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Annual Report of
“Samruk-Kazyna”
Joint Stock Company
for 2010

Astana, 2011

Table of Contents



Sovereign Wealth Fund
“Samruk-Kazyna”
JSC

4	Introduction <ul style="list-style-type: none">- “Samruk-Kazyna” Fund Facts and Figures- Key events in 2010- Opening speech of the Chairman of the Board of Directors- Opening speech of the Chief Executive
12	The Fund <ul style="list-style-type: none">- Key financial and economic figures- Key focus areas, goals and objectives- Results of the crisis bailout programme- Recovery of the financial sector- Support of small and medium - sized businesses- Increase of Kazakhstani content in the projects executed by the Fund- Implementation of industrial and infrastructure projects with participation of the Fund
38	Corporate Governance <ul style="list-style-type: none">- Report on Corporate Governance- Report on the Fund’s Board of Directors and Management Board activity- Audit and control- Risk Management
64	Human Resources Development and Corporate Social Responsibility <ul style="list-style-type: none">- Occupational and health safety- Personnel development and occupational training- Sponsorship and charity- Environmental protection

98 Performance of the Fund's Subsidiary Organizations

Industrial Group:

- JSC "NC "KazMunayGas"
- JSC "NAC "Kazatomprom"
- "United Chemical Company" LLC
- "Tau-Ken Samruk" NMC JSC

Infrastructure Group:

- "KEGOC" JSC
- "Kazakhtelecom" JSC
- "Samruk-Energy" JSC
- "Kazpost" JSC
- JSC "NC "Kazakhstan Temir Zholy"
- "Air Astana" JSC

Financial Group:

- "Development Bank of Kazakhstan" JSC
- "Entrepreneurship Development Fund "Damu" JSC
- "Real Estate Fund "Samruk-Kazyna" JSC
- "Housing Construction Savings Bank of Kazakhstan" JSC

Second Tier Banks (STB)

112 Appendix:

- Etymology of "Samruk-Kazyna"
- Glossary





Sovereign Wealth Fund
“Samruk-Kazyna”
JSC

Annual Report. 2010.
Volume 1



Introduction

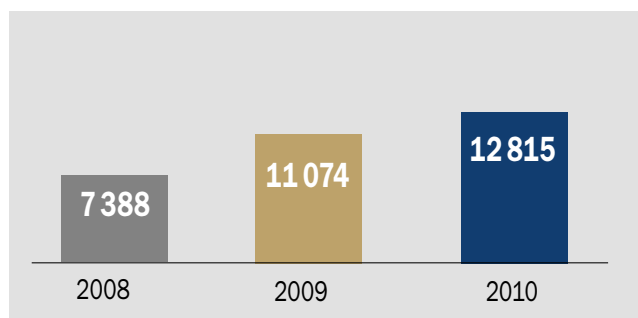
- 6 “Samruk-Kazyna” Fund Facts and Figures
- 8 Key events in 2010
- 12 Opening speech of the Chairman of the Board of Directors
- 14 Opening speech of the Chief Executive

“SAMRUK-KAZYNA” FUND FACTS AND FIGURES IN 2010

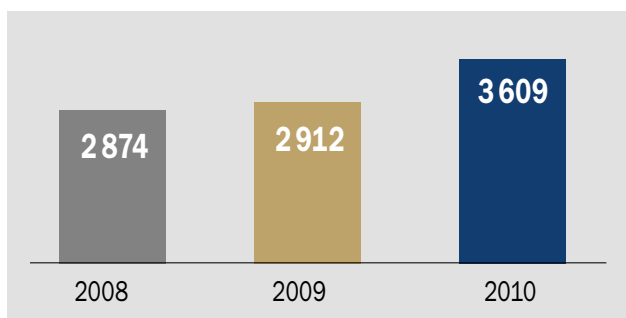
NUMBER OF PERSONNEL OF THE FUND'S GROUP OF COMPANIES CONSTITUTES 320,429 PEOPLE (including operational personnel to the number of 291,899 people or 91% of the total number of staff)

TOTAL TAX AND OTHER BUDGET PAYMENTS PAID IN THE AMOUNT OF KZT606.8 BILLION (by 36% more than in 2009)

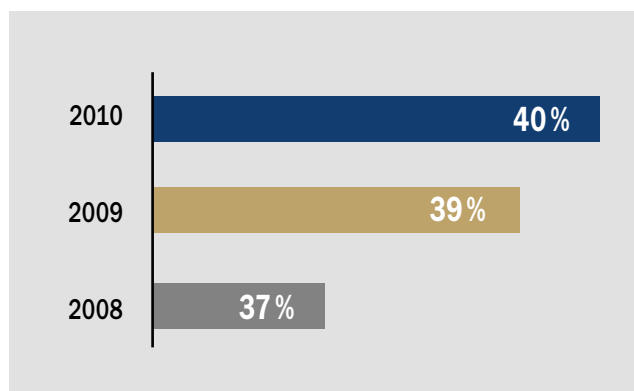
CONSOLIDATED ASSETS KZT billion



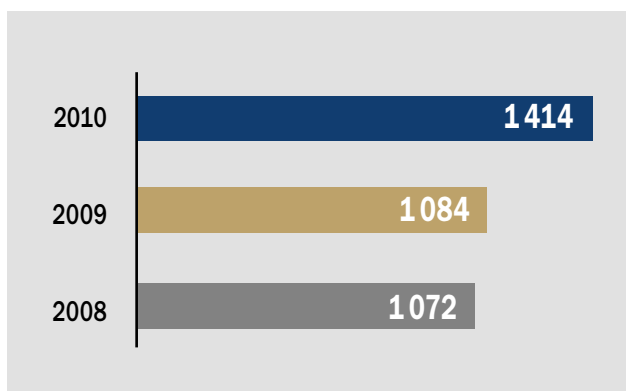
CONSOLIDATED INCOME KZT billion



EBITDA MARGIN (WITHOUT STB*), %



EBITDA (WITHOUT STB*), KZT billion



Note: * Second tier banks (hereinafter – STB) such as “Alliance Bank” JSC, “BTA Bank” JSC, “Halyk Bank of Kazakhstan” JSC and “KKB” JSC are not included into EBITDA and EBITDA margin calculation.

THE BANKS WITH PARTICIPATION OF "SAMRUK-KAZYNA" JSC CONSTITUTE ABOUT 15% OF THE TOTAL DEPOSIT BASE OF THE COUNTRY (nearly one trillion KZT or approximately seven billion US Dollars)

IN DECEMBER 2010, FOR THE FIRST TIME, "SAMRUK-KAZYNA" JSC IS AWARDED AN ISSUER RATING BY STANDARD & POOR'S:

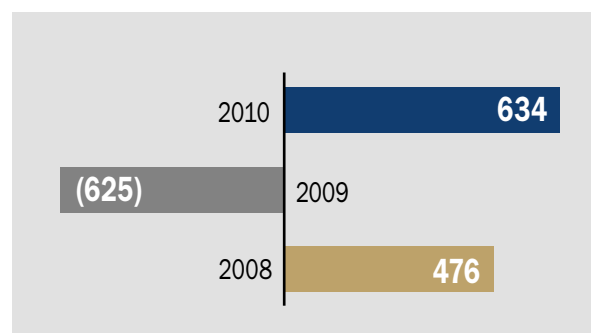
- **IN FOREIGN CURRENCY: "BBB/A-3";**
- **IN LOCAL CURRENCY: "BBB+/A-2";**

THE RATING OUTLOOK: "STABLE".

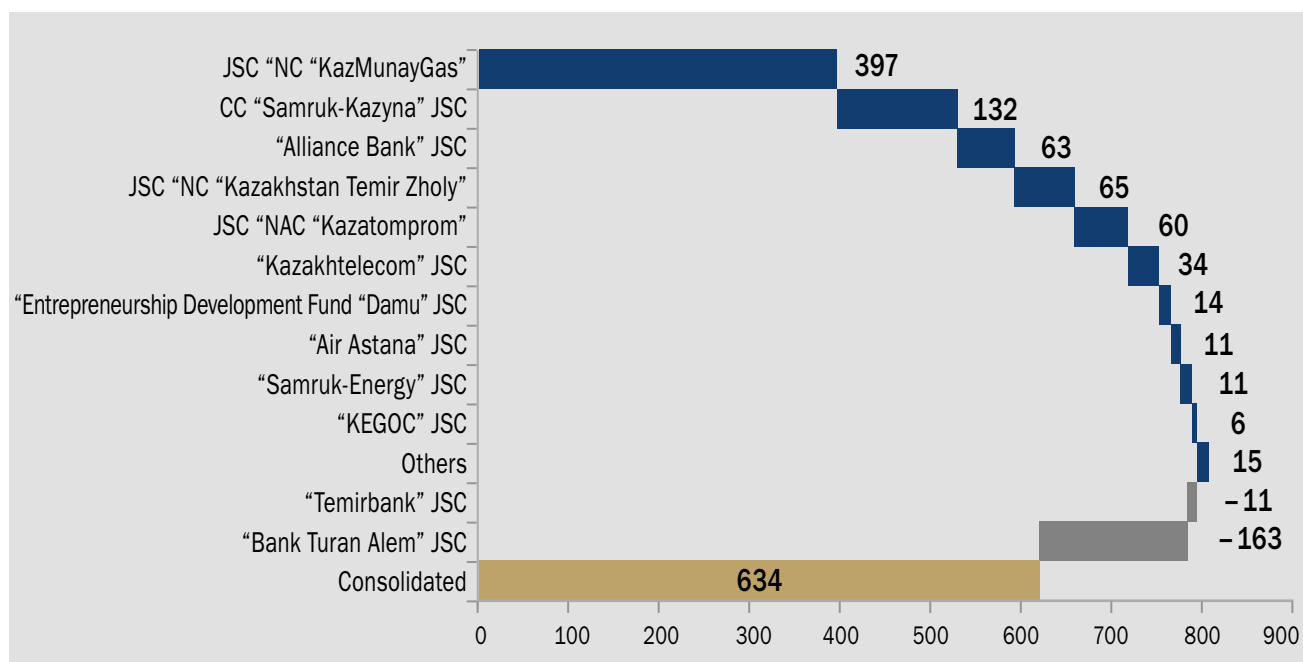
THE NATIONAL SCALE RATING: kzAAA

The Fund's rating relates to investment level and is equal to sovereign rating of Kazakhstan, which shows its high borrowing power and financial standing.

NET CONSOLIDATED INCOME (LOSS), KZT billion



NET CONSOLIDATED INCOME FOR 2010 SEPARATELY FOR EACH COMPANY, KZT billion



KEY EVENTS IN 2010

I quarter

JANUARY

- “Samruk-Kazyna” JSC undertakes General Sponsor obligations for one of the strongest cycling team of the world “Astana”.

FEBRUARY

- During the teleconference bridge “Let’s build strong Kazakhstan together” with participation of Head of State Nursultan Nazarbayev, “Samruk-Kazyna” JSC presents its projects executed in the framework of the State Programme on Forced Industrial – Innovative Development.
- Management Board meeting is held with participation of the Prime Minister Karim Massimov. Contribution to modernization of the economy and development of the corporate governance within the Fund’s Group of Companies are defined as business priorities.
- Development of the new Human Resources policy in the post-crisis period.
- Running of the Fifth International HR Conference “Human Resources management: lessons of the past and future perspectives”.

MARCH

- Acquisition by “Samruk-Kazyna” Fund of 50% of share of participation in “Ekibastuskaya GRES-1” LLP from Kazakhmys, in the framework of the policy for increase of national energy security.
- Completion of “Alliance Bank” JSC restructuring; the bank is capitalized for KZT24 billion, its foreign debt reduced from 4.5 billion US Dollars to 1.1 billion US Dollars, loan conditions considerably optimized. As a result of the restructuring, 33% and 67% of ordinary shares were provided to creditors and “Samruk-Kazyna” JSC respectively.
- The project for restructuring of “Temirbank” JSC assuming capitalization of the bank for the amount of KZT23.5 billion is resolved with participation of creditors. Foreign debt of the bank is decreased from 770 million US Dollars to 61 million US Dollars, debt management terms are significantly extended and average loan rate is reduced to 9% per annum. 20% of the new ordinary shares are transferred to foreign creditors, more than 79% of shares transferred to “Samruk-Kazyna” JSC and the rest distributed between the existing shareholders.



II quarter

APRIL

- Holding of round table meeting "On performance of the development institutions of "Samruk-Kazyna" Group, with participation of deputies of the Parliament, representatives of state authorities, expert and business community of the country.
- Memorandum of understanding under shunting diesel locomotive production programme for the CIS countries is signed between JSC "NC "KTZ" (subsidiary and affiliated company of "Samruk-Kazyna" JSC) and "General Electric Transportation" Company, in the framework of working visit of the Head of State Nursultan Nazarbayev to USA.
- "Kazakhtelecom" JSC (subsidiary and affiliated company of "Samruk-Kazyna" JSC) starts fiber optics subscriber line construction under FTTH (G-PON) technology, allowing provision of comprehensive range of services to subscribers in accordance with TriplePlay (Megaline + IDphone + ID TV) concept. In the framework of this project, construction of line plants of fiber – optical network access containing more than 60,000 ports in Astana, Almaty, Karaganda and Atyrau is finalized in 2010.
- Agreements on provision of simultaneous operation of the unified power systems of Kazakhstan and Russia are signed between "KEGOC" JSC and the largest Russian energy companies, such as "FGC UES" OJSC, "SO UPS" OJSC and "Inter RAO UES" OJSC.

MAY

- "Air Astana" JSC takes third place in Skytrax "The best Eastern Europe airline company of 2010" rating, being the only airline company of the CIS territory which was marked in the list.
- Restructuring plan of "BTA Bank" JSC assuming decrease of its foreign debts from 12 billion US Dollars to 4.2 billion US Dollars, as well as significant extension of payment terms and decrease of the average rate to 10% per annum was approved by the decision of creditors. According to the results of the restructuring which was fully completed in September 2010, 18.5% of the bank's ordinary shares were transferred to foreign creditors, the share of "Samruk-Kazyna" JSC comprising 81.4%.
- JSC "NAC "Kazatomprom" distributes inaugural bonds for the amount of 500 billion US Dollars for five years at 6.25% coupon rate, which is the best indicator in the history of Eurobonds issuance in the emerging markets. The demand exceeded the offer in more than eight times. The result of inaugural placement of the company's Eurobonds shows high authority and confidence of the world community in Kazakhstan and "Samruk-Kazyna" JSC Group of Companies.

JUNE

- Presentation of investment priorities of "Samruk-Kazyna" JSC to participants of the Fourth Almaty Investment International Summit organized by "International Herald Tribune" (USA).
- Transfer of the Fund's stock of shares of JSC "NC "Kazakhstan Engineering" in trust management to the Ministry of Defence of the Republic of Kazakhstan. Before that, the stock of shares of JSC "Kazakhstan Engineering" was in trust management of the Ministry of Industry and Trade of the Republic of Kazakhstan (from 7 September 2009).

KEY EVENTS IN 2010

III quarter

JULY

- Signing of shareholder agreement in the framework of North-Caspian project by JSC “KazMunayGas” and “Shell Kazakhstan Development B.V.” (subsidiary and affiliated company of Shell), according to which JSC “KazMunayGas” joined production and exploitation company – NC Petroleum Operations Company B.V. (hereinafter – NCPOC) on a parity conditions with Shell.
- According to the results of the meeting of Interstate Council of the Eurasian Economic Community in Astana, in the presence of heads of states, the Credit agreement is signed between “Ekibastuskaya GRES-2 Station” JSC, Vnesheconombank of Russia and Eurasian Development Bank for the credit line up to 770 billion US Dollars, for the purpose of realization of the third 600–630 MW power unit construction project.

AUGUST

- Approval of “Human Resources Strategy of ‘Samruk-Kazyna’ JSC Group of Companies for 2010–2020” by the Decision of the Fund’s Management Board.

SEPTEMBER

- Participation of “Samruk-Kazyna” Fund delegation governed by the Chief Executive Kairat Kelimbetov in the “Summer Asian Davos” in the People’s Republic of China.

IV quarter

OCTOBER

- The Conference “2030 Strategy: way to stable development” organized by “Samruk-Kazyna” JSC is held in Astana.
- In the framework of the President’s Nazarbayev visit to France, Memorandum of financial and investment cooperation are signed between “Samruk-Kazyna” JSC and “Caisse des Dépôts et Consignations” and Centre for European and Integration Strategies.

NOVEMBER

- Memorandum of cooperation is signed between the Chinese corporation “China Datang Overseas Investment Central Asia” and “Samruk-Kazyna” JSC with regard to renewable energy.

DECEMBER

- Approval of the “Code of Business Ethics of ‘Samruk-Kazyna’ JSC” by the Decision of the Board of Directors of the company. Considering the best world practices and in accordance with the Code, provision is made for establishment of ombudsmen.
- Completion of the project on “Transfer of telecommunication network of “Kazakhtelecom” JSC to the Next Generation Network (hereinafter – NGN) technologies with one million subscribers capacity”. The total capacity of NGN network to the end of 2010 composed 1,078,295 ports.
- “Kazakh Manufacturers Forum” with participation of Prime Minister Karim Massimov, Vice Prime Minister – Minister of Industry and New Technologies Aset Issekeshev, representatives of national companies, development institutes, business associations and domestic manufacturers is held under the patronage of “Samruk-Kazyna” JSC.
- “Locomotiv Kurastiru Zauti” JSC (subsidiary and affiliated company of “KTZ” and “Samruk-Kazyna” JSC) is recognized as the best company in production at the grand award giving ceremony of the President of the Republic of Kazakhstan Altyn Sapa.



The Chairman of
the Board of Directors
of “SWF “Samruk-Kazyna” JSC
Karim MASSIMOV

OPENING SPEECH OF PRIME MINISTER OF THE REPUBLIC OF KAZAKHSTAN

Dear Partners, Colleagues and Investors!

The results of 2010 showed efficiency of the crisis bailout strategy for recovery of the country's economy presented in the Message of the President of the Republic of Kazakhstan Nursultan Nazarbayev “New decade – New economic growth – New possibilities for Kazakhstan”.

Most of the key economic indicators demonstrated positive dynamics and GDP of Kazakhstan in 2010 exceeded 148 billion US Dollars.

The year of 2010 became the year of significant achievements for “Samruk-Kazyna” Fund. As a result of main performance indicators growth and favourable market conditions, consolidated income of the Fund reached KZT3,609.2 billion (by 24% more than in 2009). At the end of 2010, the Fund's Group of Companies paid to the budget KZT606.8 billion which is by 36% more than in 2009.

The Fund played a vital role as the Government's operator for implementation of the crisis bailout programme and made a significant contribution to stabilization of the banking system of the country.

Stability in the financial system allowed the banks not only maintain but increase their deposit base, which shows people's confidence in financial institutions.

Stability in the financial system allowed the banks not only maintain but increase their deposit base, which shows people's confidence in financial institutions.

The Fund actively participated in completion of the programme for critical housing construction. Today most of the interest holders received apartments in those residential estates finalized through the funds of "Samruk-Kazyna" JSC.

The Fund's programme for mortgage loans refinancing aiming to decrease interest rates to 9–11% made a special social significance. Thanks to the programme more than 31,000 borrowers received an opportunity to reduce their monthly loan payments.

Participation of "Samruk-Kazyna" JSC in realization of industrial, infrastructure and innovative projects in the framework of State Programme on Forced Industrial-Innovative Development of the Republic of Kazakhstan for 2010–2014 became an important strategic cushion for future achievements.

The Fund's projects cover such priority economic sectors as crude oil refining and oil and gas infrastructure, energy, transport and machinery, chemical and pharmaceutical sectors. The above leads to establishment of new businesses, manufactures and railways which will not only solve social-economic problems of the regions, but become starting points for various sectors of the economy of the country and will increase the Kazakhstani content.

The results of the Fund's activity show that the task set by the Head of State for promotion of the national welfare growth through long-term increase in cost of the Fund's Companies and ensuring sustainable development, diversification and modernization of the economy, is in the process of its successful implementation.



The Chief Executive
of “Samruk-Kazyna” JSC
Timur KULIBAYEV

OPENING SPEECH OF THE CHIEF EXECUTIVE OF “SAMRUK-KAZYNA” JSC

Dear Sole Shareholder, Partners and Colleagues!

First of all, let me express my sincere appreciation to Kairat Kelimbetov, the Fund's Chief Executive during 2008–2010, for organization of efficient activity of the Fund, successful implementation of the programmes of the Head of State Nursultan Nazarbayev and the Decisions of the Government of Kazakhstan.

In 2009, the Fund was the main operator for the programme of stabilization of the economy and financial system of the Republic acting as anti-crisis instrument of the Government, but in 2010 the Fund is facing new tasks relevant for the post-crisis development. Increase of competitive ability of “Samruk-Kazyna” Group of Companies as the basis for long-term stable development of the country's economy, became the key point.

In 2010, compare to the previous year, financial and economic indicators of the Fund significantly improved. The assets were increased by 16% reaching KZT12.8 trillion, own capital was increased by 14% and made up KZT5.4 trillion. Consolidated income was increased by 24% and reached KZT3.6 trillion. Net consolidated income of the Fund in 2010 made up KZT634 billion against loss in 2009 in the amount of KZT626 billion, thus the net growth of finance result comprised KZT1.3 trillion.

By the end of 2010 the company plans to pay to the Shareholder – the Government of Kazakhstan dividends on ordinary shares in the amount of KZT9.1 billion.

5-year State Programme on Forced Industrial – Innovative Development of the Republic of Kazakhstan (hereinafter – SPFIID) was started in 2010 and participation in its implementation becomes the key focus of the Fund's activity. The company plans to realize 21 project totaling 20 billion US Dollars under the Programme, which is more than half of all SPFIID investments. The Fund covers 93% of all energy investments, 86% of crude oil refining and infrastructure, 84% of chemical and pharmaceutical investments.

Realization of diversification and modernization objectives in 2011–2015 shall be conducted in three main directions:

- modernization of existing business and infrastructure assets;
- diversification of production and increase of added value and export potential;
- formation of appropriate infrastructure allowing provision of the dynamic growth of the economy.

The Fund plans to invest not less than KZT3.75 trillion (25 billion US Dollars) into establishment and modernization of business and infrastructure assets during 2011–2015. Special attention shall be paid to implementation of high technology equipment and machinery, realization of innovative technologies allowing to considerably decrease costs and increase working efficiency in the Companies.

The proposed projects for modernization and reconstruction of the existing oil and gas capacities shall fully satisfy internal fuel demand by 2015. By that time working efficiency in the sector shall be increased by 47.73% in comparison with 2010.

Significant activities were held in corporate governance. In 2010, the Fund (in cooperation with KPMG) conducted the diagnostics of corporate governance systems in ten subsidiaries. The main emphasis was laid on the companies which received low rating in 2009 ("KTZ", "Kazpost", "Kazatomprom"). As a result, they were granted higher estimations and practically became the market leaders in 2010.

High level of corporate governance not only reflects the improvement of internal business processes of the company, but also leads to its positive perception by investors. The above is confirmed by successful emission of the Eurobonds of KTZ in 2010. Out of the recent practices, the results of the Fund's rating turned to be the closest to Standard & Poor's rating.

The Committee on Optimization of Interaction Procedures within the Fund's Group of Companies was created in 2010. As a result, the Division of Power Concept among the bodies of the joint stock companies, all voting shares of which are the property of the Fund, was amended and the Order of Interaction ensuring the activity of the representatives of "Samruk-Kazyna" JSC in the boards of directors and supervisory councils of the companies owned by the Fund, was improved. It should be also noted, that conduction of the first Forum of Corporate Secretaries of

Kazakhstan was organized by the Fund in November last year. More than 150 delegates including delegates from EBRD, "Standard & Poor's" and state bodies, participated in the Forum.

In 2011, the Fund plans to continue with the diagnostics of the subsidiaries' corporate governance systems which main components are transparency and high level of financial management. At present "Samruk-Kazyna" JSC is in the process of realization of big and multistage programme for improvement of financial management quality in its subsidiaries.

The Fund is going to continue with this task. Corporate governance rating is defined as efficiency coefficient for the management of the companies and for the supervising managing directors of the Fund. I am sure that we are becoming the participants of the final transformation process of the former government companies into efficient market companies.

With overcoming the crisis, there is a possibility to return to the market model which was initially described in the Fund's concept. Successful activities in the reporting year created a good background for this.

Taking the possibility, I am expressing sincere thanks to all the staff of the corporate centre and the companies of the Fund for their highly professional work in 2010, and our partners – for the mutually beneficial and fruitful cooperation. We will not stop at this point and will do our best for the growth of the prosperity of Kazakhstan and its citizens.



Sovereign Wealth Fund
“Samruk-Kazyna”
JSC

Annual Report. 2010.
Volume 1



The Fund

- 18 Key Financial and Economic Indicators of “Samruk-Kazyna” JSC
- 20 Key Focus Areas, Goals and Objectives
- 24 Results of the Crisis Bailout Programme in 2010
- 25 Recovery of Financial Sector
- 27 Support of Small and Medium Businesses
- 28 Increase of Kazakhstani Content in the Projects Executed by the Fund
- 32 Implementation of Industrial And Infrastructure Projects with Participation of the Fund

KEY FINANCIAL AND ECONOMIC INDICATORS OF "SAMRUK-KAZYNA" JSC

Financial and economic indicators of the Fund were significantly improved in 2010, in comparison with 2009. Thus, the assets and own capital were increased by 16% and 14% respectively. Net consolidated income of the Fund reached KZT634 billion in 2010, against the loss in 2009 in the amount of KZT626 billion, thus net growth of finance result constitutes KZT1.3 trillion (Table 1).

Following the results of 2010 activity the Fund plans to pay to the Shareholder dividends on ordinary shares in the amount of KZT9.1 billion (Table 2).

Following the results of 2010, total tax and other obligatory budget payments of the Fund's Group of Companies constitute 606.8 billion Tenge, by 36% more than in 2009 (Table 3).

Table 1. Financial and economic indicators of the Fund, KZT billion

Financial indicator		2010	2009	Change, Tenge	change, %
Assets		12,815.3	11,074.0	1,741.3	16%
Liabilities		7,392.9	6,329.0	1,063.9	17%
Own Shareholder's capital		5,422.4	4,745.0	677.4	14%
Net income/(loss)	with STB	634.4	-626.6	1,261.0	-
	without STB	764.8	431.6	333.2	77%
	of the Shareholder for the reporting period	545.0	-566.3	1,111.3	-
Minority interest in net income/(loss)		89.4	-60.3	149.7	-

Table 2. Net income and dividends according to the results of the largest subsidiaries and affiliated companies of "Samruk-Kazyna" JSC of 2009–2010, KZT billion

#	Company	Net income		Deviation, %	End of year dividends as per the Management Board Decision		Deviation, %
		2009	2010		2009	2010	
Industrial Group							
1	JSC "NC "KazMunayGas"	110,904	305,309	175	16,940	45,796	170
2	JSC "NAC "Kazatomprom"	40,684	59,014	45	6,103	8,852	45
3	"United Chemical Company" LLP	-524	-888	-69			
4	"NC "Tau-Ken Samruk" JSC	-434	-584	-35			

Infrastructure Group							
5	"KEGOC" JSC	-4,459	5,796	230		869	-
6	"Kazakhtelecom" JSC	27,318	34,220	25	2,351	2,945	25
7	"Samruk-Energy" JSC	-1,430	10,863	860		1,538	-
8	"Kazpost" JSC	-1,115	281	125		42	-
9	JSC "NC "Kazakhstan Temir Zholy"	19,489	65,175	234	2,923	9,776	234
10	"Air Astana" JSC	7,078	11,360	61	1,263	1,448	15
Financial Group							
11	"Development Bank of Kazakhstan" JSC	-39,476	2,226	106			
12	"Entrepreneurship Development Fund "Damu" JSC	-10,384	14,049	235		2,107	-
13	"Real Estate Fund "Samruk-Kazyna" JSC	14	383	2636	2	57	2750
14	"HCSBK" JSC	183	258	41	-	-	-
Second Tier Banks							
15	"BTA Bank" JSC	-1,086,625	988,035	188			
16	"Alliance Bank" JSC	-298,440	334,434	210	4,704	176	-96
17	"Temirbank" JSC	-95,173	80,863	185			
18	"Halyk Bank of Kazakhstan" JSC	15,876	36,216	228	2,261	2763	22

Table 3. Tax and budget payments of the largest subsidiary and affiliated companies of the Fund, KZT billion

#	Company	2009	2010	Change, %
1	JSC "NC "KazMunayGas"	306,078	412,877	35
2	JSC "NC "Kazakhstan Temir Zholy"	49,022	48,359	-1
3	"Kazakhtelecom" JSC	20,501	23,217	13
4	"KEGOC" JSC	2,422	6,352	162
5	"Kazpost" JSC	2,226	2,961	33
6	"Air Astana" JSC	4,611	5,645	22
7	JSC "NAC "Kazatomprom"	26,824	32,979	23
8	"Samruk-Energy" JSC	16,442	25,595	56
9	"Development Bank of Kazakhstan" JSC	2,619	1,229	-53
10	"Entrepreneurship Development Fund "Damu" JSC	3,641	5,122	41
11	"UCC" LLP	69	131	89
12	"Real Estate Fund "Samruk-Kazyna" JSC	60	191	222
13	"NC "Tau-Ken Samruk" JSC	74	121	64

KEY FOCUS AREAS, GOALS AND OBJECTIVES

In accordance with the development strategy of the Fund, approved by the Board of Directors on 16 November 2010, the **Mission of the Fund** for the period of up to 2020 is promotion of the national welfare growth through long-term increase in the cost of the Fund's companies and ensuring modernization and diversification of the national economy.

The Fund's Vision by 2020 – a strategic holding playing a vital role in the economy of Kazakhstan, developed from those companies of the “national champions” Fund representing the base for stable development of the country and able to compete with the largest foreign companies of similar sectors at the world markets.

The Fund aims to pursue the following two main strategic directions for realization of its Mission:

- 1) promotion of modernization and diversification of the economy to ensure stable development of the country;
- 2) increase of the companies' efficiency.

Implementation of the above mentioned directions is in compliance with strategic and programme documents of the country, including State Programme of Forced Industrial-Innovative Development of the Republic of Kazakhstan for 2010–2014, Strategic Plan for Development of the Republic of Kazakhstan for the period of up to 2020, Forecast for Social and Economic Development of the Republic of Kazakhstan for 2010–2015, and others.

In accordance with the Fund's development strategy project, for the period of up to 2020 the **plans are set for in – depth technological modernization of current manufactures and renewal of current infrastructure of the companies.**

The Fund will focus on enlargement of products and services range in the processing industry. Besides, works on moving of mining industries to higher levels and promotion of development of related processing industries, will continue. Apart from that, the Fund will direct its efforts

to formation of such an infrastructure that will create favourable conditions for stable development of the national economy and provide dynamic growth and development of industrial manufactures.

Interaction and governance in the Fund's companies will be performed through the companies' boards of directors without involvement in their operational activity. Such model of governance through boards of directors shall attract independent directors to bring the best management practices of the private sector. Moreover, the Fund will concentrate on the strengthening of the role of boards of directors by moving from management proposals to active participation in defining of strategic development directions, increasing of the companies' efficiency by applying expert knowledge and skills in the management sphere as well as accepting responsibility for the results of the companies' activity.

The presence of diversified assets in the Fund's structure allows creation and realization of a synergy as a competitive advantage for the Fund Group of Companies. Creation of a synergy will cover various functional activities of the Fund and the companies including human resources, merging of assets, innovations and finance.

The Fund will play a key role in coordination of the processes for creation of innovations and new technologies development, being important factors for increase of the companies' compatibility. For the purpose of continuous innovative and technological progress, the organizational structures of the Fund and the companies shall be improved to inventively react on potential possibilities and threats, generate new ideas and products and use new technologies quickly and effectively.

THE LARGEST SUBSIDIARY AND AFFILIATED ORGANIZATIONS OF "SAMRUK-KAZYNA" JSC (SHARES OF PARTICIPATION)*

Name of subsidiary and affiliated organization	2009	2010
JSC "NC "KazMunayGas" and subsidiaries	100.00%	100.00%
JSC "NC "Kazakhstan Temir Zholy" and subsidiaries	100.00%	100.00%
JSC "NAC "Kazatomprom" and subsidiaries	100.00%	100.00%
"Kazakhtelecom" JSC and subsidiaries	51%	51%
"Samruk-Energy" JSC and subsidiaries	94.01%	94.01%
"Kazakhstan Electricity Grid Operating Company" JSC and subsidiaries	100.00%	100.00%
"Air Astana" JSC	51.00%	51.00%
"BTA Bank" JSC and subsidiaries	75.10%	81.48%
"Alliance Bank" JSC and subsidiaries	100.00%	67.00%
"Development Bank of Kazakhstan" JSC and subsidiaries	100.00%	100.00%
"Entrepreneurship Development Fund "Damu" JSC	100.00%	100.00%
"Kazyna Capital Management" JSC and subsidiaries	100.00%	100.00%
"Zhilstroysberbank of Kazakhstan" JSC	100.00%	100.00%
"Kazpost" JSC	100.00%	100.00%
"Doszhan Temir Zholy" JSC	85.97%	94.95%
"Repairing corporation "Kamkor" LLP and subsidiaries	100.00%	100.00%
"Kazakhstan Investment Fund" JSC	100.00%	100.00%
"National Innovation Fund" JSC and subsidiaries*	100.00%	0.00%
"National Company "Kazakhstan Engineering" JSC and subsidiaries	100.00%	61.00%
"Real Estate Fund "Samruk-Kazyna" JSC	100.00%	100.00%
"KazExportGarant" Export-Credit Insurance Corporation" JSC (State insurance company for export loans and investments insurance)	100.00%	100.00%
"Kazakhstan Mortgage Guarantee Fund" JSC	100.00%	100.00%
"Aktobe International Airport" JSC	100.00%	100.00%
"Samruk-Kazyna Contract" LP	100.00%	100.00%
"SK-Pharmaceuticals" LLP	100.00%	100.00%
"NMC "Tau-Ken Samruk" JSC and subsidiaries	100.00%	100.00%
"Kazakhstan Scientific-Research Energy Institute named after academician Sh. Ch. Chokin" JSC	50%+1	50%+1
"United Chemical Company" LLP and subsidiaries	100.00%	100.00%
"Samruk-Kazyna Invest" LLP	100.00%	100.00%
"KOREM" JSC	100.00%	100.00%
"Atyrau International Airport" JSC	100.00%	100.00%
"Pavlodar Airport" JSC	100.00%	100.00%
"Kazakhstan Investment Promotion Centre "KazInvest" LLP	100.00%	100.00%
"Karagandagiproshah and Co" LLP	0.00%	90.00%
"Temirbank" JSC**	0.00%	79.90%
KGF SLP	100.00%	100.00%
KGF IM	100.00%	100.00%
KGF Management	100.00%	100.00%
"Social Entrepreneurship Corporation "Batys" JSC	100.00%	0.00%
"Social Entrepreneurship Corporation "Saryarka" JSC	79.11%	0.00%

Note:

* Subsidiaries and affiliated organizations are included into consolidated financial statement of "Samruk-Kazyna" JSC;

** during 2010, the Fund acquired shares of "Temirbank" JSC from its subsidiary "BTA Bank" JSC.



AS OF DECEMBER 2010
 ORGANIZATIONAL STRUCTURE OF “SOVEREIGN WEALTH FUND
 “SAMRUK-KAZYNA” JSC

Corporate Secretary office
 (Secretariat of the Board of Directors)

Management office

Legal department

Deputy Chief Executive

Managing Director

Managing Director

Managing Director

Managing Director

Managing Director

Economy
and Planning
department

Corporate
Finance
department

Directorate
for Finance
and Development
Institutions
Management

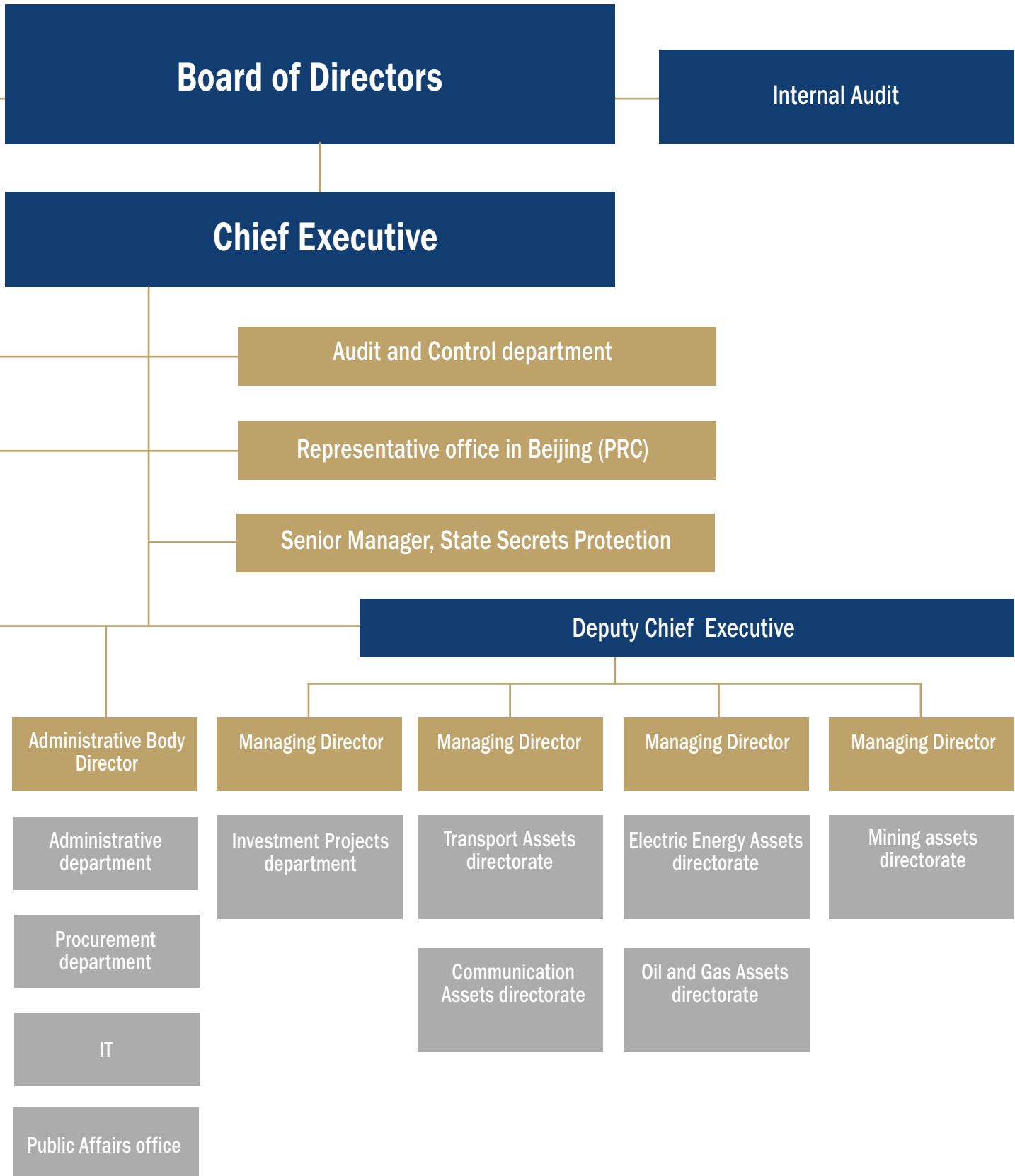
Strategic
development
and Corporate
Governance
department

Human
Resources
department

Accounting
and Reporting
department

Risk Management
and Treasury
department

Government
Relations
department



RESULTS OF THE CRISIS BAILOUT PROGRAMME IN 2010

“Samruk-Kazyna” Fund has been appointed as the main operator for implementation of the Joint Actions plan of the Government, Agency on Regulation and Supervision of the Financial Market and Financial Organizations and the National Bank of the Republic of Kazakhstan.

Under the anti-crisis programme, the following funds were allocated to the Fund in 2010:

- KZT486 billion for stabilization of financial sector (KZT476.2 billion or 97 % of the allocated funds was disbursed);
- KZT290 billion for real estate market (KZT256 billion or 88 % of the allocated funds disbursed);
- KZT120 billion for support of small and medium – sized businesses (100 % disbursement);
- KZT191.5 billion for implementation of investment projects (KZT145 billion or 75 % of the allocated funds).

Thus, the actual disbursement made up KZT997.2 billion or 91 % of the allocated funds.

In accordance with the Resolution of the Government of the Republic of Kazakhstan #1064 dated 13 October 2010 “On addition and changes to some decisions of the Government of the Republic of Kazakhstan”, KZT70 billion envisaged for real estate market were reallocated to the following priority investment projects as defined in the Resolution: the railway line Horgos – Zhetygen, Uzen – Turkmenistan border and the pipeline Beyneu – Bozoy – Akbulak.

Implementation of anti-crisis measures had a significant economic and social effect. **Collapse of financial sector was prevented and stability of Kazakhstani backbone banks was assured.** As a result of financing of the real sector of the economy by the banks 43,300

jobs were retained and the programmes for restructuring of individual debts were launched. It was manageable to provide the resources required for large investment projects financing, including aromatic hydrocarbons complex construction at the Atyrau oil refining mill, complex development of “Shymbulak” ski resort and development and modernization of ferroalloy production at Taraz metals smelter.

The following important social questions were resolved: by the end of 2010, 13 housing construction objects were finalized with participation of nearly 5,000 interest holders, 19 more objects are to be finalized out of the provided funds in 2011–2012; implementation of the programme for decrease of home mortgage rates, under which the rates were decreased to 9–11 % and 31,200 families received an opportunity to decrease their payments for 30 % in the average.

Support measures were provided to small and medium businesses, allowing implementation of the projects in manufacturing and service industries. At the end of 2010, more than 2,500 small and medium businesses received financing for the total amount of nearly KZT180 billion, more than 3,000 jobs were retained.

Thus, it should be noted, that due to timely measures and effective usage of the funds during the most critical crisis period, the anti-crisis programme allowed to ensure not only stable banking system of the country (growth of GDP in 2010 made up 7 % to 2009), but also to promote significant decrease of negative social tension.

RECOVERY OF FINANCIAL SECTOR

As a result of restructuring, foreign debts of "BTA Bank" JSC, "Alliance Bank" JSC and "Temirbank" JSC were decreased by 12 billion US Dollars and the banks could continue to provide financial services.

Financing of the second tier banks

Out of the projected KZT486 billion, KZT476.2 billion was allocated to stabilization of financial system. The funds were placed in four large backbone banks. Part of funds was allocated for the banks' ordinary shares redemption, the rest used for financing of the economy.

As a result of negotiations of 18 April 2010, with active participation of the Fund, the Creditors Committee agreed with all points of "BTA Bank" JSC liabilities restructuring scheme. Foreign debts of the bank were decreased from 12 billion to 4.2 billion US Dollars, liabilities payment terms were extended from 1–5 years to 8–20 years with decrease of the average borrowing rate to 8.76%. Following the restructuring results, 18.5% of ordinary shares of "BTA Bank" JSC were transferred to foreign creditors, the Funds share being more than 81.4%.

The process of restructuring of "Alliance Bank" JSC was finalized in March 2010. Foreign debt of the bank was decreased from 4.5 billion to KZT1.08 billion, service terms extended from 1–7 years to 7–20 years. The capital of the bank was increased for KZT547.9 billion which lead to own capital adequacy and compliance with prudential norms of the Agency on Regulation and Supervision of the Financial Market and Financial Organizations (hereinafter – FMSA).

During the restructuring process, "Temirbank" JSC was capitalized by the Fund for the amount of KZT23.5 billion. At completion of the restructuring, foreign debt of "Temirbank" JSC was reduced from 770 million to 61 million US Dollars, debt service tenor was extended from 1–4 years to 10–12 years, with decrease of the average service rate to 9%. 20% of the issued ordinary shares were transferred to foreign creditors, more than 79% were provided to the Fund, the rest shares were distributed among the existing shareholders, including "BTA Bank" JSC.

KZT90.3 billion were allocated to "Kazkommertsbank" JSC for financing of the real sector of the economy. The above funds were mostly used for refinancing or financing of the borrowers from the trade and industry sectors. 27,653 active jobs were retained and financing was provided to 45 large borrowers. In accordance with the contract terms, these funds shall be returned by the bank by 31 December 2012. KZT46.5 billion were prematurely repaid by "Kazkommertsbank" JSC.

KZT71.7 billion were allocated to "Halyk Bank" JSC (on a revolver basis). The above funds were mostly used for refinancing or financing of the borrowers from the food, agriculture, electric energy and water production and distribution sectors. 15,418 jobs were retained and financing provided to 26 large borrowers. It should be noted, that the funds were prematurely returned by the bank and are currently available at the special account with the National Bank of Kazakhstan.

Refinancing of home mortgages

The programme for mortgage loans refinancing aiming to decrease interest rates to 9–11% has a special social significance, as mortgage borrowers received an opportunity to decrease their payments.

In accordance with the programme, in the end of February 2010, KZT120 billion were placed in 11 STB, the money to be returned in the period from February 2012 to 24 February 2029.

Within the framework of the Programme, applications of more than 32,900 borrowers for the amount of KZT129.5 billion were approved; loan agreements of 31,200 borrowers for the amount of KZT120.4 billion were re-signed or refinanced. Thus, the initial aim of the programme to cover not less than 30,000 of borrowers is reached and at present 31,200 families received an opportunity to pay in the average by 30% less than previously.

RECOVERY OF FINANCIAL SECTOR



Financing of construction in progress and solving the problems of interest holders

“Real Estate Fund “Samruk-Kazyna” JSC (hereinafter – the Real Estate Fund), a subsidiary company of “Samruk-Kazyna” JSC, was established in March 2009 within the framework of State anti-crisis programme. The main objective of the Fund is refinancing of facilities under construction and solving of interest holders’ problems. Completion of construction is performed by acquisition of the outstanding premises of incomplete construction projects, or by provision of temporary financial aid to Developers.

Under the anti-crisis programme the Real Estate Fund is **financing completion of construction of 21 objects**: 18 of them being in Astana, one in Almaty oblast and two in Almaty.

As of 31 December 2010 the Fund **has invested KZT56.98 billion in construction in progress**, including **KZT22.83 billion in 2010**. Four residential estates were put into operation in 2010, including two

housing estates in Astana – “Maria” (“Concern Stroymonolit-Astana” LLP) and “Severnoye Siyaniye” (“Eurasia Construction” LLP), as well as the first construction phase of “Khan Tengri” housing estate (“Elitstroy Development” LLP) in Almaty oblast. The above helped to solve the problems of 475 interest holders.

Under the signed agreements, problems of more than 2,800 interest holders were solved. Sale of residential and commercial premises acquired by the Real Estate Fund is performed in different ways (direct sales, sale of construction in progress participation shares, leasing, leasing with further acquisition) and is aimed to provide the soonest return of the funds to the National Fund of Kazakhstan.

In total, SWF “Samruk-Kazyna” “unfrozen” construction of 62 residential estates, out of which 42 are in Astana and 20 – in Almaty. The problems of more than 11,000 interest holders were resolved. At the moment, 42 residential estates are set into operation and construction of the remaining 19 estates shall be completed in 2011–2012.

SUPPORT OF SMALL AND MEDIUM BUSINESSES



In the framework of the Programme, the Fund placed KZT117 billion in STB, with return date set as 17 February 2016. As of 31 December 2010 2,911 borrowers received financing and 3,675 jobs were created.

“Damu-Koldau” programme was launched to support small and medium businesses (hereinafter – SMB) engaged in reprocessing. The programme provides direct financing of agricultural products reproducers and food producers under, secured by the bank guaranties. KZT3 billion were fully disbursed under the Programme. Ten projects for the total amount of more than KZT3.039 billion were funded and the average interest rate, considering the bank guarantee, comprised 12.5%; maturity – February 2016.

It should be noted that, as of 31 December 2010, the total amount of funds returned by STB reached nearly 45% of the allocated amount, or KZT54.6 billion, including full premature repayments by “Center Credit Bank” JSC, “Kaspi Bank” JSC and “Halyk Bank of Kazakhstan” JSC. After such premature repayments, the outstanding principal as of 31 December 2010 made up KZT75.6 billion.

As STB were authorized to use the funds released from repayment of previously provided loans by SMB, 405 borrowers received financing (starting from the financing maturity date – 1 July 2009) and as a result the amount of additional drawdown comprised KZT52.082 million, which allowed to provide additional support to the local entrepreneurship.

INCREASE OF KAZAKHSTANI CONTENT IN THE PROJECTS EXECUTED BY THE FUND

Procurement of the Fund's organizations was excluded from the Public Procurement Law of the Republic of Kazakhstan and starting from 2009 is regulated by the Rules approved by the Fund's Board of Directors. For development of the above mentioned Rules, "Samruk-Kazyna" JSC used the best world practices in procurement sphere and, as most of the participants say, the process of procurement became more flexible, convenient and effective.

The above was mostly reflected in **simplification of procedures and tenors for coordination and adoptions of decisions**, elimination of unnecessary qualification requirements and rejection of applications on formal grounds. Herewith, increase of Kazakhstani content, priority for local producers and transparency became the main principles of procurement.

The Fund distributes information on purchasing of goods, works and services via mass media, internet, participation in forums, exhibitions and other events. The organizations within the Fund's Group of Companies duly publish relevant information on planned and made purchases at their internet sites and the site of the Fund.

The list of goods (more than 45,000 items), requirement in which is covered by foreign producers, **is published at the Fund's site**. Information on the projected purchases is sent for placement at the State portal "Kazakhstani content". Exchange of information is established with NEC "Union "Atameken" and entrepreneurship and industry departments of the local executive bodies.

Information provided through the mentioned resources allows local manufactures to plan their activity accordingly.

Consolidated procurement plan of the Fund's Group of Companies comprised nearly KZT3.3 trillion in 2010. Following the results of 2010 procurement campaign, the share of Kazakhstani content made up 50 % (goods – 49 %, works – 41 % and services – 77 %) (Graph 1).

Summarizing the results of the year of 2010, 144 memorandums were concluded between the Fund's companies and local suppliers for the amount of KZT44,710 million. Within the sign memorandums, 746 agreements were signed totaling KZT67,739 million.

Besides, 217 long-term agreements were acting for the total amount of KZT655.5 billion.

The Fund's Group of Companies annually purchases more than 70,000 goods. Out of them, nearly 15 700 goods of local producers were purchased in 2010, which is by 1200 items more than in 2009.

Customer - organized monitoring of local goods market using informational databases on local producers and their goods, is one of the measures for increase of the Kazakhstani content at the planning stage. To ease this process, the authorized body creates and maintains a Register of local producers of the Fund's Group of Companies. At the end of 2010, the Register contained 787 organizations (667 organizations in 2009) (Graph 2).

The interactive Map for monitoring of Kazakhstani content, providing online access to information on the main indicators of Kazakhstani content in the purchases of the Fund's companies, is acting and available.



According to the Procurement Rules, when choosing the purchasing method, a priority should be given to local producers. Besides, the Procurement Rules assume privileges and promotions for local producers, namely:

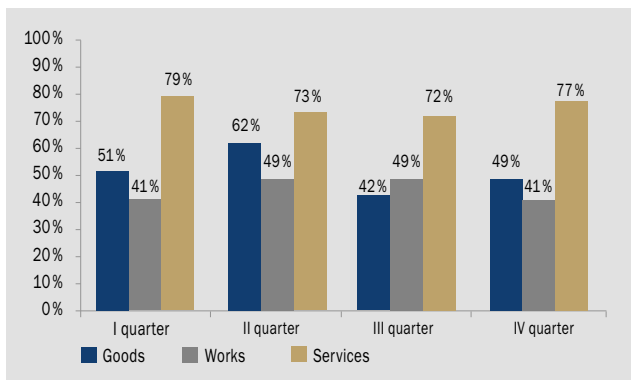
- notional decrease of price for tender bids of local producers (up to 20%);
- obligatory 30% prepayment under the agreements with local producers;
- possibility to sign long term contracts.

Besides, procurement may be performed within local producers only. Thus, 61 tender was conducted in 2010 among the local producers for

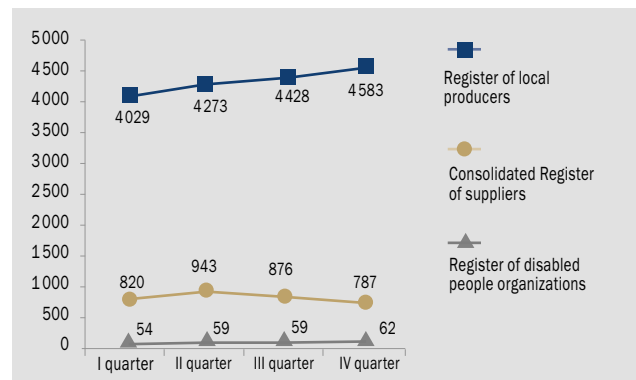
the amount of KZT23.7 billion which comprises 9% of the total goods procurement tenders.

Together with state bodies, the Fund is developing measures on implementation of offset cooperation mechanisms for foreign purchases. It should be noted, that monitoring activity is performed not only to comply with internal Acts and Decisions of the Fund, but is mostly required by the legislation acts of Kazakhstan. In this regard, a system for collection, processing and analysis of information under Kazakhstani content, was created. In 2010, reports were received from 212 organizations within the Fund's Group of Companies.

Graph 1.



Graph 2.



INCREASE OF KAZAKHSTANI CONTENT IN THE PROJECTS EXECUTED BY THE FUND

The main procurement volumes are concentrated in the following regions: Astana, Almaty, Pavlodar oblast and Mangistau oblast. In 2010 the amount of purchases from local producers comprised more than KZT281 billion. Long-term purchases of local goods should be specially noted. They are mostly represented by goods from engineering industry, in particular, agreement of JSC “KTZ” for delivery of locomotives and their repair parts, large car castings and metals.

As a result of promotion of long-term procurement of local goods, the procedure for long-term procurement coordination was simplified and the order of conclusion of long-term contracts with local producers was established (Tables 4, 5).

Table 4. Summary of agreements signed by “SWF “Samruk-Kazyna” JSC, KZT billion

Name of organization	Total amount of agreements and projected part of Kazakhstani content (KC)								Amount of contracts with local producers**
	TOTAL	Share, KC*, %	Goods		Works		Services		
			amount	Share, KC, %	amount	Share, KC, %	amount	Share, KC, %	
JSC “NAC “Kazatompom”	231	61	146	66	62	39	22	88	4
“KEGOC” JSC	52	61	25	46	23	73	4	88	33
“Kazakhstan Engineering” JSC	11	9	10	4	0	51	1	80	1
“Kamkor” JSC	67	51	58	47	2	31	7	91	25
“KTZ” JSC	862	66	234	54	264	55	364	82	113
“Samruk-Energy” JSC	287	59	99	63	117	33	71	96	30
“Air Astana” JSC	23	31	10	3	0	32	13	52	0.39
“Kazakhtelecom” JSC	54	50	28	22	10	81	16	79	9
“Kazpost” JSC	5	65	1	47	1	73	4	68	0.08
JSC “KazMunayGas”	1,677	44	1,222	47	321	30	133	58	64
Others	37	43	10	4	0	30	27	57	0.04
Total for the Fund	3,306	50	1,843	49	800	41	662	77	281

* Kazakhstani content;

** local producers

Table 5. Summary of agreements signed by "SWF "Samruk-Kazyna" JSC, KZT billion

Region	Total amount of agreements and projected part of Kazakhstani content (KC)							
	TOTAL	Share of KC, %	Goods		Works		Services	
			amount	Share of KC	Amount	Share of KC	Amount	Share of KC
Akmoly oblast	29.6	68	21.1	72	6.8	57	1.7	66
Aktobe oblast	41.3	59	28.1	73	9.4	23	3.8	45
Almaty oblast	30.8	37	9.2	54	17.8	23	3.8	62
Atyrau oblast	95.6	70	87.2	70	4.5	57	3.8	80
West-Kazakhstan oblast	33.5	62	24.6	68	7.4	36	1.5	81
Zhambyl oblast	8.1	74	5.2	78	1.7	52	1.2	88
Karaganda oblast	29.1	53	21.7	47	4.3	63	3.2	81
Kostanay oblast	8.4	58	3.5	21	1.4	58	3.5	96
Kyzylorda oblast	34.6	43	21.8	54	10.4	15	2.4	66
Mangistau oblast	272.4	83	247.1	85	11.5	60	13.7	81
South-Kazakhstan oblast	154.9	58	91.8	70	52.7	30	10.4	90
Pavlodar oblast	189.5	71	94.5	56	12.1	45	82.9	92
North-Kazakhstan oblast	15.6	31	12.7	20	1.5	78	1.3	80
East-Kazakhstan oblast	29.2	48	14.7	43	11.0	43	3.5	88
Astana	958.4	63	338.3	56	235.9	43	384.2	81
Almaty	721.1	51	399.4	44	229.1	52	92.6	82
Import	653.8	17	422.3	13	182.9	29	48.6	13
Total	3305.9	50	1843.4	49	800.4	41	662.0	77

IMPLEMENTATION OF INDUSTRIAL AND INFRASTRUCTURE PROJECTS WITH PARTICIPATION OF THE FUND

The total amount of investments of “Samruk-Kazyna” Group of Companies including capital expenses for keeping of plant assets in working order, comprised KZT784.3 billion. During the next five years the projected volume of capital investments for development of subsidiary and affiliated companies of the Fund shall constitute presumably 40 billion US Dollars (Graph 3).

The total amount of investments in transport sector (railway and air transport, oil and gas pipelines) comprised KZT232 billion (30% of the total amount of capital expenses), including implementation of investment programmes of “KazTransOil” JSC, “KazTransGas” JSC and JSC “Kazakhstan Temir Zholy”.

In 2010, nearly KZT66 billion (8%) was invested to “Samruk-Energy” JSC and “KEGOC” JSC for development of energy production and distribution capacities. The amount of investments in other industries made up 19% of the total capital expenses (KZT150.5 billion), as of the end of 2010.

The Fund is the initiator of promotion of large backbone investment projects. Such projects ensure stable and balanced growth of the country's economy through diversification and increase of competitive ability. For further promotion of the industrialization policy, the Fund shall make its best for transferring of rough manufacturing to higher levels as well as development of strategically important transport, communication and power infrastructure, aiming to increase industrialization of the Kazakhstani economy.

With launch of State Programme on Forced Industrial-Innovative Development of Kazakhstan in 2010, the Fund's Group is responsible for implementation of 21 investment projects included into the Kazakhstan industrialization map. The key directions for investment activity of the Fund under the forced development of the country are implementation of infrastructure, innovative and industrial projects (Table 6).

Graph 3.
**Investments structure of “Samruk-Kazyna” JSC
 Group of Companies, %**

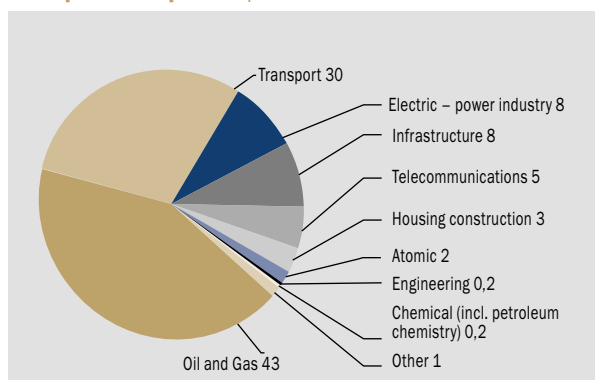


Table 6. The projects of Kazakhstan Industrialization Map for 2010-2014, KZT billion

#	Project name	Company responsible for project implementation	Total amount of investments	Including those disbursed in 2010
1	Construction of integrated gas chemical complex	"Kazakhstan Petrochemical Industries Inc." LLP	300,327	16,936
2	Construction of Beyneu – Shymkent gas pipeline	JSC "NC "KazMunayGas"	509,922	-
3	Reconstruction of Sulfuric Acid Plant with production capacity of 180,000 tons a year	"JV SP-Kazatomprom" LLP	11,111	780
4	Construction of Moinak HPP at Charyn river	"Samruk-Energy" JSC	45,327	11,447
5	Construction of Balkhash HPP	"Samruk-Energy" JSC	327,079	1,474
6	Construction of railway lines Zhetygen – Korgas	JSC "NC "Kazakhstan Temir Zholy"	124,477	34,265
7	Construction of Alma substations of 500 kW with connection to the Unified National Power Grid of Kazakhstan through the power transmission lines of 500, 220 kW	"KEGOC" JSC	26,754	1,207
8	Scheme of power distribution from Moinak HPP	"KEGOC" JSC	9,196	224
9	Reconstruction and modernization of Atyrau oil refinery	JSC "NC "KazMunayGas"	171,216	2,364
10	Construction of 12 transformer substations in Almaty and Almaty oblast ("Kensay", "Medeu", "Shymbulak", "Novaya", "Otrar", "Alatau", "KazGU", "Toplivnaya", "Ermensay", "Altay", "Mamur", "Novaya-3 A")	"Samruk-Energy" JSC	54,656	22,011
11	Organization of electric locomotive production	"Electrovoz kurastiru zauti" LLP	7,280	-
12	Organization of production of passenger carriage "Talgo" in Astana	JSC "NC "KTZ"	7,811	214
13	Construction of the Suspension – Floatation plant for production of phosphate concentrate	"Chemphos" LLP	18,741	-
14	Construction of new railway line Uzen – state border with Turkmenistan	JSC "NC "Kazakhstan Temir Zholy"	55,175	22,567
15	Production of road bitumen at Aktau Plastics Plant	JSC "NC "KazMunayGas"	39,094	736
16	Modernization of the National Electric Power network of Kazakhstan, stage 2	"KEGOC" JSC	45,625	208
17	Development and reconstruction of Ekibastuskaya GRES-1	"Ekibastuzskaya GRES-1" LLP	166,021	15,666
18	Development and reconstruction of Ekibastuskaya GRES-2	"Samruk-Energy" LLP	101,366	2,002
19	Creation of freight wagon production capacities in Kazakhstan on the basis of "Taman" LLP	"Kamkor Management" LLP	6,740	1,020
20	Increase of production capacities of "Chempharm" JSC in Shymkent	"Chempharm" JSC	9,667	-
21	Modernization of Shardarinskaya HPP	"Samruk-Energy" JSC	13,583	1,694
Total:			2,051,169	134,816

At the end 2010, the first start-up complex as per the design of freight wagon organization was launched on the basis of "Taman" LLP in Ekibastus (production capacity – 500 wagons per year).

Besides, four transformer substations were put into operation to power Aziada facilities in Almaty. In November 2010, electro filter was put into operation at block #5 in EGRES-1 and the official ceremony for launching of gas pipeline Beyneu – Shymkent construction took place on 21 December 2010.

To summarize, following the results of 2010, the subsidiaries of the Fund performed building and construction works for 13 investment projects. The works for integrated gas chemical complex infrastructure facilities in Atyrau oblast were launched in 2010. Works on reconstruction of energy generating capacities of Ekibastuskaya GRES-1 and Shardarinskaya HPP were performed.



Sovereign Wealth Fund
“Samruk-Kazyna”
JSC

Annual Report. 2010.
Volume 1



Corporate Governance

- 36 Report on Corporate Governance
- 41 Report on the Fund's Board of Directors and Management Board Activity
- 60 Audit and Control
- 62 Risk Management

REPORT ON CORPORATE GOVERNANCE

High level of corporate governance in holdings is a key component of effective assets management. The Fund's Code of Corporate Governance was approved on 18 November 2009 by the Board of Directors. The Code is developed in accordance with the current legislation of the Republic of Kazakhstan on the basis of Kazakhstan Code of Corporate Governance approved by the Issuers Board Decision, as well as the OECD Principles of Corporate Governance and the Combined Code on Corporate Governance.

The following are essential principles described in the Code of Corporate Governance:

- Principle of Protection of the Sole Shareholder Rights and Interests;
- Principle of Efficient Management of the Fund by the Board of Directors and the Management Board;
- Principle of independent activity of the company;
- Principles of transparency and fairness in disclosure of information on the Fund's activity;
- Principles of legality and ethics;
- Principle of efficient dividend policy;
- Principle of efficient human resources management;
- Principle of environmental protection;
- Policy of regulation of corporate conflicts and conflict of interests;
- Principle of responsibility.

For the purpose of establishment of leading corporate culture inside the subsidiaries and affiliated organizations of the Fund, **the Committee for optimization of interaction within the Group** was launched in 2010, with participation of both of the Fund's representatives and representatives of subsidiary and affiliated companies. The Committee made a significant contribution to optimization on the internal procedures.

As a result, the following **key documents of the Corporate Governance were approved and redrafted:**

1) Division of Power Concept among the bodies of the joint stock companies, all voting shares of which are the property of "Samruk-Kazyna" JSC. The Concept clearly defines the competence and differentiates the powers of the bodies of the subsidiaries.

2) Order of interaction ensuring the activity of the representatives of the Fund in the boards of directors and supervisory councils of the companies owned by the Group of "Samruk-Kazyna" JSC. This helped to strengthen responsibility and accountability of the Boards of Directors of the companies, increase efficiency of adoption of decisions and move closer to the leading corporate governance standards. Decrease of workload of the Boards of Directors of subsidiaries and affiliated companies with operational issues reached 30–50% in some of the companies. The work of the Board of Directors is now concentrated on strategic issues of the companies' activity.

The Methodology for diagnostics of corporate governance level in the Fund's companies, developed in 2009 together with advisers, became a key step in development of Corporate Governance practice. The purpose of the Methodology is to increase efficient Corporate Governance in the Fund's companies by structured and consistent approach to Corporate Governance evaluation.

The following sources were used during the preparation of the Methodology:

- Internal methodologies of KPMG;
- Examples of leader companies of Corporate Governance;



- Principles of Corporate Governance of the OECD;
- OECD recommendations on Corporate Governance for state companies;
- OECD implementation instruction for accountability and transparency of the government assets;
- Combined Code on Corporate Governance of Financial Statements Board of Great Britain;
- Recommendations and Corporate Governance manuals of the Institute of Chartered Secretaries and Administrators of Great Britain;
- GAMMA Methodology of the rating agency Standard and Poor's;
- Corporate Governance requirements and approaches for credit rating assignment of the Moody's and Fitch rating agencies;
- International professional standards of internal audit;
- Instructions for restructuring of government liaising companies (hereinafter – GLC), prepared by Putrajaya Committee on GLC High Performance (Kazanah Nasional Berhad, Malaysia).

Conduction of Corporate Governance diagnostics by the Fund helps to solve the following tasks:

- Stimulation of consequent improvement of Corporate Governance practice and its evaluation in subsidiaries in accordance with the Fund's strategy and strategic objectives of the companies;
- Ensuring distinction of competencies of the bodies of the subsidiaries;
- Decrease of risk of duplication of functions and risk of taking contradictable decisions in the subsidiaries;
- Promotion of decrease of capital attraction cost by the subsidiaries (Corporate Governance is taken into account not only in the Corporate Governance rating of S&P, but in credit ratings of S&P, Fitch and Moody's as well);

- Making positive signals for investors (both shareholders and bond certificates holders);
- Increase of transparency and accountability of the subsidiaries' management

In 2010, the diagnostics of Corporate Governance system was conducted in JSC "National Company "Kazakhstan Temir Zholy", "Kazpost" JSC, JSC "National Atomic Company "Kazatomprom", "Housing Construction Savings Bank of Kazakhstan" JSC, "Real Estate Fund "Samruk-Kazyna" JSC, "Entrepreneurship Development Fund "Damu" JSC, "KazExportGarant" JSC, "NMC "Tau-Ken Samruk" JSC, "Samruk-Energy" JSC, "International Aktobe Airport" JSC. Following the diagnostics results, the following "weak" points of management systems were defined: insufficient formalization of Corporate Governance procedures and low transparency level. A clear solution was prepared for each problem and plans for improvement of Corporate Governance in the subsidiaries were developed.

In 2010, the Fund together with the management of the companies, concentrated its efforts on improvement of practices in those companies which in 2009 received the rating lower than the psychological barrier of 50% compliance with the best practices ("KTZ", "Kazpost", "Kazatomprom"). The efforts were successful and the above companies became the leaders of the rating, which was possible due to joint efficient activities of the staff and management of the companies and the Fund.

JSC "National Company "Kazakhstan Temir Zholy" became the leader of the rating in 2010, as its rating increased from 45.3% to 50% of compliance with the best Corporate Government practices. High Corporate Governance level affects not only improvement of internal

REPORT ON CORPORATE GOVERNANCE

business processes, but also positively influences on the perception of the companies by investors. The above is confirmed by successful emission of Eurobonds by JSC “National Company “Kazakhstan Temir Zholy” in 2010.

Below are the results of Corporate Governance system diagnostics in 2009 and 2010 (*Graph 4*).

Some of the Fund’s companies made a significant work on obtaining of GAMMA Standard & Poor’s Corporate Governance management rating, namely, besides the companies which were previously assigned with the rating (“KEGOC” JSC, “KazMunayGas Exploration Production” JSC, “NMSC “Kazmortransflot” JSC), the following companies received GAMMA rating in 2010: DBK, “Kazakhtelecom” JSC, “Air Astana” JSC and JSC “NC “KazMunayGas”.

“Air Astana” JSC received six points rating of Standard & Poor’s and is the ultimate leader amongst the subsidiary and affiliated companies of the Fund. “Air Astana” JSC is one of the leader – companies of the CIS; the higher rating is only with the Russian company “Wimm-Bill-

Dann”. Out of 2009–2010 experience, the results of the Fund’s rating turned to be the closest and similar to the rating of Standard & Poor’s.

Below are the results of Standard & Poor’s Corporate Governance rating of 2009 and 2010 (*Graph 5*).

Revision, improvement and unification of Corporate Governance documents as well as exchange of experience inside the Companies of the Group are performed on a constant basis. The practice of presentation of reports of the key companies’ Boards of Directors to the Fund is successfully implemented in the Fund’s Group. Presentation of reports of top management of the Fund’s subsidiary and affiliated organizations to the Management Board, including reports on the status of Corporate Governance and its development, is performed on a quarterly basis. Informational content of the companies’ web sites is increasing.

Four meetings with the Corporate Secretaries of the Fund regarding implementation of Corporate Principles to the activity of the Boards of Directors of subsidiary and affiliated companies of the Fund were

conducted in 2010. During the meetings, the Secretaries and external experts with high reputation and knowledge in Corporate Governance sphere exchanged their knowledge.

Strategic development

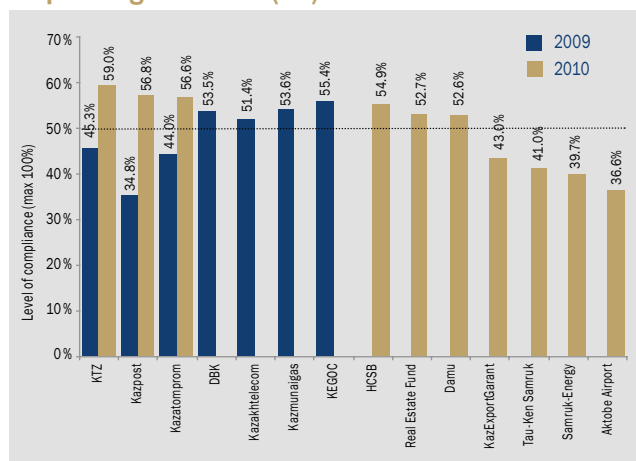
In accordance with the Development Strategy approved on 16 November 2010 by the Board of Directors of "Samruk-Kazyna" JSC, the Mission of the Fund is promotion of the national welfare growth through long – term increase in the cost of the Fund's companies and ensuring modernization and diversification of the national economy.

The Fund's Vision by 2020 – a strategic holding playing a vital role in the economy of Kazakhstan, developed from those companies of the "national champions" Fund representing the base for stable development of the country and able to compete with the largest foreign companies of similar sectors at the world markets.

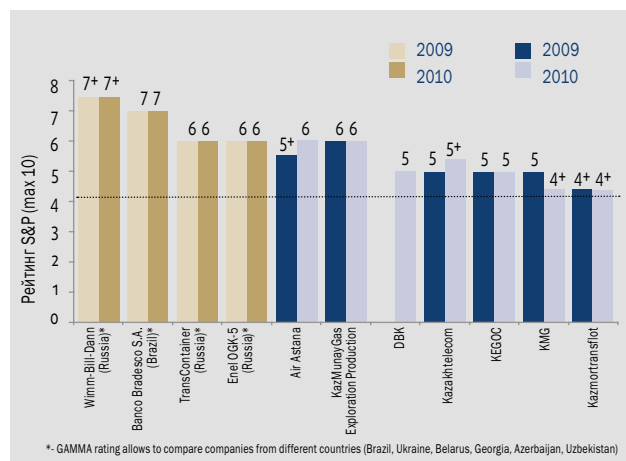
The Fund aims to pursue the following two main strategic directions for realization of its Mission:

- promotion of modernization and diversification of the economy to ensure stable development of the country;
- increase of the companies' efficiency.

Graph 4. Positive effect of KMPG diagnostics: dynamic of corporate governance (CG) level



Graph 5. Corporate governance rating: Standard & Poor's



*. GAMMA rating allows to compare companies from different countries (Brazil, Ukraine, Belarus, Georgia, Azerbaijan, Uzbekistan)

REPORT ON CORPORATE GOVERNANCE

For the first strategic direction, the objective of the Fund is creation of new and modernization of existing production and infrastructure assets.

The following steps shall be implemented for execution of this objective:

1. Modernization of existing assets;
2. Financing and/or implementation of the projects increasing added value in production industry;
3. Financing and/or implementation of the projects promoting infrastructure development.

For the second strategic direction, the objective of the Fund is to increase the efficiency of the Fund's companies' activity.

The following steps shall be implemented for execution of this objective:

1. Formation of target assets structure;
2. Implementation of single activity monitoring system;
3. Implementation of single risk management and debt management system;
4. Execution of single technological and innovation policy;
5. Improvement of Corporate Governance;
6. Increase of Kazakhstani content;
7. Provision of single human resources policy.

For monitoring and control purposes the key efficiency indicators are defined under each strategic direction.

Implementation of the development strategy shall positively affect not only the Fund's Group of Companies, but also promote growth of the national welfare and stable development of the economy of Kazakhstan.

REPORT ON THE FUND'S BOARD OF DIRECTORS AND MANAGEMENT BOARD ACTIVITY

The Fund's Board of Directors (hereinafter – BD) was established in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies". In March 2010, in line with reorganization of central state management bodies, the structure of the Fund's BD was changed by the Decree of the Government of the Republic of Kazakhstan #201 dated 15 March 2010 (Table 7).

Table 7. The Fund's Board of Directors in 2010 году

K.K. Massimov	Chairman of the Board of Directors, Prime Minister of the Republic of Kazakhstan
K.V. Bishimbayev	Assistant to the President of the Republic of Kazakhstan*
Zh.S. Aitzhanova	Minister of Economic Development and Trade of the Republic of Kazakhstan**
A.O. Issekeshv	Minister of Industry and Trade of the Republic of Kazakhstan (Vice Prime Minister – Minister of Industry and New Technologies with effect from March 2010)
B.B. Zhamishev	Minister of Finance of the Republic of Kazakhstan
S.M. Mynbayev	Minister of Energy and Mineral Resources of the Republic of Kazakhstan (Minister of Oil and Gas with effect from March 2010)
B.T. Sultanov	Minister of Economy and Budget Planning of the Republic of Kazakhstan (Assistant to the President of the Republic of Kazakhstan with effect from March 2010)
G.T. Moldazhanova	Independent Director
A.V. Mirchev	Independent Director
R. Evans	Independent Director
K.N. Kelimbetov	Chief Executive Officer

Note:

* in the structure of the Board of Directors until 15 March 2010;

** member of the Board of Directors since 15 March 2010.

Personal backgrounds of the members of the 2010 Board of Directors



MASSIMOV Karim Kazhimkanovich

Chairman of the Board of Directors, Prime Minister of the Republic of Kazakhstan, a member of the Board of Directors since October 17, 2008.

Mr Massimov was born in 1965. He graduated from the Beijing Language Institute, the Juridical Institute at the Wuhan University and the Kazakh State Academy of Management. Mr Massimov is an international lawyer and economist by profession. He has the Degree of Doctor of Economics and has a good command of English, Chinese and Arabic languages.

Mr Massimov started his working career as a Chief Economist, the Head of the Department of the Ministry of Labor, later he held the positions of a Senior Specialist at the Representative Office of the Ministry for Foreign Economic Relations of Kazakhstan in Urumqi (the People's Republic of China), the Executive Director of the Kazakhstan Trade House in Hong Kong. He was the Chairman of the Management Board of the Almaty Trade and Finance Bank and Halyk Savings Bank, was appointed to the post of the Minister of Transport and Communications, Deputy Prime Minister, Assistant to the President of the Republic of Kazakhstan. Since January, 2006 – Vice Prime Minister, since April, 2006 – Vice Prime Minister, Minister of Economics and Budget Planning.

Since January, 2007 – Prime Minister of the Republic of Kazakhstan.

By the Decree of the Government of the Republic of Kazakhstan #962 dated October 17, 2008 Mr Massimov was appointed to the post of the Chairman of the Board of Directors of "Samruk-Kazyna" JSC.



SULTANOV Bakhyt Turlykhanovich

A member of the Board of Directors since October 17, 2008.

Mr Sultanov was born in 1971 in Almaty. He graduated from the Kazakh National Technical University in 1994, automatics and management systems faculty, with qualification as an electrical engineer; and the Kazakh State Academy of Management in 1995.

Mr Sultanov started his working career in 1994 from his service in the Ministry of Finance of the Republic of Kazakhstan.

In 2004–2006 Mr Sultanov was the Vice-Minister of Economics and Budget Planning, in 2006–2007 – the Chairman of the Agency for Statistics. In 2007 Mr Sultanov was the Minister of Economics and Budget Planning of the Republic of Kazakhstan.

From October 2007 to October 2008 he was a member of the Board of Directors of "Kazyna Sustainable Development Fund" JSC and a member of the Board of Directors of "Kazakhstan Holding Company for State Assets Management "Samruk" JSC.

By the Decree of the Government of the Republic of Kazakhstan #962 dated October 17, 2008 Mr Sultanov was elected to the Board of Directors of "Samruk-Kazyna" JSC in his capacity of the Minister of Economics and Budget Planning of the Republic of Kazakhstan.

By the Decree of the Government of the Republic of Kazakhstan #201 dated March 15, 2010 he was re-elected to the Board of Directors of "Samruk-Kazyna" JSC in his capacity of the Assistant to the President of the Republic of Kazakhstan.



ISSEKESHEV Aset Orentayevich

A member of the Board of Directors since October 17, 2008.

Mr Issekeshov was born in 1971 in Karaganda oblast. He graduated from the Kazakh State University named after Al-Farabi in 1994 with specialization in jurisprudence and finished the School of Public Administration under the President of the Republic of Kazakhstan (now – the Academy of State Public Administration under the President of the Republic of Kazakhstan). He also completed a number of special programmes on economics and finance in the South Korea, England and Germany.

Mr Issekeshov held positions at the Agency for Strategic Planning and Reforms, at the Ministry of Justice, Ministry of Economics and Budget Planning of the Republic of Kazakhstan.

From 2002 to 2003 he was appointed to the post of the Adviser to the Minister of Economy and Budget Planning of the Republic of Kazakhstan.

From 2003 to 2006 Mr Issekeshov was appointed to the post of the Vice-Minister of Industry and Trade of the Republic of Kazakhstan.

From 2006 to 2007 he held position of the Deputy Chief Executive of "Kazyna Sustainable Development Fund" JSC.

From 2007 to 2008 Mr Issekeshov was the Director for Financial Instruments at the Credit Suisse Bank (Switzerland).

From 2008 to May, 2009 he was the Assistant to the President of the Republic of Kazakhstan, and since May, 2009 Mr Issekeshov occupies the position of the Minister of Industry and Trade of the Republic of Kazakhstan.

By the Decree of the Government of the Republic of Kazakhstan #962 dated October 17, 2008, Mr Issekeshov was elected to the Board of Directors of "Samruk-Kazyna" JSC in his capacity of the Assistant to the President of the Republic of Kazakhstan.

By the Decree of the Government of the Republic of Kazakhstan #785 dated May 27, 2009, Mr Issekeshov was re-elected to the Board of Directors of "Samruk-Kazyna" JSC in his capacity of the Minister of Industry and Trade of the Republic of Kazakhstan.

By the Decree of the Government of the Republic of Kazakhstan #201 dated March 15, 2010, Mr Issekeshov was re-elected to the Board of Directors of "Samruk-Kazyna" JSC in his capacity of the Vice Prime Minister, Minister of Industry and New Technologies of the Republic of Kazakhstan.



AITZHANOVA Zhanar Seidakhmetovna

A member of the Board of Directors since March 15, 2010.

Ms Aitzhanova was born in 1965 in South-Kazakhstan oblast. She graduated from the Kazakh State University named after S. M. Kirov, the United Vienna Institute and John F. Kennedy School of Government at Harvard University (USA).

After graduation from the University she was on a practical study at Moscow State University and Central European University in Prague.

From 1993 Ms Aitzhanova worked as the Programme Coordinator at the UN House of Kazakhstan. She also held position as the Programme supervisor in UNDP Regional Bureau for Europe and CIS at the General Headquarters of UNDP in New York, USA.

From September, 2003 to March, 2010 Ms Aitzhanova was appointed to the post of Vice-Minister of Industry and Trade of the Republic of Kazakhstan.

Since May, 2005 she holds position as the Special representative of the Republic of Kazakhstan to hold negotiations on accession to the World Trade Organization.

From March, 2010 to April 10, 2011 Ms Aitzhanova was appointed to the post of Minister of Economic Development and Trade of the Republic of Kazakhstan.

Since April 16, 2011 Ms Aitzhanova is the Minister for Economic Integration of the Republic of Kazakhstan.

Ms Aitzhanova is awarded with Kurmet medal and the Eren Enbegi Ushin medal (State award for conscientious public service). She has a good command of English and Czech languages.

By the Decree of the Government of the Republic of Kazakhstan, Ms Aitzhanova was elected to the Board of Directors of "Samruk-Kazyna" JSC starting from March 15, 2010.

Personal backgrounds of the members of the 2010 Board of Directors



ZHAMISHEV Bolat Bidakhmetovich

A member of the Board of Directors since October 17, 2008.

Mr Zhamishev was born in 1957. In 1981 he graduated from the Kazakh Agricultural Institute with qualification as an economist, has Ph.D. in Economics.

Mr Zhamishev started his working career in 1981. Later at different times he held positions at the National Pension Agency of the Ministry of Labour and Social Security of the Republic of Kazakhstan, Agency for Control and Supervision over Financial Market and Financial Institutions, also he held the posts of the Vice-Minister of Labour and Social Security, Finance, Internal Affairs, Vice-Chairman of the National Bank of the Republic of Kazakhstan. Since November 14, 2007 Mr Zhamishev is a Minister of Finance of the Republic of Kazakhstan.

From April to October, 2008 – Member of the Board of Directors of “Kazakhstan Holding Company for State Assets Management “Samruk” JSC.

From March to October, 2008 Mr Zhamishev was a Member of the Board of Directors of “Kazyna Sustainable Development Fund” JSC.

By the Decree of the Government of the Republic of Kazakhstan #962 dated October 17, 2008, Mr Zhamishev was elected to the Board of Directors of “Samruk-Kazyna” JSC in his capacity of the Minister of Finance of the Republic of Kazakhstan.



MYNBAYEV Sauat Mukhametbayevich

A member of the Board of Directors since October 17, 2008.

Mr Mynbayev was born in 1962 in Uch-Aral village of Taldykorgan oblast. In 1985 he graduated from the Moscow State University named after M.V. Lomonosov (MSU), with qualification as an economist-cybernetician; in 1988 he finished the postgraduate studies at MSU with the Degree of Ph.D. in Economics. In 1990 Mr Mynbayev served as a teacher and Lecturer, Acting Associate Professor at National Economy Planning Department of Alma-Ata Institute of National Economy and also held position of Deputy Director of Research and Consulting Center KazSSR.

In 1991 Mr Mynbayev became the Head of the Republic's Construction Exchange “Kazakhstan”.

In 1992 – the first Deputy Chief Executive of “Kazkommertsbank” JSC.

In 1995 Mr Mynbayev was appointed to the post of Vice-Minister of Finance of the Republic of Kazakhstan; Vice-Minister of Finance – Head of the Treasury.

In 1997 – the first Deputy Minister of Finance of the Republic of Kazakhstan, Vice-Minister.

In 1998 – Minister of Finance of the Republic of Kazakhstan.

In 1999 Mr Mynbayev was appointed to the post of Deputy Head of the Presidential Administration of the Republic of Kazakhstan; later the same year he became the Minister of Agriculture.

In 2001 – President of “Development Bank of Kazakhstan” CJSC.

In 2002 – General Director of “Caspian Financial and Industrial Group”LLP.

In 2003 Mr Mynbayev was the Vice Prime Minister of the Republic of Kazakhstan.

In 2004 – Vice Prime Minister – Minister of Industry and Trade of the Republic of Kazakhstan.

From January 2006 to August 2007 he held the position of the Chief Executive of “Kazakhstan Holding Company for State Assets Management Samruk” JSC.

From August 27, 2007 – Minister of Energy and Mineral Resources of the Republic of Kazakhstan.

From October 2007 to October 2008 – a member of the Board of Directors of “Kazakhstan Holding Company for State Assets Management Samruk” JSC.

By the Decree of the Government of the Republic of Kazakhstan #962 dated October 17, 2008, Mr Mynbayev was elected to the Board of Directors of “Samruk-Kazyna” JSC in his capacity of the Minister of Energy and Mineral Resources of the Republic of Kazakhstan.

By the Decree of the Government of the Republic of Kazakhstan #201 dated March 15, 2010, Mr Mynbayev was re-elected to the Board of Directors of “Samruk-Kazyna” JSC in his capacity of the Minister of Oil and Gas of the Republic of Kazakhstan.



MIRCHEV Alexander Vasilyevich

An Independent Director, member of the Board of Directors since October 17, 2008.

Mr Mirchev was born in 1957 in Sofia (Bulgaria).

He obtained an LL.M. degree at the National Law Center of the George Washington University, Washington, D.C., and has a Ph.D. from St. Kliment Ohridski University, Sofia, Bulgaria. Mr Mirchev has a degree and studied economics and finance at the London School of Economics and Political Science, Washington Institute of World Politics, Boston University and Harvard Business School.

Mr Mirchev is also an American Founding Council Member of the Woodrow Wilson International Center for Scholars' Kissinger Institute on China and the United States, and a Board Director of the Atlantic Council of the United States.

Dr Mirtchev has had a distinguished academic career and served in different capacities, including as Senior Fellow of the Institute of Europe, Russian Academy of Sciences; Senior Fellow of the National Public Center of the Bulgarian Academy of Sciences; Lecturer at the Sofia University. He is a Doctor Emeritus of the University of Foreign Trade and Finance, Ukraine and a member of the Russian Academy of Natural Sciences.

Mr Mirchev is the author of four monographs and numerous articles and has served as editor and publisher of academic and professional journals and.

Since 2007 he is the Senior Economic Adviser to the Prime Minister of the Republic of Kazakhstan.

From 2007 to October, 2008 Mr Mirchev was the Chairman of the Board of Directors – Independent Director of "Kazyna Sustainable Development Fund" JSC.

By the Decree of the Government of the Republic of Kazakhstan #962 dated October 17, 2008, Mr Mirchev was elected to the Board of Directors of "Samruk-Kazyna" JSC.



Sir Richard EVANS

An Independent Director, a member of the Board of Directors since October 17, 2008.

Sir Richard Evans was born in 1942 in Blackpool, England.

In 1960 he finished the Royal Masonic School (Hertfordshire, London). Sir Richard Evans started his working career in 1960 at the Contracts Division of the Ministry of Transport and Technologies of the United Kingdom of Great Britain and Northern Ireland. Later he worked at the Public Contracts Department of Ferranti Ltd, was a Business Development Manager in the Military Aviation Department of British Aircraft Corporation (BAC), worked as Sales Director, Assistant to the Managing Director of the "British Aerospace plc.", Deputy Managing Director and Director of the Air Group, Marketing Director of British Aerospace plc., Chairman of the British Aerospace Defence Company, Executive Director of "British Aerospace plc.", Chairman of "BAE Systems" Company, headed "United Utilities plc."; held the post of the President of the University of Central Lancashire.

From 2006 to 2008 Sir Richard Evans held the position of the Chairman of the Board of Directors of "Kazakhstan Holding Company for State Assets Management "Samruk" JSC.

By the Decree of the Government of the Republic of Kazakhstan #962 dated October 17, 2008, Sir Richard Evans was elected to the Board of Directors of "Samruk-Kazyna" JSC.

Personal backgrounds of the members of the 2010 Board of Directors



MOLDAZHANOVA Gulzhan Talapovna

An Independent Director, a member of the Board of Directors since May 27, 2009.

Ms Moldazhanova was born in 1966. In 1989 she graduated with honours degree from the Kazakh State University in Almaty, in 1994 she finished the postgraduate studies at MSU with the Degree of Ph.D. in Physics and Mathematics. In 1998 Ms Moldazhanova graduated from the Finance Academy under the Government of the Russian Federation with specialization in the World Economy (Diploma with honors), in 2001 she finished the Business School at the University of Antwerp and graduated from the Institute of Business Administration under the Government of the Russian Federation (Executive MBA, Diploma with honors), in 2008 she was awarded with the Certificate of Independent Director by the Institute of Directors, Great Britain.

At different times Ms Moldazhanova worked as the Financial Manager, the Deputy Director of the Aluminium Division of the Siberian Aluminium Group, as the Deputy Director of the United Company “Siberian Aluminium” (UCSA), Moscow, Russia; as the Sales and Marketing Director, the Director for Strategy and Corporate Governance, a member of the Management Board of “Russian Aluminium” Company (RusAl), Moscow, Russia; as the Managing Director for Aluminium Business, General Director of “Company “Bazovy Element” LLC (Bazel), Moscow, Russia.

Since October, 2009 Ms Moldazhanova held the position of General Director of ESN Corporation.

By the Decree of the Government of the Republic of Kazakhstan #785 dated May 27, 2009, Ms Moldazhanova was elected to the Board of Directors of “Samruk-Kazyna” JSC.



KELIMBETOV Kairat Nematovich

The Chief Executive, a member of the Board of Directors since October 17, 2008.

Mr Kelimbetov was born in 1969. He graduated from the Moscow State University named after M.V. Lomonosov, the Institute of Market under the Kazakh State Academy of Management, National Higher School of Public Administration under the President of the Republic of Kazakhstan.

In 1997 Mr Kelimbetov worked at the Administrative Body of the Agency for Strategic Planning where as a member of a large group he participated in preparing the Message of the President of the Republic of Kazakhstan, known as the “Strategy “Kazakhstan-2030”, later he headed the Agency for Strategic Planning. At different times Mr Kelimbetov worked as the Head of the Social and Economic Department at the Administration of the President of the Republic of Kazakhstan and Vice-Minister of Finance of the Republic of Kazakhstan.

From 2002 to 2006 Mr Kelimbetov held the post of the Minister of Economics and Budget Planning of the Republic of Kazakhstan.

From 2006 to 2008 he held the position of the Chief Executive of “Kazyna Sustainable Development Fund” JSC.

From January to October of 2008 Mr Kelimbetov held the post of the Head of the Administration of the President of the Republic of Kazakhstan.

Since October of 2008 he occupies the post of the Chief Executive of “Sovereign Wealth Fund “Samruk-Kazyna” JSC.

By the Decree of the Government of the Republic of Kazakhstan #962 dated October 17, 2008, Mr Kelimbetov was elected to the Board of Directors of “Samruk-Kazyna” JSC.



BISHIMBAYEV Kuandyk Valikhanovich

Assistant to the President of the Republic of Kazakhstan, a member of the Board of Directors since May 27, 2009 to March 15, 2010.

Mr Bishimbayev was born on 11 April 1980 in Kyzylorda. In 1999 he graduated from the Kazakh State Academy of Management with specialization in "International Economic Relations", in 2001 under Bolashak Program Mr Bishimbayev finished the School of Management and Business at the George Washington University (USA) with the Degree of Master of Business Administration. In 2002 Mr Bishimbayev graduated from the Taraz State University named after M. Dulati with specialization in "Jurisprudence".

He started his working career in 2001 as the Chief Manager at "Development Bank of Kazakhstan" JSC. From August, 2002 to March, 2003 Mr Bishimbayev held the positions of the Head of the Functional Analysis Division of the Department of Budget Policy and Planning, the Deputy Head of the Office of Investment Planning and Analysis of the Department of Strategic Planning and Investment Policy of the Ministry of Economics and Budget Planning of the Republic of Kazakhstan. From 2003 Mr Bishimbayev held managerial positions at such Joint Stock Companies as the National Innovation Fund, Center for Marketing Research and Analytical Investigations, and Ordabasy Corporation.

In 2005–2006 he held the positions of Advisor to the Minister of Economics and Budget Planning of the Republic of Kazakhstan and Advisor to the Prime Minister of the Republic of Kazakhstan.

In 2007–2008 Mr Bishimbayev was appointed to the post of Vice-Minister of Industry and Trade of the Republic of Kazakhstan and held the position of the Head of the Department of Social & Economic Monitoring at the Presidential Administration, and later the position of the Assistant to the President of the Republic of Kazakhstan.

In 2010 Mr Bishimbayev worked as Vice-Minister of Economic development and Trade of the Republic of Kazakhstan.

Members of the Board of Directors, except for the Independent Directors, shall work without any remuneration. The amount of remuneration to be paid to the Independent Directors shall be determined by the Board of Directors without participation of the Independent Directors.

Remuneration payments shall be performed by the Fund once in a year in cash.

The following remuneration is paid to the Independent Directors:

1. fixed remuneration;
2. additional remuneration for participation in meetings in presentia of the Board of Directors' committees.

In case of participation of the Independent Director in less than half of all meetings in presentia and meetings in absentia of the Board of Directors, fixed remuneration shall be reduced by 50% except for the cases of decease, vacation and business trip.

Table 8. Number of Meetings and Report on Performance of the Board of Directors

The Fund's Board of Directors	Meetings held from 1 January to 31 December 2010	
	Meetings in presentia	Meetings in absentia
	9	15

Table 9. Information on attendance by the Members of the Board of Directors at Meetings thereof

Full Name	Attendance (at Meetings of the Board of Directors)	%
K.K. Massimov		
A.O. Issekeshv		
K.N. Kelimbetov	24 of 24	100
B.B. Zhamishev		
R. Evans		
K.V. Bishimbayev	3 of 3	
Zh.S. Aitzhanova	20 of 21	95
B.T. Sultanov		
S.M. Mynbayev	21 of 24	88
A.V. Mirchev		
G.T. Moldazhanova	19 of 24	79

In 2010, the Board of Directors considered 138 issues on the key points of the Fund's activity.

Within the framework of control over improvement of Corporate Governance in the Fund's companies, the Board of Directors

considered reports on Corporate Governance diagnostics of the main portfolio companies of "Samruk-Kazyna" JSC.

Committees at the Board of Directors

The following consultative bodies are operating at the Board of Directors:

- **Audit Committee** held 11 meetings in the reporting period, including two meetings in presentia and nine meetings in absentia. Various issues were considered by the Committee, including the following:

- activity of the Fund's Internal Audit Committee;
- approval of the Fund's Corporate Accounting Policy;
- preliminary appointment and approval of the external auditor of the Fund for 2010–2012;
- preliminary approval of the audited consolidated and separate financial statements of the Fund for 2009.

- **Monitoring, Control and Analysis Committee** held two meetings during the reporting period. At the first meeting, the results of control on compliance of the usage of funds of the National Fund of the Republic of Kazakhstan, allocated to the real estate market, with the Kazakhstani legislation, were considered. At the second meeting the report on usage of the funds of the National Fund of the Republic of Kazakhstan allocated for support of small and medium businesses for the period from 1 July 2009 to 1 May 2010 were discussed.

- Nominating and Remuneration Committee didn't conduct any meetings in the reporting period.

The International Consulting Board (hereinafter – the Board) was established in July 2010. It consists of the former heads of the European Union countries. The Board is a strategic consulting organization and was launched to develop and provide recommendations on international cooperation for the Fund as well as for the Republic of Kazakhstan in general, including the following:

- promotion of creation of favourable conditions for the development of international, foreign economic and geopolitical relations of the Fund and the Republic of Kazakhstan in general;
- promotion of improvement of investment climate and formation of positive image of the Fund and the Republic of Kazakhstan in general, as well as their official foreign representatives;
- development of suggestions and recommendations for the Fund in terms of approval and implementation of strategic decisions on development and diversification of the Kazakhstani economy.

The Board held two meetings in 2010.

Table 10.

Committee at the Board of Directors	Date of Appointment	Members of Committee	Number of Meetings as from the Date of Appointment
Audit Committee	13 December 2008	R. Evans – Chairman, Independent Directors of “Samruk-Kazyna” JSC, Managing Director*	11
Nominating and Remuneration Committee**	15 January 2010	Chairman of the Board of Directors K.K. Massimov – Chairman, Independent Directors of “Samruk-Kazyna” JSC, Staff of “Samruk-Kazyna” JSC	–
Monitoring, Control and Analysis Committee***	27 April 2009	Member of the Board of Directors B.B. Zhamishev – Chairman, erpsonnel of the Ministry of Finance and law enforcement authorities of Kazakhstan, Staff of “Samruk-Kazyna” JSC	2
International Consulting Board	6 July 2010	Foreign political leader A. Guzenbauer – Chairman, Former heads of the European states	2

* the Fund’s Managing Director, being a certified accountant, was elected to the Committee in the capacity of expert/consultant, which complies with the requirements of the Corporate Governance Code;

** By the resolution of the Board of Directors #37 dated 15 January 2010, Remuneration Committee and Nominating Committee of “Samruk-Kazyna” JSC Board of Directors were combined to Nominating and Remuneration Committee;

*** the special Committee was established in connection with use by “Samruk-Kazyna” JSC of the funds of the budget and resources of the National Fund of Kazakhstan.

Conformity of the Fund's activity to the Provisions of the Corporate Governance Code

Below information is given regarding the compliance of the Fund with Corporate Governance Code in 2010. The below articles were selected

as they reflect Corporate Governance Principles, whereas the other articles of Corporate Governance Code are mostly of regulatory character (*Table 11*).

Table 11.

Article/ Provision of the Fund's Corporate Governance Code	Information on Compliance / Non-compliance with the Provision in 2010
25. The principles of distribution of powers between the Board of Directors and the Management Board shall be specified in the respective Regulations on the Board of Directors and the Management Board.	Observed. The Company's Bodies carry out their activities in accordance with the approved provisions on the Fund's Board of Directors and Management Board.
37. With the purpose to ensure that the Sole Shareholder makes well-founded and reasonable decisions, and bring to the notice and attention of the Stakeholders the information of the Fund's activities, the Fund shall ensure timely disclosure to the Sole Shareholder and Stakeholders of the true information about the Fund, its financial position, economic indicators, performance, operating results, ownership and management structure.	Observed. The Fund's Management Board regularly submits to the Board of Directors and the Sole Shareholder the information on the activities both of the Fund and the companies, which blocks of stocks/ shares of participation are owned by the Fund.
43. The Fund's dividend policy shall be transparent and available in an easily accessible form to the Sole Shareholder, potential investors and the general public of the Republic of Kazakhstan.	Observed partially. The dividend policy has not been approved with respect to the Fund itself. But the Fund's dividend policy with respect to its subsidiary organizations for the period of 2009 to 2013 was approved and brought to the notice of the companies.
48. In its activity the Fund shall follow and adhere to the principles of environmental friendliness in compliance with the requirements of the legislation and the generally recognized environmental standards.	Observed partially. This provision is included in the Corporate Governance Codes of the Fund's subsidiary and affiliated companies.
49. The Fund shall use its best endeavors to ensure performance of environmental audit of its subsidiary and affiliated organizations.	
54. The Board of Directors shall approve and from time to time shall review and revise the policy and rules of arrangement and settlement of corporate conflicts to maximally meet and suit the interests of the Fund and the Sole Shareholder.	Not observed. In 2009 neither corporate conflicts nor conflicts of interests were revealed. According to the Fund's Corporate Governance Code it is planned in 2010–2011 to approve the documents regulating in detail the procedures of arrangement and settlement of corporate conflicts or conflicts of interests in the Fund.
62. The general principles of prevention from any conflict of interests shall be defined in the Fund's Code of Business Ethics to be approved by the Board of Directors.	

73. Relationships between the Fund and its subsidiary and affiliated organizations shall be maintained through the relevant bodies within the limits of the Legislation and the approved corporate procedures.

Observed partially.

In general all the decisions of the Fund's subsidiary and affiliated organizations are executed in accordance with the legislation and the above organizations' internal documents. However, there are some cases of infringement of the above provision due to specifics of the applicable legislation (for example, the standards of administrative costs shall be determined in accordance with Decrees of the Government of the Republic of Kazakhstan).

77. The Board of Directors shall make an objective evaluation of the degree of adherence to the approved top-priority goals subject to the market situation, assessment of the Fund's financial condition and other factors having an effect on the Fund's financial and operational activities.

Observed partially.

The Fund conducted evaluation of compliance with the Strategic Development Priorities approved in 2009. The Fund's Board of Directors revises the results of the Fund and subsidiary and affiliated companies' activity, including results of the Development Strategy implementation, on annual basis. Information on the Fund's Development Strategy is described in the relevant sector of the annual report. However, the Development Strategy of the Fund for the period of up to 2020 is not approved (by the Board of Directors) yet.

82. Each Director shall be obliged to attend all the meetings of the Board of Directors and the Committee which member he/she is. Derogation from this rule shall be allowed in exceptional cases as stipulated in the Provisions for the Board of Directors and the Committees.

Observer partially.

Attendance of the Board of Directors and Committee meetings by Directors comprised more than 90%.

89. The Board of Directors shall arrange for proper training of newly elected Directors to adequately initiate them, as well as for the regular improvement of knowledge and skills of Directors required for their work as members of the Board of Directors.

Observed.

For a newly elected member of the Board of Directors, an Independent Director, the procedures of assumption of office have been worked out, including introduction with the Fund's basic documents, structures, and specifics of legislative regulation of the Fund's activities and operations. The Board of Directors has approved the Policy of Entry into Office of Newly Elected Members of the Board of Directors.

110. The strategic issues of the Fund's activities shall be considered and decisions thereon shall be taken only at the meetings in presentia of the Board of Directors.

Observed.

The Draft Strategic Development Priorities of the Fund have been considered at the meetings in presentia of the Fund's Board of Directors.

113. The Fund shall disclose the information on the amount of remuneration for the Directors in accordance with the legislation. The information on the amounts of remuneration for the Directors for the reporting period shall obligatorily be disclosed in the Annual Report to the Sole Shareholder.

Not observed.

171. The Board of Directors shall approve the Dividend Policy Provision defining the principles and mechanisms of implementation of the Fund's Dividend Policy, to be approved by the Sole Shareholder. The Dividend Policy shall duly be disclosed, including on the Fund's web-site.

Not observed.

The Fund's Dividend Policy has not been approved. Its approval is scheduled after approval of the Development Strategy of the Fund.

185. The Fund shall timely disclose the information on all the material facts of its activities and operations, in particular, on its financial position, plans, operating results and performance, as well as the information on its practice of corporate governance, and shall timely publish the calendar of corporate events and other relevant data and essential information.

Observed partially.

The calendar of corporate events was not published on the Fund's web-site.

The Fund prepares in due time the documents connected with the Fund's securities transactions in accordance with the applicable legislation of the Republic of Kazakhstan.

The Fund shall timely prepare other important documents, such as prospectuses, quarterly reports, corporate action notices.

191. The Fund's personnel shall be obliged not to disclose the confidential internal (office) information during the period of their employment. The Fund shall specify the period of nondisclosure by the Fund's personnel of the above information after termination of their employment.	Observed. During the hiring procedure the Fund's employees sign an applicable agreement.
192. The Fund shall prepare financial reporting and statements in accordance with the International Financial Reporting and Accounting Standards.	Observed.
205. With the purpose to obtain an independent opinion on adequacy, accuracy and reliability of the information in the financial statements, the Fund shall provide the audit of its annual financial statements for a previous year with involvement of an external auditor (auditing organization) in compliance with the requirements of the legislation	Observed. The external auditing organization, such as Ernst & Young, was engaged.
216. The Fund shall select suppliers of services mainly on the basis of competitive bidding (by tender) in accordance with the applicable legislation.	Observed. Procurement Rules of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and the organizations, which fifty or more percent of shares (shares of participation) belong to "Samruk-Kazyna" JSC at the ownership right or trust management, have been approved. The Fund makes purchases in accordance with the above Rules.
79. As and when necessary, but at least once a year, the Board of Directors shall reassess the efficiency of the Fund's internal control system and shall elaborate proposals for improvement thereof.	Observed partially. The Fund's Board of Directors revised the register and the map of crucial of the Fund. Risk Management plan was approved for crucial risk management.
201. At least once a year, the Board of Directors shall be obliged to make assessment (jointly with the Audit Committee and the Internal Audit Service) of the efficiency of the Fund's internal control system and to give a report to the Sole Shareholder on holding of the above assessment. Such assessment shall cover the overall control, including financial and operational control, the control over compliance with and efficiency of the Risk Management system.	Also in the framework of annual reports of the Internal Audit Service the Board of Directors of the Fund was informed on the effectiveness of some elements of the internal control system, which had been analyzed by the Internal Audit Service according to the Audit Plan for 2010.
117. Every year the Board of Directors shall make an official and overall appraisal of its performance, of the performance of its Committees, Internal Audit Service and each Director. Moreover, none of the Directors may be involved in the process of appraisal of his/her performance. The performance appraisal results shall be discussed at the meeting of the Board of Directors.	Observed partially. During 2011 on the basis of international experience and leading corporate management practices, as well as considering the gathered experience, the Funds plans to develop a methodology describing the mechanism and strict criteria for appraisal of the Boards of Directors of the companies of the Fund, and to start its pilot usage in 2011–2012.
199. In order to exercise control over the Fund's financial and operational activities, to make assessment of internal controls, risk management, execution of documents on corporate governance and consulting for the purpose of improvement of the Fund's activities, the Fund shall establish an Internal Audit Service. The Internal Audit Service's personnel may not be elected to the Board of Directors and the Management Board.	Observed. The Internal Audit Service has been created. IAS employees are not the members of the Board of Directors and the Management Board.
204. The Audit Committee shall assess the efficiency of the Internal Audit Service's performance and shall give appropriate recommendations to the Board of Directors.	Observed. Audit Committee of the Board of Directors heard and approved the action report of the Internal Audit Service for 2010. The Audit Committee suggested the Board of Directors to approve the report on Internal Audit Service for 2010.

REPORT ON THE MANAGEMENT BOARD ACTIVITY FOR 2010

The Management Board, being a Collegial Executive body, performs control over the current activity of the Fund, acts in the interests of the Fund and the Sole Shareholder and is accountable to the latter and the Fund's Board of Directors.



Chief Executive Officer
Kairat Nematovich KELIMBETOV

(see page 55 "Members of the Board of Directors of "Samruk-Kazyna" JSC).



Deputy Chief Executive
ARMAN GALIASKAROVICH DUNAYEV

Mr Dunayev was born on 7 October 1966 in Kugaly village, Gvardeisky District, Taldykorgan Oblast. He graduated from the Kazakh State University named after S.M. Kirov with specialization in political economics and has the Degree of Cand. Sc. in Economics (the Moscow State University named after M.V. Lomonosov, 1991).

Mr Dunayev held the positions of the Director of the State Debt and Crediting Department, Public Borrowing Department at the Ministry of Finance of the Republic of Kazakhstan. Later he held the posts of the Vice-Minister of Finance, Economics and Budget Planning, the Chief Executive Officer of "National Innovation Fund" JSC, the Chairman of the Agency for Control and Supervision of Financial Market and Institutions. In 2008 Mr Dunayev was appointed as the Chief Executive Officer of "Kazyna Sustainable Development Fund" JSC.

Since November of 2008 to the present day he has been holding the post of the Deputy CEO of Sovereign Wealth Fund "Samruk-Kazyna" JSC.

Mr Dunayev was awarded with the "Kurmet" Order, medals and rewarded with letter of appreciation from the President of the Republic of Kazakhstan.



Deputy Chief Executive Officer "Samruk-Kazyna" JSC
TIMUR ASKAROVICH KULIBAYEV

Mr Kulibayev was born on 10 September 1966 in Alma-Ata. He is Kazakh. In 1993 he finished Republic physic-mathematical school; in 1988 graduated from the Moscow State University named after M.V. Lomonosov with specialization in national economy planning. In 1999 Mr Kulibayev passed a Ph.D defense named "improvement of economical management mechanism under the market conditions (by the example of oil mining industry.) He has a number of scientific publications.

From 1988 to 1992 Mr Kulibayev served at the Economic Research Institute for Planning and Standards (ERIPS) under the State Planning Committee of KazSSR.

Since 1990 he was appointed to the post of the Director of Research-Consulting Center of the Fund of Cultural, Social, Scientific and Technological Development of Kazakhstan.

Since 1992 he managed the "Altyn-Alma" concern. He was the Chairman of the Supervisory Board of the Almaty Merchant Bank.

In 1997 Mr Kulibayev was appointed to the post of the Head of the Directorate for project evaluation and negotiation of the State Committee of Kazakhstan on Investments (as Vice-Chairman).

From May 1997 to March 1999 – Vice-President for Economics and Finance of "National Oil and Gas Company "Kazakhoil".

In March 1999 he was appointed to the post of the President of "National Company for Oil Transportation "KazTransOil" JSC.

From May 2001 to February 2002 – General Director of "National company "Oil and Gas Transportation" JSC (established on the basis of "KazTransOil" and "KazTransGas")

From February 2002 to October 2005 – First Vice-President of JSC "NC "KazMunayGas", formed by the merger of national companies "Kazakhoil" JSC and "Oil and Gas Transportation" JSC.

After leaving his post in JSC "KazMunayGas", Mr Kulibayev headed the Kazakhstan Association of Oil-Gas and Energy Complex "KAZENERGY" which combined the main national and foreign energy companies of Kazakhstan. At the same time he was appointed to the post of free-lance Adviser to the President of Kazakhstan.

During 2005–2006 and 2007–2008 Mr Kulibayev executed public activity together with the management of its own private business.

From April 2006 to August 2007 he was the Deputy Chairman of the Management Board of JSC "Kazakhstan Holding for State Assets Management "Samruk". At the same time he was the Chairman of the Board of Directors of "KEGOC" JSC and JSC "NC "KazMunayGas".

In October 2008 Mr Kulibayev was appointed as the Deputy Chairman of the Management Board of JSC National Wealth Fund "Samruk-Kazyna".

He is the Chairman of the Board of Directors of such National Companies as "Kazatomprom", "KazMunayGas", "Kazakhstan Temir Zholy", "KEGOC", "Samruk-Energy".

By the Decree of the Government of the Republic of Kazakhstan #409 of April 12, 2011 he was appointed to the post of the Chairman of the Management Board of Samruk-Kazyna" JSC. By the Decree of the Government of the Republic of Kazakhstan # 410 of April 12, 2011 Mr Kulibayev was elected to the membership of the Board of Directors.

Since January, 2009 he is the President of Kazakh Boxing Federation.

Since March 2010 – Member of the Executive Body of the National Olympic Committee of the Republic of Kazakhstan.

In April, 2010 he was elected to the post of the Chairman of the Presidium of the National Economic Chamber of Kazakhstan "Soyuz Atameken".

Mr Kulibayev has a good command of Kazakh, Russian and English.



Managing Director – Member of the Management Board of “Samruk-Kazyna” JSC
KAIRAT MEDYBAYEVICH AITEKENOV

Mr Aitekenov was born on 21 November 1963 in Kostanai.

In 1985 he graduated from the Almaty Institute of National Economy with specialization in labor economics. In 1997 he finished the National Higher School of Public Administration under the President of the Republic of Kazakhstan with specialization in public administration. He has a good command of the Kazakh, Russian, German and French languages.

Since 1997 Mr Aitekenov worked as the Chief Specialists of the Analysis and Information Division of the Department Goals and Priorities Formation, the Head of the Human Development Analysis Division of the Strategic Control Office at the Strategic Analysis Department of the Agency of the Republic of Kazakhstan for Strategic Planning and Reforms.

Later Mr Aitekenov held the posts of the Director of the Branch Agencies Cost Planning Department of the Ministry of Economics and Budget Planning, the Vice-Minister of Economics and Budget Planning, Tourism and Sports of the Republic of Kazakhstan, the Vice-Chairman of the Board of “Kazyna Sustainable Development Fund” JSC for Operating Activities and Relations with State Authorities.

In November of 2008 Mr Aitekenov was appointed as the Managing Director – member of the Management Board of “Sovereign Wealth Fund “Samruk-Kazyna” JSC.

He was awarded with state medals, has scientific publications regarding the taxation of subsoil users, cluster development.

Mr Aitekenov participated in the development of the Strategy “Kazakhstan-2030”.



Managing Director – Member of the Management Board of “Samruk-Kazyna” JSC
AIDAN TABONIYAZOVICH KARIBZHANOV

Mr Karibzhanov was born on 10 October 1971 in Alma-Ata. In 1994 he graduated from the Moscow State Institute of International Relations at the Ministry of Foreign Affairs of the Russian Federation with qualification as Specialist in International Economic Relations.

In 1994–1996 Mr Karibzhanov worked at the French Bank Credit Commercial de France (CCF) for Russian privatization programmes, later he worked as the representative of the above Bank in the Republic of Kazakhstan.

From 1996 to 1998 he was a Deputy General Manager of “Global Kazkommerts Securities” JSC; and since 1998 – General Manager of “Kazkommerts Securities” OJSC.

From 1999 to 2001 – Managing Director of “Kazkommertsbank” OJSC.

From 2001 to 2003 Mr Karibzhanov was the Managing Partner and later from 2005 to 2008 – Chairman of the Board of Directors of VISOR Group.

In 2004 – Managing Director for Economy and Finance of “NC “Kazmunaigas” CJSC.

Since 2008 Mr Karibzhanov holds position of the Managing Investments Director of “SWF “Samruk-Kazyna” JSC and since 2009 he becomes its Management Board Member.

At different times he was the Member of the Board of Directors of “Kazakhtelecom” OJSC, “Halyk Savings Bank of Kazakhstan” OJSC, “Temirbank” OJSC, “KazTransOil” JSC, “KazMunayGas Exploration Production” JSC, “BTA Bank” JSC, “Alliance Bank” JSC, “Compass” JSC, “Kazpost” JSC and other Kazakhstani and foreign companies.

Since 2008 – Co-Chairman of the Kazakhstani part of Kazakh-French Business Committee.

Since 2006 – Member of the Guardian Council of the American University of Central Asia.

Mr Karibzhanov is a Co-chairman of the British Public School Haileyburry in Almaty. He has a good command of English and French.



During 2010 the Fund's Management Board held 83 meetings, out of them 31 meetings with 83 issues on the agenda were submitted to consideration by the Board of Directors.

For the reporting period the Management Board **considered 374 issues** related to various activities of the Fund and its subsidiary and affiliated companies.

Among the decisions taken by the Management Board during 2010, the following should be noted:

1. establishment of the below noncommercial organizations of the Fund:

- "SK-Astana", established for coordination of charity donations and sponsorship for implementation of programmes for development of physical culture and sports, including elite sport of Kazakhstan;
- "Project Company for Construction of the New Mosque in Astana".

2. Preliminary approval of the following documents:

- Development Strategy of the Fund for the period of up to 2020;
- Conditions for financing of investment project "Construction of the First Integrated Gas and Chemical Complex in Atyrau oblast – the First Stage".

3. Establishment of the regulatory background of the Fund; the following documents were approved:

- Rules for monitoring and control over the purpose and efficiency of disbursement of funds allocated under stabilization programmes;
- Strategic directions of the Fund's Risk Management systems for 2010–2015;

- Rules for preparation, conclusion and monitoring of agreements signed by the Fund;
- Division of Power Concept among the bodies of the joint stock companies, all voting shares of which are the property of the Fund;
- Informational Technologies Development Strategy for 2010–2013;
- Rules for development, coordination, approval, adjustment, execution and monitoring of the Funds' subsidiary companies' development plans;
- Order of Interaction ensuring the activity of the representatives of "Samruk-Kazyna" JSC in the boards of directors and supervisory councils of the companies owned by the Fund;
- Rules for development and organization of work with the unified talent pool and HR Strategy of the Fund's Group for 2010–2020;
- Rules for accounting and analysis of the realized risks of the Fund;

4. Provision of sponsorship and charitable donations under instructions of the President and the Prime Minister of Kazakhstan to the following organizations:

- Social Fund "Assembly of People of Kazakhstan" for implementation of projects on support of Kazakhstani model of inter-ethnic tolerance,
- Akimat of East-Kazakhstan oblast for liquidation of consequences of emergency situation connected with spring floods, and for reconstruction of social objects and houses in the stricken areas.
- Corporate Fund "Baiterek" for holding of events in connection with celebration of the Day of the capital of Kazakhstan – the Day of Astana; for liquidation of consequences of flood and reconstruction of social objects and houses in Almaty oblast;

REPORT ON THE MANAGEMENT BOARD ACTIVITY FOR 2010

- Social Organization “Writers’ Union of Kazakhstan” for promotion of publishing of “Altyn kalam” series of books;
- Corporate Fund “Project Company for Construction of the New Mosque in Astana”;
- Corporate Fund “SK-Astana” for promotion of some sports.

Committees of the Fund Management Board

The following consultative and advisory bodies are operating under the Management Board of the Fund:

- HR Policy Committee;
- Investment Committee;
- Planning and Assessment Committee.

HR Policy Committee

The HR Policy Committee is a permanent consultative and advisory body at the Fund’s Management Board which was appointed for the purpose of providing assistance to the Fund in implementation of the HR policy for the Fund’s Group of Companies, increase of Corporate Governance efficiency by linking of the Fund’s strategic objectives with the system of hiring, evaluation and motivation of the managing staff of the Group. The HR Policy Committee is established to implement the instruction of the Head of State for increase of responsibility for HR decisions and corruption elimination, as well as regulations of Article 11 of the Law of the Republic of Kazakhstan “On Sovereign Wealth Fund”.

For the purposes of optimization of the Committee’s activity and improvement of Corporate Governance, the Rules of Approval

(Election) to Key Positions in the Organizations of the Fund’s Group are amended to the extent of and as related to the decrease of the list of key positions subject for approval (election). The Regulations of the Committee and the Rules of Approval (Election) to Key Positions in the Organizations of “Samruk-Kazyna” JSC Group of Companies were approved by the Decision of the Fund’s Management Board dated 1 November 2010.

In 2010 the Committee held four meetings, including one meeting in presentia and three meetings in absentia, which considered the materials on approval (election) to key and managerial positions in subsidiary and affiliated organizations of the Fund, the results of implementation of the Project “Establishment of a Unified Talent Pool” and appraisal results of top and middle management, analysis of the organizational structures and the quality of the Fund’s staff.

Investment Committee

The Investment Committee is a permanent consultative and advisory body at the Fund’s Management Board which **develops collegial recommendations for adoption of investment decisions** on strategic projects, acquisitions, disposals of shares of participation and shares of other legal entities, mergers and takeovers; coordinates the investment activity of the Fund and its subsidiaries.

In 2010, the Committee held four meetings, including three meetings in presentia and one meeting in absentia, which considered 24 issues and adopted decisions on 31 projects for the total amount of more than six billion US Dollars.

Planning and Assessment Committee

Earlier, the Budget Committee was appointed with the purpose to ensure a unified position of the representatives of the Fund on the **issues of financial and operational activities of the management bodies of its subsidiary and affiliated organizations**, including approval process of the Development Plans, and to ensure timely and proper approval and execution of the Fund's annual budget. By the Management Board Decision dated 1 November 2010, the Budget Committee was renamed to the Planning and Assessment Committee (hereinafter – the Committee).

The Committee's main objective is increase of efficiency of the Fund's and its subsidiaries' activity, including optimization of their assets and expenses structure. The Committee **develops recommendations on the following issues of the Fund's subsidiary and affiliated companies:**

- projects of development plan, including threshold, projected and high level values, key performance indicators (hereinafter – KPI) for the forthcoming financial year;
- results of monitoring of KPI;
- approval of audited financial statements, distribution of net income for the expired financial year and amount of dividends to be approved by the Fund's Management Board;
- assessment of the company's activity, also for the purpose of performance appraisal of executive members of the Fund's subsidiaries by the HR Committee.

The Committee develops **recommendations on the following issues of the Fund (the Corporate Centre):**

- annual budget projection for the coming period and its adjustments considering utilization results;
- Development Plan of the Fund and other issues on planning of the Corporate Centre activities.

Besides, the Committee considers issues of methodological support of planning processes, monitoring, assessment of the Fund's and its subsidiaries' activity, including development of a list and methodology of KPI calculation, their threshold, projected and high level values, as well as other issues in accordance with the functions described in the Regulation of the Committee's activity.

The Committee held 51 meetings in 2010, including 19 meetings in presentia and 32 meetings in absentia. As a result, 151 issues of financial and operational activity of the subsidiary companies and budget planning of the Corporate Centre of the Fund were duly considered. General approaches for increase of efficiency of "Samruk-Kazyna" JSC subsidiaries, approaches to the Corporate Centre organizational structure, recommended for conduction of a functional analysis of the companies' activity, were approved. The Committee also revised the financial analysis results of the second stage of optimization of the organizational structures of the large Fund's companies and developed strict recommendations.

AUDIT AND CONTROL

The main objective of the Internal Audit, in accordance with the world practices, is provision of the Board of Directors with independent and fair information to ensure efficient management by creation of a systematic approach to improvement of Risk Management, Internal Audit and Corporate Governance systems.

To ensure independency and fairness of the Internal Audit, the Internal Audit Committees accountable to the company's Board of Directors are operating in all of the Fund's subsidiaries. The Fund conducts works on improvement of the companies' Internal Audit activities on a constant basis. Education of the Internal Audit heads at seminars on preparation and presentation of internal auditor's report for the staff is provided.

In accordance with the Fund's qualification requirements, only highly qualified staff is appointed to the position of Internal Audit Head, which is confirmed by the relevant certificates and licenses: "The Auditor of the Republic of Kazakhstan", "Professional Internal Auditor", "DiplFR ACCA" and "ACCA".

The Fund conducted assessment of Internal Audit activity of the five companies:

- "KEGOC" JSC;
- JSC "NC "Kazakhstan Temir Zholy";
- "Samruk-Energy" JSC;
- "Development Bank of Kazakhstan" JSC;
- "Real Estate Fund "Samruk-Kazyna" JSC for compliance with the International Internal Audit Professional Standards and internal documents of the companies regulating the Internal Audit activity. The results of assessment confirm that the Fund works on organization of Internal Audit activities in accordance with the International Internal Audit Professional Standards. Recommendations and results of assessment of the Internal Audit activities are provided to the Fund's representatives in the Board of Directors of the Group's companies for taking of the relevant measures.

The work on methodological and organizational support of the companies continues in relation to further improvement of the internal audit system and appointment of external auditor.



For ensuring of the Fund's and the companies' efficient activity on appointment of external auditor, implementation of the unified procedures on external auditor appointment, avoidance of the conflict of interests, ensuring of timely publishing of audited financial statements, the Fund has developed and distributed "the Recommendations on Organization and Performance of the External Audit by the Third Parties All Voting Shares (Shares of Participation) of Which are Directly or Indirectly Belong to "Samruk-Kazyna" JSC" and "The Policy of "Samruk-Kazyna" JSC for Attraction of Services of Audit Organizations".

For implementation of the Fund's activity principles described in the Law of the Republic of Kazakhstan "On Sovereign Wealth Fund", namely, serving to the interests of the Government and the Sole Shareholder of "Samruk-Kazyna" JSC and ensuring transparency, efficiency and flexibility of the Fund and its companies, the Fund

maintains control over the purpose of the usage of the funds received from the State budget and the Allocation Fund.

Taking into account increase of responsibility of the Board of Directors over the Corporate Governance efficiency practice, it is projected that in future the Internal Audit shall focus its activity on a risk-oriented approach when projecting the audit plan.

The Fund monitors implementation of the Plan on Execution of External Auditors' Recommendations, Described in the Notes to the Management (hereinafter – external auditors' recommendations). As a rule, notes to management contain insufficiency and/or incompliance of the internal audit of the companies. Significant decrease of the external auditors' recommendations should be noted, which shows effective and timely reaction and execution of appropriate measures for rectifying of the insufficiencies, inter alia due to proper monitoring and control from the Fund's side.

RISK MANAGEMENT

To ensure stable development of the Fund's Group of Companies, corporate decisions are adopted with consideration of risk oriented approach. **Special attention of the Fund's Board of Directors is paid to financial risks.**

In 2009, the Fund's Board of Directors approved the concept and the policy of Risk Management. Rules and documents for managing of the main risks were distributed to subsidiary and affiliated companies for preparation of the relevant regulative reporting. In 2010, the Fund with consideration of recommendations of the consulting company PriceWaterhouseCoopers, conducted work on further implementation of the risk management system and its integration with the corporate management system, which helped to increase interaction efficiency in the process of risk management. The Fund regularly conducts actions on increase of the staff awareness of the risks management system.

On 27 October 2010 the Fund's Board of Directors revised the register and the map of critical risks. The relevant plan was approved for critical risks management.

Some, but not all of the risks are provided below.

Access to capital markets

Unfavourable changes in the world financial system may restrict access of the Fund's Group of Companies to the sources of capital at acceptable cost. This risk is highly correlated with liquidity risk and the risk of failure to perform investment liabilities.

Liquidity Risk

Unfavourable changes in the world economy lead to the shortage of funds required for the Fund's Group of Companies' activity, which, in its turn, may lead to failure of implementation of investment projects, failure to perform daily operations and default of some of the companies. The Fund controls compliance with the established liquidity norms. The Fund's Management Board and the Board of Directors consider financial stability of large companies of the Group and possible actions in worst case scenario, when required.

Market risk

Activity of some of the Fund's companies falls under the risk of unfavourable conditions at the raw material markets. Decisions on feasibility of hedging of price risks are taken on the basis of the world raw prices projections and sensitiveness of financial indicators to the prices.

Credit risk

Within the different State programmes, the Fund participates in support of the economy of Kazakhstan. Possible default of the involved counterparties may lead to the loss of funds. Such measures as restructuring of banks, setting of requirements to collateral including collateral for already provided financial aid for completion of construction, and others, are used for decrease of the credit risk..

Currency risk

The Group is subject to the risk of unfavourable changes of currency rates. The Fund attracts credit funds both at external and internal markets which help to decrease the currency risk.



Interest rate risk

The Group's long-term and short-term debt liabilities with floating rates fall under the interest rate risk. Increase of expenses on loan servicing may negatively influence on the credit worthiness. Management of this risk is performed mainly by the usage of combination of fixed and floating loan rates.

Investments

Concentration of the Fund's risks on extremely large State projects, difficulties in attraction of strategic investors for some of the projects highly influence on results of the Fund's activity and its reputation. "Samruk-Kazyna" JSC scrutinizes all the projects at the initial stage and maintains constant control over the implementation of strategically important investment projects.

Accidents and Disasters

Technological crashes and disaster may bring significant damage to property and environment and lead to accidents and breakdowns of the operations. The Fund's Group of Companies strives to provide efficient insurance of property risks and social and legal responsibility for the damage brought to its staff, third parties and the environment.

Legal/Regulatory risk

Changes in the applicable legislation, ambiguous treatment by the regulators and the Fund's Group of some of the legislative provisions, tariff policy which does not provide sufficient investment component in relation to some of the subsidiary and affiliated organizations of

the Fund may negatively influence on the Group's activity. The Fund together with its subsidiaries and affiliated organizations strives to participate in reforming of the legislation of Kazakhstan and strictly follow regulatory requirements.

Political risk

State policy of those foreign countries where the Group possesses assets, or policies of affiliated counterparties may lead to losses or decrease of income. Consideration of political risks is especially important in the countries with unstable political situation. The Group's Companies perform constant monitoring of this risk and take all possible measures to prevent negative consequences, if required.

Staff

Staff is one of the key values of the Fund's Group of Companies. Encouragement of new ideas, motivation policy and talent pool programme are aimed to refrain highly qualified staff. However, the risk of often replacement of the top management may lead to the management's motivation in short-term projects and inconsistency of the Fund's policies related to its subsidiary and affiliated companies. Implementation of the remuneration system focused on evaluation of long-term results help to decrease this risk.

Informational systems

The efficiency of the operations also depends on quality of informational systems. The Fund actively implements informational security system, provision of integrity of data flow and strict access to confidential information.



Sovereign Wealth Fund
“Samruk-Kazyna”
JSC

Annual Report. 2010.
Volume 1





Human Resources Development and Corporate Social Responsibility of the Fund

66 Occupational and Health Safety

67 Personnel Development and Occupational
Trainings

70 Corporate Social Responsibility,
Sponsorship and Charity

71 Environment Protection

OCCUPATIONAL AND HEALTH SAFETY

The Fund and its Companies devote special attention to the matters of occupational safety, making every effort to ensure the introduction and use by the industrial companies of the Fund's Group in their day today activities of the best international standards of occupational safety. The issues of reduction of the risk of occurrence of any situations connected with threat to life and health of employees are regularly considered and discussed at the meetings of the Fund's Management Board and Board of Directors. The companies' Management has the task of developing and introducing the necessary corporate standards and regulations in accordance with the requirements of the legislation of the Republic of Kazakhstan.

To improve safety of the works, the companies implement internal plans of organizational technical measures aimed at reducing the rate

of industrial injuries, improvement of working conditions and work safety, sustaining life and health of the workers in the work process. Such Plans include the actions and measures for accident prevention, training of personnel in safety technique, inspection of equipment and tools to verify compliance thereof with the safety requirements.

The workers of the Fund and its subsidiary and affiliated organizations are provided with medical insurance, guarantees and compensations stipulated by the legislation of Kazakhstan and the policy of social support to the personnel. In addition to the medical insurance, the personnel of the industrial companies of the Fund Group are also provided with regular medical examinations and vaccination at the companies' expense.

PERSONNEL DEVELOPMENT AND OCCUPATIONAL TRAININGS

Human resources are the main organizational source of growth, development and increase of value of the Fund's assets. "Samruk-Kazyna" JSC is passing to a new level of quality in the human resources management. A special emphasis is placed on the improvement of the human resources management policy of the Fund as a whole.

The Fund's personnel is represented in six main spheres of industry such as transport, communications, oil and gas, mining, power

industry, financial institutions and others (pharmaceutical, property) (Table 12).

For the year of 2010, the average number of staff in the Fund's Group of Companies comprised 320,429 people including 29,578 representatives of administrative and managerial staff. Operational staff constitutes the main part of the human resources structure and consists of 291,899 people, which makes 91% of the total number of the Fund's Group staff (Table 13).

Table 12. Statistics of the Fund's industries and companies for 2010

Industry	Number of staff	Percentage of the total number, (%)
Transport	161,921	51
Communications	52,931	16.5
Oil and Gas	66,417	20.7
Mining industry	19,278	6
Power industry	17,956	5.6
Financial institutes	1,505	0.5
Property, Pharmaceuticals	421	0.1

Table 13. Dynamics of the number of staff, category wise

	2010	2011 (projected)
Administrative and Managerial staff	29,578	29,502
Operations	291,899	292,442
Total for the Fund's companies	320,429	321,956

PERSONNEL DEVELOPMENT AND OCCUPATIONAL TRAININGS

Out of the total number of staff of the Fund's Group of Companies, 98 people have Doctor of Science degree, 493 people are Candidates of Science, 385 – PhD, 925 people have ACCA, CFA and other certificates and 4,272 people were educated abroad. The average length of service is 11.8 years and the average age of staff – 35 years.

The following are the key priorities of the Human Resources policy of the Fund:

- attraction, development and retaining of highly qualified staff;
- introduction of advanced methods in the human resources management;
- creation of integral system of corporate trainings of the Fund's Group;
- management of the pool of the managerial staff of the Fund's Group;
- development of corporate culture.

The Fund introduces unified standards and approaches to competitive selection of the personnel, its education and development, creation of a talent pool, remuneration and social support, approval, appointment (election) for the managerial positions and other documents. Introduction of principles of competitive selection of the personnel to available administrative positions will

allow retaining the most qualified and talented specialists in the Fund and its subsidiary and affiliated organizations.

Below are the main principles of the competitive selection:

- General availability;
- Professionalism and competence;
- Transparency;
- Responsibility;
- Candidates' compliance with qualification requirements.

Potential candidates to the key positions in the Fund's Group of Companies are considered by the HR Committee under the Management Board of the Fund in compliance with the approved regulatory documents. The persons claiming the key positions must have respective higher education required by job specification.

Managerial staff of the Fund and the Companies consider the results of their activity through the settled key performance indicators (hereinafter – KPI) following the Development Strategies of "Samruk-Kazyna" JSC.

Introduction of the efficient HR Policy allows creating the pool of qualified managers with high level of professionalism, business ethics and corporate culture. The Fund and its Companies make



investments to staff education, thus increasing the cost of staff at the labour market and creating of additional motivation for a long-term cooperation.

Professional training of the Fund's and its companies' personnel and implementation of HR projects which increase the cost of the Company is performed **on the basis of Samruk-Kazyna Corporate University**. During 2010, the Corporate University:

- educated more than 10,000 of middle and high level employees of the Fund's companies;
- implemented 26 HR projects (seven projects were implemented in 2009).

National companies develop training centres for preparation of qualified operating personnel and consider development perspectives of such industries as oil and gas, power energy, transport, telecommunications and others. Promotion of own staff helps not only to decrease their turnover, but attract the best professionals as well.

For improvement of mechanisms of attraction of the graduates from the International scholarship of the President of the Republic of Kazakhstan "Bolashak" to priority economic and social spheres, "SWF "Samruk-Kazyna" JSC signed a Memorandum on cooperation with the "Centre of International Programmes" JSC. As of today, nearly 30 Bolashak graduates work in the Corporate Centre of the Fund and more than 500 graduates – in the Fund's subsidiary and affiliated organizations.

The key indicator of the company's "health" is the level of employees' satisfaction with work conditions. Thus, according to the results of 2010 research, the Fund's average level of satisfaction comprised 68.5%.

For support of talented youth, the Fund approved the Rules of granting of a special scholarship of "Samruk-Kazyna" JSC which contain the mechanism of selection and granting of the special scholarship to the brightest students of the national universities and the winners of international competitions.

CORPORATE SOCIAL RESPONSIBILITY. SPONSORSHIP AND CHARITY

By setting the task for inclusion of Kazakhstan to the list of fifty most competitive countries of the world, the President of the Republic of Kazakhstan N. Nazarbayev placed a special emphasis on introduction of international standards of corporate social responsibility as one of the priority directions of further modernization of the social sphere, where the national companies and large investors are the main messengers for promotion of corporate social responsibility to the community and implementation of the principles of the Global UNO agreement in social and employment spheres.

Social responsibility in the modern world is treated not only as sponsorship and charity, but as effective activity increasing business reputation and capitalization of a company. The Fund and its subsidiary and affiliated organizations actively participate in implementation of corporate social responsibility to the community (external responsibility) and its employees (intercompany responsibility).

Below are the main priorities of the external social responsibility:

- implementation of State social programmes, within the scope of competence;
- sponsorship and charitable donations;
- promotion of the environment protection.

The main priorities of the intercompany social responsibility are:

- creation of good work conditions for staff;
- establishment of conditions preserving and increasing employees' health;
- professional education and trainings.

Sponsorship and charity are treated as efficient activity increasing business reputation and capitalization of a company. In accordance with the Sponsorship and Charitable Donations Policy of "Samruk-Kazyna" JSC and National Development Institutes, National companies and Other Legal Entities the Shares of Which Belong to the Fund (hereinafter – the Policy), approved by the Fund's Board of Directors on 17 March 2010:

1. sponsorship is provided to support events assigned by the President of the Republic of Kazakhstan, the Prime-Minister of the Republic of Kazakhstan and the Fund's managerial body; conduction of events for liquidations of consequences of emergency situations of ecological and technological origin; support of social projects, some sports, conduction of international conferences and forums with participation of the Head of State, members of the Parliament, members of the Funds' and the Companies' management and executive bodies;
2. sponsorship is provided to support activity of noncommercial social organizations as well as pensioners of the Fund, in accordance with concluded agreement.

In comparison with 2009, sponsorship and charity expenses of the Fund's Group of Companies double increased in 2010 and made up KZT26 billion including increase of Corporate centre expenses by 7.3 times, which comprised KZT11.5 billion.

ENVIRONMENT PROTECTION

The operating activities of the Fund Group of Companies, being of strategic importance for the economy of Kazakhstan and other countries, are material to the interests of millions of people. Environmental impact made by the Fund's Group of Companies in the course of their operating activities determines and delineates its responsibility to the society. Taking into consideration that the natural environment and biological diversity are the heritage of all the next generations, the Fund pursues and implements the harmonized and balanced policy of sustainable development of economic, social and ecological aspects of its activities.

For the purpose of restoration and stabilization of the natural environment, the Fund tries its best to implement the most efficient and environmentally safe projects.

The basic goals and objectives of the Fund's environmental protection policy are as follows:

- Assessment and management, prevention from and mitigation of any adverse impact of the Fund's and its subsidiary companies' activities and operations on the environment;
- Creation at the corporate level of the system of qualitative control and monitoring of the condition of process equipment, industrial facilities and the environment;
- Ensuring transparency in the field of environmental protection;
- Involvement of all the personnel of the Fund and its subsidiary companies in the activities connected with reduction of ecological risks, improvement of the environmental management and performance in the field of environmental protection.



Sovereign Wealth Fund
“Samruk-Kazyna”
JSC

Annual Report. 2010.
Volume 1

Performance of the Fund' Subsidiary Organizations

74

Industrial Group:

- JSC "National company "KazMunayGas"
- JSC "NAC "Kazatomprom"
- "United Chemical Company" LLP
- "Tau-Ken Samruk" JSC

88

Infrastructure group:

- "KEGOC" JSC
- "Kazakhtelecom" JSC
- "Samruk-Energy" JSC
- "Kazpost" JSC
- "NC "Kazakhstan Temir Zholy" JSC
- "Air Astana" JSC

112

Financial Group:

- "DEVELOPMENT BANK OF KAZAKHSTAN" JSC
- "ENTREPRENEURSHIP DEVELOPMENT FUND "DAMU" JSC
- "KAZYNA CAPITAL MANAGEMENT" JSC
- "REAL ESTATE FUND "SAMRUK-KAZYNA" JSC
- "HCSB" JSC

122

Second Tier Banks

INCREASE OF EFFICIENCY OF THE FUND'S SUBSIDIARIES

For the purpose of increase of efficiency of its companies, the optimization of organizational and assets structure of the Fund and its subsidiary organizations was conducted.

General Approaches to increase of the subsidiaries' efficiency were developed by the work group responsible for conduction of the functional analysis and implementation of the second phase of optimization of organizational structures of "Samruk-Kazyna" JSC subsidiaries and approved by the Fund's Planning and Assessment Committee.

In accordance with the above Approaches, the following basic principles of creation of efficient target asset structure of subsidiary and affiliated companies of the Fund (hereinafter – subsidiary and affiliated companies) were defined:

- The assets shall be strictly divided by those business directions, which are clearly defined in the subsidiary and affiliated companies' Strategy;
- Each business direction shall have at least one subsidiary and affiliated company;
- Two-level structure of subsidiary and affiliated company is recommended: corporate centre and its operating companies.

Moreover, considering complexity and specific structure of some of the subsidiary and affiliated companies, the following two-level asset deviation criteria are developed:

1. availability of long-term obligations (loans, Eurobonds);
2. possession of a share in a company, i.e. presence of other owners;
3. requirements of legislation of the Republic of Kazakhstan or those countries where they operate;
4. regulation of structure in intergovernmental agreements.

Target asset structures are developed for the following companies: JSC "NC "KazMunayGas", JSC "NC "Kazakhstan Temir Zholy", "Kazakhtelecom" JSC, "Kazpost" JSC, "KEGOC" JSC and "Samruk-Energy" JSC.

Boards of Directors of the above companies approved the plans of implementation of activities on development of target asset structure.

Besides, the General approaches to the structure of subsidiary and affiliated companies' Corporate Centre, aiming to establish strict connection and correspondence of such Corporate Centre structure with the Strategy of subsidiary and affiliated companies, were approved by the Fund's Planning and Assessment Committee.

Clear distribution of responsibility for achievement of strategic goals and objectives of subsidiary and affiliated companies between different management levels of their Corporate Centre is supposed to be in place. In line with the above, peculiar features of diversified (with several business directions) subsidiary and affiliated companies unlike the mono-companies (with single business direction) are taken into account.

Considering the fact that efficient organization and assets structure of subsidiary and affiliated companies is achievable only with availability of a clear strategy of the latter, strategic directions, goals and objectives of subsidiary and affiliated companies shall be clarified by scrutinizing the strategy of subsidiary and affiliated companies and the previously mentioned structures.

Implementation by the Fund of subsidiary and affiliated companies' structure and assets optimization shall affect growth of working efficiency as well.



Table 14. Average number of employees in the largest subsidiaries of "Samruk-Kazyna" JSC

#	Company	2009	2010
Industrial Group			
1	JSC "NC "KazMunayGas"	57,087	66,417
2	JSC "NAC "Kazatomprom"	18,666	19,080
3	"United Chemical Corporation" LLP	46	135
4	"NC "Tau-Ken Samruk" JSC	47	63
Infrastructure Group			
5	"KEGOC" JSC	4,583	4,586
6	"Kazakhtelecom" JSC	30,325	30,166
7	"Samruk-Energy" JSC	13,262	13,348
8	"Kazpost" JSC	21,800	21,309
9	JSC "NC "Kazakhstan Temir Zholy"	144,408	143,779
10	"Air Astana" JSC		3,259
Financial Group			
11	"Development Bank of Kazakhstan" JSC	293	329
12	"Entrepreneurship Development Fund "Damu" JSC	258	270
13	"Real Estate Fund" Samruk-Kazyna" JSC	56	74
14	"HCSB" JSC	712	757

INDUSTRIAL GROUP

JSC “NATIONAL COMPANY “KAZMUNAYGAS”

www.kmg.kz

JSC “National company “KazMunayGas” (hereinafter – the KMG, KazMunayGas, or the Company) is a Kazakh national operator for exploration, development, processing and transportation of hydrocarbons, which represents interests of the Government in oil and gas industry of Kazakhstan. 100% of shares of the Company belong to “Sovereign Wealth Fund “Samruk-Kazyna” JSC.

The Mission of JSC “NC “KazMunayGas” is provision of maximum benefits for the Republic of Kazakhstan from participation in the development of the national oil and gas sector:

- - highest possible increase of the company’s cost and its profitability and ensuring of occupational safety;
- - establishment of the integrated oil and gas company being a competitive international market player;
- - support of the national goods, works and services producers and development of the local talents.

The objective of JSC “NC “KazMunayGas” is to join thirty largest oil and gas companies of the world by 2015.

“**Financial performance indicators** of JSC “NC “KazMunayGas” for 2010 are provided in *Table 15*.

Table 15.

Financial performance indicators, KZT billion

Item	2009 actual	2010 actual
Income	1,955,526	2,252,197
Expenses	1,765,068	2,065,663
Total income	110,904	305,309

Income of KMG in 2010 comprised nearly KZT2,252 billion which is by 9% more than in 2009, mainly by means of 8% overachievement of target income from sales, works and services due to growth of world market prices on oil and oil products.

Expenses increased by KZT300.5 billion (17%) comparing to 2009, which was caused by increase of rental tax due to growth of oil price, negative exchange rate differences and increase of expenses because of growth of actual costs for oil and oil products purchase.

Total profit made up KZT305.3 billion and increased 2009 figure in more than 2.7 times, which was caused by the growth of oil world market prices.

The National Fund of the country is for 70% formed of the revenues of KazMunayGas Group of companies.

Production performance indicators of JSC “NC “KazMunayGas” for the period from 2005 to 2010 are provided in the below *Table16*.

The volume of oil and gas condensate production made up nearly 22 million tons. The company’s share in the country volume of liquid hydrocarbons increased to 28%.



Table 16. Production performance indicators of JSC "NC "KazMunayGas"

Item	units	2007	2008	2009	2010
Production of oil and gas condensate		16,7	18,1	18,7	21,97
Oil refining	Thousand tons	4,7	10,3	12,8	14,8
Transportation of oil by trunk pipelines		50,8	60,6	64,2	65,8
Transportation of oil by sea		2,3	2,9	7,3	7,1
Transportation of gas by trunk pipelines	Billion cubic metres	114,2	116,7	91,1	99,4

In general, the KMG meets all production performance indicators except for the volume of sea transportation of oil. Increase of production volumes for the reporting period is caused by a stage by stage entry to project capacities of production expansion facilities SGI/SGP (Sour Gas Injection / Second Generation Plant) of "Tengizshevroil" LLP and application of technologies on development intensification for "KazMunayGas" Exploration Production" JSC.

It was noted that the volumes of hydrocarbons refining were increased for all national oil refining plants. The growth of oil transportation by trunk pipelines is connected with the growth of oil priming volumes from developing companies' side.

Decrease of oil sea transportation in the reporting period was mainly caused by termination of shipment to Iran due to introduction of economic sanctions in relation with this country.

Increase of gas transportation within the reporting period is mainly connected with the increase of international gas transit volumes

owing to conduction of reconstruction works by "Gasprom" OJSC at its alternative routes.

In 2010, implementation of "the Programme of JSC "KazMunayGas" Support of Oil and Gas Machinery Development in the Republic of Kazakhstan" was continued.

Purchases from Kazakh machinery enterprises, as planned by the Programme, were covered in full. The Programme involved 52 Kazakh enterprises – goods producers for oil and gas complexes.

In accordance with the Programme, Kazakh plants annually produce new types of oil and gas equipment and materials which were never produced in Kazakhstan before. Starting from the date of implementation of the first Programme in 1998, Kazakh plants have produced more than 300 types of large equipment items.

In the framework of the Programme, in 2010 more than KZT28 billion was spent on oil and gas equipment and materials. **Out of the total**

INDUSTRIAL GROUP

volume of goods, works and services purchases of KazMunayGas in 2010 for the total amount of KZT1.5 trillion, Kazakhstani content made up 51 %. Without consideration of the Russian oil purchased for refinery at Pavlodar oil and chemical plant, Kazakhstan content comprised 65 %.

Conclusion of long-term agreements is a new type of cooperation with local producers. In this regard, Technological agreement on production of new types of oil and gas equipment was signed in November 2010 between the Ministry of Industry and New Technologies and JSC “KazMunayGas”.

2010 ratings

Positive results influence on increase of ratings and international status of a company. According to the estimates of the competent rating agency “Energy Intelligence”, in 2010 KazMunayGas took the

36th place among the largest companies of the world, which is by five levels higher comparing to the 41st place in 2009.

Ratings:

1. Corporate Governance:
Standard & Poor`s awarded and recalled in 2010 GAMMA rating: 4+.
KPMG Pentagon rating in 2009 – 53%, CBA in 2010 – 67 %.
2. Credit ratings:
Standard & Poor`s:
 - in foreign currency BBB-/Stable/;
 - in local currency BBB-/Stable/A-2;
 - the national scale rating (Kazakhstan) kzAA.

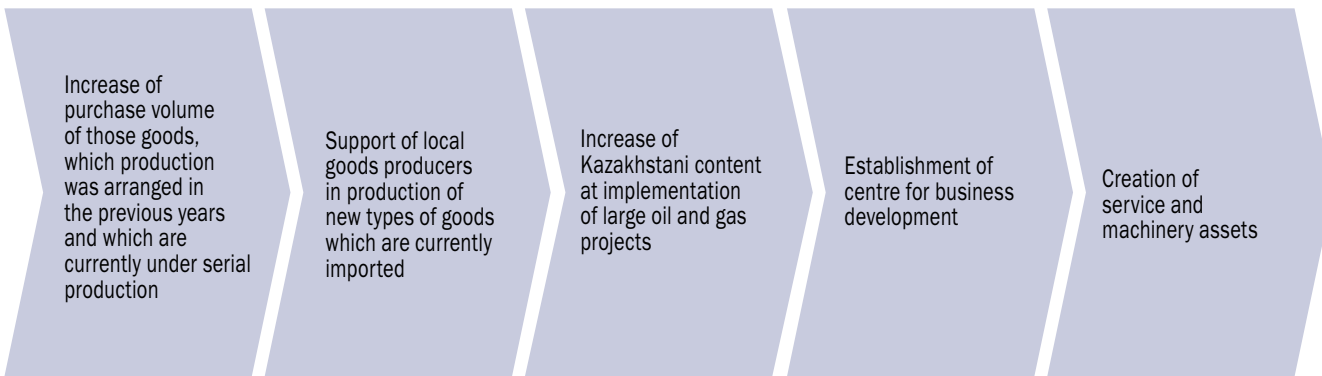
Moody's Investors Service: in foreign currency Baa3/Stable.

Fitch Ratings: in foreign currency BBB/Stable.



Graph 6.

Main directions of implementation of JSC "NC "KazMunayGas" Programme on increase of Kazakhstani content



INDUSTRIAL GROUP

JSC “NAC “KAZATOMPROM” www.kazatomprom.kz

JSC “NAC “Kazatomprom” (hereinafter – Kazatomprom or the Company) is the largest uranium company in the world, which main activity is exploration, production, realization of natural uranium and production of components of nuclear fuel, tantalum, beryllium, niobium and energy supplies.

In 2010, Kazakhstan has strengthened its positions in total nuclear fuel production cycle as compared to 2009. Thus, the total volume of the country’s uranium production was increased by 27 % and made up 17,803 tons U or 19 % of the world uranium production, the share of Kazatomprom comprised 9,959 tons U or more than 10 % consequently. The company increased its production volume by 33 % in comparison with 2009.

Overall, production enterprises of the company possess 582,000 tons of uranium known reserves (categories A+B+C1+C2) and nearly 443,000 tons of resources (P1+P2).

International cooperation. In 2010, arrangements were met in the sphere of uranium isotope separation between State Corporation “Rosatom” and JSC “NAC “Kazatomprom” on further development of “UEC” CJSC (Uranium Enrichment Centre) under the alternative type which presumes participation of Kazakh side in the charter capital of Uralsk Electrochemical Combine (Novouralsk). The deal for acquisition of shares of “UECC” JSC is scheduled for 2011.

In 2010, “UMP” JSC has finished the process of certification of fuel pellets from uranium dioxide under specification of AREVA Company. Kazatomprom obtained the right for production of fuel for AREVA reactors used in many countries of the world.

The same year “UMP” JSC and Japan Company Nuclear Fuel Industries Ltd. (NFI) performed specification of uranium dioxide powder produced by “UMP” JSC for Japan atomic power stations, which will allow Ulbinsk plant delivering of nuclear fuel components to a Japan market.

Moreover, in 2010 “UMP” JSC has successfully completed certification of uranium fuel pellets in China Jianzhong Nuclear Fuel Company (CJNF). Thus, the large project was started for uranium fuel pellets deliveries to China which will be used for production of fuel for the largest China atomic power station – China Guangdong Nuclear Power Corporation (CGNPC).

Investment policy. For the last year Kazatomprom companies disbursed significant amounts of money. The total investments amount comprised KZT71.5 billion.

During 2011–2015, JSC “NAC “Kazatomprom” is planning to implement a number of investment projects for the amount of more than KZT612.7 billion.

Main financial performance indicators

Consolidated financial indicators of JSC “NAC “Kazatomprom” for 2010 significantly increased those of 2009. Income made up KZT230.9 billion and increased by 29 % in comparison with 2009 results.

Sale volumes in physical terms, natural uranium quotations at the world markets (sales proceeds of uranium oxide comprises nearly 70 % of the total volume of proceeds), rate of KZT to US Dollar and Euro (the share of export in the total volume of proceeds comprises



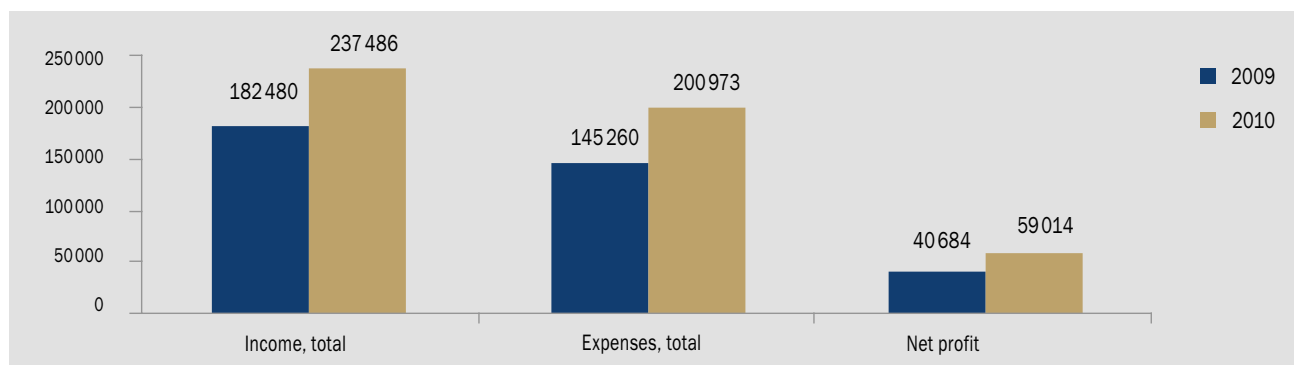
nearly 80%) make the main influence on the volume of proceeds. Net income of JSC "NAC "Kazatomprom" Group of companies made up KZT59.0 billion in 2010, which is by 45% higher than in 2009 (Table 17, Graph 7).

Table 17. Net income of JSC "NAC "Kazatomprom" Group of companies, KZT billion

#	Item	2009 actual	2010 actual	in % to 2009
1	Income	182,480	237,486	130
2	Expenses	- 145,260	- 200,973	138
3	Total income/loss	40,684	59,014	145
4	Investments	59,081	71,497	121

Graph 7.

Main financial indicators, KZT billion

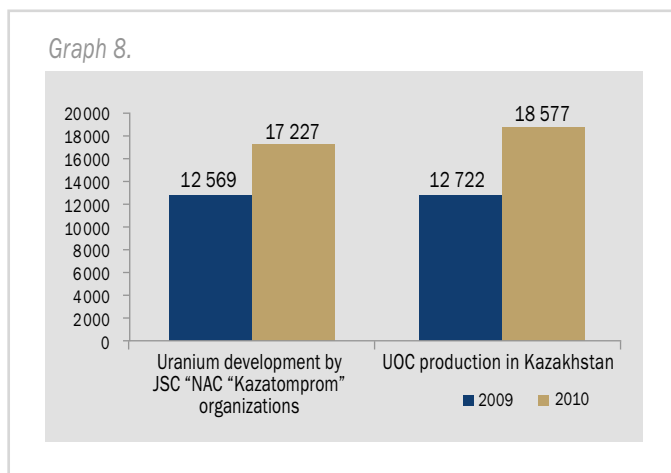


INDUSTRIAL GROUP

For the purpose of meeting of the Company's development plan, implementation of the investment programme was continued. In the reporting period, the amount of investments for all subsidiary and affiliated organizations of JSC "NAC "Kazatomprom" comprised KZT71,497 million.

Main production performance indicators

The volume of uranium production of the Republic of Kazakhstan in 2010 made up 17,803 tons, which is by 27% more than in 2009. The share of JSC "NAC "Kazatomprom" in the total volume of uranium production grew up by 33% for 2010 and amounted to 9,959 tons (Table 18, Graph 8).



Tantalum production enterprise "UMP" JSC is the only enterprise at the CIS territory and one of the largest company of the world which has a full production cycle from processing of tantalum and niobium containing materials to the final products. In accordance with 2010 results the share of "UMP" JSC at the world tantalum market comprised 9%. The volume of tantalum production made up 183 tons in 2010, which is by 16% more than projected and by 19% more than in 2009.

The volume of beryllium production comprised 1,817 tons of alloy weight in 2010, which is in 2.6 times higher than in 2009 and by 18% more than projected.

Environment expenses. Starting from 2007, JSC "NAC "Kazatomprom" has been increasing its expenses on environment protection on annual basis. In 2010, the Company's organizations disbursed KZT1.6 billion, whereas in 2007 only KZT456 million were allocated for environment protecting purposes (Table 19).

In May 2010 Kazatomprom made a debut Eurobonds issuance for the amount of 500 million US Dollars for 5 years with 6.25% coupon rate. The organizers of the issuance were JPMorgan, BNP Paribas and "Halyk Finance" JSC.

Ratings

Thanks to its creditworthiness indicators and implementation of the investment programme with conservative financial policy, **the ratings of the International Rating Agencies were retained at: Moody's (Baa3) and Fitch (BBB-).**



Table 18. Main production performance indicators

#	Item	Unit of measurement	2009	2010	in % to 2009
1.	Development of uranium by JSC "NAC "Kazatomprom" organizations	Tons	12,569	17 803	127
2.	Including share of JSC "NAC "Kazatomprom" under share of participation	Tons	7,467	9 959	133
3.	Production of uranium oxide concentrate (UOC) in Kazakhstan	Tons	12,722	18 577	146
4.	Power energy	Thousands kWh*	4,018,612	4 290 000	106
5.	Heat power	Thousands Gcal	2,713	2 760	101
6.	Water	Million cubic metres	970	1 132	116

Table 19. Tax payments, dividends, corporate social responsibility

	2008	2009	2010
Tax payments to all levels of budget, KZT million	61,154	73,208	97,498
Dividends to the Sole Shareholder, KZT million	1,034	0	8,320
Average number of people including subsidiary and affiliated organizations	21,687	22,066	22,727

INDUSTRIAL GROUP

“UNITED CHEMICAL COMPANY” LLP

www.ucc.com.kz

“United Chemical Company” LLP (hereinafter – the UCC or the Company) was established on 22 January 2009.

The Mission of the UCC is facilitation and promotion of the development of chemical industry to become one of the leading industries of the economy of Kazakhstan. The Company is defined as the main operator for implementation of the State Programme on Forced Industrial and Innovative Development of the Republic of Kazakhstan for 2010–2014 (SPFIID) in the chemical industry (Table 20).

Table 20. Main financial performance indicators, KZT billion

Item	2009	2010
Income	46,4	76,7
Expenses	577,0	1 008,0
Total income/loss*	-523, 6	- 887,7

* total losses of the Company are connected with the investment period of activity and absence of production at the moment.

The main objective of the UCC is development and implementation of investment chemical projects. The Development Strategy of “United Chemical Company” LLP for 2010–2019 was established in 2010, which assumes modernization of current and creation of new chemical enterprises and provision of engineering support of activity.

In 2010 the Company continued its work with the following investment projects:

- reconstruction of sulfuric acid plant in Akmola oblast;
- reconstruction of suspension-flotation mill in Zhambyl oblast;

- construction of integrated gas and chemical complex in Atyrau oblast.

The project for construction of integrated gas and chemical complex in Atyrau oblast, which is included into the Industrialization Map of Kazakhstan for 2010–2014, assumes two implementation phases: production of polypropylene with 500,000 tons per year capacity (the first phase) and production of polyethylene with 800,000 tons per year capacity (the second phase). During implementation of the first phase, works on construction of infrastructure facilities and attraction of credit funds for financing were started in 2010. For the second phase, selection of a strategic partner out of the world leading oil and chemical companies with the required technologies and experience in running of similar projects, is in process.

Development of construction and budget documentation, delivery of equipment, preparation of construction were performed in 2010 for reconstruction of sulfuric acid plant with 180 tons a year production capacity in Akmola oblast (Stepnogorsk). Activities on attraction of a bank loan were started.

Works for the project on reconstruction of suspension-flotation mills for production of phosphate concentrate in Zhambyl oblast were performed in 2010 for preparation of construction area and attraction of financing.

In 2010, in the framework of implementation of investment projects on butadiene, synthetic gum and sodium cyanide production, the initial technical feasibility study of the project was finalized. Additionally, for the purpose of implementation of SPFIID, the Company performs analysis of some types of chemical products for evaluation of possibilities and perspectives of organization of new

productions. For example, such investment project as construction of mineral fertilizers on the basis of Kok-John development (Araltobe and Kesiktobe) is under investigation.

Implementation of the mentioned above projects will make production of high-added value products by small and medium businesses possible, increase research intensity of the industry and usage of existing researches and satisfy internal and external markets.

Development of chemical industry will be connected with production of base organic and polymer products, inorganic chemistry, special chemicals and consumer chemicals.

B In the framework of development of chemical industry the following objective indicators were defined for the UCC:

1. Amount of new chemical types – two in 2015, four in 2020.
2. Volume of chemical production: KZT135 billion in 2015, KZT357 billion in 2020.
3. Export of high value chemical production: KZT28 billion in 2014, KZT108 billion in 2015, KZT320 billion in 2020.
4. Production of polypropylene in the amount of 500,000 tons in 2015 and polyethylene in the amount of 800,000 tons in 2020.
5. Production of phosphate concentrate (for mineral fertile production): 900,000 tons in 2015 and 1,500,000 tons in 2020.

6. Production of sulfuric acid in the amount of 180,000 tons in 2014.
7. Production of sodium cyanide in the amount of 25,000 tons in 2014.
8. Production of butadiene and synthetic gums in the amount of 100,000 tons in 2020.

In 2010 the Company made purchases of goods, works and services for the amount of KZT 267 million, the Kazakhstani content made up 46.6% against projected 44.6%. For the purpose of increase of Kazakhstani content in the total volume of purchases of goods, works and services, the Programme for promotion of Kazakhstani content of goods, works and services of the "United Chemical Company" LLP and its subsidiary and affiliated organizations for the period of 2010–2015 was approved by the Management Board of the UCC in April 2010. It is expected that implementation of the Programme will allow increasing the volume of the UCC purchases from local suppliers by 15% by 2015.

Scientific and technical Council of the "United Chemical Company" LLP was established in 2010 as consultative and advisory body of the Company for scientific, technical and technological issues and assessment of the status and perspectives of chemical industry development in the Republic of Kazakhstan.

INDUSTRIAL GROUP

“TAU-KEN SAMRUK” JSC

www.tks.kz

“Tau-Ken Samruk” JSC (hereinafter – Tau-Ken Samruk or the Company) was established by the Decree #10 of the Government of the Republic of Kazakhstan as of January 15, 2009 in fulfillment of the tasks as set by the Head of the State at the enlarged session of the Government of Republic of Kazakhstan on October 13, 2008.

The company’s purpose is to carry out the activities and operations in the field of exploration, development, production, reprocessing and sale of solid minerals, to provide rehabilitation of mineral resources of Kazakhstan for promotion of the state economic and strategic interests in the management of the state assets in the ore mining and metallurgical industry, to ensure development of the mineral and raw materials complex, and to determine the potential of the Kazakhstan mining industry by means of introduction of new technologies.

Table 21. Main financial performance indicators, KZT billion

Item	2009	2010
Income	29 024	47 868
Expenses	- 463 323	- 632 079
Total income/loss	- 434 299	- 584 210

In accordance with the results of the Company’s financial and administrative activity in 2010, the total loss comprised **KZT584,210**. Negative financial result in 2010 was caused by the

absence of income from the main activity as the Company is at the initial stage of implementation of investment projects, which assume development of investment offers, attraction of project financing for conduction of geological and exploration works for the perspective facilities, development of technical and economic feasibility documents and search of strategic partners.

Financial income for 2010 made up KZT47,868 and represents interest income on bank deposits from placement of temporary free funds. Money and its equivalent in the amount of KZT2,407,050 make 98% of all assets of the Company and represent a contribution of the Sole Shareholder to the charter capital for financing of current activity. The Company’s charter capital formed by emission of common shares, comprises KZT3,436,960 paid by the Sole Shareholder.

In the framework of ensuring of efficient activity in terms of subsurface management under exploration, production, refining and realization projects, the analysis of the current state of mineral and raw material base of Kazakhstan is conducted on a regular basis. **In 2010, “Tau-Ken Samruk” JSC acquired 45 sets of geological information** including deposits of such mineral products as gold, cooper, bauxites, nickel, cobalt, tungsten, molybdenum, rare metals, iron, technogenic mineral formations, lead, zinc and chromite ore.

In accordance with the results of analysis of the geological information, the List of subsoil free deposits offered for joint



development (hereinafter – the List) was defined. The List is placed at the corporate web site and is regularly updated when the analysis of the new sets of geological information are received. At the moment it contains 97 facilities offered for joint development.

In 2010, the Company created a List of investment projects. By the Decisions of the Investment Committee of the Fund dated 20 October 2010 and 13 December 2010 the projects on Creation of Refinery and its Supply with Mineral and Raw Materials and Establishment of Service Operator on Geological Researches were approved respectively.

In 2010 "Tau-Ken Samruk" JSC provided 20 suggestions to the authorized body (the Ministry of Industry and New Technologies of the Republic of Kazakhstan) for its participation in realization of the priority right for acquisition of the disposed rights on subsoil management and facilities connected with it.

In the reporting year, the Company signed **14 Memorandums on cooperation with potential partners** in the spheres of subsurface management (eight), engineering, consulting companies (one), universities (one), financial and investment companies (four).

Memorandum of understanding was signed on 30 June 2010 between "Tau-Ken Samruk" JSC and "Rio Tinto" Company for establishment of a joint venture on exploration of mineral resources at the territory of the Republic of Kazakhstan. Later on 23 December 2010, the additional Intent Agreement was concluded, which defined the initial target area selected by the partner for joint exploration, as well as preliminary expenses for its development.

In the framework of implementation of the projects for promotion of mining and smelting industry, the Company investigates the possibility of conduction of State geological resources examination together with the Japan Oil, Gas and Metals National Corporation (JOGMEC). The relevant Memorandum of understanding was signed between "Tau-Ken Samruk" JSC and JOGMEC on 16 July 2010.

The Company's Development plan for the period of 2011–2015 which established the main key performance indicators; budget limits for current expenses; capital investments and investments for financing of refinery construction under the Programme of development of gold-containing deposits of Kazakhstan and redevelopment of raw materials to fine gold and silver for 2011–2015, was approved by the Decision of the Board of Directors on 14 December 2010.

INFRASTRUCTURE GROUP

“KEGOC” JSC www.kegoc.kz

AO “KEGOC” “KEGOC” JSC (hereinafter – KEGOC or the Company) is a System operator of the Unified Power System (UPS) of the Republic of Kazakhstan and provides services to the parties of electric power wholesale market on:

- electricity transmission through the National Power Grid
- technical dispatching
- organization of the balancing of production and usage of electric power.

The main activities of the Company are related to the sphere of natural monopoly. **The Mission of the Company** is provision of stable functioning and efficient development of the unified power system of Kazakhstan in accordance with the modern technical, economic, ecological requirements and the standards of professional and health safety (Table 22).

Table 22.

Main financial economic indicators, KZT million

Item	2009	2010
Income	32 683,05	44 408,05
Expenses	41 549,77	40 963,55
Total income/loss	- 4 459,04	5 796,02

INVESTMENT ACTIVITY

In 2010, “KEGOC” JSC continued implementation of the following strategic investment projects:

Construction of 500 kV Second Transmission Line of Kazakhstan North-South Transit. The Project was valued at 326.2 million US Dollars, out of which 100 million US Dollars being the loan of the International Bank for Reconstruction and Development (IBRD); 147.8 million US Dollars – loan of the European Bank of Reconstruction and Development (EBRD); 21 million US Dollars and KZT6.97 billion – loan of “Development Bank of Kazakhstan” JSC (DBK) and more than 9 million US Dollars – co-financing from “KEGOC” JSC.

Under this Project, reconstruction of substation 500 kV Almaty was completed in 2010 and works on registration of legal documents, acquisition of land plots, appropriation of land, etc. were finalized. The main volumes of work were completed for construction of fiber-optic communication lines (FOCL) of Shu – Almaty 500-OHTL and a complex of automatic protective devices of EES of Kazakhstan with consideration of construction of the second power line 500 kV Kazakhstan North-South Second stage.

Modernization of the National Power Network – the First Stage. In 2010, all project stages were successfully finalized. The same year, in the framework of the Project, Siemens completed works



on examination and setting to operation of relay protection and substations automation for the remaining 25 out of 67 substations, in accordance with equipment outage schedule without interruption of supply. Works on examination and setting to operation of relay protection and automation for the first 42 out of 67 substations were completed in 2009.

Financing of the Project was made by means of credit lines of IBRD for the amount of 140 million US Dollars under the Government guarantee, EBRD – for 45 million US Dollars and own funds of the Company. Loan funds were disbursed in full. Works on reconstruction of protection for intergovernment 500 kV transmission line, reconstruction of the main protection for 110–220 kV electric power lines, construction of general substation management building (GSMB) for substation 500 kV Sokol and telecommunication communication lines, were completed.

Modernization of the National Power Grid – Second Stage. The purpose of the Project is increase of technical characteristics of equipment of the National Power Grid of Kazakhstan (hereinafter – NPG), ensuring energy efficiency and reliable work of Kazakhstani NPG by means of establishment of modern high-voltage equipment.

The Project assumes modernization of equipment at 55 substations of Kazakhstan NPG which was not included in the scope of works of the first stage, and construction of 220 kV lines. The Project is valued at

KZT52 billion with its implementation period set up for 2009–2016. Financing for the amount of 255 million Euro was attracted from EBRD for replacement of equipment at 55 substations of Kazakhstan NPG. In 2010, MVV decon GmbH (Germany) provided consulting services for procurement and project management and Tender documentation was developed for the Project. On 24 December 2010 two agreements were signed with KEC International Ltd. (India) and “ASPMK-519” (Kazakhstan) for modernization of substations of six subsidiaries of “KEGOC” JSC.

Moinak HPP electricity transmission project. The main objective of the Project is provision of secure power delivery from the 300 MW Moinak HPP being constructed at Sharyn River in Raimbek district of Almaty Oblast. The Project cost made up KZT52 billion, KZT45.6 billion of them is financed by the EBRD loan. Moinak HPP is constructed to reduce power and electricity shortage, cover peak loads and secure power supply to consumers of Almaty Oblast in particular and South Kazakhstan in general. Initiation of the facilities is planned for the end of 2011 and final completion of all project stages is planned for the first six months of 2012.

Under the Project, works on engineering investigations, selection and approval of 220 kV transmission lines and substations areas, considering amendments of the scheme were completed and design and estimation documentation for “Enlargement and reconstruction

INFRASTRUCTURE GROUP

of 220 kV substation “Shelek” and “Construction of 220 kV outdoor switchyard at Moinak HPP” were developed. For that part of the Project which shall be implemented by means of financing, agreement with MVV decon GmbH (Germany) was signed in 2010 for provision of consulting and advisory services on procurement and project management. Tender documentation for the Project was developed by this consulting company as well. The tender on selection of a vendor for construction of the project was held on 29 December 2010.

Construction of Alma Substations connected to Kazakhstan National Grid via 500, 220 kV lines. The main purpose of the project is provision of secure power supply to Almaty region, power delivery from the first stage of Balkhashskaya CHP (1320 MW), creation of engineering opportunities for development of Almaty satellite towns and construction of Almaty industrial park.

Under this Project, works on engineering investigations, construction of industrial buildings at 500 kV Alma substation, development of

design and estimation documentation and equipment packaging for construction of Alma substation connected to Kazakhstan National Grid via 500, 220 kV lines, were completed in 2010.

For implementation of the Project, in 2010 the Company signed credit agreement with IBRD under the Government guarantee. Completion of the Project implementation is expected in 2014.

Ossakarovka 220 kV Transmission Line Rehabilitation. The purpose of the Project is provision of secure power supply to Astana region as well as provision of growing power energy demand of the city and other facilities which construction is planned in the industrial area of Astana.

Technical and economical feasibility for “Reconstruction of 220 kV overhead transmission line “TsGPP SS-Ossakarovka” was developed in 2010.

The Project’s implementation period is from 2011 to 2014.

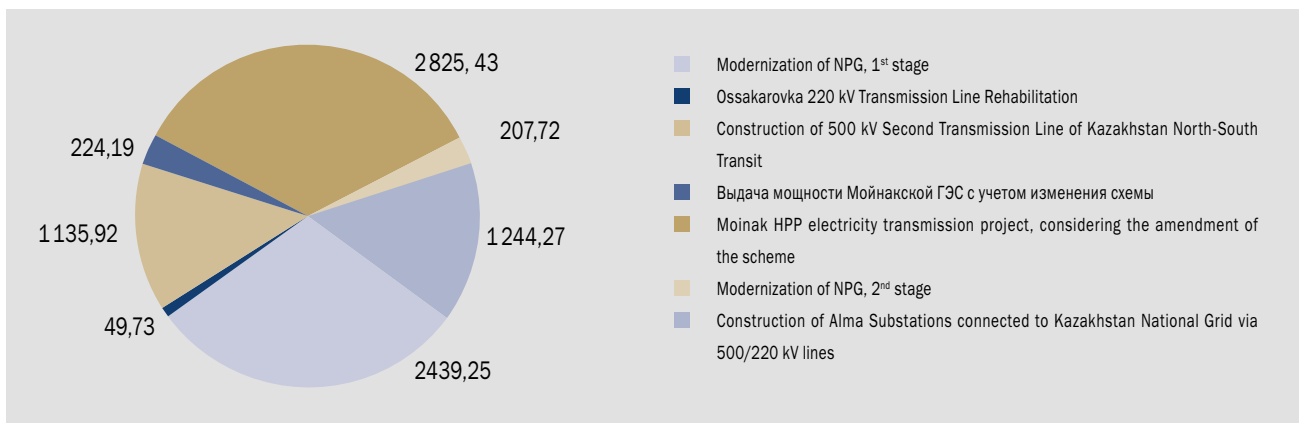
Ratings

Table 23. Credit ratings of “KEGOC” JSC

	2008	2009	2010
S&P	BB+ /negative		BB+/stable
Fitch	BBB- /negative	BBB- /stable	BBB-/positive
Moody's	Baa1 /stable		Baa3 /negative



Graph 9.
INVESTMENT PROJECTS IN 2010, KZT million



INFRASTRUCTURE GROUP

“KAZAKHTELECOM” JSC

www.telecom.kz

“Kazakhtelecom” JSC (hereinafter – Kazakhtelecom or the Company) is the largest communications carrier of the country providing a wide spectrum of informational and communication services. The Company operates on the basis of the General License of the Agency of Informatization and Communications of the Republic of Kazakhstan #000001 of 28 May 2004.

“Kazakhtelecom” JSC is a legal entity with centralized management and includes 22 subsidiaries and representative offices in Russian, China and Tajikistan. The central office is located in Astana, the capital of Kazakhstan. The Company employs about 30,000 people. “Kazakhtelecom” JSC has regional offices in each area of the country and provides services throughout the country.

According to 2010 results, **the Company serves more than 3.8 million fixed-line subscribers**. The telephone density in the Republic of Kazakhstan is an average of 25.1 fixed lines per 100 people. The amount of internet subscribers at the end of 2010

exceeded 2,337,055 people, including 1,756,838 broadband internet subscribers. More than 130 communication operators of Kazakhstan are connected to the communication network of the Company. “Kazakhtelecom” JSC closely cooperates and works with **more than 40 operators from both near and far abroad**.

Main financial performance indicators

Systematic modernization and development of telecommunication network performed by “Kazakhtelecom” JSC for increase of the quality of provided services allowed increasing the level of demand and usage of telecommunication services, which positively reflected the Company’s revenue.

Income for 2010 made up KZT183,507.17 million, which is by 8.5% more than in 2009. Expenses comprised KZT145,705.8 million, the increase comparing to 2009 level made up 5.6%. The total income was received in the amount of KZT34,219.6 million, which is by 25.3% more than in 2009 (*Table 24, Graph 10*).

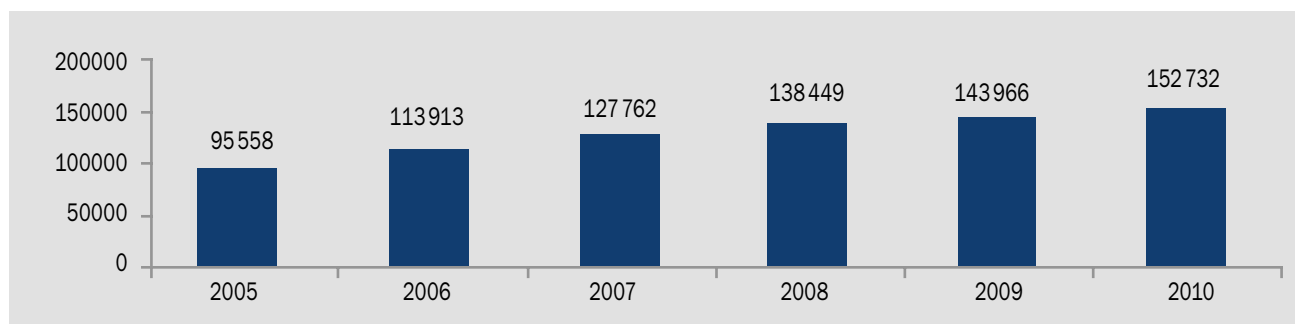


Table 24. Main financial performance indicators, KZT million

Item	2010	2009
Income	183 507, 17	169 123, 35
Expenses	145 705, 78	137 991, 53
Total income	34 219, 65	27 317, 94

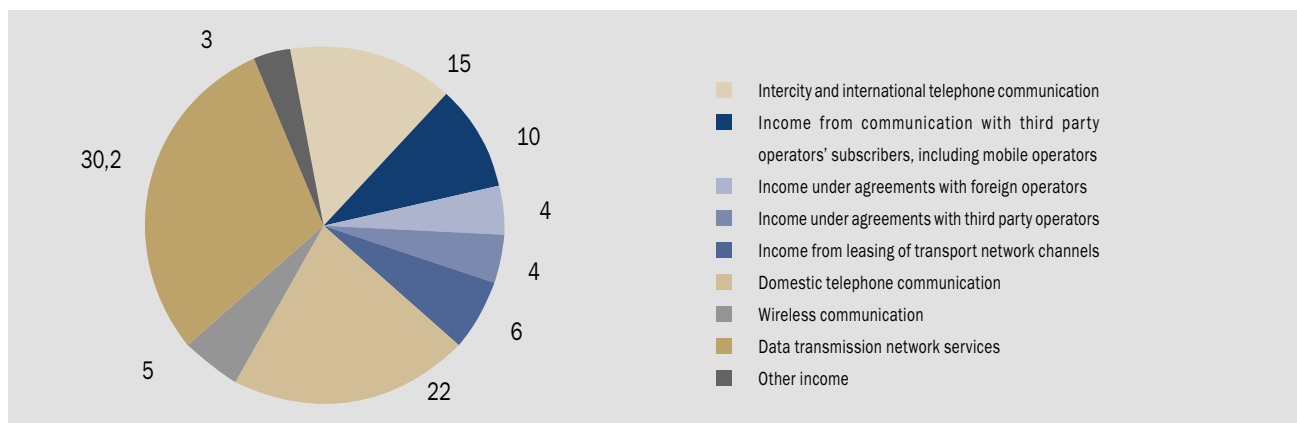
Graph 10.

Dynamics of income from the main activity, KZT million



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Graph 11.
Structure of income from the main activity in 2010, %



Within the income from the main activity, significant increase of revenue is noted from data communication network services, which comprised 30.2% as of the end of 2010. At that, the amount of income from intercity and international telecommunication decreased and at the end of 2010 made up 15%, which was caused by the usage of alternative types of dialing by subscribers. Changes in other services are not significant (Table 25, Graph 11).

Systematic investment policy and work on optimization of the number of employees create a basis for steady labour efficiency growth of the Company's employees (Graph 12).

Graph 12.
Number of fixed lines per one employee, lines

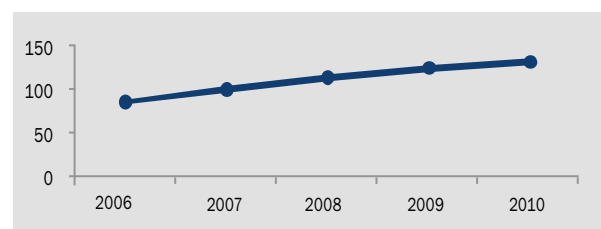




Table 25. Main performance indicators

Name of the indicator	2010	2009	Deviation,%
Efficiency indicators			
ROACE	13,5	11,2	121
ARPU per one fixed line, KZT thousand/year	31,93	30,4	105
ARPU per broadband access for individuals, KZT thousand /month	3,1	3,25	95
ARPU per mobile subscriber, KZT thousand /month	0,9	0,96	94
Number of employees, people	29 855	30 325	98
Income, total for one employee, KZT thousand	5 115,80	4 747	108
Number of fixed lines per one employee, lines	127,4	119,6	107
Technical indicators			
Number of fixed lines, lines	3 802 916	3 627 192	105
Digitalization level of local network, %	92,84	90,74	102
Number of mobile subscribers in subsidiaries, people	1 229 772	1 034 983	119
Number of internet users, total, people	2 337 055	1 816 057	129
Including broadband access users, people	1 756 838	1 417 803	124
Industry indicators			
Telephone density, number of fixed lines for 100 people	25	25	100
Maximum number of internet users, thousand people	4 321	3 160	137
Number of mobile subscribers, thousand	19 200	15 700	122

2010 ratings

1. the Rating Agency Fitch confirmed long-term issuer default ratings (IDR) of the Company in foreign and local currencies at "BB" level, short-term IDR in foreign currency at "B" level and the national scale long-term rating at the level of "A(kaz)". Long-term ratings outlook is "Stable";
2. the Rating Agency Standard & Poor's confirmed long-term corporate rating outlook as "Stable". At the same time, long-term credit rating of the Company and the national scale rating are confirmed at "BB" and "kzA" levels respectively.

INFRASTRUCTURE GROUP

“SAMRUK-ENERGY” JSC www.samruk-energy.kz

“Samruk-Energy” JSC (hereinafter – Samruk-Energy or the Company) was registered on 10 May 2007 for the purpose of development and realization of the long-term state policy on modernization of existing and input of new generating capacities. Samruk-Energy is a modern multi-industry energy holding providing life-sustaining activities of all industry sectors of Kazakhstan and successfully integrated into the CIS power pool.

The main activities of the Company, consisting of 19 organizations, are generation of electric and thermal energy, transmission and distribution of electric energy, extraction of power coal and reconstruction, expansion and building of power objects.

The Mission of “Samruk-Energy” JSC is ensuring of efficient, stable and balanced production of thermal and electric energy in accordance with the modern technical, economic and ecologic requirements and standards.

Main financial performance indicators

The total income of the Group of companies as of 2010 amounted to KZT81.3 billion, including income from the main activity in the amount of KZT76.9 billion. The growth in comparison with 2009 comprised 19% due to increase of the volumes of electric energy transmission and distribution by the sales company as well as due to increase of electric energy production tariffs approved by

the Government resolution. In accordance with 2010 results, the Company’s income comprised KZT10.8 billion.

As of the end of 2010, the assets of Samruk-Energy made up KZT244 billion, which is by KZT60.7 billion, or by 33%, more than in 2009. The increment of assets was caused by implementation of large investment programmes by means of own and borrowed funds as well as funds from the State budget (*Table 26*).

Table 26.

Main financial and economic indicators, KZT billion

Item	2009	2010
Income	67 366 509	81 303 840
Expenses	68 170 540	72 456 587
Total income/loss	- 1 429 656	10 862 599

Production capacities

Power systems capacities as of 31 December 2010 made up 3,670.9 MW, which makes 18.9% of the gross installed capacities of the unified energy system (UES) of Kazakhstan. Capability of net generating stations as of 31 December 2010 stands at 3,194.6 MW, which makes 20.9% of the gross installed capacity of the UES of Kazakhstan.



Table 27. Asset structure of "Samruk-Energy" JSC

	Name of subsidiary and affiliated organization	The Company's share in the charter capital in 2010, %
1	"Bukhtarminskaya HPP" JSC	90
2	"Zhambylskaya GRES named after T.I. Baturov" JSC	50
3	"KazKuat" JSC	Decision on liquidation is approved
	"Shardarinskaya HPP" JSC	100
4	"KMG-Energy" JSC	Decision on liquidation is approved
	"SamrukEnergyConstructionServices" JSC	100
	"AlmatyEnergoSbyt" LLP	100
5	"Mangistauskaya REC" JSC	75% + 1 share
6	"Ust-Kamenogorskaya GES" JSC	89.99
7	"Shulbinskaya HPP" JSC	92.14
8	"Ekibastuzskaya GRES-2 Station" JSC	50
9	"Balkhashskaya CHP" JSC	100
10	"Alatau Zharyk Company" JSC	100
	"Almaty Electric Power Plants" JSC	100
	"Aktobe TPP" JSC	100
11	"Forum Muider B.V."	50
	"Bogatyr Komir" LLP	100
12	"Moinakskaya HPP" JSC	51

INFRASTRUCTURE GROUP

Implementation of investment projects:

1. In 2010, "Alatau Zharyk Company" JSC implemented or is implementing the following projects:

- "Power transmission for Aziada-2011 facilities";
- Special Economic Zone "Informational Technologies Park Alatau";
- construction of "Kensai", "Otrar" and "Alatau" substations in Almaty for the purpose of continuity of electricity supply.

In future, "Alatau Zharyk Company" JSC plans to create a circle of 220 kV power lines and 220 kV master substations around Almaty and perform reconstruction of the backbone 110 kV electric network. The Company made total capital investments in the amount of KZT22.4 billion.

2. "Almaty Electric Power Plants" JSC started construction of ash and slag removal systems at CHP-1 and CHP-2. During 2010, the Company made investments to capital construction in the amount of KZT13.5 billion.

3. "Moinakskaya HPP" JSC. The project on "Construction of Moinakskaya HPP" made a significant progress during the reporting year. In September 2010, penetration of derivational system for HPP was completed. Works on installation of metal sheathings and derivation concreting were started. Capital investments made up KZT11.4 billion for the reporting year.

4. "Shardarinskaya HPP" JSC made capital investments of own funds in the amount of KZT1.3 billion, which were used for implementation of actions on liquidation of right-bank landslide, change of 110 kV outdoor switchgear to 110 kV metal-clad switchgear, change of trash racks and capital repairing of boosters.

5. "Construction of Balkhashskaya CHP". Capital investments on construction and installation works for the facilities of the initial stage were made in the amount of KZT1.3 billion. It is planned to continue work with the project investors and consultants on making relevant amendments to the structure of the project and



its implementation mechanisms as well as amendments to the legislation for guaranteeing of return of investments. Negotiations with potential creditors of the project will also be continued.

6. Under the Project on "Expansion and reconstruction of Ekibastuzskaya GRES-2 with installation of power plant #3", in the summer of 2010 with participation of head of states of Kazakhstan and Russia, Credit line agreement in the amount of up to 770 million US Dollars was signed between "Ekibastuzskaya GRES-2 Station" JSC, Vnesheconombank and Eurasian Development Bank. The annual programme of technical improvement of the station is implemented.
7. "Aktobe TPP" JSC signed Credit agreement with the EBRD for the amount of 40 million Euro on 16 March 2010 for implementation of the investment programme which includes delivery of 50 MW gas-turbine plant and conduction of energy efficiency events. Works on change of turbine set #3 were continued and reconstruction

of water-cooling tower was finalized. Total investments made up KZT1.3 billion.

8. "Bogatyr Komir" LLP performed successful actions on modernization of production in 2010. The total amount of investments comprised KZT2.6 billion. Reconstruction of transport scheme of "Bogatyr" strip coal mine was completed with reconstruction, change and acquisition of rotary excavators and bulldozers. Besides, approval was obtained for implementation of the project on moving to cyclical and continuous method of coal blending which will allow increasing of production indicators and decrease operational loss in future.

The actual expenses of "Samruk'-Energy" JSC under the investment programme amounted to KZT58.2 billion in 2010. In general, the investment programme was marked by improvement of long-term investment portfolio with consideration of complex development of production capacities and related transportation capacities.

INFRASTRUCTURE GROUP

“Kazpost” JSC

www.kazpost.kz

Акционерное “Kazpost” JSC (hereinafter – Kazpost or the Company) is the leading post operator of Kazakhstan with a broad network of subsidiaries providing postal and financial services at the territory of Kazakhstan.

In 2010, “Kazpost” JSC included:

- 19 subsidiaries;
- 22 city post centres;
- 156 district post centres;
- 580 city post offices;
- 2 452 country post offices;
- 83 mobile post offices;
- 436 post points;
- representative office in Russia and Germany.

Besides its main activity, the Company provides payment and cash services for individuals and legal entities, handling of deposits, opening and maintenance of bank accounts of individuals and legal entities, broker, dealer and transfer-agent activities.

Main financial and economic indicators

Совокупные Comprehensive income as of 2010 made up KZT20,054.2 million, which is by 15% more than in 2009.

As a result, for the first time since 2007, the net income is received in the amount of KZT281 million (*Table 28*).

Table 28. Results of financial and economic activity in 2010, KZT million

Item	2010	2009
Income	20 054, 2	17 492, 5
Expenses	- 19 773, 2	- 18 607, 8
Total income/loss	281, 01	- 1 115, 29



Postal services.

The volume of:

- written correspondence amounted to 56 millions of items, which is by 3%, or by 1.6 million of items, more than in 2009;
- parcels made up 3.27 millions of items, which is by 5.4%, or by 0.17 million of items, more than in 2009;
- delivered periodicals made up 204.7 millions of items which increased the volume of 2009 by 0.3%, or by 0.8 million of items;
- speed delivery comprised 0.38 million of items, which is by 8.5%, or in 0.03 million of items, more than in 2009

(Graph 13).

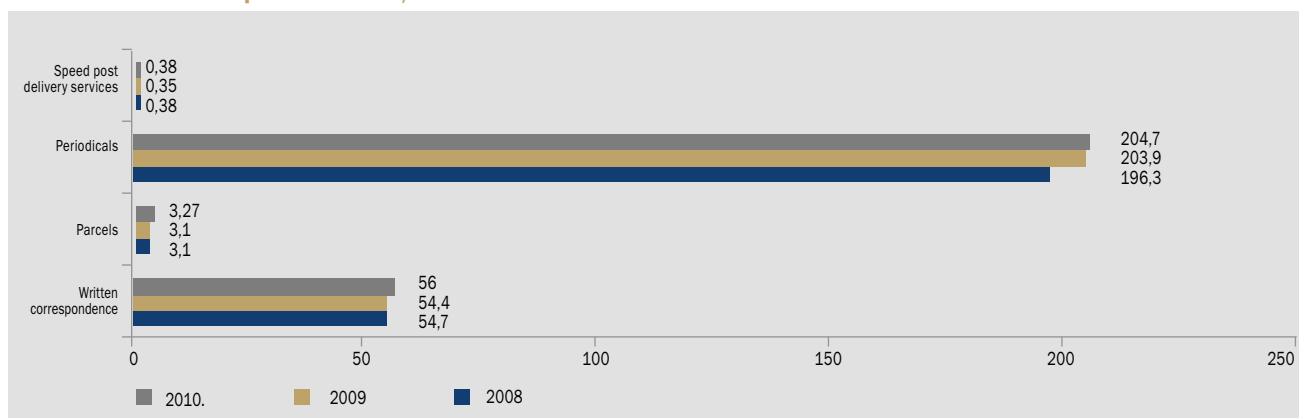
Financial services

The total amount of salaries paid by the budget and other organizations is higher than that of 2009 by 12.4 % or by KZT10.3 billion and made up KZT93.6 billion.

The volume of retirement pensions and aids paid amounted to KZT377.3 billion and increased the 2009 level by 18.5 %, or by KZT59.2 billion. The volume of accepted public utility and other payments made up KZT129.7 billion with the decrease by 1.9 % or by KZT2.5 billion in comparison to 2009.

Graph 13.

Volume of the main post services, millions of items



INFRASTRUCTURE GROUP

The volume of money transfers made up KZT11.6 billion, which exceeded the level of 2009 by 4.7%, or by KZT0.5 billion (Graph 14).

Increase of profit share from postal services income and decrease of financial services share, which in 2010 made up 47% and 43% respectively, is noted in the income structure of the Company (Graph 15).

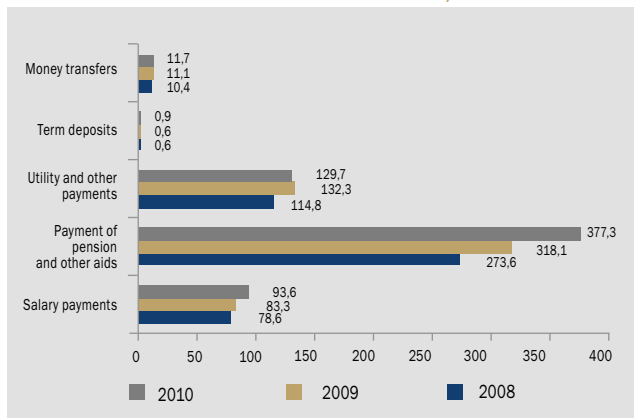
Net cost of realized goods comprised KZT15.5 billion with 16.5% increase comparing to 2009. Labour productivity in 2010 exceeded

the level of 2009 by 17.4% and made up KZT925.5 thousand per person.

During 2010, Kazpost spent KZT1.9 billion for financing of the following projects with the purpose of modernization and renewal of production funds to ensure improvement of the quality of provided services:

- State Programme of development of postal-saving system of the Republic of Kazakhstan for 2005–2011;
- “Modernization of informational system”, “Infrastructure development in cities” and “Material and technical support”.

Graph 14.
Volume of the main financial services, KZT billion



Graph 15.
Income structure, %

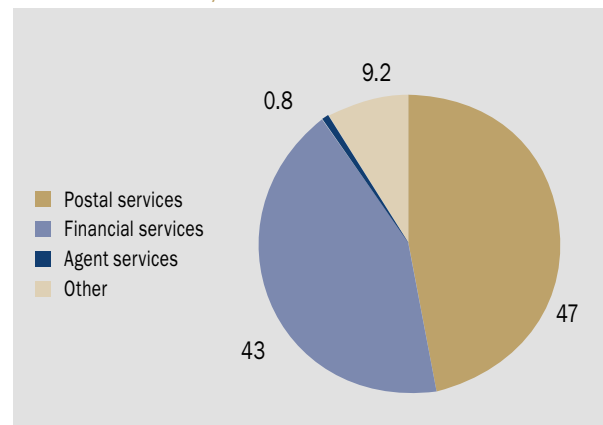




Table 29. Investment directions in 2010, KZT thousand

Name	2009	2010
Construction, full repair and registration of real estate facilities	1 657 949	986 262
Acquisition and equipment of logistics centre	1 442 987	-
Computers and telecommunications	95 631	544 450
Bank equipment	27 403	7 053
Postal and production equipment	44 015	113 721
Transport and post wagons	170 481	176 106
Technical safety means	22 046	69 544
Total :	3 459 911	1 897 135

The mail track system is implemented at the territory of Kazakhstan at the level of automated production facilities.

The Company received Silver level certificate (for 18th place out of 203 countries of the world) of the Universal Postal Union for 2010 EMS services.

Confirmation on compliance with ISO 9001:2008 standard was obtained in terms of development and provision of four key commercial services such as parcels, EMS, transfers and payments.

VISA certificate was granted to "Kazpost" JSC for dynamic implementation of VISA programme in the regions.

Ratings

Long-term credit ratings of "Kazpost" JSC in 2010:

- Standard & Poor's – "BB", national scale rating – "kzA+", outlook – "Stable";
- Moody's Investor's Service's – "Ba2", outlook – "Stable".

INFRASTRUCTURE GROUP

“NC “KAZAKHSTAN TEMIR ZHOLY” JSC

www.railways.kz

The Mission of JSC “NC “KTZ” (hereinafter – the KTZ or the Company) – being a backbone of infrastructure, to ensure an adequate transport basis for sustainable economic growth and create values for the Shareholder – “Samruk-Kazyna” JSC, customers and society as a whole by providing quality and competitive transportation and logistic services for cargo, passenger and main-line network services.

KTZ Vision – a highly efficient national transport corporation of Kazakhstan, which conforms to the best world business practices. JSC “NC “KTZ” has a vertically integrated holding structure containing businesses making the hard core of the integrated transportation process and provides the following efficient services:

- backbone railway network and infrastructure;
- secure, high quality and efficient transportation of goods which includes transit transportation, transportation of export and import goods as well as domestic transportation of any goods (including container and combined transportation);
- passenger transportation – suburban, inter-regional and international.

Length of backbone railways is more than 14,000 km. Freight car fleet – more than 44,000 items, locomotive fleet – more than 1,500 items. Number of KTZ employees: more than 146,000 people.

Foreign representative offices of the Company:

- Moscow (Russia);
- Beijing, Urumqi (China);
- Kiev (Ukraine);
- Tashkent (Uzbekistan).

Current asset portfolio structure of KTZ represents the structure of vertically integrated company organized by a functional method with 26 subsidiaries, dependent and jointly controlled organizations which perform core and non-core activities and located at the territory of Kazakhstan.

Main financial and economic indicators

The total income of 2010 comprised KZT65,175 million, which is by KZT45,686 million more than in 2009 (Table 30).

The volume of goods transportation in 2010 made up 267,735 tons, which increased the 2009 level by 8.1% or by 20,058 tons. Out of them:

- 35.9% in export sphere;
- 52.6% in inter-region sphere;
- 6.3% in import sphere;
- 5.2% in transit area.

Table 30. Main financial indicators*, KZT million

Item	2009	2010
Income	499 711	597 506
Expenses	467 249	492 811
Total income	19 489	65 175

* consolidated indicators

Freight turnover in 2010 increased by 15,872 million tkm or by 8.0% in comparison with 2009 and made up 213,174 million tkm. The average transportation distance decreased by 1 km and comprised 796 km.

Passengers' turnover as of 2010 made up 13,991 million passengers which exceeds the level of 2009 by 8.3%.

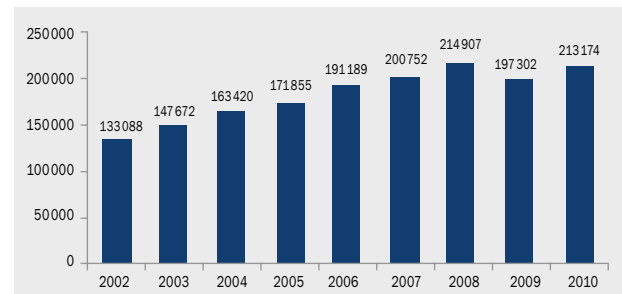


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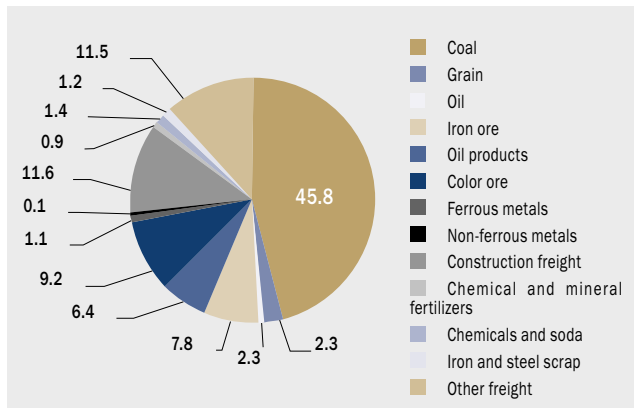
As was previously noted, the largest transportation direction of KTZ is inter-region transportation (52.6% of the total volume of freight transportation), *Graph 17*. At that, coal deliveries made almost half of all freight transportation (45.9%).

In the export direction, coal deliveries also make the majority – 35.5%, as well as iron ore – 18.9% respectively of the total volume of international transportation (*Graph 18*).

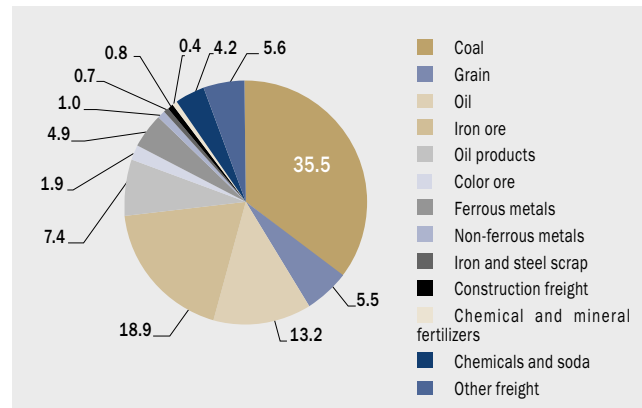
Graph 16.
Dynamics of freight turnover from 2001 to 2010, million tkm



Graph 17.
Freight transportation in the inter-region directions, main classification wise, %

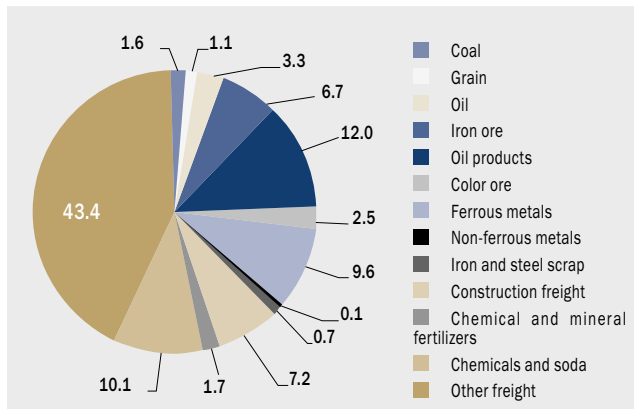


Graph 18.
Export freight transportation, main classification wise, %

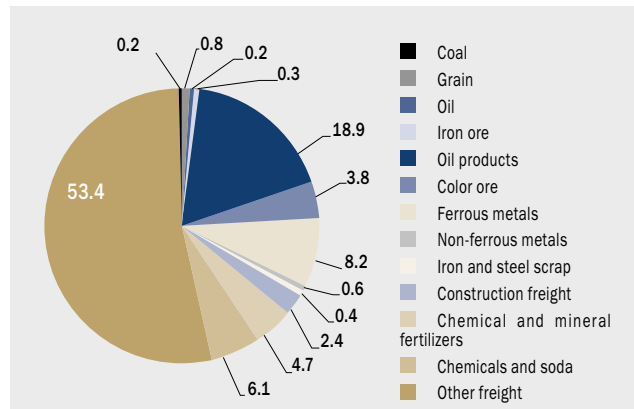


INFRASTRUCTURE GROUP

Graph 19.
Import freight transportation, main classification wise, %



Graph 20.
Transit freight transportation, main classification wise, %



In the import direction, considerable part of freight transportation is made by oil and oil products (15.3%) and chemicals/soda (10.1%). At that, the largest freight group (43.6%) is defined as “other” because of the big list of items included in this section (*Graph 19*).

Almost the same situation is in the transit freight transportation. The largest freight items are: oil and oil products – 19.1%,

chemicals/soda 6.1% and ferrous metals – 8.2% of the total transit freight transportation (*Graph 20*).

Capital investments

In 2010, the capital investments amounted to KZT205,867 million which is more than twice bigger than that of 2009 (*Table 31*).



Table 31. Main projects of 2009–2010, KZT billion

Name	2009	2010	%	deviation, %
Railway construction	6,9	56,8	8.2 times	49.9
Full repair of track structure	14,4	29,5	2 times	15.1
Renewal of rolling stock, including:				
locomotives	15,8	27,2	172	11.4
freight wagons	9,5	16,9	177	7.4
passenger wagons	2,04	8,9	4.3 times	6.86
Renewal of infrastructure	46,1	62,9	136	16.8

Corporate rating

In accordance with corporate governance diagnostics results performed by the Fund together with the consulting company KPMG, the corporate governance rating of JSC "NC "KTZ" in 2010 reached 59% (in 2009 the rating was equal to 45.3%).

The Company received the highest result among the subsidiary organizations of "Samruk-Kazyna" JSC which were evaluated in 2010.

KTZ ratings

Standard & Poor's: "BBB-/Stable", rating for issuance of 5-year, 10-years and 2010 issue bonds: "BB+";

Fitch Ratings: "BBB-/Stable", rating for issuance of 5-year, 10-years and 2010 issue bonds: "BBB-";

Moody's Investor Service: "Baa/Stable"; rating for issuance of 5-year, 10-years and 2010 issue bonds: "Baa3".

Besides, it should be noted that the rating of KTZ granted by the International rating agency Fitch Ratings is equal to the level of the sovereign rating of Kazakhstan. The ratings of the other two agencies are only one level below the sovereign rating of Kazakhstan.

INFRASTRUCTURE GROUP

“AIR ASTANA” JSC

www.airastana.com

“Air Astana” JSC (hereinafter – Air Astana or the Company) is a joint venture of:

- “Sovereign Wealth Fund “Samruk-Kazyna” JSC (51%);
- the British company BAE Systems (49%).

The Mission of the Company, in accordance with the task set by its Shareholders, is provision of domestic and international air services to the highest standards of air safety and customer service, in order to serve and compliment the needs of the client, the company and the Republic of Kazakhstan.

The airline currently serves almost 50 domestic and international routes. At the end of 2010 it operated one of the youngest and most modern fleets in the business, consisting of 22 Western-built aircraft. In 2008 the Company placed an order for purchase of six Airbus which are due for delivery in 2012–2013.

The airline's safety and technical expertise record matches that of the leading global names. Air Astana is a full member of the International Air Transport Association (IATA) and the only Kazakh carrier that is certified by the European Aviation Safety Agency (EASA) Part 145 to perform aircraft maintenance. It is also compliant with the IATA Operational Safety Audit (IOSA).

In 2010 the Company reached **peak number of passengers carried – 2.57 million people.**

Cargo load capacity made up 68% in 2010 (in 2009 – 63%).

Main financial performance indicators

Peak number of passengers carried reflected in the growth of income by 18% in comparison with previous year and made up KZT102,56 billion (nearly 661.5 million US Dollars), the total income increased by 61% and amounted to KZT11.3 billion or 77.1 million US Dollars (*Graph 21*).

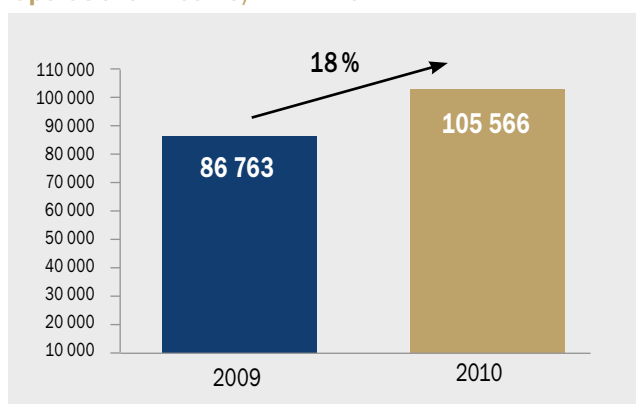
Table 32. Main financial performance indicators*, KZT million

Item	2009	2010	2010/2009, %
Income	86 763,09	102 566,09	118
Expenses	77 762,39	88 255,26	113
Total income	7 077,95	11 360,37	161

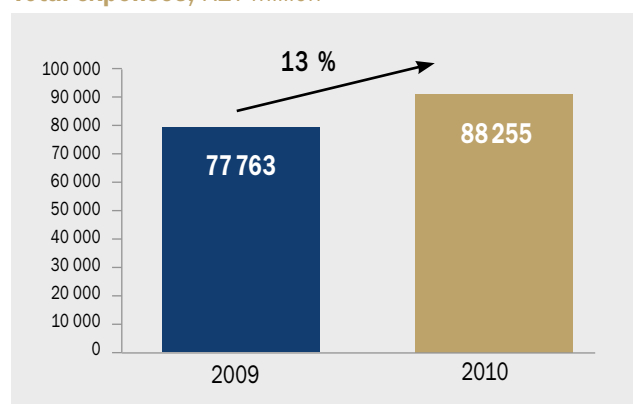
* - consolidated indicators



Graph 21.

Operational income, KZT million

Graph 22.

Total expenses, KZT million

B Expenses of the reporting period comprised KZT88,255.26 million, which is by 13% or by KZT10,492.87 million more than that of 2009. The growth of expenses was mainly caused by increase of production expenses as well as negative exchange rate difference and revaluation of financial instruments for hedging of prices for Aviation fuel (Graph 22).

C The net cost of realized goods amounted to KZT74,097.08 million which is by 13% or by KZT7,990.9 million higher than in 2009.

General and administrative expenses made up KZT3,987.14 million, which is less than in 2009 by 1% or by KZT23.7 million (Graph 23).

The total income for 2010 comprised KZT11,360.37 million and increased 2009 indicator by 61%, mainly due to effective income and expenses management and profitability of activities expansion.

INFRASTRUCTURE GROUP

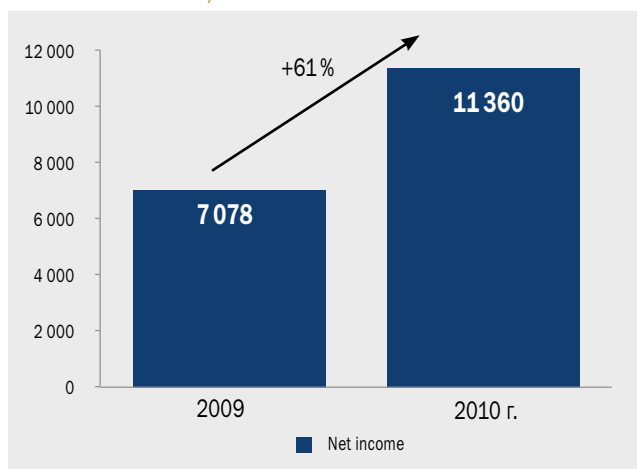
Table 33. Operations statistics

Indicators, activity wise*	Unit of measurement	2009	2010	Deviation, % (+/-)
Time in the air	hours	66 512	69 294	4
Passengers carried	People	2 200 705	2 568 286	17
Freight carried		12 529	14 734	18
Baggage carried	tons	884	823	-7
Mail carried		757	835	10

* - consolidated indicators

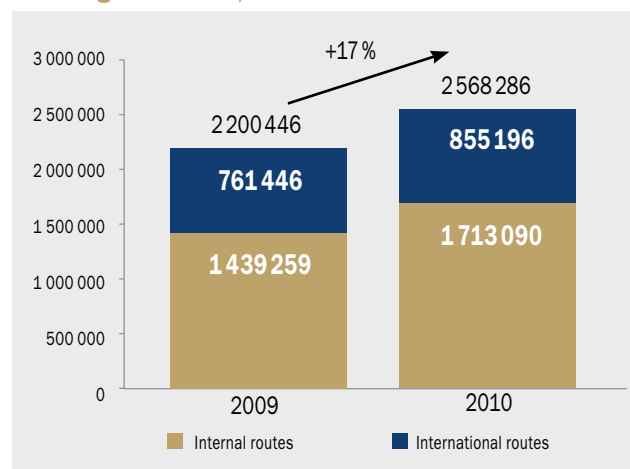
Graph 23.

Financial results, KZT million



Graph 24.

Passengers carried, thousands





In comparison with 2009, passengers flow was increased by 17% or by 367,581 people. Such increase was caused by the growth of internal passengers flow by 19% and international – by 12% respectively (*Graph 24*).

Increase of freight turnover in 2010 made up 16% mainly due to increase of freight turnover at the internal routes.

During 2010, capital investments were increased in 2.9 times comparing to the previous year.

Capital investments

During 2010, capital investments increased by 190% or by KZT2,188.4 million in comparison with the projected figures. Such increase was caused by the purchase of engine for A320 aircraft in the amount of KZT1,238.3 million and change of technical equipment at A-319 and A-321 aircrafts during regular technical maintenance C-check, as well as due to receipt of financial documents for training equipment VPT.

New routes of 2010

- Almaty – Urumqi, 3 flights a week starting from 1 July
- Almaty – Dushanbe, 3 flights a week starting from 21 November
- Almaty – Tashkent, 3 flights a week starting from 2 December
- Almaty – St. Petersburg, 2 flights a week starting from 2 December
- Astana – Yekaterinburg, 3 flights a week starting from 8 December

Ratings

In 2010 Air Astana received a GAMMA corporate governance score of six from S&P, the highest in the Republic of Kazakhstan.

The Company came third in Skytrax's Best Airline of Eastern Europe rating for 2010, based on passenger surveys, making it the only CIS airline to be ranked.

It was also the official carrier of the VII Asian Winter Games, held from 30 January to 6 February 2011 in Astana and Almaty.

FINANCIAL GROUP

(INVESTMENT AND OPERATION ACTIVITY)

The priority task for development institutes is financing of the projects focused on diversification and modernization of the economy. As of 1 January 2011, such development institutes as “Development Bank of Kazakhstan” JSC (hereinafter – DBK), “DBK-Leasing” JSC and “Kazakhstan Investment Fund” JSC (hereinafter - KIF) have approved and are in the process of implementation of 181 investment projects for the amount of KZT1,515,892 million.

Participation shares of DBK, DBK-Leasing and KIF comprise KZT721,340 million.

During the life of the Fund’s development institutes (DBK, “DBK-Leasing” JSC and KIF) 115 projects for the total amount of KZT555,939 million, with the share of participation of the development institutes comprising KZT271,096 million, were set into operation.

Table 34. PROJECTS of “Samruk-Kazyna” JSC development institutes

#	Development institutes	Approved ²			Financing			Exploitation			
		Quantity	Total amount ³	Share of participation of the development institutes	Quantity	Total amount	Share of participation of the development institutes	Financed	Quantity	Total amount	Share of participation of the development institutes
1	DBK	99	1 342 250	649 000	75	1 283 250	590 000	210 040	61	460 790	230 837
2	KIF	32	101 030	30 497	31	101 030	30 497	31 798	15	58 300	18 300
3	DBK-Leasing	50	72 612	41 843	45	56 969	31 497	21 959	39	36 849	21 959
Total		181	1 515 892	721 340	151	1 441 249	651 994	263 797	115	555 939	271 096

¹ for DBK and “DBK-Leasing” JSC calculated in KZT at rate KZT147. 5 for 1USD as of 1 January 2011;

² without previously approved but cancelled projects;

³ the amount of approved DBK projects decreased comparing to the end of 2009 due to amendment of the project amount of “Kazakhstan Petrochemical Industries” LLP from 6.3 billion US Dollars to 1.2 billion US Dollars.



"DEVELOPMENT BANK OF KAZAKHSTAN" JSC

www.rdb.kz

"Development Bank of Kazakhstan" JSC (hereinafter – the DBK or the Bank) is a financial institute providing long-term financing for the investment projects of export spheres of non-energy sectors of the economy and financing of infrastructure projects as part of "SWF "Samruk-Kazyna" JSC, with its assets comprising KZT6.5 billion as of 1 January 2011.

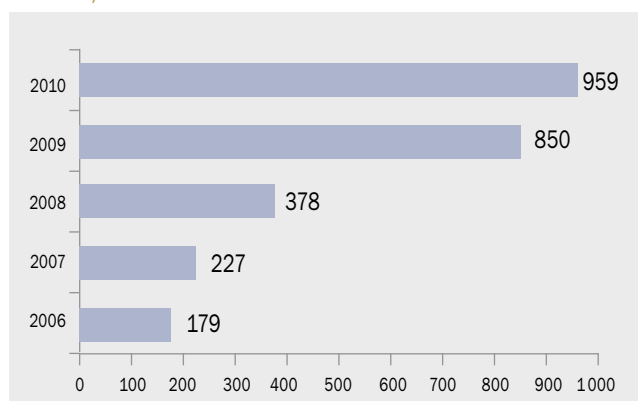
In accordance with 2010 results, DBK showed increase of financing of the projects within the State Programme on Forced Industrial and Innovation Development of Kazakhstan for 2010–2014 (hereinafter – SPFIID), growth of the main financial indicators and supported attraction of large foreign investments to non-energy sectors of economy.

As of 1 January 2011 the volume of the Bank's assets exceeded KZT958.6 billion by 13 % growth from the beginning of the year, which is by 6.5 times more than in 2005 (*Graph 25*).

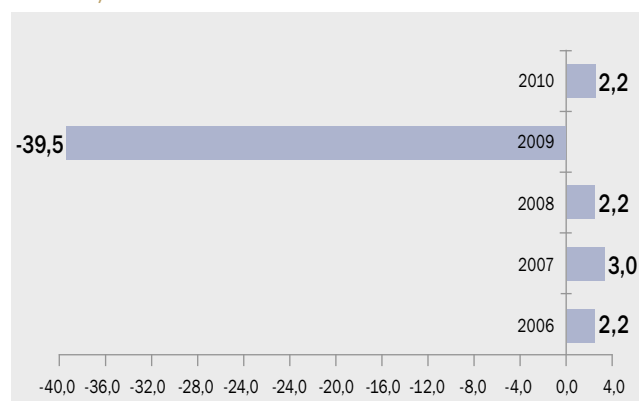
As of the beginning of 2011, the volume of the Bank's liabilities made up KZT690.7 billion. The amount of own capital exceeded KZT267.9 billion, according to the results of 2010.

The income of the Bank was fixed in the amount of more than KZT2.2 billion against the loss of KZT9.4 billion in 2009 (*Graph 26*).

Graph 25.
Assets, KZT billion



Graph 26.
Income, KZT billion



FINANCIAL GROUP

As of 1 January 2011, the volume of financing approved by the Bank reached 5.1 billion US Dollars (increased by 24.4% comparing to the figures of 1 January 2009) (Graph 27).

The structure of 2010 loan portfolio, financing shares wise:

- Investment projects – 86%,
- Export operations – 14%.

In accordance with 2010 results, the volume of treasury portfolio comprised KZT640.6 billion. The biggest part of the investment portfolio is devoted to corporate securities (54%). As of 31 December 2010, the DBK provides agency services for 12 investment projects implemented by means of three Government foreign loans, Government loans and nine loans guaranteed by the Government, for the total amount equal to 436.4 million US Dollars (Graph 28).

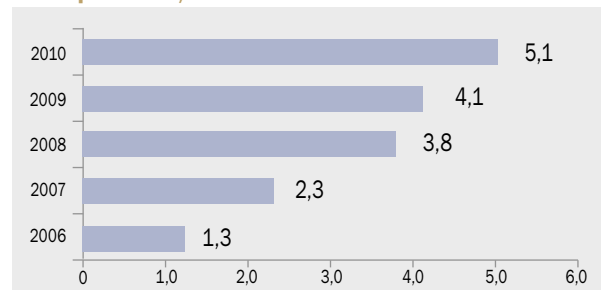
As a result of the Bank's financial and administrative activity, the comprehensive income of the reporting period made up KZT3,335 million.

Ratings

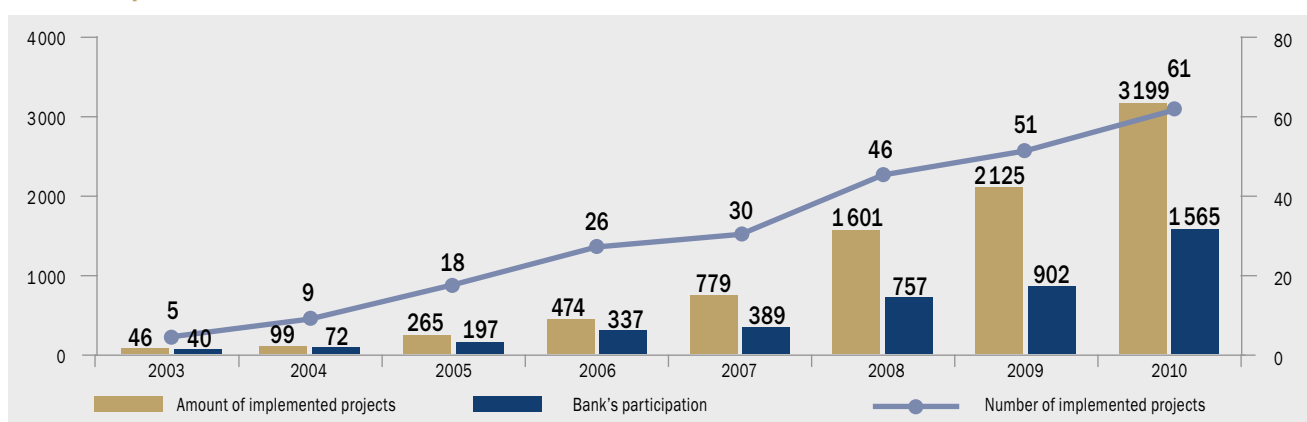
Credit ratings of DBK assigned by Standard & Poor's and Fitch are at the level of sovereign ratings of the Republic of Kazakhstan, the credit rating of the Moody's is one level below.

Following the results of the year of 2010, Standard & Poor's increased the corporate governance rating of DBK from GAMMA 5 to GAMMA 5+.

Graph 27. Loan portfolio, billion US Dollars



Graph 28. Dynamics of investment projects implementation and participation share of "Development Bank of Kazakhstan" JSC



“ENTREPRENEURSHIP DEVELOPMENT FUND “DAMU” JSC
www.damu.kz

“Entrepreneurship Development Fund “Damu” JSC (hereinafter – the Damu Fund) has more than ten years experience of small and medium businesses (hereinafter – SMB) support in Kazakhstan. **From the beginning of its activity, the Damu Fund provided direct financing for 2,878 small entrepreneurship projects for the total amount of KZT33.3 billion.** During the implementation of the programme for stipulated placement of funds, financing was provided to more than 10,000 SMB projects for the total amount of more than KZT500 billion.

Following 2010 results, the total amount of loan funds provided by STR to small entrepreneurship amounted to KZT690 billion which is by 8.4% below than in 2009 (Graph 29, 30).

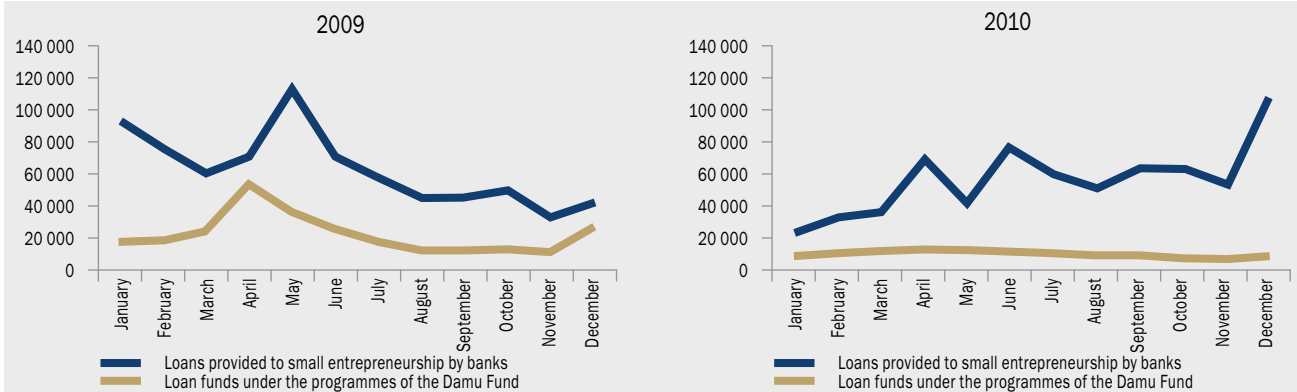
In 2010, the policy on support of the entrepreneurship took a new direction towards the anti-crisis development and support of stable growth of the entrepreneurship. In this regard, the “2020 Business Road Map” Programme was approved in April 2010. In the framework of this Programme, the scope of duties of the Damu Fund involves the subsidizing of interest rates on the loans of entrepreneurs and the issuance of guarantees for entrepreneurs in favor of the banks so that they can get loans. Following the results of 2010, the Damu Fund

signed 135 subsidizing agreement and three agreements for provision of guarantees, covering portfolio in the amount of KZT91.9 billion.

In 2010, the Damu Fund continued ambitious work on implementation of educational programmes and provision of consultative support to entrepreneurs. As a result, the number of participants in the “Business Adviser” Short-term Training Programme increased from 11,603 people in 2009 to 16,504 people in 2010. Two regional centres for provision of accounting services for entrepreneurs and five regional centres for entrepreneurship support were established. Following the successful experience of the Damu Fund in implementation of educational and consulting programmes, the Government of the Republic of Kazakhstan included the above programmes to the “2020 Business Road Map” Programme.

As a result of its 2010 financial activity, the Damu Fund received KZT14,049 million net income, including recovery of provisions in the amount of KZT11,643 million made in 2009 for the loans provided by STR in the framework of State stabilization programme implementation. Net income without recovered provisions comprised KZT2,406 million.

Graph 29, 30.
SMB financing volumes, KZT million



FINANCIAL GROUP

“KAZYNA CAPITAL MANAGEMENT” JSC

www.kcm-kazyna.kz

Following the 2010 activity results, financial indicators of “Kazyna Capital Management” JSC (hereinafter – the KCM or the Company) showed stable rates of growth.

In 2010, KCM accepted obligations on participation in two direct investments funds: ADM Kazakhstan Capital Restructuring Fund (hereinafter – ADM KCRF) and Kazakhstan-Hong Kong Development Fund. The total amount of obligations comprised 149.5 million US Dollars. The investors of ADM KCRF are Kazyna Capital Management, EBRD and the international managing company ADM Capital. Participation of Kazyna Capital Management in KCRF comprises 49.5 million US Dollars. The current capitalization of the Fund equals to 100 million US Dollars.

The investors of Kazakhstan-Hong Kong Development Fund are the KCM and Cheung Kong Holding Limited. The Fund’s capitalization amounts to 400 million US Dollars, participation of Kazyna Capital Management comprises 100 million US Dollars. The Fund was established in December 2010.

Considering the obligations accepted in 2010, “Kazyna Capital Management” JSC is the shareholder in the following nine direct investment funds:

- Aureos Central Asia Fund;
- Kazakhstan Growth Fund;
- CITIC Kazyna Investment Fund I;
- Kazakhstan-Tajikistan Fund of Direct Investments;
- Macquarie Renaissance Infrastructure Fund;
- Falah Growth Fund;
- Wolfensohn Capital Partners;
- ADM Kazakhstan Capital Restructuring Fund;
- Kazakhstan-Hong Kong Fund.

Kazyna Capital Management acts as financial multiplier: the average investment indicator comprises 3.13 US Dollars for each invested US Dollar.

Net consolidated income of the Company amounts to KZT2,242 million in 2010.



"REAL ESTATE FUND "SAMRUK-KAZYNA" JSC

www.kazproperty.kz

AO "Real Estate Fund "Samruk-Kazyna" JSC (hereinafter – the Real Estate Fund, the Company) was established in accordance with the Decree of the Government of the Republic of Kazakhstan #265 dated 6 March 2009 "On certain measures to solve the problems of real estate market".

The main strategic directions of the Real Estate Fund activity are:

- 1) financing of facilities under construction,
- 2) management of real estate pool.

As of 31 December 2010, the Real Estate Fund accepted obligations for financing of 23 uncompleted construction projects to the total amount of KZT78.2 billion.

Within the framework of those agreements:

- problems of 2,794 interestholders will be resolved;
- the Real Estate Fund will purchase 4,232 apartments with the total area of 373.1 thousand sq. m (from which 1,277 apartments with Developer's right of option), of commercial housing units – 188.8 thousand sq. m (including 49.1 thousand sq. m using the right of option), 1,613 car parking spaces.

As of 31 December 2010, the Real Estate Fund invested the uncompleted construction projects for KZT56.98 billion, including in 2010 – KZT22.83 billion.

Table 35. FINANCIAL PERFORMANCE INDICATORS

Item	Unit of measurement	2010	2009
EBITDA	KZT million	2 883,4	480,5
EBITDA margin	%	65.8	51.6
ROA	%	0.57	0.04
Profitability of activity (ration between net profit and total expenses)	%	10.7	1.6
Net income	KZT million	383,2	14,3

FINANCIAL GROUP

During the reporting year, four residential complexes were put into operation, including in 2010 – 2 residential complexes in Astana: “Mariya” (“Concern Stroymonolit-Astana” LLP) and “Severnoye Siyaniye” (“Eurasia Construction” LLP), and a part of the first stage of residential complex “Khan Tengri” (“Elitstroy Development” LLP) in Almaty region. This allowed resolving the problems of 475 interstholders. The Real Estate Fund purchased 649 apartments, 15.6 thousand sq. m of commercial and residential premises, and 663 car parking spaces.

In April 2010, the rental housing program of the Real Estate Fund was launched. Announcement was made for distribution of 158 apartments in RC “Akzhayik” and 96 apartments in RC “Al-Arka”. Those apartments were distributed to applicants on terms of lease with further purchase in accordance with the Rules of distribution of residential and commercial (non-residential) premises of JSC “Real Estate Fund “Samruk-Kazyna”.

Assets of the Real Estate Fund as of 31 December 2010 made up KZT84.5 billion being increased by 1.7 times during the year. Out of them, long-term assets made up KZT43.4 billion, including advance payment to contractors under agreements on financing of construction projects – KZT23.1 billion, long-term financial assets – KZT13.6 billion; fixed assets and intangible assets – KZT4.6 billion; investment real estates – KZT2.1 billion. Current assets made up KZT40.5 billion, including cash and their equivalents – KZT26 billion, other current financial assets – KZT12.4 billion, trade accounts receivable – KZT1.5 billion; as well as other current assets (inventory stock, etc) – KZT0.5 billion. Assets classified as held for sale made up KZT0.7 billion.

Liabilities of the Real Estate Fund as of 31 December 2010 made up KZT57.8 billion. Out of them long-term liabilities made up KZT26.1 billion, including the loan from the parent company – KZT25.9 billion (at fair value). Current liabilities made up KZT31.7 billion, including the loan from the parent company – KZT30.7 billion (at fair value) (Graph 31).

Graph 31. **Assets, liabilities, capital, KZT billion**

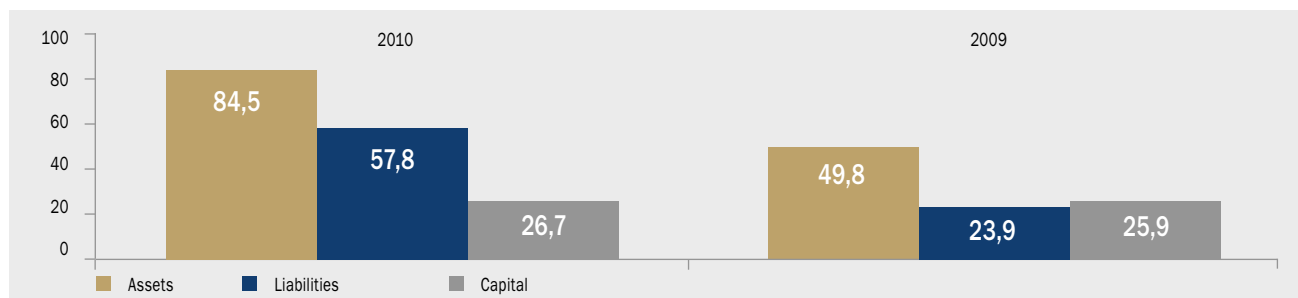


Table 36. Operating indicators

Name	Unit of measurement	2010	2009
Real estate pool	sq. m	561 889	594 210
- including residential premises	sq. m	373 080	390 404
- including commercial premises	sq. m	188 809	203 806
Interestholders	units	2 794	2 710
Total area of objects	sq. m	1 025 691	1 052 453
Real estate taken into ownership	sq. m	46 849	-
Distributed real estate (from the number of real estate the ownership of which was taken)	%	74	-
Local content in developers' purchases	%	61	71
Area of housing units, for which operation services are rendered	sq. m	56 887	0

Capital

Authorized Capital of the Real Estate Fund was formed by the Sole Shareholder in the amount of KZT15 billion. Additional paid-in capital amounting KZT11.3 billion was formed through the loan provided by the Sole Shareholder. The loan is accounted at the fair value, calculated as the present value of future cash outflows under the loan,

discounted at the rate of government bonds on the date of granting the loan (5.59–7.23%). A difference arising between the amount of the loan received and its fair value at the date of extending the loan, is accounted as additional paid-in capital.

Retained income as of 31 December 2010 amounted to KZT0.4 billion.

FINANCIAL GROUP

“HOUSING CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN” JSC www.hcsbk.kz

The year of 2010, in the environment of continuous increase of interest from the population to Housing Construction Savings System, was a year of significant and important events for “Housing Construction Savings Bank of Kazakhstan” JSC (hereinafter – the HCSBK, or the Bank).

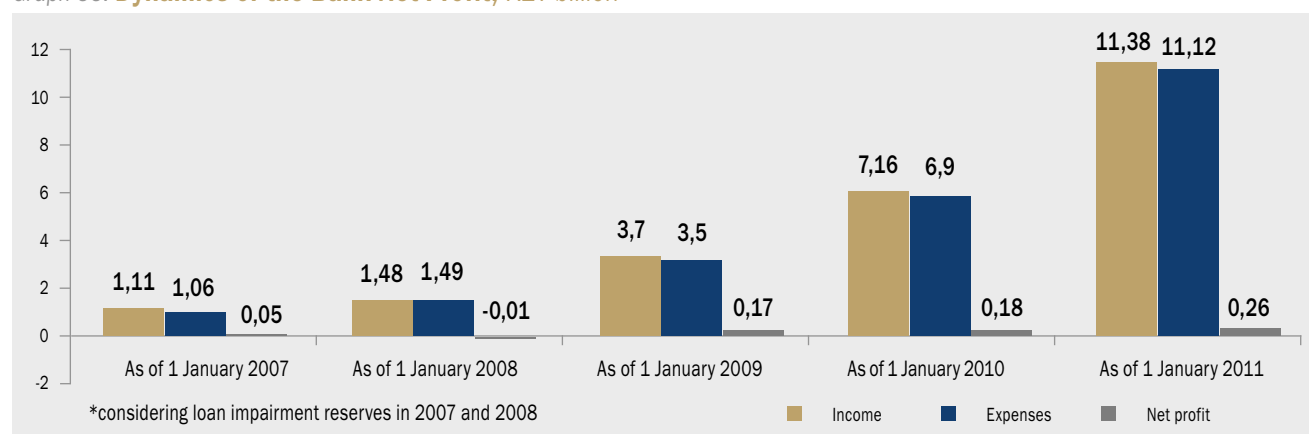
First, the President of the Republic of Kazakhstan N. Nazarbayev marked the development of Housing Construction Savings System in his Message to the people of Kazakhstan in 2010 and asked to use its potential for solving of housing problems by creation of housing pools and mechanisms of government-private partnership. In the framework of implementation of the President’s Message, the Government has developed and approved the Programme for Construction Industry Development and Production of Construction Materials in the Republic of Kazakhstan for 2010–2014.

Secondly, the **System of Housing Construction Savings, for the first time, reached 200,000 participants.** The first 100,000 agreements were signed during the first ten years of the Bank’s activity, whereas the second hundred thousand of agreements was signed during the last two years.

In the third place, the Bank’s assets exceeded KZT100 billion and the own capital exceeded KZT25 billion. Money of the Bank’s customers increased by 52% and loans to customers increased by 46%.

In the fourth place, **the highest net income for the whole activity period of the Bank was received in the amount of KZT258 million.** Three years of breakeven activity was fixed, which allows issuing of own debt bonds in future.

Graph 33. Dynamics of the Bank Net Profit, KZT billion





Thus, with respect to the Government support and participation of the Bank in specialized State programmes and projects, the HCSBK was able to successfully and with minimum efforts overcome the consequences of financial crisis, in the banking sector as well. Restructuring of the Bank's organization chart and launch of the three additional customer service centres in Almaty became the important events for the Bank in 2010. Financing conditions were softened with the purpose of increase of availability of provided services and satisfaction of the people's demand for the Bank's products.

The results achieved in 2010 give ground to assume that in future the Bank shall continue its stable growth in the post-crisis period of financial system of Kazakhstan.

Main Financial Performance Indicators

Graph 38.

The HCSBK activity is characterized by the dynamic growth of financial performance indicators (Graph 34).

The main items of the HCSBK's assets growth are the loans issued to clients, and the resources allocated to the financial assets. The loan portfolio increased by 29 times on average for the period from 2006 to 2008, which is shown on Graph 35.

The key factor for the HCSBK's liabilities growth is the expansion of or increase in the deposits of participants in the Housing Construction Savings System. The deposit base increased by 7.7 times on average for the period from 2006 to 2008, which is also shown on Graph 35.

The loan portfolio amount exceeds the deposit base amount since 2007 as a result of inclusion during that period of advance loans into the loan facilities line of the Housing Construction Savings System and due to increase annual increase of loans provided by the State funds under the State programmes.

Ratings

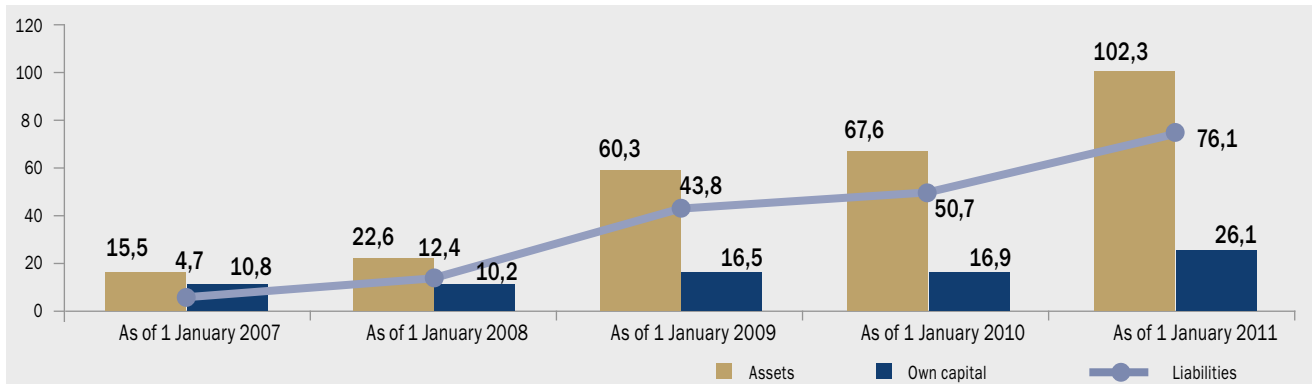
Meantime, a high reliability of HCSBK was marked by the International Rating Agency Moody's.

Table 38.

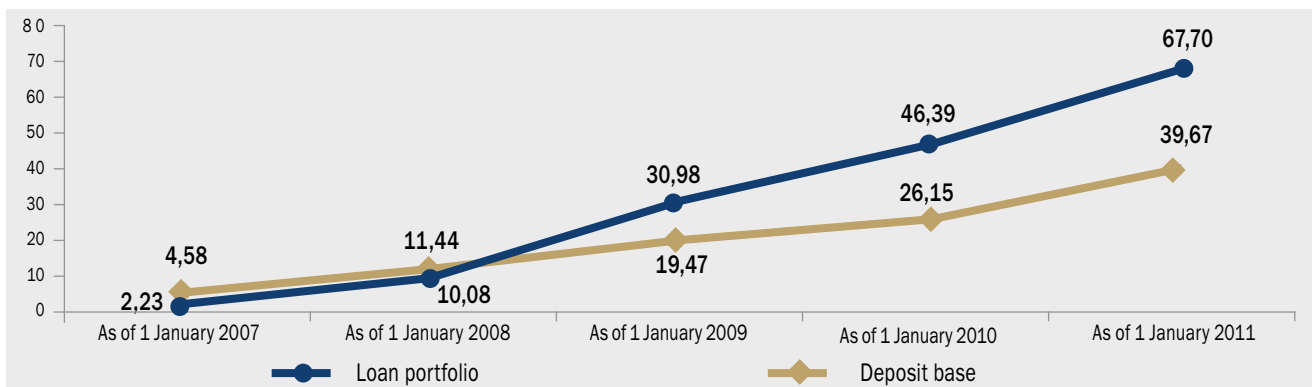
	Rating	Outlook
Long-term ratings for deposits in local currency	Ba1	Stable
Short-term ratings for deposits in local currency	Not prime	
Financial strength rating of banks	E+	

FINANCIAL GROUP

Graph 34. Dynamics of balance indicators, KZT billion



Graph 35. Growth of loan portfolio and deposit base, KZT billion



SECOND TIER BANKS

"ALLIANCE BANK" JSC

www.alb.kz

Restructuring

On 15 December, a general meeting of creditors of "Alliance Bank" JSC (hereinafter – the AB, or the Bank) by a majority vote (95.1 %) approved the AB restructuring plan. Thus, relevant conditions for possible Government entering the share capital of the Bank were observed.

On 31 December 2009, "Samruk-Kazyna" JSC redeemed 100 % of common and preference shares of the Bank, which showed that the restructuring is held successfully and in time.

On 26 February 2010, after the final hearings, the Restructuring Plan was approved by Specialized Financial Court of Almaty.

On 30 March 2010, the Fund converted the AB debt in the amount of KZT105 billion (approx. 715 million US Dollars) to convertible preference shares and capitalized the Bank for additional common shares subscription amounting to KZT24 billion (approx. 163 million US Dollars). The Fund accepts corporate governance obligation, provides drag-along rights to financial creditors in case of sale of any of its share in the AB,

and obtains forced shares sale rights in case of sale of 100 % of its shares in the Bank.

On 28 April 2010, the Specialized Financial Court of Almaty made a resolution on cancellation of the restructuring of the Bank due to fulfillment of the measures described in the Restructuring Plan. The above decision came into legal force with effect from 18 May 2010.

Structure

With the new management team, the Bank's structure was reduced and simplified by means of optimization of the number of branches and administrative bodies, which in its turn significantly improved the efficiency of management and feedback mechanisms.

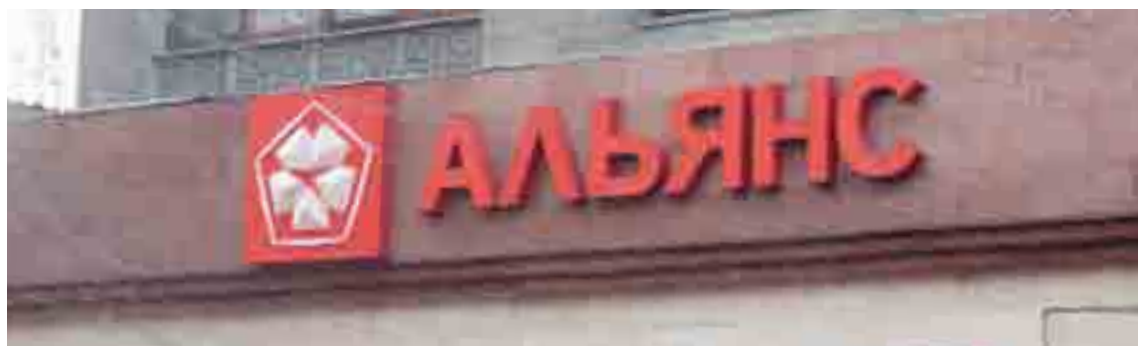
As of 31 December 2010, the AB consists of wide network of 19 branches and 111 offices in 54 cities and rural settlements of Kazakhstan.

Moreover, the Bank possesses an intensive network of acquiring devices which accounts more than 900 ATMs, including more than 300 ATMs with cash-in function.

SECOND TIER BANKS

Table 38.

Main parameters	Conditions
Extension of financing	From 4.43 billion US Dollars to 1.08 billion US Dollars From 7 years to 20 years with 4–10-years grace period
Precapitalization of the Bank	For 3.73 billion US Dollars by means of: <ul style="list-style-type: none"> • KZT105 billion – conversion of the Fund’s claim for the Bank’s obligations to preference shares of the Bank; • KZT24 billion – acquisition by the Fund of new common shares of the Bank; • KZT318 billion – debt writing off by creditors; • KZT44 billion – conversion of debt to preference shares; • KZT23 billion – cancellation of subsidiary financial companies’ bonds being the property of the Bank; • KZT2 billion – cancellation debt to affiliated parties; • KZT21 billion – conversion of debt to creditors into long-term subordinated debt (to be included to 2nd level capital).
Issuance of foreign liabilities	Bonds in KZT: <ul style="list-style-type: none"> • 7-year for 615 million US Dollars (for repayment of creditors claims under Option 2); • 10-year for 219 million US Dollars (Option 3).
Issuance of domestic liabilities	Bonds in KZT: <ul style="list-style-type: none"> • 7-year for 6.57 million US Dollars (Option 2); • 10-year for 8.48 million US Dollars (Option 3); Subordinated bonds in KZT: <ul style="list-style-type: none"> • 20-year for 144.84 million US Dollars (Option 4).



Bank's development outlook:

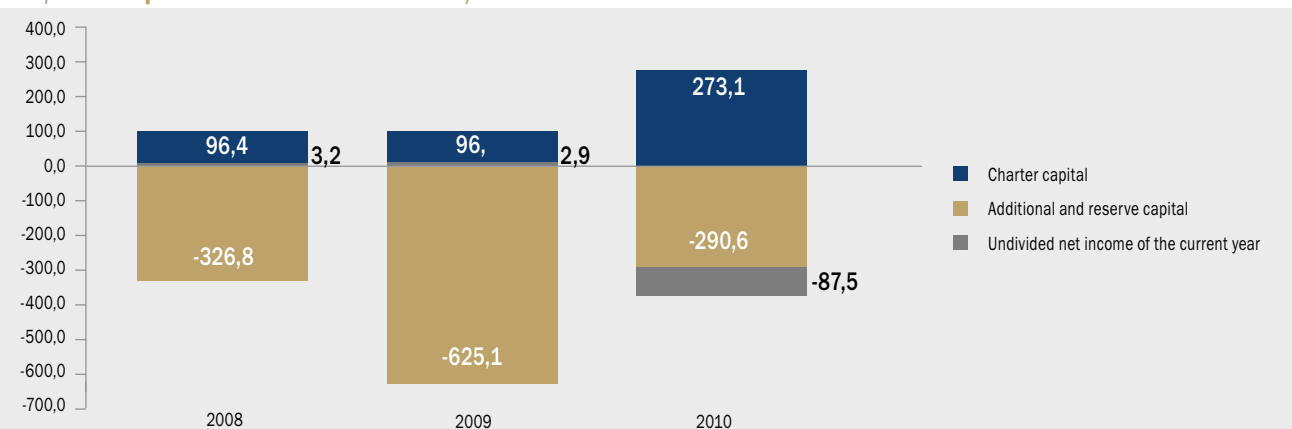
- Commercially effective, sustainable and transparent banking organization with an advanced corporate governance and worldwide risk level management systems;
- Backbone bank among the top five private banks in Kazakhstan in terms of assets;
- Universal bank covering all market segments focused on individual, corporate service and SMB financing.

Main tasks of the Bank for 2010–2014:

- Capital deficit reduction under IFRS;
- Increase of the regional network efficiency;

- Constant and steady increase of loan portfolio quality, ensuring efficient and reliable placement of temporary available funds of the Bank;
- Intensive growth of retail, small and medium businesses and operational servicing of legal entities;
- Efficient and effective financial support of State programmes for support and development of the real sector of the economy;
- Automation of existing business processes;
- Improvement of corporate governance systems to the level of the world's best practices;
- Optimization of existing business processes and technologies;
- Decrease of capital markets dependency.

Graph 36. Capital of "Alliance Bank" JSC, KZT billion



SECOND TIER BANKS

Financial performance indicators (as per the Audited Financial Statements)

Capital

The Bank's own capital as of the end of 2010 was negative and comprised: minus KZT105 billion, which is connected with significant loss in 2008–2009 (Graph 36).

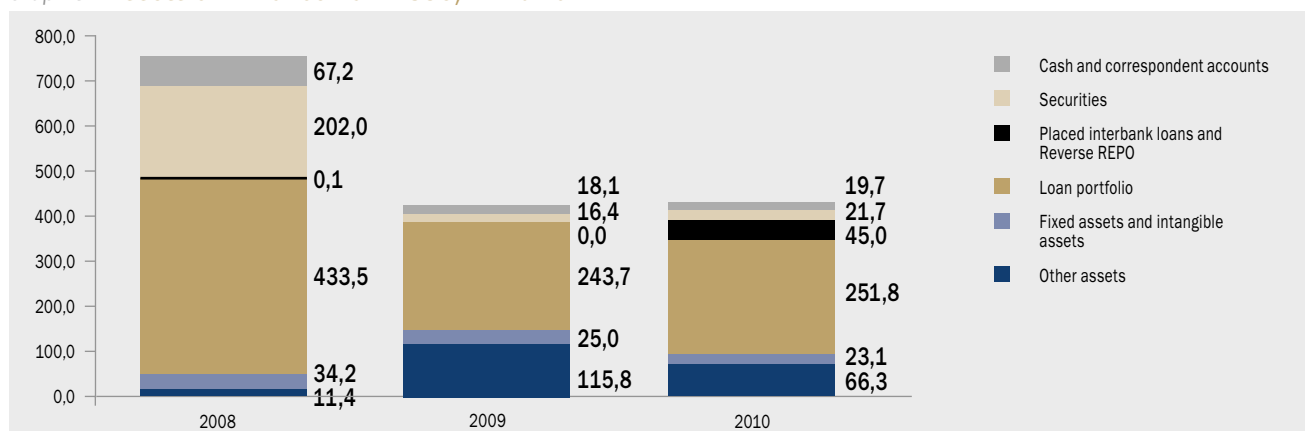
The AB losses are connected with the revaluation of assets which resulted in making of significant provisions under credit activity and account receivables of the Bank. Such revaluation

relates to the deals concluded during 2005–2008 which were not fully reflected in the balance sheet. Under such deals, the Bank issued guarantees secured by the US Treasury bonds for the amount of nearly 1.1 billion US Dollars.

Assets

Assets of the Bank for 2010 increased insignificantly to KZT419 billion. The amount of loan portfolio increased only by 3% considering temporary suspension of active loan activity due to the announced debt restructuring process in 2010 (Graph 37).

Graph 37. Assets of "Alliance Bank" JSC, KZT billion





Liabilities and Capital

Liabilities of the AB decreased in 2010 by 44 %, which is connected with decrease of the Bank's foreign liabilities as a result of restructuring. At the same time, liabilities to the Bank's customers increased by 36 % due to significant growth of customer deposits after debt restructuring and stabilization of the Bank (*Graph 38*).

Financial result

Further to 2010 results, the Bank's income amounts to KZT334.4 billion. The main part of positive Net income of 2010 was formed by the income from debt restructuring.

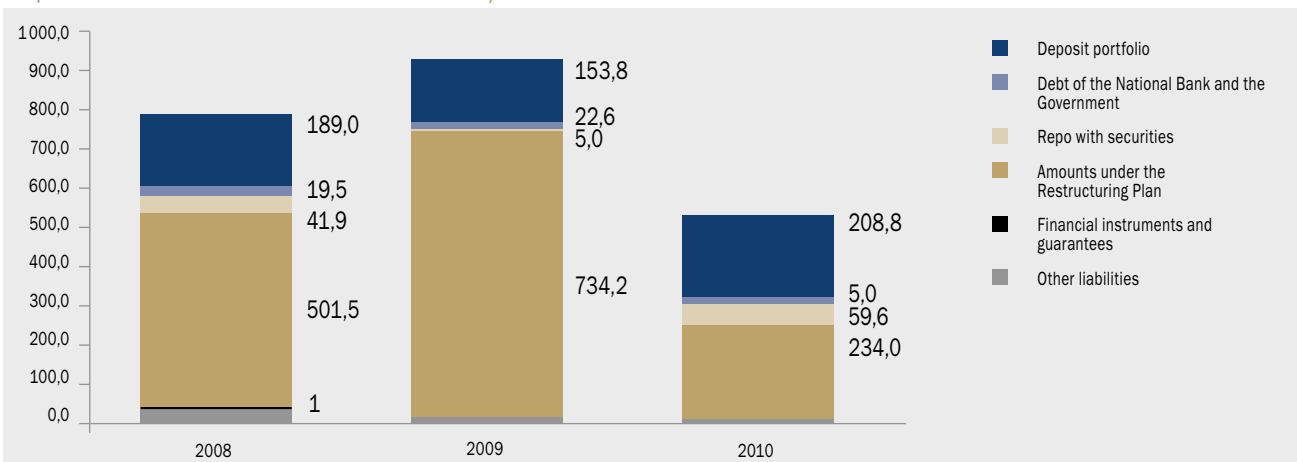
Profit from the loan activity decreased by 48% in 2010 due to worsening of the loan portfolio and decrease of loan activity.

Ratings

Standard & Poor's:

- 1) Long-term/short-term/outlook assigned on 10 June 2010
 - in foreign currency: B-/C/Stable;
 - in local currency: B-/C/Stable;
 - national scale rating: kzBB-/--/--
 - as assigned on 19 July 2010:
- 2) senior unsecured debt: B-;
- 3) subordinated debt: CCC.

Graph 38. Liabilities of "Alliance Bank" JSC, KZT billion



SECOND TIER BANKS

“BTA BANK” JSC
www.bta.kz

Restructuring

Restructuring of “BTA Bank” JSC (hereinafter – the BTA, or the Bank) liabilities was held on 16 September 2010. In the framework of restructuring of its financial liabilities, the Bank cancelled all previously issued bonds and other liabilities and in return paid to its creditors 945 million US Dollars (KZT139 billion in cash), converted the Fund’s bonds to common shares and issued new financial liabilities.

On 11 August 2010, the BTA significantly changed conditions of the bonds issued at Kazakhstan Stock Exchange and being the property of the Fund, as follows:

- a) maturity decreased from 6–15 years period to four years;
- b) bonds became convertible to common shares.

In accordance with IFRS 39, the BTA has written off all previously issued bonds with the balance cost of KZT570.5 billion and accepted new convertible bonds at the fair value of KZT671.5 billion. The difference in the amount of KZT101 billion was recognized in capital as the deal with the Fund. On 19 August 2010 under the Restructuring Plan, such bonds were converted to common shares amounting to KZT671.5 billion. The new instruments were distributed among creditors which claims were restructured under Senior Packages 1, 2 and 3, and Junior Package 1 in accordance with the Informational Memorandum conditions.

Following the Restructuring Plan, in return of creditors’ claims which were restructured under Senior Package 3, the BTA signed revolver guaranteed credit line agreement for trade financing. The credit line assumes two year refinancing of trade finance obligations. In proportion to payment of the BTA credit line liabilities, the paid

amounts will be available for the Bank for usage in trade finance operations. The availability period of the line is from 30 September 2010 to 30 September 2012. The maximum tenor of the credit line – until 30 September 2013.

Structure

Today the BTA is characterized as follows:

- 22 branches and 227 offices throughout Kazakhstan;
- International Representative Offices in Ukraine, Russia, UAE, China and London;
- The BTA’s banking network covers the territories of Russia, Ukraine, Belarus, Armenia, Georgia, Kazakhstan and Turkey.

The Bank and its subsidiaries provide retail and corporate banking, insurance, leasing and other financial services.

Prospects of Development of the BTA

The purpose of the Plan for Loan Restructuring and Recapitalization:

- Ensuring an efficient management of the BTA’s assets and liabilities;
- Attaining a sufficient liquidity cushion, a balanced and profitable loan portfolio;
- Compliance with the regulatory requirements;
- Retention of efficient mechanisms of previous business activities with focus on Kazakhstan.

Retaining its status as a joint stock company with a major share of stock owned by the State, the Bank has good prospects for becoming a lead bank consolidating investment resources of the State and private investors for financing of the projects, which will be implemented within the framework of implementation of strategic documents of the State.



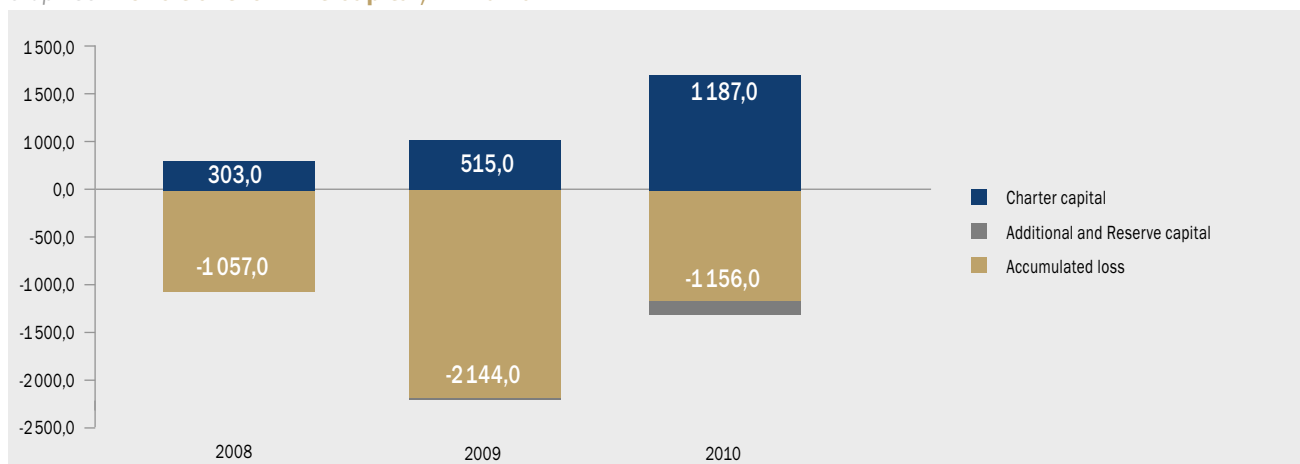
Milestones of the BTA's Strategy:

- Revision of the funding base – shift of emphasis on the local market, active participation in the State Programs;
- Maximization of cash flows from the existing assets, including repayment of bad loans;
- Focus on the local (Kazakhstan) market;
- Lending to small and medium enterprises and the retail sector will become the key area of the BTA's activities, revision of the corporate client lending policy;

- Revision and improvement of the procedures of lending with focus on the efficient management of credit risks;
- Retention of the main clients base.

After acquisition by "Samruk-Kazyna" JSC of the equity state in the BTA, the latter's financial and investment strategy changed. The BTA reoriented its business towards the local market instead of financing of projects abroad, with the focus on the quality of the retail and corporate banking services and investments in economically viable projects in Kazakhstan.

Graph 39. Deficit of the BTA's capital, KZT billion



SECOND TIER BANKS

Financial performance indicators (as per the Audited Financial Statements)

Capital

The BTA's capital deficit at the end of 2009 amounted to KZT104 billion against KZT1,690 billion in 2009, which was connected with increase of the charter capital of the Bank and decrease of loss as of the results of the year (Graph 39).

Assets

Comprehensive assets of the BTA as of 31 December 2010 decreased by (-4 %) or by (KZT-72 billion) and comprised KZT1.896 billion.

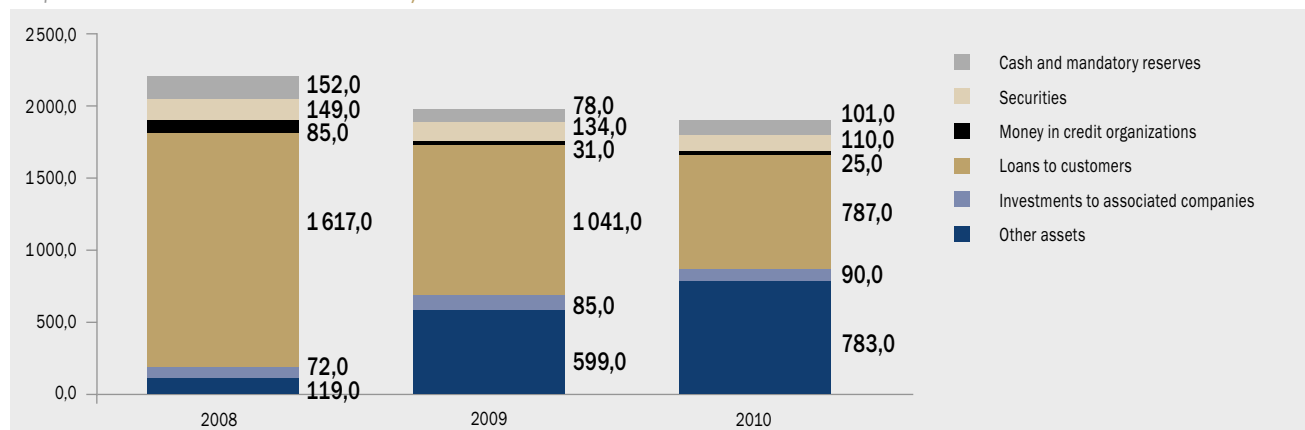
The volume of the Bank's loan portfolio decreased by (-24 %) or by (KZT-254 billion) due to decrease of active loan activity of the Bank in terms of financing of individuals and SMB.

The BTA's Securities portfolio decreased due to reduce of the Government securities share in the total structure of Trade Securities portfolio (Graph 40).

Liabilities

Comprehensive liabilities of the BTA as of 2010 decreased by (-45 %) or by (-KZT1,658 billion) amounting to KZT2,000 billion. Such decrease is firstly caused by the decrease of credit organizations' funds by (KZT-681 billion) or by (-81 %) in the liabilities structure, and the decrease

Graph 40. Assets of "BTA Bank" JSC, KZT billion



of issued debt securities by (KZT-997 billion) or by (-60%), which is connected with cancellation of the previously issued bonds (Graph 41).

Financial results

Following the results of 2010, the Bank's income amounted to KZT344.4 billion. The main part of the positive Net income in 2010 was formed by the income from debt restructuring.

Ratings

(long-term/short-term/outlook):

Standard & Poor's:

- In foreign currency: B-/C/Stable;

- In local currency: B-/C/Stable;
- National scale rating: kzBB--/--/.

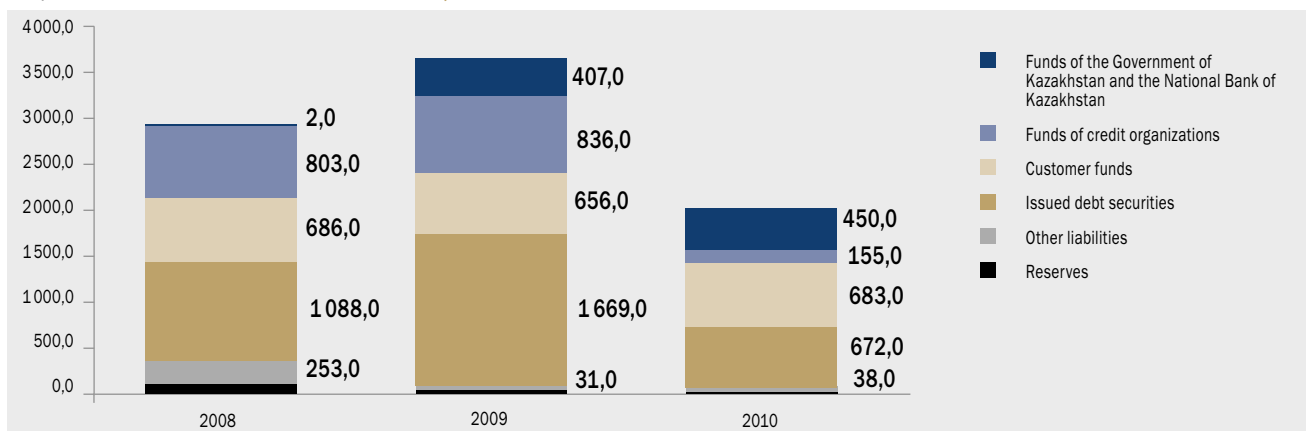
Fitch:

- In foreign currency: B-/B/Stable;
- In local currency: B-/B/Stable;
- Viability rating: cc.

Moody's:

- In foreign currency: B3/NP/Developing;
- In local currency: B3/NP/Developing;
- Outlook for financial strength rating: Stable.

Graph 41. Liabilities of "BTA Bank" JSC, KZT billion



SECOND TIER BANKS

“TEMIRBANK” JSC www.temirbank.kz

Restructuring

In 2010 “Temirbank” JSC (hereinafter – the TB, or the Bank) completed procedures of its liabilities restructuring started by “Samruk-Kazyna” JSC in 2009 in accordance with the Restructuring Plan approved by the most of Creditors under Restructuring at the general Meeting of Creditors on 31 March 2010.

After completion of the TB liabilities restructuring procedure, the Government represented by “Samruk-Kazyna” JSC entered the capital of the Bank. The share of “Samruk-Kazyna” JSC in the Bank’s capitals comprised 79.88 % as of 31 December 2010. 19.57 % were transferred to creditors. In total, liabilities for the amount of nearly 1.5 billion US Dollars were restructured, including:

- 830 million US Dollars of international Eurobond obligations;
- 370 million US Dollars of the BTA Bank deposit;
- 205 million US Dollars of domestic bonds;
- 75 million US Dollars of “Samruk-Kazyna” JSC deposits;
- 10 million US Dollars of trade financing.

The Bank did not perform writing off of domestic bonds as more than 90 % of their holders are Pension Funds of Kazakhstan. The

Bank only amended the type of liabilities to coupon and extended maturity to ten years.

The result of the restructuring was increase of the TB’s own capital to KZT51.2 billion by 30 June 2010, decrease of the Bank’s liability debt from KZT277 billion as of 31 December 2009 to KZT180.9 billion as of 30 June 2010. Profit received by the Bank after the restructuring amounted to KZT93.8 billion.

Structure

In 2010, the Bank had an extensive branching network with 21 branches and 94 banking outlets, covering practically all the regions of the country by their geographic location and ensuring representation of the Temirbank in all the Oblast Centers and cities of the republican/ national status.

The shared network of electronic self-service banking devices consisted at the end of 2010 of 296 ATMs and 183 POS-terminals.

Prospects for Development of “Temirbank” JSC:

It is expected that the TB will be a modern universal retail bank:

- competitive and profitable;



- meeting the increasing needs, demands and requirements of the population and the economy;
- high-technology, using the best world practices and technological innovations.

The main goals and objectives of the Temirbank for the period of 2010 to 2012:

- Systematization of the activities connected with ensuring repayment of problem loans by segmentation of bad borrowers and adoption of unified decisions on similar problems and issues;
- Development of business processes, allowing gaining a competitive advantage over the banks-competitors in the field of quality and efficiency of client servicing;
- Increase in the share of short and medium-term retail lending;
- Improvement of the quality of newly issued loans;
- Active participation in the State programs on support and recovery of the priority economic sectors;
- Attraction of domestic savings of the population with cheapening and extension of periods;
- Retention of the overall risk assumed by the Bank at the level as specified by the TB;
- Formation of a competitive pricing policy of the Bank to maintain an efficient level of income from banking operations and services by way of flexible and reasonable application of prices and rates;
- Reaching a positive profitability and improvement of performance of all the branches of the Bank;
- Selection, recruitment and development of the personnel having professional and personal qualities maximally fitting for and consistent with the strategic goals and objectives of the Bank;
- Ensuring uninterrupted business operations with a high rate of services and reduction in operating costs and expenses through the process automation.

SECOND TIER BANKS

Financial performance indicators

Capital

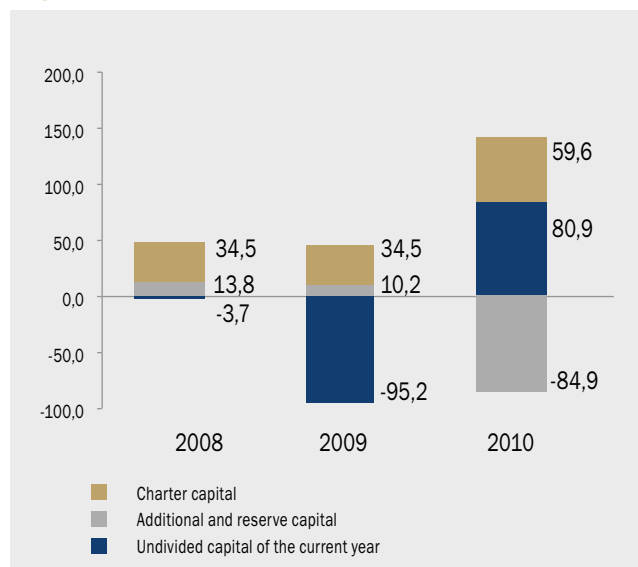
The Capital of the Bank made up KZT55.6 billion as of 31 December 2010, and was increased by means of own capital increase and income received from the completed restructuring of liabilities, against the capital deficit in the amount of KZT50.5 billion as the end of 2009 (Graph 42).

Assets

As of 31 December 2010, the TB assets amounted to KZT243.9 billion increasing by KZT17.5 billion or by 8% comparing to 2009 results (KZT226.5 billion) by KZT19.3 billion increase of securities and by KZT16.8 billion increase in cash and correspondent account (Graph 43).

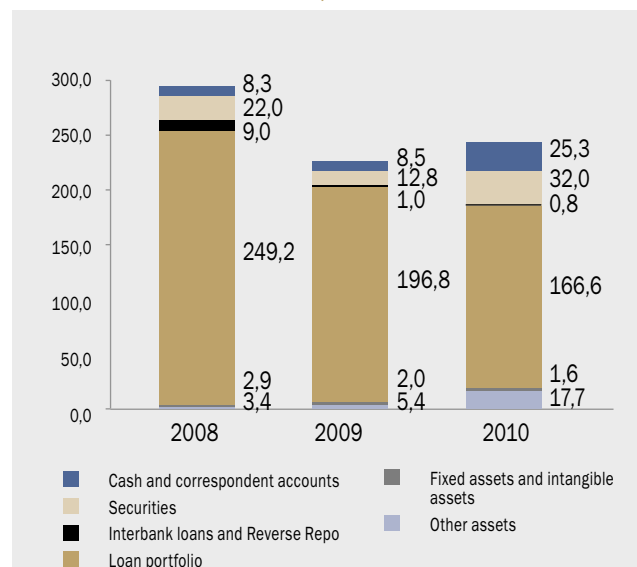
Graph 42.

Capital of "Temirbank" JSC, KZT billion



Graph 43.

Assets of "Temirbank" JSC, KZT billion



Liabilities

In 2010, the TB liabilities decreased by 32% (or by KZT88.7 billion) and made up KZT188.4 billion as of 31 December 2010. Such decrease is caused by decrease of external obligations and internal interbank loans due to restructuring by KZT110.8 billion and KZT58.3 billion respectively (Graph 44).

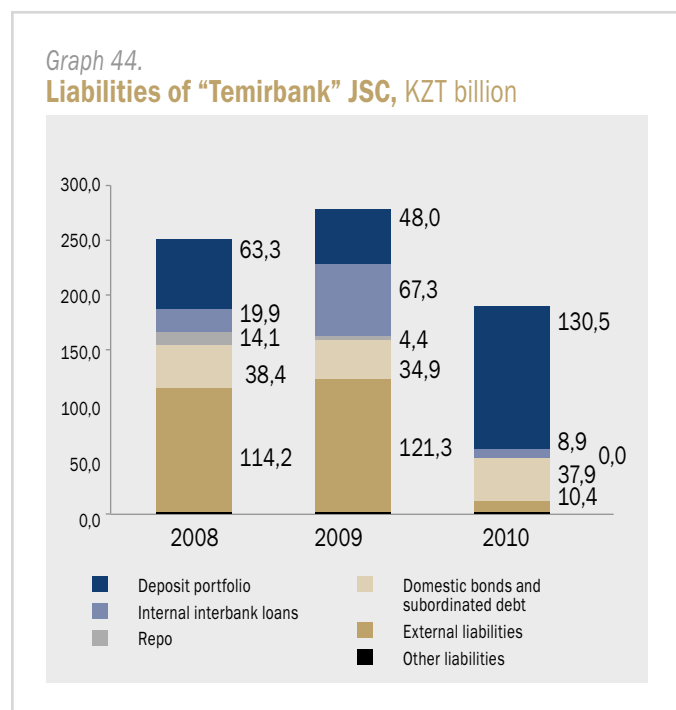
Financial result

Following 2010 results, the Bank received net profit in the amount of KZT80.9 billion. Positive financial result appeared due to the restructuring of liabilities which brought KZT93.8 billion profit.

Ratings

Standard & Poor's:

- Long-term: "B";
- Short-term: "B";
- National scale: "kzBB".





Sovereign Wealth Fund
“Samruk-Kazyna”
JSC

Annual Report. 2010.
Volume 2





Appendix:

138

Etymology of “Samruk-Kazyna”

140

Glossary

ETYMOLOGY OF “SAMRUK-KAZYNA”

The name of the Fund “Samruk-Kazyna” consists of two separate words: “Samruk” and “Kazyna”.

The word “Samuryk” (Samruk) in Kazakh means a giant mythic eagle-like bird being a guide between different worlds.

In accordance with the legend, the Samruk bird lives at the top of the world tree (called the Baiterek).

From the ancient times, the world tree symbolizes one of the levels of universe or the model of the world. According to this model, the Baiterek (literally – “the primordial poplar”) being the axis of the world, connects three levels of existence: the upper level (heaven), the middle level (world where a man lives) and the lower level (underground world).

By one of the legends, its main character comes to the underground world and after overcoming many adventures reaches a big tree, where he kills a big dragon and saves nestlings of the giant bird Samruk. In expression of its gratitude, the Bird takes him to the Earth’s surface. By the legend, the Bird represents the upper world (light) and the dragon – the underground world (darkness). The legend reflected the perception of ancient people of the eternal antagonism between the upper and lower worlds, with a human being always included in their fight. This tale teaches us to fight with the dark powers inside us and lean towards the light of faith and knowledge.

Nowadays, Samruk bird is presented in architectural buildings of the capital of Kazakhstan and crowns the history-memorial complex “Kazak Eli”, being a symbol of the country and its independency.

The Monument symbolizes the year of 1991 when Kazakhstan became a sovereign country. That is why the height of the arrow

is 91 metres. The marble foundation of the Monument represents sincere intentions and interethnic harmony of the country’s people. And the arrow, crowned by Samruk bird, demonstrates determination of the Kazakhstani people to a better future.

Literal translation of the word “Kazyna” from Kazakh has the following meanings, depending on the context:

1. Prosperity, luxury, capital, plenty of material valuables, money (халық қазынасы – people’s wealth), Қазына жинау (accumulation of luxury).
2. Cultural, literature and music assets (intellectual wealth); күй – мәдени қазына (Куй is a cultural asset).
3. Treasury, trove (place of treasury keeping, treasury storehouse) Қарағанды – кәмір қазынасы (Karaganda is a coal storehouse).
4. State property, chamber, money and other assets, and the government itself as the owner of the above. Қазынаға откізу (transfer to the state ownership), Қазына мүлкі (state property).

At the same time, the word “Kazyna” ascends to its Kazakh (Turk) form of “Kazan”, meaning large cooking pot. The pots (Kazans) were esteemed by nomads from the ancient times and were used both for cooking and for ritual ceremonies.

In different Kazakh proverbs the word KAZAN has different meanings. Often it is used to define a family or a home.

Kazan (pot) is one of the most important symbols of the nomad’s philosophy. At the time of nomadic cattle breeding a big kazan (Tai-kazan) could be found in every village (aul). It was used during big public events and funeral feasts. That is why kazan symbolizes prosperity, hospitality, community, solidarity and integrity of people.



Also, in some proverbs the word KAZAN means space, world. “Елу жылда – ел жаңа, жүз жылда – қазан” – “After fifty years a country can hardly be recognized, and after 100 years – the whole world”.

A symbolic meaning of kazans is proved by a story of Herodotus about the Scythians (VI-V centuries BC): “One Scythian king named Ariant wished to know the number of his patrials. He ordered all the Scythians to bring one arrow head each and said he would kill those who didn’t obey. Then the Scythians brought so many arrow heads that Ariant ordered to make a cooper pot from them. The pot appeared very big, its sides were six fingers thick and its volume was of 600 amphoras. This “king-pot” symbolized a big army, the might of the Scythian kingdom and at the same time was the symbol of the Ariant’s kingdom”.

Such pots are the unique centres of attraction of the Nomads at the Eurasian territories.

Figure of the mythic Kazan is similar to the figure of “Zheruyik” and other “closed spaces” of the Kazakh mythology. The location of a “Kazan” was a starting point in geographic reference systems or a centre of existence. It can be stated, that the mythic Kazan was the origin for all historical, quazi-historical and epic Kazans, which became sacral and political centres of ethno-cultural communities which appeared by migration of Turk (proto-bulgar) tribes, including Kazan – a sacral city or a central sanctuary of the Volgian bulgars (ancestries of modern Kazanian Tatars).

In the symbolism of the nations of the world, the pot is the symbol-archetype, meaning fairy secret and magic transformation. It is also a symbol of blossoming, fertility and a possibility both of new birth and rejuvenation.

Moreover, for Turk-Mongol khans, Kazan allegorically meant a public pot where the food was cooked for distribution to other people and, in general, was similar to a state treasury, i.e. physical goods distributed by a khan to people. At that, a khan was distributing not only money, but bread as well. In particular, Marko Polo in his book “On variety of the world” mentioned that the Great Khan (Kubilai) helped those who had neither bread nor cattle: “the Great Khan sends messengers to all his lands, kingdoms and regions to check if bread was not spoiled by bad weather, hailstorms of any other disaster. When he comes to know who suffered and who doesn’t have any bread, he orders them not to give tributes during a whole year and also orders to give them his own bread to eat and to seed. And the kindness of that Khan is great! That is done in summer, and in winter he distributes cattle: when he comes to know if somebody lost his cattle, he orders to give him new, helps him and does not take any tributes during that year”.

In this regard, the allegorical connection between kaban and state treasury as a source of food during hard times for ancient people, had a practical meaning.

Accordingly, the interrelation of such terms as KAZAN – TREASURY – TREASURY OFFICE nowadays has both new and old meanings, as the established government holding basically represents an instrument of a state policy used by our wise ancestors for ensuring of stable development of the country, and adapted for modern life.

Zhardem KURMANGAZIYEV
Corporate Secretary Head
“SWF “Samruk-Kazyna” JSC

GLOSSARY

The terms and abbreviations used in this Annual report shall have the following meanings:

Fund, “Samruk-Kazyna” JSC	“Sovereign Wealth Fund “Samruk-Kazyna” Joint Stock Company
AB	“Alliance Bank” JSC
FMSA	Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations
STR	Second tier banks
DBK	“Development Bank of Kazakhstan” JSC
BTA	“BTA Bank” JSC
HCSBK	“Housing Construction Savings Bank of Kazakhstan” JSC
KIF	“Kazakhstan Investment Fund” JSC
Kazakhstan	Republic of Kazakhstan
Subsidiary and affiliated organizations	The legal entities, which 20 % or more of voting shares are held by the Fund or the predominant part of the authorized capital has been created by the Fund, or in accordance with the concluded agreement (or otherwise) the Fund may determine decisions taken by such legal entities



The Fund's Companies	National development institutes, national companies and other legal entities, which over fifty percent of voting shares (equity stakes) belong to the Fund by the right of ownership or on the basis of trust management
KCM	"Kazyna Capital Management" JSC
KTZ	"NC "Kazakhstan Temir Zholy" JSC
CC	Corporate Centre
SMB	Small and medium businesses
The Group of Companies, the Group	The Fund, companies and their subsidiary organizations, which over fifty percent of voting shares (shares of participation) belong to the companies, and the legal entities, which over fifty percent of voting shares (shares of participation) belong to the specified subsidiary organizations of the companies
UCC	"United Chemical Organization" LLP
IAO	Internal Audit Office
CIS	Commonwealth of Independent States
National Bank	National Bank of the Republic of Kazakhstan
TB	"Temirbank" JSC
Real Estate Fund	"Real Estate Fund "Samruk-Kazyna" JSC



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