



Management discussion and analysis



Macroeconomic Outlook and Commodities Prices

15 %

Inflation growth



2016 CPI trends reflected the tenge devaluation.

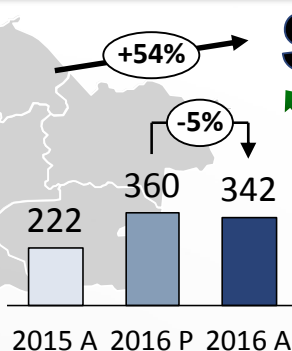
Average inflation for 2016 stood at 14.7%, which was slightly higher than our projection of 13-14%.

1.0 %

GDP Growth



Preliminary estimates showed that GDP grew by 1.0% in 2016, in line with our in-house full year growth expectation of 0.8%-1.0%. 2016 GDP growth was supported mainly by public spending on large infrastructure projects and the start of oil production on the Kashagan oilfield



Exchange rate

In 2016, average USD-KZT exchange rate stood at 341.9, reaching its maximum level at 385.3 in January, and declining to the 2016's minimum of 327.4 in May.

Changes

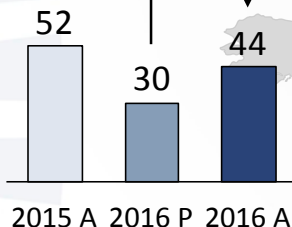
2015 Actual
VS
2016 Plan
VS
2016 Actual



Oil

-15%

+47%

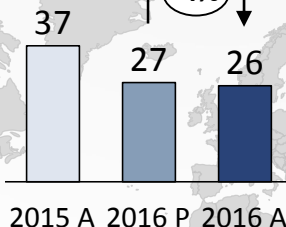


U

Uranium Price

-30%

-4%

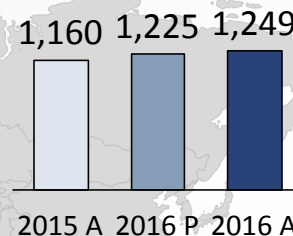


G

Gold Price

+8%

+2%

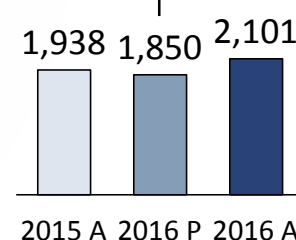


Z

Zinc Price

+8%

+14%



- Even though 2016 average prices were lower than 2015 KMG results were positively affected by price change as the main volumes were sold during 2nd half of 2016 year when prices went up reaching December's average at 56.14

- Decrease in price for Uranium products adversely affected KAP revenues, leading management to reconsider selling volumes, and stop some short term agreements

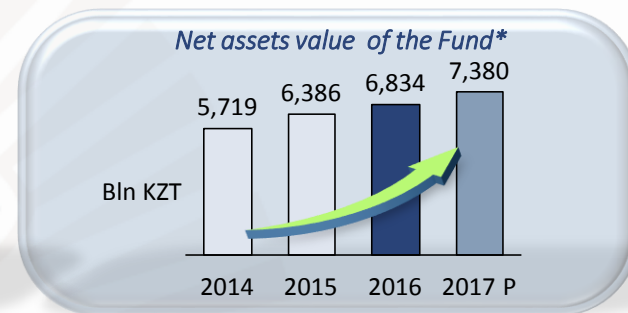
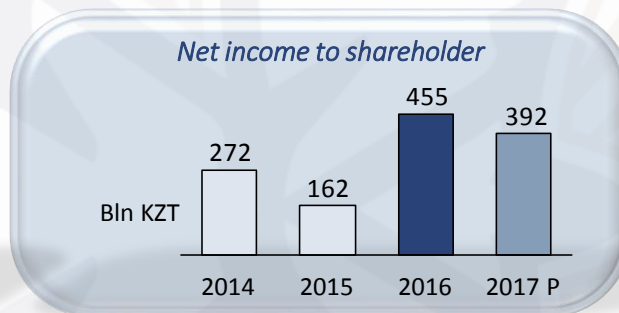
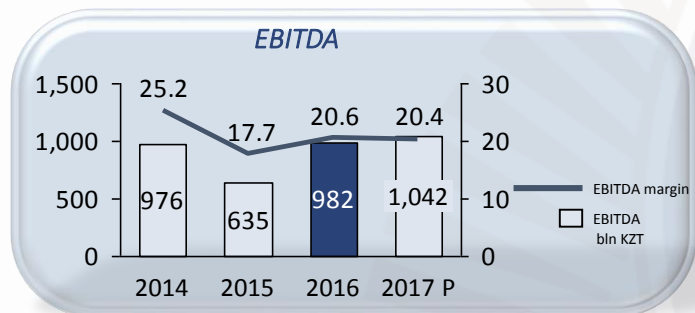
- Increase in oil prices positively affected revenues numbers on consolidated level.

- Increase in income share from companies producing Zinc, was supported by rise in average price by 8% for this type of products.

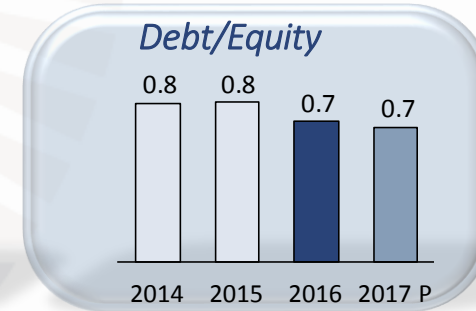
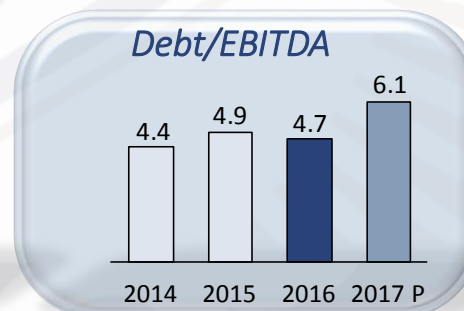
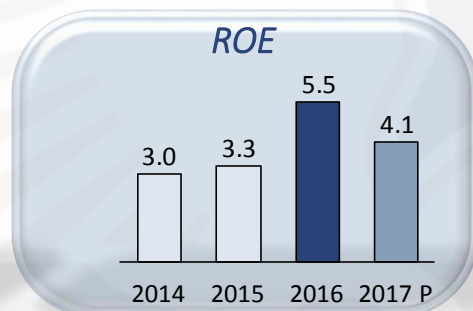
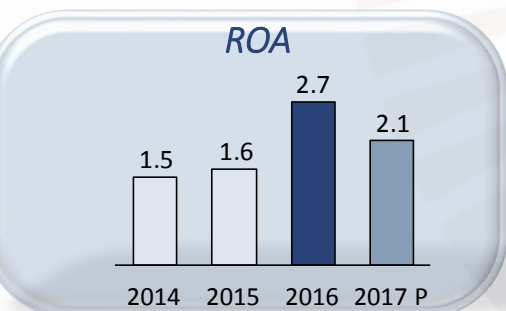
Effect on consolidated results

Executive Summary

In 2016, the Fund companies presented an increase in key financial indicators compared to 2015. Despite the high results, the Fund set comparatively modest forecasts for 2017, due to the volatility of prices for major energy resources and the following changes in currency rates.



The Fund expects at least 8% increase in the value of Net Assets in 2017



The return on assets and equity demonstrated an increase compared to the previous year, mainly due to the growth of the Fund's net profit. Despite more modest expectations in 2017, the plan indicators are above average for the last 3 years.

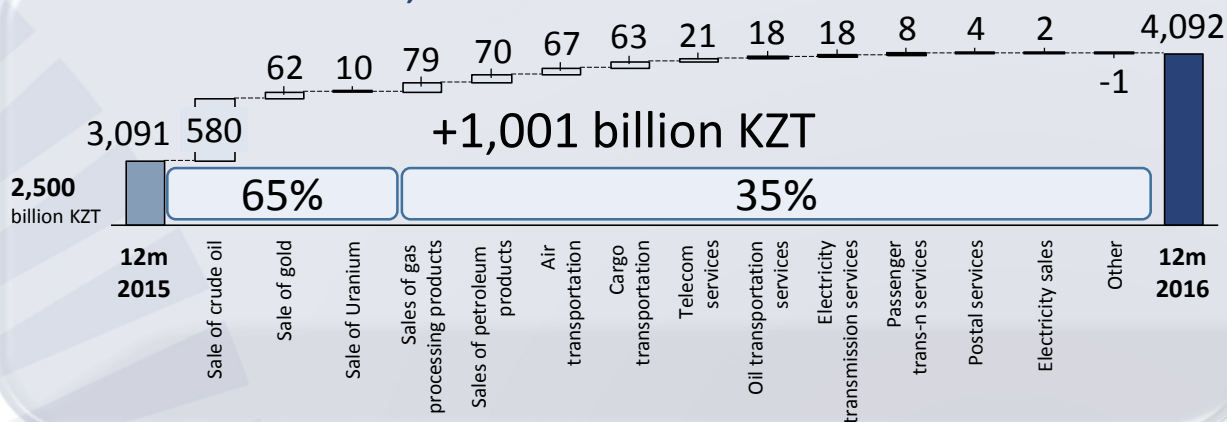
The appropriate financial stability of portfolio companies remains one of the Fund's main objectives.

During 2016, the Fund companies took significant steps to improve the debt load, which affected the indicators Debt / EBITDA and Debt / Equity.

* Calculated based on OCI



Consolidated revenue, billion KZT



Factors that provided more than 65% growth, billion KZT

Products	Volume factor	Price factor	FOREX
Crude oil*	+386*	+105	+72
Gold	+16	+10	+35
Uranium oxide	-21	-70	+100

Revenues from:

Main factors that provided more than 35% growth, billion KZT



Sales of gas processing products

+ 33%, mainly due to increased volumes of gas sales for export and domestic market of the Republic of Kazakhstan, as well as due to the growth of the US dollar rate in the reporting period.



Sales of petroleum products

64% due to a change in the selling price (an increase by 20%), 36% due to changes in volumes (since April KMG EP independently performs processing with the subsequent sale of petroleum products).



Air transportation

Mainly due to an increase in the average tariff by 38% due to the relation of the international tariffs to the USD from 01.10.2015.



Cargo transportation

+70.5 billion FOREX, **+5 Billion** growth of tariffs for the services of the train-interstation communication and LT services, **- 10.6 billion** Decrease in traffic volumes, **- 13 billion** decrease in revenues on additional fees



Telecom services

Mainly on KTK due to growth in revenues from operator segment by 13.5 billion as a result of an increase in incoming / transit traffic from telecommunications operators' networks, and from data transmission network services by 4.5 billion as a result of active promotion of fixed broadband and pay TV services



Oil transportation services

The revenue growth in the reporting period by 24% is due to the increase in tariffs of Intergas Central Asia JSC for gas exports and the growth of the USD rate



Electricity transmission services

Mainly, due to the growth of tariffs for services rendered and the volume of electricity transmission, as a result of the increased production by the producers of power in the Republic of Kazakhstan



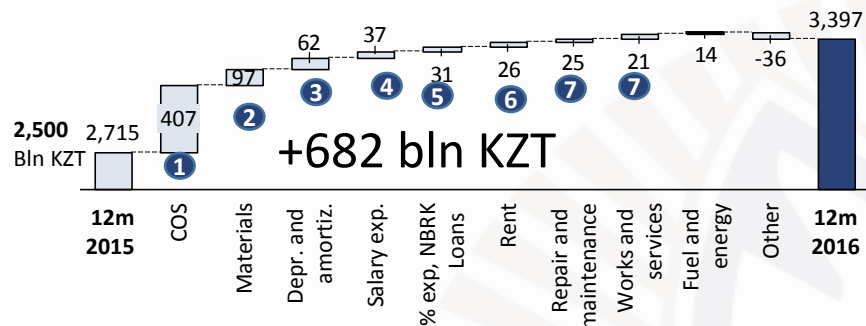
Passenger transportation

+ 6.9 billion due to the increase in passenger turnover, +1.4 billion due to the growth of the average income rate

During 2016 the NC KMG Group entered into a long-term crude oil and liquefied petroleum gas ("LPG") supply agreement. The total minimum delivery volume approximates 30 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2020 from Tengizchevroil LLP ("Tengizchevroil"), Mangistaumunaigaz JSC and Karazhanbasmunai JSC oil production.



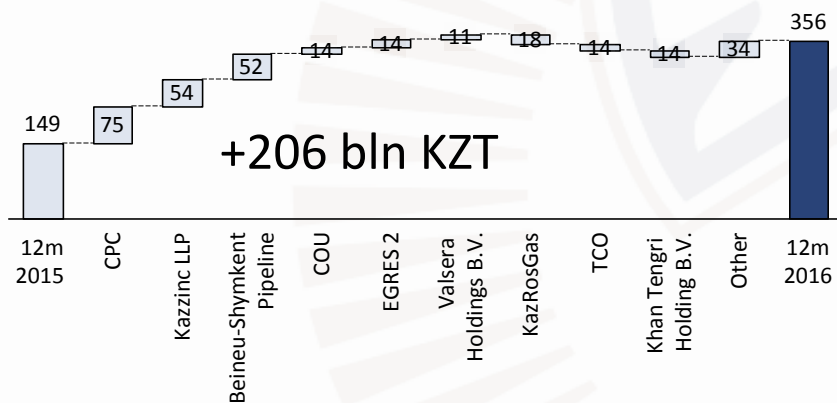
Main reasons for the increase of COS by more than 680 billion KZT are presented below:



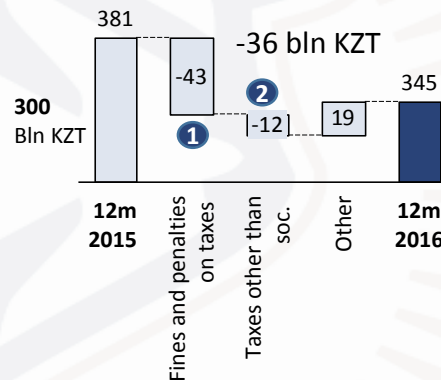
- 1 The growth was mainly on KMG level for crude oil for sale (an increase in volumes under the oil advances agreement concluded with VITTOL)
- 2 The main increase in Tau-Ken Samruk: +44 billion increase in the price of refined gold, +32 billion increase in sales volume
- 3 Mainly on KMG level +40 bln associated with growth of PP&E amount

- 4 The increase is mainly on al PCs. A significant impact on the growth of the expenses was provided by the annual indexation of salary to production personnel
- 5 Mainly on CC level and caused by amortization of discount
- 6 The main increase caused by Air Astana and Kazakhtelecom for more than 19 billion KZT mainly due to devaluation of kzt
- 7 Basically, due to the retirement of service companies from the NC KTZ. In connection with deconsolidation, services are accounted for as from third parties and are not eliminated

The main companies (JV and Ass), which provided growth in the share of income, below:

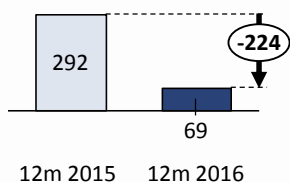


The main reasons for the reduction of the G&A by more than 36 billion KZT below:



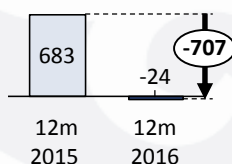
- 1 43 billion KZT on KMG. Mainly due to the reversal of fines and penalties for the tax audit for 2009 and 2012, as well as a smaller amount of VAT provisions than in 2016
- 2 In 2015, the Fund paid a fine and a penalty in the amount of KZT18 bln as a result of inspection by the tax authority for 2009

Impairment of assets



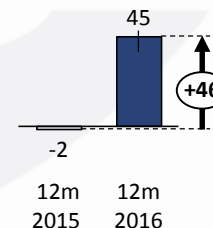
Main amount of impairment connected with devaluation of KZT and increase of Cost of equity was included in 2015 FS

Income (loss) from exchange rate differences



Main income in 2015 due devaluation of tenge

Income (loss) on disposal of subsidiaries



The main reason for increase is explained by the profit from the disposal of JSC Altel (a deal to merge JSC Altel and MTS into a joint venture of Kazakhtelecom JSC)

Samruk-Kazyna JSC

Analysis of Financial Statements (SFP)



In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	10,160,089	10,327,720	(167,631)
Intangible assets	922,465	216,480	705,985
Investments in JV and A	2,767,678	2,547,103	220,575
Loans given	560,952	601,673	(40,721)
Other	1,943,603	2,006,533	(62,930)
NON-CURRENT ASSETS	16,354,787	15,699,509	655,278
CURRENT ASSETS			
Cash and cash equivalents	1,554,035	1,206,557	347,478
Deposits	1,669,459	1,492,619	176,840
Trade accounts receivable	438,486	283,248	155,238
Assets classified as held for sale	1,283,914	1,189,364	94,550
Other	1,160,179	1,018,387	141,792
CURRENT ASSETS	6,106,073	5,190,175	915,898
Total assets	22,460,860	20,889,684	1,571,176
TOTAL EQUITY	(10,991,674)	(10,401,372)	(590,302)
NON-CURRENT LIABILITIES			
Borrowings	(4,930,158)	(5,375,804)	445,646
Reserves	(161,936)	(271,553)	109,617
Loans from the Government	(912,180)	(859,715)	(52,465)
Other	(2,242,998)	(1,574,105)	(668,893)
NON-CURRENT LIABILITIES	(8,247,272)	(8,081,177)	(166,095)
CURRENT LIABILITIES			
Borrowings	(820,570)	(716,907)	(103,663)
Trade and other payables	(587,217)	(506,213)	(81,004)
Liabilities associated with assets classified as held for sale	(692,696)	(565,167)	(127,529)
Other	(1,121,431)	(618,847)	(502,584)
CURRENT LIABILITIES	(3,221,914)	(2,407,134)	(814,780)
TOTAL LIABILITIES	(11,469,186)	(10,488,311)	(980,875)
Total equity and liabilities	(22,460,860)	(20,889,683)	(1,571,177)

Main reasons for change presented below:

- 1** Main growth of PP&E on KMG **+300 billion**: Capitalization of investment projects costs for the reconstruction of "ANPZ"LLP, as well as due to the increase in the cost of the project "Modernization of PNHZ"; An additional increase in KMG EP by **77 billion** due to growth in the number of wells in 2016. **+27 billion** in connection with the acquisition of the rig kit KMG Drilling & Services
+125 billion KZT: Increase in fixed assets due to capitalization of costs for the following main projects: railway conjunction Astana, Zhezkazgan-Beineu, Arkalyk-Shubarkol, and acquisition of locomotives and SEZ "Khorgos - Eastern Gate"
The growth was offset by the reclassification of assets under a license for the amount of KZT498 bln and the right to subsoil use in the amount of **202 bln** from the PP&E to intangibles in connection with the start of production at the Kashagan field.
- 2** **+71.5 bln** on KMG level mainly due to an increase in share income of CPC and others; **+67 bln** on KTK - 51% of the share capital of Khan Tengri Holding BV (ALTEL) deal; **+ 23 bln** TKS Share in income of Kazzinc LLP and other
- 3** Decrease mainly due to reclassification to short term on corporate center level
- 4** Mainly, due to advance received for the purchase of TCO's oil, as well as **97 bln**, received from the National Bank of the Republic of Kazakhstan for financing FNSK in the Nurly-Zhol framework.
- 5** **+183 billion** on KMG (**+74 bln** due to increase in receivables from Gazprom, due to the growth in volumes and the tariff for the transportation of gas for export)
+77 bln on CC - reclassification of the shares of BTA Bank with maturity date 30.06.2017
-39 bln on KAP due to suspension of short-term contracts in 2016
- 6** As part of the Comprehensive Privatization Plan for 2016-2020, the list of subsidiaries, associated and joint ventures of the Group to be sold to private investors was approved (the main increase in KTZ **+86 billion KZT** SE **+77 billion KZT**)
At the same time, the reduction of the item mainly due to the implementation of ALTEL (more than 47 billion KZT)
- 7** Main events during 2016:
NC KMG: - repayment of a part of Eurobonds in the amount of **\$ 369 million (124 billion KZT)**
- partial redemption of issued bonds, holder - DBK JSC (**KZT 51 bln**)
- Repayment of a loan from ING Bank in the amount of **\$ 400 million (139 billion KZT)**
JSC ICA: redemption of bonds, in the amount of **\$157 million (53 billion KZT)**.
General agreement with Citibank, the total amount of attracted funds - **\$ 566 million (194 billion KZT)**, the total repayment amount - **\$ 442 million (153 billion KZT)**.
A loan from the EBRD for **\$ 140 million (48 billion KZT)**.
KTZh: - redemption of Eurobonds, for **\$ 350 million (118 billion KZT)**.
+ 50 billion KZT placement of bonds on KASE for 10 years to refinance a part of Eurobonds
The loan agreement with **EBRD + \$ 100 million (33 billion KZT)** for refinancing a part of Eurobonds.
The Group placed coupon bonds on KASE at **+47.5 bln KZT** as part of Nurly Zhol
+ 97 billion KZT, bonds were bought by the NBK in the framework of "Nurly Jol",
KE paid obligations on bonds worth **\$ 200 million (KZT67 billion)**

- 8** Mainly due to accrual of additional reserves on: **+55 bln tenge Kashagan, +49 bln tenge KTZH**
- 9** Advance received under oil supply contracts **+ KZT 1,068 billion** and **-243 billion KZT** Decrease in debt on acquisition of additional share in North Caspian Project.
- 10** **KMG +86 bln KZT** mainly due to the growth of KTG debt to gas suppliers KazRosGas LLP, CNPC-AktobemunaGas JSC and GazProm Schwiez. And also due to an increase in the amount of production works on KMG EP and the growth of debt for long-term assets of KMG PM for the supply of equipment for investment projects.


Information on portfolio companies



Mature Portfolio Companies

	NC KazMunayGas JSC	>>	8
	"NC" Kazakhstan Temir Zholy" JSC	>>	10
	"NAC" Kazatomprom" JSC	>>	12
	"Samruk-Energy" JSC	>>	14
	"KEGOC" JSC	>>	16
	"Kazakhtelecom" JSC	>>	18
	"Air Astana" JSC	>>	20
	"Kazpost" JSC	>>	21

Growing Portfolio Companies

	"Tau-Ken Samruk" JSC	>>	22
	"United Chemical Company" LLP	>>	23
	"NC "Kazakhstan Engineering" JSC	>>	24
	"Samruk-Kazyna Real Estate Fund" JSC	>>	25

NC KazMunayGas JSC

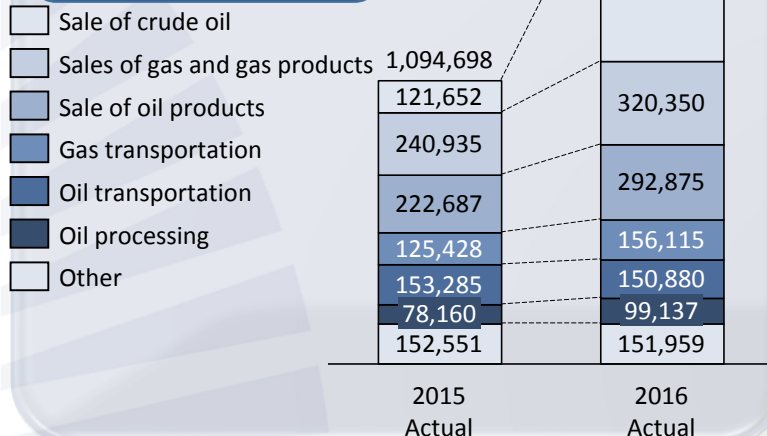
Analysis of Financial Statements



Revenue, *mln tenge*

+ 70%

Revenue growth
(Mainly due to the advance
of oil)



Factors affecting revenue growth:

1. Sale of crude oil + 564.4 billion KZT:

The growth of revenues from the sale of crude oil was provided by the following factors:

68% Increase in sales volumes mainly due to TCO advance agreement

13% Growth of the average rate of the KZT against the dollar (2016-342 T / \$, 2015- 222 T / \$)

19% The growth of the average selling price, as the main volumes were sold in the second half of 2016 with higher prices.

2. Sales of gas and condensate +79.4 billion KZT:

Mainly due to increased volumes of gas sales for export and domestic market of the Republic of Kazakhstan, as well as due to the growth of the US dollar rate in the reporting period.

3. Sale of oil products +70.1 billion KZT:

64% due to a change in the selling price (an increase of 20%), 36% due to changes in volumes (since April KMG EP independently performs processing with the subsequent sale of petroleum products)

4. Gas transportation +30.7 billion KZT:

The revenue growth in the reporting period by 24% is due to the increase in tariffs of Intergas Central Asia JSC for gas exports and the growth of the US dollar.

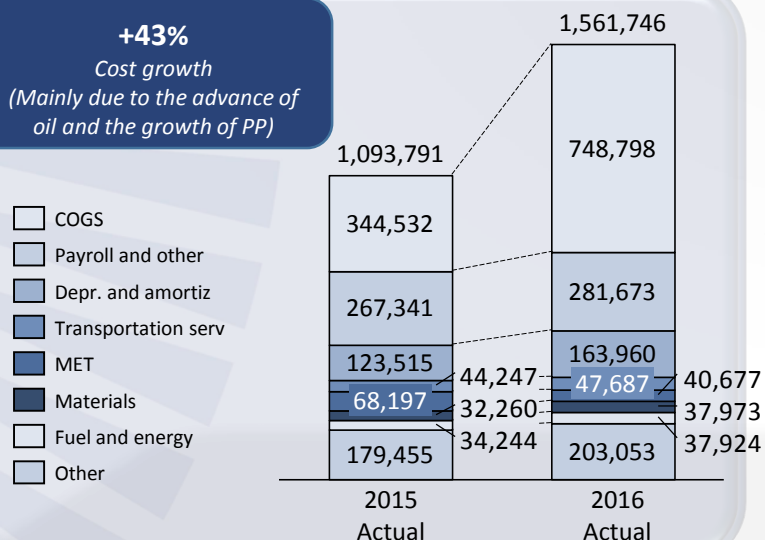
5. Oil processing +20.9 billion KZT:

The increase in revenues is due to the increase in the tariff of the ANPZ and PNHZ, approved by KZ authorities from 02.10.2015. (ANPZ - from 11,807.6 to 20,501 KZT / ton; PNHZ - from 8,641.64 to 14,895.2 KZT / ton).

Cost of sales, *mln tenge*

+43%

Cost growth
(Mainly due to the advance
of oil and the growth of PP)



- Cost of goods sold +404.2 bln:** The growth was mainly due to acquisition of oil under the oil supply agreement (TCO 3,825 thousand tons). This growth was partially offset by a decrease in the cost of purchasing oil for resale.
- Salaries and other remuneration + 14.3 bln:** The growth of expenses by 5% is mainly explained by the indexation of wages to employees in most companies by 7%
- Depreciation +40.4 bln. KZT:** due to the short-term base of the fixed assets after depreciation in 2014
- MET -27.5 bln:** Mainly due to reduction of the MET rate for OMG field (exemption due to low profitability of the field)

NC KazMunayGas JSC

Analysis of Financial Statements



Significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	2,953,136	2,651,338	301,797 ¹
Loans given	476,778	344,898	131,880 ²
Investments in JV and A	3,423,399	3,211,614	211,785 ³
Other	1,103,344	1,114,199	(10,855)
NON-CURRENT ASSETS	7,956,657	7,322,050	634,607
CURRENT ASSETS			
Cash and cash equivalents	878,438	768,577	109,862 ⁴
Loans given	113,616	113,046	570
Deposits	1,182,669	947,910	234,760 ⁴
Trade accounts receivable	300,761	117,645	183,116
Other	1,450,936	1,440,431	10,504
CURRENT ASSETS	3,926,420	3,387,608	538,813
Total assets	11,883,077	10,709,658	1,173,420
TOTAL EQUITY	(6,278,271)	(6,090,178)	(188,093)
NON-CURRENT LIABILITIES			
Borrowings	(2,706,101)	(2,932,323)	226,222 ⁵
Other	(1,207,313)	(398,022)	(809,291) ⁴
NON-CURRENT LIABILITIES	(3,913,415)	(3,330,345)	(583,069)
CURRENT LIABILITIES			
Borrowings	(366,439)	(296,546)	(69,893) ⁵
Liabilities ass-ted with assets class as held for sale	(563,884)	(512,224)	(51,660)
Other	(761,069)	(480,365)	(280,704)
CURRENT LIABILITIES	(1,691,392)	(1,289,134)	(402,257)
TOTAL LIABILITIES	(5,604,806)	(4,619,480)	(985,326)
Total equity and liabilities	(11,883,077)	(10,709,658)	(1,173,420)

¹ Mainly due to the growth of capitalized expenses of KMG-PM in amount of 199,294 mln for the investment projects on the reconstruction of ANPZ, as well as due to the increase in the cost of the PNHZ modernization project; Additional increase in KMG EP by 77,230 mln due to the increase in the number of wells in 2016; An increase in KMG Drilling & Services by 27,307 mln due to the acquisition of rig kit No. 707.

² The increase in loans given relates to the provision of financial assistance to SK for the implementation of the North Caspian Project and the servicing of SK loans.

³ The increase in investments in joint ventures and associates by KZT 283 337 million relates mainly to the increase in the share of CPC, Beineu Shymkent pipeline and the income of KMG-PM organizations.

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Gross profit	295,689	908	294,782
General and administrative expenses	(116,915)	(159,230)	42,315 ⁶
Transportation and distribution costs	(198,473)	(195,348)	(3,125)
Other	(5,641)	(152,008)	146,367
Income (loss) from operating activities	(25,340)	(505,678)	480,338
Financial costs	(230,383)	(198,334)	(32,049)
Income (loss) from exchange rate differences	(12,894)	474,580	(487,474) ⁷
Share of income (loss) of associates	59,256	(15,588)	74,843
Share of income (loss) of JVs	205,591	128,395	77,196 ³
Other	166,879	172,656	(5,777)
Profit / (loss) before taxation	163,108	56,031	107,077
Corporate income tax expense	(163,791)	(232,149)	68,358
Profit / (loss) for the period from discontinued operations	360,854	670,802	(309,948)
Profit / (loss) for the year	360,171	494,683	(134,512)

⁴ In 2016, KMG entered into a long-term contract (till March 2020) for the supply of crude oil (30 million tonnes) and liquefied gas (1 million tonnes). Under the agreement, an advance of \$ 3,000 million was received (equivalent to KZT 1,012,020 million at the date of the transaction)

⁵ Main events during 2016:
 - repayment of a part of Eurobonds in the amount of \$ 369 million (124 billion KZT)
 - partial redemption of issued bonds, holder - DBK JSC (KZT 51 bln)
 Repayment of a loan from ING Bank in the amount of \$ 400 million (139 billion KZT)
 JSC ICA, redemption of bonds, in the amount of \$157 million (53 billion KZT).
 General agreement with Citibank, the total amount of attracted funds - \$ 566 million (194 billion KZT), the total repayment amount - \$ 442 million (153 billion KZT).

⁶ A loan from the EBRD for \$ 140 million (48 billion KZT).

Mainly, due to the reversal of fines and penalties for the tax audit for 2009 and 2012, as well as a smaller amount of VAT reserves than in 2016.

⁷ Negative exchange rate difference on KMG's foreign currency liabilities (Mainly on Eurobond loans).

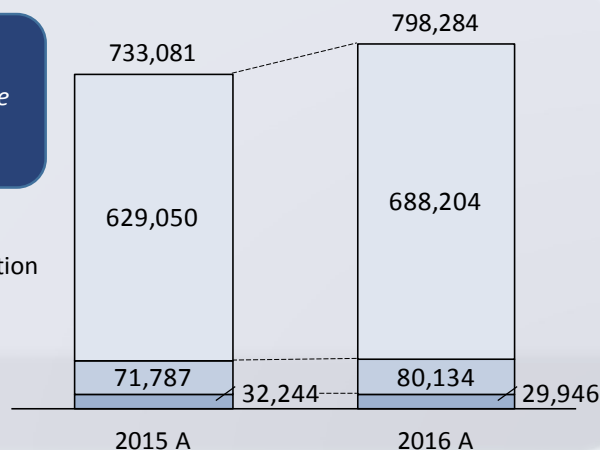


Revenue, mln tenge

+8.9%

Revenue increase mainly due to FOREX

- Freight transportation
- Passenger Transportation
- Other services



Factors that contributed an 8% increase in revenue compared to 2015:

1. Freight transportations +59 bln KZT:

- + 70,542 FOREX
- + 5,340 increase in tariffs for the services of the international stations and the services of locomotive traction
- 10,657 Decrease in traffic volumes
- 13,459 decrease in income from additional fees

2. Passenger transportations +8.3 bln KZT:

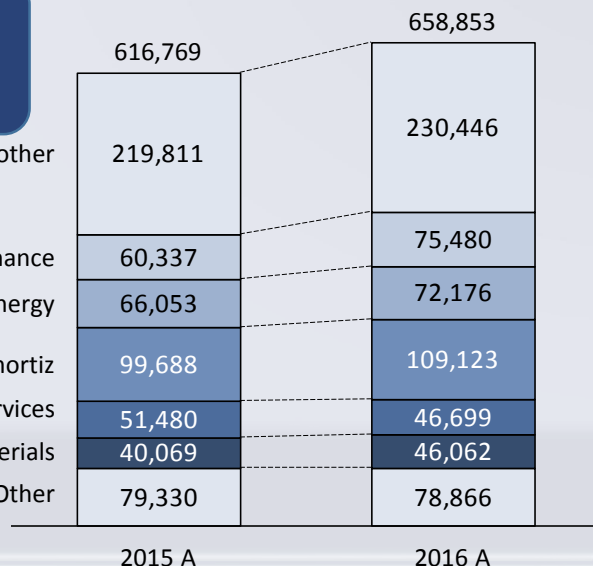
- + 6,931 due to growth in passenger turnover
- + 1,368 due to the growth of the average income rate

Cost of sales, mln tenge

+6.8%

Increase in COS mainly due to repair and other works

- Payroll and other
- Repair and maintenance
- Fuel and energy
- Depr. and amortiz
- Works and services
- Materials
- Other



1. Payroll and other compensations +10.6 bln KZT:

An increase in wage costs (+10,635 million KZT) due to a decrease in the number of vacations granted to employees without pay in 2016, as well as the payment of unused vacations

2. Repair and maintenance +15.1 bln KZT:

Mainly due to the increase of expenses for the repair and maintenance of rolling stock (in foreign currency), as well as the reflection of repair costs, by the companies that were previously part of KTZh

3. Works and services -4.8 bln KZT:

Due to cost optimization measures

NC Kazakhstan Temir Zholy JSC

Analysis of Financial Statements



Significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	2,521,329	2,395,442	125,888
Investments in JVs	11,720	22,105	(10,384)
Other	125,950	172,194	(46,244)
NON-CURRENT ASSETS	2,658,999	2,589,740	69,259
CURRENT ASSETS			
Assets class as held for sale	120,626	34,751	85,875
Other	255,826	259,483	3,657
CURRENT ASSETS	376,452	294,234	82,218
Total assets	3,035,452	2,883,974	151,477
TOTAL EQUITY	(1,168,033)	(968,264)	(199,769)
NON-CURRENT LIABILITIES			
Borrowings	(1,098,118)	(1,174,884)	76,766
Other	(254,927)	(308,736)	53,809
NON-CURRENT LIABILITIES	(1,353,045)	(1,483,619)	130,575
CURRENT LIABILITIES			
Borrowings	(141,562)	(199,754)	58,192
Liabilities ass-ted with assets class as held for sale	(96,817)	(4,454)	(92,363)
Other	(275,996)	(227,883)	(48,113)
CURRENT LIABILITIES	(514,374)	(432,091)	(82,283)
Total Liabilities	(1,867,419)	(1,915,710)	48,292
Total equity and liabilities	(3,035,452)	(2,883,974)	(151,477)

1 Increase in fixed assets due to capitalization of costs for the following main projects:

In bln KZT

RW. Junct. Astana,	Zhezkazg-Beineu	Arkal-Shubarkol	Acquis. of locomotives	SEZ Khorgos - Eastern Gate	Ferry complex Kuryk
+71.1	+37.3	+2.8	+39.3	+12.8	+15.2

2 As of December 31, 2016, investments in JSC Lokomotiv Kurastyru Zauyty and Astyk Trans LLP with total book value of KZT 12.6 bln were classified as assets held for sale

3 As part of the Comprehensive Privatization Plan for 2016-2020, the list of subsidiaries, associates and joint ventures of the Group to be sold to private investors was approved

In bln KZT

	Transtelekom	Tulpar Talgo	Transfer from investments in JV	Other
Assets	89.3	15.4	12.6	3.3
Liab-ties	75.8	19.3	-	1.7

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Gross profit	164,259	135,736	28,523
General and administrative expenses	(76,444)	(75,923)	(521)
Financial costs	(85,418)	(60,884)	(24,534)
FOREX gain/ (loss)	20,863	(450,998)	471,861
Other	18,161	(9,238)	27,399
Income before tax	41,421	(461,307)	502,728
Corporate income tax expense	4,763	9,001	(4,238)
Profit / (loss) for the period from discontinued operations	(4,908)	(7,675)	2,767
Profit / (loss) for the year	41,276	(459,981)	501,257

4 The main change in connection with the redemption of Eurobonds placed On the Singapore Stock Exchange for \$ 350 million (Equivalent to KZT 114,681 million at the exchange rate at the maturity date). Additional movements:
 -47 billion by transferring non-core assets to a shareholder
 -26.7 billion loan to HSBC (KZT5 bn. Commission for early repayment)
 +32.7 billion from EBRD for refinancing part of Eurobonds
 +4.7 billion from the EBRD for the acquisition of energy efficiency components
 +23.9 billion from HSBC financing purchased. Freight and passenger electric locomotives
 +15 billion from JSC NSC for refinancing part of Eurobonds
 +33 billion from NSC JSC to refinance some of the debt to HSBC
 +5.5 billion from the UK for the renewal of the rolling stock fleet of railway carriages

5 FOREX loss in 2015 is in connection with devaluation of tenge

Kazatomprom JSC

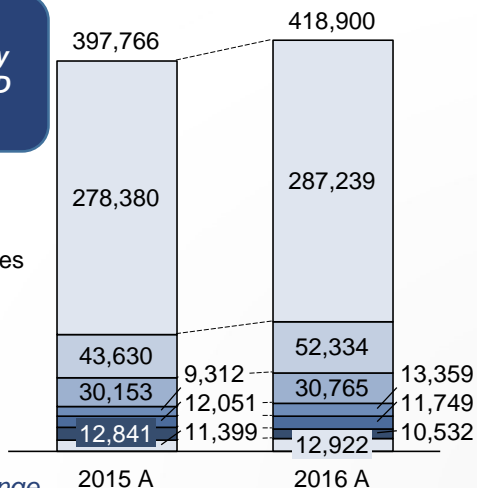
Analysis of Financial Statements



Revenue, mln tenge

+5%
Revenue increased mainly
due to the increase of USD
rate

- Nitrous oxide of uranium
- Electricity
- Other products and services
- Beryllium products
- Tantalum products
- Drilling of the wells
- Other



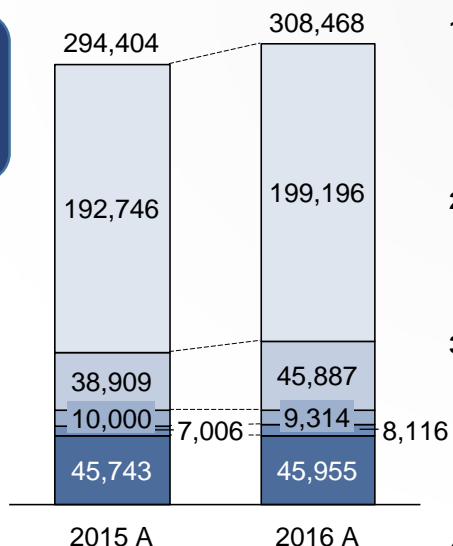
Factors that influenced Revenue:

- Nitrous oxide of uranium (NOU) +8.9 bln** as result of the following factors:
 - 21 bln** - The decrease in sales volumes due to the transfer of the delivery as agreed with the buyers
 - 70.7 bln** - Reduction of the spot price for natural uranium from 36.80 USD / pound in the period January-December 2015 to 22 USD / pound in 2016
 - +100.6 bln** - Growth of USD rate
- Electricity +8.7 bln**
The growth was caused by the increase in tariffs for electricity production for the population and other consumers from 01.01.2016. On average by 17%.
- Beryllium products +4 bln**
The increase in 2016 rate of USD on average by 54.3% compared to the level of 2015.

Cost of sales, mln tenge

+5%
Cost of sales
increased mainly due to the
increase of USD rate

- Nitrous oxide of uranium
- Electricity
- Tantalum products
- Beryllium products
- Other



Factors that influenced Cost of Sales:

- Nitrous oxide of uranium +6.5 bln** as result of the following factors :
 - +72.2 bln** – exchange rate
 - 61 bln** - The reduction in the price of the acquired uranium due to the decrease in the average spot price
 - 9.5 bln** - The decrease in sales volumes due to the transfer of the delivery as agreed with the buyers
 - 2.2 bln** - Decrease in wages due to lower sales volumes
 - +7 bln** - Change in the volume of purchased Uranium
- Electricity +6.9 bln** as result of the following factors :
 - +4.8 bln** - The growth is due to the increase in the price of fuel (gas).
 - +2 bln** - The main reason for the increase is an increase in the cost of sales of auxiliary units due to the growth in the price of fuel (gas), as well as in connection with the growth in the sale of energy resources
- Tantalum products-0.7 bln** as result of the following factors :
 - 1.6 bln** - Compared to 2015, the sales of tantalum in 2016 decreased by 8.2%, which is due to the deterioration of the economic situation (a decrease in demand) on the tantalum market.
 - +1.8 bln** –effect from FOREX.
 - 1.5 bln** –Due to the structural shift in the product mix in the direction of reducing in 2016 the share of more expensive products from its own raw materials and increasing the share of tolling products.
 - +0.6 bln** - Increase in the cost of basic materials and reagents. Rising prices for heat and energy carriers.
- Beryllium products +1 bln** as result of the following factors :
 - +0.7 bln** - Growth in 2016, the rate of USD increased on average by 54.3% compared to the level of 2015 which affected the cost of imported basic materials for the production of beryllium ligatures
 - +0.3 bln** - As a result of an increase in average wages by an average of 19.4%.

Kazatomprom JSC

Analysis of Financial Statements



Other significant changes in the SFP

In millions of KZT	12m 2016	12m 2015	Change
NON-CURRENT ASSETS			
Investments in associated entities	107,773	121,938	(14,165) ①
Investments in joint venture	66,862	43,519	23,343 ②
Other	281,919	310,826	(28,907) ③
NON-CURRENT ASSETS	456,554	476,283	(19,729)
CURRENT ASSETS			
Cash	75,052	55,869	19,183
Amounts due from credit institutions	56,476	9,020	47,456
Trade receivable	67,921	107,512	(39,591) ④
Inventory	120,095	99,692	20,403 ⑤
Other	43,933	44,900	(967)
CURRENT ASSETS	363,477	316,993	46,484
Total assets	820,031	793,276	26,755
TOTAL EQUITY	567,830	469,405	98,425
NON-CURRENT LIABILITIES			
Borrowings	77,184	119,776	(42,592) ⑥
Other	29,309	30,463	(1,154)
NON-CURRENT LIABILITIES	106,493	150,239	(43,746)
CURRENT LIABILITIES			
Trade payables	74,654	101,622	(26,968)
Other	71,054	72,010	(957)
CURRENT LIABILITIES	145,708	173,632	(27,925)
TOTAL LIABILITIES	252,201	323,871	(71,671)
Total equity and liabilities	820,031	793,276	26,754

① Dividends from associated entities increased in the amount of 14 bln KZT.

② Share in income of joint ventures increased in the amount of 22.7 bln KZT.

③ The Company impaired the PP&E in the amount of 12.3 bln KZT, including construction in progress in the amount of 9.6 bln KZT.
At the same time, Semizbai LLP and Baiken-U LLP paid the credit in advance in the amount of 1.2 bln and 13 bln KZT (accordingly).

④ Due to the suspension of short-term contracts in 2016, trade receivables decreased.

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Gross profit	110,433	103,362	7,071
General and administrative expenses	(30,877)	(25,655)	(5,222)
Selling expenses	(6,314)	(4,116)	(2,198)
Financial income	15,825	21,986	(6,161)
Financial expenses	(11,017)	(8,676)	(2,341)
Share in income (loss) of associated entities	38,058	38,823	(765)
Share in income (loss) of joint venture	36,739	14,080	22,659 ⑦
Other	(23,304)	(90,259)	66,955 ⑧
Profit / (loss) before taxation	129,543	49,545	79,998
Corporate income tax expense	(17,988)	(13,044)	(4,944)
Profit / (loss) for the year	111,555	36,501	75,054

⑤ Increase is associated with the fact that main stock was in the transit.

⑥ On January 19, 2015, the Group signed an unsecured syndicated loan agreement with five banks for a total of \$ 450 million. The purpose of the loan was to refinance the bonds in the amount of \$ 500 million.

⑦ Growth from the share of the JV's income increased mainly due to the growth of the dollar, which increased the profitability of mining enterprises, as well as the release of positive net income due to the stabilization of the ruble / dollar exchange rate by JSC «COU».

⑧ Due to the change in the exchange rate, the positive exchange rate difference increased by 57 billion.

The decrease was mainly due to a decrease in the losses from the depreciation of the KazPV asset by 8.7 bln.

Samruk – Energy JSC

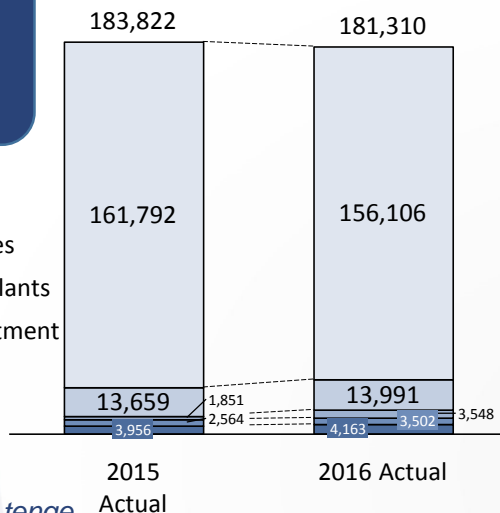
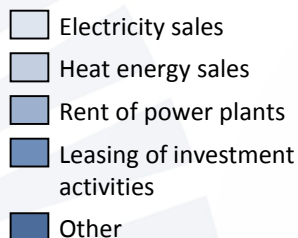
Analysis of Financial Statements



Revenue, mln tenge

-1.4%

Decrease of revenue
(Mainly due to sales
reduction)



1. Electricity sales (-5.686 bln KZT):

- Decrease of EGRES-1 revenue due to sales volumes as a result of a decline in commercial demand for electricity, also due to a 5% decrease in the average tariff caused by increase in the supply of electricity to preferential consumers at a price below the marginal tariff.
- Decrease in the sales volume due to modernization of two hydroelectric units for the current period on Shardarinskaya HPP.

2. Heat energy sales (+ 0.332 bln KZT):

Heat energy production growth.

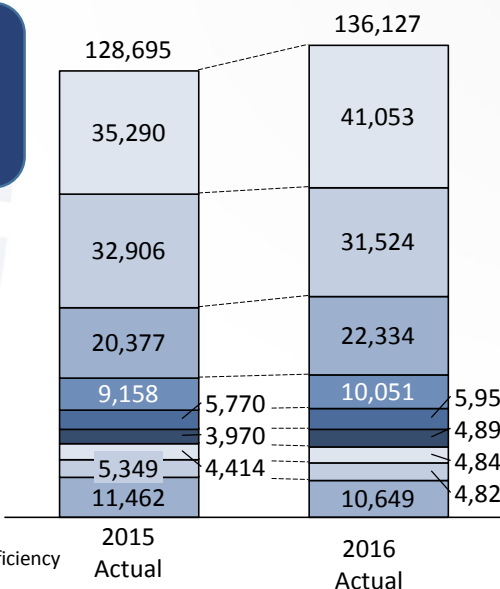
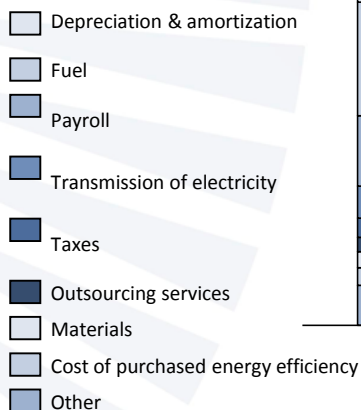
3. Rent of power plants of renewable energy sources (+1.697 bln KZT):

Mainly due to launching the station by PVES LLP in August 2015.

Cost of sales, mln tenge

+6%

Growth of COS
(Mainly due to amortization &
salary indexation)



1. Depreciation of fixed assets and amortization (+5.763 bln KZT):

the result of the implementation of fixed assets in the second half of 2015

2. Fuel (-1.382 bln KZT):

the decrease in costs caused by the decrease in demand for EGRES-1 production.

3. Payroll (+1.957 bln KZT):

the result of annual indexation according to the collective agreement of PC companies.

4. Services related to the transmission of electricity (+0.893 bln KZT):

The increase in costs for KEGOC services caused by the annual growth of tariffs (transmission services tariff growth by 7%, dispatching services tariff increase by 27%), as well as an increase in the output of Kapchagayskaya HPP because of the high water content of the reservoir in 2016.

5. Materials (+0.429 bln KZT):

Increased costs for raw materials and materials (chemical reagents and beats) of EGRES-1, due to the replacement of materials on regenerator filters. Also in comparison with 2015 there was an increase in the cost of purchased services and materials.

6. Other (-0.813 bln KZT):

Growth of "Maintenance of production equipment" due to maintenance contract for PS-220/35 kw substation "Ereymentau1" with PVES LLP.

Samruk-Energy JSC

Analysis of Financial Statement



Other significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	776,272	804,846	(28,575) 1
Investments in associated entities	85,906	72,048	13,858 2
Other	20,727	31,447	(10,720)
NON-CURRENT ASSETS	882,905	908,341	(25,437)
CURRENT ASSETS			
Inventories	9,682	13,778	(4,096)
Trade accounts receivable	16,160	19,843	(3,683)
Cash and cash equivalent	17,350	31,928	(14,577)
Other	46,004	52,401	(6,397)
*Non-current assets or disposal groups as held for sale	76,947	-	76,947 3
CURRENT ASSETS	166,143	117,950	48,193
Total assets	1,049,048	1,026,291	22,757
TOTAL EQUITY	516,596	482,520	34,076
NON-CURRENT LIABILITIES			
Borrowings	194,445	340,159	(145,714) 4
Other	86,375	87,312	(938)
NON-CURRENT LIABILITIES	280,820	427,471	(146,651)
CURRENT LIABILITIES	251,632	116,299	135,333 4
TOTAL LIABILITIES	532,452	543,770	(11,319)
Total equity and liabilities	1,049,048	1,026,291	22,757

1 There was an increase due to the implementation of investment. projects and maintenance of production assets:

- GRES-1: Modernization of ORU-500 kw - 9.8 bln KZT, Modernization and expansion of capacity of Ekibastuz GRES-1. Restoration of Block 1 – 5.296 bln KZT;
- Modernization of Shardarinskaya HPP - 9 bln KZT;
- Transfer of charge of 220 kw Substation of Gorny Gigant to 220 kw Yermensay substation through 110 kw networks with subsequent dismantling of Gorny Gigant substation - 0.340 bln KZT.

2 However, the total sum decreased as a result of amortization.

Primarily due to the increase in investment in Balkhash TPP. The increase in the share from 35.92% in 2015 to 49.99% in 2016.

3 Increase in MREK due to implementation of the investment project of "Construction of powerline-220kw Aktau-Karazhanbas.

4 The main reason for the increase in short-term loans and the reduction in long-term loans is the reclassification of DeutscheBank ag London Eurobonds in the amount of KZT 166.561 bln from long-term liabilities to short-term liabilities due to the repayment during 2017.

Other significant changes in P&L






In millions of KZT	12m 2016	12m 2015	Change
Gross profit	45,184	55,127	(9,943)
General and administrative expenses	(12,826)	(12,199)	(628)
Selling expenses	(3,017)	(2,919)	(98)
Income (loss) from operating activities	29,341	40,009	(10,669)
Financial income	7,658	2,876	4,782
Financial expenses	(19,218)	(107,956)	88,738 5
Other income	1,701	1,713	(12)
Other expenses	(1,958)	(1,690)	(268)
Share in income (loss) of joint venture	4,895	(10,173)	15,067 6
Profit / (loss) before taxation	22,419	78,837	56,418
Corporate income tax expense	(6,521)	(4,583)	(1,938)
Profit / (loss) for the period from discontinued operations	2,494	5,975	(3,481) 7
Profit / (loss) for the year	18,391	(77,445)	95,836

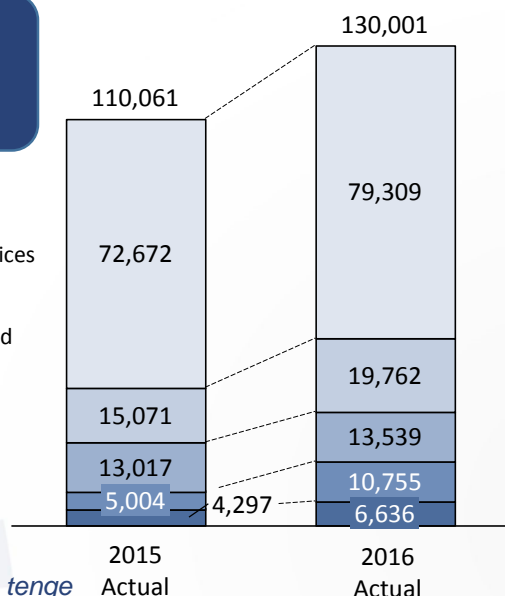
5 On December 25, 2015, there was a reduction in the interest rate to 1% of the loan agreement with Samruk-Kazyna JSC dated January 16, 2016, signed to acquire the remaining stake in EGRES-1.

6 The share income increased due to the production growth of electricity by EGRES-2 because of exports to Russia.

7 On November 23, 2016, the Board of directors approved the plan for the privatization of several assets.








Revenue, *mln tenge***+18%***Growth of revenue
(due to tariffs growth)*

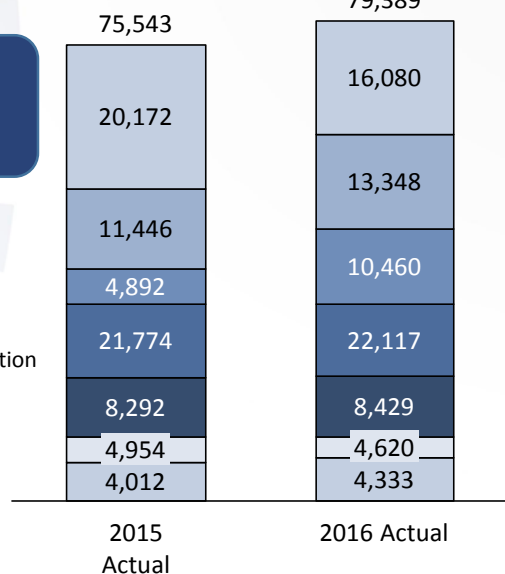
-  Electricity transmission services
-  Technical dispatching services
-  Services for organizing the balancing of production and consumption of electricity
-  Revenue from purchased electricity sale
-  Other



- Electricity transmission services (+6.637 bln KZT):** increased due to the tariff growth (+ 6.9%) and the growth in the volume of electricity transmission services (the reasons are electricity export, an increase in interstate transit by 0.5 bln kWh, and growth of services volumes for entities of the wholesale market of the Republic of Kazakhstan).
- Technical dispatching services (+4.691 bln KZT):** the increase is associated with an increase in the tariff (+ 26.6%) for technical dispatching of supply to the grid and consumption of electricity, as well as an increase in the volume of services provided due to the increase in the generation of electricity by energy producing organizations.
- Services for organizing the balancing of production and consumption of electricity (+ 0.522 bln KZT):** due to the increase in the tariff (+ 1%) in organizing the balancing of electricity production and consumption and the increase in the volume of services provided, which is due to a general increase in the production and consumption of electricity in the wholesale market RK.
- Revenue from the sale of purchased electricity (+5.751 bln KZT):** the increase in the purchase and sale of electricity by renewable energy sources with the growth of the number of suppliers of electricity in the RK for renewable energy sources.
- Other (+2.333 bln KZT):** The main reason for the changes is the income for the power regulation services rendered by KEGOC JSC for "Uzbekenergo" JSC during the period from 2015-2016.

Cost of sales, *mln tenge***+6%***Growth of COS
(due to electricity capacity)*

-  Technological losses
-  Payroll
-  Cost of goods sold
-  Depreciation and amortization
-  Production services
-  Power lines operation
-  Other



- Technological losses (-4.092 bln KZT):** the decrease in costs is resulted by the decrease in the average price of electricity purchase from 8.61 KZT / kWh to 6.41 KZT / kWh.
- Cost of goods sold (+ 5.568 bln KZT):** the COGS of purchased electricity increased mainly due to growth of volumes of energy acquired from renewable sources.
- Payroll (+1.902 bln KZT): increased mainly due to the following reasons:**
 - from October 1, 2016 there was official salaries / tariff rates increase for production staff by 6%;
 - positive financial results received in 2016 (bonuses were paid to production staff based on the results of each quarter and year, whereas in 2015 the bonuses for 3 and 4 quarters was not paid (due to negative financial result)).

Other significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	500,914	478,700	22,214 ¹
Long-term receivables	1,267	1,320	(53)
Other financial assets	-	5,968	(5,968)
Other	1,836	3,270	(1,434)
NON-CURRENT ASSETS	504,018	489,258	14,760
CURRENT ASSETS			
Accounts receivable	15,747	23,431	(7,684)
Other financial assets	61,404	65,572	(4,168)
Restricted funds	15,627	2,349	13,278
Cash	32,055	9,031	23,024 ²
Other	3,208	5,533	(2,325)
CURRENT ASSETS	128,041	105,917	22,124
Assets classified as intended. for sale	-	161	(161)
Total assets	632,059	595,337	36,722
TOTAL EQUITY	362,084	340,976	21,108
NON-CURRENT LIABILITIES			
Borrowings	95,144	149,139	(53,995) ³
Bonds	47,368	-	47,368 ⁴
Other	69,226	64,677	4,549
NON-CURRENT LIABILITIES	211,738	213,816	(2,078)
CURRENT LIABILITIES			
Borrowings	27,335	22,091	5,244
Other	30,902	18,453	12,449
CURRENT LIABILITIES	58,237	40,544	17,693
TOTAL LIABILITIES	269,975	254,360	15,615
Total equity and liabilities	632,059	595,337	36,722

¹ Due to the increase of construction in progress, which is mainly represented by equipment and construction work for the project "Construction of 500 kw Shulbinskaya HPP (Semey) - Aktogay-Taldykorgan-Alma".

² As of December 31, 2016 and 2015, the Group placed short-term deposits for a total of KZT 20.5 bln and KZT 5.036 bln, respectively, at 10.5-32% interest rate per annum.

³ Debt reduction in IBRD and EBRD according to the repayment schedule.

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Gross profit	50,613	34,519	16,094
General and administrative expenses	(17,640)	(8,565)	(9,075) ⁵
Selling expenses	(215)	(174)	(41)
Impairment loss / reversal of impairment	(80)	5	(85)
Income (loss) from operating activities	32,677	25,785	6,892
Financial income	6,535	3,876	2,659 ⁶
Financial expenses	(6,058)	(4,789)	(1,269)
Positive / (negative) exchange rate difference, net	2,347	(35,739)	38,086 ⁷
Share in the profit of the associate	75	110	(35)
Loss / (gain) on sale of non-current assets held for sale	(86)	215	(301)
Expenses from depreciation of funds placed in JSC Kazinvestbank	(646)	-	(646)
Other income	1,413	872	541
Other expenses	(283)	(277)	(6)
Profit / (loss) before taxation	35,975	(9,947)	45,922
Corporate income tax expense	(8,385)	2,167	(10,552)
Profit/(loss) for the year	27,590	(7,780)	35,370

⁴ Within the state program "Nurly Jol", in the period from June to August 2016 with the purpose of financing the projects "Construction of 500kw Ekibastuz-Semey-Ust-Kamenogorsk lines" and "Construction 500kw Semey-Aktogay-Taldykorgan-Alma Lines", the Group released coupon bonds amounting to KZT 47.5 bln with a floating rate equal to the rate of inflation in the Republic of Kazakhstan, plus a margin of 2.9% with a maturity date of up to year of 2031. The coupon rate for the first coupon period is 18.6% per annum.

⁵ Increase in tax expenses due to the property tax refund for 2015-2016 period related to the cancellation of the classifier of fixed assets, also the payment of bonuses to administrative staff as a result of positive financial results.

⁶ The growth of interest income on deposits in USD (due to the increase in the exchange rates after the transition to a freely floating exchange rate).
The growth of interest expenses on loans in foreign currency due to the increase in the exchange rates after the transition to a freely floating exchange rate.

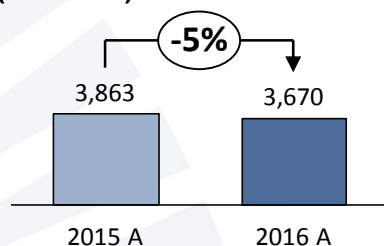
⁷ The main reasons for income from exchange rate are effective cash management, as well as strengthening of the KZT exchange rate against major foreign currencies at the end of 2016.



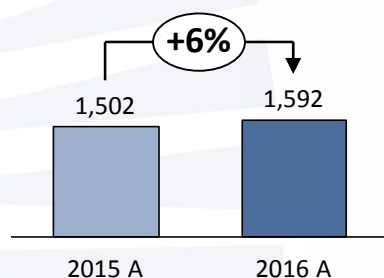
1

Production indicators

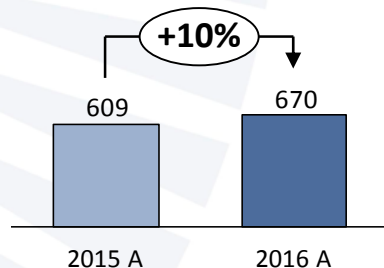
- the number of fixed lines (thousand)



- the number of broadband subscribers (thousand)



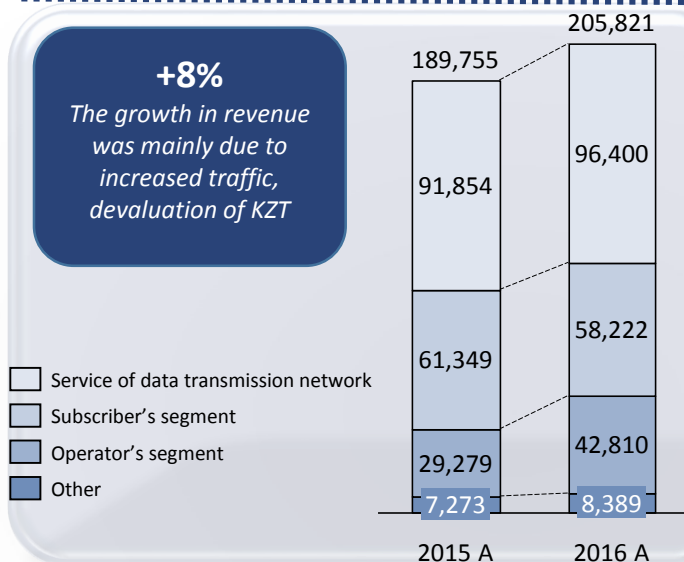
- number of subscribers to pay-TV (thousand)



2

Analysis of financial statements

Revenue, mln tenge



Factors that influenced Revenue:

1. Service of data transmission network: +4.5 bln As a result of the increase in revenues for the data transmission network service is associated with the active promotion of fixed broadband and pay TV services.

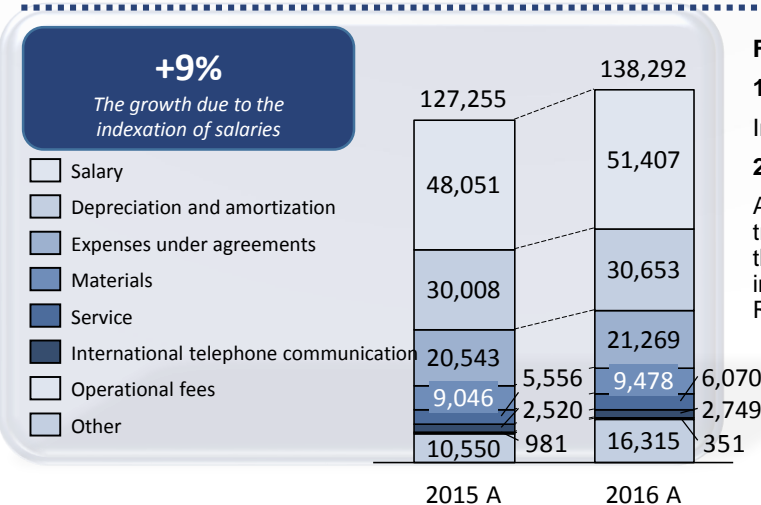
2. Subscriber's segment: -3 bln as result of:

The last few years there has been a decrease in the volume of fixed telephony connections and a decrease in voice traffic. As a result, the growth in revenues from MMTS services in the subscriber segment, due to:

- High level of mobile penetration, low tariffs of mobile operators;
- Growth in popularity of alternative types of dial-up and substitute services (VoIP, Skype, etc.).

3. Operator's segment: +13.5 bln as a result of revenue growth due to an increase in incoming / transit traffic from the networks of telecom operators, an increase in the consumption of Internet services by operators, IP VPN and leasing of channels. Also, the increase is due to the devaluation of the national currency "KZT" in August 2015. Mutual settlements with international operators are made in foreign currencies (USD, EUR, RUR).

Cost of Sales, mln tenge



Factors that influenced Cost of Sales:

1. Salary expenses: +3.3 bln as result of:

In 2016, the indexation of salaries in branches was carried out.

2. Expenses under agreements: +1 bln

As a result of increased costs due to an increase in outgoing / transit traffic to OSS networks; Also, the increase is due to the devaluation of the national currency "KZT" in August 2015. Mutual settlements with international operators are made in foreign currencies (USD, EUR, RUR).

JSC Kazakhtelekom

Analysis of Financial Statements



Other significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	272,176	285,556	(13,380) ①
Investments in associated entities	67,161	-	67,161 ②
Other	24,766	32,914	(8,148)
NON-CURRENT ASSETS	364,103	318,470	45,633
CURRENT ASSETS			
Cash	24,321	11,277	13,044
Amounts due from credit institutions	46,131	29,507	16,624
Trade receivables	24,992	16,385	8,607
Other	9,415	12,378	(2,963)
CURRENT ASSETS	104,859	69,547	35,312
Assets classified as held for sale	-	48,477	(48,477) ③
Total Assets	468,962	436,494	32,468
TOTAL EQUITY	343,798	292,421	51,376
NON-CURRENT LIABILITIES			
Borrowings	53,795	27,300	26,495 ④
Deferred tax liabilities	19,624	18,167	1,457
Other	14,145	15,561	(1,416)
NON-CURRENT LIABILITIES	87,564	61,028	26,536
CURRENT LIABILITIES			
Trade payables	11,997	11,893	104
Other	25,603	22,665	2,938
CURRENT LIABILITIES	37,600	34,558	3,042
Liabilities associated with assets classified as held for sale	-	48,487	(48,487) ③
TOTAL LIABILITIES	125,164	144,073	(18,909)
Total equity and liabilities	468,962	436,494	32,468

① During 2016, the Company purchased new equipment for the amount of KZT11 billion and also capitalized expenses of KZT 3.9 billion for the construction and modernization of new and existing telecommunications networks and fiber-optic communication lines. Also, the accumulated depreciation amounted to 27 billion.

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Gross profit	67,528	62,500	5,028
General and administrative expenses	(21,791)	(22,895)	1,103
Share in income (loss) of associated entities	(13,568)	-	(13,568) ⑤
Other	(8,087)	(4,633)	(3,454)
Profit / (loss) before taxation	24,082	34,972	(10,890)
Corporate income tax expense	(9,210)	(8,615)	(595)
Profit / (loss) for the year from continuing operations	14,872	26,357	(11,485)
Profit / (loss) for the period from discontinued operations	40,960	(2,148)	43,108
Profit / (loss) for the year	55,832	24,209	31,623

- ② The amount reflects the acquisition of 51% of the share capital of 49.48% of voting shares in the company "Khan Tengri Holding BV" providing mobile telecommunications services in the standard GSM and LTE.
- ③ As of December 31, 2015, the majority of others represented the classification of assets of JSC Altel as a discontinued operation in connection with the decision of the Board of Directors to conclude a transaction on the formation of a joint venture in the mobile segment based on the business of Altel JSC and Mobile Telecom-Service LLP.
- ④ In accordance with the terms of the transaction for the establishment of a joint venture in the mobile segment on 25.02.2016, JSC "Kazakhtelekom" transferred the debt of JSC "ALTEL" to JSC "Development Bank of Kazakhstan" in the amount of KZT26.9 bn. And in the Sberbank DB of \$ 2 bn KZT (as of June 30, 2016).
- ⑤ The loss from "Khan Tengri Holding BV" in the amount of 13.5 billion.

Air Astana JSC

Analysis of Financial Statements



Other significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Plant, property and equipment	90,395	91,604	(1,210)
Other	11,870	10,005	1,864
NON-CURRENT ASSETS	102,264	101,609	655
CURRENT ASSETS			
Inventories	13,761	10,267	3,494
Bank deposits	47,228	53,722	(6,494) ¹
Cash and cash equivalents	9,994	17,812	(7,818)
Other	32,215	24,940	7,275
CURRENT ASSETS	103,198	106,741	(3,543)
Total assets	205,463	208,351	(2,889)
EQUITY			
Hedging reserves	(26,741)	(30,744)	4,003 ²
Retained earnings	51,848	55,230	(3,382)
Other	2,551	2,551	-
TOTAL EQUITY	27,657	27,036	621
NON-CURRENT LIABILITIES			
Financial lease liabilities	111,818	127,569	(15,751) ²
Other	19,077	10,652	8,425
NON-CURRENT LIABILITIES	130,895	138,221	(7,326)
CURRENT LIABILITIES			
Financial lease liabilities	13,749	13,796	(48) ²
Current accounts payable	13,129	12,476	653
Other	20,033	16,821	3,212
CURRENT LIABILITIES	46,910	43,093	3,817
TOTAL LIABILITIES	177,806	181,315	(3,509)
Total equity and liabilities	205,463	208,351	(2,889)

¹ A reserve opened for 50% of the amount of Kazinvestbank's liabilities, and acquired discount for a deposit in Delta Bank for KZT 3 257,98 mln.

² In 2012-2014 the company acquired 11 aircrafts for financial lease with a fixed interest rate. At the same time, as of December 31, 2016, financial leasing liabilities of KZT 75.741 bln (2015: KZT 85.117 bln), denominated in US dollars, were recognized as a hedging instrument for future proceeds of a high-probability in the same amount for the period of 2015-2025.

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Revenues	212,486	163,659	48,826 ³
Operating expenses			
Fuel	(44,712)	(35,600)	(9,112) ⁴
Airport services and navigation	(30,763)	(22,864)	(7,899)
Passenger services	(23,886)	(17,355)	(6,531)
Expenses on personnel	(22,150)	(18,223)	(3,927)
Engineer-technical services	(20,755)	(22,159)	1,404
Expenses on aircraft operating leasing	(19,984)	(13,107)	(6,877)
Other	(37,274)	(29,554)	(7,720)
Operating profit	12,962	4,797	8,165
Financial revenues	2,643	1,653	990
Financial expenses	(7,975)	(5,142)	(2,833)
Net foreign exchange gain/(loss)	(3,916)	11,935	(15,852) ⁵
Profit/(loss) before income tax	3,715	13,244	(9,529)
CIT expenses	(1,916)	(2,882)	966
Profit/(loss) for the period	1,799	10,363	(8,564)

³ Revenues are above the level of the same period of 2015 by 29%, which is due to an increase in revenue from passenger transportation on domestic and international routes in the amount of KZT 45,810 bln as result of a rise in average tariff by 38%.

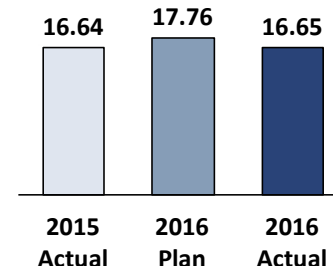
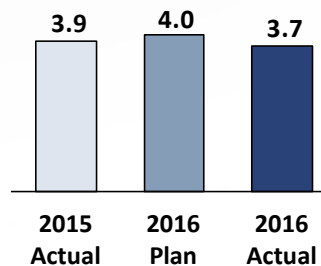
⁴ The average fuel price growth from KZT 120 000 to KZT 148 000 per tone.

⁵ The growth due to the change in exchange rates with respect to KZT.

Production indicators:

Traffic (mln people)

Freight and post transportation (thousands of tone)



Kazpost JSC

Analysis of Financial Statements



Other significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	26,772	23,059	3,713 ①
Other	11,277	10,951	326
NON-CURRENT ASSETS	38,049	34,010	4,039
CURRENT ASSETS			
Cash	26,624	10,683	15,941 ③
Receivables	6,460	8,344	(1,884)
Other	5,417	7,728	(2,311) ②
NON-CURRENT ASSETS	38,501	26,755	11,746
Total Assets	76,550	60,765	15,785
TOTAL EQUITY	31,003	19,856	11,147 ③
NON-CURRENT LIABILITIES			
Deferred tax liabilities	1,430	1,024	406
Other	2,267	3,351	(1,084)
NON-CURRENT LIABILITIES	3,697	4,375	(678)
CURRENT LIABILITIES			
Borrowed funds from customers	24,287	21,134	3,153 ④
Accounts payable	5,428	3,457	1,971
Other	12,135	11,943	192
CURRENT LIABILITIES	41,850	36,535	5,315
TOTAL LIABILITIES	45,546	40,910	4,636
Total equity and liabilities	76,550	60,765	15,785

① The increase is due to the acquisition of fixed assets in the amount of 6.4 billion, including buildings and facilities - 0.2 billion, machinery and equipment - 1.5 billion, vehicles - 1.9 billion, other fixed assets - 0.5 billion, construction in progress - 1.4 billion.

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Revenues	37,626	33,982	3,644 ⑤
Cost of sales	(33,110)	(29,409)	(3,701) ⑥
Gross profit	4,516	4,573	(57)
General and administrative expenses	(6,640)	(6,196)	(444)
Other	196	(674)	870
Financial income	3,042	2,107	935
Financial expenses	(400)	(411)	11
Income (loss) from exchange rate differences	239	3,844	(3,605)
Profit / (loss) before taxation	953	3,243	(2,290)
Corporate income tax expense	(394)	(647)	253
Profit / (loss) for the year	559	2,596	(2,037)

② The decrease was mainly associated with the sale of the securities (KKB Ministry of Finance) due to the depreciation of securities of Kazkommertsbank JSC.

③ The contribution of the shareholder in accordance with the 5-year program of comprehensive modernization and development of activities.

④ The increase is due to active work on attracting new customers.

⑤ Increase in revenue due to:
+1.6 bln mainly due to written correspondence services
+1.8 bln growth in income from financial services, mainly for the payment of pensions and benefits

⑥ Increase in cost of sales due to the following factors:
✓ The increase in production costs by 3.3 billion was associated with the payroll fund due to the indexation of wages by 5% of workers with the mass profession.

Tau-ken Samruk JSC

Analysis of Financial Statements



Other significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	33,629	24,654	8,975 ①
Intangible assets	52,602	52,669	(67)
Investments	434,889	410,904	23,985 ②
Other long-term assets	12,088	6,229	5,860
NON-CURRENT ASSETS	533,208	494,456	38,752
CURRENT ASSETS			
Cash	17,390	14,202	3,188
Inventories	19,211	11,704	7,507 ③
Other	7,194	7,105	89
CURRENT ASSETS	43,795	33,011	10,784
Total Assets	577,003	527,467	49,536
TOTAL EQUITY	550,157	503,607	46,550
NON-CURRENT LIABILITIES	18,275	17,668	607
CURRENT LIABILITIES	8,571	6,193	2,379
TOTAL LIABILITIES	26,847	23,860	2,986
Total equity and liabilities	577,003	527,467	49,536

① The increase in fixed assets by KZT8,975 million was due to the receipt of mining assets in the amount of KZT2,884 million, construction in progress of KZT3,527 million, buildings and structures of KZT2,168 million and other fixed assets of KZT396 million.

② The increase was due to the increase in share in of the income from Kazzinc LLP, which was formed due to an increase in the average selling price of metals due to the strengthening of the average foreign exchange rate in 2016 as compared to 2015, and a slight decrease in operating costs for payroll fund, electricity, materials, services and fuel.

③ The increase in inventories by KZT7,507 million was due to an increase in the volume of unfinished products, mainly in the form of semi-finished gold and silver and gold and silver electrolyte, at a cost of KZT7,367 million.

Other significant changes in P&L

In millions of KZT	12M 2016	12M 2015	Change
Revenues	166,384	97,380	69,004 ④
Cost of sales	(163,737)	(95,181)	(68,556) ⑤
Gross profit	2,647	2,199	449
General and administrative expenses	(2,537)	(2,256)	(282)
Other	79	2,493	(2,414)
Share of income (loss) of associates	37,391	(16,340)	53,731 ⑥
Profit / (loss) before taxation	37,580	(13,904)	51,484
Corporate income tax expense	(198)	(120)	(78)
Profit / (loss) for the year from continuing operations	37,382	(14,023)	51,405
Profit / (loss) for the period from discontinued operations	68	6	61
Profit / (loss) for the year	37,450	(14,017)	51,467

④ Factors affecting revenue:

+61.8 billion KZT - the sale of refined gold of TKS due to:

- ✓ volume: +16.4 bln
- ✓ price: -4.3 bln
- ✓ rate: +50 bln

+6 billion KZT increase in revenue from other products

⑤ Factors affecting the cost of production:

+68 billion KZT - raw materials and materials due to:

- ✓ +47 billion increase due to the exchange rate, +15 billion increase in the volume of refined gold
- ✓ +6 billion increase in the price of other sold products

⑥ The increase due to the reduction of the loss and increase in income of Kazzinc LLP, in the total amount of 53.7 billion, which was formed due to the growth of average prices for the sale of zinc, silver and lead, as well as overfulfilment of the plan for the volume of copper production, gold, lead and silver.

United Chemical Company LLP

Analysis of financial statements

Объединенная
химическая
компания

Other significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	57,409	26,106	31,303 ¹
Investments in joint venture	33,493	65,518	(32,025) ²
Other	78,196	82,083	(3,887)
NON-CURRENT ASSETS	169,098	173,707	(4,609)
CURRENT ASSETS			
Cash	47,648	28,144	19,504
Other	9,149	6,381	2,768
CURRENT ASSETS	56,797	34,525	22,272
Total Assets	225,895	208,233	17,663
TOTAL EQUITY	166,233	179,016	(12,783)
NON-CURRENT LIABILITIES	9,922	11,768	(1,847)
CURRENT LIABILITIES			
Accounts payable	6,289	3,423	2,866
Reserves	40,233	8,083	32,150 ³
Other	3,218	5,942	(2,724)
CURRENT LIABILITIES	49,741	17,449	32,292
Total liabilities	59,662	29,217	30,445
Total equity and liabilities	225,895	208,233	17,663

¹ The increase is related to capitalized costs:

- +27 billion for the construction of a gas turbine station,
- +26 billion for the construction of the second phase of the integrated gas and chemical complex in Atyrau region
- +6.7 billion for the construction of a special economic zone "Taraz Chemical Park"

The decrease is related to :

- 27 billion decrease in the book value of unfinished construction due to the use of the reserve for the onerous undertaking – KUS and Khimpark Taraz

² At the end of 2015, the investment in KLPE LLP was 30 billion. In 2016, the Company increased its share of KLPE LLP to 100% and reclassified it from a joint to a subsidiary.

Other significant changes in P&L

In millions of KZT	12M 2016	12M 2015	Change
Revenues	6,411	4,018	2,393 ⁴
Net cost	(5,047)	(2,526)	(2,522)
Gross profit	1,363	1,492	(129)
General and administrative expenses	(3,944)	(3,338)	(606)
Other non-operating income, net	15,851	(107)	15,958 ⁵
Financial income	1,839	455	1,384
Financial expenses	(1,830)	(564)	(1,266)
Share in income (loss) of joint venture	(4,277)	8,646	(12,923) ⁶
Other	(1,202)	3,466	(4,668)
Profit / (loss) before taxation	7,800	10,050	(2,250)
Corporate income tax expense	(199)	(1,458)	1,258
Profit / (loss) for the year from continuing operations	7,601	8,593	(992)
Profit / (loss) for the year	7,601	8,593	(992)

³ The provision for a burdensome liability of 58 bln was recognized due to an increase in the construction volume and a loss in the construction of a gas turbine plant, which is being implemented by Karabatan Utility Solutions LLP, a subsidiary of the Company.

⁴ Factors affecting revenue:

- An increase of **0.8 billion** due to the start of sales of the BOPP slick sold by Polymer Production LLP.
- The increase by **1.1 billion** due to the increase in sales volumes of sulfuric acid

⁵ The deviation in other revenues was mainly due to the fact that in 2016 the share of LG Chem in the project of KLPE LLP was acquired in the amount of 50% for 1 US dollar. Since the fair value of this share is 16 billion, in accordance with the requirements of IFRS, the consolidated financial statements reflect the income from a profitable acquisition in the amount of 16 billion, less 1 US dollar.

⁶ The share of income fell mainly due to the following factors:

- 6.6 billion in LLP "KPI" - in 2015 there was a gain from exchange rate differences
- 6.2 billion in LLP "KLPE" - in 2015 there was a gain from exchange rate differences

NC Kazakhstan Engineering JSC

Analysis of Financial Statements



Other significant changes in the SFP

In millions KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS	34,423	31,559	2,864
CURRENT ASSETS			
Cash	9,586	19,186	(9,600)
Receivables	4,398	3,205	1,194
Inventories	20,456	18,322	2,134
Other	15,036	41,807	(26,771)
CURRENT ASSETS	49,476	82,520	(33,044)
Total assets	83,899	114,079	(30,180)
TOTAL EQUITY	21,846	24,647	(2,801)
NON-CURRENT LIABILITIES			
Loans received	4,932	-	4,932 ¹
Obligations under finance leases	493	623	(130)
Other	959	1,405	(446)
NON-CURRENT LIABILITIES	6,384	2,028	4,356
CURRENT LIABILITIES			
Loans received	25,079	68,786	(43,707) ¹
Accounts payable	8,652	3,788	4,865
Liabilities for taxes	2,412	2,175	237
Other short term liabilities	18,868	11,920	6,948
Other	658	736	(78)
CURRENT LIABILITIES	55,670	87,404	(31,735)
TOTAL LIABILITIES	62,054	89,432	(27,378)
Total equity and liabilities	83,899	114,079	(30,180)

1

For partial refinancing of Eurobonds, the Company in 2016 attracted loans from the Halyk Bank of **21 billion** and **4.6 billion** with maturity on August 8, 2017 and August 31, 2018. The amount of **4.9 billion** is a long-term part of the loan received. On December 3, 2016, the Company fully paid its **\$200 million** Eurobond obligations placed on the Irish Exchange. (Equivalent to **67 billion** at the date of payment).

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Revenues from sales	71,331	63,516	7,815 ²
Cost of sales	(65,071)	(57,694)	(7,377)
Gross profit	6,260	5,822	438
General and administrative expenses	(5,326)	(4,604)	(722)
Impairment losses on assets	(1,017)	(156)	(861)
Other non-operating income	1,281	1,525	(243)
Other non-operating expenses	(1,734)	(971)	(763)
Financial income (real sector)	2,909	6,074	(3,165)
Financial costs (real sector)	(4,589)	(2,782)	(1,806)
Income (loss) from exchange rate differences	1,068	(13,811)	14,879
Other	(664)	(557)	(107)
Share of income (loss) of jointly controlled entities	(1,179)	(335)	(844)
Profit / (loss) before taxation	(2,990)	(9,797)	6,807
Corporate income tax expense	238	1,530	1,292
Profit / (loss) for the year from continuing operations	(2,752)	(8,266)	5,515
Related to:			
Profit / (loss) for the period attributable to equity holders of the parent company	(2,813)	(8,337)	5,524
Profit / (loss) for the period attributable to non-controlling owners	61	71	- 10

2

+ 9 bln as a result of increased sales volumes of special products and dual-use products. From May 2015, NC Kazakhstan Engineering JSC is a single operator of the execution of the state defense order.

-1 bln as a result of a decrease in sales of civil products

Real Estate Fund Samruk Kazyna JSC

Analysis of Financial Statements



Other significant changes in the SFP

In millions of KZT	31.12.2016	31.12.2015	Change
NON-CURRENT ASSETS			
Property, plant and equipment	1,379	4,621	(3,242)
Long-term financial assets	70,595	34,354	36,241 ¹
Amounts due from credit institutions	30,800	16,084	14,716
Other	22,188	18,000	4,188
NON-CURRENT ASSETS	124,962	73,059	51,904
CURRENT ASSETS			
Cash	39,704	19,682	20,022
Amounts due from credit institutions	16,209	23,410	(7,201)
Other	20,664	23,610	(2,946)
CURRENT ASSETS	76,577	66,702	9,875
Total Assets	201,539	139,761	61,779
TOTAL EQUITY	36,606	33,003	3,602
NON-CURRENT LIABILITIES			
Borrowings	19,844	-	19,844 ²
Other	21,336	1,801	19,535
NON-CURRENT LIABILITIES	41,180	1,801	39,379
CURRENT LIABILITIES			
Borrowings	122,422	104,001	18,420 ³
Other	1,332	955	377
SHORT TERM LIABILITIES	123,753	104,956	18,797
TOTAL LIABILITIES	164,934	106,757	58,176
Total equity and liabilities	201,539	139,761	61,779

¹ The increase is due to loans issued to construction companies under the Nurly Zhol program.

² In 2016, the Group became a participant in the State Program for Infrastructure Development "Nurly Zhol" in terms of supporting private developers of commercial housing. Under this program, the Group must obtain a loan from the Parent Company in the amount of 97 billion with a term up to 2026 with an interest rate of 0.15% per annum. The group received a loan of \$ 43 billion, the initial discount was 24 billion and was recognized in the composition of deferred revenue, of which 4 billion were recognized as revenues from state subsidies.

Other significant changes in P&L

In millions of KZT	12m 2016	12m 2015	Change
Revenue	17,188	6,918	10,270
Cost of sales	(12,777)	(5,500)	(7,277)
Gross profit	4,411	1,418	2,992
General and administrative expenses	(1,446)	(1,891)	445
Impairment of assets	(2,248)	-	(2,248)
Finance income, net	5,129	2,530	2,599 ⁴
Other	44	178	(133)
Profit / (loss) before taxation	5,890	2,235	3,655
Corporate income tax expense	(1,801)	(768)	(1,033)
Profit / (loss) for the year	4,089	1,467	2,622

³ ✓ +29 bln:

In 2016, the Group entered into a loan agreement for a total of \$ 29 billion to finance the construction of the administrative and residential complex "Green Quarter" for a period of 18 months with a 2% annual interest rate. During the year 2016, the Group received the full amount of the loan.

-30 bln:

In 2016, the Company paid 30 billion on current loans.

+20 bln:

In 2016 the Company received an additional 20 billion on a credit line, which was opened in 2012 for a total of 99 billion to finance housing projects under the Program "Regional Development Program-2020".

⁴ In 2016, a discount is reflected on the loans received under the Nurly Zhol program as a result of discounting loans in the amount of 4.3 billion. Also, an increase of 2 billion is due to the growth of concluded financial lease contracts under the Development Program of the region 2020. (239 thousand sq. M in 2016 and 199 thousand square meters in 2015).