



SAMRUK
K A Z Y N A

10 YEARS TOGETHER



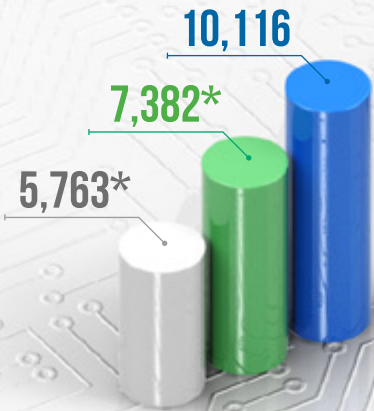
VOLUME 1

ANNUAL REPORT 2018

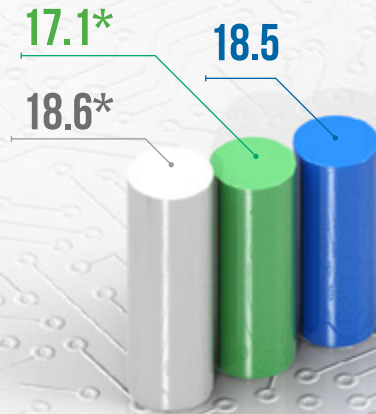
2016 2017 2018



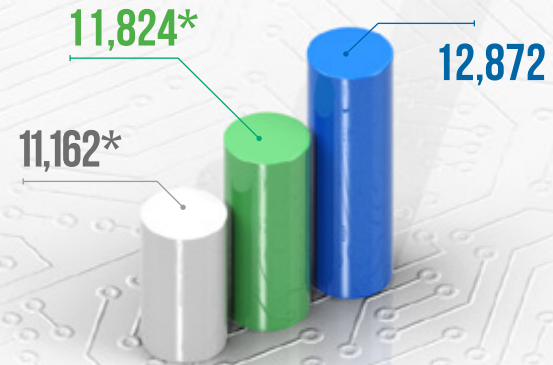
CONSOLIDATED REVENUE, BLN KZT



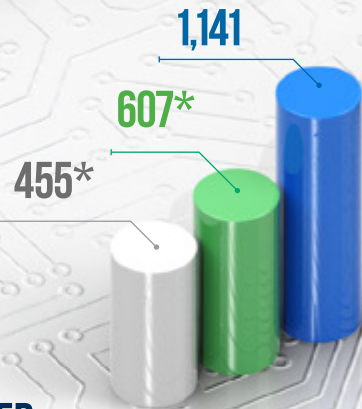
EBITDA MARGIN, %



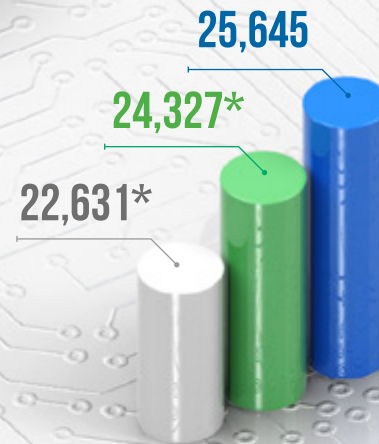
EQUITY, BLN KZT



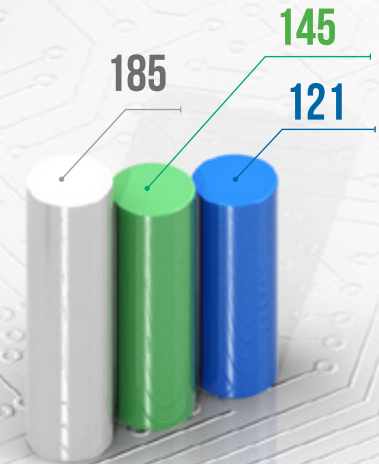
CONSOLIDATED NET INCOME ATTRIBUTABLE TO SHAREHOLDER, BLN KZT



ASSETS, BLN KZT



PROCUREMENT SAVINGS, BLN KZT



SAMRUK-KAZYNA IN NUMBERS

Recalculated when calculating consolidated indicators for 2016 and 2017 KMG International N.V. was taken into account as part of ongoing activities

CONTENTS

REVIEW

STRATEGY

BUSINESS AND FINANCIAL REVIEW

CORPORATE AND SOCIAL
RESPONSIBILITY REPORT

CORPORATE GOVERNANCE

REVIEW



SAMRUK
KAZZYNA



Sovereign Wealth Fund Samruk-Kazyna Joint-Stock Company is the Fund, the sole shareholder of which is the Government of the Republic of Kazakhstan.

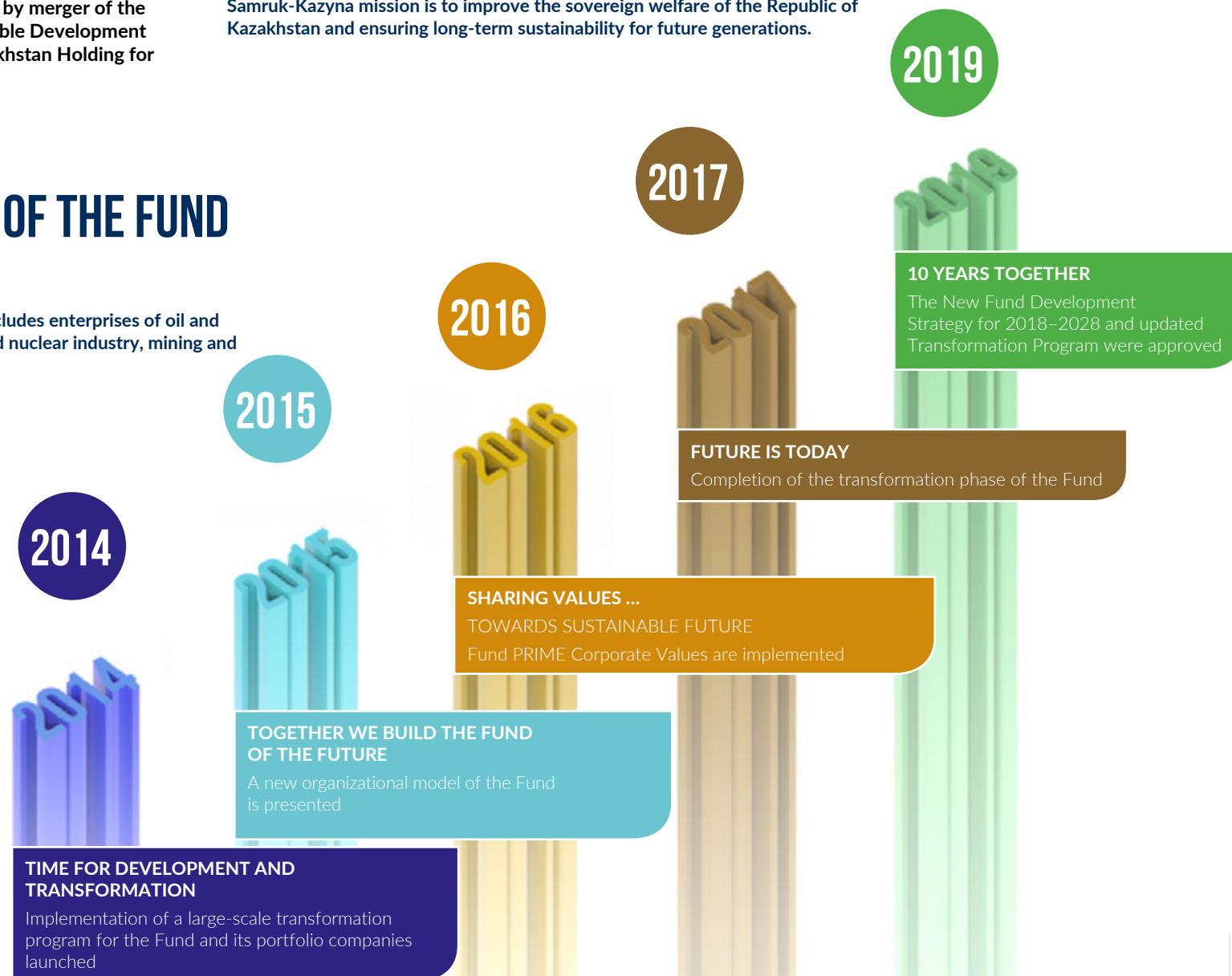
The Fund was founded in 2008 by the Decree of the President of the Republic of Kazakhstan and is a commercial structure – an investment holding. The Fund was formed by merger of the largest State-owned conglomerates: Sustainable Development Fund Kazyna Joint-Stock Company and Kazakhstan Holding for the Management of State Asset Samruk.

THE LARGEST ASSETS OF THE FUND

The Samruk-Kazyna JSC group of companies includes enterprises of oil and gas, transport and logistics sectors, chemical and nuclear industry, mining and metallurgical complex, energy and real estate.

ROLE IN THE ECONOMY OF KAZAKHSTAN

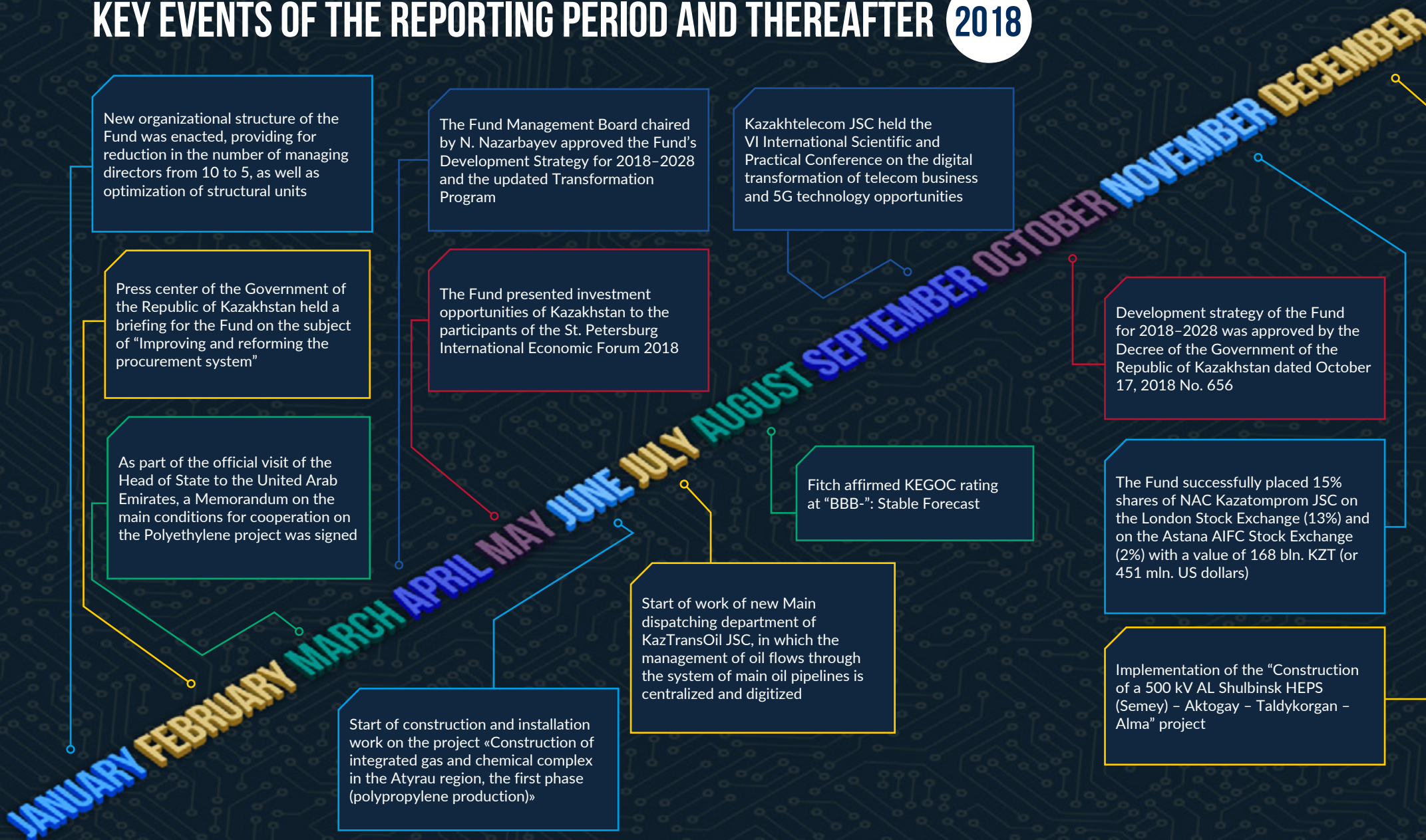
Samruk-Kazyna mission is to improve the sovereign welfare of the Republic of Kazakhstan and ensuring long-term sustainability for future generations.



LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018A

		Ownership ratio		Segment
		2018	2017	
1	National Company KazMunayGas JSC and subsidiaries	90.43%	90.09%	Oil and gas
2	KMG Kashagan B.V.	100%	100 %	Oil and gas
3	National Company Kazakhstan Temir Zholy JSC and subsidiaries	100%	100 %	Transportation
4	National Company Kazatomprom JSC and subsidiaries	85%	100 %	Mining
5	Samruk-Energy JSC and subsidiaries	100%	100 %	Energy
6	Kazakhstan Electricity Grid Operating Company (KEGOC) JSC and subsidiaries	90% + 1	90% + 1	Energy
7	Kazpost JSC and subsidiaries	100%	100 %	Communications
8	Kazakhtelecom JSC and subsidiaries	51%	51 %	Communications
9	Air Astana JSC	51%	51 %	Transportation
10	National Company Kazakhstan Engineering JSC and subsidiaries	-	100 %	Industrial
11	Samruk-Kazyna Construction LLP and subsidiaries	100%	100 %	Other
12	National Mining Company Tau-Ken Samruk JSC and subsidiaries	100%	100 %	Mining
13	United Chemical Company LLP and subsidiaries	100%	100 %	Industrial
14	Samruk-Kazyna Invest LLP and subsidiaries	100%	100 %	Other
15	Samruk-Kazyna Contract LLP	100%	100 %	Other
16	KOREM JSC	100%	100 %	Energy
17	Atyrau International Airport JSC	100%	100 %	Transportation
18	Aktobe International Airport JSC	100%	100 %	Transportation
19	Pavlodar Airport JSC	100%	100 %	Transportation
20	SK Business Service LLP and subsidiaries	100%	100 %	Other
21	Qazaq Air JSC	100%	100 %	Transportation
22	Kazakhstan nuclear power plants JSC	100%	-	Energy
23	MAEK-Kazatomprom LLP	100%	-	Energy
24	Aviation Company Air Kazakhstan JSC	-	53.55 %	Transportation

KEY EVENTS OF THE REPORTING PERIOD AND THEREAFTER 2018



New organizational structure of the Fund was enacted, providing for reduction in the number of managing directors from 10 to 5, as well as optimization of structural units

The Fund Management Board chaired by N. Nazarbayev approved the Fund's Development Strategy for 2018–2028 and the updated Transformation Program

Kazakhtelecom JSC held the VI International Scientific and Practical Conference on the digital transformation of telecom business and 5G technology opportunities

Press center of the Government of the Republic of Kazakhstan held a briefing for the Fund on the subject of "Improving and reforming the procurement system"

The Fund presented investment opportunities of Kazakhstan to the participants of the St. Petersburg International Economic Forum 2018

Development strategy of the Fund for 2018–2028 was approved by the Decree of the Government of the Republic of Kazakhstan dated October 17, 2018 No. 656

As part of the official visit of the Head of State to the United Arab Emirates, a Memorandum on the main conditions for cooperation on the Polyethylene project was signed

Fitch affirmed KEGOC rating at "BBB-": Stable Forecast

The Fund successfully placed 15% shares of NAC Kazatomprom JSC on the London Stock Exchange (13%) and on the Astana AIFC Stock Exchange (2%) with a value of 168 bln. KZT (or 451 mln. US dollars)

Start of construction and installation work on the project «Construction of integrated gas and chemical complex in the Atyrau region, the first phase (polypropylene production)»

Start of work of new Main dispatching department of KazTransOil JSC, in which the management of oil flows through the system of main oil pipelines is centralized and digitized

Implementation of the "Construction of a 500 kV AL Shulbinsk HEPS (Semey) – Aktogay – Taldykorgan – Alma" project

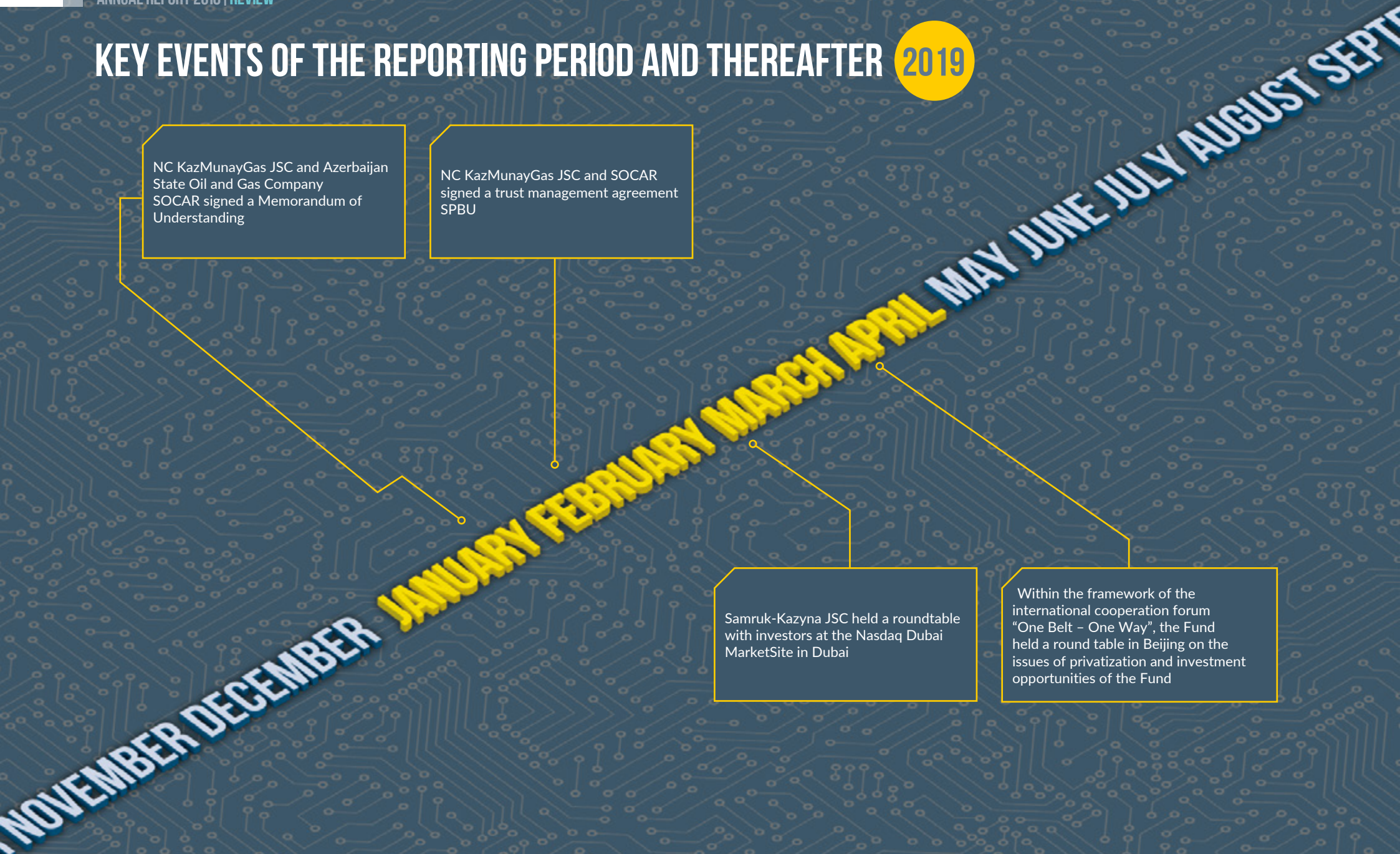
KEY EVENTS OF THE REPORTING PERIOD AND THEREAFTER 2019

NC KazMunayGas JSC and Azerbaijan State Oil and Gas Company SOCAR signed a Memorandum of Understanding

NC KazMunayGas JSC and SOCAR signed a trust management agreement SPBU

Samruk-Kazyna JSC held a roundtable with investors at the Nasdaq Dubai MarketSite in Dubai

Within the framework of the international cooperation forum "One Belt – One Way", the Fund held a round table in Beijing on the issues of privatization and investment opportunities of the Fund



WELCOME ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear colleagues, partners, investors!

Kazakhstan is standing at the threshold of fundamental changes in the global economy. Strengthening of negative global trends caused by slowdown in globalization, spread of protectionism in industrial and trade policies and decrease in growth rates in the main export markets of Kazakhstan raise new challenges for the development of the national economy.

At the same time, in order to increase the real welfare of Kazakhstani people, the Head of State has set strategic tasks to attract a new wave of investment, create productive jobs, diversify the economy, increase productivity and promote proactively exports.

The most important role in this process is played by Joint-Stock Company "Sovereign Wealth Fund "Samruk-Kazyna". Consolidating the largest production assets in key sectors of the economy, the Fund directly contributes to the investment attraction, economic modernization, increase its production and export potential, and deepening the value created within the country.

In 2018, the Fund exceeded its planned financial and production indicators in all key areas of its activities. A lot of work has been done to ensure the financial stability of subsidiaries.

The year-end volume of consolidated assets of Samruk-Kazyna JSC has increased by **KZT 1.3 trillion (5.3%)** and has made **KZT 25.6 trillion**.

The consolidated net income attributable to shareholder has increased by **88%** and has made **KZT 1.141 trillion**.

The Fund has paid taxes and payments to the budget in the amount of **KZT 1.1 trillion** which is by **39%** more than in 2017.

In accordance with the Comprehensive Privatization Plan, **20 assets** for the total amount of **KZT 63 billion** were realized in 2018.

One of the significant events of 2018 was the transfer of shares of JSC NAC Kazatomprom to the international IPO which attracted **USD 451 million** directed then to the National Fund.

In the near future Samruk-Kazyna JSC will realize the IPO of Kazakhtelecom JSC, Air Astana JSC and NC KazMunayGas JSC to contribute to the formation of the effective and competitive national economy.

Due to new challenges and tasks, a new Development Strategy of Samruk-Kazyna JSC for 2018-2025 has been developed and approved.

New strategic initiatives within the framework of the Strategy include specific measures on further increase in the profitability of companies, portfolio structure optimization, diversification of revenues, implementation of the best corporate governance practices and sustainable development at the level of leading sovereign wealth funds.

Practical implementation of the Strategy will give the upper hand to further strengthening of the Fund and enable it to make further valuable contribution to the qualitative development of the economy and growth of welfare of Kazakhstani people.



Prime Minister of the Republic of Kazakhstan –
The Chairman Of The Board Of Directors Of Samruk-Kazyna JSC

**MAMIN
ASKAR UZAKPAYEVICH**

WELCOME ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear ladies and gentlemen!

In 2018, one of the main tasks of Sovereign Welfare Fund Samruk-Kazyna JSC was completed - a new Development Strategy of the Fund for 2018-2028 was approved by the Board of Directors and the Fund Management Council under the leadership of the First President of the Republic of Kazakhstan, and by Resolution of the Government of the Republic of Kazakhstan dated October 17, 2018 No. 656.

As part of the new Development Strategy, the Fund has identified its three strategic goals – company efficiency, portfolio management and sustainable development, and four key development initiatives, such as increasing company profitability, optimizing the portfolio structure, revenue diversification, corporate governance and sustainable development.

Currently, the Fund is actively working to diversify revenues and focuses its efforts on formation of an optimal high-yield portfolio of investments and assets both in Kazakhstan and abroad. During 2018, the main criteria and parameters of investments were determined by asset classes, industries and geography. Investment opportunities identified in IT and digitalization, science, healthcare, “green” energy to existing logistics, construction, manufacturing, engineering and agriculture sectors. In order to implement this initiative, the Fund is building partnerships with leading sovereign funds and investment companies.

In 2018, the Fund achieved growth in all key strategic indicators and ended the year with a positive financial result. Consolidated net income attributable to shareholder in 2018 amounted to 1,141 bln KZT, exceeding the 2017 amount by 534 bln KZT.



Chairman of the Management Board of Samruk-Kazyna JSC

**YESSIMOV
AKHMETZHAN SMAGULOVICH**

WELCOME ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

The Fund conducts systematic work to improve corporate governance. In 2018, work was carried out to update the composition of the boards of directors of NC KazMunayGas JSC, NC Kazakhstan Temir Zholy JSC, Kazakhtelecom JSC, Kazpost JSC, NAC Kazatomprom JSC, KEGOC JSC, NMC Tau-Ken Samruk JSC by attracting the best international experts with relevant industry expertise and experience in international public companies, which is essential in view of the upcoming IPO.

At the end of 2018, the total number of companies in the Fund group was 317. As a result of the implementation of the Comprehensive Privatization Plan, 132 legal entities retired from the Fund group (as of 31.03.2019 – 136), and the number of ownership levels was reduced to 6. The total privatization proceeds amounted to 174.3 bln KZT (as of 31.03.2019 – 178.3 bln KZT).

In November 2018, the Fund successfully placed 15% of the NAC Kazatomprom JSC shares on the London Stock Exchange (13%) and on the Astana AIFC Stock Exchange (2%) with a value of 168 bln KZT (or 451 mln USD), of which 161.7 bln KZT was directed to the National Fund.

The Fund is constantly working to support small and medium businesses. At the end of 2018, the actual share of local content in the Fund group was 75%, including 68% for goods and 80% for works and services. In 2018, we developed additional support measures: 1) a unique offtake agreement mechanism, which guarantees a long-term order for enterprises developing new productions that have no analogues in the Republic of Kazakhstan. At the end of the last year, the first offtake agreements worth a total of 4 bln KZT were concluded; 2) mandatory purchase of goods by tender only among producers of goods in the Fund Register; 3) the obligatory requirement for contractors of construction and installation works in the amount of over 250 mln KZT to purchase goods from producers which are in the Fund Register. The annual volume of such works purchased is 300–350 bln KZT. In general, the Fund will continue systematic work to improve competitiveness of Kazakhstani manufacturers, supporting small and medium-sized businesses.

The Fund consistently continues to develop human resources and human capital. Taking into account revision of the Development strategy, the Fund and portfolio companies

approved HR policies, denoting in them the priorities for working with HR until 2028. These are the development of corporate culture, transparent selection, adherence to the meritocracy principles, talent management and other processes that contribute to attracting and retaining high-potential and efficient employees.

In 2018, a leadership program was launched. Performance evaluation system and competitive selection procedures were introduced in the group of companies of the Fund, successor pools for key positions were formed. Another recruitment has been implemented under the «Zhas Orken» program of accelerated development of young specialists. Given the rapid technological development, the “Digital Summer” internship project for graduates of IT universities was launched followed by employment of successful interns in the group of companies of the Fund.

Increasing the long-term value and sustainable development of the companies of the Fund’s group through effective interaction with the Government is one of the important activities of the Fund. In the 13 PC of the Fund of the first level was created

and works the function of interaction with the Government (GR-function).

Digitalization or digital transformation, along with development of human capital, will be a logical continuation of the Transformation Program that exists today in the Fund. The new Development Strategy revised the approach to implementation of the sponsorship and charitable activities of the Fund’s group – social investments are aimed at helping people and communities in the social and medical sectors, developing media and cultural community, human potential, as well as implementing a regional program of social investment in the regions where operates Fund’s group.

Summing up the results of 2018, which allow us to judge the correctness of the chosen path and set goals for 2019, we can confidently say that we are moving in the right direction, possessing the necessary set of tools, and most importantly – a team of like-minded people with knowledge, skills and competencies that will contribute to achieving all of our goals.

LEGAL FRAMEWORK

The main regulatory legal act regulating activities of the Fund and organizations of the Fund's group is the Law of the Republic of Kazakhstan "On the Sovereign Wealth Fund" dated February 1, 2012.

The Fund is also guided by the norms 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 Mandatory Payments to the Budget (Tax Code)", the Budget Code of the Republic of Kazakhstan, the Labor Code of the Republic of Kazakhstan, Laws of the Republic of Kazakhstan "On State Property", "On Joint-Stock Companies", "On Limited and Additional Liability Partnerships", etc.

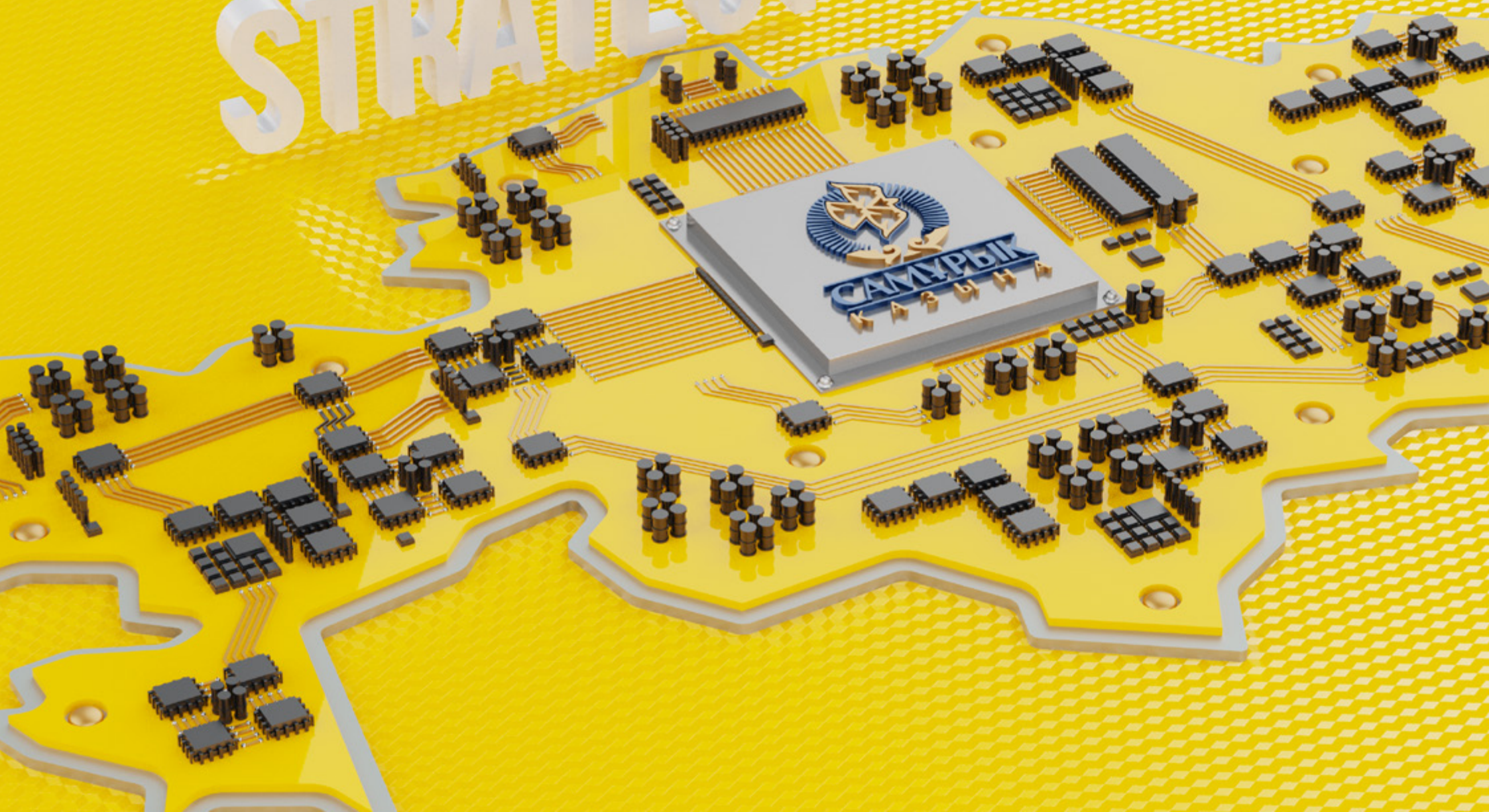
In addition, as a private enterprise, the Fund is subject to the Entrepreneurial Code of the Republic of Kazakhstan.

Organizations included in the group of the Fund are also guided by all the above-mentioned legislative acts. In addition, their activities are regulated by industry laws ("On Transport", "On Railway Transport", "On Mail", "On Communications", "On Electric Power Industry", "On Natural Monopolies", etc.).

In the implementation of the Law of the Republic of Kazakhstan «On the Sovereign Welfare Fund» the following elements were adopted:

- ▶ Development strategy of Samruk-Kazyna JSC for 2018–2028 (approved by decision of the Sole Shareholder – decree of the Government of the Republic of Kazakhstan dated October 17, 2018 No. 656);
- ▶ Agreement on interaction between the Government of the Republic of Kazakhstan and Samruk-Kazyna JSC (approved by decision of the Sole Shareholder – decree of the Government of the Republic of Kazakhstan dated December 14, 2012 No. 1599);
- ▶ The Corporate Governance Code of Samruk-Kazyna JSC (approved by decision of the Sole Shareholder – decree of the Government of the Republic of Kazakhstan dated November 5, 2012 No. 1403);
- ▶ The rules for posting reports required by government agencies on the Internet resource of the Sovereign Wealth Fund, as well as the list, forms and frequency of posting reports (approved by decision of the Sole Shareholder – decree of the Government of the Republic of Kazakhstan dated October 31, 2012 No. 1384);
- ▶ The rules for classifying socially significant and / or industrial-innovative projects implemented by the Sovereign Wealth Fund or an organization belonging to the Sovereign Wealth Fund group as low-profit (approved by decision of the Sole Shareholder – decree of the Government of the Republic of Kazakhstan dated November 9, 2012 No. 1427).

STRATEGY



OUR BUSINESS MODEL

- ▶ We ensure development and application of corporate governance best practices for our PC.
- ▶ We form the PC's boards of directors.
- ▶ We manage PC through representatives in the boards of directors and the KPI system.

- ▶ As an investment holding, the Fund develops its portfolio by investing in existing portfolio companies, new investments in the Republic of Kazakhstan, as well as international investments.
- ▶ The new investments in Kazakhstan are made in order to generate income on invested capital, higher than the cost of equity. The advantage when choosing projects will be the development of priority sectors of the economy, attraction direct investment in Kazakhstan, creating jobs and stimulating private business.
- ▶ The main goal of the international investments is to preserve and increase wealth for the future generations, as well as portfolio by industry, geography and asset classes.

EFFECTIVE CORPORATE GOVERNANCE

OUR MISSION

- ▶ Improving the national welfare of the Republic of Kazakhstan and ensuring long-term sustainability for future generations.

INVESTMENTS AND PORTFOLIO MANAGEMENT

OUR VISION

- ▶ Investment holding that provides high financial performance, investment income and a developing portfolio at the level of the leading sovereign wealth funds sovereign wealth funds.



OUR GOALS

STRATEGIC GOALS



STRATEGIC INITIATIVES



In 2018, the New Fund Development Strategy for 2018–2028 was approved.

The document was developed with taking into account the experience of leading sovereign funds like Temasek (Singapore), Khazanah (Malaysia) and Mubadala (United Arab Emirates), the operations and investment activities of which are fully directed on commercial aspect.

OUR VALUES



P – Partnership

- ▶ We work in partnership and trust the team.
- ▶ We put the interests of the team above personal ones.
- ▶ We build long-term and trusting relationships with stakeholders.

R – Respect

- ▶ We take care of everything that surrounds us.
- ▶ We act with trust and respect.
- ▶ We follow laws and traditions.

I – Integrity

- ▶ We fulfill our commitments.
- ▶ We do what we say.
- ▶ We are always fair and honest.

M – Meritocracy

- ▶ We choose worthy professionals.
- ▶ We give everyone, regardless of the role, the opportunity to speak their mind.
- ▶ We encourage the achievement of results.

E – Excellence

- ▶ We work rationally and at the highest level of quality, using best practices and technologies.
- ▶ We accept responsibility by acting in order to create added value.
- ▶ We are curious, constantly learning and developing the Fund.

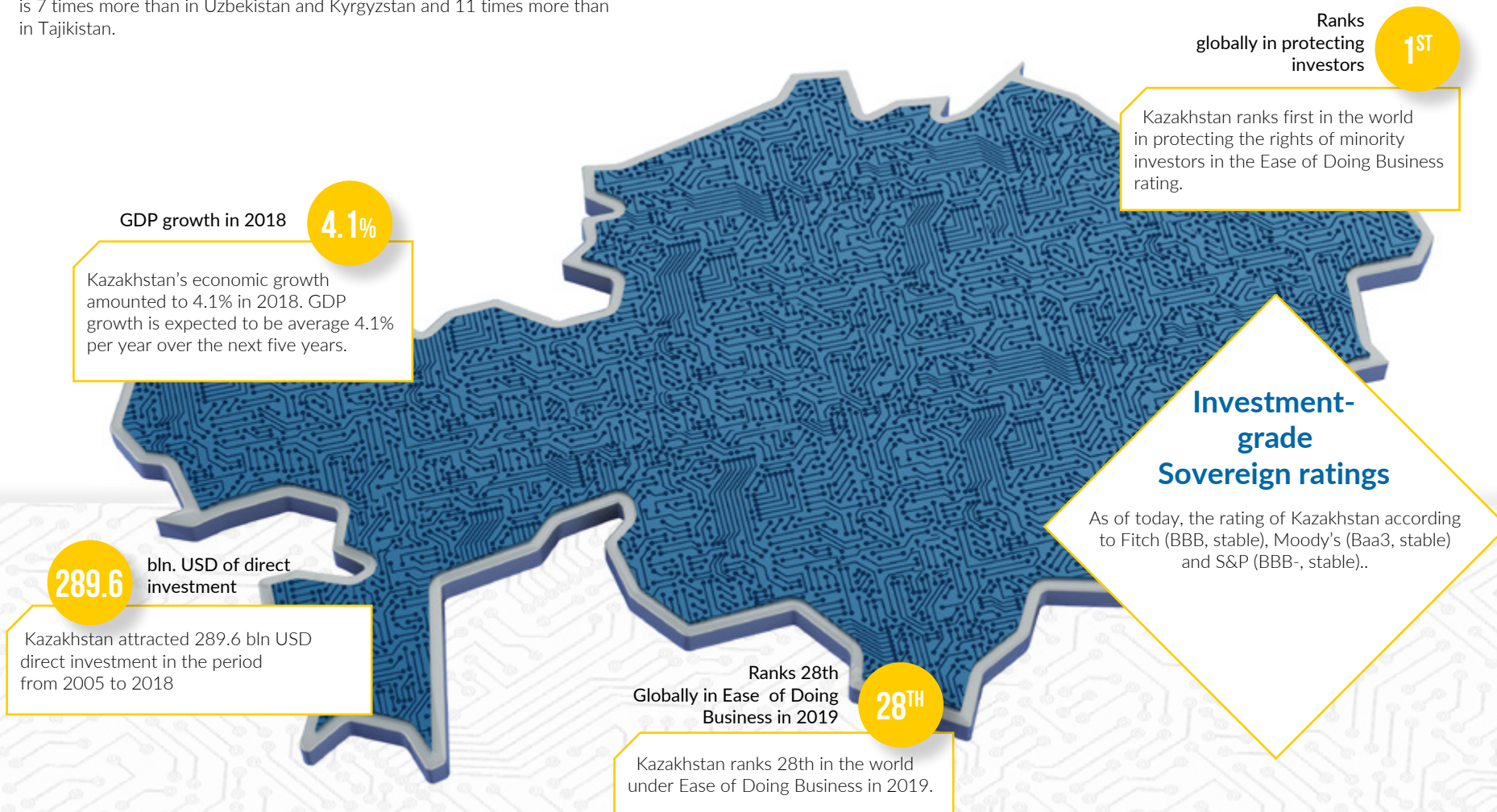
MACROECONOMIC AND EXTERNAL ENVIRONMENT OUTLOOK

Macroeconomic environment

Kazakhstan has the largest and most stable economy in the Central Asia, contributes to more than 60% of the region's total GDP. The country has achieved significant economic progress since the 1990s, having experienced several stages of development over a period of more than two decades.

Kazakhstan's per capita GDP accounted for 9,462 USD in 2018, which is 7 times more than in Uzbekistan and Kyrgyzstan and 11 times more than in Tajikistan.

KAZAKHSTAN ECONOMY OVERVIEW



RK's economy continues to be stable, gradually adapting to the "new normal" global markets.

The country's GDP growth was 4.1% in 2018, mainly due to:

1. Higher oil production driven by Kashagan,
2. Commodity markets rebalance on the back of growing global demand and stockpiles drawdown,
3. Continued infrastructure development produces multiplier effect on the economy, and
4. Positive growth among Kazakhstan's key trading partners facilitated trade and investment flows.

The RK Government continued fiscal incentive by allocating more than 800 bln KZT for implementation of the "Nurly Zhol"

Outlook for 2019 and beyond

For 2019–2023, GDP growth is forecasted to average of 4.1% per annum. As traditional sectors of Kazakhstan's economy reach growth potential, alternative sectors, such as transport, logistics, construction, and manufacturing, will become the main drivers.

Regarding monetary policy, the National Bank of RK reduced the base rate four times in the first half of 2018 by 125 bp to 9.0% in June 2018, with one rate increase by 25 bp at the beginning of the fourth quarter to 9.25%. The current base rate level contributes to achieving targeted inflation for 2019 (4–6%), and also supports economic growth. Inflation expectations are gradually weakening and annual inflation expectations are at a record low. Despite this, inflation risks associated with external factors continue to exist, in particular, with respect to potential inflation in key trading partners.

state infrastructure development program in 2018, which includes development of transport and logistics infrastructure and strengthening of energy infrastructure.

Higher oil prices and oil production scope provided support for economic growth. Oil production at Kashagan amounted to 13.2 mln tons, which comprises 14.6% of the total oil production in the country in 2018. Continued decline in overall inflation and inflation expectations, as well as a gradual easing of monetary policy (base rate cuts from 10.25% to 9.25%) also contributed to accelerating economic growth. However, higher oil prices had a limited effect on the USD/KZT rate against external events (US sanctions against Russia, trade conflict between the US and China).

The average USD/KZT rate increased by 2.3% in the first quarter of 2019, reaching 378 KZT/USD and showing a maximum value of 382.68 KZT/USD in February. As of March 29, USD/KZT was trading at 379.66 USD/KZT. In 2019, the average USD/KZT rate is expected to be at a level of 370 KZT/USD, while the average USD/KZT rate in 2018 amounted to 345 KZT/USD.

Dynamics of foreign trade improved in 2018 amid more favorable terms of trade. The total volume of exports and imports in 2018 amounted to 61.0 bln USD and 32.5 bln USD, respectively, while the trade surplus increased to 28.5 bln USD. It is expected that the general trade turnover of Kazakhstan in the next five years will gradually increase and exceed 98 bln USD by 2023.

KEY GROWTH FACTORS

Brent prices

1

The average price of Brent oil amounted to 71 USD per barrel in 2018 (2017: 55 USD per barrel)

Oil production

2

The scope of oil production in Kazakhstan grew by 4.8% y/y to 90.4 mln tons in 2018, the scope of production at Kashagan was 13.2 mln tons

Fiscal stimulus

3

> 800 bln KZT was allocated to finance and implement the "Nurly Zhol" State Program in 2018

Monetary policy

4

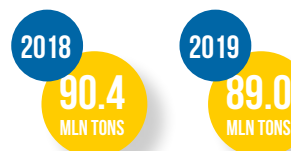
The base rate stood to 9.25% at the end of 2018 (at the end of 2017: 10.25%). The National Bank of RK cut the key interest rate in efforts to boost domestic growth.

Macroeconomic dynamics of Kazakhstan 2018–2019.

EXCHANGE RATE

Free-floating exchange rate regime supports Kazakhstan's growth dynamics. **USD/KZT** expected at conservative level of **370** in 2019.

OIL PRODUCTION

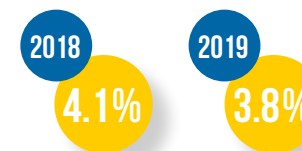


Oil production will be driven by output at Kashagan oilfield. Overall production will lower by 1.5% y / y due to planned maintenance at three key oilfields in 2019.

TRANSPORT AND LOGISTICS

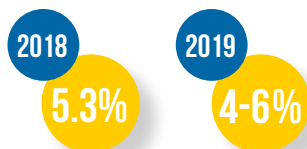
It is assumed that the development of regional transport infrastructure in the framework of the “Nurly Zhol” infrastructure development state program and the “One Belt, One Road” Initiative will contribute to the growth of external trade and transit volumes in Kazakhstan.

GDP GROWTH



Growth drivers: stable oil prices and oil production volume, increase in the share of non-raw materials sectors provide an additional incentive for growth.

INFLATION AND MONETARY POLICY

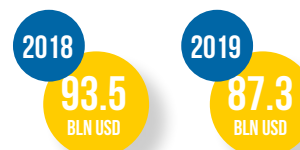


The monetary position is expected to keep growing in 2019. Inflation and inflation expectations will stay at the low rate

DIGITAL KAZAKHSTAN

- 17 initiatives, 120 events, 12 targets
- Contribution of 1.6%–2.2% to the projected GDP growth
- The added value to the economy will amount to 1.7–2.2 trn KZT by 2025
- Investment recovery 4.8–6.4 times of the total investment volume by 2025

FOREIGN TRADE



Trade balance is expected at 21.5 bln USD in 2019.



The price of Brent oil rose by 25% in the first quarter of 2019 amid a sharp decline in oil production by OPEC +, which was promoted by US sanctions against Iran and Venezuela. In early April, oil continued to grow after news that the United States and China are approaching a trade deal, while resolving a trade dispute will improve unsustainable prospects for global oil demand. The average price of Brent oil is expected to be at the level 69 USD in 2019.

At the same time, uranium prices rose by 43% after reaching the low of last year of 20.25 USD per pound, which is associated with reduction in excess supply (since major

producers reduced production volume) and higher demand. It is expected that this year there may be a shortage of supply for the first time in the last 10 years, which indicates a turning point when fundamental factors may improve for the uranium market. The price of uranium has been rising during seven months and on November 14 reached a two-year high of 29.15 USD per pound.

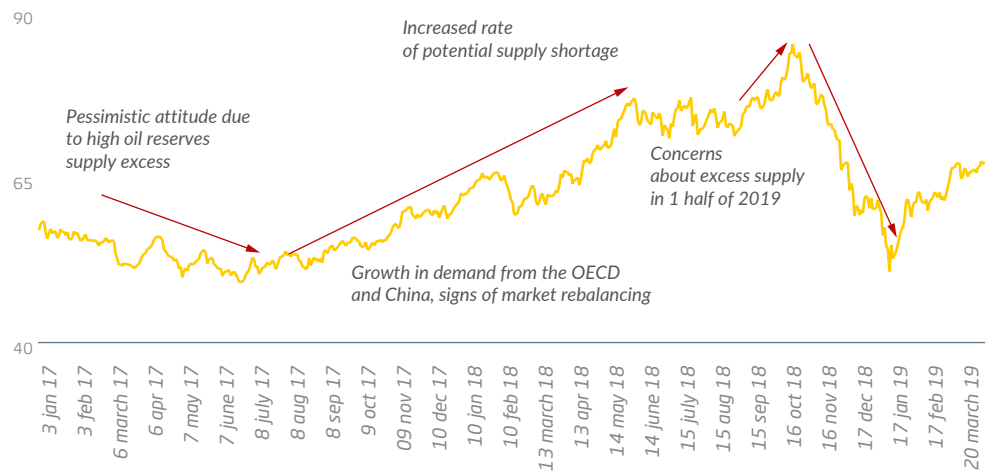
In the first half of 2018, global economic growth lost much of the momentum recorded in the second half of 2017 and became less synchronized across regions and countries. Economic activity in some large countries with developed economies (Europe, Japan)

slowed down, while emerging markets (China) supported by domestic demand continued to expand at the same rate as in 2017. The US economy maintained steady growth, especially in the second quarter of 2018, when private sector activity increased further due to significant fiscal incentive. However, the risks for global growth have grown amid increased geopolitical uncertainty. Some risks, such as increasing trade barriers and capital outflows from emerging markets, have become more pronounced or partially materialized. All this took place against the backdrop of monetary policy tightening and a slowdown in global economic growth. For this reason, the International Monetary Fund has

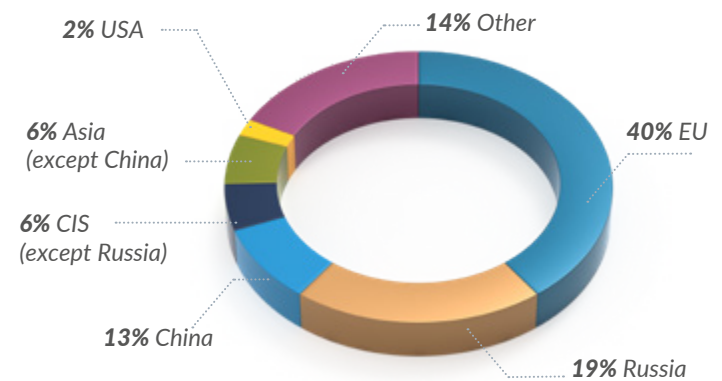
revised its global GDP growth forecasts down to 3.3% for 2019, while the World Bank supports more conservative 2.9% growth forecasts.

At the regional level, the RF economy is expected to grow by 1.2%–1.7% in 2019, after growing by 2.3% in 2018, China's GDP growth in 2019 will slow down to 6.0%–6, 5% (2018: 6.6%). GDP growth will decrease in the Eurozone to 1.7% in 2019 (1.9% estimated for 2018) amid normalization of monetary policy. The macroeconomic dynamics of key trading partners will influence Kazakhstan through trade, investment and transit volumes.

Brent oil prices, USD (2017–2019)



Commodity turnover in Kazakhstan (2018)



Raw material prices

1

Volatile oil and uranium prices could potentially impact the economy of RK and performance of key national companies

Economic performance of major trading partners

2

Key trading partners, China and Russia, have effect on Kazakhstan through trade, freight, passenger turnover and commodity prices.

Currency performance of key trade partner

3

Russia's currency performance will impact Kazakhstan's competitiveness and exchange rate policy.

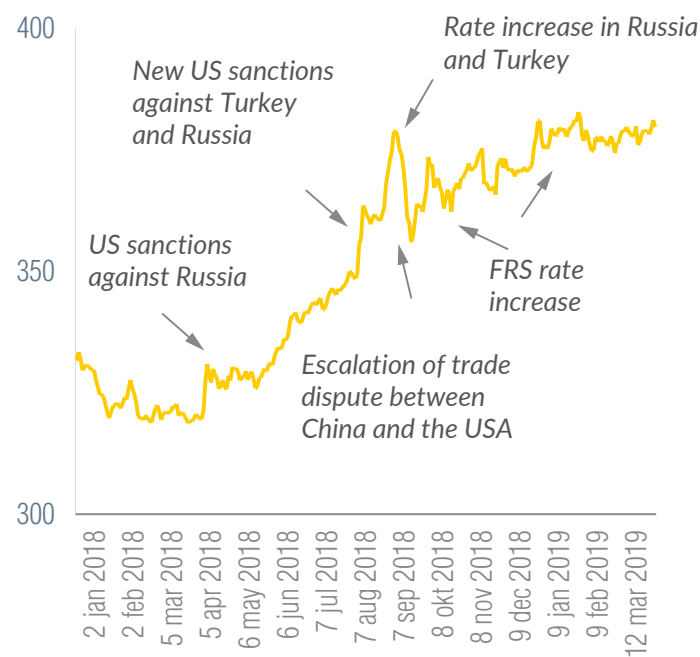
Geopolitical situation

4

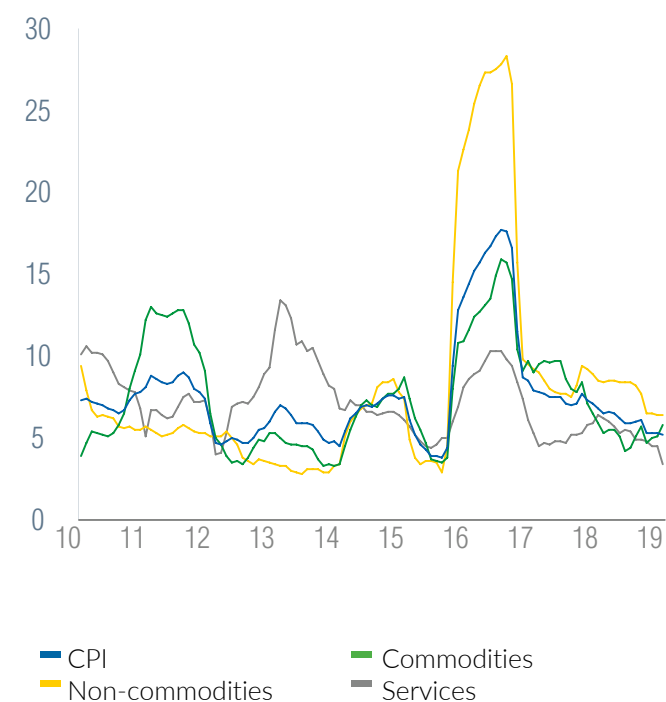
US monetary policy, trade disputes and sanctions between the US and trading partners could weaken investments and economic activity.

EXTERNAL FACTORS POTENTIALLY AFFECTING GROWTH IN 2019

USDKZT dynamics



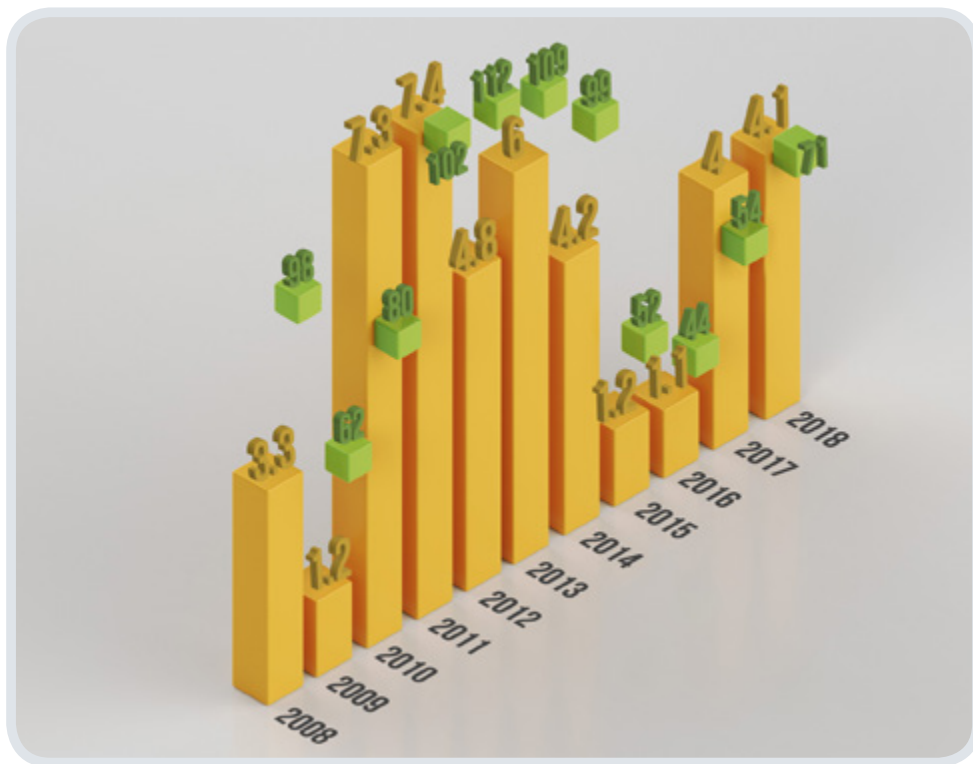
Inflation dynamics, %



Source: Ministry of National Economy of RK, Committee on Statistics of RK, National Bank of RK, Bloomberg, Samruk-Kazyna

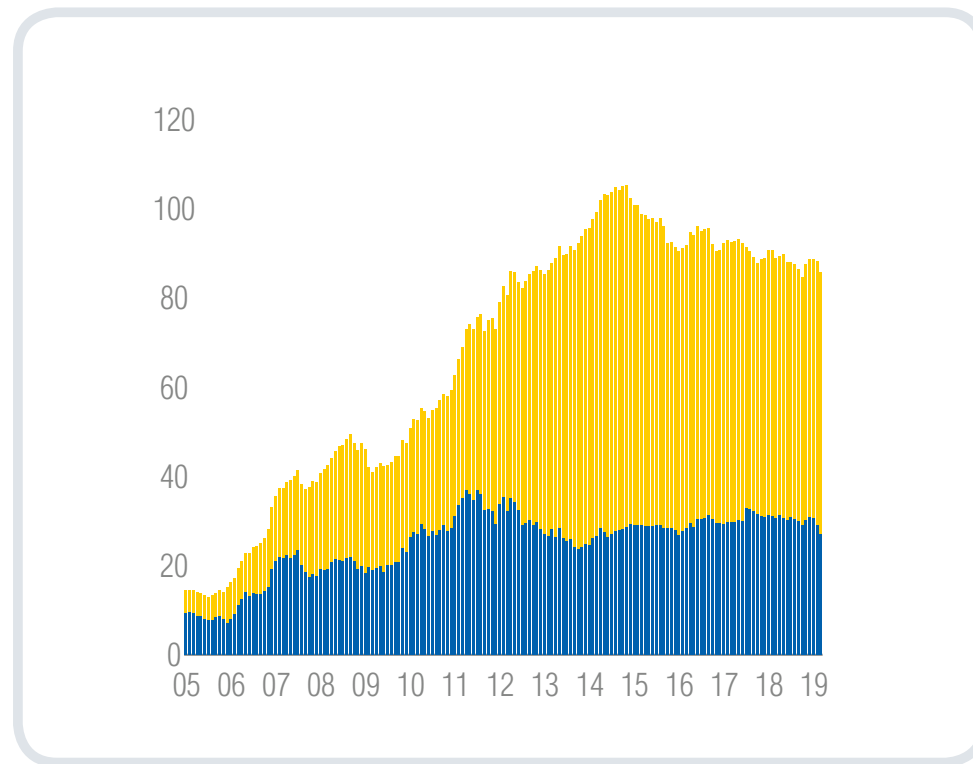
EXTERNAL FACTORS POTENTIALLY AFFECTING GROWTH IN 2019

GDP growth compared with the price of Brent



■ GDP, % ■ Oil price USD/barrel (approx. scale)

International reserves, bln USD

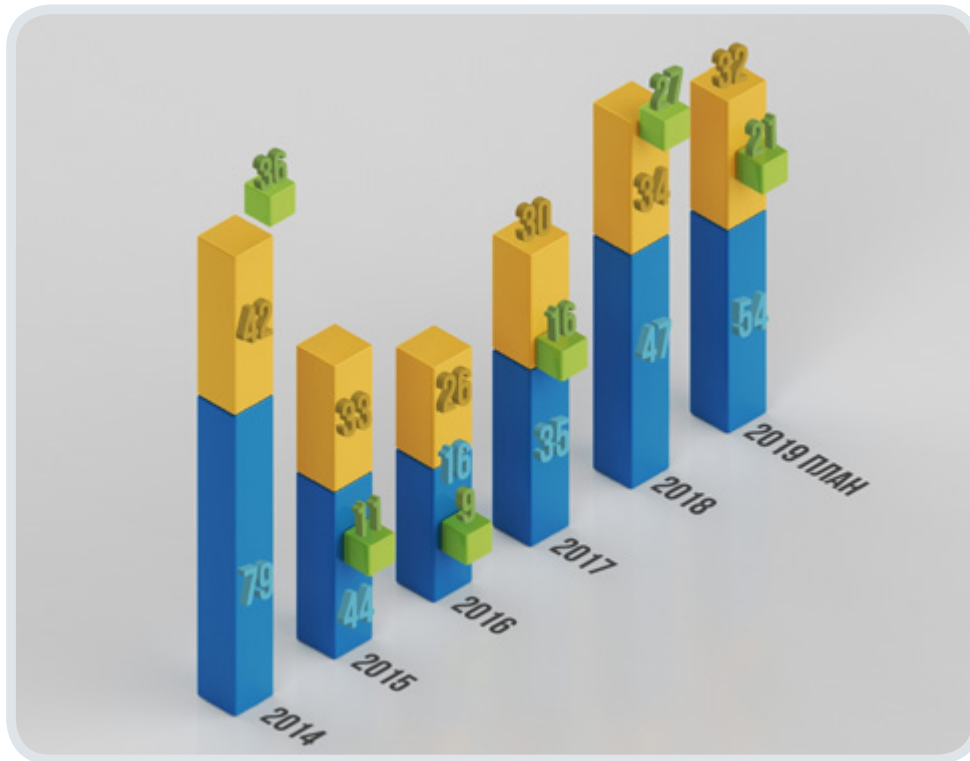


■ National Fund assets ■ Gross reserves

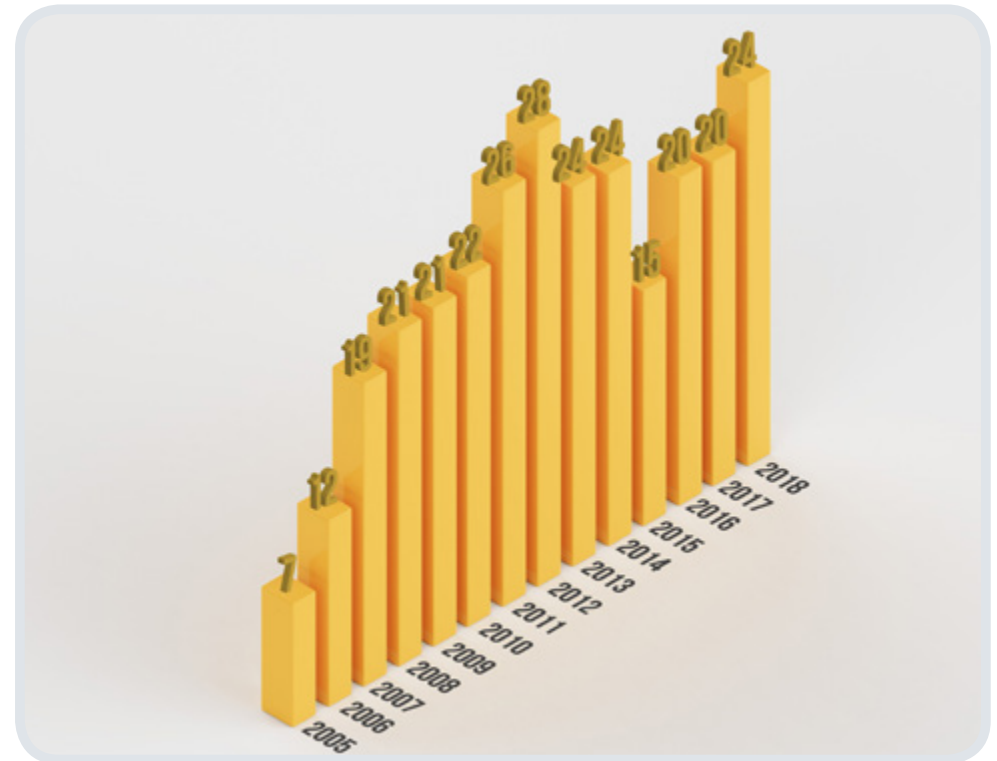
Source: Ministry of National Economy of RK, Committee on Statistics of RK, National Bank of RK, Bloomberg, Samruk-Kazyna

EXTERNAL FACTORS POTENTIALLY AFFECTING GROWTH IN 2019

Foreign trade, bln USD



DFI, bln USD



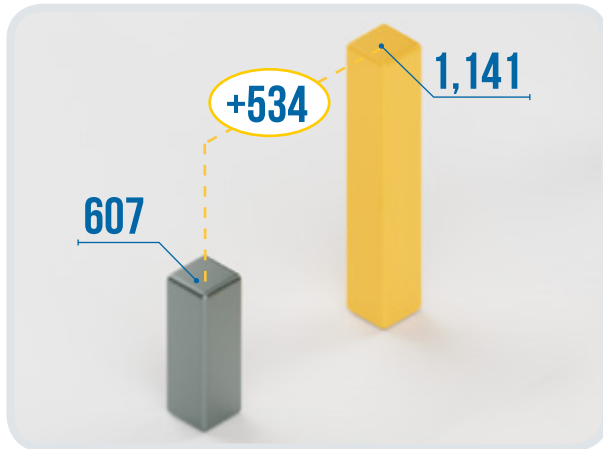
■ Export ■ Import ■ Trade balance (RHS)

Source: Ministry of National Economy of RK, Committee on Statistics of RK, National Bank of RK, Bloomberg, Samruk-Kazyna

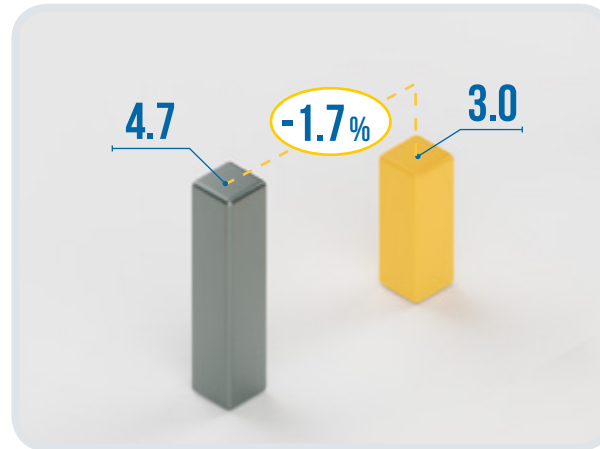
STRATEGIC KPI PERFORMANCE

2017 2018

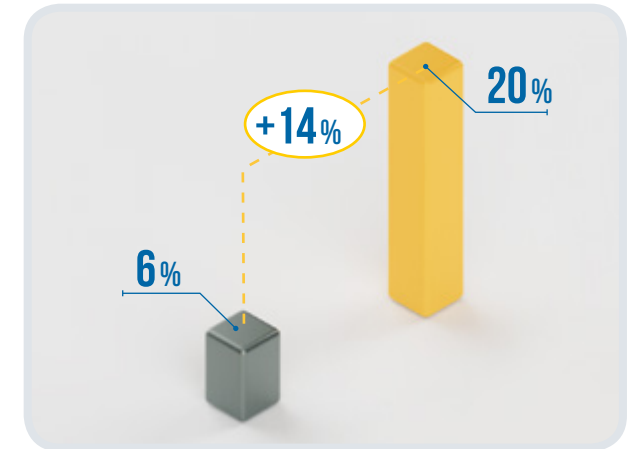
Consolidated net income attributable to shareholder, bln KZT



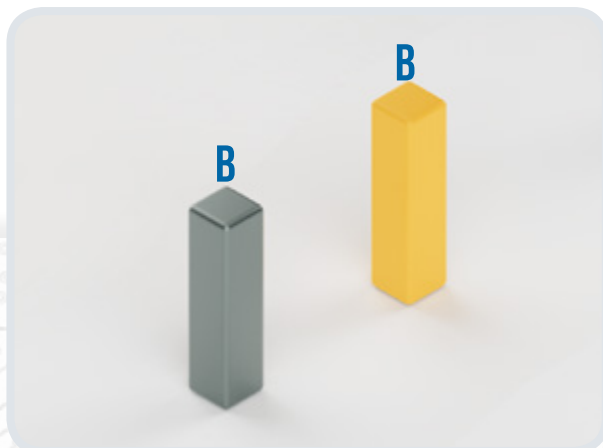
Debt/EBITDA



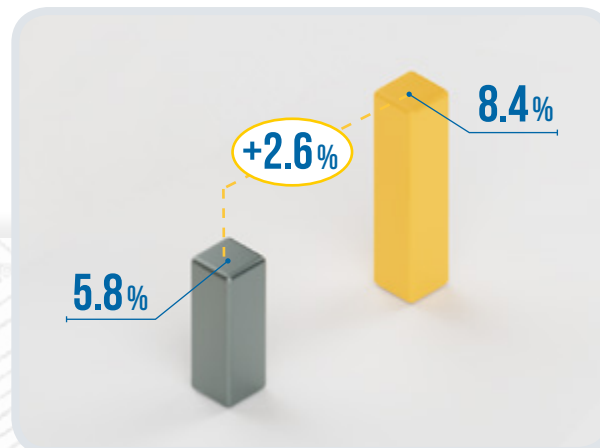
NAV, annual increase (%)



Corporate Governance Rating



ROACE, %

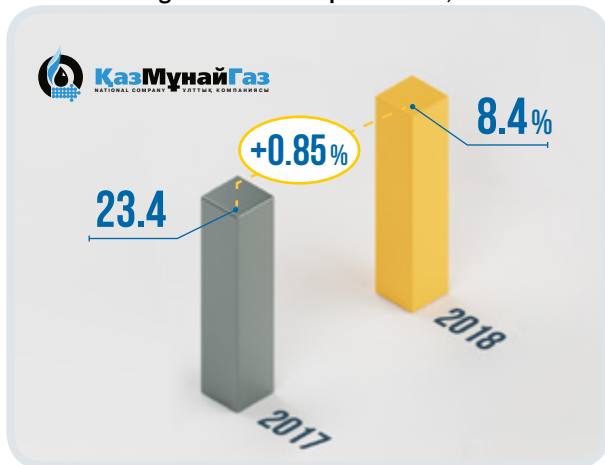


ANALYSIS OF STRATEGIC INITIATIVE # 1

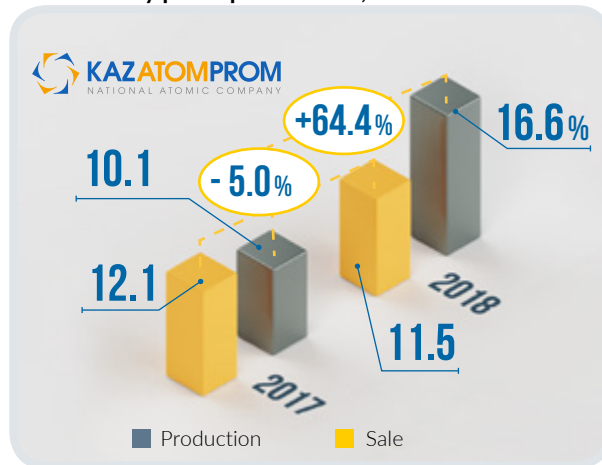
INCREASING COMPANY PROFITABILITY

2017 2018

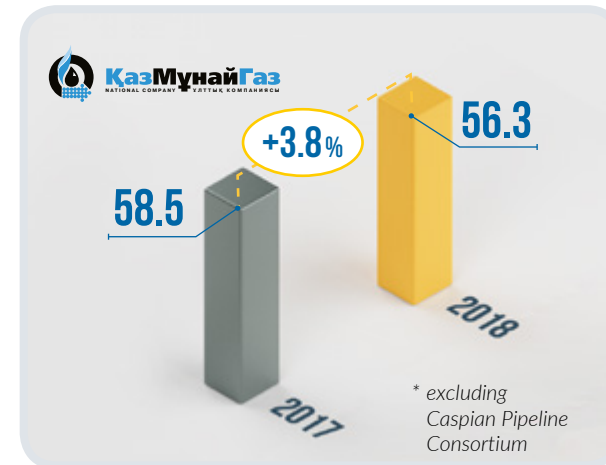
Oil and gas condensate production, mln ton



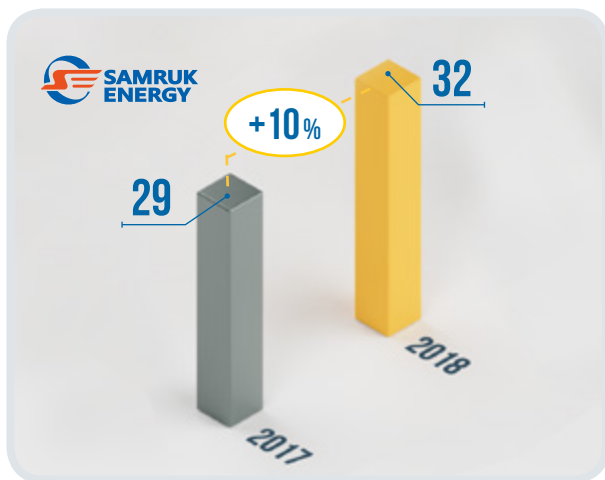
Production and sale of the Group's uranium by participation stake, thous. tons



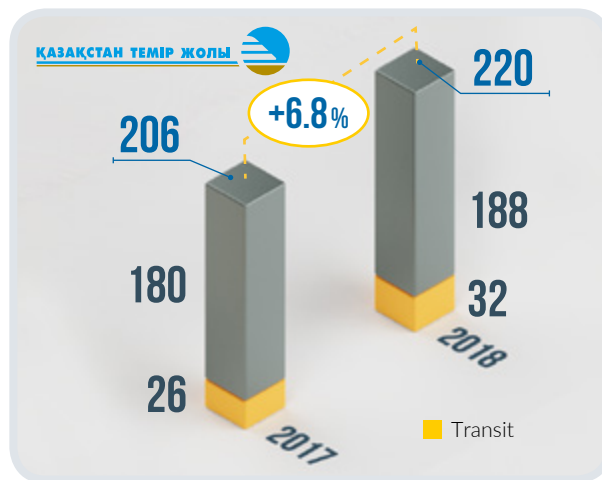
Transportation of oil by the main pipeline*, mln tons



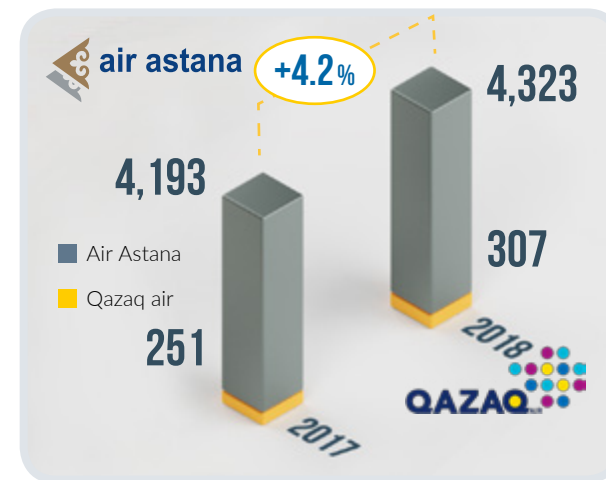
EE generation, bln kWh



Cargo turnover by railway transport, incl. transit bln ton-km



Passenger traffic by air transport, mln people



1 Improving operational efficiency

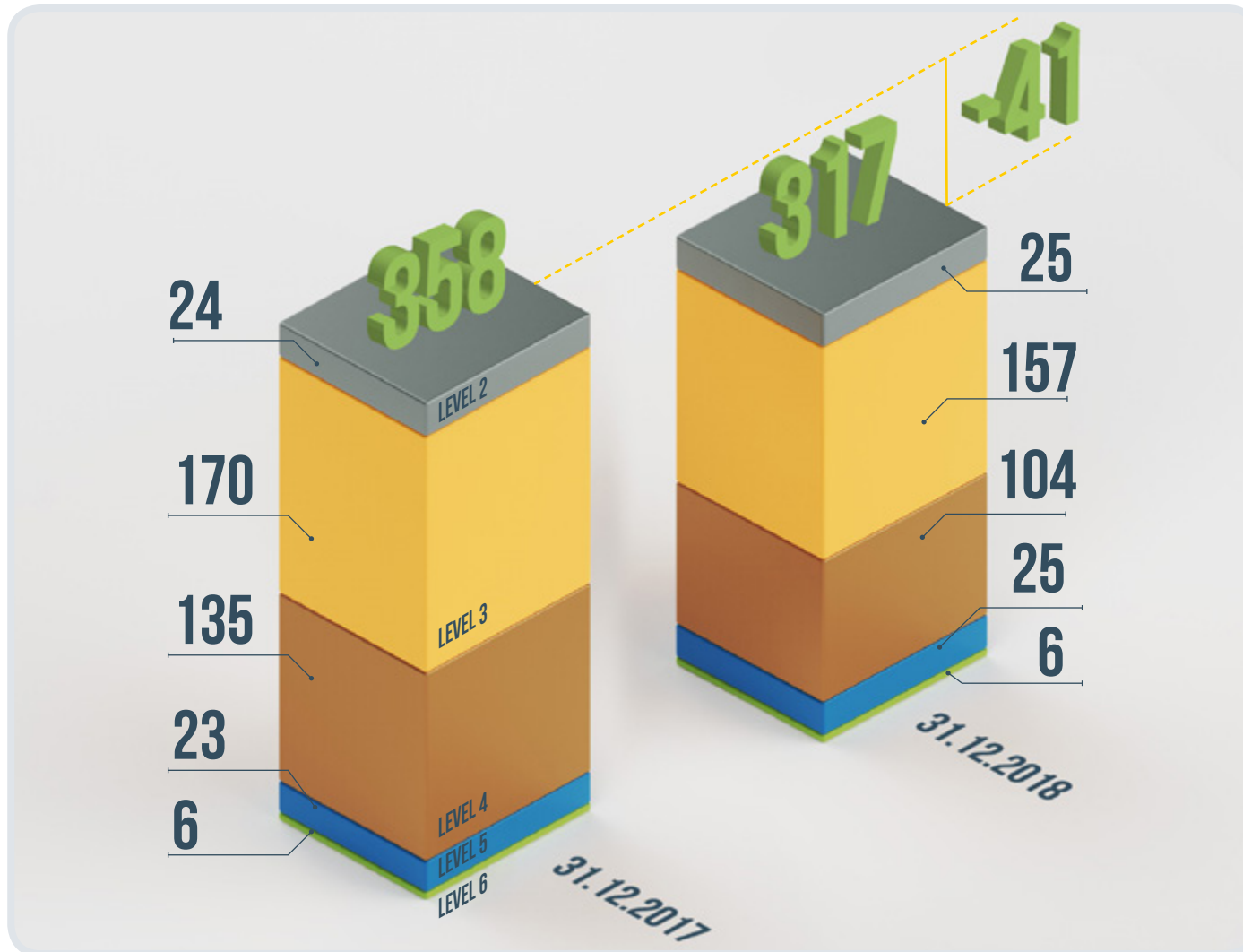
2 Investment projects put into operation in 2018



ANALYSIS OF STRATEGIC INITIATIVE # 2

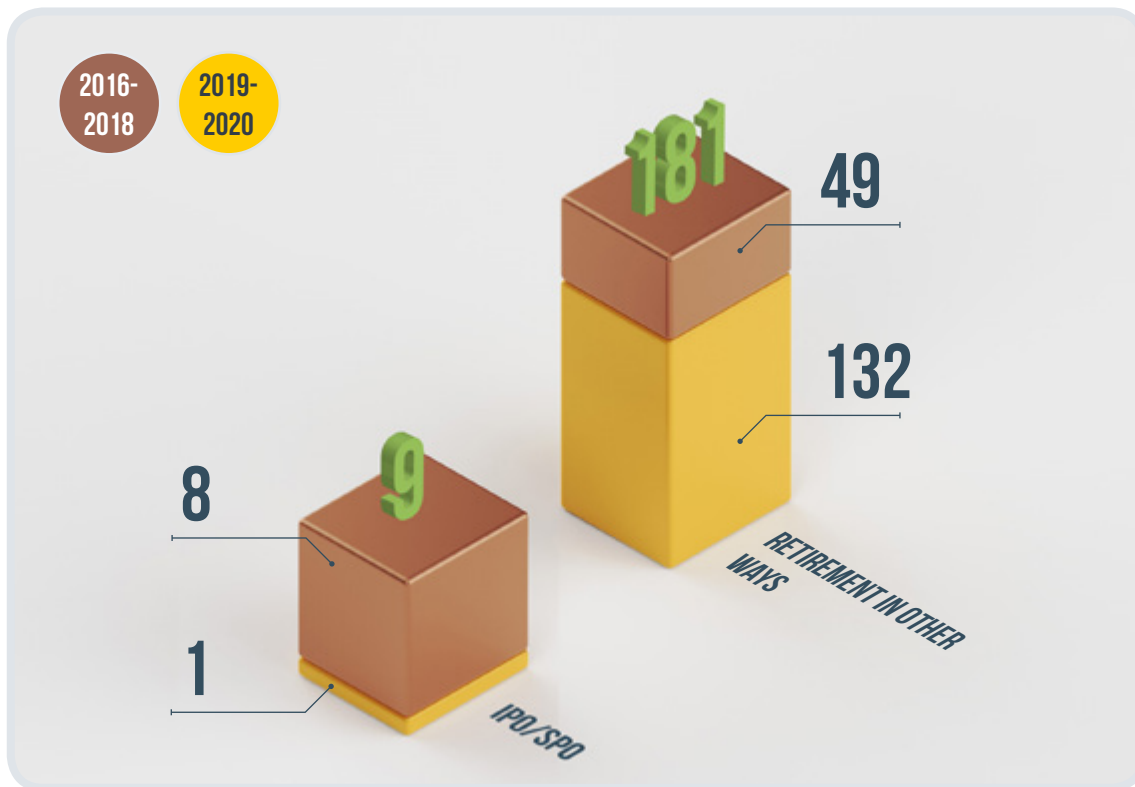
PORTFOLIO STRUCTURE OPTIMIZATION

Reduction in the number of companies in the Fund group



* in accordance with the Methodology for classification of legal entities the shares (interest) in which are directly or indirectly held by the Fund

Implementation Status of the Comprehensive Privatization Plan for 2016–2020 as of 31.12.18*



* according to the changes made in GR RK No. 1141, the number of assets of the Fund was 190 assets.

2 Implementation of the Privatization Program

According to the Comprehensive Privatization Plan, a total of **190 assets** are subject to withdrawal

IPO/SPO/Sale to a strategic partner:

In November 2018, the Fund placed **15% of KAP shares** on the London Stock Exchange and on the AIFC Stock Exchange worth **168 bln KZT**

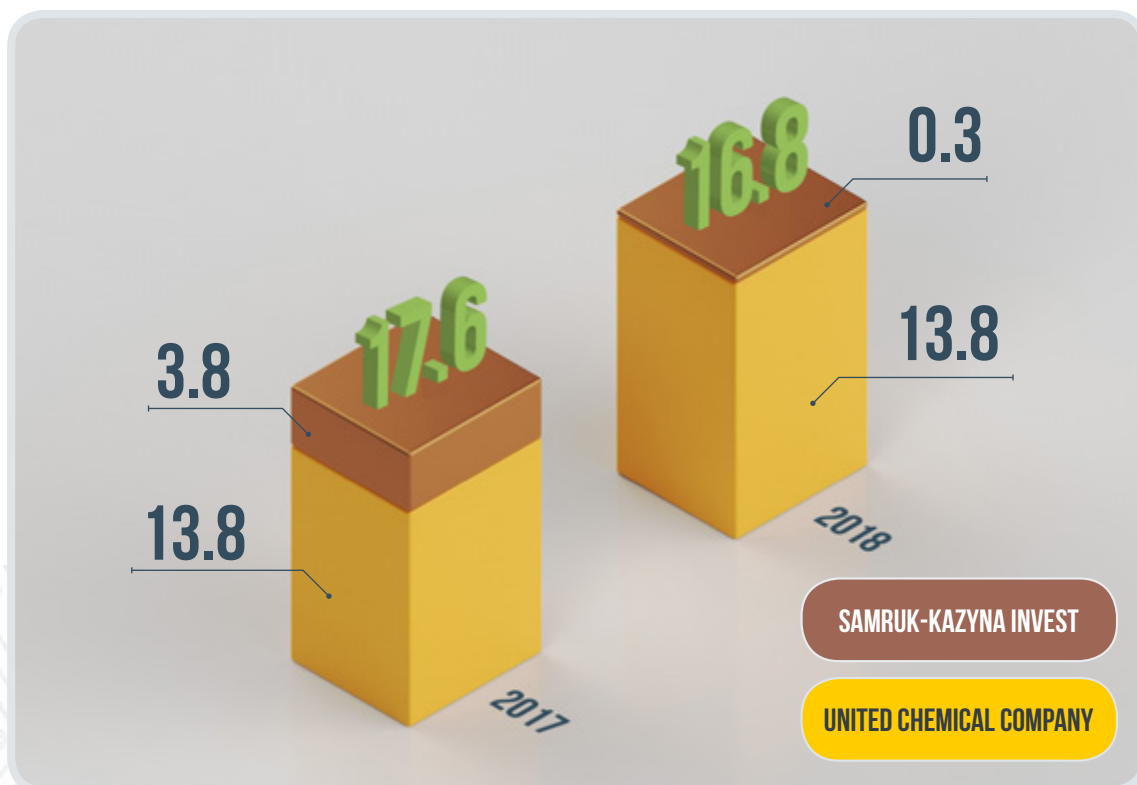
Retirement in other ways:

For 2016-2018 in pursuance of the Comprehensive Privatization Plan: **85 assets** were sold; **38 assets** were liquidated; **9 assets** were reorganized

ANALYSIS OF STRATEGIC INITIATIVE # 3

INVESTING IN NEW SECTORS IN KAZAKHSTAN

Investments in growing companies, in billion KZT



The volume of investments during for the reporting period was directed to the following projects:

- ▶ **7.4 bln. KZT** – KhIM-plus LLP (construction and assembly works and GAE for the projects “Production of caustic soda and chloride”, “Production of phosphorus trichloride”, and “Production of glyphosate (herbicide)”)
- ▶ **3.8 bln. KZT** – development of feasibility study and GAE for the polyethylene project
- ▶ **2.1 bln. KZT** – Karabatan Utility Solutions LLP (GAE for the project “Construction of the gas turbine station”)
- ▶ **1.6 bln. KZT** – KLPE LLP (development of feasibility study and GAE under the project “Construction of the first integrated natural gas chemical complex in Atyrau region – the second phase (polyethylene)”)
- ▶ **1.25 bln. KZT** – current expenses of UCH (GAE)
- ▶ **0.35 bln. KZT** – Management Company “SEZ “NIPT” JSC (GAE under the project “SEZ Chimpark”)

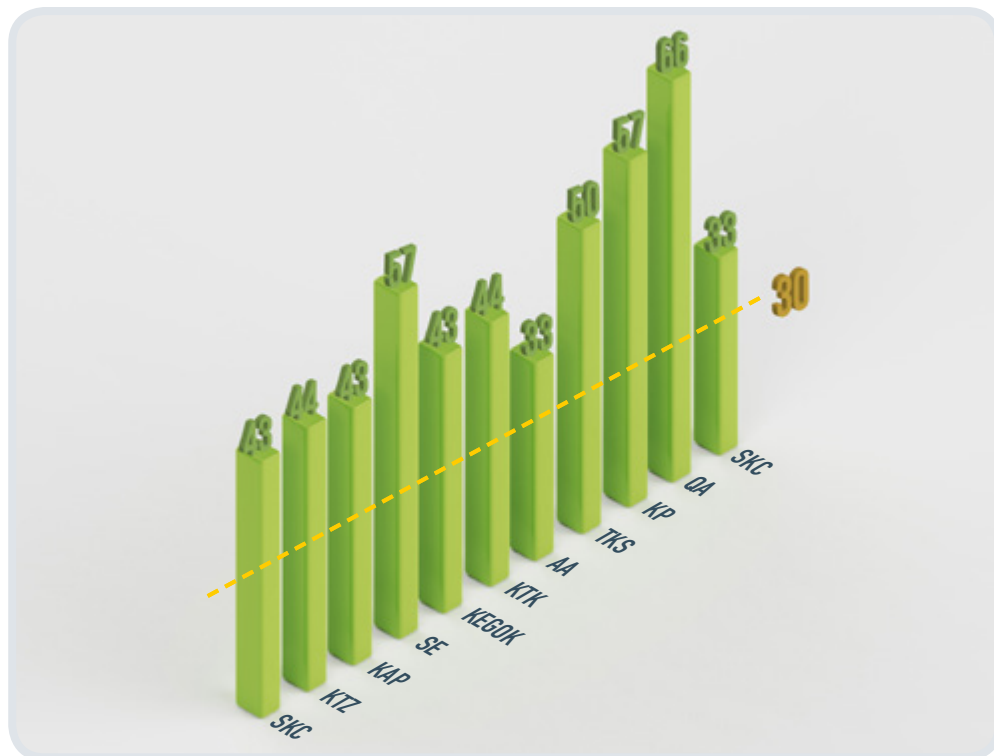
ANALYSIS OF STRATEGIC INITIATIVE # 4

CORPORATE GOVERNANCE AND SUSTAINABILITY



Corporate Governance

% of independent directors in BoD PC



According to the Law of the Republic of Kazakhstan “On Joint-Stock Companies” and the Corporate Governance Code, the number of independent directors must be at least 30% and two-fifths of the quantitative composition of the Board of Directors.

Accordingly, the requirements of the aforementioned Law of the Republic of Kazakhstan and the Code are complied with

Changes in the Board of Directors compositions

FUND

New independent directors were introduced to the Fund’s BoD – Prof. Dr. Wilhelm Bender, Alper Akdeniz, the Minister of Finance of the RoK was excluded from the Fund’s BoD.

PORTFOLIO COMPANIES

- ▶ New independent director Philip Dyer was introduced to **BoD of KMG**;
- ▶ New composition of the **BoD of KAP**, Independent Director John Dudas was elected to be the Chairman of the BoD, and a new Independent Director Russell Benham was introduced;
- ▶ Independent Director Christian Kuhn was elected to be the Chairman of the **BoD of KTZ**, and new Independent Directors Kudabayev Ye. and Lutz Freytag were appointed on January 28,2019;
- ▶ New Independent Directors were introduced to the **BoD of TKS**: Kalandadze D. and Narbayeva A.

PC Corporate Governance Rating



In 2018, the PWC consultants performed diagnostics of the corporate governance in 12 PC (6 PC in 2017), according to the result of which plans for improving CG for the medium term were prepared. The next diagnostics will be held in 2020.

As a shareholder, the corporate governance rating allows the Fund to assess which Portfolio companies and how much they have advanced in matters of corporate governance. This information allows other stakeholders to assess the prospects for interaction with the company at all levels of governance



The Fund received assessment of the «Medium» level of maturity



Only Air Astana of 12 companies received assessment of the «High» level of maturity



Degree of HR involvement in the Group and the Fund

Engagement of staff in the group of companies of the Fund is measured annually. Engagement study allows managers to receive structured feedback from employees according to a scientifically based methodology, and based on this, make balanced decisions on social and labor relations.

During 2013–2018, changes aimed at developing personnel and increasing engagement were introduced in the PC: meritocracy principles, position grading, wages increasing, various incentive programs, social package revision, corporate culture development, etc.

Results of the 2018 engagement study show that the production workers of the Fund’s group talk about high standards of “employee care”, in particular, in the issues of equipping workplaces, providing with special clothing, meals, employee values and recognition. They also note the presence of aligned workflows and communications. In the eyes of the employees, a good brand has emerged of the Fund’s companies.

Headcount in the Fund Group and staff turnover in the Group and the Fund

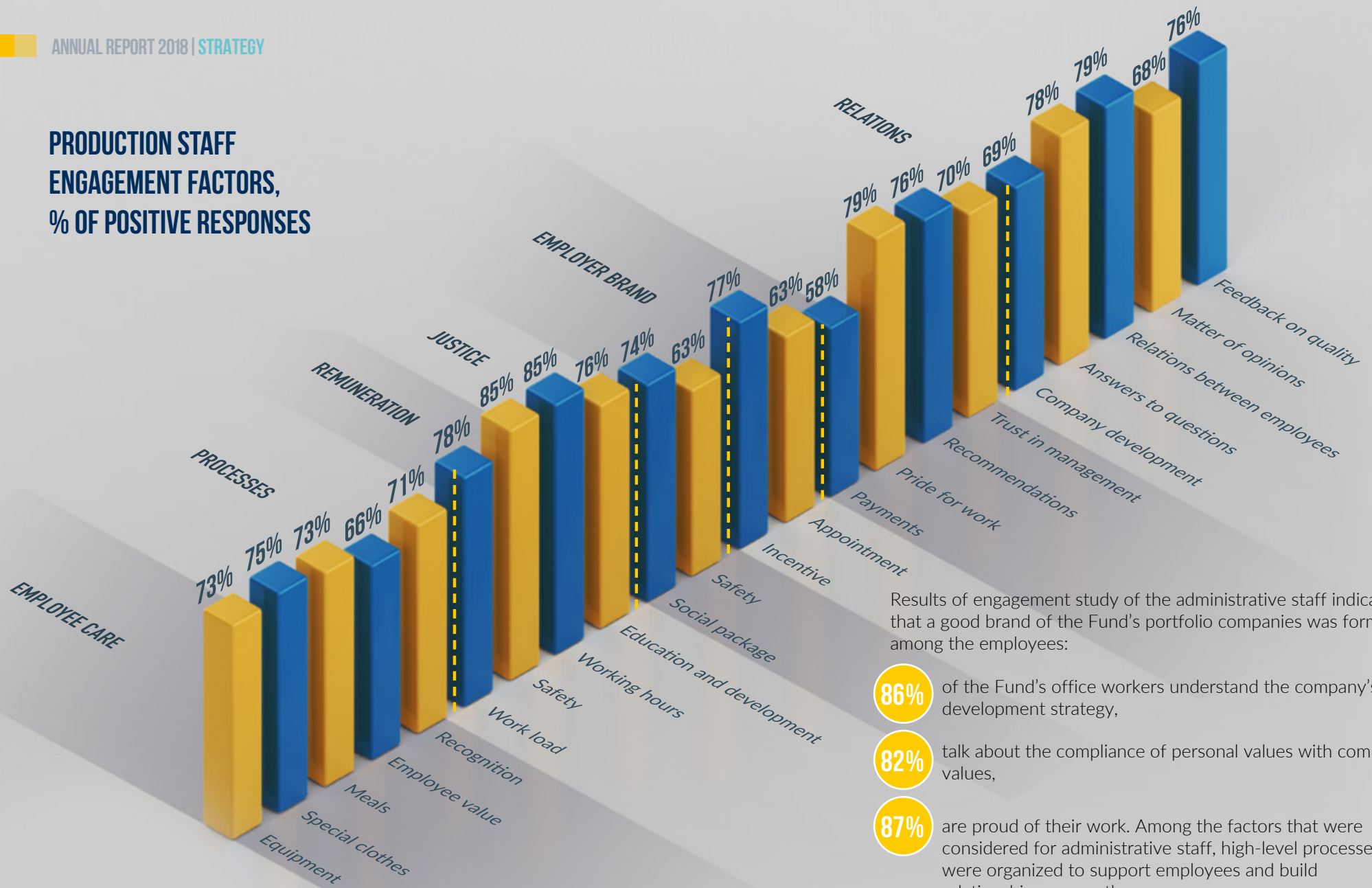
	Headcount, people	Staff turnover, %
Fund Group	297 845	10
Fund	167	27

Engagement of staff in the Fund and the Fund Group in 3 years

	Production staff	2016	2017	2018
Fund	-	49%	59%	53%
Fund Group	Production staff	51%	66%	58%
	Administrative and managerial staff	58%	55%	53%

over 60% Positive zone **20 – 49%** Risk zone
50 – 59% Stability zone **below 20%** Negative zone

PRODUCTION STAFF ENGAGEMENT FACTORS, % OF POSITIVE RESPONSES



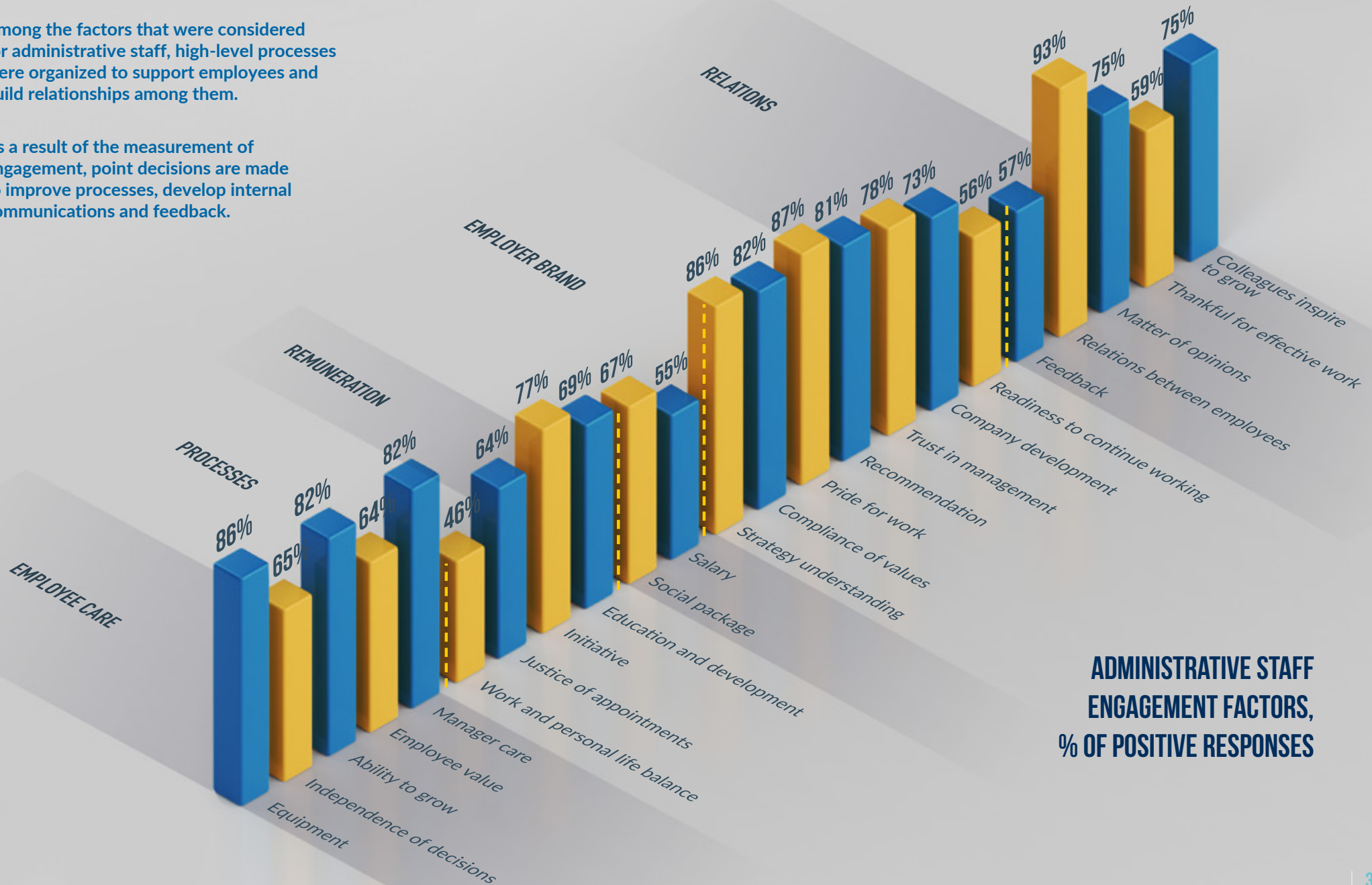
Results of engagement study of the administrative staff indicated that a good brand of the Fund's portfolio companies was formed among the employees:

- 86%** of the Fund's office workers understand the company's development strategy,
- 82%** talk about the compliance of personal values with company values,
- 87%** are proud of their work. Among the factors that were considered for administrative staff, high-level processes were organized to support employees and build relationships among them.

As a result of the measurement of engagement, point decisions are made to improve processes, develop internal communications and feedback

Among the factors that were considered for administrative staff, high-level processes were organized to support employees and build relationships among them.

As a result of the measurement of engagement, point decisions are made to improve processes, develop internal communications and feedback.



**ADMINISTRATIVE STAFF
ENGAGEMENT FACTORS,
% OF POSITIVE RESPONSES**

Social Stability Index

The Fund's group of companies conducts annual monitoring of the social situation in production teams. For this purpose, the «Social Stability Index» study is carried out (hereinafter – SSI).

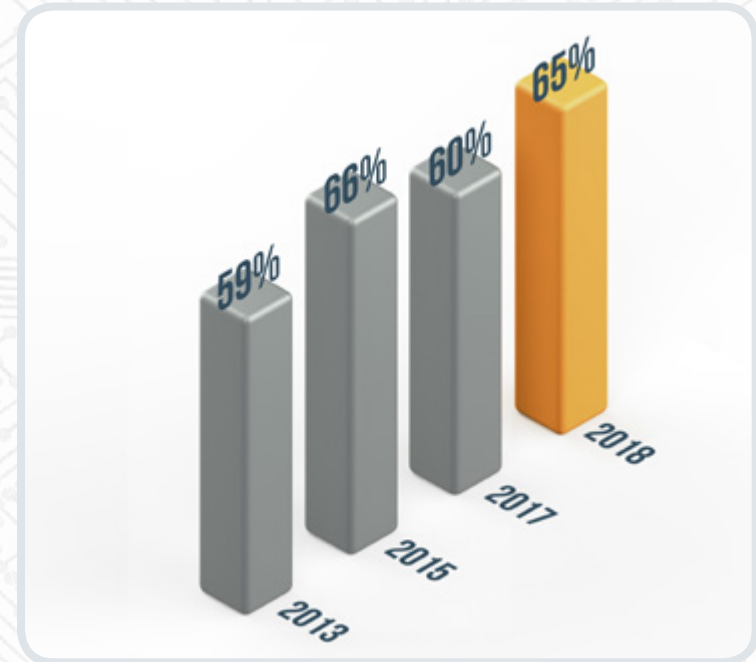
According to the results of the SSI 2018, the cumulative indicator for the group of companies of the Fund was 69%, which corresponds to the level “above average”. Portfolio companies of the Fund are paying a lot of attention to the social mood of employees. The social background and moods of production staff indicate their positive attitude and constructive approach in solving problems.

It should be noted that SSI fluctuations in the range of up to 5 percent is permissible. This fluctuation can be influenced by both internal and external factors affecting direct state of health of labor collectives.

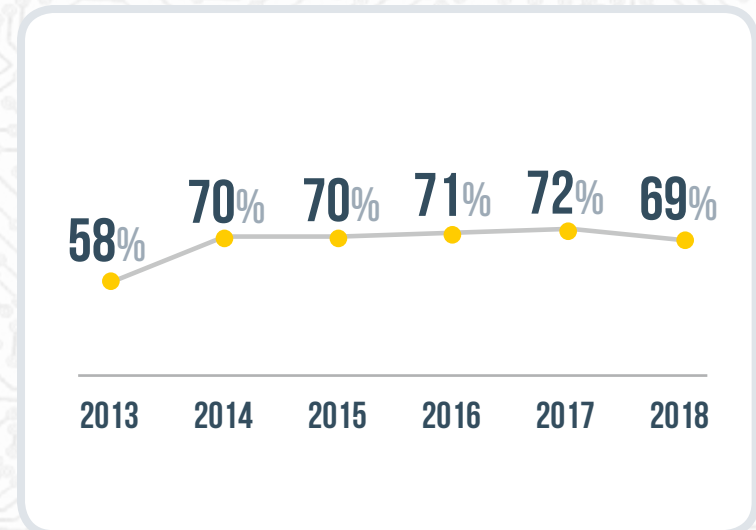
According to the SSI results, portfolio companies carried out corrective actions. Analysis of the implemented measures shows that substantial efforts have been made to improve working conditions. Taking into account the level of development of the companies, the measures taken differ, ranging from improvement of living conditions and transmission of corporate culture in teams.

One of the key parameters of the SSI is the social security index. The results show an improvement in social security for the Fund's group of companies as a whole. Through the efforts of company executives, we managed to improve the social environment in the group of companies. According to the results of SSI-2017, 29 alarm zones were identified, and in 2018, the situation was changed in 25 of which towards positive direction. Work in this direction continues.

Social Security Index 2013–2018



Social Stability Index dynamics



3

Charity

In 2018 **Samruk-Kazyna Trust** implemented **32 projects worth 5.6 bln KZT**, the total number of direct beneficiaries of charitable projects - **more than 250 thousand people**.



Health care

- ▶ 1,627 children diagnosed with ICP underwent free rehabilitation;
- ▶ 209 children with diagnoses incurable in Kazakhstan were sent for treatment to foreign clinics;
- ▶ 45 children with autism receive treatment;
- ▶ "Medical trains" – more than 41 thousand residents of remote stations received medical services;
- ▶ support is provided to SOS-children's villages where 199 children live today.



Education and cultural mass events

- ▶ 27 talented children won travel grants, 7 prizes;
- ▶ 38 winners of the Republican Schoolchildren Contest visited the UK;
- ▶ 6,000 children took part in the competitions of the Republican school sports contest "Sport FEST Kazakhstan",
- ▶ 180 non-profit organizations were trained in the basics of social entrepreneurship in the framework of the AREKET project;
- ▶ SoyleTube channel launched for development of the state language



Charitable assistance and image projects

- ▶ 1,200 veterans of the GPW and home front workers received targeted and social support in the form of food and medicine, house cleaning, minor repairs, accompany in medical visitations, etc.;
- ▶ 110 veterans of the oil and gas industry receive monthly targeted assistance in the amount of 10,000 tenge;
- ▶ проведены форумы:
 - ▶ V Eurasian media forum,
 - ▶ Kazakhstan Engineering Forum,
 - ▶ Kazakhstan Global Investment Forum in London,
 - ▶ Investment Conference in New York,
 - ▶ "Astana Finance Days" International Finance Conference.

Sustainable Development Report

In 2018, the Board of Directors of the Fund approved the Sustainable Development Report for 2017 according to the **GRI standard**.



4 Sustainable Development

Procurement Management

Following the results of 2018, in the area of procurement, the Fund performed the following:

- ▶ Reduction of less efficient and transparent procurement from a single source and transition to a more economically viable open tender and request for price proposals – savings amounted to **121 bln KZT** in 2018;
- ▶ Optimization of interholding purchases by reducing purchased items from **4.5 thousand to 409 items** – savings amounted to **22 bln KZT** in 2018, purchases for **309 bln KZT** were transferred to the competitive environment, **8 thousand** small and medium-sized **businesses** received contracts;
- ▶ The program of import substitution – increase in the share of local content in works and services **by 1% (from 79% in 2017 to 80% in 2018)**;
- ▶ Introduction of new approaches in procurement in the group of the Fund, active development of the **category procurement management mechanism** – following the results of 2018, the actually confirmed benefits amounted to **11.7 bln KZT**;
- ▶ Support measures for domestic commodity producers – in 2018, **fundamentally new support measures** that did not contradict WTO and EAEU regulations were introduced.

BUSINESS AND FINANCIAL REVIEW



FINANCIAL OVERVIEW

In 2018, the Group of the Fund showed an increase in key financial indicators as compared with 2017.

The amount of consolidated revenue in 2018 amounted to 10.1 trn KZT, exceeding the 2017 indicator by 2.7 trn KZT, or by 37%. 92% of revenue growth was provided by the sale of crude oil, oil products and gas processing products.

Consolidated assets of the Fund's group amounted to 25.6 trn KZT as of December 31, 2018, which is by 1.3 trn KZT, or 5% more compared to the same indicator of 2017. Following the results of 2018, EBITDA and EBITDA margin amounted to 1,880 bln KZT and 18.5% respectively, while similar indicators for 2017 amounted to 1,273 bln KZT and 17.1%.

At the end of 2018, the Fund increased the revenues of the state budget by 1,091 bln KZT in the form of taxes (787.6 bln KZT in 2017). General and administrative expenses amounted to 488.6 bln KZT (413 bln KZT in 2017).

Consolidated revenue, bln KZT



Operating EBITDA, bln KZT

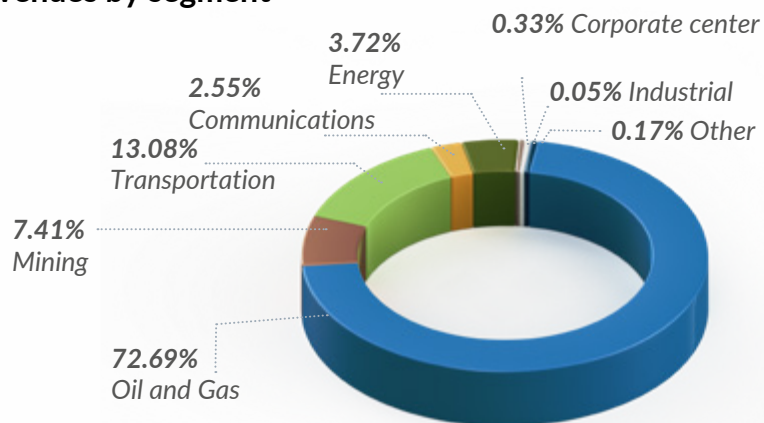


Net profit, bln KZT

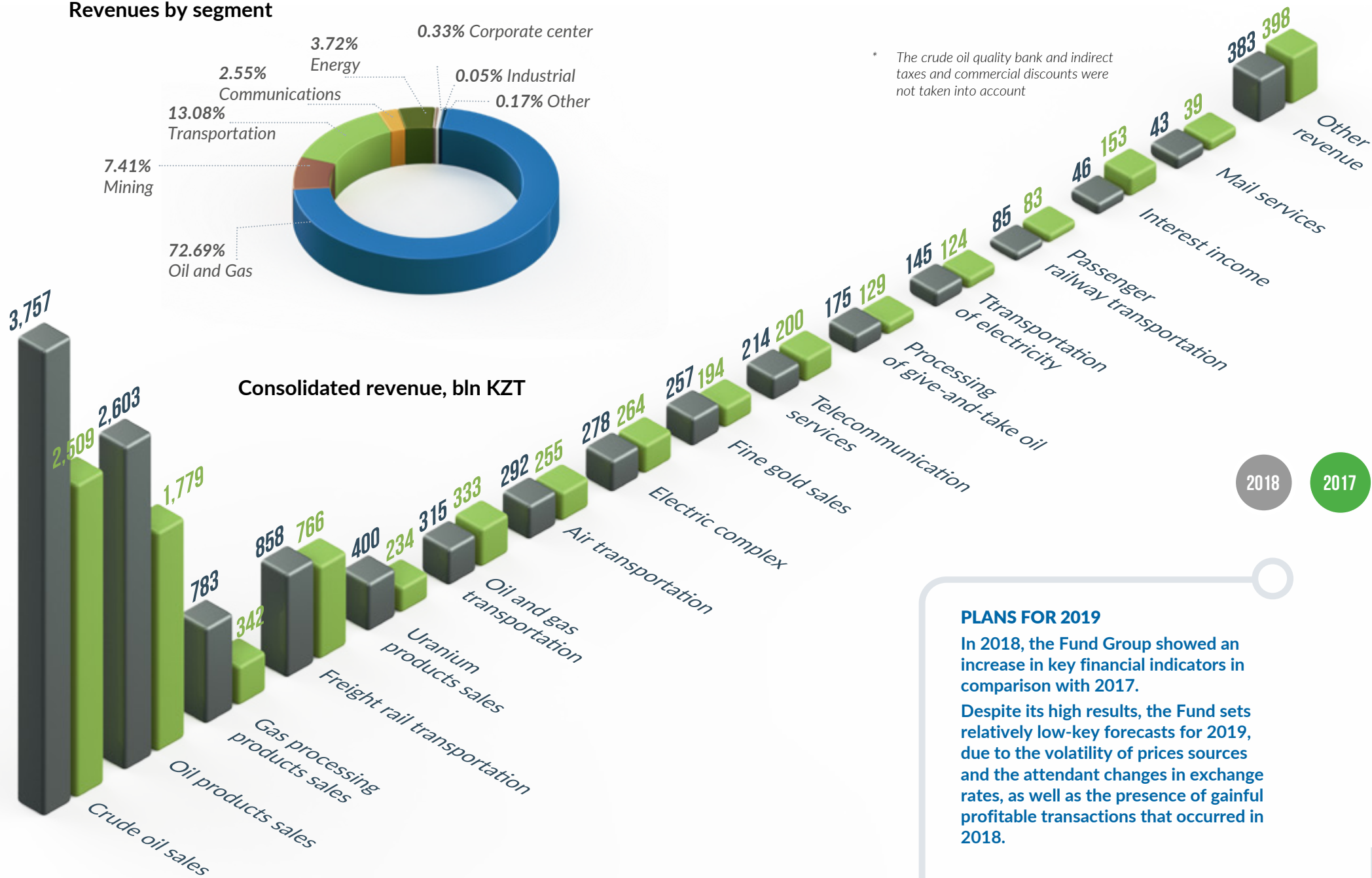


* Recalculated when calculating consolidated indicators for 2016 and 2017 KMG International N.V. was taken into account in ongoing activities

Revenues by segment



* The crude oil quality bank and indirect taxes and commercial discounts were not taken into account



2018

2017

PLANS FOR 2019

In 2018, the Fund Group showed an increase in key financial indicators in comparison with 2017.

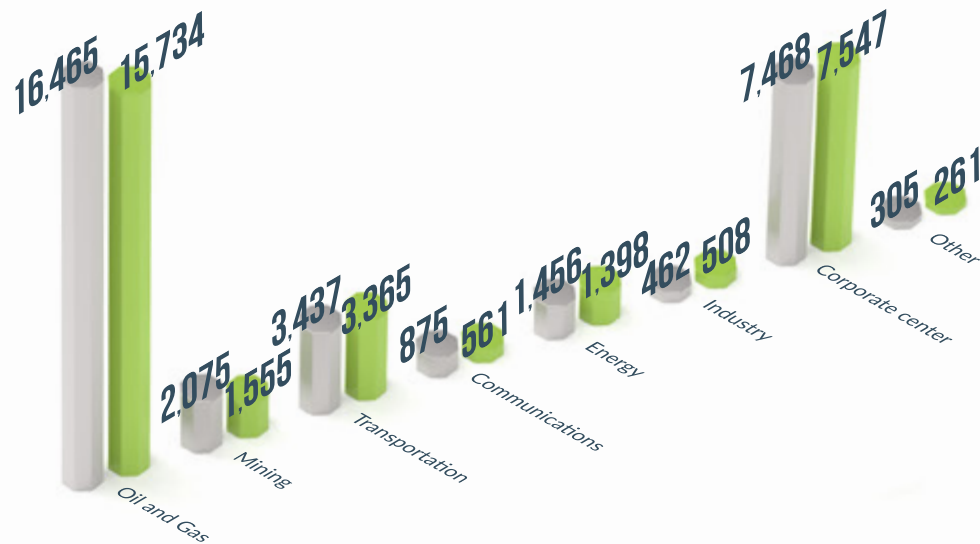
Despite its high results, the Fund sets relatively low-key forecasts for 2019, due to the volatility of prices sources and the attendant changes in exchange rates, as well as the presence of gainful profitable transactions that occurred in 2018.

SEGMENTS

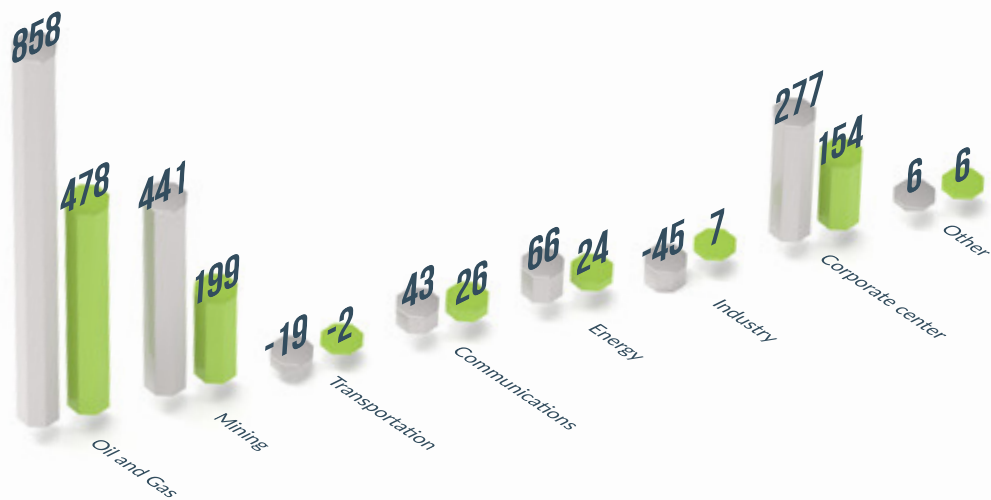
2018

2017

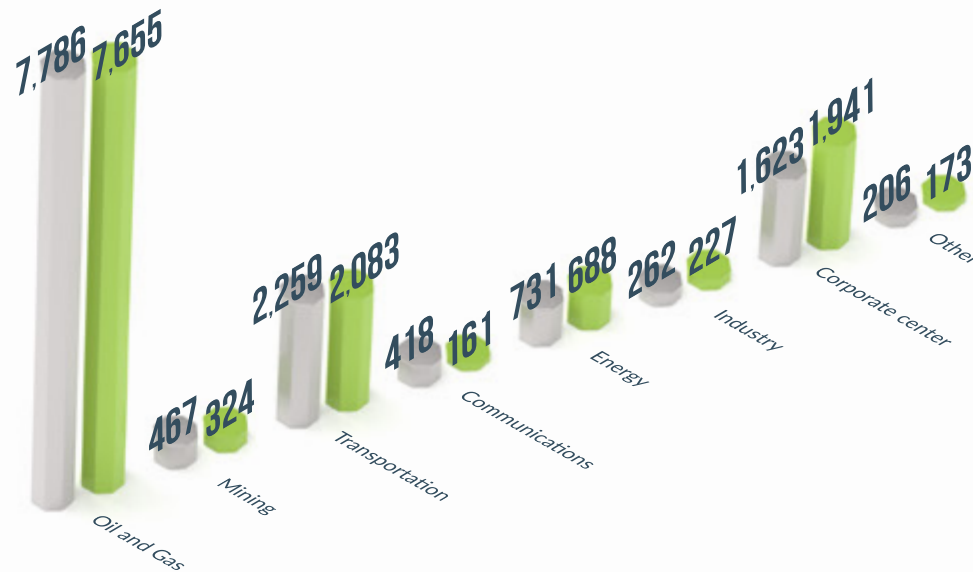
Assets, bln tenge



Profit, bln tenge



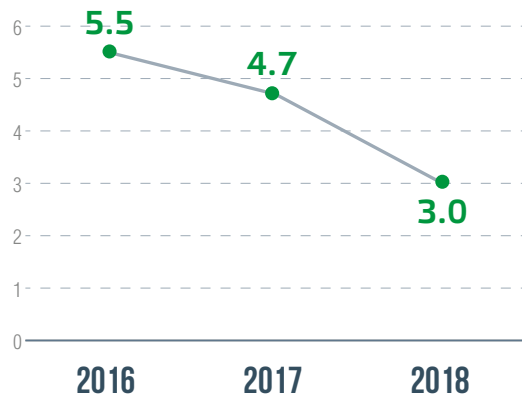
Obligations, bln tenge



FINANCIAL STABILITY OF THE COMPANY



■ Debt of the Group, bln tenge* ■ EBITDA (full), bln tenge



● Debt/EBITDA of the Group

* Recalculated when calculating operating EBITDA for 2016-2017, KMG International N.V. have been taken into account in ongoing activities

Profitability ratios

ROE (return on equity), %



ROA (return on assets), %



RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control system is designed to ensure reasonable confidence in the achievement of strategic and operational goals, objectives in the preparation of reliable reporting and compliance with applicable laws and internal requirements of the Fund and its Portfolio Companies.

The objectives of corporate risk management and internal control system are:

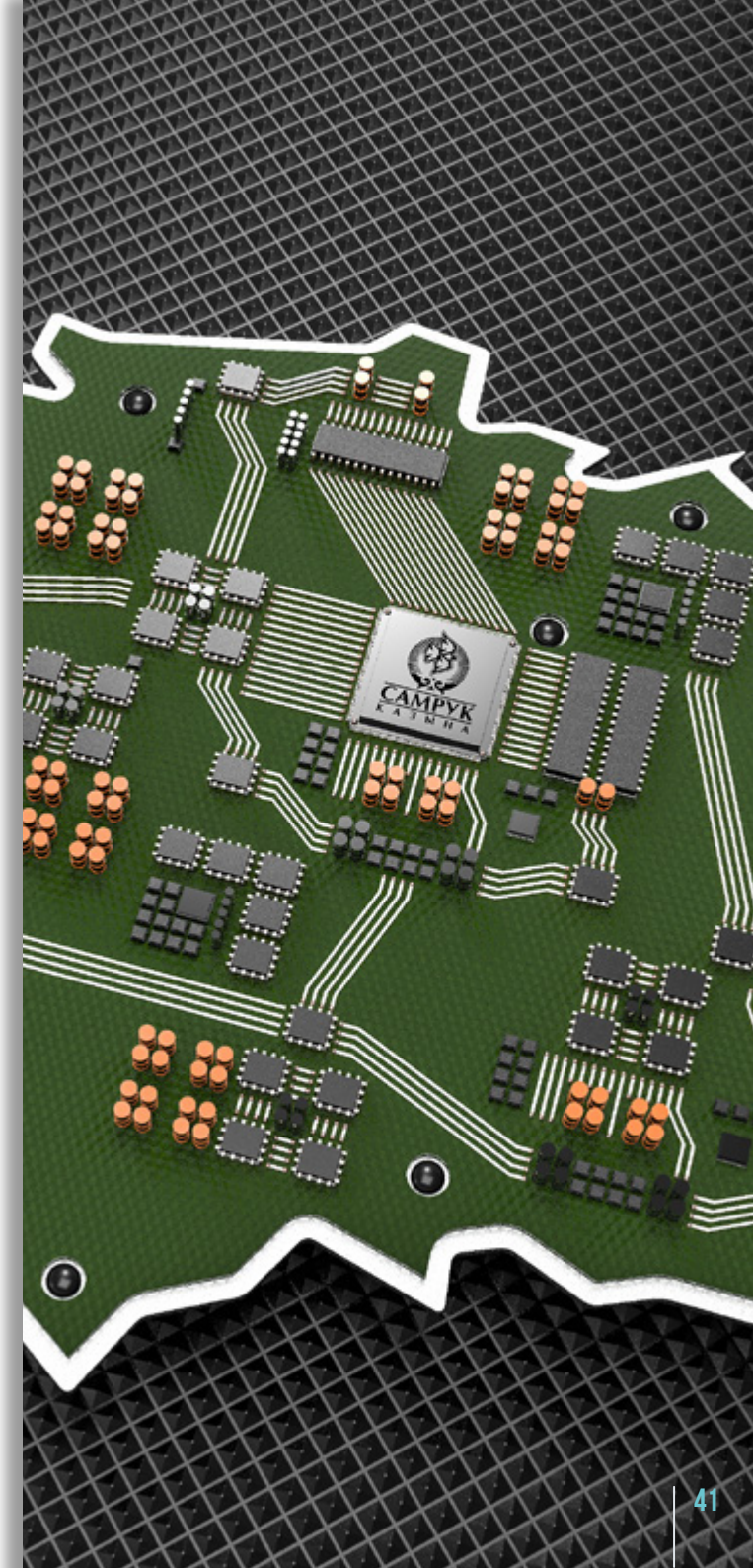
- ▶ increase risk culture and integrate risk management and internal control into all aspects of the Fund's activities;
- ▶ reduce volatility of performance results by increasing the Fund's ability to prevent situations that threaten goals, to effectively respond to negative "surprises" and reduce the consequences of such situations, if they occur, to an acceptable level;
- ▶ ensure that opportunities are used to increase the value of assets and the profitability of the Fund in the long term.

The corporate risk management and internal control system of the Fund is based on accumulated experience and takes into account changes in the external and internal environment, a more developed stage of the organization's risk-culture.

Risk appetite, consolidated register and the Fund's risk map are approved on an annual basis; risk reports are submitted to the Boards of Directors / Supervisory Boards of the PC and the Fund on a quarterly basis, with an update of the risk map and plans for their management.

Corporate risk reinsurance program is being implemented under the administration of the Fund's captive, which ensures shareholders' confidence in the quality of reinsurance protection of the risks of the Fund's companies.

Work on building an effective internal control system and systematizing the Fund's internal regulatory documents continued. Electronic library-guidebook on internal regulatory documents, general and functional certification of employees introduced



Non-exhaustive list of the risks of the Fund and the PC is as follows:



Risk of social instability – risk associated with social tension of various groups of employees of the Fund and the PC. In order to reduce this risk, work on issues of corporate social responsibility is being done.



Risks of significant investment projects of the Fund / PC – risks associated with implementation of various projects of the Fund, taking into account the timeliness, quality, economic feasibility, cost and other indicators. The Fund and the PC monitor realization of schedules for implementation of investment projects, ensure timely funding, work with strategic partners on an ongoing basis.



Credit risk – risk of incurring losses due to non-performance, untimely or incomplete fulfillment by the counterparty of its obligations to the Fund and the PC. In order to manage this risk, the Fund develops and approves corporate standards, using various risk management mechanisms that contribute to their prevention and minimization.



Risks of the Asset Privatization Program. Asset Privatization Program is carried out in accordance with the “Uniform Rules for the Sale and Restructuring of Assets by Sovereign Welfare Fund Samruk-Kazyna Joint Stock Company and organizations, more than fifty percent of voting shares (participatory shares) of which are directly or indirectly owned by Samruk-Kazyna JSC.” Also for the implementation of this program, the Project Office was created in the Fund.



Risk of accidents – risk due to the nature of the activities, which is essential mainly for the Fund's PC involved in production. Each of the PC exposed to this risk builds up an effective labor protection system, including conducting safety briefings, implements relevant international standards, monitors employees' compliance with safety regulations, and provides employees with protective equipment at work. Employees are also provided with compulsory accident insurance. The timeliness of reporting on accidents at work, not admitting the facts of concealing incidents, the level of injuries is monitored, the causes are clarified and reports are provided for the analysis and further development of safety programs.



Liquidity risks and covenant / listing requirements violations – risks associated with the inability of the company to finance its activities and meet all its obligations in a timely manner and in full. As part of managing these risks, various measures are being taken to improve the financial sustainability of the Fund's group and ensure execution of PC covenants, taking into account results of the analysis of periodic reporting.



Risk of sanctions legislation impact – risk associated with introduction of sanctions against countries in which the assets of the Fund / PC are located. In order to minimize this risk, monitoring of sanctions, analysis of their impact on the activities of the Fund and the PC for the development of preventive and control measures are carried out.



Currency risk – risk of losses due to adverse changes in foreign exchange rates. The level of the Fund's / PC's foreign currency debt is controlled, the situation in the domestic and foreign markets, acts of the regulator, hedging operations and monitoring of the Fund's currency limits on a separate and consolidated basis are carried out.



Risk of litigation – risk of engaging the Fund / PC in major litigation. Measures are being held on preliminary settlement of disputes through negotiations, monitoring of the Fund's obligations under existing agreements, clarification of regulatory legal acts by correspondence with authorized bodies and other legal actions to protect the interests of the Fund's group.

The Fund develops a corporate risk management and internal control system on an ongoing basis in order to ensure reasonable confidence in the achievement of its goals by the Fund.

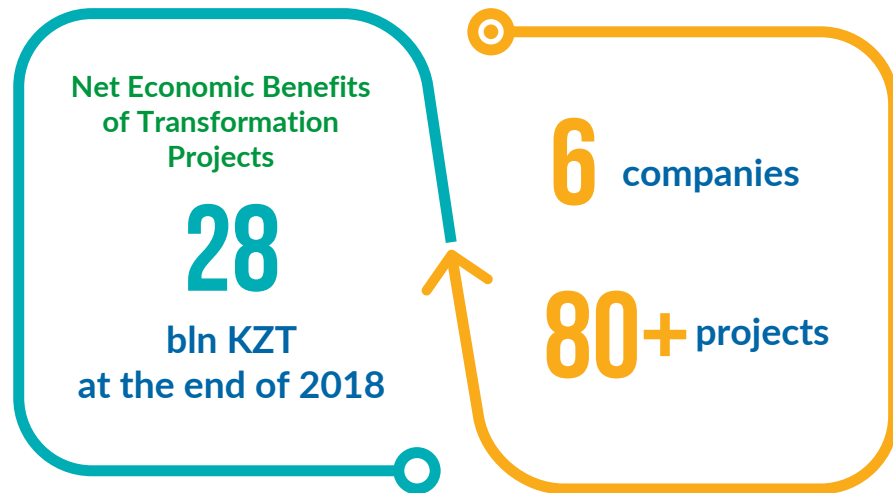
TRANSFORMATION PROGRAM

Transformation Program is one of the key instruments for achieving strategic goals of the Fund: portfolio companies going to the level of the best foreign analogues in terms of operating efficiency; building effective infrastructure for sustainable change; increase the value and investment attractiveness of companies.

Transition to the Digital Transformation Program in 2019 is required in order to digitize production of companies and increase their competitiveness

New approaches to the implementation of the Digital Transformation Program:

- ▶ Calculated benefits that will directly affect performance of companies;
- ▶ Solving real system problems in production processes;
- ▶ Compliance with current global challenges that require introduction of new digital technologies for industrialization.



2014

Transformation Program of Samruk-Kazyna JSC was presented and launched at the forum with participation of the Head of State.

The program began in three pilot portfolio companies – NC KazMunayGas JSC, NC KTZ JSC, Kazpost JSC, and then NAC Kazatomprom JSC, Samruk-Energy JSC and KEGOC JSC were gradually connected.

2015

Sets and target values of the strategic key performance indicators (KPI) of the Fund and the portfolio companies were revised and strategies of the companies were brought in line with the strategic goals

2017

Reengineering of business processes of the Corporate Center of the Fund completed

2018

The new Development Strategy for the Fund for 2018–2028, approved by the decision of the Sole Shareholder of the Fund dated October 17, 2018 (Decree of the Government of the RK No.656)

INVESTMENT PROJECTS



Construction of a deep oil refining complex
Second stage of the «Reconstruction and modernization of the Atyrau ORP» project AORP LLP

Region	Cost, mln KZT (without EPC educ.)	Disbursed investment, mln KZ	Commission date
Atyrau	630,977	588,482 (93.3%)	II Q 2019

Reconstruction and modernization of the Shymkent ORP

Region	Cost, mln KZT	Disbursed investment, mln KZ	Commission date
Shymkent	657,948.6	497,957 (75.7%)	October 2018

Modernization of Pavlodar PCP

Region	Cost, mln KZT	Disbursed investment, mln KZ	Commission date
Pavlodar	209,614	196,254 (94%)	IV Q 2017





Expansion and reconstruction of Yekibastuz SDPS-1 (Restoration of unit No. 8)

Region	Cost, mln KZT	Disbursed investment, mln KZ	Commission date
Yekibastuz	26,332	26,051.1 (98.9%)	October 2012

Expansion and reconstruction of the Yekibastuz SDPS-1 capacity (Restoration of unit No. 2)

Region	Cost, mln KZT	Disbursed investment, mln KZ	Commission date
Yekibastuz	68,849.8	68,143.7 (99.0%)	December 2014

Expansion and reconstruction of the Yekibastuz SDPS-1 capacity (Restoration of unit No. 1)

Region	Cost, mln KZT	Disbursed investment, mln KZ	Commission date
Yekibastuz	91,040.3	20,613.2 (22.6%)	2024



KAZAKHSTAN RAILWAYS



Construction of the railway line "Zhezkazgan – Beyneu"

Region	Cost, mln KZT	Disbursed investment, mln KZ	Commission date
Karaganda region Aktobe region Kyzylorda region Mangystau region	429,125	423,303 (98.6%)	2016

Construction of the railway line "Arkalyk – Shubarkol"

Region	Cost, mln KZT	Disbursed investment, mln KZ	Commission date
Kostanay region Karaganda region	91,835	90,165 (98.2%)	2016

Creation and integrated development of the SEZ "Khorogos – Eastern Gate"

Region	Cost, mln KZT	Disbursed investment, mln KZ	Commission date
Almaty region	76,392	73,663 (96.4%)	2017





Construction of an integrated gas chemical complex (first phase)

Region	Cost, mln KZT	Disbursed investment, mln KZT	Commission date
Atyrau region	894,200	208,700 (23.3%)	II Q 2021

Construction of an integrated gas chemical complex (second phase)

Region	Cost, mln KZT	Disbursed investment, mln KZT	Commission date
Atyrau region	2,309,280	0.2 (0%)	III Q 2025

Construction of infrastructure facilities of the special economic zone «National Industrial Petrochemical Technopark in Atyrau Region» (I-II stage)

Region	Cost, mln KZT	Disbursed investment, mln KZT	Commission date
Atyrau region	385,100	97,400 (25.3%)	IV Q 2024

Construction of Gas Separation Unit

Region	Cost, mln KZT	Disbursed investment, mln KZT	Commission date
Atyrau region	469,350	505.8 (0.1%)	III Q 2025



CORPORATE AND SOCIAL RESPONSIBILITY REPORT



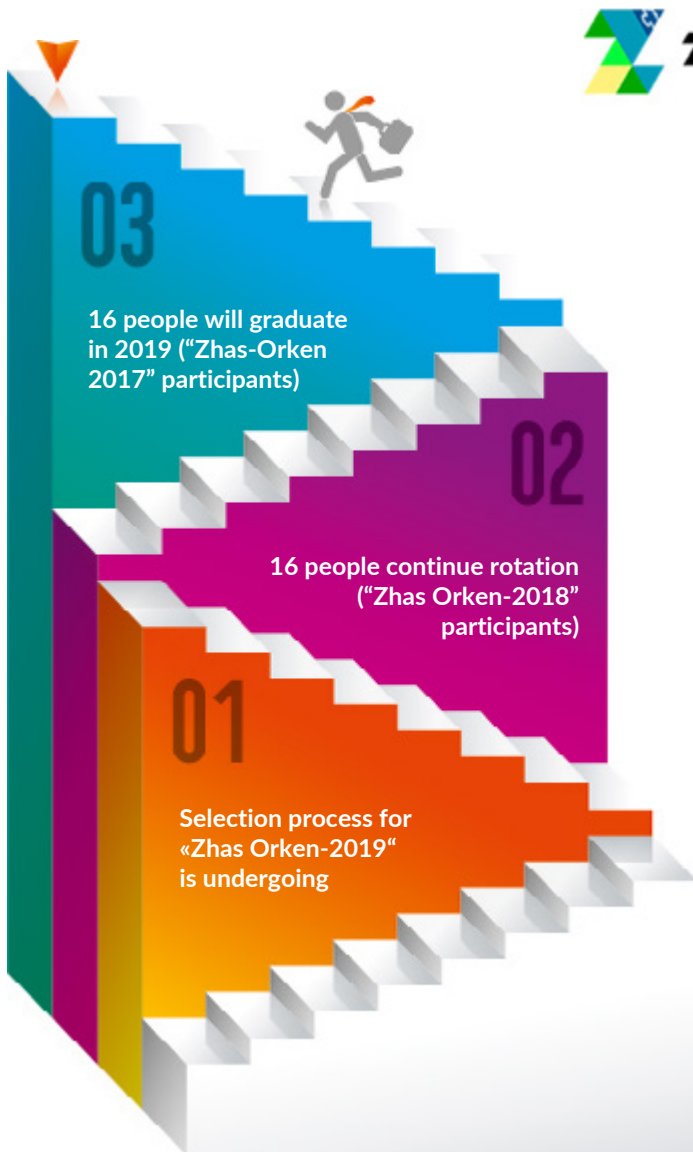
HR POLICY OF THE FUND AND PC

As part of the implementation of HR policy in 2018, the following activities were carried out:

- ▶ Targeted processes for selection and evaluation of personnel were developed and implemented;
- ▶ Leadership programs for management were developed;
- ▶ Assessment procedures and panel interviews for the position of CEO-1 PC were implemented;
- ▶ Measures for transparent competitive selection and development of continuity were strengthened.



TALENT MANAGEMENT



for one place

2018 **36** candidates **737** applications **37,555** Showed interest in the program

for one place

2019 **145** candidates **4,364** applications **42,219** Showed interest in the program

for one place

2018 **8** candidates **500** applications **2,100** Showed interest in the program

for one place

2019 **26** candidates **1,554** applications **12,495** Showed interest in the program

1 “Zhas Orken” program Description and results of the work done in 2018

In 2017, at the initiative of the Fund, the “Zhas Orken” program was launched to attract, select and develop talented university graduates. The program is a prototype for further applications in all companies in Kazakhstan. Candidates undergo a four-level selection that includes best international practices in assessing abilities and potential. The finalists are selected by the contest commission, which includes the managing directors of Samruk-Kazyna JSC and the companies of the Fund Group and independent observers from state bodies of the Republic of Kazakhstan and international

organizations. The main principles of the contest in the selection are equal opportunities for all participants, openness and transparency, meritocracy.

This Program should be viewed as an investment in the country’s human resources, as well as a way to increase attractiveness of the Fund’s group of companies among young professionals who can become successful managers in the next 10–15 years and contribute to the solution of various sectoral tasks.

The main advantage of the program is accelerated development under the guidance of mentors – the experienced employees of the company. The program involves more than 80 mentors, whose development is also the cornerstone of this initiative. During the program, participants are rotated at 4 different enterprises, 5 months per each.

After the successful completion of the Program, young specialists will be able to build a successful career in the portfolio companies of the Fund. It should be noted that more than 60% of the top managers of successful

Fortune 500 companies are graduates of similar programs.

The program of such scale, which includes the possibility of rotation in several national companies, is the exclusive one on the territory of Kazakhstan.



If in 2017 about 600 graduates from 21 cities of Kazakhstan took part in the competition, in 2018 the number of candidates increased to 740. To date, 33 young specialists participate in the program

2 “Digital Summer” program Description and results of the work done in 2018

In order to develop human resources in accordance with the “Digital Kazakhstan” integrated program, the “Digital Summer 2018” internship program was implemented in the period from July to September 2018. The purpose of this program was to recruit and train young personnel with knowledge and

competences in the field of IT with further employment in the companies of the Fund. Based on results of the interns of this Program, according to the feedback received from mentors – the employees of the Fund group companies, 33 interns were identified for employment.

This Program promotes human potential development. Young specialists recruited under the guidance of their mentors assist the latter in projects, independently carry out operational tasks delegated to them. Such programs help to attract young people to Kazakhstani companies and raise ratings of the

companies of the Fund Group among young professionals, and as a result, the employer brand of the companies and the Fund.



CHARITY PROGRAM OF THE FUND

Each year, Samruk-Kazyna Trust Corporate Fund, in order to enhance the image of Samruk-Kazyna JSC, is tasked with implementing effective charitable activities as an operator performing charity on behalf of Samruk-Kazyna. In the process of carrying out charitable activities, the Samruk-Kazyna Trust ensures qualitative selection of socially significant projects, transparency of their financing procedures, as well as improvement of the effectiveness of each project.

In 2018, the Samruk-Kazyna Trust conducted an analysis of all the processes and mechanisms of charitable activities and bringing the priority areas of charity into line with the Development Strategy of Samruk-Kazyna JSC for 2018–2028.

As a result of the analysis, it became necessary to make the following changes and additions to the Charity Policy and Charity Program of the Fund:

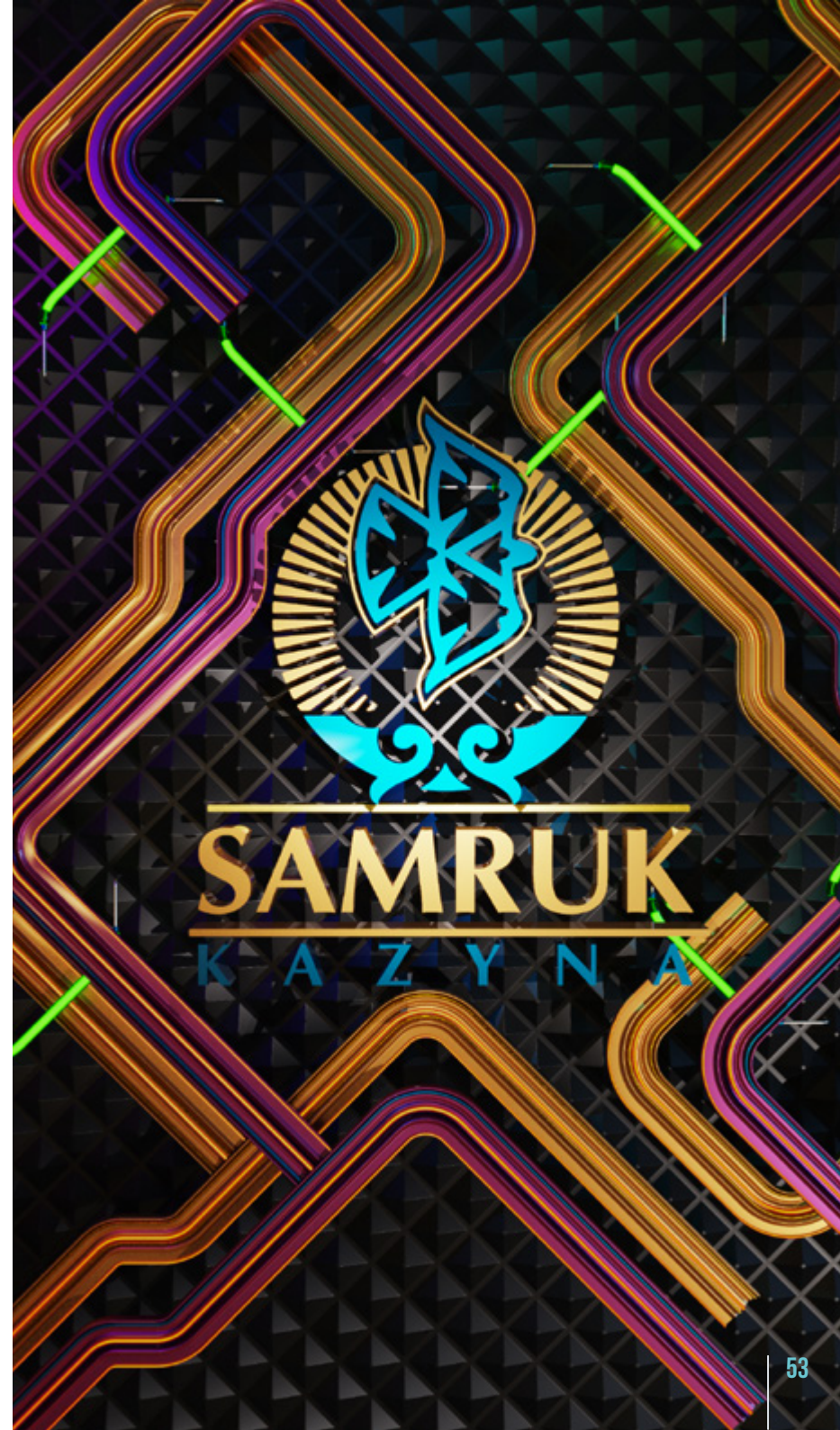
1. change and addition of priority areas for the provision of charity:
 - ▶ such directions as support of regional and business initiatives, promotion of the “Astana” image on the world stage of professional sports were excluded;
 - ▶ the following direction has been added – implementation of a regional social investment program in the regions where the Fund’s group is present;

2. exclusion of the provision of charity to the costs of users associated with celebration and anniversary events, concerts, round tables, payables and financing of the «Presidential Professional Sports Club Astana» Corporate Fund;
3. reduction of the annual amount of the Fund charity from 15,000,000,000 KZT to 10,000,000,000 KZT.

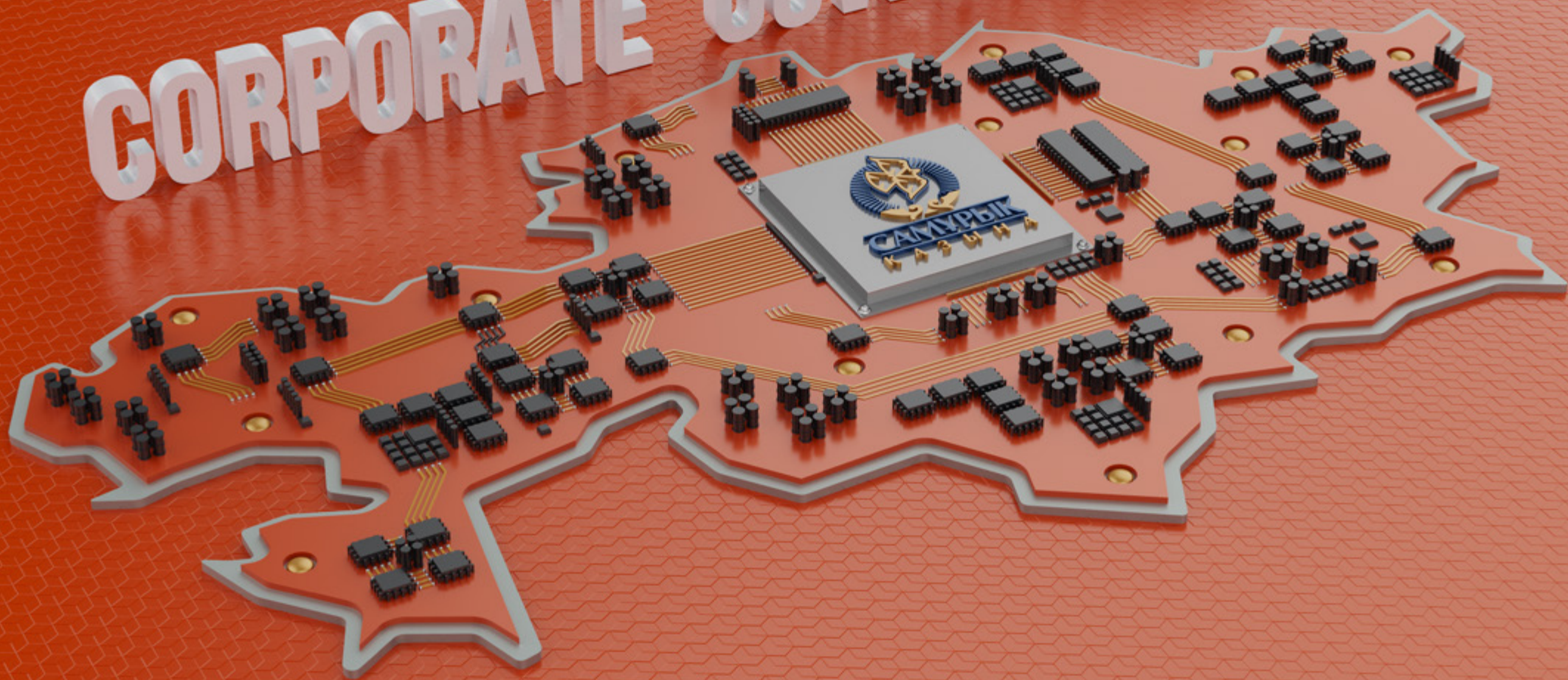
Also, the order of consideration and approval of charitable projects, including projects independently implemented by the Samruk-Kazyna Trust, has been changed.

These changes made it possible to focus the charitable activities of the Fund on solving problems of a social matter, including projects aimed at developing the regions of presence of the Fund’s group of companies.

The Samruk-Kazyna Trust supported 32 projects in the amount of 5,558,626,127 KZT under the budget of the 2018 Samruk-Kazyna Trust, and the total number of direct beneficiaries of charity projects was more than 250,000 people.



CORPORATE GOVERNANCE

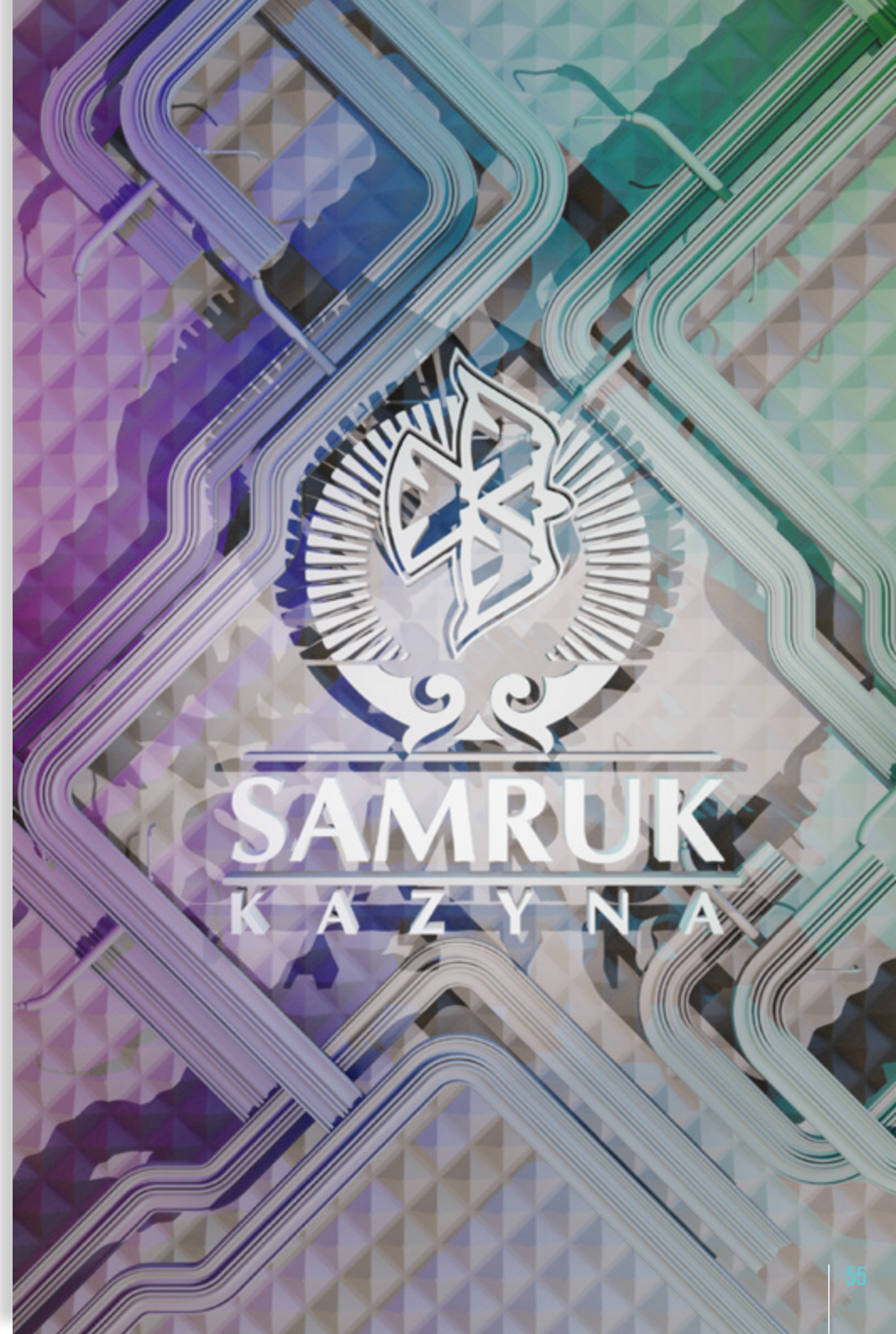


BASIC PRINCIPLES AND CORPORATE GOVERNANCE SYSTEM

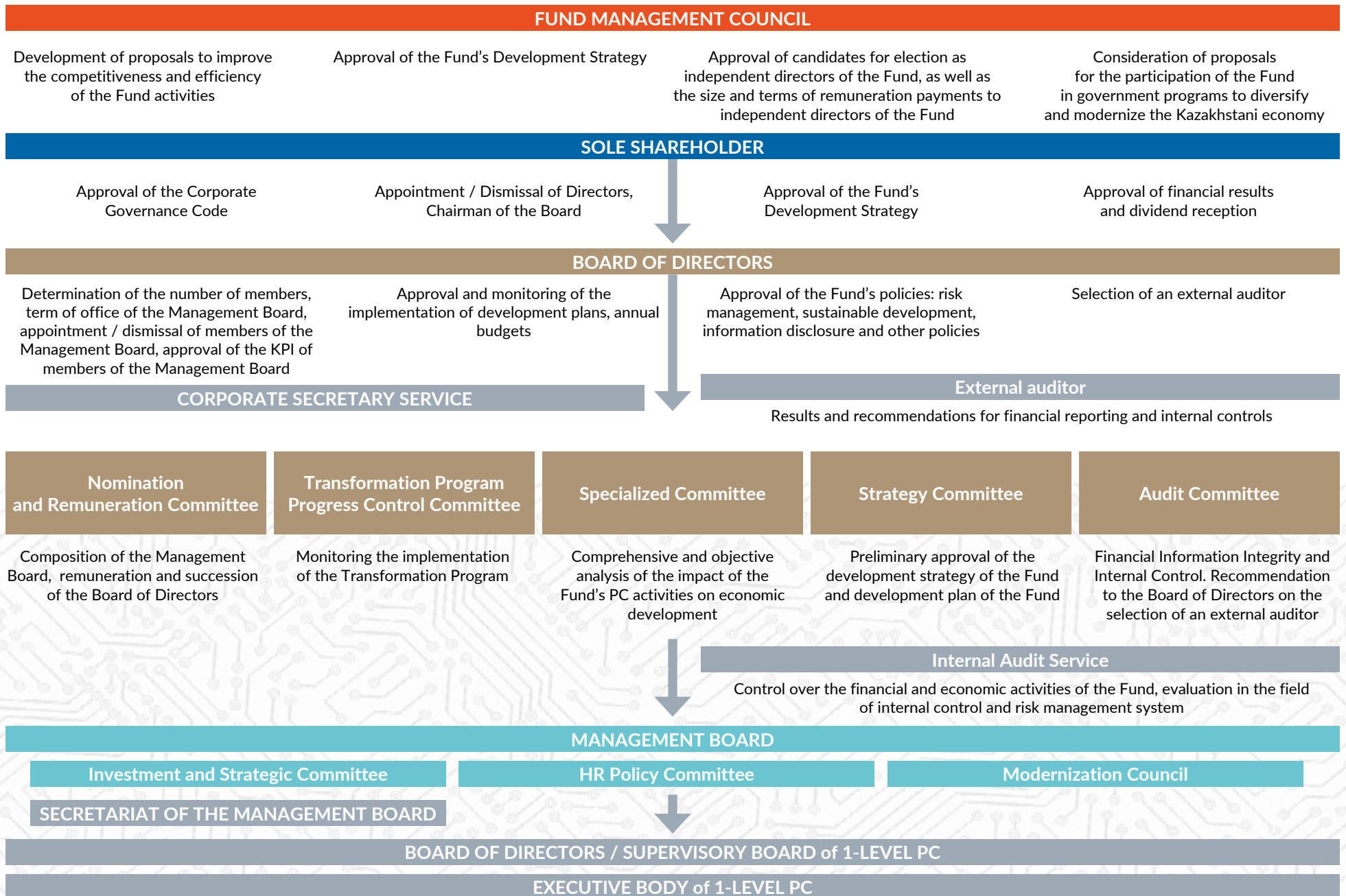
Corporate governance system

Sovereign Welfare Fund Samruk-Kazyna Joint-Stock company is a united group of companies. Our corporate governance system includes the management, control and responsibility of the management bodies as a whole for the group of companies of the Fund, from the first to the last level. In accordance with the Fund Law, implementation of the best corporate governance practices in the Fund's Group of Companies is one of the priority tasks for the Fund, which is also reflected in the Fund's Development Strategy.

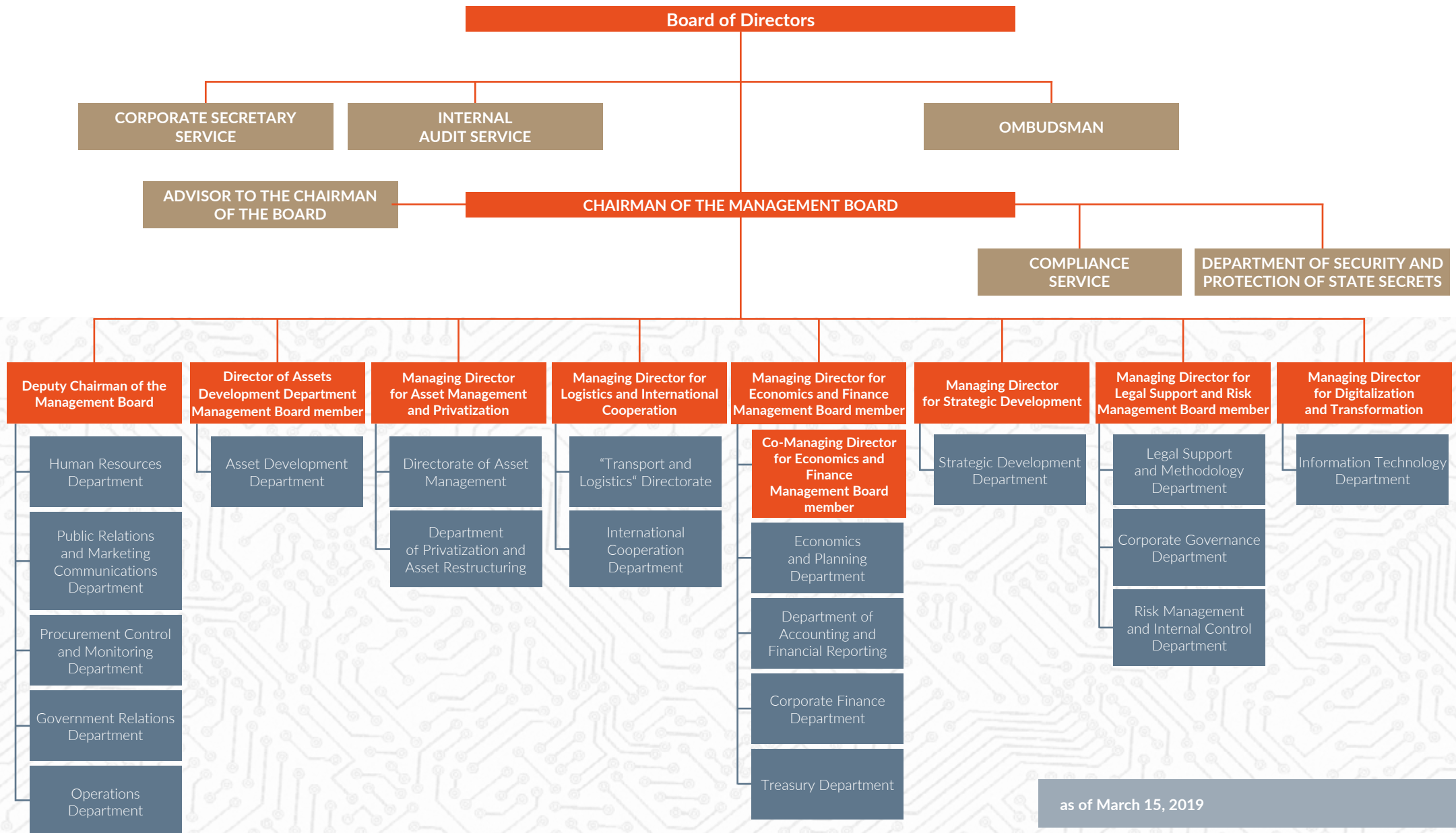
The Board of Directors and the Management Board of the Fund are vested with appropriate powers and duties in order to fulfill their mandate. In turn, high level of corporate governance and quality of corporate reporting with a high degree of transparency are crucial for maintaining the confidence of stakeholders in the Fund, the Board of Directors and the Management Board of the Fund.



Corporate governance structure



Organizational structure of Samruk-Kazyna JSC



SOLE SHAREHOLDER

The sole shareholder of the Fund is the Government of the Republic of Kazakhstan. Relationship between the Fund and the Sole Shareholder is governed by the Law of the Republic of Kazakhstan “On the Sovereign Wealth Fund” and the Agreement on Interaction between the Government of the Republic of Kazakhstan and the Sovereign Wealth Fund Samruk-Kazyna Joint-Stock Company, which establishes the basic principles of interaction and requirements of the Government to the Fund on our activities issues.

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

- ▶ The Fund is managed by the Government solely through the exercise of the powers of the Sole Shareholder provided for by the Law of the Republic of Kazakhstan

The Sole Shareholder of the Fund has a list of tasks, decisions on which should be made directly by the Sole Shareholder. An overview of issues related to the exclusive competence of the Sole Shareholder is given below. These issues are fundamental to the Fund in summing up the strategic and financial results.

- ▶ Approval of the Fund’s Charter;
- ▶ Approval of the Fund’s annual financial statements;
- ▶ Approval of the Fund’s development strategy;
- ▶ Approval of the Fund’s Corporate Governance Code;
- ▶ Determining the Fund’s dividend policy, making a decision on the distribution of the Fund’s net income based on the results of the reporting period, making a decision on the payment of dividends;
- ▶ Making decisions on voluntary reorganization or liquidation of the Fund;
- ▶ Determination of the number, term of office of the Board of Directors of the Fund, election of its members and early termination of their powers;
- ▶ Appointment and early dismissal of the Chairman of the Board;
- ▶ Disposal of shares of companies according to the list determined by the Sole Shareholder of the Fund, as well as transfer of the said shares into trust management;
- ▶ Making decisions on liquidation, reorganization of companies according to the list determined by the Sole Shareholder of the Fund.

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

“On the Sovereign Wealth Fund” and (or) the Charter of the Fund and the representation of the Government members on the Fund’s Board of Directors;

- ▶ Non-interference by the Government, its members, as well as officials of state bodies in the operational (current) activities of the Fund’s group;
- ▶ Reporting and transparency of the Fund’s group activities.

Share capital

- ▶ Number of authorized shares – 3,500,000,000;
- ▶ Shares type – ordinary;
- ▶ Number of outstanding shares placed by the Fund– 3,481,939,318
- ▶ Number of outstanding shares placed for the period – 1,000
- ▶ Price per share – 290,037 KZT

Dividends

In 2018, the Fund paid dividends to the Shareholder in the amount of 12,732 mln KZT based on financial results for 2017 in accordance with the decision of the Sole Shareholder – Government Decree dated December 4, 2018 (based on financial results for 2016 in 2017, Fund paid dividends to the Shareholder in the amount of 11,899 mln KZT).

Dividend policy of the Fund is available at www.sk.kz

BOARD OF DIRECTORS

The Board of Directors of the Fund is a management body accountable to the Sole Shareholder, providing strategic guidance and control over the activities of the Management Board of the Fund. The role of the Board of Directors is to manage the Fund by ensuring proper vertical top-down management.

The list of key tasks related to the exclusive competence of the Board of Directors includes issues requiring decisions and approval in relation to:

- ▶ Medium-term and short-term planning of key performance indicators of the Fund;
- ▶ Definition of the audit organization, the maximum amount of payment for audit services;
- ▶ Risk management policies, social responsibility, sponsorship and charitable assistance, information disclosure and other policies;
- ▶ Credit and industrial innovation policies;
- ▶ Committees of the Board of Directors;
- ▶ The number of members, the term of office of the Management Board, election and termination of the powers of the members of the Management Board, with the exception of the Chairman of the Board;
- ▶ The number of members, the term of office of the Internal Audit Service, appointment and termination of the powers of its head;
- ▶ Acquisitions and dispositions of ten or more percent of shares of other legal entities by the Fund;
- ▶ Evaluation of corporate governance and performance of the Board of Directors of the Fund;
- ▶ Transactions, in conclusion of which there is an interest;
- ▶ The Fund's Annual Report.

Полный перечень вопросов, отнесенных к исключительной компетенции Совета директоров раскрыт в Уставе Фонда на www.sk.kz



Composition of the Board of Directors (as of March 2019)

Member of the Board of Directors since March 2019.

Mr Mamin was born on October 23, 1965.

Graduated from the Tselinograd Institute of Civil Engineering, G.V. Plekhanov Russian Academy of Economics majoring in civil engineering, economics.

He began his career as an assembler of the «Tselintyazhstroy» trust.

1996–2008 – First Deputy Akim of Astana city, Vice-Minister of Transport and Communications, First Vice-Minister of Industry and Trade, Minister of Transport and Communications of the Republic of Kazakhstan, akim for Astana city.

Since April 2008 – President of the National Company Kazakhstan Temir Zholy JSC.

Since September 9, 2016 – First Deputy Prime Minister of the Republic of Kazakhstan. On February 25, 2019, he was appointed as Prime Minister of the Republic of Kazakhstan by the Decree of the President of the Republic of Kazakhstan.

He was awarded with medal «Yeren enbegi ushyn» in 1998, «Kurmet» order in 2006, II degree “Barys” order in 2011, order of the Holy Blessed Great Prince Daniel of Moscow, III degree (ROC) in 2010, order of the Legion of Honor of the French Republic in 2013, order of the Cross of Recognition of the second degree of the Republic of Latvia in 2013, order of I degree «For Civil Merit» of the Kingdom of Spain in 2014. Honorary citizen of the city of Astana – 2011, Honorary railroad worker – 2012, Honorary constructor of Kazakhstan – 2013.

By decision of the Sole Shareholder dated March 7, 2019 (Decree of the Government of the Republic of Kazakhstan No. 91), he was appointed as Chairman of the Board of Directors of Samruk-Kazyna JSC.



ASKAR MAMIN

**Prime Minister of the Republic of Kazakhstan –
Chairman of the Board of Directors of Samruk-Kazyna JSC**

Member of the Board of Directors since March 2019.

Mr Dalenov was born on February 8, 1975.

In 1999, he graduated from Marmara University in Istanbul (Republic of Turkey) majoring in Economics.

From 1999 to 2002 – Leading Specialist, Head of the Oil, Gas and Energy Division, Deputy Head, Head of the Department for Analysis and Forecasting of Revenues of the Ministry of State Income of the Republic of Kazakhstan.

March 2002 – September 2002 – Head of the Revenue Analysis and Forecasting Department of the Revenue Analysis and Forecasting Department of the Ministry of State Revenue of the Republic of Kazakhstan.

September 2002 – May 2003 – Acting Head of the Department of Current Incomes of the Department of Incomes, Conventions and Contracts of the Public Revenue Ministry of the Republic of Kazakhstan.

May 2003 – September 2003 – Head of the Department for Analysis and Current Forecasting of Incomes of the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan.

September 2003 – January 2005 – Director of the Revenue Analysis Department of the Ministry of Finance of the Republic of Kazakhstan.

2005 to 2008 – work in the private sector.

March 2008 – April 2017 – Vice-Minister of Finance of the Republic of Kazakhstan.

April 2017 – February 25, 2019 – First Vice-Minister of National Economy of the Republic of Kazakhstan.

Since February 25, 2019 – Minister of National Economy of the Republic of Kazakhstan.

Honors: “Kurmet” order, medals: “Yeren enbegi ushin”, «For contribution to the creation of the Eurasian Economic Union» II degree, “Karzhy kyzmetinin uzddigi” award pin of the MF RK, “Astananyn 10 zhyldygy”, “Kazakhstan Respublikasynyn tauyelsiizdigine 20 zhyl”.

By decision of the Sole Shareholder dated March 7, 2019 (Decree of the Government of the Republic of Kazakhstan No. 91), he was appointed to the composition of the Board of Directors of Samruk-Kazyna JSC.



RUSLAN DALENOV

**Minister of National Economy of the Republic of Kazakhstan
Member of the Board of Directors of Samruk-Kazyna JSC**

Member of the Board of Directors since January 2017.

Mr Suleimenov was born on April 5, 1978.

In 2000, he graduated from Pavlodar State University, **in 2002** – the University of Maryland with a degree in Master of Business Administration under the Bolashak program.

Since 2009 – Vice-Minister of Economy and Budget Planning of the Republic of Kazakhstan.

2010–2012 – Vice-Minister of Economic Development and Trade of the Republic of Kazakhstan.

2012–2016 – Member of the Board (Minister) for Economics and Financial Policy of the Eurasian Economic Commission.

2016–2019 – Minister of National Economy of the Republic of Kazakhstan.

In March 2019 by the Decree of the President he was appointed as Assistant to the President of the Republic of Kazakhstan.

By decision of the Sole Shareholder dated April 3, 2019 (Decree of the Government of the Republic of Kazakhstan No. 156), he was appointed to the composition of the Board of Directors of Samruk-Kazyna JSC.



TIMUR SULEIMENOV

**Assistant to the President of the Republic of Kazakhstan
Member of the Board of Directors of Samruk-Kazyna JSC**

Member of the Board of Directors since October 2008.

Sir Richard Evans was born on July 9, 1942

He graduated from the Royal Masonic School (Hertfordshire, London) in **1960**.

1960-1967 – worked at the Ministry of Transport and Civil Aviation and, shortly afterwards, work at the newly formed Ministry of Technology.

1967-1969 – Government Contracts Officer at Ferranti in Manchester.

1969-1981 – Commercial Director of the British Aircraft Corporation (BAC) Military Aircraft Division.

1981-1983 – Vice-Managing Director of British Aerospace plc Military Systems.

1983-1987 – Deputy Managing Director and a Member of the British Aerospace plc. Aircraft Group Board.

1987 – Director of Marketing, British Aerospace plc.

1988-1990 – Chairman of the British Aerospace Defence company.

1990-1992 – CEO of British Aerospace plc.

1992-2002 – Member of the Supervisory Board of Airbus Industry.

1998-2000 – Non Executive Director of NatWest plc.

1998-2004 – Chairman of the BAE Systems.

2001-2008 – Chairman of the United Utilities plc.

2006-2008 – Chairman of the Board of Directors of Kazakhstan Holding for State Assets SamrukJSC.

2009-2016 годы – Chancellor of the University of Central Lancashire.

By decision of the Sole Shareholder dated October 3, 2008 (Decree of the Government of the Republic of Kazakhstan No. 962), he was appointed to the composition of the Board of Directors of Samruk-Kazyna JSC as independent director.

By decision of the Sole Shareholder dated January 8, 2014 (Decree of the Government of the Republic of Kazakhstan No. 1493), he was appointed to the composition of the Board of Directors of Samruk-Kazyna JSC as independent director



SIR RICHARD EVANS

**Member of the Board of Directors of Samruk-Kazyna JSC
Independent Director**

Member of the Board of Directors since March 2018.

Mr Akdeniz was born on August 11, 1960

Mr Akdeniz's career spanned over 30 years in PwC in the United Kingdom, Turkey, South East Asia and latterly Central Asia. He has accumulated extensive and broad experience in auditing, advisory, corporate finance, governance and other related work covering a range of clients in the manufacturing, financial services, utilities and government sectors.

His career began in Price Waterhouse, London in **1984** where he became a qualified Chartered Accountant.

In 1989 he took up a position in Istanbul, Turkey providing auditing and advisory services to local and international companies and banks. Alper was admitted into the Price Waterhouse partnership in 1992.

In 1996 he returned to London where he worked on the global merger of Price Waterhouse and Coopers & Lybrand. Alper's work extended to the implementation of the global merger in countries such as Japan, India, Hong Kong, Singapore, Thailand, South America and Sweden. He later served in the Asia leadership team in Singapore.

From January 2007 to June 2015, Alper was the Managing Partner, and later Chairman of PwC Eurasia until **June 2017**, covering Kazakhstan, Azerbaijan, Georgia, Armenia, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan and Mongolia serving clients in the public and private sectors in this region. Alper also served as a member of the PwC Central and Eastern European (CEE) Management Board

Alper is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).

He holds a Masters degree in Business Studies from Bath University, United Kingdom.

He was awarded an honorary Doctorate by Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP). Alper also attended an International Business Program at Harvard Business School.

By decision of the Sole Shareholder dated March 27, 2018 (Decree of the Government of the Republic of Kazakhstan No. 144), he was appointed to the composition of the Board of Directors of Samruk-Kazyna JSC as independent director.



ALPER AKDENİZ

**Member of the Board of Directors of Samruk-Kazyna JSC
Independent Director**

Member of the Board of Directors since March 2018.

Mr Bender was born on August 3, 1944

Graduated from Goethe-University in Frankfurt. PhD from Justus-Liebig-University at Gießen.

1974-1983 various positions with "Deutsche Bahn".

1983-1989 Managing Director of "German Transport Forum" – leading industrial organization of Germany's logistic companies. President at that time: Hermann-Josef Abs (Deutsche Bank).

1989-1993 Chairman of forwarder group "Schenker" and "Schenker Waggon – und Beteiligungs" AG, Board member of "Schenker-Rhenus".

Start of Fraport's international business:

1993-2009 Chairman of "Fraport AG" – owner and operator of Frankfurt airport and some thirty airports worldwide.

2001 – under the leadership of Dr. Bender the "Fraport AG" company successfully entered IPO.

2009 – Inauguration of 4th runway at Frankfurt airport.

2008 – Honorary Professor Goethe – University Frankfurt.

2009 – today Senior Advisor.

2010 – Chairman of the Association of friends and supporters of Goethe – University Frankfurt.

2014 – Chairman of the Association supporting Vietnamese-German University Ho-Chi-Minh-City.

2016-2018 Member of the Board, Independent Director of NC "Kazakhstan Temir Zholy" JSC.

Former or current member of Supervisory Board: "Bombardier Transportation" (Chairman), "Eintracht Frankfurt Fußball" AG (Chairman), «ThyssenKrupp Services», «Adtranz, Signal Iduna», «Voedag», «Techem», «Lufthansa City Line», "Delvag", "Lufthansa Cargo", "MTU", "The Germany Funds".

Former or current member of Advisory Board: "Royal Bank of Scotland", "Stinnes", "DZ-Bank", "Allianz", "Deutsche Bank".

Numerous charity activities in the region of Rhine Main and abroad.

By decision of the Sole Shareholder dated March 27, 2018 (Decree of the Government of the Republic of Kazakhstan No. 144), he was appointed to the composition of the Board of Directors of Samruk-Kazyna JSC as independent director.



WILHELM BENDER

**Member of the Board of Directors of Samruk-Kazyna JSC
Independent Director**

Member of the Board of Directors since December 2017.

Mr Yessimov was born on December 15, 1950 in Almaty region

In 1974 he graduated from the Kazakh Agricultural Institute with major in Mechanization of Agricultural Production Processes

In 1991 graduated from socio-political faculty of the Russian Academy of Social Sciences with major in Theory of Sociopolitical Relations. He received PhD in Economics in 1999.

1990 – First Deputy Chairman of Gosagroprom of the Kazakh SSR, and **in 1991** – the First Deputy Minister of Agriculture and Food of Kazakh SSR.

1991–1992 – Chairman of Almaty Oblast Congress of People's Deputies.

1992–1994 – Head of Alma-Ata regional administration.

1994–1996 – Deputy Prime Minister of the Republic of Kazakhstan.

1996–1998 – State Secretary of the Republic of Kazakhstan, First Deputy Prime Minister of the Republic of Kazakhstan – Chairman of the State Committee on Investments, Head of Administration of President of the Republic of Kazakhstan.

1998–2001 – Ambassador Extraordinary and Plenipotentiary of the Republic of Kazakhstan to the Benelux countries (The Kingdom of Belgium, The Kingdom of the Netherlands and The Grand Duchy of Luxembourg).

He also headed the Representative Office of the Republic of Kazakhstan to the EU and the NATO.

2001–2006 – Minister of Agriculture of the Republic of Kazakhstan, Deputy Prime Minister of the Republic of Kazakhstan.

Since January 2006 through April 2008 – Minister of Agriculture of the Republic of Kazakhstan.

Since April 2008 through August 2015 – Akim of Almaty city, Chairman of Almaty affiliate of Nur Otan Party.

Since August 2015 through December 2017 – Chairman of the Management Board of NC Astana EXPO-2017 JSC.

Since December 2017 – Chairman of the Management Board of Samruk-Kazyna JSC.

Mr Yessimov is the awardee of Kazakhstan Labor Hero, Badge of Honor, Friendship Order, Otan Order, Parasat Order.

By the decision of the Sole Shareholder dated December 23, 2017 (Decree of the Government of the Republic of Kazakhstan No. 863) he was appointed Chairman of the Board of Samruk-Kazyna JSC.



**YESSIMOV
AKHMETZHAN SMAGULOVICH**

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

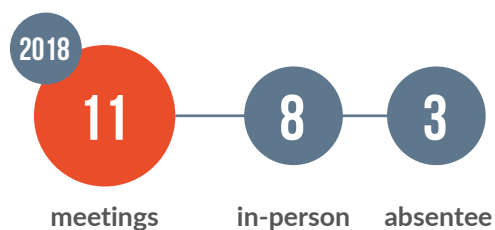
Changes in the composition of the Board of Directors in 2018–2019

Date	Member of the Board of Directors	Event
27 March 2018	Aleksandr Mirtchev	Dismissed from the post of member of the Board of Directors
27 March 2018	Alper Akdeniz	Appointed as member of the Board of Directors
27 March 2018	Wilhelm Bender	Appointed as member of the Board of Directors
9 November 2018	Alikhan Smailov	Dismissed from the post of member of the Board of Directors
9 November 2018	Timur Zhaksylykov	Appointed as member of the Board of Directors
12 December 2018	Bakhyt Sultanov	Dismissed from the post of member of the Board of Directors
12 December 2018	Timur Zhaksylykov	Dismissed from the post of member of the Board of Directors
12 December 2018	Yerulan Zhamaubayev	Appointed as member of the Board of Directors
7 March 2019	Bakhytzhan Sagintayev	Dismissed from the post of Chairman of the Board of Directors
7 March 2019	Timur Suleimenov	Dismissed from the post of member of the Board of Directors
7 March 2019	Askar Mamin	Appointed as Chairman of the Board of Directors
7 March 2019	Ruslan Dalenov	Appointed as member of the Board of Directors
3 April 2019	Yerulan Zhamaubayev	Dismissed from the post of member of the Board of Directors
3 April 2019	Timur Suleimenov	Appointed as member of the Board of Directors

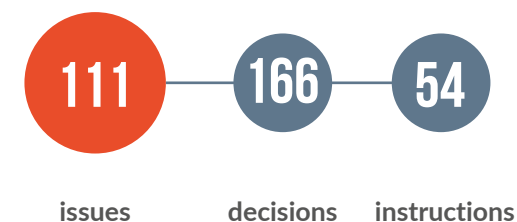
Appointment and dismissal of a member of the Board of Directors is made by decision of the Sole Shareholder (Decree of the Government of the Republic of Kazakhstan)

Report on the activities of the Board of Directors

In 2018, 11 meetings of the Board of Directors of Samruk-Kazyna JSC were held, of which 8 in-person and 3 absentee.



A total of 111 issues were considered, for which 166 decisions were made, 54 instructions were given.



Participation of members of the Board of Directors of Samruk-Kazyna JSC in meetings of the Board of Directors of Samruk-Kazyna JSC in 2018

Member of the Board of Directors	Position	Participation / Total number of meetings of the Board of Directors	Participation / Participation as a member of the Board of Directors,%
Bakhytzhan Sagintayev	Prime Minister of the Republic of Kazakhstan, Chairman of the Board of Directors of Samruk-Kazyna JSC	11/11	11/11 100%
Alikhan Smailov	Member of the Board of Directors, Assistant to the President of the Republic of Kazakhstan	4/11	4/7 57%
Bakhyt Sultanov	Member of the Board of Directors, Minister of Finance of the Republic of Kazakhstan	6/11	6/6 100%
Timur Suleimenov	Member of the Board of Directors, Minister of National Economy of the Republic of Kazakhstan	10/11	10/11 91%
Sir Richard Evans	Member of the Board of Directors, Independent Director	11/11	11/11 100%
Mirtchev Aleksandr	Member of the Board of Directors, Independent Director	2/11	2/2 100%
Bender Wilhelm	Member of the Board of Directors, Independent Director	9/11	9/9 100%
Akdeniz Alper	Member of the Board of Directors, Independent Director	9/11	9/9 100%
Akhmetzhan Yessimov	Member of the Board of Directors, Chairman of the Board of Samruk-Kazyna JSC	11/11	11/11 100%
Timur Zhaksylykov	Member of the Board of Directors, Assistant to the President of the Republic of Kazakhstan	1/11	1/1 100%
Yerulan Zhamaubayev	Member of the Board of Directors, Assistant to the President of the Republic of Kazakhstan	1/11	1/1 100%

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

Committee Chairman - Sir Richard Evans

The **Audit Committee** is responsible for reviewing the effectiveness of the Fund's financial reporting process, internal control policies and risk identification, assessment and reporting procedures. The Audit Committee also monitors the integrity of the Fund's separate and consolidated financial statements, keeps in touch with external auditors, including the scope, level and cost of non-audit services performed by them and controls the role and effectiveness of the Internal Audit Service.

Composition of the Audit Committee and participation in meetings of the Audit Committee in 2018

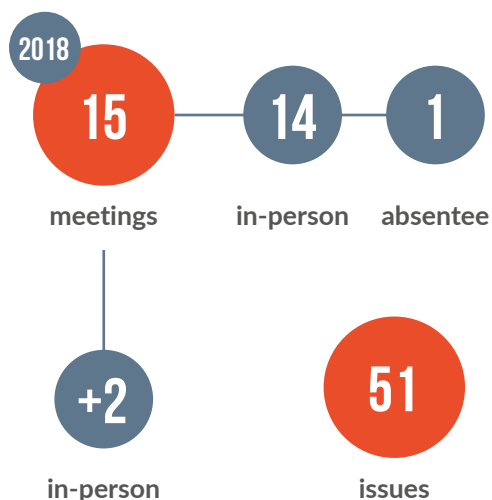
Member of the Audit Committee	Total	In-person	Absentee	Out of AC
Sir Richard Evans	15/15	14/14	1/1	2/2
Wilhelm Bender	13/13	13/13	-	0/2
Akdeniz Alper	13/13	13/13	-	0/2
Aleksandr Mirtchev	2/2	1/1	1/1	0/2
Peter House (non-voting expert)	15/15	14/14	1/1	2/2



The work of the Audit Committee

In 2018, the Audit Committee held a total of 15 meetings, including 14 in-person and 1 in absentee meetings. In total, the Audit Committee considered 51 issues in various fields within its competence.

Additional 2 in-person meetings were held with the participation of members of the Audit Committee on issues that are within the competence of the Audit Committee, outside the framework of the meetings of the Audit Committee. Furthermore, during the year, the Audit Committee reviewed internal documents regarding risk management prior to their further submission to the Board of Directors for consideration.



During the year, the Audit Committee considered a number of issues of internal and external audit, the internal control and risk management system, financial reporting, corporate governance and organizational issues of the Audit Committee. The Audit Committee carried out the following duties:

Internal Audit

- ▶ The Audit Committee reviewed audit reports according to the Annual audit plan for 2017 and 2018;
- ▶ The Audit Committee also reviewed the audit reports on the results of audits conducted in relation to 1) information technology infrastructure and 2) implementation of the Transformation Program in a number of subsidiaries of the Fund based on a synergistic approach;
- ▶ The Audit Committee reviewed and evaluated the performance of the Fund's Internal Audit Service on a quarterly basis;
- ▶ Conducted a number of interviews with candidates for the position of the Chief Manager of the Fund's Internal Audit Service and developed recommendations to the Board of Directors on the appointment of employees of the Internal Audit Service;
- ▶ The Audit Committee reviewed and tentatively approved the annual audit plan of the Fund's Internal Audit Service for 2019;
- ▶ The Audit Committee analyzed quarterly internal audit reports prepared for the Board of Directors of the Fund.

External Audit

- ▶ The Audit Committee reviewed the audit results of the Fund's consolidated and separate financial statements for the year ended on December 31, 2017, and also received confirmation of the independence of auditors;
- ▶ The Audit Committee reviewed reports of the external auditor on deficiencies in the system of internal control in the Fund and the Group of Companies of the Fund;
- ▶ The Audit Committee reviewed results of limited review procedures of the interim reduced consolidated and separate financial statements of the Fund for the six-month period ended on June 30, 2018;
- ▶ The Audit Committee reviewed and approved the audit plan for consolidated and separate financial statements of the Fund for the year ended on December 31, 2018;
- ▶ The issue of approving provision of consulting non-audit services for the Fund and subsidiaries of the Fund by the audit organization of the Fund was repeatedly considered.

Internal control and risk management

- ▶ During the year, the Audit Committee reviewed quarterly risk reports;
- ▶ Reviewed and commented on the risk map and register, the Fund's risk appetite for 2019;
- ▶ Considered and commented on the Policy of Samruk-Kazyna JSC on setting limits for counterparty banks.

Financial statements

- ▶ Considered the issue of the status of execution of the Unified Plan of Measures for elimination of significant shortcomings in the process of preparing financial statements identified by external auditors of the companies of the Group of the Fund;
- ▶ Considered financial statements and judgments contained in financial statements. Pre-approved and recommended financial statements of the Fund for the year ended on December 31, 2017 to the Board of Directors for preliminary approval;
- ▶ Considered the interim reduced consolidated and separate financial statements of the Fund for the six-month period ended on June 30, 2018.

Corporate governance

- ▶ Considered the results of independent diagnostics of corporate governance in the portfolio companies of Samruk-Kazyna JSC.

Compliance

- ▶ Considered reports on the activity of the Compliance Service of Samruk-Kazyna JSC.

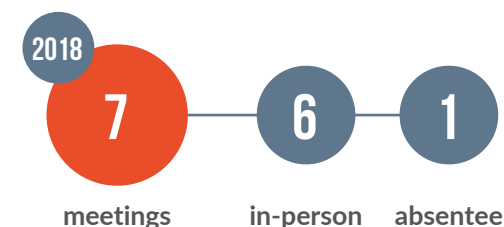
Nomination and Remuneration Committee

Chairman of the Committee –
Askar Mamin

The Nomination and Remuneration Committee is responsible for providing recommendations and making proposals on attracting qualified specialists to the composition of the Board of Directors, the Management Board, the position of Corporate Secretary, approval of independent directors' remuneration, wage conditions and bonuses to members of the Management Board and Corporate Secretary.

Composition of the Nomination and Remuneration Committee and participation in meetings of the Nomination and Remuneration Committee in 2018

Member of the Nomination and Remuneration Committee	total	in-person	absentee
Bakytzhan Sagintayev	7/7	6/6	1/1
Sir Richard Evans	7/7	6/6	1/1
Alper Akdeniz	4/4	4/4	–
Wilhelm Bender	4/4	4/4	–
Aleksandr Mirtchev	2/2	1/1	1/1



The work of the Nomination and Remuneration Committee

In 2018, 7 meetings were held, including 6 in-person and 1 in absentee meetings of the Nomination and Remuneration Committee. A total of 12 issues were considered:

- ▶ On making amendments to the decision of the Board of Directors of Samruk-Kazyna JSC dated May 18, 2016 (Minutes No. 130);
- ▶ On the composition of the Board of Samruk-Kazyna JSC;
- ▶ Report on the activities of the Nomination and Remuneration Committee of the Board of Directors of Samruk-Kazyna JSC for 2017;
- ▶ On determining the amount of remuneration to independent directors of Samruk-Kazyna JSC;
- ▶ On some issues of the NMC Tau-Ken Samruk JSC;
- ▶ On approval of the Work Plan of the Nomination and Remuneration Committee of the Board of Directors of Samruk-Kazyna JSC for 2018;
- ▶ On approval of key performance indicators (KPI) with actual values for the executives of Samruk-Kazyna JSC for 2017 and payment of remuneration based on the results of work for 2017;
- ▶ On approval of corporate key performance indicators of Samruk-Kazyna JSC for 2018;
- ▶ On approval of the HR Policy of Samruk-Kazyna JSC for 2018–2028;
- ▶ On approval of corporate key performance indicators of Samruk-Kazyna JSC for 2019;
- ▶ On submitting the issue “On the composition of the Management Board of Samruk-Kazyna JSC” for consideration of the Board of Directors of Samruk-Kazyna JSC ;
- ▶ On approval of amendments and additions to the Terms of remuneration and bonuses to the Chairman and members of the Management Board of Samruk-Kazyna JSC.

All proposals and recommendations of the Committee were submitted to the Board of Directors for consideration, for which the relevant protocol resolutions were taken. There were no deviations from the proposals and recommendations of the Committee.

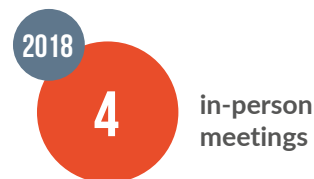
Transformation Program Progress Control Committee

*Chairman of the Committee –
Askar Mamin*

The Transformation Program Progress Control Committee is a consultative and advisory body of the Fund's Board of Directors which performs the tasks of monitoring and evaluating implementation of the Transformation Program of the Fund and preparing the necessary recommendations to the Board of Directors of the Fund.

Composition of the Transformation Program Progress Control Committee and participation in meetings of the Transformation Program Progress Control Committee in 2018

Member of the Transformation Program Progress Control Committee	Total in-person
Bakytzhan Sagintayev	4/4
Sir Richard Evans	4/4
Akhmetzhan Yessimov	4/4
Alikhan Smailov	1/4



Work of the Transformation Program Progress Control Committee

In 2018, the Transformation Program Progress Control Committee held the total of 4 in-person meetings.

During the year, the Transformation Program Progress Control Committee considered 8 issues, among which the issue of implementation of the Transformation Program was considered several times. In particular, the Transformation Program Progress Control Committee addressed the following issues:

- ▶ On the progress report on the implementation of the Transformation Program;
- ▶ On approval of the Transformation Program of Samruk-Kazyna JSC in a new edition;
- ▶ On the Report on activities of the Transformation Program Progress Control Committee under the Board of Directors of Samruk-Kazyna JSC for 2017 and 2018;
- ▶ On approval of the Action Plan of the Transformation Program Progress Control Committee under the Board of Directors of Samruk-Kazyna JSC for 2019.

The Committee members were given suggestions on the content of the Reports on implementation of the Transformation

Program, as well as comments on changes and additions to the Transformation Program of Samruk-Kazyna JSC.

In general, the meetings of the Transformation Program Progress Control Committee were held on a regular basis in accordance with the Committee's Work Plan for 2018, approved by the Committee's protocol resolution dated December 13, 2017 No. 12.

Specialized Committee

The **Specialized Committee** carries out a comprehensive and objective analysis of the impact of activities of organizations within the group of Samruk-Kazyna JSC on development of the economy or a single sector of the economy, except for issues related to their use of funds from the Sovereign Fund of the Republic of Kazakhstan, the republican budget, sureties and state assets.

Composition of the Specialized Committee

Member of the Specialized Committee	Position, right to vote
Adylgazy Bergenov	Member of the Accounts Committee for Control over execution of the republican budget Voting Expert
Beybit Karymsakov	Managing Director for Economics and Finance Samruk-Kazyna JSC – Member of the Management Board Voting Expert
Yernar Zhanadil	Co-managing director for economics and finance of Samruk-Kazyna JSC – Member of the Management Board Voting Expert
Bakhtiyar Isaev	Director of the Procurement Control and Monitoring Department of Samruk-Kazyna JSC Voting Expert
Gabdulkamit Tuleshov	Head of the Department for Control over Implementation of the Republican Budget of Financial Control Committee of the Ministry of Finance of the Republic of Kazakhstan Voting Expert
Ardak Kiyakbayeva	Acting Head of the Department for Monitoring the Efficiency of State Property Management of the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan Voting Expert
Ainur Bushmukhambetova	Head of the Department of the National Fund of the Republic of Kazakhstan and interaction on financial sector issues DBC of the Ministry of Finance of the Republic of Kazakhstan Voting Expert

Work of the Specialized Committee

In 2018 there was no meeting of the Specialized Committee.

By the decision of the Board of Directors of the Fund dated 25.12.2013, No.103, B.T. Sultanov was elected as Chairman of the Specialized Committee. However,

in accordance with the Resolution of the Government of the Republic of Kazakhstan dated December 12, 2018 No. 822 "On Amendments to the Resolution of the Government of the Republic of Kazakhstan dated October 17, 2008 No. 962 "On Measures for Implementing the Decree of

the President of the Republic of Kazakhstan dated October 13, 2008 No. 669" the powers of the member of the Board of Directors B.T. Sultanov were terminated. The issue of a new Chairman of the Specialized Committee is under discussion.

Strategy Committee

Chairman of the Committee - Ruslan Dalenov

By the decision of the Board of Directors of Samruk-Kazyna JSC dated December 13, 2018, a Strategy Committee was created, the competence of which is to develop recommendations to the Board of Directors of the Fund on the following issues:

- ▶ preliminary approval of the Fund's development strategy for a 10-year period and the Fund's development plan for a 5-year period for further consideration by the Fund's Board of Directors;
- ▶ consideration of reports on implementation (monitoring) of Development Strategy, Development Plan of the Fund in order to monitor and control implementation of the Development Strategy and the Development Plan of the Fund by the Board of Directors of the Fund;
- ▶ consideration of the Fund's information on compliance of development strategies of national companies with decomposed strategic indicators of national strategies, objectives and government programs.

Member of the Strategy Committee	Position, right to vote
Ruslan Dalenov	Minister of National Economy of the Republic of Kazakhstan Chairman of the Committee
Sir Richard Evans	Independent Director, Member of the Board of Directors of Samruk-Kazyna JSC Committee member
Lazzat Borankulova	Managing Director for Strategic Development of Samruk-Kazyna JSC Committee member

The committee consists of 3 voting members. At the same time, representatives of sectoral state bodies can participate in the meetings of the Committee as experts with an advisory vote.



MANAGEMENT BOARD

The list of key tasks related to the competence of the Management Board include:

- ▶ Determining the conditions and procedure for converting securities of the Fund, as well as their change;
- ▶ Determining the amount of remuneration for services of an appraiser in assessing the market value of property transferred as payment for the Fund's shares, or being the subject of a major transaction;
- ▶ Making decisions on matters relating to competence of the general meeting of shareholders (participants), another body of a company or other legal entity in relation to which the Fund is a shareholder, participant or has the right to a share in property in accordance with the laws of the Republic of Kazakhstan and (or) the charter, with the exception of decisions on issues taken by the sole shareholder or the Board of Directors of the Fund in accordance with the Law «On the Sovereign Wealth Fund»;
- ▶ Coordination of issues of appointment and early termination of powers of the heads of executive bodies of national companies, as well as legal entities, all voting shares (interest) of which belong to the Fund by the right of ownership and (or) trust management;
- ▶ Adoption of operational measures against companies to prevent disruptions in completeness and timing of implementation of investment decisions and projects;
- ▶ Formation of a single (including by industry sectors of companies) financial, investment, production and economic, scientific and technical, money management, personnel, social and other policies in relation to companies;
- ▶ Approval of the corporate governance code of organizations belonging to the Fund's group, as well as amendments and additions thereto;
- ▶ Approval of guidelines and corporate standards for PC, more than fifty percent of the voting shares (participation shares) of which is owned the Fund directly or indirectly;
- ▶ Approval of the rules for the development, coordination, approval, adjustment, execution and monitoring of the execution of company development plans;
- ▶ Approval of dividend policy and standards for dividend accrual for companies;
- ▶ Approval of the staffing, staff schedule and organizational structure of the Fund;
- ▶ Decisions on the establishment of branches and representative offices of the Fund;
- ▶ Decisions on the establishment of committees under the Board of the Fund, consisting of employees of the Fund, companies and other persons in order to develop proposals for the Management Board of the Fund;
- ▶ Determination of information about the Fund or its activities constituting official, commercial or other secret protected by law;
- ▶ Hearing of PC results on an annual basis and presentation of company performance reports to the Board of Directors of the Fund.





AKHMETZHAN YESSIMOV

Chairman of the Management Board
Appointed as Chairman of the Management Board in December 2017.

Carries out general management of the activities of Samruk-Kazyna JSC, performs the functions defined by the legislation, the Charter of the Fund, as well as the internal acts of the Fund.

COMPOSITION OF THE MANAGEMENT BOARD



BEYBIT KARYMSAKOV

Managing Director for Economy and Finance

Mr Karymsakov was born on October 31, 1962 in Dzhambul region.

In 1985 he graduated from the National Economy Institute of Alma-Ata in the specialty "Organization of the Mechanized Processing of Economic Information", in 2004 he graduated from the Taraz State University named after M.Kh. Dulati in the specialty "Law".

1990–1993 – Accountant of Tian Shan Cooperative.

1993–1996 – Head of Budget Inspection – Deputy Head of Kordai District Finance Division.

1996–2014 – Executive positions in the tax authorities of Almaty and Almaty region.

2014–2015 – Chief of Staff of the Akim of Almaty.

2015–2018 – Managing Director of JSC NC Astana EXPO-2017

Since January 2018 – Managing Director for Economy and Finance of Samruk-Kazyna JSC – Member of the Management Board



ANDREIY KRAVCHENKO

Managing Director for Legal Support and Risk

Mr Kravchenko was born on July 19, 1966 in Taldy-Korgan region.

In 1991 he graduated from the Kazakh State University named after S. Kirov in the specialty “Law”, in 2011 – from the Moscow Business School.

1994–1997 – Prosecutor, Senior Prosecutor, Assistant to the Prosecutor’s Division of Taldykorgan region.

1997–2011 – Senior Prosecutor, Head of the Division, Deputy Head, Head of the Department for Law-Based Governance Supervision of the General Prosecutor’s Office of the Republic of Kazakhstan.

2011–2017 – Deputy Prosecutor General of the Republic of Kazakhstan.

Since October 2018 – Managing Director for Legal Support and Risk – Member of the Management Board.



YERNAR ZHANADIL

Co-Managing Director for Economics and Finance

Mr Zhanadil held various positions at Phillip Morris Kazakhstan, Elitstroy LLP and international audit firm PricewaterhouseCoopers. After joining Samruk-Kazyna JSC, he was responsible for the work of the Internal Audit Service, and also served as secretary of the Audit Committee and Implementation Monitoring Committee under the Board of Directors of the Fund and was a member of the Audit Committees at the Board of Directors of several subsidiaries of the Fund. In 2016, he was appointed as financial controller of Samruk-Kazyna JSC and since November 2016 he has served as managing director for finance and operations.



YERZHAN TUTKUSHEV

Director of Assets Development Department

Mr Tutkushev began his career in 2004 as an accountant at J.T.I. Marketing and Sales CJSC (Japan Tobacco International) in St. Petersburg, then worked as the Chief Manager of the Strategic Planning Department of Development Bank of Kazakhstan JSC. He has experience in international consulting companies Ernst & Young and PricewaterhouseCoopers. Over the years, he held senior positions at

Astana-Finance JSC, Samruk-Kazyna Invest LLP, Samruk-Kazyna JSC. Since July 2014 – Deputy Chief Director for Business Development, co-Managing Director for development of new industries of Samruk-Kazyna JSC since January 11, 2018 – Director of the Assets Development Department of Samruk-Kazyna JSC.

Mr Tutkushev holds a Masters in Finance from the University of Illinois at Urbana-Champaign.

Changes in the composition of the Management Board in 2018

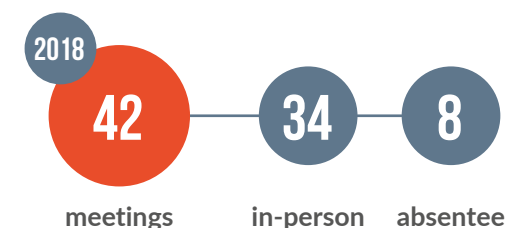
Member of the Management Board	Position	Status
Alik Aidarbayev	Deputy Chairman of the Management Board for Assets Management	
Baljeet Kaur Grewal	Managing Director for Strategic Development	Terminated powers as a member of the Management Board
Gani Bitenov	Managing Director for Legal Support and Risk	
Beybit Karymsakov	Managing Director for Economics and Finance	
Andrey Kravchenko	Managing Director for Legal Support and Risk	Elected to the Management Board

Report on activities of the Management Board

In 2018, 42 meetings of the Management Board of Samruk-Kazyna JSC were held, of which 34 in-person and 8 absentee meetings. Thus, compared to the same period of 2017, the number of in-person meetings increased from 27 to 34 meetings.

In general, meetings of the Management Board of the Fund were held on a regular basis in accordance with the work plan of the Management Board of the Fund.

Information sessions were held on an ongoing basis and structural subdivisions of the Fund were informed about procedure for preparing materials for meetings of the Fund's Management Board and newly accepted Fund employees, as well as service notes were sent.



Among the resolutions taken by the management Board of the Fund, the following ones should be highlighted:

Corporate Governance

- ▶ On composition of the Board of Directors of Portfolio Companies (NC Kazmunaygaz JSC, NAC Kazatomprom JSC, NC Kazakhstan Temir Zholy JSC, Samruk-Energy JSC, KEGOC JSC, Kazpost JSC, Kazakhtelecom JSC, Air Astana JSC, KOREM JSC, NMC Tau-Ken Samruk JSC, Samruk-Kazyna Construction JSC, Qazaq Air JSC, United Chemical Company LLP, Samruk-Kazyna Invest LLP, Samruk-Kazyna Business Service LLP, Samruk-Kazyna Contract LLP);
- ▶ Results of independent diagnostics of corporate governance in 12 Portfolio Companies of Samruk-Kazyna JSC

Asset Management

- ▶ On the sale of 100% shares of NAC Kazatomprom JSC in the authorized capital of MAEK-Kazatomprom LLP in favor of Samruk-Kazyna JSC;

- ▶ On determining the method of implementation of the 51% stake in Kazmortransflot LLP, which includes: Alatau Shipping Ltd., Altai Shipping Ltd., Kazmortransflot Ltd., Kazmortransflot UK Ltd.;
- ▶ On preliminary approval of the acquisition of KMG Drilling & Services LLP with a 49% share in the authorized capital of KMG Parker Drilling Company LLP;
- ▶ On approval of the M&A project, which provides for the alienation of a 30% stake in Kazatomprom-Damu LLP (a subsidiary of NAC Kazatomprom JSC) in the authorized capital of Samruk Service Management Company LLP.

Investment activities

- ▶ On the conclusion of Memorandum of Understanding between Samruk-Kazyna JSC and China International Capital Corporation (Hong Kong) Limited;

- ▶ On conclusion of Memorandum of Understanding between Samruk-Kazyna JSC and WINTA INVESTMENT GROUP CO. LTD;
- ▶ On cooperation with Borealis AG in the framework of the «Construction of integrated gas and chemical complex in the Atyrau region project.

Long and medium term planning

- ▶ On expectations (long-term) of Samruk-Kazyna JSC to the boards of directors, supervisory boards of organizations, fifty and more percent of voting shares (participatory interests) of which belong to Samruk-Kazyna JSC under the ownership right for 2018–2028;
- ▶ On expectations (medium-term) of Samruk-Kazyna JSC to the boards of directors, supervisory boards of organizations, fifty and more percent of voting shares (participatory interests) of which belong to

Samruk-Kazyna JSC under the ownership right for 2019–2023;

- ▶ On approval of the Action Plan for implementation of the Development Strategy of Samruk-Kazyna JSC for 2018–2028;

Formation of the regulatory framework of the Fund

- ▶ On approval of the Rules for managing documentation of Samruk-Kazyna JSC in a new edition;
- ▶ On approval of the Rules for determining the marketing prices of goods in the new edition;
- ▶ On approval of the Corporate Standard of investment activities of Samruk-Kazyna JSC and legal entities, more than fifty percent of the voting shares (participation shares) of which Samruk-Kazyna JSC directly or indirectly owns.

The list of transactions of Samruk-Kazyna JSC with affiliated parties

Nº	Transaction	Decision of Samruk-KazynaJSC
1	On conclusion of NC KazMunayGaz JSC of interconnected transactions, in the aggregate being a major transaction in which there is an interest	Board Decision No. 27/17 dated September 24, 2018
2	Agreement on the purchase of consulting services for assessment of the market value and support of transaction for the sale of a stake in Samruk-Energy JSC	Board Decision No. 21/18 dated July 09, 2018

Remuneration of members of the Board of Directors and Management Board

Remunerations of members of the Board of Directors

In accordance with the Corporate Governance Code, the level of remuneration for members of the Board of Directors should be sufficient to attract, retain and motivate each member of the Board of Directors to the level that is required for successful management of the Fund. At the same time, no one person should participate in making decisions related to their own remuneration.

Payment of remuneration and reimbursement of expenses to independent directors of the Fund is carried out in accordance with the Rules for payment of remuneration and

reimbursement of expenses of independent directors of the Fund, approved by a decision of the Board of Directors of the Fund dated April 27, 2009 (Minutes No. 18) and agreements concluded with independent directors. At the same time, expected positive effect for the Fund from participation of this person on the Board of Directors is taken into account. The Nomination and Remuneration Committee of the Board of Directors of the Fund makes proposals on the amount of remuneration of a candidate to independent directors.

When determining the amount of remuneration, the responsibilities of members of the Board of Directors, the scope of the Fund's activities, long-term goals and objectives determined by the development strategy, the complexity of issues considered by the Board of Directors, the level of remuneration in similar companies (benchmarking, review of remuneration) are taken into account.

Remuneration to independent directors is paid when the following conditions are met:

- ▶ conscientious fulfillment of the powers of a member of the Board of Directors, using methods that most reflect the interests of the Fund;
- ▶ leadership in making decisions by the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Fund;
- ▶ participation in meetings of the Board of Directors of the Fund, with the exception of illness, vacation, business trip.

Remuneration of members of the Management Board

The Board of Directors of the Fund determines the amount of salary, the terms of remuneration of the Chairman and members of the Board of the Fund. A key role in determining their remuneration is played by the Nomination and Remuneration Committee of the Fund's Board of Directors.

Remuneration system of the Chairman and members of the Fund's Management Board is determined in accordance with the Terms of remuneration and bonuses of the Chairman and members of the Management Board of Samruk-KazynaJSC, approved by the Fund's Board of Directors, and includes the salary, remuneration for the relevant period, as well as single premium to the

Day of Independence of the Republic of Kazakhstan.

Remuneration on the results of work for the corresponding period is paid depending on the results of evaluation of the activities of the Chairman and a member of the Management Board in order to materially

reward him/her for hi/her achievements and improve work efficiency.

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

GLOSSARY

The following definitions and abbreviations are used in this Annual Report:

Fund, Samruk-Kazyna JSC Sovereign Wealth Fund Samruk-Kazyna Joint-Stock Company

% Percent

AHPC Aromatic Hydrocarbons Production Complex

Air Astana, Air Astana JSC Air Astana Joint-Stock Company

AMS Administrative and managerial staff

ARI of the Ministry of Internal Affairs of the RF Federal State Public Institution "All-Russian Research Institute of the Ministry of Internal Affairs of the Russian Federation"

BAC British Aircraft Corporation

bln billion

BoD Board of Directors

CC Committee for Construction, Housing and Communal Services and Land Management of the Ministry of National Economy of the Republic of Kazakhstan

CFaR Constant false alarm rate, CFAR adaptive algorithm

CGC Corporate Governance Code

CIMA Chartered Institute of Management Accountants, Certified Management Accountant

CIS Commonwealth of Independent States

CIW Construction and installation works

CNCEC China National Chemical Engineering Co.,Ltd

CoB Chairman of the Board

Companies, Portfolio Companies of the Fund, PC National companies and other legal entities, more than 50% of the voting shares (participatory stakes) of which belong to the Fund by the right of ownership or trust management

CorpC Corporate Center of Samruk-Kazyna JSC

CRM&ICS Corporate Risk Management and Internal Control System

DCP Domestic commodity producers

DDIA District Department of Internal Affairs

DED Design and estimate documentation

DFI Direct foreign investments

DORC Deep Oil Refining Complex

EBG Electronic Bank Guarantee

% Percent

AMS Administrative and managerial staff

BAC British Aircraft Corporation

bln	billion	EBRD	European Bank for Reconstruction and Development
BoD	Board of Directors	EC post	Electric centralization post
CC	Committee for Construction, Housing and Communal Services and Land Management of the Ministry of National Economy of the Republic of Kazakhstan	ECB	European Central Bank
Centre	Stewardship Asia Centre	EE	Electric Energy
CFaR	Constant false alarm rate, CFAR adaptive algorithm	EIB	European Investment Bank
CGC	Corporate Governance Code	EMBA	Executive MBA, Master of Business Administration (Distance Education)
CIMA	Chartered Institute of Management Accountants, Certified Management Accountant	EPIS	Electronic Procurement Information System of Samruk-Kazyna JSC
CIS	Commonwealth of Independent States	EU	European Union
CIW	Construction and installation works	EVA	Economic Value Added
CNCEC	China National Chemical Engineering Co.,Ltd	FA	Fixed asset/ Fixed assets
CoB	Chairman of the Board	FOTL	Fiber-optic transmission line
Companies, Portfolio Companies of the Fund, PC	National companies and other legal entities, more than 50% of the voting shares (participatory stakes) of which belong to the Fund by the right of ownership or trust management	DORC	Deep Oil Refining Complex
CorpC	Corporate Center of Samruk-Kazyna JSC	FS	Feasibility study
CPI	Consumer price index	Fund Group	The Fund, companies, their subsidiaries, more than 50% of voting shares (participatory stakes) which belong to companies, as well as legal entities, more than 50% of voting shares (participatory stakes) of which belong to specified subsidiaries of companies
CRM&ICS	Corporate Risk Management and Internal Control System	GAE	General and administrative expenses
DCP	Domestic commodity producers	GAE	General and administrative expenses
DED	Design and estimate documentation	GAP Analysis	Gap analysis -a method of strategic analysis, which is used to search for steps to achieve a given goal
DFI	Direct foreign investments	GDP	Gross domestic product
DORC	Deep Oil Refining Complex	GR	Government Relations
EBG	Electronic Bank Guarantee	GRI	Global Reporting Initiative
		HCS	Housing and communal services

HPP	Heat Power Plant	kWh	kilowatt-hour
HR	Human Resources	KZT	Kazakhstan tenge
IA	Intangible assets	LC	Local content
IAS	Internal Audit Service	LLM	Master of Laws,
ICS	Internal Control System	M³	cubic meter
IFRS	International Financial Reporting Standards	MBA	Master of Business Administration
IFSWF	International Forum of Sovereign Wealth Funds	MD&A	Management discussions and analysis
IMF	International Monetary Fund	MDIA	Main Department of Internal Affairs
IoD	Institute of Directors of the United Kingdom	MIA	Ministry of Internal Affairs of the Republic of Kazakhstan
IPO	Initial Public Offering	MIES	Moscow Institute of Economics and Statistics
IS	Information system	mln	million
KAI	Key Activity Indicator	MM	Mass media
KAP, NAC Kazatomprom	National Atomic Company Kazatomprom Joint Stock Company	MNE RK	Ministry of National Economy of the Republic of Kazakhstan
Kazpost	Kazpost Joint-Stock Company	mW	megawatt
KE, KE JSC	Kazakhstan Engineering National Company Joint-Stock company	NAV	Net Asset Value
KHS	Karaganda Higher School of the Ministry of Internal Affairs of the Republic of Kazakhstan	NBRK	National Bank of the Republic of Kazakhstan
KIMEP	Kazakhstan Institute of Management, Economics and Forecasting	NIPT	National Industrial Petrochemical Technopark
km	kilometer	OECD	Organization for Economic Cooperation and Development
KMG, NC KMG JSC	National Company KazMunaiGaz Joint-Stock Company	OR	Oil Refinery
KPI	Key Performance Indicator	PCP	Petrochemical Plant
KT	Kazakhtelecom Joint-Stock Company	pcs.	Piece
KTZ, NC KTZ JSC	National company Kazakhstan TemirZholy Joint-Stock Company	PQ	Prequalification
		QAZAQ AIR, QAZAQ AIR JSC	QAZAQ AIR Joint-Stock Company

RF	Russian Federation	UEPS RK	Unified electrical power system of the Republic of Kazakhstan
RK	Republic of Kazakhstan	UNDGWS	Information directory Unified nomenclature directory of goods, works and services
ROA	Return on assets	unit	Unit
ROE	Return on equity	United Chemical Company LLP, UCC	United Chemical Company Limited Liability Partnership
ROACE	Return on average capital employed	USA	United States of America
SACC	State Architectural and Construction Control	USD, \$, US dollars	US dollar
SCB	Signaling, centralization and blocking devices	USSR	Union of Soviet Socialist Republics
SDBC	State Development Bank of China	WB	World Bank
SDPS	State District Power Station	EPC contract	Engineering, procurement and construction, contracting method in the construction industry
S-E, Samruk-Energy JSC	Samruk-Energy Joint-Stock Company	KazSSR	Kazakh Soviet Socialist Republic
SEZ	Special Economic Zone	KEGOC, KEGOC JSC	Kazakhstan Electricity Grid Operating Company "KEGOC" Joint-Stock Company
SKM	Portal "Marketing in procurement of goods, works and services of organizations of Samruk-Kazyna JSC"	CP	Cost price of goods sold and services rendered
SME	Small and medium enterprises		
SRO	Subsidiaries and related organizations		
STB RK	Second Tier Bank of the Republic of Kazakhstan		
SWF	Sovereign Wealth Fund (s)		
thous.	Thousand		
TKS, Tau-Ken Samruk JSC	Tau-Ken Samruk Joint-Stock Company		
trn	Trillion		
TSE	Transportation and sales expenses		

CONTACT DETAILS

SOVEREIGN WEALTH FUND SAMRUK-KAZYNA JOINT-STOCK COMPANY

Address: Republic of Kazakhstan 010000, Nur-Sultan city,

Legal: E10str., 17/10 bld

Actual: E10str., 17/10 bld

Call center: + 7 (7172) 55 4001

Front office: +7 (7172) 55 4077, 55 2630, 55 2681

On possible or happened thefts, fraud and corruption facts

8 (800) 080 19 94,
sk.hotline@deloitte.kz
www.sk.deloitte-hotline.com

For media enquiries

+7(7172) 55 4173, 55 2625, 55 2690

Procurement control of Samruk-Kazyna JSC

+7 (7172) 55 2713, 55 4993

On HR issues

+7 (7172) 55 4175, 55 4049

For questions about the Privatization program

+7 (7172) 55-22-66
+7 (7172) 55-92-81
DPRA@sk.kz

Investor Relations

+7 (7172) 55 4071, 55 4033
ir@sk.kz

Technical support for the procurement portal

+7 (7172) 55 2266
support2@skc.kz