



САМУРЫК
КАЗЫНА



SOVEREIGN WEALTH FUND

"SAMRUK-KAZYNA" JSC

Annual report 2012

Astana, 2013

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Annual report 2012

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INTRODUCTION

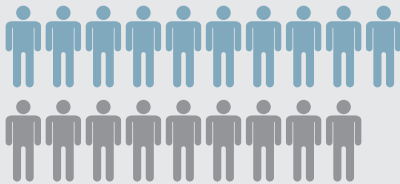
[Samruk-Kazyna JSC in figures and facts in 2012](#)

[Important events of Samruk-Kazyna JSC in 2012](#)

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1.1 SAMRUK-KAZYNA JSC IN FIGURES AND FACTS IN 2012



STAFF NUMBER of the GROUP
of COMPANIES SAMRUK-KAZYNA JSC WAS

339 619 PERSONS

((including production personnel – **309 997**
people, or 91.3% of the total number of employees).

TOTAL TAXES AND OTHER OBLIGATORY CHARGES PAID

KZT 800 BLN

(8.3% more than in 2011).

EBITDA MARGIN IN 2012

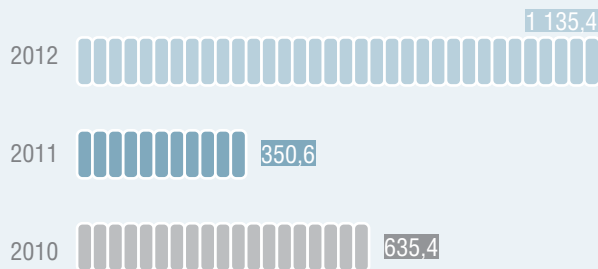


EBITDA margin



EBITDA margin excl. of STB

Consolidated net profit (loss)



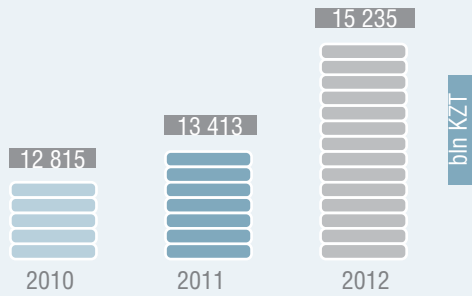
bln KZT

THE AMOUNT OF CONSOLIDATED REVENUE OF
THE FUND TO THE COUNTRY'S GDP IN 2012 WAS

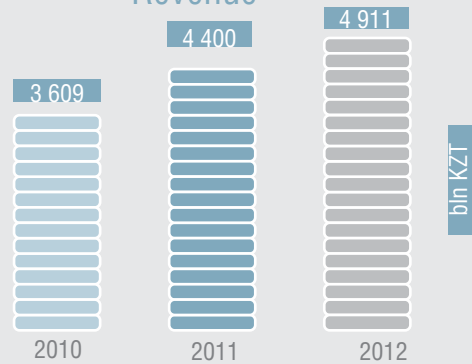
16.3%

(KZT 4,911 bln out of KZT 30,218.5 bln).

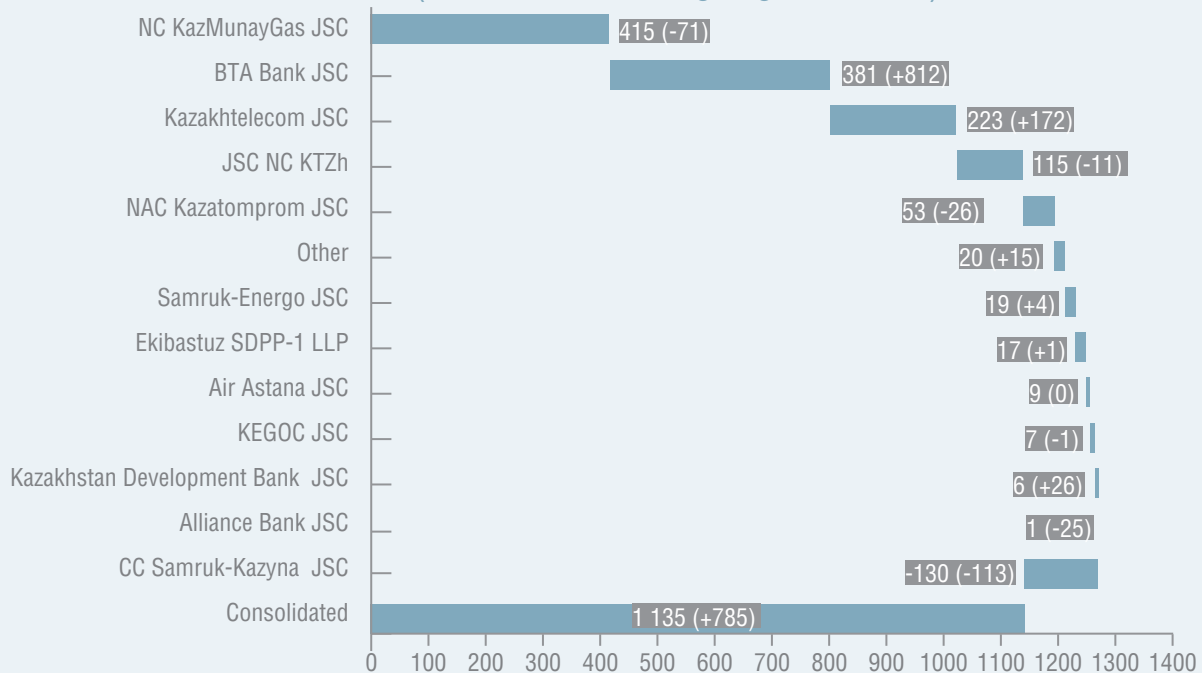
Assets



Revenue



Consolidated net profit for 2012 with a breakdown by companies, (in brackets – change against 2011)



1.2 IMPORTANT EVENTS OF SAMRUK-KAZYNA JSC IN 2012

JANUARY

The Board of Directors elected E.L. Bakhmutova to the post of Deputy Chief Executive of the Fund.

Tau-Ken Samruk JSC established a number of joint ventures for implementation of the exploration and production project at the Eshkeolmes and Alaygyr fields and at the Predgorniy Ketmen site.

Air Astana JSC has introduced five Boeing 757 - 200 type airplanes to the aircraft fleet to carry out domestic routes flights, as well as to the countries of Asia, Europe and the Persian Gulf.

A medical train “Salamatty Kazakhstan”, organized by NC KTZh JSC, the Ministry of Health, and the Emergency Situations Ministry of the Republic of Kazakhstan, started its way to the northern regions of the country.

The charter capital of Samruk-Kazyna Invest LLP has been increased due to additional installment in the amount of KZT 756.8 mln.

FEBRUARY

The head of State signed the Law of the Republic of Kazakhstan “On the Sovereign Wealth Fund”.

The Board of Directors approved the Charter of the Fund and a number of other amended documents.

The Frame Procurement Contract in the field of electrification of the railway of the Republic of Kazakhstan was signed between NC KTZh JSC, Temir Zhol Electrification LLP and the Siemens AG group of companies, during the visit of the President of the Republic of Kazakhstan N.A. Nazarbayev to the Federal Republic of Germany.

M.A. Turmagambetov appointed the Chief Executive Officer of Tau-Ken Samruk JSC.

Two TE33A locomotives of “Evolution” series were exported for Tajik railways.

Kazakhtelecom JSC successfully completed the transaction of sale of 49% share in GSM Kazakhstan Kazakhtelecom OJSC to the European telecommunications holding Company Telia Sonera A.B. at the price of US\$ 1,519 mln.

MARCH

Corporate University Samruk-Kazyna held VII International Conference “HR human resource management: an integrated HR” under the aegis of the Fund and its companies. The results of the Republican contest “Senim 2011” were summarized during the Conference.

2,010 previously dismissed employees of the production branch Ozenmunaygaz of Exploration and Production KazMunayGas JSC and Karazhanbasmunay JSC were outplaced in the Mangystau

region of Kazakhstan. Exploration and Production KazMunayGas has allocated KZT 20 bln for creation of jobs.

The NC KazMunayGas JSC and the China National Petroleum Corporation signed in Beijing an agreement on the pricing mechanism for supply of gas produced by CNPC-Aktobemunaygas JSC to the southern regions of the Republic of Kazakhstan through the Beyneu – Bozoy – Shymkent pipeline.

Samruk-Energo JSC and Samsung C&T Corporation signed in Seoul an “Agreement on sale and purchase of shares of Balkhash Thermal Power Plant JSC” under the implementation of the investment project – the construction of the Balkhash thermal power plant.

APRIL

The National Maritime Shipping Company Kazmortransflot proceeded with shipment of Kazakhstan's metal products.

Almaty City Akimat and KazTransGas JSC have signed a memorandum on joint measures for the further development of gas infrastructure of the megapolis under the program aimed to reduce pollution of the environment of Almaty by 2018.

The agreement on the participation of Kazgeologiya JSC in manganese ore exploration of TNC Kazchrome in the Ulutau

district of Karaganda region has been reached.

Kazakhtelecom JSC was awarded for the sixth time, according to the results in 2011, the diploma of the Kazakhstan Stock Exchange "For striving for transparency". According to the rules for reward of listing companies the KASE prizes are awarded to the companies that demonstrate the best examples of business behavior in securities market and most fully disclose information about their activities.

Samruk-Energo JSC has completed the sale of shares accounting for 75% of shares of charter capital of Balkhash Thermal Power plant JSC to the Samsung Corporation.

Development strategy of Real Estate Fund Samruk-Kazyna JSC for 2012–2022 was approved.

The Russian-Kazakhstan Nanotechnology Fund with the participation of Kazyna Capital Management JSC began its operating activities in Astana.

MAY

Managing director T.E. Sarsenbayev was elected a Member of the Management Board of the Samruk-Kazyna JSC.

The spring session of the Prague Club – the Association of World Export Credit Agencies was held for the first time in Kazakhstan. Organizers – KazExportGarant JSC and the Secretariat of the Berne Union.

The United Chemical Company LLP in association with Officium Projects Ltd. and Tecnimont S.p.a. Created a specialized engineering Company UCC Engineering LLP.

East Kazakhstan Distribution Company JSC was transferred from Samruk-Kazyna JSC as charter capital payment to Samruk-Energo JSC.

During the specialized military exhibition KADEX-2012, National Company Kazakhstan Engineering JSC has entered into a number of long-term contracts with world leading companies in the amount of US\$ 1.8 bln.

The agreements under a new system of guaranteeing and subsidization of leasing transactions in the framework of the program "Business roadmap 2020" were signed.

A memorandum on cooperation in the framework of social partnership was signed between Samruk-Kazyna JSC and the Federation of trade unions of the Republic of Kazakhstan.

NAC Kazatomprom JSC signed a Memorandum of understanding for comprehensive strategic partnership with the Japan Bank for International Cooperation (JBIC).

The Chief Executive Officer met with Independent Directors of major companies of the Fund's group.

JUNE

The first meeting of the Council for administration of the Sovereign Wealth Fund chaired by the Head of the State, in which the development strategy of Samruk-Kazyna JSC for 2012–2022 has been approved, took place.

The President of the Republic of Kazakhstan signed the Decree "On establishment of a special economic zone Chemical Park "Taraz".

The Atyrau Refinery LLP signed a loan agreement with the Export-Import Bank of China to the amount of US\$ 1,130.4 mln in order to finance the implementation of the strategic investment project "Construction of advanced oil processing center".

The United Chemical Company LLP has become a partner of KLPE LLP – the operator of the project "Construction of the first integrated gas chemical complex in Atyrau region – phase 2".

Kazakhtelecom JSC carried out the millionth connection to the broadband Internet network access under the trade mark Megaline.

Rating agency Skytrax, the international auditor of the passengers' service quality, has awarded Air Astana JSC a 4 stars rating, which puts the Company in line with the best airlines in the world.

1.2 IMPORTANT EVENTS OF SAMRUK-KAZYNA JSC IN 2012

The Decree of the Government of the Republic of Kazakhstan approved the program “Affordable housing-2020”. Under this program, Real Estate Fund Samruk-Kazyna JSC concluded the first joint investment agreements with ElitstroyProekt LLP for construction of Youth Residential Complex “Asyl arman” in Almaty region, and with OxyBuild LLP for Youth Residential Complex “UnisCity” in Aktobe.

NAC Kazatomprom JSC started up a sulfuric acid plant in Zhanakorgan district of Kyzylorda region.

The commissioning of the helicopter assembly plant of National Company Kazakhstan Engineering JSC in collaboration with the Eurocopter Company took place.

A memorandum on cooperation in training, additional training and personnel development was signed between Samruk-Kazyna JSC and the Ministry of Education and Science of the Republic of Kazakhstan in the framework of the Conference “Education and business together for the good of the country”.

The acquisition of 10% share in the Final Production Sharing Agreement (FPSA) on Karachaganak project by the Republic of Kazakhstan was completed. The FPSA shares management Company LLP, a 100% subsidiary of NC KazMunayGas JSC, became the

holder of Kazakhstan’s share in FPSA.

JULY

The Decree of the Government of the Republic of Kazakhstan assigned KazTransGas JSC the national operator in the field of gas and gas supply.

The blocks of shares of Kazgeologiya JSC were placed into trust of the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

KazExportGarant JSC supported a major export transaction with Turkmenistan – political risk insurance for the project “Reconstruction of Ashgabat – Garagum – Dashoguz automobile road”.

The Articles of association, under which Khimplus LLP was established, were concluded with the United Chemical Company LLP.

Private equity fund with the participation of Kazyna Capital Management JSC – Falah Growth Fund has made investments in Karaganda EnergoCenter LLP with a view to upgrade basic production facilities and expand the generating capacity of the Karaganda Thermal Power Plant-3.

The projects of NC KTZh JSC on the beginning of construction of Zhezkazgan – Beyneu and Arkalyk – Shubarkol railroad sections, as well as the opening

of a new high-speed route Almaty – Petropavlovsk of the passenger train “Zhetisu”, consisting of Talgo cars of domestic assembly, were presented to the Head of the State N.A. Nazarbayev during a nationwide teleconference for presentation of projects of the Industrial development Map.

AUGUST

The issue of Islamic bonds “Sukuk Al-Murabaha” to the amount of 240 mln Malaysian Ringgit became the first issue of Sukuk in the history of issuers in the CIS countries.

The Board of Directors of Real Estate Fund Samruk-Kazyna JSC adopted a Policy in the field of corporate social responsibility.

The 50% share in the charter capital of Ekibastuz State District Power Plant-1 LLP named after Bulat Nurzhanov was transferred to the charter capital of Samruk-Enery JSC.

The Damu Entrepreneurship Development Fund allocated KZT 78.1 bln to 2,126 thousand borrowers under the programs of conditional investment of funds through second tier banks, which allowed to create 11,338 jobs taking into account the “Business roadmap 2020” program.

The Atyrau Refinery LLP signed a loan agreement with Japan Bank for International Cooperation and Bank of Tokyo Mitsubishi UFJ to the amount of US\$ 297.5 mln and Development Bank of Kazakhstan

JSC to the amount of US\$ 251.984 in order to finance the implementation of the strategic investment project "Construction of advanced oil processing center".

SEPTEMBER

The development strategy of Samruk-Kazyna JSC for 2012–2022 was approved by the Resolution of the Government of the Republic of Kazakhstan No.1202 as of September 14, 2012.

The official ceremony of commencement of construction of the first module of the Balkhash Thermal Power Plant with capacity of 1,320 MW took place in the framework of the official visit of the President of the Republic of Korea.

Samruk-Kazyna JSC held the ceremony of signing of trilateral agreements between the enterprise, regional and municipal department of education, and the institution of technical and vocational education on social partnership in the framework of introduction of the dual system of training of regular labor force in the group of companies of the Fund. The agreements were signed by the NC KazMunayGas JSC, Kazakhtelecom JSC, NAC Kazatomprom JSC, and KEGOC JSC.

The development strategy 2012–2022 of Development Bank of Kazakhstan JSC was approved.

The Sberbank of Russia JSC and Damu Fund signed the memorandum of understanding and cooperation amounting to KZT 10 bln for the financing of small and medium-sized businesses on the border territories of the Republic of Kazakhstan.

Kazpost JSC became the only partner of Electronpost. KZ LLP

The "Investment Forum: creation of new productions in West Kazakhstan", organized by NC KazMunayGas JSC under the auspices of Akimats of Mangistau, Atyrau and West Kazakhstan regions took place in Aktau.

The first passenger train Almaty – Altyntkol started its run along Zhetygen – Khorgos railroad.

OCTOBER

The Resolution of the Board of Directors of Samruk-Kazyna JSC is approved by the Decree of the Government of the Republic of Kazakhstan on price, number and structure of placement of authorized common shares of KazTransOil JSC, entering the stock market under the "People's IPO" program.

KazTransOil JSC was assigned as the national operator of the main oil pipeline by the Decree of the Government of the Republic of Kazakhstan.

Tau-Ken Samruk JSC formed and approved the list of prospective sites in accordance with the

results of analysis of minerals and raw material base on the main types of mineral resources.

Pavlodar Airport JSC implemented the reconstruction of the air terminal building, and updated special equipment and infrastructure of the airport.

The 500 kV Alma substation was put into operation within the framework of the Phase I of the project "Construction of 500/220 kV Alma substation with connection to the Kazakhstan National Electrical Grid by the lines with voltage of 500 and 220 kV.

A memorandum of understanding on cooperation in nuclear power development was signed between Samruk-Energo JSC and Korea Electric Power Corp. (KEPCO, Republic of Korea).

National Company Kazakhstan Engineering JSC received the Moody's credit rating at the Ba2 level.

NOVEMBER

An order book for purchase of shares of KazTransOil JSC was opened.

Passenger Transportation JSC sold the one millionth electronic ticket since the beginning of online sales of travel documents.

The development strategy of Tau-Ken Samruk JSC until 2022 was approved.

1.2 IMPORTANT EVENTS OF SAMRUK-KAZYNA JSC IN 2012

The development strategy of KazExportGarant JSC until 2022 was approved.

NAC Kazatomprom JSC launched the industrial complex for production of bulk concentrates of rare-earth metals of the joint Kazakhstan-Japan venture Summit Atom Rare Earth Company (SARECO) and signed key documents required for the implementation of an alternative project for creation of the uranium enrichment center with OJSC TVEL (State Atomic Energy Corporation ROSATOM).

The project of National Company Kazakhstan Engineering JSC on modernization of the machining process unit of oil industry products Munaymash JSC was put into operation.

Air Astana JSC announced the retirement of the Fokker 50 – type turboprop aircraft fleet.

A memorandum of understanding was signed between NC KazMunayGas JSC and Norwegian Association of Oil and Gas Partners Intsok.

Damu Entrepreneurship Development Fund JSC opened 2 Entrepreneurs Service Centers in Almaty and Shymkent, 12 Business Support Centers in single – industry cities, launched mobile Business Support Centers in 5 regions of Kazakhstan.

Kazakhtelecom JSC, handed out the award in the category “For innovative development of Kazakhstan” in the framework

of the IV Economic Forum of large businesses “Expert-100-Kazakhstan” held in Astana.

The philatelic collection of Kazpost JSC was included in the world’s top five at the 25 Universal Postal Union Congress, held in Doha (Qatar).

The Chief Executive Officer met with Independent Directors of major companies of the Fund’s group.

DECEMBER

The trading on the secondary market of the common shares of KazTransOil JSC within the framework of the “People’s IPO” program started on the Kazakhstan Stock Exchange.

In the framework of the “People’s IPO” program, Kazpost JSC handled 19,958 customer orders to purchase common shares of KazTransOil JSC totaling KZT 5.1 bln.

The President of Kazakhstan N.A. Nazarbayev opened the electric locomotive production plant “Electrovoz kurastyru zauly” in Astana.

The plate photovoltaic modules plant with the installed production capacity of 50 Mw or 230 thousand European standard photovoltaic modules was put into operation in Astana with the participation of the Head of State.

KEGOC JSC completed construction of facilities on the

project “Power delivery of Moynak Hydroelectric Power Plant” (contractor – consortium of Korea Electric Power Corporation and Hyundai Corporation) with bringing into operation of the high-voltage power lines 220kV “Open distribution system 220kV Moynak Hydroelectric Power Plant – Substation 220 kV Robot” with the length of 227.8 km.

Samruk-Energo JSC successfully passed the first witness audit of the Corporate management system for compliance with requirements of the international standard ISO 9001:2008.

The winners of the second Republican contest “Innovative Kazakhstan” were awarded.

NAC Kazatomprom JSC won in the category “Innovation breakthrough” and was awarded a special prize “Innovation leader” by the Head of the State for 2012.

Air Astana JSC acquired two Airbus A321 type and one Airbus A320 type liners.

Samruk-Energo JSC placed five – year eurobonds to the amount of US\$ 500 mln on the Irish Stock Exchange and KASE, the return was determined as 3.75% per year.

NC KTZh JSC was awarded a special prize of the President of the Republic of Kazakhstan “Altyk Sapa” in a category “Leader of industrialization 2012”.

Kazpost JSC opened the first model post office with 24 – hour service zone Post – 24 in Astana.

Within the framework of execution of the orders of the Head of the State, Kazakhtelecom JSC put into commercial operation high – speed fourth – generation mobile network based on LTE technology (Engl. Long Term Evolution) on the basis of Altel JSC (100% subsidiaries and affiliates of Kazakhtelecom JSC) in Astana and Almaty.

During a national teleconference for presentation of the “Map of Industrial development” projects, Kazakhtelecom JSC launched the largest in CIS Data processing center in Pavlodar, conforming to the TIER III class reliability level and developed in collaboration with Hewlett-Packard – a world leader in construction of data centers.

A cooperation agreement with Nazarbayev University JSC in the grant funding of research and/or scientific and technical works/projects of young scientists and researchers was signed, and a joint plan of actions for creation and further development of the “R&D Center Samruk-Kazyna” (Research Center) on the territory of the innovation cluster of Nazarbayev University, was signed.

The Development strategies of Damu Entrepreneurship Development Fund JSC, Kazyna Capital Management JSC, and Investment Fund of Kazakhstan JSC until 2022 were approved.

BTA Bank JSC has successfully completed the process of

restructuring of their financial obligations.

Development Bank of Kazakhstan JSC (DBK) carried out the largest issue of eurobonds within one tranche among Kazakhstan banks to the amount of US\$ 1 bln.

The Resolution of the Government of the Republic of Kazakhstan No.1599 dated December 14, 2012 approved the Agreement on cooperation between the Government of the Republic of Kazakhstan and Samruk-Kazyna JSC.

A new high-speed train “Aktobe”, consisting of passenger cars produced in Astana started its runs between Astana and Aktobe.

The construction of two railroad lines Uzen – State border with Turkmenistan and the Zhetygen – Khorgos was completed.

WELCOME ADDRESS OF CHAIRMAN OF THE BOARD OF DIRECTORS OF SAMRUK-KAZYNA JSC



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

S.N. AKHMETOV

**Dear partners, colleagues,
and investors,**

Positive results of activity of Samruk-Kazyna JSC in 2012 showed the efficiency of performance of the tasks assigned by President of the Republic of Kazakhstan N.A. Nazarbayev to strengthen economy, and raise the wealth of the people.

Positive trends in the economy and persisting macroeconomic stability allowed to maintain the Standard Poor's credit rating of Samruk-Kazyna JSC at BBB+ level, the outlook is "stable".

The consolidated net income of Samruk-Kazyna JSC exclusive of second - tier banks

in 2012 is estimated at KZT 791 bln, which exceeds the target level by 18% and the actual figure of the last year – by 10%. The growth of net profit has not been affected by reduction in prices and volume of uranium export sales, and steady oil prices at the level of last year. The overachievement of target was obtained by the major subsidiary companies.

At the year – end 2012, the total amount of taxes and payments into the budget by the group of companies Samruk-Kazyna JSC was KZT 800 bln, which is 8.3% more compared to 2011.

The amount of dividends transferred into Republican budget by Samruk-Kazyna JSC

in 2012 based on the results of 2011 was KZT 159.1 bln.

The important work on solution of system and strategic issues of activities of Samruk-Kazyna JSC was carried out. The Parliament adopted a new law of the Republic of Kazakhstan "On the Sovereign Wealth Fund". The development strategy of the Company until 2022 was approved. These documents substantiate the business purposes of Samruk-Kazyna JSC. The adopted documents have provided a significant impetus for the well coordinated work of the group of companies Samruk-Kazyna JSC.

I would like to note that Samruk-Kazyna JSC is a key tool of the Government of the Republic of Kazakhstan in the performance

of tasks of the diversification and modernization of the national economy, the State Program of Accelerated Industrial and Innovative Development 2010–2014, the Strategic development plan of the Republic of Kazakhstan until 2020 and other policy documents of the country. The investment portfolio of Samruk-Kazyna JSC includes 100 projects in different branches of economy of the Republic, with a total value of US\$ 81 bln.

Samruk-Kazyna JSC is implementing 25 investment projects with total value of US\$ 30.7 bln in the framework of the State Program of Accelerated Industrial and Innovative Development (SPAIID). The implementation of seven major investment projects was completed, resulting in production of electric locomotives in Kazakhstan, the start up of manufacturing of new products – photovoltaic modules, and enhanced security of power supply to the southern regions of the country. In addition, the development institutions of Samruk-Kazyna JSC provide funding for every fifth project of the Republican Map of Industrial development.

In the reporting year, Samruk-Kazyna JSC has started the implementation of new industrialization and infrastructure development projects. These projects include the construction of new railway lines the Beyneu – Zhezkazgan and Arkalyk – Shubarkol that are an integrated component of the largest Eurasian transport corridors; further modernization of Atyrau Refinery, aimed to increase the productivity of the plant up to 5.5 mln tons per year and oil refining depth up to 87%, and other projects.

The implementation of these projects will undoubtedly give a strong impetus to regional development, will have a significant impact on the ongoing process of ensuring sustainable development of the economy.

In December 2012, within the framework of implementation of the program “People’s IPO”, Samruk-Kazyna JSC together with the Government has successfully placed shares of the first participants of the Program – the KazTransOil Company on the Kazakhstan Stock Exchange. In general, following the completion of the sale of shares of KazTransOil JSC, more than 34 thousand applications from the citizens of Kazakhstan for the purchase of shares, or approximately 80% of the securities offered were satisfied. The overall demand for shares of KazTransOil JSC from individuals and pension savings fund has exceeded the supply by more than 2 times.

Samruk-Kazyna JSC carried out a significant work to stabilize the banking system of the country. The process of the second restructuring liabilities of BTA Bank JSC completed. Timely taken actions allowed to reduce the debt of the bank from about US\$ 11.1 bln to US\$ 3.3 bln, and the external debt has been reduced from US\$ 9.4 bln to US\$ 750 mln. This resulted in the improved Bank’s financial stability indicators, and most important is that the confidence of investors and creditors of the Bank was kept.

Samruk-Kazyna JSC took an active part in implementation of the program “Affordable housing-2020”, aimed at the

integrated solution of problems of housing construction.

In 2012, the implementation of the anti-crisis program in the real estate market was almost completed. Today, most of investors have received flats in residential complexes, the construction of which was finished by means of funds allocated by Samruk-Kazyna JSC. In general, the construction of approximately 1 mln sq. m of total floor area (over 7 thousand flats) was completed, and the problems of more than 3 thousand interest – holders were solved.

In 2012, the work on improvement of corporate management system was continued. The new Charter and the Corporate governance code were approved; the dividend, innovative and industrial, investment, and personnel policies of Samruk-Kazyna JSC, as well as a number of internal normative documents were defined.

The results of diagnostic of corporate governance in the Corporate center of Samruk-Kazyna JSC showed a positive trend, the corporate governance rating in 2012 was 61.7 rating points, which is 9 rating points higher than the previous diagnostics.

The results of work of Samruk-Kazyna JSC indicate that the task set by the Head of the State to promote the growth of national wealth of the country by improving the long-term value of the Samruk-Kazyna JSC companies and contribution to ensuring sustainable development, diversification and modernization of the economy, is solved successfully.

WELCOME ADDRESS OF THE CHIEF EXECUTIVE OFFICER OF SAMRUK-KAZYNA JSC



Chief Executive Officer of Samruk-Kazyna JSC
U.E. SHUKEYEV

Dear Ladies
and Gentlemen,

We would like to bring to your attention the annual report 2012 of Samruk-Kazyna JSC.

All last year, we have worked successfully on the fulfillment of the tasks set by the Head of the State and the Government of the Republic. As a result of system work, in 2012, we solved a number of important issues: the development strategy was approved, the law on the Fund, and the Company's dividend and innovative – industrial policy were adopted, and the investment policy was developed.

The implementation of the tasks set out in those documents, starts to bring the desired results.

According to the results of the last year, we have achieved growth of financial and performance results.

The assets grew by 14 % to KZT 15.2 trillion, while the equity capital amounted to KZT 7.4 trillion with growth by 29%. The consolidated revenue increased by 12% and totaled KZT 4.9 trillion. In 2012, the consolidated net income of the Fund, exclusive of the second tier banks, amounted to KZT 791 bln.

In 2012 for the first time in recent years, the operating earnings of the Fund (EBITDA Margin) showed growth instead of reduction, from 17.8% in 2011 to 19.3% in 2012.

The overachievement of target values in the most of performance and financial indicators was obtained virtually in all major subsidiaries.

The volume of oil and gas condensate production was 21.4 mln tons. Tariff freight and passenger turnover increased by 5% and 14% respectively as compared with the previous year. The volume of uranium production increased by 10% against the previous year. The electricity production amounted to 14.5 bln kWh, which is 8% more than last year.

In 2012, the rating of corporate governance in the corporate center of the Fund grew from 52.9% to 61.7% compared with the results of the last diagnostics carried out in 2010. The Fund has a positive influence on

the improvement of corporate governance in the companies, as evidenced by the positive trend of ratings of corporate governance of companies. In 2012, the Fund has focused its efforts on a clear distribution of powers and responsibilities of the bodies, as well as strengthening of the Boards of Directors of companies. A number of important initiatives launched in this direction. We are raising our requirements for the development and operations of companies to the Boards of Directors. This applies to both Independent Directors and representatives of the Fund that are included in the composition of the Boards of Directors of the companies.

In connection with the implementation of major investment projects, additional measures are taken to effectively address the issues of financial stability of the group of the Fund. We revised and updated approaches, approved the basic mechanisms for risk minimization and drastically revised the procedure for monitoring.

The Fund adopted the internal credit policy, debt and financial stability management policy, the rules on provision of guarantees.

Thus, the conditions have been created to finance the planned projects and at the same time to retain financial stability indicators at a controlled level.

The limit values of financial stability indicators specified by us are very conservative and aimed at ensuring sustainable financial position of the group of the Fund even at the pessimistic scenario of the world economic development.

The Fund carries out instructions of the Head of the State within the framework of optimization of activities of the companies of the group. Thus, in 2012 year a coordinated system work on improving costs management started. A special program has been developed to reduce costs of the companies of the Fund, providing for saving of about KZT 70 bln within three years.

Another priority task for the Fund in 2012 was the instruction of the Head of the State to implement the "People's IPO" program. KazTransOil JSC entered equity

market, the demand for shares of the Company exceeded supply by more than 2 times (213%) and amounted to KZT 59.4 bln. Where 34,676 application for shares amounting to KZT 22.1 bln or 79.3% from total amount of placement were received from individuals.

In 2012, in the framework of the SPAIID, the Fund implemented 7 investment projects totaling US\$ 2.3 bln creating more than 10 thousand jobs during the construction and 4.5 thousand jobs in operational period, including:

- construction of two railroad lines Zhetygen – Khorgos and Uzen – State border with Turkmenistan;
- construction of Moynak Hydroelectric Power Plant with capacity of 300 MW, which will reduce the energy shortage in the southern region of the Republic;
- start up of the project "Scheme of power delivery of Moynak Hydroelectric Power Plant" with connection to the Kazakhstan National Electrical Grid to ensure energy security in the southern region of Kazakhstan;
- start up of the project "Organization of production of electric locomotives, which will allow to create domestic assembly production of modern electric locomotives in the free economic zone in Astana;
- commissioning of the photovoltaic modules plant on the basis of Kazakhstan's silicon in Astana;
- construction of North-Caspian ecological base for oil spills response in the northern part of the Kazakhstani sector of the Caspian Sea.

In addition to the above – mentioned projects, in order to contribute to the modernization and diversification of the economy of Kazakhstan, the Fund implements a number of other investment projects in the oil and gas industry, in the production and distribution of electric power, as well as in the area of infrastructure development.

As part of work conducted to assist the Government in stabilizing the real estate market, in 2012, the Fund almost completed implementation of the anti-crisis program.

A total 17 project sites out of 21 funded projects were commissioned, including 3 project sites in 2012. The problems of over 2 thousand interest-holders were solved, including 874 interest-holders in 2012.

Social responsibility is one of the strategic directions of the development of the Fund, especially important in the light of need to prevent labor conflicts. The Fund established Social partnership center that provides monitoring of alarm zones and represents the platform for negotiations of the social partners (government, personnel and employer).

Pursuant to the instructions of the Head of the State to establish a dual system of education and training, a new training center of NC Kazakhstan Temir Zholy JSC was opened, the establishment of new centers for Samruk-Energo JSC and United Chemical Company LLP started.

In 2012, 6 companies of the group of the Fund began personnel training based on the dual system in cooperation with Technical and Vocational Education institutions.

Thanks to the fruitful work in 2012, the sovereign credit rating of Kazakhstan increased to "BBB+", against the background of crisis in the Western countries, this demonstrates the stability and creditworthiness of the country.

In 2013, we have to address a number of important tasks. This year should be a year of implementation of specific investment projects. I call for further teamwork, by virtue of which the value of our companies will increase, and our Fund will perform its mission, as set in the development strategy of the Fund.



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ABOUT US

The main activities, goals and objectives of Samruk-Kazyna JSC

Organization structure of Samruk-Kazyna JSC

Major subsidiary and affiliated organizations of Samruk-Kazyna JSC

Key financial and economic indicators of Samruk-Kazyna JSC

Investment activity

Innovative development

Promotion of reforms, implementation of state programs, support of small and medium businesses

Human resources development and corporate social responsibility of the Fund

2.1. MAIN ACTIVITIES, GOALS AND OBJECTIVES OF SAMRUK-KAZYNA JSC

The sole shareholder of Samruk-Kazyna JSC is the Government of the Republic of Kazakhstan.

The Development Strategy of Samruk-Kazyna JSC for 2012-2022 was approved by the Resolution of the Government of the Republic of Kazakhstan No1202 dated September 14, 2012.

The development strategy of Samruk-Kazyna JSC for 2012–2022 was elaborated considering the fundamental directions of state policy in the industrial and innovation, socio-economic and other spheres of activity of the Fund and defines its mission, vision, strategic directions, goals and objectives for a ten - year period.

The **Mission of the Fund** is to increase national wealth of the Republic of Kazakhstan by increasing long-term value of organizations and effective management of the assets of the group of the Fund.

The **Fund's vision by 2022** is a strategic holding that unites companies reached the best world practices, and which is a leading catalyst for the development of non-oil and gas companies and a foundation to maintain the stable functioning of the country's economy.

To achieve its vision and mission, the Fund operates in three strategic areas:

1. Enhancing the long-term value of companies
2. Participation in diversification and modernization of the national economy.
3. Social responsibility.

1. Enhancing the long-term value of companies

Under the first area, the key goal of the Fund is to increase the long-term value and to form companies reached the best world practices. The activity of the Fund companies must meet the following criteria: high operating efficiency, productivity and profitability, high financial stability, a high level of innovation development, transparent and optimal assets structure.

In order to achieve this goal, the Fund solves the following tasks:

- *encouraging companies to improve financial and operational performance through benchmarking;*
- *raising the level of corporate governance;*
- *implementation of the investment policy;*
- *asset restructuring and bringing companies to IPO;*

- *improvement of companies' performance management system;*
- *development of innovations;*
- *human capital development.*

2. Participation in diversification and modernization of the national economy

The Fund is aimed to provide maximum assistance to the Government of the Republic of Kazakhstan in the implementation of the objectives of diversification and modernization of the national economy within the framework of strategic and program documents of the country.

The key goal of the Fund in the context of the second strategic direction is the creation of new and modernization of existing production and infrastructural assets, as well as the development of added value chain.

This goal is achieved through the implementation of following tasks:

- *implementation of strategic investment;*
- *effective supply management and development of business environment;*
- *stimulation of economic development through development institutions*

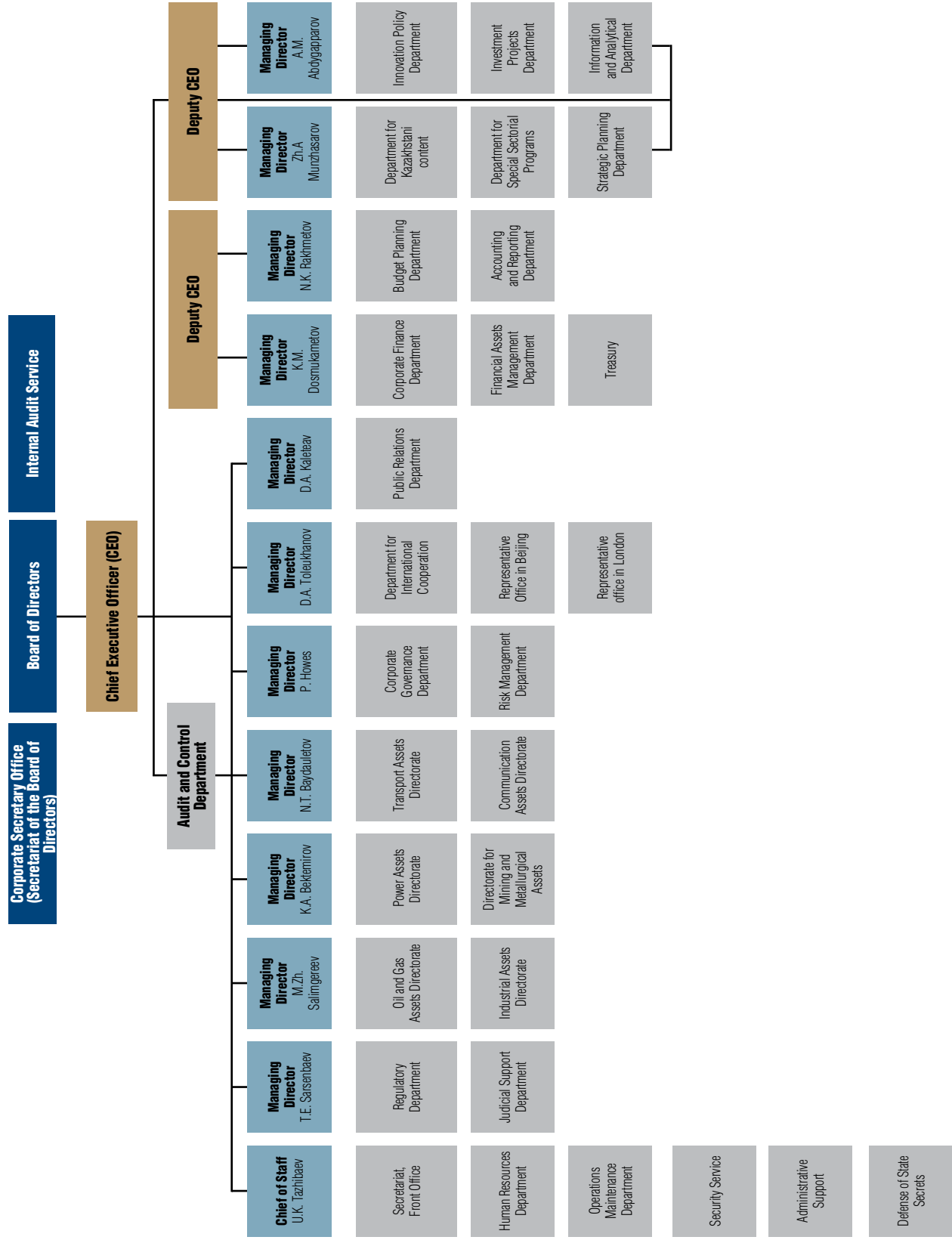
3. Social responsibility

The growth of long-term value of companies of the Fund is impossible without taking into account the interests of all stakeholders, including the public interests. Raising the standards of social responsibility in the group of the Fund is one of its strategic goals. The group of companies of the Fund strives to be an exemplary employer and leader in the field of industrial safety and environmental protection.

Increase of the standards of social responsibility is implemented through the performance of following tasks:

- *regulation of social and labor relations on the basis of the principle of social partnership;*
- *creation of a personnel training system;*
- *provision of environmental sustainability and occupational safety (the key principles are improving energy efficiency, resource conservation and use of alternative energy sources);*
- *determination of the unified policy in the field of implementation of social projects;*
- *creation of a unified communications strategy.*

2.2 ORGANIZATION STRUCTURE OF SAMRUK-KAZYNA JSC



2.3. SWOT ANALYSIS OF THE COMPANY WITH BRIEF COMMENTS ON THE STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Active support of the Government of the Republic of Kazakhstan. 2. The existence of legislation vesting the Fund with broad powers. 3. The presence of the credit rating at the level of sovereign rating. 4. Projects with significant social and economic importance, but low returns have financial support from the State. 	<ol style="list-style-type: none"> 1. The availability of non-core assets in the structure of some of the companies of the Fund. 2. High debt load of the Fund companies. 3. Reduction in operating efficiency due to the non-commercial load on the Fund and companies' activities. 4. The weaknesses of personnel policies, including frequent rotation of management of the companies in the group of the Fund.
Opportunities	Threats
<ol style="list-style-type: none"> 1. Growing world demand for raw materials, products and services, the rise in oil prices. 2. Increased trading opportunities resulting from integration processes. 3. Attraction of foreign investment as a consequence of the economic growth in BRICS countries. 4. Government policies aimed at economic development and attraction of foreign investments. 	<ol style="list-style-type: none"> 1. Instability in global financial markets, leading to appreciation of borrowed capital and the instability of raw material prices. 2. Changes to legislation (increases in export taxes, increase of taxation, etc.).

2.4. SUMMARY OF THE MAJOR SUBSIDIARIES AND AFFILIATES OF SAMRUK-KAZYNA JSC

The structure of the Fund consists of 619 companies including the Corporate Center of Samruk-Kazyna JSC, 381 subsidiaries at all levels and 237 associate and jointly-controlled entities, financial investments, including corporate entities and banks that are not in the group of the Fund.

The group of the Fund includes 16 entities of natural monopoly and entities with dominant positions in the market. The structure of the group of the Fund includes companies from key sectors of the economy, including oil and gas, electric power, transport, telecommunications, and others. The activities of the Fund companies aim to increase value of share capital, which in turn promotes competitiveness and sustainability of the national economy.

The "Oil and Gas" segment is represented by one Company **NC KazMunayGas JSC**.

The main activities of **NC KazMunayGas JSC** (hereinafter referred to as the **KMG**) include participation in public policy in the oil and gas sector, the representation of State interests in contracts for subsoil use through equity participation in contracts, corporate governance and issues of the exploration, development, production, processing, sale, and transportation of hydrocarbons, engineering, construction and operation of oil and gas pipelines and petroleum field infrastructure. The structure of **KMG** consists of 209 companies at 7 levels.

The "Mining" segment includes **NAC Kazatomprom JSC** (hereinafter referred to as the – **KAP**), **National Company Kazakhstan Engineering JSC**, **United Chemical Company LLP** (hereinafter referred to as the **UCC**), **Exploration Company Tau-Ken Samruk JSC**, **Mainkainzoloto JSC**, **Mining Company Kazgeologiya JSC**.

KAP is a national operator of the export and import of uranium and its compounds, nuclear fuel for nuclear power stations, special equipment and technology, dual application materials. The main activities of **KAP** are as follows:

- production of uranium, processing and sale of uranium products;
- manufacture and sale of products made of tantalum and beryllium, as well as research and development;
- generation and sale of electric power, heat power and water;
- production and sale of other products and provision of services for the main production.

The asset structure of the **CAP** consists of 74 companies at 4 levels.

The structure of **National Company Kazakhstan Engineering JSC** includes 34 companies at 3 levels.

As of December 31, 2012, **UCC** holds shares in 7 subsidiaries and affiliated organizations:

- 56% – Joint Venture Vitriol plant **Kazatomprom LLP**;
- 51% – **KPI Inc. LLP**;
- 25% – **KLPE LLP** (formerly **APD LLP**);
- 25% – **UCC-Engineering LLP**;
- 90% – **Polymer production LLP**;
- 30% – **KhimPhos LLP**;
- 99.9% – **Khim-Plus LLP**.

"Transportation" segment includes **NC Kazakhstan Temir Zholy JSC**, **Air Astana JSC**, **Atyrau International Airport JSC**, **Aktobe International Airport JSC**, **Pavlodar Airport JSC**, **Doszhan Temir Zholy JSC**.

The main purpose of activity of **NC Kazakhstan Temir Zholy JSC** (hereinafter referred to as the **KTZh JSC**) is uninterrupted and quality coverage of needs of the economy and population in transportation of goods, cargo-luggage, freight and mail by railway transport.

The main activity of **Air Astana JSC** (hereinafter referred to as the **Air Astana**) is the transportation of passengers and goods by civil aviation aircraft. The shareholders of **Air Astana** are the **Fund** (51%) and **BAE Systems Kazakhstan Ltd.** (49%).

Atyrau International Airport JSC, **Aktobe International Airport JSC**, **Pavlodar Airport JSC** mainly provide services in airport operations. **Atyrau International Airport JSC** and **Aktobe International Airport JSC** accommodate and maintain virtually all types of aircraft.

Airports are the subjects of natural monopolies and included in the State Register of local entities of natural monopoly.

The "Energy" segment includes the following companies of the Fund: **KEGOC JSC** and **Samruk-Energo JSC** (hereinafter referred to as the **Samruk-Energo**), which are the largest in this segment, **KOREM JSC**, **Kazakh Scientific Research Institute of Energy named after academician Sh. Chokin JSC** (hereinafter referred to as the **KazSRIE**) and **Karagandagiproshakht and Co. LLP** (hereinafter referred to as the **Karagandagiproshakht**), **East Kazakhstan Regional Energy Company JSC** (hereinafter referred to as the **EK REC**) and **Ekibastuz State District Power Plant-1 LLP** (hereinafter referred to as the **ESDPP-1**), which was transferred to **Samruk-Energo JSC** in November 2012.

KEGOC JSC is a system operator of the Unified electrical power system of Kazakhstan (hereinafter referred to as the **UES RK**). The services provided by **KEGOC** are related to the natural monopoly.

The basic types of activity of **Samruk-Energo** and its subsidiaries are generation of electrical and heat power; transmission and distribution of electric power; extraction of power station coal; reconstruction, expansion and construction of energy facilities.

KazSRIE provides services for scientific and applied research and development in the electric power industry, provision of the electric power industry with actual and competitive innovative scientific development, ensuring the effective commercialization of the results of scientific and technical activity, introduction of domestic and transfer of advanced foreign technologies, the creation of an effective system of strategic and operational management.

The main activities of **KOREM JSC** is ensuring availability and selling electric power on a centralized platform, and **Karagandagiproshakht** performs engineering of mining areas, urban and architectural engineering of buildings and constructions, as well as environmental design and standardization of coal and mining industry enterprises. The main activity of **EK REC** is transmission and distribution of electric power, and the **ESDPP-1** – a work of thermal power plant, with installed production capacity of 4,000 MW.

“**Telecommunications and postal services**” segment includes: **Kazakhtelecom JSC** and **Kazpost JSC**.

Kazakhtelecom JSC is the largest communication operator in the Republic of Kazakhstan, providing a wide spectrum of information and communication services, including fixed telephony, mobile communications, data communications and high-speed Internet, services for operators, pay - TV and IT-services. The structure of **Kazakhtelecom** consists of 11 companies at 3 levels, the Company has a branch network in regions and is the part of the group of the Fund with a share of 51%.

Kazpost JSC is the national postal operator.

In postal post sphere **Kazpost** provides services of sending of letters and parcels, express and courier mail, postal remittances, distribution of printed publications. In the area of financial and banking services, **Kazpost** provides such services as payment of wages, pensions and allowances, currency exchange transactions, deposits, cash-settlement service, collection and transportation of money and valuables, brokerage service in the securities market, electronic money transfers, etc.

Service of consumer loans granted by second tier banks has been actively developed in the field of agency services.

Kazpost has an extensive branch network in regions, districts and rural communities, the structure of assets includes 3 companies at 2 levels.

“**Financial and development institutions**” segment includes such development institutions as **Development Bank of Kazakhstan JSC**

(**DBK**), **Damu Entrepreneurship Development Fund JSC**, **Kazyna Capital Management JSC**, **Investment Fund of Kazakhstan JSC**, **Insurance Company KazExportGarant JSC**, as well as banks, financial institutions and companies of special-purpose, including **BTA Bank JSC**, **Alliance Bank JSC**, **Temir Bank JSC**, **Astana-Finance JSC**, **Shekerbank T.A.S.**, **Real Estate Fund Samruk-Kazyna JSC**, **KGF SLP**, **KGF Management**, **KGF IM**.

Development Bank of Kazakhstan JSC (hereinafter referred to as the **DBK**) was established in May 2001 for the purpose of financing projects that contribute to the diversification and attraction of domestic and foreign investments into the economy of Kazakhstan.

Since November 2011, **DBK** is in trust of the Ministry of Industry and New Technologies of the Republic of Kazakhstan. The structure of **DBK** consists of 2 companies: **DBK** and **DBK-Leasing JSC**.

Damu Entrepreneurship Development Fund JSC (hereinafter referred to as the **Damu**) – is a National Development Institute, the main operator and Integrator of the measures of State support of small and medium-sized businesses in Kazakhstan. The **Damu** has a branch network including 16 regional offices, located in all regional centers and in **Almaty** and **Astana**.

Since December 2011, the **Damu** is in trust of the Ministry of Economy and Budget planning of the Republic of Kazakhstan.

Real Estate Fund Samruk-Kazyna JSC (hereinafter referred to as the **Real estate fund**) was established in order to stabilize the property market through the acquisition of residential and non-residential premises in construction projects and to ensure the effective management of the real estate pool. The activities of the **Real estate fund** are aimed at promoting the housing construction development in the Republic of Kazakhstan. The structure of the **Real estate fund** consists of 2 companies.

Since 2011, **Kazyna Capital Management JSC** (hereinafter referred to as the **KCM**) is in trust of the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

The main activities of **KCM** are the establishment and participation in the private equity funds and investments in financial instruments. The structure of **KCM** consists of 19 companies at 3 levels.

Investment Fund of Kazakhstan JSC (hereinafter referred to as the **IFK**) promotes the implementation of industrial and innovative policy of the Republic of Kazakhstan through implementation and attraction of investments in projects of promising organizations, and provides financial support to private sector initiatives on creation of competitive productions in the non-oil and gas sector of the economy.

Since November 2011, **IFK** is in trust of the Ministry of Industry and New Technologies of the Republic of Kazakhstan. The structure of **IFK** consists of 48 companies at 4 levels.

Since November 2011, [KazExportGarant JSC](#) is in trust of the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

The “Corporate Center and projects” segment includes Samruk-Kazyna JSC, Samruk-Kazyna Invest LLP, Samruk-Kazyna Contract LLP, Samruk-Kazyna Finance LLP, and Samruk-Kazyna Pharmaceuticals LLP.

MAJOR SUBSIDIARIES AND AFFILIATES OF SAMRUK-KAZYNA JSC (equity shares¹,%)

	2011	2012
National Company KazMunayGas (NC KMG) JSC	100.00	100.00
National Company Kazakhstan Temir Zholy (JSC NC KTZh) and subsidiaries JSC	100.00	100.00
National Atomic Company Kazatomprom (NAC KAP) and subsidiaries JSC	100.00	100.00
Kazakhtelecom JSC (KTC) and subsidiaries	51.00	51.00
Samruk-Energo (Samruk-Energo JSC) and subsidiaries	100.00	100.00
Kazakhstan Electricity Grid Operating Company JSC (KEGOC) and subsidiaries	100.00	100.00
Air Astana JSC (Air Astana)	51.00	51.00
BTA Bank JSC (BTA Bank) and its subsidiaries	81.48	97.28
Alliance Bank JSC (Alliance Bank) and its subsidiaries	67.00	67.00
Development Bank of Kazakhstan JSC (DBK) and its subsidiaries	100.00	100.00
Damu Entrepreneurship Development Fund JSC (Damu)	100.00	100.00
Kazyna Capital Management JSC and its subsidiaries	100.00	100.00
Kazpost JSC	100.00	100.00
Doszhan Temir Zholy JSC ²	94.96	94.96
Investment Fund of Kazakhstan JSC	100.00	100.00
National Company Kazakhstan Engineering and subsidiaries JSC (Kazakhstan Engineering)	100.00	100.00
Real Estate Fund Samruk-Kazyna JSC	100.00	100.00
Export credit insurance corporation KazExportGarant JSC (Insurance Group on insurance of export credits and investments)	100.00	100.00
Aktobe International Airport JSC	100.00	100.00
Samruk-Kazyna Contract LLP	100.00	100.00
Samruk-Kazyna Pharmaceuticals LLP (SK-Pharmacy)	100.00	100.00
National Mining Company Tau-Ken Samruk JSC and subsidiaries	100.00	100.00
Kazakh Scientific Research Institute of Energy 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
Karagandagiproshakht and Co. LLP	90.00	90.00
Temirbank JSC	79.90	79.90
KGF SLP	100.00	100.00
KGF IM	100.00	100.00
KGF Management	100.00	100.00
SK Finance LLP	100.00	100.00
National Exploration Company Kazgeologiya JSC	100.00	100.00
East Kazakhstan Regional Energy Company JSC		100.00

¹ Significant subsidiaries included in the consolidated financial statements Samruk-Kazyna JSC

² Shareholders: JSC NC KTZh – 46.016%, Investment Fund of Kazakhstan JSC – 48.94%

2.5. THE “PEOPLE'S IPO” PROGRAM

The program “People's IPO” is scheduled for the period from 2012 to 2015, during which the placement of shares of 10 national companies on the Kazakhstan's stock market is planned.

High requirements in the area of corporate governance, transparency of operations, status of assets, and growth prospects are specified for the companies during selection. 400 companies of the Fund participated in the selection. KazTransOil JSC was the first Company entered the KASE in December 2012.

The placement was carried out among citizens of the Republic of Kazakhstan and pension savings funds registered in the Republic of Kazakhstan.

Applications from natural persons – citizens of the Republic of Kazakhstan were accepted through brokerage companies listed on the Kazakhstan Stock Exchange.

- Main characteristics of placement:
- Share offering price – KZT 725;
- Number of shares to be placed – 38,463,559 shares;
- Size of share offering – KZT 27,886,080,275.

THE RESULTS OF PLACEMENT AS OF DECEMBER 31, 2012

I. Individuals	
Number of applications submitted	34,676
Number of shares on applications	30,504,338
Total volume of applications, KZT	22,115,645,050
II. National Pension Fund and market-maker	
Number of applications submitted	11
Number of shares on applications	51,439,033
Total volume of applications, KZT	37,293,298,925
III. TOTAL	
Number of applications submitted	34,687
Number of shares on applications	81,943,371
Total volume of applications, KZT	59,408,943,371

As of December 31, 2012, the total number of accepted applications was KZT 59.4 bln, or 213.0% of total amount of placement, including:

- from population to the amount of KZT 22.1 bln, or 79.3% of total amount of placement;
- from National Pension Funds and market-maker to the amount of KZT 37.3 bln, or 133.7% of total amount of placement;

Thus, the demand exceeded supply by more than 2 times.

As of December 31, 2012, the weighted average price for the shares of KazTransOil JSC amounted to KZT 826.

The results of placement of shares of KazTransOil JSC within the framework of the “People's IPO” program **give evidence of the great success.**

Further plans for the implementation of the Program

The entrance of KEGOC JSC, Samruk-Energo JSC and KazTransGas JSC to Kazakhstan's securities market is planned in 2013.

Currently, the corresponding work with the assistance of independent consultants that would soon define the structure and other placement options is carried out by the Government of Kazakhstan, Samruk-Kazyna JSC and the companies.

In this case, as well as in the case with KazTransOil JSC, the companies will continue to adhere to the **highest international standards used** on the London Stock Exchange. This, in turn, will allow to keep the commitment to approaches ensuring minimization of the risks of our citizens.

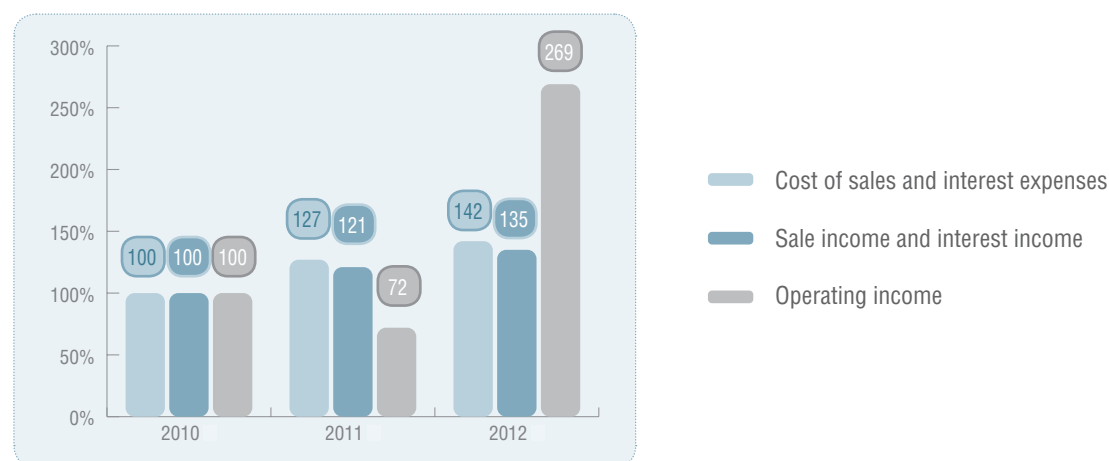
2.6. KEY FINANCIAL AND ECONOMIC INDICATORS OF SAMRUK-KAZYNA JSC

2.6.1. Financial and economic results

TABLE 1. Consolidated financial indicators

Description	Measurement unit	2012	2011	Change,(+/-)	Change,%
Consolidated net profit	KZT bln	1,135.4	350.6	784.8	223.8
Consolidated net profit per equity of parent Company's shareholder	KZT bln	1,065.1	330.0	735.1	222.7
EBITDA margin ³	%	18.2	16.2	2.0	
ROA ⁴	%	7.9	2.7	5.2	
ROE ⁵	%	17.3	6.3	11.0	

CHART 1. Changes in income and expenditures (2010 = 100%)



Consolidated financial indicators exclusive of STB

In accordance with the law on Fund, second tier banks (STB) are not included in the group of the Fund, in connection with this the information on consolidated financial indicators below is given exclusive of STB.

³ EBITDA margin = ((Income from sales and interest income, total – cost of sales and interest costs - General and administrative costs – Transportation and sales costs) + (Depreciation of fixed assets and amortization of intangible assets, taken into account in cost of sales, general and administrative costs, and in the costs of transportation and sales) / Income from sales and interest income, total

⁴ ROA = Net income / Mean assets per year

⁵ ROE = Net income / Mean equity capital per year

TABLE 2. Consolidated financial indicators exclusive of STB

Description	Measurement unit	2012	2011	Change, (+/-)	Change, %
Consolidated net profit exclusive of STB	KZT bln	791.4	718.4	73.0	10
Consolidated net profit per equity of parent Company's shareholder exclusive of STB	KZT bln	628.4	630.0	-1.6	0
EBITDA margin exclusive of STB	%	19.3	17.8	1.5	
ROA exclusive of STB	%	6.2	6.0	0.2	
ROE exclusive of STB	%	12.6	11.4	1.2	

TABLE 3. Financial indicators for 2012 by segments and capital expenditures, KZT bln

Description	Oil and Gas	Mining	Transportation	Telecommunications and postal services	Energy	Financial and development institutions	Corporate Center and projects
Revenues from sales and interest income	2,960.4	374,3	932,2	200.4	183.7	349.3	469.3
Cost of sales and interest expenses	2,090.8	287,4	661,8	144.1	146.1	282.3	159.0
Gross revenue	869,6	86.9	270.4	56.3	37.7	67.0	310.3
General administrative expenses	156.1	30.7	84.0	24.4	14.1	99.2	20.2
Transportation and sales costs	360.7	4.4	6.2	5.4	0.6	0.0	1.9
Recovery of asset impairment	1.9	0.4	1.3	0.6	0.9	174.9	282.1
Asset impairment losses	96.7	3.8	2.1	-5.2	0.6	172.0	302.1
Other operating revenue from banking operations	0.0	0.0	0.0	0.0	0.0	1,148.5	16.2
Other operating expenses from banking operations	0.0	0.0	0.0	0.0	0.0	694.7	0.0
Profit (loss) from operating activities	257.9	48.4	179.4	32.3	23.2	424.5	284.4

2.7. INVESTMENT ACTIVITY

2.7.1. The investment policy

Investment activities of the Fund companies should contribute to the growth of their long-term value. The key criteria of implementation of investment projects are the profitability and strategic significance for the development of the country.

The Fund intends to carry out thorough analysis of new opportunities and priority industries both within Kazakhstan and abroad on an ongoing basis.

The goal of the investment policy of Samruk-Kazyna JSC is to increase the efficiency and transparency of investment activities of subsidiaries and affiliates of the Fund, and to enhance the efficiency of interactions between the Fund and its subsidiaries within the investment processes. The investment policy will enable the Fund to control at the consolidated level the rationality and efficiency of the investment activities of subsidiaries aimed at the implementation of the Development strategy of the Fund and the achievement of the Fund's goal to increase long-term value of companies.

2.7.2. Ongoing and planned major capital investment projects

In the framework of the State program on accelerated industrial-innovative development of the Republic of Kazakhstan, the group of companies of the Fund is implementing 25 investment projects with total value of US\$ 30.7 bln, which are represented almost in all sectors of the economy and are of strategic importance in achieving goals of industrial development.

The implementation of these projects will allow to create more than 58 thousand jobs for a period of construction, and more than 20 thousand permanent jobs during the period of operation.

According to the results of 2012, the Fund implemented 7 investment projects with an aggregate value of US\$ 2.3 bln.

Ongoing (implemented) investment projects

in Astana:

- start up of the project "Organization of production of electric locomotives", which will allow to create domestic assembly production of modern electric locomotives in the free economic zone in Astana;
- commissioning of the photovoltaic modules plant on the basis of Kazakhstan's silicon aimed at the creation of production line for manufacturing of new product-photovoltaic plates and photovoltaic modules. The project will contribute to the

development of energy industry based on renewable sources in the Republic of Kazakhstan.

In Almaty region:

- construction of Moynak Hydroelectric Power Plant with capacity of 300 MW, which will solve the problem of energy shortage and dependence in the southern region of the Republic, was completed;
- the project "Scheme of power delivery of Moynak Hydroelectric Power Plant" with connection to the Kazakhstan National Electrical Grid to ensure energy security in the southern region of Kazakhstan was started up;
- the commercial traffic started on the Zhetygen – Khorgos railroad line;

In Mangistau region the commercial traffic started on the railroad line Uzen – State border with Turkmenistan.

In Atyrau region the construction of North-Caspian ecological base for oil spills response in the northern part of the Kazakhstani sector of the Caspian Sea was completed.

Planned investment projects

Until the end of 2013 in the framework of the Map of Industrial development, the Fund plans to complete implementation of another 5 investment projects with a total value of US\$ 1.8 bln:

- reconstruction of vitriol plant with production capacity of 180 thousand tons per year. This project is aimed at supply of uranium mining enterprises with sulfuric acid.
- construction of 12 transformer substations (construction and reconstruction of 3 substations of housing and utilities and 5 substations of underground railway), which will provide electricity supply to the facilities of housing and utilities infrastructure, underground railway, and Free Economic Zone Innovative Technologies Park in Almaty and Almaty region.
- production of road bitumen at Aktau plastics plant. The implementation of the project will allow to produce road bitumen in volume no less than 406.5 thousand tons, 255.4 thousand tons of gasoline – diesel fraction, 330.3 thousand tons of vacuum gasoil, annually.
- reconstruction and modernization of Atyrau Refinery (construction of aromatics production complex). The project provides for the production of basic petrochemical intermediates: benzene and paraxylene, and high-octane gasoline of Euro-3 standard.
- construction - based gold refinery in Astana, which will allow to perform a comprehensive and deep processing of gold-bearing raw material with capacity of 25 tons of gold and 50 tons of silver annually.

In addition to the above – mentioned projects, in order to contribute to the modernization and diversification of the economy of Kazakhstan, the Fund implements a number of other investment projects in the oil and gas industry, in the production and distribution of electric power, as well as in the area of infrastructure development.

In the Oil and Gas sector NC KazMunayGas JSC implements the project “Reconstruction and modernization of Atyrau Refinery” (construction of advanced oil processing center), aimed at increasing the productivity of the Atyrau Refinery up to 5.5 mln t/year and oil conversion ratio up to 87%, increase in the output of motor fuels up to 77%, complying with the requirements of the standards Euro-4 and Euro-5.

The work on construction of gas pipelines Beyneu – Bozoy – Shymkent from West to South of Kazakhstan with transfer capacity of up to 10 bln cubic meters per year and West – North – Center for gasification of Kostanay, North Kazakhstan, Akmola region, and Astana with transfer capacity of up to 1.8 bln cubic meters per year is carried out.

In order to promote country's export potential, transition of production to higher process stages, as well as to reduce the dependence on certain types of imported products, the Fund implements a project on construction of an integrated gas chemical complex in Atyrau region for processing of gas for production of polyethylene (800 thousand tons per year) and polypropylene (500 thousand tons per year).

In the field of generation and distribution of power, the projects aimed at ensuring energy efficiency of Kazakhstan are carried out, including:

- expansion and reconstruction of Ekibastuz SDPP-1, which plans to restore blocks No.8, No.2 and No.1 in order to cover the growing demand for electricity in Kazakhstan and Russia;
- expansion and reconstruction of Ekibastuz SDPP-2 with installation of power supply unit No.3, which will allow to increase the capacity of the station by 600–660 MW;
- construction of the Balkhash thermal power plant with a capacity of 1,320 MW (first module of coal thermal power station) to satisfy growing demand for electricity in the southern zone of Kazakhstan;
- modernization of Shardara hydroelectric power plant to increase the lifetime of the station, and increase the installed capacity by 16 % to 116 MW;
- upgrading the Kazakhstan national power grid, phase II, which involves the replacement of obsolete equipment in substations and construction of new transmission lines;
- construction of a wind electric power plant with capacity of 45 MW in Ereymentau;
- construction of Alma substation with connection to the Kazakhstan National Electrical Grid to ensure reliability of electric power supply of the Almaty region.

In the field of transportation and telecommunications the Fund started implementation of two major infrastructure projects on construction of the Zhezkazgan – Beyneu and Arkalyk – Shubarkol railway lines. The first railway line will run through the territory of Mangistau, Karaganda, Aktobe and Kyzylorda regions, total length is 988 km. The second 214 km long railway line will run through the territory of Kostanay and Karaganda regions.

For the purpose of development of border trade and economic, scientific-technical and cultural cooperation between Kazakhstan and China, NC Kazakhstan Temir Zholy JSC implements a project of creation of the International Center of border cooperation Khorgos on the basis of modern transport and logistics, and tourism infrastructure.

In the telecommunications sector, Kazakhtelecom JSC implements the project “Construction of FTTH networks” (Fiber to the Home), aimed at the creation of universal fiber optic FTTH access network with 100% coverage of apartment buildings, mobile operators and corporate clients, including educational institutions, Akimats, ministries and departments, health care facilities in Astana, Almaty, and regional center.

2.7.3. Participation in diversification and modernization of the national economy

During 2012, the development institutions of the group of companies of Samruk-Kazyna JSC continued work on funding of investment projects. As of January 1, 2013, the total number of approved projects in various stages of implementation was 201 investment projects with total value of KZT 2,109,804 mln. The number of projects put in operation from the beginning of activity of Development Bank of Kazakhstan JSC, DBK-Leasing JSC, and Investment Fund of Kazakhstan JSC, at the beginning of 2013 was 149 projects with total value of KZT 844,517 mln.

In 2012, the DBK approved 7 loans with a total value of US\$ 4.7 bln with the participation of DBK in the amount of US\$ 2.2 bln for the implementation of the following projects:

- Modernization of the existing production in South Kazakhstan region with application of modern technologies for increasing the capacity of hydroelectric power plant from 100 MW up to 116 MW and reduction of accident rate, total value – US\$ 83.92 mln;
- Expansion of Karaganda Thermal Power Plant – 3, total value – US\$ 235.0 mln;
- Construction of advanced oil processing center at Atyrau Refinery in Atyrau region (second stage), total value – US\$ 1,825.94 mln;
- Production of rolled steel in Kostanay, total value – US\$ 131.09 mln;
- Purchase of wagons, total value – US\$ 401.93 mln;

- Construction of the primary backbone transport communications network, total value – US\$ 115.38 mln;
- Construction of polypropylene production gas chemical complex in Atyrau region, with total value of US\$ 1,945.74 mln.

During 2012, 5 projects with total value of US\$ 736.39 mln were put into operation. These projects include “Construction of Moynak Hydroelectric Power Plant with capacity of 300 MW in the Almaty region, 3rd construction phase”, “Construction of gas turbine power plant in Kyzylorda region”, “Cement plant construction using dry method in East Kazakhstan region”, “Construction of tourist-hotel complex in Borovoe resort zone”.

In accordance with the program “Performance-2020”, a subsidiary of DBK – DBK-Leasing JSC is the operator of instrument for long-term lease financing. Since the beginning of implementation of the program “Performance-2020”, DBK-Leasing approved funding for 11 projects (Munaymash JSC, Ontustik-kurylys-servis LLP, Heat energy Company Titan LLP, SaryarkaAvtoProm LLP, ASIA AUTO JSC, AgroKusInvest LLP, Lisakovsk Cardboard – paper Complex LLP, Kentau Transformer Works JSC, ATK Company LLP, KKK Beton LLP, Kyzylzhar-2030 LLP, total amount of funding of DBK-Leasing is KZT 14.5 bln.

The projects carried out by development institutions of the group of the Fund, are represented in such priority sectors as oil refining and oil and gas infrastructure, energy, transport infrastructure and mechanic engineering, chemical and pharmaceutical industry.

2.8. INNOVATIVE DEVELOPMENT

In 2012, the Fund continued to promote innovation development of the group of the Fund companies. The main achievements were the approval of the industrial and innovation policy and the successful holding of the second Republican contest “Innovation Kazakhstan”.

1. Approval of industrial and innovation policy

In December 2012, the Board of Directors of the Fund approved the industrial and innovation policy of Samruk-Kazyna JSC.

If previously the system of innovative processes management in the companies of the Fund was separated, the implementation of the unified policy will reduce innovative activity of the companies to the single vector. This measure would not only contribute to the standardization of processes of innovations management in the companies, and thus substantially improve the efficiency of their work in this area, but will also allow to regularly compare progress or regress of a particular Company that will further encourage them to more active and productive innovation activity.

In general, the policy is aimed to the solution of the following tasks:

1. To formulate a common definition for innovations, innovative activities and innovation projects;
2. To set the principles of organization of innovative activities in the group of the companies, i.e. to identify the subjects of innovative activities, their role, function and interaction,
3. To form a system of appraisal of results of innovative activities of the Companies and, accordingly, the mechanism for monitoring and control from the Fund.

The policy is the main document governing the innovative activities of the companies of the Fund, and establishing the procedure of interaction between the Fund and the Companies in terms of innovation.

2. Holding the annual national contest “Innovative Kazakhstan”

In accordance with the request of the Chief Executive Officer of the Fund an annual national contest “innovative Kazakhstan” was held among youth, students and young entrepreneurs.

Holding competition on an annual basis gave the Fund the social status as the organization that develops the innovation potential of the country, and further confirmed the Fund’s role as one of the key providers of innovative development of Kazakhstan.

A brand new concept of the contest, which gives a serious impact on the development of the innovative capacity of the country, was developed.

The contest is aimed to identify the most effective solutions for vital tasks and specific problems to be formulated by each Company of the Fund.

The main features of the Contest 2012 were: goals of the Contest, target audience of participants, number and directions of contest categories, composition and order of work of expert commission, as well as use of software on the site, which allows to computerize the process of contest holding.

The proposed format allowed to increase motivation to participate in the contest, and improved practical applicability and feasibility of projects – finalists.

According to the results of the previous contest in 2012 a total of 532 contest applications were submitted from throughout Kazakhstan. 407 out of them met the technological objectives of subsidiaries and affiliates of the Fund. The winners of the contest were determined in 5 categories, which were established by the subsidiary organizations of the Fund, in the following sectors: “Oil and gas”, “Energy”, “Transport”, “Telecommunications and postal services” and “Mechanical Engineering”.

We remind that Sovereign Wealth Fund “Samruk-Kazyna” JSC carries out the contest for the second year in a row.

3. Cooperation with the Nazarbayev University JSC within the framework of the grant funding of scientific and/or scientific-technical works/projects

The main purpose of the grant funding of scientific and/or scientific-technical works/projects of the Fund is to develop the scientific potential of the students and young scientists of Nazarbayev University and its organizations.

Grant funding will include awarding grants in the field of fundamental and applied research (natural, engineering, social and human sciences), selected on a competitive basis (hereinafter referred to as the Projects). These projects are aimed at carrying out of scientific and/or scientific-technical works/projects in the following areas:

- Oil and gas industry;
- Transport industry;
- Electric and heat power engineering;
- Mechanical Engineering;
- Chemical industry;
- Mining and metallurgical industry;
- Information and communication technologies;
- Alternative energy sources;
- Environmental protection;
- Human sciences.

Funding grants of the Fund will be carried out by a private institution “Energy research center” Nazarbayev University (hereinafter referred to as the Institution) by means of the sponsor support received from the Fund through the conclusion of a single cooperation agreement to the amount of KZT 150 mln.

Candidates' selection and awarding grants of the Fund for scientific and/or scientific and technical activities will be carried out by the Management committee of the Institution within the framework of the project of the Fund. The Committee will be established by the order of Director – General of the Institution, and will consist of representatives of the Fund, in the capacity of Chairman and members of the Committee.

As of today in this regard, the agreement on cooperation in the framework of the grant funding was signed, and the work on the selection of scientific and/or scientific-technical works/projects for further consideration by the Management Committee is carried out.

4. Establishment of R&D Center Samruk-Kazyna (Research Center) in research and innovation zone of Nazarbayev University JSC

Pursuant to the order of the Head of State at an open lecture at Nazarbayev University as of September 5, 2012, regarding establishment of the Engineering Center operating under orders of industrial enterprises, the Fund developed a mechanism for cooperation between Samruk-Kazyna JSC and Nazarbayev University JSC (hereinafter referred to as the University) in the framework of the convergence of science and business.

In the first stage of cooperation, repeated meetings with the management of the University were held, during which the matter of establishing a joint R&D Center (Research Center), working under orders of industrial enterprises was considered. In general,

the activities of the Center will be to resolve technological problems of subsidiaries and affiliates of the Fund (hereinafter referred to as the SA) through the intellectual potential of Nazarbayev University and its organizations. The main activities of the Center will be:

- Research,
- Scientific developments,
- Development,
- Testing and introduction of new technologies,
- Development of experimental - industrial and test infrastructure.

At the moment the subjects for research and development with respect to the industries of SA in the Center which is being established have been already determined:

- KTZh JSC – transport industry;
- Kazakhtelecom JSC – Telecommunications;
- Samruk-Energo JSC – Electric power industry, alternative energy sources;
- NC KazMunayGas JSC – Oil and gas industry;
- KEGOC JSC – power supply networks;
- Kazatomprom JSC – Nuclear industry;
- United Chemical Company LLP – Chemical industry;
- National Company Kazakhstan Engineering JSC – Mechanical Engineering.

Today, in this regard the work on defining the land plot for construction of R&D center, and development of foundation documents for the establishment of a joint management Company between the Fund and the Nazarbayev University is carried out.

2.9. PROMOTION OF REFORMS, IMPLEMENTATION OF STATE PROGRAMS, SUPPORT OF SMALL AND MEDIUM BUSINESSES

2.9.1. Support of housing construction

Within the framework of the State support measures in accordance with the Plan of joint actions of the Government, the National Bank and the Agency for regulation and supervision of financial market and financial organizations of the Republic of Kazakhstan to stabilize the economy and financial system for 2009–2010, approved by the Decree of the Government of the Republic of Kazakhstan No.1085 as of November 25, 2008, the support of shared-equity construction through the mechanisms of Samruk-Kazyna JSC is carried out on the account of the National Fund of the Republic of Kazakhstan through two mechanisms:

- through the funding of the second tier banks for mortgage lending to population and lending to property developers,
- Real estate fund carries out the purchase of residential and commercial areas in the incomplete construction projects.

KZT 170 bln is allocated for these purposes. As of December 31, 2012, the re-application of allocated funds amounted to **KZT 25.2 bln**. The construction of 51 housing projects, under which the addressing of problems of **11,186 interest-holders** is expected, as well as through the mechanism of completion of housing through the STB, the latter transferred KZT 81.8 bln, of which **KZT 75.5 bln** were spent to finance 25 housing projects (8,392 interest-holders) was financed within the limits of allocated funds. 26 objects were financed using the mechanism of completion of the housing projects through Real estate fund.

2.9.2. Support of small and medium businesses

During 2012, the work on provision of support to small and medium-sized enterprises (hereinafter referred to as the SME) was continued.

As of January 1, 2013, Damu Entrepreneurship Development Fund JSC financed 15,204 projects of private business subjects with total value of KZT 792,095 mln under financial programs of support for entrepreneurship. This allowed to create and keep approximately 78,000 jobs (taking into account the “Business road map 2020” program).

In the reporting year, the work on implementation of the “Business roadmap 2020” has been continued. As of January 1, 2013, 2,823 projects were approved, 2,335 contracts for funding of interest rates and guaranteeing of loans with total value of KZT 508 bln were signed, including:

- In the first direction “Support for new business initiatives” 2,277 projects were approved, 1,877 contracts for funding of interest rates with total value of KZT 239.2 bln were signed, and 135 requests for guaranteeing of loans were approved, 114 guaranteeing agreements with total loans value of KZT 15.9 bln were signed.
- In the second direction “Reorganization of the entrepreneurship sector” 223 projects were approved, 186 funding contracts with total value of KZT 149 bln were signed.
- In the third direction “Reduction of exchange risks of entrepreneurs” 188 projects were approved, 158 funding contracts with total value of KZT 103.9 bln were signed.

Pursuant to the official instructions of the President of the Republic of Kazakhstan N.A. Nazarbayev, given at the meeting on the development of entrepreneurship in October 2012, Damu Entrepreneurship Development Fund JSC opened Business Service Centers in Almaty and Shymkent, permanent Business Support Centers in 12 single-industry cities, and launched 5 mobile Business Support Center for consulting of entrepreneurs and population at the district level.

2.9.3. Local (Kazakhstani) content in procurement of the group of companies of the Fund

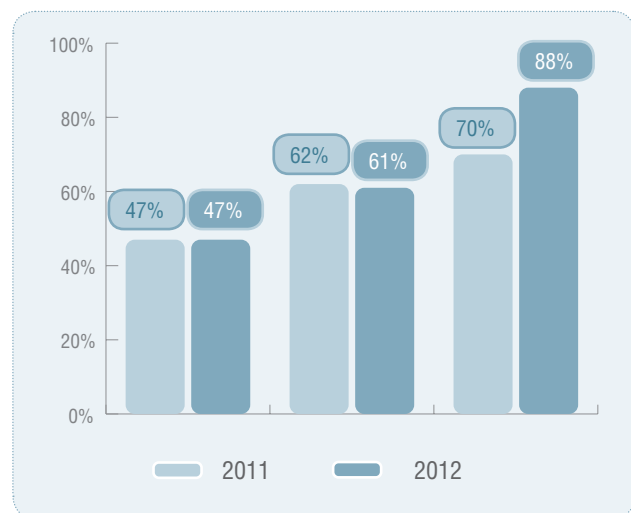
The procurement of the group of companies Samruk-Kazyna JSC due to their versatility and large volume, have a great influence on the development of entrepreneurship in the country.

The volume of purchases of the group of companies of the Fund in 2011 amounted to KZT 3.3 trillion, in 2012 – KZT 3.48 trillion, including:

- goods – KZT 1,553 bln (local content share – 47%),
- works – KZT 905 bln (local content share – 61%),
- services – KZT 1,022 bln (local content share – 88%) (see the chart 2).

One of the key indicators of the Fund procurement is the share of purchased Kazakhstani goods, works and services. When comparing 2011 and 2012, a positive trend of the local content in the procurement can be seen. Thus, the share of local content in 2011 amounted to 59%, and in 2012 it was 63%. The share of local content in the purchased services increased by 18%. The share of local content in the purchased goods and works demonstrates the stability indicators.

CHART 2. The dynamics of local content share in the procurement of Samruk Kazyna JSC



Implementation of projects on establishment of new industries

In 2012, in cooperation with subsidiaries and affiliates of the Fund, the implementation of 14 projects to the amount of KZT 45 bln (production of sulphuric acid, telecommunication equipment, drilling tools) was completed.

For further development of this process, on December 27, 2012 the Fund approved the Program of promotion of modernization of existing and creation of new productions for 2013–2022 (minutes of meeting of the Management Board of Samruk-Kazyna JSC No.58/12 as of December 27, 2012).

This system is based on a consequent implementation of four main steps:

- 1) Analysis and planning. The determination of the long-term needs of the group of companies of the Fund and creation of commodity nomenclature, the production of which should be organized in Kazakhstan;
- 2) initiation of Projects (through cooperation with entrepreneurs, enterprises, investors, ministries, authorities, Akimats, industry associations);
- 3) financing of Projects (private investments, funds of Samruk-Kazyna Invest LLP, companies of the Fund, development institutions).
- 4) implementation of Projects (provision of long-term orders, monitoring of projects prior to attainment of production capacity).

As the result, the implementation of the Program will ensure:

- creation of new competitive industries, new jobs;
- growth of the share of direct investments (funding) in the non-oil and gas sector of Kazakhstan's economy.

E-procurement information system

In 2012, the Fund carried out a big work on development and introduction of e-procurement information system (hereinafter referred to as the ISEP). The Fund considers introduction of e-procurement as another serious step to ensure transparency of procurement, improve their efficiency and eliminate so-called "human factor". Even during the pilot project, the system shows its efficiency, allowing to reduce purchasing prices and to minimize hard-copy paperwork.

From September to December 2012, pilot operation of ISEP was performed in the mode of carrying out e-procurement by means of quotations inquiry. At this stage, 4 companies take part in the system: Samruk-Kazyna JSC, NC KazMunayGas JSC, NC Kazakhstan Temir Zholy JSC and Samruk Kazyna Contract LLP.

The staged introduction of ISEP in all subsidiaries and affiliates of the Fund is planned from February 1, 2013.

The main goals of introduction of ISEP are:

- price reductions in the procurement of goods, works and services;
- reduction of "human factor" influence;
- creation of conditions for fair competition between suppliers;
- full transparency of procurement procedures and determination of the winner.

One of the good practices in introduction of e-procurement is conduct of bidding for price reduction. Electronic trading platform of the Fund will provide for such procurement procedure.

The essence of this method consists in the step-by-step reduction of the price of product, work or service by the bidder until reaching the level that the supplier considers the best for himself, the limit level. Restriction on bidding step is set by the Customer at the step of purchase announcement. This method is applied both in the procurement by tender and the quotations.

A significant advantage of this method against conventional procurement is the anonymity of the participants. This eliminates the possibility of price collusion or the influence on the behavior of competitors prior to the full completion of tender. As a result, it is possible to achieve maximal reduction of the initial price of purchased goods, works and services, and thus to save money. Other methods of procurement do not provide such a possibility.

The Fund, together with all the leading banks of the country are working on the use of electronic bank guarantees in electronic procurement, which will significantly simplify the application process for the suppliers.

The ISEP system being introduced will contribute to ensuring the transparency of procurement processes, as well as the exclusion of the possibility of manipulation with information submitted in the ISEP, whether it is applications from the suppliers or the protocols on the results. Based on the set forth, and relying on the

international practice of introduction of e-procurement systems, we can confidently look forward and hope that the introduction of ISEP will be an effective method in the fight against corruption – related offenses.

2.10. HUMAN RESOURCES DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY OF SAMRUK-KAZYNA JSC

2.10.1. Human resources management, personnel development and vocational training

In order to implement Fund development strategy for 2012–2022, a draft of personnel policy of Samruk-Kazyna JSC that determines the mission, vision, values, principles and basic directions of activity of the Fund in the area of human resources management was developed.

The key elements of personnel policy are the introduction of effective and **transparent** systems of selection and engagement of personnel, appointments, remuneration and motivation, setting clear requirements for the qualification through the **introduction of professional standards**, continuing professional development, **manpower planning**, including on the long-term basis, providing opportunities of career development through a **personnel reserve** program, providing social guarantees for employees, creating a favorable **staff morale** contributing to creativity and innovation, **working with young people**, the development of a system of mentoring and knowledge transfer, implementation of scientific innovations into production.

Vocational training and personnel development is carried out in accordance with the Fund's policy.

The Fund continues to cooperate with the Management training center of the largest holding Temasek in Singapore and recognized largest training centers.

Vocational training of the personnel of the Fund and its companies, and implementation of HR-projects that increase the value of the Companies are carried out on the basis of corporate University Samruk-Kazyna. Thus, during 2012 according to the training schedule, 381 workers of the Fund were trained. 63 training seminars were held.

For the purpose of execution of the order of the Head of the State, together with the Corporate University Samruk-Kazyna and companies of the Fund, a work on creation of a dual system of education and training is carried out.

A methodological framework for the introduction of medium- and long-term planning system in the companies of the group of the Fund was prepared, a Road map of introduction of dual training system in the group of the Fund was approved.

In 2012, the work on the creation/update of a single personnel reserve was continued. A list of candidates in a single personnel

reserve of the Fund companies was formed, the companies held meetings on the formation of a personnel reserve, as well as the calibration session to assess the potential of candidates in the companies with the participation of representatives of the Fund. The testing of the "Personnel reserve" module using SAP software was carried out in the framework of this project. Based on the results of the calibration sessions, executives of the Companies rated 227 companies' managers, where rating of A ("High potential") was agreed for 21 managers, rating B ("Good potential") – for 88 managers, rating C+, C++ ("Above satisfactory") – for 35 managers, rating C ("Satisfactory potential") – for 83 managers. In November 2012, an external evaluation of the skills of reservists using 360 degrees approach was carried out. Based on the results of internal evaluation of potential within the Companies, a project on external evaluation of the selected candidate was carried out. Candidates of the business subdivision supervisors level were assessed using the tools of 360 and 180 degrees online diagnostics. Candidates of the managing directors and the subsidiaries and affiliates' chief executive officers level, were assessed using structured interviews and the tools of 360 and 180 degrees online diagnostics. About 1,500 respondents participated in the evaluation. The project allowed to assess the candidates for the possession of managerial competences in comparison with world executives, as well as create a list of Top 100 reservists of Samruk-Kazyna JSC.

On June 29, 2012, in Astana the Fund together with the Ministry of Education and Science of the Republic of Kazakhstan held the Republican conference on the theme: "Education and business – together for the good of the country". In the framework of the Conference, a memorandum on cooperation in training, additional training and personnel development was signed between Samruk-Kazyna JSC and the Ministry of Education and Science of the Republic of Kazakhstan.

The model of professional standards and model industry frameworks, defining the requirements for the level of qualification and competence, to the content, quality and working conditions, taking into account the proposals of subsidiaries and affiliates. The models of professional standards and industry qualification frameworks were forwarded to the sectoral ministries. The Ministry of Education and Science of the Republic of Kazakhstan approved the models of professional standards and industry qualification frameworks. 386 professional standards for nonprofessional occupations/job specializations of the group of the Fund of the most in demand in the labor market were developed.

In order to develop a dual system of training of qualified technical personnel considering the prospects of the development of industries (oil and gas, electric power, transport, telecommunications, etc.) the companies conducted an analysis

of existing training centers for working professionals within the group of the fund, which showed that 11 out of 19 training centers have generally satisfactory material and technical base.

In August 2012 the Kazakhstan Temir Zholy JSC opened a new personnel training center.

On September 12, 2012, Samruk-Kazyna JSC held the ceremony of signing of trilateral agreements between the enterprise involved in the training of specialists, regional and municipal department of education, and the institution of technical and vocational education (TVE) on social partnership in the framework of introduction of the dual system of training of regular labor force in the group of companies of the Fund. The companies of the Fund signed 4 agreements: NC KazMunayGas JSC, Kazakhtelecom JSC, NAC Kazatomprom JSC, and KEGOC JSC.

On November 26, 2012, the Fund held the first forum of line management of the group of companies of Samruk-Kazyna JSC with participation of the executives of major national companies and divisions of subsidiaries of the companies of the Fund. The Forum discussed the issues of social modernization of Kazakhstan, the specific steps to improve efficiency of the management system of the group of companies, and to create conditions for the transition from the problem – oriented thinking to effective solving of management problems.

On November 22, 2012 a round table "National and sectoral qualifications frameworks. Professional standards" with participation of representatives of the companies of the Group of the Fund, the World Bank, the governmental authorities and employers' associations took place.

In the first half of 2012, the analysis of the practice of social and labor relations in the group of the Fund was carried out, and the Companies and its major subsidiaries reported on the issue of regulation of labor relations.

For accumulation of the advanced experience in the regulation of social and labor relations, a Corporate Fund "Social Partnership Center" (hereinafter referred to as the Center) was established, which represents a platform for negotiation of the parties of social partnership, and the methodological support for specialists in the field of social and labor relations. The Center is developing a methodology for determining the rating of social stability for the Fund companies. The Companies' executives will be annually assessed not only by the results of activity of companies, but also by the social stability rating. In addition, the personal responsibility of chief executive officers for conducting system – based work on the prevention and resolution of social and labor conflicts between employees was determined, an obligatory feedback from the management to the employees for timely diagnostics of social and labor relations was introduced.

On May 3, 2012 the Fund held a meeting on corporate social responsibility with participation of chief executive officers of the companies, representatives of governmental authorities, and public organizations. In this meeting, a memorandum on cooperation in the framework of social partnership was signed between Samruk-Kazyna JSC and the Federation of trade unions of the Republic of Kazakhstan.

A web-portal of the Center www.birgemiz.kz, and a hotline 505 505 were created, which allow to monitor the most acute problems and to build feedback with various parties to the employment relationship.

The personal blogs, telephone hotlines, helplines, special mailboxes were created in companies, counseling offices, and internal web-portal are operating, information and explanatory work is carried out in companies on a permanent basis.

In order to introduce the best international practices in the field of regulation of social and labor relations, the Corporate University Samruk-Kazyna developed and implemented a series of workshops over the period of 2012 on the introduction of the principles of social partnership, on instruments for resolution of labor conflicts, effective negotiations in resolving social and labor conflicts in companies and other issues.

A practical work on the concluded memoranda with People's Democratic Party Nur Otan, Public Association Integrated Center for mediation and peace-building "Mediation" and Public Association Federation of Trade unions of the Republic of Kazakhstan, is carried out. For the purpose of further cooperation within the framework of social partnership the Trade Council was established and the Trade Councils Act was approved. An active work on creation of a network of regional representatives of the Center from among the negotiators-authoritative public figures and professional mediators in cooperation with People's Democratic Party Nur Otan and Akimats is carried out.

The **Personnel Committee** of the Fund is a permanent advisory body of the Management Board of the Fund to assist the Fund in the implementation of personnel policy, to improve efficiency of corporate governance by coordination of strategic objectives of the Fund with system of selection, assessment of activity and motivation of the members of management and executive bodies of the Fund companies.

In order to optimize the activities of the **Personnel Committee** and to improve the corporate governance the Personnel Committee Act was updated, the Act was approved by the Resolution of the Management Board as of June 27, 2011 (minutes No.29/11).

This provision defines the status and competence, structure and composition, operation procedure of the Personnel Committee. The main tasks of the Personnel Committee are related to the implementation of personnel policy of the Fund, development of corporate culture, social policy. In this case, an additional approval

procedure for appointment (election) of the executive employees of companies through the Personnel Committee of the Fund, which leads to duplication of functions of the Board of Directors of the Company and the delaying of approval procedures, which adversely affects the process of corporate governance in the group of the Fund, has been ruled out.

Personnel Committee performs the review and coordination of candidates for the position of Independent Directors of the Fund, the approval of the list of employees enrolled in a single personnel reserve, as well as other issues related to the implementation of the personnel strategy of the group of the Fund.

Two committees were established in the composition of Personnel Committee:

- Housing committee;
- corporate culture issues committee.

In 2012, the Personnel Committee held seven meetings at which the matters on coordination of appointment (election) to the executive positions in subsidiary and affiliated organizations of the Fund were considered.

2.10.2. Occupational safety and health

Fund and its companies pay special attention to the occupational safety, and seeks to introduce best international standards in the daily activities of the industrial companies of the group. The issues of reduction of the risk of situations involving a threat to life and health of employees and are regularly reviewed at the meetings of the Management Board and the Board of Directors of the Fund. The management of the companies is entrusted with a task to develop and introduce the required corporate standards and regulations in accordance with the legislation of the Republic of Kazakhstan.

To improve occupational safety the companies perform internal plans are organizational and technical actions, aimed at reduction of industrial injuries, improvement of working conditions and occupational safety, the preservation of life and health of the employees in the course of labor activity. These plans include measures on accident prevention and safety training of personnel, inspection of equipment and production tools for compliance with safety requirements.

Every year the Fund's companies direct funds for activities on ensuring the health and safety and reduction of occupational traumatism.

The group of companies of the Fund fully understands the responsibility for ensuring the safety and health of the employees of the Fund and its subsidiaries and affiliates.

At hiring and within a year, the employees become familiar with the internal regulations that govern the system of occupational health and safety in the Fund on a regular basis.

The Fund takes responsibility for ensuring and improving labor conditions, and recognizes the priority of workers' lives and health with respect to the results of the production activities.

In accordance with the provisions of the legislation the insurance for employees is carried out, choosing the insurance providers, on the basis of the required scope of services.

Thus, in Kazpost JSC, the overall level of industrial injuries during 2012 has decreased by **24%** as compared to 2011. There were no injured people who received disability, and cases of fatality. The activities to enhance fire safety measures at the production facilities of Kazpost JSC were carried out. For the purpose of internal control a day of health and safety was held in business subdivisions of Kazpost JSC.

2.10.3. Sponsorship and charity

The Fund takes part in socially significant projects aimed at the support of sports, culture, education, health care, and environmental protection.

Sponsorship and charitable support of the Fund and its subsidiaries is based on openness and enhances the reputation of the Company, creates a positive image, enhances brand awareness and improves the perception of the Fund and the group of companies.

The success of the Fund's reputation is one of the most important indicators of activity in the area of corporate social responsibility. Effective policy of sponsorship and charity affects the growth of confidence and improved perception of the Fund both from the employees of the Fund and the society as a whole, and also strengthens the positive opinion of the Fund at the business partners and encourages them to profitable economic actions and favorable decisions.

Social responsibility in the modern world is perceived not only as a sponsorship and charity, but also as effective activities improving the business reputation and the capitalization of the Company. The Fund and its subsidiaries and affiliates take an active part in implementing the policy of social responsibility of business towards the public (external) and the employees (corporate).

The main priorities of **external social responsibility** are:

- implementation of government programs in the social sphere within the competence;
- providing sponsorship and charitable support;
- promotion of the environmental protection.

The main priorities of **internal corporate social responsibility** are:

- creating working conditions for employees;
- creation of conditions for maintenance and improvement of the health of workers;
- professional training and personnel development.

Sponsorship and charity activity is considered as an effective activity that improves the good standing and the capitalization of the Company. According to the policy of providing sponsorship or charity support from Samruk-Kazyna JSC and national development institutions, national companies and other legal entities, whose shares are owned by the Fund (hereinafter referred to as the Policy), approved by resolution of the Board of Directors of the Fund as of March 17, 2010:

- 1) sponsorship support is provided to support measures to eliminate the consequences of natural and technogenic emergencies under instructions of the President of the Republic of Kazakhstan, the Prime-Minister of the Republic of Kazakhstan, the Fund's management body; to support social projects, individual sports, holding international conferences, forums, with the participation of the Head of the State, members of the Government of the Republic of Kazakhstan, members of the management body and the executive body of the Fund/companies;
- 2) charitable support is provided to support the activities of non-profit organizations of social sphere, and for the pensioners registered in the Company in accordance with the concluded collective agreement.

2.10.4. Environmental protection

The economic activity of the group of companies of the Fund, which has strategic importance for the economy of Kazakhstan and other countries, affects the interests of millions of people. The environmental impact exerted by a group of companies of the Fund in carrying out its activities, determines its responsibility to society.

Taking into account that the natural environment and biodiversity is a heritage of all succeeding generations, the Fund implements a balanced policy of sustainable development of economic, social and environmental aspects of its activities. To restore and stabilize the quality of the natural environment, the Fund introduces the most effective and environmentally sound projects.

The Fund and its Companies maintain cooperation with international governmental and non-governmental organizations, scientific and educational institutions, effectively working in the field of environmental protection.

The main goals of the policy of the Fund in the area of environmental protection are:

- evaluation and control, prevention and mitigation of the adverse effects of the activities of subsidiaries of the Fund on the environment;
- establishment of a modern corporate system for quality control and monitoring of condition of processing equipment, production facilities and the environment;
- ensuring information transparency in the field of environmental protection;
- engagement of all personnel in activities on reduction of environmental risks, improvement of environmental management system and performance indicators in the field of environmental protection.

Production companies carried out work on stabilization of the quality of the environment through such activities as the reconstruction of treatment environmental facilities, improvement of waste management system, planting of production and adjacent areas, ecologic monitoring of natural environment condition, etc.

So, during the reporting period NAC Kazatomprom JSC carried out work on accounting, inventory control of sources of generation and sites for storage and dumping of wastes; use of wastes as secondary resources, transferring them to third - party organizations for use, disposal and recycling, dumping of industrial waste in the specially allotted territories.

Aside from that, in the implementation of investment projects in the field of subsoil use, the Fund includes a requirement of the development and use of innovative technologies, construction of high-tech and efficient processing plants which meet all the requirements of environmental legislation as a basic condition for the potential partner.

In general, according to the results of 2012, the tendency of reduction of indicators of impact of major subsidiaries of the Fund on the environment has been continued.

As is known, the observance of generally accepted norms of environmental protection will reduce negative impacts on the environment.



CORPORATE GOVERNANCE

Principles and report on corporate governance

The structure of the Board of Directors
and the Management Board, and curriculum vitae of senior managers of the Samruk-Kazyna JSC

Report on the work of the Board of Directors

Summary of remuneration of the Members of the Management Board and the Board of Directors
of Samruk-Kazyna JSC

Internal control and audit

Risk Management

3.1. PRINCIPLES AND REPORT ON CORPORATE GOVERNANCE

High level of corporate management in the Fund is an important element of the effective asset management. The improvement of corporate governance level is highlighted as a separate task in Fund development strategy, approved by the regulation of the Government of the Republic of Kazakhstan in September 2012.

We promote the best practices of corporate governance in the companies, as well as focus on building an effective Board of Directors as a strategic body. The interaction between the Fund and its companies is governed by the rules of Company law, corporate governance codes and charters of the companies, as well as the Concept of distribution of powers in the joint-stock companies, all voting shares of which are held by the Fund.

In 2012, the work was carried out in the following key areas:

- Diagnostics of corporate governance;
- Improving the performance of the Boards of Directors;
- Approval of important Fund documents on corporate governance;
- Exchange of experience and capacity building within the group of the Fund for corporate governance.

Diagnostics of corporate governance

One of the key steps in this area is the annual diagnostics of corporate governance in the companies of the Fund group using the own methods of diagnostics of corporate management system, developed in 2009 in conjunction with the consulting Company KPMG. In June 2012 it has been updated on the basis of the latest trends in the field of corporate governance.

The technique allows to define the rating of compliance with the best practice and is a tool for continuous monitoring of the process of improving corporate governance in the companies of the Fund.

The technique includes the following provisions of the advanced standards:

- OECD principles of corporate governance;
- OECD guidelines on corporate governance for companies with State participation;
- The UK corporate governance code;
- Standard & Poor's GAMMA methodology;
- Requirements for corporate governance of the rating agencies Fitch and Moody 's;
- Guidelines on reform of activities of Government Linked Corporations (GLC), prepared by the Putrazhaya Committee on improvement of the efficiency of the GLC (Khazanah Nasional Berhad, Malaysia).
- Recommendations of the Institute of Chartered Secretaries and Administrators (ICSA);

In 2012, an independent diagnostics of corporate governance was carried out in the Fund and the following companies: NAC Kazatomprom JSC, National Company Kazakhstan Engineering JSC, KEGOC JSC, Development Bank of Kazakhstan JSC.

Additionally, an independent consultant conducted a verification of reports on the diagnostics of corporate governance, prepared by the internal audit departments of three companies: Damu Entrepreneurship Development Fund JSC, Samruk-Energo JSC and Real Estate Fund Samruk-Kazyna JSC.

Corporate governance diagnostic results that show the dynamics from 2009, are given in Chart 3.

The strategic indicator for large companies of the Fund is the achievement of the level of compliance with the best practices at 75 per cent by 2015, and at 85 per cent by 2022.

The overall score of the level of corporate governance in the Fund was 61.7%, which is 8.8 rating points higher than the result of diagnostics in 2010, which was 52.9%. This result was achieved due to continuous work on the improvement of corporate governance, carried out by the Board of Directors and the Management Board.

The results of diagnostics were reported at the meeting of the Board of Directors of the Fund on December 11, 2012, and at the extended session of the Fund on February 7, 2013. In general, the results of diagnostics show steady improvement of the level of corporate governance in the companies

Improving the performance of the Boards of Directors

The Board of Directors is the management body of the Company, representing shareholders' interests, making major policy decisions and exercising control over the activities of the executive body.

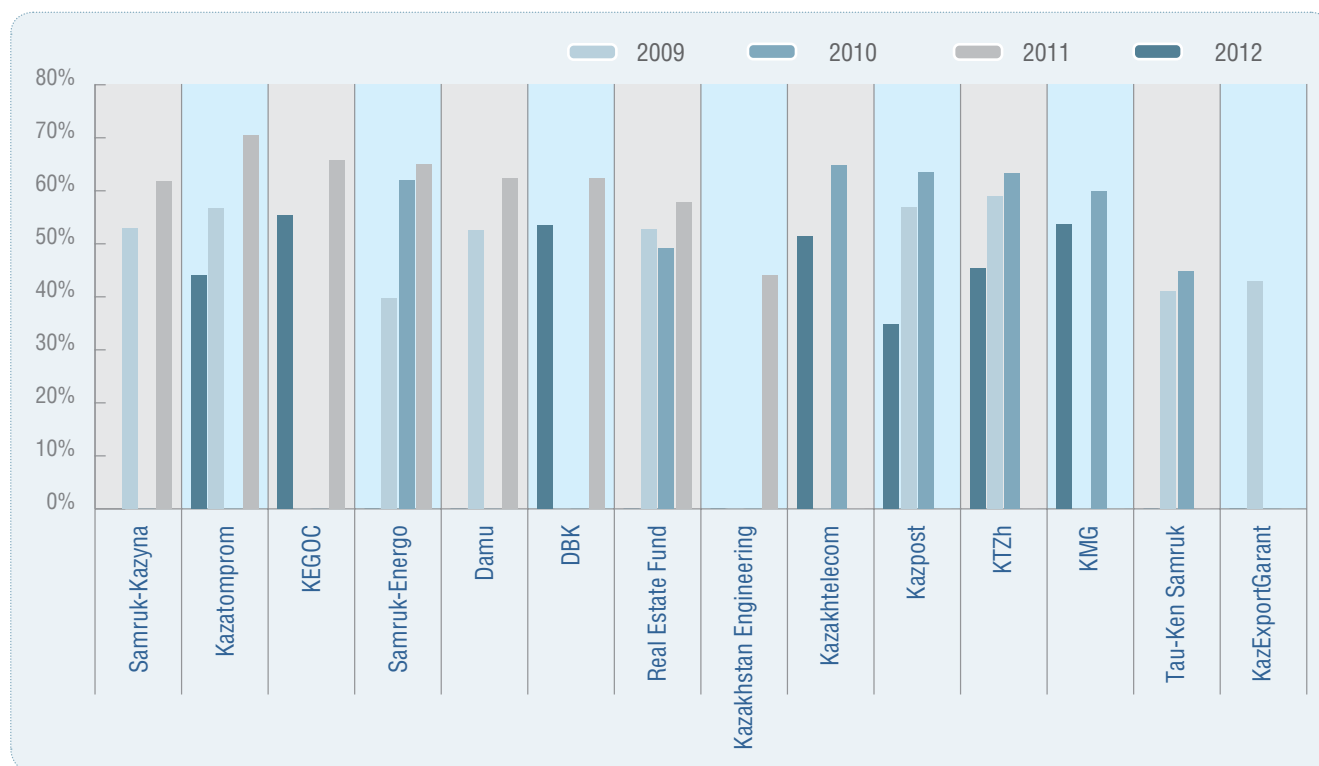
In this regard, the Fund pays special attention to the development of the boards of directors of companies. Therefore, during the year under review, a number of measures have been taken and important initiatives launched.

In May 2012, the amendments to the Concept of distribution of powers of the bodies of the joint-stock companies, all voting shares of which are held by the Fund, were adopted. The powers of the Boards of Directors of companies were strengthened, the appropriate amendments were made in the charters.

A corporate calendar of the Fund was developed, a calendar which regulates the terms and the procedure of decision - making by the bodies of companies of the Fund regarding their activities. The introduction of the corporate calendar is intended to delineate the competencies of bodies and companies of the Fund, to adopt corporate decisions in a timely manner, and to improve controllability of processes for the Fund and the companies.

In accordance with the corporate calendar, from November 2012, the meetings of the Management Boards and the Board of Directors of companies are held to discuss the strategic development issues, implementation of development plans, approval of the issues

CHART 3. Dynamics of diagnostics of corporate governance system of Samruk-Kazyna JSC



placed for consideration of the shareholder and other issues of business activities of the companies.

During the year, the monitoring of work of the Board of Directors was carried out, on the basis of which corresponding recommendations were sent to the Fund's representatives in the Boards of Directors.

The changes were introduced in the composition of the Boards of Directors, measures are being taken to increase the share of professional Independent Directors (in some companies the number of Independent Directors reaches 50%).

A project on assessment of the activities of the Boards of Directors of six companies of the Fund by an independent consultant started in November 2012. The Boards of Directors of Samruk-Energo JSC, KEGOC JSC, Tau-Ken Samruk JSC, Kazpost JSC, Kazakhstan Engineering JSC and Kazakhstan Temir Zholy JSC are evaluated under the project.

Since 2011, regular meetings of the Chief Executive Officer of the Fund with Independent Directors of the group of the Fund are held. This is a meeting of the Chief Executive Officer as the chief executive officer of the shareholder with the directors. Two meetings were held In 2012: on May 29–30 and November 13–14.

The activities are conducted for the purpose of:

- timely notification of Independent Directors on the Fund's expectations as a shareholder, and the initiatives of Fund;
- use of the potential of Independent Directors in the development of companies and the group;
- improving communication within the group of the Fund;
- Improving the performance of the Boards of Directors.

At the meetings with the Independent Directors, the Fund's initiatives on such important issues as corporate governance, finances and accounting, procurement, staff development, innovations, corporate legislation, strategic development, budgeting, treasury operations were discussed. Based on the results of the meeting, the recommendations aimed at improving the work of the group of the Fund were developed.

The above – listed initiatives are aimed at maximizing the role and powers of the Boards of Directors, as well as enhancing their accountability to the shareholder. The package of measures on development of boards of directors is aimed at transition of the Fund towards a model of strategic holding Company.

Approval of important Fund documents on corporate governance

The Corporate governance code of the Fund – a systemic document of corporate governance – approved in new wording by the Resolution of the Government of the Republic of Kazakhstan in November 2012, in accordance with the latest changes in legislation of the Republic of Kazakhstan. The code of corporate

governance is based on the best practices of corporate governance, including the OECD Principles of Corporate Governance and the UK Corporate Governance Code. Further in the section a report on adherence to the principles of the code of corporate governance of the Fund is presented.

The Companies of the Fund also operate on the basis of their own corporate governance codes, principles of which are consistent with the principles of the Code of Corporate Governance of the Fund.

In July 2012, the Board of Directors approved the Procedure for assessment of corporate governance of the Fund, developed on the basis of Technique of diagnostics of corporate governance system. The assessment procedure determines the criteria and approaches to diagnostics of corporate governance of the Fund, as well as approaches to the preparation of recommendations for the further development of corporate governance.

In October 2012, the Board of Directors approved the Decision – making procedure on individual issues, taking into account the level of corporate governance in the Company. In accordance with the specified document, when reaching the specified value of corporate governance rating, the decisions on selected issues falling under the authority of the Management Board or the Chief Executive Officer are delegated to the Board of Directors of the Company or made with the consent of/considering the recommendations of the Board of Directors.

In addition, in October 2012, the Government of the Republic of Kazakhstan approved the Rules for placement of reporting, required for governmental authorities, on the Web-site of the Sovereign Wealth Fund. The document contains a list and frequency of placement of such reporting. In this case, the Fund and the organizations shall not provide the reporting not provided in the list on request of governmental authorities. The adoption of this document aims to formalize and organize the flow of information between the group of the Fund and the governmental authorities.

In December 2012, the Agreement on cooperation between the Government of the Republic of Kazakhstan and the Fund was approved. The agreement was signed in February 2013 with a view to delineate the powers of the Government as the sole shareholder of the Fund and the powers associated with government regulation. The basic principles of the agreement are the management of the Fund by the Government only through the exercise of authority of the sole shareholder, Government non-interference in the operations of the Fund, as well as accountability and transparency of the group of the Fund.

Exchange of experience and capacity building within the group of the Fund for corporate governance

In order to improve the general level of skills and knowledge of the group of the Fund in the area of corporate governance, the Fund conducted a series of training seminars on such relevant topics

as diagnostics of corporate governance, functions and role of the corporate ombudsman, as well as the sustainable development.

Also, in June and December 2012, training seminars on diagnostics of corporate governance for employees of the internal audit services of the companies' were held.

An operational working group with the participation of representatives of the Fund and the companies, which jointly address current issues and the drafts of documents under development, was created. The working meetings with blocks of corporate governance of companies are held regularly, during the meetings the representatives of the Fund and the companies share their experience in selected areas.

The Fund supports a number of other events and initiatives, including the annual Forum of corporate secretaries. On November 23, 2012, the Forum was held for the third time. During the meeting the issues of corporate governance and increase of the long-term value of companies, further development of the Institute of corporate secretaries, the results of the competition for the title of the Corporate Secretary of Kazakhstan 2011–2012 were discussed.

Conflict of interest regulation policy

The executive officers and personnel of the Fund, should ensure that their personal activities and interests are not in conflict with discharge of their duties in the Fund. Serious violations related to conflicts of interest, may cause damage to the reputation of the Fund and undermine public confidence in it. Consequently, officers and employees must avoid situations that might create even the appearance of a conflict of interest.

The main aspects related to conflict of interest are reflected in the Code of Business Conduct of the Fund. In 2013, it is planned to develop and adopt a separate document governing the procedures of notification and management, timely identification and prevention of the emergency of conflict of interest, as well as coordinating actions of bodies, officials and employees of the Fund in emergency or in the event of a potential conflict of interest.

The Ombudsman of the Fund

In accordance with the Code of Business Conduct of Samruk-Kazyna JSC, approved by the resolution No.58 of the Board of Directors of the Fund as of December 12, 2010, and on the basis of the resolution No.70 of the Board of Directors of the Fund as of September 14, 2011, Zhardem Yeslamgalievich Kurmangaziev appointed the Ombudsman of the Fund.

In accordance with Chapter 5 of the Code of Business Conduct, the core functions of the Ombudsman are collecting of information on non-compliance with the provisions of the Code, the consultation of personnel, officials on the provisions of the Code, initiation of disputes consideration on violated provisions of the code.

Within the framework of the Ombudsman's activities as of December 31, 2012, there were recorded 5 verbal applications relating to labor and social conflicts, as well as relations between the manager of department and the employee.

A corresponding work has been carried out on the facts of conflict resolution, in the result of which the parties received appropriate clarification, the conflicts have been resolved and the parties in all the cases have come to a mutual agreement / peaceful resolution of issues.

The institution of Ombudsman is an important step in building an open and ethical conduct of business, and we hope that the confidence enjoyed by this mechanism of interaction, will only grow.

Report on adherence to the principles of the code of corporate governance

In the annual report for 2011 contained a detailed report on the adherence to the principles of the code of corporate governance,

which includes articles reflecting its main principles. Most of the provisions of the Code of corporate governance, not respected in 2011, remained unfulfilled in 2012. There have been positive changes as compared to the year 2011 in terms of certain provisions of the Code of Corporate Governance. In particular, in 2012, the Center for Social Partnership was established, the Fund's strategy for 2013–2022 was approved, the calendar of corporate events was posted on the website of the Kazakhstan Stock Exchange. Compared to the report of 2011, the provisions were added that were not met or partially met – in part of the number of Independent Directors in the Board of Directors of the Fund and the absence of certain internal documents.

During 2012, the Fund has fulfilled its obligations and requirements in accordance with the Corporate Governance Code, with the exception of the following provisions:

Provision of the Code	Status
<p>28. The number of the Board of Directors is determined by the charter of the Fund, while the number of Independent Directors should be not less than two - fifths of the number of the Board of Directors.</p> <p>87. Determination of the term of powers of the Board of Directors, election of its members and early termination of their power fall within the exclusive competence of the sole shareholder. The number of the Board of Directors is determined by the charter of the Fund, while the number of Independent Directors should be not less than two - fifths of the number of the Board of Directors.</p>	<p>Partially met</p> <p>The share of Independent Directors in the Board of Directors of the Fund was not met.</p> <p>The share of Independent Directors in the Board of Directors of the Fund was 27%. Draft of regulations on the composition of the Board of Directors of Samruk-Kazyna JSC will be submitted to the consideration of the Government of the Republic of Kazakhstan in 2013.</p>
<p>29. The system of work evaluation of each Director should provide incentives for their work in the interests of the sole shareholder and the Fund. The basis of evaluation system of work of each Director are the goals, tasks, duties and responsibilities set forth in the Regulations on the Board of Directors and the plan of work of the Board of Directors of the Fund, as well as the assessment of performance of the duties and responsibilities that are in line with the recommendations of international best practices in corporate governance allow the Board of Directors in the best way to solve their tasks and to make the maximum contribution to ensuring the successful and sustainable development of the Fund.</p>	<p>The evaluation of activities of the Board of Directors of the Fund was not carried out.</p> <p>The issue of an independent assessment of activity of the Board of Directors of Samruk-Kazyna JSC was submitted to the consideration of the Nominating and Remuneration Committee of the Board of Directors. The Committee decided not to conduct an independent assessment.</p>
<p>42. The Fund follows the norms of the law and the internal document determining the dividend policy of the Fund.</p> <p>173. The Board of Directors approves the provision on the dividend policy that defines the principles and mechanisms of implementation of the Fund's dividend policy, which is subject to approval by the sole shareholder. Dividend policy shall be approved by the sole shareholder and disclosed, including, on the web - site of the Fund.</p>	<p>The sole shareholder not approved the Fund's dividend policy</p> <p>Dividend policy approved by the Board of Directors of the Fund in October, 2012. The Government Decree on approval of the Dividend policy is expected in 2013.</p>

Provision of the Code	Status
<p>49. In its activity the Fund follows the principles of the most careful and rational treatment of the environment in accordance with the requirements of law and recognized standards for environmental protection.</p> <p>50. The Fund will seek to conduct environmental audits in its subsidiary and affiliated organizations.</p>	<p>Partially met</p> <p>The practice of environmental auditing is not systematic.</p> <p>The Fund attaches the importance to the issues of ecology. Ensuring environmental sustainability and occupational safety is one of the objectives of the Fund's Strategy. More detailed information is disclosed in the section "Human resources development and corporate social responsibility of the Fund".</p>
<p>56. The Board of Directors approves and regularly reviews the policy and rules of settlement of corporate conflicts where the solution would serve the best interests of the Fund and the sole shareholder.</p> <p>171. The Fund adopted a system of registration of appeals of the sole shareholder and effective settlement of corporate conflicts.</p>	<p>The Board of Directors has not approved the rules of settlement of corporate conflicts.</p> <p>In the case of corporate conflicts, they are resolved individually, depending on the competence of the body concerned. During 2012, there were no cases of corporate conflicts in the Fund.</p>
<p>69. Specific structures, procedures and corporate governance practice are governed by the statutes and the internal documents of the Fund, including the provisions of:</p> <ul style="list-style-type: none"> - the Board of Directors; - the Management Board; - committees; - Corporate Secretary; - the internal control system; - risk management; - disclosure of information. 	<p>Partially met</p> <p>The Fund has not approved Regulations on the internal control system.</p> <p>Some issues of internal control are regulated by the documents of the Fund. In 2013 it is planned to approve the Matrix of risks and controls.</p> <p>The Fund has not approved regulations for the disclosure of information.</p> <p>In 2013, it is planned to approve the Rules of posting information on the Internet site and the Information Security Policy.</p>
<p>81. As and when needed, but at least once a year, the Board of Directors provides the revision of efficiency of the internal control system of the Fund and elaborates proposals for its improvement.</p> <p>203. The Board of Directors is required to assess (together with the audit committee and internal audit department) at least once a year, the efficiency of the internal control system of the Fund and to report to the sole shareholder about this assessment. This assessment covers the financial and operating control, monitoring of compliance with and the efficiency of the risk management system.</p>	<p>The Board of Directors did not carry out a complete review of the internal control system efficiency</p> <p>The Internal audit department carries out various audits that cover individual items/areas/components of internal control system of the Fund (financial, operating controls), as well as individual risks/areas of risk management system. Internal audit department plans to perform a full assessment of the internal control system of the Fund in the first half of 2013.</p>
<p>83. Each Director shall attend all meetings of the Board of Directors and the Committee, in which he is included. The departure from this rule is allowed in exceptional cases stipulated in the regulations on the Board of Directors and committees.</p>	<p>Partially met</p> <p>Details of attendance at meetings is provided in the section "Board of Directors".</p>
<p>90. The Board of Directors shall organize relevant training for newly elected directors for full induction, as well as regular enrichment of the knowledge and skills of directors required for their work in the Board of Directors.</p>	<p>Partially met</p> <p>The Fund did not hold some activities to improve the knowledge and skills of the members of the Board of Directors.</p>

Provision of the Code	Status
<p>115. The Fund discloses information about directors' remuneration in accordance with the law. Information on the size of remuneration of directors for the reporting period is subject to mandatory disclosure in the annual report prepared for the sole shareholder.</p> <p>131. The Fund should have a transparent policy of remuneration of Independent Directors. The remuneration of Independent Directors should be adequate with the time devoted to their work, and the quality of performance of their duties.</p>	<p>The policy of payment of remuneration of Independent Directors is published in the annual report. Other members of the Board of Directors of the Fund do not receive remuneration.</p>
<p>178. The Fund does not seek to conclude transactions with related parties. In the case of such transactions the Fund discloses information about the affiliates of the Fund, and the Board of Directors determines the order of conclusion of interested party transactions between subsidiaries and affiliated organizations of the Fund.</p>	<p>Partially met</p> <p>The Fund enters into interested party transactions with organizations in the group of the Fund.</p> <p>This practice is due to the structure of ownership, the specifics of subsidiaries and purchased services, goods and works of the Fund. Such transactions are governed by legislation and the Rules of transactions between entities within the group of Samruk-Kazyna JSC, in respect of which the Act of the Republic of Kazakhstan "On joint-stock companies", specifies special conditions approved by the Board of Directors of the Fund. However, the Fund seeks not to enter into similar transactions with other persons.</p>
<p>181. The Management Board develops and after approval by the Board of Directors observes a coordinated policy in significant corporate events of the Fund, where special attention is paid to the following issues:</p> <p>determination of the mechanisms and procedures for the implementation of significant corporate events;</p> <p>preliminary approval and assessment of significant corporate events;</p> <p>in-depth analysis and discussion of significant corporate events.</p>	<p>The Board of Directors has not approved the policy in the area of significant corporate events of the Fund.</p> <p>In the event of significant corporate events, these issues shall be considered within the competence of the bodies of the Fund. In addition, the Fund actively covers its activities in the media, which allows for proper degree of disclosure of significant corporate events.</p>

3.2. MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD, AND CURRICULUM VITAE OF SENIOR MANAGERS OF THE SAMRUK-KAZYNA JSC

BOARD OF DIRECTORS

As of December 31, 2012 year on the Board of Directors consists of 11 members, including 3 Independent Directors.

S.N. Akhmetov – Prime-Minister of the Republic of Kazakhstan – Chairman of the Board of Directors;

B.T. Sultanov – Deputy Chief of Administration of the President of the Republic Kazakhstan;

K.N. Kelimbetov – Deputy Prime-Minister of the Republic of Kazakhstan;

A.O. Issekeshov – Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Industry and New Technologies of the Republic of Kazakhstan;

B.B. Zhamishev – Minister of Finance of the Republic of Kazakhstan;

E.A. Dosaev – Minister of Economy and Budget Planning of the Republic of Kazakhstan;

S.M. Mynbayev – Minister of Oil and Gas of the Republic of Kazakhstan;

A.V. Mirchev – Independent Director

Sir R. Evans – Independent Director;

G.T. Moldazhanova – Independent Director;

U.E. Shukeev – Chief Executive Officer of Samruk-Kazyna JSC.

Due to personnel changes in the Government of the Republic of Kazakhstan, since October 2012, the Board of Directors of Samruk-Kazyna JSC is chaired by the Prime Minister of the Republic of Kazakhstan S.N. Akhmetov.

In accordance with the regulations of the Government of the Republic of Kazakhstan No.194 as of February 2, 2012 and No.1256 as of October 4, 2012, B.T. Sultanov in the capacity of Deputy Head of the Presidential Administration of the Republic of Kazakhstan, and K.N. Kelimbetov – in the capacity of the Deputy Prime-Minister of the Republic of Kazakhstan were re-elected to the Board of Directors of Samruk-Kazyna JSC, the Minister of Economic Development and Trade of the Republic of Kazakhstan E.A. Dosaev was included in the composition of the Board of Directors, K.K. Massimov and B.A. Sagintayev were removed from the composition of the Board of Directors.

Curriculum vitae of the Board of Directors members

Karim Kazhimkanovich MASSIMOV



Chief Executive Officer of Directors – Prime-Minister of the Republic of Kazakhstan (until October 2012);

According to the Resolution of the Government of the Republic of Kazakhstan No.962 as of October 17, 2008 he was appointed a Chief Executive Officer of Directors of Samruk-Kazyna JSC.

He was born in 1965 in Tselinograd, a citizen of the Republic of Kazakhstan.

He graduated from Beijing Language Institute, Law Institute of Wuhan University, Kazakh State Institute of Management. He has the specialties “International Jurist” and the “Economist”. Doctor of

Economic Sciences. He speaks English, Chinese, and Arabic.

He started his career as Chief Economist, Chief of Department of the Ministry of Labor, and then worked as a senior specialist of the office of the Ministry of Foreign Economic Relations of the Republic of Kazakhstan in Urumchi (China), Executive Director of the Kazakhstan Trading House in Hong Kong. He was a Chief Executive Officer of the Almaty Trade – financial and People’s Saving Banks.

He was appointed Minister of Transport and Communications,

Deputy Prime-Minister, the Assistant of the President of the Republic of Kazakhstan.

Since January 2006 – Vice Prime-Minister, since April 2006 – Vice Prime-Minister – the Minister of Economy and Budget Planning of the Republic of Kazakhstan.

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

October 17, 2008 – October 3, 2012 – Chief Executive Officer of Directors of Samruk-Kazyna JSC.

Serik Nygmetovich AKHMETOV



Chairman of the Board of Directors – Prime-Minister of the Republic of Kazakhstan (since October 2012).

He was born on June 25, 1958, a citizen of the Republic of Kazakhstan. In 1985 he graduated from Factory-technical College at Karaganda integrated

iron-and-steel works in specialty Engineer of Metallurgy, in 1993 year – postgraduate course of the Russian Academy of Management (Moscow). Doctor of Economic Sciences.

1976–1978 – military service.

1978–1983 – lathe operator in Karaganda integrated iron-and-steel works.

1983–1985 – Secretary of Komsomol Committee of the integrated works.

1985 – First secretary of Temirtau city committee of Komsomol Committee.

1986–1989 – First Secretary of Karaganda Regional Committee of the Komsomol.

1989 – Responsible organizer of Karaganda regional party committee.

1990–1993 – post-graduate student of the Russian Academy of Management.

1993 – Chief of Marketing bureau, then chief of Foreign Economic Relations Department of Karaganda integrated iron-and-steel works.

1994 – Head of the Joint Venture Futau.

1995 – General Director of the Kazakhstan Agro-industrial Exchange “Ken dala”.

1996 – President of re-organized Central Kazakhstan commodity Exchange “Ken dala”.

1998–2001 – State Inspector of Organizational and Supervisory Department of the Administration of the President of the Republic of Kazakhstan.

2001–2003 – Akim of Temirtau.

2003–2004 – First Deputy Akim of Astana.

2004–2005 – Head of the State Inspection of the Department of organizational-control work and the personnel policy of the Presidential Administration of the Republic of Kazakhstan.

2005–2006 – Executive Director, then Chief Executive Officer of the National Union of Entrepreneurs and Employers of Kazakhstan Atameken.

2006–2009 – the Minister of Transport and Communications of the Republic of Kazakhstan.

2009 – Deputy Prime-Minister of the Republic of Kazakhstan.

2009–2012 – Akim of Karaganda region.

January – September 2012 – First Deputy Prime-Minister of the Republic of Kazakhstan.

Since September 24, 2012 – Prime-Minister of the Republic of Kazakhstan.

He was appointed a Chief Executive Officer of Directors of Samruk-Kazyna JSC by the

Resolution of the Government of the Republic of Kazakhstan No.1256 as of October 4, 2012.

Aset Orentayevich ISSEKESHEV



Member of the Board of Directors since October 17, 2008.

He was born in 1971 in Karaganda region, a citizen of the Republic of Kazakhstan.

He graduated from the Law Faculty of the Kazakh State University named after Al-Farabi (1994), School of State administration under the President of the Republic of Kazakhstan (now – State Administration Academy of under the President of the Republic of Kazakhstan).

He also graduated from a number of special programs on the Economy and Finance in South Korea, England, and Germany.

He worked at the Agency for strategic planning and reforms of the Republic of Kazakhstan, and the Ministry of Justice of the Republic of Kazakhstan.

2002–2003 – advisor of the Minister of Economy and Budget Planning of the Republic of Kazakhstan.

2003–2006 – Vice-Minister of Industry and Trade of the Republic of Kazakhstan.

2006–2007 – Deputy Chief Executive Officer of Sustainable Development Fund Kazyna JSC.

2007–2008 – Director of financial instruments at CreditSwiss Bank (Kazakhstan).

2008–May 2009 – Assistant to the President of the Republic of Kazakhstan.

2009–2010 – Minister of Industry and Trade of the Republic of Kazakhstan.

Since March 2010 – Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Industry and New Technologies of the Republic of Kazakhstan.

Since January 21, 2012 – Minister of Industry and New Technologies of the Republic of Kazakhstan; relieve from office of Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Industry and New Technologies of the Republic of Kazakhstan.

He was elected to the Board of Directors of Samruk-Kazyna JSC as Assistant to the President of the Republic of Kazakhstan by the Resolution of

the Government of the Republic of Kazakhstan No.962 as of October 17, 2008.

He was re-elected to the Board of Directors of Samruk-Kazyna JSC as the Deputy Minister of Industry and Trade of the Republic of Kazakhstan, by the Resolution of the Government of the Republic of Kazakhstan No.785 as of May 27, 2009.

He was re-elected to the Board of Directors of Samruk-Kazyna JSC as the Deputy Prime-Minister – Minister of Industry and New Technologies of the Republic of Kazakhstan, by the Resolution of the Government of the Republic of Kazakhstan No.201 as of March 15, 2010.

Since October 4, 2012 – Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Industry and New Technologies of the Republic of Kazakhstan.

Bakhyt Turlykhanovich SULTANOV



Member of the Board of Directors since October 17, 2008.

Born on November 29, 1971, in Almaty, a citizen of the Republic of Kazakhstan.

In 1994, he graduated from the Kazakh National Technical

University, Faculty of Automatics and Management System, with specialty as Electrical Engineer; in 1995 – from Kazakh State Academy of Management. He joined to civil service in 1994, in the Ministry of Finance of the Republic of Kazakhstan.

2004–2006 – Vice-Minister of Economic and Budget Planning of the Republic of Kazakhstan.

2006–2007 – Chairman of the Agency of the Republic of Kazakhstan on Statistics.

2007 – Vice-Minister of Finance of the Republic of Kazakhstan.

August 2007 – Minister of Economy and Budget Planning of the Republic of Kazakhstan.

August 2007–2010 – Minister of Economy and Budget Planning of the Republic of Kazakhstan.

Since March 2010 – Assistant to President of the Republic of Kazakhstan.

October 2007 – October 2008 – Member of the Board of Directors of the Sustainable Development Fund “Kazyna” JSC, a Member of the Board of Directors of the Kazakhstan Holding for Management of State Assets “Samruk” JSC.

Under the Decree of the Government of the Republic of Kazakhstan No.962, dated October 17, 2008, he was elected to the Board of Directors of the Samruk-Kazyna JSC as a Minister of Economy and

Budget Planning of the Republic of Kazakhstan.

Under the Decree of the Government of the Republic of Kazakhstan No.201, dated March 15, 2010, he was re-elected to the Board of Directors of the Samruk-Kazyna JSC as an Assistant to President of the Republic of Kazakhstan.

Under the Decree of the Government of the Republic of Kazakhstan No.194, dated February 2, 2012, Bakhyt Turlykhanovich Sultanov was re-elected to the Board of Directors of the Samruk-Kazyna JSC as Deputy Head of the Administration of the Republic of Kazakhstan.

Sauat Mukhametbayevich MYNBAYEV



Member of the Board of Directors since October 17, 2008.

Born on November 19, 1962, in Uch-Aral Village of the Taldy-Kurgan region, a citizen of the Republic of Kazakhstan.

In 1985, he graduated from the Moscow State University named after M.V. Lomonosov, as an Economist-Cyberneticist.

In 1988, he graduated from the post-graduate studies of the Moscow State University named after M.V. Lomonosov. Ph.D. in Economics.

In 1990 – Lecturer, Associate Professor of the National Economy Planning Department of the Almaty National Economy Institute.

1990 – Deputy Director of the Research and Consulting Center of FKSNTNTR of the Kazakh SSR.

1991 – President of the Kazakhstan Republican Construction Exchange.

1992 – First Deputy Chief Executive Officer of the Kazkommertsbank JSC.

1995 – Deputy Minister of Finance of the Republic of Kazakhstan.

1995 – Deputy Minister of Finance, Head of Treasury under the Ministry of Finance of the Republic of Kazakhstan.

1997 – First Deputy Minister of Finance of the Republic of Kazakhstan, Deputy Minister (Vice-Minister), First Vice-Minister.

1998 – Minister of Finance of the Republic of Kazakhstan.

1999 – Deputy Head of the Administration of the President of the Republic of Kazakhstan.

1999 – Minister of Agriculture of the Republic of Kazakhstan.

2001 – President of the Kazakhstan Development Bank CJSC.

2002 – Director General of the Caspian Industrial and Financial Group LLP.

2003 – Deputy Prime-Minister of the Republic of Kazakhstan.

2004–Deputy Prime-Minister, Minister of Industry and Trade of the Republic of Kazakhstan.

January 2006 – September 2007 – Chief Executive Officer of the Kazakhstan Holding for Management of State Assets “Samruk” JSC.

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

Since March 2010 – Minister of Oil and Gas of the Republic of Kazakhstan.

October 2007 – October 2008 – Member of the Board of Directors

of the Kazakhstan Holding for Management of State Assets “Samruk” JSC.

Under the Decree of the Government of the Republic of Kazakhstan No.962, dated October 17, 2008, he was elected to the Board of Directors of the Samruk-Kazyna JSC as a Minister of Energy and Mineral

Resources of the Republic of Kazakhstan.

Under the Decree of the Government of the Republic of Kazakhstan No.201, dated March 15, 2010, he was re-elected to the Board of Directors of the Samruk-Kazyna JSC as a Minister of Oil and Gas of the Republic of Kazakhstan.

Bolat Bidakhmetovich ZHAMISHEV



Born in 1957, a citizen of the Republic of Kazakhstan.

In 1981, he graduated from the Kazakh Agricultural Institute as an Economist; Ph.D. in Economics (1990).

He started his career in 1981. Over the years, he worked in the National Pension Agency of the Ministry of Labor and Social Security of the Republic of Kazakhstan, and in the Agency on Regulation and Supervision of Financial Market and Financial Organizations; he was Vice-Minister of Labor and

Social Security, Vice-Minister of Finance, Vice-Minister of Internal Affairs, Deputy Chairman of the National Bank of the Republic of Kazakhstan.

November 14, 2007 – Minister of Finance of the Republic of Kazakhstan.

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

March – October 2008 – Member of the Board of Directors of the

Sustainable Development Fund “Kazyna” JSC.

Under the Decree of the Government of the Republic of Kazakhstan No.962, dated October 17, 2008, he was elected to the Board of Directors of the Samruk-Kazyna JSC as a Minister of Finance of the Republic of Kazakhstan.

Member of the Board of Directors since October 17, 2008.

Kayrat Nematovich KELIMBETOV



Born in 1969, a citizen of the Republic of Kazakhstan.

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

In 1997, he worked in the Office of the Agency for Strategic Planning, where he was involved into a large group for the development of the Address of the President of the

Republic of Kazakhstan known as “Kazakhstan Strategy-2030”, and later he led the Agency. Over the years, he worked as the head of the Social and Economic Department of the Administration of the President of the Republic of Kazakhstan, as a Vice-Minister of Finance of the Republic of Kazakhstan.

2002–2006 – Minister of Economy and Budget Planning of the Republic of Kazakhstan.

2006–2008 – he held a position of Chief Executive Officer of the Sustainable Development Fund “Kazyna” JSC.

January – October 2008 – Head of the Administration of the President of the Republic of Kazakhstan.

Since October 2008 – Chief Executive Officer of the Sovereign Wealth Fund Samruk-Kazyna JSC.

Since April 2011 – Minister of Economic Development and Trade of the Republic of Kazakhstan.

Under the Decree of the Government of the Republic of Kazakhstan No.962, dated October 17, 2008, he was

Member of the Board of Directors since October 17, 2008.

elected to the Board of Directors of the Samruk-Kazyna JSC.

Since 20 January 2012, he is appointed as a Deputy Prime-

Minister of the Republic of Kazakhstan under the Ordinance of the Head of the State.

Under the Decree of the Government of the Republic of Kazakhstan No.194, dated February 2, 2012, Kairat Nematovich Kelimbetov was re-

elected to the Board of Directors of the Samruk-Kazyna JSC as Deputy Prime-Minister of the Republic of Kazakhstan.

Bakhytzhан Abdirovich SAGINTAYEV



Member of the Board of Directors from February 2 to October 4, 2012.

Born on October 13, 1963, in Usharal Village of Talas District of Jambul Region, a citizen of the Republic of

Kazakhstan. Graduated from the Kazakh State University named after S. M. Kirov, PhD in Economics. He started his career as a Lecturer in the Political Economy Department of the Almaty National Economy Institute.

From 1988 to 1992, he worked his way up from Assistant Lecturer to Associate Professor of the Sociology Department in the Kazakh State University named after S. M. Kirov.

From 1992 to 1998, he was engaged in commercial activities.

In 1998, he was appointed a Deputy Akim of the Zhambyl Region.

From 1999 to 2002, he occupied the positions of Deputy Chairman of the Agency of the Republic of Kazakhstan for Small Business Support, Chief Executive Officer of the Small Entrepreneurship Development Fund CJSC, Deputy Chairman of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies, Competition Protection and Small Business Support.

From 2002 to 2004, he worked as a First Deputy Chairman of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies and Competition.

From 2004 to 2007, he is a Chairman of the Agency of the Republic of Kazakhstan

on Regulation of Natural Monopolies.

From 2007 to 2008, he worked as a Head of the Office of the Prime-Minister of the Republic of Kazakhstan.

On 30 September 2008, he was appointed an Akim of the Pavlodar Region under the Ordinance of the President of the Republic of Kazakhstan.

On 20 January 2012, he was appointed Minister of Economic Development and Trade of the Republic of Kazakhstan.

Since September 2012, he is a First Deputy Chairman of the "Nur Otan" People's Democratic Party.

Yerbolat Askarbekovich DOSSAYEV



Member of the Board of Directors since October 4, 2012.

Born on May 21, 1970, in Almaty, a citizen of the Republic of Kazakhstan.

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

1997 – Deputy Chief Executive Officer of the Bank TuranAlem JSC, Chief Executive Officer of the ATF Bank JSC.

1998 – Adviser to the Prime Minister of the Republic of Kazakhstan.

1998 – Vice-Minister of Energy, Industry and Trade of the Republic of Kazakhstan.

2000 – Vice-Minister of Finance of the Republic of Kazakhstan.

2001 – Chief Executive Officer of Directors of the Kazakhstan Development Bank.

2001–2003 – Chairman of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies, Competition Protection and Small Business Support.

2003–2004 – Minister of Finance of the Republic of Kazakhstan; Manager of the European Bank for Reconstruction and Development (EBRD) in Kazakhstan; Member of the Management Board of the National Bank of the Republic of Kazakhstan.

2004–2006 – Minister of Health of the Republic of Kazakhstan.

2006–2012 – Chief Executive Officer of Directors of the KazInvestBank JSC.

Since September 25, 2012 – Minister of Economic Development and Trade of the Republic of Kazakhstan.

Sir Richard EVANS



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

Born in 1942, in Blackpool (England), a citizen of the United Kingdom. In 1960, he graduated from the Royal Masonic School (Hertfordshire, London). He started his career in 1960, in the Department of Contracts of the Ministry for Transport and Technology of the United Kingdom of Great Britain and Northern Ireland. Later, he worked in the State Treaty Department of the Ferranti Ltd;

he was a Commercial Manager of the Military Aircraft Division of the British Aircraft Corporation (BAC), and a Commercial Director, Assistant Managing Director of the British Aerospace plc., and a Deputy Managing Director and Director of Aircraft Division, Director for Marketing of the British Aerospace plc., and Chairman of British Aerospace Defence Company, and Executive Director of the British Aerospace plc., and Chairman of BAE Systems company, and led the United Utilities plc. company; and was a Rector

of the University of Central Lancashire.

2006–2008 – Chief Executive Officer of Directors of the Kazakhstan Holding for Management of State Assets “Samruk” JSC.

Under the Decree of the Government of the Republic of Kazakhstan No.962, dated October 17, 2008, he was elected to the Board of Directors of the Samruk-Kazyna JSC.

Alexander MIRCHEV



Master of Laws, National Law Center of George Washington University, Washington, D.C., USA. Doctor of Science, St. Kliment OKhridski University, Sofia, Bulgaria.

He commenced and majored in International Economics and Finance in the London School of Economics and Political Science, in the Institute of World Politics in Washington, D.C., in Boston University, and Harvard Business School. He is a member of the Board of Trustees of the Kissinger Institute on China and the United States under the Woodrow Wilson International Center for Scholars (USA).

A national of the USA. President of the Krull Corp (Washington, D.C., United States), a company providing global strategic solutions in the area of economic growth and modernization.

He was a member of the Academic Council and a Senior Fellow of the National Center under the Academy of Sciences and the Parliament of Bulgaria, and a lecturer of Sofia University, and a Leading International Expert of the Institute of Europe under the Russian Academy of Sciences; he is a full member of the Russian Academy of Natural Sciences and a Doctor Emeritus of the University of Foreign Trade and Finance, Ukraine.

He is the author of four monographs and a number of articles; he was an editor and publisher of academic and professional magazines.

Since 2007 – Senior Economic Adviser to the Prime-Minister of the Republic of Kazakhstan.

2007 – October 2008 – Chief Executive Officer of Directors, Independent Director of the Sustainable Development Fund “Kazyna” JSC.

Under the Decree of the Government of the Republic of Kazakhstan No.962, dated October 17, 2008, he was elected to the Board of Directors of the Samruk-Kazyna JSC as an Independent Director.

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

Born on April 28, 1957, in Sofia (Bulgaria), a citizen of the USA.

Gulzhan Talapovna MOLDAZHANOVA



Independent Director, Member of the Board of Directors since May 27, 2009.

Born in 1966, a citizen of the Russian Federation. In 1989, she graduated with honors from the Kazakh State University in Almaty, in 1994 – from post-graduate course of the Moscow State University. Candidate of Physical and Mathematical Sciences. In 1998, she graduated (with honors) from the Finance Academy under the Government of the Russian Federation, by specialty in Global Economics; in 2001 – Business School of the University of Antwerp and the Institute of Business Studies under the Government of the Russian Federation (Executive MBA, magna cum laude); in 2008, she was certified as an

Independent Director by the Institute of Directors of Great Britain.

Over the years, she worked as a Finance Manager, and Deputy Director of the Aluminium Division of the Siberian Aluminium Group, and Deputy Director of the United Company of Siberian Aluminium (UCSA) (Russia). Later, she held a position of a Director of Sales and Marketing, Director of Strategy and Corporate Development, Member of the Management Board of the Russian Aluminum (RUSAL) company, Managing Director on aluminum business, General

Director of the Basic Element LLC ("Bazel"), Russia.

Since October 2009 – CEO of the ESN Corporation.

Under the Decree of the Government of the Republic of Kazakhstan No.785, dated May 27, 2009, she was elected to the Board of Directors of the Samruk-Kazyna JSC.

Since July 23, 2012 – General Director of the Basic Element LLC.

Umirzak Yestaevich SHUKEYEV



Chief Executive Officer, Member of the Board of Directors since December 26, 2011.

Born on March 12, 1964, in Turkestan Town, a citizen of the Republic of Kazakhstan. In 1986, he graduated from the Moscow Economic and Statistical Institute (MESI). Economist-Mathematician, Doctor of Economics. 1986–1988 – Junior Research Fellow in the Scientific Research Institute for Automation of

Management and Organization Improvement Processes (ASPU) under the State Planning Commission of the KazSSR. 1988–1991 – post-graduate student of the MESI. 1991–1992 – Leading Researcher of the Scientific Research Institute for ASPU. 1992–1993 – Adviser of the Supreme Economic Council under the President of the Republic of Kazakhstan. 1993 – Deputy Head of the Finance and Labor Division in the Office of the President and the Cabinet Council of the Republic of Kazakhstan. 1993–1995 – Deputy Head of Administration of the Akim of the South Kazakhstan Region. November 1995 – March 1997 – Minister of Economy of the Republic of Kazakhstan. March – October 1997 – Minister of Economy and Trade of the Republic of Kazakhstan. July – October 1997 – Deputy Prime-Minister of the Republic of Kazakhstan (in charge of

macroeconomics, operational performance of industry, trade, transport, energy, science, and relations with the CIS countries). October 1997 – April 1998 – Chief Executive Officer of the Bank TuranAlem JSC (BTA Bank). April – August 1998 – Deputy Head of the Administration of the President of the Republic of Kazakhstan. August 1998 – March 2004 – Akim of Kostanay Region. February November 1997 – Member of the Supreme Economic Council under the President of the Republic of Kazakhstan. November 1997–August 1998 – Member of the National Council on Sustainable Development of the Republic of Kazakhstan. March – December 1997 – Chairman of the Supervisory Board of the NOC KazakhOil CJSC. Since March 2004 – Akim of Astana City.

September 2006, he was appointed an Akim of the South Kazakhstan Region.

August 2007 – Deputy Prime-Minister of the Republic of Kazakhstan.

On March 3, 2009, he was appointed First Deputy Prime-Minister of the Republic of Kazakhstan by the Decree of the Head of State.

Under the Decree of the President of the Republic of Kazakhstan dated April 11, 2011, he was re-appointed the First Deputy Prime Minister of the Republic of Kazakhstan.

On December 26, 2011, he was appointed a Chief Executive Officer of the Samruk-Kazyna JSC.

3.3. REPORT ON THE WORK OF THE BOARD OF DIRECTORS

Participation of members of the Board of Directors of Samruk-Kazyna JSC in meetings of the Board of Directors of Samruk-Kazyna JSC in 2012

No. in sequence	Name, position	Participation (%)
1	Massimov K.K. – Chief Executive Officer of Directors, Prime-Minister of the Republic of Kazakhstan (BD No.75 – BD No.84)	100
2	Akhmetov S.N. – Chairman of the Board of Directors, Prime-Minister of the Republic of Kazakhstan (BD No.85 – BD No.86)	100
3	Sultanov B.T. – Member of the Board of Directors, Deputy Head of the Administration of the President of the Republic of Kazakhstan	75
4	Kelimbetov K.N. – Member of the Board of Directors, Deputy Prime-Minister of the Republic of Kazakhstan	83
5	Issekeshiev A.O. – Member of the Board of Directors, Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Industry and New Technologies of the Republic of Kazakhstan	75
6	Zhamishev B.B. – Member of the Board of Directors, Minister of Finance of the Republic of Kazakhstan	100
7	Mynbayev S.M. – Member of the Board of Directors, Minister of Oil and Gas of the Republic of Kazakhstan	92
8	Sagintayev B.A. – Member of the Board of Directors, Minister of Economic Development and Trade of the Republic of Kazakhstan (BD No.75 – BD No.84)	100
9	Dossaev Ye.A. – Member of the Board of Directors, Minister of Economic Development and Trade of the Republic of Kazakhstan (BD No.85 – BD No.86)	100
10	Sir R. Evans – Independent Director	100
11	Mirchev A.V. – Independent Director	83
12	Moldazhanova, G.T. – Independent Director	67
13	Shukeev U.E. – Member of the Board of Directors, the Chief Executive Officer of the Samruk-Kazyna JSC	100

At end of 2012, there were 12 meetings (8 full-time and 4 part-time) of the Board of Directors of the Samruk-Kazyna JSC (from 75th to 86th meetings) held with 128 issues considered.

Main Issues Considered by the Board of Directors in 2012

In connection with adoption of the Law on Sovereign Wealth Fund of the Republic of Kazakhstan in February 2012, the Board of Directors endorsed and approved new editions of the Fund Charter, Statute on the Board of Directors, Corporate Management Code, Development Program 2011–2015 of the Samruk-Kazyna JSC, as well as a number of normative documents on core activities of the Fund.

The Board of Directors approved and submitted to the consideration of the Sole Shareholder Development Strategy 2012–2022 of the Samruk-Kazyna JSC, which was approved later by Decree of the Government of the Republic of Kazakhstan No.1202, dated September 14, 2012. In order to implement the Development Strategy of the Samruk-Kazyna JSC subject to the country's strategic documents, government and branch – wise programs,

data on the macro-economic indicators identified in the country's Socio-Economic Development Forecast, and development plans of the subsidiary companies for the relevant planning period, the Board of Directors approved the Regulations for Development, Approval, Monitoring, Implementation Assessment and Progress Reporting with regard to the development plan of the Samruk-Kazyna JSC.

On a quarterly basis, the Board of Directors reviewed the reports from the Internal Audit Service of the Samruk-Kazyna JSC, Reports on the risks, on the progress of the largest subsidiaries of the Samruk-Kazyna JSC, and on expected performance in 2012.

Besides, the Board of Directors approved the Regulations for Development, Approval, Performance and Monitoring of the Annual Budget of the Samruk-Kazyna JSC in pursuance of the Law on Sovereign Wealth Fund, and in order to improve the efficiency of the budget planning in the Corporate Center of Samruk-Kazyna JSC, as well as to provide an efficient decision-making.

In addition, the Board of Directors approved:

- new edition of the internal credit policy of the joint-stock company Sovereign Wealth Fund Samruk-Kazyna group;
- new edition of the Regulations on limitation of balance and off-balance liabilities for the contractor banks of the Samruk-Kazyna JSC;
- Debt and Financial Sustainability Management Policy of the Samruk-Kazyna JSC in order to increase effectiveness of the debt and financial sustainability management;
- Pledge Policy, which discloses major parameters of assessment, taking over and monitoring of when providing loans, credits, financial assistance and guaranties on behalf of the Samruk-Kazyna JSC;
- Crediting Risk Management Regulations for Corporate Contractors of the Samruk-Kazyna JSC, in order to improve the risk management of the corporate contractors, as well as to implement recommendations of the Internal Audit Service of the Samruk-Kazyna JSC;
- Single Money Management Policy for the Samruk-Kazyna JSC and Legal Entities, whose all voting stocks (shares) belong to the Samruk-Kazyna JSC.

Sole Shareholder Dividend Policy with regard to the Samruk-Kazyna JSC was approved by the Resolutions of the Board of Directors, and a new edition of the Corporate Accounting Policies of Samruk-Kazyna JSC as well as Sponsor and Charity Support Policy of Samruk-Kazyna JSC and its group member organizations were adopted.

In order to evaluate performance and to establish objective groundings for remuneration of the managing staff for their contributions to achievement of the strategic goals of the Samruk-Kazyna JSC, the Board of Directors approved the maps of key performance indicators of the managerial staff of the Samruk-Kazyna JSC with actual values for 2012.

In 2012, one of the key activities of the Board of Directors was to implement the Program for Introduction to the Stock Market of the Shareholdings of Subsidiaries and Dependent Companies of Samruk-Kazyna JSC ("People's IPO").

At the meeting in praesentia of the Board of Directors of the Samruk-Kazyna JSC No.85 on October 29, 2012, issues were addressed with relation to price, quantity and organization of

placing of the ordinary shares of the first company introducing to the stock market under the Program – KazTransOil JSC.

At the results of meeting of the Board of Directors and with taking into account the recommendations from the international consultants – UBS and Kazkommerts Securities JSC, cost of an ordinary share of the KazTransOil JSC was established equal to KZT 725 Number of allotted shares was approved at the level of 10% minus one share of the total number of authorized ordinary shares of company, which equals to 38,463,559 common shares.

The Board of Directors approved Regulation for Corporate Management Assessment in the Samruk-Kazyna JSC, which was developed based on the Methodology for Corporate Management Diagnostics in the Samruk-Kazyna JSC group companies, elaborated in 2009 together with the consulting company – KPMG Tax & Advisory LLP (hereinafter – KPMG).

In the performance of the KPMG's recommendations on bringing the corporate risk management system in line with the international practice and the recommendations of the Internal Audit Service of the Samruk-Kazyna JSC, the Board of Directors approved alterations and amendments to Risk Management Policy, Regulations for Risk Identification and Assessment, and Regulations for Operational Risk Assessment and Management of the Samruk-Kazyna JSC.

There is an Industrial and Innovation Policy of the Samruk-Kazyna JSC approved, which is the main document regulating the innovation activities of the Samruk-Kazyna JSC group companies (hereinafter – Companies), and which establishes the procedure of interaction of Samruk-Kazyna JSC with the Companies with regard to innovations.

At the final meeting in 2012, the Board of Directors discussed the Report of the Internal Audit Service of the Samruk-Kazyna JSC, and approved 2013 Annual Audit Plan of the Internal Audit Service of the Samruk-Kazyna JSC, Annual Budget of the Samruk-Kazyna JSC, Register and Risk Map of the Samruk-Kazyna JSC, Action Plan of Critical Risk Management of the Samruk-Kazyna JSC, worked out proposals for the determination of risk appetite and holding power extent of the Samruk-Kazyna JSC, and Work Plan of the Board of Directors of the Samruk-Kazyna JSC.

COMMITTEES OF THE BOARD OF DIRECTORS

Committee of the Board of Directors	Date of establishment	Number of meetings during 2012
Audit Committee	December 13, 2008	10 (2 “in praesentia” and 8 “in absentia”)
Nomination and Remuneration Committee	January 15, 2010	3 “in praesentia”
Monitoring, Control and Analysis Committee	April 27, 2009	No meetings held
Specialized Committee	May 26, 2012	No meetings held

Audit Committee is responsible for efficacy analysis of the Fund's financial statements, internal control policies and procedures for risk identification, assessment and reporting. It also monitors integrity of the separate and consolidated financial statements of the Fund, holds in check liaison with the external auditors, including in terms of volume, level and costs of non-audit services performed by them, as well as controls the role and effectiveness of the Internal Audit Service.

In 2012, the Audit Committee held 10 meetings in all, including 2 “in praesentia” meetings, as against 12 meetings in 2011, of which 4 were “in praesentia”.

During the year, Audit Committee considered a number of issues related to internal audit, as well as reviewed 14 audit reports, including audits conducted with regard to:

- financial risk management (e.g., liquidity risk, repayment risk, interest-rate risk, foreign currency risk);
- activities of the different units of the Fund;
- motivation of employees of the Fund;
- automated generation and consolidation of the financial statements.

Additionally, Chairman of the Audit Committee held 3 “in praesentia” meetings out of the framework of Audit Committee meetings, but on issues within the competencies of the Audit Committee. Two of these meetings were held with the participation of 3 external auditors to discuss the results of their activities and to receive confirmation of their independence. Issues related to the remedial action plans for addressing significant weaknesses identified by the external auditors in the Fund group, were discussed with the external auditors at the meetings held by Audit Committee and the Chairman of Audit Committee, as well.

Besides, issues related to the Regulations on External Auditor Selection for the Fund group and structure of the United Commission for External Audit Selection and Tenderer Limitation, were considered by the Fund's management at the meetings held by Audit Committee and the Chairman of Audit Committee.

Also, Audit Committee considered several documents on the Risk Management System during the year and issued a number of

recommendations to the Fund's management for the improvement of maintenance of the risk management system's documentation.

There were three “in praesentia” meetings held by Nomination and Remuneration Committee in 2012.

Overall 9 issues were considered with regard to: long-term motivation of the management staff of the Samruk-Kazyna JSC group, an independent assessment of the activities of the Board of Directors of the Samruk-Kazyna JSC, determination of salaries, terms of remuneration and bonuses to the Chairman and Members of the Management Board of the Fund in 2012, key performance indicators of the managerial staff of the Fund, etc.

No meetings were held on **Monitoring, Control and Analysis Committee and Specialized Committee** in 2012.

Specialized Committee was founded in 2012 to implement the Law on Sovereign Wealth Fund of the Republic of Kazakhstan, dated February 1, 2012. Within the framework of activities of this Committee, a comprehensive and objective analysis to conducted with regard to the impact that the Fund group member organizations have on the development of economy or a single economic sector. Mr. B.B. Zhamishev, Minister of Finance and Member of the Board of Directors, was elected as a Chairman of the Specialized Committee.

Participation in the meetings of the Committees of the Board of Directors of the Samruk-Kazyna JSC in 2012

No.	Name of Committee, name of Member of the Board of Directors	Participation (%)
	AUDIT COMMITTEE (10 MEETINGS IN 2012: 2 "IN PRAESENTIA" AND 8 "IN ABSENTIA")	
1	Sir R. Evans – Independent Director	100
2	A.V. Mirchev – Independent Director	90
3	G.T. Moldazhanova – Independent Director	90
	NOMINATION AND REMUNERATION COMMITTEE (3 "IN PRAESENTIA" MEETINGS IN 2012)	
1	K.K. Massimov – Chief Executive Officer of Directors, Prime-Minister of the Republic of Kazakhstan (up to October 2012)	100
2	S.N. Akhmetov – Chairman of the Board of Directors, Prime-Minister of the Republic of Kazakhstan (from October 2012)	
3	Sir R. Evans – Independent Director	100
4	A.V. Mirchev – Independent Director	67
5	G.T. Moldazhanova – Independent Director	33
	MONITORING, CONTROL AND ANALYSIS COMMITTEE (NO MEETINGS HELD IN 2012)	
	SPECIALIZED COMMITTEE, ESTABLISHED IN 26 MAY 2012, BD MINUTES NO.80 (NO MEETINGS HELD IN 2012)	

MANAGEMENT BOARD OF THE FUND

Structure and curriculum vitae of the Members of the Management Board

Umirzak Yestayevich SHUKEYEV



Chief Executive Officer, Member of the Board of Directors since December 26, 2011.

He carries out a general management of the Samruk-Kazyna JSC and performs activities stipulated by law, by Charter of the Fund, and by the Fund's internal regulations as well.

2004–2005 – Deputy Chief Executive Officer, Member of the Management Board of the Center for Marketing and Analytical Research JSC.

2005 – Vice-President of the Ordabasy Corporation JSC, Chief Executive Officer of Directors of the InterKomShina JSC.

2005–2006 – Advisor to the Minister of Economy and Budget Planning of the Republic of Kazakhstan, Adviser to the Deputy Prime-Minister of the Republic of Kazakhstan.

2006–2007 – President of the Center for Trade Policy Development JSC under the Ministry of Industry and Trade of the Republic of Kazakhstan.

2007 – Vice-Minister of Industry and Trade of the Republic of Kazakhstan.

2008 – Head of the Social and Economic Monitoring Division of the Administration of the President of the Republic of Kazakhstan.

2008–2009 – Chief Executive Officer of the Arna Media National Information Holding JSC.

2009–2010 – Assistant to the President of the Republic of Kazakhstan.

2010–2011 – Vice-Minister of Economic Development and Trade of the Republic of Kazakhstan.

Since May 2011 – Deputy Chief Executive Officer of the Samruk-Kazyna JSC.

He determines and coordinates implementation of the Fund's long-term development strategy, innovation policy, Fund's policy in areas of investments, promoting of local content in the procurements and implementation of special sectoral programs, as well as coordinates provision of information and analytical support to the activities of the Fund.

He is a Chief Executive Officer of Directors of the Kazpost JSC and NAC Kazatomprom JSC, and the Supervisory Board of the United Chemical Company LLP. He is a member of the Board of Directors of Development Bank of Kazakhstan JSC and the Supervisory Board of the "SK-Pharmaceuticals".

Kuandyk Valikhanovich BISHIMBAYEV



Deputy Chief Executive Officer (since May 2011).

Born on April 11, 1980 in Kzyl-Orda, a citizen of the Republic of Kazakhstan.

He graduated from Kazakh State Academy of Management in 1999, and from Taraz State University named after M. Dulati in 2001. In 2001, under the "Bolashak" Program he took a Master in Business Administration from the George

Washington University (USA). Ph.D. in Economics.

He started his professional career in 2001 as a Chief Manager in the Kazakhstan Development Bank JSC.

2002–2003 – Head of Functional Analysis Unit of the Fiscal Policy and Planning Department, Deputy Head of Investment Planning and Analysis Division of the Strategic Planning and Investment Policy Department of the Ministry of Economy and Budget Planning of the Republic of Kazakhstan.

2003–2004 – Managing Director, Member of the Management Board of the National Innovation Fund JSC.

Yelena Leonidovna BAKHMUTOVA



Deputy Chief Executive Officer
(since January 2012)

Born on February 27, 1962 in Rostov-on-Don, a citizen of the Republic of Kazakhstan. She graduated from the Almaty National Economy Institute.

She started her professional career in 1983 and worked on a various positions in the enterprises of the real sector of economy up to 1993.

From 1993, she worked in the headquarters of the Ministry of Finance of the Republic of Kazakhstan, and leaded the Budget Department of the Ministry of Finance of the Republic of Kazakhstan.

From April 2001, she worked as Vice-Minister of Labor and Social Protection of Population of the Republic of Kazakhstan.

From August 2002, she worked as Director of the Department for Regulation of Pension Savings Funds of the National Bank of the Republic of Kazakhstan.

From September 2002, she worked as Director of the Financial Supervision Department of the National Bank of the Republic of Kazakhstan.

From January 2004, she worked as Deputy Chairman of the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations.

From January 2008, she was appointed to the post of the Chairman of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations.

Prior to her appointment as Deputy Head of the Samruk-Kazyna, she leaded a subsidiary company of the Fund, which controls the state-owned stockholdings of the BTA, Temirbank and Alliance banks.

She coordinates the Fund's activities on improvement of efficiency of the Fund's financial assets, implementation of financial strategy and efficient management of financial resources of the Fund and the companies.

She organizes development and implementation of accounting policy, borrowing policy, as well as dividend policy of the Fund.

She arranges interaction of the structural subdivisions of the Fund and the Companies with the financial organizations authorized by the agency responsible for regulation and supervision of financial market and financial organizations.

She is a member of the Board of Directors of the Damu Entrepreneurship Development Fund JSC.

Talgat Yesenaliyevich SARSENBAYEV



Managing Director – Member of the Management Board (since May 2012), a citizen of the Republic of Kazakhstan.

Education is higher. He graduated from Karaganda Higher School of the Ministry of Internal Affairs of the USSR. Doctor of Law, Professor.

He worked in the investigating authorities, and in the Karaganda Institute of Law named after B. Beysenov under the Ministry of Internal Affairs of the Republic of Kazakhstan, and in the Administration of the President of the Republic of Kazakhstan, and as Senior Assistant Prosecutor General at large, and as Advisor of the Embassy of the Republic of Kazakhstan in the Russian Federation, and as a Chief of Administration of the Senate of the Republic of Kazakhstan.

He coordinates the Fund's activities on legal support, including development of normative legal drafts, for which the Fund is in charge or should participate therein.

On behalf of the Chief Executive Officer of the Fund, he arranges the interaction with the Parliament of the Republic of Kazakhstan, Administration of the President of the Republic of Kazakhstan, Office of the Prime-Minister of the Republic of Kazakhstan, central government agencies and other authorities and organizations on the issues under its competency, including approval, consideration and adoption of normative acts developed by the Fund or related to its activities.

Nurlan Kusainovich RAKHMETOV



Managing Director – Member of the Management Board (since May 2011).

Born on September 24, 1965, in the West-Kazakhstan Region, a citizen of the Republic of Kazakhstan.

In 1987, he graduated from Moscow State University named after M.V. Lomonosov PhD in Physics and Mathematics.

1990–1991 – Junior Researcher in the Institute of Mathematics and Mechanics of the Academy of Science of the KazSSR.

1991–1996 – Senior Lecturer of the Department for Mathematical Analysis in the Almaty State University named after Abay.

1997–1998 – Economist, Head of Financial Planning Unit, Financial Officer, CFO of the BUTYA JSC.

1998 – Deputy Director General of the Kazakhstan Temir Zholy RPE.

1998–2001 – Director of the Department for Analysis and Forecasting of the Ministry of State Revenues of the Republic of Kazakhstan.

2001–2002 – Vice-Minister of the state revenues of the Republic of Kazakhstan.

2002–2003 – Vice-Minister of Finance of the Republic of Kazakhstan.

2003–2004 – Deputy General Director of the KazTransGas JSC and the Intergas Central Asia JSC.

2004–2006 – Managing Director for Economy and Finances of the NC KazMunayGas JSC.

2006–2008 – Chairman of Tax Committee of the Ministry of Finance of the Republic of Kazakhstan.

Since November 2008 – Managing Director of the Samruk-Kazyna JSC.

In May 2011, he was appointed Managing Director, Member of the Management Board of the Samruk-Kazyna JSC.

He coordinates the Fund's activities on planning and monitoring of the performance of the Fund's and Companies' development plans, Fund's budget, and optimizing of structure of the Fund's assets.

He provides organization of the business accounting and tax accounting of the Fund, independent auditing of the consolidated financial statements in accordance with the requirements of the legislation of the Republic of Kazakhstan.

He is a member of the Board of Directors of the NC KazMunayGas JSC and the Supervisory Board of the Samruk Kazyna Finance LLP.

3.4. SUMMARY ON REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS OF SAMRUK-KAZYNA JSC

The remuneration for the members of the Board is subject to the Terms of Remuneration and Bonus Award To the Chairman and Members of the Management Board of Samruk-Kazyna JSC adopted by the Fund's Board of Directors and includes a base salary, a non-recurrent bonus for the Independence Day of the Republic of Kazakhstan, as well as remuneration for the annual performance.

Remuneration for the annual performance shall be paid subject to the results of performance evaluation in order to reward for business achievements and efficiency increase.

Performance evaluation of the Chairman and the members of the Fund's Management Board is carried out by the Board of Directors of the Fund through application of the motivational key performance indicators (KPI).

Motivational KPI for the Chairman and Members of the Management Board of the Fund shall be developed by the Appointment and Remuneration Committee (ARC) of the Fund's Board of Directors

3.5. INTERNAL CONTROL AND AUDIT

In order to ensure the control over targeted and effective use of funds providing transparency and accountability of the funds and assets, a system of external and internal control is available within the Fund.

External control system provides the companies' resource efficiency evaluation, reveal of reserves for improvement of the financial-economic activity of companies, with taking into account the impact of companies on the development of economy of the Republic of Kazakhstan, and elaboration of recommendations aimed on improvement of financial and economic management processes.

Company performance evaluation is based on the results of comprehensive and objective analysis of impact that the Fund's group companies have on development of the economy or any industry, except for issues related to the use of resources of the National Fund of the Republic of Kazakhstan, republican budget, as well as guarantees and government assets.

For the implementation of this control a Specialized Committee is established under the Fund's Board of Directors, chaired by the Minister of Finance of the Republic of Kazakhstan.

Under the Record of the Board of Directors of the Fund No.80, dated May 26, 2012, Regulations on a Special Committee under the

through cascading of the Fund's strategic goals into specific indicators of business processes/activities, and shall be approved by the Board of Directors of the Fund.

The basic condition for remuneration is an availability of total consolidated profits in the reporting year.

Remuneration of the Chairman and Members of the Management Board shall be paid with consideration to the recommendations of the ARC based on the annual audited accounts, and within the framework of remuneration limits established by the Fund' Board of Directors, based on the Decision of the Board of Directors of the Fund.

Remuneration payment and refund of expenses to the Fund's Independent Directors shall be executed under the Regulation of Remuneration and Refund to the Fund's Independent Directors, adopted by the Decision of the Board of Directors of the Fund, dated April 27, 2009 (minutes No.18).

Board of Directors was adopted. The Regulations define objectives of the Special Committee under the Board of Directors of the Fund, its rights and obligations, forming procedure, as well as regulate convening and holding of its meetings, execution of resolutions, arrangement of works and implementation of its functions.

In 2013, a complex analysis is scheduled in major subsidiaries of the Fund: Samruk-Energo JSC, KEGOC JSC, and Kazakhstan Temir Zholy JSC.

On internal control system. Given the fact that the Fund operates considerable volumes of the governmental, own and borrowed funds, there is a well – defined and multilevel system built within the Fund for internal control over the targeted and effective use of funds and preservation of assets with a timely conduct of required events.

An Auditing and Control Department is operated within the Fund. One of the main functions of the Department is to conduct audits of subsidiaries. In accordance with the Law of the Republic of Kazakhstan On Sovereign Wealth Fund, the Auditing and Control Department carried out audits under the orders of the President of the Board of Directors with regard to the specified issues related to the activities of: NC KazMunayGas JSC, NC Kazakhstan Temir Zholy JSC, NAC Kazatomprom JSC, Samruk-Energo JSC, Damu JSC, Kazpost JSC, Kazakhstan Development Bank JSC, Kazyna

Capital Management JSC, and Investment Fund of Kazakhstan JSC. In accordance with the provisions of the Statute and other internal documents, audits were conducted in the following companies: Samruk-Kazyna Contract LLP, SK-Astana Corporate Fund, CF Islamic Culture and Education Support Fund, and NGO Cycling Federation of the Republic of Kazakhstan Certificates of audits was issued with recommendations on elimination of revealed deficiencies and irregularities.

Internal Audit

Internal audit services (hereinafter – IAS) directly reporting to the boards of directors of the Funds and respective companies, are operated within of the Fund and all of its subsidiary companies to organize and implement internal audits in the Fund group companies, to provide an independent and objective information to the boards of directors of companies, and to ensure an effective management of the companies.

The Fund carries out an ongoing work for methodological and organizational support to improvement of the internal audit. Particularly, the Fund provided regulations to arrange the IAS activities, viz. it developed, approved and implemented the following model regulations during the previous years:⁶

- Model Statute of the internal audit service of the joint-stock companies, more than 50 percent of voting stock of which is owned, directly or indirectly, by Samruk-Kazyna JSC,
- Recommendations for arrangement of internal audit in the joint-stock companies, more than 50 percent of voting stock of which is owned, directly or indirectly, by Samruk-Kazyna JSC,
- Model Regulations on internal control in the joint-stock companies, more than 50 percent of voting stock of which is owned, directly or indirectly, by Samruk-Kazyna JSC,
- Model Statute of the Audit Committee of the Board of Directors of the joint - stock companies, more than 50 percent of voting stock of which is owned, directly or indirectly, by Samruk-Kazyna JSC.

During the reporting period, the Fund continued to provide organizational and methodological support to the internal audit services of the Fund's companies, in result of which standard methodologies were elaborated and adopted for regulation of the IAS activities: methodology for performance evaluation of the IAS

and the manager of IAS, methodology for assessment of the internal control, methodology for assessment of the risk management efficiency, methodology of auditing of IT, methodology of strategic planning for the IAS, budgeting methodology, and IAS model page on the company's website.

Besides, qualifying requirements for the managers of the IAS were regulated by Model Statute of the IAS in order to strengthen requirements to the managerial skills of IAS executives, viz.: obligatory requirement of Auditor Qualifying Certificate and/or CIA certification and/or ACCA certification and/or ACCA DiplFR and/or CIPA certification, and not less than seven years of working experience in auditing and/or accounting and/or finance.

Based on the results of the Fund's activity aimed on providing of effective operation of internal audit services within the Fund group companies, internal audit services of companies shall comply with the following basic requirements of the Fund in order to bend their efforts to the substantial risks of the companies and to make IAS actually benefit and contribute to the companies' goal achievement:

1. Internal audit service shall act on basis of the statutes and regulations (reglaments).
2. High qualification requirements are available for the manager of internal audit service. Availability of qualified professionals with knowledge on specifics of industry is obligatory.
3. Internal audit service shall report directly to the Board of Directors of the company.
4. Annual audit program of the IAS shall be approved annually by the Board of Directors, based on the company's risk analysis. A mechanism shall be adopted for IAS's reporting to the board of directors, including submittal of the IAS's quarterly and annual reports to the consideration of the board of directors.
5. Companies shall adopt action plan for elimination of the revealed deficiencies and irregularities, based on the recommendations of the IAS, as well as IAS shall monitor implementation of this plan.
6. The Board of Directors shall regularly assess skill level of internal auditors.

The Fund carries out actions for improvement of internal audit services of the companies on continuing basis. In the reporting year, the Fund provided managers and employees of the internal audit services with preparation training for CIA international certification.

⁶ published on the website <http://www.sk.kz/page/audit>

3.6. RISK MANAGEMENT

In order to ensure sustainable development of the Fund group companies, the risk-oriented approach is applied to carry out corporate decision making.

Basic principles of the risk management in the Fund:

integrity – consideration of the elements of the Fund group's overall risk from the aspect of the corporate framework of risk management,

openness – prohibition for corporate risk management to be considered as stand - alone or separated,

structuredness – integrated risk management has a well-defined structure,

awareness – risk management to be accompanied by availability of objective, reliable and up-to-date information,

continuity – risk management to be carried out on continuing basis;

cyclicity – risk management is continually repetitive cycling of its main components.

The Fund annually updates the Risk and Control Matrix, key risk indicators, and Fund's critical risk register and consolidated map of the critical risks. To manage critical risks, a program for their management is adopted. In the course of activities, Fund's management permanently considers risks and makes decisions to avoid irreversible effects. In order to tighten control, credit risk management and insurance protection of the Fund were strengthened. It should be noted as well that within the frameworks of Debt Management and Financial Sustainability Policy, subsidiaries provide quarterly reports on compliance with the financial stability ratios in order to identify breaches of the threshold capacity of borrowings and financial risk management.

Started from first half year 2012, quarterly reports on risks, risk maps and significant risk management plans shall be submitted for consideration of the Board of Directors/Supervisory Boards of the subsidiary companies. The Board of Directors and the Management Board of the Fund appreciate risk management to ensure sustainable growth. To manage risks effectively, the risk management is integrated with other management systems: strategic planning, budgeting, and investment activities.

Strategic planning

When determining the overall development strategy of the Fund for a decennial period, actions shall be undertaken to identify and assess the risks that may affect the achievement of the long-term objectives of the Fund.

Budgeting and investment activities

Within the framework of budget planning, risks that could affect the performance efficiency shall be taken into account in the development plans of the subsidiaries and affiliated companies.

Within the framework of investment policy approved by the Fund's Board of Directors, mapping of risks and mitigation measures shall be defined for each investment project.

In the Fund group, events on raising awareness of the staff regarding the risk management, training courses and seminars are conducted on continuing basis.

There is a non-exhaustive list of risks below.

Financial losses in consequence of accidents (fire, explosion, flooding, damage and related interruptions of production, environmental damage, work-related injuries, etc.)

Actions undertaken:

- round rides and examinations, unannounced inspection of workplaces (working crews), technical trainings for maintenance and repair personnel, emergency and fire-fighting trainings, pre-shift medical examination, lectures and seminars on prevention of injuries and accidents at work, and implementation of corporate insurance program 2012.

Unauthorized stop - work meetings and strikes, worsening of social instability in the regions

Actions undertaken:

- Center for Social Partnership operates to improve best practices in regulation of social and labor relations;
- Standard forms of documents for regulation of social support issues were elaborated;
- Acton Plan of the Akimat of Mangistau Region and NC KazMunayGas JSC on social responsibility and sustainable development of Mangistau region for October – December 2012 was implemented;
- a forecasting map of social tensions was developed for the regions of production presence;
- work was organized to address corporate social responsibility issues, including: annual meetings of the top managers with the production teams, feedback between management and personnel, awareness-raising actions at factories, meetings between management and work collective of manufacturing entities.

The risk of non-achievement of targets of the "People's IPO" Program

Program on public offering of KazTransOil stocks in the market was successfully implemented.

During the first quarter of 2013, companies participating in the "People's IPO" Program (KEGOC JSC, KazTransGas JSC, Samruk-Energo JSC) carried out the preparatory measures under the adopted plan, including cooperation with independent consultants to adapt internal documents and processes in accordance with international requirements.

In addition, the Fund and companies initiated alterations to the regulations in order to avoid legal restrictions and enhance the attractiveness of the companies' stock.

Default on troubled banks

BTA Bank liabilities were restructured; merger of Alliance Bank JSC and Temirbank JSC is in process. Besides, preparations to selling of Fund's STB are carried out in accordance with the assignment of the Head of State.

Risk of insufficient liquidity to carry out operational, investment, and financial activities, and risk of adverse change of raw-material prices

Business of the several companies of the Fund group is subject to risk of adverse conjuncture in the raw-material market. Thus, decisions on expediency of hedging from price risks are made based on forecasts of world commodity prices and analysis of financial indicator sensitivity to prices.

Adverse changes in the global economy lead to a shortage of funds for the businesses of the Fund group companies that, in turn, may jeopardize implementation of investment projects, to feasibility of operations, and to some companies default. Fund provides supervision of compliance with the established liquidity ratios. If required, the Management Board and the Board of Directors consider financial sustainability of the major companies of Fund group, as well as possible ways to respond to adverse development scenarios. Elaboration of mechanisms commenced to foresight liquidities for providing of "airbag" from the risk of liquidity shortage, and actuating of the Fund's guarantees, as well as concept of centralized treasury for more effective cash management in the Fund group. For the Fund group the liquidity loss risk is correlated with risk of decline of the oil prices.

Action undertaken:

- Debt Management and Financial Sustainability Policy of the Fund group, Regulations for granting of the Fund's guarantees, and Single Policy of Money Management of the Fund (including – the list of authorized financial instruments), were adopted as well as credit risk management policies were strengthened in the Fund.
- KMG carries out mathematical modeling of price risk every 10 days by use of the Cash Flow/Earnings at Risk price risk assessment model in order to identify the worst changes of the oil prices and to determine optimal volume for hedging oil in the case of predictable breaches of covenants, which will guarantee covenants from breaches for a period of 1–3 years with probability of 95–99%.

Credit risk

Procedures of credit risk management were strengthened.

Unfavorable currency fluctuations

The Group is subject to risk of unfavorable exchange rates. The Group attracts borrowings from both external and domestic markets, which allows reducing of currency risk. In order to avoid undesirable consequences, regular analysis of exposure is carried out and the corresponding measures are undertaken.

Fluctuations of floating interest rates

Generally, exposure to interest rate relates to the long-term liabilities of the Fund group companies with floating interest rates. Rising expenditures related to servicing of loans, may have a negative impact on the solvency. Management of this risk is carried out mainly by use of combination of fixed and floating interest rates on loans.



ACTIVITY OF SUBSIDIARIES AND AFFILIATE COMPANIES

Industrial group

Infrastructure group

Financial group

4.1. INDUSTRIAL GROUP

4.1.1. NATIONAL COMPANY KAZMUNAYGAS JSC

www.kmg.kz



NC KazMunayGas JSC (hereinafter – KGM, KazMunayGas) is a national company for exploration, production, refining and transportation of hydrocarbons, which represents state interest in oil and gas industry of Kazakhstan; 100% of the company's shares belong to Samruk-Kazyna JSC.

KazMunayGas was established by merger of KazakhOil National Oil & Gas Company and Oil & Gas Transport National Company under the Decree of the President of the Republic of Kazakhstan No.811, dated February 20, 2002.

In 2012, KMG, taking into consideration the changes of internal and external conditions that seriously impact to the company's activities, has developed and approved 2012–2022 Development Strategy of NC KazMunayGas JSC.

According to the Development Strategy, the main strategic goal of KMG is to maximize shareholder value by appreciation of long-term value of assets and support to modernization and diversification of the national economy.

Mission – to ensure maximum benefits for the Republic of Kazakhstan from participation in the development of the national oil and gas industry.

Vision – KMG is a highly efficient and competitive, integrated oil and gas company complying with the highest safety standards.

Ambitions of KazMunayGas – enter the world top thirty oil and gas companies by increasing to 2022 its reserves of liquid hydrocarbons (oil and condensate) up to 1413 mln tons, and oil production – up to 35.4 mln tons per year.

TABLE 5. Key Production Indicators *

	2012	2011	2010	2009
Production of Oil and Gas Condensate, thous. tons	21,390	21,105	21,969	18,701 ⁷
Gas Production, mln m ³ ⁸	5,528	4,850	4,912	4,332

⁷ Consolidated production by share of PetroKazakhstan in oil production.

⁸ Natural and associated gas. Including gas production of Karachaganak Petroleum Operating B.V. during 6 months of 2012.

The basic activities of KazMunayGas are: participation in government, policy with regard to oil and gas industry, representation of government interests in subsoil use agreements through equity participation in contracts, corporate management and issues related to exploration, production, refining and transportation of hydrocarbons, design, construction and operation of oil and gas pipelines as well as oil and gas infrastructure.

Key financial indicators of the KMG are presented in Table 4 and are indicative of the positive dynamics.

TABLE 4. Key Financial Indicators, KZT mln

	2012	2011
Total Income	3,101,218	2,787,707
Total Expenditures	2,982,379	2,689,116
Annual Profit/(loss)	413,423	478,714

Shareholders of the North Caspian Operating Company (NCOG, North-Caspian Project operator) are intended to extend for five months the commencement deadline of commercial extraction of oil from the Kashagan field. December 2012 – June 2013 are the expected dates on commencement of commercial extraction from the Kashagan oilfield; phase I of this Project estimates production of about 370 thous. barrels of oil per day with a possible increase to 450 thous. barrels. Phase II estimates increase of production to 375 thous. barrels per day for the next three years, at least. Agip is responsible for implementation of the offshore projects, while Shell and Exxon – for onshore and boring.

At year – end of 2012, KazMunayGas holds leading position by production activity in the oil and gas industry of the country (Table 5).

	2012	2011	2010	2009
Oil Transportation by Main Pipelines, mln tons ⁹	65.8	66.87	65.83	64.19
Sea Transportation of Oil, thous. tons	11,355	9,234	7,082	7,363
Gas Transportation by Main Pipelines, bln m ³	109.19	110.55 ¹⁰	101.65	91.1
Refining of Raw Hydrocarbons, thous. tons	15,884	15,326	14,766	12,758

* may vary slightly from rounded data of production blocs.

4.1.2. NATIONAL ATOMIC COMPANY KAZATOMPROM JSC

www.kazatomprom.kz



The basic activities of NAC Kazatomprom JSC (hereinafter – KAP) are:

- uranium mining, processing and sale of uranium production;
- manufacture and sale of products made of beryllium, tantalum, as well as scientific researches and development;
- production and sale of electricity, heat energy and water.

KAP is the largest uranium mining company in the world.

Key Performance Indicators of the KAP are presented in Table 6.

TABLE 6. Key Performance Indicators

	2012	2011
Uranium production of the KAP as of stockholdings in all Subsidiaries and Affiliated Companies, tons	11,931	11,079
Stated Dividends, KZT mln	23,501	8,852
Total number of staff in all businesses, persons	25,101	24,707

Main Consolidated Financial Results in 2011 and 2012 are presented in Table 7.

TABLE 7. Key Financial Indicators, KZT mln

	2012	2011
Total Income	321,746	321,951
Annual Profit/(loss)	51,997	79,689
Cost of Sales	243,907	235,359

In 2012, Consolidated Financial Results of NAC Kazatomprom JSC were lower than the same in 2011. First of all, this dynamics

was influenced by changes in the organization of the NAC Kazatomprom's JSC group companies, by force majeure with supply of production to the PRC, as well as macroeconomic trends of 2012, which led to the lower prices of the selling production.

Net profit of NAC Kazatomprom JSC in 2012 totaled to KZT 51 997 mln, which is 35% lower than the same in year 2011.

Major Investment Projects

1. Project on establishment of pilot production of the compound carbonates and individual compounds of rare-earth metals

Project on establishment of pilot production of the compound carbonates and individual compounds of rare-earth metals is implemented by Joint Venture SARECO LLP (51% – NAC Kazatomprom JSC, 49% – Sumitomo Corporation), established in May 2010. The project presupposes construction and operation of ore – dressing and processing enterprise and hydrometallurgical production of rare-earth concentrates (hereinafter – REC) in Stepnogorsk.

In 2012, the following actions were undertaken:

- The first stage production was accepted into service by the government commission;
- opening took place on 25 December 2012 during a video conference dedicated to the Industrialization Day of the Republic of Kazakhstan with participation of Heads of State.

2. Project on establishment of the production of photovoltaic modules on the basis of the Kazakhstan silicon

The project is aimed at diversification of activities of NAC Kazatomprom JSC through the establishment of new productions for the RK – photovoltaic plates and modules – based on transfer of advanced world technologies and 100% use of Kazakhstan silicon as a main raw material.

The project consists of 4 parts:

- 1) quartz mining, Sarykul deposit, Ushtobe Town, Almaty Region (Quartz LLP);

⁹ Including oil transportation by main pipelines of KazTransOil JSC and transportation companies MunayTas North-West Pipeline Company JSC (51%) and Kazakhstan - China Pipeline LLP (50%).

¹⁰ Including 100% of Asian Gas Pipeline LLP – 11.414 bln cub. m

- 2) establishment of metallurgical production based on Kazakhstan high-frequency quartz – metallurgical silicon production, Ushtope Town, Almaty Region (KazSilicon MC LLP);
- 3) establishment of photovoltaic plate production with use of Kazakhstan silicon as main raw material – Photovoltaic Plate Factory in Ust-Kamenogorsk, East-Kazakhstan Region (Kazakhstan Solar Silicon LLP);

- 4) Photovoltaic Module Assembling Plant, Astana (Astana Solar LLP).

On 25 December 2012, the official opening of the Astana plant took place with participation of N.A. Nazarbayev, Head of State, and first modules were manufactured.

4.1.3. UNITED CHEMICAL COMPANY LLP

www.ucc.com.kz



The United Chemical Company Limited Liability Partnership (hereinafter – UCC, the Company) was established on 22 January 2009 under the Decision of the Board of Directors of Samruk-Kazyna JSC, dated November 28, 2008. The sole owner to the UCC is Samruk-Kazyna JSC.

The Company's mission is development of the chemical industry to turn it into one of the most advanced industries of Kazakhstan economy.

Main objectives of the Company are:

- Development and implementation of investment projects in the chemical industry,
- Performance improvement and maximization of the values of subsidiaries and affiliated companies.

Paid – in statutory fund of the Company amounts to KZT 40 bln (as of December 31, 2012).

Strategic goal of the Company is long-term growth of value through effective management of investment portfolio in the chemical market of Kazakhstan.

Strategic development directions of the Company:

- Persistent appreciation of value of the assets.
- Service support.
- Efficient corporate management.

Main consolidated financial results of 2011 and 2012 are presented in Table 8.

TABLE 8. Key Financial Indicators, KZT mln

	2012	2011
Total Income	361.7	77.0
Total Expenditures	1,364.7	1,127.8
Annual Profit/(loss)	-1,393	-1,055

UCC is a holding entity, which participates in development of chemical industry in the Republic of Kazakhstan by elaboration and implementation of investment projects aimed on in depth processing of domestic hydrocarbon and mineral raw materials to produce state of the art chemical products demanded in the local and world markets.

Key operation results of the UCC in 2011 and 2012 are presented in Table 9.

TABLE 9. Key Operating Indicators of UCC

	2012	2011
Number of projects under implementation	10	4
Number of approved transactions on acquisition and generation of assets	6	–

UCC Key Events in 2012:

- In March, the UCC joined to participants of KLPE LLP, which is an operator of the Project on Construction of Integrated Gas Chemical Complex in Atyrau Region – second phase (polyethylene);
- In April, the UCC has acquired from KazMunayGas EP JSC 51% shares of KPI Inc. LLP (from October 2009 – under trust managing of UCC);
- In May, an agreement was concluded between UCC and Jurong International Holding Pte (Singapore) on cooperation for management of the chemical technical parks in the Republic of Kazakhstan;
- In May, a Memorandum on Scientific and Technological Cooperation and Training of Specialist for the Chemical Manufactures was concluded with Kazakh National University named after Al-Farabi;
- In June, a strategy was adopted for Innovative-Technological Development until 2020;
- In July, a specialized engineering company – UCC Engineering LLP – was established;
- In September, the UCC joined to the participants of Polymer Production LLP, which is an operator of the project on polymer production in Atyrau Region;
- In November, “Taraz” Chemical Park SEZ was established by Decree of N.A. Nazarbayev, President of the Republic of Kazakhstan;

- In December, CHEM-plus LLP was established, which is an operator of the projects on production of phosphorus trichloride, caustic soda, chlorine, and glyphosate.

UCC participates in implementation of the following investment projects:

- Reconstruction of vitriol plant in Stepnogorsk with annual output of 180 thousand tons;
- Construction of an integrated gas chemical complex in Atyrau Region – first phase (polypropylene);

- Construction of an integrated gas chemical complex in Atyrau Region – first phase (polyethylene);
- Establishment of “Taraz” Chemical Park Special Economic Zone
- Production of phosphorus trichloride;
- Production of caustic soda and chlorine;
- Production of glyphosate (herbicide).
- Production of hydrocyanic acid and sodium cyanide;
- Organization of petrochemical production based on the raw materials from Kashagan and Karachaganak fields.
- Production of polymer products in Atyrau Region.

4.1.4. TAU-KEN SAMRUK JSC

www.tks.kz



Tau-Ken Samruk JSC, National Mining Company (hereinafter – Tau-Ken Samruk JSC, the Company) was established for implementation of activities in the areas of exploration, development, extraction, processing and selling of solid minerals, as well as reproduction of the mineral resources of the Republic of Kazakhstan.

Mission – to ensure appreciation of value of the assets and provide competitiveness of the mining and smelting production. To ensure efficient exploration, production and processing of solid minerals, in partnership with the private sector and with care to the environment and future generations.

Main strategic businesses of Tau-Ken Samruk JSC are:

- Making available the high-quality and long-term resources of higher-priority solid minerals and providing their exploration.
- Compose of portfolio of assets in the areas of exploration, production and processing of solid minerals.
- Research and Development (innovation activity) of project.

Tau-Ken Samruk JSC will implement a strategy for value appreciation through an effective exploitation of higher-priority solid minerals, integration of business assets, and use of modern technologies.

Key Financial Indicators of the Tau-Ken Samruk JSC

Financial and economic performance of the company in 2012 is presented in the Profit and Losses Report (Table 10).

TABLE 10. Report on Profit and Losses to the year – end of 2012, KZT thousand

No.	Description	Target	Actual	Deviation	
				+/-	%
1	Income from the sale of products/services	–	–	–	–
2	Financial income	141,446	170,680	29,234	121
3	Other income	9,558	5,138	-4,420	54
4	Cost of Sold goods/services	–	–	–	–
5	Transportation and sales costs	–	–	–	–
6	General and administrative expenses	1,171,420	775,376	-396,044	66
7	Other operation expenses	32,375	763	-31,612	2
8	Costs of CIT	21,427	7,812	-13,615	36
9	Net profit (loss)	-1,074,218	-608,133	466,085	57

* - according to the audited financial statements of 2012 .

Reduction of losses by KZT 466 mln in 2012 plan took place due to cut of general and administrative costs (G&A) by KZT 396 mln, other operating costs – by KZT 32 mln, and growth of financial income by KZT 29 mln.

Decrease of G&A is mainly caused by: postponement to the first quarter of 2013 of the services, amounted to KZT 218 mln, stipulated for elaboration of the Master Plan for Development of Mining and Metallurgical Industry of the Republic of Kazakhstan

up to 2030; non spending of amount equal to KZT 85 mln provided for exploration of Albion process, because of the lack of subsoil use contract under the Project on Exploration of Complex Ore in the Alaygyr deposit; reduction of staff costs by KZT 31 mln due insufficient staffing; costs reduction under the on other third-party services by KZT 38 mln.

Growth of financial revenue and reduction of other operating costs took place due to the cancellation of contract with the TCS Oberreuther and reduction of amount prepaid under the contracts for equipment delivery and construction of the refining plant. Therefore, bank deposit agreements were not terminated, an

4.1.5. NC KAZAKHSTAN ENGINEERING JSC

www.ke.kz



National Company Kazakhstan Engineering JSC (hereinafter – the Company) is a holding entity that provides common financial, industrial and technology policy in the major military enterprises of the republic. The Company includes 34 entities, of which 15 are engineering plants. The sole shareholder of the Company is Samruk-Kazyna JSC.

The Company's enterprises are specialized in products and services for customers from oil and gas, rail-road, agro-industrial and heat power industries, as well as in manufacture and repair of weapons and military equipment.

Company's mission is to ensure the participation in implementation of the government policy in the areas of development, production and sale of the military, dual-purpose and civil production, elaboration and implementation of programs on development and production of the military, dual-purpose and civil for domestic consumption and for export.

Main activities of the Company are:

- machine building,
- production and maintenance of defense – purpose products,
- engineering.

The **goal** is to become an efficient machine-building holding company that unites a number of industrial enterprises, which production is called – for in the targeted domestic market and abroad.

According to the Company's financial and economic performance data for 2012, total income amounted to KZT 53,107 mln, including sales of products and services for KZT 52,154 mln, which exceeds the target by 1.3 times. Compared to the same period last year, the sales of products and services produced grew by 1.6 times or

additional income equal to KZT 29 mln was received, and KZT 32 mln penalties for early termination were not imposed.

Investment projects

1. Project on Exploration and production of gold in Foothill Ketmen area of Almaty Region.
2. Project on Exploration and production of gold and copper in Eshkeolmes deposit of Akmola Region.
3. Project on Exploration and production of titanium-magnetite ores in Western Sayak deposit of Karaganda Region.
4. Project on Exploration of manganese ores in Zhaksylyk area of Akmola Region.

KZT 18,530 mln, due to increase of State Defense Order for the special and dual – use products (by 1.5 times) and civil goods (by 1.2 times).

TABLE 11. Key Financial Indicators, KZT mln

	2012	2011
Total Income	53,107	34,256
Total Expenditures	48,875	32,137
Annual Profit/(loss)	4,559	2,264

In the reporting period, **income** amounted to KZT 53,107 mln, which exceeds the target by 1.3 times or KZT 13,620 mln.

In the reporting period, **expenditures** amounted to KZT 48,875 mln with target equal to KZT 37,654 mln (130%) or exceeds by KZT 11,221 mln.

Annual **net consolidated profit** amounted to KZT 4,559 mln in 2012 (target – KZT 1,753 mln; 282.9% to target), which is 2 times higher than the same in 2011.

The profitability of the activities is equal to 9%, while it was targeted at 4.7% level.

Consolidated assets to the year – end of 2012 amounted to KZT 45.9 bln and increased by 1.7 times in comparison with 2011.

Overall **labor productivity** for the Company group amounted to KZT 10,763 thous. per employee, while was planned at KZT 8,512 thous. level, and execution of plan equals to 126%. In comparison with the same in 2011, labor productivity grew by 1.6 times and is 2.5 times higher than average performance rate in the industry (according to the Program for the Development of Machine Building in the RK in 2010–2014, the target for 2012 was KZT 4,3 thous. per employee).

Average monthly salary of production staff was equal to KZT 113.5 thous. in 2012, which grew by 51% compared to 2011 (KZT 75 thous.). At the same time, average salary of employees of the manufacturing industry of Kazakhstan is KZT 106 thous., in accordance with statistical data.

Total **capital investments** in the reporting period totaled KZT 9,652 mln, while was planned KZT 15,489 mln (performance to plan – 62%). Failure to perform the planned investments was connected with postponement to 2013 of the Company's capitalization from the republican budget to the extent of KZT 9,375 mln.

Key Events in 2012:

- Opening of the helicopter production and maintenance plant (Eurocopter LPP, June 2012);
- KADEX-2012 high-level international exhibition in Astana. Long-term contracts, up to 2020, were concluded with the world leading companies to the total amount of US\$ 1.8 bln;
- Corporate management rating (KPMG) of 44% was given;
- Moody's credit rating was given at the level of Ba2;
- New Charter of the Company was adopted for distribution of authority and redistribution of competencies within the framework of the Fund's policy;
- Project of Munaymash JSC on Modernization of Machining Process of Oil Industry Products was put into operation.

4.2. INFRASTRUCTURE GROUP

4.2.1. «KEGOC» JSC



Joint-stock company "KEGOC" is a company managing the National Electric Network of the Republic of Kazakhstan and is a system operator of the Unified Electric Power System of the Republic of Kazakhstan (hereinafter – the KEGOC JSC, the Company).

Mission – to ensure reliable operation and efficient development of the United Electric Power System of the Republic of Kazakhstan in accordance with the modern technical, economic and environmental requirements as well as safety and health standards.

Vision – in 2025, the KEGOC JSC will become a world-class company and turn into regional-scale center of competencies in the electric power industry.

Main strategic goal – to ensure the Company's competitiveness in the global economy.

Authorized capital of the KEGOC JSC is KZT 106,842.972 mln. Number of authorized shares is 10,767,297.

Financial and Economic Indicators

Total income of the Company has amounted to KZT 71,674 mln in 2012, which exceeds the same in 2011 by 10.5%. The Company's profit in 2012 was equal to KZT 6,941 mln, which is 12.7% less than in 2011 (Table 12).

TABLE 12. Key Financial Indicators, KZT mln

	2012	2011
Total Income	71,674	64,853
Total Expenditures	63,189	54,152
Annual Profit/(loss)	6,941	7,822

In 2012, annual profits were impacted by the losses resulted from currency exchange fluctuations.

In 2013, the Company expects to secure net income to the tune of KZT 8,489.9 mln.

Production Capacity and Assets Profile

The main asset of the Company is the NEN, which consists of 24,427.74 km of high-tension (35–1150 kV) transmission lines and 76 electric substations with installed capacities of 35,535.65 MVA. They provide cross-border flows of electricity, electricity supply from the power plants and serve as a linkage between regional power suppliers and major consumers.

Investment Activity

In 2012, the KEGOC JSC has finished the construction under the Project on Power Output of Moynak HPP.

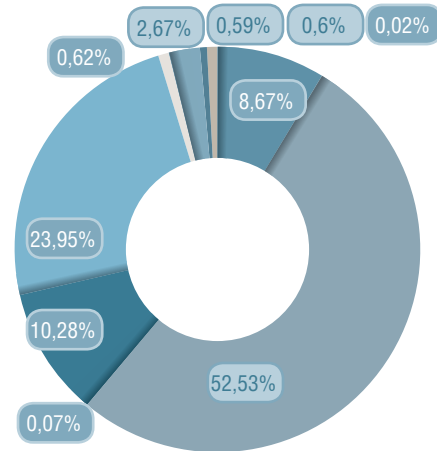
Project implementation period: 2010–2012. Cost of the Project: KZT 9.8 bln, VAT inclusive.

In 2012, the Company continued implementation of the following projects:

- Project on Modernization of Kazakhstan National Electric Network, phase II. Project implementation period: 2010–2016. Cost of the Project: KZT 52.01 bln.
- Project on Construction of 500/220 kV Alma Substation with Linking – Up to the Kazakhstan NEN by 500, 220 kV lines. Project implementation period: 2009–2014. Cost of the Project: KZT 29.97 bln, VAT inclusive.
- Project on Reconstruction of 220 kV high-tension lines at the MSDS – Osakarovka. Project implementation period: 2010–2014. Cost of the Project: KZT 4.0 bln, VAT inclusive.

In 2012, disbursed capital investments totaled KZT 24,531 mln (Chart 4).

CHART 4. Disbursed Capital Investments Composition in 2012, KZT mln



- Strengthening the linkage of Pavlodar power node with Kazakhstan UEPS
- Project on Modernization of the NEN, II stage
- Construction of the second 500kV transmission line for Kazakhstan North-South transit
- Power Output of the Moynak HPP
- Construction of 500/220kV Alma Substation with Linking-Up to the Kazakhstan NEN by 500, 220kV lines
- Reconstruction of 220kV high-tension lines at MSDS-Osakarova
- Office Building Construction
- Construction of 500kV HT line Ekibastuz – SHHP (Semey) – Ust Kamenigorsk
- Construction of 500kV HT line SHPP (Semey) – Aktogay–Taldykorgan–Alma
- Investments for preservation of current production

4.2.2 SAMRUK-ENERGY JSC

www.samruk-energy.kz



Shareholder of the Samruk-Energy JSC (hereinafter – the Company) is the Samruk-Kazyna JSC, which owns 100% of the Company’s shares. Profile of the Samruk-Energy’s JSC assets consists of 37 companies on 4 levels.

Authorized capital of the Samruk-Energy JSC is KZT 222,869 mln. Number of authorized shares of the Company is 5,602,187; number of issued shares is 5,418,513.

Company Mission

In order to support rapid growth of the country’s economy and raise of living standards of Kazakhstan people, provide the safe and

efficient production and delivery of electric and thermal energy, as well as coal, within the framework of global energy – related environmental initiatives and through sustainable development.

Company Vision

Competitive power – supply holding of the Eurasian importance.

Company Objectives

Main objective is to ensure reliable supply of electricity and coal, as well as to provide the stability of the UEPS of the Republic of Kazakhstan.

This objective will be achieved by the Company through implementation of the following:

- 1) establishing control of the stations of national importance,
- 2) providing optimization of the generation pattern,

- 3) ensuring spare capacities,
- 4) centralizing the sales of exported/imported electricity and expanding the export potential.

Financial and Economic Activity

In 2012, income of the Company has amounted to KZT 102.837 bln, which is by 8.8% more than the same in 2011. Annual net profit in 2012 has amounted to KZT 18,631 mln. In comparison with the previous year (2011), profit has increased by KZT 3,705 mln or 24.8% (Table 13).

TABLE 13. Key Financial Indicators, KZT mln

	2012	2011
Total Income	102,837	94,558
Total Expenditures	92,760	75,987
Annual Profit/(loss)	18,631	14,926

Key Performance Indicators

Electric power production in 2012 totaled to 17 bln 418 mln kWh, or 130% to 2011.

Heat energy production was 7 mln 471 thous. Gcal, or 96,3% to 2011.

44 mln tons of coal were extracted, which is more than in 2011 by 8.3%

Investment Activity

The Company's investment activity is a capital-intensive business. Financing of the projects is carried out (and this is planned for future as well) on own expense of the Company and the SACs, by funds of the republican government budget and the National Fund, as well as borrowings from Kazakh and international financial institutions. Because of large investments and longer term of implementation, Kazakh and foreign banks pay special attention to economic efficiency and environmental compliance indicators of the projects.

The Company's portfolio of investment projects includes 12 projects, which implementation will allow covering the shortage of electric energy supply and power capacity in Kazakhstan through increasing of installed capacities of the available power plants and building of new ones. Four of these projects are implemented within the framework of the National Program for Boosted Industrial – Innovation Development of Kazakhstan (NPBIID), and 7 – under the Industrialization Map.

4.2.3. KAZAKHTELECOM JSC

www.telecom.kz



Joint-stock company "Kazakhtelecom" (hereinafter – the Kazakhtelecom JSC, the Company) is the largest communication operator in the Republic of Kazakhstan, which provides a wide range of information and communication services.

Planned modernization and continuous development of telecommunication networks carried out by the Company in order to increase the quality of rendered services, had stimulated an increase of demand and consumption of telecommunicating services and put an impact on the Company's incomes.

The Kazakhtelecom JSC is a legal entity with centralized management, which is composed of 23 branch offices as well as representatives in the Russian Federation and the People's Republic of China. The Company's headquarters is located in Astana – the capital city of Kazakhstan. About 30 thous. persons are employed by the Company.

During 2012, the Company has rendered services to more than 4 mln fixed-line subscribers. Telephone density in the Republic of Kazakhstan averages 24.3 fixed telephone lines per 100 people.

Number of users of the Internet access provided by the Kazakhtelecom JSC exceeded 3.2 mln to the end of 2012, including 3 mln users of the broadband Internet.

The Company's telecommunications network is connected to the networks of more than 120 communication operators of the Republic of Kazakhstan. Besides, the Kazakhtelecom JSC closely co-operates with more than 40 operators from near and far abroad.

Key Financial Indicators

Planned modernization and continuous development of telecommunication networks that was carried out by the Company in order to increase the quality of rendered services, had stimulated an increase of demand and consumption of telecommunicating services and put an impact on the Company's incomes (Table 14).

TABLE 14. Key Financial Indicators

	2012	2011
Total Income	384,153,203	212,081,330
Total Expenditures	157,657,086	157,799,513
Total Profit	222,143,376	50,183,652

Total income in 2012 has amounted to KZT 384,153.20 mln, including income of the closed – down GSM Kazakhstan LLP,

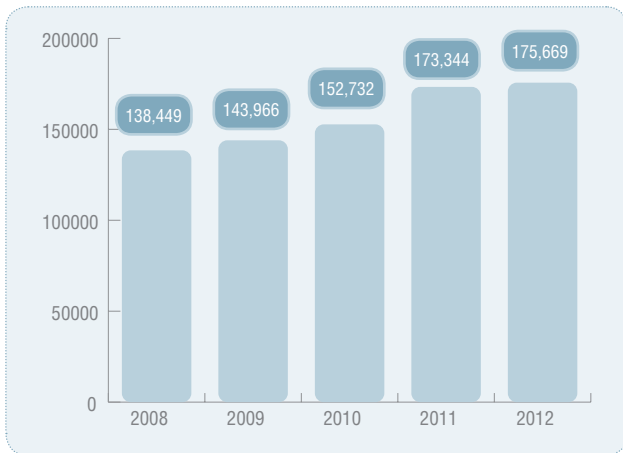
which is a significant growth (by 81.1%) in comparison with the same in 2011.

Total expenditures have amounted to KZT 157,657.09 mln, which is almost the same as in 2011 with insignificant reduction of 0.09%.

Total profit is equal to KZT 222,143.37 mln, including income of the closed – down GSM Kazakhstan LLP, which is significantly above the same in 2011 by more than 4.4 times.

In 2012, business income from the main activities of the Kazakhtelecom JSC group companies totaled to KZT 175,668.96 mln with increase by 1.3% over the same in 2011 (Chart 5).

CHART 5. Flow of Income from Main Activities, KZT mln



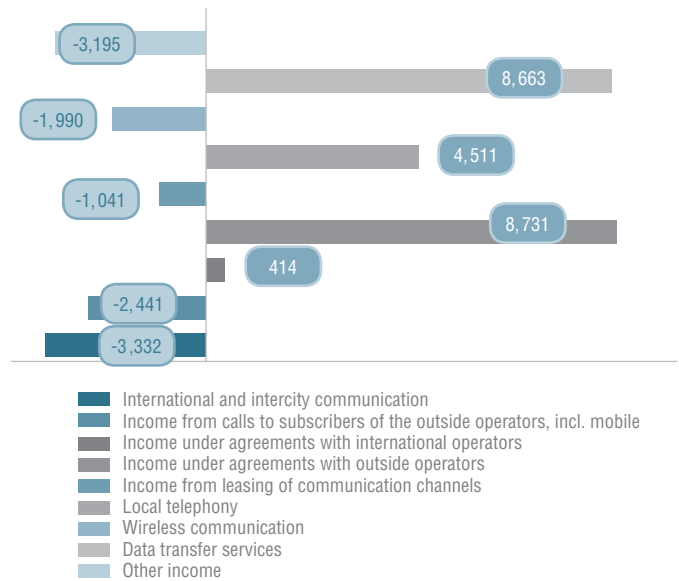
Because of superseding by mobile services, there is a trend for considerable reduction of income from international calls within the overall income from the main activities. For the same reason, income from subscribers of the outside operators goes down.

In addition, income from wireless communications goes down as a result of a decline in population's loyalty because of active marketing carried out by other mobile operators. Thus, the Company plans to develop actively wireless data transfer services based on the fourth

generation (4G) LTE (Long-Term Evolution) technology, as well as further bundling of rendered services (simultaneous provision of TV, telephone and broadband services) with the view of retention of income level provided by subscribers.

The data transfer services are the leading services. Income from local telephony demonstrates a steady growth as well (Chart 6).

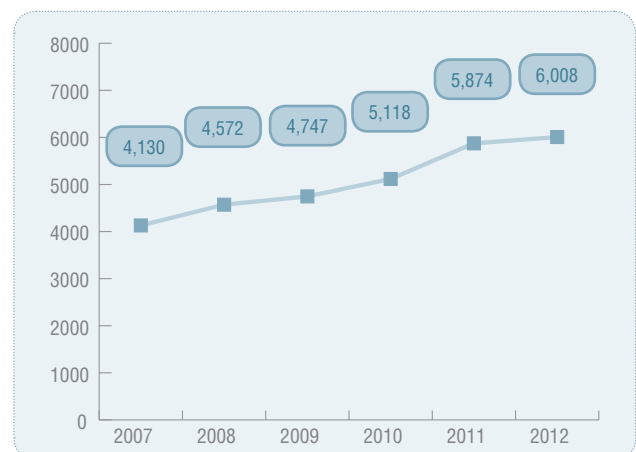
CHART 6. Income Composition Changes in 2012, Compared to 2011 (KZT mln)



Over the past years, income per employee demonstrates positive dynamics.

The planned investment policy of the Company, and its activities aimed on optimization of the staff number, provided a basis for steady increase in productivity of the Company's employees (Chart 7).

CHART 7. Income Per Employee, KZT thous.



4.2.4. KAZPOST JSC

www.kazpost.kz



Joint-stock company "Kazpost" (hereinafter – the Kazpost JSC, the Company) is an appointed national postal operator and a bearer of the government policy on development of the postal-savings system in the republic.

In the postal sector, the Kazpost JSC renders services on forwarding letters and parcels, expedited and courier mailings, mail payment remittances, distribution of publications, payment of wages, pensions and benefits, currency exchange, depositing, cash-settlement, encashment and transportation of money and valuables, brokerage in the stock market, electronic money transfers, transfer agency activities, and servicing of consumer loans granted by the second tier banks.

The Kazpost JSC has an extensive branch network in regions, districts and rural communities; its assets include 3 companies on 2 levels.

Overall income in 2012 has totaled to KZT 27,013.6 mln, which is higher than the same in 2011 by 13.9% (Table 15).

TABLE 15. Key Financial Indicators, KZT mln

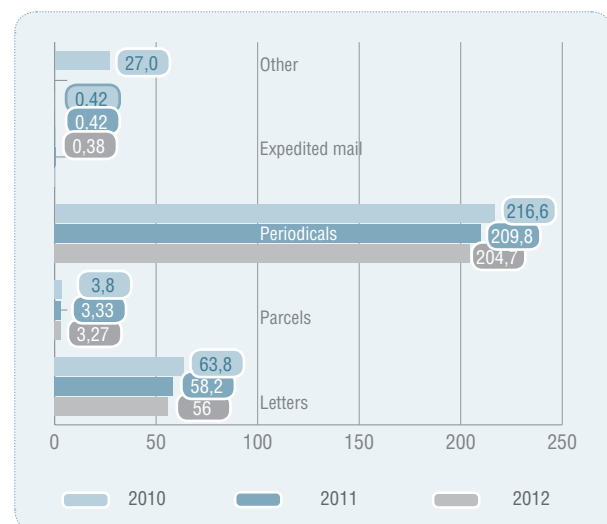
	2012	2011
Total Income	27,013,609	23,722,641
Total Expenditures	25,949,132	22,709,237
Total Profit/loss	945,876	806,508

As a result, net income of KZT 945.8 mln was received, which by 17.3% higher than in 2011.

Postal Services

Amounts of postal services of the Company have annual growth trend (Chart 8).

CHART 8. Amounts of Basic Postal Services, mln pcs

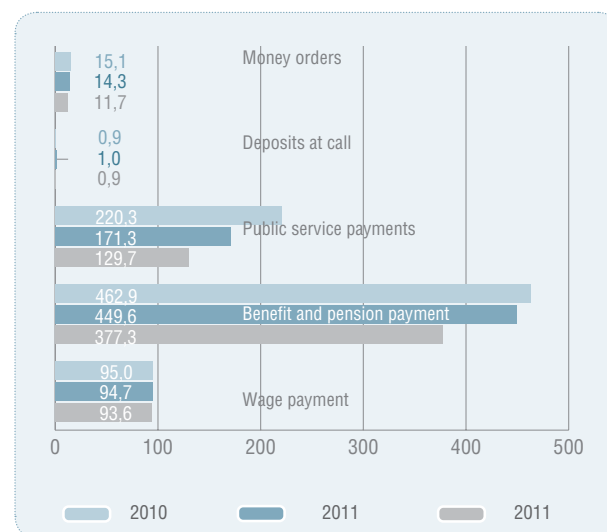


Starting from 2012, the Kazpost JSC consolidates the financial and economic indicators with its 100% subsidiary company – Electronpost.kz LLP.

Financial Services

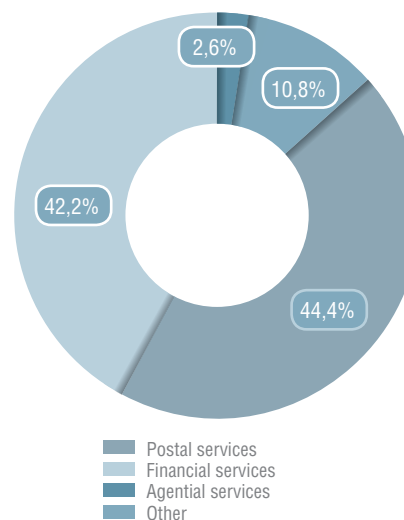
The amounts of major financial services rendered by the Company, are presented in Chart 9.

CHART 9. Amounts of Basic Financial Services, KZT bln



Within the overall income of the Company in 2012, incomes from postal and financial services are equal (each is 44.4%; Chart 10). There is increase of specific weight of the agential services to 2.6% level (in 2011 – 1.5%).

CHART 10. Income Composition



4.2.5. NC KAZAKHSTAN TEMIR ZHOLY JSC

www.railways.kz

ҚАЗАҚСТАН ТЕМІР ЖОЛЫ



Joint-stock company National Company Kazakhstan Temir Zholy (hereinafter – the NC KTZh JSC) is national rail carrier of Kazakhstan and a modern multi-purpose transport holding. Annually, the Company provides about 50% of overall freight turnover of the country. Over 16 million passengers use rail transportation services each year. Scope of interests of the Company includes freight and passenger transportation, logistics, telecommunications, infrastructure, and investment projects. 100% of the NC KTZh's JSC shares belongs to the Joint-Stock Company Sovereign Wealth Fund Samruk-Kazyna. Length of the trunk rail lines is over 14 thous. km. Freight car park has more than 65,000 units, locomotive fleet – over 1900 units. Number of employees of the NC KTZh JSC is more than 160 thous. persons.

In 2012, overall passenger turnover of the carriers consolidated by the Passenger Transportation JSC has totaled to 16,708 mln passenger-km, which exceeds the same in 2011 by 14.1%, due to increase in number of routes serviced by the Passenger Transportation JSC.

Key objectives in development of the Company are:

- labor productivity growth
- development and arrangement of high-speed passenger traffic
- ensuring the leading positions in freight transportation
- establishing the domestic railroad engineering industry
- new infrastructure projects.

As of today, the Company is rated by three most reputable rating agencies:

1. Standard & Poor's – BBB - /stable;
2. Fitch Ratings – BBB - /positive;
3. Moody's Investors Service – Baa3/stable.

Financial and Economic Activity of the NC KTZh JSC in 2012

The total income of 12 months of 2012 has increased by 15%, compared to 2011. In comparison with the previous year, total expenditures of day to day operations increased by 20% due to the costs raised by 16%. Main reasons of the raised costs are growth of transportation burden, prices of purchased materials, fuel and energy, raised MCI for remuneration due to the raised wages and additional payments for accommodation in the ecological disaster area of the Aral Sea, etc. (Table 16).

TABLE 16. Key Financial Indicators, KZT mln

	2012	2011
Total Income	819,326	712,096
Total Expenditures	705,998	589,209
Annual Profit/(loss)	113,328	122,826

Freight rate turnover in 2012 was 235,845 mln ton-km, which exceeds by 5.5% the previous year performance of the freight transportation growth.

Amount of **goods transported** in 2012 has reached 294,716 thous. tons, which is higher than in 2011 by 5.4%.

Loading cargo in 2012 has totaled to 257,847 thous. tons, which exceeds the actual data of 2011 by 3.6%, due to increased shipment of grain, nonferrous metal ore, petroleum and iron ore.

Conveyance of passengers by the carriers consolidated with the Passenger Transportation JSC has reached 19,498 thous. persons in 2012, which is more than in 2011 by 17.8%.

Major Investment Projects

Planned investment of the NC KTZh JSC group companies for 2012 was approved by Decision of the Board of Directors of the NC KTZh JSC, dated October 12, 2012, and was equal to KZT 498,849 mln. Executed investments has amounted to KZT 501,259 mln, or 100% of the planned amount, which is 1.3 times more than for the same in 2011.

The following major projects were implemented during the reporting period:

1. works were completed and traffic was opened on the new railway lines Khorgos – Zhetygen and Uzen – State border with Turkmenistan.
2. within the frame of establishing the domestic transport-engineering industry, production of the “Talgo” passenger carriages was continued as well as production of the up to date electric locomotives under the Alstom technology has launched in Astana.
3. overhaul of 692 km track structure at amount of KZT 43,228 mln was completed.
4. 152 locomotives, 14.2 thousand freight cars and 102 passenger carriages were purchased as well as overhaul of 692 km track structure was fulfilled.
5. Project on Modernization of the Major Car Casting was implemented on a basis of the Vostokmashzavod JSC.
6. construction has commenced under the two large-scale projects for construction of railway lines Beyneu – Zhezkazgan and Arkalyk – Shubarkol with total length over 1200 km.

4.2.6. AIR ASTANA JSC

www.airastana.com



Joint-stock company Air Astana (hereinafter – the Company, the Airline) is a joint venture of the Samruk-Kazyna JSC (51%) and the British company of BAE Systems (49%). The company was founded in September 2001 and performed its first flight on May 15, 2002.

Currently, the Airline operates 20 domestic and 43 international flights, including three seasonal routes. The Airline's fleet consists of 26 western - made aircraft. To 2020, the Company plans to expand its fleet with up to 43 aircraft.

Mission – to render air transportation services on the international and domestic air routes in accordance with the highest standards of

safety and service, which will meet the customer expectations, the Company's interests and the needs of the Republic of Kazakhstan.

Key Performance Indicators in 2012

Key Financial Indicators of the Company are presented in Table 17.

TABLE 17. Key Financial Indicators, KZT mln

	2012	2011
Total Income	152,297	127,973
Total Expenditures	140,484	116,618
Annual Profit/(loss)	9,107	8,982

Operation performance statistics and composition of main costs of the Company are reflected in Tables 18 and 19, respectively.

TABLE 18. Operation Performance

Indicators	Units	2012	2011	Changes
Aircraft Hours Flown	hrs.	84,501	79,006	7.0%
Aircraft Touch - Downs	number	34,634	32,221	7.5%
Passengers Carried	thous. persons	3,245	2,989	8.7%
On Domestic Flights	thous. persons	1,986	1,916	3.7%
On International Flights	thous. persons	1,259	1,073	17.3%
Transportation of cargo, luggage and mail	tons	22,076	18,232	21.1%
Actual Passenger Turnover	mln p/km	6,398	5,828	9.8%
Estimated Capacity	mln p/km	9,467	8,508	11.3%
Weight Load Factor	%	68	69	1 pps

TABLE 19. Financial Indicators, KZT thous.

	2012	2011	
Operating profit	11,356,399	10,158,280	11.8%
Before-Tax Income	11,812,511	11,354,801	4.0%
Net Profit	9,106,980	8,981,894	1.4%
Long-Term Assets, Excluding Bank Deposits	52,026,974	36,911,226	41%
Current Assets, Including	36,391,460	20,471,512	77.8%
Cash Assets, Including Bank Deposits	18,620,495	4,769,197	90.4%
Stock Capital	42,611,225	36,198,813	17.7%
Long-Term Liabilities	22,329,931	1,793,500	1 145.0%
Current Liabilities	23,477,278	19,390,425	21.1%

Preserved Release from Ban on Flights to the EC

The release for the Airline is based on several factors, including SAFA.

Fleet Renewal

In 2012, the Company has fully performed its plans on renewal of the air fleet. In November and December, the Company has accepted a delivery of three Airbus A320 with timing their arrival to the holiday celebrations. Placement of order for the new Boeing aircraft on a record amount of US\$ 1.3 bln was announced at the beginning of 2012.

Aircraft Purchasing Funds

As planned, four aircraft delivered in 2012 under the purchase contracts directly from the manufacturers, were funded under the guarantees of the export credit agencies.

Route Network Development

The Company has considerably expanded its route network in 2012, by launching new routes and increasing flight frequency on the existing ones. For example: from Astana to Baku (Azerbaijan), Tashkent (Uzbekistan), St. Petersburg (Russia), Omsk (Russia) and Beijing (China); and from Almaty to Kazan (Russia), Hong Kong (China) and Ho Chi Minh (Viet Nam).

Technical Center Development

In 2012, the Company made significant progress in its efforts to take the leading position in the region in the field of engineering and technical maintenance of aircraft.

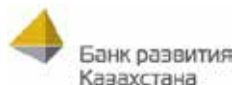
Improvement of On-board and Ground Services

Skytrax international rating company rated the Airline as the best airline in Central Asia and India, and awarded the company by prestigious 4 stars for the high-quality passenger services.

4.3. FINANCIAL GROUP (INVESTMENT AND PRODUCTION ACTIVITY)

4.3.1. DEVELOPMENT BANK OF KAZAKHSTAN JSC

www.kdb.kz



Joint-stock company Development Bank of Kazakhstan (hereinafter – the Development Bank, the DBK) is a financial institution, whose objective is competitive development of the non-resource sectors of Kazakhstan economy by providing with sustainable sources of funding.

The DBK was founded in May 2001 in order to finance the projects, which will contribute to diversification of economy and attract domestic and foreign investment in the country's economy.

Mission of the Development Bank:

The Development Bank of Kazakhstan is a national development institution for modernization and development of non-resource economic sectors and infrastructure of Kazakhstan.

Main sectorial priorities of the Development Bank include projects related to:

- processing industries: machine building, chemistry, chemical industry, and metallurgy;
- infrastructure: industrial, power, transportation, telecommunication, and tourism;
- mining industry with further processing of the extracted resources.

In 2012, the DBK has approved 7 loans on a total amount of US\$ 4.7 bln, with the Bank's participation totaled to US\$ 2.2 bln. These projects will be implemented in economic sectors, such as transportation, power, metallurgy and petrochemicals.

The DBK's loan portfolio for the year – end of 2012 has amounted to KZT 473,995 mln; spending under the approved projects totaled to KZT 121,095 mln, incl. the Projects on Modernization of Atyrau Oil Refinery Plant, on Construction of Moynak HPP, on Construction of Tourist Hotel Complex of the Borovoe Tourism City LLP, etc.

The composition of the loan portfolio by industries is presented in Chart 11.

Current portfolio of the DBK includes 22 projects within the framework of NPBIID on an overall amount of US\$ 4.2 bln.

In the end of 2012, the average weighted interest rate of the DBK's investment projects was 8.0%, which is significantly lower than the interest rate on credits granted by commercial banks; the average period of the DBK's loans is 11 years.

CHART 11. Loan Portfolio by Industries

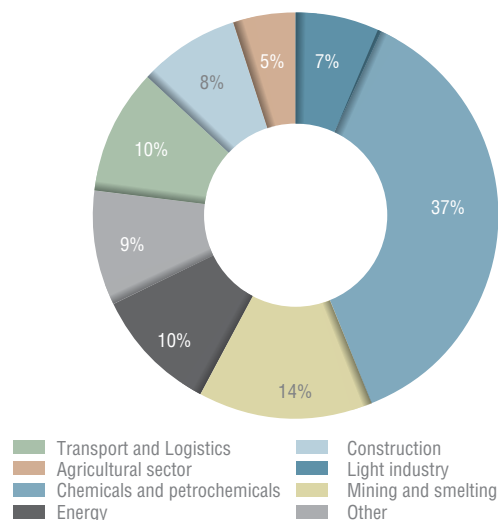


TABLE 20. Key Financial Indicators

Description	Unit	2012		as % of target
		Target	Actual	
Total Income	KZT mln	50,508.432	61,314.766	121
Expenditures, including	KZT mln	47,976.088	43,374.66	90
Net Income/(loss)	KZT mln	2,044.352	15,265	747
ROA	%	0.2	1.60	691
ROE	%	1.0	6.5	676

In the reporting period, the DBK's income has amounted to KZT 61,314.8 mln, or 121% of the target (Table 20). 93% of the overall income was provided by interest income. Expenditures were equal to KZT 43,374.66 mln. Net income of the reporting period was KZT 15,170.63 mln. Return on assets (ROA) and return on equity (ROE) were more than 6 times higher than targets, due to the net income target exceeded.

Raised Loans, Including From Non-Residents

In order to ensure necessary funding, the DBK applies various instruments to borrow from both domestic and international markets of capitals: issue and placement of bonds, syndicated loans, inter-bank and budget loans, development of loan facilities, etc.

To diversify the loan portfolio, the DBK has announced a Program on Issuance of Medium-Term Islamic Notes in 2012, on a total amount of up to 1.5 bln MYR, in accordance with the Shariah principles and under the Al-Murabaha mode. This Program was approved by the Central Bank of Malaysia (Bank Negara Malaysia), and Shariah Advisory Council under the Securities Commission of Malaysia in the second quarter of 2012.

In July 2012, within the framework of the Program, the KBD has successfully floated the first issue of "Sukuk Al-Murabaha" Islamic bonds totaling 240 mln MYR. 62% of the issued bonds were distributed amongst Malaysian investors, and 38% – in Kazakhstan market.

Thus, the DBK became the first issuer in the CIS, Central and Eastern Europe that arranged distribution of securities in the Malaysian stock market.

In December 2012, the DBK has successfully completed an international distribution of Eurobonds on amount of US\$ 1 bln with a maturity of 10 years and an annual coupon rate of 4.125%. This transaction became the largest issue within the framework of a single tranche amongst Kazakhstan banks, and it has a historically lowest yield and coupon rate among the non-sovereign issuers of the CIS countries.

In 2012, the international transactions of the DBK, which relate to issuance of the "Sukuk" Islamic bonds and indirect exchange of Eurobonds, received "Achievement Award 2012" of the EMEA Finance, a prestigious international publication, in nominations of "The Best Sukuk Issuance in Malaysian Ringgits" and "The Most Innovative Issue of Bonds".

Corporate Management

The DBK is aimed at further improvement of corporate management. In result of diagnostics conducted by the KPMG LLP, the rate of the DBK's corporate management has reached 62.4 rating points (51.25 rating points in 2011).

4.3.2. DAMU ENTREPRENEURSHIP DEVELOPMENT FUND JSC

www.damu.kz



Damu Entrepreneurship Development Fund JSC (hereinafter – the Damu Fund, the Damu) is a national development institution, which main purpose is to promote qualitative development of businesses in the Republic of Kazakhstan, by acting as the main operator and integrator of entrepreneurship supporting measures, including providing the private business entities with access to the funding sources.

Mission of the Damu Fund:

Contribute to the qualitative development of small and medium enterprises in Kazakhstan.

Main Objectives of the Damu Fund:

1. To increase volume and accessibility of funding for the small and medium businesses
2. To promote increase of funding for the enterprises of non-resource economic sectors
3. To increase coverage of potential and acting entrepreneurs by the non-financial support aimed at strengthening of entrepreneurial potential of the people.
4. To improve performance.

Increase of Volume and Accessibility of Funding for the Small and Medium Enterprises

In 2012, the Damu Fund has directed KZT 23,339 mln for crediting of small and medium enterprises (hereinafter – the SME), incl.: 64.4% of allocated funds – on implementation of the "Damu-Regions" Program, and 35.6% of allocated funds – on implementation of the Programs on funding of leasing transactions of the SME, on funding the private business entities in Zhanaozen Town, and on regional funding of the SME.

In order to increase accessibility of funding for the SME, the Damu Fund stipulates limitations on the maximum interest rate under its programs. In 2007–2011, the average weighted rate under the Damu Fund's programs has gradually decreased from 18 to 11%.

Promotion of Increase of Funding for the Enterprises of Non-Resource Economic Sectors

To increase funding of entrepreneurship in the non-resource sectors of economy, and, first of all, in the processing industry, the Damu Fund subsidies interest rates and grants guarantees as a fiscal agent of the "BRM 2020", as well as implements the "Damu-Ondiris" Program and the Program on funding of leasing transactions of the SME. In 2012, the overall funding provided to entrepreneurs in the processing industry under the programs of

the Damu Fund, has amounted to KZT 131.6 bln, which is more than the same in 2011 by KZT 7.1 bln. As of 1 January 2013, 2,221 subsidy contracts were concluded within the framework of the "Business Road Map 2020" Program on a total credited amount of KZT 492.3 bln, incl.: 1877 contracts concluded for the 1st direction, 186 contracts – for 2nd direction, 158 contracts – for 3rd direction.

The top number of contracts was concluded in Pavlodar, Karaganda, Aktyubinsk and East-Kazakhstan Regions.

In 2012, the Damu Fund, as an operator of the 4th direction of the "Business Road Map 2020" Program, continued to conduct "Business Consultant" short-term trainings for the entrepreneurs and launched the Program on service support to the SME, SME's top management trainings and "Business Contacts" Project, in order to increase the coverage of entrepreneurs by non-financial support. As a result, the total number of participants covered by the Damu Fund's programs of this direction has increased for more than 1.6 times in comparison with 2010 and has reached 27.4 thous. persons.

In pursuance of the assignments of the President of the Republic of Kazakhstan N.A. Nazarbayev, dated June 22, 2012, the Damu Fund establishes service centers to provide comprehensive

services to the entrepreneurs on a "one - stop shop" principle. The entrepreneurial development centers include:

- at the regional level – Entrepreneurship Service Centers (ESC)
- at the single-industry cities level – Entrepreneurship Support Centers (ESpC)
- at the district level – mobile ESpC.

In 2012, the Damu Fund operated the ESCs in Almaty and Shymkent in South-Kazakhstan Region, which have serviced more than 2043 SME and natural persons, and provided 2844 consultations on the governmental support tools and on specialized advices included in the list of services.

It is planned to establish ESpC in 27 single-industry cities, of which 12 were launched in 2012: Zhezkazgan, Balkhash, Saran, Karazhal (Karaganda Region), Arkalyk, Zhitikara (Kostanay Region), Karatau, Zhanatas (Zhambyl Region), Zyryanovsk, Serebryansk (East-Kazakhstan Region), Kentau (South-Kazakhstan Region), and Kulsary (Atyrau Region). In 2012, ESpC has rendered 661 consultations to 540 entrepreneurs. In 2012, 5 mobile ESpC were launched in Kostanay, Pavlodar, Zhambyl, South-Kazakhstan and Karaganda Regions. During 2012, mobile ESpC has rendered 582 consultations to 540 entrepreneurs and persons with entrepreneurial initiatives.

TABLE 21. Key Financial Indicators of the Damu Fund

Description	2012		
	Target	Actual	as % of target
Total Income, KZT thous.	14,277,190	14,173,313	99
Total Expenditures (excl. CIT), KZT thous.	11,504,766	9,741,292	85
Total Profit, KZT thous.	2,217,939	3,456,204	156
ROA, return on assets	1.1	1.9	173
ROE, return on equity	3.0	4.5	150

Income from the primary and secondary activities was equal to 14,173.3 mln KZT (Table 21).

Total expenditure has amounted to KZT 9,741.2 mln in 2012, and expenditure savings has totaled to KZT 1.76 bln or 15%.

In 2012, net income on amount of KZT 3456.2 mln was received. Net profit performance versus target has totaled 156%.

Reduction of the overall income and expenditures took place due to the early repayment of amounts distributed under the implementing programs and, as a result, early repayment of liabilities to the creditors.

Profitability ratio in 2012 was higher than it was planned, due to the net income has exceeded the target by 56%.

4.3.3. REAL ESTATE FUND SAMRUK-KAZYNA JSC

<http://fnsk.kz/rus/index.php>



Real Estate Fund Samruk-Kazyna JSC (hereinafter – the Estate Fund) was established under the Decree of the Government of the Republic of Kazakhstan “On Certain Measures to Resolve Issues on the Real Estate Market” No.265, dated March 6, 2009.

Mission – to enhance housing affordability for the people by making investments in the housing construction.

Vision – the leading financial institution of the country that makes investments in the housing construction and provides efficient management of the real estate.

Major **strategic objectives** of the Estate Fund are:

1. to assist the government in stabilizing of the real estate market,
2. to make investment in the housing construction,
3. to improve performance.

The Estate Fund aims at the promotion of housing development in the Republic of Kazakhstan.

In accordance with the Charter, the Estate Fund:

- creates new assets in the form of residential and business premises;
- provides funding for the construction projects, acquires residential and non - residential (commercial) premises in the completed or current - construction buildings;
- arranges the real estate management (leasing, hire – purchase, sale, operation, maintenance, repair, etc.)

The Estate Fund was registered in the Register of the Ministry of Justice of the Republic of Kazakhstan on March 19, 2009

Organization of the Real Estate Fund Samruk-Kazyna JSC Group Companies

Samruk-Kazyna Real Estate Fund JSC

REF Management LLP (100% stock)

100% of the shares are owned by the Sovereign Wealth Fund Samruk-Kazyna JSC (the sole shareholder).

The REF Management LLP was established in 2010. Its sole founder is the Estate Fund. Main activity of the REF Management

LLP is leasing of residential and commercial premises, supervision of maintenance and operation of the realties.

In January 2012, the Estate Fund sold 100% stock in the authorized capital of the affiliated company of Zyaulim LLP, which was established in 2010. The main activities of the Zyaulim LLP include construction of buildings and facilities, design and survey, engineering and expert services in the areas of architecture, urban planning and construction.

As a result of activities aimed on stabilizing of the real estate market, in 2012 the Estate Fund has almost completed the implementation of anti-crisis program, under which it was obliged to complete 21 construction projects in Astana, Almaty and Almaty region (without contracts that were dissolved to the reporting date) on a total amount of KZT 83.5 bln. Actually, KZT 82.8 bln were invested.

At the reporting date, construction was completed under the 20 projects, 17 projects were put into operation, including 3 – in 2012. Problems with 2 thous. co-investors of the realties were resolved, including 874 co-investors – in 2012. The redeemed pool of realties totaled to 565.2 thous. sq. m, of which the residential premises – 394.5 thous. sq. m.

In June 2012, the Government approved the “Affordable Housing-2020” Program aimed at the solution of housing construction problems and provided for the enhancement of housing affordability for people.

The Estate Fund is assigned as one of the main implementation operators of this Program.

Under the Program, the following basic mechanisms are stipulated with regard to construction of residential facilities with participation of the Estate Fund:

1. Arrangement of construction based on the investment applications from the private developers (investors). **(In selection of projects, the priority is given to the projects, where developer's (investor's) share in funding is higher).**
2. Implementation of the Estate Fund's projects on the areas **(provided with engineering and communications infrastructure)** that belong to the local executive authorities.
3. Implementation of projects by use of the purpose deposits. **(The purpose bank deposits will be used for lending to realty developers for the construction of residential projects).**

Projects shall be implemented based on the principles of partnership with the private capital and are subject to not less than 20% share of developer (investor) in the project.

In 2012, within the framework of the “Affordable Housing-2020” Program, the Estate Fund has concluded 2 investment contracts for residential construction on a total amount of KZT 21 bln.

Total residential areas under the projects are of 145.63 thous. sq. m, including the Estate Fund's share – 115.15 thous. sq. m. Share of the private investments involved in the housing construction under the "Affordable Housing-2020" Program is 21%.

In the reporting period, an overall income of the Estate Fund has amounted to KZT 7,046.8 mln or 84% against the same indicator in 2011. It was a planned decline of income, given to the large-scale pool of realties operated under the anti-crisis program in 2010–2011 (Table 22).

TABLE 22. Key Financial Indicators of the "Samruk Kazyna" Real Estate Fund (KZT mln)

Description	2010	2011	2012	% to Actual 2011
Total Income	4,381.5	8,431.6	7,046.8	83.6
Total Expenditures	3,567.8	4,056.8	2,875.5	70.9
Expenditure on the Corporate Income Tax	430.5	1,101.6	792.0	71.9
Net Income/(loss)	383.2	3,273.3	3,379.3	103.2

4.3.4. SECOND - TIER BANKS

ALLIANCE BANK JSC

www.alb.kz



Restructuring

Restructuring of liabilities of the Alliance Bank JSC (hereinafter – the AB) was completed on March 26, 2010.

The outcome from restructuring was reduction of the external debt – from US\$ 4.43 bln to US\$ 1.08 bln, and extended term of financing – from 7 to 20 years with 4–10 – year grace period.

Composition

Composition of shareholders of the AB is as follows:

- The Samruk-Kazyna JSC – 67%
- Lenders – 33%.

The AB has a wide branch network, which include 19 subsidiaries and 106 branch offices with a total number of employees equal to 3448.

Vision of the AB Trends

- A commercially effective, sustainable and transparent banking organization with well – developed corporate and risk – based management of the international level;
- A backbone bank, which is reckoned one of the top ten private banks of Kazakhstan by its assets;
- A full - service bank that operates in all market segments with a focus on public services, operating services to the legal entities and funding of the small and medium enterprises.

Financial Indicators

Capital

As of December 31, 2012, capital of the AB has amounted to KZT 11.147 bln. In 2012, the AB acknowledged an additional paid in capital on amount of KZT 17.85 bln, which arose from transactions

with the parent company. In December 2012, the Samruk-Kazyna JSC has increased the coupon rate of its bonds from 4 to 6%. These changes resulted in increase of the fair value of the bonds, which was acknowledged by the AB as an additional paid – in capital.

Assets

As of December 31, 2012, assets of the AB have totaled to KZT 590.0 bln; the increase took place mainly due to growth of loan portfolio (by KZT 60.1 bln).

Liabilities

As of December 31, 2012, liabilities of the AB have amounted to KZT 578.9 bln, and at the same time the deposit portfolio raised by KZT 43.0 bln. Increase in liabilities under the repo securities transactions has amounted to KZT 28.9 bln.

Financial Performance

In 2012, the AB received an income equal to KZT 640 mln. In 2012, the AB acknowledged KZT 8.37 bln of other overall losses caused by changes in the fair value of bonds of the Samruk-Kazyna JSC, which are classified by the AB as assets available for sale. These losses rose due to increase of the market rates of similar instruments, used by the AB as a discount rate for determining the fair value of the assets, from 4.95% in 2011 to 5.88% in 2012. With other acknowledged losses, the overall losses totaled to KZT 7.73 bln.

Ratings

Standard and Poor's (October 18, 2012):

B - /stable

kzBB -

Fitch Ratings: B - /stable/B (June 18, 2012)

BTA BANK JSC

www.bta.kz



Restructuring

Restructuring of external and internal liabilities of the BTA Bank JSC (hereinafter – the BTA) was completed in 2010. As a result, amount of the BTA's debt dropped from 12.2 to US\$ 4.2 bln with simultaneous prolongation of the repayment period for 8 to 20 years. However, because of imbalanced assets and liabilities, high cost of funding, deterioration of loan portfolio and liquidity problems, the second restructuring was initiated in December 2011, which was completed in December 2012. As a result of the second restructuring, the BTA was recapitalized on amount of app. US\$ 10 bln through converting of financial indebtedness of the BTA on US\$ 1.2 bln into common shares, withdrawal of claims from other creditors on amount of US\$ 9.04 bln in exchange for US\$ 1.6 bln in cash and for new bonds on amount of US\$ 750 mln, generation of additional capital by acknowledge of the fair value of the Samruk-Kazyna's JSC loan on amount of US\$ 1.6 bln under the IFRS, and increase of coupon rate under the bonds of the Samruk-Kazyna JSC held by the BTA from 4 to 6% per annum.

Composition

After the second restructuring, composition of the BTA's shareholders is as follows:

- Samruk-Kazyna JSC – 97.26%
- Others (less than 5%) – 2.74%.

Currently, the BTA possesses an extensive branch network that counts 22 subsidiaries and 222 branch offices throughout of Kazakhstan, with a total number of personnel – 4,895.

In addition, the BTA has:

- International representative offices in Ukraine, Russia, the U.A.E., China and in London;
- Banking network covers Russia, Ukraine, Belarus, Armenia, Georgia, Kazakhstan and Turkey.

Vision of the BTA Trends

Within the framework of implementation of the Samruk-Kazyna's JSC strategy on disaffiliation from the second tier banks, the Samruk-Kazyna JSC has commenced preparations for the sale of the BTA to the interested investors.

The interest of potential investors may call the following:

- BTA is a backbone bank, the third largest bank among the second - tier banks by assets, and the second largest bank by loan portfolio;
- BTA is a full-service bank operating in all market segments with a focus on public services, operation services for legal entities and funding of the small and medium enterprises.

Financial Indicators

Assets

As of December 31, 2012, the BTA's assets have amounted to KZT 1,611 bln. Compared to 31.12.2011, the growth was achieved mostly because of acknowledge of new fair value of the Samruk-Kazyna's JSC bonds due to increase of their coupon rate from 4 to 6%.

Liabilities

As of December 31, 2012, the BTA's liabilities totaled to KZT 1,342 bln, having reduced by KZT 685 bln in comparison to 31.12.2011. Reduction of issued debt securities took place due to restructuring of the BTA liabilities in 2012. Within the frame of restructuring, the BTA obtained a loan from the Samruk-Kazyna JSC with book value of KZT 105,748 mln as of December 31, 2012.

Capital

As of December 31, 2012, the BTA's capital amounted to KZT 269 bln due to the income from restructuring, converting the Samruk-Kazyna's JSC deposits and some subordinated bonds into capital, and discount on bonds and loan of the Samruk-Kazyna JSC.

Financial Performance

In 2012, the annual net income has amounted to KZT 370 bln, mainly due to the income from restructuring, on amount of KZT 1,074 bln, and reduction of interest costs by KZT 20 bln because of reduced liabilities to the customers.

Ratings

Moody's Investors Service: Caa1/developing/NP (December 7, 2011);
 Standard Poor's: revoked (November 10, 2011);
 Fitch Ratings: RD/without forecast/RD (January 19, 2012);
 Expert RA Kazakhstan: revoked (22.12.2011).

TEMIRBANK JSC

www.temirbank.kz



Restructuring

Temirbank JSC (hereinafter – the TB) has completed restructuring of its liabilities on June 30, 2010. The main outcome of restructuring was increase of the owned capital of the TB to KZT 51.2 bln as of 30 June 2010 and reduction of the TB's indebtedness from KZT 277.0 bln as of 31 December 2009 year to KZT 180.9 bln as of 30 June 2010. Income received by the TB as a result of the restructuring, has amounted to KZT 93.8 bln.

Composition

In 2012, the TB carried out its activities through 21 subsidiaries and 84 branch offices located throughout the territory of the Republic of Kazakhstan, and provided the TB presence in all regional centers and cities of republican significance. Total number of employees of the TB is 2,577.

Shareholder composition is as follows:

- Samruk-Kazyna JSC 79.88%;
- Lenders: 20.05%;
- BTA Bank JSC: 0.07%.

Vision of the TB Trends

Within the framework of implementation of the Samruk-Kazyna's JSC strategy on disaffiliation from the second tier banks, works has commenced for preparation and selling of the bank to the interested investors.

The TB shall become a modern full-service retail bank, which is:

- competitive and profitable;
- marketable and agreeable to the growing demands of the population;
- high-tech oriented and applies the international best practices and technological advances.

Financial Indicators

The TB demonstrates positive results and relative independence from the government support. The main share – 92% – of its interest income is income from the loans. In addition, income from redeeming of the own bonds on amount of KZT 77.1 mln was reported in the period under consideration.

Capital

As of December 31, 2012, the TB's capital has amounted to KZT 60.4 bln and increased by 6% in comparison with 2011, as a result of the yearly net profit of the bank totaled to KZT 3.5 bln.

Assets

As of December 31, 2012, the TB's assets has totaled to KZT 287.1 bln; the overall assets increased by 12.2% in 2012, compared to 2011. Loans to customers increased by KZT 34.2 bln or 19.4% compared to 2011; as of December 31, 2012, the loan portfolio minus depreciation reserve has totaled to KZT 211.2 bln.

Liabilities

As of December 31, 2012, the TB's liabilities have amounted to KZT 226.7 bln. In 2012, general increase of the TB's liabilities was reported by 13.9% compared to 2011, including the client funds has increased by 15.2%.

Financial Performance

In 2012, TB's net profit has amounted to KZT 3.5 bln.

Ratings

Standard & Poor's B/stable/B, kzBB/ - / - (26 September 2012)

THE PRIORITY ACTIVITIES
OF SAMRUK-KAZYNA JSC IN 2013



IN 2013, THE PRIORITY DIRECTIONS IN THE FUND'S ACTIVITIES ARE:

1. Strengthening the composition of the boards of directors in the subsidiaries and affiliated companies, enhancement of their efficiency.
2. Providing the corporate management diagnostics in the subsidiaries and affiliated companies of the Fund.
3. Continued implementation of the Program for Transfer of Shares of the Subsidiary and Affiliated Organizations of the Samruk-Kazyna JSC to the Stock Market.
4. Providing the transfer of development institutions to the National Development Agency JSC and the Fund's disaffiliation from the capitals of the BTA, the Alliance Bank and the Temirbank in accordance with the assignments of the Head of the State given at the enlarged Meeting of the Government of the Republic of Kazakhstan on January 23, 2013.
5. Restructuring of secondary assets in portfolio companies of the Fund.
6. Implementation of the Cost Reduction Program in the Fund group.
7. Application of venture management model for the treasury functions.
8. Continued implementation of the major strategic investment projects, including:

- Completion of four projects implemented by the Fund within the frame of the NPBIID of the Republic of Kazakhstan:
 - Reconstruction of the sulphuric acid plant with annual production capacity of 180 thous. tons.
 - Construction of 12 transformer substations (Construction and reconstruction of 3 SS of the housing and public utilities and 5 substations of the underground).
 - Production of the road bitumen at the Aktau plastics plant.
 - Reconstruction and modernization of the Atyrau Oil Refinery (Construction of the aromatic hydrocarbon production complex).
- Completion of construction under the 4 projects implemented by the Fund in engineering and telecommunications on a total amount of \$645 mln, with the creation of 500 new jobs during the operation period:
 - Project on production of electric point machines with annual capacity of 1500 units;
 - Production of electro-optical devices;
 - Modernization of production at the Semey Engineering JSC;
 - Completion of construction under the second phase of the project on implementation of the LTE/GSM/UMTS networks on the territory of Kazakhstan in 2012–2021, which will ensure introduction of the fourth generation mobile communication (LTEvolution) and provision of high - speed data transfer services.

9. Development of new procurement regulations by taking into consideration the international best practices.
10. Transition of the Fund group to the electronic procurement by use of the information system of electronic procurement (ISEP).
11. Preparations to the EXPO-2017.
12. Designing of a master plan for development of alternative energy.
13. Continued activity in the area of regulation of the social and labor relationship and the personnel development under the dual training framework.



APPENDICES

ABOUT ETYMOLOGY OF "SAMRUK-KAZYNA"

GLOSSARY

ABOUT ETYMOLOGY OF “SAMRUK - KAZYNA”

The name of the “Samruk-Kazyna” Fund is consists of two separate words: “samruk” and “kazyna”.

The word “самұрық” (samruk) means in Kazakh a mythical giant eagle – shape bird, which is a mediator between the worlds.

According to the legend, samruk lives on the top of the “world tree” (the “Bayterek”).

In ancient times, the “world tree” symbolized a concept of the universe or a model of world. According to this model, the “Bayterek” (literally: “the initial poplar”), being an axis of the world, provides links between three levels of existence: upper (the heaven), intermediate (a world where people lives) and lower (the underworld).

According to one of the legends, a hero enters to the underworld and gets to a large tree, where he saves a nestling of the giant bird of samruk by killing a huge dragon. In gratitude for this, the bird brings him to the ground surface. Herein, the bird represents the upper world (light), while dragon - the underworld (darkness). This myth reflects the ancient people's view on the eternal conflict between the upper and the lower worlds, in which the man is always involved. The fairy tale encourages people to fight against the dark powers inside of themselves, and to strive for the light of faith and knowledge.

Nowadays, the samruk - bird is presented in the architecture of the capital city and it crowns the “Kazak Eli” historical memorial complex, which is a symbol of the country and independence of Kazakhstan. The monument symbolizes 1991, when Kazakhstan became a sovereign state. Therefore, the stele is of 91m in height. A marble base of the monument indicates the purity of intentions and the inter-ethnic harmony of people of the republic. The stele with a crowning samruk – bird demonstrates the aspiration of Kazakhstan people to the better future.

The literal translation of “kazyna” from Kazakh has the following meanings, depending on the context:

(I).

1. Wealth, things, capital, affluence, a lot of money (“khalyk kazynasy” – people's wealth), “Kazyna zhinau” – (accumulation of wealth).
2. Heritage in culture, literature, music (intellectual wealth); “kyuy – myadeni kazyna” (kyuy is a cultural heritage).
3. Treasure, treasure – trove (storing place of treasure, treasure house) “Karagandy – kyomir Kazynasy” (Karaganda is a coal storage).

(II). state property, treasury, cash and other assets, as well as the state by itself as an owner of these funds. “kazynaga otkizu” (to transfer possession to the government), “Kazyna myulki” (state property).

At the same time, “kazyna” word dates back to its Kazakh (Turkic) pra-form “kazan”, which means the cauldron. Cauldrons (“kazans”) were revered by the nomads in the ancient times and were intended both for cooking and ritual ceremonies.



In various Kazakh proverbs the “kazan” has different meanings. “Kazan” is often used to refer to family, hearth or home (figuratively).

The “kazan” (cauldron) is one of the most important symbolic items for the nomadic world - view. In nomadic herding times, there was a large cauldron (Tay kazan) in each settlement. It was used during the large public celebrations and funerals. Thus, the cauldron is a symbol of prosperity, hospitality, solidarity, unity and integrity of people.

Besides, in some proverbs the “kazan” is understood as the cosmos, the universe. “Elu zhylda - el zhana, zhyuz zhylda – kazan” – “In 50 years the society (or epy country) changes out of all, and in 100 years – the whole world get renewed.”

Symbolic meaning of the cauldrons is indicated in the Herodotus (VI–V BC) story about the Scythians: “A Scythian King named Ariant wanted to know the number of his homagers. Thus, he ordered that each Scythians shall bring him one arrowhead, and threatened with death to anyone who will disobey. So, the Scythians brought so many arrowheads to their king that Ariant ordered to smelt a copper cauldron from them. The cauldron was huge, the thickness of its walls was equal to 6 fingers, and the volume was equal to 600 amphora. Thereby, the “king - cauldron” symbolized the great army and power of the Scythian kingdom and at the same time, it was a symbol of Ariant’s kingdom.”

Such cauldrons are a kind of the center of attraction for nomadic peoples on the Eurasian expanse.

The legendary image of “kazan” is identical to the concept of “Zheruyik” and other “closed spaces” in the Kazakh mythology. The location of “a kazan” was taken as a reference location for geographic coordination or as the center of universe. It may be assumed that the mythical “kazan” served as a source for all historical, quasi-historical and epic “kazans”, which become sacral and political centers of ethno-cultural communities during the migrations of the Turkic (proto – Bulgar) tribes, including – Kazan City, a sacred settlement or central sanctuary of the Volga Bulgars (ancestors of the modern Kazan Tatars).

In the symbolism of the peoples of the world, the cauldron is an archetype symbol denoting the magical mystery and transformation. It is a symbol of maturation, abundance, possibility of new birth and rejuvenation, as well.

However, for Turkic-Mongol khans the “kazan” had an allegorical sense as a common pot, where not only the common food was cooked for further distribution among tribesmen, but it was generally associated with a public fund (treasury) as well, i.e. with the material stock of goods granted from above, which khan used to cover the public expenditures.

Khan distributed not only salaries from this fund, but food as well. In particular, already Marco Polo has noted in his book “On Diversity of the World” that the Great Khan (Kublai) annually supports those, who have no food or cattle: “The Great Khan sends messengers to all his lands, realms and regions to know whether the death where the bread was withered because of weather, hail or any other disaster. He inquires about those, who is suffering and without bread; he orders do not levy annual tax from such people and even ordered to give them corn for food and for seeding. And it as the great grace of the Great Khan! It is done in the summer; and in winter he distributes cattle: if he finds out that the cattle perished at someone, he orders to give him the cattle, helps him and doesn’t take tributes for one year”.

In this regard, the allegorical relationship between “kazan” and public treasury as a source of food in the difficult years for people, had a practical expression in the ancient time.

Accordingly, the connection between the concepts **KAZAN – WELFARE – TREASURY** has a new – old content nowadays, because the established governmental holding represents a kind of public policy tool (adapted to our time), which was used since ancient times by the wise rulers to ensure a sustainable development of their country.

Zhardem Kurmangaziev
Deputy Corporate Secretary -
Head of Corporate Secretary
Samruk-Kazyna JSC

GLOSSARY

The following definitions and abbreviations are used in the present annual report:

The Fund, Samruk Kazyna JSC	"Sovereign Wealth Fund "Samruk-Kazyna" JSC
AB	Alliance Bank JSC
STB	Second tier bank
DBK	Development Bank of Kazakhstan JSC
BTA	BTA Bank JSC
The Fund group companies, the Group	The Fund, the companies, and their subsidiaries, more than 50% of voting shares (stock) of which are owned by the companies, as well as legal entities, more than 50% of voting shares (stock) of which is owned by the mentioned subsidiaries
Subsidiary and affiliated companies, SAC	Legal entities, more than 20% of voting shares of which are owned by the Fund, or dominant part of authorized capital of which is generated by the Fund, or whose decisions may be determined by the Fund in accordance with the concluded agreement (or otherwise)
IFK	Investment Fund of Kazakhstan JSC
KAP	NAC Kazatomprom JSC
Fund companies	National institutions of development, national companies and other legal entities, more than 50% of voting shares (stock) of which are owned by the Fund or under the trust management of the Fund
KCM	Kazyna Capital Management JSC
KMG	NC KazMunayGas JSC
NC KTZh JSC	NC Kazakhstan Temir Zholy JSC
CC	Corporate Center
SME	Small and Medium Enterprises
SME	Small and medium entrepreneurship
UCC	United Chemical Company LLP
RK	Republic of Kazakhstan
IAS	Internal Audit Service
CIS	The Commonwealth of Independent States
TB	Temirbank JSC



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