



Detailed Analysis of Financial Statements
of “Samruk-Kazyna” JSC
for six months of 2013

Astana, 2013

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The Detailed Analysis of Financial Statements of “Samruk-Kazyna” JSC (hereinafter – the Fund) was prepared in addition to the interim abbreviated consolidated and separate financial statements of the Fund for the six months of 2013.

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

Terms used in the analysis in compliance with the Law of the Republic of Kazakhstan “On Sovereign Wealth Fund” # 550-IV dated February 1, 2012 (in new version):

Sovereign Wealth Fund – national managing holding.

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

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

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

- legal entities which shares (interest) were transferred to the ownership of the bank of the Group of the Fund, in the announcement of tender for the sale of pledged shares (interest) invalid in compliance with the civil legislation of the Republic of Kazakhstan;

- banks, which shares were transferred to the ownership of the Fund by Resolution of the Government of the Republic of Kazakhstan in accordance with the legislation of Kazakhstan in order to protect the interests of creditors and to ensure stability of the banking system of Kazakhstan.

I. Review of the Group of the Fund

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

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

Development Strategy of the Fund for 2012-2022 is approved by Decree of the Government of the Republic of Kazakhstan # 1202 dated September 14, 2012. Subsidiaries will bring the development strategies in line with the strategy of the Fund.

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

To achieve the goal, the Fund operates on three strategic directions:

- 1) Improving long-term value of Companies;
- 2) Assistance to diversification and modernization of the national economy;
- 3) Social responsibility.

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

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

The structure of the Fund consists of Companies from key sectors of the economy, including oil and gas, power, transport, telecommunications and others. The structure of the Fund includes 652 companies, including the corporate center “Samruk-Kazyna” JSC, 401 subsidiaries (hereinafter - subsidiaries) of all levels and 250 associates and jointly controlled entities, financial investments, including legal entities and banks, not included in the Group of the Fund, according to the Law of the Republic of Kazakhstan “On Sovereign Wealth Fund”. At that, Rompetrol Group, which consists of 42 companies, is included in the structure of the Fund as one company.

For the reason of the increase in number of subsidiaries of JSC “NC “Kazakhstan Temir Zholy”, “Kazakhtelecom” JSC, “Samruk-Energy” JSC, “Tau-Ken Samruk” JSC, the acquisition of shares in “Kazzinc” LLP the growth as compared with 2012 is by 33 companies. In consolidation of the financial statements of the Fund the subsidiaries are grouped into the following segments:

- Oil & Gas;
- Mining and industrial;
- Transportation;
- Telecommunication;
- Power;
- Financial institutes and development institutes;
- Corporate center and projects.

The consolidated financial statements as of June 30, 2013 include 31 subsidiaries. As compared with 2012 the number of subsidiaries included in the consolidation has decreased by the transfer of one hundred percent of shares of “Development Bank of Kazakhstan” JSC to the trust management of “Baiterek” NMH JSC; “Entrepreneurship Development Fund “Damu” JSC, “Investment Fund of Kazakhstan” JSC, “Kazyna Capital Management” JSC and “Export Credit Insurance Corporation “KazExportGarant” JSC for asset management to “National Holding “Baiterek” JSC , “SK-Pharmacy” LLP to the republican ownership; as well as the disposal of “Doszhan Temir Zholy” JSC in connection with the transfer of “Investment Fund of Kazakhstan” JSC for asset management.

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

The following macroeconomic indicators influenced the activities of the Fund during the first half of 2013.

Name	1H 2013 estimation	1H 2012 estimation	Change, in %
Real GDP growth, in %	105,1	105,6	-0,8
Inflation at the end of period, %	2,7	2,7	0
Exchange rate of KZT to USD	150,9	149,42	1,0
World Brent oil price, USD/ barrel on average for the year for the reporting period	107,5	113,3	-5,1

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

According to the interim condensed consolidated financial statements of the Fund for the 1st half of 2013 in accordance with IFRS other distributions to the Shareholder for the period have amounted to KZT 1.8 billion, including:

1) provided sponsorship in the amount of KZT 7.9 billion under the instruction of the Government of the Republic of Kazakhstan for funding social, cultural and sporting events, in particular “National Olympic Committee” PA for the purchase of housing for the winners of the XXX Olympic Games in London; “Nurly Astana” CF for financial support of the event for international positioning and promotion of the EXPO-2017 exhibition; “Rauan Media Group” JSC and “Nur-Media” LLP to implement a set of measures to clarify the conditions and procedure for participation in the “People’s IPO” program; for financial support of “Rouhani Birlik kory” PA and “Nazarbayev University” JSC ; ULE in FA “Confederation of combat sports and power sports” for financing activities for the construction of a specialized sports training base for weightlifters in the Almaty region;

2) increased provision for the costs to be incurred in the construction of the Museum of History in the amount of KZT 3.8 billion;

3) in accordance with the decision of the Inter-Ministerial Commission for the development of oil and gas and power industries dated June 27, 2013 it was reversed distribution recognized in 2012 for the Shareholders in the amount of KZT 13.5 billion - an obligation on the transfer of the North-Caspian ecological base for responding to oil spill to the Emergency Situations Ministry.

The investment program of the Fund carried out through subsidiaries, includes 89 large investment projects with a total value of KZT 7.9 trillion, some of which are currently completed, others - are at the implementation stage.

The sectoral structure of these investment projects is given below.

Segment	Current investment portfolio						Attractive projects	
	Total number of portfolio projects		Implemented projects for 6 months of 2013		Projects under implementation		Number	Value
	number	amount	number	amount	number	amount		
Oil & gas	32	3 829	9	1 091	23	2 738	6	352
Chemistry	7	1 044	-	-	7	1 044	5	1 498
Transportation	17	1 473	13	370	4	1 103	4	68
Telecommunication	5	198	-	-	5	198	-	-
Power	21	1 287	2	64	19	1 223	15	985
Mining	1	6	-	-	1	6	7	186
Nuclear sector	2	64	1	24	1	40	-	-
Machine building	4	17	2	9	2	8	4	17
TOTAL	89	7 918	27	1 558	62	6 360	41	3 106

The Fund is directly involved in the implementation of tasks on the diversification and modernization of the national economy as part of implementation of the messages of the President of Kazakhstan, SPAID, the Strategic Development Plan of the Republic of Kazakhstan until 2020 and other strategic and program documents of the country.

Under the SPAID the Fund implements 30 investment projects with a total value of about KZT 4.6 trillion. The relevant projects by sectors include oil and gas, petrochemical, transportation, energy, chemical, metallurgical industries. The implementation of these projects will create about 52 thousand jobs during construction and more than 20 thousand jobs during operation.

The projects implemented within the framework of public sector programs, as well as under instructions of the Government of the Republic of Kazakhstan do not fulfill the minimum requirements of the Fund's companies on returns on capital employed. In this regard, in implementation of social projects, as a rule, receive a part of funding from the state budget and the National Fund of the Republic of Kazakhstan.

In order to minimize currency risk, the Fund's companies carry out part of the borrowing in the domestic capital market. It is used intra- group financing within the Fund's Group.

II. Results of Operation and Capital Costs

1. Consolidated financial indicators

Name	Unit of measure	H1 of 2013	H1 of 2012	Deviation (+/-)	Change, in %
Consolidated net income	billion	306,9	-28,9	335,9	1 161
Consolidated net income on the share of a shareholder of a parent Company	billion	286,1	-60,0	346,2	576
EBITDA margin ¹ (operational)	%	22,6	18,7		21
ROA ²	%	2,0	-0,2		1 069
ROE ³	%	4,4	-0,5		919

The main items of gross income

Name	First half of 2013			Second half of 2012			Deviation	Change, B %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Revenues from sales and interest income	100	116	2 349,2	100	87	2 315,7	33,5	1
Expenditure on operating activities	86	100	2 017,3	115	100	2 669,7	-652,4	-24

¹ EBITDA margin = ((Revenue from sales and interest income, total - Cost of sales and interest expenses - General and administrative expenses - Shipping costs and sales) + (Depreciation of fixed assets and amortization of intangible assets accounted for in cost of sales, general and administrative expenses and in the cost of transportation and implementation)) / Revenue from sales and interest income, total.

² ROA = Net income / Average assets for a year

³ ROE = Net income / Equity capital for a year

Name	First half of 2013			Second half of 2012			Deviation	Change, B %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Cost of sales and interest expense	70	81	1 640,4	72	63	1 674,4	-34,0	-2
Gross income	30	35	708,8	28	24	641,3	67,5	11
General administrative expenses (GAE)	8	10	198,5	7	6	171,4	27,1	16
Shipping costs and sales	7	8	152,8	8	7	188,3	-35,5	-19
Recovery of assets impairment	1	2	31,1	3	2	64,2	-33,1	-52
Losses on assets impairment	7	9	174,6	3	2	65,3	109,3	167
Income (loss) from operating activities	9	11	213,3	-14	-12	-328,6	541,9	165
Equity income from associates and joint ventures	12	14	279,9	12	11	284,4	-4,5	-2
Income tax expense	5	5	107,9	5	4	117,8	-9,9	-8
Income/loss/ from discontinued operations	0	0	5,1	-9	-8	-200,3	205,4	103
Net profit	13	15	306,9	-1	-1	-28,9	335,9	1 161

Key indicators of the balance sheet for the period

in KZT billion

Description	As of 30/06/2013	As of 31/12/2012	Deviation	Change in %
ASSETS				
Long-term assets				
Fixed assets	6 169	5 930	239	4
Intangible assets	269	287	-18	-6
Exploration and evaluation assets	211	198	13	7
Investment property	15	10	5	50
Investments in jointly controlled entities	1 135	1 039	96	9
Investments in associated organizations (AO)	506	312	194	62
Loans receivable - long-term portion	1 283	1 386	-103	-7
Amounts due from credit institutions - long-term portion	270	268	2	1
Long-term financial assets	171	463	-292	-63
Derivative financial instruments – long-term assets	2	1	1	100
Deferred tax assets (DTA)	75	78	-3	-4
Long-term receivables	8	8	0	0
Other long-term assets	506	412	94	23
LONG-TERM ASSETS	10 620	10 394	226	2
Short-term assets				
Inventories	418	409	9	2
Short-term receivables	320	373	-53	-14

Description	As of 30/06/2013	As of 31/12/2012	Deviation	Change in %
Loans receivable - current portion	591	665	-74	-11
Amounts due from credit institutions - current portion	1 138	1 071	67	6
Short-term financial assets	145	219	-74	-34
Derivative financial instruments - short-term assets	46	49	-3	-6
Advance payment of income tax	98	78	20	26
VAT recoverable	208	194	14	7
Other current assets	252	267	-15	-6
Cash	1 377	1 466	-89	-6
Non-current assets or disposal groups held for sale	21	52	-31	-60
SHORT-TERM ASSETS	4 616	4 842	-226	-5
Total assets	15 236	15 235	1	0
EQUITY AND LIABILITIES				
Equity				
Authorized capital	4 419	4 409	10	0
Repurchased own equity instruments	-9	-9	0	0
Share premium	0	7	-7	-100
Additional paid-in capital	-751	-484	-267	-55
Revaluation reserve of investment available-for-sale	29	25	4	16
Reserve for foreign currency translation	237	220	17	8
Other reserve capital	1	19	-18	-95
Calculation options by shares	2	2	0	0
Undistributed profit	2 685	2 402	283	12
Attributable to the shareholder of the parent company	6 613	6 591	22	0
Share of non-controlling owners	794	801	-7	-1
EQUITY AND RESERVE	7 407	7 392	15	0
Long-term liabilities				
Loans payable - current portion	3 693	3 518	175	5
Funds of the Government of Kazakhstan and National banks - long-term portion	194	211	-17	-8
Attracted customer funds – long-term portion	73	107	-34	-32
Finance lease liabilities	40	35	5	14
Employee benefit obligations	54	46	8	17
Derivative financial instruments – long-term liabilities	0	7	-7	-100
Deferred tax liabilities (DTL)	353	334	19	6
Long-term portion of provisions under liabilities and charges	137	136	1	1
Long-term accounts payable	237	231	6	3
Other long-term liabilities	70	66	4	6
LONG-TERM LIABILITIES	4 850	4 690	160	3

Description	As of 30/06/2013	As of 31/12/2012	Deviation	Change in %
Short-term liabilities				
Loans payable - current portion	618	679	-61	-9
Funds of the Government of Kazakhstan and National banks - current portion	583	560	23	4
Attracted customer funds - current portion	668	636	32	5
Finance lease liabilities	8	8	0	0
Employee benefit obligations	4	4	0	0
Derivative financial instruments - short-term liabilities	0	1	-1	-100
Short-term accounts payable	382	497	-115	-23
Income tax liabilities	34	49	-15	-31
Liabilities for other taxes and mandatory payments	126	136	-10	-7
Short-term portion of provisions under liabilities and charges	121	124	-3	-2
Other current liabilities	431	439	-8	-2
Liabilities directly associated with long-term assets held for sale and by disposal groups	4	20	-16	-80
SHORT-TERM LIABILITIES	2 979	3 153	-174	-6
Total liabilities	7 829	7 843	-14	0
Total equity and liabilities	15 236	15 235	1	0

Regarding the performance of the Fund

Name	Unit of measure	First half			
		2013	2012	Deviation	Change in %
Gross profit ratio		30,17	27,70	2,48	9
Operating profit ratio	%	9,08	-14,19	23,27	164
Net profit ratio	%	13,07	-1,25	14,32	1 146
Capital productivity		0,39	0,45	-0,06	-13
Assets turnover		0,15	0,17	-0,01	-7
Fixed assets turnover, exploration and evaluation assets		0,38	0,43	-0,06	-13
Fixed assets depreciation ratio	%	2,51	2,59	-0,08	-3
Profitability ratio	%	14,44	-1,35	15,79	1 171
Days sales in inventory	Days	91,82	91,92	-0,09	0
Days sales outstanding	Days	50,30	54,23	-3,93	-7
Days payable outstanding	Days	135,78	159,02	-23,24	-15
Time of assets turnover	Days	55,51	57,88	-2,37	-4
Time of fixed assets turnover	Days	137,09	152,01	-14,92	-10
Floating capital	KZT bln.	1 637	789	848	108
Current liquidity ratio		1,55	1,20	0,35	29

According to the structure of aggregate income, the share of costs:

1) *in operating activities* in the total income from the sale in the reporting period has decreased compared to the first half of 2012 by 29 percentage points, mainly due to lower production costs of KMG and “BTA Bank” JSC as a result of *improved cost management following the conducted work in the Fund’s Group for reducing costs*, mainly on the cost of materials and supplies (NC “KazMunayGas” JSC) and interest expense on loans and bonds, including loans from the National Fund and the national budget;

2) *in transportation and realization* - has decreased by 1 percentage point as a result of better management of costs of transportation of gas, oil by navy.

The Fund is constantly working to improve performance in the Group of the Fund. To this end, the Fund together with the large companies has developed a medium-term Cost Reduction Program until 2015 with the accumulated effect on the amount of KZT 120 billion, aimed at optimizing both cost and other expenses by diagnostics and analysis of business processes and others. The first real results of the Fund are obtained in the first half of 2013 in the amount of KZT 356 million.

The volume of investments in associated companies has increased by 35%, mainly due to the acquisition of 29.8221 % interest in the share capital of “Kazzinc” LLP in the amount of KZT 248.8 billion through the acquisition of 100% interest in the share capital of “Logic Business” LLP, “Logic Invest Capital” LLP, “Investment House “Dana” LLP holding 9.9407 % interest in “Kazzinc” LLP. At that, the *equity income* in the reporting period compared to the first six months of 2012 has decreased by 1.6%.

The dynamics of *effectiveness ratios both gross and operating profit* of the Fund’s group for the first half of 2012 and 2013 confirms the efficiency of operations for the reporting period, despite the increase in general administrative expenses.

Also the group of the Fund is working at optimization of the structure of the companies’ assets, including non-core assets. Currently, NC “KazMunayGas” JSC, NAC “Kazatomprom” JSC, NC “Kazakhstan Temir Zholy” JSC and “Samruk-Energy” JSC has taken the appropriate action plans and implements them.

In the structure of long-lived assets, fixed assets occupy more than 58 % , with a major share is taken for oil and gas sector, and their changes over the first six months was 0.9 % . *Asset turnover ratio, the turnover period of fixed assets and exploration and evaluation assets in the reporting period compared to the first half of 2012 has improved*. But in the reporting period compared to the first half of 2012 *capital productivity* has deteriorated due to the impairment of fixed assets of JSC “KazMunayGas Exploration Production” due to the increase in export duty from April 12 this year from USD 40 per tonne to USD 60 per tonne.

Turnover of fixed assets, exploration and evaluation assets in the reporting year compared with the first half has decreased, mainly as a result of the acquisition of “Teguiye Munai” LKLP by “Samruk –Energy” JSC in order to obtain license agreements on gas field , located in the South Kazakhstan region. The acquisition of the company was accounted in the report as acquisition of assets (mining license), not as business acquisition.

As the *current liquidity ratio* shows, the Fund’s group in the reporting period was able to consistently pay current bills; it has *significantly improved* as compared to the first half of 2012.

Thus, the change in net income for the year compared with the first half of 2012 in the amount of KZT 335.9 billion positive impact improving the efficiency of operations and adversely affect the recognition of impairment losses KMG EP in connection with an increase from 12 April 2013 export duty from USD 40 per tonne to USD 60 per tonne and investment in “Kazzinc” LLP associated with the acquisition of 29.8221% interest in the share capital of “Kazzinc” LLP in the amount of KZT 248.8 billion tenge by acquisition of 100% interest in the share capital of “Logic Business” LLP, “Logic Invest Capital” LLP, “Dana “Investment house” LLP holding 9.9407 % interest in the “Kazzinc” LLP. Group of the Fund cannot influence the policy of export duty, with respect to the acquisition of shares in the authorized capital of “Kazzinc” LLP, the acquisition was carried out on behalf of the Government of the Republic of Kazakhstan. Financing of the acquisition of interests is in accordance with the decision of the Council on Economic Policy November 13, 2012 (Minutes # 5), on which a decision on the allocation of the Fund bond issue from the National Fund for the purchase of shares in the “Kazzinc” LLP.

Note that the Fund may not have an impact on the change of customs policy of Kazakhstan, resulting in deteriorating standards of this policy adversely affect the financial results of the Fund, in particular, the oil and gas sector.

The main factors of change in *net profit* in the first half of 2013 compared with the same period in 2012.

Factors	Changes, KZT bln.
Net income (KZT 306,9 bln. In the first half of 2013; -28,9 bln. KZT in the first half of 2012	335,9
mainly because of:	

Factors	Changes, KZT bln.
reduction of other operating expenses from banking activities, primarily due to the recognition of bonds for recovery at par value of BTA Bank .	610,0
increase in operational efficiency	50,1
reduction of income tax expense, primarily due to the deferred income tax of “BTA Bank” JSC in the amount of KZT 8.1 billion, due to origination and reversal of temporary differences	9,9
reduction of income from discontinued operations without STB , mainly because of the deal on “GSM Kazakhstan” LLP by “Kazakhtelecom” JSC (KZT 202 bln)	-205,4
growth in assets impairment without STB , mainly due to the impairment of investments in “Logic Business” LLP (KZT 27.6 billion), “Logic Invest Capital” LLP (KZT 16.0 billion) and “Dana Investment House” LLP (KZT 16.0 billion) in connection with the acquisition of 29 8221% stake in the authorized capital of “Kazzinc” LLP through the acquisition of 100% interest in the share capital of “Logic Business” LLP, “Logic Invest Capital” LLP and “Dana Investment House” LLP owning at 9.9407% interest in “KazzincLLP, assets of KMG EPs by KZT 56.3 billion due to the increase from 12 April 2013 the export customs duty from USD 40 per tonne to USD 60 per tonne	-115,9
growth in impairment of investments, mainly in “ Sekerbank ” (KZT 11.3 bln) and “Temirbank” JSC (KZT 6.1 bln)	-17,4
other	4,6

The improvement of **EBITDA margin**, **ROA** and **ROE** in the reporting period as compared to the first half of 2012 was affected by factors of change of consolidated net income, as described above.

ROE has improved in the reporting period as compared with the first half of 2012

2. Consolidated financial indicators without the STB

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

During the consolidation and calculation of financial indicators without STB the following approvals have been made:

1) these subsidiaries “BTA Bank” JSC; “Alliance Bank” JSC; “Temirbank” JSC are not included in the consolidation;

2) are excluded:

- non-standard operations of these commercial banks (“BTA Bank” JSC; “Alliance Bank” JSC; “Temirbank” JSC);

- loss from impairment of investments to “BTA Bank” JSC, “Alliance Bank” JSC, sum of the loss is directly performed through retained earnings (on analogue with other distribution to the shareholder);

3) It was not carried out consolidation of data of “Halyk Bank” JSC and “Kazkommertsbank” JSC on equity method in 2009-2010;

4) It is excluded recognition and overvaluation of options on the shares of “Halyk Bank” JSC and “Kazkommertsbank” JSC;

5) It is excluded overvaluation of the investments of “Halyk Bank” JSC and “Kazkommertsbank” JSC on the market through the capital (other total income);

6) investments to “Halyk Bank” JSC and “Kazkommertsbank” JSC are referred to other short-term assets;

7) All profits and expenses, also assets and liabilities of other companies of the group of these STB remained as external (i.e. were eliminated for consolidation with STB);

8) It is excluded equity income of “Sekerbank” as well as impairment loss of investments to “Sekerbank”

Name	Unit of measure	First half			
		2013	2012	Change, (+/-)	Change, in %
Consolidated net income without the STB	billion	304,4	585,1	-280,7	-48
Consolidated net income on the share of a shareholder of a parent Company without the STB	billion	283,3	438,8	-155,6	-35
EBITDA margin without STB	%	22,2	19,5		14
ROA without STB	%	2,2	4,8		-55
ROE without STB	%	4,3	9,9		-57

Name	First half of 2013			Second half of 2012			Deviation	Change, B %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Revenues from sales and interest income	100	140	2 244,3	100	138	2 235,3	9,0	0
Expenditure on operating activities	85	120	1 917,5	87	120	1 949,3	-31,8	-2
Cost of sales and interest expense	71	100	1 598,5	72	100	1 619,8	-21,4	-1
Gross income	29	40	645,8	28	38	615,5	30,3	5
General administrative expenses (GAE)	7	10	166,2	6	9	139,1	27,0	19
Shipping costs and sales	7	10	152,9	8	12	188,4	-35,5	-19
Recovery of assets impairment	0	0	4,2	2	2	34,7	-30,5	-88
Losses on assets impairment	5	8	123,3	2	3	54,2	69,0	127
Income (loss) from operating activities	9	13	209,4	12	17	267,5	-58,0	-22
Equity income from associates and joint ventures	12	17	278,7	13	17	280,2	-1,4	-1
Income tax expense	5	7	114,6	5	7	118,6	-4,0	-3
Income/loss/ from discontinued operations	0	0	-4,2	9	12	202,0	-206,2	-102
Net profit	14	19	304,4	26	36	585,1	-280,7	-48

Key indicators of the balance sheet for the period

Description	As of 30/06/2013	As of 31/12/2012	Deviation	Change in %
ASSETS				
Long-term assets				
Fixed assets	6 146	5 905	241	4
Intangible assets	257	275	-18	-7
Exploration and evaluation assets	211	198	13	7
Investment property	11	10	1	10
Investments in jointly controlled entities	1 135	1 039	96	9
Investments in associated organizations (AO)	405	199	206	103
Loans receivable - long-term portion	670	834	-164	-20
Amounts due from credit institutions - long-term portion	495	496	-1	0
Long-term financial assets	120	416	-296	-71
Derivative financial instruments – long-term assets	0	0	0	-100

Description	As of 30/06/2013	As of 31/12/2012	Deviation	Change in %
Deferred tax assets (DTA)	40	50	-10	-20
Long-term receivables	8	8	0	-2
Other long-term assets	831	516	315	61
LONG-TERM ASSETS	10 329	9 947	382	4
Short-term assets				
Inventories	356	350	6	2
Short-term receivables	319	371	-53	-14
Loans receivable - current portion	49	121	-72	-59
Amounts due from credit institutions - current portion	1 162	1 091	71	7
Short-term financial assets	40	110	-70	-64
Derivative financial instruments - short-term assets	0	1	-1	-95
Advance payment of income tax	94	74	20	27
VAT recoverable	208	194	14	7
Other current assets	252	269	-17	-6
Cash	1 317	1 375	-58	-4
Non-current assets or disposal groups held for sale	21	52	-30	-59
SHORT-TERM ASSETS	3 819	4 008	-189	-5
Total assets	14 149	13 955	194	1
EQUITY AND LIABILITIES				
Equity				
Authorized capital	4 183	4 173	9	0
Share premium	0	7	-7	-100
Additional paid-in capital	-904	-638	-266	-42
Revaluation reserve of investment available-for-sale	59	58	1	2
Reserve for foreign currency translation	239	221	18	8
Other reserve capital	1	19	-18	-94
Calculation options by shares	2	2	0	0
Undistributed profit	2 952	2 384	569	24
Attributable to the shareholder of the parent company	6 532	6 227	306	5
Share of non-controlling owners	758	767	-9	-1
EQUITY AND RESERVE	7 290	6 993	297	4
Long-term liabilities				
Loans payable - current portion	4 140	4 030	111	3
Funds of the Government of Kazakhstan and National banks - long-term portion	194	211	-17	-8
Attracted customer funds – long-term portion	0	1	-1	-80
Finance lease liabilities	40	35	4	12
Employee benefit obligations	54	46	8	17

Description	As of 30/06/2013	As of 31/12/2012	Deviation	Change in %
Derivative financial instruments – long-term liabilities	0	7	-7	-100
Deferred tax liabilities (DTL)	348	329	19	6
Long-term portion of provisions under liabilities and charges	135	134	1	1
Long-term accounts payable	237	231	7	3
Other long-term liabilities	55	54	2	3
LONG-TERM LIABILITIES	5 204	5 078	127	2
Short-term liabilities				
Loans payable - current portion	581	643	-62	-10
Funds of the Government of Kazakhstan and National banks - current portion	0	6	-6	-95
Attracted customer funds - current portion	22	20	2	11
Finance lease liabilities	8	8	0	-2
Employee benefit obligations	4	4	0	-2
Derivative financial instruments - short-term liabilities	0	1	-1	-60
Short-term accounts payable	345	463	-118	-25
Income tax liabilities	34	49	-15	-31
Liabilities for other taxes and mandatory payments	124	130	-6	-5
Short-term portion of provisions under liabilities and charges	120	124	-3	-3
Other current liabilities	411	416	-4	-1
Liabilities directly associated with long-term assets held for sale and by disposal groups	4	20	-17	-83
SHORT-TERM LIABILITIES	1 654	1 884	-230	-12
Total liabilities	6 859	6 962	-103	-1
Total equity and liabilities	14 149	13 955	194	1

Regarding the performance of the Fundwithout STB:

Name	Unit of measure	First half			
		2013	2012	Deviation	Change in %
Gross profit ratio		28,78	27,53	1,24	5
Operating profit ratio	%	9,33	11,97	-2,63	-22
Net profit ratio	%	13,56	26,18	-12,61	-48
Capital productivity		0,37	0,43	-0,06	-14
Assets turnover		0,16	0,18	-0,02	-13
Fixed assets turnover, exploration and evaluation assets		0,36	0,42	-0,06	-14
Fixed assets depreciation ratio	%	2,52	2,61	-0,09	-3
Profitability ratio	%	14,85	28,34	-13,49	-48
Days sales in inventory	Days	80,26	86,23	-5,97	-7
Days sales outstanding	Days	52,38	55,77	-3,39	-6
Days payable outstanding	Days	131,15	156,98	-25,83	-16
Time of assets turnover	Days	57,10	63,26	-6,16	-10

Name	Unit of measure	First half			
		2013	2012	Deviation	Change in %
Time of fixed assets turnover	Days	131,45	147,42	-15,97	-11
Floating capital	KZT bln.	2 165	2 533	-368	-15
Current liquidity ratio		2,31	2,73	-0,42	-15

According to the structure of aggregate income, the share of costs:

1) *in operating activities* in the total income from the sale in the reporting period has decreased compared to the first half of 2012 by 2 percentage points, mainly due to lower production costs of KMG and “BTA Bank” JSC as a result of *improved cost management following the conducted work in the Fund’s Group for reducing costs*, mainly on the cost of materials and supplies (NC “KazMunayGas” JSC) and interest expense on loans and bonds, including loans from the National Fund and the national budget;

2) *in transportation and realization* - has decreased by 1percentage point as a result of better management of costs of transportation of gas, oil by navy.

The Fund is constantly working to improve performance in the Group of the Fund. To this end, the Fund together with the large companies has developed a medium-term Cost Reduction Program until 2015 with the accumulated effect on the amount of KZT 120 billion, aimed at optimizing both cost and other expenses by diagnostics and analysis of business processes and others. The first real results of the Fund are obtained in the first half of 2013 in the amount of KZT 356 million.

The volume of investments in associated companies has increased by 103%, mainly due to the acquisition of 29.8221% interest in the share capital of “Kazzinc” LLP in the amount of KZT 248.8 billion through the acquisition of 100% interest in the share capital of “Logic Business” LLP, “Logic Invest Capital” LLP, “Dana” Investment House” LLP holding 9.9407% interest in “Kazzinc” LLP. At that, the *equity income* in the reporting period compared to the first six months of 2012 has decreased by 1%.

The dynamics of *effectiveness ratios of gross profit* of the Fund’s group for the first half of 2012 and 2013 confirms the efficiency of operations for the reporting period, despite the increase in general administrative expenses.

The dynamics of the *operating profit ratio* in the reporting period compared to the first half, despite a decline in the cost of operations, has deteriorated by 22% due to impairment losses of investments in “Kazzinc”.

In the structure of long-lived assets, fixed assets occupy more than 59.5%, they occupy a major share of the fixed assets and oil and gas sector , their share has decreased in comparison with the first half-year by 3.1% as a result of the Fund held in the group work to optimize the asset structure of companies including non-core assets, and because of departures from the second quarter of the current year subsidiaries due to the transfer of ownership interests held by the Fund, “Kazyna Capital Management” JSC, “Export Credit Insurance Corporation “KazExportGarant” JSC, “Damu” Entrepreneurship Development Fund JSC, “Investment Fund of Kazakhstan” JSC, “Development Bank of Kazakhstan” JSC, “SK –Pharmacy” LLP to “National Holding “Baiterek” LLP , the Ministry of industry and Trade of the Republic of Kazakhstan, the Ministry of Health .

Asset turnover ratio, the turnover period of fixed assets and exploration and evaluation assets in the reporting period compared to the first half of 2012 improved. But in the reporting period compared to the first half of 2012 has deteriorated due to capital productivity impairment of fixed assets of NC “KazMunaiGas Exploration Production” JSC in connection with the increase in export duty from April 12 this year from USD 40 per tonne to USD 60 per tonne.

Turnover of property, equipment and exploration and evaluation assets in the reporting year compared with the first half decreased , mainly due to the acquisition of “Samruk-Energo” JSC, “Teguisse Munai” LLP in order to obtain license agreements on gas field , located in the South Kazakhstan region. The report acquisition was accounted for as an acquisition of assets (mining license), not as business acquisition .

The decrease in net working capital and current ratio reporting period compared with the first half of 2013 was due to the transfer from the second half of the individual subsidiaries in the “National Holding “Baiterek” JSC, the Ministry of Industry and Trade of the Republic of Kazakhstan, Ministry of Health.

Thus, the change in net income for the year compared with the first half of 2012 in the amount of KZT 335.9 billion positive impact improving the efficiency of operations and adversely affect the recognition of impairment losses KMG EP in connection with an increase from 12 April 2013 export duty from USD 40 per tonne to USD 60 per tonne and investment in “Kazzinc” LLP associated with the acquisition of 29.8221% interest in the share capital of “Kazzinc” LLP in the amount of KZT 248.8 billion tenge by acquisition of 100% interest in the share capital of “Logic Business” LLP, “Logic Invest Capital” LLP, “Dana “Investment house” LLP holding 9.9407 % interest in the “Kazzinc” LLP. Group of the Fund cannot influence the policy of export duty, with respect to the acquisition of shares in the authorized capital of “Kazzinc” LLP, the acquisition was carried out on behalf of the Government of the Republic of Kazakhstan. Financing of the acquisition of interests is in

accordance with the decision of the Council on Economic Policy November 13, 2012 (Minutes # 5), on which a decision on the allocation of the Fund bond issue from the National Fund for the purchase of shares in the “Kazzinc” LLP.

Note that the Fund may not have an impact on the change of customs policy of Kazakhstan, resulting in deteriorating standards of this policy adversely affect the financial results of the Fund, in particular, the oil and gas sector.

The main factors of change in *net profit* in the first half of 2013 compared with the same period in 2012.

Factors	Change, KZT bln.
Net income without STB (KZT 304,4 bln. In the first half of 2013; KZT 585,1 bln. In the first half of 2012)	-280,7
mainly due to:	
increase in operational efficiency	50,1
Reduction of income from discontinued operations without STB , mainly because of the deal on “GSM Kazakhstan” LLP by “Kazakhtelecom” JSC (KZT 202 bln.)	-205,4
growth in assets impairment without STB , mainly due to the impairment of investments in “Logic Business” LLP (KZT 27.6 billion), “Logic Invest Capital” LLP (KZT 16.0 billion) and “Dana “Investment House” LLP (KZT 16.0 billion) in connection with the acquisition of 29 8221% stake in the authorized capital of “Kazzinc” LLP through the acquisition of 100% interest in the share capital of “Logic Business” LLP, “Logic Invest Capital” LLP and “Dana “Investment House” LLP owning at 9.9407% interest in “KazzincLLP, assets of KMG EPs by KZT 56.3 billion due to the increase from 12 April 2013 the export customs duty from USD 40 per tonne to USD 60 per tonne	-115,9
Other	-9,5

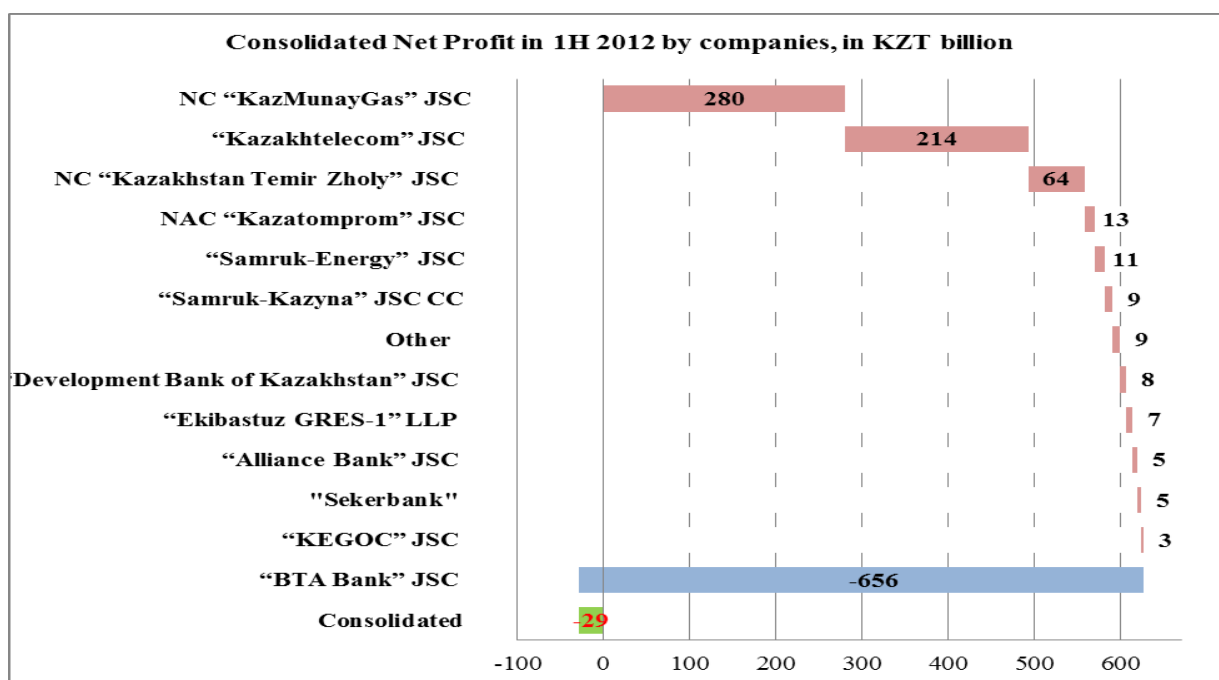
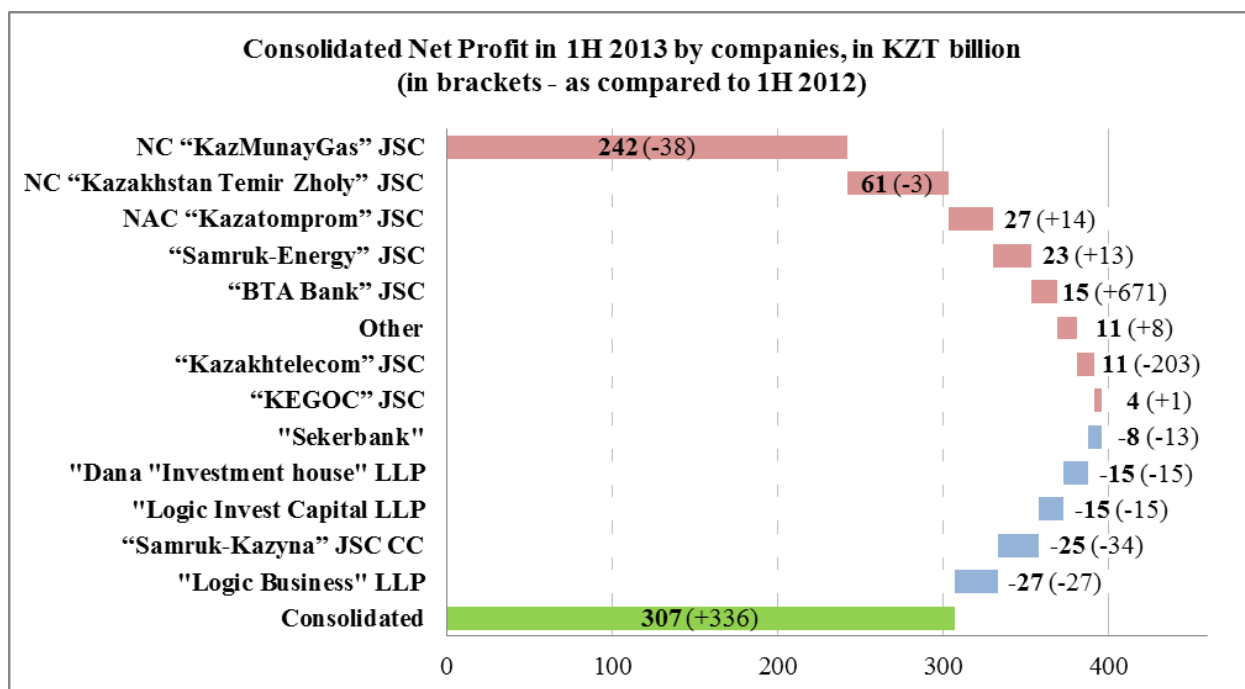
3. Financial indicators by the segments and capital costs ⁴

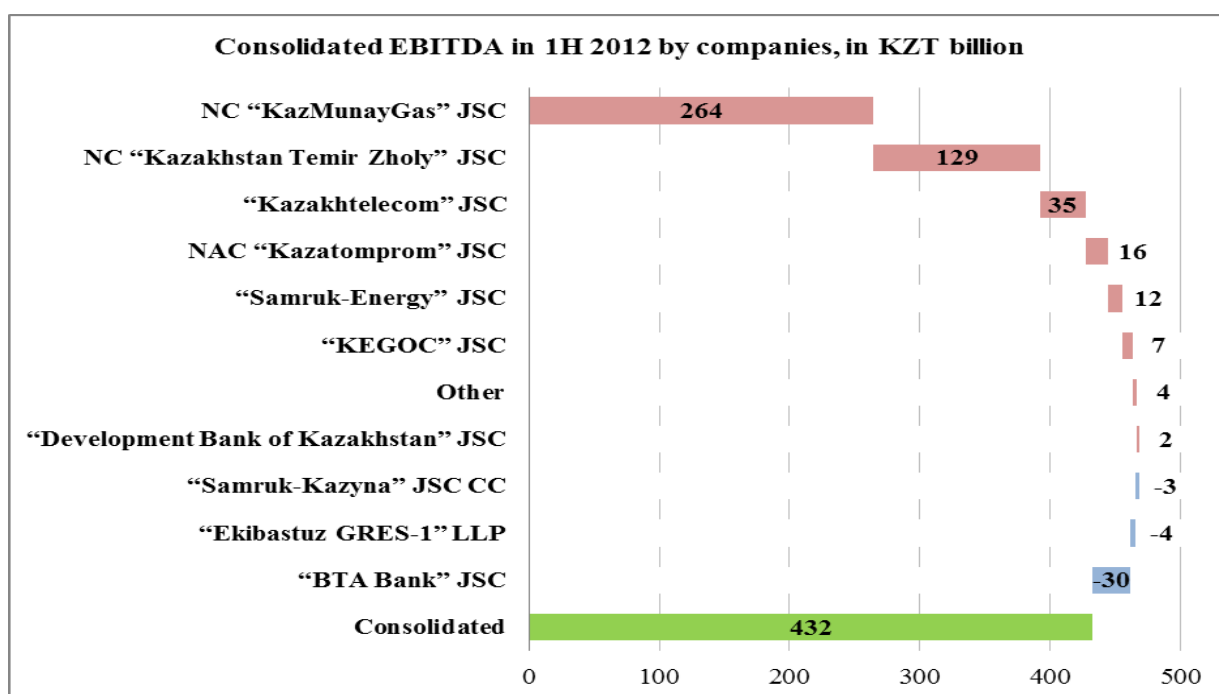
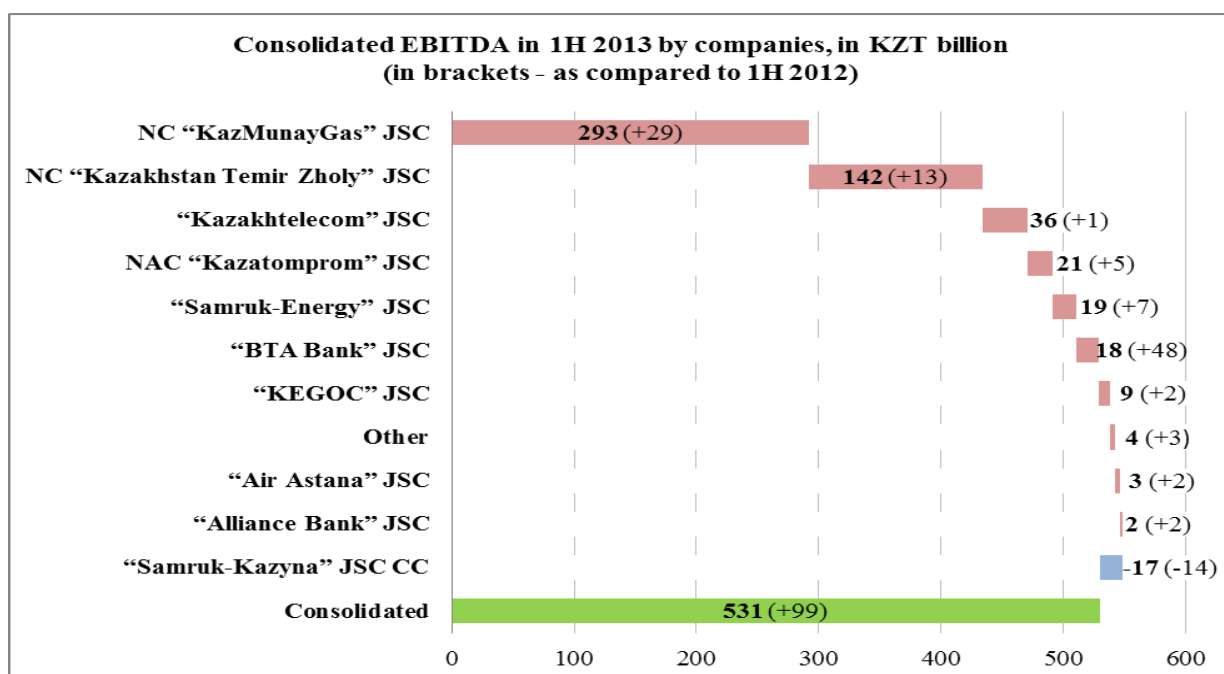
Name	Oil&gas	Mining	Transportation	Telecommunication	Power	Financial institutes and development institutes	Corporate centre and projects
Revenues from sales and interest income	1 418,1	133,6	476,0	104,9	105,1	146,6	131,9
Cost of sales and interest expense	990,1	104,5	333,7	74,9	77,5	86,2	67,7
Gross income	427,9	29,1	142,3	30,0	27,6	60,4	64,2
General administrative expenses	78,5	14,2	39,5	11,7	8,4	34,2	15,9
Shipping costs and sales	146,1	2,6	2,7	2,1	0,1	0,0	0,5
Recovery of assets impairment	2,6	0,8	0,1	0,0	0,6	27,0	0,0
Losses on assets impairment	61,9	59,6	0,9	0,3	0,1	51,4	72,2
Other operating loss from banking	0,0	0,0	0,0	0,0	0,0	-25,7	0,0
Other operating costs from banking	0,0	0,0	0,0	0,0	0,0	26,2	0,0
Income (loss) from operations	144,0	-46,3	99,3	16,0	19,6	1,3	-24,4

⁴ Total revenue = (Revenue from sales and interest income + State subsidies + Restitution of impairment of assets + Other operating income from banking activities + Other non-operating income + Financial income + Income from foreign exchange rate);
Total cost = (Cost of sales and interest expense + General and administrative expenses + Shipping and the realization costs + Losses of impairment of assets + Other operating expenses from banking activities + Other non-operating costs + Financial costs + Loss on foreign exchange rate).

Presented below is a segment analysis is based on production figures from the reports on the implementation of development plans of subsidiaries and data audited financial statements of subsidiaries for the reporting period and the first half of 2012.

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





Then, the presented segment analysis is based on production figures from the reports on implementation of development plans of the subsidiaries and data of the audited financial statements of subsidiaries for the reporting period and the first half of 2012.

3.1 Oil & Gas Segment is presented by one company **JSC NC "KazMunayGas"** (hereinafter - KMG), which is the state oil and gas company of Kazakhstan, established on February 27, 2002 as a closed joint stock company on the basis of the Decree of the President of the Republic of Kazakhstan # 811 dated February 20, 2002 and Decree of the Government of the Republic of Kazakhstan #248 dated February 25, 2002. The company was formed by the merger of the national oil company "KazakhOil" JSC and the National Company "Transport of oil and gas". Following the merger, all assets and liabilities, including interest in all enterprises, owned by these companies were transferred to KMG. In March 2004, in compliance with the laws of the Republic of Kazakhstan, the company was re-registered as a joint stock company.

The Fund is the Sole Shareholder of KMG. The structure of KMG consists of 201 company in the 7 levels, of which 129 are subsidiaries.

The main activities of KMG include, among other things, participation in state activities in the oil and gas industry, representation of public interest in the subsoil use contracts, through equity participation in contracts, corporate governance and monitoring on the exploration, development, production, processing, sale and transportation of hydrocarbons, design, construction and operation of oil and gas pipelines and oil-field infrastructure.

KMG produces oil at more than 44 oil and gas fields, mainly in Atyrau, Mangistau, West Kazakhstan, Aktobe and Kyzylorda regions, owns 5,3 thousand km of trunk pipelines, 2,1 thousand km of water mains, 11 thousand km of trunk gas pipeline systems, 3 refineries in Pavlodar, South Kazakhstan and Atyrau regions and one oil refinery and petrochemical complex in Romania.

During the 1st half of 2013 in the Republic of Kazakhstan it has been produced about 40,4 million tons of oil and gas condensate, processed – 7,163 million tons of oil. Compared to H1 2012 oil production growth made 1% and the volume of oil processing is maintained as at the previous period. KMG share in the total volume of oil and gas condensate in Kazakhstan in the first half of 2013 has increased from 26,2% to 27,7 %, oil processing was unchanged and made 82,4 %.

KMG also operates in the fields regulated by the Law of the Republic of Kazakhstan “On natural monopolies and regulated markets”. Tariffs for regulated services are approved by the authorized body - the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies.

KMG organizations provide services in the following areas of natural monopoly:

- 1) transportation of crude oil and (or) oil products through main pipelines;
- 2) transmission and (or) distribution of electric power;
- 3) services for the production, transmission, distribution and (or) the supply of thermal energy;
- 4) water conservation and (or) sewage systems services;
- 5) services for the storage , transportation of gas (natural, commercial) or gas condensate by trunk and (or) distribution pipelines, operation of gas distribution units and associated gas distribution gas pipelines;
- 6) other services .

During the first half of 2013 there were approved new tariffs for the following regulated services of KMG:

- for water supply services through distribution networks in “Priirtyshsk” OPS with the increase in tariffs for water supply through the distribution networks by 14,66 %, to divert waste water by 12,56 %;
- generation, transmission and distribution of heat energy with tariff increases on average by 188%;
- transmission and distribution of thermal energy (gas and oil pump station in Aktau, hot water) with increase in tariffs by 269 % (from 128 KZT / Gcal to 472,81 KZT / Gcal) ;
- oil transfer at the pump station named after T. Kasymov to the pipeline “Kenkiyak – Atyrau” in a simplified manner in the amount of KZT 59,7 per 1 ton, excluding VAT.

For the first six months of 2013 in KMG there happened **following significant events**:

- 1) KMG and the ConocoPhillips Petroleum Holdings BV finalized the acquisition of 100% shares of “H Block BV”;
- 2) NMSC “KazMorTransFlot” and Batumi Industrial Holding signed a memorandum of cooperation;
- 3) Rompetrol and the Romanian Government, as the Sole Manager of Rompetrol Rafinare stake owned by the Government of Romania signed a memorandum of understanding to resolve the dispute regarding the conversion of the bonds of Rompetrol Rafinare in favor of the Romanian state in September 2010;
- 4) Rompetrol started drilling the exploration well on the Zegudzhani block (Romania). The amount of investment in the project before the end of the year will be more than \$ 10 million;
- 5) Trading Department of Rompetrol - Vector Energy, registered in Switzerland, completes the integration of all the oil marketing operations within KMG and is renamed “KazMunayGas Trading AG”. It is planned that the company will become the only national operator for the export of Kazakh crude oil;
- 6) KMG has successfully completed the transaction on placement of the 10 years and 30 years Eurobond issues totaling \$ 3 billion under the current program for issue of medium term global notes up to \$ 10,5 billion.

Production figures. The main factors of changing of production figures on this segment:

Name	Unit of measure	First half				Factors
		2013	2012	Deviation	2013 to 2012, %	
Oil production volume	mln. tons	11,186	10,383	0,803	7,73	Increase by 803 thous. tons: <ul style="list-style-type: none"> • By 507 thousand tons due to the consolidation of oil production under Karachaganak project; • By 221 due to volume growth for “Tengizchevroil” LLP due to the stable operation of KTL and ZVP units; • By 35 thous. tons on E&P KMG due to higher production volume of “Ozenmunaygas” JSC, “Embamunaygas” JSC and

Name	Unit of measure	First half				Factors
		2013	2012	Deviation	2013 to 2012, %	
						<p>“Karazhanbasmunai” JSC respectively by 72, 25 and 4 thous. tons by virtue of the organizational and technical measures on increase of oil production, including input from the drilling of 63 wells, development of 11 wells, inactivity of 7 wells, as a result of the optimization of RPW at 840 wells, increasing work to influence the FFS up to 588 wells.</p> <ul style="list-style-type: none"> At that it was registered a decline in production on Petro Kazakhstan Inc. by 60 thousand tons in connection with the revision of mining plan on deposit West Karabulak in accordance with the project of trial production at Kyzylkia deposit due to the backlog of capital construction of facilities on water injection and power supply to Kyzylkiya (objects are commissioned in May-June 2013). Also there was a revision of the production forecast at “Kolzhan” LLP and “Turgay Petroleum” JSC because of rising water. On “JV “KazGerMunay” LLP by 6 tonnes in accordance with the planned reduction in production for 2013 because of the delay in setting of Aksai oilfield; By 29 thous. tons on “Mangistaumunaygas” JSC by increasing the number of new wells in the period for 14 wells; By 9 thous. tons on “Kazakhoil-Aktobe due to the increase of the fund of production wells from 99 to 117 wells.
Volume of oil transportation on the main pipeline	mln. tons	32,682	32,189	0,493	1,53	<p>Increase by 493 thous. tons: due to the increase in oil delivery to the main pipeline system from the side of shippers on the part of the Atasu-Alashankou pipeline by 124%, and Kenkiyak-Kumkol by 113%.</p>
The volume of oil transportation by sea fleet	млн. тонн	4,293	6,909	-2,616	-37,86	<p>Decrease by 2,616 million tons: • by 0,335 million in the direction of the Aktau-Baku: TCO has fully suspended tanker shipments from the port of Aktau because of the volume of pumping the Tengiz oil through Tengiz - Novorossiysk pipeline of Caspian Pipeline Consortium (CPC), and because of the growth of rates for rail transportation to the port of Aktau TCO in May and June reduced the Tengiz oil shipping on the route Aktau - Baku - Batumi / Kulevi; • by 2,065 million tonnes in the direction of the Black Sea: the transition of KMG Trading AG for ships of another class, as well as stop for repairs of Petromidia refinery, which led to a reduction in the number of runs; • by 0,216 million thousand tons in the direction of Aktau-Makhachkala: short delivery of denominated volumes of oil from the shipper “Belvion Group Ltd” due to pumping via Makhachkala-Novorossiysk pipeline of oil volumes of Russian oil fields named after Y.Korchagin by “Lukoil”, in connection with that there decreased the volume of transportation of Kazakh oil to Makhachkala.</p>
Volume of gas transportation	bln. cubic m	54,754	56,409	-1,655	-2,93	<p>Decrease by 1,655 bln. cubic m: due to lower volumes of Russian and Turkmen gas transit by 4,384 bln cubic meters At that, the gas transit in respect of China has increased by 1,306 bln cubic meters, and on the southern pipeline system has increased by 0,77 bln cubic meters. The volume of domestic gas transportation increased by 1,307 bln cubic meters or 24% due to “KazTransGas-Aimag” LLP, “Asian Gas Pipeline” LLP and “Intergas Central Asia” JSC. Gas transportation of for export increased by 0,39 bln cubic meters</p>
Volume of oil refining	mln. tons	7,582	7,932	-0,35	-4,41	<p>Increase: • by 49 thous. tons at “Atyrau Refinery” LLP due to the fact that since the beginning of the year it has been scheduled monthly maximum load of all process units to increase the refining of oil, which caused the increase by 40 thousand tons; • by 30 thous. tons on “PKOP” LLP is connected with the improvement of shipment of petroleum products at the end of the 1st half of 2013. Decrease: • by 297 thous. tons on Petromidia because of planned plant shutdown for repairs for a longer period, the pressure drop in the reactor of hydrocracking and the unfavorable situation in the European markets; • by 124 thousand tons on “Pavlodar Petrochemical Plant” LLP because of the glut of PPCP tanks and tank farms leased, low demand for gasoline of the refinery and import growth of oil products from Russia;</p>

Name	Unit of measure	First half				Factors
		2013	2012	Deviation	2013 to 2012, %	
Number of accidents which caused suspension of production or environmental damage	Number of accidents	3	3	0	0	There are registered 3 cases: 1) On January 29, 2013 - depressurization of pump equipment at the plant for the primary refining ELOU-AT-2 of "Atyrau Refinery" LLP with subsequent ignition. No injuries were reported. The material damage amounted to KZT 1,5 million; 2) On April 2, 2013 - unauthorized tie-in at 1316 km of oil pipeline "Pavlodar-Shymkent" that resulted in the contamination of soil ground by oil. The polluted area was 0,035 hectares. The environmental damage amounted to KZT 1,5 million; 3) On June 5, 2013 - oil leak on the 95,5 km of the pipeline "Prorva-Kulsari" because of formed corrosion fistula, which resulted in soil contamination by oil. The area of contamination was 0,28 hectares. The environmental damage amounted to KZT 9,1 mln.
Average number of employees	thous. people	84,074	84,025	0,049	0,06	Increase by 49 units, mainly due to increase in number of personnel of KTG, which was partially offset by a decrease in the number of administrative personnel at KMG E&P
Including:						
Administrative staff	thous. people	7,363	8,303	-0,940	-11,32	The decrease is mainly on KMG E&P due to natural attrition (termination of employment, retirement, etc.), reduction of staff positions and transfer to outsourcing and the introduction of a moratorium on the appointment of employees to vacant positions in the subsidiaries as of February 4, 2013
Process staff	thous. people	76,711	75,722	0,989	1,3	The increase is mainly due to increased headcount of KTG, which is associated with the joining of KTG-Aimak for servicing in Atyrau and Kostanay regions.
The world price of Brent crude	USD / bbl.	107,5	113,3	-5,8	-5,12	
The average price of crude oil for export	USD / bbl.	106,4	111,1	-4,7	-4,2	
The average price of crude oil on the domestic market	USD / bbl.	37,2	35,2	2,0	5,6	
The average price for realization of oil products PM on KMG	KZT per ton	81 224	93 061	- 11 837	-12,72	
The average sales price for Rompetrol	KZT per ton	969	1 010	-40,32	-3,99	

Volumes of oil supplies by pipeline is coordinated with the Ministry of Oil and Gas of the Republic of Kazakhstan, therefore, the possibility of oil supply of the group of companies for some pipelines may be limited.

The Government requires from the companies of the KMG engaged in the production of crude oil and sales of petroleum products, annually supply part of the products for the domestic market, mainly to maintain the balance of supply of petroleum products in the domestic market and to support agricultural producers during the spring and autumn sowing campaign.

JSC "Exploration and Production "KazMunayGas" (hereinafter - KMG E&P) has focused attention on the stabilization of daily production and modernization of production facilities at the core assets. The main part of the Uzen and Karamandybas fields of the company is in late stage of development, characterized by high water cuts and all-round fall in oil production. To achieve the plans set for oil production, the company performed the works on development drilling, workover of wells (сколько) and measures to stimulate production of oil, such as hydraulic fracturing, the impact on the bottom-hole zones and reactivation of output wells, which provided additional production volumes.

To maintain the level of oil transportation by sea fleet of JSC "KazMorTransFlot" (hereinafter - KMTF) there carried out measures to involve additional volumes and increasing the attractiveness of routes:

- in the direction of Aktau -Makhachkala it is carried out the work on signing a long-term contract for the transportation of Turkmen oil in the amount of 50 thousand tons / month ;

- in the direction of Aktau- Baku it is carried out the work to increase the supply of "Tengizchevroil" LLP to the port of Aktau on a regular basis every month of 250 thous. tons to be transported to the port of Baku to the expansion of the CPC pipeline system;

- in the direction of the Black Sea, the E&P management decided to increase the number of runs per month (one run by a tanker of "Suezmax" type and three runs by "Aframax" tanker to the direction of the plant Petromidia, 1,5 of the run by "Aframax" tanker beyond the Black Sea).

KMG in order to increase the volume of the main transportation of “Intergas Central Asia” JSC assumes the project implementation on the organization of reverse gas transport through main gas pipelines Central Asia - Center and Bukhara- Ural (gas redirection for exports to China).

In order to execute the planned volumes of hydrocarbon processing on Kazakh oil refineries “Pavlodar Petrochemical Plant “LLP, “Atyrau Refinery” LLP and “PKOP” LLP before the end of 2013, KMG in collaboration with the Ministry of Oil and Gas of the Republic of Kazakhstan have taken the following measures:

1) it has been issued a joint order of the Ministry of Oil and Gas and the Ministry of Transport and Communications of the Republic of Kazakhstan on May 21, 2013 to limit oil imports from Russia by rail until the end of 2013;

2) quotas are allocated for “KazMunayGas - Processing Marketing” JSC (hereinafter - KMG PM) to export gasoline of AI -80 sort in the amount of 100 thousand tons until December 31, 2013 under the Decree of the Government of the Republic of Kazakhstan #652 dated July 1, 2013 “On the introduction of a temporary ban on the export of light distillates and products of kerosene, gas oil and other petroleum products”.

To fulfill the targets in terms of processing of hydrocarbon raw materials, Petromidia plant works on improving the quality of oil delivered for processing through a strict control of oil quality on every cargo so that the indicator of Urals oil grade corresponded to the density of 32 API (American Petroleum Institute), as well as supplement by crude oil of CPC in August-October to increase output at the Petromidia refinery. Also it is provided that during September - December 2013 all installations will be operated at maximum capacity of 14 tons / day.

Consolidated financial indicators by the segment:

Name	Unit of measure.	First half			
		2013	2012	Deviation (+/-)	Change, %
Consolidated net income	KZT bln.	242	278	-36	-12,86
EBITDA margin	%	20,45	17,79	3	15,00
ROA	%	3,36	4,29	-1	-21,48
ROE	%	6,54	8,23	-2	-20,54

To determine the major factors of influence of the main items in the statement on total income of the segment to net income the analysis of the share changes of the main indicators the in total amounts of revenue and expenses in the first six months of 2013 as compared with the corresponding period of 2012:

Name	H1 of 2013			H1 of 2012			Deviation	Change, %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Revenues from sales and interest income	100	111	1 418	100	114	1 447	- 29	-2,01
Expenditure on operating activities	90	100	1 274	88	100	1 272	2	0,16
Cost of sales and interest expense	70	78	990	71	81	1 026	- 36	-3,52
Gross income	0	0	0	29	33	421	- 420	-99,90
General administrative expenses (GAE)	6	6	79	4	5	60	19	30,88
Shipping costs and sales	10	11	146	13	14	181	- 35	-19,25
Recovery of assets impairment	0.18	0.20	3	0.01	0.01	0.11	2	2285,30
Losses on assets impairment	4	5	62	0	0	5	57	1155,93
Income (loss) from operating activities	10	11	144	12	14	175	- 31	-17,76
Other non-operating income and expenses (net)	0.73	0.81	10	0.27	0.31	4	6	162,65
Financial income	1.22	1.36	17	1.22	1.39	18	- 0	-2,32
Financial expenses	6	7	87	5	6	78	9	11,55
Equity in earnings of associated companies and joint ventures	17	19	246	17	20	252	- 6	-2,54

Name	H1 of 2013			H1 of 2012			Deviation	Change, %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Income tax expense	6	6	79	6	7	85	- 6	-7,26
Loss from discontinued operations	0.01	0.01	0.16	0.00	0.00	-	0	
Net income	17	19	242	19	22	278	- 36	-12,86

The following are explanations of changes of the basic elements of the statement on total revenue

Name	First half				Explanations
	2013	2012	Deviation	Change, %	
Revenues from sales	1 418 091	1 447 189	- 29 098	- 2,01	Decline by KZT 29,1 bln. due to decrease by KZT 81,1 bln. <i>due to lower sales volumes of its own and purchased crude oil and petroleum products on KMG PM and Rompetrol</i> and because of the growth : <ul style="list-style-type: none"> • by KZT 20,2 billion is mainly due to growth in revenues from oil transportation by trunk pipelines; • by KZT 11,9 billion at the expense of the growth of income from the sale of gas, including for export; • by KZT 13,4 billion due to consolidating “KMG-Karachaganak” LLP; • by KZT 6,5 bln due to higher production volumes and higher tariffs for the services provided by “Aktaunefteservice” LLP (hereinafter - ANS)
Cost of sales	990 144	1 026 272	- 36 127	- 3,52	Decline: <ul style="list-style-type: none"> • by KZT 80,4 billion due to lower sales volumes of its own and purchased crude oil and petroleum products on KMG and Rompetrol PM; • by KZT 3,1 bln mainly due to lower volumes of crude oil transportation by navy; Growth: <ul style="list-style-type: none"> • by KZT 13,7 billion by indexing the wage bill and rising production costs in E&P KMG; • by KZT 12,2 billion by consolidating “KMG-Karachaganak” LLP; • by 21,4 billion at the expense of the allowance for penalties of “KazTransGas” JSC, output growth on ANS and other factors.
General administrative expenses	78 515	59 989	18 525	30,88	Growth is due to additional payments, fines and penalties for environmental payments of E&P KMG by KZT 8,2 billion, allowance for income taxes by KZT 7,2 billion on KMG PM because of differences in the interpretation of the Tax Code of the Republic of Kazakhstan in the growth of the cost of subsidiary shares, and by KZT 3 billion on other factors
Shipping costs and sales	146 133	180 960	- 34 827	- 19,25	Lower transport costs of KMG PM due to the decline in petroleum products purchased by KZT 30,9 bln and 4 bln for other reasons
Reversal of impairment of assets	2 604	109	2 495	2 285	<ul style="list-style-type: none"> • Reversal of impairment of fixed assets of Rompetrol by KZT 961 million in connection with the recovery of the oil depot previously planned to elimination; • Reversal of impairment of inventories of Rompetrol by KZT 1,4 bln as a result of revaluation of inventories in relation to the prevailing market prices and volumes of inventories and other factors.
Impairment losses on assets	61 864	4 926	56 938	1 156	Growth is due to assets impairment of E&P KMG by KZT 56,3 billion in connection with the increase from April 12, 2013 of the export customs duty from U.S. \$ 40 per ton to USD 60 per ton, and the impairment of accounts receivable, inventory, social and non-core objects by KZT 5,6 bln
Income (loss) from operations	144 039	175 151	- 31 112	- 17,76	The factors are listed above

Name	First half				Explanations
	2013	2012	Deviation	Change, %	
Other non-operating income and expenses (net)	10 298	3 921	6 377	162,65	Growth in profits from exchange rate differences
Financial income	17 281	17 692	- 411	- 2,32	
Financial expenses	87 235	78 202	9 033	11,55	Due to servicing the loan for the acquisition of equity interest in the Karachaganak project and consolidation of “KMG-Karachaganak” LLP by KZT 6,7 billion, amortization of discount on liabilities of E&P KMG and “KazTransOil” JSC (hereinafter - KTO) by KZT 2,4 bln
Equity in earnings of associated companies and joint ventures	245 673	252 072	- 6 400	- 2,54	Growth on “Tengizchevroil” LLP by KZT 8 billion, in reduction of the share of equity income, mainly on Mangistau Investment BV by KZT 6,5 billion, on PetroKazakhstan by KZT 7,4 billion.
Income tax expense	79 193	85 394	- 6 201	- 7,26	Reduction in the tax base
Loss from discontinued operations	164	-	164		
Net income	242 071	277 788	- 35 716	- 12,86	Mainly influenced negatively the impairment of assets of E&P KMG by KZT 56,3 bln. in connection with the increase from April 12, 2013 of the export customs duty from U.S. \$ 40 per ton to USD 60 per ton

For optimization of expenses in accordance with events on optimization of unprofile assets and objects in KMG will be realized the plan of restructuring of unprofile assets and objects. Also KMG together with Fund is worked out the Program of reduction of expenses to 2015 with the accumulated effect about KZT 36 bln.

The analysis of changes in shares of the basic items in the statement on aggregate income in the total amounts of revenue and expenses shows that the **deterioration in net income was primarily due to the impairment of E&P KMG by KZT 56,3 billion in connection with the increase from April 12, 2013 of export customs duties from U.S. \$ 40 per ton to USD \$ 60 per ton.**

Capital expenditures for this segment in the reporting period are focused on the maintenance of the productive assets and other fixed assets in the amount of KZT 104,1 billion, investment in the share capital of subsidiaries in the amount of KZT 86,5 billion, investment projects amounting to KZT 137,9 bln. and the purchase of shares in the amount of KZT 70,7 billion.

Basically, the funds are used for the exploration and development of Kashagan, PZhemchuzhiny, H, Zhambyl, Satpayev and Urikhtau, modernization and reconstruction of refineries “Atyrau Refinery” LLP, “PKOP” LLP and “Pavlodar Petrochemical Plant” JSC, construction and modernization of the main gas pipeline Kazakhstan - China and Beineu -Shymkent, regional gas distribution networks of the South Kazakhstan region, Kyzylorda, microdistricts of Almaty, gasification of settlements of Ili and Talgarsky districts of Almaty region, development of the turbo compressor plant # 4 of Makat compressor station, construction of jack- up floating drilling rig, as well as for the acquisition by the E&P corporate center of 100 % interest in “Aktaunefteservis” LLP and “Tengiz – Burgylau” LLP from the KMG subsidiaries in order to reduce the management levels (on the consolidated basis does not affect).

3.2 “Mining and Industrial” Segment consists of JSC “NAC “Kazatomprom”, “Kazakhstan Engineering” JSC, “United Chemical Company” LLP, JSC “NMC “Tau-Ken Samruk”.

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

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

The KAP Sole Shareholder is the Fund.

The assets structure of the KAP consists of 73 companies on 4 levels, 48 of them with absolute share of KAP, 10 companies in which the share of KAP is more than 50%, 9 jointly-controlled entities and 22 associates.

The restructuring plan of non-core assets and facilities of KAP (hereinafter - the Plan) was approved by the KAP Board of Directors dated July 4, 2013. The Plan includes measures to withdraw from the structure of JSC “NAC “Kazatomprom” (liquidation, sales, donations, restructuring) of 11 assets, of which as of 01.09.2013:

- on 3 – taken decisions on liquidation or reorganization in form of merger;
- on 1 – prepared a draft decision on withdrawal from the participants;
- on 5 - decided to alienate is under consideration of the Board members (groups of companies of “UMZ” JSC);
- on 2 - work on alienation is stopped due to the fact that local agencies refuse to accept public utilities of heat and water supply, wastewater of “Shieli energy services” LLP and “Taukent energy services” due to the lack of a specialized utility enterprise in the area.

Also the Plan includes objects of “Kazatomprom- Demeu” LLP for subsequent sale or donation to local executive bodies.

From 22 facilities (14 Plan items) - 6 are sold, 5 are withdrawn from the auction because the two objects at the request of the Akimat to be donated to local executive bodies, and 3 facilities (utility yards) are necessary for the operation of “Kazatomprom- Demeu” LLP.

From 13 items (in total by 27 objects), subject to the donation of the local executive bodies of Suzak district (Taukent and Kyzymshak urban villages of South-Kazakhstan region) - 16 objects are transferred, documents on 8 facilities are under consideration of the local executive bodies, 2 sites are proposed to donate to the balance of apartment owners ‘cooperatives, 5 facilities are proposed to write off (facilities “Land for the aerodrome with DED”, “Swimming pool with DED”, “Dam”, “Water reservoir”, “Destroyed buildings of “Kyzyl-Kol” recreation area).

Additionally, “Palace of schoolchildren in the city of Astana” was included in the Plan.

KAP will continue to work to increase the share of associates and jointly - controlled mining companies to gain control and influence strengthening, as well as implement, liquidate, transfer non-core assets and facilities to government agencies to improve the company’s financial results.

KAP organizations perform mining uranium at 23 fields, mostly in the South Kazakhstan, Kyzylorda and Akmola regions.

KAP companies provide services in the following areas of natural monopoly: power, heat and water production.

The Decree of the Government of the Republic of Kazakhstan #1628 dated December 29, 2011 approved the limited electricity tariffs for 2013 for KZT 10.34 per 1 kWh, for 2014 – KZT 10.96 per 1 kWh for “MAEK – Kazatomprom” LLP.

In the first half of 2013 there were the **following significant events**:

1) in “Semizbay –U” LLP it was commissioned reconstructed workshop on the preparation of productive solutions in the Irkol mine with increased bandwidth of uranium-bearing solutions for 1 800 thousand m3 per year.

2) in the framework of implementation of the joint project with the Russian Federation on the acquisition of CJSC “TSOU” stake of separation facilities of “UEHK” OJSC there were held the Kazakh- Russian working meetings. There were identified the source and the scheme of funding for the acquisition of shares in “UEHK” OJSC and considered the proposals of commercial banks on providing loans to finance the acquisition in CJSC “TSOU” of 25% + 1 share of UEHK” OJSC. Following the meeting as a financial partner in the transaction was determined “Sberbank of Russia” OJSC.

3) The Government of the Republic of Kazakhstan adopted the Decree on granting the consent to KAP for the deal to sell 49 % stake in the charter capital of “Semizbay –U” LLP in favor of the “Sino –Kaz” Company, i.e. KAP has fulfilled its obligations under the Settlement Agreement in full.

The actual average staff number totaled 22 474 units, including 20 240 units of production staff.

JSC “NMC “**Tau-Ken Samruk**” (hereinafter - TKS) was established in accordance with Decree of the Government of the Republic of Kazakhstan # 10 dated January 15, 2009 with the aim of further development of the mining sector of the republic.

The main activity of TKS is the implementation of growth in value of the company through the effective development of raw material base of priority of solid mineral deposits (SMD) with the use of modern technology, integration of productive assets and their efficient management.

TKS is at the initial stage of the implementation of investment projects, which provides for the development of investment proposals, project financing for conduct of geological exploration, development of feasibility studies, and search for strategic partners as well as obtainment of rights of subsoil users.

The structure of the TKS consists of 7 companies on 2 levels, 3 of which are created with the purpose of realization of investment projects in cooperation with strategic partners.

The following **significant events** happened in TKS for the first half of 2013:

- 1) the subsurface use contract with the Competent Authority on the extraction of ores from the field Alaygyr in Karaganda region is concluded;
- 2) the contract for use of mineral resources with the Competent Authority for the exploration of copper, gold and associated components of the Spassky copper ore zone in Karaganda region is concluded;
- 3) the contract for the use of mineral resources with the Competent Authority to explore for copper, lead, barite in Tuy-Temirlik mining district in Almaty region is concluded;
- 4) the Board of Directors has approved the new organizational structure of “Tau-Ken Samruk” JSC, which entered into force on 1 June 2013.

The actual average number is 92 units, including 3 units of production personnel.

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

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

As of December 31, 2012 the UCC asset structure is represented by 11 companies.

The jointly controlled the UCC entities include:

- 1) “KPI Inc.” LLP (51 % share) which main activity is the implementation of the project on construction of a complex for the production of polypropylene with the capacity of 500 thousand tons per year in the Atyrau region.

- 2) KAPIC FZCO (50% share) which main activity is the implementation of the project on investment management in the petrochemical industry and related industries, as well as sale of polypropylene products and petrochemical industry materials in all countries of the Middle East.

The associated companies of JSC “NC “KTZ” include:

- 1) “KLPE” LLP (25% share) which main activity is the implementation of the project on construction of a complex for the production of polyethylene with the capacity of 800 thousand tons per year in the Atyrau region.

- 2) “UCC Engineering” LLP (25% share) which main activity is the provision of expertise, engineering and design work in industry, subsoil use, environment, construction and infrastructure, as well as consulting services such as Project Management Consultancy (PMC), Due diligence, the examination of industrial safety, feasibility studies and other services.

- 3) “Samruk Competence Center” LLP (30% share) which main activity is the implementation of the project for staff retraining and skills upgrading for the chemical industry.

In the first half of 2013 **there were the following significant events:**

- 1) Pursuant to the decision of the Board of “Samruk – Kazyna” JSC # 04/ 13 dated 13.02.2013 as part of implementation of the project “Establishment of special economic zones “Chemical Park in Zhambyl region” by the Partnership it was established JSC “MC SEZ HimPark Taraz”, To date, it is received the state examination of the feasibility of the project.

- 2) Also in the current period, the Partnership has implemented the acquisition from “Stepnogorsk Mining - Chemical Complex” LLP (hereinafter – “SMCC” LLP) of 22 % interest in “SKZK” LLP Thus , the share of participation of the Partnership in “SKZK” LLP is 78 %.

At the end of the reporting period, the actual average staff number amounted to 230 units, of which 45 units of production staff.

JSC “NC “Kazakhstan Engineering” (hereinafter – KE) is a holding structure, which provides a unified financial, industrial and technology policy at the largest enterprises of the Republic and is in the trust management of the Ministry of Defense of the Republic of Kazakhstan.

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

The structure of the KE includes 34 companies on 3 levels. The KE is specialized in products and services for oil and gas, rail, military-industrial complexes, as well as in the areas of electronics, agriculture and others, including the production of consumer goods.

The following significant events have occurred in the reporting period:

- 1) in Otar village it was held a military parade devoted to the day of the armed forces of the Republic of Kazakhstan, where it has been demonstrated special products produced by subsidiaries of the Company.

- 2) “Semey engineering” JSC was visited by the President of Kazakhstan, where it was demonstrated the process of modernization of military hardware;

- 3) « Kazakhstan Aselsan engineering» LLP the construction of the plant in the SEZ of Astana is under completion, it is made installation of supervision of the equipment and commissioning.

The actual average number was 5 374 units, including 4 861 units of production staff.

Performance indicators. The main factors of changing of production figures on this segment:

Name	Unit of measure	First half				Factors
		2013	2012	Deviation, (+/-)	Change, %	
Volume of the uranium output of JSC “NAC “Kazatomprom”	tons	10 568	9 652	916	9	Increase in uranium production in accordance with the contracts for subsoil
Volume of sales of civil designation production of JSC “NC “Kazakhstan Engineering”	млн. тенге	6 330	7 572	-1 242	-16	The decrease is due to the fact that in 2013 the bulk of the performance of the contractual obligations of civil products is accounted for the second half of 2013. At the end of 2013 it is expected the value at KZT 18.13 billion (2012: KZT 14.24 billion).
Volume of sales of special and double-designation production of JSC “NC “Kazakhstan Engineering”	KZT million	6 450	2 503	3 947	158	A significant increase in the volume of the state defense order for the products of the group of JSC “NC “Kazakhstan Engineering”
Volume of services (engineering) of JSC “NC “Kazakhstan Engineering”	KZT million	1 114	476	638	134	A significant increase in the volume of the state defense order for services on the modernization of military hardware
The number of accidents that resulted in production stoppages or environmental damage	units	0	0	0	-	
The average number	people	28 171	26 554	1 617	6	The growth of production personnel in connection with the expansion of operations
including production staff	people	25 149	23 478	1 671	7	

Consolidated financial indicators on the segment:

Name	Unit of measure.	First half			
		2013	2012	Deviation, (+/-)	Change, %
Consolidated net income	KZT bln.	-30,43	11,36	-41,79	-368
EBITDA margin	%	21,81	14,12	7,69	54
ROA	%	-3,51	1,67	-5,18	-310
ROE	%	-5,21	2,90	-8,10	-280

The following are explanations of changes of the basic elements of the statement on total revenue

KZT bln/

Name	1 st half				Explanation
	2013	2012	Deviation, (+/-)	Change, %	
Revenues from sales and interest income	133,6	115,0	18,7	16	Mainly due to: • the growth in uranium oxide in real terms (KZT 14.9 billion); • decrease of spot quotations from 51.62 USD / lb to 41.6 USD / pound (-3.7 billion KZT); • rise in the U.S. dollar from 148.2 to 150.9 KZT/ USD (+1.5 billion KZT); • the growth in sales of civilian products (+4.3 bln KZT)
Cost of sales and interest income	104,5	91,8	12,7	14	Mainly due to: • the growth in sales of uranium oxide, tantalum products, electricity, sales price of uranium oxide (KZT 7.3 billion); • increase in production of civilian products, special products and dual-use goods (+3.5 bln KZT); • increase in depreciation and amortization (+1.6 bln KZT)
Gross income	29,1	23,2	6,0	26	
Recovery of assets impairment	0,8	0,3	0,5	157	Allowance recovery of KE for reimbursement of expenses to the PE “Corporate University “Samruk-Kazyna”, as well as the provision for warranty obligation to “Temirbank” JSC under the Credit

Name	1 st half				Explanation
	2013	2012	Deviation, (+-)	Change, %	
					Agreement
General administrative expenses	14,2	11,8	2,3	20	Mainly due to: • growth in labor costs due to the inclusion of organizations “Uralenergo” LLP and “KYAU” LLP to the KAP, as well as the completion of construction work and the start of production of “AstanaSolar” LLP and “KazakhstanSolarSilicon” LLP; • the growth of R & D expenditure in connection with the instruction of the President of Kazakhstan (+1.6 bln KZT)
Shipping costs and sales	2,6	1,8	0,8	46	Mainly due to: • growth in commission expenses as a result of the growth in sales volume of “Appak” LLP through Japanese partners (KZT 228 mln); • growth in sales volume (+159 mln KZT) of uranium oxide; • growth of fee on the platforms operating as a result of the transmission of KTZ rolling stock to “Kedentransservice” JSC (+86 mln KZT).
Reversal of impairment of assets	59,6	1,1	58,5	5 551	Due to the loss recognition of investment impairment in “Kazzinc” LLP in the amount of KZT59.6 billion
Impairment losses on assets	-46,3	8,8	-55,2	-625	
Income (loss) from operations	5,2	-0,9	6,2	648	Mainly due to: • the reversal of liabilities (+5.7 bln KZT) in the framework of implementation of the settlement on “Semizbay-U” LLP, as a result of income from allowance recovery for warranty servicing of the equipment handed over by KE in prior periods (+0.4 bln KZT); • transfer of the building of “Indra” LLP which evaluation exceeds the book value by KZT 0.2 billion
Other non-operating income and expenses (net)	2,8	2,2	0,6	28	Mainly due to: • increase in the amount of dividends received from “Westinghouse Electric Company LLC” (+0,4 billion KZT); • increase in the average monthly balances in current accounts (+0.2 bln KZT)
Financial income	4,4	6,6	-2,2	-33	Mainly due to: • implementation of the settlement on “Semizbay-U” LLP, as the result of which since 2013 the reserves are not charged for the payment of dividends to the Chinese partners (-2.6 bln KZT); • increase in borrowings (+0.4 billion KZT)
Income / (loss) on exchange differences	-0,6	-1,3	-0,7	-52	Because of the rise in the U.S. dollar from 148.2 to 150.9 KZT / USD
Equity in earnings of associated companies and joint ventures	18,4	11,9	6,5	54	Mainly due to: • increase in the share of income of “Katco” LLP by KZT 4.7 bln; • decrease of “Betpak Dala” LLP by KZT1.8 billion, accounted by KAP using the equity method ; • the share of income attributable to 29.8221% interest in the net profits of “Kazzinc” LLP from the acquisition date February 1, 2013 to June 30, 2013 (+3.2 billion KZT).
Income/(loss) before taxation	-25,1	14,0	-39,1	-279	
Corporate income tax expenses	5,3	2,7	2,7	101	As a result of growth in profit before taxation
Net income/(loss) for a year	-30,4	11,4	-41,8	-368	

The main items in the statement on comprehensive income of the segment

Name	1 st half of 2013			1 st half of 2012			Deviation	Change, %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Revenues from sales and interest income	100	110	133,6	100	109	115,0	18,7	16
Expenditure on operating activities	91	100	121,2	92	100	105,4	15,8	15
Cost of sales and interest expense	78	86	104,5	80	87	91,8	12,7	14
Gross income	22	24	29,1	20	22	23,2	6,0	26
General administrative expenses (GAE)	11	12	14,2	10	11	11,8	2,3	20
Shipping costs and sales	2	2	2,6	2	2	1,8	0,8	46
Recovery of assets impairment	1	1	0,8	0	0	0,3	0,5	157
Losses on assets impairment	45	49	59,6	1	1	1,1	58,5	5 551
Income (loss) from operating activities	-35	-38	-46,3	8	8	8,8	-55,2	-625
Equity income from associates and joint ventures	14	15	18,4	10	11	11,9	6,5	54
Income tax expense	4	4	5,3	2	3	2,7	2,7	101
Net income	-23	-25	-30,4	10	11	11,4	-41,8	-368

Due to the impairment of investments in “Kazzinc” LLP in the amount of KZT59.6 billion the share of total spending for operating activities in the reporting period as compared to the first half of 2012 has increased by 43 points. And the share of the cost in the total expenses for operating activities in the reporting period has decreased as compared to the first half of 2012.

We note the incommensurable growth in General Administrative Expenses with income from sales in the reporting period as compared to the first half of 2012.

Overall, on the segment excluding the effect of Kazzinc it is marked increase in the operating performance of companies in the reporting period as compared to the first half of 2012.

However, given that in lowering spot quotes from 51.62 USD / lb to 41.6 USD / lb jointly controlled entities and associated companies of KAP could provide growth of equity income in the reporting period as compared to the first half of 2012 and the further reduction of spot quotations. Currently, KAP is elaborating an alternative development plan.

Key factors in net profit changes on the segment in the first half of 2013 as compared to the same period in 2012:

Factors	Changes, KZT bln.
Net income (KZT -30,4 bln. For the reporting period; 11,4 bln. KZT for the same period of 2012)	-41,8
In part because of:	
recognition of the loss from impairment of investment in “Kazzinc” LLP	-59,6
implementation of the settlement on “Semizbay-U” LLP, as the result of which since 2013 the reserves are not	+8,3

charged for the payment of dividends to the Chinese partners	
growth in the share of income from associates and jointly controlled entities as a result of the growth in uranium oxide sales by dependent organizations and the inclusion of the share of income attributable to 29.8221% interest in the net profits of “Kazzinc” LLP	+6,5
growth in gross income as a result of the increase in uranium oxide sales in kind of civilian products, special products and of dual-purpose	6,0
rising costs of CIT	-2,7

Capital costs in this segment in the first half of 2013 were aimed at upgrading and replacement of obsolete and worn-out equipment with new, more progressive, providing a planned uranium mining to increase production at existing mines, development of the chemical industry (production of sulfuric acid, polyethylene, polypropylene, plastic product, glyphosate, hydrocyanic acid and sodium cyanide, butadiene, polybutadiene rubber), attracting project funding for conduct and implementation of search and exploration of promising objects (getting subsurface rights), upgrading plants of heavy and light engineering.

Development expenses for the segment amounted to KZT39.1 billion, including the investment projects - KZT17.6 billion tenge, for maintenance of the productive assets and other fixed assets directly involved in the production and administration to - KZT14, 7 bln.

3.3 “Transportation” Segment includes Companies: JSC “NC “Kazakstan Temir Zholy”, “Air Astana” JSC, JSC “International Airport of Atyrau”, JSC “International airport of Aktoke”, JSC “Airport of Pavlodar”/

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

The Sole Shareholder of KTZ is the Fund. The KTZ structure includes 95 companies on 5 levels, of which KTZ owns 82 companies with absolute share.

The jointly controlled organizations of JSC “NC “KTZ” include:

- “Tulpar-Talgo” LLP, the principal activity of which is the design, manufacturing, production, export, sale and implementation of maintenance of railway cars;

- “Electric kurastyru зауыты” LLP, the principal activity of which is the manufacture of freight and passenger locomotives.

The associated companies of JSC “NC “KTZ” include:

- “Kedentransservice” JSC
- “Roskazzheldortrans”
- “KTS-Logistic” CJSC
- “Transport Holding of Kazakhstan” LLP

Freight turnover by type of transport (according to the Statistics Agency of RK):

Type of transport	6 months of 2012		6 months of 2013		Changes	
	Volume, million ton-kilometers	share of the transport market %	Volume, million ton-kilometers	Share of the transport market %	In absolute terms, million tonne-kilometers	Change in market share in 2013 to 2012,%
Maritime transport	1 945,4	0,87%	1 297,7	1%	- 647,7	-0,29%
River transport	0,70	0,00031%	0,1247	0,0001%	- 0,6	-0,00026%
Air transport	23,2	0,01%	30,0	0,01%	6,74	0,00%
Pipeline transport	51 476,3	23,12%	56 849,8	25,36%	5 373,50	2,25%
Other land transport	55 068,4	24,73%	61 331,1	27,36%	6 262,8	2,63%
Rail transport	114 181,1	51,27%	104 631,1	46,68%	- 9 550,00	-4,59%
Total turnover in the territory of Kazakhstan	222 695,03	100%	224 139,82	100%	1 444,79	

Passenger traffic by type of transport (according to the Statistics Agency of RK):

Type of transport	6 months of 2012		6 months of 2013		Changes	
	Volume, million passenger-kilometers	share of the transport market %	Volume, million passenger-kilometers	Share of the transport market %	In absolute terms, million passenger-kilometers	Change in market share, %
Maritime transport	-	0,00%	-	0,00%	-	0,00%
River transport	0,70	0,00%	0	0,00%	- 0,58	0,00%

Type of transport	6 months of 2012		6 months of 2013		Changes	
	Volume, million ton-kilometers	share of the transport market %	Volume, million ton-kilometers	Share of the transport market %	In absolute terms, million tonne-kilometers	Change in market share in 2013 to 2012,%
Air transport	4023,80	4,08%	4 315	3,92%	291,55	-0,16%
Pipeline transport	0,0	0,00%	-	0,00%	-	0,00%
Other land transport	86 418,1	87,55%	95 565	86,82%	9 147,30	-0,72%
Rail transport	8 267,8	8,38%	10 188	9,26%	1 920,00	0,88%
<i>Incl. JSC “NC “KTZ”</i>	<i>7 429,0</i>	<i>7,53%</i>	<i>7 931</i>	<i>7,21%</i>	<i>502,00</i>	<i>-0,32%</i>
Total passenger traffic in the territory of Kazakhstan	98 710,40	100%	110 069	100,00%	11 358,27	

In the reporting period, the share of JSC “NC “KTZ” in the domestic market of freight turnover has decreased by 9.2 % as compared to the same period of the last year, from 51.41 % to 46.68 %, in passenger traffic has decreased by 4.2 % as compared to same period of the last year from 7.53 % to 7.21 %.

Decline in the share of JSC “NC “KTZ” in the domestic freight market was mainly due to:

- Reduction in the volume of cargo transportation by 9.7 % due to lower shipments of all types of goods, with the exception of construction materials, ferrous metals, iron ore, chemicals and soda;
- overall growth of the freight market of Kazakhstan by 0.9 % over the same period of the last year;
- rapid growth of traffic by other types of transport to the same period of the last year: vehicles (+11.4 %), air transport (+29.1 %) and pipeline transport (10.4%).

With the growth in volume of passenger traffic over the same period of the last year by 6.8%, decline in the share of JSC “NC “KTZ” in the travel market was due to:

- the overall growth of the travel market of Kazakhstan by 12 % over the same period of the last year;
- rapid growth of passenger transportation by other kinds of transport to the same period of the last year: vehicles (+10.6 %), air transport (+7.2 %).

Companies of JSC “NC “KTZ” provide services in the following areas of natural monopoly:

- JSC “NC “KTZ”: services of the main rail network, access roads, transmission and distribution of electricity;

- “Temirzholsu” JSC: service of water supply and (or) sewage systems;

During the first six months there were approved new tariffs for regulated services of KTZ:

- on the services of the main rail network and freight services (locomotive traction, trucks and commercial work) with the introduction since January 1, 2013, and the average overall increase by 8.4 % ;
- new tariffs were not approved on the services of driveways during the first half;
- transmission and distribution of electrical power with introduction since April 1, 2013 and overall increase by 20.2 % by the order of AREM RK 60-OD dated February 21, 2013;
- services of water supply and (or) sewage systems.

Since January 1, 2013 the Partnerships of “Temirzholsu” JSC have approved new rates for the following services:

1) water services (water supply)

- “Temirzholsu – Aktobe” LLP with putting into effect since April 1, 2013 and growth of the average rate by 48% (old rate -KZT 233, 43, a new tariff -KZT346, 15)
- “Temirzholsu – Karaganda” LLP with putting into effect since August 10, 2013 and growth of the average rate by 31 % (old rate - KZT426, 2, the new tariff -KZT559, 29);
- “Temirzholsu – Arys” JSC with the introduction since March 1, 2013 and increase in the average tariff by 14% (old rate -KZT123, 6, a new tariff -KZT140, 5).

2) services to divert wastewater (sewage)

- “Temirzholsu – Aktobe” LLP with putting into effect since April 1, 2013 and growth of the average rate by 26% (old rate -KZT297, 1, a new tariff -KZT374, 17);
- “Temirzholsu – Karaganda” LLP with putting into effect since August 10, 2013 and growth of the average rate by 79% (old rate -KZT157, 13, a new tariff -KZT280, 7);
- “Temirzholsu – Arys” JSC with the introduction since March 1, 2013 and increase in the average tariff by 76% (old rate -KZT134, 54, a new tariff -KZT236, 95).

3) services for the production, transmission, distribution and supply of thermal energy by “Temirzholzhylyu- Kasaly” LLP with putting into effect since October 1, 2013 and the average growth rate by 1%.

In the reporting period, the **main events were:**

- 1) 50 % of shares of “Locomotive kurastyru зауыты” were sold belonging to JSC “NC “KTZ” in favor of “Transmashholding” CJSC.

2) in the structure of “Locomotive kurastyru зауыты” it was created “Astana Diesel Engines”

3) as part of the Cooperation Agreement based on a joint venture # 80 -AO dated March 17, 2011, on May 30, 2013 JSC “NC “KTZ” acquired 33 % of “Logistic System Management BV”, registered in the jurisdiction of the Netherlands, through transferring 33 % of shares of “Kedentransservice” JSC owned by JSC “NC “KTZ”.

4) By the Decree of the Government of the Republic of Kazakhstan from # 214 dated 05.03.2013 there were made amendments and additions to the program for the development of transport infrastructure in the Republic of Kazakhstan for 2010-2014.

5) Pursuant to the instruction of the President of the Republic of Kazakhstan N.A. Nazarbayev voiced in his message to people of Kazakhstan “Strategy “Kazakhstan -2050”- the new political course of a successful state”, MTC of RK has begun elaboration of the State Program on infrastructure development until 2020.

6) As part of the project implementation for the construction of new railway lines, on May 11, 2013 the Presidents of Kazakhstan N. Nazarbayev and Turkmenistan Gurbanguly Berdimuhamedov opened a direct rail link between the two countries through connecting passage Bolashak station - Serhetyaka station.

The actual average number for the reporting period amounted to 149 787 units, including 138 974 units of production staff.

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

The share of Air Astana in the airline market on domestic routes was about 75.4%, on international destinations in the reporting period was 48.3%. Freight volumes in the reporting period have increased by on domestic routes by 9.2%, on international destinations - 20.8%

Air Astana has a dominant position in the market of regular interrepublican air transport. Since February 2, 2013 there were approved the following tariffs for the carriage of passengers on domestic routes:

Route		Tariff, KZT	
		One-way	Return ticket
Almaty	Astana	23 713	47 426
Almaty	Aktau	32 609	65 218
Almaty	Atyrau	40 803	81 606
Almaty	Aktobe	32 250	64500
Almaty	Karaganda	29 531	59 062
Almaty	Kizilorda	21 543	43 086
Almaty	Pavlodar	32 865	65 730
Almaty	Ust-Kamenogorsk	29 438	58 876
Almaty	Shymkent	23 540	47 080
Astana	Aktobe	27 793	55 586
Astana	Atyrau	33 621	67 242
Astana	Ust-Kamenogorsk	22 636	45 272
Astana	Kizilorda	22 757	45 514
Astana	Kostanay	26 493	52 986
Aktau	Atyrau	15 461	30 922

In the reporting period the **significant events** were as follows:

1) Own aircraft Embraer 190 and Airbus A320 were delivered, equipped with innovative wingtips - “sharklets”.

2) Fokker 50 aircrafts were withdrawn from the fleet and replaced by regional turboprop aircraft Embraer 190.

3) The aircraft fleet consists of 26 units of western production; it is expected further increase in the fleet up to 37 aircraft by 2020.

4) The level of maintenance and aviation security is of the same level as the world’s leading airlines: Air Astana is included in the register of IOSA operators and is a member of the combined group on the quality of jet fuel , which is part of the International Air Transport Association (IFQP - IATA Fuel Quality Pool) - Group airlines that actively cooperate and share inspection reports on fuel around the world.

5) New flights to the following destinations are opened: Almaty-Ho Chi Minh, Almaty - Kiev, Almaty - Kazan, Astana - Bishkek, Astana – Kiev, Orenburg- Astana, Atyrau - Moscow.

6) The airline has once again awarded a rating of 4 stars of Skytrax agency and is also named “Best Airline in Central Asia and India”.

7) It was concluded Codeshare agreement with the Turkish Airlines on routes served by both carriers between Kazakhstan and Turkey.

The actual average number for the reporting period amounted to 4 001 units, including 3 146 units of the production staff .

JSC “International Airport of Atyrau”, JSC “International airport of Aktoobe”, JSC “Airport of Pavlodar” render, mainly, the services on airport activities, including the accommodation, discharge and maintenance of aircrafts, passengers, baggage, freight and parcels processing, their vetting and control, handling with ionized radiation sources and radioactive substances; no meteorological providing of flights, on medical providing of flight safety, on providing of aircrafts, objects and airport services with petroleum, oil and lubricants and special liquids, quality control, as well as procurement, storage, marketing, including wholesale and retail, of petroleum, oil and lubricants and special liquids for aviation and automobile.

JSC “International airport of Atyrau” and JSC “International airport of Aktoobe” accept and maintain practically all types of aircrafts, the 1st half of 2013 there were served about 4 000 units of aircraft mainly in the following areas:

- Aktoobe- Almaty, Aktoobe -Astana, Aktoobe - Moscow, Aktoobe - Atyrau, Aktoobe- Aktau, Aktoobe - Antalya, charter flights;

- Atyrau -Astana , Atyrau - Almaty, Atyrau - Aktau, Atyrau- Aktoobe, Atyrau - Uralsk, Atyrau- Kyzyl-Orda, Shymkent -Atyrau , Atyrau - Moscow, Istanbul - Atyrau , Atyrau -Amsterdam . Charter flights are made around the world, but the main areas of focus are Dubai, Istanbul, Baku, Tbilisi. The largest passenger traffic is marked on the directions of Astana, Almaty, Moscow, Amsterdam and Istanbul

- Pavlodar - Astana , Pavlodar - Almaty , Pavlodar –Moscow, Pavlodar -Minsk, Pavlodar -St. Petersburg , Pavlodar -Antalya.

Airports provide services in the following areas of natural monopoly:

- ensuring takeoff and landing of aircrafts
- Aviation Security of aircrafts
- providing excess aircraft parking for more than 3 hours
- providing aircraft parking at the base airfield
- power transmission and distribution
- receiving, production and maintenance of aircraft, passengers, baggage handling, cargo, mail, their inspection and control, treatment with ionizing radiation and radioactive substances;
- meteorological support of operations;
- medical practice in order to ensure aeroport activities;
- providing aircraft s, facilities and services of the airport with fuel, lubricants and special liquids, the control of their quality, as well as the purchase, storage and sales, including wholesale and retail, lubricants and special liquids for aviation and road transport;
- other activities not prohibited by the legislation, and technology- related activities.

The dominant types of services in the competitive market: ground navigation-lowering, maintenance on transit shape, passenger service, cargo handling, providing aviation fuel, rental of premises involved in the transportation process, storage of petroleum products.

During the 1st half of 2013 tariffs have not been revised.

Aircraft and emergencies in the reporting period due to the fault of airports are not fixed.

Note the following **important events in the 1st half of 2013**:

- 1) “International Airport of Atyrau” JSC has carried out 100% transition to e-procurement system.
- 2) “Airport of Pavlodar” JSC has completed renovations of the SAB building, which allowed the release of the terminal area for rent.

Performance indicators. The main factors of changing of production figures on this segment:

Name	UoM	1-st half				Explanation
		2013	2012	Deviation	Change %	
Tariff cargo turnover	mln t/km	104 939	116 229	-11 290	-9,7	The decline in cargo transportation by 6.3%, including for coal, crude oil, grain, oil and other goods. Reduction in traffic is due to the slow growth of the world economy, which continues to have a negative impact on the slowdown in the industry.

Passenger turnover	mln p/km	7 931	7 429	502	6,8	The growth is due to the extension of the train route # 673/674 with connection "Pavlodar-Astana" to Karaganda and train route #57/58 with connection "Aktobe-Astana" to Uralsk since 01.01.2013, as well as changes in the composite and the frequency of trains plying.
Cargo transported	mln tons	134 455	143 570	-9 115	-6,3	Reduction in traffic on all types of goods, with the exception of chemicals and soda, building materials, non-ferrous ores, chemicals and fertilizers.
Loading	mln tons	120 047	127 142	-7 095	-5,6	Reducing the loading on all types of goods, with the exception of the non-ferrous ore, building materials, chemicals and soda.
Passengers transported	thous.people	1 698	1 525	173	11,3	Expanding operations: the opening of new areas of air transportation (Almaty-Ho Chi Minh, Astana-Beijing, Almaty-Kiev, Almaty-Kazan, Astana-Bishkek, Astana-Kiev, Astana-Omsk, Orenburg-Astana, Atyrau-Moscow), the increase of frequencies on existing routes, fleet renewal (replacement of aircraft of Fokker 50 type for turboprop Embraer 190)
Present passenger / kilometers	mln p/km	5 383	4 480	903	20,2	
Performed passenger / kilometers	mln p/km	3 412	2 955	457	15,5	
Baggage, luggage and mail transported	thous.tons	11 273	9 632	1 641	17,0	Due to increase in demand for the services provided on air transport.
Average number of employees	people	153 788	155 306	-1 518	-1,0	The decrease is mainly due to the implementation of measures to reduce the size, in the framework of developed by KTZ Program to increase the efficiency of the group of companies of JSC "NC "KTZ".

Consolidated financial indicators by the segment:

Name	UoM	1 semiyear			
		2013	2012	Deviation, (+/-)	Change, %
Consolidated net income	KZT bln.	61,9	62,2	-0,3	-0,4
EBITDA margin	%	160	162	-2,5	-1,5
ROA	%	2,8	3,4	-0,6	-17,8
ROE	%	2,8	3,5	-0,7	-20,3

The following are explanations of changes of the basic elements of the statement of the aggregate income.

Name	1 st half				Explanation
	2013	2012	Deviation	Change %	
Revenues from sales	463,9	435,1	28,8	6,6	Growth in revenues from freight transportation by 4.3% (KZT14.3 billion) due to: <ul style="list-style-type: none"> • growth of rates by 8.4% in cargo traffic; • growth in passenger traffic by 6.8%, and rates by 10% and 12% in passenger traffic; • growth of rates for additional fees by an average of 14.2% (storage of goods, idle hours of freight cars on main lines, stations, sidings of general use) • introduction of fuel surcharges on domestic routes since April, 2012 (KZT3.3 billion).
Government grants	12,0	11,2	0,8	7,3	Transfer of a passenger train #309/310 to the management of "Passenger transportation" JSC. Reducing 1 frequency of the direction Astana-Zheshkazgan and return to the state treasury of KZT 65 million after inspection of the Accounts Committee.
Cost of sales and interest expense	321,7	300,1	21,2	7,1	Increasing costs is mainly due to: <ul style="list-style-type: none"> • labor payment by 3% (KZT2.7 billion) because of increasing wages to employees of subsidiaries and affiliates; • electricity by 17.5% (KZT2.6 billion) due to the growth of rates by 18.4% (from KZT8.1 to

Name	1 st half				Explanation
	2013	2012	Deviation	Change %	
					9.6 per 1 kW / h); • depreciation of fixed assets by 20.2% (KZT6.9 billion) due to the commissioning of new facilities; • other costs by 56.9% (KZT2.9 billion) is mainly due to increase in costs for empty runs of freight cars (KZT1.8 billion), rental of track equipment and passenger cars from a third party (KZT0.2 billion), in other unproductive expenditures (KZT0.4 billion), medical services and travel expenses (KZT0.4 billion). Expanding operations, as well as the rising cost of air navigation (KZT1.1 billion) due to the cancellation of the 100% reduction factor since July 1, 2012 by “Kazairnavigation” RSE
General administrative expenses (GAE)	39,5	39,0	0,5	1,3	Increasing costs is mainly by: • Reserves in 2.1 times (KZT1.4 billion) due to increase in costs for impairment of assets by KZT 0.7 billion and actuarial calculations by KZT0.9 billion • tax by 8.3% (KZT0.8 billion) due to the reflection on the CIT fact from a non-resident and VAT not carried to offset of the actual reflection; • the general costs of the production nature by 34.5% (KZT0.7 billion) is due to increased spending on voluntary medical insurance, payment of penalties and reflection of the costs of technical audit; • the payment of labor (0.2 billion) due to the opening of representative offices in other cities of Kazakhstan.
Shipping costs and sales	2,7	3,3	-0,7	-20,5	Reduction in commissions as a result of improving the quality of online booking and purchasing tickets.
Recovery of assets impairment	0,1	0,3	-0,2	-71,7	Recovery of fixed assets impairment on machinery, equipment and vehicles.
Losses on assets impairment	0,9	0,3	0,7	227,4	Impairment losses on assets of fixed assets (mainly infrastructure).
Financial income	2,6	1,4	1,1	76,6	By increasing the remuneration, which is accrued on cash balances held in current accounts.
Financial costs	19,4	13,9	5,5	39,6	Due to the increase in exchange rates, changes in Libor rates and attracting additional loans amounting to USD 300 million in Q2 2012. through the issuance of Eurobonds.
Income (loss) from operating activities	99,3	92,0	7,4	8,0	
Equity income from associates and joint ventures	0,2	0,1	0,1	30,1	Due to the improvement of the financial result of associated companies of JSC “NC “KTZ”
Income tax expense	18,5	18,3	0,2	1,1	
Profit (Loss) from discontinued operations	2,7	0,0	2,7	-	Because the performance results of the implemented by “Locomotive Kurastyru зауыты” JSC (50% share) for H1 2013, taking into account the excluded intercompany sales are reflected in one line as a loss for the year from discontinued operations in accordance with IFRS IFRS 5 “Long-term assets held for Sale and discontinued operations”
Net income	61,9	62,2	-0,3	-0,4	

The main items in the statement of aggregate income of the segment

Name	1 st half of 2013	1-half of 2012	Deviation	Change,
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	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.	n, KZT bln.	%
Revenues from sales and interest income	100	127	464	100	127	435	29	7,0
Expenditure on operating activities	78,7	100	365,2	78,8	100	342,9	22,3	6,5
Cost of sales and interest expense	69	88	322	68	87	300	22	7,3
Gross income	30,6	39	142	28	39	135	7	5,9
General administrative expenses (GAE)	8,5	10,8	39,5	8,9	11,4	39	0,5	1,3
Shipping costs and sales	0,6	0,7	2,7	0,8	1,0	3,3	-0,7	-20,5
Recovery of assets impairment	0,02	0,02	0,09	0,07	0,09	0,31	-0,22	-71,7
Losses on assets impairment	0,20	0,25	0,94	0,07	0,08	0,29	0,65	227,4
Income (loss) from operating activities	21,3	27	99	21,1	26,8	92	7	8,0
Financial income	0,6	0,7	2,6	0,3	0,4	1,4	1,1	76,6
Financial costs	4	5	19,4	3	3	13,9	5,5	39,6
Equity income from associates and joint ventures	0,07	0,09	0,2	0,05	0,06	0,1	0,1	30,1
Income tax expense	3,99	4,93	18,5	4,27	5,25	18,3	0,2	1,1
Profit (Loss) from discontinued operations	0,6	0,7	2,7	0,0	0,0	0,0	0	2,7
Net income	13,3	16,9	61,9	14,3	18,1	62,2	-03	-0,5

In order to optimize costs in line with measures for optimization of assets in KTZ, “Temirzholsu” JSC and “Zheldorvodoteplosnabzhenie” JSC providing community services, were attached to “Temirzholsu” JSC with the future accession to the unit that operates the backbone infrastructure, according to the Development Strategy of KTZ until 2020.

KTZ jointly with the Fund have developed a cost-cutting program until 2015.

Factors in *net profit* change for the segment in the first half of 2013 compared with the corresponding period of 2012:

Factors	Changes, KZT bln.
Net income (KZT 63 bln. for the reporting period; KZT62 bln. for the same period of 2012)	-0,3
In part because of:	
improving operating performance	7
increasing the remuneration, which is accrued on cash balances held in current accounts	1,1
increase in exchange rates, changes in Libor rates and attracting additional loans amounting to USD 300 million in Q2 2012. through the issuance of Eurobonds.	-7
other	-1,4

Capital costs on this segment in the first half of 2013 have amounted to KZT 155.4 billion, including for the development - KZT120.4 billion, for maintenance of the productive assets and other fixed assets directly involved in the production and administration - KZT25 billion, other - KZT10 billion.

For the first six months of 2013 there was performed the capital repair on:

- the permanent way in the amount of KZT5 331 million, 92 km;
- freight cars in the amount of KZT2,196 million, 336 units;
- carriages in the amount of KZT831 million, 22 units;
- locomotives in the amount of KZT1 840 million, 21 units.

The capital overhaul of the permanent way and rolling allowed:

- improving the way condition, eliminating the track sections with overmissed tonnage, increasing the speed of trains, preventing general aging of the ways, increasing the capacity of sites and ensuring the safety of trains;
- ensuring the needs of shippers in the park of rolling stock and locomotives, enhancing the quality and comfort of passenger traffic;
- reducing the level of depreciation of fixed assets.

In the reporting period it was acquired:

- 467 units of freight cars in the amount of KZT6 548 million;
- 139 units of passenger cars in the amount of KZT21 017 million;
- 45 units of Evolution locomotives in the amount of KZT29 324 million.

In the first half of 2013 the Company has recorded 2 cases of the train crash and 10 cases of descent of rolling stock due to violations of traffic safety.

The Company has carried out the following work to reduce traffic safety violations:

- installed a sign “cruising ban” for 5 499 cars of all forms of ownership;
- continuous monitoring of maintenance of cars at the maintenance depot;
- hearing the heads of the directorates, departments and subsidiary companies on the work undertaken by the organization and ensuring traffic safety and measures to improve it.
- scheduled inspection of the work organization on ensuring the safety of trains, some issues of occupational safety, social conditions, the quality of preparation for the spring commission examination and the willingness of units, infrastructure and technology to the exit from the winter of 2012-2013 at the offices of the road - Zhambyl, Shymkent, Karaganda;
- revision of the organization of traffic safety on farms located within the department of railways;
- it was conducted 1 628 tests, including 352 at night;
- closed for train movement 272 station tracks, 440 turnouts having the retreat, speed was limited at 531 km of track and 183 turnouts.

In the first half of 2013 there were completed the following major investment projects:

- “Reconstruction of even neck of Shieli station (GD -10)” (KZT0.6 billion);
- “Services for the development and implementation of software “Automated complex of single corporate center charges and payments” (single corporate system (center) of settlement payments (SCCP)” (KZT0.5 billion);
- “Implementation of the automated system for monitoring of the cargo and the integrity of cars in motion at the stations of Yekibastuz, Zhana –Aul” (KZT0.5 billion)

3.4. “Power” Segment is presented by the Fund’s Companies: **“Samruk-Energy” JSC** (hereinafter - “Samruk-Energy”) and **“Kazakhstan Electricity Grid Operating Company” JSC** (hereinafter - KEGOC) which are the largest in this segment, **“KOREM” JSC** (hereinafter - “KOREM”), **“Kazakh Research Institute of Energy named after Sh.Chokin” JSC** (hereinafter - KazNIIIE) and **Karagandagiproshaht&K LLP** (hereinafter - Karagandagiproshaht).

The principal activities of **Samruk-Energy** are production of electric and thermal energy, transfer and distribution of electricity, mining of power generating coal as well as reconstruction, expansion and construction of power generating facilities.

The assets structure of Samruk-Energy consists of 38 companies on 4 levels.

Joint Stock Company “Balkhash thermal power plant” (hereinafter – “Balkhash HPP” JSC) is a legal entity created under the laws of the Republic of Kazakhstan and operates in accordance with applicable regulatory legal acts of the Republic of Kazakhstan as well as internal documents of “Balkhash HPP” JSC.

Location: Ulken village, Zhambyl district, Almaty region, Republic of Kazakhstan

In February 2012, in order to attract investment for the construction of the Balkhash HPP 75% -1 share of “Balkhash HPP” JSC was sold to Samsung (South Korea). The shareholders of “Balkhash HPP” JSC are:

- “Samruk-Energy” JSC – 25% plus 1 share
- Samsung (South Korea) – 75% minus 1 share

“Ekibastuz GRES-1 named after Bulat Nurzhanov” LLP

Limited Liability Partnership “Ekibastuz GRES-1 named after Bulat Nurzhanov” is a legal entity established and existing under the laws of the Republic of Kazakhstan.

Location: Ekibastuz, Pavlodar region Republic of Kazakhstan

Participants of GRES-1 are:

- “Samruk-Energy” JSC - 50% of the share capital.

- “Ekibastuz Holdings B. V.” LLP- 50% of the share capital.

Installed capacity - 4000 MW (8 units of 500 MW each).

Electricity markets in Kazakhstan: the Northern, Central, Eastern, Southern regions and the Aktobe region.

Ekibastuz GRES-1, along with the supply of electricity to consumers of Kazakhstan, supplies the energy system of Russia in the framework of the contract concluded between the station and JSC “INTER RAO UES”, in the volume of up to 300 MW hourly.

“Station Ekibastuzskaya GRES-2” JSC

“Station Ekibastuzskaya GRES-2” JSC is a legal entity created under the laws of the Republic of Kazakhstan. It is guided by the current legislation of the Republic of Kazakhstan and the Charter of “Ekibastuz GRES-2 JSC.

Location: Solnechniy village, Pavlodar region, Republic of Kazakhstan

Shareholders of “Station Ekibastuzskaya GRES-2” JSC are:

- JSC “INTER RAO UES” (Russia) - 50% of the shares.
- “Samruk-Energy” JSC - 50% of the shares.

The installed power capacity - 1000 MW.

Electricity markets: Northern, Central, Eastern, and Southern regions and Aktobe region of Kazakhstan.

“Zhambyl GRES named after T.I.Baturov” JSC

“Zhambyl GRES named after T.I.Baturov” JSC (hereinafter - ZhGRES) is a legal entity established and existing under the laws of the Republic of Kazakhstan.

Location: Taraz, Zhambul region, Republic of Kazakhstan

The shareholders of “Zhambyl GRES named after T.I.Baturov” JSC are:

- “Samruk-Energy” JSC - 50% of the shares.
- “Tarazenergo-2005” LLP - 50% of the shares.

Main activity: production of electric energy.

Installed capacity: 1,230 MW (3x200 MW + 3x210 MW).

Electricity markets: South Kazakhstan region.

“Forum Muider B.V.”

The company “Forum Muider B. V.”- a joint venture with the combined company “RUSAL”, with equal shares of ownership 50/50%, registered in the Netherlands and is the holding company that owns 100% stakes in the authorized capital of “Bogaty Komir” LLP.

“Bogaty Komir” LLP

“Bogaty Komir” LLP is the largest coal producing company in Kazakhstan: approximately 38% of total coal production in the country falls on the Company’s share.

The only participant of “Bogaty Komir” LLP is “Forum Muider B. V.”. Currently, the design capacity of the cuts of “Bogaty Komir” LLP is 42 million tons of coal per year (section “Bogaty” - 32 million tons, the cut “North” - 10 million tons).

In view of the modernization program with the transition to auto-conveyor technology production at the “Bogaty” cut (until the end of 2017), the production capacity of the section “Bogaty” will reach 40 million tons. A similar project will be realized at the “North” section.

A table on the installed and available capacity of power plants and the extension of transmission lines of the Company are given below:

Subsidiary	Installed capacity, MW	Available capacity, MW
Power stations		
Ekibastuz GRES-1	4 000	2 757
Ekibastuz GRES-2	1 000	927
Zhambyl GRES	1 230	1 074
AIES	1 239	940
Aktobe CHP	88	76
Hydro-power plants		
“Moynak HPP” JSC	300	300
“Shardarinskaya HPP” JSC	100	75
Transmission and distribution (EPL length, km)		
JSC “AZhK”	28 943	
JSC “MREK”	6 170	
JSC “VK REK”	34 797	

Based on the Agreement #248 dated November 13, 2012 with the Ministry of Industry and New

Technologies of Kazakhstan “On the performance of investment obligations of “Shardarinskaya HPP JSC for 2013”, in compliance with the Decree of the Government of the Republic of Kazakhstan #392 dated March 25, 2009, it was set a limit rate for 2013 in the amount of KZT3.90 per 1kWh for “Shardarinskaya HPP” JSC. In 2012 the actual average rate reached the level of KZT3.50, for the 1st half of 2013 at the level of the approved limit - 3.90 KZT / kWh.

In compliance with the Agreement #242 dated November 8, 2012 signed between the Ministry of Industry and New Technologies of Kazakhstan and “AIES” JSC, sale of electricity since January 1, 2013 was carried out according to the approved limit rate 7.80 KZT / kWh, respectively, the actual rate was formed at the approved level.

Under the Agreement with the Ministry of Industry and New Technologies of Kazakhstan on the implementation of investment commitments #234 dated November 5, 2012, the tariff for sale of electricity to “Aktobe CHP” JSC for 2013 was approved at the level of the ceiling tariff in the amount of 6.70 KZT / kWh. Accordingly, the actual rate for the 1st half of 2013 was at the approved level.

The Department of the Agency for Regulation of Natural Monopolies in Almaty #140-OD by Order #04 dated 04.01.2013 has agreed on the average output rate of “AlmatyEnergoSbyt” LLP in the amount of 13.56 KZT / kWh without VAT (letter # 02-13/09 dated 03.01.2013), it was commissioned since January 10, 2013 (Order # 04 of 04.01.2013). At that, the average output rate of “AlmatyEnergoSbyt” LLP emerged in the amount of 13.46 KZT / kWh due to increase in prices for transportation of electricity through networks of “AlatauZharykKompanisy” JSC by 9.5% and services for power control by 7.3% from January 01, 2013. The income gained from the increase in the output tariff against the planned by 1.3% has amounted to KZT 495.8 mln.

By the joint Order of the Departments of the Agency for Regulation of Natural Monopolies in Almaty #140 -OD and Almaty region # 372 -OD dated November 23, 2012 it was approved the tariff for the production of thermal energy at a rate of 2 536.86 KZT / Gcal with commissioning on January 1, 2013. The actual rate for the 1st half of 2013 was at the approved level - 2 536.86 KZT / Gcal.

By the Order of the Departments of the Agency for Regulation of Natural Monopolies in the Aktobe region #9 -OD dated January 18, 2013 it was approved the ceiling tariffs for thermal energy for “Aktobe CHP” JSC for the mid-term period of 2013- 2015, for consumers of “Transenergo” JSC in the size of 857.94 KZT / Gcal and for industrial users - 1 709,43 KZT / Gcal. The average actual sale rate for the 1st half of 2013 has reached the level of 897.94 KZT / Gcal.

By the Order of the Department of the Agency for Regulation of Natural Monopolies of Mangistau region # 155 -OD dated December 29, 2012 it was approved tariffs for “MEDC” JSC for the transmission and distribution of electricity as CHRM for 2013 in the amount of 3.10 KZT / kWh, including for the population - 1.90 KZT / kWh, “Elektrozhuylery” LLP - 2.39 KZT / kWh. The actual rates for the 1st half of 2013 were at the level approved by the specified groups.

By the joint Order of the Departments of the Agency for Regulation of Natural Monopolies in Almaty #139- ML and Almaty region #371 -OD dated November 23, 2012 for “Alatau Zharyk Kompaniyasy” JSC it was approved tariff for electricity transmission and distribution in the amount of 4.84 KZT / kWh, with commissioning on January 1, 2013. The actual rate for the 1st half of 2013 was at the approved level - 4.84 KZT / kWh.

In compliance with the Order of the Agency for Regulation of Natural Monopolies #205- OD dated August 14, 2012 beginning with October 1, 2012 there were introduced tariffs for “KEGOC” JSC:

- Power transmission - 1,113 KZT / kWh;
- Technical dispatching - 0,128 KZT / kWh;
- On balancing - 0,041 KZT / kWh.

In the 1st half of 2013 there were the **following significant events**:

1) “Long-term Development Strategy of “Samruk –Energy” JSC for 2012-2022” was approved by the decision of the Board of Directors of “Samruk –Energy” JSC;

2) the Charter of “Samruk –Energy” JSC in the new edition was approved.

3) following the results of the Republican contest “Senim – 2012”, held in the framework of the VIII International Conference “Human Resource Management: HR- Trends of IIIrd Millennium”, “Samruk –Energy” JSC took honorable 3rd place in the nomination “Best Employing Company” in “the two capitals” (from 50 to 250 employees).

4) 100% of shares of “VK REC” are transferred to the authorized capital of “Samruk –Energy” JSC.

The actual average number for H1 2013 amounted to 17 351 units.

KEGOC is a system operator of Unified electric power system of Kazakhstan (hereinafter - EPS RK). It renders the services on transmission of the electric power, technical dispatcher of grid and energy consumption, balancing of production / consumption of electricity and ensuring contractual values of the power flows from the

power grids of neighboring countries in accordance with the terms of the contracts, it also provides centralized maintenance control over the objects of EPS RK regardless of ownership.

The structure of KEGOC includes the Executive Directorate, 9 branches of intersystem electric networks located throughout the territory of Kazakhstan, the National Dispatch Center, the representative office in Almaty, “Energoinform” JSC (100 %) - the main type of activity is to ensure a reliable operation and effective development of information and telecommunications complex of EPS RK, and “Batys Transit” JSC (20 %) - the construction of inter-regional 500 kV transmission line “Northern Kazakhstan - Aktobe region”.

The property complex of the Company includes:

- the power lines (hereinafter - EPL) with voltage 35 - 1150 kV with a total length 24 427.737 km;
- 76 electrical substations with 35 - 1150 kV with an installed capacity of 35,535.65 MVA transformers.

The equipment with modern facilities of 110 kV and higher is 48% for the circuit breakers, 49% for the disconnectors, 38 % for CT, 49 % for the voltage transformers.

The following services provided by KEGOC, are referred to the sphere of natural monopolies :

- services on electric power transmission;
- services on technical control of grid and electricity consumption;
- services on balancing the production / consumption of electric power.

Company's tariffs established by the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies starting from October 1, 2012 are:

- for the power transfer at the rate of KZT1,113 / kWh (an increase by 16.8 % from KZT0,953 / kWh in September 2011);

- for the dispatch in the amount of KZT0,128 / kWh (an increase by 8.5 % from KZT0,118 in September 2011);

- on balancing the generation and consumption of the electricity at the rate of KZT0,041 / kWh (an increase by 28.1 % from KZT0,032 in September 2011).

In the reporting period starting from the current autumn-winter period the Uzbek energy system has implemented unsanctioned siphoning of the electrical power and electricity from Kazakhstan UES. Following the results of the negotiations with the Uzbek government it is signed the contract on delivery of unscheduled volume of power from the Republic of Kazakhstan to the Republic of Uzbekistan for H1 2013. It is implementing the work on signing the contract on rendering services on regulating the provision of electrical power.

Given the regions in Kazakhstan it is formed three energy zones:

The northern zone includes the Eastern Kazakhstan, Pavlodar, Akmola, Karaganda, Northern Kazakhstan, Kostanay, Aktobe regions and the capital of the Republic - the city of Astana.

The northern zone is the center of the formation of UES of Kazakhstan, where the major part of generating capacity (78.6 %) is concentrated and there are developed 220-500-1150 kV electrical network connecting the UES of Kazakhstan with Russia's UES. This zone is energy surplus due to the generation of power plants of the area it is provided the cover of the deficits of the southern region of the Republic and the transfer of power to Russia.

The southern zone includes Almaty, Zhambyl, Kyzylorda, South Kazakhstan regions, the city of Almaty and region of Baikonur.

Due to the lack of affordable and adequate own primary fuel and energy resources and, consequently, the energy generating capacities the energy balance of the Southern Zone is formed with the deficit. So in H1 2013, the demand for the electricity on the Southern zone – is 9.4 billion kWh, the deficit is amounted to 4.1 billion kWh. The cover of the deficit is achieved through the transfer on North - South Kazakhstan transit. In H1 2013 the unscheduled power selection by the Uzbekistan totaled 132 million kWh.

The West Zone, which consists of Atyrau, West Kazakhstan, Mangistau regions, has no electrical connections with the UES of Kazakhstan throughout the territory of the Republic of Kazakhstan.

The part of the region's electricity needs is covered by the import from Russia. Western Kazakhstan, Atyrau and Mangistau regions are united with each other by the long single circuit transit (1,400 km) with voltage of 220 kV. Atyrau power unit is connected with the Astrakhan energy unit of Russia by 110 kV transmission lines. Western Kazakhstan region has connections with UES of Middle Volga (Russia) on three 220 kV transmission lines.

The actual average number for H1 2013 has amounted to 4,653 units.

Below it is provided the information on major industrial consumers of the Company with the volumes of consumption for June 2013:

mln kWh			
Electric power grid of major industrial consumers of RK	1 semiyear of 2013	1 semiyear of 2012	Deviation, in %
“Temirzholenergo” LLP	1 722,41	1 731,16	- 0,5
“Kazakhmys” Corporation” LLP	258,59	311,25	- 16,9

“Kazchrome TNC” JSC	316,24	342,73	- 7,7
“Ust-Kamenogorsk Titanium and Magnetic Complex” JSC	320,50	340,80	- 6,0
“SSGPO” JSC	579,79	610,05	- 5,0
“Aluminium of Kazakhstan” JSC	83,11	80,74	2,9
“Kostanai Minerals” JSC	87,18	100,69	- 13,4
“Bogatyr Komir” LLP	179,22	194,76	- 8,0
“ArcelorMittal Temirtau” JSC	665,24	723,30	- 8,0
“Temirtau Electric and Metallurgical Complex” JSC	29,00	63,98	- 54,7
“KAZPHOSPHATE” LLP	1 029,54	884,50	16,4
“Taraz Metallurgical Plant” LLP	54,47	152,26	- 64,2
“Kazzinc” LLP	1 157,16	1 165,57	- 0,7

KazNIE provides the services on scientific and applied researches and developments in the electricity sector, ensuring the demand of the electricity industry in competitive and innovative scientific developments, ensuring the effective commercialization of scientific and technological activities, introduction of domestic technologies and transfer of foreign advanced technologies, the creation of an effective system for strategic and operational management.

The actual average number for H1 2013 has amounted to 56 units.

The main types of the activity of **KOREM** is to ensure the readiness for the trading of electric energy for the centralized location, and **Karagandagiproshaht** implement the design of mining industry, urban planning and architectural design of buildings and structures, as well as environmental design and rating for the coal and mining industry.

The actual average number for H1 2013 has amounted to 38 units .

Production indicators. Key factors of alternations of the production indicators of the segment:

Name	UoM	1st semiyear				Factors
		2013	2012	Deviation	Alternation in %	
Volume of electric power generation	mln kWh	14 591,5	7 599,0	6 992,5	92,02	due to the: • Increase of the load of generating capacities of “Zhambyl HEPP naed after Baturov T.I.” JSC; • Commissioning of “Mainak HES” JSC; • Taking into account of the production values of “Ekibastuz HEP-1” JSC in the H1 2013
Volume of electric power sales	mln kWh	4 137,0	2 829,0	1 308,0	46,24	
Volume of electric power transmission (regional electric networks)	mln kWh	6 011,0	4 219,0	1 792,0	42,47	
Volume of heating power generation	thousand Gcal	3 820,5	4 358,0	- 537,5	- 12,33	due to the formed higher temperature regime in the southern regions of Kazakhstan and decrease of the heating power generation by “AIES” JSC by 494 thousand Gcal or 16%
Volume of coal production	mln ton	19,6	20,8	- 1,2	- 5,77	due to the absence of the need in recovery of the reserves at the storages, as well as decrease of the need in the coal of “Ekibastuz HEP 1 and 2”.
Volume of electric power transmission (national electric networks and interstate flow)	bln kWh	21,5	20,8	0,7	3,33	due to the the growth of the volume of the export of electric power to the Russian Federation for four times to the H1 2012.
Volume of technical dispatcher	bln kWh	42,1	41,8	0,3	0,79	Due to the the growth of the volume of the services on technical dispatching of the grid output an electric power consumption.
Volume of organization of the electric power production and consumption balance	bln kWh	76,8	78,4	- 1,6	- 2,02	due to the decrease of the volumes of the services of the organization of generation – consumption of the electric power, due to the growth of electric power generation.
SAIDI	Minute/year	0,19	0,63	- 0,4	- 69,84	in the result of improving the planned events on the power cut risk decrease.
SAIFI		0,01	0,01	-	-	

Consolidated financial indicators for the segment:

Name	UoM	1st semiyear			
		2013	2012	Deviation (+/-)	Alternation, in %
Consolidated net income	KZT bln	27,74	20,95	6,80	32,45
EBITDAmargin	%	27,30	20,84	6,47	31,04
ROA	%	0,8	0,8	- 0,02	- 2,01
ROE	%	1,4	1,4	- 0,02	- 1,39

Explanations to the alternations of the main elements of the report on consolidated income are provided below.

Name	1st semiyear				Explanations
	2013	2012	Deviation	Alternation in %	
Income from sales, including	105,1	72,4	32,7	45,1	See below
Income from sales and interest income	105,1	72,4	32,7	45,1	Mainly due to: <ul style="list-style-type: none"> • growth of the tariffs on the services rendered (KZT4 350 mln) (KEGOC); • sale of the electric power for compensation of misbalance (KZT988 mln) (KEGOC); • acquisition of 100 % stock of shares of “EK EGC” JSC (KZT14 012 mln); (Samruk-Energy); • growth of the approved tariffs on services and goods of Samruk-Energy (KZT9 188 mln)
State subsidies	0,02	0	0,02		Due to basic financing and grant from MEC RK (KazSRIE);
Cost of sales and interest expense	77,5	57,7	19,8	34,3	Mainly due to: <ul style="list-style-type: none"> • increase of the official salary pursuant to the level of inflation and increase of the quarter bonus (KZT672 mln) (KEGOC); • increase of the cost of services and materials on servicing of electric network assets, increase of the volume of material consumption and service consumption (KZT3 545 mln) (KEGOC); • inclusion of the indicators of the group of “EK EGC” JSC (KZT6 819 mln); • expenses with third-parties organizations (KZT1 639 mln) due to the tariff growth; • increase of the depreciation payments (KZT1 528 mln) (Samruk-Energy) due to implementation of the investment program; • increase of the salary (KZT942 mln) due to the indexation (Samruk-Energy).
General administrative expenses	8,4	7,2	1,1	15,8	Mainly due to: <ul style="list-style-type: none"> • growth of the expenses on salary (KZT416 mln) (Samruk-Energy); • growth of the expenses on reserve forming (KZT876 mln) (Samruk-Energy); • growth (KZT225 mln) of property tax, income tax for non-resident from the source of payment (KEGOC);
Shipping and sales expenses	0,1	0,2	0,0	- 21,4	
Reversal from the assets depreciation	0,6	0,3	0,4	143,0	In 2013 KEGOC has recovered the depreciation of the inventories in the amount of KZT190 118 thousand and other account receivable in the amount of KZT1 891 thousand. In 2012 it is recovered the depreciation of the assets under construction in the amount of KZT20 759 thousand, other account receivable in the amount of KZT167 thousand and the inventory in the amount of KZT43 340 thousand. Industrial materials have been recovered on “Aktobe HEP” JSC in the reporting period (KZT1 583 thousand).

Name	1st semiyear				Explanations
	2013	2012	Deviation	Alternation in %	
					In H1 2012 "MEGC" JSC has recovered the reserve on inventory depreciation (KZT2 001 thousand).
Assets depreciation loss	0,1	0,0	0,1	319,8	In 2013 KEGOC made the accruals of depreciation of the assets under construction in the amount of KZT111 150 thousand and other accounts receivable in the amount of KZT4 839 thousand; In 2012 it is accrued the depreciation of other accounts receivable in the amount of KZT504 thousand.
Other operation income, net	-2,0	0,2	-2,3	- 971,9	Mainly due to placement of five-year euro bonds (KZT75 bln) of Samruk-Energy on Irish Stock Exchange (ISE) and KASE.
Income (loss) from operating activity	17,6	7,8	9,8	125,2	
Share in the income of the associated companies and joint ventures	14,5	16,0	-1,5	- 9,6	Mainly due to inclusion of new assets of "Ekibastuz HEP-1" LLP (50%) to the full consolidation; in the H1 2012 this company has paid the equity income.
Income tax expense	4,4	2,9	1,5	52,1	
Profit / (loss) from discontinued operations	0,05	0,0	0,05		
Net income	27,7	20,9	6,8	32,5	

Main articles of the report on the consolidated income of the segment

Name	1st semiyear of 2013			1st semiyear of 2012			Deviation	Alternation , in %
	in % to the income from sales	in % to the operating activity loss	KZT bln	in % to the income from sales	% operating activity loss	KZT bln		
Income from sales and interest income	100	126	105,1	100	126	72,4	32,7	45
Operating activity loss	79	100	83,4	90	100	65,1	18,4	28
Cost of sales and interest expense	74	93	77,5	80	89	57,7	19,8	34
Gross income	26	33	27,6	20	23	14,8	12,9	87
General administrative expenses	8	10	8,4	10	11	7,2	1,1	16
Shipping and sales expenses	0	0	0,1	0	0	0,2	- 0,0	- 21
Reversal from the assets depreciation	1	1	0,6	0	0	0,3	0,4	143
Assets depreciation loss	0	0	0,1	0	0	0,0	0,1	320
Other operation income, net	- 2	- 2	- 2,0	0	0	0,2	- 2,3	- 972
Income (loss) from operating activity	17	21	17,6	11	12	7,8	9,8	125
Share in the income of the associated companies and joint	14	17	14,5	22	25	16,0	- 1,5	- 10

Name	1st semiyear of 2013			1st semiyear of 2012			Deviation	Alternation, in %
	in % to the income from sales	in % to the operating activity loss	KZT bln	in % to the income from sales	% operating activity loss	KZT bln		
ventures								
Income tax expense	4	5	4,4	4	4	2,9	1,5	52
Profit / (loss) from discontinued operations	0	0	0,1	-	-	-	0,1	
Net income	26	33	27,7	29	32	20,9	6,8	32

In the result of the *works on reduction of the expenses conducted by the Companies of the segment* the share of general expenses on operating activity in incomes from sales has decreased by 6 items, including net cost, as well as GAE – by 2 item in the reporting period as compared to the 1st semiyear.

Factors of the alternations of *net income* on the segment in the 1st semiyear of 2013 as compared to the relevant period of 2012:

Factors	Alternations, KZT bln
Net income (27,7 KZT bln for the reporting period; 20,9 KZT bln for the analogous period of 2012)	6,8
including:	
Due to improvement of the performance of operating activity	6,8

In the next semiyear the Companies of the segment will implement, mainly, the following activities:

- upgrading of the substations and construction of high voltage transmission lines of 500 kV and 220 kV of the branches of MES of KEGOC JSC;
- to conduct work to reduce unauthorized selection of power and capacity from the UES of Kazakhstan from Uzbekistan together with the Government;
- reduction of depreciation of fixed assets;
- improving the efficiency of working capital management.

Capital expenses for the segment in the 1st semiyear of 2013 has amounted to **KZT46.2 billion**, including the funds in the amount of KZT10.2 bln on the maintenance of the productive assets and other fixed assets and KZT 36.0 bln for the development.

3.5 “Telecommunications” segment includes the Companies : “Kazakhtelecom” JSC and “Kazpost” JSC.

“Kazakhtelecom” JSC (hereinafter - Kazakhtelecom), is the largest telecommunications operator of the Republic of Kazakhstan , providing a wide range of information services including fixed telephony, mobile telephony, data transmission and high-speed Internet services to operators, paid-TV services and IT services. The structure of Kazakhtelecom consists of 13 Companies at 3 levels, the Company has a network of branches in the regions and comes in to the group of the Fund with 51% equity interest.

On participation in jointly controlled entities and associated companies and about their activities:

“ALTEL” JSC (100 %), the main activities are the provision of cellular services of CDMA- 800 standard and local calls, mobile broadband on EVDO, LTE technology.

“VOSTOKTELEKOM” JSC (100 %), the main activities are telephonization and internetization of rural communities based on CDMA-450 technology. (technical resource of “Kazakhtelecom” JSC).

“KT Cloud Lab” LLP (100 %), the main activities are the provision of information and communication and VAS- services (value added services), services of contact - centers.

“RadioTell” LLP (100 %), the main activities are providing the data transmission (technical resource of “Kazakhtelecom” JSC).

“Signum” JSC, Moscow city (100 %), the main activities are the provision of data transmission services, Internet access, video conferencing services “Telepresence” (jointly with “Kazakhtelecom” JSC) (the technical unit of “Kazakhtelecom” JSC in Russia).

“Online.kg” OJSC, Bishkek city (100 %), the main activities are telecommunications services.

“MaxCom” LLP (100 %), the main activities are the provision of data transmission services (technical resource of “Kazakhtelecom” JSC).

“DIGITAL TV” JSC (100 %), the main activities are providing of telecommunications services (analogue television transmission, telephony).

“Nursat” JSC (77.08 %), the main activities are providing of satellite services, telephone services (traditional, IP-telephony); the service of access to the Internet.

“Info-Net” LLP (“NURSAT” JSC 100 %); the main activities are providing of broadband wireless access (Internet, data transfer).

“NURSAT+” LLP (“NURSAT” JSC 100 %), the main activities are the organization of satellite communications (Internet, telephony, data transmission).

“NURSAT” OSCJ, Moscow city (“Nursat” JSC 100 %); the main activities are the provision of services on communication channels providing.

The amount of broadband (ports) subscribers for the reporting period has amounted to 1,308,425 ports, with the growth of the previous year by 22 % due to the active promotion of services in the segment of individuals under Megaline Drive, Turbo, Hit, iD Net tariff plans.

The number of mobile communication subscribers (“ALTEL” JSC) has amounted to 732,466 units, or 57 % as compared to the last year, due to lower customers’ loyalty. To attract new and retain existing customers it is developed and actively promoted “Daily” and “Inside the network for 300” tariffs, with free on-net calls and reduced tariffs for GSM operators. To increase the sales on TM City it has been reduced the fee, and the proposal has been strengthened by sales of promo phones.

The number of mobile broadband subscribers for H1 2013 has amounted to 63,219 units, or 84 % as compared to the last year, due to lower loyalty of EVDO subscribers. To keep the subscribers’ base of EVDO, the promotional offers have been extended with providing of unlimited traffic. Also a certain impact on the number of LTE subscribers has been made by transfer of commercial launch of GSM network, which in its turn, limits the completeness of the coverage of subscriber segments. With the occurrence of voice services there will be the possibility to reach the target segment of smartphone users as well.

In compliance with the Law of RK “On Natural Monopolies and Regulated Markets”, it is approved the Republican section of State register of natural monopolies subjects, pursuant to which the services of the sphere of natural monopolies include the following services:

1. Accession of the networks of telecommunications of the communication operators to the network of public telecommunication at the local level;
2. Accession of the equipment (access units) of the operators of IP-telephony (Internet telephony) to the public telecommunication network at long-distance level;
3. Skipping of the telephone traffic from (to) the equipment (AU) of merging operators of IP-telephony (Internet telephony) by connecting operators of communication.
4. Provision of telephone conduit.

In the first semiyear it is revised following tariffs for regulated services:

Universal telecommunications services. Pursuant to the Order of the Committee of Communications and Informatization of the Ministry of Transport and Communications of the Republic of Kazakhstan #79 dated December 19, 2012 “On approval of the plan of re-balancing of tariffs for universal telecommunications services and tariffs for universal telecommunications services” and the order of “Kazakhtelecom” JSC # 476 dated December 25, 2012:

1. It is increased the monthly fee for one basic telephone that is not translated into time-based system of payment of telephone connections (per month) for individuals CTA, CTC+ 20%;
2. It is increased the monthly fee for one basic telephone, translated into time-based system of payment of telephone connections (per month) for notaries in private practice, lawyers and entrepreneurs CTA, CTC+ 6.1%;
3. It is reduced the tariff for public access to the Internet by 5 %.

The services included in the Register of market subjects of dominant or monopoly position.

1. In compliance to the order of “Kazakhtelecom” JSC # 52 dated February 12, 2013 it is revised the settlement rates for telephone traffic (transit) from the network of connected fixed-line telephone services operators, connected locally through the network of “Kazakhtelecom” JSC to the network of the operators of mobile connection - reducing the tariff has amounted to 25 % in average.

2. Due to the changes in settlement rates of some international operators, in compliance with the order of “Kazakhtelecom” JSC # 194 dated May 21, 2013, it is revised the calculated rates of “Kazakhtelecom” JSC for the transfer of international telephone traffic of mobile operators whose networks are connected to the network of “Kazakhtelecom” JSC on the long-distance level and the level of ICC/ TU”.

3. In compliance to the order of “Kazakhtelecom” JSC # 449 dated December 10, 2012, it is reduced monthly fee by 10% on Megaline Hit Optima and Megaline Light Optima tariff plans.

Following significant events took place during the reporting period:

1) closing of the transaction on acquisition of the equity interest in “Digital TV” LLP (100%) and “MaxCom” LLP (100 %);

2) starting from February 1, 2013 it is held the regular stage of re-balancing of the tariffs for universal telecommunications services. As a consequence, it is increased the monthly fee for the segment of individuals by 20 % due to the reduction of tariffs on data services.

3) since the beginning of 2013 the Company has implemented a phased transition of procurement in the Information System of Electronic Procurement (hereinafter - ISEP) .

The actual average number for the reporting period has amounted to 29,841 units.

“Kazpost” JSC (hereinafter - Kazpost) is the National Post Operator.

Kazpost provides services for sending letters and parcels, expedited and express mail, postal money transfers, distribution of printed materials in the postal area. In the field of financial and banking services Kazpost provides services such as currency exchange transactions, deposits, accepting payments, cash management services, collection and transportation of money and valuables, brokerage services on the securities market, electronic money transfers, transfer and agent activities and etc.

In the area of agent services the servicing of consumer credits provided by the second-tier banks have been developed actively.

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

Change in the share of Kazpost in Kazakhstan in 2013 on sending letters is planned from 85.01 % to 84.96 %, and parcels - from 63.42 % to 61.05 %, courier and Express Mail - from 20.1 % to 21.1 %, postal money transfers - from 6.1 % to 6.5 %, distribution of printed materials - from 95.94 % to 96.03 %, and the provision of financial and banking services - from 8.8 % to 7.9 %.

As of H1 2013 the Company has equity interests in the following legal entities:

“Elektronpost.kz” JV” LLP was registered in 2006, together with “Eesti Elektronpost” (Estonia) and “Asternmann LLP” (United Kingdom) with the share of “Kazpost” amounted to 33.3 %, in 2012, the share of “Kazpost” has increased up to 100 %. Kinds of activities: provision of digital printing and converting as well as services of electronic and direct marketing;

“Kazpost GmbH” JV” OJSC was registered in 2008, together with the “HPO Service” (Germany), with the share of “Kazpost” - 50 %. It is planned to decrease the proportion of “Kazpost” up to 30 %. Kinds of activities: implementation of the function of the exchange places abroad (EPA) and the development of remote sales (RS).

In compliance with the Law of the Republic of Kazakhstan “On Natural Monopolies and Regulated Markets”, the Company listed on the State register of natural monopolies subjects on providing public postal services. In compliance with the Law of RK “On Post” public postal services includes the services of postal operator on mail of ordinary letters, postcards and parcels of the users, collected from mailboxes and (or) taken in the operating windows. Fees for public postal services are regulated and approved by the authorized state body in the person of the Committee of Communications and Informatization of the Ministry of Transport and Communications of the Republic of Kazakhstan (hereinafter - the Committee).

In the first semiyear of the year the Company has presented the report on the implementation of the tariff estimate for 2012, as a result of its examination, pursuant to the order of the Committee #30 dated May 30, 2013 #129 (as amended by order #131 dated June 26, 2013) it is introduced a compensatory tariff for the service of sending a simple letters within RK in the amount of KZT58 from July 1, 2013.

In compliance with the Law “On competition” the Company is included in the State Register of the Market, taking a dominant (monopolistic) position with the share of dominance more than 35% within the geographical boundaries of the Republic of Kazakhstan in terms of the provision of services:

on delivery, distribution and sending of periodicals (PPM);

on cash transactions in the settlements;

on sending registered letters within the geographical boundaries of the Republic of Kazakhstan.

The fees for the above services are agreed by the Committee in compliance with the Law of the Republic of Kazakhstan “On Natural Monopolies and Regulated Markets”.

At the beginning of 2013 for the purpose of standartization the Company has increase the tariffs for the delivery, distribution and sending of PPM for the second semiyear of 2013 under the existing level of tariff on PPM local and national / international values.

However , in the second quarter the Company filed an application for revision of tariffs for the delivery, distribution and sending of PPM for 2014, as a result of which the Committee has presented a reasoned opinion (letter #24-03-14/KSI-2432-i dated 16 July 2013) and the rates have been increased.

We note the **following significant events** of the 1st semiyear of 2013:

1) approval of the Development Strategy of “Kazpost” JSC until 2022;

2) carrying out the work for implementation of the “ERP- system” to conduct on-farm activities;

- 3) attraction of external borrowings in the amount of KZT 3,000 million for the implementation of the plan of capital investments planned for 2013;
- 4) opening of the model post offices;
- 5) the signing of the Agreement on the exchange of international mail and the Agreement on cash transfer with the postal operator UAE “EmiratesPost”;
- 6) Finally, the memorandum on cooperation with the RSE “Public service centers for the provision of public services at the bilateral level: is signed;
- The average number at the end of the 1st semiyear of 2013 has amounted to 21 980 units.

Production indicators. Key factors of alternations of industrial indicators of the segment:

Indicator	UoM	1st semiyear				Factors
		2013	2012	Deviation	Alternation in %	
Number of fixed lines	Thous and of lines	4 072	3 996	77	1,9	Due to connection of ner subscribers to the fixed telephony.
Amount of subscribers – Mobile communication (Voice)	Thous and item	732	1 280	- 547	- 42,8	Due to decrease of the subscribers' loyalty.
Number of subscribers of BBA	Thous and of ports	1 308	1 074	234	21,8	It is termed by active promoting of the service on the segment of natural persons on MegalineDrive, Turbo, Hit, iDNet tariff plans.
Volume of postal services	Millio n of items	185	141	44	31,5	Mainly due to: <ul style="list-style-type: none"> the growth of the volume of written correspondence by 17% due to the growth of the volumes of of sending by “Electronpost.kz” LLP and sending of advertising materials by the remote trade companies. the growth of the volumes of parcel post by 18% due to the growth of the volumes of the corporate clients of “AVON” LLP, “Yves Rosche Vostok” OJSC and “Be Dom Torg” LLP.
Volume of financial services	KZT bln	422	410	12	3,0	Mainly due to: <ul style="list-style-type: none"> the growth of fixed deposits by 31,8% due to increase of the cash balance on deposit accounts in fixed deposits “Bereke” and “Pochtovy”; growth of postal transfers by 16,9% due to the growth of express atrnsfer sent.
Volume of agency services	KZT bln	19	13	6	48,0	Mainly due to the growth of the volume of the credit issued by 37,% is termed due to the increase of the volume of crediting of “Home Bank Credit” JSC

Consolidated financial indicators for the segment:

Name	UoM	1st semiyear			
		2013	2012	Deviation (+/-)	Alternation, in %
Consolidated net income	KZT bln	10,79	214,00	- 203,21	- 94,96
EBITDAmargin	%	35,37	36,23	- 0,86	- 2,37
ROA	%	0,6	11,5	- 10,95	- 94,92
ROE	%	0,9	18,5	- 17,57	- 94,95

Explanations to the alternations of the main elements of the report on consolidated income are provided below.

Name	1st semiyear	Explanations
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	2013	2012	Deviation	Alternation in %	
Income from sales	104,9	98,2	6,8	7	
Income from sales and interest income	102,4	95,5	6,9	7	<p>Mainly due to:</p> <ul style="list-style-type: none"> • growth of the volume of the service of data transmission network (KZT5 913 mln) due to active promoting of the service on “Megaline Optima”, “Megaline Hit” and “Megaline Turbo” tariff plans for “Natural persons” and “Individual entrepreneurs” user categories. • Growth of the volume of implementation on postal services (KZT954,9 mln) due to growth of the volumes transfereed by “Electronpost” LLP (“Kaspi bank” JSC) and expansion of the cooperation on remote trade (E-commerce). • Growth of the income from financial services (KZT447,3 mln) at the expense of the growth of the income on social payments, on receipt of communa’ and other payment, on money transfer, as well as growth of the volume of the financlai services rendered to the population and inflow of new clients.
State subsidies	2,5	2,7	- 0,1		
Cost of sales and interest expense	74,9	66,9	8,0	12	<p>Mainly due to:</p> <ul style="list-style-type: none"> • increase of the expenses on work (KZT2 369 mln) due to indexation of the salaries; • increase of amortization payments (KZT2 677 mln) due to implementation of the investment program and introduction of the fixed assets from AUC; • growth of the tariffs and prices for the services and goods, it is excede the plan on oher expenses (KZT1 012 mln). • The growth of the other expenses of Kazpost (KZT1 164 mln) is associated with the increase of the expenses on the articles: business travel expenses, communal services expenses, post transportation expenses (transport expenses), communication services, as well as on servicing in the result of transfer of security service to the outsourcing in compliance woth the Law of RK (dated January 21, 2012).
General administrative expenses	11,7	11,6	0,1	0	Mainly due to forming the reserve on doubtful accounts receivable (KZT41 mln) due to decrease of the volume of overdue accounts receivable.
Shipping and sales expenses	2,1	2,0	0,1	4	
Reversal from the assets depreciation	-	0,004	- 0,004	- 100	
Assets depreciation loss	0,3	0,2	0,1	62	Kazakhtelecom has depreciated inventories (KZT197.2 mln), other payables (KZT11.3 mln) and other long-term advances (KZT4.2 mln).
Other operation income, net	- 1,3	- 2,4	1,1	- 46	
Income (loss) from operating activity	14,7	15,2	- 0,5	- 3	
Income tax expense	3,9	3,2	0,7	24	
Profit / (loss) from discontinued operations	-	202,0	- 202,0	- 100	Transaction on “GSM Kazakhstan” JSC.
Net income	10,8	214,0	- 203,2	- 95	

Main articles of the report on the consolidated income of the segment

Name	1st semiyear of 2013			1st semiyear of 2012			Deviation	Alternation, in %
	in % to the income from sales	in % to the operating activity loss	KZT bln	in % to the income from sales	% operating activity loss	KZT bln		
Income from sales and interest income	100	120	104,9	100	147	98,2	7	7
Operating activity loss	84	100	87,7	80	100	78,3	9	12
Cost of sales and interest expense	71	85	74,9	68	85	66,9	8	12
Gross income	29	34	30,0	32	40	31,3	- 1	- 4
General administrative expenses	11	13	11,7	12	15	11,6	0	0
Shipping and sales expenses	2	2	2,1	2	3	2,0	0	4
Reversal from the assets depreciation	-	-	-	0	0	0,0	- 0	- 100
Assets depreciation loss	0	0	0,3	0	0	0,2	0	62
Other operation income, net	- 1	- 1	- 1,3	- 2	- 3	- 2,4	1	- 46
Income (loss) from operating activity	14	17	14,7	15	19	15,2	- 0	- 3
Share in the income of the associated companies and joint ventures	-	-	-	-	-	-	-	-
Income tax expense	4	4	3,9	3	4	3,2	1	24
Profit / (loss) from discontinued operations	-	-	-	206	258	202,0	- 202	- 100
Net income	10	12	10,8	218	273	214,0	- 203	- 95

In the result of the work conducted on reduction of the expenses in the group of the Fund, the share of general administrative expenses in the income from sale has decrease on 1 item in the reporting period as compared with the 1st semiyear of 2012. The alternation of net income in the reporting period as compared to the 1st semiyear is affected by the sale of the equity interest in “GSM Kazakhstan” JSC to “Kazakhtekcom” JSC in 2012.

Factors of the alternations of *net income* on the segment in the 1st semiyear of 2013 as compared to the relevant period of 2012:

Factors	Alternations, KZT bln
Net income (10,8 KZT bln for the reporting period; 214,0 KZT bln for the analogous period of 2012)	- 203,2
Income from discontinued operations in the result of sale of the equity interest in «GSM Kazakhstan» JSC to «Kazakhtekcom» JSC	- 201,9
Other	- 1,3

In the future, the companies of the segment will aim their work on:

1) increasing the satisfaction of the growing demand for high-speed broadband access (BBA) and the expansion of telecommunication services provided by Kazakhtelecom;

- 2) rapid and efficient development of rural telecommunications network based on wireless technology, CDMA-450, and meeting the demand of rural people in the country for telecommunications services;
- 3) the expansion of existing joints with leading telecom operators of the bordering countries;
- 4) the development of innovative services based on Internet Data Centers, which present a complex of network, computer equipment and specialized software, using energy-saving technologies and with a high degree of fault tolerance and redundancy;
- 5) the development of corporate information and communication services through the development and implementation of comprehensive partnership programs, including with the participation of the leading IT service providers (Microsoft, IBM, SAP and HP);
- 6) expanding of the core business "Postal services" due to the diversification of the product portfolio, high-quality customer servicing and innovative products;
- 7) the establishment of a full-fledged business of financial services through its transition from receiving agency revenue to sale of its own financial services;
- 8) the development of IT-infrastructure of the company and the development of the brand reliability and quality.

Capital costs on this segment in 2012 amounted to KZT12.64 billion, including on maintenance of the productive assets and other fixed assets - KZT3.27 bln and for the development - KZT9.37 billion.

3.6 "Financial Institutes and Development institutes" Segment includes the Companies: "BTA Bank" JSC, "Alliance Bank" JSC, "Temirbank" JSC, which are the major Companies in this segment, as well as "Real Estate Fund "Samruk- Kazyna" JSC, "Astana –Finance", "Şekerbank T.A.S".

The segment reflects only data for the three months of 2013 on "Development Bank of Kazakhstan" JSC, "Damu" Entrepreneurship Development Fund" JSC, "Kazyna Capital Management" JSC, "Export Credit Insurance Corporation "KazExportGarant" JSC and "Investment Fund of Kazakhstan" JSC as on April 2013 the stock of shares of these institutions have been transferred to the trust management of relevant profile ministries. Since establishment of "National Holding "Baiterek" JSC in May the stock of shares have been transferred to the trust management of "National Holding "Baiterek" JSC (hereinafter - Baiterek). Pursuant to the Decree of the President of the Republic of Kazakhstan "On some measures on optimization of the management system of development institutions, financial institutions, and the development of the national economy" #571 dated May 22, 2013, pursuant to the Decree of the Government of the Republic of Kazakhstan #516 dated May 25, 2013 "On measures for implementation of the Decree of the President of the Republic of Kazakhstan #571 dated May 22, 2013", one hundred percent stakes in "Kazyna Capital Management" JSC, "Export Credit Insurance Corporation "KazExportGarant" JSC, "Investment Fund of Kazakhstan" JSC and "Damu" Entrepreneurship Development Fund" belonging to "Samruk-Kazyna" JSC, have been transferred to the republican property on August 27, 2013 with the subsequent transfer as the payment of the authorized capital of Baiterek on 28 August 2013.

The transfer of hundred percent stake in "Development Bank of Kazakhstan" JSC is planned on the first half of September. On September 1, 2013 the shares of "Development Bank of Kazakhstan" JSC is in trust management of Baiterek in compliance with the agreement dated May 29, 2013 entered into between the Fund and the Baiterek.

"Real Estate Fund "Samruk-Kazyna" JSC (hereinafter - the Real Estate Fund) has been established pursuant to the Decision of the Government of the Republic of Kazakhstan #265 dated March 6, 2009 "On some measures to address the problems in the property market" as well as under the implementation of the Joint Action Plan of the Government of the Republic of Kazakhstan, National Bank of RK and Agency for Regulation and Supervision of Financial Market and Financial System for 2009-2010 in order to stabilize the real estate market through the acquisition of residential and non-residential premises in the construction sites and ensure the effective management of a pool of real estate.

The structure of the Real Estate Fund includes four companies.

The main activities of the Real Estate Fund are:

- to assist the Government in stabilizing the real estate market;
- investing in housing;
- improve the business performance.

In the reporting period, there were the **following significant events** (Alia)

1) In compliance with paragraph 2.3 of the Minutes of the Management Board of "Samruk- Kazyna" JSC #08 /13 dated March 18, 2013, it is identified new areas of activity for the Real Estate Fund:

- Development of housing construction with the use of "green" technologies;
- development of industrial zones and business parks;
- investing in the construction of infrastructure of the projects in the Republic of Kazakhstan and abroad.

2) To implement the new directions in Q2, 2013, it is established a new subsidiary, “SK Development” LLP;

3) Pursuant to the Resolution of the Government #560 dated May 31, 2013 it is approved the amendments to “Affordable Housing – 2020” program in part of certain parameters and mechanisms for the implementation of the program by the Real Estate Fund;

4) In the framework of “Affordable Housing – 2020” program following the mechanism of organizing the construction on investment applications of private developers it is signed 4 investment contracts (“Assyl Arman” DC (2nd turn) in Almaty region; “Shygys” DC in Astana, “Modern Residential Complex” in Almaty, “On 42, Mayakovsky Street” DC in Taraz);

5) It is launched the implementation of the 1st project on the mechanism for the implementation of projects on land plots for low-income and marginalized citizens (apartment house in Astana near the 36th street between 26th street and 27th).

6) It is commissioned the 1st object under the anti-crisis program (“Standard” DC in Almaty) .

Under the Joint Action Plan of the Government of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan, the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations of the Republic of Kazakhstan on stabilization of the economy and financial system for 2009-2010, approved by the Government of the Republic of Kazakhstan, in 2009 the Fund has acquired the control stock of shares in “**BTA Bank**” JSC, “**Alliance Bank**” JSC and the outstanding shares of “**Halyk Bank of Kazakhstan**” JSC and “**Kazkommertsbank** JSC (hereinafter - STB). These measures have been aimed to providing the banks with additional liquidity and ensuring their solvency .

We note **following important events in the STB**:

1) since the beginning of this year it is initiated the work with the second-tier banks (hereinafter - STB) and potential investors on exit of the Fund from the equity of the banks and the acquisition of shares of the pension saving funds (hereinafter - PSF);

2) the management of Alliance Bank has developed the Action plan providing for the implementation of the necessary measures to bring the prudential standards in compliance with the laws of the Republic of Kazakhstan and endorsed by the decision of the National Bank of the Republic of Kazakhstan .

Consolidated financial indicators for the segment:

Name	UoM	1st semiyear			
		2013	2012	Deviation, (+/-)	Alternation, in %
Consolidated net income	KZT bln	9,177	-625	641,6	
Nimargin	%	6,2	-427,9		
ROA	%	0,07	-4,1		
ROE	%	0,34	-28,7		

Explanations to the alternations of the main elements of the report on consolidated income are provided below.

Name	1st semiyear				Explanations
	2013	2012	Deviation	Alternation in %	
Income from sale and interest income	146,6	146,1	0,5	0,3	
Cost of sales and interest expense	86,1	126,4	-40,3	-31,9	Mainly due to the decrease of interest expenses on “BTA Bank” JSC by KZT40 bln, including on debt securities in the amount of KZT27.4 bln, on the means of the clients in the amount of KZT10.2 bln, on the loans of the Government and National Bank of RK in the amount of KZT3.5 bln, due to partial redemption of the principal and restructuring of the debt as well as decrease of REPO rate.
General administrative expenses	34,18	37,4	-3,2	-8,7	Mainly due to the decrease of GAE on “BTA Bank” JSC by KZT5.1 bln, including the decrease of the expenses on consulting and legal services in the amount of 3.8KZT bln and the expenses for the staff in the amount of KZT 0.84 bln.

Name	1st semiyear				Explanations
	2013	2012	Deviation	Alternation in %	
Reversal from the assets depreciation	27	68	-41	-60,3	Mainly due to the decrease of recovery of depreciation of the assets on "Alliance Bank" JSC by KZT42,7 bln on the loans allocated to the clients due to restructuring of the credits and revision of the terms of their depreciation.
Assets depreciation loss	51,4	59,2	-7,8	-13,2	Due to the decrease on loss from depreciation of the assets on "Alliance Bank" JSC by KZT38,2 bln and their increase on "BTA Bank" JSC by KZT14.9 bln, in the result of increase of the terms of claim works as well as unfavorable conditions on the property market.
Other operating income (loss) from bank activity	26,1	-640,3	-614,2	-95,9	Mainly due to the decrease of other expenses on "BTA Bank" JSC in the amount of KZT614 bln (in H 1 2012 BTA Bank has recognized the expenses on recovery notes (issued by the Bank under the 1 st restructuring of the debts) in the amount of KZT628,5 bln, after receiving the notice on early payment of the recovery notes from BNY Mellon Corporate Trustee Services Limited as the trust owner of the recovery notes holders).
Income (loss) from operating activity	1,3	-622,1	623,4		In the 1st semiyear of 2012 it is presented the expenses from recognition of the recovery notes on nominal cost on "BTA Bank" JSC in the amount of KZT628 bln.
Share in the income of the associated companies and joint ventures	1,14	4,25	-3,11	-73,2	Mainly due to the decrease of the share of income in "Şekerbank" JSC by KZT1.3 bln, due to the seizure with prohibition on transfer of the shares to the third parties.
Income tax expense	6,4	-1,01	7,41		Effect of the deferred income tax on "BTA Bank" JSC in the amount on KZT8.1 bln, due to occurrence and reversal of temporary differences.
Profit / (loss) from discontinued operations	-2,29	-1,69	-0,6	35,5	Effect of the growth of the losses of the Companies transferred to Baiterek.
Net income	9,17	-625	634,3		Mainly due to the decrease of operating expenses from the bank activities on "BTA Bank" JSC in the amount of KZT614 bln (in H 1 2012 BTA Bank has recognized the expenses on recovery notes (issued by the Bank under the 1 st restructuring of the debts) in the amount of KZT628,5 bln, after receiving the notice on early payment of the recovery notes from BNY Mellon Corporate Trustee Services Limited as the trust owner of the recovery notes holders.

Main articles of the report on the consolidated income of the segment

Name	1st semiyear of 2013			1st semiyear of 2012			Deviation	Alternation, in %
	in % to the income from sales	in % to the operating activity loss	KZT bln	in % to the income from sales	% operating activity loss	KZT bln		
Income from sales and interest income	100	85,7	146,6	100	18,3	146,1	0,5	0,3
Operating activity loss	116,5	100	170,9	544	100	795,4	-624,5	-78,5
Cost of sales and interest expense	58,7	50,3	86,1	86,5	15,8	126,4	40,3	-31,9
Gross income	41,2	35,3	60,4	13,4	2,4	19,7	40,7	206

General administrative expenses	23,3	20	34,18	25,5	4,7	37,4	-3,2	-8,7
Reversal from the assets depreciation	18,4	15,8	27	46,5	8,5	68	-41	-60,3
Assets depreciation loss	30	25,8	44,1	40,5	7,4	59,2	-15,1	-25,5
Other operating income, net	17,4	14,9	25,6	18,6	3,4	27,2	-1,6	-5,8
Income (loss) from operating activity	0,88	0,76	1,3	-425	-78	-622	623,4	
Share in the income of the associated companies and joint ventures	0,77	0,66	1,14	2,9	0,53	4,25	-3,11	-73,2
Income tax expense	4,36	3,74	6,4	-0,69	-0,13	-1,01	7,41	
Profit / (loss) from discontinued operations	-1,5	-1,3	-2,29	-1,15	-0,21	-1,69	-0,6	35,5
Net income	6,25	5,3	9,17	-427	-78,5	-625	634,3	

Industrial indicators. Main factors of the alternations of the industrial indicators of the segment:

Name	UoM	1st semiyear				Factors
		2013	2012	Deviation	Alternation in %	
Volume of the loan portfolio, KZT bln	KZT bln	500,2	473,8	26,4	5,6	Growth at the expense of financing of existing projects of the Bank.
Use of the funds on the projects, KZT bln	KZT bln	30,2	121,1	-90,9	- 75,1	The decrease is termed by non-implemenation of the plan on a number of projects, as well as on leasing projects.
The level of the formed security to the loan portfolio, %	%	27	27,4	-0,4	- 1,5	Deviation is termed by non-significant improvement of the loan portfolio.
Real estate pool under the housing construction program	Tousand sqauer meter	322.1	0	322.1		«Affordable Housing-2020» program is approved on July, 2012.
Real estate sold under the anti-crisis program	%	83,0	82,1	0,9	1,1	Sales of the housings in "Caspian palace" DC and «Bogembai Batyr» DC, commercial premises in «Zapad» DC and «Akzhaiyk» DC.
Kazakhstani content of the developers	%	70	74	4	-5,4	Due to the alternation of the stages and kinds of construction and assembling works on certain objects.
Total sum of the funds directed to the development of the entrepreneurship at the expense of the «Damu» Fund's programs	KZT bln	834	745	89	11,9	Increase of this indicator as compared to the 1st semiyear of 2012 by 11,9% is associated with the increase in the amount of the borrowers on BRM-2020 program.
Amout of the project of JPV covered by the Fund's programs	unit	19 716	14151	5 565	39,3	The increase is associated with the ensuring of avaiable terms for the borrowers on BRM-2020 program

Decrease of other operating loss from bank activity on «BTA Bank» JSC in the amount of KZT614 bln (in the 1st semiyear of 2012 it is presented the loss on recognition of the costs of recovery notes on nominal cost in the amount of KZT628 bln) has mainly effected on the increase of net income in the reporting period in the amount of **KZT634.3 bln** as compared to the 1st semiyear of 2012 on «**Financial Institutes and Development Institutes**» segment.

Factors of the alternations of *net income* on the segment in the 1st semiyear of 2013 as compared to the relevant period of 2012:

Factors	Alternations, KZT bln
Net income (KZT9.177bln for the reporting period; loss in the amount of KZT 625.151 bln for the analogous period of 2012)	634,3
Decrease of other operating losses from bank activity on «BTA Bank» JSC, «Alliance Bank» JSC and «Temirbank» JSC - KZT 614.2 bln due to decongestion of the losses in the 1st semiyear of 2012 on recovery notes on nominal cost of BTA Bank in the amount of KZT628.572 mln after receiving the notice on early payment of the recovery notes from BNY Mellon Corporate Trustee Services Limited as the trust owner of the recovery notes holders.	614,2
Decrease of the cost from state of interest loss of «Damu» EDF» JSC and «BTA Bank» JSC - KZT 40.2 bln due to partial repayment of the principal and restructuring of the debt and decrease in REPO rate	40,2
Decrease of the loss from rate difference on «BTA Bank» JSC - KZT 6.7 bln	6,7
Decrease of the recovery from assets depreciation on DBK, «BTA Bank» JSC and «Alliance Bank» JSC on the loans issued to the clients due to the restructure of the credits and revision of the terms of their depreciation.	-33,1
Other	6,3

Capital expenses (total expenses for the development of the investments) on the segment "Financial institutions and development institutions" in the reporting period have amounted to **KZT886.5 mln**.

3.7. The Segment "Corporate Center and Projects" includes «Samruk-Kazyna» JSC (hereinafter - the Fund) and **"Samruk -Kazyna Invest" LLP, "Samruk-Kazyna Contract" LLP, "Samruk-Kazyna Finance" LLP.**

In the reporting period, there were the following **significant events** :

1) Fund is repaid the loan in the amount of US\$288 million (equivalent to KZT43.5 billion as of the date of repayment) to the China Development Bank, the amount of the remuneration paid is US\$7 million (equivalent to KZT1.1 billion at date of redemption);

2) in accordance with the Minutes of the meeting with the participation of the President of the Republic of Kazakhstan # 01-7.1 on January 23, 2013 "On THE results of social and economic development of the Republic of Kazakhstan for 2012 and the tasks for the implementation of "Kazakhstan – 2050" Strategy , the Government of the Republic of Kazakhstan has established "National Holding "Baiterek" JSC on April 2013, the owner of 100 % of the shares of which is the Government .

Pursuant to the Minues, the share of ownership owned by the Fund, «Kazyna Capital Management» JSC, "Export Credit Insurance Corporation "KazExportGarant" JSC, "Damu" Entrepreneurship Development Fund" JSC, "Investment Fund of Kazakhstan" JSC have been transferred to the trust management of "National Managing Holding "Baiterek" JSC, shares of "Development Bank of Kazakhstan" JSC have been transfreed to the trust management of the Ministry of Industry and New Technologies of the Republic of Kazakhstan, shares in "SK –Pharmaceuticals" have been transferred to the Ministry of Health of the Republic of Kazakhstan;

3) Fund is placed 255,000,000 coupon bonds with a nominal value of KZT 1,000 per bond in the total amount of KZT255.000 million with the term of circulation of 50 years and the coupon interest rate in the amount of 0.01% per annum;

4) Fund is acquired 29.8221 % of th equity interest in the authorized capital of "Kazzinc" in the amount of KZT248.8 billion by acquiring a 100% of the equity interest in the authorized capital of "Logic Business" LLP, "Logic Invest Capital" LLP and "Dana" Investment House" LLP owning 9.9407 % of the equity interest in the "Kazzinc" LLP each;

5) pursuant to the decision of the in-absentia meeting of the Board of Directors of the Fund #92 dated May 27, 2013, it is implemented the donation of 58,876,793 ordinary shares of «Kazakhmys PLC» to the republican property of the Committee of State Propert and Privatization of the Republic of Kazakhstan on June 06, 2013. The fair value of financial assets as of the date of the transfer amounted to KZT44.1 billion.

The actual average number of the Corporate Center of the Fund for the 1st semiyear of 2013 amounted to 155.5 units.

"Samruk-Kazyna Finance" LLP (hereinafter - SK Finance) was created with one hundred percent participation of the Fund for the implementation of the functions of the Fund as the Operator of the government programs in the banking sector.

Main objective of the SK Finance is the achieving of effective management of financial assets of the Fund in the financial institutions , the development of the exit strategy and preparing for the sale of the assets of the Fund ensuring favorable terms for it. Pursuant to the instructions of the Head of the State and the Decree of the Government of the Republic of Kazakhstan # 206 dated March 4, 2013 "On some issues of Joint Stock Company "Sovereign Wealth Fund "Samruk–Kazyna" the shares of joint stock companies "BTA Bank", "Alliance Bank"

and “Temirbank” should be realized by the Fund until December 31, 2013 , in this context , the tasks of the SK Finance for 2013 include the organization of work on the exit from the capital of “BTA Bank”, “Alliance Bank” JSC and “Temirbank” JSC.

The main activities of the SK Finance are providing management consulting services and preparation for the sale of shares and equity interests in financial institutions that are directly or indirectly owned by the Fund.

The actual average number for H1 2013 has amounted to 24 units .

“Samruk-Kazyna Invest” LLP (hereinafter - the SK-Invest). The main activity of the Partnership is the participation in the investment activities of the Fund through the following activities:

- Investment to the capital and assets of legal entities, including at the expense of its own funds and the means of the Fund;
- providing asset management services and investment and consulting services;
- organization of financing projects, including the evaluation of the sources of financing and syndicated project financing;
- researching on corporate, industry, investment, economic and marketing issues;
- consulting services on the issues of information and analytical support for investment activity;
- supporting the initiatives of the private sector on the projects aimed at providing in-depth processing of raw materials, the use of advanced technology and equipment, as well as improving the quality and growth of output of goods and services;
- co-operation with existing investment funds and stimulating the activity of development institutions in order to share the risks of the project participants.

The Sole Shareholder of SK Invest is the Fund.

Under the activities during H1 2013 the Partnership has considered 17 new investment projects and, as of July 1, 2013, in the portfolio of the Partnership there are 31 projects with a total value of US\$ 1.5 billion from a variety of industries, including the building, metallurgical, chemical, oil and gas, energy and other industries.

In the reporting period, there were the following **significant events**:

1) it is signed the legally binding documents on its participation in the investment project “Organization of lighting based on LEDs (together with “Led Systems” LLP)”, the share of the Partnership is US\$ 1.0 million;

2) it has entered into the Statutory agreement with “United Chemical Company” LLP (hereinafter – the Participant) . Following the terms of the agreement the Partnership and the Participant establishes “Chim-plus” LLP. The authorized capital of “Chem- plus” LLP is formed by combining the contributions of Participants. The size of the contributions of the Partnership and the Participant in cash is amounted to KZT19.8 million and KZT19 750.2 mln, respectively; the ratio of the contributions is 0.1 % and 99.9 %, respectively.

In compliance with the Statutory agreement, the authorized capital shall be paid within one year after the signing of the contract. As of June 30, 2013 the Partnership has contributed its share to the authorized capital and has reflected this investment as the investment available- for -sale.

The actual average number for the reporting period has amounted to 59 units.

“Samruk-Kazyna Contract” LLP (hereinafter – SK Contract). The main activities of SK Contract are the monitoring of local content, the introduction of transparent procurement procedures of Companies of the Fund’s group as well as receiving of net income in the interest of the Fund, the creation and implementation of e-procurement system (EPS) for the Fund’s group.

The Sole Shareholder is the Fund.

In the period it is concluded the contracts with “Kazakhtelecom” JSC and “Vostoktelekom” LLP on transfer of the equipment of fiber-optic communication lines situated on the balance of the SK Contract to “Kazakhtelecom” JSC.

The actual average number for H1 2013 has amounted to 62 units.

“Samruk-Kazyna Pharmaceuticals” LLP (hereinafter - SK-Pharmaceuticals) has been established by the Decree of the Government of the Republic of Kazakhstan #134 dated February 11, 2009 for the purpose of providing medicines for the population within the guaranteed volume of free medical aid and assistance and promoting the development of the pharmaceutical industry in Kazakhstan through the combined efforts of the private and public sector on the basis of equal partnership.

On April 2013, the equity interest in “SK –Pharmaceuticals” has been transferred to the trust management of the Ministry of Health of RK.

Consolidated financial indicators for the segment:

Name	UoM	1st semiyear			
		2013	2012	Deviation, (+/-)	Alternation, in %
Consolidated net income	KZT mln	- 8 928	168 103	-177 031	-105

EBITDA margin	%	36,4	59,4	-23	-38,7
ROA	%	-0,17	3,9	-4,07	-104,4
ROE	%	-0,24	6,3	-6,54	-103,8

Main article of the report on consolidated income of the segment

Name	1st semiyear of 2013			1st semiyear of 2012			Deviation	Alternation, in %
	in % to the income from sales	in % to the operating activity loss	KZT mln	in % to the income from sales	% operating activity loss	KZT mln		
Income from sales and interest income	100	84	131 871	100	218	246 698	-114 827	-47
Operating activity loss	119	100	156 250	46	100	113 244	43 006	38
Cost of sales and interest expense	51	43	67 665	37	81	91 324	-23 659	-26
Gross income	49	41	64 206	63	137	155 374	-91 168	-59
General administrative expenses	12	10	15 876	3	7	7 752	8 124	105
Shipping and sales expenses	0,4	0,3	522	0,4	0,9	1 099	-577	-53
Reversal from the assets depreciation			0	0,4	0,9	1 057	-1 057	-100
Assets depreciation loss	55	46	72 187	5,3	11,5	13 070	59 117	452
Income (loss) from operating activity			-24 379			134 511	-158 890	-118
Income tax expense	2,2	1,9	2 921	1,8	3,8	4 338	-1 417	-33
Profit / (loss) from discontinued operations			-3 479			0	-3 479	
Net income			-8 928			168 103	-177 031	-105

Factors of the alternations of *net income* on the segment in the 1st semiyear of 2013 as compared to the relevant period of 2012:

Factors	Alternations, KZT bln
Net loss (-KZT8.9 bln for the 1st semiyear of 2013; net income KZT168.1 bln for the 1st semiyear of 2012)	-177,3
Including due to:	
Decrease of the dividends from the subsidiaries due to receivings in the 1st semiyear of 2012, including from “KazakhTECOM” JSC following the transaction on sale of the equity interest in “GSM Kazakhstan” JSC in the amount of KZT103.4 bln, as well as the alternations of the norm of accrual of the dividends following the results of the activity of the subsidiaries for 2011 from 15% up to 30%.	-96,0
Loss from the depreciation of the investments to “Logic Business» LLP, “Logic Invest Capital» LLP and “Dana” Investment House” LLP in the total amount of KZT55.3 bln, to “BTA Bank» JSC, “Alliance Bank» JSC in the amount of KZT14.8 bln and KZT1.5 bln, accordingly.	-59,6
Decrease of financial income , mainly due to the placement of the idles to the financial instruments, from the fee and issue of the guarantees on the loans allocated at the expense of the China Development Bank (CDB)	-16,0
Transfer of the equity interest in “SK-Pharmaceuticals” LLP to the trust management of the Ministry of Health of RK.	-1,5
Other	-4,2

III. Liquidity

1. Analysis of the cash flow

KZT bln

Name	1st semiyear		
	2013	2012	Deviation
Net income of the cash from the operating activity	114	177	-63

Net loss of the cash in the investment activity	-935	-101	-834
Net income / (loss) of the cash in the financial activity	732	-122	854
Net growth / (decrease) of cash and their equivalents	-89	-43	-46
Cash and their equivalents as of the beginning of the period	1 466	1 647	-181
Cash and their equivalents as of the end of the period	1 377	1 604	-227

The factors of alternations of the *cash* in the reporting period as compared to the 1st semiyear of 2012 is provided below.

Factors	Alternations, KZT bln
Cash flow from the operating activity has increased in the result of: <ul style="list-style-type: none"> • Increase of operating activity (KZT25 bln) • Growth of non-cash expenses on depreciation (KZT23 bln), financial expenses (KZT13 bln), loss from depreciation (KZT142 bln, in particular, investment to «Logic Business» LLP, «Logic Invest Capital» LLP, «Dana» Investment House» LLP, «BTA Bank» JSC, «Alliance Bank» JSC, fixed assets and intangible assets, depreciation of the loans to the clients); • Changes in the turnover capital due to the loans of the Government (-KZT128 bln), repayment of the trade credit payables (-KZT33 bln), current part of the liabilities on the means of the clients (-KZT50 bln); repayment of the trade debt payables (+KZT92 bln), changes in other liabilities (-KZT39 bln) and assets (-KZT67 bln); • Increase of the volume of paid income tax (-KZT41 bln). 	-63
Cash flow from the investment activity has decreased in the result of: <ul style="list-style-type: none"> • acquisition of 29,8221% of the equity interest in the authorized capital of «Kazzinc» LLP in the amount of KZT249 bln (alternation in the amount of KZT 242 bln); • decrease in the income from the sale of associated companies due to the sale of 49% of the equity interest in «GSM Kazakhstan» LLP to «Kazakhtelecom» OJSC (-KZT226 bln) in the 1st semiyear of 2012; • of reduction of receivables from acquisition of the financial assets in the amount of KZT22 bln (alternation by – KZT41 bln); • decrease of the cash flow due to the retired subsidiaries (-KZT171 bln) due to the transfer of the equity interest owned by the Fund, «Kazyna Capital Management» JSC, «KazExport Garant» Export and Credit Insurance Corporation» JSC, «Damu» Entrepreneurship Development Fund» JSC», «Investment Fund of Kazakhstan» JSC, «Development Bank of Kazakhstan» JSC, «SK-Pharmaceuticals» LLP to the «National Managing Holding «Baiterek» JSC, Ministry of Industry and New Technologies of RK, Ministry of Health of RK; • decrease in the income from dividends received from jointly controlled and associated companies (-KZT140 bln); • other payment (- KZT14 bln). 	-834
Cash flow from financial activity has increased in result of: <ul style="list-style-type: none"> • income on loans (+KZT609 bln), particularly under the credit line of the China Development Bank in the amount of US\$ 200 mln (equivalent - KZT30.3 bln) for implementation of the projects of Akbastau – Kosmurun, Zhomart; placement of the obligations by the Group in the person of «NC «KazMunayGas» JSC on the London Stock Market in the amount of US\$ 3 bln (equivalent – KZT 454 bln) for implementation of the refinancing of previously attracted loans under the current program of issue of medium-term global notes; the loan at the expense of the National Fund in the amount of KZT255 bln for acquisition of 29,8221% of the equity interest in the authorized capital of «Kazzinc» LLP; • contributions to the authorized capital by the minority shareholders of the subsidiaries (+KZT26 bln); • decrease in the payment on dividends to the Shareholder and minority shareholders of the subsidiaries (+KZT271 bln) as compared to 1st semiyear of 2012, on operations with the Shareholder (+KZT21 bln), on repayment of the shares of the subsidiaries (+KZT18 bln); contributions to the authorized capital (-KZT2 bln); • repayment of the loans (-KZT87 bln), in particular, the loan of the Fund in the amount of US\$228 mln (equivalent KZT43,5 bln) to the China Development Bank; • other acquisitions (-KZT2 bln). 	854

2. Analysis of financial solvency

In the first half of 2013, under the credit line of China Development Bank, the Fund has received the loan in the amount of U.S.\$200 million (equivalent to KZT30.330 million at the exchange rate as of June 30, 2013). The loan is intended to provide the loan to «Kazakhmys Finance PLC».

On January 14, 2013 the Fund repaid the loan in the amount of US\$288 million (equivalent to KZT43.462 million as at the date of the redemption) to the China Development Bank, the amount of the remuneration paid is US\$ 7 million (equivalent to KZT1.056 million as at the date of redemption) .

On April 30, 2013 the Group represented by the subsidiary, NC KMG, has placed obligations on the London Stock Exchange for a total amount of US\$ 3 billion to refinance previously attracted loans (equivalent to KZT453.720 million as at the date of issue) under the current program of issue of the medium-term global notes

up to US\$10.5 billion . On the bonds issued in 2013, the coupon payment will be made on semi-annual basis, beginning with the October 30, 2013.

During the analyzed period, the obligations of the subsidiary of the Group, NC KMG, has decreased by KZT21.561 million mainly as a result of repayment of the debts by the partners (Agip Karachaganak BV, BG Karachaganak Limited, Chevron International Petroleum, LUKOIL Overseas Karachaganak BV) on "Karachaganak" project in the amount of KZT28.592 million.

On November 26, 2012 the subsidiary of the Group, "Locomotive" JSC, entered into a loan agreement in the amount of U.S. \$ 425 million (equivalent to KZT64,064 million as at the date of agreement signing) with the Export- Import Bank of the United States for the purchase of 196 units of locomotives. Interest rate is composed by Commercial Interest Reference Rate (in U.S. dollars) . Pursuant to the terms of the loan agreement the use of the funds will be implemented within nine tranches, three of which were obtained in January 2013 for a total amount of US\$360 million (equivalent to KZT54,639 million as at the date of receipt) minus the fee of the bank in the amount of U.S. \$ 37 million (equivalent to KZT5.675 million as at the date of receipt).

Table 1. Structure and Dynamics of the Consolidated Debt of the Group

in Bln KZT	1 semiyear 2013	2012	alternation	in %
Loans	4 311	4 197	114	2,7%
Loans of the Government of RK	778	771	7	0,9%
Payables for acquisition of equity interest in the project	348	340	9	2,5%
Liability on financial lease	48	44	4	9,7%
Clients' Funds	740	743	-2	-0,3%
Derivative Financial Instruments	0	8	-8	-95,4%
Other	0	47	-47	-100,0%
Total debt	6 225	6 148	77	1,3%
Minus: cash and their equivalents	(1 377)	(1 466)	-89	-6,0%
Total Net Debt	4 848	4 683	166	3,5%

In case of non-significant increase of the debt level in the 1st semiyear of 2013 it is observed significant improvement of the financial sustainability indicators. Also the ratio of the debt of the Group and EBITDA has decreased from 3.2 in 2012 up to 2.6 in the 1st semiyear of 2013, ratio of the debt and the capital remained without alternations.

Table 2. Long-term Financial Sustainability Indicators of the Group

	1 semiyear 2013	2012
Debt / EBITDA ⁵	2,6	3,2
Net Debt / EBITDA	2,0	2,4
Debt / Capital	0,8	0,8
Net Debt / Capital	0,7	0,6

The consolidated debt of the Group has decreased by KZT 710 bln regardless the second-tier banks and it amounted to KZT 4639 bln as of June 30, 2013. The value of the equity regardless the second-tier banks has amounted to KZT 7290 bln following the results of the 1st semiyear of 2013.

Table 3. Key Financial Indicators of the Group (without STB)

in Bln KZT	1 semiyear 2013	2012	Alternatio n	in %
Debt	4 639	5 349	-710	-13%
Net Debt	3 321	3 973	-652	-16%
Group Capital	7 290	6 993	297	4%

⁵EBITDA – net income before income taxes, depreciation and amortization (tangible and intangible assets) and the interest remuneration for the twelve (12) months preceding the reporting date.

Long-term Financial Sustainability Indicators of the Group regardless the second-tier banks also demonstrates positive results in the 1st semiyear of 2013.

Table 4. Long-term Financial Sustainability Indicators of the Group (without STB)

	1 semiyear 2013	2012
Debt / EBITDA	3,0	3,5
Net Debt / EBITDA	2,1	2,6
Debt / Capital	0,6	0,8
Net Debt / Capital	0,5	0,6