SAMRUK
KAZYNA

ANNUAL REPORT | 2015

KEY INFORMATION ABOUT THE FUND

Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company is the Fund, where the sole shareholder is the Government of the Republic of Kazakhstan, and whose **Mission** is to improve the national welfare of the Republic of Kazakhstan and to support the modernization of the national economy.

The **Fund** fulfils its **Mission** through the efficient management of Portfolio Companies for increasing their long-term value and sustainable development as well as through making catalytic investments into the development of priority sectors of the national economy.

VISION OF THE FUND AND CRITERIA FOR PERFORMANCE ASSESSMENT

In the long term, we see the Fund as a highly effective and fast-growing strategic holding.

We assess the effectiveness of our activity by comparing to major sovereign wealth funds and large private equity funds, which have reached a level of the best global practices in the following three areas:

- Acting as an active investor in relation to its Portfolio Companies, which are competitive players on a world market;
- Optimal choice of catalytic investments that promote the accelerated development of non-resource sectors of the economy, and efficient management of such investments;
- Acting as a role model for the business community and population of Kazakhstan in the sphere labour productivity, capital and resources, as well as for implementation of standards, set of values and principles of the OECD.

OUR FUNDAMENTAL MANAGEMENT PRINCIPLES

Efficient management

- We manage Portfolio Companies by implementing the Shareholder's functions as well as through the Boards of Directors of Portfolio Companies;
- The System of Key Performance Indicators (KPIs) is a key element for assessment of effectiveness of the Fund and Portfolio Companies;
- Our main goal is to create an economic value. A key assessment criterion is the return on investments (ROI). The ultimate goal of portfolio management is – to increase economic value of assets and to prepare them for a complete or partial privatization.

Efficient investment

- Our new assets should become leading companies of the country, and leading companies of the country must be competitive at the international level;
- The majority of our investments are contributed to the development of the national economy. Investments abroad are made only in strategic assets that provide a significant synergistic effect for Portfolio Companies, or with the aim to transfer technological and managerial know-how.

Completeness

- All of the Fund's functional units first of all are targeted at improving the efficiency of its business units in the field of creation of value.

STRUCTURE OF THE GROUP OF FUND

545
COMPANIES WITHIN THE GROUP OF FUND

23
SUBSIDIARIES OF THE CORPORATE CENTER

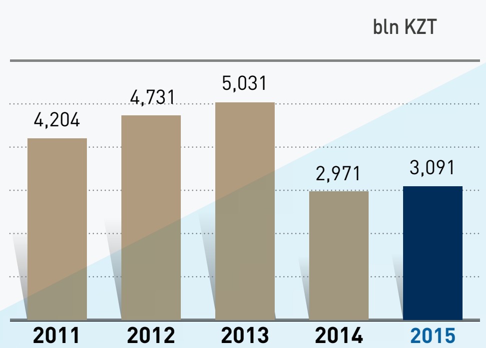
332
SUBSIDIARIES

213
ASSOCIATES AND JOINT COMPANIES AND FINANCIAL INVESTMENTS

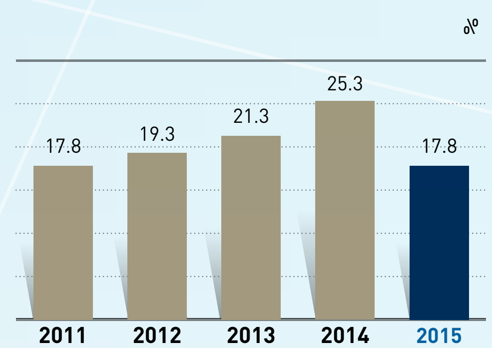
KEY PERFORMANCE INDICATORS

FINANCIAL INDICATORS

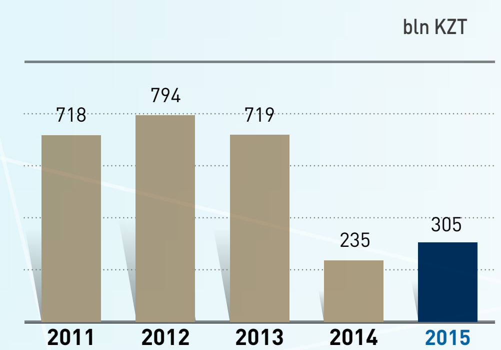
REVENUE



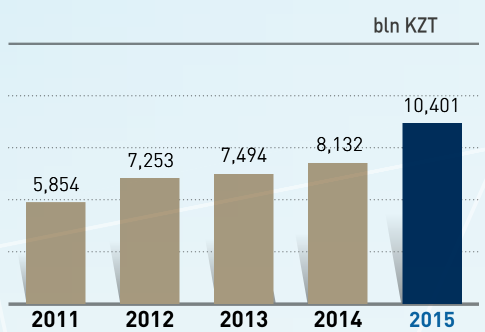
EBITDA MARGIN*



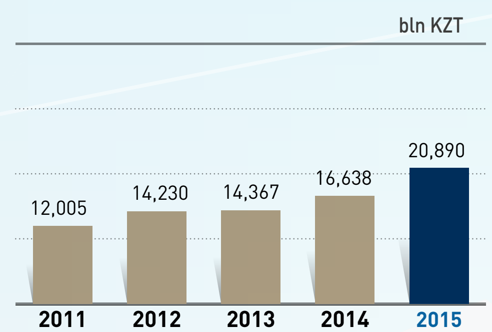
CONSOLIDATED NET INCOME



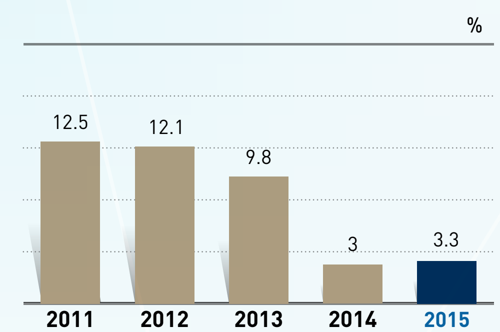
EQUITY



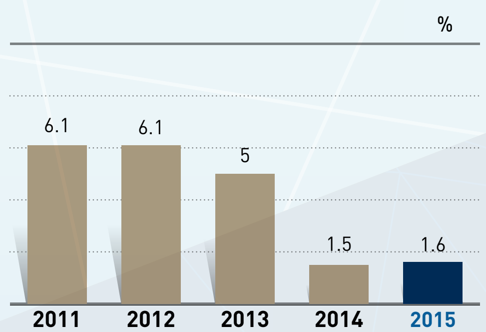
ASSETS



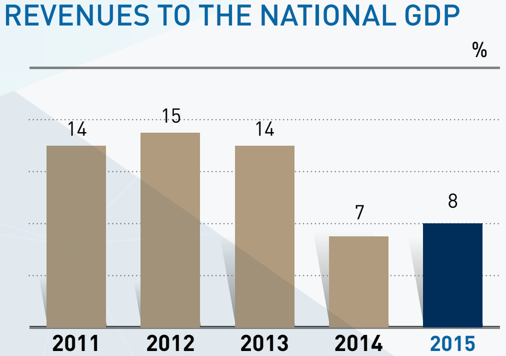
ROE (Return on equity)



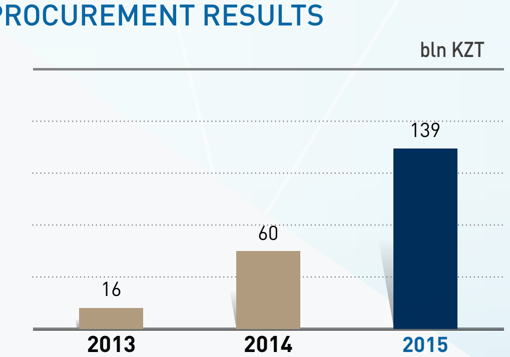
ROA (Return on assets)



AMOUNT OF CONSOLIDATED REVENUES TO THE NATIONAL GDP



SAVINGS ACCORDING TO THE PROCUREMENT RESULTS



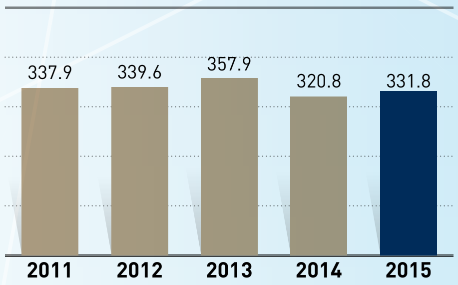
* *operating EBITDA = (Income from sales – Cost of sales – GAE* – TSE*) + (Depreciation of FA and IA in the COGSS, GAE and TSE). Operating EBITDA for 2015 and 2014 was calculated on the assumption that KMG International N.V. had retired from the Group, therefore, intra-group revenues from sale of crude oil to the benefit of KMG International N.V. were restored in the operating income (see the Note 5 to the consolidated financial statements).*

KEY PERFORMANCE INDICATORS

NON-FINANCIAL INDICATORS

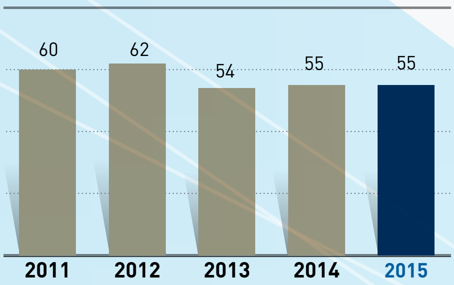
HEADCOUNT WITHIN THE GROUP OF FUND

thousands people



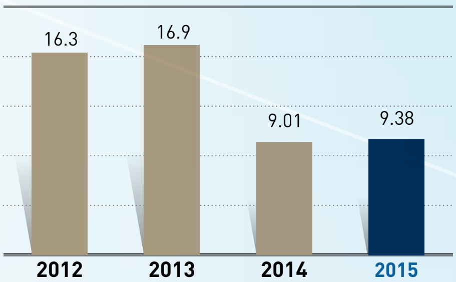
PERSONNEL ENGAGEMENT DEGREE WITHIN THE GROUP OF FUND

%



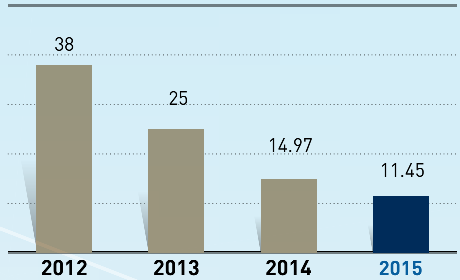
PERSONNEL TURNOVER WITHIN THE GROUP OF FUND

%



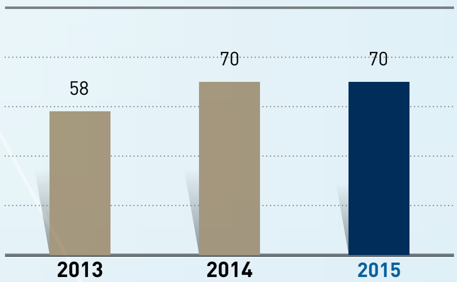
PERSONNEL TURNOVER WITHIN THE FUND

%



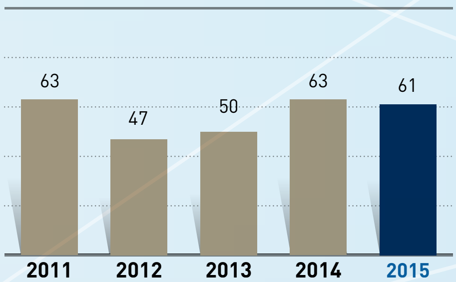
SOCIAL STABILITY RATING

%



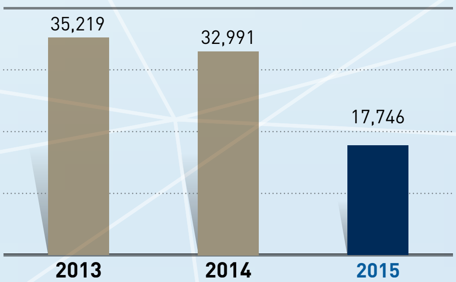
PERSONNEL ENGAGEMENT DEGREE WITHIN THE FUND

%



SPONSORSHIP AND CHARITY, MLN KZT

mln KZT



LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015

		OWNERSHIP RATIO		SEGMENT
		2015	2014	
1	National Company KazMunayGas JSC and subsidiaries	90% –1	100%	Oil and gas
2	KMG Kashagan B.V.	100%	100%	Oil and gas
3	National Company Kazakhstan Temir Zholy JSC and subsidiaries	100%	100%	Transport and logistics
4	National Atomic Company Kazatomprom JSC and subsidiaries	100%	100%	Mining
5	Samruk-Energy JSC and subsidiaries	100%	100%	Electric energy
6	Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	90% +1	90%+1%	Electric energy
7	Kazpost JSC and subsidiaries	100%	100%	Communications
8	Kazakhtelecom JSC and subsidiaries	51%	51%	Communications
9	Air Astana JSC ("Air Astana")	51%	51%	Transport and logistics
10	National Company Kazakhstan Engineering JSC and subsidiaries	100%	100%	Mining
11	Real Estate Fund Samruk-Kazyna JSC	100%	100%	Financial institutions and development institutions
12	National Mining Company "Tau-Ken Samruk" and subsidiaries	100%	100%	Mining
13	United Chemical Company LLP and subsidiaries	100%	100%	Mining
14	Samruk-Kazyna Invest LLP	100%	100%	CC and projects
15	Samruk-Kazyna Contract LLP	100%	100%	CC and projects
16	KOREM JSC	100%	100%	Electric energy
17	International Airport Atyrau JSC	100%	100%	Transport and logistics
18	International Airport Aktobe JSC	100%	100%	Transport and logistics
19	Airport Pavlodar JSC	100%	100%	Transport and logistics
20	Karagandagiproshaht and K LLP	—	90%	Electric energy
21	SK Finance LLP	100%	100%	Financial institutions and development institutions
22	Kazakh Research Power Engineering Institute named after Chokin JSC	—	50% +1	Electric energy
23	KGF IM	—	100%	Financial institutions and development institutions
24	Qazaq Air JSC	100%	—	Transport and logistics
25	Kazakh nuclear power plants JSC	100%	100%	Electric energy
26	Aviation Company Air Kazakhstan JSC	53,55%	53,65%	Transport and logistics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SAMRUK
KAZYNA

SOVEREIGN WEALTH FUND
SAMRUK-KAZYNA JOINT STOCK COMPANY

ANNUAL REPORT 2015

DEAR FRIENDS!

Please accept the Annual Report of Samruk-Kazyna JSC for 2015.

Openness, transparency, accountability – our work is based on these principles, which is evidenced by this Annual Report.

This document has a new format developed and prepared based on new trends and requirements in the area of corporate reporting. This year we decided to change the approach and content of our report, as well as the form.

In the way of large-scale changes, we are irrevocably moving to a totally different quality. We are Transforming.

2015 was dedicated to the Transformation. Our tranformation is a living - completely in tune with the challenges of the time - process. We share with You the results of our work and plans for future periods. Because we want You to become the part of our transformation.

In November 2015, within the Fund we held a contest of our employee's children drawings. The drawings, which scored the highest number of votes, decorated the Fund's Annual Report for 2015 and image calendars of the Fund for 2016. Additionally, drawings of employees' children of our Portfolio Companies were used in our Annual Report. Consequently in this Annual Report you will be able to see the Fund's Group through eyes of children who are the future of Kazakhstan.

WELCOME ADDRESS

BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SAMRUK-KAZYNA JSC

MASSIMOV K.K.
Prime-Minister
Republic of Kazakhstan

DEAR PARTNERS, COLLEAGUES, INVESTORS!

Kazakhstan, as a part of the global economy, is affected by the consequences of the global financial and economic crisis. Considering that Kazakhstan's economy is still dependent on the resource base, particularly the oil sector, and due to the significant drop in oil prices at the end of 2015, Standard & Poor's rating agencies and Fitch Ratings lowered the sovereign ratings of the Republic of Kazakhstan, and, accordingly, lowered rating of Samruk-Kazyna JSC.

In accordance with ambitious Transformation Program of the Fund and its Portfolio companies and following example of the World's Best Sovereign Wealth Funds' experience the work on changing from the operating holding to the business model of strategic holding - active investor has begun. As well as the Fund there are 7 Portfolio Companies which are involved in Transformation.

In 2015, the Development Strategy for 2012–2022 was renewed, which determines the strategic direction and objectives of the Fund and its role in relation to the Portfolio Companies.

The work on reducing the number of governance levels has continued. As a result of optimization of legal structure of ownership of Portfolio Companies, the number of companies in the Fund's portfolio was reduced to 545.

In accordance with the Comprehensive privatization plan for 2014–2016, Samruk-Kazyna JSC put up for auction 76 assets. Of this number, eventually 36 companies were sold. The proceeds from the sale amounted to 49 billion KZT, which is 5.6% higher than the total estimated value of the assets sold. At the end of the reporting year, the updated Comprehensive privatization plan for 2016–2020 was adopted, according to which during the specified period 217 assets are subject to privatization.

Also, new Corporate Governance Code of Samruk-Kazyna JSC was approved, which is fully in line with OECD standards. The new Code emphasis is put on the introduction of advanced principles of corporate governance, in particular, to improve transparency, risk management, sustainable development, the efficiency of the Board of Directors and the fair treatment of shareholders.
The average value of the corporate governance-rating rose from 47% in the major Funds companies in 2009 to 79% in 2015, thus KPI at a rate of 75% of the Development Strategy of the Fund for 2015 was achieved.

Overall results show that the implemented Transformation Program contributes to the achievement of goals and provides the necessary performance improvement of the Samruk-Kazyna group.

Strategic KPI for 2015

75%

WELCOME ADDRESS

BY THE CHAIRMAN OF THE MANAGEMENT BOARD OF SAMRUK-KAZYNA JSC

SHUKEYEV U.Y.
Chairmain of the Management Board Samruk-Kazyna JSC

TOGETHER WE BUILD THE FUND OF THE FUTURE

Net consolidated income of Samruk-Kazyna JSC in 2015 was 304.8 billion KZT and increased by 30% in comparison with 2014.

The group of companies of Samruk-Kazyna JSC paid taxes and payments in the amount of 663 billion KZT in 2015.

In 2015, Samruk-Kazyna JSC paid dividends to the Sole shareholder in the amount of 34.7 billion KZT as the results of activity in 2014. Other payments to the Sole shareholder in the reporting period amounted to 32.2 billion KZT.

2015 was marked by further expansion of the scope of the Transformation Program of Samruk-Kazyna JSC. Currently, transformation covers 6 major national companies of the country, the Fund itself, as well as Portfolio company of the Fund, responsible for implementing the procurement activities within the group of companies of the Fund.

On the pages of this Annual Report, we would like to share our results with you.

For the implementation of the Transformation Program, the transformation teams from the best staff and experts at the level of the Fund and the Portfolio companies were formed. Transformation is held with the expert support of the leading international consulting companies.

Thanks to the fruitful work of effective teams, we have achieved the following results in the past year:

- The strategic KPIs of the Fund and its 6 largest Portfolio companies were approved, the development strategies of the Fund and the 5 biggest Portfolio companies were updated
- The Fund, Kazpost and KTZ have approved target operating models and moved to the stage of implementation
- KMG, Kazatomprom, Samruk-Energy and KEGOC are completing the design stage and started the planning stage in 2016

First, the main task of Transformation Program is the transformation of Samruk-Kazyna JSC into strategic sovereign fund of international scale, and in 2015 important steps towards this task were made. A new business model of the Fund has been developed, in accordance with which the Fund must become a "strategic holding" and an "active investor".

In the new model, the emphasis is put on "Commercial Block" – by strengthening sectoral teams, the creation of new functions for strategy and portfolio management, the creation of new industries. In this regard, 60% of the employees of the Fund will be involved in this direction. The changes also concern human resource management model, corporate culture, improve the quality of management reporting and financial control, the implementation of a project management approach and practice of continuous improvement, as well as the new compliance function.

At the end of 2015, we started work on the implementation of the new organizational structure of the Fund. Under the new organizational structure, positions of CEO-level 1 were reduced - from 16 to 8 Managing directors, as well as reorganization and equipment of units and departments in accordance with the strategic objectives of the Fund. We plan to complete the transition to a new organizational structure in the first half of 2016.

From a strategic point of view, in order to become a highly efficient and flexible strategic holding with business performance on a par with the leading sovereign wealth funds and large private equity group, the Fund will aim to achieve three strategic objectives: **improving long-term value, participation in the modernization of the national economy and sustainable development.**

The strategic vision of the future of the Fund can be expressed in three main points:

1. Strategic holding – managing its companies through effective Boards of Directors and key performance indicators (KPIs)

2. Active investor – setting targets for the portfolio structure, adoption of measures to achieve the objectives through the purchase / sale of shares, the redistribution of dividends

3. Compact organization – reduced size of the portfolio and the number of management levels in a group through the implementation of the Privatization Program

Transition of the Fund as a "strategic holding" and an "active investor" presupposes a revision of the principles and approaches of the Fund to definition and creation of the new industries. We started this work in 2015 and plan to adopt new Principles and Approaches of Samruk-Kazyna JSC on identification and building of new industries that will be a fundamental document, anchoring expectations, goals and long-term vision for the active portfolio management of the Fund, as well as the basic principles, the leverage, target sectors, the parameters of the future portfolio of the Fund, tools and sources for achieving such goals.

Corporate Governance Code, adopted in 2015, will assist the Fund in becoming a strategic holding that manages its companies through the effective Boards of Directors. The Code is primarily aimed at implementing the Transformation Program, as well as the maintenance and observance of proper corporate governance principles, the development and application of sound corporate governance practices of management in the Fund and the Group companies.

In the next two years, the Fund will strengthen the role of the Board of Directors through the formation of highly professional and balanced composition of the Board of Directors, having all of the necessary knowledge and skills, as well as will increase their performance standards.

One of the main important objectives of the Fund is to ensure the compliance of its activities and the activities of the Portfolio companies to the principles of sustainable development: the Fund and Portfolio companies must ensure the consistency of its economic, environmental and social objectives for sustainable development and for the creation of an economic value in the long term. We will also continue the implementation of projects under government programs "State program for Innovative and Industrial Development of the Republic of Kazakhstan for 2015–2019", "Nurly Zhol" and implementation of social projects through the renovation company Samruk-Kazyna Trust.

304,8
bln KZT
net consolidated income

I express my deep gratitude to the employees of the group of the Fund for their dedication and contribution to the development of our companies and Kazakhstan. Each team member plays an important role in achieving the goals of the Fund. I wish you good luck on the journey where **Together We Build the Fund of the Future!**

TABLE OF CONTENT

TOGETHER WE BUILD THE FUND OF THE FUTURE

TOGETHER – this is our team. Each of us is an individual; each contributes to the development of the Group of the Fund and all Kazakhstan. Our values and aspirations are common. Only through joint efforts, we will achieve the strategic goals.

I

RESULTS OF 2015

KEY EVENTS OF THE REPORTING PERIOD

JANUARY

16/01 The President of the Republic of Kazakhstan issued an order to revise work plans of the Fund companies for 2015 and develop special anti-crisis programs
http://sk.kz/news/view/4087

20/01 We started implementing anti-crisis measures
http://sk.kz/news/view/4096

21/01 We started implementing measures aimed at prevention of economic difficulties for 2015.
In 2015, the plans for reduction of the Fund's costs amount to 1.3 bln dollars
http://sk.kz/news/view/4099

FEBRUARY

02/02 Approval of the Development Plan of Samruk-Kazyna JSC for 2015-2019
http://sk.kz/news/view/4103

04/02 Kazpost JSC opened modernized urban post offices in six cities of Kazakhstan
http://sk.kz/news/view/4121

13/02 As part of the Transformation Program, NAC Kazatomprom JSC developed strategic initiatives of the national atomic company
http://sk.kz/news/view/4107

20/02 Management of the Fund summed up the results at the end of 2014 and measures aimed at execution of instructions given by the Head of the state
http://sk.kz/news/view/4110

MARCH

18/03 The Sulfuric Acid Plant SAP-U LLP, a subsidiary of Kazatomprom, produced a mln tons of sulfuric acid
http://sk.kz/news/view/4141

JULY

04/07 Samruk-Energo JSC officially started the Business Transformation Program
http://sk.kz/event/view/254

06/07 A regional airline company QAZAQ AIR was presented in Astana
http://sk.kz/news/view/4237

AUGUST

18/08 Samruk-Kazyna JSC attracts "anchor investors" in Kazakhstan
http://sk.kz/news/view/4262

SEPTEMBER

01/09 QAZAQ AIR airline company started performing passenger carrying operations in regional directions
http://sk.kz/news/view/4269

OCTOBER

16/10 NAC Kazatomprom JSC officially started the Business Transformation Program
http://www.inform.kz/rus/article/2829036

OCTOBER

16/10 Completion of a transaction for purchase of 50% of shares of KMG Kashagan B.V. PLC
http://sk.kz/news/view/4341

28/10 Samruk-Kazyna JSC signed an agreement for opening a 5-year syndicated line of credit amounting to 1.5 bln US dollars.
http://sk.kz/news/view/4345

30/10 NC KTZ JSC adopts a paper-free customer service technology
http://sk.kz/news/view/4346

APRIL

02/04 Air Astana connects Kazakhstan and France *http://sk.kz/news/view/4148*

06/04 Holding of the first meeting of the Committee for control over implementation of the business transformation program - *for details see page 90*

15/04 A new CGC of the Fund was approved by the Decree of the Government - *for details see page 73*

29/04 NC KazMunayGas JSC and Schneider Electric establish a joint venture *http://sk.kz/news/view/4177*

MAY

08/05 Samruk-Kazyna JSC established a subsidiary - QAZAQ AIR *http://sk.kz/news/view/4180*

13/05 KEGOC JSC started officially the Business Transformation Program *http://sk.kz/event/view/247*

14/05 A stock of shares of a major communication operator Transtelecom JSC was sold with a 30% excess of the initial price within the framework of the Privatization Program *http://sk.kz/news/view/4192*

20/05 NAC Kazatomprom JSC redeemed eurobonds in the amount of 500 mln US dollars *http://sk.kz/news/view/4209*

21/05 The first results of the Business Transformation Program were discussed at the panel meeting of Samruk-Kazyna JSC within the framework of the VIII AEF *http://sk.kz/news/view/4202*

22/05 Within the framework of the VIII AEF, Samruk-Energo JSC signed a number of agreements for development of innovation technology *http://sk.kz/news/view/4206*

JUNE

22/06 A new future functional model of the Fund under the Business Transformation Program was approved - *for details see page 22*

NOVEMBER

03/11 The BD of Kazakhtelecom JSC adopts a decision to establish a joint venture in the mobile segment on the basis of Altel and Tele2 *http://sk.kz/news/view/4352*

06/11 NAC Kazatomprom JSC and EDF entered into a contract for delivery of natural uranium *http://sk.kz/news/view/4358*

12/11 NAC Kazatomprom JSC transferred 14 social facilities to akimats of Kyzylorda and South-Kazakhstan regions *http://sk.kz/news/view/4367*

18/11 Presentation of a new functional model of the Fund was held - *for details see page 22*

23/11 Guidelines on implementation Compliance procedures (compliance function) within the Samruk-Kazyna JSC Group were approved by the Management Board of the Samruk-Kazyna JSC

DECEMBER

03/12 Atameken NCE and Samruk-Kazyna JSC reached an agreement for interaction in the field of procurements *http://sk.kz/news/view/4392*

08/12 Presentation of a new organizational structure of the Fund was held - *for details see page 116*

18/12 Memorandum of Understanding between the Fund and Stewardship Asia Centre was signed - *for details see page 110*

28/12 The first supermarket of parcels of Kazpost JSC was opened in Astana *http://sk.kz/news/view/4423*

TRANSFORMATION PROGRAM

Strategy 2050 sets an ambitious goal for Kazakhstan - to increase the volume of investment in the economy and enhance labour productivity for the purpose of becoming one of the **30 developed countries in the world by the year 2050.** The Group owns a number of major assets and plays a pivotal role in achieving objectives specified in the Strategy. In September 2014, the Board of Directors of the Fund approved the Transformation Program. Implementation of the Program is well under way; besides the Fund, **7 Portfolio Companies** have already been involved in the transformation process.

WHATE ARE THE BENEFITS OF TRANSFORMATION?

FOR THE STATE

- Creation and development of more competitive enterprises
- Increase in the value of assets by 2017 – 8–12%
- Dividends payable to the Government of the Republic of Kazakhstan – 20% by the year 2017

FOR THE FUND

- Concentration of resources in business areas with high potential for value creation
- Increase in labour productivity
- Withdrawal from assets and projects that reduce the value of companies

FOR THE COUNTRY POPULATION

- New world-class production facilities and jobs
- Deductions to the state budget that allow developing the social infrastructure
- Significant improvement of the quality of services provided by the Group of companies of the Fund

FOR THE GROUP OF COMPANIES OF THE FUND

- Improvement of financial and operating indicators
- Achievement of the level of international peer companies in terms of certain parameters

Detailed information on the Transformation Program is available a *http://sk.kz/page/programma-transformatsii-ao-samruk-azyna-*

TRANSFORMATION DOES NOT ONLY IMPACT FUND BUT ALSO RELATIONS WITH GOVERNMENT, COMPANIES AND NATION OVERALL

FROM	TRANSFORMATION LEVEL	TO
▶ Stated but not barely deployed goal of contributing to diversification and modernization of national economy	**Fund to Kazakhstan**	▶ Development of **Industry builder** function inside the fund with continuous focus on new investment of strategic national importance
▶ Still acting as operational holding – "micromanagement" ▶ Majority of employees – corporate overhead functions (~58%)[1]	**Fund and PC**	▶ **"Macromanagement"** – 3 steering models with different delegation of authority ▶ **Prevalence of commercial functions** (60%* of personnel in commercial value-adding functions in 2-3 years)
▶ Sectorial teams spend more than 40% of time on working with requests and in meetings	**Fund to Government**	▶ Compact **GR representative office** in Government (for discussion) in order to reformate work between Fund and State
▶ Lack of portfolio management goal	**Fund itself**	▶ Transition to a portfolio life cycle management approach - ultimate goal of portfolio management – prepare each asset for **divesture or privatization**

* *Current estimate is made based on a new vision of commercial vs corporate functions allocation. Target estimate is based on benchmarking.*

Source: the Fund, BCG.

IMPLEMENTATION OF THE TRANSFORMATION PROGRAM - RESULTS OF 2015

YELENA LEONIDOVNA BAKHMUTOVA
Managing Director for finance and operations – member of the Management Board

"First of all, the objective of Transformation is to turn the Fund into an active investor. This means that the Fund will be operating in the following two key areas. **The first area** is to reach the maximum efficiency of the operating companies in terms of profits, productivity and customer-oriented approach. **The second area** is the creation of new economic sectors through start-up projects that cannot be implemented by the private sector due to limited resources, but which are crucial for the development of the national economy and which fall within the state priorities.

At the same time, our objectives are similar to sovereign funds in other countries, including the most effective ones. All SWFs of the world have always had and will have clear commitments to the state in terms of the country's development. The question is how effectively state investment will be made and this is precisely the objective of transformation.

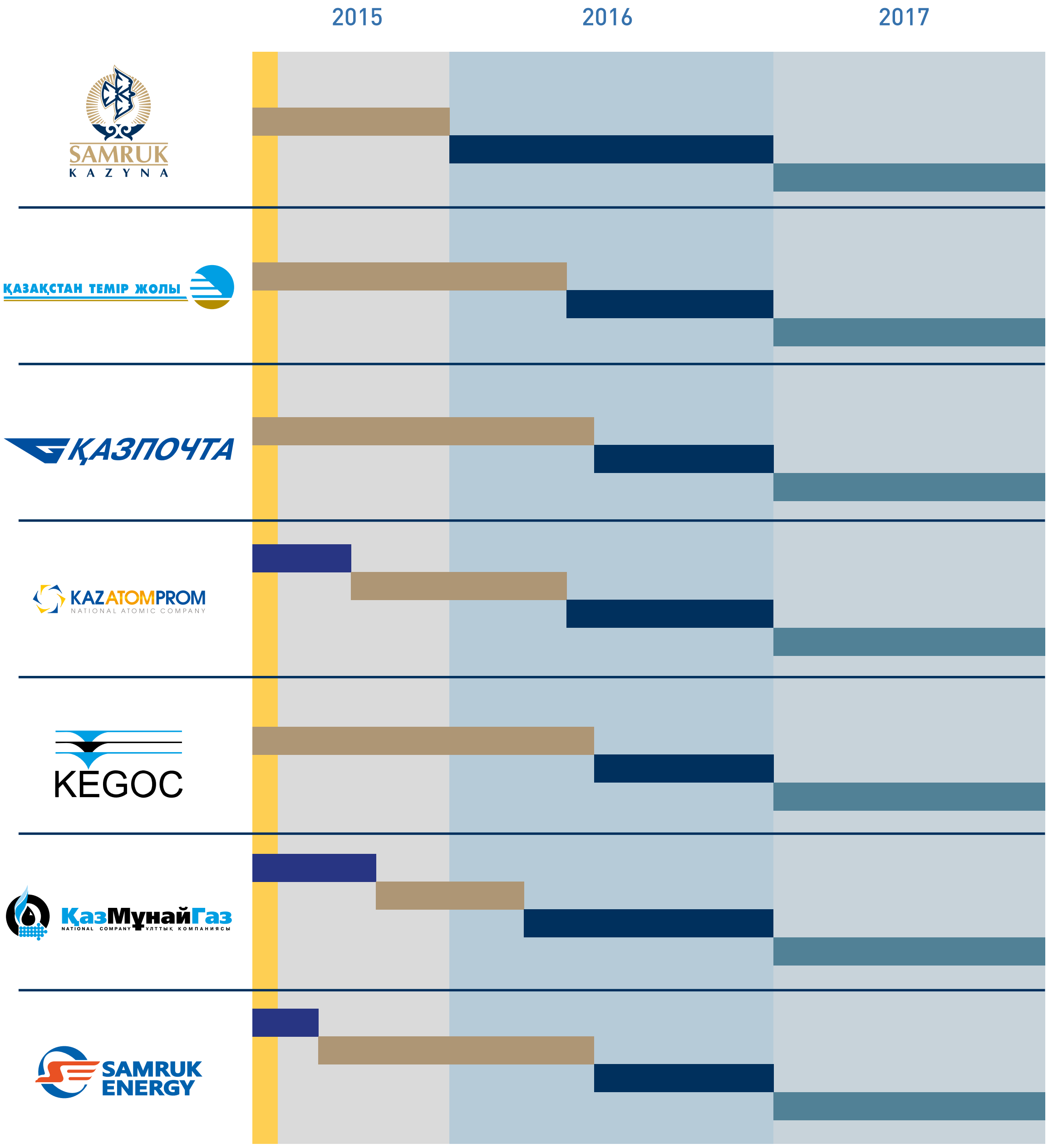
The state will receive both direct benefits from the transformation of the Fund in the form of growth of shareholder's dividends and indirect benefits due to the development of new economic sectors, creation of new jobs, increase in the flow of investment into the country, enhancement of labour productivity and, as a consequence, contribution to the economic growth as a whole.

The world practice evidences that the transformation results are measured not only in implemented point projects and earned dividends: due to transformation sovereign wealth funds provided frequently socio-economic development of the whole state.

Temasek Holdings (Singapore) and Khazanah (Malaysia) managed to diversify assets, attract international investment and develop new economic sectors. Such examples are numerous; all sovereign wealth funds are aimed at improvement of welfare and quality of life of future generations. **Our Fund is moving in the same direction**".

TRANSFORMATION ROAD MAP

(as of April 26, 2016)



Transformation program implementation stages:

- STAGE 0. PREPARATION

  The team is formed and initial documents developed. Training of the team.

- STAGE 1. DIAGNOSTICS AND DESIGN
  Setting the target activity model, grouping results into projects.

- STAGE 2.1. IMPLEMENTATION
  Part 1. Approved projects are implemented according to schedule.

- STAGE 2.2. IMPLEMENTATION
  Part 2. Approved projects are implemented according to the schedule.

ADAMAS ILKEVICIUS
Managing Director for transformation and special projects

"We see two key directions, where the Fund should operate in the future. This is an optimizer of the existing assets, i.e. this is an organization that stimulates more efficient operation of the existing assets, and it should be noted that even the Transformation Program is one of the tools using which we induce companies to achieve improvements at the level of 10–15% instead of 2–3% per year. This is the first direction.

The second direction is a builder of new economic sectors. The Fund's assets, which have their own history of creation and work today, are in need and they should continue working. However, the development of new economic sectors and new areas of activity is one of the main future priorities of the Fund. We must have our own production and make investment in the development of our national economy. The role of the Fund is to create a synergy effect at the level of national companies, it is needed to clarify our costs, where we can get the effect of economic development and allocate labour means. This is what we call the construction of new industries".

LARISA VLADISLAVOVNA ZYAMZINA
Manager of the Transformation Project of the Fund

"We are sure that changes we are going to face will bring only benefits to employees, the Fund and the country as a whole. This assurance is caused by the fact that we have a lot of information about how the best global companies have achieved their positive results. We have carried out extensive work with the aim to study international experience. Recently, the company's staff was enlarged with specialists having international experience, and I am one of them. Our proposed new philosophy will also allow entering a new level of business. It must be understood that transformation is neither a short-term nor a long-term project. It is necessary to undergo a certain start-up phase, transform numerous areas of our activity, and then introduce a culture of constant changes. Many foreign companies face changes on a constant basis, such as improvement of one direction, commencement of new activities and so on. This is part of doing business and a necessary condition for retention of competitiveness at a high level. In general, there is no limit to perfection, and we are going to adopt this philosophy in the Fund.

This will be beneficial for employees since there will be new perspectives and commitment to results, but at the same time, requirements for the quality of work will increase - there will be a need to improve constantly their professionalism and be ready for healthy competition.

Enormous and major challenges are waiting for us. And our success will depend on how successful our common attitude is and how effectively we will build our work as a uniform team.

I would like to quote Alan Keya, whose statement describes very well the historic importance of our mission: "The only way to predict the future is to create it"

IMPLEMENTATION OF THE TRANSFORMATION PROGRAM

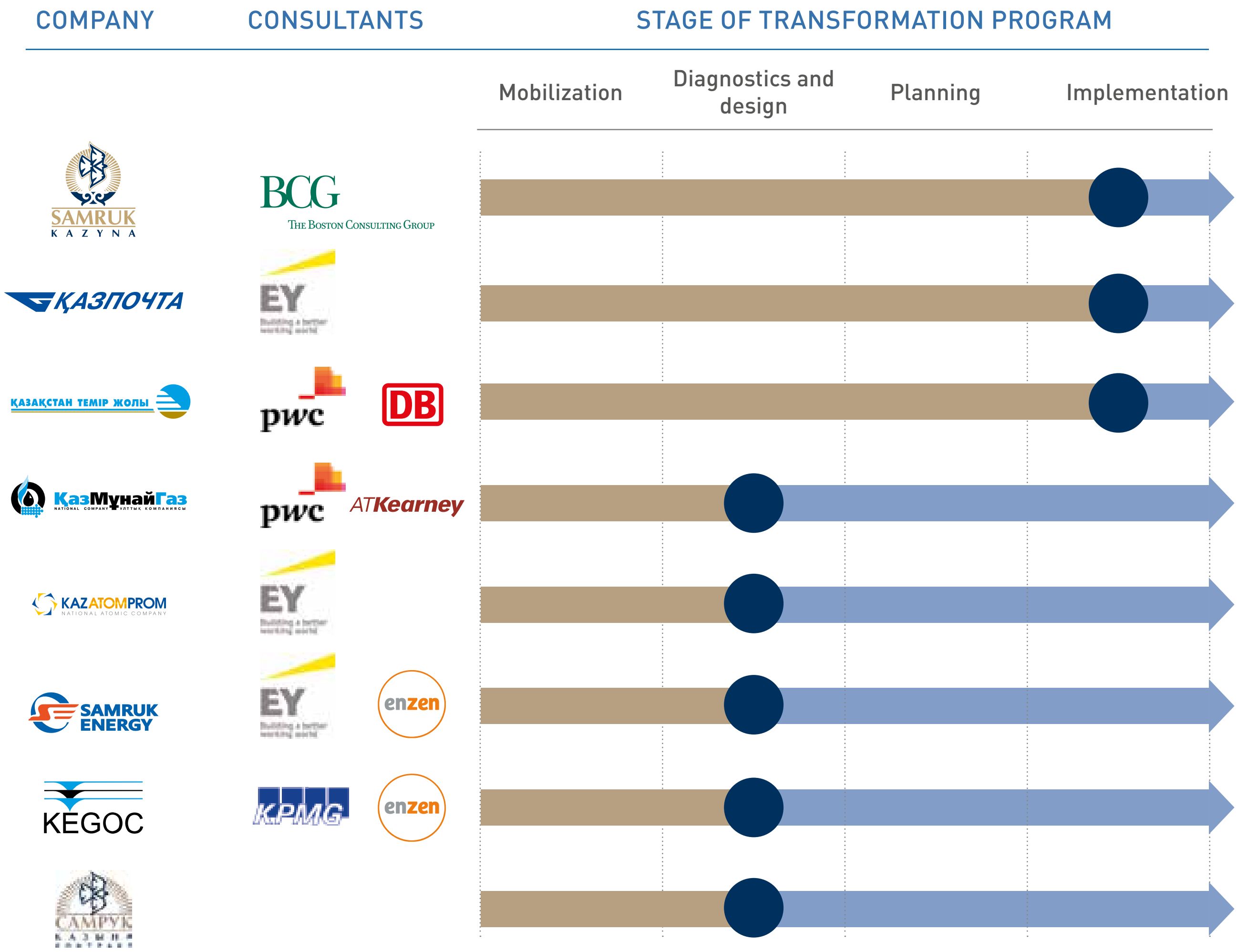
DIRECTION 1: INCREASE IN THE VALUE OF PORTFOLIO COMPANIES

1A: RE-INGENEERING OF BUSINESS

The work aimed at re-engineering of business includes several stages:

- **Stage 0: "Mobilization"** includes the formation of a project team and constitutive documents
- **Stage 1: "Diagnostics and design"**, where a target model of a renewed company's activity is formed
- **Stage 2: "Planning"**, at which projects and regulations are approved
- **Stage 3: "Implementation"**, at which implementation of approved transformation projects is started

With the aim to perform stated types of works and to ensure the achievement of results of improving competitiveness of national companies and achievement of the level of the best global peer companies in relevant industries, leading consulting companies are involved at stages 1, 2 and 3..



THE FUND

- We have developed a **new business model of the Fund**, according to which the Fund is represented as a "Strategic holding" and an "Active investor"
- We have adopted **new fundamental principles of the Fund**
- In accordance with the **new business model**, we have elaborated a new functional model of the Fund including three basic units – **"Commercial unit", "Corporate unit" and "Monitoring unit"**:
  - We have put the main emphasis on strengthening the **"Commercial unit"** – strengthening of industry-specific teams, creation of new functions for strategy and portfolio management and creation of new economic sectors are the basis for achievement of the Fund's strategic objective. In this case, we assume that **60% of the Fund's employees** should fall within the **"Commercial unit".**
  - We will also strengthen the **"Corporate unit"** and **"Monitoring unit"**, the main goal of which is to support effectively the **"Commercial unit"** while maintaining the highest standards of business ethics (compliance) and corporate governance system in accordance with the OECD standards.
  - We have provided for the transformation of HR-function aimed at the development of talents within the Group and creation of a talent pool for the whole country.
  - As part of the development of operating models and business processes for the Group, common Reference Models will be introduced for secondary corporate processes within the Fund and Portfolio Companies, which will allow standardizing the processes and will contribute to saving of time (50–70%) and costs (about 800 mln KZT in 2016):
    - a reference model is a collection of reference processes based on **examples of the best practices**
    - a reference model helps to form a **common approach** to corporate processes within the Group of the Fund.
- For the purpose of introducing **the new functional model of the Fund**, we realize a portfolio of transformation projects, which, besides the creation of new functions of the "Commercial unit", includes projects for transformation and creation of new processes of the "Corporate unit" and "Monitoring unit" such as:
  - change of the HR model, which is based on the following "pillars": grading, transparent recruitment, assessment of competence, certification, motivation of effectiveness;
  - introduction of the corporate culture focused on effectiveness;
  - improvement of quality of management reporting and financial controlling;
  - adoption of the approach to project management and continuous improvement practices;
  - introduction of a new compliance function, which forms the corporate business environment in accordance with best international standards and ensures transparency and honesty among all employees.

Competencies required for transition to the new functional model of the Fund will be provided by implementing the organizational transformation project, which will result in the staff renewal by 20% and staffing level optimization by 20%.

NEW FUNCTIONAL MODEL OF THE FUND

PROCESSES

115 1-st level processes

320 2-nd level processes

> 2000 3-rd level processes

TRANSFORMATION TEAM

> 20 Fund's employees

SAMRUK KAZYNA

> 15 Consultants

Deloitte.

> 10 Regional and Global experts

BCG McKinsey

INTERNATIONAL BEST PRACTICE

TEMASEK HOLDINGS
The Blackstone Group
NORGES BANK
KHAZANAH NASIONAL
KOCH
MUBADALA

COMMERCIAL BLOCK

- Strategy and portfolio management
- New industry building
- Research and Knowledge management
- Asset optimization
- Transformation in portfolio companies

CORPORATE BLOCK

- HR
- IT
- Finance
- Operations

MONITORING BLOCK

- Ethics and compliance
- Risk management & internal control
- Legal
- Internal audit
- Corporate governance and sustainable development

FUNDAMENTAL PRINCIPLES

- Strategy supremacy
- Increase in long-term value
- Adherence to the Corporate Governance Code
- Ongoing improvement
- Compliance with standards, laws and internal regulations
- Unified standards and methods
- Relevance
- Proactive risk management and internal control
- Integrity and responsibility
- Efficient interaction of structural divisions
- Efficient use of resources
- Effective project management
- Domestic customer orientation

1B: REVISION OF A SET AND TARGET VALUES OF STRATEGIC KPIs OF THE FUND AND PORTFOLIO COMPANIES

- New KPIs of the upper level of the Fund and 6 PCs have been approved by the BoD. Revision of KPIs facilitates the early achievement of goals under the Transformation Program - increase in the Fund's assets value by 8-12% per year.

Lists of Portfolio Companies' KPIs has been formed based on the strategic goals and areas of development of Portfolio Companies, and plans for transition to new KPIs take into account specific features of each PC.

EXPECTED OUTCOME OF THE TRANSFORMATION PROGRAM (2015)

7 COMPANIES *

*Number of companies composed of seven target ones (the Fund and 6 industrial groups) with a new set of approved KPIs

ACTUAL OUTCOME

7 COMPANIES

1C: MAKING THE PORTFOLIO COMPANIES' STRATEGIES CONSISTENT WITH THE RENEWED SET OF STRATEGIC GOALS

Strategies of the Fund and 5 PCs were approved at the meeting of the BoD of the Fund and PCs. During the development of Strategies, we took into account the main strategic goals at the state level. Reconciliation of development plans with the strategic goals was carried out in April 2016 during the development of plans for the period of 2016–2020.

EXPECTED OUTCOME OF THE TRANSFORMATION PROGRAM (2016)

6 COMPANIES*

* Number of companies composed of seven target ones with a renewed strategy in accordance with the new approved strategic KPIs

ACTUAL OUTCOME

6 COMPANIES

DIRECTION 2: TRANSITION OF THE FUND TO THE ROLE OF "AN ACTIVE INVESTOR"

2A: SIMPLIFICATION OF THE OWNERSHIP STRUCTURE AND LEGAL FORMS IN PORTFOLIO COMPANIES

As part of the Transformation Program, the number of management levels will be reduced from nine to three or four.

2B: ATTRACTION OF EXTERNAL INVESTORS AND WITHDRAWAL OF NON-CORE AND SOCIAL ASSETS FROM THE PORTFOLIO

- In 2015, as a result of the work aimed to optimize a legal ownership structure of PCs, the number of companies included in the Fund's portfolio reduced to 545. For the purpose of further structure optimization, the Fund implements the Privatization Program for 2016–2020, which provides for optimization of 217 assets of the Group. Implementation of the Privatization Program will also allow solving the problem relating to attraction of external investors.

For more information, see the section "Implementation of the Privatization Program" on page 25.

2C: ADOPTION OF A DYNAMIC APPROACH TO INVESTMENT ACTIVITIES

As part of the Transformation Program, the Fund aims to implement a dynamic proactive approach to investing through the implementation of a number of measures.

- We have started working on the development of new Principles and Approaches of the Fund on identification and building of new industries, which will determine:
  - the target structure of the Fund's assets portfolio in the context of economic sectors, risk and profitability, and the terms of investment as well;
  - mechanisms for implementation of investment priorities: procedure for redistribution and making decisions on investing the Fund's resources.
- The selected **business model of the Fund** meets the best practices of foreign SWFs and recommendations of the OECD for management of Portfolio Companies' shares upon completion of privatization.

DIRECTION 3: TRANSITION OF THE FUND TO THE MODEL OF A "COMMERCIAL STRATEGIC HOLDING"

3A: ENHANCEMENT OF EFFICIENCY OF INTERACTION WITH GOVERNMENT AUTHORITIES

NURLAN KUSSAINOVICH RAKHMETOV
Managing Director for Government Relations

"Before proceeding to the description of the GR function, let's find out what these two letters mean? In English, "GR" abbreviation means the Government Relations - the work, interaction with government authorities. Enhancement of efficiency of the GR function is one of the important directions implemented by the Fund under the Transformation Program. This is the purpose of creation of a separate function, which will allow harmonizing and improving the processes for interaction with the Government and government authorities.

What are the main activities of the GR function? First of all, the GR function will provide partial redistribution of time resources between management and employees of business units of the Fund and Portfolio Companies from interaction with government authorities to solving the objectives that ensure the creation of value. Secondly, the GR function will reduce to the maximum extent the number of requests incoming from government authorities both to the Fund and to Portfolio Companies, which are not related to regulatory functions of the state. Thirdly, the GR function will develop methodologies and rules, and will provide training for the transition to a new model of interaction with public authorities.

Certain changes will occur, and they will be cardinal. However, the scheme of interaction with government authorities will be changed using our joint efforts".

Within the framework of implementation of item No. 4 (creation of a unified contact point of interaction with the Government) of 3A initiative, we implement a number of measures for creation of the function within the group of the Fund for interaction with government authorities:

- At the present time, we are building an effective system of interaction with the government authorities, as the Shareholder and regulator, for implementing strategic objectives of the Fund, including the successful implementation of the Transformation Program.
- As part of implementing the project "Transition to a new model of interaction with government authorities" and formation of the functionality of the GR Department, during 2015 we analysed a share of government authorities in the document turnover of the Fund, specified business processes of the function and held a number of meetings and presentations with the aim to discuss and agree upon the functionality of the GR Department.

- The main goal of the GR Department is to increase the value of the Fund's group companies by means of effective interaction with the Government through:
  - reduction of intervention of the Government as a Sole Shareholder of the Fund in operating activities of the Fund's group;
  - building of a relationship with the Government as a Regulator for the purpose of promoting commercial activities of the Fund;
  - promotion of the Fund's interests through cooperation with key stakeholders in the field of the state policy.

BASIC FUNCTIONS OF THE GR DEPARTMENT

- Monitoring of the entire correspondence of Government authorities and processing of requests is a New function
- Participation in advisory and consultative bodies is a New function
- Representation of the Fund's interests in the Government authorities is a New function
- Monitoring of execution of the Agreement with the Government
- Organization and holding of the Fund Management Council
- Improvement of the GR function and methodological support to Portfolio Companies is a New function

3B: STRENGTHENING THE COMMERCIAL UNIT OF THE FUND THROUGH STRENGTHENING THE ASSETS OPTIMIZATION FUNCTION AND CREATION OF NEW INDUSTRIES:

- Assets portfolio management following the leading practices of foreign SWFs and investment funds
- Creation of new economic sectors with the aim to implement the Fund's mission of modernizing the economy of the Republic of Kazakhstan

3C: NEW MANAGEMENT MODEL

- We are implementing a new Corporate Governance Code, which will provide interaction with Portfolio Companies via the Boards of Directors and management of KPIs. *More information see in the section "Corporate Governance Report" on page 73*

  Benefits from the implementation of 22 projects have been evaluated on a quantitative basis: the cumulative impact on the Fund's EVA will amount to 20 bln KZT at the end of 2018; benefits from increased efficiency of the Fund's business processes will exceed 400 mln KZT.

- The main way of transition to the new management model, which is defined by the new CGC, is changes in the Fund's approaches to the main aspects of activities carried out by the BoDs of PCs:
  - expansion of authorities of the Boards of Directors;
  - formation of the Boards of Directors with the best global practices experience;
  - creation of an effective system of assessment of performance of the Board of Directors;
  - bringing the work of the Board of Directors in accordance with the global best practices.
- Implementing the projects of transition to the target functional model of the Fund is designed till the middle of 2017. At the same time, complete formation of the Fund's team and introduction of 70% of the target business processes should be provided by the end of 2016.
- As a result of implementation of transformation projects in 2017 the Fund will transit to the model of a strategic holding in accordance with the best practices of the OECD:
  - a strategic (non-operational) holding manages the companies via the BoDs;
  - an active investor manages the portfolio of strategic, catalytic and new investment;
  - a compact organization with a flat management structure and optimal processes.

PRIVATIZATION PROGRAM

Privatization is part of the economy denationalization process implying a transition from the predominantly public top-down regulation of production to its regulation based on market mechanisms. Since 1991, the Constitution of the Republic of Kazakhstan has determined identified a right of the private ownership for the first time. At the same time, the first measures for privatization and denationalization were taken with the aim to transform public property into other forms and create conditions for transition to the market economy.

BERIK TURSYNBEKOVICH BEISENGALIYEV
Managing Director for assets optimization – member of the Management Board

"The main objective of the Privatization Program is to improve the efficiency of the economy of Kazakhstan through the withdrawal of state assets into a competitive environment and attraction of private investors. As you know, the program contemplates privatization of 783 companies, including 217 companies owned by the Fund's Group. At the same time, 44 out of 217 companies are major national companies. We have a significant advantage in implementing the program - experience in business transformation gained since 2014. The following components are required for successful privatization: transparency in assets operation, clear strategy and modern business processes. We started working on these issues across the group a year and a half ago and today we already have the results. Therefore, the Privatization Program is a logical continuation of our transformation, and we are more ready for it than others.

The Fund prepares Portfolio Companies in accordance with the best international practices. Using various mechanisms, we are planning to transfer management to private business interested in the development of these companies and in the growth of their performance efficiency. Privatization will also be a stimulus for the development of healthy competition and reduction in state regulation in the business sector.

2015

- Plans for withdrawal to tender – 22 assets
- Assets sold – 15
- Starting value – 25,6 bln KZT
- Excess of the selling price over the starting price – 4%

2014

- Plans for withdrawal to tender – 64 assets
- Assets sold – 21
- Starting value – 21,4 bln KZT
- Excess of the selling price over the starting price – 5.3%

TIMELINE OF THE PRIVATIZATION PROGRAM

2014

JANUARY

17/01 Message of the President of the Republic of Kazakhstan – Privatization Program for 2014–2016

MARCH

31/03 Approval of the Comprehensive Privatization Plan for 2014–2016

MAY

19/05 Creation of the Steering Committee for sale of assets of the group of companies of Samruk-Kazyna JSC

28/05 Approval of the Unified rules for sale of assets and facilities of Samruk-Kazyna JSC

JUNE

5/06 First sale – M3-Secure LLP

JULY

10/07 Creation of the Committee of the Fund for sale of assets and facilities under the Privatization Program

23/07 First meeting of the Committee of the Fund for sale of assets and facilities under the Privatization Program

24/07 Start-up of the call-center for answering the questions regarding privatization of the Fund: +7 (7172) 55 22 66

AUGUST

1/08 Launch of the software and hardware of system of the electronic trade platform of the State Property and Privatization Committee www.gosreestr.kz for holding electronic tenders

23/08 Publishing the first announcement of tenders for sale of KazGeoMash LLP by means of auction

29/08 Holding of the first meeting with potential investors for the purpose of clarification of basic provisions of the Privatization Program

SEPTEMBER

15/09 Virtual information rooms – datarooms were established with the aim to arrange tenders for sale of major assets. Such datarooms provide complete information required for Due diligence.

OCTOBER

10/10 Three Assets of Kazakhstan Temir Zholy were sold for 2.6 billion KZT.

30/10 In NC KazMunaiGas JSC, a meeting with potential investors in fulfillment of the Comprehensive Plan for privatization was held

NOVEMBER

14/11 Media briefing on "Privatization Program – the successes, difficulties and prospects" was conducted

2015

FEBRUARY

20/02 "Round table" on "The second wave of privatization: first results of the program and its prospects in the new economic realities" held

MAY

12/05 49% of "Transtelecom" shares were sold for 8.94 billion KZT

JULY

22/07 51% of FN Management LLP shares were sold for 48.321 million KZT

AUGUST

27/08 100% of shares in Kazakh Institute of Oil and Gas JSC were sold for 7.5 billion KZT

SEPTEMBER

22/09 Another 38 companies of Samruk-Kazyna JSC are included in the list of privatization objects

OCTOBER

1/10 Trading for the commercialization of Birzhan Atyrau LLP and 13.4% of shares of Kaskor-Transservice JSC is finished

29/10 13 objects were put up for sale

NOVEMBER

18/11 ACR JSC sold for 4.7 billion KZT

24/11 Since the start of the Program of privatization 35 assets were sold

26/11 Ak Beren LLP sold for 124.2 million KZT

DECEMBER

30/12 Comprehensive privatization plan for 2016–2020, as well as the list of companies available for transformation to the competitive environment were approved

2016

JANUARY

28/01 Uniform Rules on assets implementation and restructuring was approved

FEBRUARY

1/02 Industrial Committees for sale and restructuring of assets have been created

MARCH

3/03 State Commission for Economic Modernization of the Republic of Kazakhstan considered the assets subject to the restructuring without bidding.

APRIL

22/04 State Commission for Economic Modernization of the Republic of Kazakhstan considered the assets subject to bidding in the II quarter of 2016

29/04 Creation of virtual data rooms with information on assets subject to sale

MAY

4/05 Announcement of the electronic auction for the sale of 49.9% shares in the authorized capital of Kazenergoprovod LLP

More information on the Privatization Program see at http://privatization.sk.kz/

CUMULATIVE RESULT FOR 2014–2015

FUND	
Assets sold by the Fund	36 companies
Total estimated cost of assets sold (without regard to the People's IPO Program)	46,339,196 thous. KZT
Total cost of sales (without regard to the People's IPO Program)	48,952,837 thous. KZT
Proceeds from sale of KEGOC JSC under the People's IPO Program	13,129,999 thous. KZT
Total aggregate cost of sales taking into account the proceeds from sale under the People's IPO Program	62.1 bln KZT
REPUBLIC OF KAZAKHSTAN	
Total assets of public and quasi-public sectors sold in the Republic of Kazakhstan	250 companies
Total amount of assets of public and quasi-public sectors sold in the Republic of Kazakhstan	80.5 bln KZT

EXECUTIVE SUMMARY OF ASSETS SOLD (WITHOUT REGARD TO THE PEOPLE'S IPO PROGRAM) *(thousand KZT)*

No.	PC name	Number of PCs assets sold	Total estimated cost of assets sold	Total cost of sales	Share of the amount of sale in the total amount of sales,%
1	Samruk-Kazyna JSC	1	493,763	503,687	1.03
2	NC KazMunayGas JSC	7	10,633,172	7,912,114	16.16
3	NC Kazakhstan Temir Zholy JSC	21	32,642,043	37,941,881	77.51
4	NC Kazakhstan Engineering JSC	4	479	725	0.00
5	Samruk-Energo JSC	1	2,448,757	2,469,307	5.04
6	NAC KazAtomProm JSC	1	72,663	76,801	0.16
7	Samruk-Kazyna Real Estate Fund Samruk-Kazyna JSC	1	48,320	48,321	0.10
	TOTAL	**36**	**46,339,196**	**48,952,837**	**100.00**

FULL LIST OF PRIVATIZED COMPANIES

1	100% Ecomaster Servicii Ecologice SRL (KMG)
2	100% Igilik RD LLP (KTZ)
3	100% M3-Security LLP (KE)
4	100% Yertys Service LLP (KTZ)
5	100% Kazykurt-Yug LLP (KTZ)
6	30% RemService-SK LLP (KE)
7	20% MARS LLP (KE)
8	25% Bioengineering LLP (KE)
9	100% Gasyr-Mangistau LLP (KTZ)
10	50.0005% Kazakh Energy Research Institute named after Sh.Ch. Chokin (Fund)
11	40% Investment Profitability Research Agency LLP (KMG)
12	49% Kazgeomash LLP (KAP)
13	100% Transport Service Center JSC (KTZ)
14	50% Zhambyl SDPS named after T.I. Baturov (S-E)
15	60.8% Lokomotiv 2030 LLP (KTZ)
16	60.8% Kamkor Zhylu LLP (KTZ)
17	100% Temirzholzhondeu LLP (KTZ)
18	60.8% Temirzholenergo LLP (KTZ)
19	60.8% Express Consulting LLP (KTZ)
20	100% Orda Astana LLP (KTZ)
21	50% Kamkor Management LLP (KTZ)
22	70% Central Asia Protrans LLP (KTZ)
23	100% Kazakh Car Manufacturing Company LLP (KTZ)
24	60.8% Kamkor Wagoon LLP (KTZ)
25	60.8% Kamkor Lokomotiv LLP (KTZ)
26	49% Transtelecom LLP (KTZ)
27	51% Real Estate Fund Management LLP (REFSK)
28	100% Kazakh Institute of Oil and Gas JSC (KIOG) (KMG)
29	100% KIOG Research Center LLP (KMG)
30	100% Caspiymunaygas Scientific Research and Design Institute JSC (KMG)
31	50% Unified Engineering Company KIOG-KGNT (KMG)
32	20% KPJV Limited (KMG)
33	100% Almaty Car Repair Plant JSC (KTZ)
34	13.4% Kaskor-Transservice JSC (KTZ)
35	100% Birzhan-Atyrau LLP (KTZ)
36	100% Ak Beren LLP (KTZ)

COMPREHENSIVE PRIVATIZATION PLAN FOR 2016–2020

Assets planned for transfer into the competitive environment from public and quasi-public sectors	783 companies
Assets of the group of companies of Samruk-Kazyna JSC	217 companies

Assets of the group of companies of Samruk-Kazyna JSC – 217 assets divided into 2 Lists. The first List includes 44 largest first priority assets having socio-economic importance for the country. Such assets will be sold with the involvement of independent consultants.

7 companies out of these 44 assets are planned to be selected for IPO during the period from 2017 to 2020:

- NC Kazakhstan Temir Zholy JSC
- NC KazMunayGas JSC
- NAC KazAtomProm JSC
- Samruk-Energyo JSC
- Tau-Ken Samruk JSC
- Kazpost JSC
- Air Astana JSC

Assets included in the second List – 173 companies – will be sold in accordance with a simplified procedure, mainly by way an electronic auction. It is planned to complete the work on selling the assets included in the second List by the end of 2017.

To date, the Fund has established a special Project Office, which performs the work for preparation of assets, selection of independent consultants and interaction with the State Commission for modernization of the economy of the Republic of Kazakhstan in terms of coordination of decisions relating to methods and conditions of assets sale.

PEOPLE'S IPO PROGRAM

In 2014, as part of the People's IPO Program KEGOC JSC placed 10% minus 1 (one) share or 25,999,999 shares on the Kazakhstan Stock Exchange at the price of 505 KZT per one ordinary share. As a result, KEGOC JSC managed to raise funds in the amount of 13 bln KZT, which were spent on the company's development, including on implementation of investment projects. More than 40 thousand citizens of the Republic of Kazakhstan as well as legal entities became shareholders of KEGOC JSC.

During 2015 KEGOC JSC held two General Meetings of Shareholders (on April 30, 2015 and October 16, 2015), which reviewed and approved issues regulating the Company's activities. In addition, General Meetings of Shareholders made decisions to pay dividends following the results of 2014 totalling 8,614 mln KZT (33.13 KZT per share) and the first six months of 2015 totalling 2,444 mln KZT (9.40 KZT per share). Many shareholders and their representatives took part in General Meetings of Shareholders and exercised thereby an exclusive right to participate in management of the largest electric grid company of the Republic of Kazakhstan.

The last year 2015 has become the first year for KEGOC JSC as a public company and during the entire 2015 KEGOC JSC provided disclosure all the whole required information for shareholders, investors and professional securities market participants.

As of January 5, 2016, according to the Kazakhstan Stock Exchange, the weighted average share price was equal to 723.90 KZT, which was 43.35% higher as compared to the offering price.

More detailed information is available on a website of KEGOC JSC www.kegoc.kz

MANAGEMENT COMMENTS IN ACCORDANCE WITH IFRS (MD&A)

REVIEW OF ACTIVITIES FOR 2015 AS COMPARED TO 2014

YELENA LEONIDOVNA BAKHMUTOVA

Managing Director for finance and operations, member of the Management Board

"According to the data, the consolidated net income of the Fund amounted to 304.8 bln KZT and increased by 30% as compared to 2014.

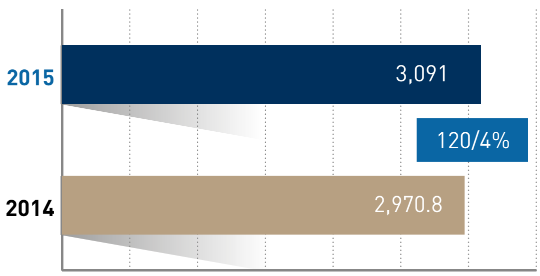
Increase was caused mainly by a positive effect of exchange rate differences. At the same time, decline in oil prices on global markets resulted in a reduction in a profit share of joint ventures and associated companies, as well as slowdown in economic growth in China and Russia having an influence on the performance indicators in individual segments had a negative impact on the consolidated net income.

Operating EBITDA amounted to 638.9 bln KZT, which was 35% lower as compared to the result at the end of 2014 and was caused by 47%-drop in oil prices on global markets. As it is known, in 2015 the average price of an oil barrel was equal to $52 against $99 in 2014.

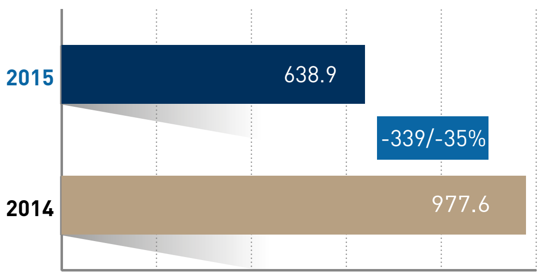
The Debt/EBITDA indicator amounted to 4.93 and increased by 12.3% as compared to the indicator of the last year, which was equal to 4.39. This was caused mainly by increase in the consolidated debt of the Fund due to considerable KZT devaluation.

We expect that the year 2016 will be extremely difficult in economic terms, but, nevertheless, we intend to make it profitable".

Consolidated revenue

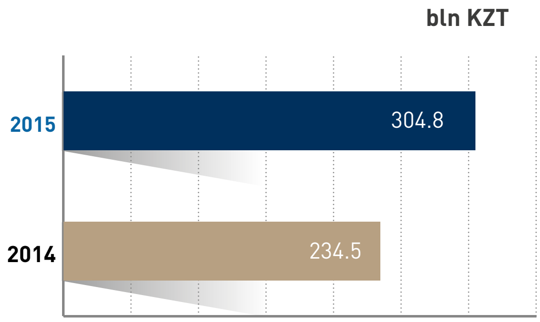


Operating EBITDA*

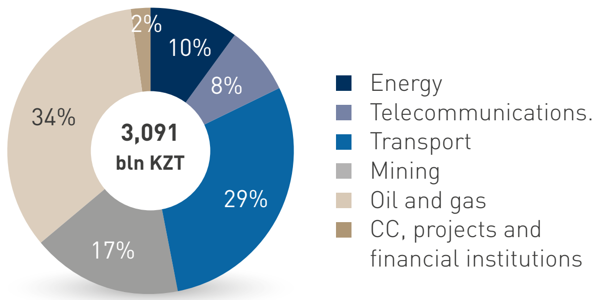


* *operating EBITDA = (Income from sales – Cost of sales – GAE* – TSE*) + (Depreciation of FA and IA in the COGSS, GAE and TSE). Operating EBITDA for 2015 and 2014 was calculated on the assumption that KMG International N.V. had retired from the Group, therefore, intra-group revenues from sale of crude oil to the benefit of KMG International N.V. were restored in the operating income (see the Note 5 to the consolidated financial statements).*

NET INCOME



Revenues by segments, %



In 2015, 34% of the total revenues are accounted for the oil and gas segment (2014: 34%). At the same time, it should be noted that in December 2015 the Group made a decision to sell 51% stake in KMG International N.V. (KMG I). Completion of withdrawal is expected in 2016, therefore, as of December 31 2015, this company is classified as "discontinued operations". Without regard to this classification, the amount of revenue accounted for the oil and gas segment would be equal to 57% (2014: 62%)

Reduction in the operating EBITDA margin is caused mainly by the drop in oil prices at global markets. It should be noted that calculations of the operating EBITDA for 2015 and 2014 were made on the assumption that KMG I had withdrew from the Group, therefore, intra-group revenues from sale of crude oil to the benefit of KMG I were restored in the operating income (note 5 to the consolidated financial statements).

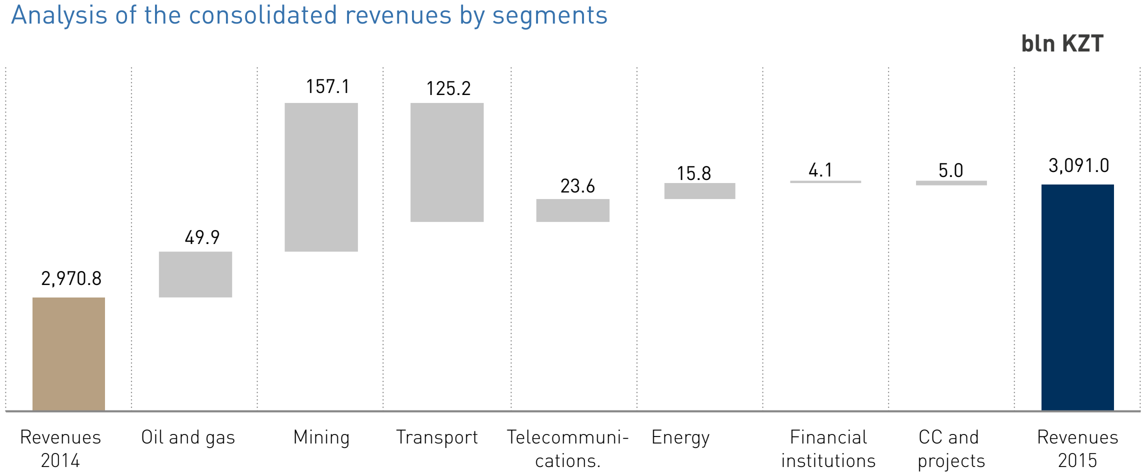
The growth of revenues was affected mainly by the mining segment **(+157.1 bln KZT)**, and the main factors of increase:

- +5.1 bln KZT – growth of revenue from sales of uranium;
- +54 bln KZT – growth of KZT/USD exchange rate;
- +55 bln KZT – growth of revenue of TKS due to growth in sales of refined gold;
- +27.3 bln KZT – growth of revenue of KE due to growth of income from sales of specialized products (since May 2015 KE is a sole operator engaged in execution of the state defence order.).

The reduction in revenues was affected mainly by the transport segment **(-125.2 bln KZT)**, and the main factors of reduction were:

- -58.4 bln KZT – decrease in the cargo turnover by 12.4% on average, passenger turnover - by 5.2%;
- -37.7 bln KZT – decline in income rates due to changes in the cargo turnover structure by types of goods;
- -36.2 bln KZT – decline in loading volumes;
- -10.3 bln KZT – increase in additional charges (due to decline in volumes);
- +23.3 bln KZT – growth of the exchange rate (as a consequence of increase in transit revenues).

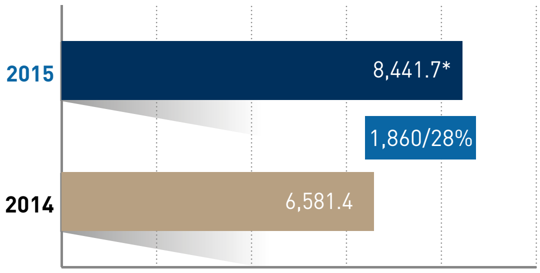
Analysis of the consolidated revenues by segments



FINANCIAL STABILITY OF THE GROUP OF THE FUND

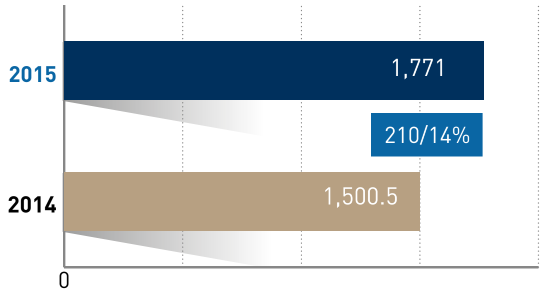
Debt of the Group

bln KZT



EBITDA (comprehensive)

bln KZT

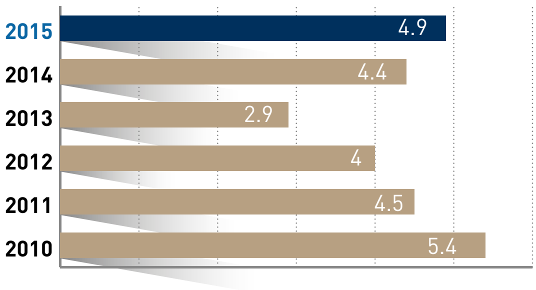


* *Including loans/bonds received from financial institutions in the amount of 6,093 bln KZT but excluding loans received in the course of discontinued operations*

EBITDA (comprehensive) – Net income before taxes, amortization (of tangible and intangible assets) and interest over a period of 12 months preceding the reporting date..

Debt/EBITDA

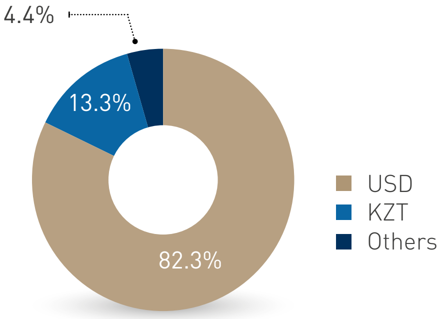
bln KZT

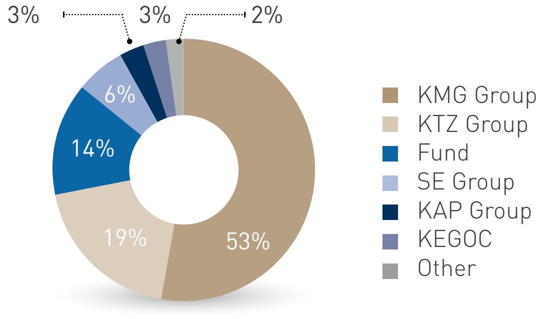


STRUCTURE OF LOANS GRANTED BY FINANCIAL INSTITUTIONS IN 2015 (TOTAL: 6,093 BLN KZT)

Increase in the consolidated debt/EBITDA indicator in 2015 as compared to 2014 was caused by increase in the group's debt. Increase in debt was affected significantly by a transition to a freely floating exchange rate that took place in August of 2015 and subsequent devaluation of the national currency. At the same time, the most part of the Group's debt was denominated in US dollars.

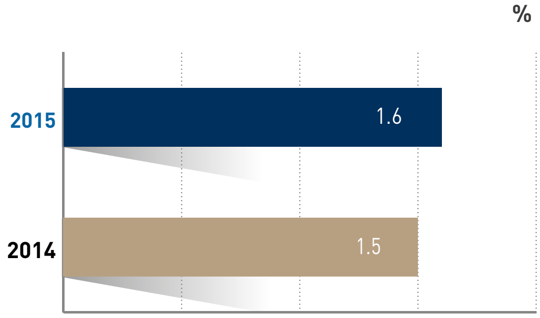
In 2015, the external debt of the Group decreased by 7.0 bln US dollars or by 30% (as of December 31 2014 the external debt amounted to 24.3 bln US dollars; as of December 31 2015 the figure was equal to 17.3 bln US dollars, respectively). The external debt structure was composed as follows: 59% – KMG, 18% – KTZ, 9% – the Fund and the rest debt was accounted for other companies of the Group.



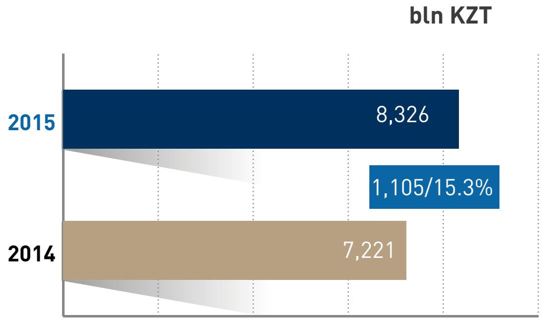


EFFECTIVENESS OF USING THE ASSETS WITHIN THE GROUP OF THE FUND

ROA



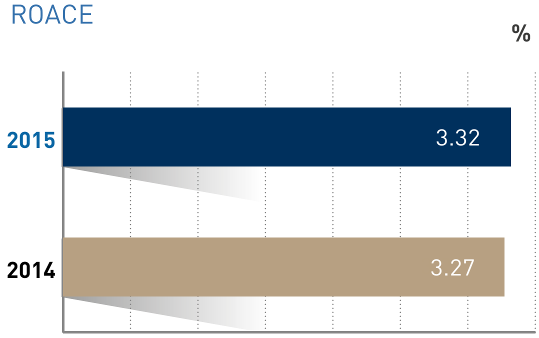
Cost of net assets*



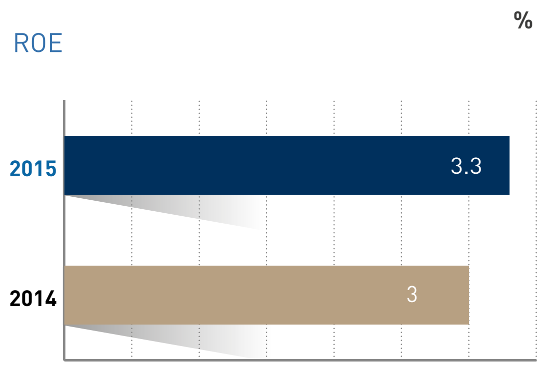
* *Net assets at the Shareholder's share = Assets - Liabilities – Non-controlling interest - Contributions to the authorized capital + Distributions + Dividends*

EFFECTIVENESS OF THE CAPITAL STRUCTURE WITHIN THE GROUP OF THE FUND

ROACE

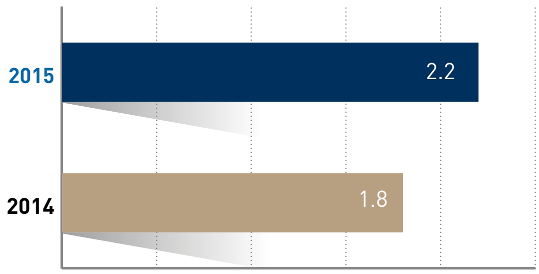


ROE

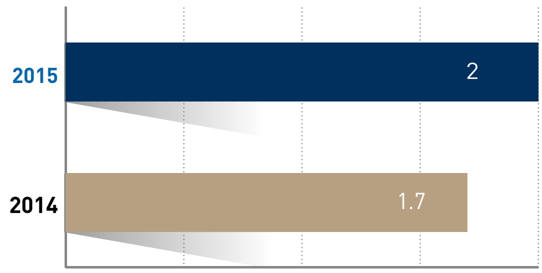


LIQUIDITY RATIOS

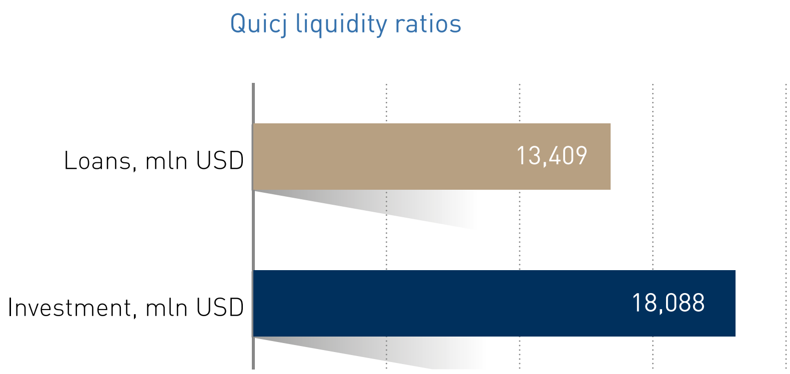
Current liquidity ratios



Intsant liquidity ratios



HEDGING EFFICIENCY (AS OF DECEMBER 31, 2015)



The Fund Group hedged net investments in subsidiaries, whose functional currency was the US dollar, against the borrowings denominated in US dollars. In 2015, the hedging effect within the Group of the Fund amounted to 2,417 bln KZT. In 2015, exchange rate losses without regard to hedging within the Group of the Fund (a hedge at the level of KMG, the Fund) would amount 1,733 bln KZT.

FACTORS AND RISKS THAT AFFECT THE REPORTING OF 2016

Table below describes possible risks and their impact on the basic segments of the Group of Fund:

Segment	Possible risks
Oil and gas	A risk of slowdown in growth of the oil and gas segment in 2016 due to the projected decline in global oil prices. Reduction in KZT rate in 2016 will compensate partially the losses, since KMG receives export revenues in US dollars (75–80% of the total revenues).
Electric power	Overall decline in production and processing industry – against the background of slowing economic growth in China and ongoing recession in Russia in 2016 – will have a negative impact on electric power consumption, which will probably reduce revenues of S-E and KEGOC.
Industry	There is a risk of reduction in spot quotations for natural uranium, which could affect the operating revenues of KAP. In addition, there is a possibility of a negative effect of further KZT weakening in 2016 on currency loans. At the same time, the losses will be partially compensated due to currency earnings of KAP. A risk of decline in demand for goods on the part of major customers – KTZ, S-E and KMG. Many of the materials used in the production of Kazakhstan Engineering are imported, therefore, there is a risk caused by increase in prices for such goods due to potential weakening of the national currency in 2016.
Transport and logistics	Business activities of Air Astana and KTZ (Passenger Operations JSC) depend on households' purchasing power, which will probably reduce in 2016 due to potential weakening of the national currency. Overall decline in production and processing industry – against the background of slowing economic growth in China and ongoing recession in Russia in 2016 – will have a negative impact on transport costs incurred by companies, which will therefore reduce revenues of KTZ.
Telecommunication	Dependence on households' purchasing power, which will probably reduce in 2016 due to potential weakening of the national currency.

KEY EVENTS FOLLOWING THE REPORTING DATE

2016

JANUARY

05/01 New organizational structure was introduction and new composition of the Fund's Management Board was determined

31/01 Development of Reference Models in eleven areas

21-22/02 Official visit of representatives of Stewardship Asia Centre to Astana with the aim to discuss prospects for cooperation and arrangement of the forum with respect to the introduction of sustainable development principles

29/02 Completion of a transaction for establishment of a joint venture in the mobile segment through the merger of ALTEL JSC and Mobile Telecom-Service LLP *http://telecom.kz/news/view/19449*

FEBRUARY

12/02 Approval of PCs transformation road maps for 2016

18/02 Holding of the first meeting of the Corporate Governance Council

MARCH

15/03 Samruk-Kazyna Contract JSC started implementing the Business Transformation Program

APRIL

18/04 A new position was included in the composition of the KMG BoD - Managing Director for strategy and assets portfolio management - a member of the Management Board Grewal Baljeet Kaur

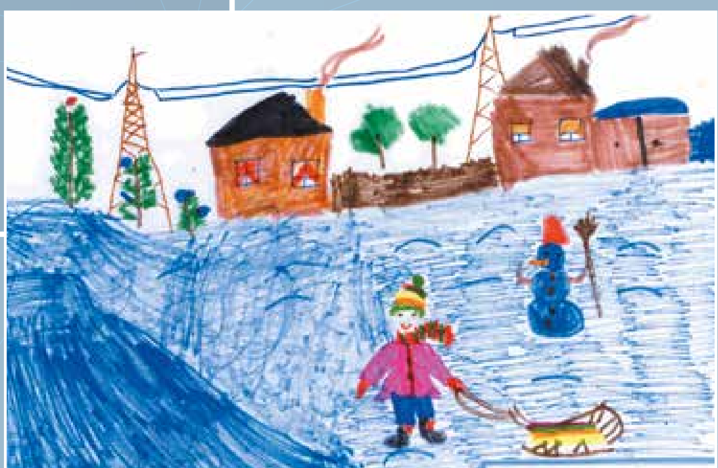
MAY

23 – 24/05 Chairman of the Management Board of the Fund held a meeting with members of the Board of Directors of the Group of the Funds companies, at which the issues of meritocracy, sustainable development, implementation of the transformation and privatization programs were addressed

26/05 Samruk-Kazyna JSC presented the book on the transformation of the Fund AEF. The book "Samruk-Kazyna 2020" is about the transformation of the Fund and its PCs. The publication includes the most current information on the date, and projected benefits of the Transformation program

26/05 May 26, 2016, with the support of Samruk -Kazyna JSC and the Financial Times Kazakhstan Privatization Forum was held at the IX AEF. The event was attended by the Prime Minister of Kazakhstan, Karim Massimov, management of the Fund and PCs, both domestic and foreign investors, market experts

TOGETHER **WE** BUILD THE FUND OF THE FUTURE



WE are an example of each of us, striving to make a personal contribution to the development of our Group of Fund and our Kazakhstan, it is the responsibility of each of us for all that we do. Each member of our great team plays an important role in achieving our strategic goals. We are not just the staff of the Group of Fund. We are the future of the Fund and our country.

II

STRATEGY AND INVESTMENT PORTFOLIO

BALJEET KAUR GREWAL
Managing Director for Strategy and Portfolio Investment, member of the Management Board

"The function of strategy within a Sovereign Wealth Fund is to develop strategic capabilities, optimize corporate resources, conceptualize new investment opportunities as well as generate proprietary insights. This extends not only at a Fund level but also to provide strategic oversight to Portfolio companies. The role ensures alignment of national development agendas to the corporate and investment strategies of the Fund, as well as works as a partner to the Board of Directors in translating shareholder expectations into strategic outcomes.

In times of change, business model innovation occurs to enable value creation to take place in a more cohesive fashion. The ongoing transformation at the fund level as well as in the portfolio companies will result in a sustainable competitive advantage, enabling us to achieve these goals.

Let me remind you an example of Khazanah fund, Mubadala and Temasek: its transformation provided optimal diversification of assets, developed new industries, increased state's economic welfare and helped to create new companies, which now work according to global standards.

The Fund follows the same way, through a transformative value-creation strategy. The essential point to grasp is that in dealing with the economy, we are dealing with an evolutionary process. And so for businesses to thrive, we need to keep evolving. Change and evolution has become a fundamental necessity to remain relevant – and the transformation at the Fund captures this opportunity. The up-scaling of business processes, streamlining of people, technology and functions, and efficient resource allocation will have the added effect of bringing strategic focus to our portfolio companies and create 'best in industry' models.

In the end, I am sure that transformation will allow the Fund to make a contribution to the social and economic development of the whole Kazakhstan through creation of new industries, making key national companies world leaders and to benchmark them according to their specifics. Thus, transformation of the Fund is critically important for Kazakhstan as a whole"

ECONOMY AND EXTERNAL ENVIRONMENT REVIEW

MACROECONOMIC ENVIRONMENT

Kazakhstan is the largest and most robust economy in Central Asia, contributing to 60% of the region's total GDP. By rising oil output and prices, the economy grew between 8.9% and 13.5% from 2000–2007, before slowing to 1%–3% during the global financial crisis in 2008–2009. Subsequently, GDP growth rebounded to 4.7%–7.2% in 2010–2013. On average, Kazakhstan's economy grew by 8.0% during 2000-2013 in line with other global emerging market economies.

OVERVIEW OF KAZAKHSTAN

8% REAL GDP **per year**

Being the largest and strongest economy among Central Asia countries, Kazakhstan contributes to 60% of the region's GDP

Top 40%

According to the World Bank's report, Kazakhstan is among the top 40% of countries in the world that are considered the most **politically stable**

190 INVESTMENTS IN 2014 **bln USD**

In 2014, Kazakhstan attracted USD 190 bln in gross foreign investments since its independence in 1991, leading other CIS countries

Top 50

Kazakhstan achieved its goal of entering the top 50 most competitive countries in 2013, and has maintained its position in the 2014–2015 World Economic Forum Global Competitiveness Report

177 INVESTMENTS IN 2012 **bln USD**

In 2014, the country began to experience a slowdown in economic growth sparked by falling oil prices and the effects of the Russian crisis. GDP growth decelerated further to 1.2% in 2015.

Factors that affect the GDP growth

1	Sharp decline and volatility of global oil prices	Oil sector accounts for more than 70% of exports, oil price has fallen by 70% since mid-2014
2	Decreased global demand for major export commodities	Russia's economic recession & China's growth rebalancing lead to devaluation of ruble & Yuan
3	Impact of Russian crisis	Coupled with geopolitical situation in main trade partners
4	Slowdown of domestic demand	Due to KZT devaluation, high inflation rate and low level of consumer lending

LEGISLATIVE FRAMEWORK

Activities of the Fund are governed by the Laws of the Republic of Kazakhstan "On the National Welfare Fund" dated February 1 2012, "On Public Property", "On Joint Stock Companies", "On Limited and Additional Liability Partnerships" and others.

It should be noted that the above-mentioned Law "On the National Welfare Fund" is the second special legislative act that defines a legal status of the Fund. Its fundamental difference from the previous Law (dated February 13 2009) is the change in the goal of the Fund's activities and a mechanism of its interaction with the Government of the Republic of Kazakhstan, Counting Committee and other state authorities, establishment of key performance indicators of the Fund and change in the process of appointment of chief executive officers of the Fund's subsidiaries, etc.

The Fund's activities are also governed by the regulations of general legislative acts such as the Civil Code of the Republic of Kazakhstan, the Code of the Republic of Kazakhstan "On Taxes and Other Obligatory Payments to the Budget (Tax Code)", the Budget Code of the Republic of Kazakhstan, the Labour Code of the Republic of Kazakhstan, the Code of Administrative Offences and others.

In addition, the Fund as a private businesses entity is governed by the Entrepreneurial Code of the Republic of Kazakhstan, and as a subject of public audit - by the Law "On Public Audit and Financial Control".

The Fund's companies are also governed by all of the above-mentioned legislative acts.

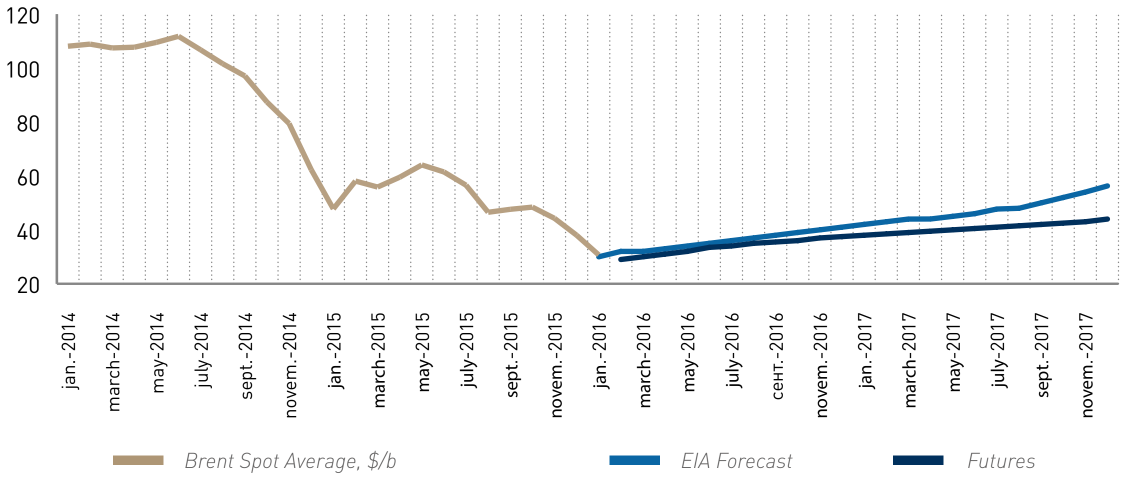
Besides the above-mentioned acts, activities of companies of the Group of Fund are regulated by sectoral laws ("On Transport", "On Railway Transport", "On Post", "On Communications", "On Electric Power Industry", "On Subsoil and Subsoil Use", "On Natural Monopolies and Regulated Markets", etc.).

OUTLOOK 2016–2020

Kazakhstan's GDP growth forecasts highly depend on the underlying assumptions of future oil prices. The Fund expects oil price of $30 per barrel in 2016, $40 per barrel in 2017–2018 and $50 per barrel in 2019–2020. However, the current values of futures and options contracts continue to suggest high uncertainty and volatility in the short-term oil price outlook. According to EIA's January 2016 report, the average oil price should be considered in the context of recent contract values, suggesting that the market expects oil prices to range from $25–$56 per barrel in 2016.

The decline in demand for metals previously was determined by China's investment and manufacturing growth, had a strong influence on global metal price trends (China accounts for approximately 50% of the world's demand for iron, cement, copper). China's continued economic rebalancing will see GDP growth slow further to 6.3% in 2016 vs. 6.9% y-o-y in 2015. These developments, together with market concerns about the future performance of the Chinese economy, are having spillover effects in Kazakhstan through trade channels and weaker commodity prices, as well as through diminished confidence and increased volatility in financial markets. China contributed to approximately 12% of Kazakhstan's total exports, and a slowdown in the Chinese economy creates downward pressure on Kazakhstan's GDP growth in 2016.

Oil price trends & outlook (2014-2017f)

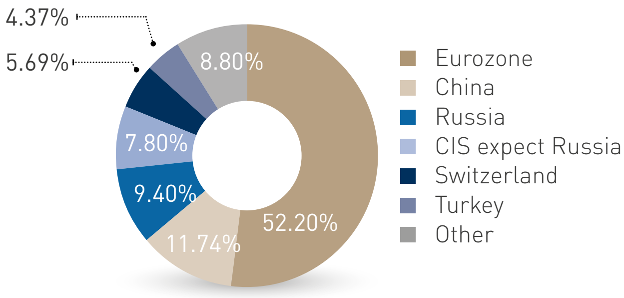


Source: EIA, Thomson Reuters (according to the data for February 2016), Samruk-Kazyna JSC

Historically, net exports were one of the key drivers to GDP growth. In 2015, trade has turned to a negative contributing factor to GDP (net exports subtracted 1.8% points from 9M 2015 GDP growth, y-o-y) due to reduced export revenues and a generally weaker trade environment. In US dollar terms, exports decreased by 42.4% and imports fell by 22.9% in 2015 compared to 2014 (National Bank's preliminary data).

Fuels and energy form a major component of Kazakhstan's exports (72.7% in 2015). Meanwhile, metals (mainly cooper, zinc and aluminum) contributed to 12.6% of exports in 2015. Kazakhstan's economic growth is also affected by global demand for and price movements on these metals. According to Thomson Reuters Global Commodity CRB Index, in 2015, a gauge of 19 commodities demand fell to the lowest in 13 years (the CRB index stood at $167.3 as at 31 January 2016).

Russia, which continues to adjust to low oil prices and Western sanctions, is expected to remain in a technical recession in 2016. CIS countries, including Kazakhstan, will continue to be affected



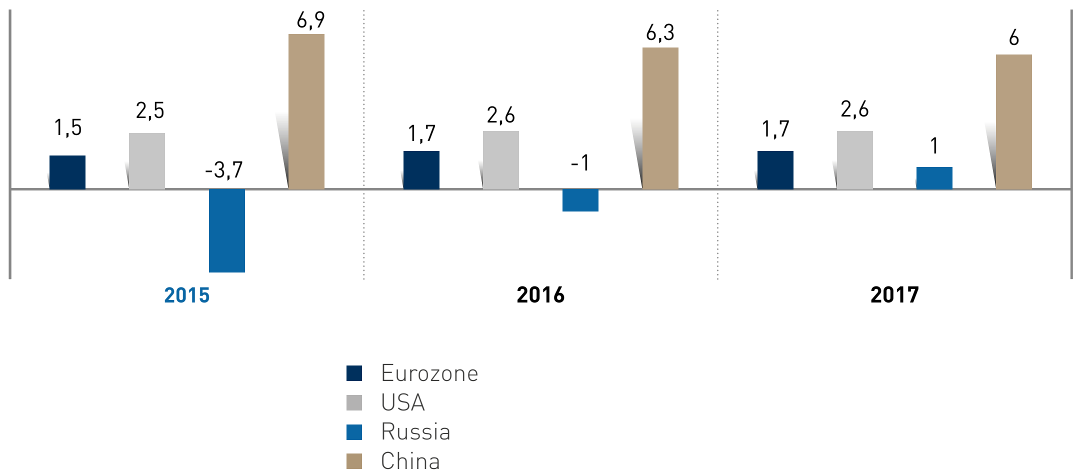
Source: Kazakhstan Statistics Agency.

by Russia's slowdown. In addition, devaluation in the currencies of key trade partners, especially the Ruble, continues to weigh on the competitiveness of the Kazakh economy and has resulted in downward pressure on the KZT against the US dollar and increase incentives for dollarization.

In the Euro zone, the ECB's accommodative monetary policy stance, low energy prices, diminishing needs of private sector deleveraging and continued labor market improvements are expected to continue supporting domestic demand-led economic recovery in 2016 and 2017. However, support for the Euro area activity from the global recovery is expected to remain muted, largely reflecting weak growth in emerging market economies and a low trade intensity of global growth. GDP growth in the euro area region is projected to be moderate at 1.7% in 2016 and 1.7% in 2017. Lackluster economic growth coupled with the depreciation of the effective Euro exchange rate is expected to negatively impact the demand for Kazakhstan's exports.

Premised on the above factors, Kazakhstan's GDP growth will remain modest in 2016–2017 (World Bank). Economies of Euro zone will remain slow but stable, while China is expected to slow down. The US is expected to see acceleration in growth in the 2nd and 3rd quarters of 2016 as job employment numbers and manufacturing indices show robust economic data.

GDP growth forecast for selected countries (%)



Source: IMF, January 2016.

Therefore, downside risks to growth remains for Kazakhstan, driven mainly by external factors.

External factors that may affect growth

1	Volatility in global economic prices	Including oil, commodity prices influence exchange rates for exporting countries
2	US monetary policy stance	Change in the US monetary policy stance results in volatility of global financial markets
3	Geopolitical tension	Impact investment activity, production, employment

Source: JSC Samruk-Kazyna

Economic activity in Kazakhstan is expected to slow down in 2016, as the country will continue to recover from the effects of falling oil prices and devaluation of national currency. Recovery is not likely to start until 2017 with stronger oil prices. Below macroeconomic projections are used as the basis for the Fund's development plan for 2016–2020.

Key forecasts

	2015	2016f	2017f	2018f	2019f	2020f
Real GDP growth,%	1,2	0,5	3,6	2,9	3,0	3,2
Inflation at the end of the period,%	13,5	6-8	6-8	5-7	4-6	3-4
Exchange rate of KZT to USD	222	360	360	360	360	360
The world price for Brent oil, USD/barrel	51,2	30	40	40	50	50

Source of information on GDP growth and inflation - Social and economic development forecast for 2016–2020.

Against this backdrop, the Fund will continue to actively participate in implementation of the national social and economic policy outlined in Kazakhstan's Strategy-2050 and other national programs.

National strategic canvas for the Fund

1. Upgrade & diversification of economy
Through implementation of the industrial innovation development program "Nurly Zhol"

2. Balanced regional development
To achieve uniform regional development to improve quality of life

3. International integration and interaction
EAES agreement – free movement of goods, services, capital, labour between member states

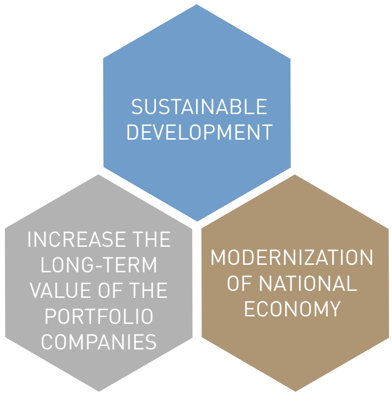
4. Foreign trade policy
Integration world trade system

DEVELOPMENT STRATEGY

In accordance with new functional model of the Fund, in 2015 we updated our Development strategy for the period 2012–2022, crystalizing the strategic directions and goals of the Fund and its role in relation to Portfolio companies. THE Management of Portfolio companies of the Fund will move from in-depth operational control and will govern the portfolio of assets in accordance with international best practices.

STRATEGIC OBJECTIVES OF THE FUND

In 2015–2016 six Portfolio companies have also updated their corporate strategies with clear guidance for future development. The Fund is currently ensuring that the strategies of Portfolio companies are aligned with the Strategy and Development Plan of the Fund.



OVERVIEW OF UPDATED CORPORATE STRATEGIES

STRATEGIC VISION

SAMRUK KAZYNA	Highly effective, dynamically developing strategic holding and active investor
ҚАЗПОЧТА	National leader in provision of a universal set of services that supports a balance between financial performance and social obligations of the Company
ҚАЗАҚСТАН ТЕМІР ЖОЛЫ	Backbone company of the railway infrastructure, which ensures the development of the logistics potential of the Republic of Kazakhstan
КазМунайГаз	Highly effective oil and gas mining and transportation company that meets the highest standards of safety and corporate governance
KAZATOMPROM	The world's leading producer of natural uranium , diversified in all stages of front-end nuclear fuel cycle
SAMRUK ENERGY	Effective operational energy holding at Eurasian level - the Kazakhstani market leader
KEGOC	World-class company, regional competence center in the electricity sector

KEY BUSINESS TARGETS FOR 2016–2020

During 2016–2020 the Fund will focus on achieving its strategic goals as set out in updated Development Strategy for 2012–2022.

- The Fund will continue to focus on efficient management of Portfolio companies with the view to increase the long-term value of the companies:
- The Fund will start using EVA as its key performance indicators in 2018, following adoption of EVA as their KPI by portfolio companies. Until then the Fund's economic performance will be measured by portfolio-level ROIC and Net Income.
- The Fund will ensure positive free cash flow available for its development and payment of dividends to the Shareholder.
- Corporate governance will remain at the core of the Fund as strategic holding. The Fund will ensure continuous improvement of corporate governance practices with regard to its Shareholder and Portfolio companies. The Fund will strive to improve its corporate governance rating according to the new methodology of corporate governance rating.
- The Fund will continue implementation of the Transformation Program in the Corporate center and Portfolio companies in accordance with the roadmap. By 2018 all participating companies will complete the implementation.

The Fund will promote modernization of the national economy by making investment serving as a catalyst for the development of national economy:

- Starting from 2016 the Fund will actively seek investment opportunities and develop new and growing companies in order to diversify and renew its investment portfolio.

The Fund will ensure long-term sustainable development of the portfolio companies:

- In 2016–2017 the Fund will work on implementation of sustainable development principles. Starting from 2018 the Fund will start publication of the consolidated report on Sustainable Development that will disclose information about the impact of the Fund and its Portfolio companies on the environment, society and national economy. The report will be prepared in line with principles and standards of the Global Reporting Initiative (GRI).

To achieve strategic goals, the Fund's activities in 2016–2020 will be defined in the key development initiatives.

Key development initiatives

1. Improvement of portfolio management
2. Reorganization of investment portfolio through sale and liquidation of assets (Privatization Program)
3. Development of investment portfolio companies
4. Transformation of portfolio companies
5. Transition of the Fund's corporate center to the new functional model
6. Financial sustainability

INVESTMENT ACTIVITIES

Transition of the Fund to the role of a "strategic holding" and an "active investor" in accordance with the new business model supposes the development of the Principles and Approaches of Samruk-Kazyna JSC on identification and building new industries. We started this work in 2015 and are planning to adopt new Principles and Approaches of Samruk-Kazyna JSC on identification and building of new industries, that will be a fundamental document envisaging the expectations, goals and long-term vision of active management of the Fund's portfolio, as well as the basic principles, leverage values, target sectors, parameters of the future portfolio of the Fund, tools and sources of funds for achieving such goals.

The introduction of the new business model of the Fund supposes the implementation of the following initiatives in relation to the Fund's portfolio:

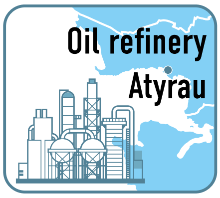
- **Restructuring of the Fund's current portfolio** through the privatization and capital release program for further development;
- **Transformation of mature companies remained in the Fund's portfolio** in order to increase the economic value created by such companies;
- **Creation of new and development of growing companies** through re-investment of available funds.

With the aim to form the a new investment culture in the group of the Fund on the basis of the best global practices and to ensure high transparency, professionalism and efficiency of investment management, during the reporting period we continued implementing the following measures:

- Approval of the **Corporate Standard of investment activities** (hereinafter - the Standard), which specifies uniform requirements and approaches to the investment activities within the group of the Fund. The Standard was elaborated taking into account the transformation program implemented by the Fund and basic principles of the Yellow pages Rules. In particular, the Standard limits the implementation of projects by Portfolio Companies located below the fourth level with respect to the Fund.
- Adoption of the **Regulations for management of the Fund's investment activities** and **the Corporate Standards for evaluation of the economic efficiency of investment projects**, the implementation of which will improve the quality of planning and evaluation of investment projects of the Group of Fund.

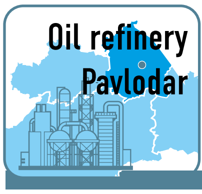
LIST OF MAJOR PROJECTS OF THE GROUP OF FUND

1 RECONSTRUCTION AND MODERNIZATION OF ATYRAU OIL REFINERY



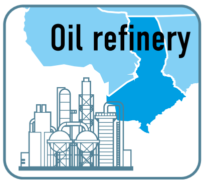
PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2010-2016	1,271 Aromatics complex mln $ 2,050 Deep Conversion Complex	97.7% Aromatics complex 42.2% Deep Conversion Complex

2 MODERNIZATION OF PAVLODAR OIL-CHEMISTRY REFINERY



PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2012-2017	831 mln $	32%

3 RECONSTRUCTION AND MODERNIZATION OF SHYMKENT OIL REFINERY



PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2011-2017	2,043 mln $	12.7%

ҚАЗАҚСТАН ТЕМІР ЖОЛЫ

4 CONSTRUCTION OF A NEW RAILWAY LINE "ZHEZKAZGAN – BEINEU"

PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2012-2016	1,198.07* mln $	88.1%*

5 CONSTRUCTION OF A NEW RAILWAY LINE "ARKALYK – SHUBARKOL

PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2012-2016	283.11* mln $	89.7%*

6 ESTABLISHMENT AND INTEGRATED DEVELOPMENT OF A SPECIAL ECONOMIC ZONE "KHORGOS - EASTERN GATEWAY" (INCLUDING THE INFRASTRUCTURE AND DRY PORT)

PROJECT PERIOD		PROJECT COST	INVESTMENT UTILIZATION
2014-2020	CIW 2014–2016 equipment 2014-2020	225.29 mln $	71%

* *These projects are conditionally divided into two stages; the Table above presents indicators for the first stage only.*

Объединенная химическая компания

7 CONSTRUCTION OF INFRASTRUCTURE FACILITIES IN THE SEZ "NATIONAL INDUSTRIAL PETROCHEMICAL TECHNOPARK"

PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2014-2019	659 mln $	17%

8 CONSTRUCTION OF AN INTEGRATED GAS CHEMICAL COMPLEX

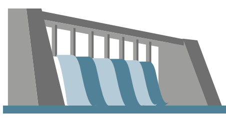
PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2010-2019	7,735 mln $	1.3%

9 ESTABLISHMENT OF A SPECIAL ECONOMIC ZONE “TARAZ CHEMICAL PARK” IN ZHAMBYL REGION

PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2013-2018	125 mln $	45%

10 PRODUCTION OF CAUSTIC SODA, PHOSPHORUS TRICHLORIDE AND GLYPHOSATE

PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2012-2018	335 mln $	0.5%



SAMRUK ENERGY

11 EXTENSION AND RECONSTRUCTION OF EKIBASTUZ SDPS-1

PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2010-2019	851.1 mln $	82%

12 CONSTRUCTION OF BALKHASH TPS

PROJECT PERIOD	PROJECT COST	INVESTMENT UTILIZATION
2010-2020	4,689.4 mln $	3.2%

1. RECONSTRUCTION AND MODERNIZATION OF ATYRAU OIL REFINERY

PHASE 1

CONSTRUCTION OF THE COMPLEX FOR THE PRODUCTION OF AROMATIC HYDROCARBONS

PROJECT PERIOD
2010-2015

PHASE COST
1,270.5 mln $

PROJECT LOCATION
Atyrau
Atyrau region

Description and goals of the project

- Ensuring the manufacture of products with a high added value - benzene (up to 133 thous. tons per year) and paraxylene (up to 496 thous. tons per year)
- Ensuring the production of motor fuels of K3 class in accordance with the requirements of the Technical Regulations of the Customs Union
- Increase in the balanced capacity of the plant to 5 mln tons per year
- Reducing a harmful impact on the environment by reducing atmospheric pollutant emissions

Current status

- For the first start-up complex (catalytic reforming plant including a benzene extraction unit) a certificate of the State Acceptance Commission was signed on December 4, 2015
- For the second start-up complex (aromatic hydrocarbons production plant) the commissioning works are being performed. A trial batch of par xylene has been received

COMMENCEMENT OF CONSTRUCTION
October 2010

COMMISSIONING
4 quarter 2015

NUMBER OF JOBS
3,500 construction
277 operation

PHASE 2

CONSTRUCTION OF THE ADVANCED OIL REFINING COMPLEX

PROJECT PERIOD
2012-2016

PHASE COST
2,050 mln $

PROJECT LOCATION
Atyrau
Atyrau region

Description and goals of the project

- Increase in capacity of secondary processes and oil refining depth
- Ensuring the production of motor fuels of K4, K5 classes in accordance with the requirements of the Technical Regulations of the Customs Union
- Increase in the plant productivity up to 5.5 mln tons per year

Current status

- Development of design documentation (construction drawings) has been performed at the level of 96%
- Construction and installation works are being performed at 53 construction sites: pile driving works, installation of foundations, installation of storage tanks, steel structures and equipment
- Placement of orders for the production of large-sized equipment has been completed; 915 units have been delivered and 335 units have been installed

COMMENCEMENT OF CONSTRUCTION
December 2012

COMMISSIONING
4 quarter 2016

NUMBER OF JOBS
3,879 construction
490 operation

2. MODERNIZATION OF PAVLODAR OIL-CHEMISTRY REFINERY

PROJECT PERIOD
2012-2017

PHASE COST
830.8 mln $

PROJECT LOCATION
Pavlodar
Pavlodar region

COMMENCEMENT OF CONSTRUCTION
3 quarter 2014

COMMISSIONING
4 quarter 2017

Description and goals of the project

- Modernization of existing plants, construction of new plants, introduction of modern technologies at Pavlodar Oil-Chemistry Refinery with the aim to ensure the production of motor fuels in accordance with the requirements of environmental class K4

Current status

For the 1st Start-up Complex

- A positive conclusion of Gosexpertiza RSE has been obtained for the DED
- Development of working documentation is in progress
- Orders for the manufacture and supply of equipment have been placed – 100% (136 units), 103 units of equipment have been delivered
- Installation of foundations has been performed at the level of 72% (293 out of 409 units); installation of 26% of equipment has been completed (35 out of 136 units).

For the block of sulphur production plants

- Development of working documentation is in progress
- Orders for the manufacture and supply of equipment have been placed - 93% (200 out of 213 units)
- Earthworks have been performed at the level of 94%; installation of foundations has been completed at the level of 80%
- In May 2015, the Project was optimized with the reduction of the scope of works and Project cost and agreed by the Interdepartmental Commission for the development of oil and gas and energy industries on May 26, 2015
- Placement of orders for the production of large-sized equipment has been completed; 915 units have been delivered and 335 units have been installed

NUMBER OF JOBS
2,000 construction
266 operation

3. RECONSTRUCTION AND MODERNIZATION OF SHYMKENT OIL REFINERY

PROJECT PERIOD

2011-2017

PHASE COST

2,043 mln $

PROJECT LOCATION

Shymkent
South-Kazakhstan region

COMMENCEMENT OF CONSTRUCTION

April 2013

Description and goals of the project

Partial reconstruction and modernization of the existing OR till 2016 with the aim to increase its productivity and refining depth as well as to manufacture products with a high added value in order to:

- ensure that the produced motor fuels meet the requirements of of environmental classes K-4, 5
- increase the plant productivity up to 6.0 mln tons per year
- increases the production of light oil products
- ensure energy security of the Republic of Kazakhstan in terms of provision of demand on the domestic oil products market

Current status

- Phase 1: A diesel fuel hydrotreater and sulfur production plant have been put into operation For the isomerization unit - development of working documentation is at the completion stage; placement of orders for equipment (145 out of 148 units) and installation of foundations (97%)
- Phase 2: EPC contract was signed on January 16, 2015 Detailed design is in progress. An opinion has been obtained for the adjusted FS and DED. CIW have been commenced and process equipment has been ordered.

COMMISSIONING

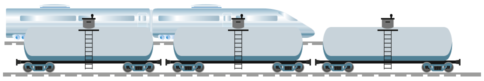
December 2017

NUMBER OF JOBS

3,500 construction

380 operation

4. CONSTRUCTION OF A NEW RAILWAY LINE "ZHEZKAZGAN – BEINEU"



PROJECT PERIOD
2012-2016

PHASE COST
1,198.07 mln $

PROJECT LOCATION
Karaganda, Aktobe, Kyzylorda, Mangistau regions

COMMENCEMENT OF CONSTRUCTION
June 2012

COMMISSIONING
December 2016

Description and goals of the project

Construction of "Zhezkazgan – Beineu" railway line with a length of 1036 km.

- Formation of the shortest cargo routes from the Kazakh-Chinese border, taking into account the commissioning of Zhetygen – Korgas line, to Aktau port with further exit to Turkmenistan and taking into account the commissioning of the railway line "Uzen – state border with Turkmenistan" to the Persian Gulf countries
- Reducing the existing distance of cargo transportation in a westerly direction by more than 500 km and the time of cargo delivery by 8 hours on average

Current status

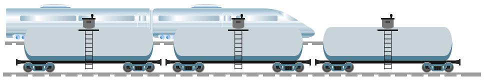
- Complex design and construction works are being performed on the basis of long-term contracts for the procurement of works on a "turnkey" basis
- Completion of soil dumping in the volume of 37.7 mln m3, installation of 38 bridges and 446 culverts; completion of the main track laying
- Completion of installation of supports and suspension of power supply lines at the length of 3,786 km, installation of 37 substations, laying of 1,470 km of FOCL
- Laying of assembled rails and sleepers in the total volume of 1,164 km
- Track ballasting is being performed; snow protection fences with a length of 16 km have been installed
- Completion of construction of 46 electric interlocking posts; installation of SCB equipment, installation of the operational and technological communication and radio communication. Construction of industrial buildings, housing facilities and utilities is in progress

NUMBER OF JOBS

10,000 construction

2,956 operation

5. CONSTRUCTION OF ARKALYK – SHUBARKOL RAILWAY LINE



PROJECT PERIOD

2012-2016

PHASE COST

283.11 mln $

PROJECT LOCATION

Kostanay, Karaganda regions

COMMENCEMENT OF CONSTRUCTION

July 2012

Description and goals of the project

Construction of Arkalyk – Shubarkol railway line with a length of 214 km:

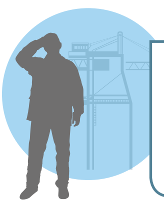
- Creation of a new railway exit from Central Kazakhstan to the northern regions of the Republic of Kazakhstan; rationalization of export and regional transport operations by way of communication between Central Kazakhstan, Western Kazakhstan regions, Russia and Europe
- Reducing the existing distance of cargo transportation in a northerly direction by 540 km and the time of cargo delivery by 8 hours on average

Current status

- Completion of the following works: soil dumping (8.2 mln m3-100%), installation of 9 bridges and 122 culverts (100%), reconstruction of power supply line crossings, installation of the external power supply towers and wire suspension at 487 km (100%), installation of 14 substations (100%), laying of 321 km of FOCL (100%). Completed laying of assembled rails and sleepers with a total length of 243 km; completed track ballasting; construction of snow protection fences is in progress
- On August 22, 2014 Arkalyk-Shubarkol railway line was put into temporary operation
- The following works are in progress: construction of power supply facilities, installation of SCB and communications devices, construction of service and technical buildings and facilities, housing facilities. During the construction more than 150 units of equipment and 600 employees were mobilized. Facilities of the 1st start-up complex of the 1st stage of construction were put into operation in December 2015. In 2016, works are continued for the construction of facilities of the 2nd start-up complex

COMMISSIONING

September 2016



NUMBER OF JOBS

2,200 construction

572 operation

6. ESTABLISHMENT AND INTEGRATED DEVELOPMENT OF "KHORGOS – EASTERN GATEWAY" SEZ

PROJECT PERIOD

2014-2020

PHASE COST

225.29 mln $

PROJECT LOCATION

Almaty region

COMMENCEMENT OF CONSTRUCTION

June 2014

Description and goals of the project

- The special economic zone "Khorgos – Eastern Gateway" was established according to the Decree of the President of the Republic of Kazakhstan No. 187 dated November 29, 2011 as part of the state program of forced industrial-innovative development of the Republic of Kazakhstan
- The project will allow creating a powerful industrial and logistics hub in the process linkage with Zhetigen - Korgas railway through the Western Europe – Western China road corridor, which will provide in the shortest term access to Europe and Asia, which is of great importance for the formation of Kazakhstan as a business , trade and logistics Hub of the region
- Creation of an efficient transport-logistics and industrial center, which will provide trade and export activities and the implementation of a transit potential of Kazakhstan

Current status

- A positive opinion of Gosexpertiz RSE No. 01 - 0800/14 dated December 29, 2014 has been obtained for the "design" stage; development of the "Working documentation" is in progress
- In November 2015, facilities of the 1st start-up complex were accepted by the state acceptance commission

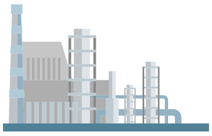
COMMISSIONING

Second half of 2016 – CIW, 2020 – equipment

NUMBER OF JOBS

939 construction

10,000 operation



7. CONSTRUCTION OF INFRASTRUCTURE FACILITIES OF THE SPECIAL ECONOMIC ZONE "NATIONAL INDUSTRIAL OIL-CHEMISTRY TECHNOPARK" IN ATYRAU REGION

PROJECT PERIOD

2014-2019

PHASE COST

659 mln $

PROJECT LOCATION

Atyrau region

COMMENCEMENT OF CONSTRUCTION

2016

COMMISSIONING

2019

Description and goals of the project

- Construction of infrastructure facilities of SEZ "National Industrial Petrochemical Technopark" for the purpose of implementing of projects on its territory for the production of polypropylene, polyethylene, butadiene, polybutadiene rubber and polymer products
- Provision of necessary infrastructure for investment projects of SEZ "NIPT"

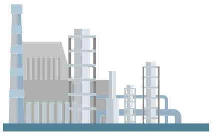
Current status

- A contract has been signed with a consortium of Doosan Heavy Industries & Construction Co. Ltd is and Institute KazNIPIEnergoprom Institute JSC totaling 310 mln US dollars with payments denominated in US dollars
- To date, DHI has signed contracts with Siemens Industrial Turbomachinery AB, Doosan Skoda Powers.r.o., Doosan Engineering & Construction Co., Ltd for the manufacture of basic equipment for the gas turbine power plant (gas turbine equipment, steam turbine equipment, waste heat boilers)
- Development of FS for SEZ "NIPT" has been completed (adjustment of FS for SEZ "NIPT" in terms of inclusion of unified plants for water treatment and purification and for process gas production). At the present time, the FS is being adjusted with regard to the infrastructure facilities optimization with an initial orientation for the KPI Project only
- Development of DED for the gas turbine power plant has been completed

NUMBER OF JOBS

1,500 construction

500 operation



8. CONSTRUCTION OF THE INTEGRATED GAS CHEMICAL COMPLEX

PHASE 1

PROJECT PERIOD
2010-2019

PHASE COST
2,612* mln $

PROJECT LOCATION
Atyrau region

COMMENCEMENT OF CONSTRUCTION
2016

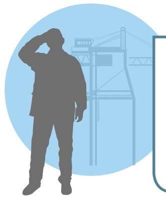
Description and goals of the project

- Creation of a complex for the polypropylene production with a capacity of 500 thous. tons per year in Atyrau region with the aim to ensure deep processing of raw materials from Tengiz field and create basic products for the production of a wide range industrial and consumer goods.

Current status

- A tender for selection of a general contractor (EPC) has been held among Chinese companies
- A consortium headed by CNCEC has been declared as a winner
- On December 14, 2015 a general construction contract (EPC) was signed
- Project financing is planned through the SCDB

COMMISSIONING
2019



NUMBER OF JOBS
1,500 construction
500 operation

PHASE 2

PROJECT PERIOD
2010-2019

PHASE COST
5,123 mln $

PROJECT LOCATION
Atyrau region

COMMENCEMENT OF CONSTRUCTION
2016

Description and goals of the project

- Creation of an integrated gas chemical complex in Atyrau region for the polypropylene production with a capacity of 800 thous. tons per year on the basis of Tengizchevroil gas processing with the aim to ensure deep processing of raw materials from Tengiz field and create basic products for the production of a wide range industrial and consumer goods.

Current status

- In connection with changes in market conditions, LG Chem Ltd. has decided to withdraw from the Project.
- LG Chem Ltd. carries out procedures to withdraw from the Project
- In January 2015, ChevronPhillips stated its interest to take part in the Project
- In July 2015, Chevron Phillips started developing preliminary FS;
- Presentation of preliminary FS of the Project - April 2016;

COMMISSIONING
4 quarter 2019

NUMBER OF JOBS
1,900 construction
480 operation

* (At the exchange rate of 360 KZT per US dollar).

9. ESTABLISHMENT OF THE SPECIAL ECONOMIC ZONE “TARAZ CHEMICAL PARK” IN ZHAMBYL REGION

PROJECT PERIOD

2013-2018

PHASE COST

125 mln $

PROJECT LOCATION

Shu

Zhambyl region

COMMENCEMENT OF CONSTRUCTION

I stage

March 2014

II stage

September 2016

COMMISSIONING

I stage

September 2016

II stage

September 2018

Description and goals of the project

- It is planned indicatively to implement 16 investment projects totaling 2.5 bln US dollars in the territory of SEZ, including the production of caustic soda, chloride, phosphorus trichloride and glyphosate
- Creation of favorable conditions for attracting direct investment in import-substituting, export-oriented, high-technology and competitive production of chemical products
- Development of the chemical industry, in particular, manufacturing of products with a high added value using modern, safe and environmentally friendly technologies

Current status

- Adjustment of the Project FS has been completed; a conclusion of the state expertise dated July 30, 2015 has been obtained and adjustment of FS has been approved by the Order of Chairman of the Management Board of the UCC No. 69 dated September 11, 2015
- Construction and installation works are in progress

NUMBER OF JOBS

400 construction

244 operation

10. PRODUCTION OF CAUSTIC SODA, PHOSPHORUS TRICHLORIDE AND GLYPHOSATE

SODA AND CHLORIDE

PROJECT PERIOD
2012-2018

PHASE COST
155 mln $

PROJECT LOCATION
Shu
Zhambyl region

COMMENCEMENT OF CONSTRUCTION
3 quarter 2016

Description and goals of the project

- The project envisages the creation of technology-related production facilities in the territory of SEZ "Taraz Chemical Park" in Zhambyl region
- Production of caustic soda, chloride and hydrochloric acid. Provision of source raw materials for the production of phosphorus trichloride and glyphosate

Current status

- On March 5, 2015, the works were started for DED development (Design Stage); the level of completion - 80%
- Obtaining of a conclusion of the state expertise for DED is expected in the second quarter of 2016
- Adjustment of the Project FS is planned as part of the DED development

COMMISSIONING
3 quarter 2018

NUMBER OF JOBS
UP TO **600** construction
411 operation

GLYPHOSATE AND PHOSPHORUS TRICHLORIDE

PROJECT PERIOD
2012-2018

PHASE COST
180 mln $

PROJECT LOCATION
Shu
Zhambyl region

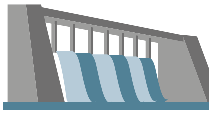
COMMENCEMENT OF CONSTRUCTION
2 quarter 2016

Current status

- On September 1, 2015 a contract in the amount of 187 mln US dollars was signed with a consortium headed by the Chinese company "Hualu Engineering and Technology Co. Ltd".
- On September 1, 2015 a Loan Agreement in the amount of 100 mln US dollars was entered into with the China Development Bank
- The Credit Committee of Samruk-Kazyna JSC approved the provision of a guarantee in favor of SCDB
- Adjustment of the Project FS is planned as part of the DED development

COMMISSIONING
4 quarter 2018

NUMBER OF JOBS
UP TO **660** construction
436 operation



11. EXTENSION AND RECONSTRUCTION OF EKIBASTUZ SDPS-1

PROJECT PERIOD

2010-2019

PHASE COST

851.1 mln $

PROJECT LOCATION

Ekibastuz, North-Kazakhstan region

COMMENCEMENT OF CONSTRUCTION

December 2010

COMMISSIONING

December 2019

Description and goals of the project

- The Project envisages the reconstruction of units No. 8 (with a capacity of 500 MW), No. 2 (with a capacity of 500 MW) and No. 1 (with a capacity of 550 MW) of Ekibastuz SDPS-1.
- Meeting the demands of major industrial enterprises and population for electric power in Kazakhstan

Current status

Unit No. 1:

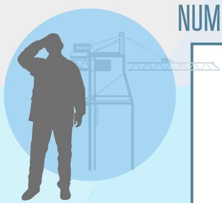
- The physical scope of demolition work was equal to: for the boiler equipment - 76.1%, for the turbine equipment - 71.1%
- Delivery of boiler and turbine equipment for the reconstruction of the electric power unit - 100%

Unit No. 2:

- On December 30, 2014 the internal commission of SDPS-1 signed a Certificate of acceptance of the restorative repair of the electric power unit No. 2. On February 26, 2015 the Unit No. 2 was put into operation
- Since the beginning of operation, as of February 26, 2016, the actual production capacity of the Unit No. 2 amounted to 1,291.7 mln kWh

Unit No. 8:

- In July 2012, start-up of the electric power unit No. 8 was carried out
- In October of 2012, a Certificate of acceptance of equipment of the electric power unit No. 8 after the overhaul was signed
- Since the beginning of operation, as of February 26, 2016, the actual production capacity of the Unit No. 8 amounted to 7,715.8 mln kWh

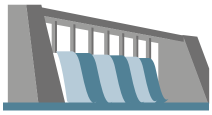


NUMBER OF JOBS

450-500 construction

operation

UNIT 1 **54** | UNIT 2 **54** | UNIT 8 **25**



12. CONSTRUCTION OF BALKHASH TPS

PROJECT PERIOD
2010-2020

PHASE COST
4,689.4 mln $

PROJECT LOCATION
Almaty region

COMMENCEMENT OF CONSTRUCTION
September 2012

COMMISSIONING
October 2020

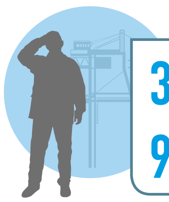
Description and goals of the project

- Construction of the first unit of the coal thermal power plant with a capacity of 1,320 MW with the aim to meet the growing demand for electric power in South region of Kazakhstan. Implementation of the project will allow producing electric power in the volume of more than 10 bln kWh/year

Current status

- On August 25, an Agreement was signed between the Government of the Republic of Kazakhstan and the Government of the Republic of Korea for the implementation of the Project (IGA). On April 30, 2013, the Law on Ratification of the IGA was adopted. On November 11, 2013, the Law on Ratification of the Protocol on Introduction of Amendments to the IGA was signed by the Head of the State
- In February 2014, a conclusion of Gosexpertiza RSE was obtained for the adjusted FS of the Project. In July 2014, a conclusion of Gosexpertiza RSE was obtained for the DED. On November 21, 2014, the DED was approved by the Order of the Construction Committee, HPU and Land Resources Management Administration of MNE RoK
- In June 2012, Balkhash TPS JSC and Samsung Engineering Company Limited signed a Contract for engineering, procurement and construction on a "turnkey" basis of the first unit of Balkhash thermal power station with a capacity of 1320 MW. On January 12, 2015 a construction permit was obtained from SACSA of Almaty region. The level of work completion - 18.2%
- In December 2012, the results of an open international tender identified suppliers of Siemens AG equipment (steam turbine generator) and Dongfang Electric Corporation Limited (boiler plant). Drilling and blasting operations have been completed; operations for construction of a building yard are in progress A water line from Balkhash Lake was put into operation
- On June 19, 2014, Balkhash TPS JSC and KEGOC JSC signed a long-term contract for purchase of power in the presence of Heads of States

NUMBER OF JOBS



3,550-5,500 construction

970 operation

TOTAL COST
22,295 mln $

TOGETHER
WE
BUILD
THE FUND
OF THE FUTURE

BUILD is a permanent change for the better. The world around us is changing, and these changes open up new opportunities. Our way is not limited to partial changes or improvements. This is a unique opportunity for growth and personal development for each, because together we are the builders of the future.

III. CORPORATE PROFILE

PORTFOLIO COMPANIES AND RESULTS BY SEGMENTS

OIL AND GAS SEGMENT

www.kmg.kz

Kazakhstan operator in the field of exploration, production, refining and transportation of hydrocarbons, which represents public interests in the oil and gas industry of Kazakhstan.

90% -1 shares of KMG are owned by the Fund, 10% +1 shares of KMG belong to the NBRK.

The KMG group of companies includes 201 companies.

KMG produces 28% of the total volume of oil and gas condensate production in Kazakhstan and 16% of natural and associated gas; it transports 65% of oil through main oil pipelines, provides 77% of oil transportation using tankers from Aktau Sea Port and 95% of natural gas transportation through main gas pipelines, and performs refining of 87% of Kazakh oil with a 17% share of the retail oil products market.

COMMUNICATIONS SEGMENT

www.telecom.kz

A leading communications operator of the Republic of Kazakhstan, which provides a wide range of information communication services.

51% of KT shares are owned by the Fund, 16.87% of KT shares are owned by BODAM B.V., 9.81% of KT shares are owned by BNY Mellon (nominal holder), 7.6% of KT shares are owned by DERAN SERVICES B.V. and 14.72% of shares are owned by other shareholders with a share of less than 5%.

The company's central office is located in the capital of Kazakhstan – Astana.

KT has regional branches in each region of the country and provides communications services throughout the country.

www.kaspost.kz

National mail operator of Kazakhstan, whose mission is to connect cities and villages, countries and continents, the reduction of time and distance for communication, providing Kazakhstan with modern, comfortable and high-quality products and services of postal and financial sectors. Kazpost ensures the availability of all necessary basic products and services in any of its branches in the city or village.

Kazpost has an extensive branch network in regions, districts and rural areas, and the structure of its assets is composed of 3 companies at 2 levels.

ELECTRIC POWER SEGMENT

SAMRUK ENERGY

www.samruk-energy.kz

The largest multi-industry power holding successfully integrated into the international power balance, which forms a highly efficient power supply system and ensures sustainable development of all sectors of Kazakhstan.

The sole shareholder of S-E is the Fund.

The structure of the S-E assets consists of 38 companies at 4 levels.

KEGOC

www.kegoc.kz

A system operator of the Unified Energy System of the Republic of Kazakhstan (UES RoK). It provides services for electric power transmission, technical dispatching of power release into the network and consumption, balancing of production/consumption of electric power and provision of contractual values of electric power cross-flows with energy systems of neighbouring states in accordance with the terms of contracts, as well as provides centralized operational dispatch management of facilities of UES RoK regardless of forms of ownership.

KEGOC has an extensive branch network in 9 regions of the country.

The Fund is a shareholder of KEGOC JSC with an interest of 90%+1 share.

TRANSPORT AND LOGISTICS SEGMENT

ҚАЗАҚСТАН ТЕМІР ЖОЛЫ

www.railways.kz

The largest holding in the Republic of Kazakhstan having managed assets in the volume of more than 3.5 bln US dollars.

KTZ operates the country's main railway network with a length of 14.8 thous. km and electrified areas with a length of 4.2 thous. km, of which about 2,000 km were constructed by the company in the period from 2010 to 2013, which has significantly strengthened transit benefits of Kazakhstan.

The sole shareholder of KTZ is the Fund.

KTZ has a holding structure including 22 subsidiaries and affiliates.

air astana

www.airastana.com

A fast-growing international airline company, a national carrier of the Republic of Kazakhstan with high safety and technical expertise indicators of the international level.

51% of shares of Air Astana are owned by the Fund, 49% – BAE Systems.

Air Astana is a full member of the International Air Transport Association (IATA), the first carrier in Kazakhstan, which has been certified by the European Aviation Safety Agency (EASA) for the performance of aircraft maintenance in accordance with the EASA Directive, Part 145, and accredited IATA IOSA carrier.

Air Astana is one of 39 airlines companies in the world having a 4-star rating assigned by the international rating agency "Skytrax" over the last four years. Air Astana has become the first airline company in the CIS and Eastern Europe to be awarded a prestigious 4-star rating of Skytrax.

In addition, for the fourth consecutive year (2012–2015) the company is recognized as "The Best Airline Company in Central Asia and India"

INDUSTRY SEGMENT

KAZATOMPROM
NATIONAL ATOMIC COMPANY

www.kazatomprom.kz

A national operator on export and import of uranium, rare metals, nuclear fuel, special equipment and dual-purpose technologies of the Republic of Kazakhstan.

KAP is represented by a group consisting of 72 companies operating in six regions of Kazakhstan – South-Kazakhstan, East-Kazakhstan, Kyzylorda, Mangystau, Akmola and Almaty regions, as well as abroad – in Russia, Ukraine, Germany, China and other countries.

The Company's head office is located in Astana.

The sole shareholder of KAP is the Fund.

www.ke.kz

The holding structure provides a unified financial, production and technology policy at the largest machine-building enterprises of the Republic of Kazakhstan.

In total, KE is composed of 27 enterprises located in various regions of the Republic of Kazakhstan, which are specialized in the manufacturing of products and provision of services to customer operating in oil and gas, railway, agricultural, heat and power sectors as well as in the field of production and repair of weapons and military equipment.

The sole shareholder of KE is the Fund.

www.ucc.com.kz

A specially established company engaged in chemical industry projects. The main objective of the UCC is to take part in the development of the chemical industry with the aim to transform it into one of the leading sectors of the national economy.

The UCC assets portfolio includes 14 subsidiaries and affiliates, including 8 subsidiaries, 4 affiliates and 2 jointly-controlled organizations.

The sole participant of the UCC is the Fund.

www.tks.kz

A company established with the aim to ensure effective subsoil activities in the field of exploration, development, production, processing and sale of solid mineral resources, as well as the reproduction of the mineral resource base of the Republic of Kazakhstan.

TKS was founded in 2009.

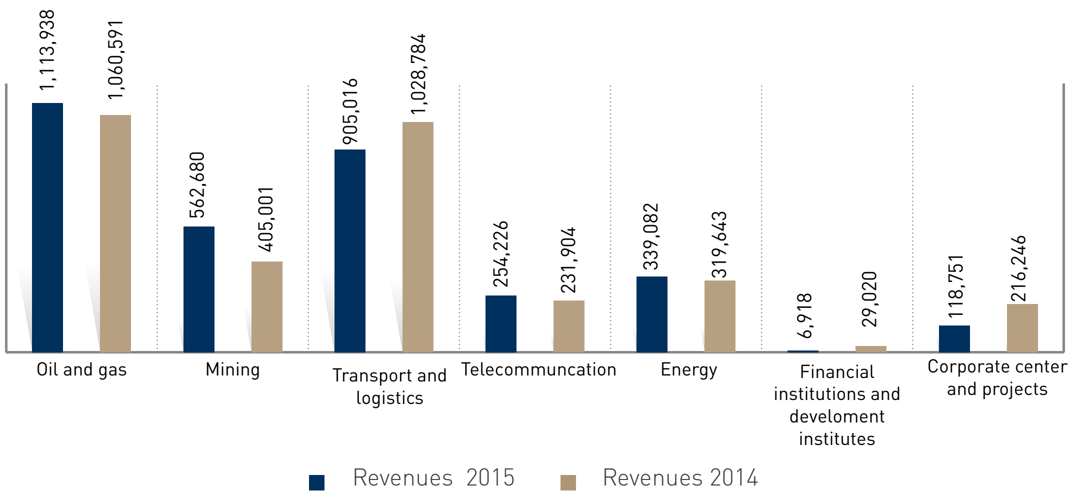
Today, TKS has 2 fully operating subsidiaries.

RESULTS BY SEGMENTS

Industrial indicators of PCs are available in annual reports at official websites of PCs.

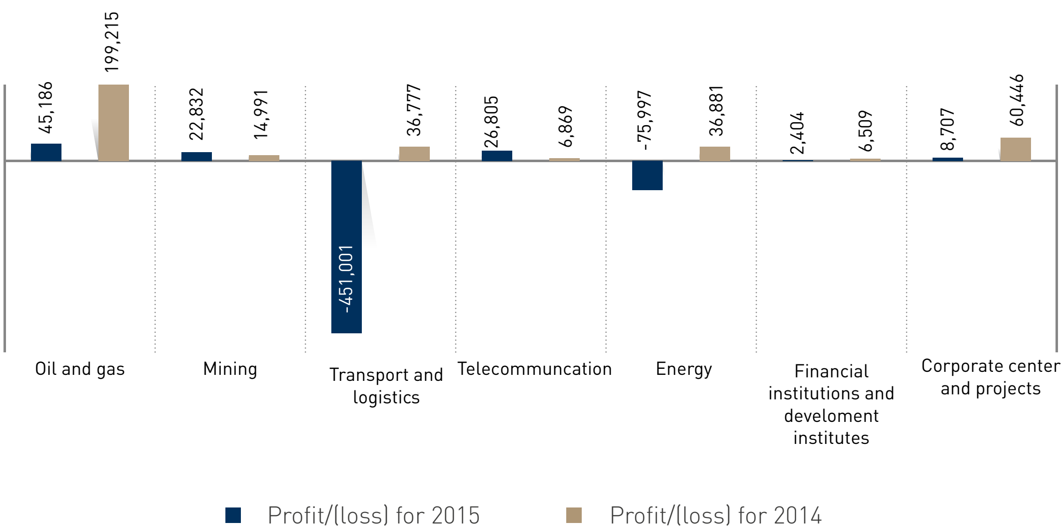
Information about profit or loss, assets and liabilities of the operating segments for the years 2015 and 2014 pf the Group is presented without elimination.

REVENUES BY SEGMENTS*

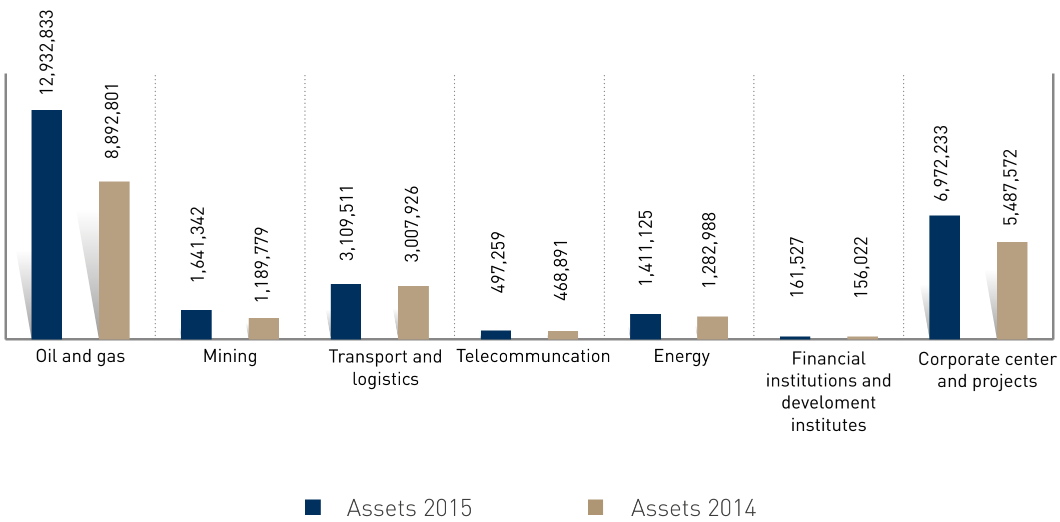


* *The amount of income in 2014 do not correspond to the amount reflected in the segment "Oil and gas" in the Annual report for the year 2014 in connection with the planned sale KMG International N.V. in 2016 of and, in this regard, the reclassification of the amount of income for 2014 to the profit from discontinued operations.*

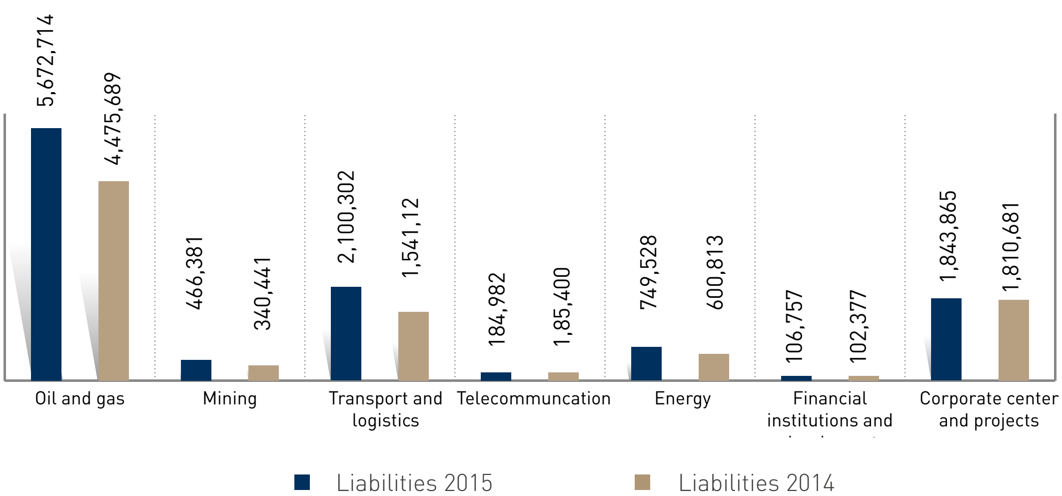
NET PROFIT (LOSS) FOR THE PERIOD BY SEGMENTS



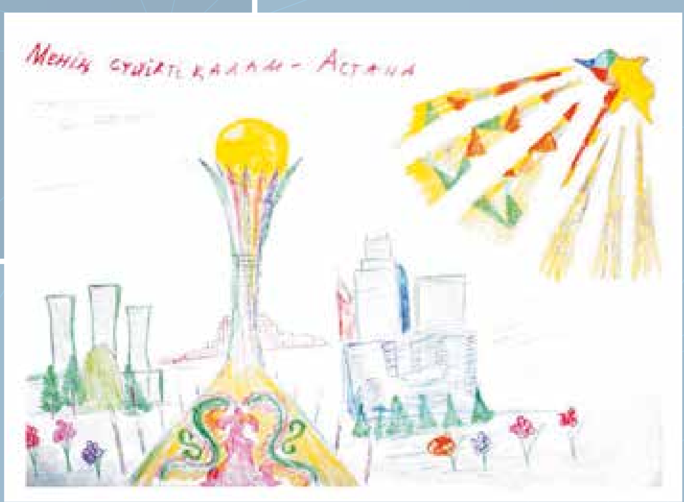
ASSETS BY SEGMENTS

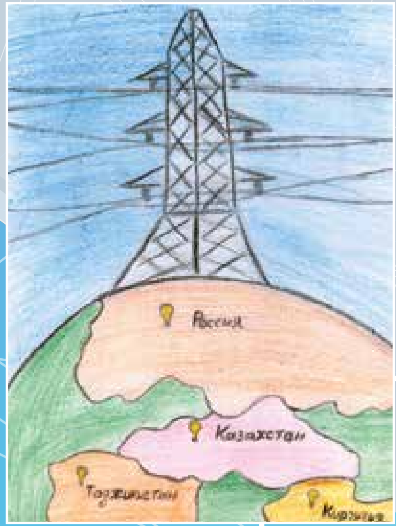


LIABILITIES BY SEGMENTS



TOGETHER WE BUILD **THE FUND** OF THE FUTURE





The FUND is holding company that was set up to improve the competitiveness and sustainable economic development and includes the largest and strategically important assets of our country. We see the Fund as a “Strategic holding” and “Active investor”. Together We are Building the Fund, attracting international investments and developing new global industrial projects.

IV

CORPORATE GOVERNANCE REPORT

BASIC PRINCIPLE AND STRUCTURE OF CORPORATE GOVERNANCE

SIR RICHARD EVANS
Member of the BoD of the Fund, Independent Director
Chairman of the Audit Committee

"Samruk-Kazyna has always had improvement in Corporate Governance across all Group companies as one of the guiding principles of its strategy. This goes right back to 2006 and the formation of Samruk and Kazyna as separate holding companies and was never lost from sight, even with all the major changes we have been through since that time.

Corporate Governance, at its best, ensures that everyone within the group knows their role and responsibilities and their limits of authority. We are still striving to achieve that and I believe we continue to make significant progress.

As you will know from the published results of external diagnostics, many group companies have improved tremendously from when we first started to measure and give clear guidelines on what is required if we are to compete with the best companies in the world. Transparency is one of the most improved aspects of governance but we still have a long way to go.

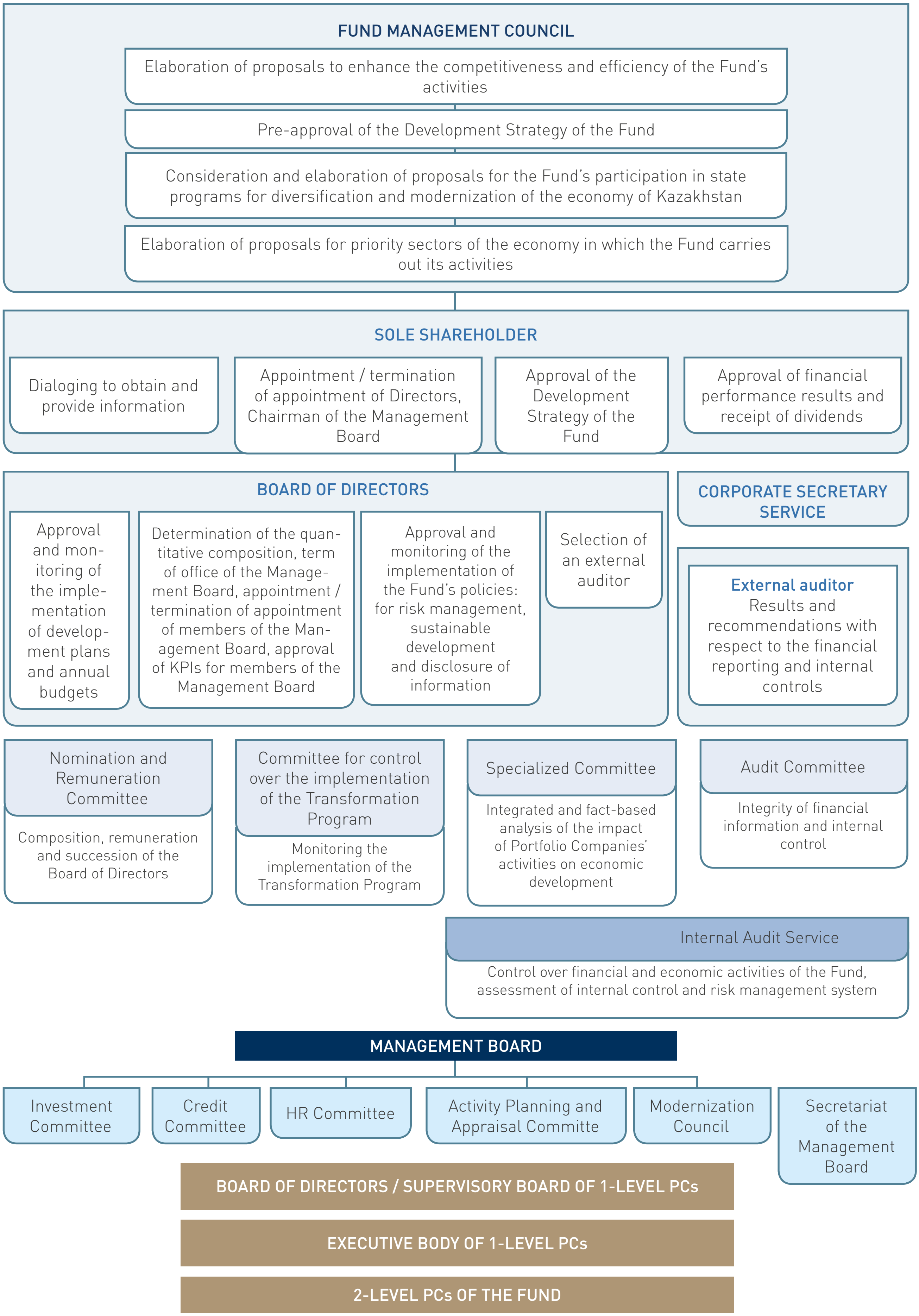
The diagnostics results indicated that the major companies have now reached the stage where they have most of the basics right. They now need to make sure that the truly important matters, such as Health and Safety are as high on their agendas as economic results. I am therefore please to note that the recently adopted version of the Corporate Governance Code for the Group puts significant emphasis on this area under the overall heading of Sustainable Development.

The Group continues to monitor and improve the composition of the Boards of the companies especially in these continuing challenging times and the planned IPO's require different skill sets to those required before.

People really are the key to success and the group is making a sustained effort to get the right people doing the right things. This starts with the top management of the companies and will go all the way down and across the group with the help of the Transformation Program"

CORPORATE GOVERNANCE SYSTEM

Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company is a unified group of companies. Our corporate governance system includes management, control and responsibility of management bodies for the whole group of companies of the Fund, from the first to the last level. In accordance with the Law on the Fund, the implementation of the best corporate governance practices within the Group of Fund is one of the priority objectives of the Fund, which is also specified in the Development Strategy of the Fund.
The Board of Directors and the Management Board of the Fund are vested with relevant powers and responsibilities to fulfil their mandates. In turn, a high level of corporate governance and quality of the corporate reporting with a high degree of transparency are crucial for maintaining the stakeholders' confidence in the Fund, the Board of Directors and the Management Board of the Fund.


FUND MANAGEMENT COUNCIL
Elaboration of proposals to enhance the competitiveness and efficiency of the Fund's activities
Pre-approval of the Development Strategy of the Fund
Consideration and elaboration of proposals for the Fund's participation in state programs for diversification and modernization of the economy of Kazakhstan
Elaboration of proposals for priority sectors of the economy in which the Fund carries out its activities
SOLE SHAREHOLDER
Dialoging to obtain and provide information
Appointment / termination of appointment of Directors, Chairman of the Management Board
Approval of the Development Strategy of the Fund
Approval of financial performance results and receipt of dividends
BOARD OF DIRECTORS
Approval and monitoring of the implementation of development plans and annual budgets
Determination of the quantitative composition, term of office of the Management Board, appointment / termination of appointment of members of the Management Board, approval of KPIs for members of the Management Board
Approval and monitoring of the implementation of the Fund's policies: for risk management, sustainable development and disclosure of information
Selection of an external auditor
CORPORATE SECRETARY SERVICE
External auditor
Results and recommendations with respect to the financial reporting and internal controls
Nomination and Remuneration Committee
Composition, remuneration and succession of the Board of Directors
Committee for control over the implementation of the Transformation Program
Monitoring the implementation of the Transformation Program
Specialized Committee
Integrated and fact-based analysis of the impact of Portfolio Companies' activities on economic development
Audit Committee
Integrity of financial information and internal control
Internal Audit Service
Control over financial and economic activities of the Fund, assessment of internal control and risk management system
MANAGEMENT BOARD
Investment Committee
Credit Committee
HR Committee
Activity Planning and Appraisal Committe
Modernization Council
Secretariat of the Management Board
BOARD OF DIRECTORS / SUPERVISORY BOARD OF 1-LEVEL PCs
EXECUTIVE BODY OF 1-LEVEL PCs
2-LEVEL PCs OF THE FUND

KEY EVENTS OF 2015 AND PLANS FOR 2016

KEY ACHIEVEMENTS OF 2015

- We approved a new Corporate governance code
- We carried out corporate governance Diagnostics in 10 PCs
- We carried out GAP-analysis in 9 PCs
- We started formation of Boards of Directors of 3 PCs in accordance with the requirements of the new Code
- We developed new Methodology on assessment of corporate governance

BASIC INITIATIVES FOR 2016

- Implementation of the new CGC Corporate Governance Code based on the GAP-analysis
- Adoption of sustainable development principles in the Fund and PCs
- Improvement of transparency and information disclosure in the Fund and PCs
- Enhancement of efficiency of the PCs Boards of Directors
- Approval of the new Methodology on assessment of corporate governance

NEW CORPORATE GOVERNANCE CODE

As part of the Transformation Program the Fund has developed a new CGC. The new Corporate Governance Code was approved by the decision of the Sole Shareholder of the Fund on April 15 2015.

We have developed the Code with the assistance of the OECD and in the course of its development we studied the basic corporate governance trends and standards of the OECD, including the OECD Guidelines for multinational enterprises.

The Code is aimed primarily at the implementation of the Transformation Program of the Fund as well as at the maintenance and observance of appropriate corporate governance principles, development and adoption effective of corporate governance practices in the Fund and organizations.

The Code consists of seven chapters and two parts. The first part contains the basic principles, and the second part includes Explanatory Annotations and rules to the basic principles, which corresponds to the structure of the OECD Corporate Governance principles.

I	Government as a shareholder of the Fund	Clarification of the role of the Government as the Sole Shareholder of the Fund and specifics of the Fund management
II	Corporate Governance System in the Fund and Organizations The role of the Fund as the National Management Holding	Determining the management model within the Fund's group Special aspects of management within the Fund's group, a principle of considering the corporate governance system as management and control across the vertical of assets
III	Sustainable Development – **New section**	The Fund's Group recognizes the importance of its impact on the economy, environment and society and in its striving for creation and growth of a long-term value it must ensure its sustainable development in the long term subject to respect for the balance of Stakeholders' interests
IV	Shareholders' rights and fair attitude thereto	Principles of respect for the fundamental rights of shareholders (participants) of the Fund's group of companies and fair attitude thereto
V	Performance efficiency of the Board of Directors and the Executive Body	Enhancement of efficiency of the Boards of Directors and the Executive Body subject to the provisions of the Transformation Program
VI	Risk management, internal control and audit – **New section**	Entrenchment of a systematic approach to risk management and internal control Introduction of a risk culture in each company of the Fund's group and a decision-making system based on proper risk assessment at all levels from the Board of Directors to ordinary employees
VII	Transparency	Principles of disclosure of financial and non-financial information on activities of the Fund and its organizations in accordance with the international standards

Requirements for compulsory disclosure of information on the facts and causes of non-compliance with the provisions of the Code in the annual report of the Fund and its organization as well as for publication of sustainable development reports will become effective from January 1, 2017. *A full version of the Code is available at the website of the Fund at www.sk.kz*

CORPORATE GOVERNANCE DIAGNOSTICS AND ANALYSIS OF THE CURRENT COMPANIES' COMPLIANCE WITH THE NEW CODE REQUIREMENTS

According to the Development Strategy of the Fund for 2012–2022, 2015 is a reporting year in terms of KPI "Corporate Governance Rating".

In 2015, the corporate governance diagnostics was carried out in 10 major PCs:

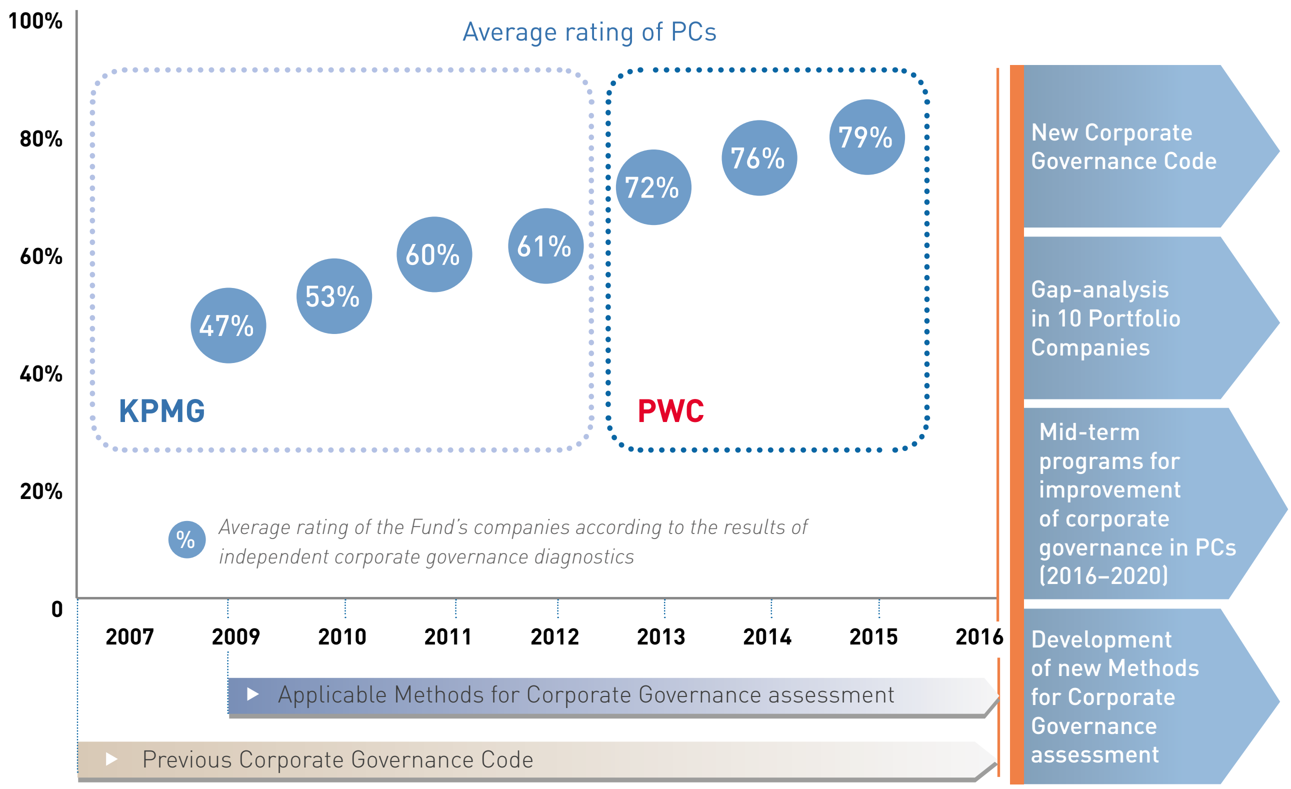
An average rating value of 10 companies was equal to 79 calculation points. Thus, we have reached the indicator of the Corporate Governance Rating set in the Strategy for 2015.

In 2015, as part of the corporate governance diagnostics the Gap-analysis was also carried out in Portfolio Companies, except for Air Astana JSC, for which a decision to carry out a Gap-analysis was not adopted by the PC's Board of Directors.

The following can be noted among the key positive points that are common to all PCs:

- shift of emphasis from assessment of formal entrenchment of policies and procedures to the comprehensive assessment of the actual application of principles of effective corporate governance;
- active dialogue between the Fund and the Boards of Directors of PCs to enhance the role of the Boards of Directors in corporate governance of PCs;
- development of new business processes within the framework of the Transformation Program, which allow systematizing the adoption of key provisions of the Code.

ACHIEVEMENT OF A TARGET INDICATOR IN THE STRATEGY (75%)



The key areas for improvement include the following directions:

- composition and efficiency of BDs;
- sustainable development;
- interaction with public authorities;
- role and functions of the Corporate Secretary;
- risk management;
- corruption and fraud management system;
- transparency.

According to the results of diagnostics and Gap-analysis, the Fund elaborated mid-term corporate governance improvement programs, which were sent to the Fund's PCs for consideration and subsequent approval at meetings of the Boards of Directors.

In addition, in 2015, the Fund conducted seminars regarding the new Code for members of the Boards of Directors of major PCs of the Fund. The seminars were aimed at raising awareness of the new Code provisions, discussion of the corporate governance improvement and adoption of the Code provisions in the course of implementing the Transformation Program.

FORMATION OF BOARDS OF DIRECTORS ACCORDING TO THE REQUIREMENTS OF THE NEW CORPORATE GOVERNANCE MODEL

As part of the Transformation Program, strengthening of PCs' Boards of Directors has been identified as a sub-component of the corporate governance improvement.

The Board of Directors is a company's management body, which represents shareholders' interests, adopts major strategic decisions and supervises the activities of the executive body. The role and responsibilities of Portfolio Companies' Boards of Directors are recognized as a crucial factor for the implementation of reforms.

During the next two years, the Fund will strengthen the role of the Boards of Directors through the formation of highly professional and balanced compositions of the Board of Directors having total package of necessary knowledge and skills, appropriate level of professionalism as well as powers and responsibilities.

We analyse the compositions of Board of Directors of major PCs of the Fund and create a database of candidates to the Boards of Directors.

The provisions of the new Corporate Governance Code of the Fund provide also a special process of searching for and election of members of the Board of Directors, pursuant to which, for example, in 2015 the Fund carried out searching for and selection of an independent director of the Board of Directors of NAC Kazatomprom JSC Jon Dudas (former Marketing Director at BHP Billiton)

In addition, the new CGC indicates that any term of election to the Board of Directors for a period of more than six consecutive years is subject to special consideration. This is determined by the necessity for qualitative renewal of the Board of Directors. In this regard, the Fund increased the requirements for all members of the Boards of Directors of major PCs and started implementing the said provisions of the Code exactly with respect to its representatives in the Boards of Directors.

SOLE SHAREHOLDER

The Sole Shareholder of the Fund is the Government of the Republic of Kazakhstan. Relations between the Fund and the Sole Shareholder are governed by the Law of the Republic of Kazakhstan "On Sovereign Wealth Fund Samruk-Kazyna" and interaction between the Government of the Republic of Kazakhstan and Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company, which establishes the basic principles of interaction and requirements imposed by the Government to the Fund in relation to our activities.

The basic principles of interaction between the Government and the Fund are:

- Management of the Fund ruled by the Government, which is carried out exclusively by exercising the Sole Shareholder's powers provided by the Law of the Republic of Kazakhstan "On Sovereign Welfare Fund" and/or by the Charter of the Fund, and representation of members of the Government in the Board of Directors of the Fund
- Non-interference of the Government, its members and officials of public authorities in the operating (current) activities of the Fund's group, except in cases stipulated by the laws, regulations and orders of the President of the Republic of Kazakhstan
- Reporting and transparency of activities of the group of Fund

The Sole Shareholder of the Fund has a list of objectives, which shall be decided on directly by the Sole Shareholder. Overview of issues attributed to the exclusive competence of the Sole Shareholder is given below. These issues are fundamental to the Fund when summing up the strategic and financial performance results.

- Approval of the Charter of the Fund;
- Approval of the annual financial statements of the Fund;
- Approval of the Development Strategy of the Fund;
- Approval of the Corporate Governance Code of the Fund;
- Determination of the Fund's dividend policy, adoption of a decision on allocation of the Fund's net income at the end of the reporting period and making a decision on dividend payment;
- Adoption of decisions on voluntary reorganization or liquidation of the Fund;
- Determination of the quantitative composition, term of office of the Board of Directors of the Fund, election of its members and early termination of their powers;
- Appointment and early termination of appointment of Chairman of the Management Board;
- Alienation of shares of companies in accordance with a list determined by the Sole Shareholder of the Fund as well as transfer of said shares into the trust management;
- Adoption decisions of liquidation and reorganization of companies in accordance with a list determined by the Sole Shareholder of the Fund.

A full list of issues attributed to the exclusive competence of the Sole Shareholder is provided in the Charter of the Fund at www.sk.kz

EQUITY CAPITAL

- The number of authorized shares of the Fund is **3,500,000,000.**
- The number of outstanding shares of the Fund is **3,481,667,508.**
- The number of unplaced shares of the Fund is **18,332,492.**

In the reporting period, the Fund's shares were placed in the number of **43,774** shares, including:

- In the form of cash in the amount of 12,000 shares totalling 149,539 mln KZT
- In the form of property contribution by transferring the rights to claim payments under the "Kazakhstan bill" according to the Agreement with the Government of the Republic of Kazakhstan against the Caspian Pipeline Consortium-K Joint-Stock Company in the amount of 30,350 shares totalling 126,591 mln KZT.
- Property in the form of gas pipelines in 6 regions in the amount of 1,000 shares totalling 13,456 mln KZT
- Karabatan railway station in the amount of 120 shares totalling 2323 mln KZT and other property in the amount of 7 shares totalling 73 mln KZT
- Contributions in the form of the state-owned stake in the amount of 35% in Kazakh Academy of Transport and Communications JSC named after M. Tynyshbaev in the amount of 297 shares totalling 3,725 mln KZT.

DIVIDENDS

On October 29, 2015, the Fund paid dividends to the Shareholder in the amount of 34,713 mln KZT following the performance results of 2014 in accordance with the Decree of the Government dated October 21 2015 (in 2014 the amount of dividends following the performance results of 2013: 9,077 mln KZT).

The Fund's Dividend Policy is available at www.sk.kz

Information on other distributions to the Sole Shareholder is available in clause 16.3 of the Consolidated Financial Statements of Samruk-Kazyna JSC

PROFILE OF THE BOARD OF DIRECTORS AND THE BOARD OF DIRECTORS REPORT

PROFILE OF THE BOARD OF DIRECTORS

The Board of Directors of the Fund is a management body accountable to the Sole Shareholder, which provides strategic guidance and control over the activities of the Management Board of the Fund. The role of the Board of Directors is the management of the Fund by ensuring proper government in vertical direction from top downwards.

A list of key objectives attributed to the exclusive competence of the Board of Directors includes issues that require making decisions and approval with respect to:

- Short-term and medium-term planning, key performance indicators of the Fund;
- Definition of an audit organization, determination of amounts of payable for audit services;
- Policies for risk management, social responsibility, sponsorship and charitable assistance, information disclosure;
- Credit and industrial-innovation policies;
- Remuneration of independent directors of the Fund;
- Committees of the Board of Directors;
- Quantitative composition, terms of office of the Management Board, election and termination of office of members of the Management Board, except for Chairman of the Management Board;
- Quantitative composition, term of office of the Internal Audit Service, appointment and termination of office of its Head;
- Acquisitions by the Fund of ten or more percent of shares in other legal entities;
- Assessment of corporate governance and performance of the Board of Directors of the Fund;
- Related party transactions;
- Annual Report of the Fund.

A full list of issues attributed to the exclusive competence of the Board of Directors is provided in the Charter of the Fund atwww.sk.kz

COMPOSITION OF THE BOARD OF DIRECTORS AS OF DECEMBER 31, 2015

MASSIMOV KARIM KAZHIMKANOVICH

Chairman of the Board of Directors, Prime-Minister of the Republic of Kazakhstan

Citizen of the Republic of Kazakhstan

Karim Kazhimkanovich is Chairman of the Board of Directors since April 2014

He was born on June 15, 1965

He graduated from Beijing Language Institute, Law Institute of Wuhan University (PRC), Kazakh State Academy of Management and interned at Columbia University (USA). Doctor of Economic Science

2000–2001 – Minister of Transport and Communications of the Republic of Kazakhstan
2001–2003 – Deputy Prime-Minister of the Republic of Kazakhstan
2003–2006 – Assistant to the President of the Republic of Kazakhstan
2006 – Deputy Prime-Minister of the Republic of Kazakhstan, then Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Economy and Budget Planning
2007 – Prime-Minister of the Republic of Kazakhstan
2012 – Head of the Administration of the President of the Republic of Kazakhstan
2014 – Prime-Minister of the Republic of Kazakhstan

Membership in Committees of the Board of Directors:
Chairman of the Nomination and Remuneration Committee
Chairman of the Committee for control over the implementation of the Transformation program

DOSSAYEV YERBOLAT ASKARBEKOVICH

Member of the Board of Directors, Minister of National Economy of the Republic of Kazakhstan

Citizen of the Republic of Kazakhstan

Yerbolat Askarbekovich is a member of the Board of Directors since October 4, 2012

He was born on May 21, 1970

He graduated from the Almaty Energy Institute and Moscow State Technical University named after Bauman

2000 – Vice-Minister of Finance of the Republic of Kazakhstan
2001 – Chairman of the Board of Directors of the Development Bank of Kazakhstan.
2001–2003 – Chairman of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies, Protection of Competition and Small Business Support
2003–2004 – Minister of Finance of the Republic of Kazakhstan; Manager of EBRD in Kazakhstan; member of the Management Board of the National Bank of the Republic of Kazakhstan.
2004–2006 – Minister of Health of the Republic of Kazakhstan
2006–2012 – Chairman of the Board of Directors of KazInvestBank JSC
2012 – Minister of Economic Development and Trade of the Republic of Kazakhstan
2013 – Minister of Economy and Budget Planning of the Republic of Kazakhstan

Membership in Committees of the Board of Directors:
Absent

SULTANOV BAKHYT TURLYKHANOVICH

Member of the Board of Directors, Minister of Finance of the Republic of Kazakhstan

Citizen of the Republic of Kazakhstan

Bakhyt Turlykhanovich is a member of the Board of Directors since October 2008

He was born on November 29, 1971

In 1994 he graduated from the Kazakh National Technical University, Faculty of Automatics and Management System and in 1995 – from Kazakh State Academy of Management

2002–2003 – Director of the Budgetary Policy and Planning Department of the Ministry of Economic and Budget Planning of the Republic of Kazakhstan.
2003–2006 – Vice-Minister of Economic and Budget Planning of the Republic of Kazakhstan
2006–2007 – Chairman of the Agency of the Republic of Kazakhstan on Statistics
2007 – Vice-Minister of Finance of the Republic of Kazakhstan
2007–2010 – Minister of Economy and Budget Planning of the Republic of Kazakhstan
2012–2014 – Deputy Head of the Administration of the President of the Republic of Kazakhstan
2014 – Minister of Finance of the Republic of Kazakhstan

Membership in Committees of the Board of Directors:
Chairman of the Specialized Committee

SMAILOV ALIKHAN ASKHANOVICH

Member of the Board of Directors, Assistant to the President of the Republic of Kazakhstan

Citizen of the Republic of Kazakhstan

Alikhan Askhanovich is a member of the Board of Directors since December 2015

He was born on December 18, 1972

In 1994 he graduated from the Kazakh State National University named after Al-Farabi, in 1996 – Kazakhstan Institute of Management, Economics and Planning under the President of the Republic of Kazakhstan

1999–2003 – Chairman of the Agency of the Republic of Kazakhstan on Statistics
2003 – Vice-Minister of Foreign Affairs of the Republic of Kazakhstan
2003–2006 – Chairman of the Management Board of the State Insurance Company for Insurance of Export Credits and Investment JSC
2006–2007 – Vice-Minister of Finance of the Republic of Kazakhstan
2007–2008 – President of the National Holding "KazAgro" JSC
2008–2009 – Vice-Minister of Finance of the Republic of Kazakhstan
2009–2014 – Chairman of the Agency of the Republic of Kazakhstan on Statistics
2014–2015 – Chairman of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan
2015–2016 – Assistant to the President of the Republic of Kazakhstan

Membership in Committees of the Board of Directors:
Absent

MIRTCHEV ALEXANDER VASSILEV

Member of the Board of Directors, Independent Director

Citizen of the USA

Dr. Alexander Mirtchev is a member of the Board of Directors since October 2008
Was born on April 28, 1957
He obtained an LL.M. degree in International and Comparative Law at George Washington University, Washington, D.C., has a Ph.D. in Philosophy from St. Kliment Ohridski University and studied economics and finance at the London School of Economics and Harvard Business School. He also received an Honorary Doctorate from the Ukrainian Academy of Foreign Trade and an Honorary Doctorate of Political Science from the Russian Academy of Sciences.
Dr. Mirtchev is president of Krull Corp., USA, a macroeconomic consultancy with a focus on new economic trends and emerging policy challenges. He serves and has served as chairman and director of multi-billion dollar international industrial enterprises, chairman of a joint venture with a high-end risk-mitigation services NASDAQ-listed corporation, independent director and chairman of the board of Sustainable development fund "Kazina", director with law offices of Stewart&Stewart, a top-rated Washington, D.C. law firm. During the course of his career, Mirtchev has participated in the accession to World Trade Organization and the EU of several transitional economies.
Dr. Alexander Mirtchev is Executive Chairman of the Royal United Services Institute for Defense and Security Studies (RUSI) International, and Vice-president of RUSI, UK. He is a Fellow and an American Founding Council Member of the Kissinger Institute on China and the U.S., as well as a Member of the Wilson National Cabinet at the Woodrow Wilson International Center for Scholars. Mirtchev is an Affiliate Professor and Distinguished Senior Fellow at the School of Policy, Government and International Affairs at George Mason University. He also serves as a Board Director and Member of the Executive Committee at the Atlantic Council of the United States, as well as the Executive Editor of the Atlantic Council Strategy Papers.
Dr. Mirtchev is the author of a number of monographs and policy articles, has served as editor and publisher of academic and professional journals, and has appeared as analyst on major international media. He also serves as a member of the Fox business "Wall Street Week" Advisory Board.

Membership in Committees of the Board of Directors:

Member of the Audit Committee
Member of the Nomination and Remuneration Committee

SIR RICHARD EVANS

Member of the Board of Directors, Independent Director

Citizen of Great Britain

Sir Richard Evans is a member of the Board of Directors since October 2008

He was born on June 9, 1942

In 1960 graduated from the Royal Masonic School (Hertfordshire, London)
1960–1967 – worked in the Department of Contracts of the Ministry of Transport and Technology of the United Kingdom of Great Britain and Northern Ireland
1969–1981 – Commercial Manager of the Military Aviation Division, and afterwards – Commercial Director of BAC
1981–1983 – Assistant to Managing Director of British Aerospace plc.
1983–1987 – Deputy Managing Director and Director of the Aircraft Division of British Aerospace plc.
1987 – Director for Marketing of British Aerospace plc.
1988–1990 – Chairman of British Aerospace Defence Company
1990–1992 – Chief Executive Director of British Aerospace plc.
1992–2002 – Member of the Supervisory Board of Airbus Industry
1998–2000 – Non-executive Director of National Westminster Bank.
1998–2004 – Chairman of BAE Systems company
2001–2008 – Chairman of United Utilities plc., Rector of the University of Central Lancashire
2006–2008 – Chairman of the Board of Directors of Samruk Kazakhstan Holding for Management of State Assets JSC

Membership in Committees of the Board of Directors:

Chairman of the Audit Committee
Member of the Nomination and Remuneration Committee
Member of the Committee for control over the implementation of the Transformation Program

BARON DESCAMPS OLIVIER EDUARD EMMANUEL

Member of the Board of Directors, Independent Director

Citizen of Belgium

Baron Descamps Olivier is a member of the Board of Directors of Samruk-Kazyna JSC since December 2015

He was born on July 3, 1950.

In 1971, he graduated from Katholieke Universiteit Leuven (Belgium).
Olivier Descamps' career spans over 40 years in senior executive positions, encompassing global corporate finance, emerging markets and development policy. His experience combines strategic vision and delivery, successful investment track record in loan and equity, and high level relationships with governments, CEOs, media and civil society.
1974–1993 – Chase Manhattan Bank, career in the field of corporate finance and investment banking across 3 continents(Brazil, USA, Europe)
1993–2014 – The European Bank for Reconstruction and Development (EBRD), London, UK. He held numerous senior managerial positions in EBRD Banking Department, personally in charge of the Bank activities and regional offices across 27 countries.
He managed key relations at the level of the President, Prime-Minister, Ministers and Chief Executives focusing on the development of the public and private sectors and had overall responsibility for all investments(debt and equity) across all major business sectors (infrastructure, energy, financial institutions, local SMEs and FDI).
He articulated and managed the EBRD's country strategies and was responsible for their successful implementation in accordance with the EBRD's mandate, as well as to the respective policy dialogue.
He participated actively in the improvement and mobilization of cooperation with other international financial institutions (IMF, WB, EIB, ADB, EU), major donors and representatives of shareholders of the Bank.
He was responsible for an annual budget of 37 mln. pounds and 400 employees.
In 2012, Member of the Strategy and Policy Committee of the EBRD.
In November of 2013, he was assigned a new position of Managing Director of Countries of Operations and supervised 5 Country Managing Directors and Managing Director for Financing of Small Business. On July 3, 2015 he retired from the EBRD.

Membership in Committees of the Board of Directors:
Absent

SHUKEYEV UMIRZAK YESTAYEVICH

Member of the Board of Directors, Chairman of the Management Board of Samruk-Kazyna JSC

Citizen of the Republic of Kazakhstan

Umirzak Yestayevich is a member of the Board of Directors since December 2011

He was born on March 12, 1964

In 1986 he graduated from the Moscow Economic and Statistical Institute
1986–1988 – Junior Research Fellow in the Scientific Research Institute for Automation of Management and Organization Improvement Processes under the State Planning Committee of the KazSSR
1988–1991 – post-graduate student of the Moscow Economic and Statistical Institute
1991–1992 – Leading Researcher of the Scientific Research Institute for Automation of Management and Organization Improvement Processes
1992–1993 – Advisor of the Supreme Economic Council under the President of the Republic of Kazakhstan
1993 – Deputy Head of the Finance and Labour Division of the Presidential Administration and the Cabinet of Ministers of the Republic of Kazakhstan
1993–1995 – Deputy Head of Administration of the Akim of South-Kazakhstan region
1995–1997 – Minister of Economy of the Republic of Kazakhstan
1997 – Minister of Economy and Trade of the Republic of Kazakhstan
1997–1998 – Chairman of the Management Board of Bank TuranAlem CJSC (BTA Bank)
1998 – Deputy Head of the Administration of the President of the Republic of Kazakhstan
1998–2004 – Akim of Kostanay Region
1997–1998 – Member of the National Council on Sustainable Development of the Republic of Kazakhstan
1997 – Chairman of the Supervisory Board of the NOC KazakhOil CJSC
2004–2006 – Akim of Asana city
2006–2007 – Akim of South-Kazakhstan region
2007–2009 – Deputy Prime-Minister of the Republic of Kazakhstan
2009–2011 – First Deputy Prime-Minister of the Republic of Kazakhstan

Membership in Committees of the Board of Directors:
Member of the Committee for control over the implementation of the Transformation program

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS IN 2015

Date	Member of the Board of Directors	Event
July 1, 2015	Nigel Stapleton	Resigned from the position of Independent Director
August 24, 2015	Yerlan Turmakhanovich Orynbayev	Relieved from the position of Assistant to the President of the Republic of Kazakhstan.
December 29, 2015	Alikhan Askhanovich Smailov	Appointed as a member of the Board of Directors
December 29, 2015	Baron Descamps Olivier Eduard Emmanuel	Appointed as Independent Director

THE BOARD OF DIRECTORS REPORT

THE BOARD OF DIRECTORS WORK

In 2015, the Board of Directors held 9 scheduled meetings, including 7 meetings in presentia and 2 meetings in absentia. In total, the Board of Directors addressed 104 issues, on which 153 decisions were made and 54 instructions were given.

ATTENDANCE OF MEMBERS OF THE BOARD OF DIRECTORS AT MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES IN 2015

Member of the BD, Committee	Independent	BD	Audit Committee	Nomination and Remuneration Committee	Committee for control over the implementation of the Transformation Program	Specialized Committee
K.K. Massimov	No	9/9		6/6	4/4	
Y.T. Orynbayev	No	2/9			0/4	
B.T. Sultanov	No	9/9				2/2
Y.A. Dossayev	No	9/9	-	-	-	-
Sir R. Evans	Yes	9/9	9/9	6/6	4/4	
A.V. Mirtchev	Yes	8/9	4/9	5/6		
N. Stapleton	Yes	3/4	6/9	2/3		
U.Y. Shukeyev	No	9/9			4/4	
O. Descamps	Yes	-	-	-	-	-
A.A. Smailov	No	-	-	-	-	-

The following documents were approved by decisions of the Board of Directors:

- Regulations on the Committee of the Board of Directors of Samruk-Kazyna JSC in charge of control over the implementation of the Transformation program;
- Development Plan of Samruk-Kazyna JSC for 2015-2019;
- Annual financial statements of Samruk-Kazyna JSC for 2014 and annual financial statements prepared in accordance with the order of the Ministry of Finance of the Republic of Kazakhstan No. 422 dated August 20, 2010;
- Annual Report of Samruk-Kazyna JSC for 2014;
- Restated corporate accounting policy of Samruk-Kazyna JSC;

- Unified rules for disposal of the assets by Joint Stock Company Sovereign Wealth Fund Samruk-Kazyna and organizations, more than fifty percent of voting shares (equity interest) of which are owned directly or indirectly by Samruk-Kazyna JSC on the right of ownership or trust management;
- Policy of Samruk-Kazyna JSC for management of procurement activities;
- Annual budget of Samruk-Kazyna JSC for 2016.

Within the framework of the approved Development Strategy of Samruk-Kazyna JSC for 2012–2022 and the Transformation program the Board of Directors adopted the following measures for increase of a long-term value and sustainable development of the Fund, and within the group of companies:

- the Fund structures, supervises and implements the Transformation program and creates reference models;
- Portfolio Companies of the Fund introduce initiatives within the framework of the Transformation program and the Development Strategy of the Fund;
- the Fund introduces changes in the portfolio of the Fund and Portfolio Companies through the portfolio optimization in accordance with its Development Strategy and by investing in new economic sectors and assets.

IMPLEMENTATION OF THE TRANSFORMATION PROGRAM

- With the aim to improve the management reporting, the Board of Directors adopted a form of the management reporting package provided on a quarterly basis to members of the Board of Directors of the Fund;
- On January 30 2015, the Board of Directors of the Fund established the Committee for control over the implementation of the Transformation program responsible for the provision of an independent expert evaluation of the success and effectiveness of the Transformation program within the whole group of companies of the Fund.

Strategic and mid-term planning

- The Development Strategy of Samruk-Kazyna JSC for 2012–2022 was approved;
- Following the performance results for 2014 and taking into account the actual hours worked for 2014, remunerations were paid to executive officers;
- KPI map with target values for Chairman and members of the Fund's Management Board and Head of Internal Audit Service for 2015 as well as long-term key indicators for executive officers of Samruk-Kazyna JSC for 2015-2017 were approved.

INTERNAL AUDIT:

- On a quarterly basis the Board of Directors reviewed reports of the Internal Audit Service of Samruk-Kazyna JSC; information on major risk factors was presented as part of the performance report of the Audit Committee;
- The Board of Directors approved the Annual Audit Plan of the Internal Audit Service of Samruk-Kazyna JSC for 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

- On a quarterly basis the Board of Directors reviewed the risk reports;
- The Board of Directors approved the risk appetite, risk register, risk map, key risk indicators, the Action Plan for the key risk management.

According to the Board of Directors, the main risk factors that affect the implementation of the Transformation program and the Development Strategy of Samruk-Kazyna JSC are:

- Significant deterioration of external conditions (drop in prices for oil and uranium, unstable exchange rate of KZT, etc.);
- Untimely or improper implementation of the privatization plan and portfolio optimization;
- Revision of the policy relating to the preservation of the Fund's dividends from PCs and proceeds from privatization;
- Untimely or improper introduction of initiatives under the Transformation program;

- Organizational risks (associated with the KZT devaluation, organizational changes and qualification);
- Technological risks relating to major projects of PCs.

COMMITTEES OF THE BOARD OF DIRECTORS

The following four Committees of the Board of Directors are functioning:

- Audit Committee;
- Nomination and Remuneration Committee;
- Committee for control over the implementation of the Transformation Program;
- Specialized Committee.

AUDIT COMMITTEE

Sir Richard Evans Chairman of the Committee

The Audit Committee is responsible for analysing the effectiveness of the Fund's financial reporting process, internal control policy and procedures for risk identification, assessment and reporting. In addition, the Audit Committee monitors the integrity of separate and consolidated financial statements of the Fund, keeps control of contact with external auditors, including with respect to the scope, level and the cost of non-audit services provided by them, and controls the role and performance efficiency of the Internal Audit Service.

Composition of the Audit Committee and attendance at meetings of the Audit Committee

Member of the Audit Committee	Attendance at meetings of the Audit Committee		
	Total	In presentia	In absentia
Sir Richard Evans	9/9	6/6	3/3
Nigel Stapleton	6/9	5/6	1/3
Alexander Mirtchev	4/9	1/6	3/3

Activities of the Audit Committee

In 2015, the Audit Committee held a total of 9 meetings, including 6 meetings in presentia and 3 meetings in absentia.

During the meetings the Audit Committee addressed 53 questions in various fields within its competence.

Internal audit:

- Consideration of Reports on audits carried out in accordance with the Annual Audit Plan for 2015;
- Consideration of Audit Reports within the framework of the initiative on the internal audit based on a synergetic approach to the information technology development and implementation of the Transformation program in a number of PCs of the Fund;
- Consideration of the performance results as part of the Policy for notification of alleged violations;
- Review of quarterly reports on the progress of implementing the recommendations issued by the Internal Audit Service;
- Review and evaluation of the performance efficiency of the Internal Audit Service.

External audit

- Addressing the audit results of the consolidated and separate financial statements of the Fund for the year ended on December 31 2014, and obtaining confirmation of auditors' independence;
- Consideration of the results of limited review procedures of interim abbreviated consolidated and separate financial statements of the Fund for the six months ended on June 30 2015;

- Consideration and approval of the plan for auditing the consolidated and separate financial statements of the Fund for the year ended on December 31 2015;
- Repeated addressing of an issue relating to the approval of rendering non-audit consulting services to the Fund and its subsidiaries by an audit company of the Fund.

Financial reporting

- Discussion of an issue relating to the progress of execution of the Uniform Action Plan for elimination of significant shortcomings in preparing financial statements revealed by external auditors of companies of the Fund' Group;
- Consideration and preliminary approval of proposed amendments and additions to the Corporate Accounting Policy of the Fund;
- Review of financial statements and judgments contained therein. Preliminary approval of the Fund's financial statements for the year ended on December 31, 2014 and recommendation thereof to the Board of Directors for preliminary approval.

Risk management and internal control system

- Consideration of issues relating to the introduction of amendments and additions to internal documents of the Risk Management System;
- During the year, the Audit Committee reviewed quarterly risk reports;
- Consideration and preliminary approval of the Fund's risk map, risk register and risk appetite.

Transformation

- Consideration of an issues relating to the progress of implementation of the road map under the Transformation program;
- Consideration of an issues relating to the external assessment of activities taken under the Transformation program;
- Addressing of an issue relating to the establishment of the Committee for control over the implementation of the Transformation program of the Fund's Board of the Directors.

NOMINATION AND REMUNERATION COMMITTEE

Massimov Karim Kazhimkanovich Chairman of the Committee

The Nomination and Remuneration Committee is responsible for the provision of recommendations and making proposals on attraction of qualified specialists to the Board of Directors and the Management Board, to the position of the Corporate Secretary, approval of remuneration payable to independent directors, conditions of remuneration and bonus payment to members of the Management Board and the Corporate Secretary.

Composition of the Nomination and Remuneration Committee and attendance at meetings of the Nomination and Remuneration Committee

Member of the Nomination and Remuneration Committee	Attendance at meetings of the Nomination and Remuneration Committee
	Total meetings in presentia
Massimov Karim Kazhimkanovich	6/6
Sir Richard Evans	6/6
Mirtchev Alexander Vassilev	5/6
Nigel Stapleton	2/3

Activities of the Nomination and Remuneration Committee

In accordance with the Work Plan of the Nomination and Remuneration Committee for 2015, 6 meetings in presentia were held, at which 11 issues within the competence of the Committee were addressed. Relevant protocol resolutions were adopted by the Board of Directors for all the issues; there were no deviations of proposals and/or recommendations of the Committee. In 2015, the Nomination and Remuneration Committee issued 7 recommendations, which were supported by the Board of Directors of the Fund.

The following issues were addressed at meetings of the Committee:

- On the report of activities of the Nomination and Remuneration Committee of the Board of Directors of Samruk-Kazyna JSC for 2014;
- On approval of the Work Plan of the Nomination and Remuneration Committee of the Board of Directors of Samruk-Kazyna JSC for 2015;
- On approval of KPIs with target values for Chairman and members of the Management Board of Samruk-Kazyna JSC for 2015;
- On approval of KPI maps for executive officers of Samruk-Kazyna JSC with actual values for 2014 and payment of remuneration to executive officers based on the results of 2014;
- On the adjustment of the key performance indicators for Chairman of the Management Board of Samruk-Kazyna JSC for 2015;
- On determination of the remuneration amount payable to an independent director of Samruk-Kazyna JSC;
- On approval of the long-term key performance indicators for executive officers of Samruk-Kazyna JSC for 2015-2017;
- On adjustment of KPI maps for Chairman and Deputy Chairman of the Management Board of Samruk-Kazyna JSC for 2015;
- On early termination of powers of a member of the Board of Directors of Samruk-Kazyna JSC and election of a new member of the Board of Directors of Samruk-Kazyna JSC;
- On the work of the Ombudsman of Samruk-Kazyna JSC;
- On some issues relating to conditions of remuneration and bonus payment to Chairman and members of the Management Board of Samruk-Kazyna JSC.

COMMITTE FOR CONTROL OVER THE IMPLEMENTATION OF THE TRANSFORMATION PROGRAM

Massimov Karim Kazhimkanovich Chairman of the Committee

The Committee for control over the implementation of the Transformation Program is a consulting and advisory body of the Board of Directors of the Fund, which performs the objectives for monitoring and assessment of the implementation of the Fund's Transformation program and elaboration of necessary recommendations for the Board of Directors of the Fund.

Composition of the Committee for control over the implementation of the Transformation Program and attendance at meetings of the Committee for control over the implementation of the Transformation Program

Member of the Committee for control over the implementation of the Transformation Program	Attendance at meetings of the Committee for control over the implementation of the Transformation Program
	Total meetings in presentia
Massimov Karim Kazhimkanovich	4/4
Sir Richard Evans	4/4
Shukeyev Umirzak Yestayevich	4/4
Orynbayev Yerbol Turmakhanovich	0/4

Activities of the Committee for control over the implementation of the Transformation program

In accordance with the Work Plan of the Committee for control over the implementation of the Transformation program for 2015, the Committee held 4 meetings in presentia, at which 11 issues were addressed, including the issue relating to the implementation of the Transformation program, which was considered several times. In particular, the Committee for control over the implementation of the Transformation program addressed the following issues:

- In the report on the progress of implementing the Transformation program within the Group of companies of Samruk-Kazyna JSC;
- On the future functional model of the corporate center of Samruk-Kazyna JSC;
- On the program of independent quality control over the implementation of the Transformation program of Samruk-Kazyna JSC;
- On introduction of amendments and additions to the Transformation program of Samruk-Kazyna JSC;
- On involvement of external consultants within the framework of the independent quality control of the implementation of the Transformation program of Samruk-Kazyna JSC;
- In addition, the Committee for control over the implementation of the Transformation program addressed issues relating to the approval of the Work Plan of the Committee for 2015 and 2016.

The invited participants of meetings of the Committee for control over the implementation of the Transformation program included chief executive officers of the Fund's PCs involved in the implementation of the Transformation program.

SPECIALIZED COMMITTEE

Sultanov Bakhyt Turlykhanovich Chairman of the Committee

The Specialized Committee carries out a comprehensive and objective analysis of the impact of activities of organizations included in the group of Samruk-Kazyna JSC on the development of economy or an individual economic sector, except for the issues related to their use of funds of the National Fund of the Republic of Kazakhstan, the republican budget, as well as state guarantees and assets.

Composition of the Specialized Committee and attendance at meetings of the Specialized Committee and attendance at meetings of the Specialized Committee

Member of the Specialized Committee	Position, voting right	Attendance at meetings of the Specialized Committee
Sultanov Bakhyt Turlykhanovich	Minister of Finance of the Republic of Kazakhstan, member of the Board of Directors of Samruk-Kazyna JSC Chairman of the Committee	2/2
Mukhametkarim Aigul Mukhametkarimkyzy	Member of the Counting Committee for control over execution of the republican budget Expert having a voting right	1/2
Rakhmetov Nurlan Kussainovich	Managing Director – member of the Management Board of Samruk-Kazyna JSC (Managing Director for Government Relations since 2016) Expert having a voting right	2/2
Burangaliyeva Marziya Mukhanbetrakhimovna	Director of the Economy and Planning Department of Samruk-Kazyna JSC Expert having a voting right	2/2

Member of the Specialized Committee	Position, voting right	Attendance at meetings of the Specialized Committee
Aitpayeva Kalima Kuzhabergenovna	Director of the Audit and Control Department of Samruk-Kazyna JSC Expert having a voting right	1/1
Issenov A.S.	Director of the Department of Budgetary Lending, National Fund of the Republic of Kazakhstan and Interaction with a Financial Sector of the Ministry of Finance of the Republic of Kazakhstan Permanent member of the Committee Expert having a voting right	2/2
Kiyakbayeva A.B.	Acting Head of the Department in charge of public property management monitoring of the Public Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan Expert having a voting right	2/2
Tuleshov G. M.	Head of the Republican Budget Execution Control Administration of the Financial Control Committee of the Ministry of Finance of the Republic of Kazakhstan Expert having a voting right	1/1
Mynsharipova S.N.	Director of the Audit and Control Department of Samruk-Kazyna JSC Expert having a voting right	0/1
Moldashev A.T.	Deputy Chairman of the Financial Control Department of the Ministry of Finance Expert having a voting right	0/1

In 2015, following changes were made in composition of Specialized Committee by the Board of Directors of Samruk-Kazyna JSC:

- By the decision of the BoD of the Fund from 19 June 2015, authorities of the following members of the Specialized Committee were early terminated: Moldasheva A.T. and Mynsharipova S.N.
- By the decision of the BoD of the Fund from 19 June 2015, following members of Specialized Committee were elected: Tuleshov Gabdulkamit Madenovich - Head of the Republican Budget Execution Control Administration of the Financial Control Committee of the Ministry of Finance of the Republic of Kazakhstan and Aitpaeva Kalima Kuzhabergenovna - Director of the Audit and Control Department of Samruk-Kazyna JSC.

According to the Work Plan of the Specialized Committee for 2015 and the "List of organizations that are subject to a comprehensive analysis in 2015", the Specialized Committee carried out a comprehensive performance analysis of 5 companies included in the group of Samruk-Kazyna JSC, including:

- Samruk-Kazyna Real Estate Fund JSC;
- Air Astana JSC;
- Pavlodar Airport JSC;
- International Aktobe Airport JSC;
- International Atyrau Airport JSC.

In order to analyse the activities of the above listed companies, the Fund has established an audit team composed of employees of the Audit and Control Department of the Fund and employees of Deloitte LLP, which has been declared as a winner of the open tender held for the procurement of consulting services in the field of a comprehensive analysis. The results of monitoring of execution of recommendations issued for the 2013-2014 were considered at the meeting of the Specialized Committee in November 2015.

PROFILE OF THE MANAGEMENT BOARD AND THE MANAGEMENT BOARD REPORT

PROFILE OF THE MANAGEMENT BOARD

The Management Board of the Fund is a body accountable to the Board of Directors and responsible for management of the current activities of the Fund.

A list of key objectives attributed to the competence of the Management Board includes:

- Determination of conditions and procedure for conversion of the Fund's securities as well as amendment thereof;
- Determination of the amount of payment for appraiser's services for evaluation of the market value of property transferred in return for the Fund's shares or being the subject of a major transaction;
- Determination of a list of, and making decisions on activities of companies, more than fifty percent of voting shares (participatory interest) of which are owned by the Fund on the right of ownership or trust management, which are attributed by the legislation of the Republic of Kazakhstan and companies' charters to the competence of general meetings of shareholders (members) of companies, decisions on which shall be adopted by the Management Board or Chairman of the Management Board (except for the decisions on activities of companies, which shall be adopted by the Sole Shareholder or by the Board of Directors of the Fund according to the Law), as well as the procedure for making such decisions;
- Approval upon issues relating to appointment of early termination of powers of chief officers of executive bodies of the companies, all voting shares (participatory interest) of which are owned by the Fund on the right of ownership and (or) trust management;
- Adoption of prompt measures in relation to companies with the aim to prevent disruption of completeness and terms of the implementation of investment decisions and investment projects;
- Formation of unified policies in the field of finance, investment activities, production and economic activities, money management and human resources management;
- Approval of methodical recommendations and corporate standards in relation to PCs, more than fifty percent of voting shares (participatory interest) of which are owned directly or indirectly by the Fund;
- Approval of the staffing list and organizational structure of the Fund;
- Adoption of decisions on the establishment of branches and representative offices of the Fund;
- Adoption of decisions on the establishment of committees of the Management Board of the Fund composed of employees of the Fund, companies and other persons for the purpose of elaboration of proposals for the Management Board of the Fund;
- Determination of information on the Fund or its activity, which is treated as official, commercial or other legally protected secret;
- Annual hearing of PCs' performance results and submission of reports on the companies' performance results to the Board of Directors of the Fund.

COMPOSITION OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2015

SHUKEYEV UMIRZAK YESTAYEVICH

Chairman of the Management Board, member of the Board of Directors

In December 2011 he was appointed as Chairman of the Management Board

He exercises general management of the Fund's activities and performs functions determined by the legislation, the Charter of the Fund and internal regulations of the Fund

BAKHMUTOVA YELENA LEONIDOVNA

Deputy Chairman of the Management Board

Citizen of the Republic of Kazakhstan

Yelena Leonidovna was Deputy Chairman of the Management Board since January 2012

She was born on February 27, 1962

She graduated from Almaty Institute of National Economy with a specialisation in "Economics".

1983–1993 – she held various positions at enterprises operating in the real sector of economy

1993–2001 – senior positions at units of the Ministry of Finance of the Republic of Kazakhstan

2001–2004 – Vice-Minister of the Labour and Social Protection of Population of the Republic of Kazakhstan, Director of the Department of regulation of activities of saving pension funds, Director of the Financial Supervision Department of the National Bank of the Republic of Kazakhstan

2004–2012 – Deputy Chairman, Chairman of the Management Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations

2012 – 2015 – Deputy Chairman of the Management Board of the Fund

Membership in Board of Directors of PCs:

Chairman of the Board of Directors of Kazpost JSC

YERDEBAI DAUREN IMANZHANULY

Deputy Chairman of the Management Board

Citizen of the Republic of Kazakhstan

Dauren Imanzhanuly was Deputy Chairman of the Management Board since May 2013

He was born on November 20, 1977.

He graduated from Kazakh State Academy of Management with a specialisation in "Economics", holder of the Global Executive MBA degree, Insead Business School (Fontainebleau, Abu Dhabi, Singapore), Certified Director, IoD (London, UK)

1998–2003 – he held managing positions in the field of civil service
2003–2004 – Deputy Chairman of the Investment Committee of the Ministry of Industry and Trade of the Republic of Kazakhstan
2005–2006 – First Deputy General Director of SAT & Company LLP
2006–2009 – President of Kazakhstan Petrochemical Industries JSC, General Director of Kazakhstan Petrochemical Industries
2009–2013 – Chairman of the Management Board of the United Chemical Company LLP
2013–2015 – Deputy Chairman of the Management Board of the Fund

Membership in Board of Directors of PCs
Member of the Board of Directors of NC KazMunayGas JSC
Chairman of the Supervisory Board of the United Chemical Company LLP

BEISENGALIYEV BERIK TURSYNBEKOVICH

Chief Director for Business Development

Citizen of the Republic of Kazakhstan

Berik Tursynbekovich was Chief Director for Business Development since March 2014

He was born on February 12, 1966

He graduated from Karaganda State University with specialization in "Economics" and "Law", Doctor of Economics

1990–1994 – lecturer, postgraduate student of Karaganda State University
1994–1995 – Chief Accountant at Computerized Diagnostic and Treatment Systems
1995–1996 – Head of the Dealing Department of Kazkommertsbank JSC
1996–1997 – Deputy Head of Karaganda Branch of Alem Bank Kazakhstan
1997–2002 – held senior positions in regional branches of BankTuranAlem CJSC, Almaty Trade Finance Bank CJSC and ATF Bank OJSC
2002–2006 – Managing Director, First Deputy Chairman of the Management Board of ATF Bank OJSC
2006–2012 – General Director of AstanaCapitalInvestmentGroup LLP, Deputy Chairman of the Management Board of KazAgro National Holding JSC
2012–2015 – Managing Director, Chief Director for Business Development of the Fund

Membership in Boards of Directors of PCs:
Chairman of Supervisory Boards of Samruk-Kazyna Invest LLP and Samruk-Kazyna Finance LLP

RAKHMETOV NURLAN KUSSAINOVICH

Financial Director

Citizen of the Republic of Kazakhstan

Nurlan Khussainovich was Financial Director since May 2011

He was born on September 24, 1965

He graduated from Moscow State University named after M.V. Lomonosov with a specialization in "Mathematics", holder of the Global Executive MBA degree, International Business School (Madrid, Spain), Candidate of in Physical and Mathematical Sciences

1990–1991 – Junior Researcher in the Institute of Mathematics and Mechanics of the Academy of Science of the KazSSR
1991–1996 – Senior Lecturer of the Department of Mathematical Analysis of Almaty State University named after Abay
1996–1998 – Economist, Head of the Planning and Finance Department, Financial Director of Butya CJSC
1998–2002 – Director of the Revenue Analysis and Forecast Department, First Vice-Minister of Public Revenue of the Republic of Kazakhstan
2002–2003 – Vice-Minister of the Republic of Kazakhstan
2003–2004 – Deputy General Director for Corporate Development, First Deputy General Director of KazTransGas CJSC and Intergas Central Asia CJSC
2004–2006 – Managing Director for Economy and Finance of KMG
2006–2008 – Head of the Tax Committee f the Ministry of Finance of the Republic of Kazakhstan
2008–2015 – Managing Director, Financial Director of the Fund

Membership in Board of Directors of PCs
Member of the Board of Directors of NC KazMunayGas JSC and Supervisory Board of Samruk-Kazyna Finance LLP

SARSENBAYEV TALGAT YESSENALIYEVICH

Chief Legal Officer

Citizen of the Republic of Kazakhstan

Talgat Yesenaliyevich was a Chief Legal Officer since May 2012

He was born on August 31, 1966

He graduated from Karaganda Higher School of the Ministry of Internal Affairs of the USSR with a specialization in Law; holder of Executive MBA degree of Nazarbayev University (Graduate School of Business), Doctor of Law, Professor

1987–2002 – investigator of Metallurgical RDIA, investigator, Head of the division of Temirtau CDIA, lecturer of Karaganda Higher School, junior scientific assistant of the All-Russian Research Institute of the Ministry of Internal Affairs of RF, senior lecturer, Deputy Head of the Criminal Process Department, Head of the Special Department No. 8, Head of the Crime Investigation Department, assistant professor, doctoral candidate of Karaganda Higher School of Karaganda Law Institute of the Ministry of Internal Affairs of the Republic of Kazakhstan
2002–2003 – Chief Expert of the Parliamentary Representation of the President of the Republic of Kazakhstan
2003–2007 – Deputy Chief of the Legal Examination Department, Head of the Department for interaction with the Legislation and Judicial Reform Committee, Head of the Department for interaction with the Public Construction and Legal Policy Committee, Chief of the Administrative Department of Staff of the Senate of the Parliament of the Republic of Kazakhstan
2007–2009 – Deputy Chief of Staff of the Senate of the Parliament of the Republic of Kazakhstan
2009–2012 – Senior Assistant to Prosecutor General for special instructions, Chief of Staff of the Senate of the Parliament of the Republic of Kazakhstan
20012–2015 – Chief Legal Officer of the Fund

Membership in Board of Directors of PCs
Absent

ON JANUARY 28, 2016 A MEETING OF THE BOARD OF DIRECTORS OF SAMRUK-KAZYNA JSC WAS HELD, AT WHICH A NEW COMPOSITION OF THE MANAGEMENT BOARD OF SAMRUK-KAZYNA JSC WAS DETERMINED:

Shukeyev Umirzak Yestayevich
Chairman of the Management Board

Bakhmutova Yelena Leonidovna
Managing Director for Finance and Operations

Previously, she held a position of Deputy Chairman of the Management Board of the Fund. In different years worked in senior positions of the Ministry of Finance, Ministry of Labour and Social Protection of Kazakhstan, National Bank of RK, has been Chairman of the Agency for Regulation and Supervision of Financial Market and Financial Organizations

Beisengaliyev Berik Tyrsynbekovich
Managing Director of Asset Optimization

Previously, he held a position of Chief Director of Business Development of the Fund. At various times, he held the following positions: Managing Director - First Deputy Chairman of the Management Board of ATF Bank JSC, General Director of the investment company Astana Capital Investment Group and Chairman of the Management Board of KazAgro holding

Bitenov Gani
Managing Director for Legal Support and Risks

In different years, he held senior positions in the Ministry of Justice of the Republic of Kazakhstan, the Eurasian Development Bank and law firms of Kazakhstan. He worked at Bracewell & Giuliani LLP international law firm, where he represented the interests of the EBRD, Merrill Lynch International, JPMorgan Chase Bank N.A. and other world's major investment banks, as well as NAC Kazatomprom JSC, EP KazMunaiGas JSC, Development Bank of Kazakhstan and the largest STBs of Kazakhstan. He is a Master of Economics and Doctor of Law; he completed advance training at Harvard University. He is an arbitrator of the Shanghai International Arbitration Centre

Baljeet Kaur Grewal
Managing Director for Strategy and Assets Portfolio Management

She has 15 years of international experience at senior management positions in financial and banking companies as well as in sovereign welfare funds. She held the following positions: Senior Advisor of the Development Program of the National Fund of the Asian Development Bank, Managing Director and Vice-Chairman of the Kuwait Investment Authority & Kuwait Finance House (strategy and investments), Vice-President in ABN AMRO Bank, Maybank Malaysia and Deutsche Bank

Tazhibayev Ulan Kalmukhanovich
Managing Director of Human Resources Management

Previously, the held the position of Chief of Staff in the Fund. He graduated from KazNU named after Al-Farabi (International Relations and Law) and has a degree of Executive MBA Institutode Empresa (Spain)

THE MANAGEMENT BOARD REPORT

In 2015, the Management Board of the Fund held 48 meetings, at which 364 issues concerning various aspects of activities of the Fund and its PCs were addressed, including:

Transformation program

- on the progress of implementation of the Transformation program of the Fund;
- on approval of the Future Functional Model of the Fund;
- on approval of the Methodical Recommendations for the implementation of compliance control procedures (compliance function) in the group of Samruk-Kazyna JSC.

Mid-term and long-term planning

- on adjustment of the Development Plan of the Fund for 2015-2019;
- on introduction of amendments to the annual budget of the Fund for 2015;
- on the results of monitoring of implementing the Fund's Development Plan for 2015-2019.

Performance results

- on information on consolidated results of operations of Samruk-Kazyna JSC with organizations, more than fifty percent of voting shares (participatory interest) of which are owned by Samruk-Kazyna JSC on the right of ownership or trust management, and the Report on the progress of implementation of the Agreement on Cooperation signed between the Government of the Republic Kazakhstan and Samruk-Kazyna JSC.

Risk management

- on submission of risk reports for 2015 for consideration of the Board of Directors of the Fund;
- on approval of the redrafted Regulation of Samruk-Kazyna JSC for accounting and analysis of occurred and potential risks and implemented.

Procurement

- on approval of the redrafted Procurement Rules of Samruk-Kazyna JSC;
- on consideration of the Concept of the procurement function of Samruk-Kazyna JSC.

Investment, acquisitions and cooperation

- on amendment of the Investment Policy of the Fund;
- on acquisition of 100% (one hundred percent) of shares of QAZAQ AIR JSC;
- on transfer of 49% of ordinary shares of the Management Company of the Special Economic Zone National Industrial Petrochemical Technopark JSC in favor of the "United Chemical Company" LLP;
- on conclusion of a Memorandum of Cooperation between the State Grid Corporation of China, Samruk-Kazyna JSC and "KEGOC" JSC.

Sponsorship and charity

- on approval of the Charity Policy Samruk-Kazyna JSC and the Charity Program of Samruk-Kazyna JSC;
- on provision of sponsor and charity support on the instruction of the President, the Prime Minister and under the General Plan of sponsor and charity support.

LIST OF RELATED-PARTY TRANSACTIONS CONCLUDED BY SAMRUK-KAZYNA JSC

No.	Transaction description	Decision of Samruk-Kazyna JSC
1	Conclusion of the assets trust management contract between the Fund and the National Bank of the Republic of Kazakhstan for the transfer of KMG Shares by the National Bank of the Republic of Kazakhstan into trust management to the Fund	Resolution of the meeting in presentia of the Board of Directors of Samruk-Kazyn" JSC No. 120 dated June 19, 2015
2	Conclusion of the agreement for purchase and sale of bonds between Samruk-Kazyn" JSC and the National Bank of the Republic of Kazakhstan for the eleventh issue of bonds of the Fund	Resolution of the meeting in presentia of the Board of Directors of Samruk-Kazyna JSC No. 122 dated September 04, 2015
3	Conclusion of the agreement for purchase and sale of bonds between Samruk-Kazyn" JSC and the National Bank of the Republic of Kazakhstan for the twelfth issue of bonds of the Fund	Resolution of the meeting in presentia of the Board of Directors of Samruk-Kazyna JSC No. 123 dated October 12, 2015
4	Acquisition of shares of KMG Kashaga" B.V. PLLC (hereinafter - Shares) by installments during 2015-2016 by way of prepayment of money made by shareholders of KMG Kashagan B.V. PLLC in proportion to the Shares issued after such payment	Resolution of the meeting in presentia of the Board of Directors of Samruk-Kazyna JSC No. 125 dated December 10, 2015

REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

In accordance with the CGC, the level of remuneration payable to members of the Board of Directors shall be sufficient to attract, retain and motivate each member of the Board of Directors of such a level, which is required for the successful management of the Fund. At the same time, no person shall participate in making decisions relating to his/her own remuneration.

Remuneration is not paid to members of the Board of Directors, except for independent directors.

Remuneration and compensation for expenses are paid to independent directors of the Fund in accordance with the Rules of payment of remuneration and compensation for expenses to independent directors of the Fund and contracts signed with independent directors. Such payments are made taking into account the expected positive effect for the Fund from the participation of such persons in the Board of Directors. The Nomination and Remuneration Committee submits proposals for the amount of remuneration of a candidate to the position of an independent director.

The remuneration amount is established taking into account the duties of members of the Board of Directors, the scope of the Fund's activities, long-term goals and objectives defined by the development strategy, the complexity of issues addressed by the Board of Directors as well as the level of remuneration adopted in similar companies (benchmarking, review of remuneration).

Independent directors are paid a fixed remuneration and additional remuneration for participation in meetings in presentia of committees of the Board of Directors.

Payment of remuneration to independent directors is e subject to the following conditions:

- Proper fulfilment of powers of a member of the Board of Directors using methods that reflect the interests of the Fund to the fullest extent;
- Making decisions in compliance with the legislation of the Republic of Kazakhstan, the Charter and internal regulations of the Fund;
- Participation in meetings of the Board of Directors of the Fund, except in cases of illness, vacation and business trip.

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

The Board of Directors of the Fund determines the official salary amount and conditions of remuneration payable to Chairman and members of the Management Board of the Fund. The Nomination and Remuneration Committee of the Fund's Board of Directors plays a key role in determining their remuneration.

Remuneration (short-term and long-term) is paid to members of the Management Board of the Fund in accordance with the Terms of remuneration and bonus payment to Chairman and members of the Management Board of Samruk-Kazyna JSC and includes an official salary, a lump sum bonus payable on the occasion of the Independence Day of the Republic of Kazakhstan as well as remuneration payable based on the results of a relevant period.

Remuneration based on the results of a relevant period is paid depending on the results of performance appraisal of the Management Board member for the purpose of material reward for his/her progress and improving his/her performance efficiency.

The main condition for payment of remuneration is the presence of the consolidated total income for the reporting year.

Long-term remuneration based on the performance results is intended to stimulate the executive employees' achievement of goals that affect the long-term sustainable development of the enterprise associated with the value growth of the Fund's companies, and is aimed at retaining highly skilled employees.

Performance of Chairman and members of the Management Board of the Fund is assessed by the Board of Directors. The main criterion is the achievement of the stated KPIs.

Motivational KPIs of Chairman and members of the Management Board of the Fund are developed by the Nomination and Remuneration Committee by way of cascading the strategic objectives of the Fund into specific indicators of business processes/areas of activity and approved by the Board of Directors of the Fund.

Remuneration to Chairman and members of the Management Board of the Fund is paid subject to the recommendations of the Nomination and Remuneration Committee on the basis of the audited annual financial statements within the remuneration limits established by the Board of Directors of the Fund on the basis of a decision of the Fund's Board of Directors.

Upon the recommendation of the Nomination and Remuneration Committee, remuneration based on the performance results of Chairman and members of the Management Board may not be paid in the following cases:

- Failure to achieve threshold values of certain corporate KPIs;
- The final result of achievement of functional KPIs is less than 50% (inclusive).

Thus, in order to enhance the performance efficiency of executive employees, the motivation system provides a clear link between remuneration payable to executive employees and the growth of their performance effectiveness.

If an employment contract signed with Chairman or a member of the Management Board of the Fund is terminated on the basis of a decision of an authorized body before it expires, a compensatory payment shall be made to Chairman or a member of the Management Board for early termination of the employment contract in the amount of four official salaries.

The total amount of remuneration paid to members of the Management Board in 2015 is equal to 309 mln KZT (2014: 345 mln KZT). The remuneration paid to members of the Management Board consists of payroll costs, including taxes and pension contributions, as well as other payments based on the performance results for the year.

The Board of Directors of the Fund made a decision to approve the motivational KPIs for 2016 and long-term KPIs for 2016–2018 for executive employees.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management is an integral component of activities of the Fund and its Portfolio companies and focused on identification of potential events that may have an impact on the organization, in order to maintain this exposure within acceptable (specified) for the organization boundaries. The risk management system is used in strategic and operational management to provide reasonable assurance regarding the achievement of strategic and operational objectives of the Fund and its Portfolio companies.

The main principles of the Fund's risk management process are as follows:

- **Awareness and involvement** – it touches every employee and is accompanied by the presence and the provision of objective, reliable and relevant information;
- **Consistency and continuity** – risk management process is the most effective when it is organically integrated into the infrastructure of the organization and the daily ongoing operations, it is a systemic and holistic process;
- **Centralization** – is inextricably linked with the corporate culture of the organization; evaluation and perception of risk are conducted on the basis of enterprise-level risk appetite and prioritize risks to the Group as a whole;
- **Strategically** – risk management is built through the entire organization and requires an assessment of the proportionality of the total portfolio risk overall risk appetite

Each year, we approve a **risk appetite, update key risk indicators and tolerance levels, a register and map of the Fund's critical risks on a consolidated basis. Risk management plan is approved for the key risks**. Monitoring of all significant risks is performed on an ongoing basis.

Quarterly risk reports, risk maps and management plans for the most significant risks are submitted for consideration to the Board of Directors/Supervisory Boards of Portfolio companies.

With the aim to improve the risk culture the Fund provides on an ongoing basis a Corporate risk

CONCEPTUAL RISK MANAGEMENT BASIS

RISKS	STRATEGIC	FINANCIAL	LEGAL	OPERATIONAL
	NON-COMPREHENSIVE LIST OF RISKS			
BOARD OF DIRECTORS / MANAGEMENT BOARD / COMMITTEES	BOARD OF DIRECTORS			
	AUDIT COMMITTEE			
	INTERNAL AUDIT SERVICE			
	MANAGEMENT BOARD			
	INVESTMENT COMMITTEE			
	CREDIT COMMITTEE			
	RISK COUNCIL			
Risk management and internal control documents	RISK APPETITE, KEY RISK INDICATORS, PLANS, RISK REGISTER AND MAP, LIMITS, RISK REINSURANCE CORPORATE PROGRAM, RISK AND CONTROL			
	RISK MANAGEMENT POLICY, INTERNAL CONTROLS REGULATION AND OTHER INTERNAL DOCUMENTS			

management system (CRMS) bridging program for its new employees and conducts annual training and testing of the Fund's risk coordinators. Meetings of the Risk Council, which is composed of risk managers of Portfolio Companies, are held as and when necessary.

The risk management system is integrated into overall management system of the Fund and its Portfolio companies: strategic and investment planning, budgeting and financial reporting, operations and compliance with applicable laws and procedures of corporate governance.

In the course of determining the overall development strategy of the Fund the **work on identification and assessment of risks that may affect the achievement of the Fund's long-term objectives is performed**.

As part of the budget planning, the development plans of Portfolio Companies take into account the risks, the occurrence of which may affect the achievement of KPIs.

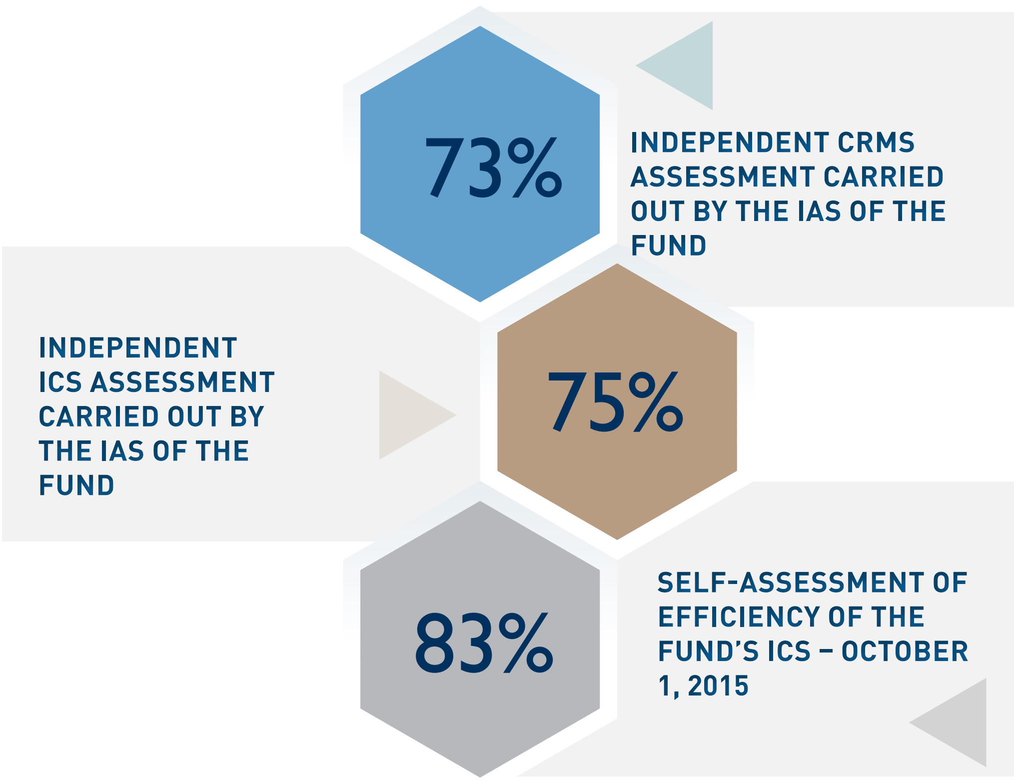
The Fund carries out assessment of the Corporate risk management and internal control system (CRMICS) efficiency on a regular basis, and the assessment method is based on the provisions of COSO concept, the best practices and approaches, and risk management and internal control principles approved by the Board of Directors of the Fund.

The IAS of the Fund carries out a regular independent assessment of the CRMICS efficiency using its own forces or with the involvement of an external expert.

Thus, according to assessment conducted by the IAS in 2014, the effectiveness of the corporate risk management system and internal control system was equal to 73% and 75% of the level of international practices, respectively. This fact evidences the effectiveness of the CRMICS in the Fund.

In addition, in 2015, for the purpose of self-control the Fund implemented a procedure for self-assessment of the internal control system, the results of which indicated a rise in the level of correspondence of the internal control system to the best practice compared to 2014 and amounted to 83%.

The Fund will continue developing the CRMICS on an ongoing basis with the aim to provide reasonable assurance in achieving the Fund's objectives.



TOGETHER WE BUILD THE FUND OF THE FUTURE

The FUTURE. The Future is We are. The Future is We are Together.

We are proud of our past, and, based on the present, involving energy and power, the talent and intelligence of the modern generation of Kazakhstan, build a future in which everyone can find a place for themselves. We are focused on the growth of well-being and quality of life for present and future generations.

The only way to predict the future - is to create it.

And Together We Build the Fund of the Future

V

SUSTAINABLE DEVELOPMENT

We recognize the importance of our impact on the economy, environment and society, and, in our efforts to increase for the long-term value, we take the initiative to ensure our sustainable development in the long term while meeting the balance of stakeholders' interests. We believe that the approach of responsible, thoughtful and rational interaction with stakeholders will contribute to the sustainable development of the Fund as a whole.

We are at the very beginning of our journey.

As part of the implementation of the Transformation program and introduction of the Corporate Governance Code of the Fund, in 2015 we took the initiative for the introduction and integration of sustainable development principles into the activities of the Fund's group. We are on the way of creating a long-term plan for value growth and sustainable development.

- **The new functional model of the Fund includes:**
  - **A sustainable development concept** formed using a risk-based approach: changes in such global factors of sustainable development as a climate change, a welfare change and a population growth, energy and fuel, shortage of material resources cause both risks and opportunities. We understand that if we do not start planning today, in the future, the risks will increase and opportunities will be lost. We have continued working on improving the risk management and internal control system, which are intended at risk identification, management and mitigation in achieving our strategic goals. We believe that in the long term, a risk-based approach with the determination of priority areas of activity in the field of sustainable development will lead to a gradual transition to innovations aimed at sustainable increase in the value.
  - **A sustainable development management system**, including the determination of duties and channels used for making decisions and progress reporting. This will help us to integrate sustainable development principles into our current activities.

The following principles of sustainable development are set out in the CGC:

- Openness
- Accountability
- Transparency
- Ethical conduct
- Respect
- Legality
- Respect for human rights
- Intolerability to corruption
- Avoidance of a conflict of interests
- Personal example

The principles will be implemented within the Fund and PCs in the following two directions:

- Methodological support of the Fund and PCs through the development of recommendations for the application of mechanisms with the aim to identify risk-based priority areas of activity in the field of sustainable development on the basis of three aspects of activity (economic, environmental and social)
- Growth of the institutional capacity and cooperation for implementing long-term projects in the field of sustainable development. Further, training of employees and officers of the Fund and its Portfolio Companies in the field of sustainable development. Enhancement of commitment to sustainable development principles and changes in corporate culture among employees and officers of the Fund and its Portfolio Companies.

Cooperation with the Stewardship Asia Centre

On December 18th, 2015, the Fund and Stewardship Asia Centre signed a Memorandum of Understanding (MOU) that promoted the framework of the implementation of sustainable development principles, introduced in Fund's Corporate Governance Code.

Stewardship Asia Centre is a thought-leadership centre (established in 2015) that focuses on promoting stewardship and governance of companies and organisations in Asia. The Centre is a member of Temasek Management Services group.

The purpose of MoU is to state the desire of Fund and Centre to work in partnership so as to contribute towards institutional capacity building by advocating sound Stewardship and Sustainable Development Principles within the Fund, its Portfolio companies and Kazakhstan.

The partnership between Centre and Fund, leading to content development, interaction and potential collaboration, will be mutually beneficial for both parties.

Cooperation with the International Forum of Sovereign Wealth Funds (IFSWF)

Since February 11 2014, the Fund is a member of the IFSWF. IFSWF is an elite club whose members are 30 sovereign wealth funds, such as Khazanakh Holding (Malaysia), the Norwegian Public Pension Fund, the Australian Fund of the Future, the Qatar Investment Fund and others.

The IFSWF is a key link, a platform of which is used to discuss the most topical issues relating to sovereign wealth funds. A ruling document of the international forum is the so-called "Santiago Principles". "Santiago Principles" is a set of principles and rules, which are adhered to by the IFSWF members.

In September 2015, the Fund took part in the IFSWF Forum in Milan. According to voting results, the forum participants decided to hold the 9th meeting of the forum in Kazakhstan in 2017, the organizer of which will be the Fund.

In March 2016, the IFSWF organized a business meeting of the forum "Santiago Principles: Exchange of knowledge and experience", at which the Fund took part. The following issues were discussed at the forum:

- Sovereign wealth funds and socially responsible investment;
- Procedure for exchange of knowledge between members of the international forum;
- Role of research in the international forum;
- Whether the international forum should organize joint business trips to countries interested in attracting investments;
- Santiago Principles: Practice of application;
- Comparison of investment strategies of members of the international forum;
- New web site of the international forum;
- Comprehensive approach to risk management.

Following the results of the meeting, IFSFW members decided to develop a policy for exchange of knowledge; memorandum of cooperation were signed with research institutes - Universita Comerciale Luigi Bocconi and The Fletcher School Tufts University.

STAKEHOLDER ENGAGEMENT

We understand that sustainable value creation and achievement of strategic goals are only possible through proper and responsible behaviour towards all stakeholders. With the aim to keep a balance between its own interests and public interests, the Fund is committed to respect the interests and expectations of a wide range of stakeholders, which include individuals or organizations that have an impact on the Fund's activities or are exposed to a direct or indirect influence of such activities.

The basic principles and priorities of interaction with stakeholders are specified in the Fund's corporate documents such as the Development Strategy, CGC and the Code of Corporate Ethics.

THE KEY STAKEHOLDER GROUPS OF THE FUND ARE AS FOLLOWS:

Stakeholders	Issues of interest	Methods and mechanisms of interaction
Shareholders	▪ Performance efficiency ▪ Implementation of the Development Strategy ▪ Dividends ▪ Transparency and disclosure of information	▪ Report on execution of the Agreement signed with the Government ▪ Annual Report ▪ Meetings and negotiations ▪ Website ▪ Correspondence and inquiries ▪ Exhibitions, forums and presentations
Portfolio companies	▪ Introduction of advanced practices and standards	▪ Meetings and proceedings ▪ Forums, round-table discussions and summit meetings ▪ Website ▪ Working visits
Employees	▪ Labour remuneration ▪ Social package ▪ Safe working conditions ▪ Professional growth	▪ Meetings of CMBs and Managing Directors with employees ▪ Website ▪ Trainings and seminars ▪ Corporate events ▪ Corporate mass media ▪ Questioning and questionnaires ▪ Meetings of the Management Board
State authorities	▪ Tax and social deductions ▪ Employment of local population ▪ Investment in projects that have an impact on the population ▪ Social stability rating	▪ Participation in governmental working bodies ▪ Correspondence and inquiries ▪ Dialogue with public authorities regarding legislative and statutory regulation

Stakeholders	Issues of interest	Methods and mechanisms of interaction
NGO	▪ Sponsor and charity support	▪ Annual report ▪ Publications in mass media ▪ Meetings with representatives of local communities ▪ Signing of partnership agreements
Business partners, customers and suppliers	▪ Transparency of procurements (reliability, stability of deliveries, compliance with the requirements) ▪ Ethical business practices	▪ Annual report ▪ Website ▪ Methods for procurement and information on procurements held ▪ Meetings with business partners and suppliers ▪ Consideration of suppliers' claims
Business community and mass media	▪ Transparency and disclosure of information ▪ Reputation rating	▪ Website ▪ Press releases, press conferences and press briefings ▪ Annual report ▪ Conferences and summit meetings

The above stated methods and mechanisms of interaction with stakeholders provide feedback, enable timely identification of potential risks, threats and new opportunities with the aim to improve the performance efficiency of the Fund.

With an activation of work aimed at improving the investment attractiveness, the Fund has established the Investor Relations Department, the important objective of which will be the execution of a one-stop function for foreign investors.

TALENTS MANAGEMENT AND DEVELOPMENT

Under the conditions of quickly changing business environment, role and meaning of human capital become of a central importance. At a given moment, the Fund has determined human capital development as the first priority since it plays the most important part in increase in the shareholder value of the Fund's Portfolio companies.

Within the framework of Transformation Program, we are currently completely reconsidering and changing our main principles and approach to the human resources management function with implementation of better practices. The main idea behind the changes is maximum orientation on the needs of business, promptness and quality of rendered HR management services.

Aimed at improvement, the changes cover all main HR related processes starting from attraction and employment of the best professionals. Keeping in mind the strategic objectives set by the Fund, we have revised the organizational structure, determined the specialists that we need and significantly increased qualification requirements. Thereat, all HR initiatives and processes being implemented are aimed at introduction of meritocracy principles.

ULAN KALMUKHANOVICH TAZHIBAYEV
Managing Director for Human Resources, member of the Management Board

"Introduction of meritocracy, i.e. HR management policy based, first of all, on competence and potential of employees, is among the main tasks of the Group of Fund's Transformation Program. From the standpoint of business, it does not make any sense to appoint to a position a person who does not cut the mustard.

The Fund has been improving the personnel selection quality systematically for two years already. Of course, we still have much to do on the way toward an optimum HR policy, nevertheless, important steps have already been made and we can summarize the interim results. During these two years, the Fund filled 44 positions, which were claimed by 3,178 candidates.

What was the effect of the Fund transformation on this process? First of all, candidates selection process was tightened both in the Fund and in the corporate centers of its subsidiaries: job applicants have to go through an eight-stage selection process now. We have also introduced a position gradation system that is used by more than 10 thousand companies all over the world. This versatile range, designed by consulting company Hay Group, allows objectively compare two completely different positions in companies. Inclusion into this global system also resulted in a serious tightening of requirements to executive employees of the Fund and the Group of companies.

Currently, a job applicant should be a graduate of a leading internationally recognized higher education institution, should have an MBA degree, international certificates, 15 years of experience in different industries including abroad, etc. By the way, even now more than 46 percent of the Fund's employees are graduates of foreign educational institutions and 44 percent of employees have MBA or Master's degree; every tenth employee has a PhD degree and 70 percent can speak English. All efforts related to HR policy aims to improve the quality of management.

With such requirements employment "old boy net", which the Fund often has been criticized, become impossible: since a job applicant will not be able to pass the complex selection system successfully without necessary skills and knowledge.

Sometimes, the Fund experiences difficulty with finding necessary employees for certain position in the local market and has to involve foreign specialists. This, too, is often the subject of criticism. However, from the standpoint of efficiency and the holding-wide, involvement of expats is feasible.

World-class specialists help the Fund to reach this level even now, while managers of tomorrow that will take their place in the future are growing professionally in the holding now. One of the main tasks of the Fund within the framework of its transformation consists of assistance to these young talents.

It is important to understand that meritocracy is a necessity. It is impossible to build an effective business without transparent and efficient selection of the most qualified professionals. And that is exactly the Funds task"

ORGANIZATIONAL STRUCTURE OF SAMRUK-KAZYNA CORPORATE CENTER

- Board of Directors
  - Corporate Secretary Service
  - Internal Audit Service
- CEO
  - FTT Projects
  - Control and Security Service
  - CEO's Secretariat
  - Managing Director – Assets Optimization
    - Sectorial Department – "Oil and Gas"
    - Sectorial Department – "Industry"
    - Sectorial Department – "Electric Power"
    - Sectorial Department – "Communications"
    - Sectorial Department – "Transport and Logistics"
    - Sectorial Department – "Privatization and Restructuring of Assets"
  - Managing Director – New Sectors Development
    - Co-Director
    - Initiatives Search Department
    - Department of New Projects Development
  - Managing Director – Strategy and Portfolio Management
    - Strategy Management Department
    - Asset Portfolio Management Department
    - Research and Knowledge Management Department
  - Managing Director – Transformation and Special Projects
  - Managing Director – Finance and Operations
    - Financial Controller
      - Accounting and Finance Department
      - Management Reporting and Budgeting Service
    - Corporate Finance Department
    - Treasury Department
    - Information Technology Department
    - Operations and Procurement Department
  - Managing Director – Human Resources
    - HR Business Partners
    - Centre of HR Expertise
    - HR-Administration Service
  - Managing Director - Risks and Legal Support
    - Corporate Governance Department
    - Legal Support Department
    - Risk Management and Internal Control Department
    - Compliance Service
  - Managing Director – Communications
    - Government Relations Department
    - Internal and External Communications Department
    - Social Projects Service
    - Investor Relations Department

Within the Transformation Program **framework, new organizational structure and staff list have been introduced by the Fund** since January 5, 2016. Now, we are consistently working on transition to the **new organizational structure**.

SELECTION AND EMPLOYMENT OF PERSONNEL

We are looking for talented goal-oriented people who want to make their contribution to the development of the national economy of Kazakhstan. Thereat, we put an emphasis on transparency, career progression, rotation of talents and succession principles in our work.

It is not only qualifications and formal knowledge of candidates that is important for us but also their personality, behavior, attitude to work, the desire to constantly acquire new knowledge and develop competence. Interview on competence of a job applicant conducted by HR Department has become a mandatory stage of selection procedure since 2015. Preference is given to a candidate that has the best combination of professional and personal qualities meeting the requirements to a certain position.

In 2015, the Fund published 19 announcements on full-time vacancies and 982 candidates applied to it, where 211 candidates were invited for an interview and 104 successfully passed professional knowledge test, 65 passed language knowledge test, 62-passed aptitude test, 42 candidates passed a peer interview and, out of this number, 19 candidates were employed by the Fund.

Selection results and information about employed candidate(s) is posted to the web-site. Example: http://sk.kz/page/itogi-konkursnogo-otbora-na-vakansiju-glavnogo-menedzhera-departamenta-korporativnogo-upravlenija-ot-30012015-goda2.

In accordance with the Transformation program implementation roadmap, transparent competitive selection to the vacant positions will also be implemented at the Funds level. By the given moment, this type of candidates selection has been adopted by 13 PCs of the Fund. In 2015, 250 announcements on open vacancies were posted to the web-site of the Fund, in response to which 6,660 CV's were sent in by potential candidates, 824 candidates were invited for an interview and 353 of them were employed.

In selection of candidates for open vacancies, we give preference to our own employees that apply, then to employees of the Fund's group and only after that, we consider candidates in the domestic market of Kazakhstan, our fellow compatriot living abroad and foreign specialists with experience of working for international companies are at the end of the candidates line.

REMUNERATION SYSTEM

The motivation system adopted by the Fund ensures clear dependence of our employees' remuneration on their performance results, including introduced gradation system and remuneration reviews.

Our labor remuneration system is based on assessment of positions and employees' performance efficiency.

In 2014, we introduced a positions assessment (gradation) system based on Hay method in cooperation with HayGroup LLC. In 2015, this Hay method based gradation system was implemented by 12 PCs of the Fund.

This gradation method allows for determining a position's "weight" based on clear factors such as: knowledge and skills, level of responsibility and importance of handled problems, and not on just the job title itself. Additionally, gradation system allows for comparison of the remuneration for the given position with that set in the labor market.

Performance assessment forms the basis for promotion, inclusion into the pool of candidates, payment of bonuses, training and professional development of employees and it serves the purpose of employees retaining. In order to ensure consistency of approaches, we carry out performance assessment on a weekly basis.

The given process allows for timely identification of promising employees, highly efficient in their performance and having potential of further development.

COMPETITIVE SELECTION STAGES

RESUME CONTEST OF CANDIDATES

1. Publication of the announcement on the web-site www.sk.kz during 10 days

2. HR Department analyses resume for compliance with the main qualification requirements (work experience, education, languages)

3. The resume of candidates meeting the main qualification requirements are submitted to the management of a structural unit of the Fund where there is a vacancy

COMPUTER TESTING OF CANDIDATES WHO WAS SUCCESS IN THE RESUME CONTEST

4. Testing of professional expertise. Passing – 70%

5. Testing the knowledge of English and Kazakh. Passing – 70%

6. Skills testing:
   1. *Analysis of verbal information*
   2. *Analysis of numerical information*

INTERVIEWING SUCCESSFUL CANDIDATES

7. Interview with the direct Head of the structural unit and interview on competences with HR Department

8. Selection of candidate at the collegial interview. Members of the Board: Chief of Staff, Chief HR Officer, Deputy Chief HR Officer, Head of a structural unit6 supervising Chief Officer

9. Publication of the information on the web-site about the completitive selection for a vacant position and selected candidate

TALENT MANAGEMENT

Much work is being performed in the development of a leadership potential of top managers of the Group. For this purpose, we have assessed them and compared with successful CEOs of international companies, and now we have a development plan for each CEO of companies-members of the Group. Revision of approach to personnel management includes development of leadership styles aimed at extensive staff relations, their development, coaching and mentoring.

We are interested in maintaining a corporate culture, which contributes to retaining of employees and developing their talents, culture of constant self-development, among other things, through involvement in interesting and ambitious projects, rotation within the Group.

PERSONNEL TRAINING

Development and training of the Fund's employees is an important part in development of the human resources and succession planning. We are working on creation of an environment that would stimulate learning new knowledge and self-development and pay special attention to creation of conditions for permanent development and career advancement. Individual plans of the Fund's employee's development represent the main tool for achievement the above specified goals. They are developed based on the results of the employees' performance and include the elements such as: training and development programs, rotation within the Group.

Training of the Fund's employees is mainly carried out at the Corporate University, which is a central hub of development of talents both for the Fund and its PCs. The Corporate University team performs the tasks of international level managers training using an integrated system of management personnel training and develops an infrastructure for accumulation and transfer of knowledge and skills within the companies of the Fund's group.

Taking into account the fact that the Fund is being changed on a daily basis, we actively implement the dynamic training 70:20:10 principle, where on-the-job training makes 70% of the total scope of the Fund's employees training. In 2015, we implemented distance education and online libraries project in our Group.

We held a number of events in the Fund's coordination center (CC) such as HR and IT conferences attended by over 126 people and language learning seminars attended by more than 54 people.

Under the conditions of the ever growing need, great attention is paid to the international certification at the ACCA, CPA, CFA, CIMA and CMA courses as well as training under the MBA and EMBA programs and international leadership programs. In 2015, 1 person completed PhD program, 7 person completed EMBA and 3 persons - MBA programs.

In cooperation with the Corporate University, We constantly implement and improve the programs of mandatory trainings in support of transformation of the Fund and PCs' employees. With due account for the changes, we constantly arrange the programs of adaptation for new employees including those that are non-residents of the Republic of Kazakhstan (RK).

CORPORATE CULTURE DEVELOPMENT

Corporate culture development forms a basis for support of business, implementation of Development Strategy and the Fund Transformation Program. One of the key HR objectives consists of building of a tightly welded team aimed at achievement of strategic objectives of the Fund.

We carry out analysis of the Fund's employees involvement on the constant basis and implement the programs of changes management and hold team-building events. Within the framework of the line of activity "People: management of changes", we started the process of self-change being focused on high standards of activity, permanent education and self-development.

The Fund's PCs arrange surveys to determine the level of satisfaction, loyalty and involvement of employees, their attitude towards "really working" principles of meritocracy and justice. Such measurements allow to identify problematic issues and to take necessary corrective measures and, as a result, will allow influencing on opinions of the Fund's personnel.

The research findings conducted in 2015 showed that the Fund's employees engagement index remains in the positive zone - 61%, for the second year in a row. Degree of personnel (administrative and management staff (AMS)) engagement was equal to 55% (stability zone) in the Group in 2015.

FORMATION OF THE WORKFORCE TRAINING SYSTEM (DUAL TRAINING)

8 PCs of the Fund in cooperation with 49 colleges have implemented dual training system of technical and vocational education for 32 trades since 2012.

Over the period 2012–2015, more than 3,500 people completed trainings required by the Fund's companies. Through 2012–2015, 1,828 students graduated the courses, among them, 503 were employed by the companies of the Group. Currently, over 1,700 students are being trained in 32 trades of technical and vocational dual training system.

2012	2013	2014	2015
8 colleges	33 colleges	41 colleges	49 colleges
5 PCs	8 PCs	8 PCs	8 PCs
9 specialist trades	28 specialist trades	32 specialist trades	32 specialist trades

SPONSORSHIP AND CHARITY

In 2015, the Fund participated in the following charity projects

- Science and education;
- Culture;
- Promotion of healthy life-style;
- Social work;
- Support of regional initiatives.

The number of direct beneficiaries of the Fund's social projects increases every year. Thus, in 2015, 141 projects were implemented and some assistance was rendered to approximately 9,000 Kazakhstani people. Total amount spent on charity and sponsorship projects in 2015 was 17 745 mln KZT (2014: 32,991 mln KZT).

Within the framework of business Transformation program, the international experience of corporate social responsibility was studied and implemented in the form of "Samruk-Kazyna Trust" Fund of social projects. The Fund's tasks are as follows:

- Development and implementation of socially meaningful projects taking into consideration the specifics of regions;
- Ensuring consistency of charity projects implementation;
- Efficient management of social investments.

Samruk-Kazyna Trust Fund of social projects determined the following three spheres of development of social projects within the Group:

- Social programs and projects in the existence regions;
- Socially meaningful projects in accordance with the governmental policy implemented together with the governmental agencies;
- Socially trendy initiatives improving investment attractiveness of the Fund and a country.

Detailed information on activity of Samruk-Kazyna Trust Fund of social projects is posted on the official web-site of the fund: *http://sk-trust.kz/.*

CHARITY PROJECTS OF 2015

Struggle with social orphanage together with "SOS children Villages of Kazakhstan"

"SOS children Villages of Kazakhstan" coordinate activity of three villages (Almaty, Astana and Temirtau), 7 youth houses and social centers of aid to children. The Fund practically completely provides to all of these projects. **More than 1,300 children and teenagers were supported in 2015.**

Improvement of children's life quality that need help together with Social Fund "Voluntary Charity Society"

Together with the "Home" Fund, the Fund has been implementing 3 charity projects for several years already, namely: **"Gift Life to Children", "Kazakhstan without Orphans" and "Victory over Autism".**

In 2015, more than 550 children received assistance.

Under the "Gift Life to Children" project, more than 286 children with diseases that cannot be cured in Kazakhstan, were treated abroad.

Under the "Victory over Autism" project, centers of adaptation and rehabilitation for children suffering from autism were set up in Almaty and Astana. **220 families with autist children were assisted there.**

The "Kazakhstan without Orphans' project is aimed at struggle against social orphic. the common database of orphans has been created. **As a result, approximately 53 chidden were adopted by Kazakhstani families.**

Development of an Inclusive Society along with "Dara" Charity Fund

The project "Different but Equal" is aimed at ensuring better access to education and development for handicapped children. 4 centers of psychological and educational correction were set-up.
More than 700 children received correction services there. Additionally, approximately 300 specialists of new centers, inclusive and corrective organizations from all over Kazakhstan underwent training and advanced their qualification

Establishment of conditions for rehabilitation of children with ICP together with Social Charity Fund "Kassietti Zhol" (Holy Way)

The Center for Rehabilitation of Children with ICP from orphanages, incomplete and low-income families was opened in March 2014. **240 children underwent rehabilitation in 2015.**

Arranging for rcreation of children from low-income and many chikdredn families together with "Zamandas" OF

There are 3 yard clubs in the city of Astana. Most members of those clubs are children and teenagers from socially vulnerable population groups. They attend different hobby groups such as: art therapy, choreography, chess, arts and crafts, airplane models making and flying, young technician, amateur theatre, karate, music. There is also a club for parents of such children called "Happy Family".
In 2015 yard clubs covered more than 650 children and teenagers, as well as 300 parents.

Help to the Veterans of the Great Patriotic War in partnership with the Central Council of the Veterans' Organization

In 2015, approximately 5,000 veterans of World War II and individuals equaled to them, were provided with panic buttons and were connected to the emergency service system. Additionally, a number of social videos were shot and an informational and educational campaign was conducted.

17 746
MLN KZT

141
PROJECTS

support
OVER
9 000
Kazakhstani people

ENVIRONMENTAL PROTECTION, LABOUR PROTECTION AND SAFETY

We recognize and acknowledge that activity of the companies of the Group has strategic importance for the national economy of Kazakhstan and other countries and affects the interests of millions of people, and we undertake responsibility for environmental protection. We undertake responsibility for ensuring better working conditions and recognize "life and health of employees" first as compared to the results of production activity.

ENVIRONMENTAL PROTECTION

The main environmental protective activities of the companies of the Group are aimed at mitigation the effect on ecology, in particular, prevention of unauthorized and excessive atmospheric emissions, control of wastes elimination, reduction of water consumption rate and its efficient use, permanent improvement of management system in the sphere of environmental protection. We also plan to use renewable power sources such as solar and wind power resulting in substantial reduction of environmental emissions.

The Fund and its PCs maintain cooperation with international governmental and non-governmental organizations, scientific and educational institutions that effectively operate in the sphere of environmental protection.

The main objectives of the Fund's environmental protection policy are as follows:

- Assessment and management, prevention and mitigation of negative effect of the Fund's PCs activity on environment.
- Creation of the up-to-date corporate system of quality control and monitoring current condition of technological equipment, production facilities and environment.
- Ensuring disclosure of information on efforts in the sphere of environmental protection.
- Involvement by personnel in activity in reduction of environmental risks, improvement of environmental management and performance in the sphere of environmental protection.

Upon implementation of investment project in the sphere of subsurface resources management, the main condition for a potential partner includes requirement of development and implementation of innovative technologies, construction of technology intensive and effective processing facilities meeting all requirements of legislation in the sphere of environmental protection.

LABOR PROTECTION AND SAFETY

The companies of the Group understand full measure of responsibility for ensuring safety of labor and health of employees of the Fund and Companies. The companies of the Group invest in the efforts to ensure safety and protection of labor and reduction of occupational traumatism on an annual basis. For the purpose of improvement of labor safety, companies implement internal plans of organizational and technical activities aimed at reduction of occupational traumatism, improvement of labor conditions and protection, conservation of life and health of employees in the course of labor activity. The given plans include measures for prevention of industrial accidents and teaching occupational safety to the personnel, inspection of equipment and tools for compliance with applicable safety requirements. Attestation of production facilities for compliance with labor conditions is carried out within the set timeframe.

Upon employment and within a year thereafter, new employees are familiarized with regulatory documents that govern the occupational safety and labor protection system. For the purpose of improvement of efficiency and saving the time of employees, the Fund implements online course of occupational safety training.

In accordance with the provisions of the current legislation, insurance of employees, selection of suppliers of insurance services is carried out with due account for required scope of services.

ETHICS AND COMPLIANCE

Successful companies are built and based on trust. Our Fund would not be able to grow and develop without trust among stakeholders. Trust is built up through consistent achievement of high standards of behavior and responsibility. Our Business ethics code establishes the standards for each employee of the Group, contains information on our beliefs and values and is binding upon all employees without exception. All employees and officials of the Fund bear responsibility for observance of its requirements.

Our activity is based on abiding business ethics and rules of conduct. Our core values are:

- **Meritocracy:** justice in and objectivity of assessment of contribution and achievements of each employee;
- **Respect:** treatment of other team members with respect;
- **Honesty:** honesty within the Fund and to the Fund's partners;
- **Openness:** openness to changes and new possibilities;
- **Team spirit:** cooperation for achievement of higher results of joint activity;
- **Trust:** adherence to culture of mutual assistance and trust.

The Fund's Business ethics code provisions briefing is arranged for all new employees of the Fund. Employees and officials of the Fund shall sign an obligation of following the provisions of the business ethics code.

The key aspects, obligations of officials and employees of the Fund governed by the Fund's business ethics code are as follows:

- Ensuring confidentiality of information;
- Non-admission and settlement of conflict of interest;
- Prevention of corruption and other unlawful actions.

Over the reporting period, there were no corporate conflicts and unlawful actions in the Fund.

In regard to the issues of the business code ethics and/or ethics issues occurring in the course of operation, as well as the facts of the business ethics code violation, corruption and other unlawful actions, officials and employees of the Fund, business partners and interested parties shall have the right to apply to:

- Immediate supervisors;
- Ombudsman;
- Internal audit service;
- Corporate secretary service;
- Hot line for notification on suspected violations.

Guidelines for the implementation Compliance procedures (compliance function) within the Group were approved by the decision of the Management Board of Samruk-Kazyna JSC as at November 23, 2015.

Guidelines, as a corporate standard and professional reference, were used as prerequisite for implementation of compliance function in the Group.

The implementation of the compliance function and the formation of a culture of compliance involves ensuring transparency and compliance of business activity the Group employees and employees with applicable laws, the requirements of the best international standards, internal and other requirements.

In 2016, we work on creation of compliance function. Employees of Compliance Service of the Fund were selected based on the results of an open bidding. Gani Bitenov, Managing director for legal support and risks, member of the Management Board, shares the results of the bidding:

GANI BITENOV
Managing director for legal support and risks, member of the Management Board

"On February 12, I posted an announcement on two open vacancies in Compliance Service of the Fund on my Facebook page with reference to the Fund's web-site: https://resume.sk.kz/ru/vacancy/view/266 иhttps://resume.sk.kz/ru/vacancy/view/290.

More than twenty candidates responded to the announcement, which was significantly less than an average number of responses to other vacancies of the Fund. In my opinion, the reason is that the compliance is currently at the early stage of development in Kazakhstan, except for the banking industry. There is no active banking business in the companies of Group; therefore, we had to search for compliance specialists with the necessary working experience in the real sector of economy where compliance function is substantially different from that of the banking industry.

The compliance function is being established in the Fund for the first time. Therefore, in search for specialists, we paid attention to those candidates that had experience in introduction of compliance function in their companies and to those who were familiar with operation of national companies. First, we planned to decide with the vacancy of the service head and after that to decide with the vacancy of a senior manager.

We selected 9 appropriate CVs and cover letters as a result of conducted competition. After interview conducted by HR specialists, we focused on three best candidates for the position of the Service head. I interviewed them together with directors of three supervised departments (Corporate Governance Department, Legal Support Department and Risk Management and Internal Audit Department). As a result, we selected two best candidates. A week later, we conducted the final panel interview along with HR management. Both candidates were strong and it was difficult to give absolute preference to either one of them. Finally, we decided that we will offer the position of the Service head to the candidate having experience of compliance function introduction from "green field" and we will try to persuade the other candidate to take the position of the same Service's senior manager and in the event of refusal, we will continue the process of selection from the other candidates. Luckily, it all worked out very well.

So:
Yerden Raimbekov was appointed as Head of the Compliance Service of the Fund. Before that, he held the position of the Head of Compliance Service of KazMunayGas EP JSC and worked for more than 14 years at NC KazMunayGas JSC. Master of Law (LLM), Dundee University, MBA KIMEP.

Mansur Bashirov was appointed as Senior manager of the Compliance Service of the Fund. Before that, he held the position of a Senior advisor of General Electric Kazakhstan and Central Asia and dealt with legal and compliance issues. He previously worked at Samruk-Energy JSC, Kazgermunai JV LLP and Ust-Kamenogorsk Titanium and Magnesium Integrated Works JSC. LLM, University of London, PhD, Master of Management, Master of Law, Kazakhstan-American Free University.

Currently, the Compliance Service of the Fund is working on development and implementation of compliance program in accordance with the OECD standards. The main objective of the compliance function is to ensure the Fund's activity comply with standards in the sphere of counteraction to bribery and corruption.

PREVENTION OF CONFLICT OF INTEREST IN INVOLVEMENT OF CONSULTING SERVICES

In 2014, the Fund developed and adopted the Policy on prevention of conflict of interest in involvement of consulting services, which was approved by the Fund's Board of Directors, and approved by the Management Board as a corporate standard on prevention of conflict of interest in involvement of consulting services by the companies of the Group.

Within the framework of the given Policy and Corporate standard implementation, we took the following measures in 2015:

- Inclusion of provisions on conflict of interests in standard agreement, in particular, requirement of provision by the Advisor of information on conflict of interest in the established form and the corresponding guarantees and representations (on absence of conflict of interest, prohibition of representation of the Customer interests if such representation by the Advisor causes or may cause parallel conflict of interest, consent to inclusion into common database of the Customer's group containing information on Advisors on the issue of conflict of interest, etc.);
- Development of a common database of the Customer's group containing information on Advisors having and (or) that may have conflict of interests;
- Consulting with several representatives of audit company belonging to the "Big Four" on observance of provisions of the Policy and Corporate standard;
- Introduction of addenda to the Rules of Procurement of Commodities, Work and Services of the companies of the Fund's group on procurement from one source with due account of standards providing for absence of conflict of interests between potential suppliers and the customers.

PROCUREMENT

Electronic procurement information system (EPIS) is a common web-site ensuring automation of procurement processes implemented by the Fund and organizations, fifty and more percent of voting shares (participatory interest) of which are owned directly or indirectly by the Fund. The Group transferred to electronic procurement since February 2013.

Electronic procurement information system (EPIS) is used by 740 organizations of Customers (subsidiaries and affiliates and branches falling within the ambit of the Fund's procurement rules) for procurement including 493 branches of subsidiaries and affiliates. 40,000 potential suppliers, 10 second-tier banks issuing electronic banking guarantees (EBG), 40 organizations-public associations as observers are registered in the EPIS. Use of EPIS establishes equal conditions for all participants of procurement process and ensures quick search of necessary procurement items and provides opportunity for participation in procurement to a wide circle of potential suppliers irrespective of their territorial location.

Principle of publicity and transparency of bidding process is ensured by means of granting the right for all participants of the given bidding to inspect all open applications filed by potential suppliers and the documents enclosed to such applications. Thus, after expiration of time set for filling the applications, potential suppliers are authorized to have full access to documentation and quotations of their competitors.

The system allows for centralized monitoring and control over observance of bidding procedures. Any illogical decision, one-sided approach to selection of suppliers or contractors can be easily traced in the electronic bidding system, which, in the long run, reduces possibility of occurrence of any corrupt practices in the bidding process.

EPIS is permanently improved. Given below is the list of the main activities carried out in 2015 within the framework of its development:

- For strengthening the control over proper working capacity of hardware infrastructure of EPIS, decision was made to carry out technical maintenance of infrastructure by the EPIS Department.
- In order to ensure fair participation of potential suppliers in bidding process by the reverse method, function of successive submission of quotation was used in bidding.
- Based on the new rules of bidding draft, changes were made in planning and holding the bidding in test environment.

From the moment of introduction in 2013, the system has proved to be highly efficient: 212 000 bidding announcements were published in EPIS.

Year	Number of announced biddings, thousand biddings	Saving based on the results of announced biddings, KZT bn.
2015	33,193	138.9
2014	131,918	60
2013	46,889	16.3

Currently, EPIS interacts with the systems such as:

- Uniform Stock Item Identification Guide of Goods, Work and Services (USIIGGTS) - automatic update of the USIIGGTS in EPIS, addition of new and deactivation of excluded codes.
- SKM - submission of information on biddings (announcement, results, etc.) for formation of marketing analysis.

We plan to carry out integration with PQS IS, which provides the functions of automatic access of qualified supplier to bidding announcements in EPIS, appointment of the corresponding preferences to suppliers in participation in biddings of subsidiaries and affiliates of the Fund, mutual exchange of information for formation of analytical reports on biddings, customers and suppliers.

DYNAMICS OF CHANGE IN THE LOCAL CONTENT IN THE PROCUREMENTS OF THE FUND

In 2015, we added additional measures of DCP support in the Fund's procurement rules with active participation of NCE:

- If there is only one national manufacturer in the market, the customers shall buy goods from one source.
- For procurement of work, requirement to purchase goods directly from national manufacturers was included into bidding documentation.
- In the event of failure by supplier to fulfill its obligations of purchase of domestic goods for the purpose of work execution, a fine at the rate of 15% (fifteen percent) of the total value of the procurement document is provided for as well as inclusion in the list of unreliable potential suppliers for the period of 18 months.
- Obligation of customers to purchase GWS from one service at the rate of more than 30% of the total volume purchase from supplier implementing the project of new production facilities is provided .

Additionally, for the purpose of protection of interests of manufacturers in the Fund's procurement rules, requirement on observance of technological time of goods supply, which shall be no less than 60 (sixty) calendar days, is provided .

Thanks to introduction of systemic measures of support of the national manufacturers, share of Kazakhstani content in the companies of the Fund's group procurement increased from 63% in 2012 to 74% in 2015.

Based on the results of 2015, procurement volume of the companies of the Fund's group amounted to 3.4 trillion KZT. Total share of the local content made 74%, of which 69% fell on work and 77% fell on services.

The Group's Dynamics of Procurements and Share of Local Content (LC)

	2012		2013		2014		2015	
	Amount, bln KZT	LC share,%	Amount, bln KZT	LC share,%	Amount, bln KZT	LC share,%	Amount, bln KZT	LC share,%
Goods	1,553	47	1,382	59	1,437	63	1,220	69
Work/Services	1,927	75	2,048	77	2,433	82	2,149	77
Total	**3,480**	**63**	**3,430**	**70**	**3,870**	**75**	**3,369**	**74**

Based on the results of 2015, there was reduction in the share of local content by 1% comparing to 2014. As for the goods, there was an increase in the local content by 6% and by 5% for work and services.

Increase in share of the local content for the commodities is due to the increased volume of gas purchase with the share of LC equal to 100%. Thus, total volume of gas purchased by the KMG group of companies increased by 52 bln KZT. It also should be mentioned that the volume of gold-bearing raw materials for affinage (refining) processes of Tau-Ken Altyn LLP increased by the total amount of 17 bln KZT with LC share equal to 100% comparing to 2014.

As for purchase of work/services, there is reduction of LC by 5%. This reduction to a significant part was due to reduction of work procurement for construction of railway lines. Thus, total scope of executed work of KTZ railway lines amounted to 377 bln KZT with LC share within the range of 80 to 100%. In 2015, procurement of the above specified work reduced by 288 bln KZT Along with that, purchase by Atyrau Oil Refinery LLP of deep oil refinery plant construction work from Sinopec Engineering to the amount of 93 bln KZT with the share of LC equal to 14.85% had serious effect on reduction of LC in purchased work.

For the purpose of unification of procurement rules on the eve of joining WTO and improvement of quality of purchased goods and services, the Fund approved the procurement rules in 2016.

ATTACHMENTS

EXTERNAL AUDIT AND AUDITOR'S OPINION

In 2015, the audit of Samruk-Kazyna JSC was carried out by Ernst & Young LLP.

Ernst & Young LLP is a British audit - consulting company, which is one of the largest audit companies in the world (included in the "Big Four" audit companies). Since 2013, it has been running under EY trademark, which is an acronym of the company's name.

The cost of audit services for 2015 is 43,235,486 KZT including VAT, 38,603,113 KZT excluding VAT (2014: 43,235,487 KZT including VAT, 38,603,113 KZT excluding VAT)..

Building a better working world

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Independent auditors' report

To the Shareholder and Management of "Sovereign Wealth Fund "Samruk-Kazyna" JSC

We have audited the accompanying consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better
working world

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries as at 31 December 2015, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Bakhtiyor Eshonkulov
Auditor / audit partner

Auditor qualification certificate
No. МФ-0000099 dated 27 August 2012

Evgeny Zhemaletdinov
General director
Ernst & Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003, issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

11 April 2016

“SOVEREIGN WEALTH FUND
“SAMRUK-KAZYNA” JSC

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015
with independent auditors’ report

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INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2015

In millions of tenge	Note	2015	2014
Assets			
Non-current assets			
Property, plant and equipment	6	**10,711,508**	8,405,084
Intangible assets	7	**269,694**	334,289
Investments in joint ventures and associates	8	**2,547,103**	1,813,834
Loans to customers	9	**601,673**	271,989
Amounts due from credit institutions	10	**666,231**	692,377
Deferred tax assets	34	**116,443**	102,436
Other non-current financial assets	11	**178,941**	180,317
Other non-current assets	12	**607,916**	605,071
		15,699,509	12,405,397
Current assets			
Inventories	13	**318,344**	355,515
VAT receivable		**196,805**	228,842
Income tax prepaid		**79,947**	74,560
Trade accounts receivable	14	**283,248**	314,749
Loans to customers	9	**121,241**	458,473
Amounts due from credit institutions	10	**1,492,619**	1,146,227
Other current financial assets	11	**15,000**	26,358
Other current assets	14	**287,050**	244,762
Cash and cash equivalents	15	**1,206,557**	1,234,305
		4,000,811	4,083,791
Assets classified as held for sale	5	**1,189,364**	148,486
Total assets		**20,889,684**	16,637,674

The accounting policies and explanatory notes on pages 140 through 230 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET (continued)

AS AT DECEMBER 31, 2015

In millions of tenge	Note	2015	2014
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	16	**4,916,269**	4,620,562
Revaluation reserve for available-for-sale investments		**32,817**	51,290
Currency translation reserve	16	**1,025,930**	486,162
Other capital reserves	16	**(13,922)**	(14,689)
Hedging reserve	16	**(59,171)**	–
Retained earnings		**2,971,941**	2,224,315
		8,873,864	7,367,640
Non-controlling interest	16	**1,527,508**	764,438
Total equity		**10,401,372**	8,132,078
Non-current liabilities			
Borrowings	17	**5,375,804**	4,329,026
Loans from the Government of the Republic of Kazakhstan	18	**859,715**	412,633
Finance lease liabilities	20	**134,833**	90,396
Provisions	21	**271,553**	229,447
Deferred tax liability	34	**527,014**	512,253
Employee benefit liability	22	**72,439**	61,125
Other non-current liabilities	19	**839,819**	463,571
		8,081,177	6,098,451
Current liabilities			
Borrowings	17	**716,907**	1,313,236
Loans from the Government of the Republic of Kazakhstan	18	**6,722**	1,111
Finance lease liabilities	20	**19,364**	15,802
Provisions	21	**220,920**	153,429
Employee benefit liability	22	**6,384**	5,726
Income taxes payable		**9,490**	4,020
Trade and other payables		**506,213**	456,475
Other current liabilities	23	**355,968**	396,431
		1,841,968	2,346,230
Liabilities associated with assets classified as held for sale	5	**565,167**	60,915
Total liabilities		**10,488,312**	8,505,596
Total equity and liabilities		**20,889,684**	16,637,674

Managing Director for Finance and Operations – Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 140 through 230 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR DECEMBER 31, 2015

In millions of tenge	Note	2015	2014*
Continuing operations			
Revenue	24	3,090,988	2,970,761
Government grants	25	**28,732**	31,192
		3,119,720	3,001,953
Cost of sales	26	**(2,715,032)**	(2,583,703)
Gross profit		**404,688**	418,250
General and administrative expenses	27	**(380,578)**	(356,894)
Transportation and selling expenses	28	**(211,268)**	(324,639)
Impairment loss	29	**(292,270)**	(381,376)
(Loss)/gain on disposal of subsidiaries		**(1,657)**	1,029
Gain on revaluation of a 50% stake in EGRES-1		**–**	74,798
Operating loss		**(481,085)**	(568,832)
Finance costs	30	**(321,489)**	(272,738)
Finance income	31	**282,122**	128,729
Other non-operating loss		**(36,520)**	(74,970)
Other non-operating income		**41,380**	63,056
Share in profit of joint ventures and associates, net	32	**149,423**	456,941
Net foreign exchange gain/(loss)	33	**683,359**	(29,690)
Profit/(loss) before income tax		**317,190**	(297,504)
Income tax expenses	34	**(274,019)**	(202,221)
Net profit/(loss) for the year from continuing operations		**43,171**	(499,725)
Discontinued operations			
Profit from discontinued operations, net of income tax	5	**261,631**	734,217
Net profit for the year		**304,802**	234,492
Net profit for the year attributable to:			
Equity holder of the Parent		**161,995**	271,548
Non-controlling interest		**142,807**	(37,056)
		304,802	234,492

The accounting policies and explanatory notes on pages 140 through 230 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

FOR THE YEAR DECEMBER 31, 2015

In millions of tenge	Note	2015	2014*
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange differences on translation of foreign operations	16.9	**797,728**	244,368
Unrealized loss from revaluation of available-for-sale investments		**(17,094)**	(4,180)
Share of the OCI items of associates and joint ventures to be reclassified to profit or loss in subsequent periods		**(960)**	(70)
Loss on transactions with hedge instruments	16.10	**(81,922)**	–
Tax effect on transactions with hedge instrument	16.10	**7,686**	–
Net realized (loss)/gain on available-for-sale investments		**(419)**	28,812
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**705,019**	268,930
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Share of the OCI items of associates and joint ventures not to be reclassified to profit or loss in subsequent periods		**169**	–
Actuarial losses on defined benefit plans		**(4,387)**	(2,679)
Tax effect on OCI components		**885**	105
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(3,333)**	(2,574)
Other comprehensive income for the year, net of tax		**701,686**	266,356
Total comprehensive income for the year, net of tax		**1,006,488**	500,848
Total comprehensive income for the year, net of tax, attributable to:			
Equity holder of the Parent		**666,861**	507,978
Non-controlling interest		**339,627**	(7,130)
		1,006,488	500,848

** Certain amounts shown here do not correspond to 2014 consolidated financial statements and reflect adjustments made details of which are disclosed in Note 5.*

Managing Director for Finance and Operations – Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 140 through 230 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

		Attributable to equity holder of the Parent							
In millions of tenge	Note	Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2013		4,484,676	25,302	272,655	(2,711)	1,947,379	6,727,301	779,291	7,506,592
Total comprehensive income for the year		–	24,513	213,777	–	269,688	507,978	(7,130)	500,848
Issue of shares		135,886	–	–	–	(4,740)	131,146	–	131,146
Discount on loans from the Government		–	–	–	–	12,363	12,363	–	12,363
Dividends		–	–	–	–	(9,077)	(9,077)	(58,396)	(67,473)
Other transactions with the Shareholder		–	–	–	–	105,940	105,940	–	105,940
Acquisition of subsidiaries		–	–	–	–	–	–	2,226	2,226
Other distributions to the Shareholder		–	–	–	–	(94,029)	(94,029)	–	(94,029)
Disposal of subsidiaries		–	–	–	–	–	–	44,785	44,785
Change in ownership interests of subsidiaries – acquisition by non-controlling interest		–	1,740	–	(11,843)	14,742	4,639	18,665	23,304
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	(265)	–	–	(13,799)	(14,064)	(15,290)	(29,354)
Other equity movements		–	–	(270)	(135)	(4,152)	(4,557)	287	(4,270)
Balance as at December 31, 2014		4,620,562	51,290	486,162	(14,689)	2,224,315	7,367,640	764,438	8,132,078

The accounting policies and explanatory notes on pages 140 through 230 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED DECEMBER 31, 2015

		Attributable to equity holder of the Parent								
In millions of tenge	Note	Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2014		4,620,562	51,290	486,162	–	(14,689)	2,224,315	7,367,640	764,438	8,132,078
Total comprehensive income for the year		–	(18,473)	584,461	(59,171)	–	160,044	666,861	339,627	1,006,488
Issue of shares	16,1	295,707	–	–	–	–	–	295,707	–	295,707
Discount on loans from the Government	16,2	–	–	–	–	–	325,118	325,118	–	325,118
Dividends	16,3	–	–	–	–	–	(34,713)	(34,713)	(21,559)	(56,272)
Other transactions with the Shareholder	16,4	–	–	–	–	–	(5,612)	(5,612)	–	(5,612)
Other distributions to the Shareholder	16,5	–	–	–	–	–	(32,201)	(32,201)	–	(32,201)
Disposal of subsidiaries	5	–	–	–	–	–	–	–	(13,676)	(13,676)
Change in ownership interests of subsidiaries – sale of non-controlling interest	16,6	–	–	(44,693)	–	(210)	332,753	287,850	462,150	750,000
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	16,7	–	–	–	–	–	916	916	(4,641)	(3,725)
Other equity movements		–	–	–	–	977	1,321	2,298	1,169	3,467
Balance as at December 31, 2015		**4,916,269**	**32,817**	**1,025,930**	**(59,171)**	**(13,922)**	**2,971,941**	**8,873,864**	**1,527,508**	**10,401,372**

Managing Director for Finance and Operations – Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 140 through 230 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

In millions of tenge	Note	2015	2014*
Cash flows from operating activities			
Profit/(loss) before income tax from continuing operations		**317,190**	(297,504)
Profit before income tax from discontinued operations	5	**240,594**	726,964
Adjustments for items of continuing operations			
Depreciation, depletion and amortization	26, 27, 28	**363,623**	378,984
Share in profit of joint ventures and associates, net	32	**(149,423)**	(456,941)
Finance costs	30	**321,489**	272,738
Finance income	31	**(282,122)**	(128,729)
Impairment loss	29	**292,270**	381,376
Long-term employee benefits	22	**16,684**	11,272
Provision charges		**102,242**	45,765
Derivatives		**6,454**	45,998
Gain on disposal of financial assets		**–**	(27,164)
Loss on disposal of property, plant and equipment and other long term assets, net		**8,683**	686
Loss/(gain) on disposal of subsidiaries		**1,657**	(1,029)
Allowance for doubtful debts	27	**12,972**	13,676
Gain on revaluation of a 50% stake in EGRES-1		**–**	(74,798)
Unrealized foreign exchange (gain)/loss, net		**(601,194)**	29,428
Other transactions		**(553)**	(1,083)
Significant items of disposal group classified as held for sale, shown as discontinued operations			
Depreciation, depletion and amortization		**40,841**	39,252
Impairment loss		**166,525**	96,322
Finance costs		**7,912**	15,369
Finance income		**(1,308)**	(640)
Unrealized foreign exchange loss , net		**1,677**	4,641
Loss on disposal of property, plant and equipment and other long term assets, net		**–**	4,041
Share in profit of joint ventures and associates, net		**(160)**	(154)
Cash flows from operating activities before working capital changes		**866,053**	1,078,470
Changes in loans to customers		**407,644**	219,462
Changes in amounts due from credit institutions		**38,827**	(91,330)
Changes in other financial assets		**(9,535)**	969
Changes in inventories		**3,299**	(34,251)
Changes in VAT receivable		**36,188**	(43,159)
Changes in trade accounts receivable		**26,760**	84,232
Changes in other assets		**3,320**	(6,230)
Changes in borrowings and loans from the Government of the Republic of Kazakhstan		**(303,940)**	24,307
Changes in trade and other accounts payable		**38,274**	(101,362)
Changes in amounts due to customers		**219**	(1,532)
Changes in other liabilities		**(61,309)**	(66,324)
Cash generated by operating activities		**1,045,800**	1,063,252
Income taxes paid		**(220,554)**	(252,935)
Interest paid		**(377,124)**	(222,993)
Interest received		**169,981**	71,157
Net cash flows received from operating activities		**618,103**	658,481

The accounting policies and explanatory notes on pages 140 through 230 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED DECEMBER 31, 2015

In millions of tenge	Note	2015	2014*
Cash flows from investing activities			
Withdrawal of bank deposits, net		**312,293**	227,845
Acquisition of joint ventures and associates		**(18,191)**	(47,772)
Acquisition of subsidiaries, net of cash acquired		**(7,734)**	(256,420)
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries		**17,774**	(9,739)
Purchase of property, plant and equipment		**(1,149,685)**	(970,163)
Purchase of intangible assets		**(11,565)**	(11,842)
Increase in restricted cash		**(35,460)**	–
Sale/(purchase) of other financial assets, net		**8,353**	(12,666)
Proceeds from sale of property, plant and equipment		**23,149**	9,041
Dividends received from joint ventures and associates	8	**230,980**	361,001
Provision of loans		**(65,585)**	(108,896)
Repayment of loans given		**32,533**	–
Net cash flows used in investing activities		**(663,138)**	(819,611)
Cash flows from financing activities			
Proceeds from borrowings		**2,089,138**	1,173,592
Repayment of borrowings		**(3,106,085)**	(524,078)
Repayment of finance lease liabilities		**(17,646)**	(14,489)
Contributions to the share capital	16.1	**149,539**	103,918
Distributions to the Shareholder		**(59,139)**	(68,351)
Dividends paid to non-controlling interest of subsidiaries		**(18,734)**	(64,305)
Contributions to the share capital by non-controlling interest		**–**	23,304
Sale/(acquisition) of non-controlling interest	16.6	**750,000**	(18,570)
Dividends paid to the Shareholder	16.3	**(34,713)**	(9,077)
Net cash flows (used in) / received from financing activities		**(247,640)**	601,944
Net (decrease)/increase in cash and cash equivalents		**(292,675)**	440,814
Cash of subsidiaries reclassified to assets classified as held for sale		**(43,180)**	(7,330)
Effects of exchange rate changes on cash and cash equivalents		**308,107**	59,827
Cash and cash equivalents, at the beginning of the year		**1,234,305**	740,994
Cash and cash equivalents, at the end of the year	15	**1,206,557**	1,234,305

**Certain amounts shown here do not correspond to 2014 consolidated financial statements and reflect adjustments made details of which are disclosed in Note 5.*

Managing Director for Finance and Operations – Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 140 through 230 form an integral part of these consolidated financial statements.

I. GENERAL INFORMATION

CORPORATE INFORMATION

JSC "Sovereign Wealth Fund "Samruk-Kazyna" (the "Fund" or "Samruk-Kazyna") was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of "Sustainable Development Fund "Kazyna" JSC ("Kazyna") and "Kazakhstan Holding Company for State Assets Management "Samruk" JSC ("Samruk") and the additional transfer to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the "State" or the "Government"). The Government, represented by the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, is the sole shareholder of the Fund (the "Shareholder" or the "Parent").

During this process the Government's overall objective was to increase management efficiency and to optimise organisational structures in these entities for them to successfully achieve their strategic objectives as set in the respective Government programs and development plans of these entities.

The Fund is a holding company combining state-owned enterprises listed in Note 35 (the "Group"). Prior to February 22, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan "On National Welfare Fund" No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies' efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 "On Sovereign Wealth Fund" No. 550-IV, the Fund's activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has seven reportable operating segments *(Note 40)*:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products;
- Transportation segment includes operations related to railway and air transportation of cargo and passengers;
- Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services;
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan;
- Mining and industrial segment includes exploration, mining, processing and sales of mineral resources, military industry enterprises and civil engineering, projects for the development of chemical industry and geological exploration;
- Financial and innovation institutions segment includes operations related to assisting the Government in increasing housing availability by investing into residential development;
- Corporate center and projects segment covers Fund's investing and financing activities, including provision of loans to related and third parties.

The address of the Fund's registered office is Astana, Esil Region, Kunayev str., 8, Block B the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue by the Managing Director for Finance and Operations – Member of the Management Board and Chief accountant of the Fund on April 11, 2016 and preliminary approved by the Audit Committee of the Board of Directors of the Fund on the same date. These consolidated financial statements should be further approved by the Board of Directors and Sole Shareholder.

1. GENERAL INFORMATION (continued)

PRIVATIZATION PLAN

On April 30, 2014 the Government approved initial Privatization Plan for 2014–2016. On December 30, 2015 the Government approved new 2016–2020 Complex Privatization Plan (replacing previous 2014–2016 Privatization Plan) ("Privatization Plan") and the list of all state owned assets to be privatized, including certain Fund subsidiaries.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT") and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB").

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in these consolidated financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in tenge, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2. BASIS OF PREPARATION (continued)

FOREIGN CURRENCY TRANSLATION (continued)

Group entities

Gains, losses and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following table presents currency exchange rates to tenge as at December 31:

	2015	2014
United States dollar (USD)	**340,01**	182,35
Euro (EUR)	**371,46**	221,97
Russian ruble (RUR)	**4,61**	3,17
Swiss franc (CHF)	**343,48**	184,64

As at April 11, 2016 currency exchange rate of KASE is 336.87 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF NEW AND REVISED STANDARDS

The following new and amended standards and interpretations adopted by the Group for the first time in 2015 consolidated financial statements did not have a significant impact on the Group's consolidated financial statements:

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions.*
- Annual improvements 2010-2012 cycle:
  - IFRS 2 *Share-based Payment;*
  - IFRS 3 *Business Combinations;*
  - IFRS 8 *Operating Segments;*
  - IAS 16 *Property, Plant and Equipment and IAS 38 Intangible Assets;*
  - IAS 24 *Related Party Disclosures.*
- Annual improvements 2011-2013 cycle:
  - IFRS 3 *Business Combinations;*
  - IFRS 13 *Fair Value Measurement;*
  - IAS 40 *Investment Property.*

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Management of the Group anticipates that the adoption of IFRS 9 *Financial Instruments* in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Management of the Group also anticipates that the adoption of IFRS 15 *Revenue from Contracts with Customers* in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Management of the Group anticipates that the adoption of IFRS 16 *Leases* in the future may have a significant impact on the amount of assets and liabilities due to recognition of all leases for contracts where the Group is a lessee. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

Management anticipates that application of the following standards, amendments and interpretations effective starting on and after 1 January 2016 will not have a significant impact on the consolidated financial statements in the periods of their application:

- IFRS 14 *Regulatory Deferral Accounts.*
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests.*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation.*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants.*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements.*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*
- Annual improvements cycle – 2012-2014:
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations;*
  - IFRS 7 *Financial Instruments: Disclosures;*
  - IAS 19 *Employees Benefits;*
  - IAS 34 *Interim Financial Reporting.*
- Amendments to IAS 1 *Disclosure Initiative.*
- *Investment Entities* (amendments to IFRS 10, IFRS 12 and IAS 28) *Applying the Consolidation Exception.*

BASIS OF CONSOLIDATION

These consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries *(Note 35).*

Subsidiaries

Subsidiaries are the entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

Subsidiaries (continued)

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and consolidated balance sheet from the date the Group gains control until the date the Group ceases to control the subsidiary.

Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. Financial statements of the subsidiaries are prepared for the same reporting period as those of the Fund, using consistent accounting policies.

All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

Non-controlling interest represents a portion of equity in subsidiaries, which is not owned by the Group, and is recorded separately in equity in the consolidated balance sheet separately from the equity attributable to the Parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in its deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Investment in joint ventures and associates

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group's investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, investment in joint venture/associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture/associate. Goodwill relating to a joint venture/associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture/associate. Where there has been a change in net assets recognized directly in the equity of the joint venture/associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture/associate are eliminated to the extent of the Group's interest in the joint venture/associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

Investment in joint ventures and associates (continued)

The share in profit of joint ventures/associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture/associate and therefore is profit after tax and non-controlling interest in the subsidiaries of the joint ventures/associates.

Financial statements of the joint venture/associate are prepared for the same reporting period as those of the Parent. Where necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures/associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture/associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of investment in the joint venture/associate and its carrying amount and recognises impairment loss in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture and significant influence over associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the investment in the joint venture/associate upon loss of joint control/significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes an analysis of the need of separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, equity interest previously held by the Group in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of an aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed by the Group. If this consideration is lower than the fair value of net assets of the subsidiary acquired, the difference is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date of an entity by the Group, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operations disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured on the basis of the relative values of the operation disposed off and the portion of the cash-generating unit retained.

Acquisition of subsidiaries from parties under common control

Acquisition of subsidiaries from parties under common control (entities under the Government's control) is accounted for using the pooling of interest method.

Assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the "Predecessor") at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In transactions where part of the interest in existing subsidiary is either sold or acquired, but control is retained, the differences between the carrying amounts of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 (one) year from the date of classification.

In the consolidated statement of comprehensive income for the reporting period, and for the prior year comparable period, incomes and expenses from discontinued operations are reported separately from normal income and expenses, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPLORATION AND DEVELOPMENT ASSETS ON MINERAL AND HYDROCARBON RESOURCES (OIL AND GAS AND MINING ASSETS)

Expenditures for acquisition of subsurface use rights

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at exploration and evaluation phase.

Expenditures for acquisition of subsurface use rights are accounted for on a field-by-field basis. Each field is tested for impairment on an annual basis. If no future activity is planned, the remaining balance of the acquisition costs is written off. Starting from the commercial production on fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on total proved reserves.

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to exploration drilling; stripping activities; overhead and other expenses on exploration and evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within property, plant and equipment as construction-in-progress, accounted for by subsurface use contracts and are not amortized. If mineral or hydrocarbon resources are not found, this could be an indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If mineral or hydrocarbon resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

Development and production expenditures (oil and gas and mining assets)

Development and production expenditures comprise previously capitalized (and reclassified in commencement of production) expenditures for acquisition of subsurface use rights and exploration and evaluation costs; drilling of producing wells regardless of the drilling results; construction of landfills; development of surface technological facilities required for production, collection and preparation of hydrocarbons and mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells and mines abandonment and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and are accounted for on a field-by-field basis.

Depreciation of oil and gas and mining assets (within property, plant and equipment and intangible assets)

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from commencement of commercial production at fields. Certain oil and gas and mining assets (surface facilities and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (OTHER THAN OIL AND GAS AND MINING ASSETS)

On initial recognition, property, plant and equipment is measured at cost. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property, plant and equipment, other than oil and gas and mining assets, principally comprise the following classes of assets, which are depreciated on a straight-line basis over the expected useful lives:

Pipelines and refinery assets	4–100 years
Buildings and premises	8–100 years
Railway tracks and infrastructure	10–80 years
Machinery, equipment and vehicles	3–50 years
Other	3–20 years

In cases when items of property, plant and equipment are subject to major inspection, the cost is recognized in the carrying amount of property, plant and equipment as a replacement of component if the recognition criteria set out in IAS 16 are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period the asset is derecognised.

Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (continued)

Intangible assets with the finite useful life principally comprise the following classes of assets which are depreciated on a straight-line basis over the expected useful lives:

Licenses	3–20 years
Software	1–14 years
Other	2–15 years

Indefinite-lived intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

INVESTMENT PROPERTIES

Investment property is initially measured at cost, including transaction costs.

Since the Group adopted cost model, after initial recognition, investment property is accounted for in accordance with the cost model as set out in IAS 16 *Property, Plant and Equipment,* that is, cost less accumulated depreciation and less accumulated impairment losses.

The depreciation is calculated based on straight line method basis over the expected remaining useful average life of 2 100 years.

Investment property is derecognised (eliminated from the consolidated balance sheet) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of investment property and recognised in profit or loss in the period of the retirement or disposal.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses non- financial assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount.

An asset group's recoverable amount is higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and a provision is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provision may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment provision is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment provision was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment provision been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following process is applied in assessing impairment of goodwill:

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that its carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

FINANCIAL ASSETS

The Group's investments are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale investments, as appropriate. When investments are recognized initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at the time of initial recognition. All purchases and sales of investments are recognized on the settlement date, which is the date that the investment is delivered to or by the Group.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognized in profit and losses when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Securities are classified as financial assets at fair value through profit or loss if they are acquired for the purpose of selling in the near term. Derivatives are also classified as financial assets at fair value through profit or loss unless they are designated as effective hedging instruments. Gains and losses on financial assets at fair value through profit or loss are recognised in the consolidated statement of comprehensive income.

Financial assets can be classified as at fair value through profit or loss upon initial recognition if it increases the importance of the information provided, since such classification eliminates or significantly reduces inconsistency of evaluation or recognition, which otherwise would arise from revaluation of assets or liabilities or from recognition of profits or losses on them on a different basis.

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profits and losses. Reversals of impairment losses in respect of equity instruments are not recognized in profits and losses. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS (continued)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profits and losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profits and losses to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

In relation to trade accounts receivable, an allowance for doubtful debts is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost.

If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairment. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

HEDGE ACCOUNTING

The Group designates certain hedging instruments in respect of foreign currency risk, as either hedges of net investments in foreign operations or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values of foreign operations or cash flows of the hedged item attributable to the hedged risk.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued:

a) when the Group revokes the hedging relationship;

b) when the hedging instrument expires or is sold, terminated, or exercised; or

c) when it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Investments in foreign operations hedge

Foreign currency gain or loss arising on items that are designated as part of the hedge of the Group's net investment in foreign operations are recognized in consolidated statement of comprehensive income within currency translation reserve.

Cash flow hedges

Foreign currency gain or loss arising from financial instruments that are designated and qualify as cash flow hedges is recognized in consolidated statement of comprehensive income within hedge reserve.

INVENTORIES

Inventories are valued at cost or net realisable value, whichever is lower. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to sell. The same cost formula is used for all inventories having a similar nature and use. Inventories of oil and gas and energy operating segments are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than 3 (three) months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Loans and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date.

Issued financial instruments or their components are classified as borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Government, amounts due to credit institutions, which are initially recognized at fair value of amounts obtained less costs directly attributable to the transaction. Subsequently amounts received are recognized at amortized cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying long-term asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Trade and other payables

Liabilities for trade and other accounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in the consolidated balance sheet when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized in the consolidated balance sheet when the obligation under the liability is discharged or cancelled or expires.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts;
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same;
- a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 38.

LEASES

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Finance leases

The Group recognises finance leases as assets and liabilities in the consolidated balance sheet at amounts equal at the commencement of the lease term to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset.

Lease payments are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to reporting periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each reporting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROVISIONS

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment in the amount equivalent to the provision is also recognized. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities in accordance with respective depreciation method.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

(a) changes in the provision are added to, or deducted from, the carrying amount of the related asset in the current period;

(b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

(c) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Allowance for bank letters of credit and guarantees

In the ordinary course of business, the Group issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at their fair value, in "Other liabilities" line, at the corresponding premium. Subsequent to initial recognition, the Group's liability under each guarantee contract is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees arrangements is taken to the consolidated statement of comprehensive income. The premium received is recognized in the profits and losses on a straight-line basis over the life of the guarantee.

Other provisions

Provisions are recognized in the consolidated financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS

Defined contribution plan

The Group withholds 10% from the salary of its employees limited to certain annual amounts as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement.

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit plan

In accordance with the Collective Agreements signed with trade unions and other benefit regulations, some subsidiaries of the Group provide certain benefits to its employees upon their retirement ("Defined Benefit Plan").

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified in profits and losses and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 Employee Benefits.

The obligation and cost of benefits under the defined benefit plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to profit and loss, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the defined benefit plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit plan obligation.

The defined benefit plans of Group's subsidiaries are unfunded.

EQUITY

Share capital

Common shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess or deficiency of the fair value of consideration received over the par value of shares issued is recognized as an increase or decrease in the retained earnings.

Non-controlling interests

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Parent. Losses of subsidiaries are attributed to the non-controlling interest even if this results in a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed in the consolidated financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EQUITY (continued)

Share based payments

Some employees of the Group receive remuneration in the form of share-based payment transactions, whereby these employees render services as consideration for equity instruments of a subsidiary in which they are employed ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments on the date that they are granted. The fair value is determined using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves, over a period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for such transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

Revenue from the sale of crude oil, refined products, gas, uranium products, refined gold, and other goods is recognized when delivery has taken place and risks and rewards of ownership of the goods have passed to the buyer.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognized with reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been started yet are recognized upon receipt as "advances received from customers". Advances received from customers approximating the estimated future revenues relating to initiated deliveries are transferred to deferred income under the "Other current liabilities" line in the consolidated balance sheet. Deferred income is credited to current revenue, as the service is provided.

Sales of air transportation tickets that result in award credits for customers, under the customer loyalty program, are accounted for as multiple elements of revenue transactions at the fair value allocated between the services provided and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction – but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Establishment of tariffs

A number of subsidiaries of the Group are subject to regulation by the Committee for regulation of natural monopolies of the Republic of Kazakhstan ("CRNM"). This Committee is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant portion of their revenues.

GOVERNMENT GRANTS

Due to the fact that the Government of the Republic of Kazakhstan is a the sole shareholder of the Fund, the Group analyses all transactions with the Government to assess its role: where the Government acts primarily in its capacity of the Shareholder or where it acts as a regulator. If it is determined that in a specific transaction the Government acts in capacity of the Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of equity by the Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance.* In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

EXPENSE RECOGNITION

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on the accrual basis.

INCOME TAX

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profits and losses, except to the extent that it relates to items charged or credited to other comprehensive income or equity, in which case it is recognized in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax (EPT) is treated as an income tax and forms part of income tax expense. In accordance with the subsurface use contracts, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsurface use contracts, when certain internal rates of return are exceeded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

The internal rate of return is calculated based on the cash flows from each subsurface use contract, adjusted for the national inflation rate. Deferred tax is calculated with respect to both corporate income tax (CIT) and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsurface use contracts use at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arising due to the following are not provided for:

- the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

VALUE ADDED TAX (VAT)

Tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

RELATED PARTIES

Related parties include the Group's Shareholder, key management personnel, associates and entities in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements *(Note 39)* unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

SUBSEQUENT EVENTS

Post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the reporting date and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

OIL AND GAS RESERVES

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization ("DD&A"). The Group estimates its reserves of oil and gas in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices, which are also used by management for investment decisions regarding development of fields. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year end spot prices. Management believes that long-term planning price assumptions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All oil and gas reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A. The Group has included in proved reserves only those quantities that are expected to be produced during the initial period of the respective subsurface use contract. This is due to uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's periods of the subsurface use contract and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the oil and gas assets book value. Given the relatively small number of producing fields, it is possible that any change in reserve estimates year on year could significantly affect future charges for DD&A.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

URANIUM RESERVES

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortisation expense. Reserves estimation is performed based on results of detailed mine exploration and is evaluated and approved by the State Reserves Commission ("SRC") of Kazakhstan Geology Committee. Normally upon stripping during production actual reserves of each area are greater or lesser than geological reserves approved by SRC.

RECOVERABILITY OF PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

As at December 31, 2015 declining commodities prices, devaluation of Kazakhstan tenge and increases in inflation rate and cost of capital indicated that certain Group's oil and gas assets may be impaired. Therefore, for the year ended December 31, 2015 management has carried out a formal assessment of the recoverable amount of certain oil and gas assets (based on the discounted cash flow model) where indications of impairment exist.

Oil and gas assets

The Group engaged independent appraisal to perform impairment test on its share in Kashagan PSA. Impairment test resulted in excess of recoverable amount over the carrying value of assets. One of the main assumption used by the management is that after expiration of PSA in 2041 the Group will obtain 100% control over Kashagan oilfield and will continue production until the end of field life. Recoverable amount was identified as net present value of future 2016 2041 cash flows discounted at WACC of 8.67% and 2042-2062 cash flows at WACC of 8.99%.

As of the reporting date KMG Kashagan BV dismantled damaged onshore pipelines. Thus, as at December 31, 2015 management decided to reclassify dismantled pipelines to other non-current assets (other inventories) and in 2015 recognized impairment for the full amount of 36,047 million tenge. In 2015 the Group also decided to impair offshore (non dismantled) for the full amount of 16,114 million tenge.

On December 31, 2015 certain amounts of VAT receivable on foreign currency differences for the 11 quarters from 2009-2014 were recognized as non-recoverable and non-fundable. Thus, KMG Kashagan BV recognized impairment of undividable portion of VAT receivable in the amount of 16,748 million tenge.

AktauNefteService LLP ("ANS") applied discount rate of 12.77% to 16.01% derived from the CGU's post-tax weighted average cost of capital. The five-year business plans, which are approved on an annual basis, are the primary source of information. They contain forecasts of volume of services volumes, revenues, costs and capital expenditure. Various assumptions such as tariff for the service and cost inflation rates take into account existing prices, foreign exchange rates, other macroeconomic factors and historical trends and variability. Most of the projections beyond the 5 (five) year period were inflated using available inflation estimates. As a result, the Group recognized impairment loss on goodwill and property, plant and equipment of ANS in the amount of 11,922 million tenge and 21,547 million tenge.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

RECOVERABILITY OF PROPERTY, PLANT AND EQUIPMENT AND GOODWILL (continued)

Oil and gas assets (continued)

KazTurkMunai LLP ("KTM") applied discount rate of 13.87% derived from the CGU's post-tax weighted average cost of capital. The business plans, which are approved on an annual basis, are the primary source of information. They contain forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure. Various assumptions such as oil prices and cost inflation rates take into account existing prices, foreign exchange rates, other macroeconomic factors and historical trends and variability. The projection of cash flows was limited by the date of subsurface use contract expiry in 2034. Expenditure cash flows up to 2019 were obtained from the CGU's business plan together with management's current assessment of probable changes in operational and capital expenditure. Most of the projections beyond that period were inflated using available inflation estimates, except for capital expenditure projections, which represent management's best available estimate as at the date of impairment assessment.

Oil refining assets

Decline in market forecasts indicated a potential impairment of goodwill and oil refining assets of PNHZ.

In accordance with the Interstate Collaboration Agreement ("Collaboration Agreement"), starting from 2014 Kazakhstan is allowed to replace Russian oil with Kazakhstan oil during transportation of Russian oil to China through the Kazakhstan pipelines in order to provide refineries with oil.

The Collaboration Agreement is valid until January 1, 2019 with an automated extension for 5 (five) years. Based on the possibility to replace Russian oil used at PNHZ for production of oil products with Kazakhstan oil the Group's management applied assumption that domestic oil price in Kazakhstan can be used as purchased oil cost for PNHZ.

As at December 31, 2015 recoverable amount of oil refining assets of PNHZ (fair value less costs to sell) comprised 210,053 million tenge (2014: 211,821 million tenge). The fair value less costs to is based on a discounted cash flow model. Cash flows are determined on the basis of approved five-year development plans. Discount rate applied to the cash flow projections is 13% (2014: 9.1%), and cash flows beyond the five-year period are extrapolated using a 4.99% growth rate (in 2014: 3.87%). As a result of impairment assessment performed no impairment was identified.

Results of PNHZ impairment assessment are sensitive to changes in key assumptions, in particular, changes in exchange rate of tenge, WACC discount rates and target cash flow projections in terminal period. Increase in discount rates by 2% from 13% to 15%, would result in recoverable amount decrease by 45,272 million tenge. Decrease of target cash flow projections in terminal period by 3% from 10.3% to 7.3% would result in impairment of goodwill in the amount of 87,059 million tenge.

Energy generating assets

As at December 31, 2015 the Group recognized impairment of property, plant and equipment in the amount of 4,001 million tenge at AZhC and reversal of prior impairment at EGRES-1 of 1,500 million tenge. Sales volume forecasts are based on past performance and management's expectation. Tariff forecasts for kw/h are based on tariffs approved by Committee on Regulation of Natural Monopolies of the Republic of Kazakhstan.

Cash flows have been discounted using after-tax WACC of 12.05% per annum. Long-term inflation rate used to calculate the terminal value is 2.3% per annum.

Railway assets

As at December 31, 2015 the Group conducted impairment tests of its railways assets considering them as single CGU. Under the existing operating model of the National Company Kazakhstan Temir Zholy ("NC KTZh") cash flows of segments within railway business are not sufficiently independent. Future changes caused by implemented reorganization and privatization plans may affect identification of CGU's and have an impact on recoverable amount of the railway assets.

Approved Development plan for 2016–2020 years was the primary source of information for impairment test. The Group built a discounted cash flows model using WACC of 12.52% and average tariffs growth rate of 4%. As a result of the impairment test recoverable amount of railway assets exceeded their carrying value.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

RECOVERABILITY OF PROPERTY, PLANT AND EQUIPMENT AND GOODWILL (continued)

Production and sale of silicon and photovoltaic slices

As at December 31, 2015 Group conducted impairment test of two CGU's: Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste and Production of silicon of solar quality, silicon and photovoltaic slices. Impairment test resulted in impairment of 3,476 million tenge and 15,748 million tenge, respectively.

Recoverable amount of the cash generating unit was determined as value in use. The Group applied discount rate of 11.11% and 15.45%, thus, critical accounting estimates and judgments used in calculation of the recoverable amount included future volume and sales prices forecast. The forecast period is equal to remaining useful lives of property, plant and equipment.

Impairment loss on property, plant and equipment, intangible assets, goodwill and other assets of the Group entities for the year ended 31 December 2015 is summarized as follows:

In millions of tenge	PPE and Intangible assets	Goodwill	Other long-term assets
Oil and gas assets			
Kashagan BV – pipelines	**16,114**		
Kashagan BV – investments in PSA	**16,748**		
Kashagan BV – inventories			**36,047**
KTM	**44,891**		
ANS	**21,547**	**11,922**	
Mining assets			
CGU Production and sale of metallurgical and polycrystalline silicon, recycling of silicon production waste	**3,476**		
CGU Production of silicon of solar quality, silicon and photovoltaic slices	**15,748**		
Energy assets			
EGRES-1	**(1,500)**		
AZhC	**4,001**		
Other			
PPE and Intangible assets	**11,237**		
Total	**132,262**	**11,922**	**36,047**

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

ASSETS RETIREMENT OBLIGATIONS RELATED TO OIL AND GAS ASSETS

Under the terms of certain subsurface use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsurface use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsurface use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsurface use contracts and current legislation.

Where neither subsurface use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsurface use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstani market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities.*

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice.

Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well and assets abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated balance sheet across the Group entities at December 31, 2015 were in the range from 2.10% to 6% and from 5.88% to 10.09%, respectively (2014: from 3% to 6% and from 6% to 10%, respectively). Movements in the provision for asset retirement obligations are disclosed in *Note 21.*

ENVIRONMENTAL REMEDIATION

The Group management also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs included in the annual budget for 2016. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 39.* Movements in the provision for environmental remediation obligations are disclosed in *Note 21.*

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

PROVISION FOR OBLIGATIONS ON CONSTRUCTION OF SOCIAL ASSETS

As at December 31, 2015, other provisions mainly include provisions for obligations to construct the following projects: History Museum of Kazakhstan (NC KMG), Multifunctional ice palace (NC KTZh) in Astana, Tele-radio complex (NC KTZh), Schuchensko – Borovskoi golf club (NC KMG) and reconstruction of World Expo-Center in Moscow (NC KMG). The total estimated costs were recognized in the equity as Other distributions to the Shareholder *(Note 16.5).* As at December 31, 2015 the carrying amount of the provisions for obligations on construction of social assets were equal to 156,265 million tenge (December 31, 2014: 160,931 million tenge) *(Note21).*

USEFUL LIVES OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT

The Group assesses remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

DEFERRED TAX ASSETS

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognized deferred tax assets as at December 31, 2015 was equal to 116,443 million tenge (2014: 102,436 million tenge). Further details are contained in *Note 34.*

TAXATION

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of the Group's international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable profits and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

In assessing tax risks, management considers to be probable obligations the known areas of non-compliance with tax legislation, which the Group would not appeal or does not believe it could successfully appeal, if additional taxes are charged. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsurface use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for taxes disclosed in *Note 21* relates mainly to the Group's application of Kazakhstan transfer pricing legislation. Further uncertainties related to taxation are disclosed in *Note 39.*

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in the consolidated financial statements. Further details are disclosed in *Note 38.*

EMPLOYEE BENEFIT LIABILITY

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost *(Note 22).* This involves use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual financial assistance, future annual minimum salary, future average railway ticket price). Further details on judgements are disclosed in *Note 22.*

ALLOWANCES FOR DOUBTFUL ACCOUNTS RECEIVABLE AND OTHER ASSETS

The Group accrues allowances for doubtful accounts receivable and other assets. Significant judgment is used to estimate doubtful accounts. In estimating doubtful debts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful debts recognized in the consolidated financial statements. At December 31, 2015, allowances for doubtful debts have been recorded in the amount of 177,625 million tenge (2014: 101,837 million tenge) *(Notes 12 and 14).*

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

DISCONTINUED OPERATIONS IN 2015

KMG International N.V.

In December 2015 the Group decided to sell its 51% interest in KMG International N.V. ("KMGI") under the Complex privatisation plan for 2016–2020. At the balance sheet date the Group was in process of negotiating sales terms with a potential buyer. This entity represents a separate geographical unit of operation and is classified as discontinued operations.

The results of operations of KMGI for the years ended December 31, 2015 and 2014 are presented below:

In millions of tenge	**2015**	2014
Revenue	**1,579,288**	2,135,737
Cost of sales	**(1,056,572)**	(1,212,058)
Gross profit	**522,716**	923,679
General and administrative expenses	**(28,106)**	(19,979)
Transportation and selling expenses	**(49,875)**	(50,338)
Impairment of property, plant and equipment and intangible assets, other than goodwill	**(166,525)**	(45,287)
Impairment of goodwill	**–**	(29,123)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	**–**	(4,041)
Other operating income	**126**	654
Other operating losses	**(29,621)**	–
Operating profit	**248,715**	775,565
	)	
Net foreign exchange loss, net	**(1,677)**	(4,641)
Finance income	**1,308**	640
Finance costs	**(7,912)**	(15,369)
Share in profit of joint ventures and associates, net	**160**	154
Profit before income tax for the year from discontinued operations	**240,594**	756,349
Income tax benefit	**21,037**	16,198
Net profit after income tax for the year from discontinued operations	**261,631**	772,547

IFRS requires to eliminate income generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group's profit and loss does not reflect results of continuing and discontinued operations, as if they were presented as separate entities due to significant volumes of crude oil sales from the Group to KMGI. Net loss of KMGI before intercompany eliminations for the years ended 31 December 2015 and 2014 was equal to 34,162 million tenge and 90,880 million tenge, respectively.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

DISCONTINUED OPERATIONS IN 2015 (continued)

KMG International N.V. (continued)

The major classes of assets and liabilities of KMGI, classified as held for sale as at December 31, 2015 and 2014, are as follows:

In millions of tenge	**2015**	2014
Assets		
Property, plant and equipment	**632,565**	434,210
Intangible assets	**78,832**	23,500
Investment in associate	**11,497**	9,211
Deferred tax asset	**39,489**	12,811
Other non-current assets	**3,932**	5,706
Inventories	**86,795**	85,275
Trade accounts receivable	**90,336**	92,744
Other current assets	**62,551**	31,807
Cash and cash equivalents	**34,492**	27,103
Assets classified as held for sale	**1,040,489**	722,367
Liabilities		
Borrowings	**230,088**	138,192
Deferred tax liabilities	**78,194**	49,103
Provisions	**53,394**	21,503
Other non-current liabilities	**556**	719
Trade accounts payable	**40,767**	72,568
Other taxes payable	**18,352**	23,238
Other current liabilities	**75,994**	15,601
Liabilities directly associated with the assets classified as held for sale	**497,345**	320,924
Net assets directly associated with the disposal group	**543,144**	401,443

For the years ended December 31, 2015 and 2014 the net cash flows incurred by KMGI are as follows:

In millions of tenge	**2015**	2014
Operating	**4,299**	34,478
Investing	**(17,623)**	(10,804)
Financing	**2,829**	(31,335)
Net cash outflows	**(10,495)**	(7,661)

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

DISCONTINUED OPERATIONS 2014

Discontinued operations in 2014 comprise of results operations of BTA, Temir and Alliance bank disposed in 2014. Loss before and after tax of these entities in 2014 amounted to 29,385 million tenge and 38,330 million tenge, respectively.

DISPOSALS

Subsidiaries of Kamkor Repair Corporation LLP

On May 4, 2015 in accordance with the Privatization plan, the Group sold to a third party its share in subsidiaries of Kamkor Repair Corporation LLP (the "Kamkor") previously included in Transportation segment.

As of the disposal date the net assets of Kamkor's subsidiaries were as follows:

In millions of tenge	**At disposal date**
Assets	
Property, plant and equipment	30,096
Inventories	13,318
Trade accounts receivable	22,075
Other assets	11,132
Cash and cash equivalents	4,218
Total assets	**80,839**
Liabilities	
Accounts payable	18,332
Borrowings	4,084
Deferred tax liabilities	2,365
Other liabilities	27,736
Total liabilities	**52,517**
Net assets	**28,322**

Gain on disposal of Kamkor's subsidiaries is presented as follows:

In millions of tenge	**At disposal date**
Consideration received	16,029
Disposed net assets	(28,322)
Disposed non-controlling interest	13,390
Gain on disposal	**1,097**

Net cash flows from the sale of Kamkor's subsidiaries are presented as follows:

In millions of tenge	**At disposal date**
Cash and cash equivalents received	16,029
Less: disposed cash of the subsidiary	(4,218)
	11,811

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

SUMMARY INFORMATION

Assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**December 31, 2015**	December 31, 2014
KMGI	Oil and gas	**1,040,489**	–
Altel JSC	Telecommunication	**48,477**	–
Euro-Asia Air JSC	Oil and gas	**25,421**	23,624
Tulpar-Talgo LLP	Transportation	**18,075**	11,174
Aysir Turizm Ve Insaat A.S.	Oil and gas	**14,389**	9,974
Kamkor LLP	Transportation	**–**	45,659
Aktobe HES JSC	Energy	**–**	9,640
East Kazakhstan regional energy company JSC	Energy	**–**	13,026
Mangistau electricity distribution network company JSC	Energy	**–**	18,533
Kazakhstan railway-carriage repair plant LLP	Transportation	**–**	7,991
Other		**42,513**	8,865
		1,189,364	148,486

Liabilities associated with assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**December 31, 2015**	December 31, 2014
KMGI	Oil and gas	**497,345**	–
Altel JSC	Telecommunication	**48,487**	–
Euro-Asia Air JSC	Oil and gas	**11,462**	9,061
Tulpar-Talgo LLP	Transportation	**4,344**	2,066
Aysir Turizm Ve Insaat A.S.	Oil and gas	**3,414**	2,502
Kamkor LLP	Transportation	**–**	25,264
Aktobe HES JSC	Energy	**–**	1,837
East Kazakhstan regional energy company JSC	Energy	**–**	3,860
Mangistau electricity distribution network company JSC	Energy	**–**	9,377
Kazakhstan railway-carriage repair plant LLP	Transportation	**–**	5,939
Other		**115**	1,009
		565,167	60,915

Approval of the Complex Privatization Plan in December 2015 *(Note 1)* raised uncertainty of the management regarding timing of disposal of certain Group subsidiaries. Accordingly, as at December 31, 2015 management ceased classification of Mangistau electricity distribution network company JSC ("MREK"), Aktobe HES JSC, East Kazakhstan regional energy company JSC ("VKREK") and Kazakhstan railway-carriage repair plant LLP as assets held for sale.

6. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Exploration and evaluation assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2014	2,067,708	205,152	768,002	601,499	599,537	1,928,114	33,719	62,205	752,298	7,018,234
Foreign currency translation	327,858	21,063	60,167	9,961	(256)	9,344	–	702	2,011	430,850
Additions	113,656	26,316	186,499	32,965	75	189,937	36,809	8,062	819,520	1,413,839
Acquisition through business combinations	22,213	–	15,460	75,493	–	297,229	134	4,722	91,430	506,681
Disposals	(12,979)	(2,412)	(61,489)	(21,961)	(19)	(92,793)	(28,350)	(7,101)	(2,913)	(230,017)
Depreciation charge	(72,929)	–	(64,658)	(36,068)	(22,987)	(189,201)	(11,829)	(13,773)	–	(411,445)
Depreciation and impairment on disposals	9,867	–	21,395	9,534	18	53,711	2,269	6,726	974	104,494
Impairment, net of reversal of impairment	(232,232)	–	(44,259)	(11,371)	(12)	(17,043)	–	(2,645)	(27,746)	(335,308)
Loss of control over subsidiaries	–	–	–	(938)	–	(457)	–	(78)	(208)	(1,681)
Discontinued operations / transfer to assets classified as held for sale	(5)	–	(460)	(26,676)	–	(63,592)	–	(5,294)	(11,185)	(107,212)
Transfers from/(to) intangible assets	(790)	(9,311)	–	–	–	451	–	8	(8,071)	(17,713)
Transfer from/(to) inventories, net	(1)	40	8,892	(67)	(2,907)	11,682	78	3,441	13,204	34,362
Other transfers and reclassifications	108,612	359	113,563	77,763	57,523	284,768	15	8,167	(650,770)	–
Net book value at December 31, 2014	2,330,978	241,207	1,003,112	710,134	630,972	2,412,150	32,845	65,142	978,544	8,405,084

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Exploration and evaluation assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2015	**2,330,978**	**241,207**	**1,003,112**	**710,134**	**630,972**	**2,412,150**	**32,845**	**65,142**	**978,544**	**8,405,084**
Foreign currency translation	1,940,724	103,702	277,638	44,738	246	42,034	295	4,819	20,124	2,434,320
Additions	203,103	35,844	14,438	14,765	30	110,203	10,493	7,825	822,240	1,218,941
Acquisition through business combinations	–	–	–	2,242	–	5,274	–	617	20	8,153
Disposals	(17,034)	(437)	(8,354)	(22,125)	(98)	(40,063)	(12)	(6,494)	(5,474)	(100,091)
Depreciation charge	(43,195)	–	(68,912)	(43,323)	(23,301)	(196,430)	(9,219)	(13,047)	–	(397,427)
Depreciation and impairment on disposals	12,676	–	6,566	13,339	78	36,532	–	5,270	3,038	77,499
Impairment, net of reversal of impairment	(48,217)	(2,701)	(8,000)	(19,202)	511	(22,883)	(375)	(793)	(39,036)	(140,696)
Loss of control over subsidiaries	–	–	–	(81)	–	(17)	–	(4)	–	(102)
Discontinued operations / transfer to assets classified as held for sale	(36,667)	–	(574,615)	(94,625)	–	(40,639)	–	(8,834)	(39,672)	(795,052)
Transfers from/(to) intangible assets	(225)	15,762	–	–	–	(19)	–	1	(6,094)	9,425
Transfer from/(to) inventories, net	(19,991)	(2,114)	2,058	(118)	(1,986)	4,252	1,116	1,894	6,343	(8,546)
Other transfers and reclassifications	114,974	(19,968)	209,885	92,055	297,624	149,259	5,705	4,929	(854,463)	–
Net book value at December 31, 2015	**4,437,126**	**371,295**	**853,816**	**697,799**	**904,076**	**2,459,653**	**40,848**	**61,325**	**885,570**	**10,711,508**
Historical cost	5,300,281	382,991	1,098,396	946,753	1,048,884	3,668,092	65,420	127,285	956,128	13,594,230
Accumulated depreciation and impairment	(863,155)	(11,696)	(244,580)	(248,954)	(144,808)	(1,208,439)	(24,572)	(65,960)	(70,558)	(2,882,722)
Net book value at December 31, 2015	**4,437,126**	**371,295**	**853,816**	**697,799**	**904,076**	**2,459,653**	**40,848**	**61,325**	**885,570**	**10,711,508**
Historical cost	3,066,391	247,393	1,396,499	934,080	754,561	3,472,585	47,823	124,469	1,020,439	11,064,240
Accumulated depreciation and impairment	(735,413)	(6,186)	(393,387)	(223,946)	(123,589)	(1,060,435)	(14,978)	(59,327)	(41,895)	(2,659,156)
Net book value at December 31, 2014	2,330,978	241,207	1,003,112	710,134	630,972	2,412,150	32,845	65,142	978,544	8,405,084

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in exploration and evaluation assets are presented as follows:

In millions of tenge	Oil and gas assets	Mining assets	Total
Net book value at January 1, 2014	200,344	4,808	205,152
Foreign currency translation	21,063	–	21,063
Additions	21,649	4,667	26,316
Disposals	–	(2,412)	(2,412)
Other transfers and reclassifications	(9,311)	399	(8,912)
Net book value at December 31, 2014	233,745	7,462	241,207
Foreign currency translation	**103,702**	**–**	**103,702**
Additions	**33,785**	**2,059**	**35,844**
Disposals	**(437)**	**–**	**(437)**
Impairment	**(2,701)**	**–**	**(2,701)**
Other transfers and reclassifications	**(4,077)**	**(2,243)**	**(6,320)**
Net book value at December 31, 2015	**364,017**	**7,278**	**371,295**
At cost	239,931	7,462	247,393
Accumulated impairment	(6,186)	–	(6,186)
Net book value at December 31, 2014	233,745	7,462	241,207
At cost	**375,713**	**7,278**	**382,991**
Accumulated impairment	**(11,696)**	**–**	**(11,696)**
Net book value at December 31, 2015	**364,017**	**7,278**	**371,295**

As at December 31, 2015 property, plant and equipment with net book value of 2,387,644 million tenge was pledged as collateral for some of the Group's borrowings (2014: 1,740,038 million tenge).

As at December 31, 2015 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 119,652 million tenge (2014: 130,575 million tenge).

As at December 31, 2015 the cost of fully amortised property, plant and equipment of the Group was equal to 470,727 million tenge (2014: 543,765 million tenge).

In 2015, the Group capitalized borrowing costs at an average interest rate of 5.4% in the amount of 31,209 million tenge (2014: at the rate of 9% in the amount 24,027 million tenge).

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

In 2015, the Group recorded net impairment loss in the amount of 140,696 million tenge, which is attributable to impairment of property, plant and equipment of NC KMG, KMG Kashagan, NAC KAP, United Chemical Company LLP ("UCC") and other in the amount of 66,438 million tenge, 35,624 million tenge, 20,738 million tenge, 11,942 million tenge and 5,954 million tenge, respectively *(Note 4)*.

In 2014, the Group recorded net impairment loss in the amount of 335,308 million tenge, which is mainly attributable to impairment of property, plant and equipment of NC KMG in the amount of 323,885 million tenge *(Note 4)*.

7. INTANGIBLE ASSETS

In millions of tenge	Licenses	Software	Goodwill	Marketing related intangible assets	Subsur-face use rights	Other	Total
Net book value at January 1, 2014	16,202	39,642	143,275	27,957	35,215	22,034	284,325
Foreign currency translation	330	1,904	7,191	5,221	1,365	1,744	17,755
Additions	1,800	7,478	–	1	13,538	2,709	25,526
Acquisitions through business combinations	1	84	75,875	–	41,848	15	117,823
Disposals	(128)	(2,545)	–	(3)	(303)	(3,147)	(6,126)
Discontinued operations	(1,018)	(736)	(322)	–	–	(210)	(2,286)
Amortization charge	(2,479)	(12,526)	–	(1)	(142)	(2,032)	(17,180)
Transfer to assets classified as held for sale	(7)	(297)	–	–	1	(102)	(405)
Accumulated amortization on disposals	127	2,527	–	3	–	2,289	4,946
Impairment provision	(238)	(80)	(106,620)	(955)	(4)	(98)	(107,995)
Transfers (to)/from inventories, net	103	130	–	–	–	(40)	193
Transfers from/(to) property, plant and equipment, net	1,219	4,689	–	–	9,940	1,865	17,713
Other transfers	166	807	–	–	–	(973)	–
Net book value at December 31, 2014	16,078	41,077	119,399	32,223	101,458	24,054	334,289
Foreign currency translation	**1,417**	**2,995**	**8,272**	**23,777**	**8,329**	**7,573**	**52,363**
Additions	**1,773**	**4,624**	**–**	**–**	**3,952**	**2,116**	**12,465**
Acquisitions through business combinations	**–**	**–**	**–**	**–**	**10,994**	**1**	**10,995**
Disposals	**(1,725)**	**(3,859)**	**–**	**(9,386)**	**(562)**	**(2,138)**	**(17,670)**
Discontinued operations	**(6,315)**	**(6,379)**	**(17,820)**	**(48,345)**	**(158)**	**(3,876)**	**(82,893)**
Amortization charge	**(2,875)**	**(11,890)**	**–**	**–**	**(139)**	**(2,767)**	**(17,671)**
Transfer from/(to) assets classified as held for sale	**(1)**	**269**	**(53)**	**(144)**	**12**	**284**	**367**
Accumulated amortization on disposals	**1,505**	**3,565**	**–**	**714**	**–**	**177**	**5,961**
Impairment provision/reversal of impairement, net	**(370)**	**(73)**	**(11,922)**	**1,161**	**(1,402)**	**(6,497)**	**(19,103)**
Transfers from/(to) inventories, net	**–**	**21**	**–**	**–**	**(5)**	**–**	**16**
Transfers from/(to) property, plant and equipment,net	**422**	**2,940**	**–**	**–**	**(15,762)**	**2,975**	**(9,425)**
Other transfers	**1,993**	**(1,923)**	**–**	**–**	**–**	**(70)**	**–**
Net book value at December 31, 2015	**11,902**	**31,367**	**97,876**	**–**	**106,717**	**21,832**	**269,694**
Historical cost	**23,491**	**89,119**	**139,764**	**–**	**127,592**	**29,278**	**409,244**
Accumulated amortization and impairment	**(11,589)**	**(57,752)**	**(41,888)**	**–**	**(20,875)**	**(7,446)**	**(139,550)**
Net book value at December 31, 2015	**11,902**	**31,367**	**97,876**	**–**	**106,717**	**21,832**	**269,694**
Historical cost	39,194	98,291	185,810	33,802	120,478	39,794	517,369
Accumulated amortization and impairment	(23,116)	(57,214)	(66,411)	(1,579)	(19,020)	(15,740)	(183,080)
Net book value at December 31, 2014	16,078	41,077	119,399	32,223	101,458	24,054	334,289

As at December 31, 2015, the subsurface use rights included the net book value of oil and gas and mining exploration and evaluation assets in the amount of 53,503 million tenge and 53,214 million tenge, respectively (2014: 54,767 million tenge and 46,691 million tenge, respectively).

7. INTANGIBLE ASSETS (continued)

IMPAIRMENT TESTING OF GOODWILL

As at December 31 carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:

Cash-generating unit groups	2015	2014
Cash generating units of KMG International N.V.		
Downstream Romania	–	6,774
Other	–	2,826
	–	9,600
Cash-generating units of PNHZ	**88,554**	88,554
Other	**1,450**	13,373
Total oil and gas segment	**90,004**	111,527
Total mining segment (Uranium production)	**5,166**	5,166
Total telecommunication segment (IP-TV)	**2,706**	2,706
Total goodwill	**97,876**	119,399

AktauNefteService LLP

As at December 31, 2015, based on the impairment test results, the impairment loss was recognised in respect of goodwill of 11,922 million tenge, attributable to AktauNefterService LLP.

Impairment loss on goodwill recognized in the 2014 consolidated statement of comprehensive income related to impairment in the oil and gas and energy segments in the amount of 106,620 million tenge, which is mainly attributable to impairment of goodwill of NC KMG and EGRES-1 in the amount of 30,745 million tenge and 75,875 million tenge, respectively.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As at December 31 investments in joint ventures and associates comprised the following:

			2015		2014	
In millions of tenge	**Main activity**	**Place of business**	**Carrying amount**	**Percentage ownership**	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**1,028,085**	**20.00%**	501,119	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**206,542**	**50.00%**	196,194	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**97,407**	**50.00%**	62,334	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**82,410**	**50.00%**	67,662	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**70,701**	**50.00%**	26,125	50.00%
Kazakhoil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	**57,774**	**50.00%**	85,878	50.00%
Kazakhstan Petrochemical Industries Inc. LLP ("KPI LLP")	Construction of first integrated chemical complex	Kazakhstan	**35,840**	**51.00%**	27,868	51.00%
Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Electricity production	Kazakhstan	**29,523**	**50.00%**	42,291	50.00%
KLPE LLP	Construction of first integrated chemical complex	Kazakhstan	**29,516**	**50.00%**	–	–
Forum Muider B. V.	Electricity production	Kazakhstan	**25,525**	**50.00%**	26,050	50.00%
Other			**111,179**		194,558	
Total joint ventures			**1,774,502**		1,230,079	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**410,904**	**29.82%**	234,166	29.82%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**163,617**	**33.00%**	117,103	33.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	**48,781**	**49.00%**	43,737	49.00%
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/ Russia	**45,624**	**20.75%**	22,654	20.75%
JV INKAI LLP	Exploration, production and processing of uranium	Kazakhstan	**40,511**	**40.00%**	18,884	40.00%
KLPE LLP	Construction of first integrated chemical complex	Kazakhstan	**–**	**–**	24,687	50.00%
Sekerbank T.A.S.	Banking	Turkey	**–**	**–**	52,414	20.17%
Other			**63,164**		70,110	
Total associates			**772,601**		583,755	
			2,547,103		**1,813,834**	

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2015, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Mangistau Investments B,V,	KazRosGas LLP	JV KazGerMunay LLP	Ural Group Limited BVI	Kazakhoil-Aktobe LLP
Joint ventures						
Non-current assets	5,924,302	411,943	51,063	196,074	207,323	102,551
Current assets, including	717,423	80,562	176,400	50,368	975	61,428
Cash and cash equivalents	160,542	4,660	77,193	32,656	921	48,138
Non-current liabilities, including	1,150,137	49,495	1,916	44,473	63,777	8,813
Non-current financial liabilities	–	–	–	–	53,901	–
Current liabilities, including	351,163	29,926	30,733	37,150	3,118	39,619
Current financial liabilities	–	–	–	–	–	–
Equity	5,140,425	413,084	194,814	164,819	141,403	115,547
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Carrying amount of investment as at December 31, 2015	1,028,085	206,542	97,407	82,410	70,701	57,774
Revenue	2,764,321	400,903	205,531	139,704	16	49,839
Depreciation, depletion and amortization	(250,414)	(33,903)	(959)	(18,690)	(31)	(21,927)
Finance income	2,756	769	4,043	632	11	509
Finance costs	(21,001)	(3,175)	(57)	(807)	(1,079)	(925)
Income tax expenses	(347,422)	(12,775)	(37,478)	(48,569)	8	(17,518)
Profit/(loss) for the year from continuing operations	810,802	39,406	72,506	5,349	(9,831)	(898)
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–
Other comprehensive income	2,269,801	–	79,462	77,251	–	–
Total comprehensive income/ (loss)	3,080,603	39,406	151,968	82,600	(9,831)	(898)
Unrecognized share of losses	–	–	–	–	–	–
Dividends received	89,155	9,356	40,911	13,822	–	27,655

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

In millions of tenge	KPI LLP	EGRES-2 JSC	KLPE LLP*	Forum Muider B. V.
Non-current assets	34,783	150,417	27,477	62,640
Current assets, including	40,919	10,212	34,538	19,453
Cash and cash equivalents	27,019	1,533	26,522	4,933
Non-current liabilities, including	564	90,473	–	10,527
Non-current financial liabilities	–	89,979	–	5,287
Current liabilities, including	4,863	11,110	2,984	20,517
Current financial liabilities	–	4,633	–	9,788
Equity	70,275	59,046	59,031	51,049
Share of ownership	51.00%	50.00%	50.00%	50.00%
Carrying amount of investment as at December 31, 2015	35,840	29,523	29,516	25,525
Revenue	–	25,863	–	78,657
Depreciation, depletion and amortization	(17)	(4,098)	(7)	(5,439)
Finance income	384	5	7	435
Finance costs	(370)	(607)	–	(1,815)
Income tax expenses	(1,684)	(6,163)	(2,435)	(2,906)
Profit/(loss) for the year from continuing operations	7,467	(25,535)	9,657	12,242
Profit for the year from discontinued operations, net of income tax	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	7,467	(25,535)	9,657	12,242
Unrecognized share of losses	–	–	–	–
Dividends received	–	–	–	5,039

On December 30, 2014 the Group acquired additional 25% interest in KLPE LLP increasing its share to 50%. Joint control over KLPE LLP was set in February 2015. As a result, in 2015 this entity was reclassified from investments in associates to investments in joint ventures.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant joint ventures, based on IFRS financial statements of these entities for 2014, reflecting equity method accounting adjustments:

In millions of tenge	Tengizchevroil LLP	Mangistau Investments B,V,	KazRosGas LLP	JV KazGerMunay LLP	Ural Group Limited BVI	Kazakhoil-Aktobe LLP
Joint ventures						
Non-current assets	2,800,072	424,102	26,399	160,689	105,156	134,267
Current assets, including	643,151	86,745	107,475	53,055	231	51,669
Cash and cash equivalents	222,715	6,582	83,764	37,630	214	35,088
Non-current liabilities, including	652,276	43,108	291	50,724	52,621	6,674
Non-current financial liabilities	–	–	–	–	49,942	–
Current liabilities, including	285,351	75,350	8,915	27,695	515	7,506
Current financial liabilities	–	–	–	–	–	–
Equity	2,505,596	392,389	124,668	135,325	52,251	171,756
Share of ownership	20.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Carrying amount of investment as at December 31, 2014	501,119	196,194	62,334	67,662	26,125	85,878
Revenue	4,085,568	658,832	174,448	238,222	88	78,216
Depreciation, depletion and amortization	(180,588)	(27,097)	(447)	(13,713)	–	(27,324)
Finance income	1,839	200	2,202	1,053	8	144
Finance costs	(22,661)	(2,548)	–	(663)	(613)	(847)
Income tax expenses	(676,776)	(35,113)	(20,396)	(51,840)	17	(7,311)
Profit/(loss) for the year from continuing operations	1,579,142	113,878	58,967	70,873	(2,454)	4,156
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–
Other comprehensive income	303,460	–	18,209	17,285	8,441	–
Total comprehensive income/(loss)	1,882,602	113,878	77,176	88,158	(5,987)	4,156
Unrecognized share of losses	–	–	–	–	–	–
Dividends received	187,282	45,748	22,335	45,464	–	–

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

In millions of tenge	KPI LLP	GRES-2 JSC	Forum Muider B. V.
Non-current assets	47,478	145,571	66,536
Current assets, including	22,022	10,633	16,328
Cash and cash equivalents	20,049	671	2,517
Non-current liabilities, including	13,426	60,856	10,809
Non-current financial liabilities	2,738	54,910	5,551
Current liabilities, including	1,431	10,767	19,956
Current financial liabilities	111	8,747	5,551
Equity	54,643	84,581	52,099
Share of ownership	51.00%	50.00%	50.00%
Carrying amount of investment as at December 31, 2014	27,868	42,291	26,050
Revenue	–	35,733	91,960
Depreciation, depletion and amortization	(18)	(2,851)	(2,340)
Finance income	415	14	128
Finance costs	(251)	(540)	(1,405)
Income tax expenses	–	(3,709)	(3,879)
Profit/(loss) for the year from continuing operations	(371)	10,258	7,878
Profit for the year from discontinued operations, net of income tax	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income/(loss)	(371)	10,258	7,878
Unrecognized share of losses	–	–	–
Dividends received	–	–	5,762

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2015, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	PetroKazakhstan Inc, ("PKI")	JV KATCO LLP	Caspian Pipeline Consortium JSC	JV Inkai LLP
Associates					
Non-current assets	**1,547,502**	**584,794**	**66,893**	**1,979,004**	**141,048**
Current assets	**294,221**	**126,836**	**54,690**	**166,134**	**37,432**
Non-current liabilities	**251,209**	**83,297**	**9,015**	**1,968,693**	**13,560**
Current liabilities	**168,415**	**132,525**	**13,156**	**143,506**	**58,448**
Equity	**1,422,099**	**495,808**	**99,412**	**32,939**	**106,472**
Share of ownership	**29.82%**	**33.00%**	**49.00%**	**20.75%**	**40.00%**
Unrecognized gain on transactions with associates	**–**	**–**	**–**	**–**	**(2,078)**
Goodwill	**58,498**	**–**	**69**	**32,590**	**–**
Impairment	**(71,664)**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**6,199**	**–**
Carrying amount of investment as at December 31, 2015	**410,904**	**163,617**	**48,781**	**45,624**	**40,511**
Revenue	**495,309**	**127,768**	**90,329**	**332,604**	**46,392**
(Loss)/profit for the year from continuing operations	**(54,793)**	**(49,898)**	**50,517**	**40,785**	**12,663**
Profit for the year from discontinued operations, net of income tax	**–**	**–**	**–**	**–**	**–**
Other comprehensive income	**653,789**	**190,848**	**–**	**108,928**	**45,466**
Total comprehensive income	**598,996**	**140,950**	**50,517**	**149,713**	**58,129**
Unrecognized share of losses	**–**	**–**	**–**	**8,096**	**–**
Dividends received	**1,882**	**–**	**20,812**	**–**	**400**

All of the above joint ventures and associates are strategic for the Group's business.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of significant associates, based on IFRS financial statements of these entities for 2014, reflecting equity method accounting adjustments:

In millions of tenge	Kazzinc LLP	PKI	JV KATCO LLP	Caspian Pipeline Consortium JSC	JV INKAI LLP	KLPE LLP	Sekerbank T.A.S.
Associates							
Non-current assets	901,800	450,552	67,927	1,014,519	75,974	24,979	1,073,529
Current assets	202,033	97,201	44,832	243,835	18,521	26,710	812,607
Non-current liabilities	128,281	106,144	8,118	1,252,953	6,200	–	331,732
Current liabilities	146,140	86,752	13,271	95,820	38,951	2,314	1,209,595
Equity	829,412	354,857	91,370	(90,419)	49,344	49,375	344,809
Share of ownership	29.82%	33.00%	49.00%	20.75%	40.00%	50.00%	20.17%
Unrecognized gain on transactions with associates	–	–	(1,102)	–	(854)	–	–
Goodwill	58,498	–	68	17,506	–	–	–
Impairment	(71,664)	–	–	–	–	–	(17,134)
Other	–	–	–	23,910	–	–	–
Carrying amount of investment as at December 31, 2014	234,166	117,103	43,737	22,654	18,884	24,687	52,414
Revenue	448,255	306,365	62,634	250,014	32,827	–	210,829
Profit for the year from continuing operations	6,662	69,721	16,057	35,348	8,087	1,324	24,612
Profit for the year from discontinued operations, net of income tax	–	–	–	–	–	–	–
Other comprehensive income	124,505	55,823	–	19,925	7,090	–	911
Total comprehensive income	131,167	125,544	16,057	55,273	15,177	1,324	25,523
Unrecognized share of losses	–	–	–	6,987	–	–	–
Dividends received	1,861	29,981	5,786	–	1,137	–	–

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate aggregate financial information of individually insignificant joint ventures (the Group's proportional interest):

In millions of tenge	**2015**	2014
Carrying amount of investments as at December 31	**111,179**	194,558
Net loss for the year from continuing operations	**(59,718)**	(32,847)
Profit for the year from discontinued operations, net of income tax	**–**	–
Other comprehensive income	**502**	2,855
Total comprehensive loss	**(59,216)**	(29,992)

The following tables illustrate aggregate financial information of individually insignificant associates (the Group's proportional interest):

In millions of tenge	**2015**	2014
Carrying amount of investments as at December 31	**63,164**	70,110
Net loss for the year from continuing operations	**(5,653)**	(6,291)
Profit for the year from discontinued operations, net of income tax	**–**	–
Other comprehensive income	**9,287**	(227)
Total comprehensive income/(loss)	**3,634**	(6,518)

In 2015 dividends received from individually insignificant joint ventures and associates were equal to 21,948 million tenge (2014: 17,919 million tenge).

The following table summarizes the movements in equity investments in joint ventures and associates in 2015 and 2014:

In millions of tenge	**2015**	2014
Balance as at January 1	**1,813,834**	1,717,249
Share in profit of joint ventures and associates, net *(Note 5, 32)*	**149,583**	457,095
Dividends received	**(230,980)**	(361,001)
Change in dividends receivable	**(18,186)**	19,990
Acquisitions	**19,543**	59,113
Disposals	**(6,152)**	(209,945)
Transfers to assets classified as held for sale	**(35,223)**	(6,029)
Foreign currency translation	**857,853**	116,241
Other comprehensive income, other than foreign currency translation	**16,228**	32,636
Transfer from financial assets	**–**	122
Impairment	**(38,370)**	(11,760)
Discount on loans given	**16,245**	–
Other changes in equity of joint ventures and associates	**2,728**	123
Balance as at December 31	**2,547,103**	1,813,834

During 2015, the Group recognized an impairment loss of its investment in Sekerbank T.A.S. associate company, in the amount of 28,974 million tenge. The recoverable amount of this investment was determined based on the sales value.

On December 30, 2015 a Share Purchase Agreement ("SPA") has been signed between the Fund and JSC "Kazkommertsbank" ("KKB") regarding the purchase by KKB of 224,353,416.49 shares in Şekerbank T.A.Ş. by KKB which represents 19.37% of the share capital of Şekerbank T.A.Ş.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

In accordance with the SPA, the sale process (transfer of shares and payment for shares) will be effected pursuant to the execution of necessary conditions precedent, including compliance with the conditions of the current Shareholders Agreement signed with the Personeli Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (SEMVAK/Şekerbank T.A.Ş. Voluntary Pension Fund), the other majority shareholder of the Bank – Şekerbank T.A.Ş., necessary boards resolutions and permissions to be obtained from relevant Government Authorities. The Fund believes that these conditions will be met within next 12 (twelve) month. The sale price will be determined at the date of share transfer. As at December 31, 2015 investment in Şekerbank T.A.Ş in the amount of 23,477 million tenge was classified as assets held for sale.

As at December 31, 2015, the Group's share in unrecognized losses of joint ventures and associates was equal to 509,665 million tenge (2014: 39,062 million tenge).

9. LOANS TO CUSTOMERS

As at December 31, loans to customers comprised the following:

In millions of tenge	**2015**	2014
Loans to large entities	**705,342**	725,598
Net investments in finance lease	**35,547**	16,103
Other loans	**2,971**	483
Total loans	**743,860**	742,184
Less: impairment allowance	**(20,946)**	(11,722)
Loans to customers, net	**722,914**	730,462
Less: current portion	**(121,241)**	(458,473)
Non-current portion	**601,673**	271,989

Movements in the loan impairment allowance for the years ended December 31 were as follows:

In millions of tenge	**2015**	2014
Allowance at January 1	**11,722**	207,560
Charged, net	**9,167**	21,007
Written-off	**–**	(210,037)
Transfers to assets classified as held for sale	**–**	(5,794)
Foreign exchange difference	**57**	39,436
Discontinued operations	**–**	(40,450)
Allowance at December 31	**20,946**	11,722

As at December 31 the components of net investments in finance lease are as follows:

In millions of tenge	**2015**	2014
Within one year	**5,064**	2,658
Later than one year, but not later than five years	**20,180**	10,590
After five years	**40,206**	22,844
Minimum lease payments	**65,450**	36,092
Less: unearned finance income	**(29,903)**	(19,989)
Net investment in finance leases	**35,547**	16,103

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at December 31 amounts due from credit institutions comprised the following:

In millions of tenge	**2015**	2014
Bank deposits	**1,811,401**	1,478,695
Loans to credit institutions	**347,449**	359,909
Amounts due from credit institutions, net	**2,158,850**	1,838,604
Less: current portion	**(1,492,619)**	(1,146,227)
Non-current portion	**666,231**	692,377

In millions of tenge	**2015**	2014
10 largest local banks	**1,247,512**	1,259,737
Other local credit institutions	**271,103**	269,881
International credit institutions	**640,235**	308,986
	2,158,850	1,838,604

In millions of tenge	**2015**	2014
Ratings from AAA (Aaa) to AA-(Aa3)	**61,984**	75,188
Rating from A+(A1) to A-(A3)	**433,680**	153,810
Rating from BBB+(Baa1) to BBB(Baa2)	**47,596**	53,293
Rating from BBB-(Baa3) to BB-(Ba3)	**132,225**	162,733
Rating from B+(B1) to B-(B3)	**1,324,295**	1,364,084
No rating	**159,070**	29,496
	2,158,850	1,838,604

As at 31 December 2015 amounts in credit insitutions with no rating are represented by loans issued to BTA Bank JSC and Zhilstroysberbank Kazakhstan JSC (2014: Zhilstroysberbank Kazakhstan JSC).

In millions of tenge	**2015**	2014
Amounts due from credit institutions, denominated in US dollars	**1,227,138**	862,119
Amounts due from credit institutions, denominated in tenge	**924,781**	973,040
Amounts due from credit institutions, denominated in other currencies	**6,931**	3,445
	2,158,850	1,838,604

As at December 31, 2015 the weighted average interest rate on amounts due from credit institutions was 5.55% (2014: 5.15%).

As at December 31, 2015 amounts due from credit institutions included cash in the amount of 111,819 million tenge pledged as collateral for certain Group's borrowings (2014: 47,082 million tenge).

11. OTHER FINANCIAL ASSETS

As at December 31 other financial assets comprised the following:

In millions of tenge	**2015**	2014
Note receivable from shareholder of joint venture	**30,424**	18,466
Note receivable from associate	**42,320**	28,238
Available-for-sale financial assets, including	**108,449**	138,078
Equity securities	**87,297**	111,297
Bonds of Kazakhstan financial agencies	**10,935**	15,265
Treasury bills of the Ministry of finance of the Republic of Kazakhstan	**9,297**	10,519
Corporate bonds	**1,031**	1,009
Less: impairment allowance	**(111)**	(12)
Held to maturity financial assets, including	**2,089**	1,966
Bonds of Kazakhstan financial agencies	**2,089**	1,966
Financial assets at fair value through profit and loss, including	**10,276**	7,447
Other equity securities	**10,276**	7,447
Derivative financial instruments, including	**383**	12,480
Options	**383**	1,375
Currency swaps	**–**	4,678
Other	**–**	6,427
Total financial assets	**193,941**	206,675
Less: current portion	**(15,000)**	(26,358)
Non-current portion	**178,941**	180,317

As at December 31, 2015 the interest rates for available-for-sale financial assets were in the range from 4.5% to 13% (December 31, 2014: from 4% to 13%).

As at December 31 other financial assets by currency, except for derivatives, comprised:

In millions of tenge	**2015**	2014
Financial assets denominated in tenge	**119,070**	146,410
Financial assets denominated in US dollars	**74,488**	47,785
	193,558	194,195

11. OTHER FINANCIAL ASSETS (continued)

INVESTMENTS IN TOSHIBA NUCLEAR ENERGY HOLDINGS (US) INC AND TOSHIBA NUCLEAR ENERGY HOLDINGS (UK) LTD

In 2007 NAC KAP acquired a 10% interest in Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") and Toshiba Nuclear Energy Holdings UK Ltd ("TNEH-UK") for 540,000 thousand US dollars (equivalent of 66,005 million tenge at the date of acquisition).

In connection and simultaneously with the acquisition of interest in TNEH-US and TNEH-UK, NAC KAP entered into Put Option and Call Option agreements. The Put Option provides NAC KAP with an option to sell its shares to Toshiba Corporation if certification is not received from Westinghouse of fuel assembly production by Ulba Metallurgical Plant JSC (a subsidiary of NAC KAP) for an estimated exercise price of 522,180 thousand US dollars and exercisable until February 28, 2018. The Call Option provides Toshiba Corporation with the right to demand from NAC KAP the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment of the United States decides that NAC KAP is no longer a strategic partner. In such case, the exercise price will be determined by an independent international appraiser.

As at December 31, 2015 the options were not exercised by NAC KAP or Toshiba Corporation. The Group classified this investment as available-for-sale as this best reflects the intention and ability of the Group to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost as their fair value cannot be reliably measured.

As at December 31, 2015 carrying amount of these investments was equal to 66,005 million tenge (as at December 31, 2014: 66,005 million tenge).

EQUITY SECURITIES (AVAILABLE FOR SALE FINANCIAL ASSETS) – COMMON SHARES OF KKB

As at December 31, 2015 amount of the Fund stake in KKB common shares was equal to 85,517,241 shares, the fair value of these shares was equal to 20,011 million tenge (2014: 35,062 million tenge).

12. OTHER NON-CURRENT ASSETS

As at December 31 other non-current assets comprised the following:

In millions of tenge	**2015**	2014
Advances paid for non-current assets	**268,915**	286,358
Long-term VAT receivable	**136,902**	126,583
Long-term receivables	**94,721**	75,660
Restricted cash	**66,843**	17,885
Long-term inventories	**45,258**	8,717
Asset held for the benefit of the Shareholder	**41,268**	23,851
Prepaid expenses	**18,258**	20,856
Assets for sale to the Shareholder	**12,977**	12,906
Other	**47,160**	60,134
Less: impairment provision	**(124,386)**	(27,879)
	607,916	605,071

12. OTHER NON-CURRENT ASSETS (continued)

As at December 31, 2015 the Group's restricted cash was primary represented by letter of credit in the total amount of 43,163 million tenge (2014: nil). This cash is intended for payments under the contract, concluded between "Karabatan Utility Solutions" LLP and South Korean company "Doosan Heavy Industries & Construction Co. Ltd" for the equipment and construction of gas turbine station.

As of reporting date KMG Kashagan has completed dismantling of the onshore part of the pipeline, but the decision on further use or liquidation of the pipelines has not been made yet. As the result, management of KMG Kashagan decided to transfer the cost of the onshore pipeline in the total amount of 36,047 million tenge to Other non-current assets and to fully impair them *(Note 4)*.

13. INVENTORIES

As at December 31 inventories comprised the following:

In millions of tenge	**2015**	2014
Uranium products	**65,882**	37,314
Production materials and supplies	**33,890**	33,014
Gas processed products	**33,353**	13,853
Oil and gas industry materials and supplies	**26,026**	23,176
Oil refined products for sale	**25,867**	75,458
Goods for resale	**25,177**	25,039
Work in progress	**25,137**	31,437
Fuel	**17,798**	22,203
Crude oil	**11,606**	29,445
Railway industry materials and supplies	**10,003**	12,631
Electric transmission equipment spare parts	**7,440**	2,595
Aircraft spare parts	**5,687**	5,687
Uranium industry materials and supplies	**2,733**	3,649
Telecommunication equipment spare parts	**2,685**	3,573
Other materials and supplies	**37,672**	55,396
Less: write-down to net realizable value	**(12,612)**	(18,955)
	318,344	355,515

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at December 31 trade accounts receivable comprised the following:

In millions of tenge	**2015**	2014
Trade accounts receivable	**310,367**	354,948
Less: allowance for doubtful debts	**(27,119)**	(40,199)
	283,248	314,749

As at December 31 other current assets comprised the following:

In millions of tenge	**2015**	2014
Assets for distribution to the Shareholder	**86,755**	82,958
Advances paid and deferred expenses	**64,840**	75,836
Other accounts receivable	**40,011**	45,491
Other prepaid taxes	**38,974**	37,401
Restricted cash	**31,259**	7,597
Dividends receivable	**22,911**	3,702
Amounts due from employees	**5,063**	4,875
Other	**23,357**	20,661
Less: impairment allowance	**(26,120)**	(33,759)
	287,050	244,762

At December 31, 2015 the Group's receivables in the amount of 29 million tenge were pledged under certain Group borrowings (2014: 32,333 million tenge).

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

Movements in the allowance for doubtful debts on trade accounts receivable and impairment allowance for other current assets were as follows:

In millions of tenge	**2015**	2014
Allowance at January 1	**73,958**	68,746
Change in estimate	**9**	282
Charged, net	**26,306**	9,047
Foreign currency translation	**5,083**	4,159
Reinstatement, net	**(2,750)**	(28,921)
Loss of control over subsidiary	**–**	17,188
Acquisition through business combinations	**–**	3,491
Transfers to assets classified as held for sale	**(49,367)**	(34)
Allowance at December 31	**53,239**	73,958

At December 31, 2015 none of the Group's receivables were interest bearing (2014: 7,003 million tenge).

As at December 31 the ageing analysis of trade accounts receivable is as follows:

			Past due but not impaired				
In millions of tenge	Total	Neither past due nor impaired	<30 days	30–60 days	60–90 days	90–120 days	>120 days
2015	**283,248**	**234,859**	**6,343**	**10,174**	**5,275**	**1,344**	**25,253**
2014	314,749	239,790	17,152	15,425	8,293	7,170	26,919

15. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents comprised the following:

In millions of tenge	**2015**	2014
Bank deposits – US dollars	**519,162**	559,049
Bank deposits – tenge	**166,241**	229,167
Bank deposits – other currency	**3,747**	5,285
Current accounts with banks – tenge	**248,431**	267,300
Current accounts with banks – US dollars	**231,677**	148,609
Current accounts with banks – other currency	**29,750**	16,031
Cash on hand	**3,464**	3,308
Cash in transit	**3,985**	3,000
Reverse repurchase agreements with other banks with contractual maturity of three months or less	**100**	2,556
	1,206,557	1,234,305

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at December 31, 2015 the weighted average interest rates for short-term bank deposits and current accounts were 5.68% and 1.28%, respectively (2014: 3.42% and 0.66%, respectively).

16. EQUITY

16.1 SHARE CAPITAL

During 2015 and 2014 the Fund issued common shares, which were paid as follows:

Payment for shares	**Number of shares authorized and issued**	**Par value per share, in tenge**	**Share capital in millions of tenge**
As at 31 December 2013	3,481,602,341		4,484,676
Cash contributions	10,000	18,306,039; 7,000,000	103,918
Property contributions	9,993	1,200,359; 2,772,663; 2,522,901	
Contribution of state-owned shares	1,400	1,506,930; 10,573,010	13,895
As at 31 December 2014	**3,481,623,734**		**4,620,562**
Cash contributions	**12,000**	**11,619,075; 12,700,435; 20,648,187;**	**149,539**
Property contributions	**31,477**	**4,171,027; 10,466,896; 13,456,258; 19,354,725**	**142,443**
Contribution of state-owned shares	**297**	**12,542,000**	**3,725**
As at 31 December 2015	**3,481,667,508**		**4,916,269**

As at December 31, 2015 3,481,667,508 shares of the Fund were fully paid (as at December 31, 2014: 3,481,623,734 shares).

Cash contributions

16. EQUITY (continued)

16.1 SHARE CAPITAL (continued)

In 2015 the Shareholder made cash contribution to the Fund's share capital in the amount of 149,539 million tenge (2014: 103,918 million tenge). These amounts are aimed to finance projects implemented by the subsidiaries of the Fund.

Property contributions

In 2015 the Shareholder made the property contribution to the Fund's share capital in the form of a transfer of the right to claim the payment on the "Kazakhstani promisory note" in accordance with an agreement between the Government of the Republic of Kazakhstan and "Caspian Pipiline Consortium-K" in the amount of 126,591 million tenge.

In 2015 the Shareholder made the property contribution to the Fund's share capital: gas pipelines in 6 regions of the Republic of Kazakhstan for the total amount of 13,456 million tenge, the Karabatan railway station valued at 2,323 million tenge and other property totaling to 73 million tenge.

Contribution of state-owned shares

In 2015 the Shareholder transferred to the Fund 35% of the shares of "Kazakh Academy of Transport and Communications named after M. Tynyshbaev" JSC ("KazATC"). The fair value of this contribution was equal to 3,725 million tenge for further transfer of shares of KazATC to NC KTZh.

16.2 DISCOUNT ON LOANS FROM THE GOVERNMENT

In October 2015 the Fund placed coupon bonds for the total amount of 751,631 million tenge at below-market rate. Bonds were acquired by the National Bank of the Republic of Kazakhstan (Note 18).

The fair value of bonds payable was equal to 432,967 million tenge. The difference between nominal value of bonds and their fair value in the amount of 318,664 million tenge was recognized as one-off gain in the consolidated statement of changes in equity.

In July 2015 the Fund received below-market loan from the Ministry of Finance of the Republic of Kazakhstan. Discount at initial recognition of this loan in the amount of 6,454 million tenge was recognized as one-off gain in the consolidated statement of changes in equity.

16.3 DIVIDENDS

Dividends attributable to equity holder of the Parent

On October 29, 2015 the Fund paid dividends to the Shareholder in the amount of 34,713 million tenge based on financial results for 2014 according to the Resolution of the Government dated October 21, 2015 (2014: 9,077 million tenge).

Dividends attributable to non-controlling interest

In 2015 the Group declared dividends in the amount of 18,449 million tenge to the holders of non-controlling interest in EP KMG, KazTransOil JSC ("KTO") and other entities (2014: 58,396 million tenge to the holders of non-controlling interest in EP KMG, KTO and other entities).

In 2015 the Group declared dividends in the amount of 3,110 million tenge to the National Bank of the Republic of Kazakhstan as the holder of non-controlling interest in NC KMG (2014: nil).

16. EQUITY (continued)

16.4 OTHER TRANSACTIONS WITH THE SHAREHOLDER

During 2015 the Group recognized a provision for an onerous obligation in the amount of 5,612 million tenge due to expected losses of the project of gas turbine station implemented by UCC.

16.5 OTHER DISTRIBUTIONS TO THE SHAREHOLDER

Construction and transfer of fixed assets

In 2015, the Group increased a provision for construction of the History Museum of Kazakhstan in Astana city by 2,593 million tenge. Also, the Group recognized provision for construction of kindergartens in Astana city for the amount of 1,793 million tenge.

Sponsorship under the Shareholder's request

During 2015 in accordance with the resolution of the Shareholder, the Group provided sponsorship in the total amount of 23,361 million tenge for financing of various projects.

Other distributions

During 2015 the Group recognized as Other distributions to the Shareholder expenses of financing PSA LLP, which acts as the Government Body for the Production Sharing Agreements in oil and gas industry, in the total amount of 4,454 million tenge.

16.6 CHANGE IN OWNERSHIP INTERESTS OF SUBSIDIARIES – SALE OF NON-CONTROLLING INTEREST

NC KMG

On August 6, 2015 the Fund disposed 58,420,748 of common shares of NC KMG comprising 10 (ten)% of the shares plus 1 (one) common share to the National Bank of the Republic of Kazakhstan. As a result of this transaction, the Group received cash in the amount of 750,000 million tenge, non-controlling interest increased by 462,150 million tenge, and the difference in the amount of 287,850 million tenge was recognized in equity attributable to equity holder of the Parent of the Fund. Related currency translation reserve and other capital reserves in the amount of 44,693 million tenge and 210 million tenge, respectively, were transferred to non-controlling interest.

16.7 CHANGE IN OWNERSHIP INTERESTS OF SUBSIDIARIES – ACQUISITION OF NON-CONTROLLING INTEREST

Acquisition of non-controlling interest in KazATC

On October 20, 2015 the Group acquired non-controlling interest of 35% in KazATC. As a result of the transaction, the Group invested 3,725 million tenge *(Note 16.1),* non-controlling interest decreased by 4,641 million tenge, and the difference in the amount of 916 million tenge was recognized as an increase in retained earnings.

16. EQUITY (continued)

16.8 NON-CONTROLLING INTEREST

The following tables illustrate information of subsidiaries in which there is significant non-controlling interests:

	Non-controlling interest			
	2015		2014	
	Share	Carrying amount	Share	Carrying amount
NC KazMunayGas JSC	**10.00% + 1**	**1,337,359**	–	555,162
Kazakhtelecom JSC	**49.00%**	**148,362**	49.00%	137,606
Air Astana JSC	**49.00%**	**13,224**	49.00%	24,065
KEGOC JSC	**10.00% – 1**	**14,646**	10.00% – 1	15,610
Other		**13,917**		31,995
		1,527,508		764,438

All significant subsidiaries with non-controlling interest are registered in Kazakhstan.

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2015 and for the year then ended:

In millions of tenge	NC KazMunayGas JSC	Kazakhtelecom JSC	Air Astana JSC	KEGOC JSC
Summarised balance sheet				
Non-current assets	**7,322,050**	**318,470**	**101,610**	**246,121**
Current assets	**3,387,608**	**118,024**	**106,741**	**106,078**
Non-current liabilities	**(3,330,345)**	**(61,028)**	**(138,221)**	**(165,198)**
Current liabilities	**(1,289,135)**	**(83,045)**	**(43,094)**	**(40,543)**
Total equity	**6,090,178**	**292,421**	**27,036**	**146,458**
Attributable to:				
Equity holder of the Parent	**4,752,819**	**144,059**	**13,812**	**131,812**
Non-controlling interest	**1,337,359**	**148,362**	**13,224**	**14,646**
Summarised statement of comprehensive income				
Profit/(loss) for the year from continuing operations	**(176,119)**	**26,357**	**10,363**	**1,381**
Profit for the year from discontinued operations	**670,802**	**–**	**–**	**–**
Total comprehensive income/(loss) for the year, net of tax	**1,567,236**	**22,301**	**(20,382)**	**1,381**
Attributable to:				
Equity holder of the Parent	**1,228,056**	**11,465**	**(10,394)**	**1,243**
Non-controlling interest	**339,180**	**10,836**	**(9,988)**	**138**
Dividends paid to non-controlling interest	**(15,851)**	**(534)**	**(854)**	**(886)**

16. EQUITY (continued)

16.8 NON-CONTROLLING INTEREST (continued)

In millions of tenge	NC KazMunayGas JSC	Kazakhtelecom JSC	Air Astana JSC	KEGOC JSC
Summarised cash flow information				
Operating activity	**146,447**	**69,493**	**25,883**	**49,976**
Investing activity	**1,222,935**	**(43,542)**	**(25,928)**	**(32,871)**
Financing activity	**(1,630,541)**	**(23,949)**	**(10,064)**	**(23,053)**
Net (decrease)/increase in cash and cash equivalents	**(261,159)**	**2,002**	**(10,109)**	**(5,948)**

The following tables illustrate summarized financial information of subsidiaries, in which there are significant non-controlling interests as at December 31, 2014 and for the year then ended:

In millions of tenge	NC KazMunayGas JSC	Kazakhtelecom JSC	Air Astana JSC	KEGOC JSC
Summarised balance sheet				
Non-current assets	6,587,199	351,691	102,783	228,527
Current assets	2,251,642	66,002	59,421	66,830
Non-current liabilities	(3,223,877)	(97,104)	(83,050)	(110,615)
Current liabilities	(1,197,852)	(50,280)	(29,993)	(28,644)
Total equity	4,417,112	270,309	49,161	156,098
Attributable to:				
Equity holder of the Parent	3,861,950	132,703	25,096	140,488
Non-controlling interest	555,162	137,606	24,065	15,610
Summarised statement of comprehensive income				
Profit/(loss) for the year from continuing operations	(548,846)	13,534	3,486	4,962
Profit for the year from discontinued operations	748,061	–	–	–
Total comprehensive income for the year, net of tax	407,597	5,631	3,486	4,962
Attributable to:				
Equity holder of the Parent	385,104	3,386	1,778	4,466
Non-controlling interest	22,493	2,245	1,708	496
Dividends paid to non-controlling interest	(48,204)	(13,724)	(766)	–
Summarised cash flow information				
Operating activity	268,481	28,702	23,720	18,431
Investing activity	(149,443)	(63,168)	(3,049)	(32,309)
Financing activity	237,952	580	(9,897)	15,680
Net (decrease)/increase in cash and cash equivalents	356,990	(33,886)	10,774	1,802

16. EQUITY (continued)

16.9 CURRENCY TRANSLATION RESERVE

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements. Foreign translation difference amounted to 3,214,455 million tenge (2014: 556,163 million tenge)

On July 1, 2015 certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at December 31, 2015 unrealized foreign currency loss of 2,416,727 million tenge (2014: 311,795 million tenge) resulting from translation of these borrowings were offset against currency translation reserve recognized in other comprehensive income.

16.10 HEDGE RESERVE

Hedge reserve includes the effect of cash flow hedge accounting to record any fair value gains or losses on the instruments in a hedge reserve in respect of foreign currency revenue proceeds. These gains or losses are subsequently recycled to the profit and loss as transactions are settled.

In 2015 NC KTZh entered into cash flow hedge with Eurobonds denominated in Swiss francs (CHF) and maturing in 2019 and 2022, to reduce the risk of changes in sales revenue from transit, expressed in CHF. As of 31 December 2015 hedge loss attributable to equity holders of the Parent amounted to 43,492 million tenge *(Note 17).*

In 2015 Air Astana entered into cash flow hedge with finance lease obligations denominated in US dollars, to reduce the risk of changes in sales revenue expressed in US dollars. As of 31 December 2015 hedge loss attributable to equity holders of the Parent amounted to 38,430 million tenge before tax of 7,686 thousand tenge *(Note 20).* Loss attributable to non-controlling interest comprised 15,065 million tenge.

16.11 OTHER CAPITAL RESERVES

Other capital reserves include mainly remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other capital reserves, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

16. EQUITY (continued)

16.12 BOOK VALUE PER SHARE

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC ("KASE") dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	**2015**	2014
Total assets	**20,889,684**	16,637,674
Less: intangible assets	**(269,694)**	(334,289)
Less: total liabilities	**(10,488,312)**	(8,505,596)
Net assets for common shares	**10,131,678**	7,797,789
Number of common shares as at December 31	**3,481,667,508**	3,481,623,734
Book value per common share, tenge	**2,910**	2,240
Earnings per share		
Weighted average number of common shares for basic and diluted earnings per share	**3,481,652,133**	3,481,610,658
Basic and diluted share in net profit for the period	**87,55**	67,35
Basic and diluted share in net profit/(loss) from continuing operations	**12,40**	(143,54)

17. BORROWINGS

As at December 31 borrowings, including interest payable, comprised the following:

In millions of tenge	**2015**	2014
Fixed interest rate borrowings	**4,097,890**	4,575,675
Weighted average interest rate	**7.08%**	6.51%
Variable interest rate borrowings	**1,994,821**	1,066,587
Weighted average interest rate	**3.52%**	3.56%
	6,092,711	5,642,262
Less: amounts due for settlement within 12 months	**(716,907)**	(1,313,236)
Amounts due for settlement after 12 months	**5,375,804**	4,329,026

In millions of tenge	**2015**	2014
US dollar-denominated borrowings	**5,012,062**	4,029,894
Tenge-denominated borrowings	**812,584**	1,413,127
Other currency-denominated borrowings	**268,065**	199,241
	6,092,711	5,642,262

Under the terms and conditions of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. Where the Group entities did not comply with existing covenants, the Group negotiated changes in original covenant terms

17. BORROWINGS (continued)

or received waivers from creditors by the end of 2015. At December 31, 2015 and 2014, Group management believes that the Group's subsidiaries complied with all significant original and modified covenants.

Credit facility of China State Development Bank

In 2015 the Group made an early repayment of loans provided by the China State Development Bank for the purpose of development of Bozshakol, Abyz, Bozymchak and Nurkazgan copper fields in the amount of 1,993 million US dollars (equivalent to 368,621 million tenge at the exchange rate at the date of repayment).

Bonds repayment and issuance

In 2015 NC KMG redeemed bonds issued at the London Stock Exchange in the amount of 5,843 million US dollars (equivalent to 1,563,702 million tenge at the exchange rate at the date of repayment).

In August 2015 the Fund redeemed bonds in the amount of 750,000 million tenge issued within the first bond program and acquired by BTA Bank JSC and Alliance Bank JSC in 2009.

In 2015 a portion of the redeemed bonds with the nominal value of 210,000 million tenge (1,000 tenge per bond) was reissued on the Kazakhstan Stock Exchange with yield to maturity of 8% and annual coupon of 6%, the actual amount received is 197,000 million tenge.

In 2015 NAC KAP redeemed bonds in the amount of 500 million US dollars (equivalent to 92,900 million tenge at the exchange rate at the date of repayment). For this purpose NAC KAP received a syndicated bank loan in the amount of 450 million US dollars (equivalent to 82,715 million tenge at the exchange rate at the date of a loan agreement).

Other loans

On October 30, 2015 the Fund signed a loan agreement with the Bank of Tokyo-Mitshubishi UFJ, Ltd for the amount of 1,500 million US dollars (equivalent to 466,350 million tenge at the exchange rate at the payment date), the loan term is 5 (five) years until October 30, 2020 with the grace period of 3.5 years and interest rate of 1.8% + 6M Libor.

The carrying amount of borrowings by the Group subsidiaries is presented below:

In millions of tenge	**2015**	2014
NC KMG and its subsidiaries	**3,221,341**	3,090,528
NC KTZh and its subsidiaries	**1,203,388**	689,327
The Fund	**858,040**	1,306,118
Samruk-Energy and its subsidiaries	**353,466**	188,349
NAC KAP and its subsidiaries	**172,621**	137,072
KEGOC and its subsidiaries	**171,231**	107,596
Other subsidiaries of the Fund	**112,624**	123,272
Total borrowings	**6,092,711**	5,642,262

As at December 31, 2015 within the total amount of borrowings an amount of 1,735,399 million tenge (28%) was related to bonds issued by NC KMG at London Stock Exchange, 852,871 million tenge (14%) – to the bonds issued by NC KTZh on various stock exchanges (London, Swiss and Singapore), 504,475 million tenge (8%) – Fund's loans from the Bank of Tokyo-Mitshubishi UFJ, 466,864 million tenge (8%) – NC KMG loans from the Development Bank of Kazakhstan.

As at December 31, 2014 within the total amount of borrowings an amount of 1,896,914 million tenge (34%) was related to bonds issued by NC KMG at London Stock Exchange, 763,143 million tenge (14%) – Fund's bonds acquired by BTA Bank JSC (currently KKB) and Aliance Bank (currently Fortebank JSC), 457,018 million tenge (8%) – bonds issued by NC KTZh on several stock exchanges (London, Swiss and Singapore), 271,411 million tenge (5%) – NC KMG loans from the Development Bank of Kazakhstan.

Changes in exchange rates and hedge instrument

During 2015 carrying amount of borrowings increased by 2,707,212 million tenge as a result of change in exchange rate of tenge to US dollar. On July 1, 2015 certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the

17. BORROWINGS (continued)

net investment in the foreign operations. As at December 31, 2015, unrealized foreign currency loss of 2,416,727 million tenge on the translation of these borrowings was recognized in other comprehensive income and offset with gains on net assets recognized in currency translation reserve *(Note 16.9)*.

On August 7, 2015, the Group performed hedging of cash flows to decrease the risk of changes in tenge equivalent revenues denominated in Swiss Francs. The principal amounts of Eurobonds issued on 20 June 2014 on Swiss stock exchange and maturing on 20 June 2019 and 2022 were used as the hedging instruments, which are separately identifiable and reliably estimated. A highly probable forecasted revenue stream relating to the transit transportation in Swiss francs (in particular, first sales received in the period from 1 January to 20 June 2019 and 2022) is the hedged item in this hedging relationship. As at December 31, 2015, a foreign currency loss of 43,492 million tenge on the borrowings, representing an effective portion of the hedge, was reclassified to other comprehensive income as hedging reserve *(Note 16.10)*.

18. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

As at December 31 loans from the Government of the Republic of Kazakhstan comprised the following:

In millions of tenge	**2015**	2014
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	**727,882**	279,141
Loans from the Government of the Republic of Kazakhstan	**77,249**	74,037
Bonds acquired by the National Bank of the Republic of Kazakhstan	**61,306**	60,566
	866,437	413,744
Less: amounts due for settlement within 12 months	**(6,722)**	(1,111)
Amounts due for settlement after 12 months	**859,715**	412,633

On October 15, 2015 the Fund registered the eleventh issue of bonds with the annual coupon of 3% for the total amount of 769,500 million tenge. During the period from October 20th to 29th, 2015 the Fund issued bonds for the total amount of 751,631 million tenge. The bonds were acquired by the National Bank of the Republic of Kazakhstan.

The fair value of these bonds were equal to 432,967 million tenge. The difference between the nominal and fair value of the bonds, which amounts to 318,664 million tenge, was recorded as non-recurring income within retained earnings in the consolidated statement of changes in equity.

19. OTHER NON-CURRENT LIABILITIES

As at December 31 other non-current liabilities comprised the following:

In millions of tenge	**2015**	2014
Payables for acquisition of additional interest inindivisable stake of the North-Caspian project	**766,014**	396,345
Deferred income	**21,821**	16,933
Long-term payables and other liabilities	**51,984**	50,293
	839,819	463,571

19. OTHER NON-CURRENT LIABILITIES (continued)

PAYABLES FOR ACQUISITION OF ADDITIONAL INTEREST IN UNDIVIDABLE STAKE OF THE NORTH-CASPIAN PROJECT

On October 31, 2008 all participants of the North-Caspian project (the "NCP" or the "Project) signed an agreement according to which all project participants except for KMG Kashagan agreed to partially sell their interest in the project on proportional basis in order to increase the interest of KMG Kashagan in NCP from 8.33% to 16.81% retrospectively from January 1, 2008. The acquisition cost consisted of fixed amount of 1.78 billion US dollars plus annual interest at LIBOR + 3%, which is annually capitalised within the principal amount. Additional 8.48% interest acquired was used as collateral for this liability.

As at December 31, 2015 the amortized cost of this payable was equal to 766,014 million tenge (as at December 31, 2014: 396,345 million tenge). The amount is payable in three equal annual installments after commercial oil production at Kashagan field starts. The Group does not expect the commercial production at Kashagan field to start during 2016, as a result, the payable was classified as non-current liabilities as at December 31, 2015.

As at December 31, 2015 and 2014 the fair value of these payables approximates their carrying amount.

20. FINANCE LEASE LIABILITIES

The Group has finance leases for various items of property, plant and equipment, mainly aircraft.

During 2012-2014 Air Astana JSC ("Air Astana"), subsidiary of the Group, acquired 11 (eleven) aircrafts under fixed interest finance lease agreements. The lease term for each aircraft is 12 (twelve) years. Air Astana has the option to purchase each aircraft for a nominal amount at the end of the lease. Loans provided by financial institutions to the lessor in respect of 6 (six) new Airbus were guaranteed by European Export Credit Agencies, 3 (three) Boeing 767 aircrafts were guaranteed by US Export Import Bank and 2 (two) Embraer aircrafts were guaranteed by Brazilian Development Bank. Air Astana pledged the leased assets with carrying amount of 81,277 million tenge to secure finance lease liabilities (2014: 88,501 million tenge).

The Air Astana finance leases are subject to certain covenants. These covenants impose restrictions in respect of certain transactions, including, but not limited to restrictions in respect of indebtedness. Certain finance lease agreements include covenants as regards to change of ownership of the Air Astana. These requirements have been met during 2015.

As at December 31, 2015 interest calculation was based on effective interest rates ranging from 3.09% to 19.7% (2014: from 3.09% to 19.7%).

As at December 31 future minimum lease payments under finance leases together with the present value of the net minimum lease payments comprised the following:

	2015	
In millions of tenge	**Minimum lease payments**	**Present value of minimum lease payments**
Within one year	**24,977**	**19,364**
Two to five years inclusive	**77,367**	**62,969**
After five years	**76,986**	**71,864**
Less: amounts representing finance costs	**(25,133)**	**–**
Present value of minimum lease payments	**154,197**	**154,197**
Less: amounts due for settlement within 12 months	**(24,977)**	**(19,364)**
Amounts due for settlement after 12 months	**129,220**	**134,833**

In millions of tenge	2014 Minimum lease payments	2014 Present value of minimum lease payments
Within one year	20,768	15,802
Two to five years inclusive	54,832	44,111
After five years	50,597	46,285
Less: amounts representing finance costs	(19,999)	–
Present value of minimum lease payments	106,198	106,198
Less: amounts due for settlement within 12 months	(20,768)	(15,802)
Amounts due for settlement after 12 months	85,430	90,396

The Air Astana finance lease obligations are denominated in US dollars.

On July 1, 2015 Air Astana hedged a portion of US dollar finance lease liabilities with highly probable future US dollar revenue streams. At December 31, 2015, finance lease liabilities in the amount of 85,117 million tenge are designated as hedging instrument denominated in US dollars of highly probable revenue forecasted for the period 2015-2025. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities being hedged match the future cash inflows of the expected revenue.

As at December 31, 2015, a foreign currency loss of 38,430 million tenge before deferred income tax of 7,686 million tenge on the finance lease liabilities, representing an effective portion of the hedge, was reclassified to other comprehensive income as hedging reserve *(Note 16.10)*.

21. PROVISIONS

As at December 31 provisions comprised the following:

In millions of tenge	**Asset retirement obligations**	**Provision for environ-mental remediation**	**Provision for taxes**	**Provision for construction of social objects**	**Other**	**Total**
Provision at January 1, 2014	**71,433**	39,193	20,230	132,736	35,632	299,224
Foreign currency translation	**4,275**	2,878	229	–	739	8,121
Change in estimate	**9,039**	1,188	13	–	(12,688)	(2,448)
Unwinding of discount	**5,507**	1,247	–	–	70	6,824
Provision for the year	**40,560**	46	10,938	31,775	38,426	121,745
Transfer to assets classified as held for sale	**–**	(19)	–	–	(63)	(82)
Additions through business combinations	**1,267**	–	831	–	–	2,098
Use of provision	**(1,093)**	(2,277)	(13,040)	(3,580)	(20,941)	(40,931)
Reversal of unused amounts	**–**	(57)	(3,483)	–	(8,135)	(11,675)
Provision at December 31, 2014	**130,988**	42,199	15,718	160,931	33,040	382,876
Foreign currency translation	**42,743**	16,290	9,415	–	6,691	75,139
Change in estimate	**(1,781)**	(333)	8,670	2,544	(802)	8,298
Unwinding of discount	**10,340**	1,413	–	–	368	12,121
Provision for the year	**963**	102	60,559	(30)	46,089	107,683
Transfer to assets classified as held for sale	**(2,651)**	(35,196)	–	–	(12,811)	(50,658)
Use of provision	**(609)**	(2,588)	(14,181)	(7,180)	(15,774)	(40,332)
Reversal of unused amounts	**(690)**	(1,815)	–	–	(149)	(2,654)

21. PROVISIONS (continued)

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Provision at December 31, 2015	**179,303**	20,072	80,181	156,265	56,652	492,473

Current portion and non-current portion of provisions are presented as follows:

In millions of tenge	Asset retirement obligations	Provision for environ-mental remediation	Provision for taxes	Provision for construction of social objects	Other	Total
Current portion	1,047	9,148	5,880	104,314	33,040	153,429
Non-current portion	129,941	33,051	9,838	56,617	–	229,447
Provision at December 31, 2014	130,988	42,199	15,718	160,931	33,040	382,876
Current portion	**1,024**	**8,311**	**63,228**	**107,664**	**40,693**	**220,920**
Non-current portion	**178,279**	**11,761**	**16,953**	**48,601**	**15,959**	**271,553**
Provision at December 31, 2015	**179,303**	**20,072**	**80,181**	**156,265**	**56,652**	**492,473**

22. EMPLOYEE BENEFIT LIABILITY

STATE CONTRIBUTION SCHEME

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

In addition to that, the Group also withholds and contributes up to 10% limit on pension contributions, from salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed in the period they are incurred.

DEFINED BENEFIT PLAN

Employee benefit liabilities under various plans are payable in accordance with collective agreements concluded between certain subsidiaries of the Group (NC KMG, NC KTZh, Kazakhtelecom JSC ("KTC"), Samruk-Energy JSC, NAC KAP, National Company Kazakhstan Engineering JSC and Kazpost JSC) and employees of those subsidiaries represented by their labor unions.

As at December 31 total liability under the Group's defined benefit plan comprised the following:

In millions of tenge	**2015**	2014
Present value of defined benefit obligation	**78,823**	66,851
Liability falling due within one year	**(6,384)**	(5,726)
Liability falling due after one year	**72,439**	61,125

A reconciliation of the present value of the defined benefit plan liability with specified payments for the years ended December 31 is as follows:

In millions of tenge	**2015**	2014
Total liability at the beginning of the year	**66,851**	60,295
Current service cost	**4,578**	4,143
Past service cost	**7,737**	1,396
Interest cost	**5,162**	3,813
Benefits paid during the year	**(6,741)**	(5,137)
Unrecorded past service cost	**(2,040)**	202
Actuarial losses recognized during the period in other comprehensive income	**4,378**	3,218
Actuarial losses recognized during the period in profit and loss	**1,256**	1,074
Foreign exchange	**–**	(279)
Transfer to assets held for sale	**(2,358)**	(1,874)
Total liability at the end of the year	**78,823**	66,851

Total service cost, including current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss, in the amount of 21,071 million tenge was recognized in the consolidated statement of comprehensive income within respective line items in 2015 (2014: 13,846 million tenge).

Estimates of the Group's liabilities were made on the basis of published statistical data regarding mortality and actual Group's data on number, age, gender and years of employee service. Other principal assumptions at the reporting date, calculated as weighed average for all plans, were as follows:

	2015	2014
Discount rate	**7.75%**	7.01%
Expected rate of increase of future annual financial assistance	**5.47%**	4.73%
Expected rate of increase of future annual minimum salary	**6.63%**	5.71%
Expected rate of increase of future annual railway ticket price	**10.2%**	7.5%

23. OTHER CURRENT LIABILITIES

As at December 31 other current liabilities comprised the following:

In millions of tenge	**2015**	2014
Advances received and deferred income	**119,419**	100,427
Due to employees	**78,787**	90,829
Other taxes payable	**66,851**	100,569
Amounts due to customers	**21,069**	20,628
Dividends payable	**7,225**	4,037
Other estimated liabilities	**5,738**	5,033
Payable for the acquisition of interest in KazakTurkMunay LLP	**–**	13,700
Other	**56,879**	61,208
	355,968	396,431

24. REVENUE

Revenue comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Railway cargo transportation	**620,918**	736,074
Sales of uranium products	**303,998**	243,495
Oil and gas transportation	**296,617**	286,228
Electricity complex	**230,192**	235,509
Sales of gas products	**213,782**	191,650
Sales of oil refined products	**212,499**	292,542
Telecommunication services	**180,705**	198,823
Air transportation	**160,479**	163,682
Sales of crude oil	**121,652**	21,315
Electricity transmission services	**98,028**	75,821
Refined gold	**92,200**	42,425
Railway passenger transportation	**72,926**	78,579
Interest revenue	**49,933**	53,441
Oil processing fees	**45,984**	38,948
Postal services	**31,837**	27,942
Other revenue	**359,881**	287,276
Less: indirect taxes and commercial discounts	**(643)**	(2,989)
	3,090,988	2,970,761

25. GOVERNMENT GRANTS

According to the Resolution of the Government of the Republic of Kazakhstan No. 1188 dated November 11, 2004 "On the approval of subsidies for carrier losses related to provision of passenger transportation", beginning from January 1, 2005, NC KTZh started to receive government grants as a compensation for carriers' losses on socially important destinations. There are no unfulfilled conditions or contingences attached to these grants. The amount of subsidy for the year ended December 31, 2015 was equal to 21,722 million tenge (2014: 24,638 million tenge).

According to the Resolution of the Government of the Republic of Kazakhstan No. 1039 dated October 7, 2004 "On the approval of subsidies for telecommunication operators losses connected with the provision of universal telecommunication services in rural areas", beginning from 4th quarter of 2004, KTC started to receive government grants as compensation for operators' losses on socially important services. There are no unfulfilled conditions or contingencies attached to these grants. The amount of subsidy for the year ended December 31, 2015 was equal to 7,010 million tenge (2014: 6,277 million tenge).

According to the Resolution of the Government of the Republic of Kazakhstan No. 915 dated August 17, 2002, the Government provides subsidies to companies rendering air passenger services on unprofitable routes from Astana to other cities in Kazakhstan. The subsidy is based on the excess of flight costs over revenue earned. The amount of subsidy for the year ended December 31, 2015 was equal to nil tenge (2014: 242 million tenge).

Other government grants and subsidies for the year ended December 31, 2015 were equal to nil tenge (2014: 35 million tenge).

26. COST OF SALES

Cost of sales comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Materials and supplies	**732,870**	602,218
Personnel costs	**685,464**	661,509
Depreciation, depletion and amortization	**336,179**	354,455
Fuel and energy	**209,823**	263,632
Production services received	**156,582**	139,101
Repair and maintenance	**100,498**	78,609
Gold raw materials	**89,524**	41,704
Mineral extraction tax	**79,462**	103,338
Interest expense	**74,641**	68,879
Rent	**36,333**	38,199
Cost of oil processing	**26,678**	28,993
Other	**186,978**	203,066
	2,715,032	2,583,703

27. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Personnel costs	**152,819**	146,427
Fines and penalties	**49,248**	638
Consulting services	**26,429**	20,249
Taxes other than income tax	**26,401**	48,656
Depreciation and amortization	**19,414**	17,475
Sponsorship and charitable donations	**17,746**	32,991
Allowance for doubtful debts	**12,972**	13,676
Rent	**6,384**	6,233
Business trips	**5,449**	6,245
Repair and maintenance	**4,573**	5,134
Other	**59,143**	59,170
	380,578	356,894

In 2015 the Group accrued a provision in the amount of 27,846 million tenge as a result of EP KMG comprehensive tax audit of 2009-2012. The amount includes taxes and penalties in the amount of 22,380 million tenge and 5,466 million tenge, respectively.

In addition, in 2015 the Group paid fines and penalties for corporate income tax, in accordance with the Act of tax audit of the Fund № 28 dated November 14, 2013 in the amount of 18,126 million tenge, including fines and penalties in the amount of 13,468 million tenge and 4,658 million tenge, respectively.

28. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Rent tax	**41,557**	152,623
Custom duties	**84,639**	87,246
Transportation	**44,996**	44,416
Personnel costs	**10,979**	12,993
Commission fees to agents and advertising	**8,070**	11,814
Depreciation and amortization	**6,890**	6,104
Other	**14,137**	9,443
	211,268	324,639

29. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Impairment of property, plant and equipment and intangible assets *(Note 4)*	**132,262**	285,262
Impairment of VAT receivable	**54,509**	803
Impairment of investments in joint ventures and associates *(Note 8)*	**38,370**	11,760
Impairment of non-current inventories *(Note 4)*	**36,047**	–
Impairment of goodwill *(Note 7)*	**11,922**	77,497
Impairment / (reversal of impairment) of loans to customers *(Note 9)*	**9,167**	(905)
Other	**9,993**	6,959
	292,270	381,376

30. FINANCE COSTS

Finance costs comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (restated)
Interest on loans and debt securities issued	**256,064**	227,680
Interest on payable for the acquisition of additional interest in North Caspian Project	**19,601**	13,471
Unwinding of discount on provisions and other payables	**12,784**	7,336
Interest on finance lease liabilities	**6,385**	5,766
Other	**26,655**	18,485
	321,489	272,738

31. FINANCE INCOME

Finance income comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014 (пересчитано)
Interest income on amounts due from credit institutions and cash and cash equivalents	**96,364**	84,138
Gain from early redemption of debt securities issued	**54,837**	–
Gain from derecognition of liabilities	**44,412**	–
Income from loans and financial assets	**31,663**	15,133
Unwinding of discount on long-term receivables	**10,725**	6,088
Dividend income	**7,067**	–
Guarantee income	**5,959**	5,614
Other	**31,095**	17,756
	282,122	128,729

At the end of 2015 the Group performed early redemption of bonds at London Stock Exchange totalling 3.68 billion US dollars, as a result of these transactions a gain was recorded in the amount of 54,837 million tenge *(Note 17)*.

As at December 31, 2015 MDC (Oil and Gas N Block Kazakhstan) GmbH assigned its 24.50% portion in the project N to the Group. As a result of this transaction the Group recognised a gain from derecognition of liabilities in the amount of 37,329 million tenge.

According to the conditions of purchase agreement with Türkiye Petrolleri Anonim Ortakliği ("TPAO"), the Group concluded that TPAO renounced rights to claim debt from the Group on a sale of its share in KTM. As a result, the Group recorded gain from derecognition of liabilities to the TPAO in the amount of 38,231 thousand US dollars (equivalent to 7,083 million tenge at the average rate for 6 months of 2015).

32. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

Share in profit/(loss) of joint ventures and associates comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014
Tengizchevroil LLP	**162,160**	315,828
KazRosGas LLP	**36,253**	29,484
JV KATCO LLP	**24,753**	7,868
Mangistau Investments B.V.	**19,703**	56,939
JV South Mining Chemical Company LLP	**10,435**	(19)
Karatau LLP	**10,043**	4,476
JV Akbastau JSC	**8,080**	3,931
Forum Muider B. V.	**6,121**	3,939
KLPE LLP	**4,829**	331
JV Inkai LLP	**3,842**	3,235
Kazakhstan Petrochemical Industries Inc LLP	**3,808**	(189)
Ekibastuz GRES-2 LLP	**(12,768)**	5,129
Kazzinc LLP	**(16,339)**	1,987
Petro Kazakhstan Inc.	**(16,466)**	23,008
Kazakhstan-China Pipeline LLP (oil pipeline)	**(17,541)**	(6,496)
Beineu-Shymkent Pipeline LLP (gas pipeline)	**(60,433)**	(13,861)
Other	**(17,057)**	21,351
	149,423	456,941

33. NET FOREIGN EXCHANGE LOSS

On August 20, 2015 the National Bank and the Government of the Republic of Kazakhstan decided to implement a new monetary policy based on inflation targeting regime, abolish the currency corridor and move to a free float exchange rate.

As a result of this decision, the exchange rates of tenge to US dollar and other major currencies were changed. The exchange rates before correction in August, 2015 and as at December 31, 2015 were 188.35 tenge to 1 US dollar and 340.01 tenge to 1 US dollar, respectively, which resulted in significant foreign exchange gains and losses for the year ended December 31, 2015.

34. INCOME TAX EXPENSES

Income tax expenses comprised the following for the years ended December 31:

In millions of tenge	**2015**	2014
Current income tax expenses		
Corporate income tax (CIT)	**200,960**	136,141
Withholding tax on dividends and interest income	**27,431**	44,790
Excess profit tax	**8,131**	11,534
Deferred income tax expense/(benefit)		
Corporate income tax (CIT)	**(44,360)**	(16,844)
Withholding tax on dividends and interest income	**79,045**	28,384
Excess profit tax	**2,812**	(1,784)
Income tax expenses	**274,019**	202,221

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2015 and 2014) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	**2015**	2014
Accounting profit/(loss) before income tax from continuing operations	**317,190**	(297,504)
Accounting profit before income tax from discontinued operations	**240,594**	726,964
Income tax expenses on accounting profit	**111,557**	85,892
Tax effect of other items, which are not deductible or assessable for taxation purposes	**14,235**	92,232
Change in unrecognized deferred tax assets	**73,307**	41,539
Excess profit tax	**10,943**	9,750
Effect of different corporate income tax rates	**3,082**	(9,077)
Share in nontaxable profit of joint ventures and associates	**(5,190)**	(43,059)
Other differences	**45,048**	17,691
Total corporate income tax expenses	**252,982**	194,968
Add: income tax benefit attributable to discontinued operations	**21,037**	7,253
Income tax expense from continuing operations	**274,019**	202,221

34. INCOME TAX EXPENSES (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

	2015				2014			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Deferred tax assets								
Property, plant and equipment	**127,736**	**(1,900)**	**–**	**125,836**	72,782	(1,619)	–	71,163
Tax loss carryforward	**325,717**	**–**	**–**	**325,717**	219,984	–	–	219,984
Employee related accruals	**13,635**	**7**	**–**	**13,642**	10,293	107	–	10,400
Impairment of financial assets	**8,250**	**–**	**–**	**8,250**	5,190	–	–	5,190
Provision for environmental remediation	**14,794**	**–**	**–**	**14,794**	7,180	9	–	7,189
Other accruals	**3,000**	**31**	**–**	**3,031**	7,094	1,774	–	8,868
Other	**42,390**	**–**	**–**	**42,390**	33,846	–	–	33,846
Less: unrecognized deferred tax assets	**(241,084)**	**–**	**–**	**(241,084)**	(138,815)	–	–	(138,815)
Less: deferred tax assets offset with deferred tax liabilities	**(176,133)**	**–**	**–**	**(176,133)**	(115,389)	–	–	(115,389)
Deferred tax assets	**118,305**	**(1,862)**	**–**	**116,443**	102,165	271	–	102,436
Deferred tax liabilities								
Property, plant and equipment	**538,376**	**2**	**–**	**538,378**	538,579	177	–	538,756
Undistributed earnings of joint ventures and associates	**–**	**–**	**154,154**	**154,154**	–	–	75,187	75,187
Other	**10,615**	**–**	**–**	**10,615**	13,699	–	–	13,699
Less: deferred tax assets offset with deferred tax liabilities	**(176,133)**	**–**	**–**	**(176,133)**	(115,389)	–	–	(115,389)
Deferred tax liabilities	**372,858**	**2**	**154,154**	**527,014**	436,889	177	75,187	512,253
Net deferred tax liabilities	**(254.553)**	**(1.864)**	**(154.154)**	**(410.571)**	(334.724)	94	(75.187)	(409.817)

34. INCOME TAX EXPENSES (continued)

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

	2015				2014			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Balance at January 1	**334,724**	**(94)**	**75,187**	**409,817**	287,544	1,490	46,801	335,835
Foreign currency translation	**7,120**	**(854)**	**(78)**	**6,188**	5,427	200	–	5,627
Charged to other comprehensive income	**(8,107)**	**–**	**–**	**(8,107)**	2,218	–	–	2,218
Acquisitions of subsidiaries	**4,768**	**–**	**–**	**4,768**	75,198	–	–	75,198
Discontinued operations (Note 5)	**(39,592)**	**–**	**–**	**(39,592)**	(1,923)	–	–	(1,923)
(Credited)/charged to profit and loss	**(44,360)**	**2,812**	**79,045**	**37,497**	(33,740)	(1,784)	28,386	(7,138)
Balance at December 31	**254,553**	**1,864**	**154,154**	**410,571**	334,724	(94)	75,187	409,817

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward were equal to 241,084 million tenge as at December 31, 2015 (2014: 138,815 million tenge).

Tax losses carryforwards as at December 31, 2015 in the Republic of Kazakhstan expire for tax purposes 10 (ten) years from the date they are incurred.

35. CONSOLIDATION

Subsidiaries included in the consolidated financial statements are presented as follows:

		Ownership percentage	
		2015	2014
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**90% - 1**	100.00%
2	KMG Kashagan B.V.	**100.00%**	100.00%
3	National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	**100.00%**	100.00%
4	National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries	**100.00%**	100.00%
5	Samruk-Energy JSC ("Samruk-Energy") and subsidiaries	**100.00%**	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	**90% + 1**	90% + 1
7	Kazpost JSC and subsidiaries	**100.00%**	100.00%
8	Kazakhtelecom JSC ("KTC") and subsidiaries	**51.00%**	51.00%
9	Air Astana JSC ("Air Astana")	**51.00%**	51.00%
10	National Company "Kazakhstan Engineering" JSC ("Kazakhstan Engineering") and subsidiaries	**100.00%**	100.00%
11	Real Estate Fund "Samruk-Kazyna" JSC	**100.00%**	100.00%
12	National Mining Company "Tau-Ken Samruk" and subsidiaries	**100.00%**	100.00%
13	United Chemical Company LLP and subsidiaries ("UCC")	**100.00%**	100.00%
14	Samruk-Kazyna Invest LLP	**100.00%**	100.00%
15	Samruk-Kazyna Contract LLP	**100.00%**	100.00%
16	KOREM JSC	**100.00%**	100.00%
17	International Airport Atyrau JSC	**100.00%**	100.00%
18	International Airport Aktobe JSC	**100.00%**	100.00%
19	Airport Pavlodar JSC	**100.00%**	100.00%
20	Karagandagiproshaht and K LLP	**–**	90.00%
21	SK Finance LLP	**100.00%**	100.00%
22	Kazakh Research Power Engineering Institute named after Chokin JSC	**–**	50% + 1
23	KGF IM	**–**	100.00%
24	Qazaq Air JSC	**100.00%**	–
25	"Kazakh nuclear power plants" JSC	**100.00%**	100.00%
26	"Aviation Company "Air Kazakhstan" JSC	**53.55%**	53.65%

36. SIGNIFICANT NON-CASH TRANSACTIONS

The following significant non-cash transactions have been excluded from the consolidated statement of cash flows for the year ended 31 December 2015:

▷ 1. Hedging of net investments in certain subsidiaries classified as foreign operations against selected borrowings of the Group denominated in US dollars. Effect of 2015 hedging was equal to 2,416,727 million tenge which was reclassified from profits and losses to other comprehensive income, under exchange differences on translation of foreign operations *(Note 17).*

▷ 2. Discount on the Fund's bonds payable that were acquired by the National Bank of the Republic of Kazakhstan was equal to 318,664 million tenge *(Note 18).*

▷ 3. Contribution to the Fund's share capital of a promissory note of the Caspian Pipeline Consortium – K JSC for the total amount of 126,591 million tenge *(Note 16.1).*

▷ 4. Hedging of future cash flows against finance lease liabilities and borowings denominated in foreign currency in the amount of 81,922 million tenge.

37. RELATED PARTY DISCLOSURES

In accordance with IAS 24 *Related Party Disclosures,* parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

In millions of tenge		Associates	Joint ventures where the Group is a venturer	Other state – controlled entities
Due from related parties	**2015**	**45,744**	**39,058**	**10,771**
	2014	34,735	29,722	10,837
Due to related parties	**2015**	**43,127**	**91,496**	**1,836**
	2014	36,929	45,164	1,945
Sale of goods and services	**2015**	**48,968**	**261,978**	**189,293**
	2014	86,812	271,549	112,771
Purchase of goods and services	**2015**	**163,644**	**239,436**	**11,691**
	2014	147,254	254,639	10,509
Other income/(loss)	**2015**	**95,576**	**63,453**	**(91,085)**
	2014	(65)	(6,301)	(5,222)
Cash and cash equivalents, and amounts due from credit institutions (assets)	**2015**	**–**	**–**	**145,923**
	2014	–	–	258,142
Loans to customers	**2015**	**217,010**	**237,449**	**193,667**
	2014	49,723	148,513	5,765
Loans received	**2015**	**–**	**217**	**1,746,804**
	2014	32,224	6	915,279
Other assets	**2015**	**10,591**	**48,843**	**14,385**
	2014	2,424	50,203	8,822
Other liabilities	**2015**	**2,614**	**13,349**	**26,842**
	2014	3,686	836	9,437
Interest received	**2015**	**17,557**	**18,061**	**14,546**
	2014	3,515	10,634	7,393
Interest accrued	**2015**	**3,066**	**86**	**63,012**
	2014	165	688	80,764

As at December 31, 2015 some of the Group's borrowings in the amount of 87,901 million tenge were guaranteed by the Government of the Republic of Kazakhstan (2014: 55,201 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 16,717 million tenge for the year ended December 31, 2015 (2014: 13,405 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, loans from the Government of the Republic of Kazakhstan, finance lease liabilities, amounts due to the customers, derivatives, cash and cash equivalents, loans to customers, amounts due from credit institutions, other financials assets, as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group also monitors the liquidity risk arising from all financial instruments.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term borrowings with variable interest rates *(Note 17)*.

The following table demonstrates the sensitivity of the Group's profit before income tax (through the impact on variable rate borrowings) and equity (through the impact on the fair value of investments available for sale) to a reasonably possible change in variable LIBOR interest rates, with all other variables held constant.

In millions of tenge	**Increase/ (decrease) in basis points***	**Effect on profit and loss**	**Other effect on equity**
2015			
US dollar	**50/(12)**	**3.256/(781)**	**(552)/133**
Tenge	**50/(12)**	**(19)/3**	**(23)/5**
2014			
US dollar	2/(2)	(1.072)/1.072	(822)/822
Tenge	2/(2)	(29)/29	(29)/29

* 1 basis point = 0.01%.

CURRENCY RISK

As a result of significant borrowings, finance lease liabilities and trade accounts payable, cash and cash equivalents, amounts due from credit institutions and accounts receivable denominated in the US dollars, the Group's consolidated financial position can be affected significantly by movement in the US dollar / tenge exchange rates.

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the US dollar and euro, with all the variables held constant.

In millions of tenge	**Increase/(decrease) in exchange rate**	**Effect on profit and loss**
2015		
US dollar	**60.00%/(20.00%)**	**818,961/(288,318)**
Euro	**60.00%/(20.00%)**	**68,987/(22,996)**
2014		
US dollar	17.37%/(17.37%)	237,018/(250,234)
Euro	18.36%/(18.36%))	(906)/895

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying amount of each financial asset. The Group considers that its maximum exposure is reflected by the amount of loans to customers *(Note 9)*, amount due from credit institutions *(Note 10)*, trade accounts receivable and other current assets *(Note 14)*, other financial assets *(Note 11)*, and cash and cash equivalents *(Note 15)*, net of allowances for impairment recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

Procedures are in force to ensure that sales are only made to buyers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimised by the fact that the Group operates on a prepayment basis with the majority of its buyers.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table shown below summarises the maturity profile of the Group's financial liabilities at December 31 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than 1 month but not later than 3 months	Due later than 3 month but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At December 31, 2015						
Loans from the Government of the Republic of Kazakhstan	13	24	36,168	166,616	2,831,991	3,034,812
Borrowings	63,408	70,753	727,895	4,236,512	3,157,838	8,256,406
Finance lease liabilities	70	6,170	18,687	77,294	76,986	179,207
Due to customers	21,049	8	12	17	–	21,086
Trade and other payables	103,738	248,023	153,794	1,698	4,731	511,984
Derivatives	–	–	236	–	–	236
Other current liabilities	51,594	27,331	23,474	792,596	15,444	910,439
	239,872	352,309	960,266	5,274,733	6,086,990	12,914,170

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

In millions of tenge	On demand	Due later than 1 month but not later than 3 months	Due later than 3 month but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At December 31, 2014						
Loans from the Government of the Republic of Kazakhstan	**13**	24	12,262	74,490	1,647,892	1,734,681
Borrowings	**27,879**	426,678	565,480	1,874,776	3,531,769	6,426,582
Finance lease liabilities	**29**	5,156	13,425	47,187	50,585	116,382
Due to customers	**20,685**	–	–	–	–	20,685
Trade and other payables	**126,939**	131,505	20,765	446,277	12	725,498
Derivatives	**–**	182	1,974	–	–	2,156
Other current liabilities	**28,021**	20,668	90,244	17,132	6,833	162,898
	203,566	584,213	704,150	2,459,862	5,237,091	9,188,882

CAPITAL MANAGEMENT

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators ("KPI") used by the Group to manage capital of its subsidiaries are ratios of: Debt to Earnings before Interest, Taxes, Depreciation and Amortization, and Interest ("D/EBITDA") from continuing and discontinued operations; and Debt to Equity ("D/E"). Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiaries reduced by value of cash and cash equivalents. Equity is considered to be equal to the entire equity of the subsidiary attributable to majority shareholders.

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI's for the Group have been presented for reference purposes as the Group does not monitor KPI's on the consolidated level):

KPI	2015	2014
D/EBITDA	**4.93**	**4.39**
D/E	**0.81**	0.81

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT (continued)

In billions of tenge	**2015**	2014
Borrowings (Note 17)	**6,353**	5,642
Loans from the Government of the Republic of Kazakhstan (Note 18)	**866**	414
Payable for the acquisition interest in NCP (Note 19)	**766**	396
Finance lease liabilities (Note 20)	**154**	106
Due to customers (Note 23)	**21**	21
Derivatives	**–**	2
Guaranteed principal amount of liabilities of entities outside the Group	**281**	–
Debt	**8,441**	6,581
Profit before income tax	**558**	429
Interest expense	**290**	250
Depreciation, depletion and amortization	**404**	418
Impairment loss	**459**	478
Gain on revaluation of a 50% stake in EGRES-1	**–**	(75)
EBITDA	**1,711**	1,500
Total equity	**10,401**	8,132

The amount of borrowings includes loans of Altel JSC received under the credit line from Development Bank in Kazakhstan JSC and Sberbank of Russia JSC for the total amount of 30 billion tenge, which is classified as liabilities associated with assets held for sale.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2015 and 2014 the carrying amount of the Group's financial instruments approximates their fair value except for the following financial instruments:

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2015
Financial instruments category				
Assets				
Available-for-sale financial assets	**29,907**	**10,335**	**1,166**	**41,408**
Financial assets at fair value through profit and loss	**–**	**–**	**10,276**	**10,276**
Derivative financial assets	**–**	**–**	**383**	**383**
Liabilities				
Derivative financial liabilities	**–**	**175**	**61**	**236**

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2014
Financial instruments category				
Assets				
Available-for-sale financial assets	70,042	907	78	71,027
Financial assets at fair value through profit and loss	–	4,079	3,368	7,447
Derivative financial assets	–	12,102	379	12,481
Liabilities				
Derivative financial liabilities	–	2,156	–	2,156

Reconciliation of the beginning balance and ending balance based on the Level 3 hierarchy of the fair value as at December 31, 2015 is presented as follows:

In millions of tenge	Available-for-sale financial assets	Financial assets at fair value through profit/loss	Derivative financial assets	Total financial assets
As at January 1, 2014	726	–	–	726
Total profit/(loss) recognized in profit and loss	–	1,118	379	1,497
Acquisition	–	517	–	517
Sale	(648)	–	–	(648)
Transfer from Level 1 and Level 2	–	1,733	–	1,733
As at December 31, 2014	78	3,368	379	3,825
Total profit/(loss) recognized in profit and loss	**–**	**88**	**(26)**	**62**
Acquisition	**156**	**2,741**	**30**	**2,927**
Transfer from Level 1 and Level 2	**–**	**4,079**	**–**	**4,079**
Other	**932**	**–**	**–**	**932**
As at December 31, 2015	**1,166**	**10,276**	**383**	**11,825**

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	December 31, 2015				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	**2,158,850**	**2,138,505**	**1,094,521**	**971,906**	**72,078**
Financial liabilities					
Borrowings	**6,092,711**	**5,532,497**	**3,153,781**	**1,994,714**	**384,002**
Loans from the Government of the Republic of Kazakhstan	**866,437**	**849,567**	**–**	**849,567**	**–**

	December 31, 2014				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	1,838,604	1,806,337	897,699	862,997	45,641
Financial liabilities					
Borrowings	5,642,262	5,379,111	2,980,365	2,225,469	173,277
Loans from the Government of the Republic of Kazakhstan	413,744	348,835	–	348,835	–

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

39. COMMITMENTS AND CONTINGENCIES

OPERATING ENVIRONMENT

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The National Bank of the Republic of Kazakhstan shifted to inflation targeting policy on August 20, 2015. As a result of implementation of this policy the official exchange rate increased from 188.35 tenge per 1 US dollar to 340.01 tenge per 1 US dollar as at December 31, 2015.

In 2015, the Kazakhstan economy was impacted by a significant drop in crude oil prices and a devaluation of the Kazakhstan tenge. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

TAXATION

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 (five) calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2015.

As at December 31, 2015, management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

As at December 31, 2015 contingencies related to taxation included the following:

2009-2012 Comprehensive tax audit of EP KMG (NC KMG)

On September 2, 2015 the KMG EP, the subsidiary of NC KMG, received the final tax assessment related to the 2009 2012 comprehensive tax audit for 38,511 million tenge, including additional taxes of 18,620 million tenge, 9,697 million tenge penalty and 10,194 million tenge of fine. As per the decision of the Committee of the State Revenues dated September 28, 2015, fines were reduced from 10,194 million tenge to 9,306 million tenge.

The EP KMG does not agree with the results of the tax audit and has sent an appeal of the additional charges to the Committee of the State Revenues on September 7, 2015. Pending the results of the appeal management will consider further actions including but not limited to appealing to the appropriate courts.

Value-added-tax (VAT) recoverability of EP KMG (NC KMG)

VAT receivable related to the KMG EP's sale of assets to JSC "Ozenmunaigas" and JSC "Embamunaigas" in 2012 was equal to 46,558 million tenge. The tax authorities have conducted various audits and have repeatedly denied the EP KMG requests to have these VAT amounts recognised as tax receivable. The EP KMG reassessed its tax position regarding VAT and believes that it is more probable than not that it will ultimately be unsuccessful in its claim and consequently created a valuation allowance for the amount of 42,306 million tenge. During 2015 the tax authorities carried out VAT tax audits of JSC "Ozenmunaigas" and JSC "Embamunaigas" covering period of 2013 and 2014. As a result of these audits a provision for nonrecoverable VAT equal to 4,447 million tenge was created in these financial statements.

39. COMMITMENTS AND CONTINGENCIES (continued)

TAXATION (continued)

Comprehensive tax audits of NAC KAP Group entities

On June 30, 2014, tax authorities completed comprehensive tax inspection for 2009-2012 of JV KATKO LLP, the Group's associate engaged in production and sale of uranium products. Based on the results of inspections, JV KATKO LLP was issued with assessments for total amount of approximately 12 billion tenge (the Group's share is approximately 6 billion tenge). Consistently with the approach of other NAC KAP Group companies JV KATKO LLP recognised liability for the property tax and related mineral extraction tax.

JV KATKO LLP filed an appeal on the results of tax inspection. The appeal is currently at the additional examination stage at the Tax Department of the South Kazakhstan Region. Considering amendments to Article 111-1 and subpoint 6 of point 2 of Article 310 of the Tax Code, the amount of assessed additional corporate income tax and mineral extraction tax are expected to decrease. Based on the assessment of the existing tax risks JV KATKO LLP has created a tax provision for 6,210 million tenge, including taxes of 2,996 million tenge, penalty of 1,648 million tenge and fine of 1,566 million tenge.

Management expects that considering the amendments to tax legislation the most of the additional assessments of taxes, interest and fine resulting from the complex tax inspections of entities in the Group would be cancelled. Currently some entities are subject to additional tax inspections, therefore the amount of exposures in respect of possible tax assessments cannot be reliably estimated but may be material. The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained.

LEGAL PROCEEDINGS

KazMunayGas Trading AG (former – Vector Energy AG) litigations with SC Bioromoil SRL (KMG International N.V.)

As at December 31, 2015 and 2014, KazMunayGas Trading AG is engaged in litigations with SC Bioromoil SRL. SC Bioromoil SRL was seeking to recover the costs related to the Romanian customs duties in relation to the sale of biodiesel in 2009 and 2010 and compensation for lost profits. As of December 31, 2015 the total amount of claims was equal to 8,700 million tenge (2014: 19,100 million tenge).

As at December 31, 2015 no provision was recorded for this claim as the Group considers the risk as possible.

Civil litigation (KMG International N.V.)

On October 7, 2014 the Romanian court of appeal partially granted a civil action filed by the Romanian state for the amount of 58.5 million US dollars (20,182 million tenge) representing damages to be paid to the Ministry of Finance of Romania, plus related legal interest from January 5, 2001 to the actual payment date. Under this civil action Rompetrol SA and individuals are severally held liable.

The decision of this court of appeal may be challenged by way of extraordinary judicial remedies: the appeal for annulment, the revision and the appeal for cassation (the latter even more limited, solely to points of law). The actual manner in which the enforcement of the decision takes place may also be challenged.

The Group already submitted the two extraordinary appeals against the decision of the Romanian court of appeal.

One of the extraordinary appeals was rejected by the Romanian court on April 9, 2015. As at December 31, 2015, as a consequence of the adverse court decisions, the Group recorded a provision in the amount of 30.2 million US dollars (10,419 million tenge).

Litigation with the Romanian Competition Council (KMG International N.V.)

Based on its Decision No. 97 dated December 21, 2011, the Romanian Competition Council (RCC) ruled that an alleged breach of the Romanian Competition Law and of Treaty for the Functioning of the European Union took place on the Romanian market (the allegations concerned an alleged mutual understanding of all major oil players to jointly withdraw from the market a type of fuel ECO Premium in 2008, during the Romanian Petroleum Association – RPA – meetings held in 2007-2008). As a result, RCC imposed fines to all major players on the Romanian oil market. Rompetrol Downstream was charged for 46.83 million US dollars.

39. COMMITMENTS AND CONTINGENCIES (continued)

LEGAL PROCEEDINGS (continued)

Litigation with the Romanian Competition Council (KMG International N.V.) (continued)

As at December 31, 2014 an amount of 22.3 million US dollars (4,066 million tenge) was paid by Rompetrol Downstream. On July 9, 2015 the Court issued decision to reduce fine to 29.41 million US dollars. The payment of the remaining part is rescheduled by the Romanian tax authorities for 60 months.

As at December 31, 2015 as a consequence of the Court decision the Group recorded a provision for the amount 29.6 million US dollars (10,212 million tenge).

COMMODITY PRICE FLUCTUATIONS

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

COST RECOVERY AUDITS

Under the base principles of the production sharing agreements, the Government transferred to contractors the exclusive rights to conduct activities in the subsurface use area, but did not transfer rights to this subsurface use area either to ownership or lease. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the Government. Works are carried out on the basis of compensation and the Government pays the contractors not in cash but in the form of the portion of oil production, thereby allowing the contractors to recover their costs and earn profit.

In accordance with the production sharing agreements not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2015 certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As at December 31, 2015 the Group's share in the total disputed amounts of the non-recoverable costs is equal to 217,166 million tenge (2014: 64,286 million tenge). NC KMG and its partners under the production sharing agreements are in negotiations with the Government with respect to the recoverability of these costs.

KAZAKHSTAN LOCAL MARKET OBLIGATION

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the NC KMG, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the NC KMG's business, prospects, consolidated financial position and results of operations. In 2015, in accordance with its obligations, the NC KMG, including its joint ventures, delivered to the Kazakhstan market volume of 6,923,377 tons of crude oil (2014: 4,137,532 tons).

39. COMMITMENTS AND CONTINGENCIES (continued)

COMMITMENTS UNDER OILFIELD AND MINING FIELD LICENSES AND SUBSURFACE USE CONTRACTS

As at December 31, 2015 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2016	122,896	52,549
2017	51,354	44,230
2018	42,804	43,521
2019	32,658	42,565
2020–2026	186,450	199,092
Total	**436,162**	**381,957**

CAPITAL COMMITMENTS

NC KMG

As at December 31, 2015, NC KMG, including joint ventures, had other capital commitments of approximately 878,000 million tenge related to acquisition and construction of property, plant and equipment, (as at December 31, 2014: 832,000 million tenge).

NC KTZh

As at December 31, 2015, NC KTZh had committed to contracts for construction of Zhezkazgan – Beineu and Arkalyk – Shubarkol railways, development of primary backbone transport communication net, construction of a multifunctional ice palace in Astana, construction of port and infrastructure objects of Khorgos – Vostochnye vorota special economic zone, purchase of cargo and passenger electric locomotives, cargo and passenger carriers and locomotives totaling 409,412 million tenge (December 31, 2014: 555,846 million tenge).

KMG Kashagan

As at December 31, 2015, in accordance with Kashagan Development Plan and Budget, KMG Kashagan had capital commitments on acquisition, construction or development of undivided interest exploration and evaluation assets and oil and gas development assets amounting to 715,389 thousand US dollars (243,239 million tenge). As at December 31, 2014 capital commitments were equal to 487,827 thousand US dollars (88,955 million tenge).

Samruk Energy JSC

As at December 31, 2015 capital commitments of Samruk Energy under the contracts on acquisition of plant, property and equipment were equal to 128,417 million tenge (December 31, 2014: 191,853 million tenge).

Capital commitments of Samruk Energy joint ventures

As at December 31, 2015 Samruk Energy group's share in capital commitments of joint ventures (Forum Muider), EGRES-2 was equal to 49,037 million tenge (as at December 31, 2014: 14,931 million tenge).

Investment commitments of Samruk Energy

As at December 31, 2015 in accordance with the Agreements on Investment Obligations with the Ministry of Energy of the Republic of Kazakhstan, the Samruk Energy's group entities involved in the production of electricity have investment obligations of 78,289 million tenge (December 31, 2014: 70,919 million tenge). As at December 31, 2015 the Samruk Energy's group share in investment commitments of EGRES-2 was equal to 5,301 million tenge (December 31, 2014: 9,450 million tenge).

Kazakhstan Electricity Grid Operating Company JSC

To ensure the stable and reliable performance of the national electricity grid, KEGOC developed a capital investment plan. As at December 31, 2015, KEGOC had investment obligations on the projects related to construction of substations and power lines as well as electrical grid modernization for the total amount of 84,277 million tenge (December 31, 2014: 103,344 million tenge).

39. COMMITMENTS AND CONTINGENCIES (continued)

CAPITAL COMMITMENTS (continued)

UCC

As at December 31, 2015 UCC had contractual obligations on purchase of property, plant and equipment and construction services under investment projects equalling to 125,569 million tenge (December 31, 2014: 31,750 million tenge).

Other contractual commitments

As at December 31, 2015 other capital commitments of the Group under the contracts on acquisition of plant, property and equipment were equal to 24,872 million tenge (December 31, 2014: 63,617 million tenge).

OPERATING LEASE COMMITMENTS

Operating lease commitments relate mainly to aircraft lease with the lease term from 5 (five) to 10 (ten) years. All operating lease contracts contain market review clauses in the event that Air Astana JSC exercises option to renew. Air Astana JSC does not have the option to purchase leased assets at the expiry of lease period.

As at December 31, operating lease commitments were as follows:

In millions of tenge	**2015**	2014
Within one year	**21,124**	11,078
From one to five years	**95,432**	35,557
Over five years	**117,460**	4,095
Total	**234,016**	50,730

Operating lease commitments include fixed rental payments and certain portion of payments for technical support which vary according to flying hours.

The fixed and variable rental payments are denominated and settled in US dollars. This currency is routinely used in international commerce for aircraft operating leases.

COMMITMENTS TO EXTEND GUARANTEES, LETTERS OF CREDIT AND OTHER COMMITMENTS RELATED TO SETTLEMENT OPERATIONS

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to 15 years.

The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

As at December 31 commitments to extend guarantees were as follows:

In millions of tenge	**2015**	2014
Guarantees	**807,285**	471,472

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

39. COMMITMENTS AND CONTINGENCIES (continued)

COMMITMENTS TO EXTEND GUARANTEES, LETTERS OF CREDIT AND OTHER COMMITMENTS RELATED TO SETTLEMENT OPERATIONS (continued)

The total outstanding contractual commitments to extend guarantee indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. The Group could also request collateral for credit instruments.

COMMITMENTS ON RECYCLE USE OF ANTI-CRISIS FUNDS

In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/И-380 dated April 5, 2012, No. 17-5/11-10 dated January 30, 2013 and No. 17 5/И 788 dated 7 October 2013 the Fund is obliged to finance certain investment projects in the total amount of 571,852 million tenge.

Taking into account investments made in 2012-2015, the Fund's commitments as at December 31, 2015 were equal to 69,825 million tenge (December 31, 2014: 101,028 million tenge), including the Fund's commitments to finance investment projects which were equal to 26,589 million tenge (December 31, 2014: 48,913 million tenge) and the Fund's commitments allocated to finance the "Available housing-2020" program in the amount of 43,236 million tenge (December 31, 2014: 52,115 million tenge).

COMMITMENTS FOR CAPITAL PROJECTS AT THE EXPENSE OF THE REPUBLICAN BUDGET

In accordance with the minutes of the meetings of the Management Council of National Fund of the Republic of Kazakhstan dated November 12, 2014 and November 14, 2014 it is planned to allocate targeted transfers from the National Fund to the Republican Budget for financing certain investment projects totaling 127,200 million tenge during 2015-2016, including amount of 81,000 million for financing of infrastructure objects on SEZ "National oil and gas chemical technopark" and SEZ "Khorgos-East Gate" territories, 46,200 million tenge for construction of railway lines on routes Shu-Almaty 1 and Borzhakty-Yersai and construction of a ferry complex on Kuryk port and operation of universal cargo-passenger ferries.

Taking into account allocated and utilized funds in 2015, the liabilities of the Fund to be fulfilled as at December 31, 2015 were equal to 26,400 million tenge and were provided for financing of SEZ "Khorgos-East Gate" investment project. These funds were allocated from the Republican budget and had been utilized by the Fund in the first quarter of 2016.

40. SEGMENT REPORTING

For management purposes, the Group is organized into organizational business units based on their products and services, and has 7 (seven) reportable operating segments as follows:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products.
- Mining and industrial segment is engaged in exploration, mining, processing and sales of uranium, beryllium, tantalum and other solid materials, military industry enterprises and civil machine industry, projects for the development of chemical industry and geological exploration.
- Transportation segment includes operations related to railway and air transportation of cargo and passengers.
- Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also rent of lines, data transfer services and wireless communication services.
- Energy segment includes operations related to production and distribution of electricity, function of oversight over the input of electricity into the energy system and consumption of imported electricity, function of centralised operation and dispatch of facilities in the Unified Electricity System of the Republic of Kazakhstan.
- Financial and innovation institutions segment includes operations related to assisting the Government in increasing housing availability by investing into residential development.
- Corporate center and projects segment covers Fund's investing and financing activities, including provision of loans to related and third parties.

Certain of the above operating segments have been formed by aggregation of smaller reportable segments in line with the organizational structure of the Group. Each reportable segment maintains its accounting records in line with IFRS. Financial performance of each segment prepared in line with IFRS is reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance.

40. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2015:

In millions of tenge	Oil and gas	Mining and industrial	Trans-portation	Telecom-munication	Energy	Financial and innovation institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	1,061,984	538,675	887,151	249,997	299,610	6,856	46,715	–	3,090,988
Revenues from sales to other segments	51,954	24,005	17,865	4,229	39,472	62	72,036	(209,623)	–
Total revenue	1,113,938	562,680	905,016	254,226	339,082	6,918	118,751	(209,623)	3,090,988
Gross profit	(1,358)	112,874	150,661	72,857	108,633	1,418	35,457	(75,854)	404,688
General and administrative expenses	(162,387)	(35,852)	(88,472)	(32,145)	(22,259)	(1,891)	(44,116)	6,544	(380,578)
Transportation and selling expenses	(195,362)	(5,367)	(6,259)	(7,027)	(3,204)	–	–	5,951	(211,268)
Finance income	175,781	30,269	7,731	5,012	7,019	4,315	64,526	(12,531)	282,122
Finance costs	(220,202)	(12,133)	(71,674)	(8,507)	(28,501)	(1,785)	(1,454)	22,767	(321,489)
Share in profits of joint ventures and associates	125,856	44,880	(12,188)	–	(10,062)	937	–	–	149,423
Foreign exchange gain/(loss), net	520,421	(61,093)	(436,120)	4,207	(121,434)	–	(4,665)	782,043	683,359
Depreciation, depletion and amortization	(141,966)	(20,166)	(118,218)	(32,505)	(50,015)	(175)	(578)	–	(363,623)
Impairment of property, plant and equipment	(99,300)	(22,813)	(1,990)	(35)	(3,572)	–	–	–	(127,710)
Impairment of goodwill	(11,922)	–	–	–	–	–	–	–	(11,922)
Impairment of other assets	(112,371)	(9,680)	(2,792)	(1,043)	(129)	7	(26,630)	–	(152,638)
Income tax expenses	(233,165)	(13,091)	4,031	(9,271)	(5,998)	(768)	(14,404)	(1,353)	(274,019)
Net (loss)/profit for the period from continuing operations	(217,415)	22,833	(450,536)	26,805	(75,997)	2,404	8,709	726,368	43,171
Net profit/(loss) for the period from discontinued operations	262,601	(1)	(465)	–	–	–	(2)	(502)	261,631
Total net profit for the period	45,186	22,832	(451,001)	26,805	(75,997)	2,404	8,707	725,866	304,802
Other segment information									
Total assets of the segment	12,932,833	1,641,342	3,109,511	497,259	1,411,125	161,527	6,972,233	(5,836,146)	20,889,684
Total liabilities of the segment	5,672,714	466,381	2,100,302	184,982	749,528	106,757	1,843,865	(636,217)	10,488,312
Allowances for doubtful debts	3,744	1,166	9,947	881	(2,250)	–	(517)	1	12,972
Investments in joint ventures and associates	1,798,243	647,563	33,003	–	104,788	21,767	(21,757)	(36,504)	2,547,103
Capital expenditures	701,923	67,573	291,059	41,975	127,751	88	591	1	1,230,961

40. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2014:

In millions of tenge	Oil and gas	Mining and industrial	Trans-portation	Telecom-munication	Energy	Financial and innovation institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	1,012,128	381,568	1,012,353	226,373	283,841	2,795	51,703	–	2,970,761
Revenues from sales to other segments	48,463	23,433	16,431	5,531	35,802	26,225	164,543	(320,428)	–
Total revenue	1,060,591	405,001	1,028,784	231,904	319,643	29,020	216,246	(320,428)	2,970,761
Gross profit	(60,920)	74,357	276,664	59,028	97,769	4,428	112,041	(145,117)	418,250
General and administrative expenses	(156,919)	(28,898)	(92,454)	(27,336)	(27,222)	(2,703)	(29,537)	8,175	(356,894)
Transportation and selling expenses	(308,538)	(5,526)	(5,946)	(6,522)	(2,682)	-	-	4,575	(324,639)
Finance income	54,865	8,446	11,103	4,264	5,905	4,011	61,218	(21,083)	128,729
Finance costs	(187,263)	(12,324)	(51,852)	(7,696)	(28,149)	(1,602)	(9,549)	25,697	(272,738)
Share in profits of joint ventures and associates	427,703	11,163	45	–	13,064	4,966	–	–	456,941
Foreign exchange gain/(loss), net	71,497	(19,773)	(80,917)	(7,300)	(2,469)	(2,214)	11,009	477	(29,690)
Depreciation, depletion and amortization	(170,488)	(20,553)	(110,046)	(40,262)	(37,326)	(181)	(467)	339	(378,984)
Impairment of property, plant and equipment	(274,923)	(2,702)	(1,165)	(2,192)	(2,908)	–	–	–	(283,890)
Impairment of goodwill	(1,622)	–	–	–	(75,875)	–	–	–	(77,497)
Impairment of other assets	(2,207)	(3,817)	(1,843)	(1,847)	(1,236)	(10,011)	972	–	(19,989)
Income tax expenses	(133,379)	(5,446)	(24,232)	(6,666)	(13,127)	(420)	(17,143)	(1,808)	(202,221)
Net loss for the period from continuing operations	(573,614)	14,991	37,464	6,869	40,942	6,509	98,763	(131,649)	(499,725)
Net profit/(loss) for the period from discontinued operations	772,829	–	(687)	–	(4,061)	–	(38,317)	4,453	734,217
Total net profit for the period	199,215	14,991	36,777	6,869	36,881	6,509	60,446	(127,196)	234,492
Other segment information									
Total assets of the segment	8,892,801	1,189,779	3,007,926	468,891	1,282,988	156,022	5,487,572	(3,848,305)	16,637,674
Total liabilities of the segment	4,475,689	340,441	1,541,120	185,400	600,813	102,377	1,810,681	(550,925)	8,505,596
Allowances for doubtful debts	5,787	260	3,652	683	2,695	–	589	10	13,676
Investments in joint ventures and associates	1,217,661	431,348	37,386	–	111,520	52,424	–	(36,505)	1,813,834
Capital expenditures	765,200	89,312	404,743	60,554	120,114	3,408	306	–	1,443,637

41. SUBSEQUENT EVENTS

BORROWINGS

In January 2016 NC KMG made a partial repayment of bonds held by Development Bank of Kazakhstan JSC in the amount of 46,146 million tenge, including interest payable of 18,241 million tenge.

On March 18, 2016 Locomotive JSC, the subsidiary of NC KTZh, repaid the portion of loans in the amount of 38 million euros (equivalent to 14,953 million tenge), including premium paid to COFACE within the framework of signed additional loan agreement №2 dated May 27, 2013 to the GDS dated 31 May 2012 with total amount of 157,699 million euros. The loan was provided at interest rate of 3.04% with expected full repayment of the loan in 2026.

On March 25, 2016 NAC Kazatomprom paid an amount of 31 million US dollars (equivalent to 10,659 million tenge on maturity date) to the Bank of Tokyo-Mitsubishi UFJ, Ltd. as repayment of principal of the syndicated loan in the amount of 28 million US dollars (equivalent to 9,627 million tenge on maturity date) and interest payment in the amount of 3 million US dollars (equivalent to 1,031 million tenge on maturity date).

On March 28, 2016 the loan was issued in the amount of 140 million US dollars from Citibank Nassau Bahamas Branch (equivalent to 48,136 million tenge) with interest rate at Libor 1 month + 2% per annum by Intergas Central Asia JSC, the subsidiary of NC KMG, within the framework of the credit line signed on December 24, 2013.

On March 29, 2016 Intergas Central Asia JSC made a partial redemption of Eurobonds in the amount of 149 million US dollars (equivalent to 50,743 million tenge on the maturity date), including accrued interest in the amount of 4 million US dollars (equivalent to 1,165 million tenge) and premiums in the amount of 3 million US dollars (equivalent to 1,209 million tenge).

CHANGES IN GROUP STRUCTURE

In February 2016, Remlocomotive JSC, subsidiary of NC KTZh, sold a 25% interest in the joint venture Electrovoz Kurastyru Zauyty LLP. As a result of the sale, the the Group lost joint control of Electrovoz Kurastyru Zauyty LLP; however, retained a 25% interest and respective significant influence. As a result, Electrovoz Kurastyru Zauyty LLP was classified as an associate to the Group.

In January 2016, NC KTZh sold its administrative building 'Emerald Quarter' for the total amount of 24,300 million tenge, including VAT.

From January to April 2016 the Samruk Energy increased its equity interest in Balkhash TES by 12,123 million tenge.

On February 29, 2016 the deal on the formation of a joint venture in the mobile segment by Altel JSC and Mobile Telecom-Service LLP (hereinafter "the Operators") was finalized on the basis of the Treaty of subscription of the Group's subsidiary Kazakhtelecom JSC, on the shares of Khan Tengri Holding B.V., in exchange for the shares of Altel JSC on November 3, 2015. During 2016, the merger of the Operators into one legal entity is expected.

BONDS

On March 30, 2016 NC KTZh redeemed accrued interest on 10-year Eurobonds (700 million US dollars) in the amount of 22.3 million US dollars (equivalent to 7,630 million tenge at the redemption date).

41. SUBSEQUENT EVENTS (continued)

VAT RECEIVABLE

On March 30, 2016 NC KTZh made a VAT refund from the budget in the amount of 7,408 million tenge.

OTHER EVENTS

During first quarter of 2016 the Shareholder made cash contribution to the share capital of the Fund in the amount of 36,400 million tenge for the purpose of financing projects implemented by NC KTZh.

On March 25, 2016 the Group signed a contract with Finance and Investment Corporation Alel JSC to supply gold and silver at a total estimated cost of 37,643 million tenge, with the term of contract on December 31, 2016.

GLOSSARY

The following definitions and abbreviations are used in this Annual Report:

The Fund, Samruk-Kazyna JSC	Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company
ADB	Asian Development Bank
AEF	Astana Economic Forum
Air Astana, Air Astana JSC	Air Astana Joint Stock Company
All-Russian Research Institute	Federal State-Owned Enterprise All-Russian Research Institute of the Ministry of Internal Affairs of the Russian Federation
AMS	Administrative and managerial staff
BAC	British Aircraft Corporation
BD	Board of Directors
bln	Billion
CC	Corporate center of Samruk-Kazyna JSC
CDIA	Chief Directorate of Internal Affairs
Center	Stewardship Asia Centre
CFaR	Constant false alarm rate, adaptive CFAR algorithm
CGC	Corporate governance code
CIMA	Chartered Institute of Management Accountants
CIS	Commonwealth of Independent States
CIW	Construction and installation works
CMB	Chairman of the Management Board
CNCEC	China National Chemical Engineering Co.,Ltd
COGSS	Cost of goods and services sold
Companies of the Fund's group	The Fund, companies, their subsidiaries, more than 50% of voting shares (participatory interests) of which are owned by companies, as well as legal entities, more than 50% of voting shares (participatory interests) of which are owned by said subsidiaries
Companies, Portfolio Companies of the Fund	National companies and other legal entities, more than 50% of voting shares (participatory interests) of which are owned by the Fund on the right of ownership or trust management
Construction Committee	Committee for Construction, Housing and Utilities Infrastructure and Land Resources Management of the Ministry of the National Economy of the Republic of Kazakhstan
CRMICS	Corporate risk management and internal control system
DCP	Domestic commodity producers
DED	Design and estimate documentation
Ea.	Unit
EBG	Electronic bank guarantee
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EIB	European Investment Bank
EMBA	Executive MBA
EPIS	Electronic procurement information system of Samruk-Kazyna JSC
EST	Electrical signal tower
EU	European Union
EVA	Economic value added

FA	Fixed asset / Fixed assets
FDI	Foreign direct investment
FOCL	Fiber optic communication line
FS	Feasibility Study
GAE	General and administrative expenses
GAP-analysis	Gap analysis - a strategic analysis method used for searching for steps to achieve a specified goal
GDP	Gross domestic product
GR	Government Relations
GRI	Global Reporting Initiative
HPU	Housing and public utilities
HR	Human Resources
IA	Intangible assets
IAS	Internal Audit Service
ICS	Internal Control System
IFRS	International financial reporting standards
IFSWF	International Forum of Sovereign Wealth Funds
IMF	International Monetary Fund
IoD	Institute of Directors of Great Britain
IPO	Initial Public Offering
IS	Information system
KAP, NAC Kazatomprom JSC	National Atomic Company Kazatomprom Joint Stock Company
Kazpost	Kazpost Joint Stock Company
KazSSR	Kazakh Soviet Socialist Republic
KE, KE JSC	National Company Kazakhstan Engineering Joint Stock Company
KEI	Key efficiency indicator
KHS	Karaganda Higher School of the Ministry of Internal Affairs of the Republic of Kazakhstan
KIMEP	Kazakhstan Institute of Management, Economics and Strategic Research
km	Kilometer
KMG, NC KMG JSC	National Company KazMunayGas Joint Stock Company
KPI	Key performance indicator
KT	Kazakhtelecom Joint Stock Company
KTZ, NC KTZ JSC	National Company Kazakhstan Temir Zholy Joint Stock Company
kWh	Kilowatt-hour
KZT	Kazakhstan KZT
LC	Local content
LLM	Master of Laws
m^3	Cubic meter
MBA	Master of Business Administration
MD&A	Management discussions and analysis
MESI	Moscow Economics and Statistics Institute
MIA	Ministry of Internal Affairs of the Republic of Kazakhstan
mln	Million
MM	Mass media
MNE RoK	Ministry of National Economy of the Republic of Kazakhstan
MW	Megawatt

NBRK	National Bank of the Republic of Kazakhstan
NCE	National Chamber of Entrepreneurs
OECD	Organization for Economic Cooperation and Development
OR	Oil refinery
pc.	Piece
PCP	Petrochemical plant
PhD	Doctor of Philosophy
PQS	Pre-qualification selection
PRC	People's Republic of China
QAZAQ AIR, QAZAQ AIR JSC	QAZAQ AIR Joint Stock Company
RDIA	Regional Department of Internal Affairs
RF	Russian Federation
ROIC	Return on invested capital
RoK	Republic of Kazakhstan
SA	Subsidiaries and affiliates
SACSA	State Architectural and Construction Supervision Authority
SCB	Signalling, centralization and blocking devices
SCDB	State China Development Bank
SDPS	State district power station
S-E, Samruk-Energo JSC	Samruk-Energo Joint Stock Company
SEZ	Special economic zone
SKM	Portal "Marketing in procurements of goods, works and services of organizations included in Samruk-Kazyna JSC
SME	Small and medium entrepreneurship
STB RoK	Second-tier banks of the Republic of Kazakhstan
SWF	Sovereign Wealth Fund(s)
thous.	Thousand
TKS, Tau-Ken Samruk JSC	Tau-Ken Samruk Joint Stock Company
TPS	Thermal power station
trn.	Trillion
TSE	Transportation and selling expenses
UCC, United Chemical Company LLP	United Chemical Company Limited Liability Partnership
UES RoK	Unified Energy System of the Republic of Kazakhstan
USA	United States of America
USD, $, US dollar	US dollar
USIIGGTS	Uniform Stock Item Identification Guide of Goods, Work and Services
USSR	Union of Soviet Socialist Republics
WB	World Bank
ACCA	Association of Chartered Certified Accountants
EPC-contract	Engineering, procurement and construction, a contracting method used in construction
KEGOC, KEGOC JSC	(Kazakhstan Electricity Grid Operating Company, KEGOC Joint Stock Company
CFA	Chartered Financial Analyst
%	Percent

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For issues relating to consideration of complaints for illegal actions admitted by Customers represented by subsidiaries and affiliated companies of Samruk-Kazyna JSC in procurement of goods, works and services, please, send official applications to the Authorized Body of Samruk-Kazyna Contract LLP at: Block B, 8 Kunayev Str., phone number: +7/7172/570-272, +7/7172/570-275, (33 floor). You may also ask questions in the "Question-Answer" column at the official website www.sk.kz

Phone number for issues relating to privatization of the Fund's assets: + 7 (7172) 552266.

Questions can be sent to the Investor Relations Department at: ir@sk.kz

Questions regarding this Annual Report can be sent to the Corporate Governance Department at governance@sk.kz

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