.1</b>
<b>Total equity and liabilities</b>	<b>19,808,810.8</b>	<b>21,379,357.6</b>	<b>21,265,631.4</b>	<b>21,233,893.0</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
Profit (loss) from operating activities	1,897,493.3	2,437,263.3	69,444.20	339,181.7
Profit (loss) from non-operating activities	794,397.4	80,026.7	32,355.8	298,921.2
Profit (loss) before income tax	2,691,890.7	2,517,290.0	393,000.0	40,260.5
<b>Net comprehensive income</b>	<b>2,635,296.6</b>	<b>2,249,432.3</b>	<b>366,872.6</b>	<b>37,356.8</b>
<b>CASH FLOW STATEMENT</b>				
Net cash flows from operating activities	859,806.6	1,858,859.2	340,171.1	227,070.4
Net cash flows from investment activities	459,022.4	647,913.3	342,940.8	383,690.2
Net cash flows from financial activities	1,345,203.1	858,330.2	413,928.8	109,714.3
<b>Net change in cash position</b>	<b>26,374.1</b>	<b>352,615.7</b>	<b>416,698.5</b>	<b>46,905.5</b>

The structure and performance on income and expenses of the Project Company in 2010-2012 are given in Table 2.

Table 2. Data on incomes and expenditures of OAO "Electric Power Plants"

Data on OAO "Electric Power Plants" (in KGS thousand)	31.12.2010	31.12.2011	31.12.2012
<b>Sales proceeds</b>	<b>6,518,058.7</b>	<b>7,874,269.9</b>	<b>6,090,962.0</b>
Electricity	5,760,730.1	7,212,891.1	5,470,397.7
Heat	543,154.7	458,922.3	443,541.8
Make-up water	214,173.9	202,456.5	177,022.4
<b>Cost of production</b>	<b>4,494,635.4</b>	<b>5,582,275.2</b>	<b>6,134,181.9</b>
Electricity	2,400,555.3	3 ПИО 234.6	3,497,412.6
Heat	1,868,909.9	2,224,872.4	2,402,464.5
Make-up water	225,170.2	247,168.2	234,304.8
<b>Gross profit</b>	<b>2,023,423.29</b>	<b>2,291,994.70</b>	<b>-43,219.90</b>

Cash flow broken down by creditors of the Project Company is given in Table 3.

Table 3. Cash flow shown by creditors of OAO "Electric Power Plants" in 2010-2013

Loans	Used	Repaid	Used	Repaid	Used	Repaid	Used	Repaid
	2010		2011		2012		01/09/2013	
<b>Foreign loans n/r of MF, including:</b>	<b>47,153</b>	<b>170,601</b>	<b>151,940</b>	<b>214,281</b>	<b>79,118</b>	<b>216,691</b>	<b>124,149</b>	<b>128,172</b>
International Development Association-1		155,820		88,738				
International Development Association-2		7,843		28,460		57,871		28,263
International Development Association-3	15,533		24,396		9,852	61,403		30,232
International Development Association-4	31,620		127,545		27,099			11,337
IDA (Emergency Aid)					42,168	236	88,267	729
Restructured		6,220		97,083	0	97,181		57,497
Asian Development Bank (ADB)		717					35,882	114
<b>Budget loans, n/r of MF</b>	<b>1,230,000</b>	<b>70,855</b>	<b>0</b>	<b>589,154</b>	<b>0</b>	<b>164,480</b>	<b>0</b>	<b>129,131</b>
<b>Total before SFED of</b>	<b>1,277,153</b>	<b>241,456</b>	<b>151,940</b>	<b>803,435</b>	<b>79,118</b>	<b>381,171</b>	<b>124,149</b>	<b>257,303</b>
<b>Loan from OAO "RSK Bank"</b>	<b>0</b>	<b>0</b>	<b>29,071</b>	<b>3,186</b>	<b>67,605</b>	<b>15,967</b>	<b>80,055</b>	<b>29,342</b>
<b>Loan from EDB</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>389,022</b>	<b>403,393</b>
<b>TOTAL</b>	<b>1,277,153</b>	<b>241,456</b>	<b>181,011</b>	<b>806,011</b>	<b>146,723</b>	<b>397,138</b>	<b>593,225</b>	<b>690,038</b>



The total receivables and payables of the Project Company are given in Table 4.

*Table 4. Accounts receivable and payable of OAO "Electric Power Plants" as of 01.08.2012*

Indicators	2013		Changes Jan./ July	
	1 January	1 August	KGS million	% growth
<b>Accounts receivable, total:</b>	2,209.3	1,884.2	-325.1	-14.72%
Accounts receivable w/out long-term	<b>1,804.2</b>	<b>786.7</b>	-1,017.5	-56.40%
<b>Distribution companies, total:</b>	<b>876.3</b>	<b>46.3</b>	-830.0	-94.72%
<b>Large industrial consumers, incl.</b>	<b>260.8</b>	<b>183.0</b>	-77.8	-29.83%
<b>Consumers of heat</b>	<b>133.1</b>	<b>73.1</b>	-60.0	-45.08%
<b>VAT, deductible</b>	<b>33.0</b>	<b>0.0</b>	-33.0	100.00%
<b>Other receivables</b>	<b>329.5</b>	<b>279.9</b>	-49.6	-15.05%
Long-term receivables	405.1	1,097.6	692.5	170.95%
Export of electricity to foreign markets	171.5	204.4	32.9	19.18%
<b>Accounts payable, total:</b>	<b>10,054.6</b>	<b>10,940.8</b>	886.2	8.81%
<b>Payables w/out long-term loans and net of VAT deductibles</b>	<b>1,217.4</b>	<b>1,108.5</b>	-108.9	-8.95%
<b>Tax payments to the budget</b>	<b>-1,001.0</b>	<b>-870.7</b>	130.3	-13.02%
<b>Customs duties</b>	<b>34.1</b>	<b>0.0</b>	-34.1	-100.00%
<b>Social security</b>	<b>57.2</b>	<b>25.2</b>	-32.0	-55.94%
<b>Dividends (for 2011)</b>	<b>630.4</b>	<b>616.8</b>	-13.6	-2.16%
<b>Loans</b>	<b>9,154.2</b>	<b>10,393.4</b>	1,239.2	13.54%
<b>Services</b>	<b>422.9</b>	<b>171.7</b>	-251.2	-59.40%
<b>Other payables</b>	<b>441.9</b>	<b>421.2</b>	-20.7	-4.68%
<b>Fuel</b>	<b>314.9</b>	<b>183.2</b>	-131.7	-41.82%

## Appendix 2 – Project Implementation Schematic

General plan of Project implementation is given below:

