

**JSC SAMRUK-  
KAZYNA**

**DEVELOPMENT PLAN  
2017-2021**

*EXECUTIVE SUMMARY*

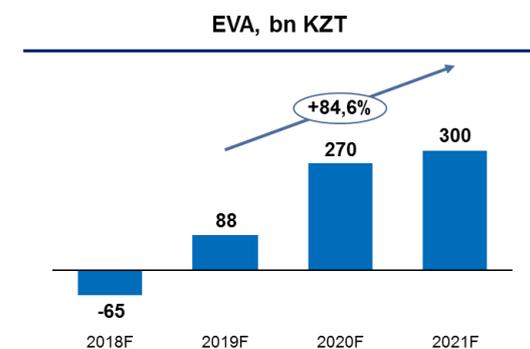
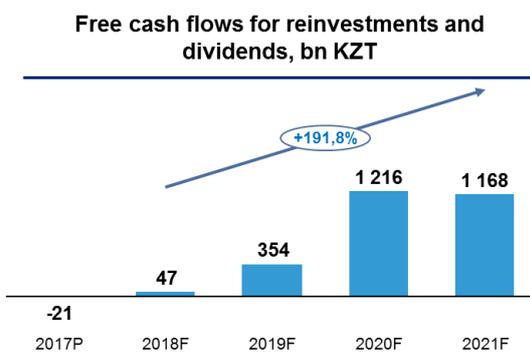
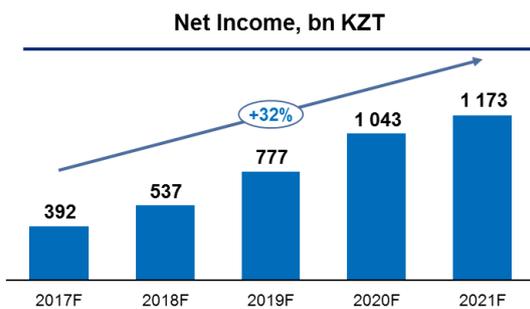


The Development Plan of JSC Samruk-Kazyna for 2017-2027 (hereinafter, the Development Plan) is a strategic document that outlines medium-term actions to implement the Board approved Strategy of the Fund and the sole shareholder's expectations. It ensures that the Strategy is executed through concrete measurable actions, which are transparent for the Fund and the sole shareholder.

The medium-term goals are derived from the current macroeconomic and market situation, past performance of the Fund and portfolio companies, development plans of portfolio companies as well as national level and business priorities.

The Fund remains steadfast in its objective to create long-term value in its portfolio companies. In the past year, the close collaboration between the Fund and its portfolio companies have yielded improved performance compared to 2015. Nevertheless, as the economy of Kazakhstan and the performance of the portfolio companies are inextricably linked, the Fund anticipates a more subdued 2017 against the backdrop of restrained commodity prices, a slowdown in Kazakhstan's key trading partners as well as a slowdown of domestic demand continuing to present challenges to the external business environment.

**Overview Key Performance Indicators & Highlights**



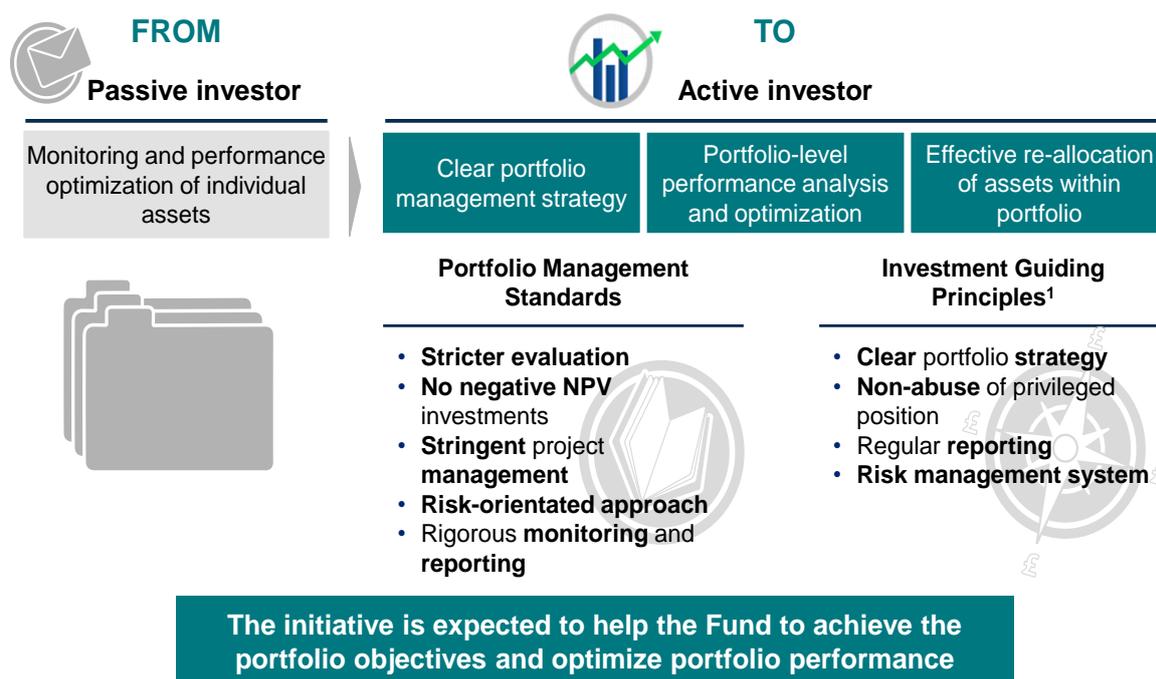
**Key highlights**

- **Strong portfolio of assets** with significant contribution to the national economy.
- Steady progress on the **Privatization program** (50 assets sold; Privatization plan approved by President with 3 companies targeted IPO starting from 2018)
- Transformation program with clear roadmap for further implementation
- Implemented investment principles and approaches to build new industries and developed Strategic DCF valuation model as part of Portfolio Investment initiative
- The Fund's strategic KPIs will continue to improve despite pressures from external environment

Despite this, Kazakhstan’s economy and the Fund’s portfolio companies have shown remarkable resilience to withstand economic shocks evidenced from the performance of key indicators above. A further upward positive momentum is expected to resume post 2017 barring any external shocks.

To navigate the challenges and maximize the benefits presented by the drivers above, the Fund has expedited its transition into an active investor and strategic holding investment model. Being an active investor means the Fund will have (1) a clear portfolio management strategy, (2) portfolio-level performance analysis and optimization, and (3) effective reallocation of assets within portfolio. These attributes are common in all successful professional and commercially-driven sovereign wealth funds globally.

**Transform from Passive Investor to Active Investor**



To support this transition, the Fund continues to prioritize 6 key development initiatives identified linked to achieving the strategy goals to – (1) increase the long-term value of portfolio companies, (2) participate in the modernization of the national economy, and (3) promote sustainable development.

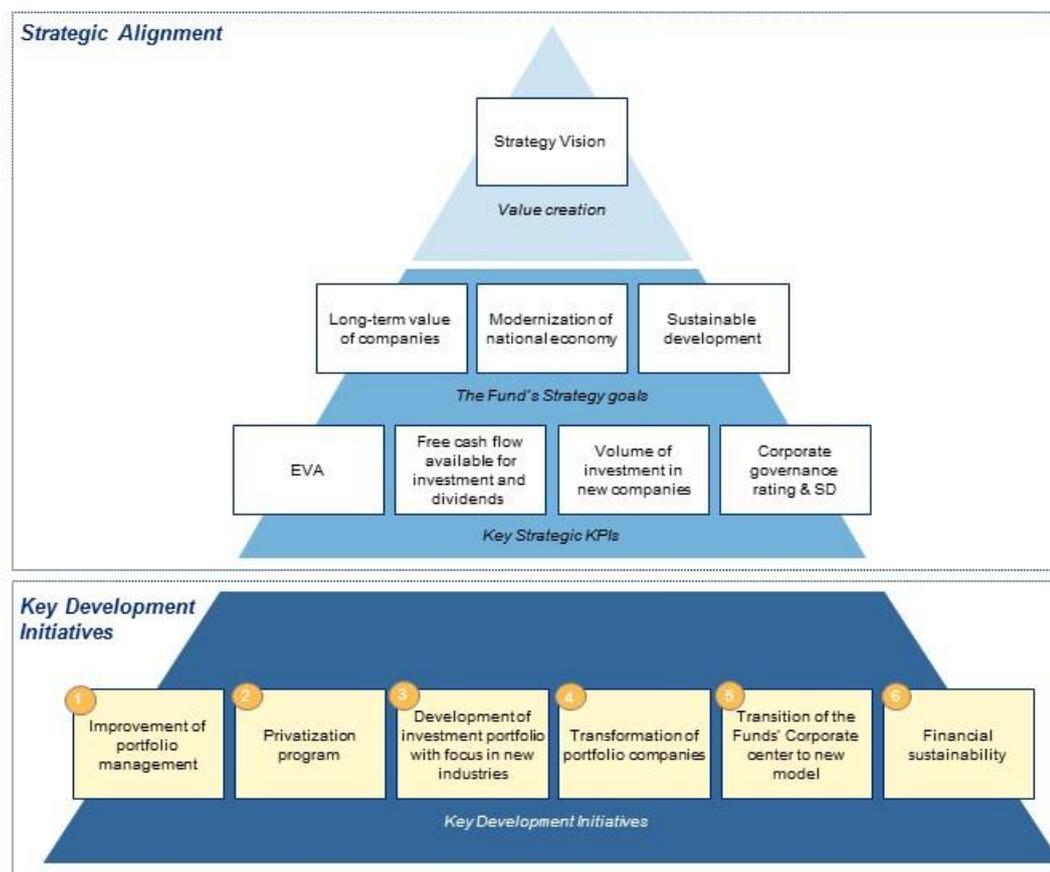
The chart below highlights the links between the Fund’s Vision and Strategic Goals to the prioritized key development initiatives. The initiatives require organization-wide effort and will enable the Fund to identify value drivers (e.g. robust portfolio management, intrinsic value analysis) within the Fund and in the portfolio companies (e.g. deconsolidation of assets, operational efficiency) with the goals of value creation and value capture.

The Fund’s transformation at the corporate center is expected to complete by May 2017 as the new operating model of the Fund centers around a commercial proposition, which aligns and supports the new strategic vision of the fund as well as the national privatization initiative.

Privatization of key portfolio companies will be a key priority in the coming years and will contribute towards maximizing economic impact to the national economy, introduce robust corporate governance and expose portfolio companies to best practices as state ownership reduces and the percentage of minority stakeholders increase. The Head of State has recently approved the

Privatization plans for Air Astana, Kazakhtelekom, and Kazatomprom; targeted for IPO starting 2018, and the Fund is steering towards fulfilling this obligation within the stipulated timelines.

### 6 Key Development Initiatives Linking to Vision & Strategic Goals



Post privatization, the Fund will continue to play a critical role in the sustainable development of Kazakhstan's economy via management of state-owned assets and catalytic investments in new engines of economic growth, facilitating the modernization of the national economy. To maximize success of the Privatization, the Fund employs a "portfolio approach" as part of its role as an active investor that establishes a strategic and unified narrative of the country's aim and requirements within the socio-economic construct. This coordinated portfolio approach will allow Kazakhstan to continue to define the investment narrative reducing "Risk Premia" post privatization, thus enhancing Return on Investment (ROI) and therefore increasing investor interest and optimizing the performance of the listing once listed.

The role of a professional investment holding company in this instance is critical, as seen in other OECD countries, for a successful privatization. Post privatization, the Fund's role becomes pivotal as investors look to greater transparency, international standards of corporate governance, credit ratings and KPIs being implemented by the Fund to sustain investment returns, ensure national economic agendas are fulfilled and increase competitiveness of listed assets.

Development strategy of the Fund for 2012-2022 as well as current Development plan of the Fund for 2017-2021 fully aligns to key deliverables expected to be implemented from the Fund perspective and highlighted in the President's Message to the nation on 27th of January "The third Modernization of Kazakhstan: Global competitiveness".