



Detailed Analysis of Financial Statements of JSC “Samruk-Kazyna” for 2011

June, 2012

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Detailed analysis of financial statements of JSC “SWF “Samruk-Kazyna” (hereinafter – the Fund) was prepared in addition to the audited consolidated and separate financial statements of the Fund for 2011.

The analysis is developed in order to disclose the consolidated financial statements by additional information, to improve transparency of operations, to understand the financial situation and performance results of the Fund in the reporting period.

Terms used in the analysis in compliance with the Law of the Fund:

Sovereign Wealth Fund – national managing holding.

Companies – national development institutes, national companies and other entities, which more than fifty percent of the voting shares (interest) belong to the Fund on the right of property or trust management.

Group of the Fund – Fund, Company, their subsidiaries, which more than fifty percent of the voting shares (interest) are owned by the Companies, as well as legal entities, which more than fifty percent of the voting shares (interest) are owned by the subsidiaries of the listed Companies (hereinafter - the Group of the Fund).

At that, the Group of the Fund does not include:

- legal entities which shares (interest) were transferred to the ownership of the bank of the Group of the Fund, in the announcement of tender for the sale of pledged shares (interest) invalid in compliance with the civil legislation of the Republic of Kazakhstan;
- banks, which shares were transferred to the ownership of the Fund by Resolution of the Government of the Republic of Kazakhstan in accordance with the legislation of Kazakhstan in order to protect the interests of creditors and to ensure stability of the banking system of Kazakhstan.

I. Review

Joint Stock Company “Sovereign Wealth Fund “Samruk-Kazyna” (hereinafter referred to as “Fund”) was established by the Decree of the President of the Republic of Kazakhstan # 669 dated October 13, 2008, “On Certain Measures to Ensure Competitiveness and Sustainability of National Economy” and the Decree of the Government of the Republic of Kazakhstan # 962 dated October 17, 2008, “On Measures to Implement the Decree of the President of the Republic of Kazakhstan # 669 dated October 13, 2008,” by merging Joint Stock Company “Sustainable Development Fund “Kazyna” and Joint Stock Company “Kazakhstan Fund for the Management of State Assets “Samruk”.

The objective of the Fund is to increase the national wealth of the Republic of Kazakhstan by increasing the long-term value (cost) of companies within the Group of the Fund, effective management of assets belonging to the Group of the Fund.

To achieve the goal, the Fund operates on the following directions:

1) Improving long-term value of Companies

The Fund serves to enhance value of Companies through increasing levels of corporate governance and innovation development in Companies, formation of transparent and good governance structure, increasing efficiency and financial stability of Companies.

2) Assistance to diversification and modernization of the national economy

The Fund manages the Companies with the aim of upgrading and further development of industry and infrastructure, sector diversification.

The Government of the Republic of Kazakhstan is the Sole Shareholder of the Fund. The Board of Directors consists of Chairman and members elected by the Sole Shareholder. Prime-Minister of the Republic of Kazakhstan is Chairman of the Board of Directors ex officio.

The Board of Directors shall consist of members of the Government of the Republic of Kazakhstan, Chief Executive Officer, independent directors and other persons. Number of members of the Board of Directors shall be determined by the Charter of the Fund, at that, the number of independent directors shall be not less than two-fifths of the number of the Board of Directors.

The structure of the Fund consists of Companies from key sectors of the economy, including oil and gas, power, transport, telecommunications and others. Operations of the Fund are aimed at increasing the equity capital, which in turn assists to increasing the competitiveness and sustainability of the national economy.

The structure of the Fund includes 589 companies, as well as the corporate center “Samruk-Kazyna” JSC, 369 subsidiaries (hereinafter - subsidiaries) of all levels and 219 associates and jointly-controlled entities, including legal entities and banks, not included in the Group of the Fund. In consolidation of the financial statements of the Fund the subsidiaries are grouped into the following segments:

- Oil & Gas

- Mining and industrial
- Transportation
- Telecommunication
- Power
- Financial institutes and development institutes
- Corporate center and projects

Consolidated financial statements include 35 material subsidiaries.

Later, Section II of this Analysis describes the performance results on segments, at that, the factor analysis was conducted only on the Group of the Fund.

The Group of the Fund, in compliance with the Law on state property and the Decree of the President of Republic of Kazakhstan “On the system of state planning in the Republic of Kazakhstan” directs its activities to achieve the strategic goals of the country, established by the Development Strategy of Kazakhstan 2020, the State Program of Forced Industrial-Innovative Development of Kazakhstan for 2010 -2014 (hereinafter - the SPFIID) development programs in the rail industry, energy, oil and gas sector, etc.

Development Strategy of the Fund¹ was not approved in 2010-2011, but in January 2011 the Board of Directors of the Fund approved the draft Development Strategy of the Fund. At that, the subsidiaries conducted their activities in order to implement the approved development strategies, which took into account the basic parameters of these key strategic and policy documents of the country.

Currently, a draft Development Strategy of the Fund is prepared which was updated due to the Law “On Sovereign Wealth Fund” dated February 1, 2012.

The activities of the Fund are governed by the Law on the Fund, as well as sectoral Laws of the Republic of Kazakhstan, Tax Code, Budget Code, on State Property and certain regulations of public authorities, on joint stock companies. In addition, the provision of services, works and goods by some Companies is governed by the Laws on natural monopolies and the protection of competition.

The following macroeconomic indicators influenced the activities of the Fund in 2011

Name	2011 estimation	2010 actual	Change, in %
Real GDP growth, in % to previous year	107,5	107,3	0,2 ²
Inflation at the end of period, %	7,4	7,8	-5,1
Exchange rate of KZT to USD	146,6	147,3	-0,5
World Brent oil price, USD/ barrel on average for the year	110,9	79,6	39,3

Information regarding the ratio of the consolidated revenue of the Fund to the GDP for 2011 and 2010 is given below.

	2011		2010		Change (+/-)	Change, в %
	In KZT bln.	in % to GDP	In KZT bln.	in % to GDP		
GDP	27 334	100	21 816	100	5 518	125
Revenue of subsidiaries	4 427	16	3 631	17	796	122
Share in the revenue of associated and jointly-controlled companies	1 914	7	1 538	7	376	124
Total revenue	6 341	23	5 169	24	1 172	123

The interaction of the Group of the Fund with the Government of the Republic of Kazakhstan is an integral part of the Fund’s operations, due to many-sided nature of the functions of the Government of the Republic of Kazakhstan with respect to the Fund: Shareholder, the tariff regulator, coordinator of the government and industry programs.

In accordance with IFRS, the total amount of dividends, directed by the Fund to the Shareholder in 2011 is KZT 49.6 billion (in 2010 - 80.2 billion), in particular:

1) *The dividends of the Fund in the amount of KZT 7.1 bln* on the results of operations for 2009, calculated in accordance with the Decree of the Government of the Republic of Kazakhstan № 354 dated April 4, 2011, which is actually transferred to the national budget on November 26, 2010 under the decision of the Board of Directors №52 dated September 18, 2010;

¹ Decision of the Board of Directors of “Samruk-Kazyna” JSC dated September 18, 2009 has approved Strategic Development Priorities of “Samruk-Kazyna” JSC.

² Percentage points.

2) *Other allocations to the Shareholder for a total amount of KZT 42,5 bln.:*

- Liabilities on the construction under the assignment of the President of the Republic of Kazakhstan in Astana of “History Museum of Kazakhstan”, “Building of Teleradiocomplex”, “Schoolchildren’s Palace”, and on reconstruction of “World Exhibition Centre” in Moscow for the total amount of KZT 37,8 bln.;
- Charity assistance by the Decree of the Government of the Republic of Kazakhstan in the amount of KZT 5 billion to fund the rehabilitation of housing, utilities and social infrastructure destroyed by spring floods in 2011 in the West Kazakhstan region.

In addition, the Group of the Fund bears the costs, losses and damages that are not related to their production and commercial activities and which can be characterized as a payment in favor of the Shareholder (the Government). Just only in 2011 in addition to the abovementioned KZT 42,5 bln. the total amount of such expenses on the Group of the Fund made about **KZT 258,7 billion** (in 2010 – KZT 178 billion), in particular:

- Sponsorship for KZT 59,2 billion (different kinds of sport, Capital’s Day, construction of the mosque, etc.), which is higher by KZT 34,6 billion as compared with 2010;
- subsidies for passenger transport in KTZh – KZT 29,6 billion (not all the sum is compensated from the republican budget);
- loss of Kazakhtelecom on local services – KZT 35,8 billion;
- losses from the sale of gas to the domestic market at reduced prices – KZT 45,9 billion;
- losses from the sale of oil to the domestic market at reduced prices – KZT 82,9 billion, etc.

In order to adequately reflect the future costs of such distributions to the Shareholders the Fund prepared the procedure of introducing *separate accounting of revenues and expenditures for commercial and noncommercial activities* (hereinafter - the separate account), under which the Fund Companies are developing methods of separate accounting. It is expected that in 2013 the Fund will implement the separate accounting.

The Group of the Fund includes 16 natural monopoly entities (hereinafter - NME) and entities with dominant position in the market, which income in the consolidated revenue of the Fund on the basis of 2010 is 35%, i.e. more than one third of income of the Fund is subject to tariff regulation. The Fund jointly with the Government is working to improve the current system of tariff regulation.

The information on the taxes and payments to the state budget and the National Fund of the country paid in 2011 and 2010 is given below.

Name	KZT billion			
	2011	2010	Change (+/-)	Change (%)
State budget and National Fund Tax revenues	7 343	5 190	2 152	141
Taxes and payments of “Samruk- Kazyna” JSC	727	605	123	120
Share in the tax revenues to the State budget and National Fund, %	10	12	-2	85

The Group of the Fund is the driving force of investment activity in the country. Having strong positions in several key sectors, the Fund raises its own and borrowed funds, as well as direct investments of foreign investors for projects’ implementation. As of the beginning of 2012 the Fund’s investment program carried out through subsidiaries, comprises 220 major investment projects being implemented or planned for implementation, totaling KZT 16.5 trillion.

According to the data of master development plans of the Fund until 2015, the following distribution of planned investments in accordance with the current classification of the projects is given below.

Type of the project	Number	%	Amount, KZT trillion	%
Strategic	107	49	5,1	31
Expansion, modernization and development	82	37	10,9	66
Capital repair and upgrading	31	14	0,5	3
Total	220		16,5	

The Fund will continue to provide maximum assistance to the Government of the Republic of Kazakhstan to achieve the objectives of diversification and modernization of the national economy in the framework of the

messages of the President of the Republic of Kazakhstan, the SPFIID, Strategic Development Plan of the Republic of Kazakhstan 2020 and other strategic and policy documents of the country. As part of the SPFIID the Fund implements 24 investment projects totaling KZT 2.55 trillion.

The information on sources of funding as of 31 December 2012 for implementation of the abovementioned projects is given below.

Source of financing

Source	KZT trillion	Share in %
Own funds	6,1	50
Investments and borrowing from the RB	0,8	7
Means of the National Fund of the RK	1,5	12
Market borrowing on the domestic and foreign capital markets	3,9	32

Equity capital of the Group of the Fund are derived from dividend income / retained earnings and financial / non-financial Companies' revenues. Projects implemented as part of public, sector programs, as well as on the instruction of the Government do not fulfill the minimum requirements of Companies of the Fund on the return on capital employed. Therefore, Companies in the implementation of social projects as a rule, receive funding from the state budget and the National Fund. Resources from the National Fund were mainly attracted in the stabilization of the economy and financial system in 2009-2010.

From 2008 to 2011 the Sole Shareholder has transferred contributions by cash to the equity capital of the Fund for KZT 966,9 billion. At that, in 2010 – KZT 141,4 billion, in 2011 – KZT 147,6 billion.

As of December 31, 2011 borrowing from the Government of the Republic of Kazakhstan amounted to KZT 870 billion (2010: KZT 879 billion).

At initial recognition these borrowings were estimated at the fair price using the appropriate market interest rate and afterwards are accounted on the amortized cost.

Name of item	2011	2010	Change (+/-)
Notional value	1 430 917	1 419 298	11 619
Discount	- 566 135	-543 168	-22 967
Remuneration	4 933	2 827	2 106
Balance cost	869 715	878 957	-9 242

To minimize foreign exchange risks of the Fund it is carried out attraction on the domestic stock market. Beginning with this year, an additional source of funding for capital expenditure will be money involved from the IPO / SPO. Intra-group financing in the Group of the Fund will be used as well.

“Oil & Gas” Segment includes one company JSC “NC “KazMunaiGas” (hereinafter – the KMG).

The main activities of the KMG are involvement in public policy in the oil and gas industry, the representation of state interests in contracts for subsoil use, through equity participation in contracts, corporate governance and issues of exploration, development, production, processing, sale and transportation of hydrocarbons, design, construction and operation of oil and gas pipelines and oil and gas infrastructure. The structure of the KMG consists of 202 companies in 7 levels.

During 2011 in the Republic of Kazakhstan it was produced about 79.9 million tons of crude oil, refined - 13.7 million tons of oil. As compared with the last year the growth in oil production was 0.4%, while the growth of oil refining - 4%. The share of the KMG in the total production of oil and gas condensate in Kazakhstan in 2011 has decreased from 27.6% to 26.4%, oil processing - from 86.3% to 83.3%, in oil exports increased from 11.5% to 13.4%.

The following important events happened in the KMG for 2011.

1) During 2011 the KMG has acquired:

- 50% of ordinary shares in Ural Group Limited BVI (exploration of hydrocarbons in Fedorovskoye block in Western Kazakhstan region);
- 100% share in “Karpovsky Severniy” JSC (exploration of gas and condensate field in the Karpovsky Severniy West Kazakhstan region);
- 100% “AktauNefteService” (drilling, repair, transportation of cargo to oil companies);
- 1% share in Rompetrol Georgia (share was increased to 99%).

2) It was concluded a contract on 10% participation of Kazakhstan in Karachaganak project. Karachaganak Petroleum Operating Consortium transfers 5% share to our country on account of regulation of disagreements and sells in addition 5% for USD 1 billion.

3) Two Chief Executives and a part of the management were replaced during the reporting period.

4) Rating agencies affirmed the following long-term credit ratings of the KMG: Standard & Poor's at 'BBB-', forecast – “stable”, Moody's at “Baa3”, forecast – “stable” and Fitch at “BBB-”, forecast “positive”.

“Mining and industrial ” Segment consists of JSC “NAC “**Kazatomprom**” (hereinafter – the KAP), “Kazakhstan Engineering” JSC (hereinafter – the KE), “United Chemical Company” LLP (hereinafter – the UCC), JSC “NMC “Tau-Ken Samruk” (hereinafter - the TKS), JSC NGC “Kazgeologiya” (hereinafter – Kazgeologiya).

JSC “NAC “Kazatomprom” is the national operator for the import and export of uranium and its compounds, nuclear fuel for nuclear power plants, special equipment and technology, dual-use materials. The principal activities of the KAP are:

- uranium mining, processing and selling of uranium products;
- production and sale of products of tantalum and beryllium, as well as research and development;
- production and sale of electricity, heat and water;
- production and sale of other products and services for primary production.

The assets structure of the KAP consists of 72 companies on 4 levels. In the future, within the context of measures to restructure the Group's assets, the KAP will continue to increase the share in equity and joint mining organizations in order to gain control and strengthen the influence.

In June 2011 the KAP head office in accordance with the decision of the Management Board of the Sole Shareholder was relocated to Astana (Kunayev str., 10).

The volume of uranium mining in the Republic of Kazakhstan by the KAP organizations in 2011 was 19,069 tons, which is by 10.7% (on 1842 tons) more than in 2010. The Group's share with account of production volumes of dependent and jointly controlled entities in the world market of natural uranium is more than 35%, without account - more than 12%. The bulk of the KAP products (uranium, tantalum, beryllium, etc.) are exported from the Republic of Kazakhstan.

The Group's share in the global market of tantalum and beryllium is 13% and 23% respectively. In the domestic market the share of the Group (“MAEK-Kazatomprom” LLP) on electricity generation is 5.2%.

The **following important events** happened in 2011:

- 1) acquisition of “DP “Ortalyk” LLP;
- 2) creation of:
 - JV CT “Rare-metal company” LLP for research, development, production, manufacture and sales of rare and rare-earth products and materials;
 - “Astana Solar” LLP for development of solar energy technologies and the creation of the production of renewable energy sources;
- 3) “Baiken-U” LLP put into operation the first starting complex of the project “Extraction of uranium by the method of underground leaching of “North Kharasan” field of “Kharasan-2” plot and the south-eastern flank”;
- 4) In Kyzylorda region it was completed the construction of a new sulfuric acid plant, included in the State Program for Forced Industrial and Innovative Development of Kazakhstan for 2010-2014”;
- 5) In Astana it was implemented a social project for the construction of the Schoolchildren's Palace.

The UCC is formed pursuant to the instruction of the President of the Republic of Kazakhstan “on creation of a special company that will deal with projects of the chemical industry”, given during the expanded meeting of the Government of the Republic of Kazakhstan dated October 13, 2008.

The UCC is a holding structure that promotes the development of chemical industry in Kazakhstan through the elaboration and implementation of investment projects aimed at in-depth processing of domestic hydrocarbon and mineral resources for the production of modern chemical products which are highly sought in the local and international markets.

Currently, the UCC participates in the following projects:

- construction of the integrated chemical complex in Atyrau region - the first phase (polypropylene) and the second phase (polyethylene);
- reconstruction of the sulfuric acid plant with the production capacity of 180,000 tons per year in Akmola region (Stepnogorsk town);

- reconstruction of the suspension-flotation plant for the production of phosphate concentrate in Zhambyl region.

The assets structure of the UCC includes two subsidiaries and affiliated companies. As part of the project implementation “Construction of the integrated chemical complex in Atyrau region” the UCC performs trust management for 51% of the shares in “Kazakhstan Petrochemical Industries Inc.” LLP (“KPI Inc.” LLP).

Acquisition of income from operations is expected by the UCC in 2013 after commissioning of the sulfuric acid plant in Stepnogorsk town.

In 2011, following **significant events have occurred:**

1) it was signed a facility agreement on funding the first phase of construction of the integrated chemical complex in Atyrau region between “Development Bank of Kazakhstan” JSC and Eximbank of China.

2) it was signed the joint venture agreement on implementation of the second phase of construction of the integrated chemical complex in Atyrau region between Kazakhstan and South Korea, under which the South Korean company LG Chem Ltd has entered the composition of the project company for the second phase of the project.

3) it was signed a facility agreement on financing the project of reconstruction of the sulfuric acid plant with the production capacity of 180 tons per year in Stepnogorsk between “JV SAP Kazatomprom” and the Eurasian Development Bank. As part of the project it was commenced mobilization of the general contractor on a construction site.

Kazgeologiya was established by the Decree of the Government of the Republic of Kazakhstan № 684 dated June 21, 2011 in order to ensure optimal development of the territory of the Republic, creating favorable conditions for living and new mineral bases for the fund of future generations and to ensure the realization of economic and geopolitical interests of Kazakhstan in its sector of the Caspian shelf.

The main activities of Kazgeologiya are as follows:

- reproduction of the mineral resources of the Republic;
- participation in the implementation of a unified state policy in the sphere of exploration;
- conduct of geological study, including the search and evaluation of mineral deposits;
- development and introduction of new high-tech and efficient technologies in geology;
- storage, handling, ordering data bank of obtained geological information;
- effective management of the transferred to the Company of shares (interest) of the organizations of geological sector.

The KE is a holding structure, which provides a unified financial, industrial and technology policy at the largest enterprises of the Republic and is in the trust management of the Ministry of Defense.

The mission of the KE – to provide participation in realization of state policy in the development, production, sales of defense, civil and dual use for domestic needs and exports.

The structure of the KE includes 33 companies on three levels. The KE is specialized in products and services for oil and gas, rail, military-industrial complexes, as well as in the areas of electronics, agriculture and others, including the production of consumer goods.

In 2011, following **significant events have occurred:**

1) Additional agreement № 1 dated September 27, 2011 revised conditions of the Agreement on the transfer of shares of the KE in trust management dated June 15, 2010, concluded between the Fund and the Ministry of Defense to strengthen the position of the Fund as an active shareholder, taking decisions on strategic, corporate, personnel and financial matters of the KE.

2) Decree of the Government of the Republic of Kazakhstan № 1356 dated November 19, 2011 on the transfer of state-owned shares of the KE in the amount of 39.01% in the payment of the shares of the Fund, under which the Fund again became the Sole Shareholder of the KE.

“Transportation” Segment includes the Fund’s Companies: JSC “NC “Kazakhstan Temir Zholy” (hereinafter - KTZh), “Air Astana” JSC(hereinafter - Air Astana), JSC “International Airport of Atyrau”, JSC “International airport of Aktobe”, JSC “Airport of Pavlodar”, “Doszhan Temir Zholy”. The largest in this segment is the KTZh, the structure of which consists of 95 companies on five levels and Air Astana.

The main purpose of the KTZh is uninterrupted and quality provision of the needs of the economy and population in the transportation of baggage, cargo-luggage, cargo, mail by rail.

The share of rail transport in total cargo and passenger’s traffic of the country in 2010-2011 was about 55%.

In 2011, the **following significant events** have occurred:

1) The structure of the KTZ included “Repair Corporation “Kamkor” LLP and there were made arrangements for the reorganization of “Temirzholsu” JSC, “Zheldorvodoteplosnabzhenie” OJSC and

“Temirzholyly” JSC by the merger of “Zheldorvodoteplosnabzhenie” OJSC and “Temirzholyly” JSC to “Temirzholsu” JSC.

2) The rating agencies “Standard & Poor's”, “Fitch ratings”, “Moody's Investors service” have confirmed the corporate credit rating of the Company at “BBB-“, “BBB-“ “Baa3” respectively. In addition, a leading Certification Authority - international company “SGS” - certified KTZH for compliance with international standards of quality management, environmental safety and health and safety: ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007.

3) A number of basic documents aimed at the development of the rail industry were signed, namely:

- Memorandum of Understanding and Cooperation between KTZh and the City of Chongqing (China);
- Memorandum of Cooperation on the container train “Chongqing-Duisburg” between “Kaztransservice” JSC (subsidiary of KTZh) – “DB Schenker” (a subsidiary of Deutsche Bahn AG) – “Belintertrans” – “TransContainer” JSC and the Trans Eurasia Logistics;
- Agreement on the running of container-trailer train “Baltika-Tranzit-2” between JSC “NC “KTZh”, SJSC “Latvian Railway”, “Eesti Raudtee” JSC, “FESCO Transport Group”;
- Memorandum of Cooperation between JSC “NC “KTZh” and a subsidiary of the German railway company Deutsche Bahn AG – “DB Mobility Logistics” AG;
- Memorandum of Understanding between the KTZh and “ArcelorMittal Temirtau” JSC;
- Agreement on Investment in transport engineering companies in Kazakhstan between the KTZ and the Russian Research and Production Corporation “Uralvagonzavod” (UVZ)”.

The main activities of “**Air Astana**” JSC (hereinafter - Air Astana) is the carriage of passengers and cargo aircraft by civil aviation. The shareholders of the Fund are Air Astana (51%) and “BAE Systems Kazakhstan Ltd” (49%).

The share of Air Astana in the airline market on international destinations in 2010-2011 was about 36%, on domestic routes - 77%.

We note the **following significant events**:

1) Due to deregulation of prices for aviation fuel and lubricants (hereinafter - the jet fuel), jet fuel prices increased on average by 36.1%.

2) Air Astana was awarded a second place in the category “Best Airline in Eastern Europe” under the award The Skytrax 2011 World Airline Awards, in 2010 was ranked third in this category.

3) International Agency Standard & Poor's after the audit of the Company in 2011 confirmed the corporate governance of the air company at the level of GAMMA-6, which is today one of the highest in Kazakhstan.

4) From the Ministry of Transport and Communications it was received a letter that opens the possibility for a package of technical assistance.

5) It was signed a contract with the Aircraft Concern “Embraer” for the purchase of two Embraer 190 aircraft, as well as an option to buy two more aircraft of this model.

“**Power**” Segment is grouped by the Fund’s Companies: “KEGOC” (далее – KEGOC) and “Samruk-Energy” JSC, which are the largest in this segment (hereinafter - Samruk-Energy), “KOREM” JSC (hereinafter - KOREM), “Kazakh Research Institute of Energy named after Sh.Chokin (hereinafter - the KazRI).

KEGOC is the System Operator of the Unified Power System of Kazakhstan (hereinafter - the UPS of RK). It provides services for power transmission, technical dispatching of grid output and energy consumption, balancing of the production / consumption of electricity and ensures the contractual values of electrical energy flows from the power grids of neighboring countries in accordance with the terms of contracts, provides centralized operational-dispatching maintenance of facilities of UPS of RK regardless of ownership.

KEGOC takes 100% of the market for services rendered. The structure of KEGOC consists of 9 branches of intersystem electric networks located throughout Kazakhstan, National Dispatching Centre of systemic operator, Representative Office in Almaty and 2 companies (“Energoinform” JSC and “Batys Tranzit” JSC).

We note the **following significant events** in 2011:

1) It was signed the contract agreement within the project “Modernization of the National Power Grid of Kazakhstan, II stage “ between “KEGOC” JSC and Consortium Korea Electric Power Corporation (KEPCO), Hyundai Engineering Co. Ltd and Hyundai Corporation.

2) At the end of December 2011 it was signed two agreements between “KEGOC” JSC and “Uzbekenergo” SJSC for the purchase by the Uzbek party of unscheduled electricity produced from UPS of Kazakhstan, as well as a contract for the provision of services on regulation of power.

3) as a result of functional analysis, conducted by the Fund, it was liquidated agency “KEGOC-Service”, as a non-core asset, and certain types of activities have been transferred to the corporate center KEGOC;

4) GAMMA rating of Kazakhstan company KEGOC was confirmed at the level GAMMA-5 + and was withdrawn at the initiative of Standard & Poor's.

The principal activities of **Samruk-Energy** and its subsidiaries are the production of electricity, heat and hot water based on coal, hydrocarbons and water resources and realization to the population and industrial enterprises, power transportation and technical grid output, construction of hydro and thermal power plants, production and selling of coal, and rental property complexes of hydroelectric power stations.

Market share of electricity production in the Republic of Kazakhstan in 2011 amounted to 15.5%, in 2010 - 15.4%, coal production in 2011 amounted to - 38%, in 2010 - 39.5%.

The shareholders of Samruk-Energy are the Fund and “KazTransGas” JSC, which own 94.7% and 5.3% shares in the company. As a result of the work carried out by the Fund in conjunction with Samruk-Energy and KMG in accordance with the restructuring plan, the share of 4.8% will be realized to the Fund. The assets structure of Samruk-Energy consists of 30 companies on 4 levels.

The following **significant events** occurred in 2011:

- 1) It was approved Development Strategy of Samruk-Energy for 2011-2020;
- 2) On May 18, 2011 the Fund and Samruk-Energy concluded a contract of trust management of shares 50% in the equity capital of “Ekibastuzskaya GRES-1 named after Bolat Nurzhanov” LLP;
- 3) Samruk-Energy and Exim Bank of China signed Framework Agreement on financial cooperation.
- 4) Integrated management system of “Station Ekibastuz-2” JSC (a subsidiary of Samruk-Energy) has been certified by the representatives of the international system of TÜV CERT Certification in accordance with the requirements of ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004.

The principal activities of **KOREM** are to provide preparedness for the trading of electric power in the central area, and KazRI - the scientific and applied research and development in the field of electricity.

“**Telecommunications**” Segment includes the Fund's companies: “Kazakhtelecom” JSC (hereinafter - Kaztelecom) and “Kazpost” JSC (hereinafter - Kazpost).

Kaztelecom, as a telecommunication operator of Kazakhstan provides the following services: fixed telephony, mobile telephony, data transmission and Internet, services to operators and pay-TV services. The structure of Kazakhtelecom includes 13 companies on 3 levels, the Company has a branch network in the region and is part of the Fund, which owns 51% of ordinary shares.

The market share of fixed-line services remained unchanged at 92%, market share of mobile services (voice communication) for the year has increased from 7.7% to 8.2% due to increase in the number of mobile subscribers.

The following **significant events** occurred in 2011:

1) The number of digital backbone links provided by Kazakhtelecom for rental over the last year increased in 4.2 times, the total bandwidth of Internet channels provided by ISP-providers, increased in 3.4 times.

2) a breakthrough project “Building networks of FTTH (Fiber to the Home)” started, which entered the SPFIID.

3) it is continued implementation of the project “Development of WLL CDMA network in rural areas of the Republic of Kazakhstan.

4) “Alatau” PIT registered “KT Cloud Lab” LLP - VAS-services operator, it was started the design and construction of several large data centers.

5) under the project “Service-management system” it was launched a pilot project to introduce 1st phase of the “Standards of service of Kaztelecom”.

6) it was implemented the expansion of port connections to external Internet in 2.34 times, it was increased the total volume of connections of international operators to the service “Internet transit” in 1.7 times compared to 2010 results.

7) it was started the implementation of medium-term program to reduce costs.

8) it was signed a strategic agreement with the Fund on the establishment on the basis of the Company of a single system integrator and provider of information and communication services to the Group of the Fund.

9) on December 21, 2011 Kazakhtelecom signed Sales Agreement on selling 49% stake in “GSM Kazakhstan of Kazakhtelecom JSC” LLP to Sonera Holdings BV, a subsidiary of the Swedish mobile operator Telia Sonera AB.

Kazpost is defined as a national operator of mail and wire of the state policy on development of the postal savings system in the Republic.

The increase in market share of postal services by an average of 2.1% is observed in 2011, at that, significantly, the share of the financial services market has increased by 69%, due to increasing the client base.

In the postal field Kazpost provides services for sending letters and parcels and expedited and courier mail, postal transfers of money, distribution of printed materials. In the area of financial and banking services Kazpost provides services such as currency exchange transactions, deposits, payments, cash management services, collection and transportation of money and valuables, brokerage services in the securities market, electronic money transfers, transfer agent's activities and etc. In the area of agency services the active development received consumer credit services provided by second-tier banks.

Kazpost has an extensive branch network in regions, districts and villages; the assets structure includes 3 companies on 2 levels.

We note the **following significant events** in 2011:

1) it was obtained a record net income (KZT 0.8 billion) over the past few years, which exceeds in 3 times the result in 2010.

2) it was introduced a tracking system for the postage at the level of automated production facilities in the territory of the Republic of Kazakhstan.

3) in the cities of Astana, Almaty, Karaganda experts of the Association "PostEurope" conducted "Post Review" (analysis of production processes, sorting centers, air sites, post offices of Kazpost).

"Financial Institutes and Development Institutes" Segment is represented by the Fund's Companies: "Development Bank of Kazakhstan" JSC (hereinafter – the DBK), "Entrepreneurship Development Fund "Damu" JSC (hereinafter – Damu), "Kazyna Capital Management" JSC (hereinafter – the KCM), which are the major companies in this segment, "Investment Fund of Kazakhstan" JSC, "KazExportGarant" JSC, "Real Estate Fund "Samruk-Kazyna" JSC, "BTA Bank" JSC, "Alliance Bank" JSC, "Temir Bank" JSC, KGF SLP, KGF Management, KGF IM.

The DBK was established in May 2001 to finance projects that promote economic diversification and attracting domestic and foreign investment in the economy.

Since 2011 BRC is in a trust management of the Ministry of Industry and New Technologies. The structure of the DBK includes 2 companies on 2 levels.

The following **significant events** occurred in 2011:

1) As a result of implementation of 4 investment projects it was created about 400 permanent jobs.

2) GAMMA rating is raised to the level of GAMMA-5 + and withdrawn at the initiative of Standard & Poor's. Ratings Service Standard & Poor's raised its long-and short-term credit ratings on foreign currency liabilities of the DBK from "BBB/A-3" to "BBB + / A-2".

3) The DBK has got the highest credit ratings among domestic banks, at the sovereign ratings of Kazakhstan. Credit rating from Moody's and Fitch Ratings is by 1 point below the sovereign.

4) The DBK has been included in the state program "Business Road Map 2020".

5) The DBK organization "DBK-Leasing" JSC has become the operator of the state program "Performance 2020" in the provision of financial leasing.

Damu - a national institute, the main operator and integrator of state support of small and medium-sized businesses in Kazakhstan through financial and non-financial business support. The structure of Damu consists of 16 regional offices located throughout the country, the assets structure includes 6 companies. Damu is in the trust management of the Ministry of Economy and Trade Development since 2011.

In 2011 Damu continued to implement the following programs:

- Financial support for entrepreneurship;
- Non-financial support for entrepreneurship.

We note the following **important events** in 2011: under the programs through the second-tier banks it was financed 2.3 thousand borrowers amounting to KZT 82.4 billion and during 2011 it was attracted a loan from the Asian Development Bank to finance the entities of small and medium entrepreneurship in Kazakhstan in the amount of \$ 500 million.

The Real Estate Fund was established pursuant to the Decree of the Government of the Republic of Kazakhstan № 265 dated March 6, 2009 "On some measures to address the real estate market" and the decision of the Management Board meeting in absentia of "Samruk-Kazyna". The Company was established as part of implementation of the Joint Action Plan of the Government of the Republic of Kazakhstan, National Bank and Agency on Regulation and Supervision of Financial Market and Financial System for 2009-2010 in order to stabilize the housing market through the acquisition of commercial and residential premises on the construction facilities and to ensure their effective management.

The structure of the Real Estate Fund consists of 3 companies.

The main activities of the Real Estate Fund are:

- funding for uncompleted construction;
- managing a pool of real estate.

As part of the first direction the Real Estate Fund sets the following objectives:

- completion of unfinished projects by purchasing premises in them and funding in other ways;
- promoting local content in construction projects;
- ensuring compliance of construction projects with current standards of housing.

As part of the second direction the Real Estate Fund aims to increase the share of the pool of sold real estate and achievement of financial sustainability.

In 2011, **following significant events** have occurred:

- 1) the problems of 1,4 thousand interest holders have been resolved on facilities put into operation;
- 2) local content in procurement of contractors was 68% (with the plan of 58%);
- 3) 12 objects are put into operation, including “Maria” RC, “Northern Lights” RC, “The water-green boulevard” RC, “Zapad” RC, “Gorodskoy Romance” RC, “Astana Zhuldyz” RC, “Aya” RC, “Ishim” RC, “Izumrudniy kvartal” RC, “Skazochniy Mir” RC spots 1,2, “Aigerim” RC, “Caspian Palace” RC as well as two (2) stages of “Khan Tengri” RC in the Almaty region;
- 4) In November 2011 the Real Estate Fund announced plans on selling 100% stake in “Zaulim” LLP of “KazMunayGas Service” LLP (a subsidiary of JSC “NC “KazMunayGas”).

- 5) it was started the work on pilot projects to invest in housing construction in Astana and Shymkent.

Since 2011 **KCM** is in the trust management of the Ministry of Industry and New Technologies.

The main activities of **KCM** are to create and participate in private equity funds and investments in financial instruments. The structure of the **KCM** includes 17 companies on 3 levels.

In 2011, **KSM** has undertaken commitments on participation in the Russian-Kazakh Fund of Nanotechnology through the signing of the founding documents between the Company, **RUSNANO** and management companies **VTB Capital** and **I2BF Global Ventures**.

IFK was established on the basis of the Decree of the Government of the Republic of Kazakhstan № 501 dated May 30, 2003 to assist in the implementation of industrial and innovation policy of the Republic of Kazakhstan by implementing and attracting investments into promising organizations, providing financial support to private sector initiatives to create competitive industries in the non-primary sector of the economy. **IFC** is in the trust management of the Ministry of Industry and New Technologies. The structure of the **IFC** includes 52 companies on 4 levels.

In 2011, **IFC** has carried out three full exits from the projects, as well as partial exits from other projects.

KazExportGarant performs the functions of export-credit agency of the Republic of Kazakhstan by supporting exporters of non-commodity sector of the country with the tools of insurance (reinsurance) of export credits against commercial and political risks. **KazExportGarant** since 2011 is in the trust management of the Ministry of Industry and New Technologies.

It takes the share 0.31% in 2010 and 0.43% in 2011 on the reinsurance market; the growth of the share is explained at the expense of reinsurance of additional projects.

As part of the Joint Action Plan of the Government, the National Bank, the Agency for Regulation and Supervision of Financial Market and Financial Organizations of the RK to stabilize the economy and financial system for 2009-2010, approved by the Government of the Republic of Kazakhstan, the Fund in 2009 acquired controlling stakes in **BTA, Alliance Bank and the significant shares in NB and KKB**. These measures were aimed at providing additional liquidity to banks and to ensure their solvency.

“Corporate Centre and projects” Segment includes “Samruk-Kazyna” JSC, as well as “Samruk-Kazyna Invest” LLP (hereinafter - Samruk-Kazyna Invest), “Samruk-Kazyna Contract” LLP (hereinafter - Samruk-Kazyna Contract), “Samruk-Kazyna Finance” LLP (hereinafter - SK Finance), “Samruk-Kazyna Pharmacy” LLP (hereinafter - SK Pharmacy), “Ekibastuzskaya GRES-1” LLP, “Halyk Bank” JSC (hereinafter - HB), “Kazkommertsbank” JSC (hereinafter - KKB), “Maikainzoloto” LLP.

The following significant events happened in 2011 in the Fund:

1) it was realized 19,8% of ordinary shares of Halyk Bank purchased by the Fund under the anti-crisis program.

2) by the Decree of the President of the Republic of Kazakhstan shares in subsidiaries of the Fund (“Investment Fund of Kazakhstan” JSC, “Development Bank of Kazakhstan” JSC, “Entrepreneurship Development Fund “Damu” JSC, “Kazyna Capital Management” JSC»), “Export Credit Insurance Corporation “KazExportGarant” JSC have been transferred to the trust management of Ministries of Economic Development and Trade, Industry and New Technologies of the Republic of Kazakhstan.

3) the Fund, being a major participant of Alliance Bank, BTA Bank and Temirbank, has worked to restore their financial condition.

4) the Fund's credit rating from S & P at the level of sovereign was at "BBB +".

5) during 2011 two CEOs and most of the management of the Fund were replaced.

SK-Finance was established in May 2011 with full participation of the Fund to implement the functions of the Fund as the operator of state programs in the banking sector.

Main activities of Samruk-Kazyna Finance – to provide management consulting services and training to the sale of shares and stakes in financial institutes that are directly or indirectly owned by the Fund.

Samruk-Kazyna Invest was registered in July 2007; the founder of the company is JSC "Holding "Samruk".

Main activities of Samruk-Kazyna Invest:

- participation in the Fund's investment activities through the provision of services on the Fund's investment activities, including: investment in capital and assets, including at the expense of the Fund in accordance with the Investment Policy of the Fund;
- providing investment and advisory services;
- organization of project financing, including evaluation of sources of finance and syndicated project financing.

Samruk-Kazyna Contract is the successor of "Telecom Invest Samruk" LLP, which was established by the decision of the Board of Directors of the Holding "Samruk" in July 2007 in order to implement the first phase of the project for modernization and development of rural telecommunications network using the technology CDMA (TSNP) on installation of telephone services in the rural settlements with a population of more than 50 people and the appropriate modernization of rural communication.

Since 2009 the main activities of Samruk-Kazyna Contract are monitoring local content, introduction of transparent procedures for procurement of the Group of Companies of the Fund and the extraction of net income in the Fund's interests.

SK-Pharmacy was established pursuant to Decree of the Government of the Republic of Kazakhstan № 134 dated February 11, 2009 to provide drugs with the population under the guaranteed free medical assistance and the promotion of pharmaceutical industry in the Republic of Kazakhstan by bringing together private and public sectors on the basis of equal partnership. The strategic goal of SK-Pharmacy is to improve the stability and competitiveness of the pharmaceutical industry in the Republic of Kazakhstan, development of the pharmaceutical industry by consolidating the state procurement of medicines.

The main activities of SK-Pharmacy are as follows:

- organization of open bidding for the procurement of medicines under the guaranteed free medical care;
- organization of storage of medicines in accordance with the requirements of appropriate distribution practices and legislation of the Republic of Kazakhstan;
- organization of logistics processes of medical public health organizations;
- creation of the information system for the integration of logistics processes of a Single distributor, customer and suppliers, as well as to obtain current information on turnover, cash balances.

II. Operating Results

1. Consolidated financial indicators

Name	Unit of measure	2011	2010	Change	Change, in %
Consolidated net income	KZT billion	350,6	634,4	-283,8	-45
Consolidated net income on the share of a shareholder of a parent Company	KZT billion	330	545	-215	-39
EBITDA ³	KZT billion	715,3	747,4	-32,1	-4
EBITDA margin ⁴	%	16,2	20,60	-4,4	-21

³ EBITDA = (Revenues from sales and interest income, total - Cost of sales and interest expenses - General and administrative expenses - Shipping costs and sales) + (Depreciation of fixed assets and amortization of intangible assets accounted for in cost of sales, general and administrative expenses and in the cost of transportation and implementation);

⁴ EBITDA margin = EBITDA / Revenues from sales and interest income, total.

ROACE ⁵	%	6,3	9,4	-3,1	-33
ROA ⁶	%	2,7	5,3	-2,6	-49
ROE ⁷	%	6,3	12,5	-6,2	-50
EVA ⁸	KZT billion	-476,9	-150,4	-326,5	-217

The main items of gross income

Name	2011		2011, KZT bln.	2010		2010, KZT bln.	Change, in KZT bln.	Change, in %
	in % to income from the sale	in % to expenses from operations		in % o income from the sale	in % to expenses from operations			
Revenues from sales and interest income	100	103	4 427,3	100	103	3 630,5	796,8	22
Expenditure on operating activities	97	100	4 287,9	97	100	3 511,4	776,5	22
Cost of sales and interest expense	72	74	3 194,2	69	72	2 515,2	679,0	27
Gross income	28	29	1 233,1	31	32	1 115,4	117,7	11
General administrative expenses	10	10	438,6	10	11	372,2	66,4	18
Shipping costs and sales	8	9	367,2	7	7	253	114,2	45
Losses on assets impairment	5	5	232,0	1	1	49,4	182,6	370
Income (loss) from operations	5	5	226,1	9	9	312,9	-86,8	-28
Equity income from associates and joint ventures	14	14	611,2	11	11	397,1	214,1	54
Income tax expense	8	9	367,9	1	1	28,7	339,2	1182
Net profit	8	8	350,6	17	18	634,4	-283,8	-45

The cost, general administrative expenses, shipping costs as a result of operating activities, as well as impairment losses and income tax expense influence negatively on the change in net income.

Factors	Changes with second-tier banks, billion tenge
Net income (350,6 billion tenge in 2011; 634,4 billion tenge in 2010)	- 283,8
The growth of operating income because of revenue growth (based on the level of operating profitability in 2010) mainly due to sales of petroleum products, freight rail, other income from the provision of other value-added services to core business, the sale of uranium products	114,2
The growth of the operating income due to second-tier banks inclusion	27,3
The growth of the tax burden (mainly due to increase of the rates for mineral extraction tax and export customs duty due to rising oil prices)	- 77,5
The excess cost growth rate for the KMG over the pace of revenue growth	- 77,5
The growth of impairment of fixed assets and intangible assets	- 66,5
Rising cost of sponsorship	- 34,6
Changes in the share in income of associated companies and joint ventures	214,1
Growth in corporate income tax	- 339,2
Others	-55,3

⁵ ROACE = NOPAT / ACE

NOPAT = Profit attributable to shareholders of the parent company, adjusted for discontinued business + interest expense × (1 – rate of CIT)
ACE = Equity attributable to shareholders of the parent company + all interest-bearing liabilities

⁶ ROA = Net income / Average assets for the year

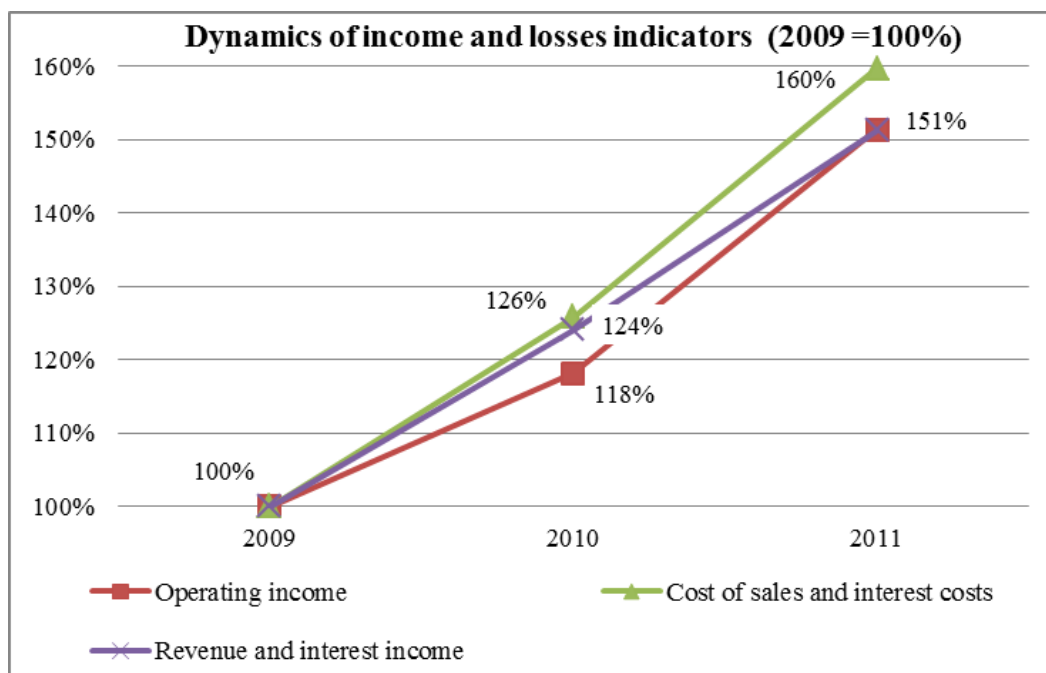
⁷ ROE = Net income / Average equity for the year

⁸ EVA = (ROACE-WACC)*ACE

WACC = Cost of equity × share of equity + cost of debt × share of debt × (1 – rate of CIT)

Name	2011, KZT billion	2010, KZT billion	2009, KZT billion	2011 to 2010, in %	2010 to 2009, in %
Operating income	226,1	312,9	-547,6	72,3	-
Cost of sales and interest expenses	3 194	2515	1 999,8	127	125,8

Name	2011 r		2010		2009	
	in % to income from the sale	in % to expenses from operations	in % to income from the sale	in % to expenses from operations	in % to income from the sale	in % to expenses from operations
Cost of sales and interest expenses	68,7	80,2	69	72	72	74



The cost in 2011 has increased compared to 2010, and the income from sales and interest income were 72% each, expenditure on operating activities - 75%, while in 2010 it was 69% and 72% respectively.

This dynamics indicates the presence of significant reserves to increase the efficiency of Companies. The efforts of management of the Companies to identify those reserves in 2010-11 were insufficient.

In 2012 at the initiative of the Companies there were taken measures to reduce overall administrative costs by KZT 6.6 billion, and the number by 2 thousand people. Moreover, the Fund **decided to actively participate in the coordination of the activities of Companies in this field**. The Fund jointly with Companies will develop a medium-term program to reduce costs of the Group of the Fund, aimed at optimizing both cost and other expenses.

At that, we note that since 2011 such work is carried out by Kaztelekom and KTZh, there are some results.

General administrative expenses are mostly presented by funds for charity and sponsorship. The dynamics of these expenses is as follows: in 2009 – KZT 13.7 billion, in 2010 – KZT 24.6 billion, in 2011 – KZT 59.2 billion. Considering the multiple growth of these expenses the Board of Directors of the Fund in November 2011 established a limit of 3% of the consolidated annual net profit, excluding commercial banks prior to the deduction of expenses for sponsorship and / or charity.

The Group of the Fund is working to optimize the asset structure of Companies, including non-core assets. Currently, KTZh and Samruk-Energy adopted the appropriate Action Plan and implemented it. KMG reviews the previously approved plan. KAP jointly with the Fund elaborate target assets structure and an appropriate Action Plan. The Fund will submit the issue on realization of non-core assets for consideration of the Board of Directors of the Fund.

The reduction in financial performance indicators (KPI) “EBITDA” and “EBITDA margin”, “ROACE”, “ROA” and “ROE” in 2011 compared with 2010 has been influenced by the factors of adjustment of the consolidated net profit.

2. Consolidated financial indicators without the STB

In compliance with the Law on the Fund, the second-tier banks (STB) are not included in the group of the Fund in connection with which the information on the consolidated financial results is given without the STB.

During the consolidation and evaluation of financial indicators without Commercial Banks the following approvals have been made:

- It was not carried out consolidation of data of subsidiary banks “BTA Bank” JSC (BTA); “Alliance Bank” JSC (ALB); “Temirbank” JSC (TMB);
- There were excluded one-off non-operating income of the Fund from these banks (BTA, ALB, and TMB), such as net income from discount of rate swaps and from conversion of bonds in capital;
- It was not reflected the share income of Halyk Bank (HB) and Kazkommertsbank in 2009-2010 when these banks were the associated organizations of the Group;
- It is excluded recognition and overvaluation of call and put options through income/loss on the shares of HB and KKB;
- All profits and expenses, also assets and liabilities of other companies groups of these Commercial Banks remained in consolidation as external (those, who were eliminated for consolidation with Commercial Banks);
- Losses from devaluation of investments with BTA and ALB excluded from report of total income, and moved into capital directly to retained earnings (like any other shareholder distributions)

Name	Unit of measure	2011	2010	Change, KZT bln.	2011-2010, in %
Consolidated net income without the STB	KZT billion	718,4	641,3	77,1	112,0
Consolidated net income on the share of a shareholder of a parent Company without the STB	KZT billion	630,0	525,5	104,5	119,9
EBITDA without the STB	KZT billion	749,3	812,2	- 62,9	92,3
EBITDA margin without the STB	%	17,8	23,5	-5,7	75,9
ROACE without the STB	%	8,9	7,8	1,1	115,0
ROA without the STB	%	6,2	6,0	0,2	103,4
ROE without the STB	%	12,8	12,0	0,8	106,1
EVA without the STB	KZT billion	-142,2	-210,4	68,2	32,4

All the items of the gross income are given without account of the STB in the table below.

Name	2011		2011, KZT bln.	2010		2010, KZT bln.	Change, in KZT bln.	Change, in %
	in % to income from the sale	in % to expenses from operations		in % to income from the sale	in % to expenses from operations			
Revenues from sales and interest income	100	113	4 204,3	100	119	3 458,6	745,7	22
Expenditure on operating activities	89	100	3 736,7	84	100	2 894,7	842,0	29
Cost of sales and interest expense	72	81	3 025,4	69	82	2 375,6	649,8	27
Gross income	28	32	1 178,8	32	37	1 083,0	95,8	9
General administrative expenses	8	9	344,1	8	9	266,1	78,0	29
Shipping costs and sales	9	10	367,2	7	9	253,0	114,2	45
Losses on assets impairment	4	5	181,9	5	6	164,0	18,0	11

Income (loss) from operations	10	11	400,0	15	18	514,2	-114,2	-22
Equity income from associates and joint ventures	14	16	604,1	11	13	389,0	215,1	55
Income tax expense	5	6	225,7	6	7	203,5	22,1	11
Net profit	17	19	718,4	19	22	641,3	77,0	12

The main factors of changing of *net income* without the STB in 2011 as compared with 2010 is given below.

Factors	Changes, billion tenge
Net income without second-tier banks (718,4 billion tenge in 2011; 641,3 billion tenge in 2010)	77,0
The growth of operating profit because of revenue growth (based on the level of operating profitability in 2010) mainly due to sales of petroleum products, freight rail, other income from the provision of other value-added services to core business, the sale of uranium products	114,2
The growth of the tax burden (mainly due to increase of the rates for mineral extraction tax and export customs duty due to rising oil prices)	-77,5
The excess cost growth rate for the KMG over the pace of revenue growth	-77,5
The growth of impairment of fixed assets and intangible assets	-66,5
Rising cost of sponsorship	-34,6
Changes in the share in income of associated companies and joint ventures	215,1
Growth in corporate income tax	22,1
Others	-17,1

In the long term, the Fund does not intend to hold share in “BTA Bank” JSC, “Alliance Bank” JSC and “Temirbank” JSC. The Fund will develop proposals for the sale of its owned shares of second-tier banks, carry out search and negotiations with potential investors. Before the sale of shares of “Alliance Bank” JSC, “Temirbank” JSC and “BTA Bank” JSC the Fund will continue to work actively to restore their financial condition.

3. Financial indicators for 2011 by the segments and capital resources⁹

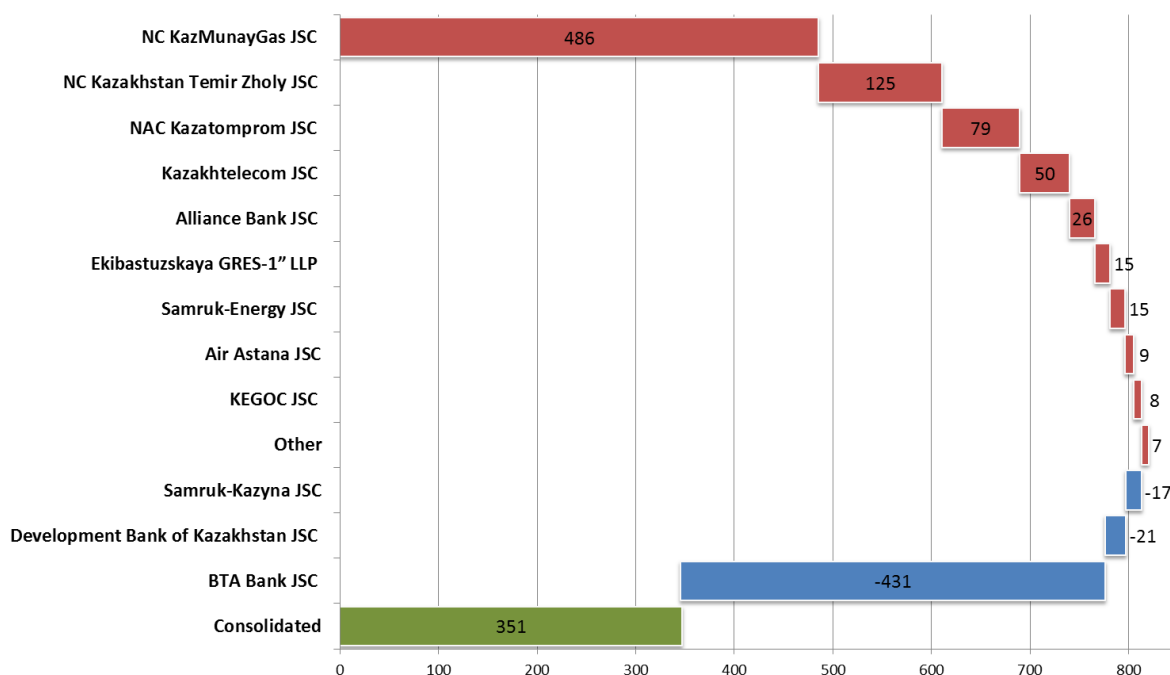
KZT billion

Name	Oil & Gas	Mining and industrial	Transportation	Telecommunications	Power	Financial institutes and development institutes	Corporate Centre and projects
Total income	2 715,4	363,5	846,7	202,3	150,5	684,6	296,9
Total expenses	2 614,3	309,3	681,8	179,9	132,4	941,9	800,5
Income from sale and interest income	2 627,1	353,6	802,5	189,6	140,8	357,9	187,4
Cost of sales and interest expenses	1 837,7	261,4	568,5	139,8	108,7	319,1	153,5
Gross income	789,3	92,2	252,8	55,4	32,2	38,8	33,8
General administrative expenses	160,1	21,7	78,0	22,0	12,9	105,7	44,1
Shipping costs and sales	350,7	3,8	6,8	4,6	0,3	0,0	1,8
Losses on assets impairment	61,8	4,0	2,3	2,6	0,4	446,2	590,2
Income (loss) from operations	218,0	63,4	177,4	26,2	19,0	-246,2	-570,4

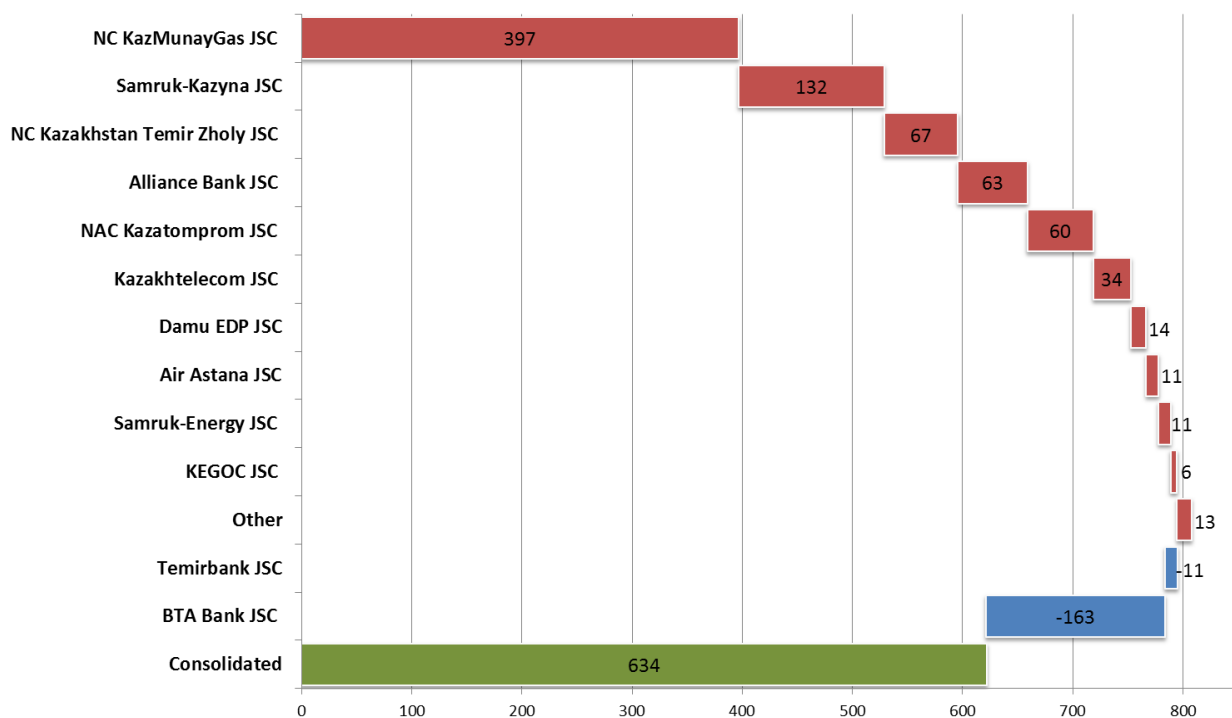
⁹ Total revenue = (Revenue from sales and interest income + State subsidies + Restitution of impairment of assets + Other operating income from banking activities + Other non-operating income + Financial income + Income from foreign exchange rate);
Total cost = (Cost of sales and interest expense + General and administrative expenses + Shipping and the realization costs + Losses of impairment of assets + Other operating expenses from banking activities + Other non-operating costs + Financial costs + Loss on foreign exchange rate).

The following charts present the indicators of affiliated organizations considering consolidation adjustments at the level of the Fund.

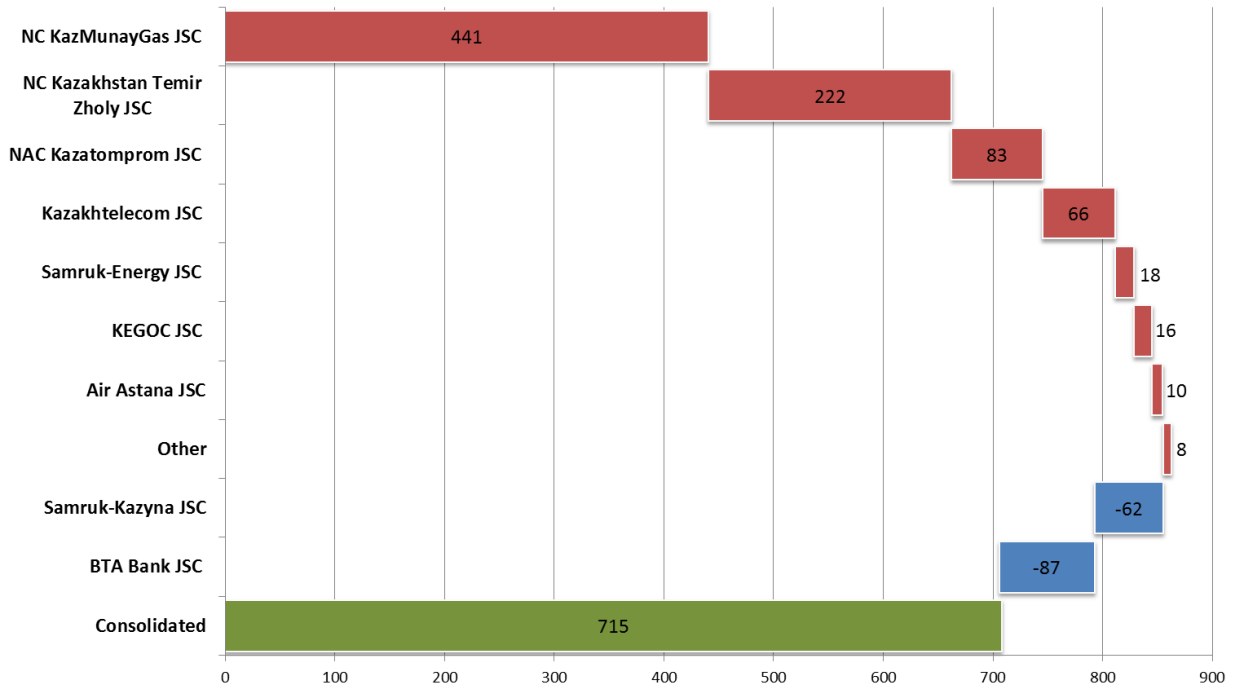
Breakdown of consolidated Net profit for 2011 by companies of the Group, bln. tenge



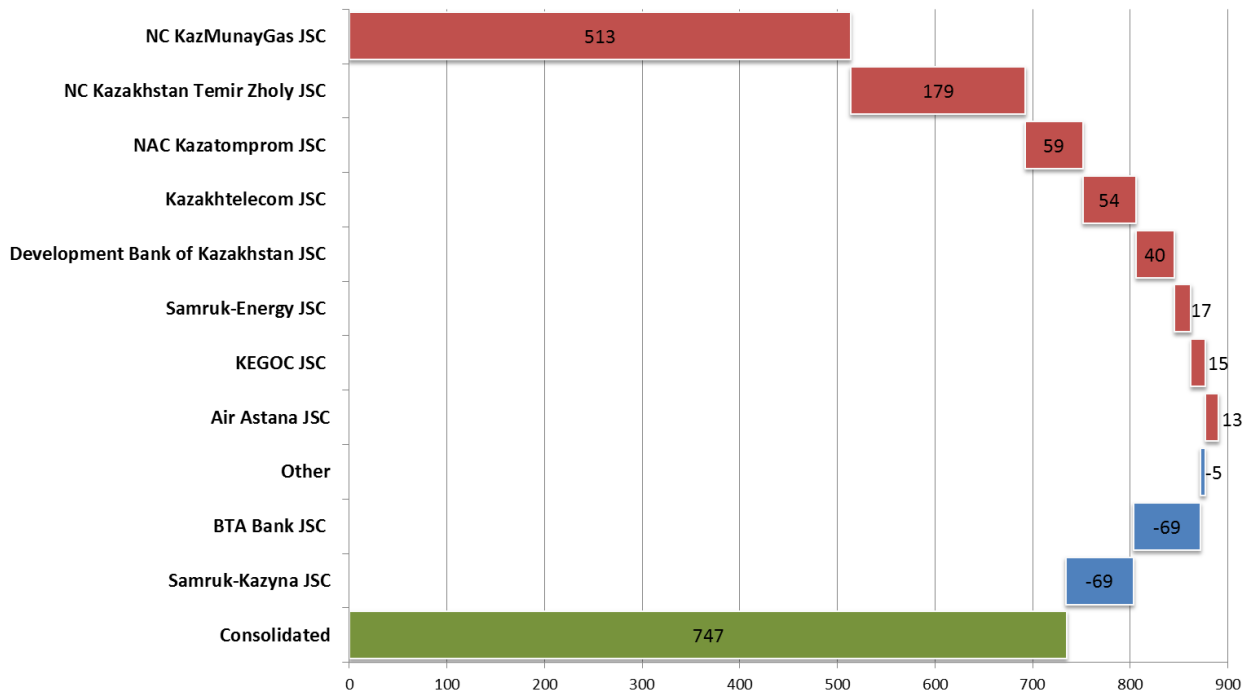
Breakdown of consolidated Net profit for 2010 by companies of the Group, bln. tenge



Breakdown of EBITDA for 2011 by companies of the Group, bln. tenge



Breakdown of EBITDA for 2010 by companies of the Group, bln. tenge



Then, the presented segment analysis is based on production figures from the reports on implementation of development plans of the subsidiaries in 2011 and data of the audited financial statements of subsidiaries for 2011.

3.1 “Oil & Gas” Segment

Production figures

Name	Unit of measure	2011	2010	2011/2010, in %	Factors
Oil production volume	mln.tons	21,1	22,0	96,0	Reduction: <ul style="list-style-type: none"> • month-long unauthorized workers' strike; • untimely repair of oilfield equipment; • outages switching of transmission lines.
Proven recoverable oil reserves	mln.tons	778,6	791,3	98,0	Reduction: Due to revaluation and exploration of "Embamunaigas", Kazgermunai, Kazakhturkmunai, Mangistaumunaigas oil fields
Volume of oil transportation on the main pipeline	mln.tons	66,9	65,8	102,0	Increased delivery of oil to the pipeline system by shippers.
Volume of gas transportation	mln.m3	110,6	101,6	109,0	Increase in transportation volumes in the Chinese direction, transit of Russian gas, to the domestic market. At that, it is reduced the volume of transit of Central Asian gas and transportation of gas for export.
The volume of oil transportation by sea fleet	mln.tons	9,2	7,1	130,0	Increase in oil transportation, in 2010 transported only refined products and crude oil in 2011.
Volume of oil refining	mln.tons	15,3	14,8	104,0	Increase in recycling due to the increase in demand for petroleum and petroleum of third-party providers. At that, there is a reduction in oil supplies from the Refko to the refinery.
Level of severity of accidents (people -hours/100 thous. people -hours)		0,5	0,6	-17	
Frequency of accidents (units/100 thous. people -hours)		0,00047	0,00037	27	
Average headcount	thous. people	83,3	64,7	129	Due to the acquisition of the asset and enhancing the consolidation perimeter.

The main factors of changing of *net income* on this segment in 2011 as compared to 2010 is given below.

Factors	Change, KZT billion
Net income (KZT 482,5 billion for 2011; KZT 397 billion for 2010)	85,5
Sale price increase: mainly due to growth in oil prices from \$80 per barrel to 111.3\$	142,7
Profit share in joint ventures and associates	191,4
Disposal of assets	28,3
Decrease of volume of services rendered on oil transportation and works performed	-87,0
Assets impairment	-47,4
Customs duties: increase in oil prices and customs duty on oil exports from \$ 20 to \$ 40 per ton.	-44,1
Corporate income tax: growth of revenue, costs of taxes on excess profits due to high oil prices, and due to changes in tax legislation.	-20,4
Financial costs: are mainly due to rising interest costs on loans and bonds.	-18,7
Depreciation of fixed assets	-15,6
Financial income	-13,1
Penalties and fines on taxes	-8,5
Acquisition of "AktauNefteService" LLP	-5,6
Charitable and sponsorship assistance	-5,2
Others	- 11,3

The Government requires from the companies of the KMG engaged in the production of crude oil and sales of petroleum products, annually supply part of the products for the domestic market, mainly to maintain the balance of supply of petroleum products in the domestic market and to support agricultural producers during the spring and autumn sowing campaign. Oil prices in the local market are lower by 75.5% compared with the price for export. If, in future, the Government assigns an additional amount of crude oil which exceeds the amount of supplied by the Group of the KMG in 2011, such supplies will have priority over the supply at the market prices. This, in turn, will generate less revenue from the sale of crude oil for export and adversely affect the business, prospects, financial condition and the cost of the KMG. The KMG is working to increase gradually crude oil export.

The basic steps taken to improve the net income in the oil and gas segment are described below.

The KMG will take drastic measures on timely search and involvement in the active development of hydrocarbon reserves and on a comprehensive study of the state of the fund of production and injection wells for the three-quarter set, to restore oil production volume from the field;

The next factor - is the current system of tariff regulation, measures on which the Companies of the KMG take in conjunction with the Fund and the Government.

The KMG will work to reduce costs, impairment of assets, the frequency and severity of accidents.

Annual growth in funds for the provision of charity and sponsorship has also a negative impact on the net income.

Currently the Companies of the segment are preparing for transfer to the People's IPO.

Capital costs for this segment in 2011 amounted to KZT 1 022 billion, of which for maintenance of productive assets and other fixed assets – KZT 176.8 billion, investments in the authorized capital of companies of subsidiaries – KZT 555.1 billion, which primarily were focused on the following projects:

1) “Zhemchuznyi” project of “KazMunayTeniz” JSC. The project aims to explore oil and gas on the block structures, field development and the increase in oil and gas.

2) “Construction of 1st site of the main gas pipeline in direction of Kazakhstan-China” project of “KazTransGas” JSC was formed to ensure the transportation of the transit natural gas from Turkmenistan to China via the Republic of Kazakhstan (from the Uzbek border to the border with China, Horgos) and the gas supply of the domestic market of the Republic of Kazakhstan.

3) “Construction of the gas pipeline “Beineu-Shymkent” conducted by “KazTransGas” JSC is one of the strategic directions of the Company. The aim of this project is the construction of gas pipeline with the length of 1475 km, in 1-filar execution, in order to provide natural gas to southern regions of Kazakhstan and increase the possibility of exporting natural gas to China.

4) “Kashagan. North-Caspian Project” project is one of the priority directions related to the exploration, development and production of oil and associated products in the Republic of Kazakhstan. The project consists of the first stage of pilot development assistance (ODA) and the subsequent stages of field development.

5) Projects of JSC “NC “KazMunaiGas” on exploration of oil and gas on the block structures, field development and the increase in oil and gas fields “Satpayev”, “Abai”, “Zhenis”, “N”, “Darkhan”, “Urikhtau”, “hogyrly- Shomyshty”, “Issatai Shagala”, “Central” and “Zhambyl”.

6) “Production of road bitumen in the Aktau plastics plant” project implemented by “JV “Caspi Bitum” LLP: is one of the key links in the handling, processing and production of oil products in Kazakhstan.

7) “North Caspian Base Environmental Response to Oil Spills (NCERB)” project implemented by “TenizService” LLP: is a specifically directed project to ensure environmental security of the Caspian Sea for the period of development of “Kashagan” field.

8) The project “Construction of the deep processing of oil at the Atyrau Oil Refinery” conducted by “KazMunayGas” JSC - Processing and Marketing” designed for production of gasoline and diesel fuels that meet the Euro 4 standards in the Republic of Kazakhstan, increasing the depth of oil refining up to 84%, increase in crude oil processing capacity to 5.5 million tons per year, as well as creating new jobs.

9) The project “Construction of the complex for the production of aromatic hydrocarbons in the Atyrau refinery on “turnkey” terms held by JSC “KazMunayGas - Processing and Marketing” is the introduction and use of modern technology to create a petrochemical production in Kazakhstan on deep processing of hydrocarbon raw material for the production of petrochemical products with high added value, addressing environmental protection issues, release of products, meeting a high level of environmental European standards, providing hydroforming and hydrotreating processes with a hydrogen-containing gas (hydrogen) at the existing facilities and future complex on deep processing of oil to ensure compliance of motor fuels with euro standards.

10) “Construction and reconstruction of gas pipelines in Almaty and Almaty region” is a socially oriented project, carried out by JSC “KazTransGas”. The project will increase the capacity of gas transmission system of

Almaty and the region by 245 thous. m3/h, and will ensure trouble-free and uninterrupted supply of natural gas to consumers in the city and stabilize the gas regime in the gas distribution pipelines.

11) Implementation of the project “Modernization of the gas distribution network in South Kazakhstan region” of JSC “KazTransGas” will ensure smooth and trouble-free supply of natural gas to Shymkent and South Kazakhstan region, as well as to increase the warranty period of operation of gas pipelines, increase the capacity of gas pipelines band wide through gas scheme optimization from 85 thousand m3/h up to 258 thousand m3/h, as well as to improve the gas accounting system in the low-rise residential sectors.

12) “Development of Amangeldy gas fields group”, held by JSC “KazTransGas” will provide the consumers of the southern region of Kazakhstan with natural gas and ensure the energy independence of the region. Implementation of the project will prevent the disruption of gas supply at the termination of its exports from Uzbekistan, as well as significantly reduce the cost of the product delivered (compared to the gas imported from Uzbekistan) due to the social orientation of the project.

3.2 “Mining and industrial” segment

Performance indicators

KPI	2011	2010	2011 - 2010, in %	Factors
Volume of the uranium output of JSC “NAC “Kazatomprom”, thous. tons	19,1	17,2	110,7	Production program for 2011 approved by the competent authority provided for an increase in uranium production compared with 2010. The plan for 2011 is made at 97.4%.
Number of accidents	1	1	100	
Average number of employees, thous persons	19 956	19 208	103,9	Acquisition of the asset and the expansion of the perimeter of consolidation.

Change in the financial results in 2011 compared to 2010 on this sector was mainly influenced by the results of industrial activity of KAP, as Tau-Ken Samruk, UCC, Kazgeologiya included in this segment did not conduct operational activity in 2010-2011 with the exception of management and administration activity.

In 2011 losses of the companies amounted to: Tau-Ken Samruk – KZT 0.6 bln, UCC – KZT 0.98 bln, Kazgeologiya – KZT 0.046 bln. Net income of JSC “NC “Kazakhstan Engineering” evaluated to KZT 1.5 bln for 2011.

Receipt of income from the activity of these companies is expected as the released projects and ongoing exploration attain the full projected capacity: Tau-Ken Samruk – in 2014, UCC – in 2017, Kazgeologiya – after 2013.

Below are given specific factors in *net profit* charge on the segment in 2011 compared to 2010.

Factors	Changes, mln KZT
Net income (KZT 80,6 billion for 2011;KZT 60,0 billion for 2010)	20,6
Production and sales of uranium products	-7.5
Price rising	44.4
Depreciation of fixed assets	- 5,1
Others	-11,4

KAP operating efficiency is low, the self-cost is being increased, influencing on operating income, therefore KAP will work on: self-cost reduction; increase in capital productivity, reduced depreciation and reduce the number of accidents and injuries at work, optimization of the structure of assets and, basically, duplicate functions will be excluded, structures dealing with the same types of activities will be combined, non-core assets will be implemented in the competitive environment and in the relevant authorities.

Capital costs for this segment in 2011 amounted to KZT 60.4 billion, including KZT 29.6 billion - the cost of maintenance of productive assets and other fixed assets, valuation and exploration works. Basically, capital expenditures were focused on the following projects:

1) Performance amounted to KZT on the investment project “Construction of the sulfuric acid plant in Zhana-Korgan”. The project aims at providing with basic reagent the uranium mining companies – “Kyzyl Kum” LLP and “Baiken-U” LLP.

2) Project “Creation of solar cells production”. The project aims to develop alternative energy from renewable energy sources, creating innovative high-tech production.

3) On investment project “Experimental-industrial development of the northern part of the site number 3 (Central) of Moinkum deposit”. The project aims at increasing the income from the sale due to growth in production, replacement of the fields on which the working out is completed.

4) Project “Acquisition of a 100% interest in uranium mining company “Ortalyk” LLP. The project aims at increasing the income from the sale due to the growth in production and share in the total reserves and resources of the Republic of Kazakhstan.

5) Project “Acquisition of a stake in Russia’s separation plant”. The project aims to obtain additional income from providing services to enrich uranium.

3.3 “Transport” segment

Performance indicators

Description	UoM	2011	2010	2011/2010, in %	Factors
Fright rate	Mln tkm	223 583	213 174	104,9	Increase in transportation: <ul style="list-style-type: none"> • coal by 6249 million ton-km due to the increase of coal exports to Russia and Ukraine; • petroleum products by 2493 million ton-km due to increased consumption of petroleum products in the RK, the growth of transport fuel to Afghanistan; • construction materials by 667 million ton-kilometers; • chemicals and soda by 1044 million ton-kilometers; • Other goods by 2513 million ton-kilometers
Passenger turnover	Mln passenger km	14 649	13 991	104,7	Increase was mainly due to the appointment of an additional train № 35/36 “Almaty-Astana” and optional additional cars during holidays and weekends
Productivity	Thous KZT/person	4 580	4 051	113,1	Increase in operating income.
Increase in transit through the territory of Kazakhstan by rail	%	8,0	-	-	Increase in cargo in transit.
Flying time	hours	78 925	69 294	114,0	Opening new areas. Growing demand for domestic routes by 8%, for international - by 6%.
Passengers transported	thous	2 989	2 568	116,0	
cargo, baggage and mail transported	tons	19 692	16 392	120,0	Growth in demand for freight transportation
Frequency rate of occupational injuries		0,29	0,31	93,6	Implementation of measures to comply with safety regulations.
Percentage of timely movement of freight trains	%	94,8	95,5	99,3%	Handling of preferred passenger trains, detaching of defective cars in the formed train set due to the technical drawbacks and derailling of the rolling stock in the cargo train, delay due to malfunction of the locomotives, adverse weather conditions, and failure to set the time of customs clearance of freight trains by customs officials.
Percentage of timely arrival of passenger trains	%	99,3	98,7	100,6	Failure to set the time of customs clearance of passenger trains by customs officials, weather conditions, the delay due to malfunction of the locomotives.
Punctuality of flights	%	83,0	79,0	105,0	Taking action to improve the quality of passenger service
Labour productivity (number of passengers / planned (actual) involved number for the period in average)	unit	889	847	105,0	A more rapid performance growth compared with growth rates of the average staffing number
Number of aircraft incidents	unit	10	7	143	Growth of performance indicators
Average number of employees	Thous persons	157	147	107	Growth of performance indicators

Following are specific factors of change in *net profit* for the segment in 2011 compared to 2010.

Factors	Changes, bln KZT
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Net income (KZT 129,1 bln for 2011; KZT 74,9 bln for 2010)	54,2
Increase in freight tariffs since January 1, 2001 by 14.8% in average.	80,1
Reversal of impairment of assets: the increase was due to the restored reserve on a non-refundable VAT in the amount of KZT 8.3 bln due to changes in the methodology of calculation of VAT refund under the tax legislation of RK	2,9
Traffic volumes and sales of other services	9,7
Fuel and energy without inflation • increase in the amount of works, as well as increasing the cost of diesel fuel by an average of 16.7% and electricity by 16% (KZT 17 billion); • increase in the price of aviation fuel and entering the fuel surcharge.	-21,5
Depreciation of fixed assets due to the commissioning of new facilities and converting the useful life of fixed assets	-6,6
Others	-10,4

In 2011 it was obtained net income by “International Airport of Atyrau” JSC in the amount of KZT 210.5 million, “Pavlodar Airport” JSC – KZT 1.3 million, net loss of activity of “International airport of Aktobe” JSC was formed at the rate of (-) KZT 3.6 million (in 2010: loss (-) KZT 77 million), which is directly related to inappropriately low rates for airport services.

The negative impact of fixed assets acquired in 2011 on the value of the organizations in the segment is expected to assist the growth of net income in the future.

On January 1, 2011 freight rates by rail were increased by 15% in an average depending on the type of goods and types of routes.

As a result of changes in tariffs from January 1, 2011 in the framework of the Single Economic Space of the Republic of Kazakhstan, the Republic of Belarus and the Russian Federation the tariffs for the transportation of tobacco, makhorka, tobacco products, alcohol and alcoholic beverages, fibers of cotton have been completely unified.

Prices for jet fuel in Kazakhstan were in 2010 - \$ 430, in 2011 - \$ 666 (increase by 55%), in average total in 2010 - \$ 679, in 2011 - \$ 925 (increase by 36%).

In 2012 KTZh will take steps to make effective use of fixed assets, Air Astana - improving the punctuality of flight operations and productivity.

KTZh is also working to reduce costs and optimize the structure of assets, basically, duplicate functions will be excluded, structures involved in similar activities will be combined, and non-core assets will be implemented in a competitive environment and the relevant authorities.

Series of documents signed by KTZh in 2011 **contributes** to the following:

- development and increase in transportation on China-Europe route and back, as well as the Central Asia – China route, including through the Horgos-Altyntkol border crossing;
- increase in cargo transportation through the Khorgos-Altyntkol border crossing. Several memorandums of understanding and cooperation between KTZh and COSCO GROUP, KTZh and Jiangsu Lianyungang Port Co.Ltd, KTZh, and Sinotrans & CSC, KTZh and Tianjin Port Company, KTZ and China Shipping Sontainer Lines Co., Ltd were signed.
- providing quality and competitive service for additional cargo passing through the ports of the Republic of Estonia, to the Almaty 1,2 stations, stations of the East Kazakhstan region and the Alamedin station of Kyrgyz Republic.
- implementation of international multimodal transportation;
- strengthening the interaction of the Kazakh-German economic and transport links. In particular, special attention will be paid to the organization of container trains plying on the principle of “just in time” on the ground transcontinental routes in international traffic of Asia - Europe and back.

Air Astana plans to buy aircraft which will allow the company to reduce the cost on operating lease and, accordingly, the cost of services provided.

Capital costs for this segment in 2011 amounted to KZT 394 billion, KZT 96 bln of which - maintenance of productive assets and other fixed assets, and for the development – KZT 290.4 billion, Capital costs were primarily directed on the following projects:

1) “Construction of the Zhetygen-Korgas railway”. The project aims at improving the transit potential of Kazakhstan, as well as the opening of the second international railway crossing border between the countries. In December 2011 the 1st stage of the complex was opened with the opening of the working motion.

2) “Construction of Uzen - state border with Turkmenistan railway”. The project aims to increase transit capacity of RK considering a direct connection with Turkmenistan, Iran and Persian Gulf countries.

3) “Construction of “turnkey” plant on production of passenger cars "Talgo" in Astana”. The project aims at improving the efficiency of production and economic activities of the company, including production of passenger cars.

4) “Construction of locomotive assembling plant in Astana”. The project aims at improving the efficiency of production and economic activities of the company, including production of mainline locomotives.

5) “Construction “turnkey” plant for the production of modern electric locomotives”. The project aims at improving the efficiency of production and economic activities of the company, including production of modern electric locomotives.

6) “Construction of the primary backbone transport network”. The project aims at improving the efficiency of production and economic activities of the company, including construction of transport digital communication network (fiber optic), using telecommunications equipment STM 4 and STM 16 for corporate clients and JSC “NC “KTZh”.

7) “Technical re-equipment of manufacturing complex of LLP “Taman”. The project aims at improving the efficiency of production and economic activities of the company, including domestic production of freight cars.

8) “Construction “turnkey” Television and Radio Complex in Astana”. The project aims at building a modern Tele and Radio Complex (*on behalf of the Government*). In December 2011, the Complex was opened with the participation of the President of the Republic of Kazakhstan.

9) “Acquisition of freight wagons”. The project is aimed at ensuring the needs of freight rolling stock.

10) “Acquisition of passenger cars and electrical trains”. The project aims at improving the efficiency of production and economic activities of the company, including ensure the needs of passenger transport in the rolling stock.

11) “Acquisition of locomotives”. The project aims at improving the efficiency of production and economic activities of the company, including ensure the requirements in the provision of locomotive traction services.

12) The project “Acquisition of containers”. The project aims at improving the efficiency of production and economic activities of the company, including ensure the needs of container traffic in containers.

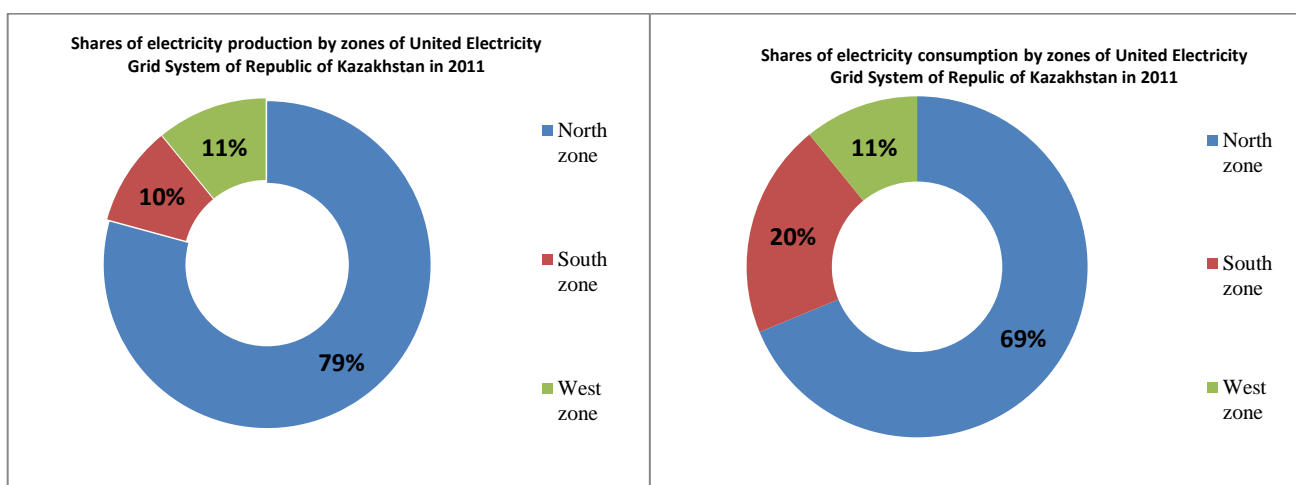
3.4 “Power” segment

Performance indicators

Description	UoM	2011	2010	2011/2010, in %	Factors
Implementation of electric power	million kWh	5 330	4 993	107	<ul style="list-style-type: none"> • economic growth, electricity production increase • increase in the purchase of electric power by consumers from generating companies and power suppliers through KEGOC; • increase in the transit of electric power through networks for the UES of Russia by 84.8%; • increased demand due to lower air temperature in winter; • establishment of power generation capacity of Samruk-Energy rose from 3670.9 up to 7670.9 MW.
Production of heat energy	thousand GCal	7 756	7 460	104	
Implementation of heat energy	thousand GCal	7 703	7 397	104	
Providing services for power transmission	million kWh	7 961	7 548	105	
Power transmission	billion kWh	41,0	34,7	118	
Technical dispatching	billion kWh	80,8	76,0	106,3	
Organization of balancing production and consumption of electric power	billion kWh	145,9	138,4	105,4	
SAIDI	Min/year	6,28	9,83	63,9	Reduction of number of consumers affected by interruption in the power supply and duration of the interruption of power supply.
SAIFI		0,16	0,18	88,9	Reduction of number of consumers affected by power interruption.
Average staffing number	Thous persons	22,4	22,9	97,8	

Description	2011	2010	Changes	
			billion kWh	%
Electricity production in RK, including:	86,2	82,3	3,9	4,7
TPP and GTPP	78,3	74,3	4,0	5,4
HPP	7,8	8,0	-0,1	-1,8
Including by zones				
North Zone	68,3	65,2	3,1	4,8
South Zone	8,5	8,2	0,2	3,1
West Zone	9,4	8,9	0,5	6,1
Electricity consumption in RK including by zones:	88,1	83,8	4,4	5,2
North Zone	60,56	58,3	2,3	3,9
South Zone	18,0	16,2	1,8	11,1
West Zone	9,6	9,3	0,3	3,4%

South Zone is suffering from power shortages, and most of the energy deficit is compensated by the overflow of energy surplus from the North Zone through two transit HV lines of “KEGOC” JSC North-South.



To cover the deficit of electricity in the South Zone of RK the significant amount of electric power is imported from the power grid of Central Asia - Kyrgyzstan (see table below).

However, with the beginning of the autumn-winter 2011/2012, non-contractual and unpredictable outfeed of electric power and capacity from the UPS of Kazakhstan was observed on the part of the power system of Uzbekistan.

Currently, the claim to SJSC “Uzbekenergo” has been prepared in the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation in the total amount of USD 10.8 million.

Description	2011	2010	Changes	
			billion kWh	billion kWh
Electric power import, including:	2,63	2,04	0,60	29,4
Russia	0,18	0,40	-0,23	-56,1
Central Asia (Kyrgyzstan)	2,46	1,63	0,82	50,4
Electric power export, including:	0,70	0,56	0,14	24,2
Russia	0,38	0,56	-0,18	-32,2
Central Asia (Uzbekistan)	0,32	0,00	0,32	
Net power flow, including:	1,93	1,47	0,46	31,4
Russia	-0,21	-0,16	-0,04	26,8
Central Asia	2,14	1,63	0,51	30,9

Since September 1, 2011 new tariffs for regulated services of KEGOC have been introduced. The price for electric power transmission services through the national power grid is set at 0.953 tenge / kWh, for technical dispatching the supply in the grid and electricity consumption - 0.118 tenge / kWh.

The tariff for the service on balancing production and consumption of electricity is remained unchanged at 0.032 tenge / kWh.

The limit tariffs were applied for all energy-producing subsidiaries of Samruk-Energy (except for the JSC “Aktobe CHP”).

From 21.01.2011 the tariff of 11.02 tenge / kWh was put for “AlmatyEnergoSbyt” LLP.

The following tariffs for services in electricity transmission and distribution were imposed by Order of ARNM:

- JSC “Alatau Zharyk Kompaniyasy” for the medium term at the rate of 3.41 KZT / kWh since 01.09.2009 until 31.08.2012;
- JSC “Mangistau REC” - 1.95 KZT / kWh since 01.06.2009.

The following tariffs of companies, approved by the ARNM for services on the production of heat energy:

- JSC “Almaty Electric Power Plants” (hereinafter - JSC “AIES”) - 2 244.73 tenge / Gcal since 01.10.2009;
- JSC “Aktobe CHP” - 844.55 tenge / Gcal since 02.11.2009;
- JSC “Station Ekibastuz GRES-2” (hereinafter - JSC “EGRES-2”), the average tariff - 692.46 tenge / Gcal since 01.01.2011;
- JSC “Zhambyl GRES” (hereinafter - JSC “ZHGRES”) - 1 049.50 tenge / Gcal since 12.06.2002.

Below are given the factors of change in net profit of companies in this segment.

Factors	Changes, bln KZT
Net income (KZT 38,5 bln for 2011; KZT 20,8 bln for 2010)	17,7
Share in income from associated and jointly controlled companies	17,9
The growth of rates for regulated services	5,7
Volumes: <ul style="list-style-type: none"> • implementation of the services on balancing production and consumption; • implementation of technical dispatching services; • power transmission of KEGOC; • power grid control in Uzbekistan; • transit of electricity though UES of Russia; • sales of electricity and heat power, taking into account the amount of electric power purchased by consumers through KEGOC; • electricity production and consumption in Kazakhstan by 4.7% and 5.2% compared to 2010. 	1,4
Reducing the cost of process water due to the fact that in 2010 there were significant costs upon the court order, these costs were not available in 2011.	3,1
GAC	-3,0
Depreciation and amortization of intangible assets: <ul style="list-style-type: none"> • commissioning of major projects in 2010 	-2,1
Others	- 5,3

Companies of the segment will mostly hold the following measures:

- modernization of substations 500 and 220 kV of branches Aktobe MPS, Western MPS and Shymkent MPS;
- together with the Government the work to reduce unauthorized use of power and capacity of the UPS of Kazakhstan by Uzbek party;
- reduction of the depreciation of fixed assets;
- improvement of working capital management.

Currently the companies are working towards the entering the People’s IPO.

Capital costs for this segment in 2011 amounted to KZT 109.3 billion. KZT 23.9 billion of which – for maintenance of productive assets and other fixed assets, and for development – KZT 85.4 billion. Capital costs were mainly directed on the following projects:

1) “Modernization of the NPG, I stage”. The project aims at raising the technical level and reliability of NPG by replacement of obsolete equipment at the substations for the new one.

2) “Modernization of NPG, Stage II”. The project aims at raising the technical level and reliability of the NPG in Kazakhstan by assembling modern high-voltage equipment at substations. The project calls for modernization of equipment at 55 NPG Kazakhstan substations during 2010-2014 which had not been included to the scope of the first stage modernization

3) “Reconstruction of 220 kV overhead transmission line TsGPP SS – Ossakarovka SS”. The project aims at improving the reliability of electricity supply in Astana

4) “Construction of 500 kV Second Transmission Line of Kazakhstan North-South Transit. The project aims at covering electric power deficit of southern areas of Kazakhstan by increasing the transmission capacity of electricity in the north-south direction from 4.5 billion kWh up to 7.5 billion kWh.

5) “Moinak Electricity Transmission”. The project is aimed at ensuring the delivery of capacity Moinak HPP being under construction.

6) “Construction of 500 kV Alma SS connected to Kazakhstan National Grid via 500, 220 kV lines”. The project is aimed at ensuring the reliability of power supply of Almaty and Almaty region, power delivery from the first stage of the Balkhash thermal power plant.

7) “Construction of 500 kV North-East-South”. The project aims at strengthening ties of the East region with the UPS of Kazakhstan.

8) “Construction of Moinak HPP at the Charyn river”. The project aims at creating a maneuvering power source to supply electric power and energy to the deficient power grid of the South Zone of Kazakhstan. Covering the peak loads of the South Zone (work in the created balancing energy market).

9) “Modernization and reconstruction of Aktobe CHP”. The project aims at optimizing the energy supply and energy regimes, improving the efficiency of the equipment used, increasing the capacity of power stations and replacing the obsolete equipment.

10) “Expansion and reconstruction of EGRES-2 with installation of a generating unit of station № 3”. The project aims at improving the security of energy supply for industry, the domestic sector and the population of the Pavlodar region, covering the deficit of the South and the Aktobe region, strengthening the country’s export potential.

11) “Construction of the Balkhash Thermal Power Plant”. The project aims at providing consumers of deficient Southern region of the Republic of Kazakhstan with electricity and ensuring energy independence and security of the Republic of Kazakhstan.

12) “Construction of substations of Alatau Zharyk Kompaniyasy JSC”. The project aims at ensuring reliable and efficient operation of electrical networks of the company, capacity expansion to meet growing loads in Almaty.

13) Projects of JSC “AIES” – “Reconstruction and expansion of the Almaty CHP-2. III stage. Boiler station number 8. Reconstruction and extension of the Almaty CHP-1 with CCP installation. Reconstruction and extension of the Almaty CHP-2. III stage. Boiler Room. Reconstruction and construction of combined ash handling system of CHP-1, Reconstruction and expansion of ash dump of CHP-3, Construction of counter-regulating Kerbulak HPP on the Ili River, reconstruction and expansion of CHP-2 of JSC "AIES", III stage. Cooling towers of stations № 1-6, Reconstruction of the cooling tower of st. № 1-4. CHP-3, reconstruction and modernization of hydropower cascade, reconstruction of combined ash handling system of CHP-2”. The projects aim to replace, upgrade, renovate, modernize the existing assets and new construction, as well as maintain the current level of production of electricity and heat power in Almaty and Almaty region.

3.5 “Telecommunications” segment

Performance indicators

Indicator	UoM	2011	2010	2011/2010, in %	Factors
The number of fixed lines	Thous. lines	3 949	3 803	103	Growth in the number of lines laid and new subscribers
The number of subscribers - Mobile communications (voice)	Thous units	1 384	1 230	113	Growth in the number of subscribers of JSC "Altel"
Number of broadband subscribers (ports)	ports	973,4	765,8	127	Increasing number of users, including by reducing tariffs on broadband.
The number of broadband subscribers (legal persons)	units	79,6	66,9	119	
The number of broadband subscribers (individuals)	units	893,8	671,6	133	
The volume of postal services	Mln units	271,8	264,4	103	Growth in the volume of services for the transfer of parcels, express mail, special communications
The volume of financial services	Bln KZT	730,8	613,2	119	Growth in money transfer services, payment of money to individuals, receiving payment on public utilities and other payments, etc.

The volume of agency services	Bln KZT	18,3	7,6	241	Growth in lending the commercial banks - "Home Credit", "Prosto credit"
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In the future Kazakhtelecom will aim at:

- increasing the satisfaction of the growing demand for high-speed broadband access (BBA) services and the expansion of telecommunication services provided by the Company;
- rapid and efficient development of rural telecommunication network based on wireless technology CDMA-450 and meeting the demand of rural people for telecommunication services;
- expansion of existing joints with leading telecom operators of the bordering countries;
- development of innovative services based on Internet Data Centers, representing a complex of network, computer equipment and specialized software, using energy efficient technologies and a high degree of fault tolerance and redundancy;
- development of corporate information and communication services through the development and implementation of comprehensive partnership programs, including the participation of the leading IT service providers (Microsoft, IBM, SAP and HP);
- expansion of the core business "Postal services" by diversifying the product portfolio, high quality of customer service and output of modern and innovative products;
- strengthening the business of logistic services in the initial phase it will build on existing assets (sorting centers, wagon and car fleet, IT-system), and subsequently, after the capacity expansion, accumulation of skills and the formation of a partner network will be released to the external market;
- establishment of a full business of financial services through the implementation of the transition from receipt of agency income to the sale of their own financial services;
- development of IT-infrastructure and the development of quality and reliability brand.

The following are the main factors in net profit for this segment in 2011 compared to 2010

Factors	Changes, bln KZT
Net profit (KZT 51,1 bln for 2011 ; KZT 34 bln for 2010)	17,1
Rebalancing of tariffs for local telephone services	3,7
Growth of the services rendered	9,2
Subsidies from the state budget	0,3
Equity income of LLP "GSM Kazakhstan"	6,1
Corporate Income Tax	0,8
Depreciation of fixed assets in connection with the implementation of major investment project "Construction of FTTH Networks"	-3,2
Impairment of other assets , primarily inventory, due to the commissioning of the software and intangible assets other than goodwill	-1,8
Other	2,0

Capital costs for this segment in 2011 amounted to KZT 44.4 billion, KZT 11.3 billion of which –for maintenance of productive assets and other fixed assets, and for development – KZT 33.1 billion. Capital costs mainly aimed at the following projects:

1) "Development of WLL CDMA network in rural areas of the Republic of Kazakhstan". The project aims at meeting the demand for telecommunication services in rural areas due to the rapid deployment of wireless networks.

2) "Construction of FTTH networks" (Fiber to the Home). The project aims at increasing competitiveness in the telecommunications market. On the first phase there were completed in 2011 supply and installation of GPON equipment in Astana, Almaty, Atyrau, Aktau, Aktobe, Karaganda, Kokshetau, Kostanay, Pavlodar, Petropavlovsk, Taraz, Taldykorgan, Ust-Kamenogorsk, Shymkent. The equipment is being installed in Kyzylorda and Oral.

3) "Introduction and development of IP TV services in the Republic of Kazakhstan". The project aims to introduce fee television services and offer package communication solutions.

4) “Cellular communications of CDMA 2000 1X standard”. The project aims at increasing the capacity of cellular networks and local networks to ensure the projected growth in subscriber base and traffic, as well as expansion of existing coverage in the regions, ensuring adequate quality of service.

5) “Modernization of local telecommunication networks”. The project aims to increase revenue by meeting the existing and potential demand for telecommunication services by increasing the number of users of the data transportation network in the Republic of Kazakhstan.

3.6 “Financial and development institutes” segment

Performance indicators

Description	UoM	2011	2010	2011/2011, in %	Factors
Share of priority sectors in the loan portfolio	%	73	55	133,0	Due to development by projects in priority sectors
Volume of the loan portfolio, billion KZT	Bln KZT	405	439	92,0	Early repayment and low development of the project
on investment projects	Bln KZT	328	362	91,0	
on leasing projects	Bln KZT	23	27	87,0	
on export credit	Bln KZT	54	51	106,0	Due to the growth of development on export credit
Application of funds on the projects, billion KZT	Bln KZT	37	166	22,0	the planned new loans are not implemented
Level of formed provisions to the loan portfolio,%	%	31,3	21,2	148,0	deterioration of the quality of loan portfolio
Investments of private equity funds (hereinafter - PEF) in the projects on the territory of the Republic of Kazakhstan with respect to one tenge of invested funds of the Company	ratio	2,08	2,49	83,0	Reduction commitments of PEF from KZT 176 billion in 2010 to KZT 154 billion in 2011 due to decrease in the size of PEF.
Ratio of liabilities of the Company on investment in PEF to the equity of the Company.	%	94,48	93,16	101,0	Due to increasing commitments of the Company from KZT 70.8 bln in 2010 to KZT 74.0 billion in 2011 with the establishment of Russian-Kazakh fund of nanotechnology on December 20, 2011
Real Estate pool	Sq.m	532 475	561 889	95,0	Changing the structure of the portfolio and reduction of the commitments made. Contracts for the financing of 2 facilities - RC “ASI 33/23” and RC “Gratsiya” were cancelled in connection with the exception of the target contribution from their contracts; the levels of investment have been changed on projects RC “Ishim” and RC “Turan”
Car spaces	items	1135	1613	70,0	
Real estate taken for the property	Sq.m	107 237	46 849	229,0	Premises in facilities of Astana – RC “Astana Zhuldyzy”, RC “Zapad”, RC “Na vodno-selenom bulvare”, RC “Gorodskoy romans”, RC “Aigerim” were taken into ownership
Car spaces taken for the property	items	769	633	121,5	
Disposal real estate, including:	%	92,4	74,0	125,0	
Disposal parking spaces, including:	%	47,0	24,0	199,0	
Local Content of the Developers	%	68,0	61,0	111,5	Construction and installation work on the project RC “Khan Tengri” (Almaty) ahead of schedule. The bulk of expenditure was in the execution of facade work with Kazakhstan's raw materials.
Total amount of funds allocated to the development of entrepreneurship programs at the expense of “Damu” Fund	Bln KZT	659,2	502,0	130,7	Increase is due to the involvement of ADB funds of KZT 22, 2 billion, as well as the implementation of the program “BRM-2020”
Number of projects of MPE covered by the Fund’s programs	units	13 269	10 543	125,8	This increase was due to the large amount of project funding, the program provides for the allocation of funds, as well as the introduction of new programs, namely: SMSB financing program using the funds of ADB (Tranche 1) Financing of SMSB leasing deals (own expense); Program on Funding SMSB in the small towns of the RK.

Below are given the influence of the results of the production activities of large organizations of the Fund included in this segment.

Factors	Changes, bln KZT
Net income (loss) (KZT -389,4 bln for 2011; KZT -160,1 bln for 2010)	-229,3
Changes on the core business have taken place on the following factors: Increase due to implementation of ready-made residential and commercial real estate and participation in construction, Decrease due impairment, to the repayment of previously issued debt and increasing revenues from TRC, placement of Eurobonds	-40,6
Effect of STB as a result of the cost of deferred income taxes, impairment of assets, loss on foreign exchange ce non-operating expenses	-179,8
Others	-8,9

The decrease in net profit in 2011 by **KZT 229.3 billion** as compared with 2010 in the segment “**Financial and development institutions**” was mainly influenced in 2011 by the growth of asset impairment of “BTA Bank” JSC by KZT 107.7 billion and growth impairment of DBK from operating activities by KZT 15.8 billion, and the growth of corporate income tax of “BTA Bank” JSC by KZT 315.7 bln due to deferred losses on the reserves for bad debts.

DBK will strengthen monitoring of execution of credit agreements by the borrowers and carry out active work to find and attract the projects together with the Ministry of Industry and New Technologies and companies of the Fund’s group, primarily for projects within the framework of SPFIID.

Damu will work with second-tier banks, regional coordinating councils and the Ministry of Economic Development and Trade on the time reduction for consideration of the projects on loans guaranteeing.

Real Estate Fund will strengthen control over the contractors under the contracts.

Work has begun on the implementation of pilot projects to invest in housing construction in Astana and Shymkent.

IFK got net profit in amount of KZT 1.3 billion. The bulk of revenue was derived directly from the investment activities through the implementation of the projects and the restoration of reserves from the impairment of investments formed in previous years.

As of December 31, 2011 the IFK’s investment portfolio included 28 projects, IFK investments in these projects amounts to KZT 29.26 billion. Funding for new and additional capitalization of existing projects was not implemented in 2011.

Capital costs for this segment in 2011 amounted to KZT 26.6 billion. KZT 57.2 billion of which - for maintenance of productive assets and other fixed assets, and for development – KZT 26.5 billion, which were used to fund uncompleted real estate facilities.

3.7 “Corporate Center and projects” segment

Factors	Changes, bln KZT
Net loss (KZT-514,4 bln for 2011; KZT -309,5 bln for 2010)	-204,9
Interest income decreased due to the accrual of revenue in 2010 in accordance with IFRS	-218,5
Interest expense increased primarily due to: • interest charges on borrowed loans and securities, interest expenses in accordance with IFRS on bonds and loans; • accrual of loss on loan restructuring of LLP “Ayt Housing Complex” due to changes in the terms of the transaction according to the decision of the Government dated December 1, 2011 № 1513 “On some issues the completion of construction of residential complexes “Akent” and “Lazurnyi kvartal-3”.	23,2
GAC mainly due to sponsor and charitable aid (KZT 27,3 bln)	30,5
Other expenses and income, which affected the increase of loss: • costs of impairment of investment in JSC “BTA Bank” and JSC “Alliance Bank” assessed less; • impairment of financial assets charged more on proceeds and deposits placed in “BTA Bank” JSC due to deteriorating financial condition of “BTA Bank” JSC; • income from changes in the value of options decreased due to changes in fair value in accordance with the optional agreements of the Fund and the main shareholders of JSC “Kazkommertsbank” and JSC “Halyk Bank of Kazakhstan”; • in 2010 there was accrued income from the loss of a significant impact on associated companies (JSC “Kazkommertsbank” and JSC “Halyk Bank of Kazakhstan”); • income from dividends received more due to the increased standard for calculation of the dividend for subsidiaries.	-40,1

3.8 Analysis of changes in significant items of the consolidated balance sheet

Description	Share in %	2011, bln KZT	Share in %	2010, Bln KZT	Changes, bln KZT	Changes in %
Assets		13 413		12 815	598	104,7
Long term assets, including	66	8 903	64,0	8 245	658	107,9
Fixed assets	56	5 029	53,0	4 354	675	115,5
Investments in joint ventures and associated companies	15	1 295	13,0	1 096	199	118,2
Loans to customers	12	1 073	15,0	1 214	-142	88,4
Current assets, including:	33	4 440	36,0	4 564	-124	97,3
Loans to customers	15	667	12,0	563	104	118,5
Funds in credit institutions	16	701	21,0	964	-263	72,7
Cash and cash equivalents	37	1 641	36,0	1 639	2	100,1
Capital and liabilities		13 413		12 815	598	104,7
Equity attributable to equity holder of the parent company, including:	87	4 971	86,0	4 653	318	106,8
Equity capital	81	4 050	84,0	3 892	158	104,1
Capital total		5 729		5 422	307	105,7
Long-term liabilities, including:	70	5 415	68,0	4 997	418	108,4
Loans	67	3 646	65,0	3 228	418	112,9
Loans of the Government of RK	8	431	8,0	406	25	106,2
Current liabilities, including:	30	2 269	32,0	2 396	-127	94,7
Loans	24	551	36,0	854	-303	64,5
Loans of the Government of RK	19	439	20,0	473	-34	92,8
Trade accounts payable	20	443	19,0	460	-17	96,3
Liabilities total		7 684		7 393	291	103,9

The following are specific factors of changes in *the assets, liabilities and capital* for 2011 compared to 2010.

Factors	Changes, bln KZT
<p>Assets</p> <p>1. Non-current assets increased mainly due to:</p> <ul style="list-style-type: none"> the growth of fixed assets from receipt of unfinished construction, oil and gas assets, vehicles, growth in the cost of depreciation of these fixed assets; increase in investments in joint ventures and associates mainly due to increase in the share of income, dividends, retirement. During the period the investment growth has occurred mostly in joint ventures, in particular MangistauInvestments BV, "Gasipeline "Beineu-Shymkent" LLP, "KazRosGas" JSC, "Ekibastuz GRES-1" LLP, "Kazakhoil – Aktobe" LLP, etc.; reduction of long-term loans to customers due to reduced volume of loans provided with maturities over 1 year and increase in the allowance for impairment on loans granted; reduction of the deferred tax asset. <p>2. Current assets decreased mainly due to:</p> <ul style="list-style-type: none"> reduction of the current portion of funds deposited in banks, mainly in bank deposits in the top 10 local credit institutions denominated in U.S. dollars; reduction of the current portion of other current financial assets mainly due to the financial assets available for sale (equity securities) due to reduced cost of equity securities of Kazakhmys PLC, JSC "Kazkommertsbank" and sale of common shares of "Halyk Bank of Kazakhstan" JSC; increase in the current portion of loans to customers by increasing the volume of loans provided with maturities up to one 	598

<p>year and the allowance for impairment on loans.</p> <p>3. Assets classified as held for sale and transfer to Shareholder increased mainly due to the recognition of investment in associated company under the concluded agreement to sell 49% stake in LLP “GSM Kazakhstan OJSC Kazakhtelecom” as an asset held for sale on December 31, 2011</p>	
<p>Liabilities</p> <p>1. Long-term liabilities increased mainly due to:</p> <ul style="list-style-type: none"> • increasing the amount of loans to be repaid after 12 months due to the increase of loans with fixed rate and reduction of loans with the floating rate; • reduction of the long-term liabilities on the funds to customers due to the reclassification of current liabilities; • increase in deferred tax liabilities; • increasing the long-term loans of the Government of RK due to the receipt of long-term loan from the Ministry of Industry and New Technologies for the realization of investment projects. <p>2. Current liabilities decreased as a result of:</p> <ul style="list-style-type: none"> • reducing the amount of loans to be repaid within 12 months due to the increase of loans with fixed interest rate and reduction of loans with floating interest rate; • increase in current liabilities on the clients' funds owing to term deposits, current accounts. 	291
<p>Equity</p> <p>1. Retained earnings increased mainly due to reduction of total income for the year, discount on loans from the Government and the bonds repurchased by the Government (National Bank), reducing the change of interests in subsidiaries / purchase of non-controlling interest, reduction of other operations with shareholder and other distributions to the shareholder.</p> <p>2. Share capital increased by contributions from funds from the national budget.</p>	307

3.9 Floating capital analysis

Name	2011	2010	Change	Change	Factors
Capital turnover in credit institutions ¹⁰	3,70	2,59	1,11	43%	Improvement of the rate is associated with a decrease in amounts in credit institutions
Trade receivables turnover ¹¹	16,77	16,02	0,75	5%	Improvement of the rate is associated with the excess of revenue growth from sales over the growth of trade receivables
Capital turnover ¹²	2,70	2,46	0,24	10%	Improvement of the rate is associated with increased income from the sale and the amount of funds
Accounts payable turnover ¹³	9,81	10,25	-0,44	-4%	Slight deterioration due to the increase in the level of accounts payable in 2010-2011 in relation to 2009

III. Liquidity

1. Analysis of cash flow

In bln KZT

	2011	2010	Change,
Net cash inflow from operating activities	507,7	625,4	-117,8
Net cash outflow in investing activities	-448,1	-668,8	220,7
Net cash inflow / (outflow) from financing activities	-61,8	374,3	-436,1
Net increase / (decrease) in cash and cash equivalents	1,240	328,3	-327,1
Cash and cash equivalents at beginning of year	1 639,5	1 311	328,5
Cash and cash equivalents at end of year	1 640,7	1 639,5	1,2

¹⁰ Capital turnover in credit institutions = Revenue from sales and state subsidies / ((funds from credit institutions at the beginning + funds in credit institutions at the end)/2).

¹¹ Trade receivables turnover = Revenue from sales and state subsidies / (trade receivables at the beginning of a period + trade receivables at end of a period)/2.

¹² Capital turnover = Revenue from sales and state subsidies / ((funds at the beginning of a period + cash at end of a period)/2).

¹³ Accounts payable turnover = Revenue from sales and state subsidies / (accounts payable at the beginning of a period + accounts payable at the end of a period)/2.

The following are specific factors of changes in the *cash inflow* in 2011 compared to 2010.

Factors	Changes, bln KZT
Net cash inflow from operating activities compared to 2010 decreased due to decreased due to a decrease in operating profit, as well as through changes in working capital primarily due to funds deposited at credit institutions, loans to customers, and borrowings, reducing trade payables, other financial assets	-117,8
Net cash outflow in investing activities compared to 2010 increased mainly due to: <ul style="list-style-type: none"> • growth in the acquisition of fixed assets, associates and joint ventures, including 50% of “Gaspipeline “Beineu-Shymkent” LLP, 50% Ural Group Limited BVI, affiliated organizations; • increase cash flow as a result of placement of bank deposits, dividends received from jointly controlled and associated companies; • increase in cash flow from the acquisition of other financial assets. 	220,7
Net cash inflow / (outflow) from financing activities in comparison with 2010 decreased as the result of reduction in cash inflows, including on borrowing, contributions to charter capital, contributions to the charter capital by non-controlling stakes. In this case, the volume of money needed to repay the loans, transactions with shareholders, dividends, etc., decreased mainly due to the reduction of cash flows to repay loans.	-436,1

2. Analysis of financial sustainability

In 2011, significant changes in the structure and the amount of the debt of the Group were not observed. The amount of loans increased by KZT 115 billion, that corresponds to the growth in activities of the Group.

Funds of the customers increased by KZT 117 billion, reflecting the inflow of deposits in JSC “Alliance Bank” and JSC “Temirbank” as their activities are restored.

Table 1 Consolidated debt of the Group

<i>In bln KZT</i>	2011	2010
Loans	4 197	4 082
Loans of the Government of RK	870	879
Indebtedness for the purchase of participation share in the project	321	315
Liability on the financial lease	23	24
Client’s funds	737	620
Derivatives	14	78
Other	42	62
Debt total	6 204	6 060
Minus: cash and cash equivalents	(1 641)	(1 639)
Net debt total	4 563	4 421

Table 2 Analysis of dynamics of the Group’s consolidated debt in 2011

<i>Change to the previous year</i>	Bln KZT	%
Loans	+115	+3
Loans of the Government of RK	-9	-1
Indebtedness for the purchase of participation share in the project	+6	+2
Liability on the financial lease	-1	-4
Client’s funds	+117	+19
Derivatives	-64	-82
Other	-20	-32
Debt total	+144	+2
Minus: cash and cash equivalents	+2	0
Net debt total	+142	+2

A significant increase in EBITDA¹⁴ and equity of the Group provided for the energy prices rising and the overall favorable economic backdrop.

Table 3 Consolidated EBITDA and equity capital of the Group

<i>In bln KZT</i>	2011	2010
EBITDA	1 374	1 092
Equity of the Group	5 730	5 422

¹⁴ EBITDA = Income before corporate tax + financial costs + Depreciation of fixed assets and amortization of intangible assets, considered in the cost of implementation, general administrative expenses, transportation and implementation expenses, other expenses + impairment of losses.

There is a significant improvement in financial stability when a stable level of debt and the positive dynamics of the financial results in 2011 compared to 2010.

The ratio of net debt to EBITDA ratio decreased from 4.0 to 3.3. The ratio of net debt to equity at the end of 2011 amounted to less than 1.0.

Table 4 Indicators of long-term financial stability of the Group

	2011	2010
Debt / EBITDA	4,5	5,5
Net debt / EBITDA	3,3	4,0
Debt / Equity	1,1	1,1
Net debt / Equity	0,8	0,8

The financial stability of the Group, excluding second-tier banks also improved significantly in 2011.

Table 5 Key financial indicators of the Group (without STB)

<i>In bln KZT</i>	2011	2010
Debt	4 741	4 683
Net debt	3 152	3 139
EBITDA	1 454	1 258
Equity of the Group	5 900	5 366

Table 6 Indicators of long-term financial stability of the Group (without STB)

	2011	2010
Debt / EBITDA	3,3	3,7
Net debt / EBITDA	2,2	2,5
Debt / Capital	0,8	0,9
Net debt / Capital	0,5	0,6

The ratio of Debt / EBITDA of the Group, excluding STB decreased from 3.7 in 2010 to 3.3 in 2011. The ratio of Net debt / EBITDA of the Group, excluding STB at the end of 2011 amounted to 2.2, indicating a considerable stock of financial stability.

On February 29, 2012 a meeting of the Council on management of the National Fund of the Republic of Kazakhstan under the chairmanship of the Head of State N.A. Nazarbayev was held. The meeting adopted important strategic decisions that have a significant impact on the financial stability of the Group.

Following the meeting it was decided to extend the terms and lower interest rates on loans totaling KZT 850 billion, previously allocated from the National Fund for the anti-crisis programs, which ultimately will significantly reduce the financial burden on the Fund. Thus, the debt will be reduced by KZT 329 billion and the capital of the Fund will be increased. Meanwhile, the annual expenses of the Fund will be reduced by 2.4 bln a year.

In addition, it was decided to allocate JSC “KazMunayGas” a loan from the National Fund in the amount of USD 4 billion, which will be used in two tranches and directed to repay the Eurobonds of JSC “KazMunayGas” in 2013 and 2015. This measure will allow JSC “KazMunayGas” reduce the size of external debt, maintain the resistance to problems in the global economy and continue to participate in the largest project on the development of the Kashagan field, without prejudice to its investment program.

The total external debt of JSC “KazMunayGas” as of March 31, 2012 amounts to about KZT 1.9 trillion, with almost KZT 1.2 trillion of this amount falls on the Kashagan project. Thus, the above-mentioned loan is an effective tool for managing the quasi sovereign debt and maintaining participation of JSC “KazMunayGas” in the Kashagan project.

Also, in accordance with the agreement on the settlement of certain questions of the North-Caspian project between the Government of Kazakhstan and the contracting companies, the members of the consortium North Caspian Operating Company (NCOC, the operator of the North-Caspian Project) will finance the investment share of “KazMunayGas” JSC in the Kashagan project in 2012-2013.

As of March 31, 2012 the total nominal external debt of the Group (excluding STB) is as follows:

Table 7 Nominal external debt of the Group

<i>In bln KZT</i>	31.12.2009	31.12.2010	31.12.2011	31.03.2012
“Samruk-Kazyna” JSC	89	147	237	266
“KazMunayGas” JSC	1 708	2 005	1 885	1 879
“Development Bank of Kazakhstan” JSC	475	625	590	582
“Kazakhstan Temir Zholy” JSC	161	271	205	204
“Kazatomprom” JSC	61	122	116	113
“KEGOC” JSC	48	46	75	76
“Samruk-Energy” JSC	19	25	28	37

JSC “Entrepreneurship Development Fund “Damu”	0	0	22	22
“Kazakhtelecom” JSC	28	11	14	13
“International Airport of Atyrau” JSC	2	2	1	2
“Kazpost” JSC	1	1	1	1
TOTAL	2 592	3 255	3 174	3 195

85% of the nominal external debt of the Group accounts for the Fund, JSC “KazMunayGas” and JSC “Development Bank of Kazakhstan”. At the same time the Fund and JSC “Development Bank of Kazakhstan” generate sufficient interest income to service the existing debt.

The ratio of nominal debt of the Group as of March 31, 2012 to EBITDA of the Group for 2011 amounts to 2.3.

Given the Group’s financial position in general and future support for JSC “KazMunayGas” in the amount of USD 4 billion from the National Fund, the overall financial stability of the Group, including its ability to promptly and fully serve the existing external debt is estimated as high.

The main risks arising from financial instruments of the Group are presented in the consolidated financial statements of the Fund for 2011.